Acadiensis

ACADIENSIS

Consolidating Disparity:
The Maritimes and the Industrialization of Canada during the Second World War

Ernest R. Forbes

Volume 15, numéro 2, spring 1986

URI : https://id.erudit.org/iderudit/acad15_2art01

Aller au sommaire du numéro

Éditeur(s)

The Department of History of the University of New Brunswick

ISSN

0044-5851 (imprimé)
1712-7432 (numérique)

Découvrir la revue

Citer cet article

Forbes, E. R. (1986). Consolidating Disparity:: The Maritimes and the Industrialization of Canada during the Second World War. *Acadiensis*, *15*(2), 3–27.

ERNEST R. FORBES

Consolidating Disparity: The Maritimes and the Industrialization of Canada during the Second World War

THE POLITICIANS AND BUREAUCRATS who directed Canada's economic development emerged from the Second World War with a profound sense of accomplishment. The Department of Munitions and Supply arranged for the writing of its own history so that what C.D. Howe called the "magnitude of our achievement" would not be forgotten. The accounts not only stress the quantity of munitions produced but also boast of the government's contribution to a new industrial base for the nation.[1] These claims have not been challenged. Howe's biographers credit the minister and his advisors with having "shaped Canada's war programme, renewed Canada's industrial plant and reconstructed the Canadian economy".[2] But the scholar interested in the problem of Canadian regional disparity might well ask why, if Canada's industrial development during the war was so largely a product of government initiative, it did not include the Maritimes? Indeed, it can be argued that the policies of Howe and his associates were detrimental not only to Maritime industries but also to Canada's war effort.

The events of the war period help illuminate the process by which regional disparity is created. They are particularly pertinent to the debate between "orthodox" scholars who have attributed the growth of regional disparity to the forces of the marketplace and "liberal revisionist" and "neo-Marxian" scholars who give greater prominence to political and social factors in the region's decline.[3] The war highlighted the role of government in spectacular fashion and

The research for this paper was funded by the Social Sciences and Humanities Research Council of Canada. The author is particularly indebted for advice and research leads to Marc Milner, Roger Sarty, Danny Moore, Elizabeth McGahan, and David Zimmerman, and to research assistant Twila Buttimer for work in newspapers.

1 J. de N. Kennedy, *History of the Department of Munitions and Supply: Canada in the Second World War* (Ottawa, 1951), vol. I, p. v. See also Canada, Department of Reconstruction and Supply, "Canada's Industrial War Effort, 1939-1945", unpublished manuscript, 1947, vol. 264, B2-B8, Records of the Department of Munitions and Supply [RG28], Public Archives of Canada [PAC].

2 Robert Bothwell and William Kilbourn, *C.D. Howe: A Biography* (Toronto, 1979), p. 350.

3 Michael Clow, "Politics and Uneven Capitalist Development: The Maritime Challenge to the Study of Canadian Political Economy", *Studies in Political Economy*, 14 (Summer 1984), pp. 117-40 and "Situating a Classic: Saunders Revisited", *Acadiensis* XV, 1 (Autumn 1985), pp. 145-52. See also T.W. Acheson's "Introduction" to S.A. Saunders, *The Economic History of the Maritime Provinces* (Fredericton, 1984 [1939]) and the bibliography in J.B. Cannon, "Explain-

removed much of the illusion that events were controlled by the invisible natural laws of Adam Smith. Prime Minister William Lyon Mackenzie King and his colleagues suspended the law of supply and demand for the duration of the war. They appointed controllers over each major industry to develop and implement plans for industrial expansion. They aided private companies directly through government grants and indirectly through accelerated depreciation of plants and equipment. Firms could not substantially alter patterns of production without the permission of a controller. Those which failed to cooperate or became bogged down in labour problems could be, and sometimes were, expropriated, although cooperation between industry and government for mutual advantage was the more common practice. When private firms proved unable to meet particular war needs, the government created new crown corporations for the purposes required. Wages and prices were governed by the Wartime Prices and Trade Board. Subsidies were paid to compensate firms for the rising cost of imports, and cost of living bonuses were awarded to workers in lieu of wage increases. Commodity shortages were met with rationing and limits were set on the production of consumer products.[4]

The government's policies regarding coal, steel, shipbuilding, ship repair and general manufacturing industries in the Maritimes formed a consistent pattern. For more than a year into the war C.D. Howe and his controllers withheld government funds for the modernization and expansion of Maritime industries while labour was drawn to Ontario and Quebec or into the armed forces. With the realization of impending commodity shortages and the growing strategic importance of the region, they finally turned to Maritime industries only to encounter manpower shortages and a limited infrastructure. Their failure to resolve these problems, especially in the matter of ship repair, undermined the effectiveness of the Royal Canadian Navy at a critical point in the war. What government investment the Maritimes did receive tended to be in industries of a temporary nature. It is ironic that the region which received the least wartime investment would later be identified by the Department of Reconstruction as the one which would have the greatest difficulty in adjusting to a peacetime economy.[5]

The motives for bypassing the Maritimes were seldom articulated and not

ing Regional Development in Atlantic Canada: A Review Essay", *Journal of Canadian Studies*, XIX, 3 (Fall 1984), pp. 81-6.

4 C.R. Waddell, "The Wartime Prices and Trade Board: Price Control in Canada in World War II", Ph.D. thesis, York University, 1981. See also Robert Cuff and J.L. Granatstein, *War and Society in North America* (Toronto, 1971); C.P. Stacey, *Arms, Men and Governments* (Ottawa, 1970); J.L. Granatstein, *The Ottawa Men: The Civil Service Mandarins, 1935-57* (Toronto, 1982); James Eayrs, *In Defence of Canada: Peacemaking and Deterrence* (Toronto, 1972); Robert Bothwell, Ian Drummond, John English, *Canada Since 1945: Power, Politics, and Provincialism* (Toronto, 1981); and Donald Creighton, *The Forked Road: Canada 1939-1957* (Toronto, 1976).

5 Canada, Department of Reconstruction, Economic Research Branch, "Area Study Tables", 30 September 1945, Vol. 264, B2-B8, RG28, PAC.

always clear. At the beginning of the war Ontario lobbyists stressed the value of a central location for industry safe from German attack. After the war a Dominion Bureau of Statistics profile on the Maritimes offered "strategic reasons" as one explanation for the location "of much new industrial plant in the Central Provinces".[6] During the war, however, bureaucrats justified their masters' decisions largely in terms of efficiency. The Maritimes, they claimed, suffered from the fatal flaw of "distance". To what extent efficiency was the actual motive or merely a rationale is difficult to discern. The British Admiralty Technical Mission in Canada, which, after June 1940, depended upon the Department of Munitions and Supply to place their contracts, reported that "political issues weigh heavily" in the decisions taken. Moreover, they raised issues of efficiency which the Canadians seldom mentioned. Specifically, they pointed to the difficulties of building ships in yards which were cut off from the ocean for five months of the year and in a climate where the vessels under construction were often damaged by the deep frosts. They also questioned the practice of requiring vessels to make the long trip up the St. Lawrence River for servicing.[7] While the demands of Canada's allies were concerned with immediate efficiency in wartime, C.D. Howe and his controllers often appeared to be following an agenda for industrialization based on their perception of Canada's needs after the war. Their vision of a centralized manufacturing complex closely integrated with the United States apparently did not include the Maritimes in any significant role.

