

# The Origins of the Pulp and Paper Industry in Newfoundland

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## The Origins of the Pulp and Paper Industry in Newfoundland

Until the second half of the 19th century the 23,000 square miles of forest<sup>1</sup> on the island of Newfoundland were regarded, like the fishery, as an open-access resource. There was no interior settlement, and coastal settlers used the woods freely. A few sawmills served local markets, but the export of forest products was sporadic and insignificant. A commercial forest industry gradually began to emerge in Newfoundland after 1860. Facing the depletion of mainland pine stands, Maritime entrepreneurs began to eye the Newfoundland forests. And Newfoundlanders themselves began to devote greater attention to the development of the interior as the key to economic growth. By the end of the 1890s a small forest industry based on sawmilling had developed, and although the industry never accounted for more than two per cent of the island's export trade, the colony was beginning to achieve a temporary self-sufficiency in basic forest products.

In the early years of the 20th century, however, the Newfoundland forest industry was transformed by the establishment of a pulp and paper industry. While 19th century government policy was designed to attract agricultural settlers to the forest frontier, expectations began to change in the early years of the 20th century, and the Newfoundland forest played host instead to the foreign capitalist, the company town, and the pulp and paper mill. The importance of forest products in the colonial economy increased rapidly; by the early 1910s wood products accounted for more than 14 per cent of the island's exports. In a few short years Newfoundland had acquired a new staple industry. This was a development actively promoted by the colonial government. To Premier Robert Bond in 1903 the establishment of the pulp and paper industry was the first significant result of what he called Newfoundland's "national policy",<sup>2</sup> which had been launched with the construction of the railway in the 1880s and 1890s.

In the mid-19th century the location and size of sawmills were conditioned by access to market and access to timber. The 14 mills listed in the 1857 census were clustered mainly on the Avalon Peninsula, where the population was most dense. There were, however, four in Notre Dame Bay, where the inlets of Hall's Bay and the Bay of Exploits gave access to some of the best pine and spruce forest on the island. In the Bay of Islands on the west coast, a flourishing exploitation of the forest of the Humber River region was also beginning. Saw-

1 Less than half this area can be considered productive forest: *Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador* (St. John's, 1967), p. 152.

2 *Evening Telegram* (St. John's), 17 April 1903.

milling in the bay began in the mid-1860s as an outpost of the Maritime Provinces' industry. Mills at Corner Brook and Petries — the former started by a Halifax merchant, the latter by an immigrant from northern Ireland — attracted lumbermen and their families from the Sheet Harbour and Stewiacke areas of Nova Scotia, and from New Brunswick.<sup>3</sup> Large amounts of lumber and square timber were exported to Halifax, the United States, the West Indies and Europe. Parties from the Baie des Chaleurs apparently conducted raids on the forests as well. According to one source, at least 1,000 tons were exported from the area in 1875.<sup>4</sup> The west coast trade was completely unsupervised and unregulated. In part this was due to the fact that the colonial government was not permitted to station permanent officials on what was still the French Shore. But much the same can be said of the lumber industry in Notre Dame Bay and the expansion of sawmilling in Trinity Bay; in the absence of legislation governing the forest, it was exploited indiscriminately.

By the early 1870s use of the Newfoundland forests had reached a level where the need for government intervention was recognized. The idea of regulating the industry by a licence system was, however, alien to local tradition, which saw the forest purely as an adjunct to the fishery. The fear was expressed that lumber companies would denude the forests and destroy boat-building timber, and there was a general consensus in the legislature that fishermen's needs would have to have prior consideration.<sup>5</sup> By contrast, Alexander Murray, the colony's geological surveyor, took the view that the authorities were excessively sensitive to "what are called the *rights* of the fishermen".<sup>6</sup> He was prepared to allow them an exclusive coastal zone, but Murray argued that the failure to develop a proper forest policy was having unfortunate results. In the first place, absence of control, the "invincible objection" to timber limits, encouraged waste. The Humber and Exploits mills were ravaging the forests, culling out the best trees and leaving logs of lower quality and smaller size to rot. This result was particularly characteristic of the areas where ton timber was made. A government

- 3 "Report of J.S. Hayward, Landing Surveyor", *Journal of the House of Assembly [JHA]* 1866, Appendix, p. 626; "Report upon the Newfoundland Fisheries, 1872, by Captain A.H. Hoskins, R.N.", *JHA* 1873, Appendix, pp. 719, 733; "Report upon the Newfoundland and Labrador Fisheries, 1874, by Commander Howarth, R.N.", *JHA* 1875, Appendix, p. 751; Alexander Murray to E.D. Shea, 2 July 1874, GN 1/3A 20/1874, Provincial Archives of Newfoundland [PANL]; W.M. Moncrieff, "A History of the Presbyterian Church in Newfoundland, 1842-1967", typescript, n.d., pp. 90-93; *Evening Herald* (St. John's), 17 May 1899.
- 4 Murray to Shea, 2 July 1874, GN 1/3A, 20/1874, PANL; "Report of Mr. C.H. McLeod on Blocking of Timber Lands on the Humber and Gander", *JHA* 1876, Appendix, p. 372; "Offbeat History", *Evening Telegram*, 28 January 1980.
- 5 *Public Ledger* (St. John's), 16 March 1875. See House of Assembly debate, 25 February 1875, *Ledger* 9 March 1875.
- 6 Murray to Shea, 2 July 1874, GN1/3A 20/1874, PANL. On Murray's career, see *Dictionary of Canadian Biography*, XI (Toronto, 1982) pp. 630-3.

agent reported in 1875 that the pine forest bordering Deer Lake on the Humber had been devastated: "The shores. . .are now strewn and glisten in the sun with Pine Logs of all dimensions and quality, cut at least twelvemonth since. . . ." The second effect was to discourage legitimate and responsible entrepreneurs. The Surveyor General reported in 1872 that he had received many applications for timber areas on the east coast, a high proportion of them from the Maritimes. None had been granted because the existing Crown Lands Act permitted a maximum grant of 200 acres for sawmilling, and required a sawmill on each area, an impossible condition. All he could do to control such operators as those in the Bay of Islands was to issue a proclamation in November 1872, impotently warning against trespass on Crown lands.<sup>8</sup>

Murray and his assistant, J.P. Howley, explored the forests of the major east coast watersheds during the first half of the 1870s. In his reports Murray relentlessly repeated his earlier arguments, adding to them a strong infusion of his own incurable optimism. With his experience as an employee of the Canadian Geological Survey, Murray envisaged pioneering communities along the river valleys who would clear the trees or follow the lumbermen and settle down upon what he thought to be fertile soil. "The region that is now a wilderness", Murray wrote of the Exploits Valley, "might. . .soon be converted into a thriving settlement, maintaining a large population". He pressed for a township survey as the necessary preliminary, and forecast a population of 1080 persons per township, complete with horses, sheep, cows and oxen. "With the almost unrivalled capabilities the country possesses for grass growing", he predicted, "breeding and rearing of stock can hardly fail to become one of the great future industries of the province". Control of lumbering, then, was needed not only to prevent waste and attract investment, but also to serve as the essential precondition to interior settlement and the development of a stable agricultural population.<sup>9</sup>

Murray's pressure and enthusiasm, a growing interest in the potential of the interior, and the cavalier depredations of the Humber Valley forests by Nova Scotian millowners, led directly to the Crown Lands and Timber Act of 1875. This was the colony's "first piece of purely forestry legislation" and was openly based on Canadian law.<sup>10</sup> It provided that after survey the government could sell at auction timber licences for a maximum area of 36 square miles (the area

7 G. Carter to E.D. Shea, 13 August 1875, GN 2/2, 1875, PANL.

8 "Report of the Surveyor General for 1872", *JHA* 1873, Appendix, p. 939. See also Murray to Shea, 9 October 1875, and J.J. McCallum to Shea, 8 November 1875, GN 2/2, 1875, PANL, and A. Murray and J.P. Howley, *Geological Survey of Newfoundland* (London, 1881), p. 432.

9 Murray and Howley, *Geological Survey*, pp. 237-61, 356-410, 429-50. See also Arthur Lower, *Settlement and the Forest Frontier in Eastern Canada* (Toronto, 1936), pp. 50, 66, and Michael Staveley, "Saskatchewan-by-the Sea: the Topographic Work of Alexander Murray in Newfoundland", *Newfoundland Quarterly*, 77 (Summer/Fall 1981), pp. 31-41.

10 J.A. Munro, "Public Timber Allocation Policy in Newfoundland", Ph.D. thesis, University of British Columbia, 1978, p. 222; *Public Ledger*, 13 March 1875.

