

# Looking Backward, Looking Ahead: History and Future of the New Brunswick Forest Industries

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## Looking Backward, Looking Ahead: History and Future of the New Brunswick Forest Industries

AS IS THE CASE IN NEIGHBOURING JURISDICTIONS – principally, Quebec, Maine, Nova Scotia, and Ontario – the New Brunswick forest industries are in the midst of a crisis that extends back at least a decade. This is particularly the case with pulp and paper, the dominant forest industry in the region. The crisis has been a constant source of discussion in the media and in government, industry, and professional forestry circles. Despite the prominence of forestry issues in the public discourse, there has been a decided lack of attention devoted to the history of the forest industries; that is, no attempt has been made to examine how the dynamics that led to cyclical transformations in the New Brunswick forest industries over the past two centuries can help to explain the current crisis and, perhaps, inform public policy. The purpose of this essay, then, is to trace common threads between past and present forest industry transformations and also to highlight conditions that add complexity to finding solutions to the present crisis.

Three themes come to mind when assessing the contemporary crisis in the New Brunswick forest industries in historical perspective. First, natural resource-based industries have life cycles that are determined by political, economic, and environmental factors. This is a fairly obvious point to make when considering mining industries, for example, where the resource endowment is generally understood as finite from the inception of industrial production and, therefore, imposes built-in environmental limitations. For industries such as those based on marine and forest resources that are considered renewable, this point is less obvious; however, the idea of a perpetual natural resource industry is mostly illusory as, historically, resource depletion and environmental degradation, trade and labour policies, market forces, and a variety of other factors have ensured periodic decline and migration to new zones of resource exploitation. Secondly, even when economic and environmental indicators point to the need for change, transformations of natural resource industries can be delayed. In New Brunswick the most notable example of this phenomenon was the transition from long lumber to pulp and paper as the foundation of the provincial forest economy in the early decades of the 20th century. The delay was mainly a result of resistance by politically powerful sawmill owners, who also controlled most of the province's Crown land through long-term leases. Thirdly, contemporary public dissatisfaction with industry and government management of the Crown forest, particularly in forest-dependent communities in the northern counties, has its roots in the 1930s. The transition to pulp and paper during the late 1920s represented the province's initial experience with modern, corporate principles of resource management. The inability of the pulp and paper industry to complete the transition promised by its political promoters, as well as a limited willingness on the part of the companies to serve a social function during the Great Depression, laid bare an ideological disconnect between principles of

corporate resource management and a more traditional, popular notion that the purpose of the Crown forest was to serve as an engine for community development.

### **The contemporary crisis**

New Brunswick has experienced cyclical downturns in its forest industries since the 1960s, but the crisis of the first decade of the 21st century was the most severe since the almost complete collapse of the long lumber industry in the post-First World War recession of the early 1920s. After a decade of strong growth in terms of value of production, the provincial forest industries went into a precipitous decline starting in 2004. It was punctuated by the closing of 25 sawmills and 3 pulp and paper mills. The persistence of many other surviving mills continues to be precarious at best. Reduced production of forest products in the province was reflected in the decline in total value of shipments from \$4.1 billion in 2004 to \$2.3 billion in 2009 (the figure for 2010 was \$2.7 billion).<sup>1</sup>

The impact on employment in the forest sector was even more dramatic. Between 2000 and 2008 more than one-half (7,820) of the 15,000 jobs in the forest industries were eliminated. The replacement of capital (in the form of new technologies) for labour contributed to the decline in employment; significantly, more than 2,000 jobs in the forest sector were eliminated between 2000 and 2004 – despite an overall increase in the value of shipments.<sup>2</sup> However, it was the private wood producers who suffered most from the industry's decline as the cost of producing wood on non-corporate private land was significantly higher than on Crown land. Sporadic buying patterns by the province's mills and very low prices for wood resulted in a collapse of the private wood market. While the total cut on Crown lands remained relatively stable from 2004 to 2008, the total volume of wood sold through the province's seven marketing boards declined by 60 percent, from 1.1 million to 400,000 cords.<sup>3</sup> In at least some regions, the downward trend has continued. In June 2010, for example, David Palmer, the manager of the York Sunbury Charlotte Forest Products Marketing Board, reported his "members are harvesting 72 per cent less wood than they did five years ago" and "since 2005 . . . sales have gone from \$100 million annually combined to around \$30 million."<sup>4</sup>

The reasons for the decline of the forest industries in New Brunswick, and northeastern North America in general, are numerous and the result of both long-term and short-term trends. With regard to short-term trends, the rising value of the Canadian dollar against the US dollar after 2000 steadily reduced profit margins; prices are set in US dollars and any increase in the Canadian dollar reduces the

1 New Brunswick, Department of Natural Resources, *Our Forest Industry: Fundamentals for Future Competitiveness* (New Brunswick Forestry Summit, Fredericton, November 2010), 4; Don Roberts, "Thoughts on Transforming the New Brunswick Forest Industries," in *Our Forest Industry*, 6.

2 Don Roberts and Peter Woodbridge, *Future Opportunities for the Forest Products Industry in New Brunswick: Report of the Task Force on Investment Opportunities in the New Brunswick Forest Sector* (Fredericton: Business New Brunswick, 2008), 9.

3 Roberts and Woodbridge, *Future Opportunities for the Forest Products Industry*, 10.

4 "N. B. Woodlot Owners Demand Reforms," CBC News online (Fredericton), 24 June 2010, <http://www.cbc.ca/news/canada/new-brunswick/story/2010/06/24/nb-woodlot-owners-urge-changes-1014.html>.

selling price for manufacturers north of the border.<sup>5</sup> Currency exchange hardships exacerbated the pre-existing difficulties within the manufacturing sector in terms of obtaining credit. As New Brunswick Forest Products Association President and CEO Mark Arsenault noted in 2009: “We have been considered a high risk [industry] for several years now, and the expanding credit crisis is wreaking havoc. As companies scramble to cover debt in these difficult times, financial institutions are unwilling to lend at normal risk premiums, and in the rare chance that they do invest, it is usually at extremely high premiums, from 8 to 15 per cent. This makes it very difficult to look at any innovation, any new ideas, any new markets or any new products.”<sup>6</sup> The expanding credit crisis to which Arsenault referred was driven by the collapse of the American housing market, a serious blow to the lumber sector of the forest industries. It was an event of such economic and social devastation that recovery is likely to take more than a decade. Indeed, the increase in US housing starts for 2012 over 2011 was estimated to be 15 per cent, but still the total was just 45 per cent of the comparable figure for 2006.<sup>7</sup>

In addition to the financial aspects, a number of longer-term, structural conditions have added to the crisis in the forest industries. Over the course of the past 30 years, and increasingly during the past decade, the per capita consumption of paper in North America and Western Europe has been stagnating, mainly due to various forms of electronic delivery of information. Changing environmental sensibilities about the consumption of paper and the decline of daily newspaper and other print media have decreased demand in Canada’s principal markets for these products. In the United States and Canada, total newsprint consumption declined by approximately 50 per cent between 2004 and 2009. The consumption of all paper products in the two countries declined by approximately 25 per cent during the same period.<sup>8</sup> Forecasts for the future do not look bright. According to one estimate, the annual increase in demand for paper in North America in the decade from 2005 to 2015 – 0.75 per cent – will be the lowest of any region in the world. Globally the consumption increase of all paper products for the decade is estimated to be 2.2 per cent, and for Latin America, Asia, and Eastern Europe between 3.5 to 4.5 per cent.<sup>9</sup>

There is little chance for New Brunswick pulp and paper manufacturers to benefit from the more buoyant demand in other global regions. Pulp and paper manufacturing, in a pattern characteristic of resource-based industries, has been migrating to the southern and eastern hemispheres for the past quarter century, where demographic patterns, environmental conditions, and the political climate have created more fertile grounds for investment. Despite the certainty of domestic wood

5 Senate, *The Canadian Forest Sector: Past, Present and Future, Interim Report of the Standing Senate Committee on Agriculture and Forestry* (Committee Business – Senate Reports) (December 2009), <http://www.parl.gc.ca/Content/SEN/Committee/402/agri/rep/repintdec09-e.pdf>.