The perception of Maritime industries as peripheral to Canada's needs emerged early in the war. In the summer of 1940 the senior bureaucrats who composed the Economic Advisory Committee prepared a memorandum recommending against transportation subsidies for Maritime and Western coal. It would be better, they argued, to purchase the coal from the United States. The government would gain revenue from tariffs and the surplus miners would be absorbed into other sectors of the war effort. The recommendation was partially implemented by the government when the coal subsidies were reduced by more than one-third.[8] The Steel Control, in planning for shipbuilding and other steel requirements, approved a large new ships' plate mill for the Steel Company of Canada at Hamilton and a new rolling mill for the Algoma Steel Company at Sault Ste. Marie, and also assisted both of these and the smaller steel producers to modernize and increase capacity.[9] The Dominion Steel

6 Dominion Bureau of Statistics, *The Maritime Provinces in Their Relation to the National Economy of Canada* (Ottawa, 1948), p. 97.

7 "History of the British Admiralty Technical Mission in Canada", 30 April 1946, especially pp. 3, 57 and 72-73, Vol. 29, RG28, PAC.

8 "Report of the Economic Advisory Committee on Wartime Organization regarding policies relating to Canadian coal", July 1940, p. C246240, W.L. Mackenzie King Papers, PAC; F.G. Neat, "Report of the Activities of the Dominion Fuel Board", 11 October 1945, vol. 1, pp. 31-3, file 50-1-1, vol. 45, Records of the Dominion Coal Board [RG81], PAC; PC 3969, file 91-3-3, vol. 138, RG81, PAC.

9 "Report on the Activities of Steel Control from its establishment...June 24th, 1940, to October

and Coal Corporation, another of Canada's "big three" steel producers and the largest industrial employer in the Maritimes, was conspicuously less fortunate. Efforts to negotiate federal assistance for modernization encountered inexplicable delays. A memorandum from Dosco's assistant manager to company president Arthur Cross detailed a meeting in July 1940 of three senior Dosco executives, including Cross himself, with steel controller Hugh Scully. On the basis of this meeting written proposals were presented to Scully with copies addressed to Howe. Later, however, the Controller denied any recollection of the meeting or Dosco's proposals.[10] Prominent in Dosco's plan was a scheme to re-open its ships' plate mill in Sydney, a plant which was built in 1918 but closed after the war. On the advice of W.S. Drysdale, Director of Production, Dosco obtained an independent engineering study which proved favourable and was duly forwarded to Ottawa. Meanwhile, the controllers approved and Stelco proceeded with the construction of a new ships' plate mill at Hamilton, Ontario. This plant opened in April 1941.[11]

Dosco's manufacturing potential in the Maritimes was finally discovered in the fall of 1940 by an industrial task force which, under the auspices of the Department of Munitions and Supply, toured the country in search of unused manufacturing capacity to develop for British orders. The visitors later recalled that they found industry fully engaged in Ontario and Quebec but that considerable excess capacity remained in the Maritimes and the West.[12] Their recommendations for investment to allow the production of shells and gun-mountings from Dosco's plants at Trenton, Nova Scotia were accepted by the British government. "The main thing, however, on our entire trip and what impressed us most", one member reported, "was the fact that the large [ships' plate] mill at Sydney is lying idle".[13] They enthusiastically recommended "that immediate arrangements should be made to put this mill into production". It would require much less time and money than the construction of a new one and would be needed to meet "a definite shortage of plate in Canada" which they predicted "by March 1, 1941".[14] Their recommendation ran into trouble in the upper

1st, 1943", 1943, p. 48, file 176-2-15, vol. 205, RG28, PAC.

10 C.M. Anson, "Memorandum for Mr. A. Cross", 21 September 1940, F1157 #6, Angus L. Macdonald Papers, Public Archives of Nova Scotia [PANS].

11 The historical sketch of the first three years of Steel Control implied that work on the Hamilton plant had begun before the war. This was corrected in the survey of the next three years, as someone specifically recalled approving the project in 1940: "Report on the Activities of Steel Control from October 1st, 1943 until its termination November 1st 1945", 1946, p. 48, file 196-14-13, vol. 261, RG28, PAC. See also Canada, *Debates of the House of Commons, 1941*, pp. 6928-9.

12 Kennedy, *History of the Department of Munitions*, vol. I, p. 229.

13 F.M. Ross to A.L. Macdonald, 24 October 1940, F1157 #1, Macdonald Papers, PANS.

14 The task force consisted of W.F. Drysdale (Director of Production), F.M. Ross (Director of Naval Supply), Commander E. Watson, R.N. (British Admiralty Technical Mission) and James Crone (Advisor to the Department of Munitions and Supply): "Memorandum Covering the Visit of Representatives of the Department of Munitions and Supply....", 7 October 1940, F1157 #7, Macdonald Papers, PANS.

echelons of the Department of Munitions. Frank Ross, Director of Naval Supply and president of the Saint John Dry Dock and Shipbuilding Company, noted the difficulty and urged the Naval Minister, Angus L. Macdonald, "to discuss this matter" with his colleagues. The task force was overruled. The controllers planned to purchase the balance of their plate needs from the United States.

Dosco itself persevered with a formal offer to open the plate mill and to expand production to meet additional requirements for basic steel at a total cost of $3.5 million, about one million of which would be borne by the corporation.[15] Queried by Maritime politicians, C.D. Howe later explained his rejection of the offer to Parliament on the grounds that it would cost $4.5 million, that Dosco's primary steel was already under longterm contract to Great Britain and that government expenditure to increase basic steel production in the Maritimes could not be justified.[16] Howe's letter of refusal was particularly disquieting to Dosco president Arthur Cross, less perhaps because of the rejection of the specific project than because of the rationale offered. Howe's phrase, "having in mind our needs after the war", seemed to imply that the government was directing investment according to its own plan for post-war development and that steel production in the Maritimes would have a very limited role. Moreover, in the anticipation of future needs the government appeared to be heedless of the impact of its interference on the existing equilibrium among competing industries. Noting the approximately $4 million in federal funds that had gone to each of his competitors, Algoma and Stelco, Cross protested to Howe that this left Dosco "the only primary steel producer in this country which is receiving no government assistance". While Cross was "reluctant to believe that your advisers have deliberately formulated a policy which is bound to discriminate against the post-war future of this corporation and in favour of its central Canadian competitors", a continued failure to grant Dosco "some reasonable measure of assistance" would render such a conclusion "inevitable".[17]

Meanwhile, the government financed two new shipbuilding plants on the Great Lakes and reserved for major naval contracts ten out of the 15 existing Canadian shipyards capable of producing freighter class vessels.[18] Conspicu-

15 Arthur Cross to C.D. Howe, 29 January 1941, F1157 #4, Macdonald Papers, PANS.

16 *Commons Debates, 1941*, p. 2104. See also *Halifax Chronicle*, 19 May 1941. According to the figures given by Dosco representatives before the Carroll Commission, the Sydney plate mill when later opened cost just more than three million dollars: "Statement Showing Additions and Reductions, Property Account Covering Period January 1st., 1939 to December 31, 1942", loose sheet inserted in Dosco's brief to the Carroll Commission, Box 15 #11, Records of Royal Commissions and Reports [RG 44], PANS.

