

# An Economic and Financial Review of Newfoundland during the Second World War

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## DOCUMENT

# An Economic and Financial Review of Newfoundland during the Second World War

DAVID MACKENZIE

THE FOLLOWING DOCUMENT was prepared in the U.S. Consulate in St. John's by William Cole, the American Vice Consul, in the spring of 1943. It can be found in the St. John's Consulate files (1943, volume 10), Record Group 84, Records of Foreign Service Posts of the Department of State, in the American National Archives in Washington, D.C. It is one of several monthly and annual reports written in St. John's during the war on the economic and financial situation in Newfoundland. This particular document surveys the year 1942 and is one of the most comprehensive accounts, produced at a time when American activity in Newfoundland was at its height. The focus of the document is not so much on the American activities themselves, but rather on the impact that they, and other war-related factors, had on the economy and, ultimately, on the people of Newfoundland.

American forces began arriving in Newfoundland early in 1941, in the months following the Anglo-American Base Destroyer Deal of September, 1940. Their impact on life in Newfoundland was truly profound. The construction of huge military bases and the influx of thousands of free-spending foreigners re-energized Newfoundland's depressed economy within a matter of months: unemployment virtually disappeared, the Commission of Government's chronic deficits became surpluses, new towns sprang up near the American military installations while some older settlements were moved (and their residents relocated), and the whole country was inundated with American money, ideas, and culture.

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Cole begins his report by noting that 1942 “was without precedent in the history of the Island,” and the rest of his account reveals the validity of that remark. Trade figures, government revenues, fish, mines, and pulp and paper output, commercial activities, and other business statistics are all presented. It is also interesting to note the war’s uneven impact on Newfoundland’s key industries, and how the American-inspired “boom” was not experienced uniformly by all Newfoundlanders. Fortunately, the document is not all statistics; it also addresses some of the social consequences of the American “invasion,” and considers how wartime conditions influenced living standards, prices, rationing, and housing, as well as imports and exports.

Conversely, a few more conventional comments — such as the American concerns over the quality of the local labour hired at the bases — are repeated without analysis. Furthermore, relatively little attention is paid to the significant impact of American living standards and cultural values on Newfoundland society, or to the long-term implications of this imported prosperity. Finally, the document has little to say concerning the problems caused by the speed with which the Americans moved into Newfoundland or the resulting dislocation of hundreds of families. As one Stephenville resident later commented: “You should have been here in ‘41, when they arrived. Man, it was like an invasion. [The Americans] came in with their bulldozers, knocking people’s homes down almost before they’d time to get out. One barn was burnt with the horse still in it — we got the poor beast out, but no thanks to them. Mind, they’d a right to all they did, and they paid for it all. It was just the way they went about it. Made people sore.”<sup>1</sup>

Despite the obvious shortcomings, however, this document gives a good overview of Newfoundland’s economic and financial situation at the peak of the American base construction boom. And although it concentrates on a single year, most of the statistics are presented in a comparative framework, which helps provide a broader context for understanding the vast changes affecting Newfoundland during the Second World War. This report — a foreigner’s view of a unique situation — will be of some value to all students and scholars with an interest in the history of Newfoundland during its last years as a Dominion.<sup>2</sup>

(A few minor spelling errors in the original have been silently corrected. Endnotes 3-16 below are from the original text.)

Annual Economic and Financial Review, Newfoundland 1942  
Prepared by William E. Cole, Jr.

INTRODUCTORY COMMENT: The year 1942 was without precedent in the history of the Island. The construction of elaborate military facilities, the presence of numerous members of the American and Canadian armed forces and contractors’ employees, and the extensive use of the Island’s ports by naval craft, as well as by merchant vessels, resulted in large disbursements of funds which modified, at least temporarily, the internal

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economy of Newfoundland. Wages were high, and employment was available for all. An extraordinary demand for consumers goods of all kinds persisted throughout the year. Since no extensive rationing program was instituted to conserve available stocks for future use, imports of many luxury items, as well as of essentials, continued almost unchecked. At the year's end the cost of living reached a level 14 per cent above that prevailing at the beginning of 1942. Increased shipping and insurance charges contributed to the rising landed cost of imported goods, as did the system of customs duties assessed for revenue purposes, in many instances on an ad valorem basis.

Government revenues reached new levels. The Colony, which in other years required financial aid from Great Britain, was able to loan more than six million dollars to the Mother Country. Upon repayment this sum, and further surpluses, should be available for use in making needed economic adjustments in the post-war period.

The labor requirements of construction projects, together with the shortage of shipping, were responsible for some decline in the activities of Newfoundland industries. The mining and export of minerals fell below estimates. The newsprint industry in particular was affected by these difficulties. Fewer men than usual engaged in the fisheries, but the exceptionally small catch was readily marketed at very favorable prices.

The early, warm summer was at first favorable to agricultural pursuits; later in the year insufficient rainfall checked the growth of crops.

Military construction programs neared completion by the year's end, and there are no grounds for expecting another year as prosperous as that just passed. The early stages of a fundamental change in certain phases of life in the Island are, however, apparent. Free compulsory education has been instituted. The people have become conscious of the possibility of higher wage standards. They have had opportunities to observe the living conditions of outsiders, and their methods of working. The new air service, connecting Newfoundland with the mainland, has made the United States and Canada more readily accessible. The lethargic attitude of large sections of the population occasioned by years of isolation and inadequate employment should give way, in some degree, to an awakening interest in the country's political and economic future.

FOREIGN TRADE: Under present circumstances, the foreign trade of Newfoundland may be divided into two categories: (1) that which results from normal commercial transactions, and (2) imports and exports made by American and Canadian military forces now in the Island. Considering only the former category, the dollar value of the Island's foreign trade for the fiscal year ending June 30, 1942, was (with comparisons for earlier periods) as follows:<sup>3</sup>

	Imports	Exports	Total of Foreign Trade
1941-1942	\$45,198,865	\$39,102,557	\$84,301,422
1940-1941	31,690,979	37,329,815	69,020,794
1939-1940	28,421,897	33,393,845	61,815,742

The increase of over thirteen million dollars which occurred in the case of imports was to be expected in view of the abnormal purchasing power of the local population, together with the generally higher prices of all kinds of goods. It would undoubtedly have been even greater except for supply and shipping difficulties.

