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Résumé de l'article

Il est longtemps discuté que durant la première moitié du vingtième siècle, les industriels de pulpe et papier – particulièrement les Américains – pourraient compter sur la coopération de l'état provincial pendant l’établissement et l’expansion d’entreprises au Canada. Le cas de l’industriel américain Edouard Wellington Backus démontre que ce paradigme n'explique pas la naissance et la croissance dynamique de l'industrie du papier journal en Ontario durant cette période. Backus avait rarement reçu la coopération du gouvernement provincial pendant qu'il installait des usines de papier au Fort Frances et Kenora. Sur les rares occasions que les politiciens lui assistaient, ils l’ont seulement fait parmi des limites soigneusement prescrites. L'histoire de Backus est significatif parce qu'elle indique qu'il est temps de reconsidérer, au moins en ce qui concerne la manufacture du papier, l'histoire de l'économie politique de l’industrie de ressources canadiennes.

"eyes wide open": E. W. Backus and The Pitfalls of Investing in Ontario's Pulp and Paper Industry, 1902-1932[1]

Mark Kuhlberg

Abstract

It has long been argued that pulp and paper industrialists – especially Americans – could count on the cooperation of the provincial state as they established and expanded their enterprises in Canada in the first half of the twentieth century. The case of Edward Wellington Backus, an American industrialist, demonstrates that this paradigm does not explain the birth and dynamic growth of the newsprint industry in Ontario during this period. Backus rarely received the provincial government's cooperation as he built paper plants in Fort Frances and Kenora. On the rare occasions when the politicians assisted him, they only did so within carefully prescribed limits. Backus's story is significant because it indicates that it is time to reconsider the history of the political economy of Canada's resource industries, at least as far as turning trees into paper is concerned.

1 This article is dedicated to the late Peter Oliver. At a rather dark moment in my struggle to complete my doctoral dissertation, he emerged with his warm, welcoming smile. Rather than dismiss my ideas because they challenged the existing body of literature, of which his book on Ferguson was a central part, he encouraged and applauded my effort. I will never forget him for having supported me when I needed it most; I will never stop striving to attain his professional standard. He was a true gentleman. While I am solely responsible for the weaknesses in this article, many hands helped build its strengths. Tory Trunrud at the Thunder Bay Historical Museum Archives, the staff at the Ontario Archives and the National Archives, my friends at the University of Toronto Archives, and Lori Nelson at the Lake of the Woods Museum Archives in Kenora all facilitated my research for this article and continue to do so for my "active" projects. I will always be indebted to their profound commitment to preserving our past and making it readily accessible to researchers. Léo Larivière in Laurentian University's Geography Department works wonders with maps, and performed the same magic here. His pictures are worth far more than one thousand words.

Résumé

Il est longtemps discuté que durant la première moitié du vingtième siècle, les industriels de pulpe et papier – particulièrement les Américains – pourraient compter sur la coopération de l'état provincial pendant l'établissement et l'expansion d'entreprises au Canada. Le cas de l'industriel américain Edouard Wellington Backus démontre que ce paradigme n'explique pas la naissance et la croissance dynamique de l'industrie du papier journal en Ontario durant cette période. Backus avait rarement reçu la coopération du gouvernement provincial pendant qu'il installait des usines de papier au Fort Frances et Kenora. Sur les rares occasions que les politiciens lui assistaient, ils l'ont seulement fait parmi des limites soigneusement prescrites. L'histoire de Backus est significatif parce qu'elle indique qu'il est temps de reconsidérer, au moins en ce qui concerne la manufacture du papier, l'histoire de l'économie politique de l'industrie de ressources canadiennes.

IT HAS LONG BEEN ARGUED that pulp and paper industrialists could depend on the cooperation of the provincial state as they established and expanded their mills in Canada in the first few decades of the twentieth century. The country's legacy of "Crown" ownership of resources meant that politicians controlled one of the crucial raw materials – namely pulpwood – that the entrepreneurs sought. In this regard, the literature has contended that elected officials practically fell over themselves in handing the trees over to the paper makers for a fraction of what they were worth in an effort to facilitate economic development. H.V. Nelles is often cited as the progenitor of this interpretive model. In his landmark study on Ontario's newsprint industry prior to 1941, he neatly characterizes the provincial state's approach to the paper makers – and all "modern staples" industrialists – as having reduced it to a mere "client of the business community."[2] Other historians who have looked at Ontario during this period draw conclusions that resonate with Nelles's in this regard. Most notable is Peter Oliver, whose subject, G. Howard Ferguson, sat as provincial premier during the mid- to late 1920s, a period of dramatic growth in Ontario's newsprint industry. Oliver declares that Ferguson zealously assisted the paper makers as they developed the province's

2 H.V. Nelles, *The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849-1941* (Hamden, Conn.: Archon Books, 1974); Peter R. Gillis and Thomas R. Roach, *Lost Initiatives: Canada's Forest Industries, Forest Policy and Forest Conservation* (New York: Greenwood Press, 1986); James Hiller, "The Politics of Newsprint: The Newfoundland Pulp and Paper Industry, 1915-1939," *Acadiensis* XI, no. 2 (Spring 1982): 3-39; William M. Parenteau, "Forests and Society in New Brunswick: The Political Economy of Forest Industries, 1918-1932" (Ph.D. Dissertation, University of New Brunswick, 1994); L. Anders Sandberg, "Forest Policy in Nova Scotia: The Big Lease, Cape Breton Island, 1899-1960," *Acadiensis* XX, no. 2 (Spring 1991): 105-127; Richard A. Rajala, *Clearcutting the*

timber resources, because the premier "believed it to be to the mutual advantage of the people of Ontario and the pulp and paper producers that the industry be provided with an assured supply of raw material and large units of production be encouraged in the interests of conservation, stability, and permanence."[3]

In these scenarios the entrepreneurs have naturally been portrayed as stereotypical barons of industry whose every wish was the politicians' command, and historians have held up Edward Wellington Backus as a case in point. During the first few decades of the twentieth century, Backus constructed several large newsprint mills in northwestern Ontario. In doing so, previous accounts cast him as a classic maverick business titan. Paul Pross and Richard Lambert write that, "when it came to charming [the provincial] governments, E.W. Backus was the master." In their view, this "timber baron from Minneapolis" squeezed everything he ever wanted from the provincial politicians in terms of resources, and more. Likewise, Nelles derisively refers to Backus as one of the period's "business tyrants" who was "an extraordinary negotiator and a genuine spell-binder." In Nelles's view, Backus was one of the pulp and paper "men with a hard edge, who knew exactly what they wanted, how to get it, and were accustomed to getting their own way."[4]

A close examination of Backus's dealing with the provincial government demonstrates that the Ontario government neither unquestioningly became the "client of the business community" nor granted Backus's wishes. In fact, during the first few decades of the twentieth century, Backus – and most of his fellow pulp and paper industrialists – could not count on receiving the provincial government's help. Even when the state reached out to him, it was only within carefully prescribed limits. Several factors dictated the government's approach. These included its decision to put the interests of "established industries" in the north – specifically lumbering – ahead of the paper makers,' the desire to reap the political advantages accruing from being seen as a force that was willing to confront modern industrialists, and, most importantly, the state's steadfast adherence to the patronage system of dispensing Crown resources.

Pacific Rain Forest: Production, Science and Regulation (Vancouver: UBC Press, 1998); Bernard L. Vigod, *Quebec Before Duplessis: The Political Career of Louis-Alexandre Taschereau* (Kingston/Montreal: McGill-Queen's Press, 1986).

3 Peter Oliver, *G. Howard Ferguson: Ontario Tory* (Toronto: University of Toronto Press, 1977), 343.

4 Richard Lambert and Paul Pross, *Renewing Nature's Wealth: A Centennial History of the Public Management of Lands, Forests & Wildlife in Ontario, 1763-1967* (Toronto: Department of Lands and Forests, 1967), 272; Nelles, *Politics of Development*, 109, 393 and 394. It is extraordinary that Charles W. Humphries, 'Honest Enough to be Bold': The Life and Times of Sir James Pliny Whitney (Toronto: University of Toronto Press, 1985), whose subject was premier during a period (1905-1914) when Backus and other industrialists succeeded in establishing several major pulp and paper mills in Ontario, does not even mention the industry's existence.

The upshot was a provincial state whose helping hand the paper makers could never assume would be forthcoming.

Backus's story is significant because it represents the rule rather than the exception during the birth and dynamic growth of the newsprint industry in Ontario in the early 1900s. The story of the newsprint industry's growth and development in the province during the first few decades of the twentieth century was not, as we have believed for decades, a simple one involving a compliant government catering to business, with the public interest suffering in the process. The tale is far more complex, involving a host of factors that historians have previously ignored or underplayed.

*

During the late 1800s, the lumber industry became firmly entrenched as the backbone of northern Ontario's industrial economy. Roughly one decade after Confederation, the construction of railways into and across northern Ontario rendered accessible tracts of untapped timber – predominantly red and white pine – and led to the creation of a string of new "lumber" towns. These communities grew to be the local engines of economic growth, producing solid wood products – predominantly lumber and ties – for the railways and both local and distant commercial markets. The size and nature of the operations varied greatly. A few towered above the rest, while dozens of smaller players were scattered across the north. In addition, there were numerous "timber contractors" who procured the wood mills required but did not operate the processing plants. By the turn of the twentieth century, the lumber industry was northern Ontario's most important employer, with tens of thousands of workers toiling in the bush and mills each season.[5]

The provincial politicians were naturally appreciative of the jobs the lumbermen provided in the late nineteenth century, but there were other forces that drew these industrialists into a tight, symbiotic relationship with the elected officials. The Ontario government was deeply committed to promoting colonization in the hinterland, but most of the north proved incapable of supporting commercial agriculture (i.e., wheat farming). Nevertheless, the government continued to implement policies that made thousands of acres of virtually free land in northern Ontario available for "homesteading" each year. Those who took the government up on its offer soon realized that farming did not pay; the only way they could survive was by cutting wood during the winter. The government was thus immensely grateful for the jobs the lumber industry

5 There is still no comprehensive study of Ontario's early lumber industry. For general accounts, see Ian M. Drummond, *Progress Without Planning: The Economic History of Ontario from Confederation to the Second World War* (Toronto: University of Toronto Press, 1987), 78-80 and 103-33; A.R.M. Lower, *The North American Assault on the Canadian Forest: A History of the Lumber Trade Between Canada and the United States* (Toronto: The Ryerson Press, 1938), 160-84.

provided because they were crucial to sustaining the notion that an agrarian lifestyle could be realized in "New Ontario." Moreover, the provincial state relied upon the lumbermen for a large part of its income each year. During the first four decades after Confederation, the "dues" (or fees) the sawloggers paid for the privilege of cutting Crown timber accounted for roughly 30% of Ontario's annual ordinary revenues. For their part, the lumbermen also needed the government. The politicians controlled access to the trees upon which the industrialists depended, and could dictate the volume of wood cut each year, the prices paid for it, and the terms under which it was cut.[6]

This conjunction of interests fostered a cozy relationship between the lumbermen and politicians, allowing the former to ensconce themselves within the patronage system that determined how the state allocated Crown resources in the first few decades of the twentieth century.[7] Oftentimes this would translate into the saw millers entering into a simple *quid pro quo* with the elected officials: delivering the requisite electoral "support" in exchange for the desired timber "limit" (i.e., a tract to which the government has granted a licence to cut timber) The simple fact was that, in the context of late nineteenth and early twentieth century Ontario, the line separating politicians from lumbermen was practically indistinguishable. This was Ontario's "Forest Compact," attested to by the dozens of provincial office-holders who listed "lumbering" as their occupation during these years.[8] More importantly, those who benefited from this arrangement were profoundly committed to defending it. When the Opposition Conservatives attacked the ruling Liberals in the early 1890s because one of the latter's cabinet ministers had given his own lumber firm a string of prime limits, the Grits executed legislation to confirm that holding timber licences would not disqualify persons from sitting in the Legislature. For at least the next several decades, a string of saw millers would hide behind the aegis of this legislation as they manipulated the levers of power to enhance their timber holdings.[9]

6 Paul Pross, "The Development of a Forest Policy: A Study of the Ontario Department of Lands and Forests" (Ph.D. Dissertation, University of Toronto, 1967), 39; Donald E. Pugh, "Ontario's Great Clay Belt Hoax," *Canadian Geographical Journal* (January 1975): 19-24.