6 Senate, *Canadian Forest Sector*, 18.

7 Swedish Forestry Agency, Bulletin: “Weak Demand for Wood and Paper Products in 2012,” <http://www.skogsstyrelsen.se/en/forest-people/forest-people/News-Archive>.

8 Environmental Paper Network, *The State of the Paper Industry: Steps Toward an Environmental Vision* (2011), [www.environmentalpaper.org](http://www.environmentalpaper.org).

9 Juha Forströmm, et al., “Development of a Model of the World Pulp and Paper Industry,” Institute for Prospective Technology Studies, European Commission, Directorate General, Joint Research Centre, Technical Report Series (2006), 9.

shortages, China has dominated the increase in global pulp and papermaking capacity in the past decade, as per capita consumption of paper within its massive population has nearly doubled. A second area of large-scale growth has been South America, where mills now being built or planned for during the next 10 years will potentially double the global production of chemical pulp.<sup>10</sup> For China there are obvious advantages to moving production closer to markets. And the newer mills in the southern and eastern hemispheres are considerably larger and more efficient due to advanced technology; many of them are also fed by fast-growing tree species, such as Eucalyptus and Acacia, that can be cut on a much shorter rotation, in some instances fewer than ten years. Such advantageous growing conditions allow for the creation of massive plantation forests located close to mills, further reducing harvesting and transportation costs. Moreover, labour costs are substantially lower in South America and Asia and environmental regulations and enforcement are weaker than in Canada.<sup>11</sup> As Assistant Deputy Minister Jim Farrell of Natural Resources Canada noted in 2009, these advantages are already allowing southern competitors to make inroads into the Canadian market for some products: “The big competitors for hardwood pulp are Central and South America. Their cost of production is such that they can ship copy paper, or printing paper, into Canada much cheaper than we can even produce it.”<sup>12</sup> By all indications, then, the pulp and paper industry in New Brunswick is approaching the end of its life cycle, and there are on-going demand problems for Canadian lumber that will continue at least in the medium term.

### **Historical transformations**

Starting with the Loyalist migration of the 1780s, the forest industries, along with agriculture, formed the economic foundation of New Brunswick. And during the past two centuries, the colonial/provincial forest industries experienced four distinct phases. In each case the transformation from one phase to another was the result of a combination of economic, political, and environmental factors. As is the case with the provincial forest industries today, these factors were both internal and external, and the extent to which local industry and government were able to exert influence over them was highly variable.

The first, shortest, and least disruptive phase in the New Brunswick forest industries – the trade in great ship masts and spars for the British Navy – was a product of environmental conditions and the political conflict in the 1770s caused by the American Revolution. A highly migratory industry, the British masting trade would have very likely come to the vast watersheds of New Brunswick eventually;

10 Ilkka Kuusisto, Jaakko Pöyry Consulting, *Trends and Developments in the Chinese Pulp and Paper Industry* (2004), [http://www.foresttrends.org/~foresttr/documents/files/doc\\_1149.pdf](http://www.foresttrends.org/~foresttr/documents/files/doc_1149.pdf); Swedish Forestry Agency, “Weak Demand for Wood and Paper Products.”

11 Chris Lang, “Globalization of the Pulp and Paper Industry,” *World Rainforest Movement*, 30 January 2009, <http://www.wrm.org.uy/plantations/information/Lang.html>; Price Waterhouse Coopers, “South America Becomes a Global Player in the Forest, Paper and Packaging Sector,” 5 July 2007 and 30 January 2009, <http://www.pwc.com/extweb/ncpressrelease.nsf/docid/f537781cbadc4c008525730f004cd301>. For a broad view of the global history of the forest industries, see J.-A. Lamberg, J. Ojala, and M. Peltoniemi, *The Evolution of the Global Paper Industry, 1800-2050* (Springer Publishing: New York, 2012).

12 Jim Farrell, Natural Resources Canada, quoted in Senate, *Canadian Forest Sector*, 11.

however, the onset of the revolution cut off sources of supply in New Hampshire and the district of the Massachusetts colony that is now Maine. From a production standpoint, mast-making was an uncomplicated industry that involved felling trees and floating them to a harbour where they could be loaded for transatlantic shipment. However, the industry was limited by the need for enormous white pines that were straight and free of defects. Large masts could exceed 100 feet in length with a diameter of 30 inches at the small end; they required a tree that was 150 feet in height and 6 feet in diameter at the stump. Normally, lumbering crews cut several white pines to find a suitable mast as the heartwood of trees of such an advanced age was often unsound. Additional restrictions were imposed by the scarcity of labour in late-18th-century New Brunswick and the lack of efficient technologies for moving the large, heavy logs. Masts were moved by teams of oxen in winter and almost always cut within sight of a body of water that was deep enough to float a 100-foot stick of wood weighing several tons. It was a highly selective industry that was, on the one hand, wasteful and prone to rapid resource depletion, but, on the other hand, did not impose a significant drain on the forest reserves of the colony.<sup>13</sup>

The Loyalist migration after the American Revolution and separation of New Brunswick from the Nova Scotia colony in 1784 set in place the political and entrepreneurial infrastructure for a substantial trade in forest products. Mast-making began on the St. John and Miramichi watersheds during the 1760s and reached its peak during the 1790s and 1800s when New Brunswick annually produced up to 3,000 masts per year, a substantial proportion of the total shipped from the loyal British North American colonies. Production could fluctuate wildly from year to year depending on the geopolitics of empire; that is, the dynamics of Britain's protracted military conflict with France created an idiosyncratic pattern of opportunity to take advantage of other sources of supply – mainly the Baltic States.<sup>14</sup> However, by 1800 resource depletion was already inhibiting the production of great masts on the St. Croix and St. John River watersheds. Production in New Brunswick was maintained by a shift of the industry to the Miramichi River, but increasingly after 1805 the British Navy turned to Quebec as a source of supply. The supply of suitable white pines was greater on the St. Lawrence watershed, and the Royal

13 R.G. Albion, *Forests and Sea Power: The Timber Problems of the Royal Navy, 1652-1862* (Cambridge, MA: Harvard University Press, 1926); M.S. Cross, "The Dark Druidical Groves: The Lumber Community and the Commercial Frontier in British North America" (PhD diss., University of Toronto, 1968), 80-6. See also S.F. Manning, *New England Masts and the King's Broad Arrow* (London: Trustees of the National Maritime Museum, 1979); C.F. Carroll, *The Timber Economy of Puritan New England* (Providence, RI: Brown University Press, 1973); and G.S. Graham, *Sea Power and British North America* (Cambridge, MA: Harvard University Press, 1941).

14 The sources of supply from the Baltic region were Russia, Prussia, Norway, and Sweden. See the table in Albion, *Forest and Sea Power*, appendix D (412). On the naval contracts in New Brunswick, see Rev. W.O. Raymond, *The River St. John* (Sackville, NB: The Tribune Press, 1943 [reprint]), 234-43; R.C. Campbell, "Simonds, Hazen and White: A Study of a Commercial Firm in the Commercial World of the Eighteenth Century" (MA thesis, University of New Brunswick, 1970), 92-107; and W.H. Davidson, *An Account of the Life of William Davidson* (St. John, NB: n.p., 1947).