17 Arthur Cross to C.D. Howe, 12 March 1941, F1157 #5, Macdonald Papers, PANS.

18 "History of the British Admiralty Technical Mission in Canada", p. 6; "Naval Construction Programme, 1942, 1943, 1944", vol. 42, C.D. Howe Papers, PAC; "Branch History, Shipbuilding Branch, Department of Munitions and Supply", 31 October 1945, pp. 5-6, file 5 of 12, vol. 29, RG28, PAC; *Commons Debates, 1941*, p. 1629. The concentration of production in Ontario became particularly embarrassing for the Canadians when frigates were required for escort duty

ously absent were the Halifax Shipyards and the Saint John Dry Dock and Shipbuilding Company. Angus L. Macdonald later defended the government for failing to develop steel shipbuilding at these yards on the grounds that they were needed for repairs and service.[19] This interpretation would appear more plausible had the Department of Munitions effectively developed Maritime ports for repair purposes or directed to them the business required for year-round operation. It did neither.

Both Halifax Shipyards and the Saint John Dry Dock Company were busy with service and repairs in November 1940 when the government appointed D.B. Carswell, formerly manager and vice-president of Canada Vickers Ltd. and vice-president of Montreal Dry Dock Company, as controller of ship repair and salvage. When the ice moved out in the spring of 1941, Carswell, from his office in Montreal, authorized the lay-off of skilled workers at the Maritime ports and shifted the repair industry up the St. Lawrence River. Thereafter, the controller maintained the same alternate use of summer and winter facilities in the repair yards as had characterized the use of ports in Canada's export trade. Maritime ports would be employed to the extent that Montreal was inaccessible.[20]

Just how little support the Department of Munitions and Supply channelled into the Maritimes for industrial expansion is confirmed in the first report on capital assistance to Canadian industries prepared by the department for the period up to 30 April 1941. Of the $484,299,078 committed to that cause by British and Canadian governments, Prince Edward Island received exactly nothing, New Brunswick the same amount, and Nova Scotia $8,759,430. The region's share of this investment was 1.81 per cent. Even disregarding its 9.8 per cent of the population and the strategic importance of the region in an Atlantic war, and considering only its five per cent share of the nation's manufacturing, the discrepancy is still striking. Moreover, of the Maritime portion, about half went to develop the region's service capacity: a Montreal firm received $3 million to build a floating dry dock for Halifax, and another $1 million served to outfit an aircraft depot at Dartmouth. Most of the remainder went to Dosco's Eastern Car Company and Trenton Steelworks as the British government financed the retooling required for its orders of shells and gun mountings.[21] Even

which were too long to go through the locks of the St. Lawrence canals. The Quebec yards began the production of frigates in 1941 but the Ontario yards could not make the transition. See G.N. Tucker, *The Naval Service of Canada* (Ottawa, 1952), vol. II, p. 66.

19 *Commons Debates, 1941*, p. 1666. See also Tucker, *The Naval Service of Canada*, vol. II, p. 39. The Saint John Dry Dock and Shipbuilding Company did build three corvettes during the first three years of the war.

20 See the order-in-council appointing a separate controller for ship repairs, 17 November 1940, file 196-38-1, vol. 30, RG28, PAC, and D.B. Carswell's, "Reports on Ship Repairs and Salvage", especially 4 November 1941, file 196-13-3, vol. 256, RG28, PAC.

21 Department of Munitions and Supply, "Digest of Canadian and British Programme of Capital Assistance to Industry...corrected as of April 30th 1941", Vol. 42, Howe Papers, PAC.

this operation was delayed, Arthur Cross complained, as the priority rating initially assigned the two Dosco plants by the Department of Munitions did not allow effective competition with other Canadian firms in the purchase of machinery. In two years the Maritime share of Canada's investment in manufacturing declined from 5.1 to 4.6 per cent and the region's share of the labour force in manufacturing fell from 5.1 to 4.7 per cent.[22]

The initial bypassing of the Maritimes for industrial investment would ultimately prove critical for its wartime development. A majority of workers in all the new industries had to be trained, and retooling and expansion were much easier with the surplus labour supply left by the Depression. Maritime industries which failed to gain that initial headstart tried to catch up. Yet their skilled workers had been drawn away, essential commodities were in short supply, and they found themselves in competition with the military services for a dwindling pool of manpower.[23] The labour shortages became the standard excuse for the Department of Munitions' failure to develop industries in the Maritimes which were later recognized as important to Canada's war effort.

By the spring of 1941 the government's economic policies drew vigorous protests from the Maritime press, boards of trade and politicians. In October 1939 the New Brunswick Advisory Board for Economic and Industrial Development joined with the Saint John Board of Trade in lobbying British and Canadian purchasing agents and later maintained a permanent "representative" at Ottawa for that purpose. Meanwhile, New Brunswick's Liberal premier A.A. Dysart called upon the federal government for a policy of "decentralization" in industrial development.[24] The following year his successor and former colleague J.B. McNair approached the federal cabinet to help his nearly-bankrupt province to develop the necessary infrastructure, such as roads and electricity, to participate more effectively in Canada's industrial war effort. McNair's request for $4.5 million was rejected by the cabinet, but King, perhaps mindful of the political implications of McNair's appeal, prevailed upon his colleagues for a grant of $100,000 specifically tied to the upgrading of roads and bridges in Northern New Brunswick.[25] Thereafter, the lack of electricity became a factor in, or at least a rationale for, the Department of Munition's failure to invest any money in New Brunswick before the summer of 1941. Saint John Board of Trade President Colin McKay protested that the department's refusal to grant federal funds for hydro development was a method of discrimination in favour

22 Arthur Cross to C.D. Howe, 7 January 1942, F1222 #54, Macdonald Papers, PANS; *The Maritime Provinces in their Relation to the National Economy*, p. 98.

23 By 1943 Maritime industries were prominent among those trying to receive labour from Newfoundland. See Peter Neary, "Canada and the Newfoundland Labour Market, 1939-45", *Canadian Historical Review*, LX11, 4 (December 1981), pp. 470-95.

24 *Telegraph-Journal* (Saint John), 14, 17 October 1939 and "Report...of the New Brunswick Advisory Board for Economic and Industrial Development", September 1940, Box 14, RS 415, J.B. McNair Papers, Provincial Archives of New Brunswick.

25 Minutes of the Cabinet War Committee, 17 July 1940, Vol. 424, King Papers, PAC.

of the wealthier provinces. "Our shortage of power is definitely and directly due to our shortage of money", McKay declared. The government, he reported, had missed "a wonderful opportunity" to redress the problems arising from centralization and to redistribute industry more evenly throughout the country.[26]

In Nova Scotia, from early in the war, newspapers complained of the loss of skilled workers, in both metal and wood, to shipbuilders in Central Canada and blamed both levels of government for failing to develop an industry so natural to their region.[27] Through the later months of 1940, Premier A.S. MacMillan of Nova Scotia bombarded the federal cabinet with warnings of the damage which the public criticism was doing to the Liberal Party and called for the construction of steel shipbuilding plants in his province. He offered on behalf of the Nova Scotia government to deliver the electrical power required to any site in the province "as quickly as the plants can be produced". Finally, after a meeting with Howe in May 1941, MacMillan was able to report that the federal government would finance a plant in Nova Scotia provided that local entrepreneurs took the initiative.[28] The expanded programme for the construction of civilian shipping, announced in the summer of 1941, included a plant to build a small class of 4700-ton freighters at Pictou, Nova Scotia. The Pictou plant, although federally financed, was operated by a Halifax firm, Foundation Maritime, and constructed 24 freighters before the end of the war.