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of one of Murray's suggested townships), subject to such dues and conditions as might be established from time to time. The interest which this legislation represented was short-lived. The tiny Geological Survey staff soon abandoned blocking off timber lands, and the act was never enforced effectively. The west coast industry slumped after the mid-1870s.<sup>11</sup> But on the east coast a slow, uncontrolled growth continued, and new timber regulations were eventually introduced as part of a generally revised Crown Lands Act in 1884. As amended slightly in 1885 these provided for the issue of 21-year licences on the payment of a bonus, rental of \$2 per square mile (the same as in Ontario), and a royalty of 50 cents per thousand board feet of timber harvested. No maximum area was stipulated, and the responsibility for survey was placed on the licensee. A condition of each licence was the processing of the timber in the colony, and it was specified that for every five square miles under licence there must be a 1,000 feet board measure [fbm] mill capacity. This remained a feature of all future forest legislation. The immediate object was the obvious one of encouraging an orderly and large-scale sawmilling industry. There was no resistance on the basis of fishermen's rights, which were in any case safeguarded both by the legislation, and by the fact that no sensible government would dare licence or grant land near settlements for fear of political repercussions.<sup>12</sup> Murray's vision of transient forest industry as a precondition of settlement had taken root. Robert Bond, then an influential member of the governing Liberal party, told the Assembly that the legislation was ". . . based upon an intelligent recognition of the evils which land monopoly and neglect of agriculture has entailed upon the countries of the old world, and has taken account of the fact that this Island, poor and despised as it may now be, must eventually be as densely populated as any of them". The Surveyor General warned the House to expect a tide of immigrants.<sup>13</sup>

If the customs returns can be trusted, no export of ton timber occurred after 1884. It is impossible to say if this was a result of the new legislation, exhaustion of supply, or weakened demand. In any event, it is clear that the mainland timber raiders were replaced by law-abiding sawmillers established at the mouths of the major rivers. The industry developed slowly. In the first decade of the new act's operation only 12 licences were issued for a total area of 1,018 square miles. The larger operators were J.W. Phillips at Point Leamington (Notre Dame Bay) and Gander Bay; J.J. Murphy of Catalina on the Gambo; and J.J. Winsor in the Bay of Exploits.<sup>14</sup> The smaller mills continued to operate

11 The 1884 Census listed only two small mills in the Bay of Islands. See also *Evening Chronicle* (St. John's), 12 December 1878; Moncrieff, "Presbyterian Church", pp. 96, 99-100.

12 Munro, "Timber Allocation", pp. 70, 224-8.

13 *Evening Mercury* (St. John's), 10, 18 April 1884.

14 Munro, "Timber Allocation", Tables II and III; Minutes of Council, 9 January 1888, Vol. VII, p. 233, 21 May 1886, Vol. VII, p. 140, PANL; "Return of Applications for Timber Limits. . .",

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as if the regulations did not exist.<sup>15</sup> The most ambitious new enterprise in this period was instigated by the Reverend Archdeacon Botwood of St. John's, who induced his brother-in-law, a Quebec City lumber merchant, to incorporate in 1889 as the Exploits Lumber Company and to acquire the rights to some five hundred square miles of timber. A sawmill (45,000 fbm per day capacity) was built in the Bay of Exploits at Ship Cove, renamed Botwoodville, and began production in 1890.<sup>16</sup> However, the exertion proved too much for the Archdeacon and his associates; heavily in debt they sold out to another Quebec firm which in turn, with English backing, formed the Exploits Wood Company.<sup>17</sup> As the railway snaked north from the Avalon Peninsula after 1890, smaller mills were established at Benton, by R.G. Reid, the railway contractor, in 1894; at Terra Nova by the Campbell Lumber Company in 1893; and at Glenwood on the Gander River where both Phillips and a Yarmouth, Nova Scotia firm began milling in the mid-1890s.<sup>18</sup>

None of these early operators seems to have done well. The imposition of stumpage in 1895 led to a collective protest from the larger operators, who claimed that if they had to pay more than a rental charge, they would be forced to close. As a result the royalty was abolished from 1896 to 1901. This may have been due in part to falling price levels for forest products, but there were also severe local problems. Suitable timber was proving less extensive than originally thought, and of lower quality, with the result that costs were high and returns low. In the Exploits area in particular, there were extensive forest fires caused by sparks from railway locomotives.<sup>19</sup> There were also labour problems. Loggers were primarily fishermen, and being unwilling to stay in the woods all winter, wanted to go home at weekends and at Christmas.<sup>20</sup> Nevertheless, the Newfoundland sawmilling industry continued to attract investment, especially as

*JHA* 1886, Appendix, pp. 692-3.

15 *Telegram*, 10 August 1896.

16 Certificate of incorporation, 1889, GN 2/37, PANL; *Report of the Newfoundland Royal Commission on Forestry* (St. John's, 1955), pp. 191-2. See also *Decks Awash*, Vol. 10, No. 5 (1981), pp. 3-12.

17 Registry of Deeds (St. John's), Vol. 4, p. 205, Confederation Building, St. John's.

18 J.R. Thoms, "The Sawmill Pioneers of Newfoundland", in J.R. Smallwood, ed., *The Book of Newfoundland*. Vol. III (St. John's, 1967), pp. 417-419; Certificate of incorporation of the Glenwood Lumber Company, Ltd., 30 March 1894, GN 2/37, PANL, and Registry of Companies (St. John's), file 3, Confederation Building, St. John's. It is uncertain when Phillips established at Glenwood. The Campbell Lumber Co. was controlled by the Horwoods of St. John's.

19 *Telegram*, 10-11 August 1896; Evidence of R.F. Horwood, *Dominions Royal Commission, Minutes of Evidence taken in Newfoundland, 1914*, (London, 1915), pp. 56-7; W.C. Wilton and C.H. Evans, *Newfoundland Forest Fire History, 1619-1960* (St. John's, 1974), pp. 56-7; G.D. McGrigor, FRGS, "Impressions of Newfoundland, 1898", Mss. in library of Royal Geographical Society.

20 *Proceedings of the Legislative Council, 1914*, pp. 167, 179.

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prices revived in the late 1890s and began a steady climb. The number and rate of issue of timber licences increased significantly after 1896.<sup>21</sup> By 1901 there were nearly 200 sawmills, and output was rising dramatically.

The most spectacular and best remembered of the sawmill operators in the period preceding the coming of the pulp and paper companies was Lewis H. Miller of Crieff, Scotland (also the home town of Alexander Murray, through whom he may have become acquainted with Newfoundland). Miller operated a large lumber business supplied by timber limits in Sweden which, by the 1890s, were becoming depleted.<sup>22</sup> At this juncture he was approached by his acquaintance Robert G. Reid, the builder and operator of the Newfoundland railway, who himself came from Coupar Angus, not far from Crieff. By virtue of a ten-year operating contract signed in 1893, Reid was entitled to 5,000 acres in fee simple per mile of railway operated, a total of 3,993 square miles. In 1898 he made a further, and highly controversial, agreement with the government by which he in effect bought the railway from the colony and took over all modes of public transportation. As part of this deal he became entitled to a further 2,451 square miles. Reid and his three sons made elaborate plans to develop their lands and create traffic for the railway and coastal steam service. They envisaged a pulp and paper complex at Junction Brook on Grand Lake, mineral developments, hotels to encourage the tourist trade, and large-scale sawmilling

21 Munro, "Timber Allocation", Table II. The following table shows the evolution of the Newfoundland trade in forest products (excluding pulp and paper) for 1856-1915:

Years	Total Exports (\$)	Average Annual Exports (\$)	Average Annual Imports (\$)
1856-60	13,605	2,721	185,839
1861-65	18,415	3,683	77,846
1866-70	25,317	5,063	68,586
1871-75	25,731	5,146	85,204
1876-80	61,034	12,207	105,378
1881-85	90,460	18,092	100,923
1886-90	96,678	19,336	58,609
1891-94	237,883	59,471	117,131
1895-1900	388,295	77,659	23,793
1900/01-1904/5	938,916	187,783	62,770
1905/6-1909/10	1,048,732	209,746	66,379
1910/11-1914/15	331,769	66,354	106,914

Source: Compiled from data in *Journals of the House of Assembly*, 1856-1899, and *Newfoundland Customs Returns*, 1900-1915. Export totals include only forest products of Newfoundland manufacture or origin. For 1891-94 the data refer to a four-year period, and from 1895 the years end on 31 May.

22 *Report of the Newfoundland Royal Commission on Forestry, 1955*, Appendix I, p. 194; R.C. Goodyear, draft history of the early logging industry, typescript in collection of Newfoundland Historical Society, n.d.; H. Silk, "Lewis Miller of Millertown", *Grand Falls Advertiser*, 1 February 1968.

in central Newfoundland. Reid therefore encouraged Miller to investigate the colony's potential.<sup>23</sup>

During the winter of 1899-1900 the available limits in the Red Indian Lake and Gander regions were cruised by a Miller employee. According to R.C. Goodyear, who worked in Miller's camps, the cruiser was given such royal treatment by the Reids, including a private rail car, that he was loath to leave his comforts and tramp the woods. The result was a superficial but glowing report. On this basis in March 1900 Miller concluded a deal with the colonial government and Reid, whereby he obtained timber rights over 304 square miles of Reid land, 206 square miles of Crown land, and the grant of a right-of-way for an 18-mile branch railway to Red Indian Lake. Miller also bought the properties of the Glenwood Lumber Company and announced his intention of working other limits at Indian Bay and Dog Bay. The output of his mills was to be shipped from Burnt Bay (soon renamed Lewisporte), which was linked to the main railway by a branch line.<sup>24</sup>

Miller raised \$1.25 million in England and arrived in Newfoundland later in 1900 with an entourage of more than 100 persons, including 60 Swedish lumbermen. He rapidly created a new settlement, called Millertown, around his sawmills at the head of Red Indian Lake, built a new mill at Glenwood, and at Lewisporte established a 200-acre lumberyard and shipping area. But he soon found his expectations were exaggerated. Though the white pines in which he was principally interested were large, many were over-mature. Goodyear claims that half of the trees cut were "hollow-hearted, windshook or 'dozey'" and only a third were of top export quality. Much of the lumber had to be used for railway ties and wharf pilings, and there was more spruce and fir on the limits than anticipated. Most of the Swedes became dissatisfied with their pay and left as soon as they could. A fire at Glenwood caused serious financial loss. Miller decided either to sell out, or to change over to the manufacture of pulp combined with the export of inferior lumber, pit props and pulpwood.<sup>25</sup>

Miller's failure marked the death of Murray's dream of the forest industry as precursor of agricultural settlement. It was clear that poor, marginal land in

23 The Reid grants were the only outright alienation of forest land in the history of the colony. For the 1893 and 1898 contracts and the railway in general, see F. Cramm, "The Construction of the Newfoundland Railway, 1875-1898", M.A. thesis, Memorial University, 1961, and J.K. Hiller, *The Newfoundland Railway, 1881-1949* (St. John's, Newfoundland Historical Society, 1981).