7 Numerous studies have dissected the patronage system that dominated Canadian politics – and particularly the dispensation of Crown resources – until at least World War II. The classic work in the field is Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-1958* (Toronto: University of Toronto Press, 1977). Also see Pross, "The Development of a Forest Policy", passim, and L. Anders Sandberg and Peter Clancy, "Forestry in a Staples Economy: The Checkered Career of Otto Schierbeck, Chief Forester, Nova Scotia, Canada, 1926-1933," *Environmental History* 2, no. 1 (January 1997): 75, where the authors write that "[p]artisan politics and patronage remained prominent in Canada in the 1920s, and they remained important in the sale and lease of Crown lands."

8 Of the ninety-eight members in the Ontario Legislature in 1903, for example, nine were involved in the lumber industry (one was "a paper manufacturer").

9 *Hansard*, 19-20 April 1894; *Statutes of Ontario*, 1894, Ch. 8, 57 Vict.

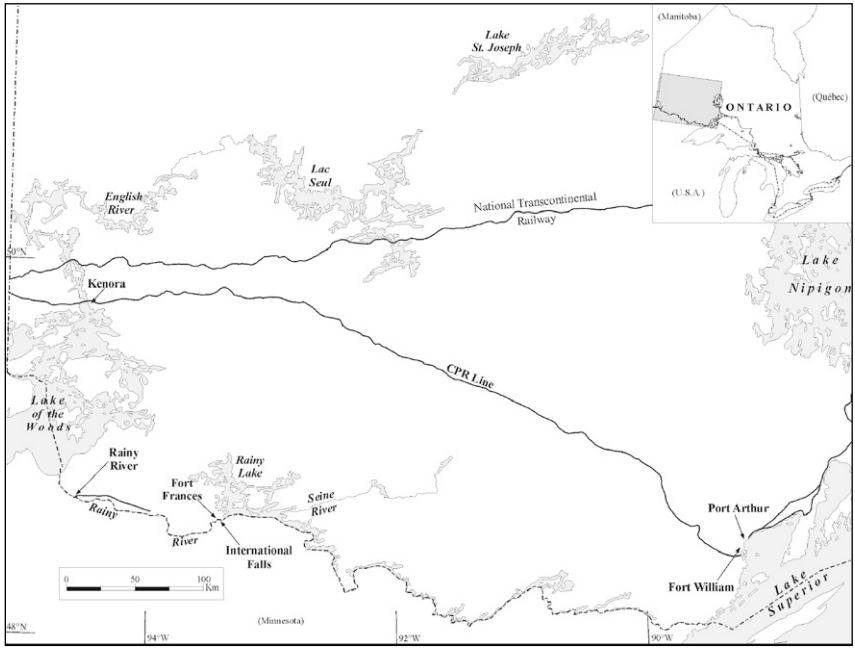
It was into this milieu that northern Ontario's pioneering pulp and paper industrialists began moving in the mid-1890s, and they were attracted by a number of forces. These included the prodigious supplies of readily accessible spruce pulpwood and water power, and the construction of new railway lines that made it far cheaper to tap these resources and deliver the finished products to market. Newsprint was also bulky and thus relatively expensive to transport because of its weight, so it was highly advantageous for paper makers to locate near their markets in order to enjoy a competitive advantage over their more distant rivals. The fact that the American mid-west was enjoying significant growth at the turn of the twentieth century thus made northern Ontario a prime location in which to operate a pulp and paper mill compared with the north-eastern states and Quebec, the continent's traditional newsprint-making centres.[10]

In setting up shop in Ontario, the newsprint makers sought three crucial prerequisites from the provincial government for their leases for pulpwood "concessions" (the Crown sold only the cutting rights to a timber tract, and not the land itself). They asked for reasonable terms to ensure that they could fulfil their contractual obligations without fear of abrogating their agreements. They also sought *sole* access to *sufficient* resources. As Nelles writes, "no newsprint company could incur long-term obligations without being able to prove conclusively that it owned or held exclusive rights to a permanent supply of raw materials."[11] By the early 1900s, the newsprint industry recognized that each 100 tons of mill capacity required roughly 2,250,000 cords of pulpwood to sustain it on a perpetual basis. Finally, mill developers required secure tenure to their fibre supplies. It was imperative to align all three elements when financing a mill venture.

Edward Wellington Backus was acutely aware of these considerations when he first appeared in northern Ontario in the early 1900s. Born in Jamestown, New York in 1860, Backus moved to Minnesota to attend university. Thereafter, his Horatio Alger-like story began when he entered the state's saw milling business. During the late nineteenth century he grew to be one of northern Minnesota's most colourful lumbermen, with operations concentrated near the border with Ontario. Around the turn of the century, he teamed up with Minnesota Senator William F. Brooks to form Backus-Brooks Company, and they soon organized the Rainy River Lumber Company to operate on the Canadian side of the international boundary (Map 1). The saw mill's supply of logs came largely from tracts that Backus

10 Mark Kuhlberg, "'In the power of the government': The Rise and Fall of Newsprint in Ontario, 1894-1932" (Ph.D. Dissertation, York University, 2002), Ch. 1.

11 Nelles, *Politics of Development*, 396.

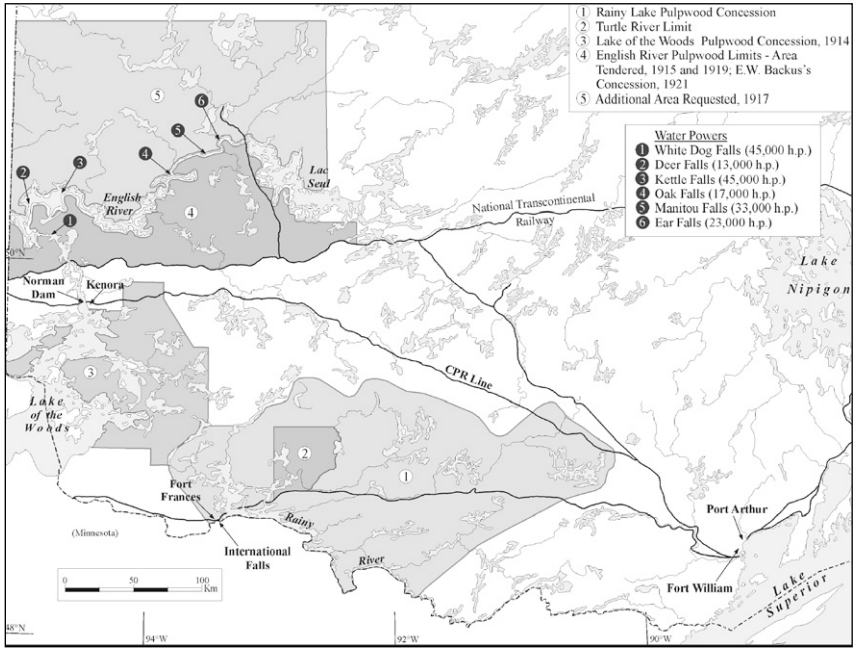


Map 1: Major Geographical Landmarks in Northwestern Ontario

– and another of his partners in the venture – owned in northern Minnesota.[12]

Backus was the driving force behind their enterprise that sought to create a fully-integrated forest products empire. Central to realizing this plan was establishing newsprint mills in International Falls, Minnesota, and Fort Frances, Ontario, towns that straddled the Rainy River. In this regard, Backus was relatively fortunate. The railways had only recently reached the Fort Frances-Rainy River area. As a result, the lumber industry was not as deeply entrenched in this section of the province as it was elsewhere, making it easier for Backus to achieve his ends in dealing with the provincial government. After purchasing large tracts of pulpwood in northern Minnesota and the rights to develop the American side of the Rainy River near International Falls, Backus

12 29 October 1934, *The Minneapolis Journal and Duluth Herald*; Archives of Ontario [AO], MU1353, 1-22 Jan. 1934, "Save Your Investment in Minnesota and Ontario Paper Company Bonds Before It's Too Late;" Lake of the Woods Museum Archives, Kenora, Ontario [LOTWM], Lumber Industry, "Memorandum re: Keewatin Lumber Company Limited, Kenora Paper Mills Limited and Allied Companies and Their Operations at Kenora & Hudson, Ont. & St. Boniface, Manitoba, 1906 to 1943," D. McLeod, 11.



Map 2: Timber Limits and Water Powers in the Fort Frances-Kenora Area

asked the ruling Liberal government in Ontario for leases to local supplies of pulpwood and water power.[13]

By early 1905 it appeared he had acquired both, but this was not to be the case. The Liberals initially drafted an agreement that gave Backus a lease to develop power near Fort Frances on the Canadian side of the Rainy River *and* harvest the pulpwood on the Rainy Lake pulpwood concession (Map 2). In exchange Backus was obliged to construct immediately hydro stations and mills. Just prior to signing the contract, however, Backus asked that it be revised. He planned to sell all the newsprint he produced in Fort Frances in the mid-western states and he had begun building a railway from Bemidji, Minnesota, north to International Falls, to connect his mill in Ontario directly to the railways that ran through the American heartland. But it would take him a few years to complete this line; he would be unable to ship newsprint from Fort Frances to market for some time. Backus thus asked, and the provincial government agreed, to separate and revise his pulpwood concession and water power leases, whereby he would be obliged to undertake the hydro development immediately and delay the mill project for a few years. While he signed

13 Ibid.

the power lease on January 9, 1905, he had not executed the agreement for the pulpwood prior to the provincial election two weeks later, a contest in which the Liberals were defeated. This turn of events cost Backus title to this fibre supply both in 1905 and for the rest of his nearly thirty years in this neck of the woods.[14]

When the Conservatives defeated the Liberals in the provincial election of 1905, it marked the first time since Confederation that the Tories had held power in Ontario. They were naturally anxious to begin deriving the "fringe benefits" that came with holding the reins of power. Consequently, they followed the Liberals' pattern of dispensing Crown timber using the patronage system in an effort to reward their partisans and those willing to become faithful Conservatives. This approach entailed supporting the entrenched lumber industry interests over new pulp and paper makers taking hold in the the forest industry.

