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[See table of contents](#)

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Forest Policy in Nova Scotia: The Big Lease, Cape Breton Island, 1899-1960

IN THE LATE 19TH CENTURY, the government of Nova Scotia began to cast envious glances at industrial forest development in Ontario, Quebec and New Brunswick where large areas of crown forest were used to attract pulp and paper mills through long-term lease arrangements. In Nova Scotia, much of the forest land had been sold off in fee simple to settlers and lumbermen; only an estimated 1,500,000 acres of relatively poor-quality and difficult-to-access crown forest remained. Provincial politicians lamented this situation, but argued that if Nova Scotia had a lease system similar that of New Brunswick, the revenue of the Crown Land Office could increase fivefold.¹ In response to such arguments, provincial forest policy was changed in 1899. A new Act, intended to promote forest management and raise revenue from crown lands, stipulated that timber lands could be leased for 20 years, with an option for renewal, for a rental fee of 40 cents per acre (two cents per acre per annum). Under these arrangements, cutting was limited to trees at least 10 inches in diameter. But a special provision, included to accommodate the burgeoning pulp and paper industry, permitted a reduction of the diameter limit to five inches upon payment of an additional 10 cents per acre. No stumpage fees were charged for trees cut, an omission criticized almost from the inception of the Act.² Yet despite such generous terms, when the Chief Forester of Nova Scotia reviewed the system in the mid-1920s, he found that the diameter limits on crown leases were not enforced, lessees disregarded them, and the rent was consequently "ridiculously small".³ And although the annual rental fee was increased over the years, one later observer concluded that, whether judged on a conservation or a revenue basis, the Act was a "short-sighted and costly blunder".⁴

Nevertheless, the 1899 Lease Act constituted the beginning of a provincial policy toward pulp and paper industry development. The most significant clause

1 Nova Scotia, House of Assembly, *Debates*, (Halifax, 1898), p. 135.

2 Nova Scotia, *Debates* (1901), p. 74.

3 Otto Schierbeck, Chief Forester, to J.C. Douglas, Attorney-General, 20 January 1926, MG 2, vol. 597, Folder 71, no. 16150, Provincial Archives of Nova Scotia [PANS]. In the 1930s, officials of the Department of Lands and Forests found that in some instances, the revenue from Christmas tree sales for a single year proved greater than the revenue from rental fees for the whole duration of a previous lease. Personal interview with Wilfrid Creighton, Provincial Forester and Deputy Minister of Lands and Forests, 1934-1969, 28 October 1988.

4 Wilfrid Creighton, *Forestkeeping: A History of the Department of Lands and Forests in Nova Scotia* (Halifax, 1988), p.20.

in this regard offered even more generous terms to lessees interested in marginal timber land and to those who were prepared to improve and build manufacturing facilities. This clause was inserted to allow the lease of the only extensive, contiguous block of crown land left in the province, the so-called Big Lease, covering about 620,000 acres (251,000 ha), located in the counties of Inverness and Victoria on Cape Breton Island, to a group of New England financiers for a period of 30 years⁵ (see Figure 1). In return, the lessees agreed to pay an annual rental of \$6,000, to build two pulp mills, expending \$10,000 on each within two years, and to refrain from exporting unmanufactured wood. If, after four years, two pulp mills, each with a daily capacity of at least 50 tons had not been established, the lease would be void.⁶

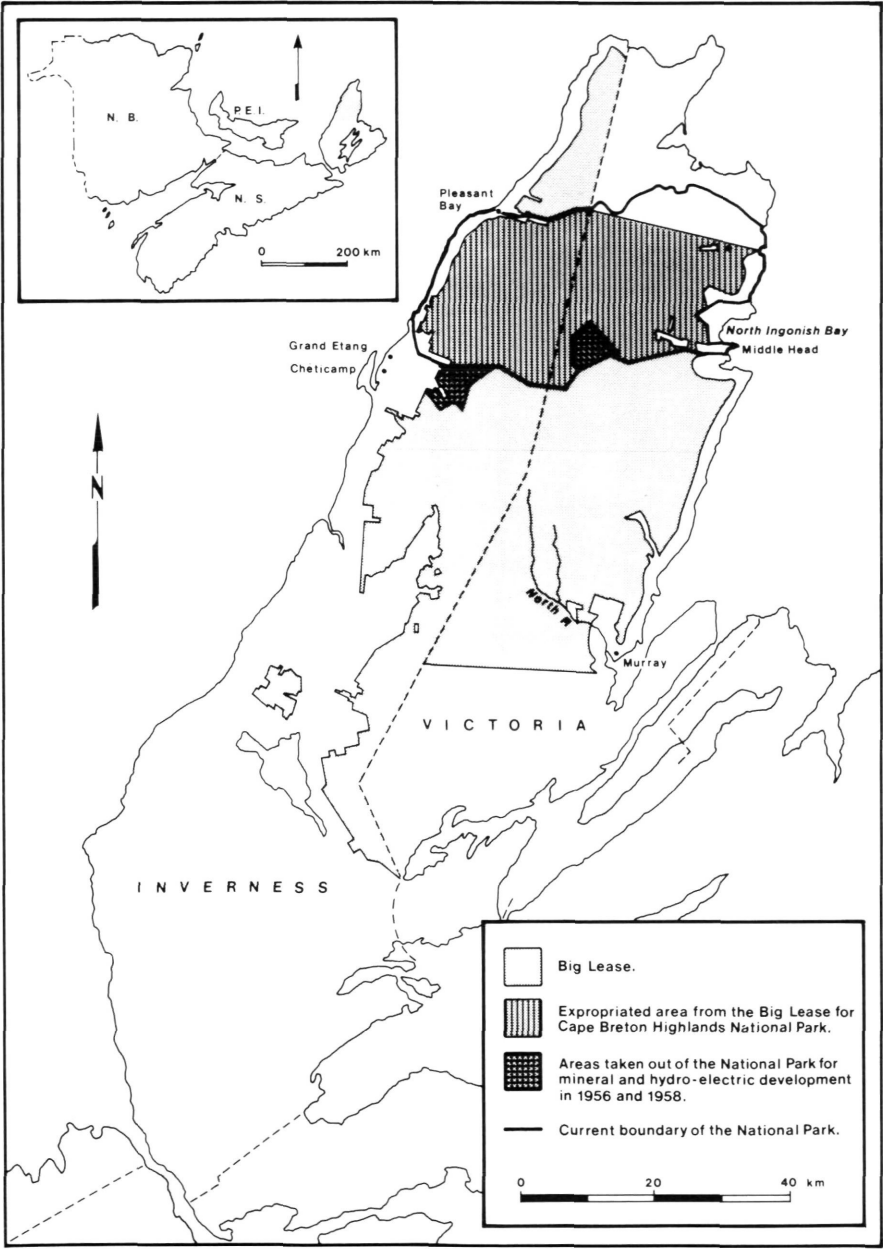
This paper analyses the nature and impact of provincial forest policy by examining the history of the Big Lease from its inception in 1899 to its repurchase and re-lease by the provincial government in 1957 and 1960. Several phases are identified; during the first, from 1899 to 1917, the Big Lease constituted a speculative venture, promoted by a Gilded Age entrepreneur and supported by government. The second phase of the Big Lease, from 1917 to 1931, was exploitative. During this period of boom in the pulp and paper industry, a large international pulp and paper company harvested a limited area, exporting the pulpwood to its mill in Maine. The third phase of the Big Lease constituted a new speculative phase, in which the company, following a pattern common among American-owned pulp and paper companies of the era, purchased or held cheap woodlands in Nova Scotia for speculative purposes, kept harvesting to a minimum, and fought land tax and municipal assessments while boosting the value of its leases and freeholds to shareholders and potential buyers. The company's speculative aspirations were realized on two occasions, both at the expense of its initial benefactor, the province of Nova Scotia. In 1936, the Liberal administration of Angus MacDonald re-appropriated the poorer parts of the Big Lease to accommodate the federally-sponsored Cape Breton Highlands National Park, and, in 1957, the Conservative administration of Robert Stanfield, hoping to attract to the province a Swedish pulp and paper company, Stora Kopparberg, bought back the remainder.

The initial terms of the Big Lease were not unique but consistent with provincial development policy at the time. As in the case of coal and iron development on Cape Breton Island, the government looked to the big industrial promoters of New England to provide the source of investment. To the government, the Big

5 Nova Scotia, *Debates* (1899), p. 78.

6 These conditions were combined with certain reservations. The lease reserved the right of settlers and squatters, the right of government to grant lots of 200 acres to *bona fide* settlers and state ownership of streets and roads. Nova Scotians were to be allowed to hunt and fish on the limits of the lease and settlers could continue to use the forest for firewood and construction material. Finally, all transfers of the lease were to have the approval of the Attorney-General.