24 Goodyear, draft history of logging, pp. 4-6; Minutes of Council, 2 March 1900, Vol. 13, p. 38; W.T. Sterritt to A. Mews, 12 November 1903; Registry of Companies, file 3.

25 *Telegram*, 8 April 1900, 9 August 1903; Goodyear, draft history of logging, pp. 9, 23-4; C. Coish, "Lewisporte: 100 Years Old. . .", *Telegram*, 9 October 1976. A minute of council of 17 December 1902 granted Miller the right to cut pulpwood over 230 square miles (Vol. 15, p. 21), and *The World's Paper Trade Review [WPTR]*, 9 January 1903 reported his plans for a pulp mill at Red Indian Lake. He visited England to find markets for pit props and pulp wood in 1902. I am grateful to Mr. W. Furlong of St. John's for this information.



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Newfoundland was unlikely to attract immigrants, given the absence of a strong local market and an abundance of more attractive locations elsewhere. Moreover, the character of the forest was not such as to attract and keep the large operators who would clear the land as they worked. Once the relatively few big trees were gone, Newfoundland was left with a forest consisting mainly of dense stands of black spruce and balsam fir, most of it small, much of it stunted. As such it was best suited for the manufacture of woodpulp, an industry that demanded large timber concessions for perpetual harvest and had little interest in land settlement. The pulp and paper industry was not a transitory phenomenon; it demanded permanence, and rather than creating a blanket of dispersed settlement, it dictated the emergence of industrial centers.

Some Newfoundland businessmen had been promoting the pulp potential of the colony's forests since the 1880s. Raising capital proved extremely difficult, and this problem was recognised in the terms laid out for the issue of licences for the manufacture of pulp, or pulp and paper, in amendments to the Crown Lands Act in 1890-91. Like other forest legislation, the amendments were based on principles adopted on the mainland — in this case, the need for extensive limits and an assurance of permanence — but the application was generous. Newfoundland was prepared to offer 99-year licences and stumpage-free pulpwood (Ontario in the 1890s granted 21-year concessions and charged 20 cents a cord) on areas not exceeding 150 square miles. The licensee was to pay a rental of \$20 per square mile before the licence was issued, the same amount at 25-year intervals, and spend a minimum of \$1,000 per square mile within five years. Local residents had to be employed in all unskilled positions, and public cutting rights for fuel and fishery purposes were protected. Furthermore, the "manufacturing condition" was preserved: all timber harvested was to be processed in the colony.<sup>26</sup>

There was one unsuccessful attempt to take advantage of this legislation by a syndicate of St. John's businessmen,<sup>27</sup> but the most ambitious plans were those of Robert G. Reid. As a director of both the CPR and the Bank of Montreal, Reid had the influence and the personal wealth to envisage independent large-

26 *Evening Herald* (St. John's), 16 May 1905; Lower, *Settlement and the Forest Frontier*, p. 120; R.T. Naylor, *The History of Canadian Business* (Toronto, 1975), Vol. II, p. 82; Munro, "Timber Allocation", pp. 82-3.

27 The businessmen were the principals of Harvey and Co., Moses Monroe, W.B. Grieve and A. Bradshaw. They formed the Newfoundland Chemical Wood Pulp Co. Ltd. (the word "Chemical" was later dropped) in London in 1894, and built a small pulp mill at Black River, Placentia Bay, in 1897, which closed in 1903. Difficulties connected with the site made costs too high for profitable operation. Munro, "Timber Allocation", pp. 82-3; BT 31/5840/40980 and BT 31/7214/51018, Public Record Office [PRO], London; Registry of Deeds, Vol. 14, p. 251, Vol. 20, p. 281; Evidence of J. Outerbridge, *Evidence as to a Revision of the Tariff. . . 1898* (St. John's, 1898), p. 34; "Arbitration, Reid Newfoundland Company vs. the Government of Newfoundland, 1904" [Telegraph Arbitration], Vol. I, pp. 129-30, GN 2/5/A 7-6, PANL.

scale developments. One of these revolved around the exploitation of the potential of the Grand Falls on the Exploits River, which formed part of one of his blocks, on which he had given an option to a group of New York investors. The other was his own scheme for a pulp and paper complex on Grand Lake. Reid made arrangements in London during the winter of 1899-1900 for a \$5 million loan, the only condition being that he transferred all his Newfoundland interests to a limited liability company.<sup>28</sup> Under the terms of the 1898 contract, however, such a transfer needed government sanction, and by the time Reid made the necessary application, the pliant Tory administration of Sir James Winter had fallen, to be replaced by the Liberals, now led by Robert Bond.<sup>29</sup> An austere nationalist, the new premier regarded the Reids with unconcealed hostility, and refused to allow incorporation unless Reid agreed to modify the 1898 contract by giving up the ownership of the railway, the telegraph system, and the additional land to which the contract entitled him. Reid was justifiably aggrieved, since it was established in English law that consent to an assignment should not be unreasonably withheld.<sup>30</sup> He decided to fight it out with Bond in the 1900 general election by actively backing the Tories, whose new leader was Reid's permanent counsel, Alfred B. Morine. Once Bond had swept back to power in a patriotic landslide, Reid and the government came to terms along the lines originally proposed. Having lost some important assets, the Reids now found that they could not independently finance such costly schemes as the Grand Lake pulp and paper complex.<sup>31</sup> Resentfully, they had to watch others take the lead in developing this industry.

So far as Bond was concerned, this was all to the good. He saw the Reid Newfoundland Company, which was launched in September 1901, as a formidably powerful (and foreign) entity in a small, underdeveloped country. It possessed large tracts of land and operated the railway, the coastal steamships and the Cabot Strait ferry, the St. John's Light and Power Company, the street railway, and the only dry dock and its machine shops. Newfoundland would not become a company colony if Bond could help it. Nevertheless, he was anxious to encourage natural resource development by private enterprise, and was prepared to welcome representatives of the Harmsworth publishing empire of London, England, when they arrived in Newfoundland in 1903 to investigate its potential for pulp and newsprint manufacture.

28 "Telegraph Arbitration", Vol. I, pp. 106, 269, 272-3, 276, 279, 296-7; A.B. Morine, *The Railway Contract of 1898 and Afterwards* (St. John's, n.d.), p. 39.

29 On the fall of the Winter Government and politics at the turn of the century, see J.K. Hiller, "A History of Newfoundland, 1874-1901", Ph.D. thesis, Cambridge University, 1971, pp. 349-365.

30 On this point, see Lord Birkenhead, *The Story of Newfoundland* (London, 1920), p. 156.

31 The contract of July 1901 modified that of 1898; it can be found as an enclosure to Sir Cavendish Boyle to Joseph Chamberlain, 22 July 1901, CO 194/248, p. 100, PRO; Morine, *Contract*, pp. 38-41.

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Credit for interesting the Harmsworths in Newfoundland has usually been accorded either to the Reids or to Harry J. Crowe, a Nova Scotia lumberman and promoter who had come to the colony in 1902. In fact, the first contact seems to have come from Lewis Miller.<sup>32</sup> If the official biographers of Alfred Harmsworth (later Lord Northcliffe) are accurate, the response was almost immediate. Alfred entertained to dinner in the autumn of 1902 a number of associates, including his brother Harold (later Lord Rothermere) and Mayson M. Beeton (son of the celebrated cook), a former *Daily Mail* correspondent who had remained one of the inner circle. Alfred turned to Harold and asked what would happen to their publications in the event of war in Europe. Harold allowed that the situation would be serious. Alfred thereupon "spoke his mind. 'We must not continue this risk. Harold you and Beeton must go to Newfoundland, get timber concessions and build mills' ". Within a week they had sailed.<sup>33</sup>

There is no reason to doubt that the conversation took place, but Alfred Harmsworth's dramatic command did not mean that Newfoundland had already been selected as the site for his proposed development. For some time the Harmsworth brothers (who owned, among other publications, the *London Daily Mail*, *Daily Mirror* and *Evening News*) had become increasingly uneasy about reliance on the open market for supplies of paper. Prices had risen, and the Harmsworths felt that increasing world demand, especially in Britain and the United States, and the possibility of paper-making trusts, indicated that the rise would continue.<sup>34</sup> Further, Harold was possessed by what his nephew Cecil King called "a life-long but quite irrational fear that the supply of wood-pulp for newsprint would give out".<sup>35</sup> Alfred, on the other hand, was convinced that within a decade Germany would seek to dominate Europe and its raw materials, including the Scandinavian timber and pulp upon which English papermakers relied.<sup>36</sup> The obvious solution was for the Harmsworths to manufacture their

32 Crowe claimed the credit for himself: see Crowe to W. Monroe, 5 June 1925, GN 2/5/196B, PANL; P.T. McGrath, *Newfoundland's New Industry* (Grand Falls, 1909), pp. 17-18.

33 R. Pound and G. Harmsworth, *Northcliffe* (London, 1959), p. 276; C.R. Fay, *Life and Labour in Newfoundland* (Toronto, 1956), p. 198.

34 Both Naylor, *History of Canadian Business*, Vol. II, p. 83 and Pound and Harmsworth, *Northcliffe*, p. 276, state that the turn of the century had seen a surge in newsprint prices caused by the Cuban and Boer wars. This is reflected in the price of pulp exported from Newfoundland to Britain (Table 1), where pulp prices remained high until 1908. A fall then began which continued up to the outbreak of war. The relevant Canadian price indices show a steady increase in the wholesale price of wood products between 1898 and 1913 of 38.7% overall, and in the export price between 1896 and 1908 of 55.4%; M.C. Urquhart and K.A.H. Buckley, eds., *Historical Statistics of Canada* (Toronto, 1968), pp. 292, 294-5, 299. However, D.C. Smith's table of newsprint prices in the United States, *History of Papermaking in the United States* (New York, 1970) p. 195, shows a low and stable price. Smith also discusses the mergers that took place in the U.S. industry in the period 1898-1908.