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Imports — Dollar values of imports from the principal countries supplying Newfoundland were, for the period under review, as follows (with comparisons for three earlier years):<sup>4</sup>

	1941-1942	1940-1941	1939-1940
From United States	\$16,403,011	\$11,701,549	\$10,527,678
From Canada	23,530,045	15,326,727	10,996,341
From United Kingdom	3,891,711	3,779,119	5,353,906
From All Other Countries	1,374,098	863,654	1,543,972
Totals	\$45,198,865	\$31,671,049	\$28,421,897

As may be observed, the value of imports from the United States increased \$4,701,462 (about 40 per cent) over those of the 1940-1941 period, while imports from Canada increased by \$8,203,318 (54 per cent). Imports from the United Kingdom remained practically unchanged at the relatively low figure of \$3,891,711.

With regard to the second category mentioned above, imports of duty free supplies for the use of the armed forces (and contractors operating under their jurisdiction) were according to the best available estimates as follows:

	Imported by U.S. Forces	Imported by Canadian Forces
1941-1942	\$72,000,000*	\$19,473,514**
1940-1941	6,000,000*	3,813,364**

\*Estimated from data supplied by U.S. Army and Navy.

\*\*From Newfoundland Board of Customs.

Note. For the fiscal year ending June 30, 1942, the imports of the U.S. armed forces were apportioned among the countries of origin as follows (estimated): from the U.S. \$68,380,000; from Canada \$3,500,000; from the United Kingdom \$120,000. Similarly, imports by the Canadian forces were: from U.S. \$4,009,123; from Canada \$15,316,086; from United Kingdom \$107,634; from other countries \$40,621. For the year ending June 30, 1941, imports by the U.S. forces were (estimated): from U.S. \$5,000,000; from Canada \$1,000,000. Imports by the Canadian forces were: from U.S. \$545,118; from Canada \$3,268,246. The Newfoundland Board of Customs has no record of imports made by the U.S. Army and Navy. Values in Canadian dollars.

While the United States forces in Newfoundland import practically all of their necessities direct via vessels especially chartered, the Canadian military authorities obtain their requirements free of duty through local wholesalers. They thus avoid the need for maintaining large warehouses, stocks of goods, and shipping facilities. Since they purchase through established commercial channels in small lots on a day to day basis, their problem of supply is greatly simplified. Moreover, the wholesalers, obtaining large orders for all kinds of provisions, should continue to be good customers for Canadian products after the war.

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Exports — The value of exports by general commodity classifications for the period under review was as follows (with a comparison for the two earlier fiscal years):

	1941-1942	1940-1941	1939-1940
Fisheries Products	\$12,655,834	\$9,735,175	\$8,099,581
Forest Products	827,189	2,093,051	1,630,761
Mineral Products	7,276,507	8,099,401	7,174,659
Agricultural Products	32,008	23,506	33,525
Local Manufactures	16,183,549	16,050,229	15,453,374
Local Miscellaneous	405,197	721,990	435,423
Foreign Goods Re-Exported	1,722,273*	606,463	566,522
<b>Totals</b>	<b>\$39,102,557</b>	<b>\$37,329,815</b>	<b>\$33,393,845</b>

\*Does not include value of goods exported by the armed forces.

The greater dollar value of fisheries products is explained by the improved prices obtained for the relatively small catch of the last two years. The item "local manufactures" consists almost entirely of newsprint and the various classes of wood pulp.

Exports from Newfoundland by dollar values and principal countries of destination are shown in the following tables:

	1941-1942	1940-1941	1939-1940
United States	\$15,814,144	\$13,538,589	\$ 9,786,481
Canada	5,306,183	3,885,926	2,973,328
United Kingdom	7,062,556	11,170,637	11,001,234
All Other Countries	10,919,674	8,734,663	9,632,802
<b>Totals</b>	<b>\$39,102,557</b>	<b>\$37,329,815</b>	<b>\$33,393,845</b>

Although statistics on the subject are not available, the apparent unfavorable balance of trade for the last fiscal year is undoubtedly more than offset by large "invisible exports" such as wages paid to workers employed on base construction projects (amounting possibly to twenty million dollars), expenditures in Newfoundland by members of the armed forces and other temporary residents, et cetera. Such items should easily balance, in addition, "invisible imports" in the form of insurance, freight, and interest payments made abroad.

GOVERNMENT FINANCE: The extraordinary prosperity which the Island has experienced is reflected in governmental receipts, which for the fiscal year ending June 30, 1942, reached a total of more than twenty-three million dollars. This sum greatly exceeded revenues of any previous year and surpassed by about six million dollars the estimate of the Commissioner for Finance as announced at the beginning of the period. Customs duties and excise taxes, which account for the greater part of Newfoundland Government income, reached unprecedented totals. As might be expected, revenues derived from

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direct taxes, from receipts for postal and telegraph services, and from the liquor monopoly also registered some gains. Since expenditures were held to a minimum, the close of the fiscal year found the Government in possession of a surplus of more than seven million dollars.

The table hereunder sets forth revenues and expenditure for the last two fiscal years (in Canadian dollars \$1.00 U.S. currency = \$1.10 Canadian):

Revenues:	1941-1942	1940-1941
Customs	\$16,803,061	\$11,353,935
Assessor of Taxes	3,306,490	2,209,489
Posts & Telegraphs	1,183,583	914,292
Board of Liquor Control	809,208	556,475
Other	1,191,954	1,253,314
	\$23,294,296	\$16,287,505
Expenditures:		
General	\$11,903,516	\$11,539,960
Interest and Other Debt Charges	4,179,598	3,951,014
	\$16,083,114	\$15,490,974
Surplus:	\$7,211,182	\$796,531

Estimated governmental expenditures for the period, July 1, 1942, to June 30, 1943, total \$17,722,300. This figure represents an increase of \$1,639,000 over actual expenses of the last fiscal year.

Note: The present fiscal period is to terminate March 31, 1943, in order that future fiscal years may begin on the first of April. New funds for Government projects will thus become available at the most appropriate season for beginning outdoor work. For purposes of comparison, figures mentioned in this report relate to a full year, i.e., July 1, 1942, to June 30, 1943.