Figure 1



Lease represented a marginal and difficult-to-access resource base which had to be marketed aggressively and generously. In contrast to Henry Whitney, who had asked for the most favourable terms imaginable and then settled for something less in promoting Cape Breton coal and steel, the promoter of the Big Lease asked for the most favourable terms imaginable and then settled for much more.⁷ Negotiations for the Big Lease got underway in March 1898. By February, 1899, a Halifax law firm, Pearson and Covert, acting in conjunction with Mr. Edwin Sanborn, a member of the consortium of entrepreneurs interested in obtaining the lease, had produced a draft document. The Lease, introduced in the legislature on 18 March, passed — with one additional major concession — as first formulated.⁸ The concession, outlined in a wire from Pearson and Covert to Sanborn on 25 May 1899, offered to extend the lease from 30 to 99 years. Sanborn wired back the same day: “Will accept the lease, have written”.⁹

Thus the Big Lease was awarded to Daniel T. Emery, merchant, of Portland, Maine, Edwin L. Sanborn, merchant, of Boston, Massachusetts, and Robert H. Blodgett, manufacturer, also of Boston.¹⁰ It was generally known, however, that Frank John Dixie Barnjum, an industrial promoter and operator, who would later become a self-styled forest conservationist, was the leading player in the consortium. Barnjum controlled two industrial ventures in Victoria and Inverness counties, the North American Paper and Lumber Company, which had been granted the Big Lease, and the North River Lumber Company which owned 8,000 acres (3,208 ha) of forest lands in the area.¹¹

7 Don MacGillivray, “Henry Melville Whitney Comes to Cape Breton: The Saga of a Gilded Entrepreneur”, *Acadiensis*, IX, 1 (Autumn 1979), pp. 44-70.

8 Nova Scotia, *Debates* (1899), p. 164ff. Although Premier George Murray had consulted J. M. Gibson of the Department of Crown Land in Ontario, concerning the practice of issuing crown leases in that province, he did not follow the Ontario example. Gibson had admitted that “pretty liberal concessions” seemed necessary to attract pulp ventures but noted that Ontario was aiming to require lessees to establish manufacturing facilities in the province. He enclosed an 1888 agreement between Ontario and the Sturgeon Falls Pulp Company which required production of at least \$5,000 of pulp per annum, as well as the building of a \$1 million paper mill in return for the use of 75 square miles (19,440 ha) of crown land for 21 years at a stumpage rate of 20 cents per cord for spruce and hardwood and 10 cents per cord for other wood. J.M. Gibson to George Murray, 17 April 1899. RG 7, vol. 130, PANS.

9 RG 10, vol. 130, PANS.

10 Emery was also a backer of the Rumford Falls Paper Company, the predecessor of the International Paper Company, and the Great Northern Paper Company, International Paper’s major competitor in Maine. David Smith, *Lumbering in Maine 1861-1960* (Orono, Maine, 1972), pp. 250, 252.

11 The names of these companies were used interchangeably in the debates of the local legislature. Nova Scotia *Debates* (1911), p. 187. Barnjum (1858-1933) was born in Montreal but launched his business career in Maine by opening a saw mill and acquiring some timber limits. By 1898, Barnjum had become a major industrial promoter. From clippings in MG 100, vol. 108, no. 12, PANS. For a more detailed discussion of various aspects of Barnjum’s career, see: Peter Gillis

The extension of the term of the lease to 99 years was justified on the grounds that the shorter term "was not sufficiently long to ensure ... a sufficient permanency for the investment of the large amount of capital required for the effectual carrying out of the purposes intended by the said lease". This concession, along with others which followed, and which were all aimed at making the lease more acceptable to potential buyers, served to dilute the terms of the lease in subsequent years.¹² Thus, in 1900, the time limit for initiating the construction of the pulp mills was extended to three years and the limit for completion of the mills to five years. In 1901, these limits were extended to five and seven years respectively. The same order proclaimed that "all wood cut and shaved ready for being made into pulp shall, for the purposes of the said lease, be considered as manufactured". In 1904, the condition requiring the establishment of two pulp mills was rescinded after the company claimed it had expended a considerable sum of money but found it impracticable to operate a pulp industry in the area.

The 1901 concessions allowed Barnjum to limit his manufacturing operations to a small rossing mill, which merely stripped the bark off the logs. Such a mill was built and operated, along with five camps in the woods, four on the East branch and one on the Middle branch of the North River in 1902. Two dams were also constructed. The mill operation, however, was a half-hearted effort. The leaseholders proved reluctant to invest sufficient money and in 1907, after only 15,000 cords of log-length choice lumber had been harvested, the operations were closed. In the same year the mill burned. Barnjum's woodlands manager at the time, Thomas Bateman, later emphasized that the mill was never meant as a viable industrial operation, its main function being to make the Big Lease more attractive to potential buyers. A lease with associated manufacturing facilities was always easier to sell profitably.¹³

Barnjum also employed a series of professional forest inventories or cruises to promote a sale. Reports from 1904, 1908, 1915 and 1916 estimated the amount of softwood at 12 to 14 million cords.¹⁴ B. E. Fernow, later Dean of Forestry at the University of Toronto and a renowned and respected professional, also cruised the area for a syndicate interested in the purchase of the Lease. Shortly thereafter, he was employed by the Commission of Conservation to conduct an independent

and Thomas Roach *Lost Initiatives: Canada's Forest Industries, Forest Policy and Forest Conservation* (Westport, Conn., 1986), pp. 199-203; Thomas Roach and Richard Judd, "A Man For All Seasons: Frank John Dixie Barnjum, Conservationist, Pulpwood Embargoist and Speculator!", in this volume; J.M. Beck, *Politics in Nova Scotia, Volume Two: 1896-1988* (Halifax, 1988), p. 110; and Thomas Raddall's novel, *The Wings of Night* (London, 1961 [1957]).

12 These concessions, contained in a series of Orders in Council, were conveniently recorded in the Nova Scotia, *Debates* (1905), pp. 152-3.

13 Evidence of Thomas Bateman, RG 10, Series B, vol. 204, pp. 1378-82, PANS.

14 "In re Expropriation of Lands of the Oxford Paper Company, Decision of Doull, J. sitting as Arbitrator", RG 39, Series "C", vol. 905, Halifax, 1940, SC 10438, PANS [hereafter cited as Doull Decision, 1940], pp. 6-7.

forest inventory of the whole of Nova Scotia. Fernow estimated that the plateau portion of Victoria and Inverness counties (the Big Lease) contained about 10 million cords of pulpwood, while the rest of Cape Breton held two million cords and mainland Nova Scotia 10 million cords.¹⁵ Yet while Fernow's estimates appear to confirm Barnjum's figures, it should be noted that cruisers applied several standards when performing forest inventories. One was speculative and aimed at boosting the financial standing of the company for its shareholders, bankers and potential buyers; another was based on biological principles, the species available and their suitability for pulpwood regardless of cost and delivery to the mill; a final standard was based on the narrow economics of forest exploitation by the pulp companies, the cost of getting the wood out of the forest and delivered at the mill. Barnjum, interested in selling the lease, no doubt biased his inventories in the direction of the highest possible figures, and although the volumes reported may well have been an accurate inventory of total softwood stands,¹⁶ they were greatly exaggerated with respect to merchantable volumes. Barnjum's own woodlands manager, for example, estimated the amount of merchantable wood at a mere 3.5 million cords.¹⁷

By 1913, Barnjum had interested new partners in his speculative venture, and they approached the government to negotiate new terms. The old lease was cancelled and a new one issued to Rene T. Paine of Brookline, Massachusetts, and Clarence Hale of Portland Maine, both associates of Barnjum. Two years later the Big Lease was assigned to the Cape Breton Pulp Company, Limited, which had been formed in 1913 by a merger of the North American Pulp Company and the North River Lumber Company. One of the provisions in the 1915 lease prohibited the export of unmanufactured timber, but defined wood that was "barked, rossed or hand-peeled ready for manufacture into pulp" as manufactured lumber. This convenient clause would, in the future, allow leaseholders to phase out manufacturing operations altogether, while still retaining the lease and the right to export pulpwood. In April 1915, the lease was ratified and confirmed by an act (Chapter 84) of the Nova Scotia Legislature.¹⁸ The new lease required the expenditure, within two years, of the modest sum of \$20,000 in the

15 B. E. Fernow, *Forest Conditions in Nova Scotia* (Ottawa, 1912), pp. 24-5. For a history of the life of Fernow, see Andrew Rodgers III, *Bernhard Eduard Fernow: A Study of North American Forestry* (Princeton, 1951). In the concluding remarks of the company report, Fernow wrote: "I do not know of any better located, more compact and promising pulpwood proposition on the market". RG 10, Series B, vol. 204, Exhibit L/57, PANS.