35 Cecil King, *Strictly Personal* (London, 1969), p. 65.

36 Pound and Harmsworth, *Northcliffe*, pp. 276, 293, 364; Paul Ferris, *The House of Northcliffe*

own newsprint, as American newspaper publishers were starting to do, and as Edward Lloyd, owner of the London *Daily Chronicle*, had been doing in England since the 1860s.<sup>37</sup>

In 1901 Alfred Harmsworth had investigated the possibility of purchasing a paper plant while in the United States, but had decided against it on the grounds that the wood supply there was declining, and there was the possibility at some time of the United Kingdom enforcing a protective tariff.<sup>38</sup> British territory was preferable. Mayson Beeton had travelled widely before the fateful dinner party, both to gather information about the industry as well as to locate suitable sites for a mill. He had visited Russia, Scandinavia, Maine, Ontario and the Maritimes.<sup>39</sup> By late 1902 the Harmsworths were actively interested in a development on the Nepisiquit River, near Grand Falls, New Brunswick.<sup>40</sup> Newfoundland was an afterthought. However, before the end of 1902 Beeton was in contact with Governor Cavendish Boyle, whom he had first met in British Guiana while investigating the sugar bounty question for the *Daily Mail*, and arrived in Newfoundland early in the new year. By late March he had concluded that, subject to satisfactory terms being arranged, a successful pulp and paper operation could be established either in the Exploits River watershed, using Miller's holdings, on which he took an option, as a nucleus; or by taking over the Reids' plans for Grand Lake and the Humber River watershed. Either scheme depended upon the cooperation of the Reid Newfoundland Company, with its timber lands and railway, and generous concessions from the government to compensate for what Beeton thought was the considerable risk in developing the "wild interior of Newfoundland".<sup>41</sup> Beeton was certainly not prepared to operate in Newfoundland under existing Crown Lands legislation.

Premier Bond was anxious to attract investment, and he was prepared to allow concessions that were greater than the existing legislation provided.<sup>42</sup> A Minute of Council passed on 28 March 1903 revealed how far he was prepared to go.<sup>43</sup> The government agreed to issue a renewable 99-year lease of ungranted

(New York, 1972), pp. 152-55; "Memorandum of Anglo-Newfoundland Development Co. Ltd." (1920), and an undated memorandum, *circa* 1906, in Northcliffe Papers, Volume LXXX, British Library, London.

37 *WPTR*, 7 April 1905; W.J. Reader, *Bowater. A History* (Cambridge, 1981), pp. 10-11.

38 *WPTR*, 28 October 1904.

39 *WPTR*, 26 June 1903.

40 Pound and Harmsworth, *Northcliffe*, pp. 275-6; McGrath, *New Industry*, p. 18; *WPTR*, 27 March 1903.

41 Beeton to Boyle, 31 December 1902, GN 1/3, 38/03, Beeton to Bond, 24 March 1903, GN 2/5/23, Beeton to Boyle, 27 May 1903, GN 1/3, 38/03, PANL.

42 The 1890-91 pulp and paper licence legislation had been altered in 1899 by setting the rental at \$5 per square mile for the first year and \$3 thereafter, and by reducing the minimum required expenditure to \$20,000 in five years; Munro, "Timber Allocation", pp. 232-3, 235.

43 Copy in GN 1/3, 38/03, PANL. Also Minutes of Council, Vol. 15, p. 108.

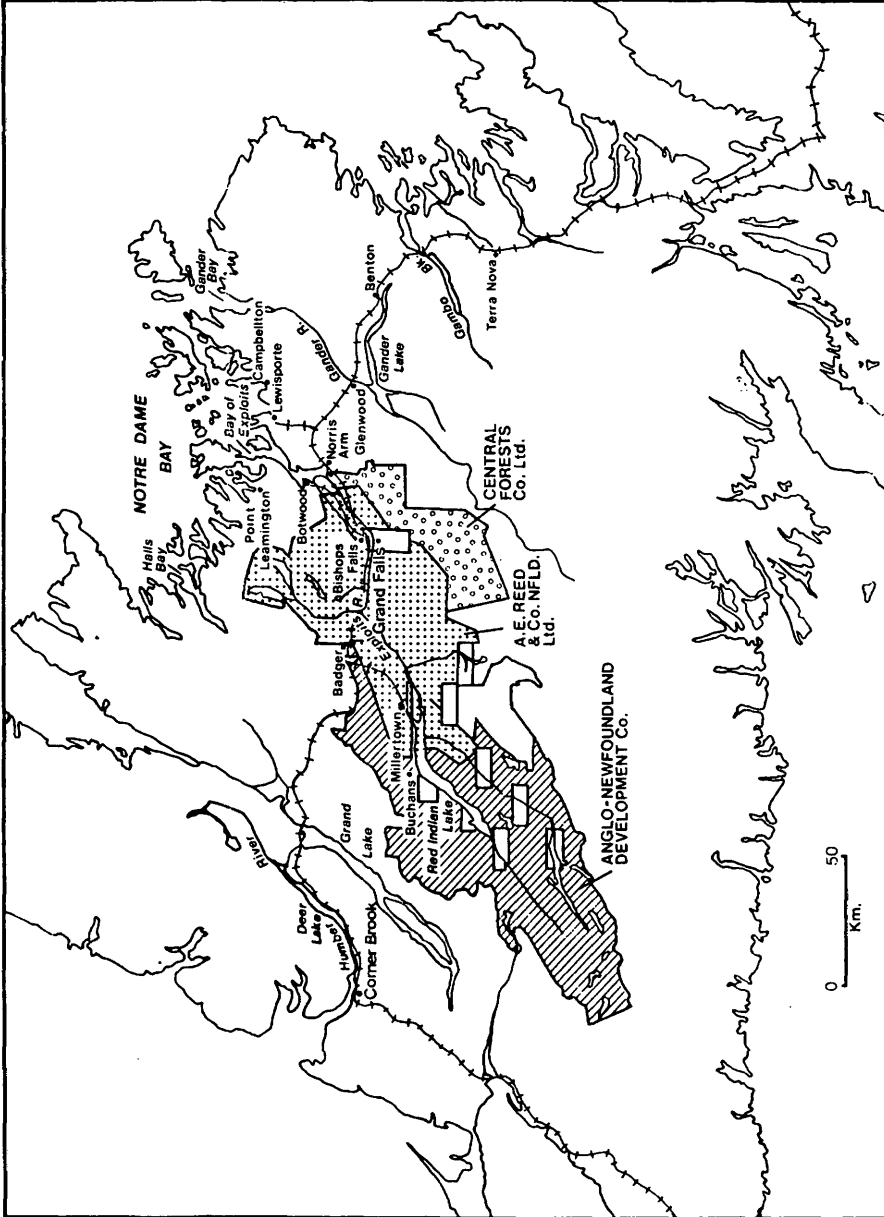


Figure 1: Pulp and Paper Concessions in Newfoundland, 1905-1919 (Based on maps in John Munro, "Public Timber Allocation Policy in Newfoundland", Ph.D. thesis, University of British Columbia, 1978).

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Crown lands in either the Red Indian Lake or the Grand Lake region. No maximum area was specified, and the lease was to include mineral and water as well as timber rights. The annual rent was reduced to \$2 per square mile. Mineral royalties were set at five per cent of net profits. The normal royalty of 50 cents per thousand board feet of timber cut for sawmill purposes was included, but wood cut for pulp was free. Also, the Harmsworths could select 10,000 acres outside their limits for mill and shipping facilities; they could import machinery and construction materials duty free; and, on certain conditions, they were to have sole use of the Grand Lake coal area. It was further provided that if the Harmsworths went ahead with the Grand Lake scheme, and shipped their products from the French Shore, they would be indemnified against diplomatic interference. For their part, the Harmsworths agreed to spend a minimum of \$20,000 within three years of a final agreement, and \$1 million within 20 years. This was an extremely generous agreement, and it is not surprising that Beeton persisted with the Newfoundland project in spite of considerable difficulty in concluding negotiations.

Beeton rapidly decided that of the two possible areas Grand Lake was preferable. He was probably attracted by the prospect of a port in the Bay of Islands that was less exposed to ice than those on the east coast, and the possibility of a cheaper assembly of land, since only half as much of the area was under licence as in the Exploits Valley. Moreover, the only major source of power on the Exploits, Grand Falls, was still under option, while the Reids had already completed basic engineering studies at Grand Lake. Beeton therefore allowed his option on the Lewis Miller properties to lapse, and entered into negotiation with the Reid Newfoundland Company. As a result Miller sold out to Harry Crowe, and thankfully departed for Nova Scotia.<sup>44</sup>

The sale was part of a consolidation of east coast lumber operations which Crowe engineered with backing from the Reids and other capitalists. He did this through two companies. Newfoundland Timber Estates Ltd., controlled by H.M. Whitney of Boston, B.F. Pearson of Halifax, and W.D. Reid (eldest son of the now ailing railway contractor and manager of the Reid Newfoundland Company), of which Crowe was vice-president, took over all Miller's properties, as well as other substantial holdings on the Gander and Gambo Rivers. The New Land Lumber and Pulp Co. Ltd., owned by Crowe alone, absorbed properties on the lower Exploits and at Benton.<sup>45</sup> By these manoeuvres Crowe and the Reids obtained control over the best timber lands on the eastern side of the island, and ensured that no matter where pulp and paper manufacturing

44 Beeton to Boyle, 11, 15 April 1903, GN 1/3, 38/03, PANL; *Telegram*, 6 August 1903.

45 Registry of Companies, files 68, 69. On Whitney, see D. Macgillivray, "Henry Melville Whitney Comes to Cape Breton", *Acadiensis*, IX (Autumn 1979), pp. 44-70. In 1895 Pearson had organised the Dominion Lumber Co. in Nova Scotia on behalf of Whitney and a Boston syndicate. Naylor, *History of Canadian Business*, II, p. 78.