Angus L. Macdonald and the provincial minister of industry, Harold Connolly pressed the tiny shipyards of the outports to go after major contracts for the multitude of small wooden vessels needed in Canadian and Allied harbours. A few, such as Clare Shipbuilding of Meteghan, LeBlanc Shipbuilding of Weymouth and J.A. Urquhart of Parrsboro, were successful. In New Brunswick K.C. Irving at Buctouche and Ashley Colter at Gagetown turned out several million dollars' worth of barges and other wooden vessels.[29] Additional construction came to the Maritimes as an unexpected outgrowth of the problems of inland shipbuilding. The first ten corvettes completed for a British order narrowly escaped being trapped in the winter freeze-up and required substantial work in the Maritimes before they could risk an Atlantic crossing.[30] The Toronto Shipbuilding Company, the crown corporation which built the large Algerine class of minesweepers, established a subsidiary at Saint John to allow outfitting and sea trials in the winter months.[31] The additional demand ex-

26 President's Report, Minutes, Saint John Board of Trade, 20 January 1942, New Brunswick Museum, Saint John.

27 See for examples *Halifax Herald*, 19 February, 21, 22 March, 12 June 1941, *Post-Record* (Sydney), 29 April 1941.

28 See files on shipbuilding F1221 and F1222, especially A.S. MacMillan to A.L. Macdonald, 9 August 1940, 2 December 1940 and 16 May 1941, Macdonald Papers, PANS.

29 "Contracts for the Construction of Ships and Small Craft, Nova Scotia", file 5 of 12, vol. 29, RG28, PAC.

30 C.D. Howe to Admiral B.A. Fraser, 6 January 1941, file S9-25 (2), vol. 339, RG28, PAC.

31 Kennedy, *History of the Department of Munitions and Supply*, vol. I, p. 455.

hausted the electricity available from the limited hydro and coal plants and rationing was imposed in 1943.[32]

From an even weaker political base Prince Edward Island, under the leadership of Liberal Premier Thane Campbell, lobbied for a share of shipbuilding and munition plants. When this failed, he argued the need for federal funds to develop food processing plants to increase the Island's contribution to the war effort. From the fall of 1941 lobbying efforts concentrated on procuring a new car ferry, as the S.S. Charlottetown, the Island's largest and most modern ferry, sank on the Borden-Tormentine run.[33] J.L. Ralston waged a systematic campaign for the ferry and other Island causes but only after his resignation from the cabinet in 1944.[34]

Where were the federal Maritime politicians when decisions were taken which were so adverse to regional interests? It cannot be argued that the region lacked a voice at Ottawa. Indeed, the Maritimes had strong representation in the wartime cabinet. After the defeat of the Liberals in Nova Scotia in 1925, a little group of young lawyers or lawyer-academics conspired to remove their party's image as the mouthpiece for "big business" and the foe of progressive legislation.[35] While their electoral success was less than spectacular, their joint activities did establish lasting friendships. J.L. Ralston, a Halifax lawyer and war veteran originally from Amherst, might be considered the group's leader. He entered Mackenzie King's cabinet in 1926 seeking the implementation of the Duncan Commission Report and the protection of returned servicemen, with whom he strongly identified. After the government's defeat in 1930, Ralston continued as financial critic in the shadow cabinet. Another Amherst native, Norman MacLeod Rogers, whose military endeavours were followed by study in history and law at Oxford University, left a teaching appointment at Acadia to work as King's secretary and later returned to academic life at Queen's University.[36] Angus L. Macdonald, a Scottish Catholic from Inverness County who taught at the Dalhousie law school, became leader of the provincial party in 1930 and in 1933 premier of the province. J.L. Ilsley, a lawyer from Kentville, was one of the few Liberal candidates in Nova Scotia to overcome the Tory tides in the federal elections of 1926 and 1930. When the Liberals returned to power in Ottawa in 1935, Ilsley entered the cabinet in place of Ralston who stayed out,

32 *Annual Reports of the New Brunswick Electric Power Commission*, 1942, p. 4, 1943, p. 9, 1944, p. 8.

33 Scrapbook of reports of Prince Edward Island legislative debates, 14 April 1941, vol. 102, Records of the Department of Education [RG10], Public Archives of Prince Edward Island [PAPEI]. See also reports for 17 March 1942 and 11 and 13 March 1943.

34 See J.E. Michaud to J.L. Ralston, 8 February 1945, J.L. Ralston Papers, PAC and the *Summerside Journal*, 14 June 1945.

35 H.J. Logan to W.L.M. King, 16 February 1926, p. 113864, King Papers, PAC; E.R. Forbes, "The Rise and Fall of the Conservative Party in the Provincial Politics of Nova Scotia, 1925-1933", M.A. thesis, Dalhousie University, 1967, ch. 3.

36 J.R. Rowell, "An Intellectual in Politics: Norman Rogers as an Intellectual and Minister of Labour, 1929-1939", M.A. thesis, Queen's University, 1978.

rumour has it, to aid a financially-troubled law partner. Rogers, representing Kingston, became Minister of Labour.

With the outbreak of war Ralston became Minister of Finance. Rogers died in 1940, but with the expansion of the defence portfolio into three ministries, Ralston, now sitting for Prince County, Prince Edward Island, became Minister of National Defence. Ilsley took over Finance. Angus L. Macdonald was invited to become Minister of National Defence for Naval Services.[37] Macdonald's appointment had an additional logic as the strategic emphasis in Canadian naval planning had, near the outbreak of war, shifted from the west to the east coast.[38] Besides the three Nova Scotians, New Brunswick's J.E. Michaud held the fisheries portfolio from 1935.

Thus, the Maritimes had four representatives in the cabinet and three of them (later four when Michaud shifted to Transport in October 1942) on the powerful nine-member War Committee. This committee, as Macdonald put it, was regarded "more as a cabinet than a committee of the cabinet" in matters relating to the war.[39] The region appeared to enjoy the strongest representation in any cabinet since Confederation. There were some limiting factors, of course. Without previous experience at the federal level, Macdonald faced a formidable challenge in defending the interests of either navy or province. As Minister of Finance, Ilsley was hardly in a position for overt regional advocacy. Ralston had earlier remarked of that office, that its role of "barring the way to the money bags" left a new minister open to the "accusation...of having forgotten the rank and file alongside...whom he fought and having become a 'statesman'". Ilsley did indeed become a statesman — one who became increasingly alarmed at the unprecedented costs of modern warfare.[40] Nevertheless, one would expect that four senior cabinet ministers could have done more to protect the interests of the Maritimes during the preparations for war. That they failed to do so may be explained in part by the unusual delegation of responsibility within the wartime cabinet and by the extraordinary power of the Department of Munitions and Supply under the leadership of C.D. Howe.[41]

Howe's appointment as Minister of Transport in 1935 had initially pleased leaders of the Maritime Board of Trade. In their perpetual battle to defend the

37 J.W. Pickersgill, *The Mackenzie King Record* (Toronto, 1960), vol. I, p. 100-1.

38 R.F. Sarty, "Silent Sentry: A Military and Political History of Canadian Coast Defence, 1860-1945", Ph.D. thesis, University of Toronto, 1982, p. 455.

39 A.L. Macdonald, "Memorandum re Cabinet and War Committee of the Cabinet", 4 February 1943, F277 #2, Macdonald Papers, PANS.

40 J.L. Ralston to J.J. Cox, 22 February 1936, file 'C' Miscellaneous", vol. 18, J.L. Ralston Papers, PAC. See also H.M. Mackenzie, "Sinews of War: Aspects of Canadian Decisions to Finance British Requirements in Canada During the Second World War", paper presented to the Canadian Historical Association, June 1984.