16 The provincial forest inventory of 1956, for example, came up with similar figures to Fernow. The softwood volumes for Fernow and the provincial inventory were as follows: Cape Breton Island, 14 versus 12.5 million cords; mainland Nova Scotia 35.9 versus 42.5 million cords. Lloyd Hawboldt and R.M. Bulmer, *The Forest Resources of Nova Scotia* (Halifax, 1958), pp. 31-2. See also Creighton, *Forestkeeping*, p. 24.

17 Doull Decision, 1940, pp. 6-7.

18 The Act of 15 April 1915 also noted that the owners of the former lease had expended a sum of

erection of mills and machinery for the manufacture of wood products or pulp. The term was 20 years (from 1913) and subject to renewal for two terms of 20 and 25 years respectively.¹⁹ With a new lease sanctioned by a legislative act, Barnjum began construction of a new rossing mill with a shipping pier, completing the venture the following year. The new mill's capacity was 80 cords per 10-hour day and its cost was estimated at \$125,000.

In January 1917, Barnjum finally succeeded in selling the lease, realizing a "commission" estimated at \$1.5 million, 250 years worth of rental fees at \$6,000 per year! The purchasers, Hugh J. Chisholm and his wife Sarah, sold it, later in the same day, to the Cape Breton Pulp and Paper Company of which Hugh was president. In April 1920, the Big Lease changed hands for the last time when the Cape Breton Pulp and Paper Company was sold to the Oxford Paper Company, over which Hugh Chisholm also presided.²⁰ Oxford retained the lease until it was bought back by the government in 1957. By peddling the lease between the Cape Breton Pulp and Paper Company and the Oxford Paper Company, Hugh J. Chisholm also realized a handsome personal profit, receiving 3,000,000 common shares, \$500,000 in bonds and \$651,996 in cash.²¹ And, through these financial transactions, the province realized its own objective of selling the Big Lease to a large American pulp and paper company.

The government exhibited a remarkable and unqualified support for Barnjum's speculative machinations. In response to criticism from the opposition, Premier George Murray referred to the lands as unprofitable and claimed that in the past nobody had wanted them. In this situation, argued the premier, the government had no choice but to grant Barnjum the concessions requested. "Personally, he [the premier] would extend the time for building mills for ten, fifteen, or twenty years. What else was he to do? If he did not, the lease would be forfeited and ended". In justifying the lack of pulp mill development on the Lease, he pointed to the poor quality of the timber and the lack of water power in Inverness and Victoria counties, hinting that these conditions had been known from the beginning of the Lease.²² Finally, by asserting that he regretted being forced to discuss these issues publicly since his statements were likely to "interfere

\$185,000 and paid to the province the sum of \$78,000 in rentals since the lease was first issued in 1899.

19 A copy of the lease is contained in RG 10, Series B, vol. 206, PANS.

20 Hugh Chisholm's father had been the first president of International Paper, a position he resigned in 1909 to take up the presidency of the Oxford Paper Company. When he died in 1912, his son took over the presidency and retained it until 1957. *Hugh J. Chisholm, A Man and the Paper Industry, 1847-1912* (New York, 1952) and John Leane, *The Oxford Story: The History of the Oxford Paper Company* (Rumford, 1958).

21 Doull Decision, 1940, p. 7; RG 10, Series B, vols. 200-6, PANS; and Ralph Johnson, *Forests of Nova Scotia* (Halifax, 1987), p. 118.

22 Nova Scotia, *Debates* (1905), p. 156.

with the value of the property rights" of the leaseholders, the premier tacitly sanctioned the Big Lease as a speculative venture.²³

When the legality of the concessions granted by Orders in Council was called into question, the premier acted to correct the problem.²⁴ According to Murray, the legislative Act of 1915 was "intended to cure a technical point which had been raised in England and elsewhere", no doubt in response to Barnjum's various attempts to sell the Lease, as to "the power to surrender Crown Lands". The new Act settled the legality of the Lease, while giving credence to the opposition's contention that the government was more concerned about maintaining the confidence of the international financial community, and the image of Nova Scotia as a speculative haven and secure place of investment, than about challenging the company on the terms of the Lease.²⁵

The interdependence of government and big business extended towards the counties and the electorate of the Big Lease. On the one hand, the premier might have expected to gain some personal credibility from the Big Lease. He represented Victoria County in the provincial legislature and took a personal interest in negotiating and defending the Lease. In reciprocating, the company named its little mill settlement "Murray", after the premier, and openly "encouraged" its employees to support the "proper" political party. A letter to a local newspaper following the federal election of 1904 provides effective testimony concerning Barnjum's active support for the government in that campaign. He thanked "all my employees for the loyal support which they gave me for D.D. McKenzie, Esquire", noting that "...that not a single man out of my whole force violated his pledge to me is probably a record seldom before equalled".²⁶ The government, in its turn, supported Barnjum. The leaseholders, as well as local politicians and the electorate, benefited from a 1912 law which stipulated that the rental money paid by the leaseholders was to go to road building in the counties of the Lease. When challenged by the opposition, the premier defended the law on the

23 The speculative nature of the Big Lease was widely recognized in other than government circles. In 1913, the names of Paine and Hale figured in the Boston newspapers as the owners of pulp tracts in Cape Breton worth "several million dollars". Members of the Opposition charged that these newspaper articles provided proof that "the lease was not given for the purpose of development, and the Government must have known that it was not to be developed by the lessees but trafficked from country to country with a view to put it on the market". Nova Scotia, *Debates* (1913), pp. 414, 417.

24 This issue had first been raised as a potential problem in 1905. Nova Scotia, *Debates* (1905), pp. 156, 159-61.

25 Nova Scotia, *Debates* (1915), pp. 222-3.

26 Quoted in Nova Scotia, *Debates* (1905), p. 154. Barnjum's support of the federal Liberals continued for some years. In 1922, he wrote Mackenzie King offering his full support in a by-election: "If there is anything I can do, do not fail to call on me as we must now win every by-election". Barnjum to King, 31 January 1922, King Papers, vol. 69, C2242, National Archives of Canada [NAC]. Thanks to Bill Parenteau for this reference.

grounds that there were no railways in the counties of Inverness and Victoria.²⁷ Barnjum was clearly a favoured client of the province. The statement by one of the members of the opposition that “if any Company that was ever formed had a friend in court in Nova Scotia, a friend in the Government today occupying the treasury benches, it was the North River Lumber Company”,²⁸ appeared to hold true. Barnjum not only received various concessions and favours, he also used his political connections in attempting to market the Lease. Thomas Bateman, his woodlands manager, testified that “Mr. Chisholm told me...that Barnjum told him that...in Nova Scotia...there would never be any embargo [on the export of pulpwood]...and he was...not a member of the Government but good friends with the Government, and Mr. Chisholm said he told him, in that case I will give you so many shares of stock and you will always be on the Board of Directors”.²⁹

With the sale of the Big Lease to the Oxford Paper Company, the provincial government realized its original development strategy, the attraction of a major pulp and paper company to the province. But the Oxford Paper Company, which concentrated on the finer grades of paper, was unlikely to move its operations to Canada, a practice confined to the large integrated newsprint mills.³⁰ Its purchase of the Big Lease had been prompted by the motive of securing a wood reserve for its paper mill in Rumford, Maine. By 1913, the company had already acquired the stumpage rights on 119,500 acres (48,398 ha)

27 Nova Scotia, *Debates* (1913), p. 457.

28 *Ibid.*, p. 421.

29 Evidence of Thomas Bateman, RG 10, Series B, vol. 204, p. 1388, PANS. It is interesting to note that even when Nova Scotia did impose an embargo on the export of pulpwood from Crown Lands in the late 1920s, the last province to do so, the embargo did not apply to the Big Lease.