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started up, they would profit from the development. They also controlled the best sawmilling locations, and the companies did manage to give that ailing, undercapitalised and debt-ridden industry an additional if short lease on life. After 1911 the production and export of sawn lumber fell dramatically, not to revive until the 1940s.<sup>46</sup>

The Reid family deeply resented the favour being shown to the Harmsworths by Bond, and recoiled from seeing others take over the Grand Lake scheme. "I fear that we appear to them rather in the light of poachers on what they have grown into the habit of considering a private preserve", wrote Beeton.<sup>47</sup> Indeed, in April 1903 the Reid Company approached the government for financial aid in carrying out the development there themselves. This coincided with Crowe's east coast consolidations, which may suggest either an attempt to squeeze the Harmsworths out of Newfoundland altogether, or to force them to develop the Exploits. In any event, the application for assistance was a forlorn hope, and the rejection that arrived in May cannot have been unexpected.<sup>48</sup> The Reids now had little choice but to come to terms, unless they wanted to incur the odium of driving the Harmsworths to New Brunswick, or perhaps British Columbia, or were prepared to attract capital swiftly for a joint venture. Nevertheless, W.D. Reid refused for some time to give a straight answer, cavilling over the terms of the Minute and prevaricating to the point where Beeton became worried about options he held elsewhere. Governor Boyle's influence was unavailing. By the late summer of 1903, however, it seems that the Reids had, with very bad grace, decided to come to terms over Grand Lake.<sup>49</sup>

Other stumbling blocks now appeared, which related to the nature of the Reids' title to their lands. The 1901 agreement had settled the extent of the company's holdings at 3,993 square miles, and their location had been finalized soon afterwards. A further agreement on the question of public access to Reid land was reached in 1903 and legislated the next year.<sup>50</sup> Final and clear title could then be given to all Reid grants except those on or near the French Shore — grants which were, of course, vital to the Grand Lake scheme. Since the 1880s the Colonial Office had insisted that all grants in the area had to carry the explicit proviso that the grantee observe all regulations that might be made under the relevant Anglo-French treaties.<sup>51</sup> The Reid Company had asked for

46 Munro, "Timber Allocation", Figure 9, p. 151.

47 Beeton to Boyle, 11 April 1903, GN 1/3, 38/03, PANL.

48 Minute of Council, 7 May 1903, Vol. 15, p. 123. The plan submitted on 28 April was a variant of the development plan for which R.G. Reid had arranged a loan in 1900.

49 Beeton to Boyle, 12 April 1903, Boyle to Beeton, 21 June 1903, GN 1/3, 38/03, PANL; *WPTR*, 28 October 1904, 27 January 1905; "Telegraph Arbitration", Vol. I, p. 280.

50 Memorandum on Reid land grants, 1903, GN 1/3, 216/03, PANL; Minute of Council, 17 December 1903, Vol. 15, p. 262; "Transportation of Timber Act", 1904, 4 Ed. VII, c. 13.

51 F.F. Thompson, *The French Shore Problem in Newfoundland* (Toronto, 1961), pp. 48-55.

exemption from these restrictions, but was refused. As a result it was not until after the French Shore question had been settled in 1904 as part of the *entente cordiale* that the company could obtain clear title.<sup>52</sup> It is probable that these problems caused Beeton to give up on the Grand Lake project and open negotiations with Crowe and Timber Estates for a mill on the Exploits.

During 1904 the Harmsworths definitely committed themselves to a Newfoundland development in the Exploits watershed,<sup>53</sup> in spite of dire warnings from established papermaking areas that the wood was of the wrong kind, the ice too heavy, and the fog so wet that the paper would never dry.<sup>54</sup> Early in 1905 Beeton registered the Anglo-Newfoundland Development Company (AND) in St. John's. The major shareholders were established Harmsworth companies — Amalgamated Press, Associated Newspapers and Pictorial Newspapers. Beeton was President, Northcliffe and two of his brothers directors. Agreements were signed with all the relevant parties. W.J. Martin, a fortunate Liberal lumber dealer, received \$45,000 for 611 square miles of timber limits, and Timber Estates was paid \$400,000 for its freehold land at Millertown and Lewisporte, the Millertown railway, and approximately 803 square miles of timber limits. An agreement with the Reid Company confirmed the transfer of timber rights on the same terms as the Crown lands lease, and added mineral rights, the use of the Grand Falls (the American option had lapsed in October 1903) and an adjacent freehold.<sup>55</sup> The agreement with the government was similar to the 1903 Minute. In return for the same Crown dues specified in the Minute, the AND Company was to receive a renewable 99-year lease of all ungranted Crown lands and "lands covered by water" in the Exploits watershed from a point 20 miles below Red Indian Lake. The main differences were that the company was given freedom from municipal taxation, a limited right to expropriate property for works associated with the enterprise, and the right to appoint fire wardens. For their part the Harmsworths agreed to increase their minimum expenditure from \$20,000 in three years to \$250,000 in four, though the guaranteed 20-year expenditure was reduced. The deal was subject to the approval of the legislature.<sup>56</sup>

52 Boyle to Chamberlain, 6 August 1903, Boyle to Lyttleton, 20 October 1903, CO 194/252, pp. 432, 587, PRO; "Telegraph Arbitration", Vol. I, pp. 279-80, 284, 293.

53 Beeton to Bond, 13 September 1904, GN 2/5/23, PANL. Philip Sykes, "Reed International. An Industrial History, 1860-1974". I am most grateful to Dr. Sykes for allowing me to read his typescript.

54 Speech at Grand Falls by Northcliffe, 8 October 1909, Northcliffe Papers, Vol. LXXX, British Library.

55 Registry of Companies, file 98; Registry of Deeds, Vol. 30, pp. 304, 314, 318.

56 Schedule to 5 Ed. VII c. 10, 1905, "An Act to Encourage the Manufacture of Pulp and Paper in the Colony". Newfoundland appears to have been unique in British North America in granting 99-year leases free from stumpage on pulpwood. In 1910 Quebec charged a rent of \$3 and 32 1/2 cents a cord; in 1913, New Brunswick charged \$8 and 75 cents; in 1914 Ontario charged \$5 and 40 cents; J.A. Guthrie, *The Newsprint Paper Industry* (Cambridge, Mass., 1941), p. 31.



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The Harmsworths had reason to feel staisfied. They had obtained what amounted to a perpetual lease on extremely favourable terms of 2,300 square miles of timber lands, and a good source of water power linked by rail to the head of Red Indian Lake and to shipping facilities at Lewisporte. Managed properly, the Exploits watershed promised an unending supply of pulpwood. The great danger was fire, but Beeton felt that the risk was minimized by the size and geography of the area. Moreover, the company's control of mineral rights meant that unauthorized and unsupervised prospectors would not wander over the land, and other persons would be bound by a draconian new Forest Fires Act on which Beeton insisted, and which the legislature passed (not without complaint) in 1905.<sup>57</sup> Labour was expected to be relatively cheap — if inexperienced — and freight to England lower than from Canada. Given these factors and the low Crown dues, the AND Company expected to be able to deliver paper in London \$5 to \$10 per ton more cheaply than from any other North American location. In Beeton's overly-optimistic view, Scandinavian conditions had been almost duplicated.<sup>58</sup>

It was a deal that was greeted with surprise and some dismay in papermaking circles, especially in Britain, where manufacturers suffered a chronic fear of competition from cheap imports, and were starting to view the expansion of the industry in North America with concern. *The World's Paper Trade Review* called the agreement a "sensation", drawing readers' attention to the "immense" concessions given for "a nominal consideration". From Canada came the sour grapes. It would be a mistake to assume, wrote a correspondent, that because the Harmsworths made a bargain, all Canadian pulp areas could be had on the cheap. He quoted the Saint John *Daily Telegraph* as saying that the Harmsworths had gone to Newfoundland only because they found it impossible to get half of New Brunswick for nothing.<sup>59</sup>

The government was well aware of its generosity, but held that liberality in this case was a necessity. E.P. Morris, the Minister of Justice, stated that it was "the best, the very best agreement the government could get from these people. It was that or nothing". It was notoriously difficult to attract capital to the country, the argument went on, and hard bargaining was an impossibility. In any case, the company deserved compensation for the risks involved: it was to operate in an area with very few public services; where detailed knowledge of the quantity and quality of the timber available was as yet unobtainable; where forest management and protection were to be largely the operator's responsibility; where large amounts of capital would have to be spent; and where the labour

57 Beeton to Bond, 13 September 1904, Bond to Beeton 23 September 1904, GN 2/5/23, PANL. The debate on the Forest Fires Act of 1905 can be found in the *Telegram*, 19 April - 1 May 1905, and in the *Herald*, 3-6, 9, 13 May 1905.

58 *Herald*, 14 January 1905; *Telegram* 1, 6 May 1905; *WPTR*, 22 December 1905.