The increase mentioned above is occasioned by provisions in the budget for the following purposes:

- Increases in the Newfoundland Militia and Ranger Forces;
- Construction of a new Government building;
- Construction of ten wooden vessels;
- Increased appropriation for road maintenance and construction of bridges;
- Appropriation to provide for free, compulsory education;
- Increase in allowance payable to Newfoundlanders serving in the armed forces. (Basic salaries and maintenance costs of Newfoundlanders serving in the armed forces overseas are, however, paid by the British Government.)

In addition, normal operating expenses of the Government have risen, and a cost of living bonus is being paid to personnel of the Civil Service.

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During July, 1942, the Government announced its estimate of receipts for the coming twelve months as \$18,744,000, with an estimated surplus of just over one million dollars. Income from all sources up to December 31, 1942, had, however, already reached a total in excess of thirteen million dollars, while the real surplus accumulated during the last six months of 1942 exceeded four and one half million dollars. It is thus clear that the Newfoundland Government will accumulate a further substantial addition to its present reserve. The construction of military bases in the Island is, however, being concluded, and imports may soon be limited by allocation programs or shortages in the countries of origin. It is doubtful, therefore, if governmental revenues, chiefly derived from customs duties, will continue much longer at the levels of the last two years.

In November the Government offered for public subscription a loan of \$1,500,000 in three and one quarter per cent bonds, using the proceeds to redeem the outstanding balance of bonds issued during 1923 at an interest rate of five per cent. This loan was soon fully subscribed by investors with abundant funds and limited opportunities, because of exchange controls, to place capital abroad.

COMMERCIAL YEAR: Storekeepers and wholesalers experienced a record volume of business in 1942. Consumer demand, which has increased tremendously since the war, seemed practically unlimited. Turnover figures were governed by the volume of supplies available from foreign sources. As business went to whomever had a stock of goods, there was practically no competition between merchants. Some items, such as hardware, crockery, glassware, radios, toys, and certain lines of textiles were in short supply throughout the year. After the Christmas season, however, shortages were more general. Canned goods became virtually unobtainable. Buyers who had proceeded to the United States or Canada reported increasing difficulty in obtaining new stocks of dry goods and other supplies. A number of merchants expect that their operations will be much curtailed during the coming year by inability to replenish inventories.

In connection with its requirements program, the Board of Economic Warfare called upon the Newfoundland Government to prepare an estimate of the needs of the Island for supplies of all kinds during 1943. Local importers, convinced that Newfoundland would be the subject of an allocation program on the part of the United States and Canada, showed ready compliance in preparing detailed estimates of the goods which they desired during 1943. The Government stressed the point that past consumption of Newfoundland could not be used as a standard for judging future needs. It was pointed out that the unfavorable economic conditions prevailing in the past should be taken into account, as well as the presence in the Island since the war of some twenty-two thousand Americans and Canadians.

The steady rise in business activity in recent years is apparent from the volume of clearing totals of the four banks operating in Newfoundland. The figures below (Canadian funds) cover totals for yearly periods ending October 31:<sup>5</sup>

Year	Amount	Year	Amount
1939	\$57,643,089	1941	\$ 83,005,009
1940	65,671,246	1942	115,372,473



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**Private Finance** — As 1942 was a period of full employment, living standards rose despite high costs of consumers goods. While a large proportion of new earnings were used for the purchase of many items which the average Newfoundlander could not previously afford, a striking increase in savings occurred. Total savings bank deposits, representing reserves accumulated by business concerns as well as savings of individuals, rose from \$29,463,000 in 1941 to \$39,368,000 in 1942.<sup>6</sup> Other bank deposits increased from \$19,026,000 in the earlier year to \$25,979,000 in the latter.<sup>7</sup> In 1942 sales of War Savings Certificates of almost one million dollars were nearly double total sales a year earlier.

**Collections** — Collections were reported as normal during the past year, as the improved conditions noted throughout 1941 continued. Sight obligations and trade acceptances were well met. Time extensions and renewals were rare occurrences.

**Commercial Failures** — Only six commercial failures occurred during the year (through November 20, 1942), with total deficits of less than nine thousand dollars.

**Local Manufactures** — Local manufactures, mostly situated in or near St. John's, produce a variety of articles for consumption throughout the Island. The more important of these include beverages, biscuits, boots and shoes, butter, clothing, confections, cordage, nails, paints, stoves, and tobacco products. Owing to the much augmented needs of the trade, these operations were carried on at capacity throughout the year.

**LIVING CONDITIONS: Cost of Living** — A steady rise in the cost of living in Newfoundland has been in progress at least since 1938, when a cost of living index pertaining to the city of St. John's was established. The most important influences contributing to this condition since the outbreak of the war may be summarized as follows:

Higher costs of all kinds of imported goods. Price ceilings applicable in many instances in countries of origin do not apply to goods when exported.

Increased costs of transportation of goods to the Island occasioned by war risk insurance, naval control delays, et cetera.

The effect of ad valorem customs duties assessed against many classes of imports, as well as of the seven and one half per cent war tax on imports.

Increased operating costs of merchants.

Heavy demands of the navy and merchant marine for ships stores. Considerable purchases, especially of luxury goods, by seamen arriving from ports where rationing and shortages prevail.

The temporary increase in the population of the Island which has occurred with the arrival of an estimated twenty-two thousand American and Canadian service men and construction workers.

The greatly augmented purchasing power of the people of Newfoundland, with an extraordinary increase in demand on their part for all kinds of consumers goods. This is partly a result of previous "underconsumption" and partly of an acquisition of a taste for articles not formerly consumed on a substantial scale.

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As a result of the higher cost of goods and of a vastly increased demand, the index figure indicative of the cost of living at St. John's has risen without interruption, as may be observed from indices given for the following months:<sup>8</sup>

October, 1938 .....	100.00
October, 1939 .....	104.4
July, 1941 .....	122.0 <sup>9</sup>
October, 1941 .....	128.0
June, 1942 .....	136.7
September, 1942.....	142.7
December, 1942 .....	150.2

The foregoing figures, compiled by the Department of Public Health and Welfare, are based upon a budget covering the necessities of a family of five persons whose combined income during 1938 totalled \$1,200. As may be observed, this yearly income would have to be increased to \$1,800 in order to maintain the same living standard in 1942.