The Conservative government's approach was crucial to the lumbermen's survival in northwestern Ontario, as their industry was undergoing a dramatic transformation during the early 1900s. Having thrived for decades on a diet composed predominantly of large-diameter white and red pine logs, the saw millers were faced with the grim reality that they had cut many of their best and most readily accessible stands. To sustain their enterprises, many lumbermen began converting other species, such as large-diameter white spruce into planks and construction lumber, and jack pine into railway ties. Likewise, those whose businesses were still geared towards harvesting white and red pine were compelled to seek these trees in forests in which they were both widely scattered and mixed amidst smaller-diameter black spruce pulpwood and other species. Not only was this type of cutting operation far more costly than previous ones, but it also produced far less pine per square mile than harvesting in stands where the pine had been more concentrated. These lumbermen thus became dependent upon harvesting the pulpwood in the process of taking out the pine, and selling the former to subsidize their specialization in the latter. This created a situation in which the lumbermen coveted pulpwood as much as the paper makers. One legendary lumber man in Kenora later described how he gradually reduced the operation of his saw mill during the first decades of the twentieth century and he would have shut it down completely "had saw logs from scattered timber cut with operations for pulpwood not been available."[15]

Immediately after the Tories' victory in 1905, E.W. Backus learned of the new government's profound commitment to the lumbermen – especially loyal ones – in this competition for timber resources.[16] The Tories refused to honour

14 Ibid.; AO, RG75-57, OC49/170, OC 50/132 and OC50/454.

15 *Annual Report of the Ontario Department of Lands and Forests 1908 (Annual Report, year)*: 132; LOTWM, "Memorandum re: Keewatin Lumber Company Limited", 2.

16 Nelles, Politics of Development, 392, writes that Backus's "generous support of the Conservative party was well known," a view that the evidence does not support.

the Grits' pledge to grant him the pulpwood concession on the Rainy Lake watershed. Moreover, Frank Cochrane, the new Minister of Lands and Forests, tendered a number of pulpwood concessions in 1906, but the limit on the Rainy Lake watershed was not among them.

Cochrane did, however, tender another much smaller pulpwood concession a short distance northeast of Fort Frances on the Turtle River, and he made certain that Backus did not gain control over it (Map 2). Cochrane asked Aubrey White, his deputy minister, for advice, regarding how to handle the sale. White reported that valuable pine timber was scattered among the pulpwood on the concession, and that it would be best to "cut [the pine] at the same time as the pulpwood so as to get full value for the Province." White thus recommended that, because the Tories were tendering this limit as a pulpwood concession to support a new paper mill, it would be best to have the pulp and paper maker harvest both the pulpwood and sawlogs and sell the latter to local lumbermen.[17] But Cochrane ignored White's advice almost entirely when he advertised the Turtle River limit for lease in October 1907. Most importantly, he set a diameter limit of nine inches on the timber being sold, thereby prohibiting the winning bidder from cutting trees under this size. While this restriction made sense for lumber operations (they did not generally cut pine trees under nine inches in diameter), it was inappropriate for pulp and paper interests, as much of the black spruce pulpwood they sought averaged six to eight inches in diameter.[18] The terms of sale called for the construction of at least a 20 ton pulp and paper mill costing $100,000, conditions Backus was eager to meet. Although he was seemingly well positioned to gain access to the Turtle River pulpwood concession, he did not win the tender.

The government awarded it to Mine Centre Lumber Company, which was owned by J.T. Horne, one of northwestern Ontario's most prominent Conservatives. He had begun lobbying Cochrane in mid-1907 for a new timber limit to support his lumber company in Mine Centre (about 100 miles east of Fort Frances), the principal business of which consisted of turning conifers into railway ties and piling. Cochrane had obliged the company by delivering the Turtle River "pulpwood" concession to it under terms that were ideal for facilitating the lumber – not pulp and paper – business. In the end, Mine Centre never constructed a pulp and paper mill, and it held the Turtle River pulpwood concession for merely one season. In 1909 the company "flipped" it to McKenzie, Mann and Company for $250,000 after having paid the government a bonus of only $32,000 for it in 1907. Neither Backus, nor any other newsprint mill

17 AO, RG75-57, OC59/311, enclosed in which is 11 October 1907, Recommendation to Council by F. Cochrane.

18 Ibid., RG1-246-3, 96480, Vol. 1, 9 January 1925, W.C. Cain to J.A. Alexander: when the Turtle River limit was finally operated for its spruce pulpwood in the mid-1920s, the government agreed that enforcing the nine inch diameter limit would render "very little spruce wood on the limit" available for cutting.

developer, gained access to the tract's pulpwood for nearly two decades, even though lumbering operations were suspended there in 1915. In the meantime, Horne had demonstrated his gratitude to the ruling Tories. Just prior to the 1908 election, they had tapped his knowledge to gerrymander the boundaries of northwestern Ontario's provincial electoral districts. The region's robust growth had created the need to increase its number of seats from two to four, and Cochrane relied on Horne's advice in drawing these borders in a manner that would redound to the Tories' benefit. Horne proved his worth when the four new ridings all returned Conservatives.[19]

Backus had been denied access to this fibre, but he still proceeded with his venture. He incorporated a Canadian holding company, the Ontario and Minnesota Power Company, under which he would organize the firms he created in the province. In 1910, he realized the first stage in this plan to become a major newsprint producer for the mid-western American market. Just as the finishing touches were being added to his power station in Fort Frances, he opened his 200 ton newsprint mill in International Falls, Minnesota.[20]

As far as building a newsprint mill in Fort Frances, he continued lobbying the Tories for access to the Rainy Lake pulpwood concession he had been denied as a result of the 1905 election. The government agreed to tender this limit in 1911 but the terms of sale included an eight inch diameter limit, a provision the *Pulp and Paper Magazine of Canada* described as "severe." After reviewing the offers, the minister gave no explanation for why he deemed none of them "satisfactory."[21]

Backus was undaunted, however. By 1914, he had built his mill in Fort Frances, which represented the first Canadian newsprint plant located between Sault Ste. Marie, Ontario, and the Rockies. This accomplishment was all the more remarkable because his new enterprise, as the Ontario government would repeatedly recognize, "was not constructed as a result of receiving a … Crown licence area."[22] This denied Backus valuable collateral and forced his mill to

19 Thunder Bay Museum Historical Society [TBHMS], A4/1/1, 27 July, 17 August and 20 November 1907, 7 January and 8 July 1908, and 3 July 1909, J.T. Horne to F. Cochrane; Ibid., 6 July 1907, J.T. Horne to A. White; Ibid., 13 January 1908, Horne to A.R. Mann; Ibid., 25 January 1909, Horne to W.W. Sloan; Ibid., 1 December 1909, Horne to R.C. Donald; AO, RG1-E-4-B, Burnt Timber Books, Volume 2, 132-133; AO, RG75-57, OC60/277 and OC61/325; *PPMC*, October 1909, 275. It is noteworthy that AO, RG1-246-3, 96480, Vol. 1, 25 June 1918, Memo for the Minister from F.J. Niven, reveals that Backus obtained permission from the Turtle River concessionaires just before World War I to cut the limit's pulpwood, which had been partially burned, but the Department still refused to allow him to harvest it.

20 *PPMC*, November 1909, 298; AO, MU1353, Jan. 1st - Jan. 22nd 1934, *Save Your Investments* … , 28.

21 *PPMC*, May 1911, 213; AO Library, General Conditions with Respect to Fort Frances … 10th April, 1911.

22 AO, RG1-E-3-B, Box 3, A-16, O & M Pulp and Paper Company, Limited – Early History [ca. 1960].

depend upon pulpwood that he either imported from his limits in northern Minnesota or purchased from local settlers and those in neighbouring Manitoba.[23]

By this time, Backus was also endeavouring to erect a newsprint mill in Kenora, as he was already a significant presence in the local economy. Located on the north shore and at the outlet of Lake of the Woods, the town had been established in the late nineteenth century when the Canadian Pacific Railway had gone through the region. Almost overnight, Kenora (made up of three smaller centres – *Ke*ewatin, *No*rman and *Ra*t Portage – from which its name was derived) became a major lumber production centre. By 1890, it boasted seven large sawmills. Of these, John Mather's Keewatin Lumber and Manufacturing Company was dominant, a pre-eminence that was in no small part attributable to his intimate association with the leading politicians and businessmen of the day. He counted Sir William Van Horne and Donald A. Smith among his partners in his flour-milling business and Senator William H. Brouse was a fellow major stakeholder in Keewatin Lumber.

By the 1890s, Mather sought to diversify his business. To do so, he teamed up with some of the Ottawa Valley's most prominent lumbermen, including H.K. Egan. Together they organized the Keewatin Power Company in 1893 through which they began constructing a hydro-electric generating station at one of the outlets to Lake of the Woods. In an effort to create a market for his energy, Mather worked towards erecting a small paper mill. To acquire Crown pulpwood, he exploited his tight ties to the ruling provincial Liberals. By 1901 he had privately negotiated with them a 21-year lease to the Lake of the Woods pulpwood concession (Map 2). The project was delayed by several major practical challenges, including Mather's deteriorating health. When the Liberals fell in the election of 1905, the newly-crowned Conservative government cancelled Keewatin Power's lease to the Lake of the Woods pulpwood limit, and refused to re-tender it. In the meantime, Backus purchased Mather's lumber interests in 1906 and the latter's control over Keewatin Power's hydro-electric site – the Norman Dam – seven years later. In order to support a newsprint mill in Kenora, however, Backus rightfully felt he required a pulpwood concession from the Ontario government.[24]

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23 W. Robert Wightman and Nancy M. Wightman, *The Land Between: Northwestern Ontario Resource Development, 1800 to the 1990s* (Toronto: University of Toronto Press, 1997), 132-3, confuse the *tendering* of a pulpwood limit with the *execution* of a pulpwood concession lease when they assert that Backus secured the Rainy Lake pulpwood limit at this time.

24 LOTWM, "John Mather Diary Summary, 1882-1906," 1903; LOTWM, "An Historical Research Inventory of the Mather-Walls Property with a General Overview of Keewatin Developmental History," Reg Reeve, 1979; LOTWM, "Memorandum re: Keewatin Lumber Company Limited", 1-3; AO Library, 4 April 1901, Agreement between Crown and the Keewatin … ; AO, RG4-32, 3807/1921, ca. 1920 Re: Backus Agreement and Kenora Development; AO, RG1-E-6, Volume 3, 186-91, 18 January 1906, F. Cochrane Memo Re: Cancelling …; *Annual Report, 1902*, xiii.