Navy also considered the masts produced there to be of higher quality. Quebec surpassed New Brunswick in total production in 1807, the first year that contracts with the Royal Navy were secured, and within a few years became dominant in the trade. With the shift in naval contracts, the New Brunswick trade in ship masts was all but abandoned in the years after the end of the Napoleonic Wars in the mid-1810s. Mast-making passed quickly through the watersheds of New Brunswick in the same way that it did in the former colonies to the south, succumbing to political change, resource depletion, lack of contractual arrangements, and market preferences.<sup>15</sup>

As the trade in masts was waning, Great Britain was again turning a hopeful eye toward the untapped pine forests and comprehensive river system of New Brunswick to bolster its supply of wood, which had been disrupted by the war with France. In 1806 Napoleon issued the Berlin Decree, prohibiting British trade in ports of the expanding French empire. The Treaty of Tilsit between France and Russia in 1807, in which Czar Alexander agreed to bring Denmark and Norway within a union of Baltic States, further extended the continental blockade. Though it was never completely successful, Britain faced the prospect of exponential price increases and a severe shortage of timber (the foundation of British naval supremacy). The primary mechanism for creating an alternative source of supply was to enact preferential duties to encourage the creation of a timber trade in the British North American colonies. Starting in earnest in 1803, the tariffs on wood originating from outside of the empire were steadily increased; within a decade they were sufficient to offset the considerable advantage in transportation costs enjoyed by producers in the Baltic Region. Further supported by naval protection in the transatlantic passage and encouragement for British entrepreneurs to invest in the colony, the New Brunswick trade in square timber flourished. In the decade from 1806 to 1816 the colony's share of the British market increased from 2 to 40 per cent. Again, a combination of environmental advantages, economic policies, and the geopolitics of empire combined to create an industry.<sup>16</sup>

The advent of the square timber trade opened a vastly greater proportion of the New Brunswick forest to exploitation and quickly it became the colony's first major staple export industry. Producing square timber was only slightly more complex than mast-making. The process consisted of felling, bucking the trees into desired lengths, and hewing the sides square with a broad axe. Like mast-making, it was an exceedingly wasteful industry by today's standards; up to one-third of the wood was left in chips after hewing and the requirement that the small end of the log be at least 12 inches in diameter meant that a long section at the top of the tree was left in the woods. Between 1816 and 1830, New Brunswick continued to supply at least 40 per cent of the total imports of square timber into Great Britain; during the 1830s, though, a decline in production and increased competition from Quebec and Ontario

15 Albion, *Forests and Sea Power*, 352-4, Appendix D (412).

16 A.R.M. Lower, "The Trade in Square Timber," University of Toronto, Studies, History and Economics, *Contributions to Canadian Economics*, 6 (1933): 40-61; Lower, *Great Britain's Woodyard: British America and the Timber Trade, 1763-1867* (Montreal and Kingston: McGill-Queen's University Press, 1973); Lower, "From Huskisson to Peel: A Study in Mercantilism," *Transactions of the Royal Society of Canada*, 3rd ser., 31 (1937): 51-68.

reduced that figure to approximately 25 per cent. The New Brunswick timber trade steadily faded into insignificance during the 1840s and 1850s.<sup>17</sup>

The factors contributing to the demise of the square timber industry were more complex, and the economic and political dislocation more acute, than was the case for the passing of the masting trade. As with the masting trade, resource depletion was a significant factor in its decline and followed an almost identical pattern. Square timber production migrated in an arc from the St. Croix and St. John to the Miramichi and Restigouche watersheds as accessible pines of suitable dimension became scarce. Built fundamentally on the timber tariffs, a vestige of the mercantilist economic orthodoxy of the 18th century, the trade was also a victim of the British movement towards free trade that emerged after the defeat of Napoleon in 1814. During the 1820s and 1830s, supporters of the timber tariffs and colonial interests in the British Parliament were able to hold the free traders at bay. New Brunswickers were transfixed each time a bill to revise the tariffs was introduced. In a major showdown in 1831, Lieutenant-Governor Howard Douglas resigned in protest over the issue and the defeat of the free trade bill set off a round of public celebrations throughout the colony that featured oxen roasts and the burning in effigy of tariff revision advocates in the British Parliament. Finally, in 1842, deep cuts were made to the square timber duties, which were followed in the next decade by a series of further reductions. The initial tariff cut produced a wave of bitterness and despair in the colony and a few years of economic hardship. Thereafter, New Brunswick's production and share in the British market declined steadily until, by 1860, only remnants of the trade in square timber remained.<sup>18</sup> For all of the doom and gloom the reduction of preferential tariffs elicited by the early 1840s, square timber was already being surpassed by sawmilling as the dominant sector of the New Brunswick forest economy.

Sawmilling was a much more appropriate industry for facilitating the transition of New Brunswick from a resource frontier to a settled colony. As the southern watersheds became depleted of large white pines in the 1820s, the transition took hold. The main product of 19th century sawmills in New Brunswick – deals – could be made from a wider variety of pine and spruce trees of lesser diameter.<sup>19</sup> The higher value-added in manufacturing, moreover, made the cost of transportation across the Atlantic a smaller proportion of the overall cost of production, making the deal trade less vulnerable to shifts in British trade policy. As importantly, political leaders and commercial interests began to advocate sawmilling as a vehicle for the development of the colony. Surveyor General Thomas Baillie, for example, remarked in an 1832 immigration pamphlet that “a large and well conducted sawmill

17 The classic study on the New Brunswick timber trade is Graeme Wynn, *Timber Colony: A Historical Geography of Early Nineteenth Century New Brunswick* (Toronto: University of Toronto Press, 1981).

18 Wynn, *Timber Colony*; W.S. MacNutt, *New Brunswick: A History, 1784-1867* (Toronto: Macmillan, 1963). On the statistical decline of the timber trade in New Brunswick, see Peter D. McClelland, “The New Brunswick Economy in the Nineteenth Century” (PhD diss. Harvard University, 1967), 68-72, 73-5.

19 A deal was a rough sawn plank of wood at least two inches thick that was re-sawn at finishing mills in Great Britain, generally for use in the domestic construction market.



is a little town in embryo, and from experience I am fully convinced that no schemes for the formation and erection of inland towns will ever prove effective, unless combined with manufacturing.”<sup>20</sup> A major wave of investment in the industry in the 1830s, some of it from the United States, gave sawmilling added momentum. Ironically, in 1842, when the first cuts were made to the timber tariffs, sawn lumber surpassed square timber in terms of its value as an export commodity for the first time.<sup>21</sup>

Although the British trade in pine and spruce deals continued to be the most prominent sector of the New Brunswick forest industries into the 20th century, the sawmilling industry became ever larger and more diverse in the second half of the 19th century. Most notably, in 1854 Great Britain (on behalf of the British North American colonies) signed the Reciprocity Treaty with the United States and this opened the large market to the south to colonial lumber and other natural products. Reciprocity was abrogated by the United States for political reasons in 1866, but it nevertheless had the effect of expanding and diversifying the lumber industry in New Brunswick. Although affected by sudden and unexpected changes in import duties due to the vagaries of American federal politics, markets were created for a wider variety of dimension lumber and for underutilized species such as birch, hemlock, and cedar.<sup>22</sup>

The maturing of the lumber industry was responsible for the establishment and expansion of dozens of cities and towns while fostering the development of a powerful economic and political class. The lumber barons or lumber lords, as they were known, were the dominant force in the New Brunswick government from the 1850s until after the First World War by virtue of their control of the Crown forests, which covered (and still cover) approximately one-half of the province. In the rough and tumble world of New Brunswick politics, the lumber barons dominated the legislature. Generally, an average of about 50 per cent of members of the legislature were directly involved in the lumber industry until well into the 20th century. They were also patrons of their communities, intimately involved in the churches, education system, health care, and other aspects of social development.<sup>23</sup> Legislative control meant the maintenance of a regime of forest regulation that was supportive of the industry. For example, the duration of tenure for Crown land timber leases grew longer and longer from 1860 to 1893 – from 1 to 25 years; and, while the Crown land stumpage system was theoretically designed to be flexible and reflect market conditions in any given season, stumpage fees remained at \$1.25 per

20 Thomas Baillie, “An Account of the Province of New Brunswick including a Description of the Settlements, Institutions, Soil and Climate of that Important Province, with advice to Immigrants,” (London: n.p., 1832), 33.

21 Wynn, *Timber Colony*. On the rise of Saint John as a major lumber port during this era, see T.W. Acheson, “The Great Merchant and Economic Development in St. John, 1820-1850,” *Acadiensis* VIII, no. 2 (Spring 1979): 3-27, and Acheson, *Saint John: The Making of a Colonial Urban Community* (Toronto: University of Toronto Press, 1984).

22 A.R.M. Lower, *The North American Assault on the Canadian Forest: A History of the Lumber Trade between Canada and the United States* (New Haven, CT: Yale University Press, 1938), 182-350. See also McClelland, “New Brunswick Economy in the Nineteenth Century.”