In the compilation of the index figures, the item of rent has always been omitted. The abnormal civilian demands, together with sales and leases to the armed forces, has caused an acute shortage of buildings of all description in the St. John's area. Practically the entire population is living in substandard housing conditions. While a regulation of 1940 prohibits increases in rental to tenants in occupancy, control of rates to new tenants is inadequate. Extortionate rents are being charged in numerous cases.

A consideration of living costs in Newfoundland presupposes a standard of living which has been attained in the past by only a small proportion of the population. The majority, existing on the subsistence level of a primitive economy, have seldom obtained more than the barest necessities. Only a nucleus of merchants, professional persons, and civil servants maintain a standard of living comparable to that of an average community of the United States.

**Price Fixing: Shortages** — In an effort to restrain mounting living costs during the year, the Government fixed the selling prices of a number of foodstuffs by restricting the selling price of each to that prevailing upon a specified date at retail outlets throughout the Island. A rough sort of price ceiling was thus established. Specific ceilings, stated in dollars and cents, were also imposed in regard to a few commodities, such as eggs, milk and butterine. Customs duties and the special War Revenue Tax were, for the same reason, removed from a limited number of foodstuffs, including canned and barreled meats. Concerning items other than foodstuffs, the Government has placed ceiling prices on automobile tires (which are strictly rationed owing to scarcity) on gasoline, kerosene, and coal.

The problem of price regulation required the appointment during the year of a Government official (Deputy Food Controller) who functions under the general supervision of the Commissioner for Public Health and Welfare. The activities of these officials have of necessity been limited to an endeavour to exercise a certain degree of control over the distribution and prices of foodstuffs.

While imports of necessities were in general well maintained, certain shortages nevertheless developed. Molasses became practically unobtainable owing to the interruption of shipping with the West Indies. Barreled beef was no longer packed in the

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United States or Canada. A supply of this commodity which might have been obtained from Cuba was not imported, as local merchants feared they might incur a loss through handling this unfamiliar product. Dwellers in the "outports", or isolated coastal settlements, thus faced the winter season without these two staple articles of their diet.

**Rationing** — An initial attempt at rationing (with the exception of automobile tires) during the year occurred in the case of tea. Toward the end of 1942 the Government, announcing an "honor system" of rationing requiring no coupon books or other administrative formalities, appealed to the people of Newfoundland to reduce their habitual consumption of that commodity by one half. For the coming months, merchants dealing in tea were, in addition, allowed only one half of the quantities they had obtained during an earlier comparable period.

The measures just described evoked widespread interest. They appeared to foreshadow further steps in the rationing of foodstuffs. Per capita consumption of tea in Newfoundland has, moreover, always been extremely high. It has been the only cheap stimulant available, as it is easy to distribute throughout the sparsely inhabited areas of the island and is easily prepared. The people, because of their inadequate diet, are especially in need of some stimulant, and substitutes are not generally available.

Additional restrictions upon the distribution and consumption of foodstuffs may be expected in the near future. It appears doubtful, however, that the Government will adopt any further regulatory measures than those which may be necessitated by inability to obtain the usual volume of imports. Any extensive system of rationing of the individual consumer would prove difficult of administration owing to the existence of the many small, isolated communities and to the widespread practice of making purchases on a credit basis.

**LABOR:** Owing to the very great demand for labor in connection with the construction projects of the American and Canadian military authorities, plentiful employment at good wages characterized the past year. Numerous workmen left their usual lines of endeavour to take advantage of the higher wages and superior living accommodations which the defense base contractors could offer. About twenty thousand Newfoundlanders were employed on base construction work during the period of greatest activity. An estimated eight thousand additional men, moreover, served in the armed forces or in the merchant marine.

The unusual demand for workers had the effect of draining off the labor supply of the industries of the Island. Some industries experienced the highest labor turnover in their history. Mining operations suffered through the loss of experienced men. The Buchans mine, which produces copper, lead, and zinc concentrates (principally for the Metals Reserve Corporation) was for this reason able to operate at only 76 per cent of capacity. Activities of the iron mine at Bell Island were likewise impeded. The newsprint companies, especially, have felt the effects of the labor shortage. Seasonal logging operations, conducted in the fall of each year, were so restricted that adequate supplies of pulp wood could not be obtained.

During the year under review, Government tribunals arbitrated a dispute between the St. Lawrence Fluorspar Corporation and its employees, as well as one of the St. John's longshoremen and their employers. Wage increases were allowed in these cases. A minimum wage scale and cost of living bonuses were granted to shop employees of St.

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John's by a similar tribunal. In view of the mounting cost of living, the Government also established a bonus system for members of the Civil Service.

While important labor disputes were few, complaints of the inefficiency of local workmen frequently occurred. Even after the settlement of outstanding grievances, miners and stevedores showed a continual readiness to stop work and argue over numerous minor differences. Absenteeism was especially prevalent. Many workers, having saved a few dollars, returned temporarily to their homes for a holiday or to engage in such habitual occupations as subsistence farming and other work necessary to the maintenance of their homes. Appeals to their sense of patriotism generally went unheeded. One of the Commissioners of Government estimated that 20 per cent of the effectiveness of Newfoundland's labor was lost through the absence of workers from their employment.

An estimated 19,752 Newfoundlanders were employed on military base work in September, 1942. The total so engaged decreased to 13,295 at the year's end.<sup>10</sup> A further drop is anticipated during the early months of 1943. With the exception of those who choose to serve in the armed forces, it appears that approximately fifteen thousand men will have to seek employment thereafter in such seasonal occupations as fishing, lumbering, and subsistence farming.

While the Government has not announced any plan for dealing with the "man power" problem, a program of "National Registration" was begun in 1942. All persons between the ages of 16 and 65 years were required to register; note was taken of any skills possessed by each person. This program, although not completed by the end of the year, may eventually provide useful information upon which to base an employment program, should an attempt be made to organize Newfoundland for a maximum war effort.