To achieve this aim, he attempted to forge what he thought were the political alliances necessary to convince the reigning Conservatives to sell him the pulpwood tributary to Kenora. In this regard, he won over to his cause the Kenora Town Council and Board of Trade, and Harold A.C. Machin, the Conservative MPP for Kenora-Rainy River. After Backus discussed the matter with William H. Hearst, the new Minister of Lands and Forests, in Toronto in May 1913, the Ontario government agreed to tender the timber tract Backus sought: the 1,860 square mile Lake of the Woods pulpwood concession (Map 2).

Although Backus was a local lumber producer, his competitors – veteran sawmillers who produced both lumber and railway ties – then threw a wrench into his plan. They vehemently protested the tender of the Lake of the Woods pulpwood concession. Their mills relied upon the white, red and jack pine, and large diameter spruce, which was scattered with black spruce throughout the limit Backus sought. If he gained control of this tract, they argued, it would sound the death knell for their businesses. They thus pressured Hearst into calling a meeting in Toronto to address their concerns. At one point during the get-together, the lumbermen presented such onerous demands that Hearst was spurred to suggest to the gathering that the people of Kenora "do not want a pulp mill, as no mill could operate under the terms you [i.e., the lumbermen] propose."

When the dust settled, it was clear that the government had caved to the lumbermen's wishes. Three days after the tender closed on August 15, Backus learned that the government had kept his deposit even though it had not accepted his bid, which had been the highest. Negotiations ensued, and continued for over one year. On 19 August 1914, Backus finally entered into a contract for the timber, although, as the Tories euphemistically put it, the Minister had made "certain alterations in the terms." Backus had had little choice but to acquiesce, otherwise he would forfeit his deposit. As far as his wood supply was concerned, Backus's lease – which obliged him to construct a sizeable pulp mill – ignored his need for exclusive control over his timber by providing local lumbermen with unprecedented ease of access to his limit. Pulpwood agreements had typically reserved all pine timber to the Crown and prevented mills from harvesting the areas in which it was found. Backus's contract went further by authorizing the government to license lumbermen to harvest the pine timber on his limit *and* any pulpwood they encountered in their operations. This clause had enormous ramifications because pine was scattered throughout the concession and the government was not obliged to compensate Backus for pulpwood he lost to the saw millers as a result of this provision. Moreover, the contract also reserved all the balsam poplar on the limit for the local barrel-making firm and authorized it to cut this timber along with the pulpwood it encountered in the course of its operations. The upshot left the lumbermen enjoying privileges that were superior to

Backus's on his Lake of the Woods pulpwood concession, even though Backus was the concessionaire.[25]

These aspects of Backus's agreement vastly diminished its value as collateral, as did the latest reports of his "cruisers," as persons trained in estimating the volumes and types of timber on a specific area were known. Backus's woodsmen carried out a thorough examination of the Lake of the Woods limit during World War I, and their observations revealed that it was spruce deficient. Whereas an average timber tract would usually yield at least three to four cords of spruce per acre, the 1,190,400 acre Lake of the Woods concession contained only about 600,000 cords of spruce (just over ½ cord per acre), enough to supply the mill called for under Backus's new lease for just seven years.[26]

As a result, Backus and others searched for the resources to support a newsprint mill in Kenora. Backus turned his attention to the problem of generating sufficient power to supply the project, specifically a site that he could use in conjunction with the Norman Dam, which he already owned.[27] Other newsprint makers also eyed Kenora as an ideal site for a new mill in light of its proximity to both the mid-western states and other power sites which could be developed. Frank Anson, president of the Abitibi Power & Paper Company in northeastern Ontario, turned his attention to securing the pulpwood on the 3,000 square mile English River concession, which he asked the Tories to tender (Map 2). They agreed in 1915, and Anson offered to build a 50 ton newsprint mill and increase it to 200 tons within a few years if the government accepted his bid. But G. Howard Ferguson, the new Minister of Lands and Forests, declared none of the offers "suitable."[28]

Anson persisted, but to no avail. He immediately carried out additional cruises on the English River concession the Tories had tendered, and discovered that it averaged barely one cord of spruce per acre (around 2,000,000 cords over its 1,920,000 acres). For this reason, when Anson requested again in 1917 that

25 LOTWM, "Memorandum re: Keewatin Lumber Company … , 12-14.

26 AO, RG1-415, Box 1, K, 19 August 1914, Agreement between Crown and E.W. Backus … ; AO, RG4-32, 1921/3807, ca. 1920 History of English River Pulp Limit; Ibid., 22 May 1919, D. McLeod to G.H. Ferguson. Backus's lease also gave the government practically complete control over the development, as the provincial state could dictate where he built the mill and the grades of paper it produced.

27 Christopher Armstrong, *The Politics of Federalism: Ontario's Relations with the Federal Government, 1867-1942* (Toronto: University of Toronto Press, 1981), 162-3; AO, RG3-4, Lake of the Woods … #1, all documents; Ibid., File - English River … 1922 [2], all documents; AO, RG4-32, 1921/3807, ca. 1920 History of the English River Pulp Limit; Wisconsin Historical Society, Madison Archives, MSS279, Box 2, Minnesota and Ontario Power Company 1913-1919, 25 January 1917, E.W. Backus to D.C. Everest.

28 AO, RG3-4, English River Pulp and Timber Limits 1922, 28 September 1920, F.H. Anson to E.C. Drury and enclosures; AO, RG4-32, 1921/3807, Vol. 3, 23 February 1921, Memo for the Attorney-General re: English River Limits.

the government sell a pulpwood limit in this area, he asked that, in addition to tendering the original area south of the English River, the government include another roughly 7,000 square mile tract north of this waterway (Map 2). Anson also recommended that a lease to a water power on the Winnipeg River below Kenora be included in the sale, and he urged the minister to act expeditiously so that he could begin the project post haste.[29] The government refused to accede to Anson's requests. In doing so, it admitted that its information resonated with Anson's assessment that the concession south of the English River was very poor in terms of spruce. But the government insisted that it would not tender the tracts Anson sought until it had cruised them (this was surprising considering that only twice during the Tories' 14 years in office (1905-1919) did they insist upon this condition, and in neither case did they carry out the investigation).[30] Anson did not hear from the government for nearly two years, so he re-visited the matter in 1919 when he applied for the privilege of leasing only the concession south of the English River. Ferguson again rejected Anson's proposal.[31]

The Tories' unwillingness to facilitate pulp and paper developments in Fort Frances and Kenora between 1905 and 1919 contrasted sharply with their eagerness to meet the needs of the region's lumbermen. In addition to the examples already cited regarding the Mine Centre Lumber Company and the saw millers in Kenora, the Conservatives immediately granted nearly every one of the local lumbermen's requests, often bending rules past the breaking point to do so. The legendary James A. Mathieu was particularly adept at capitalizing on this preferential treatment. He was *the* Tory patronage broker in the Rainy River area (just west of Fort Frances) as well as its MPP for all but one term between 1911 and 1929. Openly admitting that his "political connections" were the secret to his successful lumber business, he saw to it that he secured more than just a sufficient supply of sawlogs.[32] On several occasions during the Tories' time in office, the government privately granted him (instead of publicly tendering) some of the finest pine stands in the province. Not only was this illegal but subsequent investigations revealed that this scheme had enabled Mathieu to acquire vast quantities of timber at well under one-third their market value. The Tories had also permitted him to harvest practically unimpeded by *The Crown Timber Act*'s regulations. As a result, during the Tories' reign he paid dues on less than one-half the sawlogs he cut, a fact unearthed by a sub-

29 Ibid., RG1-246-3, 14797, Vol. 1, 3 May 1917, F.H. Anson and A. Smith to G.H. Ferguson.

30 In 1917, the Tories had insisted that they cruise the Kapuskasing River concession before they sold it.

31 Ibid., 9 and 16 May 1917, Memo for Mr. Grigg from C.C. Hele; AO, RG4-32, 1921/3807, Vol. 3, 23 February 1921, Memo for the Attorney-General re: English River Limits.

32 Ibid., RG1-BB1, Box 8, J.A. Mathieu, 29 July 1965, Transcript of interview with J.A. Mathieu, by L. Waisberg and V. Nelles.

sequent Royal Commission into Mathieu's advantageous dealings with the government.[33]

The 1919 provincial election saw the upstart United Farmers of Ontario [UFO] defeat the ruling Conservatives. Neophytes in the political arena, the UFO benefited from post-war discontent to attain office. The Farmers had only won a minority government, however, meaning they would have to curry favour among others in the Ontario Legislature if they were to maintain power.[34]

E.W. Backus was perhaps the person most thrilled by news of the Tories' defeat in 1919. For the previous fifteen years, the Conservatives had largely shunned his (and others') efforts to erect newsprint mills in Kenora and Fort Frances. Backus eyed the advent of the Farmers government as his long-awaited window of opportunity to establish *that* special connection with the tight network of government officials who, either directly or indirectly, controlled access to Crown resources.[35]

To achieve this aim he forged a number of alliances with members of the new government's inner sanctum, the most important of whom was Peter Heenan. Heenan was northwestern Ontario's most prominent union leader by the eve of World War I, and he ran successfully as the Labour candidate in the Kenora riding in 1919. During his campaign, Heenan had wedded his political fortunes to bringing Backus's newsprint mill to Kenora, and he pushed Drury to facilitate it soon after the UFO took power. Adding irresistible weight to Heenan's lobby was the fact that he had rallied the eleven Labour MPPs into supporting the minority Farmers government. Drury was thus acutely aware that Heenan's backing was crucial to his administration's survival, and facilitating Backus's mill plans in Kenora would be Drury's *quid pro quo* for keeping the Labourites onside.[36]

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33 Contemporary observers commented on the Tories' disparate treatment of Backus and Mathieu: AO, RG3-10, Box 227, Lands & Forests 1934, 4 September 1934, E.J. Callaghan to M.F. Hepburn [Personal and Private]. Mathieu's machinations are described in J.P. Bertrand, *Timber Wolves* (Original Manuscript, ca. 1961), 274; Nelles, *Politics of Development*, 386; AO, MU3132, November 1911, 22 November 1911, W.A. Preston to J.P. Whitney; *Interim Report of the Timber Commission – Shevlin-Clarke Company of Fort Frances*, 30 October 1920, 6-7.

34 Charles Johnston, *E.C. Drury: Agrarian Idealist* (Toronto: University of Toronto Press, 1986), 68-83.

35 After the Farmers' victory Backus spoke publicly about how the Tories had stymied his plans for constructing newsprint mills in northwestern Ontario: *Toronto Telegram*, 30 September 1920.

36 AO, RG49-19, *Sessional Papers 1922*, No. 68, 4 September 1920, P. Heenan to E.C. Drury; AO, RG75-57, OC55/18. Not one to leave things to chance, Backus also retained R.T. Harding and Gordon Waldron, two of the Farmers' most intimate friends, to act on his behalf during the 1919-1923 period; Johnston, 178; *Hansard*, 6 May – 11 June 1922 and 9 February 1923.