30 In the late 1920s, American branch plants, mainly integrated newsprint mills, represented 76 per cent of the capital invested in the Canadian pulp and paper industry. J.W. Shipley, *Pulp and Papermaking in Canada* (Toronto, 1929), p. 125. In 1937, 73 per cent of all newsprint consumed in the United States came from Canada and almost all pulp produced in Canada was used in the production of newsprint for the American market. The production of newsprint in the United States declined from 1,618 thousand tons in 1908 to 832 thousand tons in 1937. P.J. Reinertsen, “The Pulp and Paper Industries in Sweden and Canada”, Ph.D. thesis, University of Chicago, 1958, p. 37. The developing scarcities of pulpwood in the United States and the economies of scale afforded by integrated newsprint industries were important factors in the establishment of such mills in Canada. Other factors were the removal, in 1913, of the \$3.75 per ton duty on newsprint imported into the United States, a victory for the American newspaper lobby (L. Ethan Ellis, *Newsprint: Producers, Publishers, Political Pressures* (New Brunswick, N.J., 1960)), the large crown leases and other generous benefits awarded to the newsprint mills by the Dominion and Provincial Governments, and the several acts prohibiting the export of wood cut on crown lands. The economies of production and the uniformity of newsprint, however, were the main incentives for locating in Canada. John A. Guthrie, *The Newsprint Paper Industry: An Economic Analysis* (Cambridge, 1941), p. 222; Nathan Reich, *National Problems of Canada: The Pulp and Paper Industry in Canada* (Montreal, 1926), p. 55ff; T.J.O. Dick, “Canadian

of crown land and on 53,000 acres (21,465 ha) of land owned by a seminary in Montmorency County, Quebec, and was shipping about 25,000 cords of rossed pulpwood annually from that province to its mill in Rumford, Maine.³¹ In New Brunswick, Oxford acquired 51 per cent control of the Nashwaak Pulp and Paper Company with a mill at Fairville, as well as 230,000 acres (93,150 ha) of freehold forest lands and stumpage rights on 140,000 acres (56,700 ha) of crown lands in 1916. From 1910 to 1939, the company received 54 per cent of its spruce and fir pulpwood from Canada. Between 1920 and 1931, Cape Breton became the most important source, supplying an annual average of 42 per cent of all softwood to the Rumford mill.³²

During this exploitative phase of the Big Lease, the Oxford Paper Company was involved in a major expansionary phase of its mill facilities in Maine. From 1920 to 1929, paper production at the Rumford mill increased from 79,155 to 100,345 tons. The company also acquired a subsidiary company, the Oxford Miami Company, of West Carrollton, Ohio, in 1926. As a result of this expansion, considerable investments were made in the Big Lease. The capacity of the rossing mill was upgraded from 80 to 250 cords per ten-hour day by the addition of a barking drum.³³ A total of \$626,164 was expended on dams, camps, river improvements, roads, fire towers, telephone lines, machinery, buildings, booms, floating equipment and an auto truck. Opportunities for employment reached their height in 1920 when 885 men were working in the woods and 136 at the mill.³⁴ Yet, even so, the work remained seasonal, employing mainly farmers, and operations were suspended during the haying season.³⁵ Moreover, by 1931 the number of men employed had fallen to just 84 in the woods and 39 at the mill.

Later that year, the Oxford Paper Company closed down its mill operations altogether, justifying its decision on the grounds of the declining competitiveness

Newsprint, 1913-1930: National Policies and the North American Economy", *Journal of Economic History*, 42 (September 1982), pp. 659-87. Many newsprint producers closed their American operations and moved northward, but others converted to finer types of paper whose mills benefitted from being close to consumers and whose products were protected by tariffs. In contrast to the integrated newsprint mills, it was, therefore, less likely for a paper mill specializing in the finer grades of paper to move to Canada.

31 Leane, *The Oxford Story*, p. 22.

32 RG 10, Series B, vol. 204, no. 13, Exhibits L/28 and L/29, PANS. By 1926, the merchantable pulpwood in Quebec was inaccessible due to the provincial export embargo on pulpwood from crown lands and the holdings were sold to the Anglo-Canadian Pulp and Paper Company.

33 G. Harvey, "Oxford Paper Company, Cape Breton Division, Report on Cape Breton Properties", MG 10, vol 203, no. 43, PANS. Unless otherwise stated, all subsequent information on the Murray operations are gathered from this document.

34 An interesting description by workers at the woodlands and mill operations at Murray is given in "In the North River Lumber Woods", *Cape Breton Magazine*, 7 (1974), pp. 2-9.

35 "The Resources of North Inverness", RG 12, vol. 1958; File 3508-19, vol. 3, p. 18, NAC. Thanks to Danny Samson for this reference.

of Cape Breton pulpwood.³⁶ The closure, when it finally came, was not unexpected. During the boom of the early 1920s, the company had adopted a policy of using its own stumpage. Although the machine-rossed pulpwood from the Big Lease proved relatively expensive, continued production was necessary to meet the company's wood requirements at that time. By 1926, however, the company had begun to purchase some rough and sap-peeled wood from contractors and jobbers. This carefully organized winding-down process corresponded to the industry's convention of keeping wood reserves while buying wood from private producers.³⁷ Eventually, only sap-peeled wood was purchased. This shift to the use of sap-peeled wood, which is lighter, resulted in the reduction of transport costs. At the mill, it obviated the need to replace costly barking equipment which was practically worn out, or renew dilapidated conveyors. By purchasing wood, while at the same time selling off equipment, the company managed to reduce inventories considerably by the time it finally closed operations in 1931.³⁸ Remaining equipment which was not antiquated, such as electric motors, was shipped to the company's operations on the Nashwaak River in New Brunswick. By then, the forest at the North River site had been stripped and in 1933 a company spokesman observed that the area was "very clean cut and any wood standing was practically worthless".³⁹

The closure of the Cape Breton operations was also related to the Depression of the 1930s, for the Oxford Paper Company did not prove immune to the problems of overproduction and diminishing profits which plagued the industry as a whole. The company's production of paper fell from 100,345 tons in 1928 to 64,536 tons in 1932.⁴⁰ Profits, calculated on the basis of the difference between manufacturing costs per ton of paper and its average net selling price, fell from \$22.71 to a low of \$6.80 by 1932.⁴¹ At this stage, the company started to purchase wood locally in Maine for half the price of the pulpwood produced in Cape Breton, and the production and export of pulpwood from the Big Lease was almost abandoned.⁴²

The exploitative phase in the history of the Big Lease, which depended on seasonal wage labour to cut the wood on the North River watershed, was a function of the economic boom and the wood scarcities of the time. Recruitment of labour on the wage principle was not difficult. Wages offered by the Oxford Paper Company were considered good and both the Royal Commission investigating

36 RG 10, Series B, vol. 204, Exhibit L/44 and MG 100, vol. 203, no. 43, PANS.

37 Evidence of Charles A. Gordon, RG 10, Series B, vol. 203, p. 6, PANS.

38 Harvey, "Oxford Paper Company".

39 *Ibid.*

40 Leane, *The Oxford Story*, pp. 26,29.

41 RG 10, Series B, vol. 204, no.13, Exhibit L/106, PANS.

42 Doull Decision, 1940, p. 12.

the lumber industry and the Workmen's Compensation Board praised the company for its fine safety record in the woods.⁴³ The wage nexus no doubt contributed to the high cost of the pulpwood. In 1923, Hugh Chisholm testified that "the farmer can produce wood cheaper than the company can. This is a well known fact, I do not know why, but it is so". Chisholm would willingly have bought all the farmers' wood had they been able to deliver it to the shipping piers at Murray.⁴⁴ The purchase of pulpwood from farmers and contractors had to await the development of a physical and social infrastructure consisting of roads, railroads, jobbers and contractors, a system which grew in importance during the Depression of the 1930s and beyond.⁴⁵

The 1920s constituted an exploitative but also challenging phase in the history of the Big Lease. After over 44 years of Liberal rule, the Conservative government of E.N. Rhodes gained office in 1925. In their drive to victory, the Conservatives charged that the Liberal administration was a "corporation government dominated by an invisible Government ... kept in office by designing groups and corporations; who for years have been exploiting the people of this province for their own private gain".⁴⁶ The Big Lease was repeatedly referred to in this connection.⁴⁷ In 1926, the new government merged the Department of Crown Lands with the Department of Forests and Game to form the Department of Lands and Forests.⁴⁸ Ironically, F.J.D. Barnjum, who had switched party affiliations and was now a Conservative M.P.P., had a major influence on the new department.⁴⁹ Barnjum was instrumental in the appointment of Otto Schierbeck, whom he had previously employed as a "public forester" for Nova Scotia, as Chief Forester of the

43 Carl D. Dennis, *Royal Commission on the Ratings of the Lunenburg Fishing Fleet and the Lumber Industry as Applied to the Workmen's Compensation Board* (Halifax, 1927).

44 Royal Commission on Pulpwood. Evidence, vol. I, p. 145. RG 39, vol. 593, NAC.

45 This was a complex process. During the 1930s, when pulpwood was exported to Germany, and during the immediate post-World War II period, when Marshall dollars promoted overseas trade in pulpwood, small producers were reluctant to produce pulpwood and contract labour, often Acadians and Québécois, had to be imported. Interview with Wilfrid Creighton, 11 April 1990. In a region, such as Sweden, where forest workers were strong and unionized, terms of work progressed from contract to sub-contract to industrial wage work in the 1920s and 1930s. On Cape Breton Island, as in many other areas of North America, development regressed from industrial wage work to the contract system.