**FOREST PRODUCTS:** Newsprint — The manufacture of newsprint and related products is carried on by two firms, The Anglo-Newfoundland Development Company and the Bowaters Newfoundland Pulp and Paper Company. The operations of these two concerns, which give employment to five thousand or more persons, are of foremost importance in the economy of the Island. During 1942 nearly eight and one half million dollars were disbursed as wages. Exports of newsprint, ground wood, and sulphite pulp were valued at more than sixteen million dollars,<sup>11</sup> which represents over 40 per cent of the total value of exports. The bulk of these exports went to Western Hemisphere markets, which since the outbreak of war have substantially replaced those of the United Kingdom.

The activities of both firms have of course been modified by conditions arising from the war. During the year they have been obliged to contend with the labor shortage, increased freight rates, mounting costs of production, and "ceiling" prices. While operations were carried on throughout 1942 at more than 80 per cent of capacity, the companies have asserted that they incurred a loss of six to ten dollars per ton of newsprint exported. This circumstance was attributed to the "ceiling" price regulations of the United States as well as to shipping delays and to an increasing burden of insurance and freight charges. The latter, controlled by the War Shipping Administration, are said by the producers to have risen from six dollars per ton in 1941 to approximately 16 dollars per ton for the year under review. Costs of production of newsprint during the

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year averaged 38 dollars per ton.

Total 1942 production of the two companies was as follows: newsprint 281,263 tons, sulphite pulp 86,964 tons, groundwood pulp 113,736 tons.<sup>12</sup> Approximate production for 1941 in the respective categories was 357,000, 44,000, and 14,000 tons.

The outlook for 1943 appears less favorable. Estimated production is at present as follows: newsprint 190,000 tons, sulphite pulp 84,000 tons, groundwood pulp 105,000 tons. The most striking change thus appears as the further drop in the newsprint output. The managers of the paper companies have indicated that it may prove impracticable to continue operations at a loss and hope for a substantial revision of the "ceiling" price and of freight rates. Moreover, logging operations usually carried on each year to replenish stock piles of pulp wood were much curtailed owing to the labor situation. The cut of 311,824 cords was less than half the output of a normal year. This situation, together with the other difficulties mentioned, jeopardizes mill production for the 1943-1944 period. Suspension of operations would represent a serious blow to the economy of the country, especially in view of the expected termination of work on military bases. There are no other industries in Newfoundland to which the employees or installations of the companies could be diverted.

Lumbering — The seven hundred or more saw mills of the Island worked at capacity throughout 1942, as the construction boom brought its full measure of prosperity to this industry. Common lumber which formerly sold at 30 dollars per thousand board feet rose to 80 dollars during the year.<sup>13</sup> The demand for lumber was far in excess of supplies, however, and large quantities were imported from the United States and Canada.

MINING: Buchans Mine — Although the demand for copper, lead and zinc concentrates produced by the Buchans Mining Company at Buchans, Newfoundland, is practically unlimited, the manager of that concern has reported 1942 operations at only 76 per cent of capacity. This condition was attributed to the impossibility of retaining an adequate number of experienced workers. Owing to a keen demand for labor elsewhere, many experienced workmen abandoned mining and had to be replaced by unskilled personnel. The latter remained at work only long enough to accumulate a small amount of savings. In consequence, the labor turnover for 1942 was the highest in the company's history. An average of 672 miners were employed throughout 1942, earning a total of more than one million dollars. Production per man shift declined from 2.09 tons in 1942 to 1.74 tons for the year under review. A more plentiful supply of labor is foreseen for 1943, and some improvement in the situation should occur.

The production of the Buchans mine for 1942 is set forth in the following table, together with comparable figures concerning the year 1941. Values given are in Canadian currency. \$1.00 u.s. = \$1.10 Canadian. Figures furnished by the management of this concern:

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	1942		1941	
	Long dry tons	Value	Long dry tons	Value
Ore mined and milled	331,080	—	401,390	—
Concentrates produced from above tonnage:				
Copper concentrates	19,235	\$714,987.36	23,505	\$962,378.93
Lead concentrates	33,175	1,374,622.50	41,440	813,029.34
Zinc concentrates	83,761	750,751.92	103,984	851,475.02
Gravity lead concentrates	291	145,820.50	340	182,630.03
	136,462	\$2,986,182.28	169,269	\$2,809,513.32

Shipments of concentrates from Botwood, the port used by the Buchans mine, during the year ending 1942 were as follows (in long tons):

Concentrates	Copper	Lead	Zinc	Gravity	Total
To United States	20,976	42,400	48,270	304	111,950
To United Kingdom	—	—	35,707	—	35,707
	20,976	42,400	83,977	304	147,657

Total shipments for 1942 of 147,657 long tons were considerably below the comparable figure for 1941. The Buchans concern hopes, however, to augment its 1943 production by new mining methods, provided necessary equipment can be obtained.

Iron Ore — The Dominion Steel and Coal Corporation has reported that its operations at Bell Island were impeded during 1942 by a scarcity of qualified workmen as well as by the impossibility of obtaining adequate shipping. Production was carried on at about 70 per cent of capacity throughout the year, giving employment to approximately two thousand men who received over two and one half million dollars in wages.

Owing in part to the loss of three ore carriers through enemy action, exports of iron ore in 1942 were about six hundred thousand tons below an estimate of shipments prepared at the beginning of the year. It proved impossible to ship the entire requirements of the smelters at Sydney, Nova Scotia, and the quantity moved to Great Britain was far below expectations. Production of iron ore at Bell Island and exports since 1940 are shown in the following table (quantities in long tons. Figures furnished by mine superintendent):

	1942	1941	1940
Production:	1,190,126	966,227	1,508,774
Shipments:			
To Canada	670,000	842,538	675,254
To Great Britain	209,360	282,616	710,360
To U.S.A.	—	57,026	23,320
Total Shipments	879,360	1,182,180	1,408,934

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The company has indicated that prospects for the coming year are unfavorable. It appears that work will be carried on for only three days each week throughout 1943. No arrangements have as yet been completed for shipments to destinations other than Canada, and a stock pile of nearly six hundred thousand tons remains on hand.<sup>14</sup>

**Fluorspar** — The production of fluorspar in Newfoundland was augmented during the past year when a second concern engaged in this activity began operations at St. Lawrence, on the south coast of the Island. Total production, which reached 11,341 tons in 1941, rose to 32,500 tons in 1942. It is estimated that ninety thousand tons of fluorspar of both the acid and metallurgical grades will be produced in 1943. Of this quantity, twenty thousand tons are to be shipped to the United States while the balance will go to Canada.