Backus's connections would pay handsome dividends in Kenora. He had owned a lease to the Lake of the Woods pulpwood concession since 1914, but concerns over his fibre and power supplies had delayed his mill project there. Within months of the Farmers winning power in 1919, however, Backus had made significant progress in addressing both issues. First, he entered into a contract with the town of Kenora. In it he agreed to purchase the municipality's power plant and relieve it of the debt it had accumulated since building the generating station in the early 1900s (at significant expense) under the mistaken belief that a new paper mill would be erected imminently to purchase the bulk of the plant's power output. Moreover, Backus promised the town that he would build a large newsprint mill. Backus formally applied to the Ontario government in mid-August 1920 for a lease to the English River pulpwood concession and authority to develop the White Dog Rapids near the confluence of the Winnipeg and English Rivers (Map 2). The Kenora Town Council then sent the premier a resolution that resoundingly supported Backus's application to use both the Lake of the Woods and English River pulpwood concessions to support one mill in Kenora, and argued that the town's future depended upon this industrial development.[37]

In assessing Backus's submission to the government, Drury took unprecedented steps to see that he handled this affair in a manner that was unimpeachable. He organized a cabinet meeting in mid-September 1920 to discuss Backus's proposition, by which time Drury had already asked for advice from Ontario's trusted Provincial Forester, E.J. Zavitz. Although the Department's forest rangers had reported in 1917 and 1919 that the English River concession averaged barely one-half cord of spruce per acre (an amount of fibre that would support a large paper plant for only a few years), Zavitz dispatched a party to reassess this limit and the Lake of the Woods concession. When the preliminary data from these cruises confirmed that both tracts lacked spruce, Zavitz insisted that a newsprint mill in Kenora would require "a comparatively large area … which contains at least 4,500 square miles," an end that could be realized by combining the Lake of the Woods (1,860 sq. miles) and the English River (3,046 sq. miles) limits. Zavitz also stressed that "[i]t is recognised that the investment of capital to develop this limit will involve eventually the necessity of looking elsewhere for a further supply of timber."[38]

Based on this information the Drury administration formulated a plan. The Farmers would, *inter alia*, tender the English River pulpwood limit, and enter into a related agreement with Backus in September 1920. It promised to lease

37 AO, RG3-4, English River Pulp … 1922, ca. 1921 English River Pulp …; AO, G49-19, *Sessional Papers, 1922*, No. 68, all documents.

38 AO, 20 September 1920, Memo for the Minister from E.J. Zavitz; Ibid., RG6-2, E.C. Drury, 17 September 1920, Memo for the Minister from G. Grant; Ibid., RG4-32, 1921/3807, all documents.

him a power site at the White Dog Falls on the English River and re-start his 1914 Lake of the Woods concession agreement. In exchange, Backus was obliged to build a small mill by the fall of 1921 and tender for the English River pulpwood limit. If he was the successful bidder, he would be required to expand his mill as per his agreement with the Town of Kenora.

Backus ensured that his agreement with the Farmers both recognized that the two pulpwood concessions lacked spruce and included mechanisms for providing his Kenora mill with additional fibre in the future. The contract stipulated that the minister had three years to determine if there was sufficient pulpwood on these two limits to support the plant Backus would build. If not, the agreement required the minister to "put up for public competition such an additional area or areas to the north of the English River as will provide the necessary timber and pulpwood for the said purpose."[39]

If the Farmers required additional evidence to justify these provisions, it arrived shortly after they signed the deal with Backus. Frank Anson, president of newsprint-maker Abitibi in northeastern Ontario, sent Drury two letters in late September 1920 that conveyed highly sensitive information on the understanding that it would remain confidential. Anson revealed that his investigations of the English River limit had confirmed its lack of pulpwood and the immense cost that would be involved in logging its timber, considerations that had quashed Abitibi's interest in bidding on the tender.[40] In addition, the Department's final tallies from its cruises indicated that, despite the size of the English River concession (1,949,440 acres), it contained barely 2,000,000 cords of pulpwood that could only be harvested at considerable expense.[41]

Three days before Christmas, the Farmers announced that Backus had won the tender for the English River pulpwood concession. After verifying his financial standing, on 7 January 1921, the government entered into an agreement with him for the tract that obliged him to build a 200 ton newsprint mill in Kenora within two years. In exchange, he was privileged to cut "all merchantable timber"; no diameter limit was mentioned.[42]

The value accruing from this flurry of contract signing was unmistakable. After nearly two decades, Kenora would finally get its newsprint mill. This

39 AO, RG3-4, English River … 1922, ca. 1921, Beniah Bowman summary; Ibid., RG4-32, 1921/3807, 4 September 1920, P. Heenan to E.C. Drury; Ibid., 24 September 1920, Conditions With Respect to the English River Pulp and Timber Limit; Ibid., 30 September 1920, Agreement between Crown and E.W. Backus et al. regarding Lake of the Woods pulpwood limit, copy in *Annual Report, 1921-22*.

40 AO, RG3-4, English River … 1922, 28 and 29 September 1920, F.H. Anson to E.C. Drury.

41 AO, RG4-32, 1921/3807, #3, 15 and 22 December 1920, Memo for the Minister from E.J. Zavitz; Ibid., 14 February 1923, Memo to the Attorney-General from Zavitz.

42 7 January 1921, Agreement between Crown and Backus et al. … , copy in *Annual Report, 1921-22*; AO, RG6-2, Box 20, H.C. Nixon 1920-23, 31 December 1920, Memo for Mr. Smith from the Provincial Secretary.

would begin relieving the municipality of its debt, provide the town with over 1,000 jobs, and contribute sizeable returns both directly and indirectly to the public coffers. It was a momentous step forward for the remote town of Kenora, industrialist E.W. Backus and Ontario's newsprint industry. It would obviously also redound to Peter Heenan's benefit. A.J. Little, a veteran Tory in northwestern Ontario, dejectedly declared after hearing of the deal between Backus and the government that "[o]f course Peter's connection with the transaction has made him solid in the town of Kenora and he is going to be a mighty hard man to beat up there."[43]

It should also have been a coup for the Drury government, but it quickly turned into the Farmers' worst nightmare. After news of the various agreements with Backus became public, G. Howard Ferguson, the erstwhile Conservative Minister of Lands and Forests and now leader of the Opposition Tories, mercilessly attacked and completely recast them to make it seem as though Drury was guilty of corrupt dealings. Ferguson asserted that the Department had estimates that reported 18,000,000 cords of pulpwood on the English River limit. What Ferguson did not disclose was that this figure was based on the report submitted by John Nash. The latter had been a "timber estimator" and member of an investigative team that the government had sent north in 1900 to carry out a cursory examination of the vast area between roughly the Root River northwest of present-day Sioux Lookout and the Manitoba border. Travelling by canoe, Nash had been restricted to waterways along which the best stands of spruce usually grew, tracts that were also the most resistant to burning because of their high moisture content. Nash's gross overestimation of the quality and quantity of pulpwood in the area was thus the predictable result, and this problem was typical of early timber evaluations.[44] In addition, Ferguson charged that each of these cords was worth $6, whereas Backus had only paid a paltry lump sum bonus of $50,100 for them (Ferguson pointed out that, using his figure of 18,000,000 cords, this worked out to a measly one-third of a cent per cord). Ferguson also argued that the White Dog rapids, to which the Farmers had promised Backus a lease, was the only undeveloped water power remaining in northwestern Ontario, and that the Farmers had essentially handed Backus control over both the Lake of the Woods and English River watersheds. Yet Ferguson knew that Backus's contract gave the Ontario government control over these waterways, and there were numerous other local undeveloped water powers (Map 2). Although Backus launched a $100,000 libel suit against *The Toronto Telegram* for having published *verbatim* Ferguson's most outlandish charges, the damage was

43 TBMHS, 14 February 1923, J.A. Little to D.M. Hogarth.

44 Bernhard E. Fernow, North America's "pioneer" forester, remarked on this common deficiency while testifying before a Congressional investigation in the early 1900s: United States Select Committee of House of Representatives, *Pulp and Paper Investigation Hearings* (Washington: Government Printing Office, 1908), 2845.

irreparable. In the words of Drury's biographer, "[i]n spite of the cabinet's efforts, the Backus deal would continue in many circles to be regarded as a flawed and dubious transaction."[45]

Although Ferguson's attacks were practically devoid of fact, his deft manipulation of this affair achieved his aim of resurrecting his nearly moribund political career. Over the course of 1920-1921, his term as Minister of Lands and Forests (1914-1919) had been the subject of a Royal Commission whose sensational revelations of wanton disregard for the timber regulations had made headlines across the country. Pushed to the brink, he had the political acumen to recognize that the Farmers' dealings with Backus represented his one chance to save his hide. Ferguson, perhaps more than anyone else in the province, knew that his criticisms of the UFO's deals with Backus were unfounded. While he had served as minister, Departmental officials had repeatedly informed him that the English River pulpwood concession was poor in terms of spruce, and that this would necessitate making an unusually large limit available to support a mill in Kenora.[46] Nevertheless, Ferguson's strategy in 1921 worked to perfection. His depiction of Backus as a cavalier industrialist with little respect for government authority became indelibly engraved in the province's collective consciousness. More importantly, it permitted Ferguson to argue that only a leader blessed with his willingness to stand up to rogues like Backus could be trusted to protect "the public interest."[47]

For now, however, Backus still had some room to manoeuvre. Even though he was unable to secure a supplementary power supply for his project in Kenora, he quickly fulfilled to the letter his obligations to construct a newsprint mill in that town. He broke ground in 1922, the facility produced pulp the next year, and by 1924, Kenora was home to a newsprint mill. Unfortunately for Backus, he was unable to secure a Crown pulpwood concession to support his mill in Fort Frances before the Farmers left office in 1923.[48]

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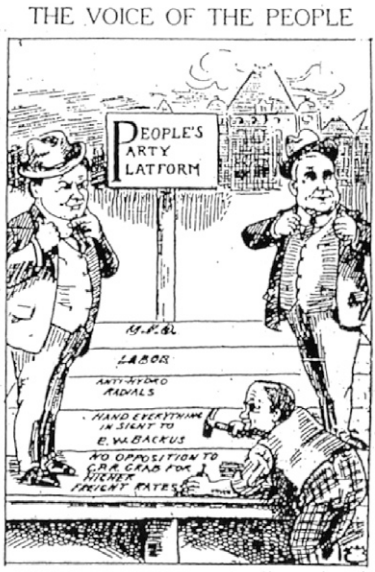
45 Johnston, 180; *Toronto Telegram*, 6 and 8 November 1920 and 2 October 1922; AO, RG4-32, 1921/3807, notes germane to Ferguson's attacks.

46 In addition to the evidence presented in the text, see AO, RG1-246-3, 14797, Vol. 1, 5 November 1919, Memo re: English River, Pulp Limit from F.J. Niven.