59 *WPTR*, 26 May, 21 July 1905, 5 January 1906.

force was untrained and, for the most part, poorly educated. The colony would be amply compensated by the opening of the interior to settlement and industry. Furthermore, Morris saw the Harmsworth deal as proof that the Liberal party of the 1890s had been right to predict that the expense and effort of railway-building would prove worthwhile, that infrastructure would indeed attract capital.<sup>60</sup>

Introducing the bill confirming the agreement in the windy prose that engulfed him whenever he spoke of economic development, Premier Bond hoped that "a forest wilderness [would be] transmuted into a thickly inhabited territory. The mineral deposits of the interior should be brought to light and applied to the purposes of the arts and the services of men. . . . God and nature has richly endowed this land with resources of various kinds. We have vast stretches of agricultural land, forests and immense water powers. It was not intended by Providence that those lands should forever continue to bring forth nothing but rank and useless vegetation or those rivers. . . . should forever flow through solitudes".<sup>61</sup> This was the language of those who had been bred on the writings and prophecies of Alexander Murray and who had enthusiastically supported the building of the railway, an enterprise whose ultimate justification was economic diversification. "It was primarily and essentially a development scheme", Bond had stated in 1903, "intended. . . .to bring within the reach of capital and enterprise the great natural resources of the Colony, that our Geological Surveyors had declared to exist, and by aiding in their development, to furnish abundant labour to our people and richly augment in the revenue of the Colony". He went on to call for special efforts to induce capitalists to develop the resources of the interior, and to create new centres of population which would be a market for the agriculture which he believed to be "the art of arts" and the basis of civilised society.<sup>62</sup> Bond's conviction gave him a determined identification with a deal which he rightly saw not as a sell-out, but as a grand turning point in the country's economic history.

Bond and Morris expected others to agree,<sup>63</sup> but soon ran into opposition. There was widespread if temporary consternation in St. John's and in the legislature when the details of the agreement became public. One reason for this was surprise that the great foe of monopoly, Robert Bond himself, who had been swept into power in 1900 on a platform of patriotic opposition to the Reids, should endorse a concession of such magnitude. Beyond this, there existed a genuine fear of another crisis similar to that which had erupted over the Reid

60 *Telegram*, 2 May 1905; *Herald*, 16 May 1905. On the risk factor, see Munro, "Timber Allocation", pp. 184-5.

61 *Telegram*, 1 May 1905.

62 *Telegram*, 17 April 1903. For Bond's views on agriculture, see *Mercury*, 18 April 1884 and *Telegram*, 18 February 1908.

63 Morris to Bond, 1 January 1905, GN 2/5/23, PANL.

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contracts, and a similar costly legacy of expensive arbitrations and political bitterness. "There is no legislation which we as a people need to be more cautious about", said the St. John's manufacturer J.B. Angel in the Legislative Council, "than the granting of sweeping franchises and concessions to large corporations and limited liability companies. For the past seven or eight years it seems we have been the hapless victims of the daring speculator, and the shrewd far-seeing capitalist".<sup>64</sup> Unease was most prevalent among the mercantile and professional classes, and found expression in the Legislative Council and in the formation of a Citizens' Protective Association to protest the agreement. The Association was supposedly non-partisan and had a Liberal as its chairman; but the other prominent members were either Tories or Liberal dissidents who had supported a splinter group in the 1904 election, and it failed to foment much public excitement. The government press was essentially correct in calling it a small coterie.<sup>65</sup> Nevertheless, the opinions it represented could not be ignored, and a series of changes were forced in the Legislative Council.

Much of the criticism of the deal in the press was shrill and absurd.<sup>66</sup> But Morine, leading the opposition in the Assembly, and the uneasy Councillors addressed themselves seriously to the principles involved. Their fundamental contention was that the colony was conceding too much for too little. A huge tract of potentially valuable land was being locked up for perpetuity with no provision for improving the financial return to the government. They went on to criticize the low Crown dues, the tax privileges, the inclusion of mineral rights, the right to expropriate, the waivers of the 1903 Crown Lands Act. Why, they asked, should such favour be shown to the Harmsworths when small local enterprises had to pay taxes in full and abide by existing laws? A docile government majority in the Assembly passed the bill with minor changes.<sup>67</sup> The Council, however, demanded more. The Liberal majority there prevented outright rejection or emasculation, but a plethora of amendments were passed to meet more detailed objections. The AND Company's lawyer came scurrying back from New York, and third reading in Council was delayed for over two weeks while he and the government worked out a series of mutually acceptable changes that would go some way to meet opposition criticisms. In summary, the amendments provided that residents of the colony could freely enter the demised

64 *Herald*, 11, 15 May 1905.

65 *Herald*, 11, 16, 19 May 1905; *Telegram* 6 July 1905. For the Governor's reports on the opposition to the deal, see Sir William MacGregor to Alfred Lyttleton, 19 May, 2, 13 June, 24 July 1905, CO 194/256, p. 557, CO 194/257 pp. 19, 155, 212, PRO.

66 The *Free Press* (St. John's), 2 May 1905, claimed that the interior had been given to the Harmsworths "to form a huge game preserve wherein English gentlemen and others may slay to their heart's (*sic*) delight, whilst Newfoundlanders stand humbly at the outposts and beg permission to pay the Harmsworth wardens handsome wages for the privilege of being permitted to tread upon the soil of their God-given, man-stolen, heritage".

67 The Assembly debate can be found in the *Telegram*, 1-12 May and 19-21 June 1905.

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area and hunt, shoot and trap there; remission of customs duties was limited to 20 years; the amount of Crown land was not to exceed 2,000 square miles, rent would be paid on mineral areas, the property was not to be fenced, and the company was to provide land without charge for churches and schools; improved land outside the demised area was exempt from expropriation. The amended bill passed quickly and with little comment, since there was general agreement that it was a distinct improvement over the original. Opposition fizzled out.<sup>68</sup> Nevertheless, the outcry had shaken Bond, who would handle the next applicant for forest privileges with greater caution.

As Beeton and his assistants set to work at Grand Falls, a second pulp and paper development in the Exploits region was under consideration. The British-Newfoundland Syndicate was incorporated in London on 1 July 1905, almost certainly inspired by the Harmsworth deal. Its members included the Harveys and Bowrings of St. John's; the London bankers Coates, Son and Co., who had handled colonial government business in the past; Sir William Ingram of the *Illustrated London News*; and C.A. Pearson, owner of *Pearson's Weekly*, the *Daily Express* and the *Standard* and the Harmsworths' principal rival. The chairman was the papermaker Albert E. Reed who, like the Harmsworths, was concerned about the cost of woodpulp, and was actively debating whether to obtain his own supplies from Newfoundland or Norway.<sup>69</sup> The catalyst was the ubiquitous Harry Crowe, who proposed a pulp and paper development based upon Timber Estates' Gander River properties and those controlled by his own New Land Lumber and Pulp Company on the lower Exploits. He also intended to absorb the Exploits River Lumber and Pulp Company, an American concern which, since 1904, had owned the Botwood sawmilling operation. Grandiose plans called for mechanical and sulphite pulp mills on the Exploits, as well as a paper mill of 150-200 ton per day capacity, presumably to be powered by the Bishop's Falls then under lease to the Exploits Company; there was also to be a mechanical pulp mill on the Gander.<sup>70</sup> By comparison, the Harmsworth project looked almost modest.

Bond wanted the Bishop's Falls development, if possible in time for the general election which would be held in 1908, but he was sensitive to the charge that he had been too generous to the AND Company and determined to strike a

68 *Herald*, 11 May, 10, 12, 20-21 June 1905; *Trade Review* (St. John's), 22 July 1905.

69 *Herald*, 10, 12 June 1905; Sykes, "Reed International". Reed had five paper mills at this date, and had supplied the supercalendared newsprint that had made the Harmsworths' *Daily Mirror* (1903) a successful illustrated newspaper. He already had an interest in a pulp mill on the Miramichi through the Dominion Pulp Co. founded in 1897. See also C.E. Clarke, "The History and Development of the Pulp and Paper Industry in the Maritimes and Newfoundland", M.A. thesis, Acadia University, 1951, p. 51.

70 Crowe to Bond, 16, 22 August 1905, GN 2/5/58, PANL; Registry of Deeds, Vol. 27, p. 190; Sykes, "Reed International"; *WPTR*, 30 June, 18 August, 27 October 1905.

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harder bargain with the Syndicate.<sup>71</sup> He did not have much room for manoeuvre, however, since the 1905 deal had established precedents and forced the government in 1906 to abolish the restrictions on the area of a pulp licence and allow holders of timber licences to manufacture pulp. Bond agreed to harmonize all the timber licences to be purchased from Crowe so that they ran uniformly for 99 years at a rental of \$2 a square mile, to allow limited tax concessions, and to empower the Syndicate to appoint fire wardens. But the licences were not, like AND's to be renewable at the lessee's option on the same terms; they did not include mineral rights; there was no right of expropriation; and the Syndicate would have to begin work at once and spend \$1.5 million in three years. Obviously satisfied with the low rental and absence of stumpage, the Syndicate objected only to the last point.<sup>72</sup> But Bond had been subjected to considerable criticism on this aspect of the Harmsworth agreement, and wanted something tangible to show the electors. The result was a compromise negotiated in November 1905 by Albert Reed, whereby the Syndicate agreed to spend \$750,000 in three years, the government for its part conceding the right to renew the licences for an additional \$1 per square mile. All of this was contingent upon the Bishop's Falls, which were proving a disappointment, producing enough power to make the scheme feasible.<sup>73</sup>

At this point the Syndicate fades from the record, and Reed himself seems to have temporarily lost interest. At the end of the year, he calculated that if he managed to obtain firm control of the forest properties, mills and water powers he was buying in Norway, he could land mechanical pulp along the Thames about 45 cents a ton more cheaply than from Newfoundland. He also noted concerns about the colony's labour supply, speed of repairs and regularity of shipments from Lewisporte. This sober assessment was in marked contrast to Beeton's optimism, and was to prove more realistic. But in March 1906 assent was refused to his Norwegian purchases, and by the following autumn Reed was back in negotiation with Crowe and Bond about Bishop's Falls. In the meantime, Crowe had formed another company with the cooperation of Whitney and Pearson, the Newfoundland Pine and Pulp Company Ltd. (May 1906), which absorbed the Exploits River Lumber and Pulp Company, and later acquired other timber limits in the region.<sup>74</sup> Operating independently, Reed now planned to build only a pulp mill at Bishop's Falls, supplied by limits acquired from

71 Minute, 24 November 1905, CO 194/257, p. 361, PRO.

72 A.E. Reed to Bond, 15 September 1905, Crowe to Bond, 23 August 1905, GN 2/5/58, PANL; Minute of Council, 18 September 1905, Vol. 16, p. 94.