**Grinding Pebbles** — Because of the unavailability of labor, no grinding pebbles were exported in 1942. Activity in this industry may be resumed on a small scale during 1943.

**FISHERIES:** Since fewer men than usual were employed in the industry during 1942, the year witnessed a further recession in the catch of the cod fishery. The strong demand which has existed since the termination of normal competition from other producing countries brought higher returns to the fishermen and exporters than prevailed a year earlier. From the marketing viewpoint transportation problems and the dislocation of trade channels were the foremost considerations, while trade functions passed from private hands into the control of governmental agencies. Adjustments were, however, made to these abnormal circumstances. By the year's end practically the entire catch of codfish had been sold and transportation arrangements completed.

The production of salted codfish for the year 1942 is estimated at only 703,456 quintals (of 112 pounds dried weight) or 78,787,072 pounds. The catch of the Grand Bank fishery, in particular, declined sharply, as comparatively few vessels and men engaged in that activity. Many of the schooners were diverted to the carriage of freight at lucrative rates in areas less open to submarine attack than the Newfoundland Banks. Production of this branch of the industry was only about one-third that of the previous year.

The Labrador and Shore fisheries were extremely good in some areas, but indifferent elsewhere. Their combined production reached a total about equal to the comparable figure for 1941. Shortages of bait, however, hindered the successful pursuit of the fall fishery; as in 1941, squid failed to appear in sufficient quantities. The downward trend of production of salted cod during the past three years is apparent from the following table:<sup>15</sup>

	1942	1941	1940
	(pounds dried weight)		
Deep Sea (Bank) Fishery	6,944,000	17,906,224	22,419,824
Inshore Fishery	48,344,240	55,312,544	45,738,560
Labrador	23,498,832	19,826,128	29,896,944
	78,787,072	93,044,896	98,055,328

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About thirteen thousand men engaged in the cod fishery at the height of the season's activity. Average prices paid to fishermen in 1942 were nearly double those of 1940. The following statement is indicative of the trend in this respect. The figures represent the price to the fishermen of one quintal (of 112 pounds dried weight) of No. 1 Inshore fish, the market leader, during September of each year (In Canadian currency):

1938 — \$4.50	1941 — \$8.50
1939 — 5.50	1942 — 10.50
1940 — 5.50	

The unusually small catch, together with the conclusion of substantial forward sales, resulted in lively competition among local buyers. Some relaxation of grading standards ensued and Government inspection of fish for export resulted in the lowering of quality classifications in certain instances. Owing to the lack of transportation, a substantial quantity of fish contracted for by Puerto Rican buyers was held in Newfoundland for about six months. It deteriorated in quality but was finally reconditioned and disposed of elsewhere at a lower price. Successful arrangements were, however, completed in November for shipments of codfish to Puerto Rico.

Spain and Portugal were the largest purchasers of Newfoundland codfish. The latter country provided its own transportation from St. John's. Exports to Spain were forwarded to Philadelphia for transshipment, pursuant to an arrangement made by a newly-formed local marketing association. The United Kingdom also took substantial amounts at prices somewhat less favorable to local exporters. While shipments to the West Indies presented many difficulties, arrangements were completed toward the end of the year for the periodic supply of salt codfish to that area. Sales to Brazil, formerly of considerable importance, were insignificant, owing to the exchange situation and to trade restrictions imposed by that country.

Of the 1942 production of salted codfish, the following quantities (in pounds dried weight) were sold for consumption in the countries indicated: Portugal 25,760,000; Spain 22,400,000; Puerto Rico 7,280,000; United Kingdom 6,720,000; United States 6,608,000; Jamaica 4,032,000; Canada 1,232,000; all other countries 3,584,000. The remainder consisted of uncured fish and will not be available for several months.

It became evident in the early spring that a shortage of fishery salt was imminent, as none could be obtained from Europe or the West Indies. The difficulty was, however, overcome by the importation of this commodity (of which about thirty thousand tons are needed yearly) from Michigan. The proceeds of an export levy on codfish were used to peg the selling price of this salt at the level prevailing in 1941, despite higher costs of freight and insurance.

Frozen codfish — The filleting and freezing of codfish was continued during 1942. Exports of this product registered a marked increase over the 1941 total. A greater development of the industry is foreseen for the post-war period.

Cod liver oil — Owing to the smaller catch, production of medicinal, poultry, and common cod oils was below that of 1941. The comparative figures for the two years are as follows (quantities in u.s. gallons):



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	1942	1941
Medicinal	266,400	289,709
Poultry	3,600	9,783
Common	444,000	654,120

Subsidiary fisheries — Because of the continued closure of the United Kingdom Market for salmon, exports were below the 1941 total. Somewhat more than one and one half million pounds of frozen salmon were, however, sold to the United States and Canada. Production of canned salmon remained small. The canning of lobsters, also, was on a very limited scale. Exports of live lobsters were somewhat below levels of the previous year. Because of the elimination of European producers, there was an increased demand, especially in the United States, for pickled herring. Production of the Labrador Scotch Cure type was limited by the shortage of fishermen and factory workers. Only two factories were in operation during 1942, compared with four a year earlier. The catch was good, however, and thirty-five hundred barrels (of 200 pounds) were packed. The 1942-43 season's pack of Newfoundland Scotch Cure herring was sold through distributors in the United States and Canada at a price about ten per cent above that of 1941. The price to fishermen of \$2.50 (Canadian currency) per barrel from the net represents an increase of 50 cents over that of the preceding season. The increasing demand for "dressed" herring, used in the bottling trade, constitutes a notable recent development. Augmented production of this type of herring indicates a consumer trend toward a ready-for-use commodity. Over twenty-five thousand barrels were exported in 1942, compared with only eight thousand five hundred in 1941.

Fish meal — Three fish meal plants began operations in 1942, one producing white meal and the other two herring meal and oil.