47 Peter Oliver, *Public & Private Persons: The Ontario Political Culture, 1914-1934* (Toronto: Clarke, Irwin & Company Limited, 1975), Ch. 3. Nelles and Oliver have largely accepted Ferguson's portrayal of these events. Johnston, 175-180, presents a more accurate analysis when he explains that this was "vintage Ferguson" who "shrewdly exploited" the situation. Undoubtedly the terms of the tender favoured Backus's agenda, but they did not preclude other parties from either bidding or winning the limit. Abitibi and Spanish River were the only other major pulp and paper producers in Ontario at the time, and neither was interested in undertaking the project.

48 AO, RG1-E-3-B, Box 3, A-16, The Ontario and Minnesota Pulp and Paper Company – Early History (ca. 1960).

Plates 1 and 2: Tory Political Cartoons of E.W. Backus



PRES. E. W. BEATTY—"I'm glad you're broadening out your platform so's to give the C.P.R. something to stand on."
E. W. BACKUS—"Me, too."

Plate 1: Drury acceding to Backus's every wish, 1921

E. W. BACKUS—"I could get anything I wanted when Drury was here."
HON. G. H. FERGUSON—"Well, I'm here now and you'll get something you don't want if you don't step lively and carry out what you've got."

Plate 2: Ferguson confronting Backus, 1925

Sources: *Toronto Telegram*, February 7, 1921 and ca. 1925

The UFO's departure dealt Backus's operations a serious blow. When the Tories regained office in the 1923 election (they would retain power until 1934), he reassumed his *persona non grata* status with the Ontario government. In fact, Backus became more unwelcome than ever. This was partially attributable to the Tories' long-standing allegiance to northwestern Ontario's timber contractors and lumbermen, such as James A. Mathieu, the grizzled Conservative MPP for Rainy River.[49]

At the same time, it is clear that a far more powerful animus was at work here. Ferguson owed his Phoenix-like political recovery in the early 1920s to his ability to demonize Backus, and he realized after he had won the 1923 elec-

49 AO, RG1-246-3, 3145, Vols. 1 and 2, all documents; AO, RG3-6, Shevlin-Clarke … 1926, 9 September 1926, J.W. Walker to G.H. Ferguson; Ibid., 12 October 1926, Memo for the Minister from W.C. Cain. At the same time as the Department would be broadcasting that Backus's Fort Frances newsprint mill faced an acute fibre shortage, it was boasting about its decision to sell local tracts of large pine to "reliable [lumber] companies like Shevlin-Clarke and J.A. Mathieu:" *Annual Report, 1929*, 15.

tion that he could still score valuable political points by using Backus as his whipping post. The premier was convinced that it was in his best interests to appear as someone who was both independent of Backus's influence and capable of reining him in (Plates 1 and 2).

This drove the Tories to take a variety of pot shots at Backus. The year before Ferguson had won the premiership in 1923, for instance, A.C. Lewis, a Conservative MPP from Toronto, had used the protection of his parliamentary privilege to accuse Backus of orchestrating the murder of a young timber contractor in northwestern Ontario. In no uncertain terms, the charges would have been libellous outside the Legislature. A royal commission was struck to investigate the allegations, by which time Lewis had admitted they were groundless. A few years later, the Tories accused Backus of illegally procuring a large quantity of alcohol for a party he was throwing in Kenora. The Attorney-General handled the charges in a manner that further besmirched Backus's reputation, even though it quickly became apparent that Backus had done no wrong.[50]

These political games Ferguson played with Backus's reputation paled in comparison to the premier's treatment of Backus when it came to allocating Crown timber. Backus had built a newsprint mill in Fort Frances in 1914 without the benefit of a Crown pulpwood concession. During the UFO's reign in the early 1920s, Backus had secured a lease to a supplemental water power on the nearby Seine River. But when Ferguson's Conservatives won office in 1923, they revised the agreement, thereby forcing Backus to expand the capacity of his mill to 250 tons or lose the water power. By mid-1926, Backus had fulfilled his end of the deal, but he was still without a local Crown pulpwood concession.[51]

Ferguson was acutely aware of Backus's predicament, but he was determined not to address it. In early 1926, for instance, Backus's bankers asked the premier to recount the history and provide a summary of the present status of the newsprint plant in Fort Frances. Ferguson readily admitted that, when Backus had received his power lease in 1905 to harness the rapids near Fort Frances, another agreement had been prepared "the effect of which would have been to give Mr. Backus … the right to cut the pulpwood in the Rainy Lake Watershed at Crown dues." Although this contract had never been executed because the Liberals had lost the 1905 election, Ferguson unequivocally believed that "Mr. Backus was entitled to assume that the pulpwood in question would be made available for his mills at Fort Frances by formal agreement."[52] Nevertheless, the premier emphasized that no Ontario government had done anything to fulfil this twenty year old pledge, and that "[t]here is not now, and

50 AO, RG18-78, all documents; *Hansard*, 6 May – 11 June 1922; *Toronto Star*, 10-11 July 1930; *Toronto Mail* and *Toronto Telegram*, 6 September 1930.

51 AO, RG1-246-3, 16799, Vol. 1, correspondence from 1921 to 1926; Ibid., 61486, 10 February 1926, G.H. Ferguson to S. Johnston.

52 AO, RG3-6, Control of … 1926, 4 February 1926, G.H. Ferguson to E.W. Decker.

never has been, any agreement between Backus, or any of his Companies, and the Crown, relating to the pulpwood in this District, and he has no pulpwood rights whatever [sic].."[53]

Representatives from the Backus mill in Fort Frances were especially anxious to correct this deficiency. The newsprint plant had heretofore relied on purchasing spruce from local settlers and importing timber from Backus's holdings in northern Minnesota. A.D. George, Backus's representative in Fort Frances, informed the government in June 1927, however, that this latter source – which it had tapped for over one decade – was "almost exhausted."[54]

After a series of meetings with government officials in 1927, George sent the minister his view that, at the very least, his client would "require all the pulpwood in the district of Rainy River and the Rainy Lake Watershed to keep these mills operating successfully at Fort Frances."[55]

George then expressed Backus's concern over the government's most recent timber policy initiative. The Tories had begun hand-picking the Rainy Lake region's richest patches of pulpwood and tendering them to local partisan timber contractors. George wished "to strongly protest," arguing that it was

> not fair to [Backus's] company that has invested so many millions of dollars in the industrial development of Fort Frances and the district of Rainy River generally, on the understanding that the pulp-bearing lands in the said watershed would be reserved in order to keep the said mills operating, to have selected spruce areas, easily logged and adjacent to railway or water transportation, put up for sale at the request of anyone who wishes to go into this business. It simply means that when the company operates the remaining areas, they will have to take the good with the bad over scattered, inaccessible areas, which will greatly increase operating costs.[56]

The provincial Department's local representative and the municipal leaders from Fort Frances stood firmly behind this newsprint plant's campaign for a pulpwood concession. J.A. Alexander, the government's Timber Agent for Rainy River, informed his superiors in Toronto that "the Fort Frances Pulp & Paper Company are short of Pulpwood" and urged them to take steps to alleviate this situation.[57] H.A. Tibbetts, the town's solicitor, presented this view far more forcefully when he wrote the minister. He stressed that Backus's "established industry" should be given an "assurance from the Provincial Government

53 Ibid., 4 February 1926, G.H. Ferguson to S. Johnston.

54 Ibid., 6 June 1927, A.D. George to W. Finlayson.

55 AO, RG1-246-3, 68396, Vol. 1, 3 February 1927, A.D. George to W. Finlayson.

56 Backus had begun protesting against this policy in mid-1925: AO, 37584, Vol. 1, 8 July 1925, D. McLeod to J. Lyons; Ibid., 39983, documents germane to timber north and south of Hematite Station.

57 AO, 797, Vol. 1, 4 November 1926, J.A. Alexander to W.C. Cain.

that the pulp wood available in the Rainy River District and tributary to his mill, will be set aside for manufacture in that mill."[58]

The government reacted guardedly to these entreaties. The deputy minister auspiciously directed the Department's Forestry Branch to carry out over the summer of 1927 a cruise of the timber on the Rainy Lake watershed, which suggested that the sale of this wood might be in the offing. The minister also assured Backus's representatives that "the Government is anxious to do what they can to assist and extend these industries." But the government would not pledge to reserve the district's pulpwood for the Backus newsprint mill in Fort Frances.[59]

While Backus's ultimate goal was to secure a large pulpwood concession from which he could harvest in perpetuity, the short term plight of his plant in Fort Frances was grave. Able to procure only a fraction of the 125,000 cords it needed to operate in 1928, Backus pleaded with the government for permission to harvest the pulpwood from roughly 100 square miles in and around Bennett Township that the company estimated contained about 100,000 cords (Map 3). Reviewing the matter for the minister in September 1927, Walter Cain, the deputy minister, pointed out that there were very good reasons for privately granting Backus this minor tract. If the Department tendered the limit, Cain cautioned the minister that there was no guarantee Backus would win it. In addition, because it was

> the enunciated policy of the Government with respect to making reasonable provision to augment the supply of existing concerns it would not be unreasonable to give the Company the right, this coming season, to operate upon the area mentioned, provided a fair and equitable, marketable stumpage price for such pulpwood can be secured.

Yet Cain still recommended that the government tender the limit, a directive the minister followed.[60] Cain's prognosis turned out to be prophetic. A rival paper maker that sought an alternative pulpwood supply to its own remote and expensive Crown concession outbid Backus for the Bennett licence in the fall of 1927. Backus then convinced his competitor to withdraw its tender, presumably compensating it in the process. This took care of Backus's immediate fibre needs.[61]

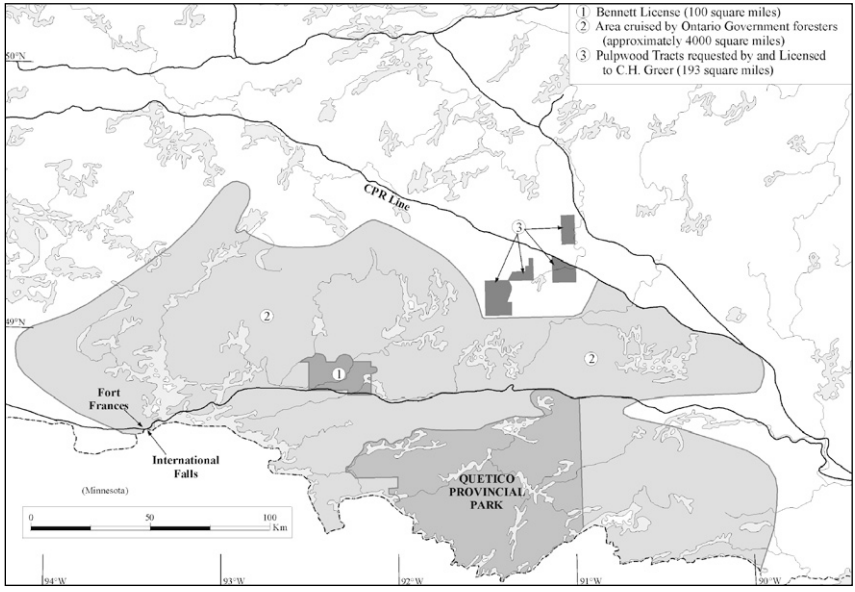
A.D. George, Backus's lawyer in Fort Frances, then asked the government to prevent a recurrence of this scenario, which had been an object lesson in the

58 AO, 68396, Vol. 1, 12 February 1927, H.A. Tibbetts to the Minister, and enclosure.

59 Ibid., 7 March 1927, Minister to J.W. Walker; Ibid., 5 February 1927, Memo for W.C. Cain from W. Finlayson and from Department to A.D. George; Ibid., 15 February 1927, Memo for E.J. Zavitz from Cain; Ibid., 17 February 1927, Minister to H.A. Tibbetts.