73 Reed, A. Henderson and A.J. Harvey to Bond, 27 October 1905; Reed and Harvey to Bond, 8 November 1905, GN 2/5/58, PANL.

74 Sykes, "Reed International"; *WPTR*, 25 February 1910; Registry of Companies, files 113, 117; Registry of Deeds, Vol. 32, pp. 259, 266, 333, Vol. 34, pp. 139, 282, 567. In 1906 Reed was also involved in the flotation of the Canadian Pacific Sulphate Pulp Co. Ltd., which was planning a development at Swanson Bay, British Columbia; *WPTR*, 4 January 1907.

Newfoundland Pine and Pulp. He flatly told Bond that a paper mill would have to wait indefinitely, and that within the two years that would elapse before the 1908 election he would guarantee no more than the dam and the start of a pulp mill. Eventually Bond accepted an agreement whereby Reed would complete a pulp mill within three years, with no limit on the paper mill.<sup>75</sup> With these terms settled, Albert E. Reed and Company (Newfoundland) Ltd. was incorporated in London in April 1907 as a wholly-owned subsidiary of the parent company (A.E. Reed and Co. Ltd.) and the Reed family, and purchased from Newfoundland Pine and Pulp 1,369 square miles of timber limits and water powers at Bishop's Falls and Badger Brook, for a total of \$410,350.<sup>76</sup> That summer Reed's son began preliminary work.

The Bishop's Falls agreement did not entail direct negotiations with the Reid Newfoundland Company over its lands, and A.E. Reed had so far been spared the lengthy negotiations which had so infuriated Beeton. But no development in central Newfoundland could escape dealings with this company, and A.E. Reed soon found himself embroiled in talks that were just as frustrating. First, W.D. Reid proved unwilling or unable to quote satisfactory freight rates to Lewisporte, or to give any guarantee that the railway could cope with the traffic. Secondly, he warned that either the pulp company or the government (or both) would have to indemnify the railway against costs or delays in the event that raising the water level above the dam damaged the Bishop's Falls railway bridge — a not unreasonable condition, given that the company had already lost two bridges there to the spring ice. Reed decided to avoid the first problem by building his own branch line to Botwood, but the bridge question had to be solved. After lengthy negotiations an agreement was eventually reached in October 1908 whereby A.E. Reed and Company and Reed personally agreed to indemnify the Reid Newfoundland Company for flood damage.<sup>77</sup>

The curious aspect of this dispute is that it lasted so long. It was obviously complicated by Bond's unwillingness to become involved and W.D. Reid's notorious inflexibility, but one cannot escape the suspicion that Reid actively wanted to spin out the disagreement so that there would be no activity at Bishop's Falls for which Bond could take the credit in the 1908 election. Given that the Reids were financing Bond's opponent — the former Justice Minister, Edward Morris — and that a reasonable agreement was reached a month before polling day, this is a not implausible interpretation. But superficially more curious still was the company's refusal to come to terms on the matter of freight

75 A. Harvey to Bond, 4 December 1906, 8, 19 February 1907, A.E. Reed to Bond 19, 26, 30 November 1906, 22 January 1907, GN 2/5/58, PANL.

76 Sykes, "Reed International"; Registry of Deeds, Vol. 35, pp. 19, 32, 36.

77 A.E. Reed to Bond, 19, 26 November 1906, GN 2/5/58, PANL; A.R. Penney, "Newfoundland Railway. Newfoundland Epic" in Smallwood, *The Book of Newfoundland*, III, pp. 492-3; A. Ralph Reed to A.E. Reed, 12 June, 6, 11 July 1907, typed copy of letters loaned by Dr. P. Sykes. See also Sykes, "Reed International" and draft agreement in GN 2/5/58, PANL.

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rates to Lewisporte. In 1905 AND had made an agreement with the company based on the then projected capacity of the Grand Falls mill. When the size of the mill was considerably increased, the company refused to alter its original quote of 94 cents per 100 pounds. After a final attempt in 1908 to obtain a satisfactory rate, AND agreed to cooperate with A.E. Reed in building a 22-mile branch line connecting Grand Falls, Bishop's Falls and Botwood on a 75-25 per cent basis. Beeton estimated that their freight cost would be only 50 cents per 100 pounds.<sup>78</sup> A possible explanation for the Reid Company's behaviour is that it took the view that the additional investment necessitated by a sharp rise in traffic over a short stretch of its lines could only be justified by a relatively high return. Another is simply that W.D. Reid called the pulp and paper companies' bluff — and lost.

In any event, once the disputes with the Reid Company were settled. A.E. Reed began work at Bishop's Falls, and in 1912 completed the dam and a 39,000 ton per year mechanical pulp mill. The much more elaborate Harmsworth development had opened at Grand Falls in 1909, with an annual capacity of 30,000 tons of paper and 56,000 tons of pulp (sulphite and mechanical). It was, at the time, the biggest and most modern pulp and paper complex in the world, and the first integrated operation in the Atlantic region of British North America.<sup>79</sup> Unlike most of the other mills in the region, neither of the Newfoundland developments represented an attempt to break into the North American market. They were, rather, examples of vertical integration by British firms attempting to safeguard for themselves forest supplies which they feared might otherwise disappear into the maw of the United States and British competitors. Newfoundland, as a result, remained for a while longer as an outpost of an Atlantic rather than a continental economy.

Both AND and A.E. Reed were conscious of this comparative isolation, economic and geographical. Strangers in an alien land, faced with a myriad of common problems, the two companies worked together from the outset. Agreement to share the Botwood railway and shipping facilities was accompanied by Harold Harmsworth — the real architect of Grand Falls — helping out Reed in the fall of 1908 when, as a result of difficulties and delays caused by the bridge dispute, the latter found himself unable to meet an instalment due Newfoundland Pine and Pulp. Not that Harmsworth acted altogether selflessly: the £20,000 he advanced was paid for by a 16 per cent shareholding in A.E. Reed and Company (Newfoundland). Shortly after this, A.E. Reed transferred to AND 1,350 square miles of timber limits on the lower Exploits near Grand

78 *Dominions Royal Commission, Minutes of Evidence 1914*, pp. 63, 66; Memorandum by Beeton, 16 July 1908, Northcliffe Papers Vol. LXXVIII, Minute of AND Board, 28 May 1908, Report by E.A. Sursham for June 1908, Northcliffe Papers Vol. LXXIX.

79 Munro, "Timber Allocation", pp. 65-6, 80; Sykes, "Reed International"; F.A. Price, "Fifty Years of Progress at Grand Falls", *Pulp and Paper Magazine of Canada*, 60 (1959), pp. 80-81.

Falls. In their place Reed took over licences to 605 square miles of timber held by the Central Forests Company, the successor to Crowe's New Land Lumber and Pulp, which Reed had bought out.<sup>80</sup> It was not long, though, before the Reed company was completely absorbed by AND. After a relatively promising start the company made a monotonous annual loss. Its difficulties were intensified with the outbreak of war in 1914 and in September 1916, Rothermere — as Harold Harmsworth had now become — bought the company for £56,949. It lasted as a separate entity, supplying pulp by pipeline to Grand Falls, until in 1929 it was finally digested by AND.<sup>81</sup>

Rothermere was probably right to state, after the event, that the Bishop's Falls mill never had an independent viability, and could only be successful as part of a larger project.<sup>82</sup> AND survived partly because of a better location, but mainly because it had superior financial resources and could better meet the problems which had overwhelmed Reed. The Newfoundland producers found that they were handicapped by higher production costs and freight charges than the Scandinavians. The English market remained competitive and the price low in the years before the war, and the parent companies found that they could have acquired paper as cheaply on the open market. The American market did not represent a realistic alternative, since it was being more than adequately supplied by an expanding Canadian industry reliant on American capital. It was expected that as the Newfoundland labour force became steadier and more experienced, labour and logging costs would decrease, though it was recognized that wage levels would remain above those in Scandinavia. Freight costs were a more fundamental problem, compounded by the ice which blockaded the Bay of Exploits each winter and spring. The companies could either store their products — which damaged the quality of mechanical pulp — or send them over the Reids' railway to St. John's or, after 1912, to Heart's Content. Despite these difficulties, the success of Grand Falls was sufficient to allow a substantial increase in capacity in 1912.<sup>83</sup> In 1910 the Harmsworths purchased the Imperial Paper Mills at Gravesend, England. This made them the third largest pulp and

80 Sykes, "Reed International". Though the transfer was made in June 1909, the agreement was not finally executed until 1919. A.E. Reed to E.P. Morris, 9 October 1916, GN 2/5/196A, PANL; Second Schedule to AND trust deed, 1911, Registry of Companies, file 98; Munro, "Timber Allocation", p. 96. Founded in 1903, New Land's properties were mortgaged in 1907 to an Albany, New York syndicate. The name was officially changed to Central Forests in 1909. In 1911 A.E. Reed transferred his shareholding to his Newfoundland company; Registry of Companies, file 69.

81 A.E. Reed to E.P. Morris, 28 November 1916, GN 2/5/196A, PANL; Sykes, "Reed International".

82 Lord Rothermere to W.J. Halfyard, 10 March 1924, GN 2/5/196A, PANL.

83 *Dominions Royal Commission, Minutes of Evidence 1914*, pp. 55-7, 62-70; Price, "Fifty Years", pp. 88-9; Munro, "Timber Allocation", p. 96; *WPTR*, 10 March 1911, 29 November 1912.