The Seal Fishery — The seal fishery, once second only in importance to the cod fishery, has rapidly lost its significance. The net value of seals taken by the two vessels which engaged in this industry during 1942 was only about eleven thousand dollars.

Whaling — One of Newfoundland's whale oil plants functioned for a time during the year under review. Operations were conducted on a reduced scale, as only one of the former fleet of six vessels was available for use. Four hundred and fifty tons of whale oil were produced for export to the United Kingdom.

Future trend — Some increase in the activities of the Newfoundland fisheries should occur during 1943. More workers will be available for employment in the industry, and fisheries products can undoubtedly be disposed of at very favorable prices.

AGRICULTURE: The growing season of 1942 opened early. Almost continuous fine weather prevailed until exceptionally late in the fall. There were no frosts of sufficient severity to damage ordinary ground crops before the first of November. The absence of adequate rainfall during July and August inhibited crop growth to a considerable extent, particularly on the East Coast. The unusually dry weather did not set in early enough to affect the hay crop seriously, while above average temperatures proved favorable to growth of the less hardy vegetables.

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The acreage planted in beets and carrots was a little greater than usual, although still not sufficient to supply market requirements. Good yields of beets were obtained in all sections. On the East Coast, where most of the carrots were grown, the Carrot Rust Fly destroyed nearly the entire carrot crop, but good yields were secured at the opposite end of the Island. At the end of the season, a blight seriously reduced the supply of marketable potatoes, while the drought and insect pests reduced the yield of turnips and cabbage. In general, plantings of vegetables were below normal during 1942. Many part time farmers and gardeners, employed on work which took them away from their homes, produced no surplus above their own needs. Because of opportunities for other employment, sufficient labor was not available to harvest the annual crop of blueberries. Only about six hundred tons were picked.

The early spring, with its resulting good pasturage, favored the raising of livestock. Cattle for slaughtering were scarce and in great demand, however, as farmers were rebuilding herds depleted a year earlier when pasturage was poor. The shortage of imported fodder likewise prevented a greater expansion of cattle raising. There was a marked increase in pig breeding during 1942.

Continued progress was made in the improvement of dairy herds, especially by the purchase from Canada of quality milking stock. In order to encourage the importation of high grade animals, the customs duty on milch cows was changed from an ad valorem to a specific rate. Dairy farmers operating near St. John's were unable to meet the increased demand for milk. Demand for eggs and dressed poultry was very strong throughout the year and prices were high.

Marketing was not a serious problem during 1942, although there was some evidence that more highly developed marketing organizations would be useful. The demand for all classes of meats and vegetables was good and high prices prevailed. Locally produced supplies of beef, lamb, and mutton were practically exhausted by the end of November.

During the same month an Act empowering the Government to control the importation of seed was passed with a view to eliminating seed of poor quality. Regulations were likewise established to control the marketing of clover, vegetable, and field root seeds. Owing to the great demand for foodstuffs, there was some laxity with respect to the grading of farm produce, but in general the efforts of the Government with respect to the improvement of agriculture and dairy products continued with some success.

Seven hundred acres of new land were cleared and ploughed in 1942 (compared with twelve hundred acres a year earlier).<sup>16</sup> An additional thirteen hundred acres have been approved for cleaning, and it is hoped that this work will be continued in 1943. In the course of a land survey made during the year an area of about twenty thousand acres suitable for cultivation was located in the upper Humber region, but clearing will probably be deferred until the present boom is over. A study recently completed has disclosed that, subsequent to the introduction of a land clearing bonus policy in 1936 (which grants to farmers the equivalent of twenty-five dollars in seeds, farm equipment, et cetera, for each acre of land cleared), some seven thousand acres have been brought into cultivation. Nearly all of this acreage is located on the Avalon Peninsula or on the West Coast of the Island.

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In general, Newfoundlanders are not especially interested in farming and efforts of the Government to awaken the population to the undeveloped possibilities of agriculture have been in some degree suspended owing to brighter opportunities elsewhere. Further attempts will undoubtedly be made after the war to encourage farming, if only in order to supplement such seasonal occupations as logging and fishing.

TRANSPORTATION: Movement of the usual imports, augmented in volume by increased consumer demand, and of large quantities of construction materials and supplies for the American and Canadian military bases, required capacity operation of all forms of transportation. Travel of military personnel and contractors' employees maintained passenger traffic at record levels. The paper mills and mines of the Island experienced considerable difficulty in obtaining the tonnage needed for their exports, while naval control delays and high freight rates further complicated these operations.

Shipping — Before the outbreak of the present war, Newfoundland was connected with the United States and Canada by several steamer lines. In addition there was a regular service to the United Kingdom. These facilities were augmented by the use of tramp steamers to handle such heavy cargoes as imports of coal, sulphur, and salt required by industries of the Island. In addition the paper mills at Corner Brook and Grand Falls operated a number of vessels which they owned or chartered. Following the outbreak of the war, modifications of the shipping situation became inevitable. The service to the United Kingdom was suspended. Newfoundland looked increasingly to Western Hemisphere markets for supplies of all varieties. Vessels of the paper mills were no longer available, having either been requisitioned for other uses or lost through enemy action. Operations of vessels made available by the War Shipping Administration and Ministry of War Transport were impeded by convoying requirements. Although the American military authorities provided much of their own shipping, the Canadian armed forces made considerable demands for space aboard steamers available for supplying the Island.

While shipping became a critical problem in the economy of Newfoundland, the more pressing needs were successfully met; space was found in addition for many non-essential commodities. The Government increased its small fleet of coastal steamers by purchasing two vessels and chartering several others for the carriage of general cargo and imports of coal. In addition, a number of schooners were attracted from the fisheries by the opportunities for hauling freight at high rates. The Government, in an effort to stimulate local industry and gain a greater degree of independence from outside sources, has undertaken to build ten wooden vessels of 300 tons each.

Railway — Water borne transportation to and from Newfoundland is supplemented by the railway facilities of the Newfoundland Government. These consist principally of a narrow gauge railway system approximately 580 miles in length which traverses the Island from St. John's to Port aux Basques, on the southwest coast. Operations, in both freight and passenger departments, were carried on at full capacity throughout the year. Although rolling stock and trackage were subjected to a heavy strain, comparatively little was done toward the renewal of over-age equipment. Seventy-seven freight cars of various types were delivered to the Railway during the year, and twenty-two miles of the roadbed between St. John's and Argentia were improved by the installation of heavier rails obtained from the United States Government.