23 See William M. Parenteau, “Forest and Society in New Brunswick: The Political Economy of the Forest Industries, 1918-1939” (PhD diss., University of New Brunswick, 1994).

thousand board feet for the 30-year period from 1883 to 1913 (except for the years from 1890 to 1903, when the fee was reduced to \$1.00).<sup>24</sup>

The tight control that the lumber barons exerted over the forest resource base and state policy could not stave off the inevitable decline of the New Brunswick lumber industry after 1880. As in the past, resource depletion was becoming an increasingly troublesome issue. Most notably, the need to move further and further away from rivers to find suitable stands of pine, spruce, and other species increased infrastructure and transportation costs. Growing competition from central European states in the vital British deal trade added to the problems of the provincial lumber industry. To some extent, the role of many lumber barons as economic patrons of their communities masked the deteriorating environmental and market conditions. The sawmill owners, typically, were also general merchants in their communities, acting as the principal creditors and sellers of consumer goods and supplies for the industry. As was the case with the inshore fisheries in the Atlantic Region, the selling of goods could be a more important component of the overall business of a sawmill operator than the manufacture and sale of forest products. Thus, many absorbed the higher harvesting costs, ignored the tighter market conditions, and carried on.<sup>25</sup>

The first crash in the New Brunswick lumber industry came in the form of a wave of business failures in the first decade of the 20th century, just as interest in making a transition to pulp and paper manufacturing was taking hold throughout eastern Canada. Significantly, the substantial tracts of private land and the Crown forest leases of the bankrupt companies were bought up mostly by pulp and paper firms located in the United States. Many companies in the northeastern states had not anticipated the revolution in per capita paper consumption that was already underway by 1900 and turned to the eastern Canadian forests to supplement their inadequate holdings. Canadian forest entrepreneurs were well aware of the growing interest of American companies in the provincial forests, and of the potential for exponential growth in the market for pulp and paper products.

Thus, in New Brunswick, as in neighboring jurisdictions, the time was ripe for another transformation of the forest industries. The lumber industry was struggling due to resource depletion and external market forces. The opening of the Panama Canal (1914), which quickly brought high quality west coast lumber to the east coast of the United States at competitive prices, was another major blow to the industry.<sup>26</sup>

24 Bill Parenteau, "Making 'room for economy, efficiency and conservation': Progressive Forest Conservation in New Brunswick, 1900-1918," in *Land and Sea: Environmental History in Atlantic Canada*, ed. Claire Campbell and Robert Summerby-Murray (Fredericton: Acadiensis Press, 2013). On the theory and history of stumpage rates in New Brunswick, see Harold M. Babcock, "Some Aspect of New Brunswick Crown Land Stumpage" (MSc thesis in Forestry, University of New Brunswick, 1957).

25 McClelland, "New Brunswick Economy in the Nineteenth Century"; "The Wood Industries of New Brunswick in 1897," reprint (Fredericton: n.p., 1969 – with a new introduction) of the New Brunswick section of the *Wood Industries of Canada* (London: *Timber Trades Journal*, 1897); Burton Glendenning, "The Burchill Lumbering Firm, 1850-1908" (MA thesis, Concordia University, 1978); Raymond Léger, "L'industrie du bois dans la Péninsule acadienne (Nouveau-Brunswick) de 1875-1900," *La revue de la Société historique Nicolas-Denys* XVI, n° 2 (mai-août, 1988).

26 Bill Parenteau, "The Woods Transformed: The Emergence of the Pulp and Paper Industry in New Brunswick, 1918-1931," *Acadiensis* XXII, no. 1 (Autumn 1992): 5-43.

As importantly, the environmental advantages in the eastern provinces – an abundant supply of standing timber suitable for pulpwood as well as hydroelectric power potential – offered a significant opportunity to shift production from lumber to pulp and paper. Changes in trade policy on both sides of the border facilitated the rise of pulp and paper as Canada's largest manufacturing industry by the early 1920s. The Ontario (1907) and Quebec (1910) governments instituted a ban on the export of pulpwood from Crown lands, and the United States federal government removed the duties on the importation of pulp and newsprint for the final time in 1913. The latter provision was the conclusion of a protracted and bitter battle between US newspaper publishers who wanted cheap stock and manufacturers who wanted protection. Bolstered by the altered trade policy landscape and an influx of American capital, Ontario and Quebec took full advantage of their abundant resource endowments to make the transition to a forest economy dominated by pulp and paper by the end of the First World War.<sup>27</sup>

The transformation of the forest industries was slower in coming to New Brunswick, owing to environmental, economic, and political factors. Obviously, the total landmass of the province was much smaller than in Ontario and Quebec and therefore contained less wood suitable for pulping and fewer potential hydropower sites with which to engineer agreements with industry developers. Moreover, virtually all Crown lands of the province were under long-term leases and the most desirable hydroelectric power site, at Grand Falls on the St. John River, was mired in a protracted ownership dispute during the first two decades of the century.<sup>28</sup> The pool of local capital was also limited, which meant that New Brunswick lumber firms desirous of making the transition to pulp and paper manufacturing tended to do so incrementally rather than building the multi-million dollar, 200-ton-per-day plants that were coming to dominate the industry. There was also a decided lack of enthusiasm and sometimes an outright hostility among a significant segment of the lumber barons toward the pulp and paper industry, especially on the Miramichi River watershed. The traditionalist sawmiller/merchants of the province, who still retained political power due to their control of the Crown lands, provided a formidable barrier to transformation.<sup>29</sup>

The transformation from lumber to pulp and paper came only after the post-First World War recession, which proved to be a cataclysmic event that sent the

27 H.V. Nelles, *The Politics of Development: Forests, Mines and Hydro-electric Power in Ontario, 1849-1941* (Toronto: University of Toronto Press, 1974); Tom Traves, *State and Enterprise: Canadian Manufacturing and the Federal Government, 1917-1933* (Toronto: University of Toronto Press, 1979); Royal S. Kellogg, *Newsprint Paper in North America* (New York: Newsprint Service Bureau, 1948); Bill Parenteau and L. Anders Sandberg, "Conservation and the Gospel of Economic Nationalism: The Canadian Pulpwood Question in Nova Scotia and New Brunswick, 1919-1933," *Environmental History Review* 19, no. 2 (Summer 1995): 55-83.

28 Parenteau, "Woods Transformed"; Christopher S. Beach, "Electrification and Underdevelopment in New Brunswick: The Grand Falls Project, 1896-1930," *Acadiensis* XXIII, no. 1 (Autumn 1993): 60-85; Peter J. Wylie, "When Markets Fail: Electrification and Maritime Industrial Decline in the 1920s," *Acadiensis* XVII, no. 1 (Autumn 1987): 74-96.

29 On the attitude of Miramichi lumber operators to the pulp and paper industry, see the speech by New Brunswick MLA G.P. Burchill in *Eleventh Annual Report of the Canadian Forestry Association* (Quebec: Chronicle Printing Company, 1910), 51-4, and Catherine A. Johnson, "The Search for Industry in Newcastle, New Brunswick, 1899-1914," *Acadiensis* XIII, no. 1 (Autumn 1983): 93-111.

enterprises of almost all of the surviving lumber barons into bankruptcy. Ironically, buoyant demand and high prices during the First World War had revived the lumber industry and resulted in record levels of production. Most notably, co-operation within the empire and the inability of Central European lumber producers to reach the British market had placed the eastern Canadian industry in a highly favourable position. High prices, demand, and production continued during the brief building boom after the war. The crash came suddenly in the late spring of 1920, leaving New Brunswick producers with overextended credit lines and full lumberyards. It precipitated a fiscal crisis of the state, as the fees from Crown lands provided up to 46 per cent of annual provincial revenues in the period from 1917 to 1921; it also resulted in mass unemployment for the more than 30,000 people who worked directly in the mills and woods, and a significant loss of income for tens of thousands of farmers and other small private forest owners. Bank foreclosures of New Brunswick lumber firms began in 1922 and continued for several years. Mills remained closed for lack of buyers and thousands of square miles of leases reverted to the Crown. Ultimately, the wartime boom only masked the environmental degradation and market forces that had weakened the provincial lumber industry over the previous quarter century.<sup>30</sup>