41 Leslie Roberts, *C.D.: The Life and Times of Clarence Decatur Howe* (Toronto, 1957), chapters 5-10.

region's transportation interests, they had seen the 20 per cent regional freight rate reductions recommended by the Duncan Commission negated by a series of special competitive rates to which, the railways argued, the Maritime reductions could not apply.[42] Having lost all confidence in the minister previously responsible they hoped that Howe, who had once taught at Dalhousie University, would understand Maritime problems and appreciate the justice of their case. They were soon disillusioned.

Howe not only failed to sympathize with the Maritimes' representations on freight rates, but supported a series of initiatives which seemed to threaten the future of their ports. These included a bill to terminate the independence of the National Harbours commissions, to which the Maritime provinces had gained access only nine years before, and proposals to regulate freight rates between Atlantic and Great Lakes ports and to standardize wharf charges in Canadian harbours. Against the united representations of Maritime Liberals the latter proposals were not implemented, but the impression remained that Howe favoured the powerful Great Lakes ports lobby.[43] This was hardly a surprising position for someone who had built a business from constructing grain elevators on the Great Lakes and was Member of Parliament for Port Arthur.

Howe's regional orientation is further suggested by his close ties with Sir James Dunn, the piratical head of the Algoma Steel Corporation. In a recent account of that corporation, Duncan MacDowall notes Dunn's anti-Dosco lobby and his campaign to concentrate manufacturing on the Lakes. MacDowall implies that Howe's spectacular support of Dunn's empire, which received more than 80 per cent of the government's direct grants to the steel industry during the war, had less to do with lobbying and personal contact than with a shared perspective on continental development and the integration of the Great Lakes economy.[44]

There may have been an element of regional conflict in the occasional confrontations between Howe and the Maritimers. One of these involved the construction in wartime of the St. Lawrence Waterway, an international project for hydro development and the enlargement of the St. Lawrence canals for major ocean vessels. Howe's proposals, presented to the cabinet early in 1940, drew protests from J.L. Ralston that they would divert funds from the war effort. Ralston was overruled on the grounds that the project was important in retaining the goodwill of the United States. He objected again several months later at the projected $60 million price tag. According to King, Ralston could see no

42 E.R. Forbes, "Misguided Symmetry: the Destruction of Regional Transportation Policy for the Maritimes", in D.J. Bercuson, ed., *Canada and the Burden of Unity* (Toronto, 1977), pp. 75-6.

43 C.J. Burchell to J.L. Ralston, 12 March 1937, R.L. Matheson and F.M. Sclanders to J.L. Ilsley, 10 March 1937, file "'B' Miscellaneous", vol. 16, Ralston Papers, PAC; J.D. McKenna to T.A. Campbell, 29 July 1937, Rand Matheson to T.A. Campbell, 6 March 1938, T.A. Campbell Papers, Premier's Office Records, RG25, PAPEI.

44 Duncan McDowall, *Steel at the Sault: Francis H. Clergue, Sir James Dunn, and the Algoma Steel Corporation, 1901-1956* (Toronto, 1984), pp. 169-71 and ch. 8.

"corresponding advantage except what would accrue to Ontario for power". King concluded that Ralston "does not seem to regard Ontario as part of the Dominion". King was personally committed to the scheme which in 1941 he predicted would "prove one of the great achievements of the present administration".[45]

In other matters of industrial expansion Howe's views, backed by King, normally prevailed. The industrial controllers were his nominees and his responsibility. In the War Committee, Macdonald, Ralston or "Chubby" Power, Minister of National Defence for Air, might voice the needs of a service, but they had then to turn to Howe to learn whether the tanks, ships or aircraft could be built, where they would be built and when they might be delivered. When Angus L. Macdonald took office in July 1940, he could not hope to affect the decisions taken for the location of naval manufacture for which production lines had already been established. He could, however, propose classes of vessels not yet under construction for which Maritime yards were available. This may account for his enthusiasm for the building of destroyers in Canada. Howe was sympathetic to the idea, perhaps in part because the principal components other than the hull were to be manufactured by the John Inglis Company of Toronto, a firm whose close relations with the federal government had been the subject of the Bren Gun controversy.[46] In 1941 when Macdonald proposed to the War Committee the building of two Tribal class destroyers at Halifax, Howe endorsed the proposal as a supplement to repair work.[47]

On several other proposed naval projects Macdonald and Howe were far apart. The most serious confrontation involved ship repair. As the British analyzed their shipping and supply needs they became concerned with the lack of year-round repair facilities on the Atlantic coast. They regarded Halifax as the logical naval headquarters and terminus for their Canadian convoys and they begrudged the additional time and risk required in sending escorts to Montreal. Early in 1941 they specifically asked the Canadians to consider developing Halifax as a repair centre with multiple graving docks which could, if necessary, hold their largest vessels. Macdonald, supported by Ralston and acting on the advice of the Chiefs of Staff, proposed building a graving dock at Halifax. Citing the shortage of labour, Howe came out strongly against the proposal. He was backed by Mackenzie King who argued against "the dangerous concentration of nearly all naval facilities at Halifax".[48] King's strategic concern may have been political as well as military. Montreal would not surrender lightly the preeminent role which it had maintained in the repair industry and Saint

45 J.W. Pickersgill, *The Mackenzie King Record*, vol. I, pp. 61-2, 77, 165.

46 Roberts, *C.D.: The Life and Times of Clarence Decatur Howe*, pp. 52, 59-61.

47 Minutes of the Cabinet War Committee, 7 November 1940 and 21 May 1941, vol. 424, King Papers, PAC.

48 W.C. Hankinson to N.A. Robertson, 15 May 1941, file S-9-26, vol. 42, Howe Papers, PAC; Minutes of the Cabinet War Committee, 27 May 1941; "Appreciation...Canadian Military Effort as of May 28, 1941", file S 14, vol. 51, Howe Papers, PAC.

John was alarmed at a proposal which would so greatly strengthen its arch-rival. As though on cue, Opposition Leader R.B. Hanson, a New Brunswicker, wrote King expressing concern at the impact of the British plan on the postwar prospects of Saint John.[49]

Unable to create a major centre for ship repair in the Maritimes, Macdonald was reduced to a series of proposals for marine railways to be scattered about the region. When these were delayed by Howe, for whom the manpower barrier in the Maritimes seemed insurmountable, Macdonald successfully proposed a greater role by the three services in the determination of priorities within Howe's department. He also began to move the navy out from under Howe's empire through the recruitment and training of naval ratings for shipbuilding and repair.[50]

In December 1941 Howe objected to Macdonald's request for a second pair of Tribal destroyers on the grounds of a steel shortage. The problem was real enough. The military crisis in Europe had led to a greater urgency in shipbuilding construction. Shortages began to appear even before the United States' entry into the war limited exports of the ships' plate, steel and coal on which Howe's department had been relying. Certainly the Americans were not ungenerous. Their controllers often gave Canadian producers the same priority rating as their own. But in the general scramble for basic commodities, the Canadians could not expect to expand their supply from the south.[51] Howe withdrew his opposition to the destroyers for Halifax after the War Committee approved a $17 million government investment in a new blast furnace for Algoma at Sault Ste. Marie.[52]

The shortages signaled a new crisis stage in Canada's wartime economy as the controllers searched for ways of increasing production. The deficiencies surfaced first in ships' plate. In the summer of 1941 steel controller Fred Kilbourn gave the orders to Stelco to "shoot the works" by changing to a three-shift system and operating its new mill at maximum capacity. Since this operation now consumed all of the primary steel that Stelco could produce, the controller ordered Algoma and Dosco to supply Stelco's traditional customers in Ontario and Quebec. The government picked up the tab for transportation.[53] Howe proposed to meet long-term needs for primary steel with the new blast furnace for Algoma. About the same time the controller finally gave the green light to Dosco to "rehabilitate" its idle ships' plate mill at Sydney. Early in 1942 the cabinet granted Dosco $1.75 million to bring the shell of an old blast furnace

49 Minutes of the Cabinet War Committee, 27 July, 29 October and 12 November 1941.

50 Minutes of the Cabinet War Committee, 12 November, 17 December 1941; J.C. Mitchell, Memorandum to G.C.C., 26 May 1942, file NSS 830-2-9, vol. 5619, Department of National Defence Records [RG24], PAC.