60 Ibid., 18648, Vol. 2, 9 September 1927, Memo for the Minister from W.C. Cain.

61 Ibid., 23 September 1927, Tender for Bennett Township; AO, RG1-E-3-B, W-8-492, documents germane to the timber sale.



Map 3: Timber Licences and the Area the Government Cruised in the Vicinity of E.W. Backus's Newsprint Mill in Fort Frances, 1925-1928

inadvisability of tendering pulpwood stands that were needed by established industries. "As you know," George reminded the minister,

> we have not a cord of pulpwood on Crown lands as yet reserved for the operation of the our mill, although we have been assured for over twenty years that if we proceeded with our development … and erected pulp and paper mills we would be taken care of and that all the pulpwood in the Rainy Lake Watershed would be reserved so that our investment of many millions would be amply protected and our successful operation would be guaranteed. We feel now that you should set apart this area definitely and exclusively for all time, to safeguard the continued operation of these mills which have been enlarged to double their former capacity within the past year.[62]

Although Ferguson had explicitly recognised Backus's claim to this pulpwood back in 1926, the premier was not interested in conveying it to Backus. The Department's foresters completed their cruise of the Rainy Lake watershed in early 1928, but instead of advertising this tract for sale to assist Backus, the government went out of its way to publicize his travails (Map 3).

The Department's 1928 *Annual Report* noted that the Fort Frances newsprint facility had "succeeded for many years in conducting a paper mill at this

62 AO, RG1-246-3, 18648, Vol. 3, 17 November 1927, A.D. George to W. Finlayson.

point of very substantial capacity without having a single limit from the Crown, the first having been acquired during the past year under public competition when under 100,000 cords were secured, less than their requirements for one year." The same Report added that the mill's management team was "exercising some concern as to the Government's attitude with respect to additional areas to be offered."[63]

The Department also continued to tender tracts of prime pulpwood from within the Crown forest that the mill in Fort Frances believed should be reserved for its use. Over the previous decade, Charles Greer, a veteran Tory timber contractor at the Lakehead, had been awarded licences to the sawlogs on a couple of large blocks just north of the Rainy Lake district. Backus's mill in Fort Frances had protested these sales, whereupon the Department had assured it that the government would only give Greer the privilege of harvesting the pine sawlogs – not the spruce pulpwood – from these areas. In the mid-1920s, Greer began asking the government for the right to cut the pulpwood from his licences, which totalled roughly 200 square miles. To lobby his cause, he called upon James Little and Donald Hogarth, two veteran Tory "liaisons." Attesting to their influence was the government's announcement in late July 1928 that it would tender the 136,000 cords of pulpwood on Greer's licences (Map 3).[64]

This news elicited an immediate and stern protest from Fort Frances. The town council pleaded with the minister to cancel the sale and reserve this fibre for the community's newsprint plant. Don McLeod, manager of Backus's Fort Frances mill, produced a more forthright remonstration for William H. Finlayson, the new Minister of Lands and Forests. "It is my understanding," McLeod began, "that for some time your Department has been convinced that our large Fort Frances mill should be protected with a supply of pulpwood for a long term of years, as is usually the rule in this industry." McLeod underscored that both his company and the Department now knew that the forest covering the Rainy Lake watershed lacked pulpwood, as it contained "considerably less than one-half the supply our mills should be protected with." For this reason, he stressed that his plant also sought cutting privileges in the woodlands beyond this watershed, both east of the Quetico Provincial Forest as well as north of the Canadian Pacific Railway (Map 3). He was adamant that the massive investment Backus had made in the area was grounds for the government to provide for his mill before selling any of the region's pulpwood to other interests.[65]

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63 *Annual Report, 1928*, 13-15 See footnote 14].

64 AO, RG1-246-3, 37584, Vol. 1, 4 March 1926, Memo for Mr. Cain from W.F.T.; Ibid., 6 June 1927, A.D. George to W. Finlayson; Ibid., 10 May 1928, Mashaba to Department; Ibid., 25 July 1928, Authorization for "Sale of Pulpwood."

65 Ibid., 14 August 1928, G. McLean to W. Finlayson; Ibid., 16 August 1928, J.W. Walker to Finlayson.

In the minister's absence, Walter Cain, the deputy minister, responded to these latest submissions. He first blasted the municipality for its presumptuousness. "The Government of Ontario, through this Department," he stressed,

> has not obligated itself in any way to provide that the Fort Frances mill is entitled to the exclusive use of the pulpwood either in the Rainy River or Kenora District, or any portion of either. No definite commitment has ever been made by this Department to the owners of the Fort Frances mill that the pulpwood they require for the supply of the Fort Frances mill should be held in reserve and handed over to the company without public competition.[66]

Cain was equally brusque in answering McLeod. "I am a little surprised at the attitude assumed and the arguments advanced by you in your letter," Cain declared. He stressed that Backus had invested in the Fort Frances project

> with eyes wide open and undoubtedly with a full knowledge of the chances of future raw material supplies, and even if it be admitted that your firm must necessarily secure timber for the needs of the mill at Fort Frances, this will not by any means interfere with the policy of the Government that pulpwood timber must be put up for public competition.[67]

Concerned by the Tories' attitude, Backus despatched a personal appeal to Finlayson. He enclosed a map that showed the rough outline of the Crown timber that his officials in Fort Frances believed should be reserved for their plant. Aware that the government had already cruised these areas, he inferred that there was no logical reason not to sell them to his mill. Backus then turned to the Department's recent decision to tender the pulpwood on the tracts requested by C.H. Greer, the local contractor. Because this spruce lay within the zone Backus believed his plant would need, he asserted that "all pulpwood sales in the area shown by the enclosed map should be withheld until provision for the Fort Frances mills is fully made."[68]

Finlayson's response suggested a softening in the government's position, but this rapprochement proved illusory. The minister commiserated with Backus, explaining that "I realise the situation at Fort Frances and appreciate the large investment you have made there, and am anxious to do what I can to secure a supply of raw material for your mills."[69] Notwithstanding his sympathetic words and his repeated assurances to the town's politicians that the "policy of the Department is not to put up timber for sale except for the benefit of existing industries," the minister did not cancel the tender for the

66 Ibid., 21 August 1928, W.C. Cain to J.W. Walker.
67 Ibid., 21 August 1928, W.C. Cain to G. McLean.
68 AO, RG1-246-3, 68396, Vol. 1, 28 August 1928, E.W. Backus to W. Finlayson.
69 Ibid., 31 August 1928, Minister to E.W. Backus.

pulpwood on the tract.[70] Backus's mill in Fort Frances and another paper mill bid for the fibre, but it was won by Mashaba Development Company, a firm owned and operated by C.H. Greer.[71]

During this same period, Backus had also been pressing the government to assist him in overcoming the challenges facing his newsprint mill in Kenora. While it leased two pulpwood concessions (the Lake of the Woods and English River), his own foresters and those in the government's employ agreed that the quantity of spruce found on these tracts was grossly inadequate to sustain for a significant length of time the size of mill his Crown pulpwood leases required him to erect. J.R. Dickinson, a forester with the Dominion Forest Service, had been surveying northwestern Ontario's woodlands in the early 1920s. While carrying out the work he had interviewed two former provincial forest rangers who had trekked through these environs for 20 years, whereupon Dickinson reported to Ottawa that "[t]heir rather startling summary for the whole Kenora Land District is that about 90% of it has been burnt off once or oftener [sic] within 50 years! No wonder 'E.W. [Backus]' – as they call him – is scouring every corner for an increase in his 'visible supply.'"[72] Backus also lacked enough hydroelectric power because he was still waiting for the lease to White Dog Falls that the Drury government had promised him in 1920.

Backus met with Ferguson in April 1925 to discuss these matters, but their rendezvous proved fruitless. Backus emphasized to the premier that, over the summer, the government contract obliged him to expand his mill in Kenora from 120 to 250 tons, an augmentation that would cost nearly $4,000,000. At the same time, Backus expressed serious reservations about doing so because the mill lacked access to sufficient resources, particularly pulpwood. To corroborate his case he presented cruise reports that indicated that the mill's two concessions contained, at most, 2,500,000 cords of pulpwood, enough fibre to operate a 250 ton facility for only 25 years. He thus requested a lease to roughly 5,000,000 cords of pulpwood "north of the English River Limit," and for the government to give him his long-awaited lease to White Dog Falls.[73] While the Department admitted that Backus's 1921 lease to the local pulpwood obliged the government to supplement his fibre supply if it was found wanting, Ferguson's officials pointed out that the government had not found "an insufficiency of timber" on the concession, and that the Tories were not about to admit

70 Ibid., 28 February 1929, Minister to J.W. Walker.

71 Ibid., 31 August 1928, Memo to W.C. Cain from W. Finlayson; AO, RG1-246-3, 37584, Vol. 1, 21 December 1928, Memo to the Minister from Cain; Ibid., Vol. 2, November to December 1928, tender documents.