### **The promise of prosperity**

The newly elected Conservative government of James Baxter resisted campaigns from the lumber industry for state assistance in favour of taking part in what was an extraordinary wave of development in the eastern provinces that would help make Canada the world leader in pulp and newsprint production by the end of 1927. Starting in 1925 the Conservative government began to aggressively broker deals between pulp and paper companies and financial institutions for the transfer of Crown land leases and hydroelectric power rights. In total, at least 3,000 square miles of Crown land leases and substantial tracts of private forestland were transferred and, as part of the negotiations to build mills, the tenure of the leases was increased from 25 to 50 years. While the previous Liberal government had planned to develop Grand Falls as a public enterprise, the Baxter government awarded the rights to the International Paper Company; that company had built one of the world's largest pulp and paper mills in Dalhousie. The contract stipulated that a portion of the power from the Grand Falls dam be diverted to the expanding Fraser Company mills at Edmundston. The third member of the so-called "pulp triumvirate" – Bathurst Company Ltd. – was given additional rights to expand hydroelectric capacity on the Nipisiquit River. In the end, the three companies controlled the hydroelectric capacity of the province and approximately 70 per cent of the industrial forest land. The advent of pulp and paper manufacturing resulted in an unprecedented concentration of natural resources and brought modern corporate capitalism to New Brunswick.<sup>31</sup>

While the pulp and paper industry was promoted with great enthusiasm by the Baxter government as an immediate solution to the economic hardships of the 1920s, it could not live up to the promises. The massive expansion of the industry after the

30 Parenteau, "Woods Transformed," 17-30.

31 Parenteau, "Woods Transformed," 17-43.

First World War, especially the newsprint sector, had already created a crisis of overcapacity when the new and expanded New Brunswick mills began to come online in 1928. With the market crash of 1929 and the onset of the Great Depression, the bottom fell out; pulp and paper was one of the industries hardest hit by the economic collapse. Even though the new mills in the province were among the most efficient and technologically advanced in the industry, they operated at no more than an average of 50 per cent capacity for the decade of the 1930s. The International Paper Company and Fraser Company were unable and/or unwilling to meet their contractual obligations with the provincial government to build new mills on the Miramichi River. Of the total pulpwood consumed in the New Brunswick pulp and paper mills in the 1930s, just 28 per cent came from New Brunswick Crown lands as each of the three companies had alternative sources of private wood and large leaseholds in Quebec. In many instances they did not even meet the minimum cutting requirements of the Crown land leases.<sup>32</sup>

It was within this context that the foundation of the historical grievances of the forest-dependent communities and the working people of the province against the pulp and paper industry, which still resonate today, was set in place. As the full implications of the radical restructuring of the industrial geography of the forest economy unfolded, a broadly based protest movement emerged. The movement was centred in the northern counties of New Brunswick, and included farm and labour groups, local entrepreneurs, boards of trade, county councils, and other community-based groups. They argued for higher wages and prices for wood, access to Crown forest resources that were not being utilized by the pulp and paper companies, and eventually for a reversion of Crown lands adjacent to forest-dependent communities to local control. The three Conservative premiers in the first half of the decade did little to address the movement, except for the implementation of an inadequate and poorly administered minimum wage. For their part, the opposition Liberals generated considerable political capital by chastising the government for its failed industrial program and thus encouraging the protest movement. After the Liberal Dysart government was elected in 1935, however, it failed to make good on promises to hold the companies to their contractual obligations concerning mill developments and harvesting on New Brunswick Crown lands. Even at this early juncture, there were indications that the provincial government was assuming its client state role.<sup>33</sup> Criticism of the industry by the opposition made for good newspaper copy and, to an extent, energized support for the party. The deeply entrenched control of most of the productive Crown lands and unprecedented investment made by the pulp and paper companies, however, immunized them from any substantive changes in policy that would re-establish community level control within the provincial forest industries. Both the Liberals and Conservatives were willing to sanctify Crown land as private property, even though it was public property, and the state was investing an ever-increasing level of tax money into maintaining it as an industrial forest.<sup>34</sup>

32 William M. Parenteau, "Reclaiming the 'People's Heritage': Crown Land Administration in New Brunswick, 1930-1939" (chap. IV), in Parenteau, "Forest and Society in New Brunswick."

33 Parenteau, "Reclaiming the 'People's Heritage'."

34 On the transformation of the Department of Lands and Mines from a revenue-generating apparatus for the state to a service agency for industry, see Parenteau, "Making 'room for economy, efficiency and conservation'."



At an ideological level, the controversy of the 1930s was fuelled by two competing visions of the function of the Crown lands. On the one hand, the corporate view was that areas of Crown land in excess of what was needed to supply the mills should be amassed under leases that approximated private land as closely as possible. In the 1920s this meant insisting on a doubling of the duration of tenure from 25 to 50 years, resisting any regulations (such as the tying of harvesting requirements to growth rates) that circumscribed operating practices, and weakening or eliminating the rights of other user groups to the public forest. The securing of large areas of unfettered forestland was important for ensuring wood supply over the long term and was also vital for attracting investment capital. Additionally, on portions of the leases that were unlikely to be cut in the foreseeable future, the companies could make a profit by selling stumpage at prices in excess of the government rate to sub-lessees.<sup>35</sup> Despite the outrage in the province at the policies of leaving large areas of the Crown forest uncut and profiting from sub-licenses, these were sound corporate practices by the standards of the industry. However, they ran contrary to what a large segment of the population believed to be the primary function of the provincial Crown forest: to act as an engine for the economic and social development of communities. It is an ideological disjuncture that never fully disappeared and, indeed, has resurfaced with renewed vigour during the present crisis in the forest industries.

The advent of the Second World War muted public criticism as it revived both the pulp and paper and lumber industries and produced a buoyant job market. In contrast to the hardscrabble days of the Depression, characterized by mass unemployment and below-subsistence wages, the problems for government in the war years were meeting production quotas, coping with labour shortages in the woods, and keeping a lid on rising wages in the forest industries.<sup>36</sup> At the end of the war, the Liberal government of Allison Dysart was finally able to cajole the Fraser Company into building a pulp mill on the Miramichi, although the International Paper Company continued to renege on its agreement with the province.<sup>37</sup> With the consumer revolution of the postwar decades gathering momentum, the industry was poised finally to make good on the promise of prosperity on which it was sold to New Brunswick in the mid-1920s. Indeed, the 25-year period from the end of the war until around 1970 was something of a golden age for pulp and paper in the province – marked by consistent expansion and profitability.

The unprecedented expansion of the North American economy during this period masked the threat of growing external competition in the pulp and paper industry and the internal structural problems that inhibited the redevelopment of the lumber sector of the provincial forest economy. The Second World War, among its other, more visible manifestations, set off a revolution in mechanical and chemical technology that deeply affected many industries, including pulp and paper. Perhaps

35 See the discussion in Parenteau, "Woods Transformed," 29-38.

36 Kenneth Taylor, "Reconstruction and Recovery in the Hinterlands: Resources, Industry and Infrastructure in New Brunswick and Saskatchewan, 1945-1970" (PhD diss., University of New Brunswick, 2005).

37 The author is indebted to Mark McLaughlin for information on the relationship between the Dysart government and the pulp and paper industry in the 1940s.



the first impact of the advance in chemical technology was the development of a process of separating the resin from the fibre in the southern pine, which opened the substantial forests of the southeastern United States to pulp and paper production. New technologies also contributed to a massive expansion of the industry on the west coasts of Canada and the United States after 1950.<sup>38</sup> In New Brunswick the desire to recreate a diversified forest economy that utilized a wide variety of softwood and hardwood species and included community-level ownership of manufactories, was not fulfilled to any significant degree. Some of the same local forest entrepreneurs who had complained in the 1930s that the pulp and paper corporations either denied them access to Crown lands adjacent to their communities or charged them unreasonably high stumpage fees on sub-leases, participated in the deliberations of the New Brunswick Committee on Reconstruction and again pleaded with the government to accommodate their needs. They made the same arguments without success to provincial forestry commissions in 1957, 1964, and 1972.<sup>39</sup> It was not a matter of the province lacking the human capital to support a vibrant and diverse community-based forest economy; it was, rather, a function of the unprecedented control that the pulp and paper manufacturers had over the Crown forest, and the political power that this control carried.