51 See also R.D. Cuff and J.L. Granatstein, *American Dollars — Canadian Prosperity: Canadian-American Economic Relations, 1945-1950* (Toronto, 1978), p. 11.

52 Minutes of the Cabinet War Committee, 19 November, 17 December 1941, 28 January 1942.

53 M.A. Hoey to J.B. Carswell, 2 February 1943, file 196-14, vol. 3, vol. 257, RG28, PAC.

purchased in Ontario into production at Sydney. The plate mill began operations early in 1942 and in that year accounted for more than one-third of Canada's output of regular ships' plate.[54]

The shortages also led to a dramatic change in government coal policies. The industry which the mandarins were prepared to discourage at the beginning of the war was now seen as critical to steel production and domestic fuel needs. The coal industry did not thrive under the arbitrary control of the bureaucrats. Although the miners heeded the call of patriotism to enlist, many rejected the same call as a reason to accept lower wages than paid elsewhere in Canada. In 1941 the miners staged a five-month slowdown strike to protest the regional wage differential.[55] A year later the industry suffered a net loss of nearly 4,000 workers. Those who remained drew the ire of the controllers for persistent "absenteeism" as they closed the mines for traditional holidays, to protest specific grievances, and to attend the funerals of those killed in accidents.[56] But the key to the slump in coal production during the war was the loss of the "contract men", those workers at the coal face who actually mined the coal and were paid on the basis of output. It was this vital group of skilled miners which had responded most enthusiastically to the call for enlistment. Early in 1943 the cabinet declared coal production to be critical to the entire war effort, forbade further enlistment by skilled miners and ordered those who had done so to return to the mines. A disproportionate number of those returning appeared to be "datal men", and as production continued to decline, an investigator in 1944 reported that the "main trouble" was "a shortage of producers".[57]

Intensification of the war brought the predictable crisis in ship repair and harbour facilities in Maritime ports. Having failed in their efforts to interest the Canadian government in developing Halifax, the British turned to the United States for the North American refit of their larger vessels. The Americans too were surprised by Canadian nonchalance at the state of their repair facilities. In the spring of 1942 they completed their own survey of the port of Halifax and were strongly critical of facilities in general and the scarcity of repair berths in particular. The investigators recommended that the American government send tugboats to Halifax to rescue "vessels of all nationalities...detained for an unreasonable length of time in Canadian waters awaiting repairs".[58] C.D. Howe

54 See P.C. 6 and P.C. 85, 6 and 8 January 1942, file 196-14-1, vol. 258, RG28, PAC; "Report on the Activities of Steel Control 1940 to 1943", p. 50 and "Report on the Activities of Steel Control 1943 until 1945", p. 51.

55 Minutes of the Cabinet War Committee, 28 July 1941. See also Paul MacEwan, *Miners and Steelworkers* (Toronto, 1976), p. 265.

56 "Towards a Background for Solid Fuel Control", 29 March 1943, pp. 9-12, file 50-1-5A, vol. 45, RG81, PAC, and G.A. Vissac, "Emergency Coal Production Board Report on the Dominion Coal Co. Ltd.", September 1944, p. 114, file 196-37-6-1, vol. 328, RG28, PAC.

57 Minutes of the Cabinet War Committee, 5 May, 15 April 1943; G.A. Vissac to E.J. Brunning, 12 September 1944, file 196-37-6-1, vol. 328, RG28, PAC.

58 Captain N. Nicholson, A.J. Sullivan and C.G. Graham, "Report on Conditions in Halifax, Nova Scotia, and Saint John's, Newfoundland", 30 March 1942, file #111-45, Records of the

took umbrage at the Americans for undertaking the survey without his knowledge or permission. While the War Committee supported Howe in his indignation, its members also wanted assurance that the criticism was unfounded or that the deficiencies were being repaired. Howe advised them that the American survey was inaccurate and outlined new construction then in progress.[59]

In fact, despite Halifax's strategic location as convoy headquarters, Howe's department had continued to treat the port as secondary to Montreal. The Maritimes' shortage of repair berths and machinery was, at least in part, the result of priority decisions taken within the Department of Munitions and Supply. Confronted with shortages in the spring of 1941, Howe promised to "move heaven and earth to make sure that adequate repair facilities are available on the Atlantic coast before the St. Lawrence closes this year". But even specific commitments failed to materialize. In January 1942 Dosco president Arthur Cross reported to Howe that less than 13 per cent of the half-million dollars' worth of repair machinery, which the government had authorized for Halifax Shipyards, had been delivered by Citadel Company, the Montreal-based crown corporation responsible, and the harbour renovations announced the previous spring were incomplete or not even begun.[60] Moreover, the government's willingness to direct repair work to Montreal for half of the year made it difficult for Maritime firms to staff what facilities they had. After the layoffs in the Maritimes in the spring of 1941, D.B. Carswell reported great difficulty in recruiting skilled workers for the Maritime industry for the following winter.[61]

With repairs falling behind and the department seeking to train new workers, a worse crisis was avoided when naval authorities, short of both escorts and the facilities to service them, decided to forego their normally scheduled refits.[62] Yet in February 1942, at a meeting of the Advisory Committee on Ship Repair, Controller Carswell treated the approaching seasonal shift in repair work to Montreal as inevitable. In May he reported that volunteer workers recruited in Ontario and Quebec had been let go and expressed fear that the smaller plants would lose local workers in the slack period to follow.[63]

To Carswell's surprise the slack period did not materialize even after the St.

United States Maritime Commission and the War Shipping Administration, Washington National Records Center, Suitland, Maryland. This and other interoffice memoranda were made available to the author by the Freedom of Information Officer for the United States Maritime Administration.

59 Minutes of the Cabinet War Committee, 7 May 1942.

60 *Commons Debates 1941*, p. 1631; Arthur Cross to C.D. Howe, 6 January 1942, F1222 #54, Macdonald Papers, PANS.

61 See "Report on Ship Repairs and Salvage for the period ending, 31 October 1941" (Note that two different reports bear the same date. This reference is to the one near the end of the file). See also reports for 28 January and 28 February 1942, file 196-13-3, vol. 256, RG28, PAC.