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paper manufacturing concern in the United Kingdom.<sup>84</sup>

The fact that Bishop's Falls failed as an independent operation, and that AND was at first only modestly profitable,<sup>85</sup> should not deflect attention from the question whether the concessions given by the Bond government were too generous. Morine predicted in 1905 that the Harmsworth deal would be "a grievous burden" to posterity, and the balance of modern opinion has agreed with him. The 1955 Newfoundland Royal Commission on Forestry observed that AND (and Bowaters, whose predecessors obtained equally generous terms in the 1920s for the mill at Corner Brook) had "concessions that may well be the envy of paper mill operators on the mainland. Nowhere else in Canada is pulpwood obtained from public lands free of stumpage". The agreements "tied the hands of the province to an extent not found elsewhere . . . and the returns to the province from its forest resources have been picayune. . . ." These criticisms have been frequently repeated, for example by the 1973 Federal-Provincial Task Force on Forestry, which argued that the pulp and paper agreements hindered development and prevented full utilisation of timber resources. "It is questionable", the Task Force concluded, "if any government has the moral right to tie succeeding generations to such long-term commitments".<sup>86</sup>

Against these harsh judgements can be set that of the Forestry Committee of the National Convention of 1946. Reflecting the views of an older generation, the committee praised AND for its "pioneer spirit" and the employment it had created. In a more academic manner, J.A. Munro has recently concluded that the Bond government has been unjustly blamed. In his view, the government was not in a position to insist upon better terms, given that the Harmsworths were prepared to undertake a high-risk operation in a frontier area with a history of forest industry failure. The only economic use to which the interior forest could be put was the large-scale manufacture of pulp and paper, and Bond should not be faulted for facilitating that use. Munro calculates that the concessions probably represented an average annual loss in revenue to the government of \$124,000 in the period 1901-20, which he does not consider excessive. Finally, he holds that the major impediment to additional large-scale exploitation of the forest has been not the ownership pattern, but the lack of sufficient quantities of suitable timber.<sup>87</sup>

84 Reader, *Bowater*, p. 28; *WPTR*, 29 May 1908, 6 January 1911, 5 January 1912. The *Review* also reported Harmsworth purchases of timber lands in Nova Scotia and Vancouver Island, and of the Laurentide Paper Co. of Grand Mère, P.Q.; *WPTR*, 23 October 1908, 1 January, 9 April 1909.

85 AND made a small loss in 1909-10, but remained profitable thereafter. Net profits rose from £5,096 in 1910-11 to £36,288 in 1913-14; *WPTR* 1 December 1911, 4 December 1914.

86 *Telegram*, 1 May 1905; *Forestry Commission Report*, pp. 21, 42; *Report of the Newfoundland Federal-Provincial Task Force on Forestry* (St. John's 1973), pp. 35-6, 40. Cf. J.W. Ker, *Newfoundland Forestry Report* (St. John's, 1968), pp. 61-3.

87 *Report of the Forestry Committee of the National Convention, October 1946* (St. John's, 1946),

The problem posed by the Newfoundland pulp and paper deals is often faced by the historian of Atlantic Canada: how does one judge when the justified concession becomes a give-away? And how does one set the immediate gain against the long-term impact? In the case under consideration, certain facts are clear. The agreements with the Harmsworths and Reed created a badly-needed new industry which gave central Newfoundland a permanent population and, by 1921, employed some 4,500 men, roughly 5.6 per cent of the labour force.<sup>88</sup> This exceeded employment in mining. In terms of export value, forest products exceeded that of minerals from the period 1911-15. (See Table 2). In short, Newfoundland gained a third staple industry. It cannot be claimed that this development fundamentally changed the island's economy, which remained insufficiently diversified and overly dependent upon volatile world markets, but the chronic problems of unemployment and emigration were alleviated at least to some extent. Grand Falls grew into a model company town, complete with a mansion for Northcliffe and a shanty town near the tracks, and the Exploits région assumed its modern, relatively prosperous character. The woods operations provided welcome seasonal work for fishermen, thereby helping to bolster the rural economy. None of this would have occurred as early as it did without the concessions made in 1905 and 1907. The Harmsworths and A.E. Reed would simply have gone elsewhere.

It is possible that other entrepreneurs would have taken their place. The newsprint industry was starting a dramatic expansion in Canada, stimulated by American demand and capital, and it could be argued that Newfoundland would have shared in the process. Some evidence can be found in the formation of the American-Newfoundland Pulp and Lumber Company of Grand Rapids, Michigan, which planned a mill for the Deer Lake region, and in a proposal by the Hearst newspaper interests to develop the Bay d'Espoir watershed.<sup>89</sup> However, neither scheme materialised; *The World's Paper Trade Review* reported New York speculation that Hearst was only trying to bluff the International Paper Company into signing a long-term supply contract, and the only impact upon Newfoundland (and Labrador) of the opening of the American market to Canadian paper was a wave of speculation in timber leases beginning in 1908.<sup>90</sup> Naturally enough, investors responded to the geographical advantages of the

p. 2; Munro, "Timber Allocation", p. 163 and Chapter X.

88 This may be a generous estimate, since it assumes that virtually all those listed as engaged in lumbering in the 1921 census were supplying the pulp and paper mills. A conservative estimate would be 3,000 employed, or 3.7 per cent of the labour force. The figure for the labour force (80,327) is taken from D.G. Alexander, "Newfoundland's Traditional Economy and Development to 1934", *Acadiensis*, V (Spring 1976), Table 4, p. 68.

89 *Proceedings of the House of Assembly*, 1912, pp. 528-49; GN 2/5/71A, PANL; *WPTR*, 21 August 1908.

90 *WPTR*, 23 April 1909; *Proceedings of the House of Assembly*, 1911, pp. 293, 324-28, 398-418; S.J.R. Noel, *Politics in Newfoundland* (Toronto, 1971) pp. 106-10.

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TABLE 1: Exports of Pulp and Paper from Newfoundland, 1897-1920

Year	Pulp Quantity (tons)	Price per Ton (\$)	Paper Quantity (tons)	Price per Ton (\$)
1897-8	1,832	5.18		
1898-9	1,858	9.31		
1899-1900	732	10.42		
1900-01	3,616	10.46		
1901-02	4,951	10.45		
1909-10	6,853	10.09	7,866	44.77
1910-11	27,177	9.24	21,064	44.80
1911-12	42,102	8.58	26,821	38.09
1912-13	51,487	8.47	44,424	44.80
1913-14	53,087	7.30	40,077	44.80
1914-15	46,969	7.76	40,556	44.81
1915-16	22,892	8.63	62,527	44.81
1916-17	30,019	21.25	33,389	45.24
1917-18	14,153	28.58	34,060	67.59
1918-19	7,151	66.45	22,819	67.98
1919-20	19,864	16.83	80,717	58.55

Source: *Report of the Forestry Committee of the National Convention, October, 1946* (St. John's, 1946).

TABLE 2: Value of Commodity Groups as Percentage of Newfoundland Exports, 1901-1935 (Quinquennial Averages)

Years	Fishery/Marine Products	Mineral Products	Forest Products	Other
1901-05	83.73	13.00	2.13	1.14
1906-10	84.40	11.99	2.54	1.07
1911-15	74.13	9.81	14.61	1.45
1916-20	83.19	3.35	11.40	2.06
1921-25	64.31	6.32	27.44	1.93
1926-30	46.33	10.87	41.09	1.71
1931-35	29.97	15.38	53.21	1.44

Source: R.A. McKay, ed., *Newfoundland. Economic, Diplomatic and Strategic Studies* (Toronto, 1948), Appendix A, p. 511.

mainland and built there rather than in a remote province whose timber lands were largely unsurveyed. In these circumstances it is likely that Newfoundland would have become a mere exporter of pulpwood to mainland producers. The colonial government would have come under intense pressure from licence holders to relax the "manufacturing condition", the requirement that wood be processed in Newfoundland. Given the character of the administrations that succeeded Bond, Newfoundland would probably have succumbed with little argument. From this perspective Bond was justified in clinching the 1905 deal.

There is no denying, though, that there have been serious drawbacks. The perpetual nature of the Crown land lease, and the 99-year licences on other properties, have prevented the government from periodically reviewing the direct financial return from the industry, which has remained abnormally low. Since the companies argued with some justification that high costs in Newfoundland demanded low Crown dues, it is doubtful that any significant changes would have been made. It is possible that the government could have derived a better return from the now worked-out, but once highly profitable mine at Buchans (on AND property), and insisted upon fuller and more careful utilization of the timber within company limits. Furthermore, although the companies from time to time have allowed the harvesting of sawlogs on their limits, the general effect of the pulp and paper deals has been to exclude the local sawmilling industry from the better stands of timber in the interior and confine it to the three-mile coastal reserve. The inevitable result was uncontrolled overcutting and the degeneration of sawmilling into what was described in 1967 as "an archaic and wasteful independent cottage industry, producing a crude product of doubtful real contribution to the Provincial economy".<sup>91</sup> The abdication of control over much of the best forest land prevented, therefore, its most economic exploitation. Newfoundland would have been better served had its forest policy been guided by the principles which persuaded the Horwood Lumber Company of St. John's in 1913-14 to set up a short-lived pulp mill at Campbellton to complement its sawmill there: the company's object was to ensure that all the mature timber on its limits was put to use.<sup>92</sup> If the 1905 concessions were justified in the context of their times, the long-term impact supports Morine's comment that Newfoundlanders "could pay too much for their development, and were in too much of a hurry. . .".<sup>93</sup>

91 *Report of Royal Commission on the Economic State of Newfoundland (1967)*, p. 113; Munro, "Timber Allocation", p. 154.

92 *Dominions Royal Commission, Minutes of Evidence 1914*, p. 55; Munro, "Timber Allocation", p. 87. The mill closed in 1916 when the dam failed.

93 *Telegram*, 2 May 1905.