After 1960 the expansion of the pulp and paper industry in New Brunswick became entwined in the emerging milieu of regional development as Canada entered its high modernist period. It was marked by an underlying ideological change from the rigid laissez-faire policies of the pre-war period to aggressive state intervention that was built on the notion that government had an important role to play in the social and economic life of the nation.<sup>40</sup> Federal regional development initiatives began in the late 1950s with the advent of equalization payments to the poorer provinces under the Conservative Diefenbaker government. The 1960s witnessed the creation or bolstering of a variety of health, income support, and educational programs for Canadians. At the same time, an alphabet soup of regional economic development programs for Atlantic Canada emerged – ARDA, the ADB, FRED and finally DREE.<sup>41</sup> Under these programs, the Liberal provincial government of Louis

38 William Boyd, "The Forest is the Future? Industrial Forestry and the Southern Pulp and Paper Complex," in *The Second Wave: Southern Industrialization for the 1940s to the 1970s*, ed. Phillip Scranton (Athens, GA: University of Georgia Press, 2001); Patricia Marchak, *Green Gold: The Forest Industry in British Columbia* (Vancouver: University of British Columbia Press, 1983); J.-A. Lamberg, et al., *Evolution of the Global Paper Industry*.

39 Norman MacKenzie (chair), *Report of the New Brunswick Committee on Reconstruction* (Fredericton: Province of New Brunswick, 1944); John S. Bates (chair), *Final Report of the New Brunswick Forest Development Commission* (Fredericton: Province of New Brunswick, 1957); Louis Seheult (director), *Report of the Commission on Primary Forest Products in New Brunswick* (Fredericton: Province of New Brunswick, 1964); Industrial Inquiry Commission, *Final Report of the Industrial Inquiry Commission on the Pulp and Paper Industry in New Brunswick* (Fredericton: Province of New Brunswick, 1972).

40 The classic statement on high modernism is James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition have Failed* (New Haven: Yale University Press, 1998). For an excellent discussion of the modernization of one resource in the Atlantic Region, see Miriam Wright, *A Fishery for Modern Times: Industrialization of the Newfoundland Fishery, 1934-1968* (Toronto: University of Toronto Press, 2001).

41 For a general discussion of the evolution of state intervention in the Atlantic Canada economy, see Margaret Conrad, "The 1950s: The Decade of Development," and Della Stanley, "The 1960s:

Robichaud provided state financial support for new pulp and paper mills and for the expansion of existing mills. In a unique diversion from the client state relations observed by the provincial government for the previous several decades, Robichaud expropriated Crown land leases from existing firms to support the building of the Ste-Anne-Nackawic Pulp and Paper Company mill on the St. John River. The province also contributed \$21 million to infrastructure and construction costs and acted as guarantor for a \$40 million loan to its owners.<sup>42</sup> For the pulp and paper industry the genie of state support was out of the bottle, and with the slow, steady deterioration of the industry thereafter no provincial government had the political will to put it back.

As the unprecedented post-Second World War economic boom came to an end during the 1970s with the rise of stagflation – a combination of high inflation and negligible growth – appeals for state support became habitual for the pulp and paper industry; and, they have been highly successful. The first in an ever-deepening pattern of cyclical crises for the industry came in the early 1970s and prompted the obligatory government commission – the Industrial Inquiry Commission on the Pulp and Paper Industry in New Brunswick. In addition to criticizing the government for bad deals made concerning the Nackawic mill and another on the Miramichi, in its 1972 report the commission also recommended direct aid to the industry for three years to carry it through the market slump. Similar crises transpired in the 1980s and 1990s, and state support has expanded to a broad range of areas. It has included direct aid, guaranteed loans, research funding, infrastructure support, financial assistance for meeting environmental standards, tax breaks, reductions in Crown land fees, subsidized energy costs, and grants to produce alternative sources of energy.<sup>43</sup> The high level of support enjoyed by the industry has defied the neo-liberal turn toward reduced government in Canada, which started with the election of the Mulroney Conservatives in 1984 and has ultimately produced a deterioration in regional economic development funding and deep cuts in education, health, and social welfare programs.

### Looking ahead

Taken as a whole, state aid over the past 40 years has helped to mask and delay the impact of unfavourable economic, political, and environmental forces that have

The Illusion and Realities of Progress,” in *The Atlantic Provinces in Confederation*, ed. E.R. Forbes and D.A. Muise (Fredericton and Toronto: Acadiensis Press and University of Toronto Press, 1993), 382-420, 421-59. For a more specialized study of regional development programs, see Donald Savoie, *Visiting Grandchildren: Economic Development in the Maritimes* (Toronto: University of Toronto Press, 2006). The acronyms stand for Agricultural Rehabilitation and Development Administration, Atlantic Development Board, Fund for Regional Economic Development and Department of Economic Expansion.

42 Mark J. McLaughlin and Bill Parenteau, “A ‘Fundamental Cost that We Can’t Deal With’?: The Political Economy of the Pulp and Paper Industry in New Brunswick, 1960-Present,” in *Exploring the Dimensions for Self-Sufficiency in New Brunswick*, ed. Michael Boudreau, Peter G. Toner, and Tony Tremblay (Fredericton: New Brunswick and Atlantic Canada Studies Research and Development Centre, 2009), 13-34.

43 Industrial Inquiry Commission, *Final Report of the Industrial Inquiry Commission on the Pulp and Paper Industry in New Brunswick*; McLaughlin and Parenteau, “A ‘Fundamental Cost that We Can’t Deal With’?”

historically produced transformations in the New Brunswick forest industries. “In the 1970s and even the 1980s,” forest consultant Jeremy Williams stated, the industry “had the capital, leadership and technological prowess to move forward and provide a stronger foundation for itself, but it did not do this.” Thomas Beckley, of the University of New Brunswick (UNB) Faculty of Forestry and Environmental Management, similarly noted: “There was also some complacency because the industry had been dominant for so long. I believe the main cause of the existing crisis is the fact that we have not adapted quickly to the new economic realities of the global economy . . . ; we have not tried very hard to diversify out of our low-value, commodity-based products. We simply have not set our sights very high.”<sup>44</sup> Government assistance undoubtedly played a part in the complacency and lack of vision in the Canadian forest industries; in New Brunswick, it also produced an industry with an extraordinary sense of entitlement to the public forest and financial resources of the province. With the collapse starting in 2004, which was reminiscent of the post-First World War crash of the lumber industry, all of the problems have come into stark relief. There are similarities and differences between the past and current crises, but it has become clear that another transformation of the New Brunswick forest industries is at least desirable and perhaps inevitable.

One of the similarities with previous transformations is the disadvantageous environmental landscape. It has been at least two generations since there were any real environmental advantages to producing pulp and paper in the province. The industry came to eastern Canada in the early 20th century because of the abundant, untapped pulpwood resources and hydroelectric power potential. For the most part, New Brunswick producers settled into the low end of the market, making pulp and newsprint and eventually tissue paper. To thrive in these markets, cheap wood and power and high-volume production are vital. One of the ironies of the recent market crash has been that the quantity of wood cut on Crown land has not declined, nor has the consumption of energy. Led by the JD Irving Company, Ltd. there has been an aggressive campaign by the industry to obtain more wood and cheaper energy, the argument being that it is needed to compete in global markets. And the provincial and federal governments have made efforts to accommodate the industry. In 2009, for example, a Liberal provincial government extended the cutting rights of the large forestry firms by opening up some Crown land conservation areas. In 2009 the federal government introduced a \$1 billion aid plan to subsidize mills that produce bio-fuel. In 2011 the provincial Conservative government made a policy to buy the energy that large industrial enterprises produced and then sell it back to them at a lower price.<sup>45</sup> It may well be, though, that the market for low-end pulp and paper products has outgrown New Brunswick, in the sense that 40 years of state

44 Both quoted in Senate, *The Canadian Forest Sector*, 21.

45 CBC News: New Brunswick, “N.B. Increases Wood Supply, Cuts Protected Areas, 30 January 2009, <http://www.cbc.ca/news/canada/new-brunswick/story/2009/01/30/nb-wood-supply.html>; CBC News: Business, “Federal Government Rolls Out \$1 Billion Aid Plan for Pulp and Paper Producers,” 17 June 2009, <http://www.cbc.ca/news/business/story/2009/06/17/raitt-pulp-assistance.html>; CBC News: Fredericton, “Leonard Defends Industrial Energy Subsidy,” 1 November 2011, <http://www.cbc.ca/news/canada/new-brunswick/story/2011/11/01/nb-energy-subsidy-leonard-637.html>.

accommodation and outright assistance has not created a strong market position for provincial firms.