46 *Halifax Herald* quoted in E. Forbes, "The Rise and Fall of the Conservative Party in the Provincial Politics of Nova Scotia, 1922-1933", M.A. Thesis, Dalhousie University, 1967, p.26.

47 See, for example, *Morning Chronicle*, 20 June 1925.

48 Creighton, *Forestkeeping*, pp.29ff.

49 Beck, *Politics in Nova Scotia*, p. 109. Barnjum had changed political affiliation in 1923 when the Liberal government failed to implement a national export embargo of Canadian pulpwood. Elected as a Conservative in 1925, the following year he resigned his seat in the legislature, having failed to build a pulp mill promised in the election campaign.

Department of Lands and Forests and in the appointment of A.G. Hall, legal representative for his own extensive timber holdings and a former leader of the Conservative party, as Minister of Lands and Forests.⁵⁰

Once established, the new department faced two major and conflicting objectives: on the one hand, how to remedy the shortfalls of past forest policies, and, on the other, how to attract wood-producing industries to the province. Hall and Schierbeck, with Barnjum's support, became ardent opponents of the Big Lease. Schierbeck argued that not only were the larger provincial freeholds and crown leases held by United States' corporations, but also that they were, in most cases, "idle, kept by the Company as a reserve".⁵¹ Schierbeck lamented the fact that the Oxford Paper Company had cut only 281,500 cords in 12 years. Characterizing this as "hoarding", he urged that "the remaining ...wood on the Big Lease...be cut as soon as possible before it deteriorizes [sic]".⁵² He claimed that the Big Lease entailed a considerable loss to the province and recommended that the Oxford Paper Company, along with other American corporations, be required to work their leases or turn them back to the Crown for release to other parties. As well as the re-possession of crown lands, Schierbeck advocated a prohibition on the export of pulpwood from crown lands and large private holdings.⁵³ In 1930, in response to these recommendations, the government introduced Bill 151, which would give the Governor in Council power to ban pulpwood exports from holdings of more than 1000 acres. If proclaimed and enforced, the bill would have forced the large land owners or lease holders to sell their lands or build pulp and paper mills in the province.⁵⁴

At the same time as Hall and Schierbeck were arguing in favour of the promotion of industrial development through tougher legislation, other factions

50 Roach and Judd, "A Man For All Seasons"; Forbes, "The Rise and Fall of the Conservative Party", pp. 58, 103.

51 Schierbeck to J.C. Douglas, Attorney-General, 20 January 1926. MG 2, vol. 597, Folder 71, no. 16150, PANS. In 1923, Crown land constituted a mere 8.5 per cent of all forest land and 75 per cent was covered by the Big Lease.

52 "Memorandum regarding the Big Lease", 13 March 1930, RG 20, vol. 749, no. 5, PANS.

53 Slightly over 40 per cent of all forest land was held by large landholders and corporations. Canadian ownership constituted 83 per cent while three American pulp companies held the rest. In total, it was estimated that 17 to 20 per cent of all pulpwood resources were controlled by American interests. Canada. *Royal Commission on Pulpwood*. Sessional Paper No. 310, 1924, pp. 14-6. In 1926, Schierbeck noted "the alarming rate in which the American pulp and paper producers are buying Nova Scotian freehold land for the export of pulpwood. Over 2,000,000 acres (810,000 ha) of the best timberlands of the Province are in the hands of American pulp and paper companies who have no manufacturing plans in the Province and are only concerned in the export of pulpwood". Nova Scotia. Department of Lands and Forests. *Annual Report*, 1927 (Halifax, 1928), p. 42.

54 Bill 151 was preceded by a bill that would tax all pulpwood cut but not manufactured in the province, but that bill was stymied by the legislative council. Beck, *Politics in Nova Scotia*, p. 119.

in the provincial government pressed for a continuation of the well-worn policy of concessions. Upon its election in 1925, the new government was deluged with proposals for pulp and paper industry development. Local as well as international promoters sought guaranteed access to pulpwood from the province's crown land, but, given the very limited amount of crown land available, only one enterprise could be considered. The successful bidder was the Royal Securities Corporation. I.W. Killam, the company's major investor, started building the Mersey Paper Company's newsprint mill at Liverpool in 1928. The company, which received generous concessions in the supply of power to the mill, was guaranteed 1,000,000 cords of pulpwood, at an initial rate of \$1 per cord stumpage, from selected crown lands in Guysborough County and on Cape Breton Island. Hugh J. Chisholm, the holder of the Big Lease, and one of the unsuccessful bidders, expressed no hard feelings.⁵⁵ Instead, he visited Rhodes to give evidence of the worth of the Big Lease, possibly pointing to the poor reserves and the monies expended on development, rental fees and taxes.⁵⁶ And, at a meeting with Hall and Black in January of 1928, he managed to negotiate some further concessions with respect to the Big Lease.⁵⁷

In the struggle between regulation and concession in forest policy, concession prevailed. Hall and Schierbeck met fierce resistance from the large foreign holders of forest lands and their political supporters. Premier Rhodes believed that the finances of the province would not allow the purchase of the forest reserves of American absentee pulp companies. And he thought any other, more drastic act presented "a very grave problem, involving as it does a question of property rights which will have to be dealt with as a matter of general policy effecting [sic] the whole Province".⁵⁸ Therefore, in the end, the premier refused to support Bill 151, arguing that it was not within the competence of the province "to pass legislation by way of embargo upon wood cut on lands owned in fee simple".⁵⁹ Strongly opposed in the local legislature, protested by the large holders of forest lands, and lacking the solid support of government leaders, the bill was never proclaimed.

Once Bill 151 had failed, the days of regulatory forest policies were numbered. Hall was appointed Justice of the Supreme Court of Nova Scotia in 1931 and

55 MG 2, vol. 629, file 85, PANS.

56 MG 2, vol. 597, Folder 71, nos. 16145-6, PANS.

57 No details are provided of these concessions. R.P. Bell to E.N. Rhodes, 29 January 1928, MG 2, vol. 629, file 85, PANS.

58 Isaac C. Spicer to E.N. Rhodes, 14 November 1925, and E. N. Rhodes to Isaac C. Spicer, 23 November 1925, MG 2, vol. 597, Folder 71, nos. 16162 and 16164, PANS.

59 He did feel, however, that a tax on felled timber, refunded if the wood was manufactured in the province, could be levied, but not until a "local market is provided sufficient to take care of the supply of pulpwood". Rhodes to Dan Chisholm, 1 March 1926, MG 2, vol. 598, Folder 85, no. 16894, PANS.

John Doull, the new Minister of Lands and Forests, bluntly opposed Schierbeck's attempts at regulation of the industry.⁶⁰ In 1933, Barnjum died and Schierbeck was dismissed.⁶¹ In the same year, the first 20 year term of the Big Lease expired, but it was renewed by Doull for an additional 30 years. Shortly thereafter, following the defeat of the Conservative government in the provincial election of 1933, the entire staff of the Department of Lands and Forests was dismissed and the department reorganized.⁶²

By the time the term of the Big Lease was renewed, the Oxford Paper Company no longer considered it useful as a source of pulpwood, but sought to retain it as a speculative venture. On the company books the Lease was assessed at a value of \$1,650,874.27. It had long been an important asset on prospectuses for the issue of bonds and preferred shares, providing the security behind the bond issue of the Cape Breton Pulp and Paper Company, Limited, assumed by the Oxford Paper Company in 1920. In two prospectuses dated 1922, the Company had stated: "These holdings are virgin forests and contain ... at least 6,000,000 cords of high grade pulpwood, sufficient to supply Oxford Paper Company for more than 100 years at its present rate of consumption of spruce and fir".⁶³ Beginning in the 1930s, the Oxford Paper Company took on the role of speculative seller, keeping their operations to a minimum, and fighting provincial land tax and municipal assessments.⁶⁴ On the latter point, the double standard with respect to forest inventories continued to prevail. As early as 1921, the Oxford Paper

60 John Doull to O. Schierbeck, 20 January 1932, RG 20, vol. 739, no.9, files 4-6, PANS.

61 Schierbeck had, by that time, become embroiled in a number of controversies, including a dispute with the Mersey Company. Creighton, *Forestkeeping*, pp. 31-3, 38.