62 G.L. Stephens to ACNS, 9 June 1943, file NSC 1057-1-35, vol. 1, vol. 3996, RG24, PAC.

63 "Minutes of the Advisory Committee on Ship Repairs", 23 February 1942, file 196-13 "General

Lawrence re-opened. There was a back-log from the winter, damage from U-boats continued high and still impending were the overdue naval refits. In the late summer another American investigator reported that, at Halifax, repair facilities were "taxed far beyond their capacity, causing great delays to vessels in need of drydockage and major repairs".[64] Severe additional pressure on all Canadian facilities came with the order in April 1942 to outfit the naval escorts with modern submarine detection equipment. The conversion involved reconstruction of the corvettes to receive the new equipment. Until this was completed the effectiveness of the Canadian navy for convoy protection — its principal responsibility in the war — was seriously impaired. Yet November of 1943 found the modifications completed on only 22 out of 74 corvettes. The navy was reduced to the desperate expedients of leaving some vessels frozen in St. Lawrence ports for the winter, routing others to British Columbia and sending still others on the dubious gamble of breaking into refit schedules at American ports.[65] Marc Milner's *North Atlantic Run: The Royal Canadian Navy and the Battle for the Convoys* shows the cost in naval efficiency of Canada's failure to develop an adequate repair service. The Canadian navy was forced to watch "from the sidelines" while the better-equipped British escorts brought victory to the allies in the Battle of the North Atlantic.[66]

Conditions were rendered even more chaotic at Maritime ports late in the summer of 1942 when the St. Lawrence suddenly closed three months early. British and Canadian naval authorities had noted the greater risks and strain on the escort system resulting from the dependence on Montreal. But the government failed to direct shipping or ship repair to the Maritimes until forced to do so by the activities of the German U-boats lurking within the narrow confines of the River and entrances to the Gulf. From the opening of the shipping season in 1942 U-boats sank 23 vessels. In August the Cabinet ordered the St. Lawrence closed to all but local traffic, for which convoys would be maintained.[67]

With the additional traffic and naval refit priorities, the repair facilities in Halifax and Saint John were in difficulty even before the freeze-up. Although the navy opened new repair facilities at Shelburne and Point Edward, it required time to "break in" the new operations. In the first six months they completed

Correspondence", vol. 1, vol. 256, RG28, PAC; "Report on Ship Repairs and Salvage for the period ending 31 May 1942".

64 "Memorandum", A.T. Cluff to C.G. Graham, 8 September 1942, file #111-45, Records of the U.S. Maritime Commission and the War Shipping Administration.

65 G.L. Stephens to CNS, 11 November 1943, F276 #37, Macdonald Papers, PANS; J.W. Keohane, memorandum to CNEC, 19 February 1944, file 35 vol. 2, vol. 3996,

66 Marc Milner, *North Atlantic Run: The Royal Canadian Navy and the Battle for the Convoys* (Toronto, 1985), ch. IX, and Marc Milner, "Royal Canadian Navy Participation in the Battle of the Atlantic Crisis of 1943", J.A. Boutilier, ed., *The RCN in Retrospect, 1910-1968* (Vancouver, 1982), pp. 158-74.

67 "Minutes of the Saint Lawrence Operations Conference", 22-24 February 1943, Appendix "G", file NSS 8280-166/16 vol. 3, vol. 6789, RG24, PAC. See also M.L. Hadley, *U-Boats Against Canada: German Submarines in Canadian Waters* (Toronto, 1985).

only four refits, although their combined capacity was projected to be 145 vessels a year. The naval authorities found that servicing in the little naval repair yards invariably seemed to require a further stop at Halifax for additional parts or expertise.[68] The construction of the tribal destroyers, which was intended to occupy workers in the summer months, became an embarrassment. Labour was diverted in order to rush completion of the hulls to free additional berths for repair purposes. The destroyers themselves would not be completed until after the war.

The shortage of facilities at Halifax and Saint John created a hopeless bottleneck for civilian shipping requiring maintenance or repair. By the spring of 1943 Carswell's desperation was reflected in instructions to port surveyors that dry docks limit repairs to problems which "seriously affect the sea-worthiness" of vessels. This order was sharply queried by the surveyors who informed him that a vessel is "either seaworthy or not seaworthy".[69] In his reports to Howe, Carswell was hard-pressed to find explanations for his problems which did not imply criticism of the department. He blamed the National Selective Service for failing to provide the skilled labour required, and in 1944 he attributed the shortage of berths in the repair yards to "Acts of God and perils of the sea". If the damaged vessels had only arrived "in reasonable numbers and at regular intervals", his yards might have coped, but they tended to come "in batches".[70]

In the spring of 1943, with Carswell, the navy and local port administrators all complaining of the labour shortage in Halifax, the government appointed a committee of interested parties to investigate. A survey of shipyard firms in the region reported a deficit of 4,872 workers. Discussions on how to meet the problem brought to light overcrowded conditions in the city which made temporary solutions difficult. As the navy expanded operations at Halifax, it tended to expropriate existing buildings. Overcrowding was aggravated by the congregation in the city of the dependents of service personnel who were stationed there or who had left from there to go overseas.[71] A local official complained of shortages in food and commodities which were still distributed on the basis of a census population of 65,000 at a time when 115,000 ration cards were issued exclusive of service personnel. He also protested the inability of the municipality

68 G.L. Stephens to A/CNS, 9 June 1943, file NSC 1057-1-35 vol. 1, vol. 3996, RG24, PAC.

69 D.B. Carswell to W. Bennett, 7 June 1943, A.R. Riddell to the Principal Surveyor, 21 June 1943, file 19-6-13 vol. 2, vol. 256, RG24, PAC.

70 "Report on Ship Repairs and Salvage for the period ending, 31 March 1944". Howe did not readily forgive anything which might be construed as criticism by subordinates. See *On the Bridge of Time: Memories of Hugh L. Keenleyside, Vol. 2* (Toronto, 1982), pp. 79-81.

71 "Minutes of the third meeting of naval and merchant ship maintenance committee on man power", 29 April 1943, file 196-13-8, vol. 257, RG28, PAC. See also Kay Piersdorf, "Anybody here from the West", *Nova Scotia Historical Review*, V, 1 (June 1985), pp. 5-14, Jay White, "'Sleepless and veiled am I': An East Coast Canadian Port Revisited", *ibid.*, pp. 15-29 and Jay White, "The Ajax Affair: Citizens and Sailors in Wartime Halifax, 1939-1945", M.A. thesis, Dalhousie University, 1984.

to provide the transportation, hospital and other services required by military activity and the increased population. His complaint was confirmed by Carswell, who reported "Good food...difficult to procure, sleeping space...not available...[and] transportation...inadequate...".[72] Their complaints resulted in a cabinet decision to place Halifax under the control of the harbour director who had the authority to restrict access and remove from it those deemed non-essential to the war effort. Nine months after the appointment of the committee, a naval memorandum complained that "Despite warnings and recommendations...no apparent action has been taken to move large bodies of skilled men...to...Nova Scotia where the demand has not only been urgent but has been long foreseen".[73]

The intensification of the war brought some industrial expansion, including plant renovation, to the Maritimes. These investments, however, tended to be limited in scope and featured types of industry which had very little chance of continuation after the war. None of the 28 crown corporations was located in the region. The Department of Munitions and Supply reported a total investment of $1.6 billion in the expansion of Canadian industry as of the end of December 1943, of which $823 million could be identified as located in particular provinces. The Maritimes' share of this, exclusive of housing, was a bit more than $27 million or 3.7 per cent. This was less than either British Columbia or the Prairies. Prince Edward Island received nothing, New Brunswick $6.5 million and Nova Scotia $20.8 million. New Brunswick obtained $1.5 million for aircraft repair, $1 million for naval construction and $2.7 million for ship repair. In Nova Scotia $5 million went to ship repair, $3.8 to the repair of aircraft, $3 million to steel and coal production, and $4.6 million to the manufacture of gun parts and ammunition. Shipbuilding totals also give an indication of the region's share of that industry: the Maritimes accounted for 6.2 per cent of the value of total contracts issued compared with 50 per cent for British Columbia, 28.6 per cent for Quebec and 15.1 per cent for Ontario. Within the region Nova Scotia's shipbuilding contracts totalled $62 million, New Brunswick's $9.8 and Prince Edward Island's $0.4 million.[74]