A second similarity between past and present forest industry crises is that transformations can be delayed by entrenched political interests. Such was the case, to a certain extent, with the transition from lumber to pulp and paper, and is clearly an important factor at present. Since the mid-19th century, control of the Crown lands has translated into enormous power over the direction of state forest policy. At the present time, the concentration of control of the public forest is greater than ever. To cite just one implication, New Brunswick lags behind in community-forestry initiatives. Calls for a more diversified, community-based forest economy built on higher added value products have grown in Canada during the past decade. Jurisdictions such as Quebec, Ontario, British Columbia, and Nova Scotia are all experimenting with reallocating wood supply to local businesses.<sup>46</sup> Community forestry is by no means a panacea for the ills of the provincial forest industries, and undoubtedly there will be some failures. However, the efforts are a response to the multi-billion dollar failure of the corporate model and demands from citizens who feel entitled to utilize the public forest to rebuild their communities. In New Brunswick such efforts have been summarily dismissed. The most prominent example came with the rejection of the St. Croix Community Forest Management Plan by the Department of Natural Resources in 2003. Speaking for the industry, JD Irving President James Irving, in a November 2003 interview at a public hearing on wood supply, remarked: "I don't think putting the local communities in charge of managing forestry as complex and as complicated as it is the right thing to do. These communities are totally dependent, around New Brunswick, on forest products. And, there are a number of them – Chipman, Juniper, Edmundston, Dalhousie, and Saint John. I don't think putting the timber lands in the hands of the community is the right thing to do, because of the complexity of it."<sup>47</sup> Community forestry initiatives can be easily dismissed in New Brunswick because the present Crown leaseholders are not interested and, except for a few instances in the 1960s, provincial governments have never been willing to alter lease agreements or wood allocation without the consent of the lessee. Still, the industry continues to decline. The pulp and paper mill in Dalhousie was subsequently closed and dismantled, the pulp and paper mills in Edmundston have been on government life support for the past decade, and the Irving sawmill near Juniper was closed indefinitely in late October 2011 despite a \$4.5 million government loan in 2008 to make it more efficient.<sup>48</sup>

46 On community forestry initiatives in other provinces, see, for example, the interview of Université de Moncton forestry professor Stephen Wyatt by Charles Thériault on the website "Is Our Forest Really Ours," Episode 10 (December 2012), <http://www.isourforestreallyyours.com>.

47 Both a discussion of the fate of the St. Croix Community Forest Management Plan and the interview with James D. Irving are included in the NFB documentary film *Forbidden Forest*, DVD, dir. Kevin Matthews (National Film Board of Canada, 2004).

48 The story of the Dalhousie mill is poignantly told by Ellen Rose and Tony Tremblay in the documentary film *Last Shift: The Story of a Mill Town* (Independent production, 2010). See also CBC News: Business, "Fraser Papers Seeks Bankruptcy Protection," 18 June 2009, <http://http://www.cbc.ca/news/business/story/2009/06/18/fraser-bankruptcy-protection.html>, and CBC News, "Irving Closes Deersdale Mill," 12 October 2011, <http://http://www.cbc.ca/news/canada/new-brunswick/story/2011/10/12/nb-irving-deersdale-sawmill-closure.html>.

The dismissal of alternative models of forest industry development is symptomatic of the continuing ideological disconnect between the major forestry corporations and the people of New Brunswick over the role of the Crown lands. Starting with the release of the Jaakko Pöyry Consulting report (November 2002), commissioned by the provincial Forest Products Association and Department of Natural Resources, New Brunswickers have become more vocal in their criticism of government and industry management of the Crown forest. Most observers outside of industry circles viewed the report as an articulation of industry desires to increase wood supply by gaining a tighter control over Crown land resources, to the detriment of all other values and objectives. In particular, the recommendation that mills be guaranteed a wood supply would potentially place a legal onus on the state to meet that requirement; this would, in an unprecedented manner, fulfill one of the core values of corporate control – making Crown land agreements approximate private land ownership to the greatest extent possible. The negative attention that the report garnered prompted the Conservative government of the day to step back and commission a Select Committee on Wood Supply, which included spirited public consultation sessions and, in the final report, a polite but clear repudiation of the wood supply objectives of the Jaakko Pöyry Report as too narrow. In direct response to the consultant's report, the Select Committee stated that it "believes management of the public forest to be best served by a public vision, put forward by Government as trustees of that forest."<sup>49</sup> It should be noted, however, that the committee did not advocate community control of Crown forest resources.

The wide gulf between public and industry views of the Crown land was abundantly evident in a 2007 public survey on forest management in New Brunswick, commissioned by the provincial Department of Natural Resources and carried out by social scientists from Natural Resources Canada, the University of New Brunswick and the Université de Moncton. Overall, a majority of respondents believed that the amount of wood cut on Crown land was too high and that industry had too much control over forest management. When asked to give an "Assessment of Management Goals," the category "Ensure that wood supply for the forest industry remains at current levels" ranked last in a list of seven.<sup>50</sup> Just after the report was released, the funding for a planned round of public consultations in nine communities was cancelled by the New Brunswick government without explanation.<sup>51</sup>

Traditionally, the two justifications for providing public assistance and entrusting the Crown lands of the province to large corporations have been that it is the best way to generate both employment in the forest industries and revenue for the province. As Norm Betts, former Conservative minister of finance and chair of the 2011 Crown Land Task force suggested: "From a broader societal perspective, the public wants to be certain Crown forest land resource allocation provides direct

49 Select Committee on Wood Supply, *Final Report on Wood Supply in New Brunswick* (Fredericton: Province of New Brunswick, 2004), 10.

50 S. Nadeau, T.M. Beckley, E.H. Kennedy, B.L. MacFarlane, and S. Wyatt, *Public Views on Forest Management in New Brunswick: Report from a Provincial Survey* (Canada: Natural Resources Canada, 2007), 17.

51 CBC News, "Forestry Public Meetings Cancelled," 3 March 2008, <http://www.cbc.ca/news/canada/new-brunswick/story/2008/03/03/forestry-meetings.html>.



financial contributions to government to fund other government programs.”<sup>52</sup> Current Premier David Alward remarked in early 2012, within the context of celebrating a \$15.3 million government aid package to reopen a mill in Miramichi: “Forest-product manufacturing is a major focus of our government’s plan to help communities grow and create new jobs throughout New Brunswick.”<sup>53</sup> With regard to the statement of Mr. Betts, the current allocation of Crown lands is not meeting that objective, at least according to CIBC World Markets Vice-Chairman Don Roberts, who spoke at a provincial government “forestry summit” in November 2010. Roberts estimated that the New Brunswick government spent \$15.2 million more on forest management in the 2010-2011 fiscal year than it collected in revenue.<sup>54</sup> Concerning the statement of Premier Alward, the investment of public resources to prop up large and expensive mills that produce low-end forest products has reached the point of diminishing returns as a job creation strategy. Since the 1960s the forest industries in New Brunswick, as elsewhere, have become increasingly capital-intensive, due mostly to technological innovation.<sup>55</sup> It was a point made clearly and succinctly by UNB Dean of Forestry Donald Floyd in a Canadian Senate hearing in 2009: “What these mills will continue to do is to substitute high-tech equipment and capital for labour. The upshot of that . . . is that the jobs will not come back. Forestry will not be the engine of rural development that it has historically been in Canada. Things have changed. I do not think it is realistic to think that five or ten years from now, you will see those high-paying jobs come back in the mill towns.”<sup>56</sup> The Miramichi mill employed 160 people before it failed and will reopen with around 100 employees.