62 "for the worse" according to Creighton, *Ibid.*, p.40. On the national level, the period from 1926 to 1939 has been characterized as a time of "retreat and disaster" in forestry matters. The Dominion Forestry Service lost its western forest reserves through their transfer to the provinces; at the same time the Service lost funding and its staff was reduced drastically. The transfer of forest reserves to the provinces was politically motivated, an attempt to rally western support for the King administration. In commenting on the provincial situation, Gillis and Roach note that, "While it is not correct to suggest that the provinces slavishly followed the federal lead in paring back their forestry administrations, it is fair to say that neglect and underfunding led to the same end". Gillis and Roach, *Lost Initiatives*, chapter 9, p. 229.

63 Doull Decision, 1940, p. 10. These statements were exaggerated for reasons elaborated below.

64 The company did have some grounds for complaint. There is no doubt that the wood volumes of the Big Lease declined in the 1910s and 1920s. The major species on the Big Lease, balsam fir, although excellent as pulpwood, is also prone to insect damage and early natural death. The Big Lease stands were, at the time of Fernow's early cruise (1904), ripe for cutting. Fernow, *Forest Conditions in Nova Scotia*. In 1936, Provincial Forester Creighton claimed that a pure stand of balsam fir which is mature to overmature "will actually go back ... In 1936, ... I was struck by the quantity of dead timber ... it was my opinion that there had been more wood 10 to 20 years ago than there was in 1936". Evidence of Wilfrid Creighton, RG 10, series B, vol. 204, p. 2395, PANS. In 1965-71, the balsam fir stands on Cape Breton Island were estimated at 12,125,000 cords. By the mid-1980s, six million cords had been destroyed by the spruce budworm. Johnson, *Forests of Nova Scotia*, p. 338.

Company had conducted a cruise of the Big Lease, and concluded that the Lease contained a mere 3,083,499 cords of merchantable wood, about 25 per cent of the volume reported by Barnjum's cruises, and 50 per cent less than stated in the company's own prospectuses. Nonetheless, the property possessed a speculative value in view of future economic recovery, new harvesting and transport techniques and continued scarcities of woodland reserves.⁶⁵ Meanwhile, the Company could sell stumpage to local contractors and jobbers; here, the Big Lease, along with other company lands, served to maintain a low price of wood to contractors.⁶⁶ In 1934, for example, the Oxford Company bought 5,000 cords of wood from small holders and jobbers in Cape Breton, and the price was competitive with New England.⁶⁷ The government, rather than oppose such practices, joined forces, however cautiously, by implementing a buy-back programme of crown lands in the 1930s.⁶⁸ The price offered sellers was notoriously low and never a serious challenge to other interested buyers.

Oxford's first speculative "sale" was unusual. In 1914, a group of "prominent citizens" had begun lobbying for the establishment of a federal park in Nova Scotia. The year 1928 brought the first proposal that a national park be established on Cape Breton Island, but plans were suspended in 1932 because of the troubled finances of the federal government. By January 1934, the Yarmouth Fish and Game Protective Association, headed by Seymour Baker and supported by other conservation-minded organizations, rekindled the lobby for a national park in Nova Scotia. The Ministry of Interior sponsored a series of talks on the

65 The claim that woodland was scarce was a clear exaggeration. Seventeen years later the Oxford Paper Company readily acquired title to undivided interests of approximately 70 per cent in 203,000 acres (82,215 ha) in northern Maine. Oxford also purchased 23,100 acres (9,356 ha) of woodlands north of Rumford, Maine. This meant that over 50 per cent of the area constituted by the woodlands of the Big Lease sold back to the Nova Scotia government in 1957 was immediately replaced by wood reserves of much better quality and accessibility in the state of Maine. Leane, *The Oxford Story*, pp. 37-8. Nonetheless, on two occasions (1929 and 1937-8), the Mersey Company had offered to buy the Big Lease from Oxford. Evidence of Ch. Gordon, RG 10, Series B, vol. 203, p. 7, PANS.

66 Crown stumpage was not only considered low on the Big Lease but also on other crown lands. As a result, pulpwood prices in Nova Scotia were relatively low. In the 1930s, the price of pulpwood piled at roadside dropped \$5 per cord when passing the boundary from New Brunswick to Nova Scotia. Creighton, *Forestkeeping*, p. 52. This discrepancy still prevails. For the poor position of the small woodlot owner in other areas of North America, see Thomas Roach, "The Pulpwood Trade and Settlers of New Ontario, 1919-1938", *Journal of Canadian Studies*, 22 (Fall, 1987), pp. 78-88; B. Parenteau, "Pulp, Paper and Poverty", *New Maritimes*, VII (March/April 1989), pp. 20-6; and William C. Osborn, *The Paper Plantation: The Nader Report on the Pulp and Paper Industry in Maine* (Washington, 1973).

67 Evidence of G. Harvey, RG 10, Series B, vol. 203, p. 1023, PANS.

68 Creighton, *Forestkeeping*, p. 47. The objective was to refurbish and manage these lands, but in the end they were merely used as development tools to attract foreign pulp and paper mills to the province.

advantages of national parks in several cities and towns in Nova Scotia. In May 1934, Premier Angus MacDonald requested that the ministry inspect areas suitable for a park; three areas were chosen and a Cape Breton site was recommended and agreed upon in February 1935.⁶⁹ In 1936, the federal government and the province negotiated the boundaries and the area delineated for park purposes included crown land under the terms of the Big Lease and some 300 private holdings, including 70 homes (see Figure 1).

The expropriation of part of the Big Lease was not a mere matter of passing Orders in Council. The Oxford Paper Company engaged experts to cruise the property to determine the potential financial loss which would be caused by the expropriation. Based on forest inventories provided by the reputable Maine forester and cruiser, James Sewall, and its own calculations, the company claimed compensation amounting to a fantastic \$10.17 per acre.⁷⁰ In response, the provincial Department of Lands and Forests engaged its own experts to check the company's figures. The release was settled in 1940 after six weeks in a court, presided over by Judge John Doull, the man who had, in his previous capacity as Lands and Forests Minister, renewed the Big Lease in 1933. The expropriated area was 178,648 acres (72,352 ha), a little less than one third the original lease. The settlement was \$398,500 of which \$346,500 was for lands expropriated and \$52,000 for lands injuriously affected.⁷¹ The compensation translated into a price of \$2.23 per acre, far from the amount requested by the Oxford Paper Company. But at a time when the Department of Lands and Forests was charged to buy back crown land for no more than 25 cents per acre, it was a very good price. Moreover, one of the company cruisers, overheard discussing the expropriated lands, admitted that: "I have cruised a lot of country; some of it was good and some of it bad, but of all the country I ever saw, this is the worst...".⁷²

The private holders of land were less fortunate. Total payments to the expropriated were \$72,051.01 and only eight of the 70 parties received sums exceeding \$1,000.

69 William Lothian, *A Brief History of Canada's National Parks* (Ottawa, 1987), p. 97.

70 Doull Decision, 1940, p. 3. As a comparison, the lands of the Annapolis Lumber Company and the McLeod Paper and Power Company sold to the Mersey Paper Company at a price of \$6.94 and \$4.63 per acre, respectively. These well-stocked and accessible lands were cruised by the buyers and sellers, with James Sewall as arbiter. "Reports on and Valuations of MacLeod Paper and Power Co. Ltd. and Annapolis Lumber Co., Ltd. Lands, N.S.", (1937), MG 1, vols. 2643 and 2645, PANS.

71 Doull Decision, 1940, pp. 30-1. The cruiser hired by the Oxford Paper Company estimated the whole quantity of softwood, operable or not, at 644,144 cords. Judge Doull considered 450,000 cords as a "fair estimate" for the operable softwood on the expropriated area (p. 15).

72 Quoted in Evidence of W. Creighton, RG 10, Series B, vol. 204, p. 204, PANS. One Dominion government report of the Big Lease described it as containing 240,000 acres (97,200 ha) of barren and 270,000 acres (109,350 ha) of small growth, mostly fir. Johnson, *Forests of Nova Scotia*, p. 364n.