72 Library and Archives of Canada [LAC], RG39, Box 352, Ontario Research, 14 October 1922, J.R. Dickinson to R.D. Craig.

73 AO, RG3-6, Fort Frances Pulp … 1925, 28 April 1925, Ferguson's notes from his meeting with J.H. Black, E.W. Backus and J.S. Johnston; Ibid., MU1591, Statistics Timber Limits, 9, 24 and 29 July 1925, G. McLeod to E.W. Backus; *Toronto Mail*, 25 April 1925.

there was one. The government thus declared that the clause in Backus's lease that required it to provide a supplemental fibre source was "null and void," and it refused to give Backus access to the pulpwood north of the English River.[74]

Backus still fulfilled his contractual obligations by doubling the capacity of his mill in Kenora that year. To conserve his existing supply of fibre, he maximized his purchase of settlers' pulpwood and acquired from the dominion government as many licences as possible to the timber on nearby First Nations' reserves.[75]

Backus's expanded mill in Kenora required ever greater quantities of pulpwood, compelling him to intensify his efforts to acquire another timber limit. In a lengthy missive to the minister in late 1927, Don McLeod, Backus's senior representative in the northwest, reiterated his predicament. The plant in Kenora would exhaust its timber limits in only twenty-five years, and McLeod contended that the government had a responsibility to remedy this problem. "When the Agreement to establish Pulp and Paper Mills here was negotiated with your Department [in 1920-1921]," McLeod reminded the minister, "both the Department and ourselves felt the necessity of safeguarding the industry to be established by an assurance of sufficient pulpwood to justify the large expenditures which we contract[ed] to make." Repeatedly since signing the lease, McLeod had "called the attention of your Department … to the fact that our examinations of the Lake of the Woods and English River Pulp Limits have confirmed our previous statements that there is not sufficient Pulpwood on these Limits to supply the Plant we have established there." On each occasion, McLeod had stressed the need for the government to tender an additional limit as provided for in Backus's lease, but the provincial state had refused. Adding that he knew that many Departmental officials sympathized with his views, McLeod beseeched the minister to investigate immediately these limits if the government had not already done so "in order to determine the extent of the further areas that are necessary to insure an adequate supply of Pulpwood for our Kenora Plant."[76]

The Ferguson administration was unmoved by McLeod's letter. Walter Cain, the deputy minister, informed McLeod that the Department did not consider it a priority to investigate the areas McLeod sought. Carrying out thorough cruises would require a good deal of time and money, and Cain noted that he was "not just prepared for the moment to give you any assurance just when the Crown will undertake to proceed with intensive cruises."[77]

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74 AO, RG1-246-3, 14797, Vol. 1, 25 April 1925, Memo for J. Lyons from W.C. Cain; *Toronto Mail & Empire*, 2 May 1925.

75 LAC, RG10, Vol. 30144-7 Part 2, 9 May 1929, F. Edwards to Asst. Deputy and Secretary; Ibid., Vol. 7052, Whitefish Bay Reserves 32-34A 1929-49, all documents; Ibid., Vol. 7848, 30129-8 Pt. 2, all documents; Ibid., Vol. 7850, 30130-5A, all documents.

76 AO, RG1-246-3, 1956, Vol. 2, 12 December 1927, D. McLeod to W. Finlayson.

77 Ibid., 17 January 1928, W.C. Cain to Keewatin Lumber Company.

Backus persisted in applying to Ferguson for pulpwood concessions to support his mills in Fort Frances and Kenora, driving the premier to signal the matter closed in 1930. As far as the Kenora mill was concerned, Ferguson argued that it was "reasonably well supplied with raw material. Moreover, the agreement provides that a further supply of wood would be available to you should its necessities be shown to the Department." On these grounds, Ferguson concluded that the Kenora mill did not require additional fibre at this time. Conceding that the mill in Fort Frances "occupies quite a different position," he accepted that Backus could rightly "argue with considerable force that the wood supply of this operation is not adequate to maintain the mill over a reasonable period." This was an egregious understatement considering the plant was still without a pulpwood concession! Nonetheless, Ferguson asserted that "it is impossible for the Government to give favourable consideration to the request that a large quantity of timber such as would be necessary to meet your requirements could be offered for sale at the present time." Ignoring the fact that granting Backus a pulpwood concession would have helped stabilize his Fort Frances mill at a time of increasing economic uncertainty, Ferguson argued that, "[i]n view of the present unsatisfactory position of the newsprint industry and the consequent low price that would be inevitable under the present depression, the Government would not be warranted" in providing the Fort Frances facility with its long-promised timber limit.[78]

Consequently, as the 1920s drew to a close Backus's newsprint mills in the northwest confronted serious challenges. His plant in Kenora still faced a fibre shortage, and it was also in need of a supplementary power supply because it was still without the lease to White Dog Falls that the government had promised it in 1920. This was causing a power shortage at the mill that forced it to curtail production during this period; it would eventually compel the plant to import power from Manitoba even though there were many large, undeveloped water powers in Ontario that were much closer to the mill. Backus's situation in Fort Frances was even worse. Despite having been promised a pulpwood concession by the provincial government in 1905, it still did not lease one on the eve of the Depression. As Dr. James H. White, a forestry professor at the University of Toronto who investigated Ontario's forest industry during the summer of 1929, put it, "Backus' Fort Frances mill lives on settlers' wood."[79]

Nevertheless, Backus had established himself as one of the major players in the North American newsprint industry. Although he controlled less than 10% of the continent's capacity, his paper plants occupied strategic locations

78 Ibid., 18648, Vol. 3, 29 August 1930, G.H. Ferguson to E.W. Backus.

79 University of Toronto Archives, B83-0022, 12, J.H. White's Notebook from his 1929 summer trip across northern Ontario.

near the mid-western American market. Moreover, his mills in Kenora and Fort Frances served as the cornerstones in his operation.[80]

But the Depression spelled the end for Backus's industrial empire. Engaged in the period's intense "newsprint wars," he ran into a wall in 1931 when his bankers refused to advance him the money to cover his immediate obligations. Backus had little choice but to accede to their wishes and voluntarily go into receivership. The next year he lost control of his enterprise, and his battle to recapture it ended in failure just before he died in the fall of 1934.[81]

The Ontario government would posthumously recognize the legitimacy of Backus's long-standing timber applications. In 1941, these two mills would emerge from receivership under the banner of the Ontario and Minnesota Pulp and Paper Mills Company [O&M]. The next year, the reigning Liberal government unquestioningly granted the mill in Fort Frances the Crown pulpwood concession that it had promised Backus nearly 40 years earlier. At the same time, the Ontario government gave O&M the supplemental pulpwood limit north of the English River to support its mill in Kenora. Within short order, O&M would actually be experiencing a fibre surplus![82]

The history of the early years of the newsprint mills in Fort Frances and Kenora indicate a need to rethink the long-standing paradigm that has been used to explain business-state relations in Ontario's – and other provinces' – pulp and paper industry. Backus wore neither a black nor white hat as he undertook to profit from converting spruce pulpwood into newsprint in northern Ontario during the first few decades of the twentieth century. The crucial factor in his experiences with the provincial state is that both he and the politicians were keenly aware that his mills had insufficient – in one case grossly so – wood supplies. Furthermore, Backus's behaviour indicates that he was not a fly-by-night speculator who waltzed into the premier's office demanding more timber to support an architect's rendering of a dazzling new mill that would appear "one day." Instead, he had invested millions of dollars in industries that continue to be the mainstay of their communities to this day. Nevertheless, the Ontario government refused to support his enterprises with sufficient timber supplies. Moreover, Backus's experience was unequivocal proof of the uncertainty that defined the pulp and paper makers' quests to procure Crown resources. The election of a new government could open a wide window of opportunity, whereas a defeat four years later could slam it shut. In this regard, the provincial state's caprice in dealing with these enterprises was anathema to a "modern staples" industry dependent upon long-term planning.

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80 Senate Document 214, *Newsprint Paper Industry*, 71st Congress, Special Session of the Senate, 1930, 19-22.

81 *Minneapolis Journal*, 29 October 1934.

82 AO, RG75-57, OC237/302 and OC237/303; AO, RG1-E-3-B, Box 3, A-16, The Ontario and Minnesota Pulp and Paper Company – Early History [ca. 1960].

And caprice was the operative word. While the Liberals and Farmers represented one end of the spectrum and the Conservatives the other in so far as assisting Backus was concerned, these divergent patterns of behaviour did not represent cohesive policies that defined these parties in their approach to either him or his industry. The Grits had held power in Ontario until 1905, for example, and it had been their policies that had allowed the lumbermen to become such a powerful entrenched interest in the first place. Moreover, while in office the Liberals had gone to great lengths to defend the lumbermen's interests when the pulp and paper makers had begun showing up in northern Ontario around the turn of the twentieth century. Likewise, the UFO had taken steps to protect the lumbermen at the expense of the pulp and paper industry when its coalition government controlled the Legislature. Finally, the Conservatives may have loathed Backus, but it was not because he was a newsprint maker or a Yankee. During Ferguson's term as premier, for example, he bent over backwards to facilitate the activities in Ontario of the two most powerful forces in the United States pulp and paper industry, Archibald Graustein and George Sensenbrenner, respective heads of the International Paper Company and Kimberly-Clark.[83]

Nevertheless, Backus's story demonstrates the myriad challenges pulp and paper makers faced as they endeavoured to establish mills in the province and the reasons that help explain the government's treatment of them. The paper producers were clearly not entering an economic vacuum in northern Ontario in which there were no "entrenched interests." Rather, the pulp and paper entrepreneurs faced an uphill battle in their effort to break into a physical, economic and political environment in which the lumbermen had already staked out significant tracts of the forest and, most importantly, inextricably woven their interests with the politicians who controlled access to the timber. At a time when patronage was the guiding principle in relations between the state and its citizens in the Canadian polity, the provincial government's cold reaction to the requests made by "outsiders" like Backus should hardly come as a surprise. Moreover, it makes sense that he only enjoyed success in his dealings with the Ontario government when he was able to tap into this patronage network. Personal relations and political considerations also explain the provincial state's lack of sympathy for the paper makers. From G. Howard Ferguson's perspective, it was politically expedient to portray himself as a defender of the "public interest" against the likes of Backus. It is equally apparent that Ferguson's unsympathetic attitude towards Backus was animated in large part by a personal enmity for the industrialist. Whether one is inclined to praise or criticize Ferguson's "hard ball" approach, his behaviour unequivocally demonstrates that the provincial state did not adopt a general "policy" of assisting the pulp and paper industry in its quest to develop northern Ontario.

83 Kuhlberg, "'In the power of the government' …", Section IV.

In the end, Backus's behaviour begs the question that is eternally asked of spurned lovers: why go back? The evidence suggests several answers. Clearly, the economic advantages accruing from operating a pulp and paper mill in Ontario made it a practically irresistible proposition to set up shop in the province despite the political uncertainty that defined the milieu in which it was located. Moreover, it appears that Backus and his brethren in the newsprint industry remained eternally optimistic that the same political system that often worked against them would, hopefully, one day work for them. The Ontario government had, after all, used its control over Crown resources to shower the lumbermen and a select few paper makers with largesse, so why could Backus not share in these good tidings one day? The brief interlude of favourable relations with the provincial state that the Farmers represented to his forest enterprise in northwestern Ontario spoke to the possibilities in this regard.

Events of the past few years have brought added relevance to this story. A recent government report on the state of Ontario's forest industry concluded that it is in dire straits. A poignant testament to this grave situation was the July 2005 announcement by Abitibi-Consolidated Inc., the present-day owners of the paper plant in Kenora, that it is shutting down part of its operation there and considering moth-balling the mill entirely. The determining factor would be the company's ability, *inter alia*, to negotiate a favourable contract for power with the Ontario government, which recently enacted a policy that dramatically increased the firm's electricity costs. With the vitality of towns like Kenora hanging in the balance, it is clear that it will take political will to right the sinking ship that is Ontario's forest industry. Unfortunately for the northern mill towns, the provincial state's past record does not augur well for their collective future, a lesson that Kenora has now learned first hand. Abitibi closed its paper plant there over the winter of 2006.[84]

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84 *The Minister's Council on Forest Sector Competitiveness* [Ontario], 2005.