The most obvious difference between the past and current crises in the forest industries is in the nature of the relationship with government. In the pre-Keynesian era, before the Second World War, many of the categories of direct aid extended to the forest industries today were simply not available. Efforts were made by the lumber operators for relief on such cost factors as stumpage fees on Crown land and municipal tax relief; however, these efforts were restricted to a few areas and there was nothing like the diverse, perpetual, and aggressive campaign undertaken by current industry leaders. Given that the New Brunswick government is in a state of fiscal crisis that rivals the early 1920s, eventually there will have to be stricter limits imposed on the claims that the industry can make on the provincial resource endowment and public purse. What those limits might be or how long it takes to get there are matters of considerable uncertainty.

52 Norm Betts (chair), *A Path for a Sustainable Economic Forest in New Brunswick: Report by the New Brunswick Crown Land Task Force* (Fredericton: Province of New Brunswick, 2011), 12.

53 CBC News, New Brunswick, “Miramichi Mill to Re-open,” 3 February 2012, <http://www.cbc.ca/news/canada/new-brunswick/story/2012/02/03/nb-miramichi-mill-reopen.html>.

54 Don Roberts, “Thoughts on Transforming the Forest Sector in New Brunswick,” unpublished paper presented at *New Brunswick Forestry Summit*, 19.

55 See the table prepared by UNB forest economist Van Lantz, in Crown Land Network, ed., *Unlocking the Potential of New Brunswick Crown Lands* (Knowlerville, NB: Falls Brook Centre, n.d.), 8.

56 Senate, Standing Committee on Agriculture and Forestry, hearing, 26 May 2009, testimony of Donald Floyd, p. 47246.



The forest industries of today also face a landscape of changing environmental sensibilities that is fundamentally different than in the past. After 1900 there was some tension between lumber operators and reform-minded elements in the emerging forestry profession. Progressive-era forestry was scientific and utilitarian in character, and eventually contained through collaboration and compromise – that is, mostly concerned with eliminating wasteful cutting practices and increasing the yield and value of the harvested timber rather than questioning the value of harvesting timber.<sup>57</sup> Since the 1960s environmental science and the environmental movement have steadily expanded and challenged a wide variety of industry practices such as pesticide and herbicide spraying, clear-cutting, plantation forestry, and the emission of chemical and particulate matter from mills. These challenges have produced environmental regulations, some of which have added considerably to operating costs. Even the money expended on campaigns to convince the public that a company is environmentally responsible is far in excess of what was needed in the past. As the 2007 survey demonstrated, forest values in the province are changing. When presented with a list of “Preferred group[s] to be potential managers of Crown lands” the largest number of respondents, 56 per cent, chose “Environmental Organizations”, followed by “local communities” at 46 per cent. The category “Forest companies that currently have rights to the Crown wood” was the choice of 21 per cent of respondents. Likewise, when presented with a list of organizations that “best reflect participant’s views” more than twice as many respondents chose “Conservation Council of New Brunswick,” “watershed management groups,” and/or “environmental organizations” as opposed to “forestry companies.”<sup>58</sup> As one of the survey researchers remarked in another venue, “While we have made some improvements over the years on the environmental side of forest management, the gap between the policies citizens desire and the policies governments put forth does not appear to be narrowing and it may indeed be widening.”<sup>59</sup> The failure of industry and government to address changing forest values has created a credibility gap that cannot be overcome by platitudes, road signs, and glossy pamphlets. Not all New Brunswick residents may fully understand all the scientific elements of the concept of bio-diversity; however, most can comprehend that it is being compromised when the provincial government, at the behest of industry, increases the Crown land area available for plantation forests from 11 per cent to 28 per cent, as occurred in 2009.<sup>60</sup>

Another difference in the current crisis in the forest industries is the movement of New Brunswick First Nations to assert their rights to Crown land forest resources. In the wake of the historic Marshall decision (1999), Aboriginal communities in the province began to argue that the Supreme Court of Canada’s ruling, which

57 Parenteau, “Making ‘room for economy, efficiency and conservation’.”

58 Nadeau, Beckley, Kennedy, MacFarlane, and Wyatt, *Public Views on Forest Management in New Brunswick*.

59 CBC News, “New N. B. Forest Policy Vital: Professor,” 10 September 2010, <http://www.cbc.ca/canada/nbvotes2010/story/2010/09/09/nbvotes-forestry-policy-reform-beckley-932.html>.

60 CBC News: New Brunswick, “N.B. Increases Wood Supply, Reduces Conservation Areas,” 30 January 2009, <http://www.cbc.ca/news/canada/new-brunswick/story/2009/01/30/nb-wood-supply.html>.

determined that First Nations people in the region have the right to obtain a “moderate livelihood” from the fisheries, should be extended to the forest.<sup>61</sup> The Marshall and Bernard (2005), and Sappier and Polchies (2006) test cases, both of which were eventually argued in front of the Supreme Court justices, established that First Nations had the right to harvest Crown land wood for domestic purposes and for sale or barter within their communities.<sup>62</sup> However, both cases denied the right to the more general commercial sale of such wood. The two decisions represented a reversion to the “frozen in time” mentality of the court, which holds that economic activities that were not an integral part of Aboriginal culture before contact and/or at the time of treaty-making in the mid-18th century should not be an entitlement today. As the Donald Marshall decision demonstrated, this legal principle is difficult to sustain over the long term as it bears the heavy burden of ignoring the vast amount of scholarship on how human societies evolve. The choices for the provincial government and the forest industry are to accommodate the desire of Native people to participate in the forest economy or to continue to fight a legal battle that is expensive and may well have the same result as Marshall. The provincial government needs to move beyond the conceptualization of Native claims to the natural resources of the province as a problem, and realize that natural resources provide the best opportunity for reconciliation with First Nations.

Finally, in the current crisis in the New Brunswick forest industry there is no one solution that has presented itself in the way that pulp and paper provided a viable alternative to sawmilling in the early decades of the 20th century. However, a reasonably broad community consensus has been building outside of the elite government and corporate decision-making bubble. Most observers understand that the business of producing low-value, high-volume pulp, paper, and lumber products in New Brunswick has reached the end of its life cycle. The forest industry of the future will be more diverse and decentralized with a focus on higher value-added products. Getting there will require a change in the ideology of state resource management and industrial development, as industry has little incentive to change of its own accord when public assistance is readily available. The fixation on providing as much fibre as possible from a limited number of tree species, and expending large amounts of public money to reopen marginal mills that already failed despite abundant state sponsorship, needs to be abandoned. This will require that the Department of Natural Resources be converted from its current role as a service agency for industry to become a steward of the public forest that more carefully considers the interests of a wider variety of stakeholders. The first step, as Stephen Wyatt of the Université de Moncton Forestry School suggests, should be a revision of the New Brunswick Forest Act, which is more than 30 years old and was built on a corporate model that has failed. British Columbia, Quebec, and Ontario are all experimenting with Crown land regulatory reform that involves a

61 For an analysis of the decision, see Kenneth Coates, *The Marshall Decision and Native Rights: The Marshall Decision and Mi'kmaq Rights in the Maritimes* (Montreal and Kingston: McGill-Queen's University Press, 2000).

62 Mahmud Jamal, “Treaty Interpretation After R. v. Marshall; R. v. Bernard,” *Supreme Court Law Review* (2006), 34 SCLR (2d), 443-55; Supreme Court Decision, *R. v. Sappier; R. v. Gray* [2006] 2 SCR, 86.

decentralization and regionalization of use-rights and decision-making.<sup>63</sup> Stakeholder discussions around Crown land issues have generally been an instrument of damage control in New Brunswick, initiated by government as a result of public dissatisfaction as was the case with Jaakko Pöyry Report. They need to be the core element in the process and precede decisions about wood allocation.

Historically, transformations of the forest industries have caused great social and political consternation and, sometimes, considerable economic hardship for a time. The transition away from pulp and paper and low-end construction lumber will be no different. However, the Crown forest continues to be the province's major economic, social, and cultural asset and we must eventually stop clinging to sunset industries that do not meet the economic needs or conform to the forest values of New Brunswickers.

BILL PARENTEAU

63 Wyatt interview.