One, from Rockfort, Maine, received by far the largest payment, \$40,000. Eight parties resided in the United States.⁷³ The stories of the expropriated families are invariably bitter. Some make reference to the settlements as "take-it-or-leave-it-deals" and others liken the resettlements to the clearances of the Scottish Highlands or the expulsion of the Acadians. Nor was there any provision made for the loss of numerous subsistence uses of the forest contained within the park. The bitter memories of those expropriated undoubtedly contributed to the successful local opposition to the northward extension of the park in 1970.⁷⁴

The role of the government may seem contradictory but it was, in fact, consistent with the state of society and the economy at the time. The federal system of national parks defined areas set aside as public heritages or trusts, to preserve, forever, outstanding examples of Canada's scenery, wilderness, geology, natural phenomena or native flora and fauna. The promotion of national pride and a concept of national greatness through the development of a national parks system found favour with the federal government. At the provincial and local government levels, such parks were attractive as potential generators of tourism and political plums to be bestowed on local constituencies.⁷⁵ For Nova Scotia, suffering from post-war depression and industrial decline, the Cape Breton National Highlands Park was attractive for additional reasons. The local M.P.P. for Victoria County explained that the national park system was a Dominion undertaking which Nova Scotia had "the right to share in", noting, as well, that this may relieve the province of policing and protecting forest lands and building roads.⁷⁶ The only concern of the provincial government, that rights to surface and sub-surface resources be retained, did not prove to be an insurmountable obstacle.⁷⁷

Prior and subsequent to the expropriation in 1940, the Oxford Company conducted very few operations on the Big Lease. The company continued to sell

73 Orders in Council, RG 3, vol. 96, PANS. The \$40,000 property was owned by the widow of H.C. Corson, a wealthy industrialist of Akron, Ohio, who had used the site as a summer estate. Lothian, *A Brief History of Canada's National Parks*, p. 98.

74 "Stories from the Clyburn Valley", *Cape Breton Magazine*, 49 (1988), pp. 1-20. For documentation of the unsuccessful expansion in 1970, see MG 1, vol. 1768, no. 16, PANS. Creighton, who was involved in the settlements, writes that while "the setting aside of a large wilderness area for park purposes appealed to me, forcing people from their homes to make a playground for summer visitors seemed harsh and in many cases unnecessary. The work was interesting, sometimes funny, often frustrating and more often distasteful". Creighton, *Forestkeeping*, p. 58.

75 See, for example, Nancy Colpitts, "Alma, New Brunswick, and the Twentieth Century Crisis of Readjustment: Sawmilling Community to National Park", M.A. Thesis, Dalhousie University, 1983, Chapter 4.

76 *Halifax Herald*, 5 April 1934, p. 3.

77 In 1956, a section in the southeast of the park was withdrawn for mineral development at the request of the province. In 1958, an additional section of Cheticamp Lake was withdrawn to accommodate a provincial hydro-electric scheme (see Figure 1). Lothian, *A Brief History of Canada's National Parks*, pp. 97-8.

stumpage to local contractors who cut sawlogs for local mills, but it is not likely that this cut contributed much to the total pulpwood cut in the counties. Gordon Harvey and his son Leonard were responsible for the “management” of the lease but probably only built sufficient roads and cut and sold enough stumpage to pay themselves a salary, and cover the taxes as well as the rental fee.⁷⁸ The company continued its opposition to municipal assessments, taking the Municipality of the County of Inverness to court in 1947, protesting the assessment of its properties and lands in the county. The local assessor valued the real and personal property of the company at \$193,750. Judge J. Archibald heard the case in County Court and, in spite of recognizing there were “reasonable grounds for objection”, he dismissed the case on a technicality.⁷⁹ The company did not give up, however, but continued to challenge provincial land tax and municipal assessments, processes abandoned only when it became known that the province was interested in a repurchase of the lease.⁸⁰

Meanwhile, pulpwood production was becoming firmly established in Inverness and Victoria counties. Before the Second World War, local contractors bought stumpage from private woodlot owners and exported it to Europe. After the war, Marshall dollars encouraged a similar trade.⁸¹ One German company, the Mariana Company, was active in the export trade. The Mersey Paper Company was active in purchasing pulpwood from local contractors and woodlot owners. Mersey also cut about 5,000 cords annually from a crown lease at the Crowdis Mountain portion of the Cape Breton Highlands south of the Big Lease.⁸² From 1940 to 1957, 487,182 cords of pulpwood were produced in the two counties. Sixty-nine per cent of that production was concentrated in the six years (1952-1957) before the repurchase of the Big Lease. In 1956 and 1957, Inverness County topped all counties in pulpwood production in Nova Scotia.⁸³ Much of the activity occurred in anticipation of the establishment of a new pulp and paper company, an event opposed by Mersey.⁸⁴

The final speculative phase in the history of the Big Lease ended with its termination and the government’s purchase of the lease in 1957. The repurchase was occasioned by a series of factors. In 1956, after 23 years of Liberal rule, the Conservatives, under Robert Stanfield, gained power in Nova Scotia. The province was suffering the effects of a major depression in the steel and coal

78 Personal interviews with Wilfrid Creighton, 11 April 1990, and David Dwyer, 27 September 1989.

79 *Maritime Provinces Reports* (1948), pp. 405-9.

80 Personal interview with Wilfrid Creighton, 14 May 1991.

81 Personal interview with Wilfrid Creighton, 11 April 1990.

82 Johnson, *Forests of Nova Scotia*, p.273.

83 Calculated from Nova Scotia, Department of Lands and Forests, *Annual Reports* (1940-1958).

84 Mersey, which had a good deal of political clout, argued that there was not enough wood in the province for two pulp companies. Personal interview with Wilfrid Creighton, 28 October 1988; E. Haliburton, *My Life With Stanfield* (Windsor 1972), p. 18.

industry and unemployment was high. The previous government had failed to entice a pulp and paper company to establish a mill in the province.⁸⁵ And the promotion of industrial development had been a key plank in the Conservative election platform. Determined "to do something" for the province, the government decided to pursue a Swedish pulp company, Stora Kopparberg (hereafter Stora), one of several companies which had already been approached by the previous government. But if this effort was to be successful, a major tract of crown land had to be made available for lease to the Stora venture. The government buy-back programme of crown lands, begun so cautiously in the 1930s, had, by 1957, resulted in the recovery of almost 25 per cent of the province's forest lands. The ungranted portions of these lands, however, were still not sufficient. The Big Lease was an obvious additional source. The government now played an active role in re-possessing the lease.⁸⁶ Negotiations with the Oxford Paper Company, initiated in March 1957, were concluded in May of that year. Although Stora's promoter and the provincial officials had kept their negotiations secret in order not to affect the negotiations with Oxford, the desire to attract Stora placed the government under considerable political pressure to settle with Oxford. The difference between the 1940 expropriation agreement and the 1957 negotiated settlement reflects that pressure; in 1940 the government paid \$5.84 per acre while in 1957 the rate was \$12.02 per acre, despite the elapse of a further 17 years on the lease.⁸⁷ When the government reported to the local legislature that they had agreed to pay the Oxford Paper Company \$3,750,000, they faced strong criticism. In response, Premier Stanfield echoed a now familiar theme: "We took the position from the start... that it was essential to the good name and good reputation of the province of Nova Scotia that we must regard any rights of the Oxford Paper Company as legal rights which could be terminated or modified

85 Creighton, *Forestkeeping*, pp. 101-2.

86 The urgency of cutting the balsam fir stands was critical. The first signs of budworm infestations were visible and the local foresters were frustrated and angry by the lack of activity on the lease. Personal interview with Allister Fraser, District Forester for Cape Breton Island in the 1950s and 1960s, 21 June 1990.

87 These are 1971 dollars. Statistics Canada, *The Historical Statistics of Canada* (2nd ed., Ottawa, 1983). Table K8-18, Consumer Price Index for Canada Classified by Main Component 1913-1975 (1971=100). The 1940 and 1957 dollar values were \$2.23 and \$8.50, respectively. In the 1930s, the Department of Lands and Forests was charged with buying back crown lands at a cost not to exceed 25 cents per acre. From 1942 to 1955, the price ranged from 72 cents to \$3.92 an acre. In the mid 1950s however, with the prospects of Stora entering the province, the Department acquired 32,532 acres for an average of \$7.11 per acre in 1955; 5,074.6 acres for an average price of \$11.50 in 1956; and 57,317 acres for an average price of \$5.57 an acre in 1957. Once the Stora agreement was signed, the average price for buy-back land dropped to under \$5 for the next three years. Calculated from Nova Scotia, Department of Lands and Forests, *Annual Reports* (1940-1958) and Nova Scotia, *Public Accounts* (1958-1962).

only by agreement, or under the provisions ... of our law which relates to property rights in Nova Scotia".⁸⁸

In July 1957, Karl Clauson, the sales representative of the Stora Kopparberg Corporation in New York, formed the Nova Scotia Pulp Limited [NSP]. The company was capitalized at \$2,000 Canadian and wholly-owned by Clauson, who acted both as Chairman of the Board and President. Clauson's solicitors in Nova Scotia, Arthur Gordon Cooper and Hector McInnes, were also partners in NSP. NSP and the Nova Scotia government signed the Nova Scotia Pulp Limited Agreement, leasing a million acres (520,000 ha) of crown land on Cape Breton Island and the three eastern counties of Pictou, Antigonish and Guysborough to the company. The agreement was remarkable in that Stora made no formal commitment to build a pulp mill in Nova Scotia until July 1959, when the company took over NSP.⁸⁹