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Activities of the Newfoundland Railway during 1942 were above those of the former year, as appears from the following table:

	July 1, 1941 to June 30, 1942	July 1, 1940 to June 30, 1941
<b>Passenger Traffic:</b>		
<b>Number of Passengers</b>		
Railway	415,596	223,298
Steamers	82,916	54,738
<b>Freight Traffic:</b>		
<b>Tons of Freight</b>		
Railway	1,011,716	691,950
Steamers	101,775	101,502

Earnings and expenses of the Railway for the fiscal year ending June 30, 1942, were respectively \$8,167,000 and \$6,716,000 (Canadian currency). These figures were not, however, indicative of the true financial position, as no provision is made for depreciation, and capital expenses are charged to the Newfoundland Government.

The Railway experienced no labor difficulties during the year. Man hour production improved; additional employees were engaged for work in the repair shops. Traffic prospects for 1943 are good. Receipts for the coming year should nearly equal those of 1942.

Transportation Control — The facilities for handling imports at the port of St. John's proved inadequate to handle the record volumes of cargo. The antiquated docks are lacking in cargo handling equipment. Unloading must be done by means of ships winches. Sling loads are smaller and gangs of laborers larger than those provided for equivalent cargoes elsewhere. Many vexatious delays occurred and heavy demurrage charges were frequent. Warehouses and sheds became congested with freight, as storage space proved inadequate. Trucks and horse drawn vehicles did not suffice to maintain a proper flow of traffic from the port area. During the first six months of 1942, especially, goods forwarded to the Island via railroad also accumulated at North Sydney — the point where they must be ferried across from the mainland to Port aux Basques. Except for goods consigned to the American military authorities, moved in vessels operated by the United States Government, the import situation during the earlier part of the year presented a confused picture of essential and non-essential items moving without any system of priorities.

Largely at the insistence of the Canadian Government, which depended upon commercial channels to obtain the requirements of its military forces, the Newfoundland Government was induced to make an attempt to regulate the traffic flow. Shipments by rail from Port aux Basques to points east of Gander (somewhat beyond the center of the Island) were forbidden. Consignees in St. John's were required to remove merchandise from waterfront premises within four days. Some efforts were made to increase the efficiency of dock workers. A Transportation Control Board was instituted. This organization established a system of priorities applicable to all freight moved by the Railway as well as by vessels controlled by the Newfoundland Government.

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Some control was also exercised in the case of passenger travel. Preference was accorded to essential travellers. Persons journeying on unimportant matters frequently met delays in obtaining accommodations, and were occasionally required to give up their place in favor of those engaged in war work.

**New Facilities** — A daily airplane service, connecting Newfoundland with the mainland, was instituted by Trans Canada Airlines early in the year. It has since proved of great value in expediting the travel of persons engaged in war work. A new railway terminal and dock were completed at Argentia to replace the facilities taken over by the United States Navy. Completion of this terminal has made possible the movement of goods by rail from Argentia northward to the Gander area, thus partially relieving the congestion at St. John's. The United States Army carried on the construction of a large dock at the latter place with modern cargo handling and warehousing equipment.

**Ship Repairs** — The dockyard operated at St. John's by the Newfoundland Government under management of the Railway continued its leisurely prewar routine. While vessels damaged by stress of weather or enemy action waited in the harbour for upwards of one month in some instances for relatively simple repairs, only one shift of eight hours daily (excepting Sundays and holidays) was worked. The priority for repairs to its vessels exercised by the Canadian Navy occasioned further loss of time in moving vessels in and out of the drydock. Plans for bringing additional dockyard workers from England to permit maintenance of a twenty-four hour schedule were viewed with disfavor by the Railway employees and therefore not supported by the local Government.

Approved:

George D. Hopper  
American Consul General

William E. Cole, Jr.  
American Vice Consul

## Notes

<sup>1</sup>Quoted in Blair Fraser, "Where the Yanks Rule a Part of Canada," *Maclean's Magazine* (15 November 1949), 70.

<sup>2</sup>Secondary sources on American activity in Newfoundland during the Second World War include: John Cardoulis, *A Friendly Invasion: The American Military in Newfoundland, 1940-1990* (St. John's: Breakwater Books, 1990); Malcolm MacLeod, *Peace of the Continent: The Impact of Second World War Canadian and American Bases in Newfoundland* (St. John's: Harry Cuff Publications, 1986); Peter Neary, *Newfoundland in the North Atlantic World, 1929-1949* (Kingston and Montreal: McGill-Queen's Univ. Press, 1988); and David MacKenzie, *Inside the Atlantic Triangle: Canada and the Entrance of Newfoundland into Confederation, 1939-1949* (Toronto: Univ. of Toronto Press, 1986).

<sup>3</sup>Figures, supplied by Newfoundland Board of Customs, are confidential and should not be published. Values of imports and exports of goods by armed forces, in following amounts, deducted: Imports 1941-42 \$19,473,514; 1940-41 \$3,813,364. Exports 1941-42 only \$261,083. Values throughout this section are expressed in Canadian currency. \$1.00 U.S.— \$1.10 Canadian.

<sup>4</sup>See footnote number [3]

<sup>5</sup>Royal Bank of Canada, St. John's.

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<sup>6</sup>See footnote [5].

<sup>7</sup>See footnote [5].

<sup>8</sup>Department of Public Health and Welfare.

<sup>9</sup>This index was not maintained at regular intervals until July, 1941.

<sup>10</sup>Newfoundland Labor Relations Officer.

<sup>11</sup>Information furnished by paper companies. Values expressed in Canadian currency - \$1.00 U.S. = \$1.10 Canadian.

<sup>12</sup>Production figures, from Department of Natural Resources, are in short tons.

<sup>13</sup>Royal Bank of Canada, St. John's.

<sup>14</sup>The Bell Island mines ceased operations in February, 1943 until shipping is available to move this stockpile.

<sup>15</sup>Figures given in this section are from Newfoundland Fisheries Board.

<sup>16</sup>Department of Natural Resources.