By that time Clauson had wrested several concessions from the government. Cooper, serving as mediator, formulated the agreement, virtually rewriting the tax laws of Nova Scotia in response to Clauson's requests. Stumpage rates were set at \$1 per cord, the same rate given the Mersey Company 30 years earlier, and \$2 per cord less than Clauson had been prepared to pay.⁹⁰ The government also acquired a 323 acre (131 ha) site for the mill and undertook, at a cost of \$30,000, to carry out special surveys for NSP. Spending under the provisions of the Nova Scotia Pulp Limited Agreement Act exceeded \$2.27 million from 1959 to 1962.⁹¹ Assurance of transferability of the new lease was another feature which the government approved.⁹² The premier considered himself forced to comply with this concession to Stora: "It seems to me it's going quite a distance, but the solicitors of the mortgagee are insistent that the provision is essential".⁹³ The premier's major concern during this period was to secure a commitment from Stora and the content of the agreement seemed secondary.⁹⁴ The opposition

88 Nova Scotia, *Debates* (29 March 1960), p. 2019. The Oxford Paper Company initially asked for \$6,400,000 but this was reduced to a payment of \$3,750,000. Beck, *Politics in Nova Scotia*, p. 264.

89 Dietrich Soye, "Stora Lured Abroad? A Nova Scotian Case Study in Industrial Decision-Making and Persistence," *The Operational Geographer*, 16 (September 1988), pp. 11-4.

90 The Deputy Minister of Lands and Forests at the time, Wilfrid Creighton, also felt that the province could have obtained more for stumpage. Personal interview with Wilfrid Creighton, 11 April 1990.

91 Nova Scotia, *Public Accounts* (1957-1962).

92 Nova Scotia, *Laws* (1960), Chapter 58, p.230.

93 Nova Scotia, *Debates* (1960), p. 2016.

94 The Premier was, however, concerned about the sequence in which the concessions be announced. Haste characterized the agreement and at one point a pending visit by Queen Elizabeth and Prince Phillip to the construction site of the mill added to the urgency. This information was gathered from N.S. huvudserie, Serie F, no. 780 at Stora's archives in Falun, Sweden. See especially, Clauson to Abenius, 16 September 1957; 15 December 1958; 16 March 1959; and 30

predicted “that the type of agreement, as regards to the price, which was negotiated with NSP will be a millstone about the necks of the people of Nova Scotia for many years to come, and will serve to depress, not only the price received for pulpwood off the Crown lands of the province, but by analogy off the lands owned by small wood-lot owners in the province, for 30 years to come, because that’s the duration of the agreement”.⁹⁵

Throughout its history, then, government timidity and extreme dependence on business coloured the changing terms and conditions of the Big Lease. Yet the property rights of the leaseholders could have been changed or modified. At various times local companies called upon their government to make the foreign absentee pulp and paper companies work their idle leases and freeholds. Chief Forester Schierbeck’s policy proposals in the 1920s similarly challenged such property rights. The establishment of the Cape Breton Highlands National Park showed that expropriation could be invoked. In a different context, Conservative M.P. John Haggart stressed that governments had the legal power to interfere with existing, almost perpetual leases; “the question of whether or not to use the power was solely a moral issue”.⁹⁶ Other countries, and even other provinces, had introduced effective forest management legislation to regulate both private and public forests.⁹⁷

In Nova Scotia, by contrast, accommodation rather than challenge characterized government response to the demands of leaseholders. Yet the nature and implications of such accommodation did change over time. In the early period, in spite of company demands eroding the stipulations of the lease, large speculative profits realized from its sale, a meagre \$6,000 rental fee collected, and thousands of cords of unprocessed pulpwood shipped abroad, the province retained a certain degree of autonomy. With the formation of the Department of Lands and Forests in 1926, the Big Lease was challenged by the proposed export embargo on pulpwood from crown leases and freehold lands, a policy which also threatened well-established sawmillers, pulpwood exporters, and large absentee holders of forest land. The challenge, however, was defeated and overshadowed by the establishment of the Mersey Paper Company in 1928, which signified a new era

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95 Nova Scotia, *Debates* (1960), pp. 73-4. In 1991, the price of pulpwood for Nova Scotia small woodlot owners remains the lowest in Canada.

96 Referred to in Gillis and Roach, *Lost Initiatives*, p. 64.

97 See, for example, L. Anders Sandberg, “Swedish Forestry Legislation in Nova Scotia: The Rise and Fall of the Forest Improvement Act, 1965-1986”, in D. Day, ed., *Geographical Perspectives on the Maritime Provinces* (Halifax, 1988). Embargos on the export of pulpwood from crown lands were imposed by Ontario in 1900, Quebec in 1910, New Brunswick in 1911 and British Columbia in 1924. Reich, *National Problems of Canada*, pp. 48-9.

of state support through stepped-up concessions in the forest industry. Mersey received concessions in the supply of power and guarantees of 1,000,000 cords of pulpwood from crown land. At the time, the importance of crown reserves in attracting foreign pulp mills to the province reached new heights, as the province barely possessed enough crown land to accommodate Mersey. In Mersey's wake, the government embarked on a programme of buying back crown land as a future locational incentive to foreign pulp and paper companies. In 1957, the buy-back of the Big Lease (178,748 ha) by a newly elected provincial Conservative government, and its re-issue along with an additional 341,252 ha of crown lands, signified yet another stage in the province's quest for pulp and paper industry development.

The generous and stepped-up concessions of provincial crown land policy over the years were not made merely because politicians were timid. Instead they should be seen in the context and history of dependent development and state reliance on foreign capital. Dependence on foreign corporate capital meant that the government required a good international credit rating, and such a rating could only be maintained by treating the "property rights" of increasingly powerful corporate players as more or less exclusive, transferable and subject to state favours and collaboration. In the era of transnational capital in the 1950s and beyond, the province was forced into a closer partnership with corporate capital, through the provision of generous leases and other subsidies. By then, the state-corporate partnership had been institutionalized. In the future, it was to influence all political decisions on provincial forest matters.

In the final analysis, it is difficult to justify the Big Lease on the same principle as that used by Hiller in the case of the Newfoundland pulp and paper industry. The Newfoundland government also issued generous leases for 99 years, but, Hiller argues, in spite of all the drawbacks, this was necessary to obtain a pulp and paper industry.⁹⁸ In Cape Breton, by contrast, the Big Lease resulted in all the drawbacks of a long-term lease but no pulp and paper mill. Instead, the Big Lease was part of a system which kept the price of purchased pulpwood low, and the lease may even have blocked the development of a pulp and paper industry on Cape Breton Island.⁹⁹ Once a pulp and paper industry was induced to come to

98 James Hiller, "The Origins of the Pulp and Paper Industry in Newfoundland", *Acadiensis*, XI, 2 (Spring 1982), p. 68. For a more critical assessment of the Newfoundland system, see John A. Gray, *The Trees Behind the Shore: The Forest and Forest Industries of Newfoundland and Labrador* (Hull, 1981).

99 In 1951, for example, the Nova Scotia government was approached by the Chief Chemist of the Bathurst Power and Paper Company with a proposal for the establishment of a pulp mill on Cape Breton Island. The Government was hesitant because of the "lack" of pulpwood. "The greatest supply of pulpwood from a single landholder...is the Oxford Lease. It is quite possible that a Company could buy from the Oxford Company, but this is a question that could be answered only by the Oxford Company itself". As a result, the Bathurst initiative faltered.

the Island, the provincial government had to buy back the Big Lease and then enter into a new generous deal at considerable cost, both at the time and for the future.¹⁰⁰

Angus L. MacDonald Papers, MG 2, vol. 962, Folder 21-11, PANS. In 1954, a report written by William Woodfine of St. Francis Xavier University argued that unless the Big Lease was rescinded "pulp industries will be unwilling to come into the four eastern counties". *Chronicle Herald*, 29 April 1954.

- 100 These costs not only include the revenue foregone as a result of low stumpage rates. It can also be argued that forest management has since been shaped to serve the pulpwood economy (at the expense of other uses), and that the organizational efforts of small woodlot owners have been undermined for the same reason. See Glyn Bissix and L. Anders Sandberg, "The Political Economy of Nova Scotia's Forest Improvement Act, 1962-1986" and Peter Clancy, "The Politics of Pulpwood Marketing in Nova Scotia, 1962-1985", in L. Anders Sandberg, ed., *Forest Development and Social Conflict in New Brunswick and Nova Scotia* (forthcoming).