72 J.A. Hanway to Henry Borden, 22 June 1943, D.B. Carswell to C.D. Howe, 8 May 1943, file S-14 (2), vol. 51, Howe Papers, PAC. It is remarkable how casually the federal authorities appeared willing to discriminate against the Maritimes in the distribution of commodities. An oil shortage in 1941 resulted in a federal directive that ration coupons for gasoline would allow only two gallons in the Maritimes while continuing to yield five in the rest of the country: *Halifax Herald*, 19, 21, 23 May 1942 and interview with R.A. Tweedie of Fredericton, 26 February 1985.

73 Minutes of the Cabinet War Committee, 22 September 1943; K.F. Adams, "Inadequacy of Refitting Facilities on the East Coast of Canada", Memorandum to ACNS, 7 December 1943, file NSC 1057-1-35 vol. 2, vol. 3996, RG24, PAC.

74 Department of Munitions and Supply, Economics and Statistics Branch, "Report on the Government-Financed Expansion of the Industrial Capacity in Canada as at December 31, 1943", summary table 2, vol. 184, RG28, PAC; Shipbuilding summaries, file 5 of 12, vol. 29, RG28, PAC.

The regional inequities of the federal government's wartime industrial investments were amplified in a reconstruction policy of channelling more money into the same industries to enable them to make the transition to peacetime production. The depreciation formula ensured that only profitable companies which were in a position to make the conversion would receive assistance. By 1 July 1945, 48 per cent of the funds had gone to Ontario, 32 per cent to Quebec, 15 per cent to British Columbia and the other 5 per cent was divided among the remaining six provinces. The authors of a report to the Department of Reconstruction giving these figures observed that "the problems of the transition period" will be "most acute in the Maritimes...where wartime dislocations have been superimposed on the special problems of a depressed area".[75]

The transfer of shipping and ship repair to Maritime ports proved temporary and did not survive the crisis stage in the war. In justifying their return to the St. Lawrence, the controllers had ample evidence of the inability of Maritime ports to handle Canada's trade. The number of vessels travelling in the emergency convoys, supposedly for local needs on the St. Lawrence, tripled as exceptions were made in the ban on through traffic. By the winter of 1945 Howe reported an enormous quantity of stores backed up at Maritime ports and 13,000 Canadian railway cars stranded in the United States, a result of other attempts to bypass the Maritime bottleneck. The shipping directors called for the reopening of the St. Lawrence regardless of the U-boat threat or the strain on the escorts.[76] By early summer Carswell was able to report business as usual with the port of Montreal back in full service and two-thirds of the ship repair activity shifted to the St. Lawrence. At the end of July, he reported repairs to be proceeding "at full capacity" in Montreal and "fallen off substantially in the Maritimes". This was two months before the government officially lifted its controls on ship repair.[77]

The steel controller also began to emphasize the inefficiencies of the steel industry in the Maritimes. Dosco had suffered losses during the war as coal carriers were sunk in the St. Lawrence and ore carriers torpedoed on their way

75 Department of Reconstruction, Economic Research Branch, "Area Study Tables", 30 September, 11 July 1945, vols. 263, 264, B2-B8, RG28, PAC; "The transformation of the Canadian economy from a peacetime to a wartime basis and the machinery developed for that purpose", vol. 262, B2, RG28, PAC. For the role of the federal government in the problems of two primary industries adjusting to the postwar economy, see Margaret Conrad, "Apple Blossom Time in the Annapolis Valley, 1880-1957", *Acadiensis*, IX, 2 (Spring 1980), pp. 14-39 and David Alexander, *The Decay of Trade: An Economic History of the Newfoundland Saltfish Trade, 1935-65* (St. John's, 1977).

76 "Convoys In the Gulf of St. Lawrence", Memorandum from Deputy Secretary of the Naval Board to Commander-in-Chief, Canadian Northwest Atlantic, 28 August 1944, file NSS 8280-166 vol. 4, vol. 6789, RG24, PAC; Minutes of the Cabinet War Committee, 17 March 1945; E.S. Brand to W.G. Hynard, 2 February 1945, file NSS 8280-166 vol. 4, vol. 6789, RG24, PAC.

77 "Report on Ship Repairs and Salvage" for the periods ending 31 May, 31 July and 30 September 1945.

from Brazil. Like many firms it operated on a cost-plus basis, with the profits to be determined by a subsequent audit. In a firm as complex as Dosco, determining overall costs of operation was no mean feat and open to controversy. In 1944 the controller employed the costing of steel plate production derived from the audit — 68 cents for Dosco compared to 57 cents for Stelco — to record different prices in the books of the crown corporations buying it. As the demand for ships' plate declined, the difference in cost became the rationale for directing all domestic orders to Hamilton. With the decline in foreign orders, in February 1945 the Sydney plate mill closed down.[78]

The cost of producing steel, however, could not be separated from the pattern of previous government investment. Early in 1944 the steel controller sent T.F. Rahilly, a former general manager of Algoma, to report on the Sydney plant and its postwar prospects. Relentlessly, Rahilly compared the performance of each section with that of the new government-funded plants in other corporations. The Dosco coke ovens, for example, produced 100 tons of coke while the new ovens at Algoma could produce 160 tons. The blast furnaces were less efficient — one should be closed down immediately — and the iron ore was of a lower grade. But his conclusion was a surprising one and probably not welcome to Howe and his controllers. Rahilly argued that if the plant now had problems it was because "acts of the government have placed it in its present position". Dosco would "come out of the war period with less new plant than any of its competitors". Dosco was less efficient because of the government's intervention. In Rahilly's view the government had a clear responsibility to assist the company to reestablish itself in a peacetime economy.[79]

This view was not shared by Howe. Indeed Dosco's own efforts at survival proved embarrassing. Discouraged by the Maritimes' bleak postwar industrial prospects, the corporation turned to plants in Central Canada to provide captive markets for its primary products. Late in December 1943, having recently acquired the Canadian Tube and Steel Products Company of Montreal with its "extensive bolt and nut manufacturing plant", Dosco set out to close the bolt and nut department at Trenton and to lay off approximately 800 workers. A brief meeting of Arthur Cross with Howe sufficed to gain the minister's permission. To the surprise of both, this apparently routine shift in operations aroused extensive protest in the Maritimes. Maritimers were not strangers to the closure of their industries in periods of depression. But this closure, coming in wartime when business was booming, was recognized for what it was, a deliberate and conscious attempt to shift operations to a more promising location and, as the Dosco announcement proclaimed, to "consolidate operations now being conducted in the Montreal area".[80]

Pushed by a public outcry led by the trade unions, Premier A.S. MacMillan

78 F.H. Brown to C.L. Dewar, 22 September 1944, file 196-2D-2, vol. 195, RG28, PAC.

79 T.F. Rahilly to F.B. Kilbourn, 5 September 1944, file 196-2D-2, vol. 195, RG28, PAC.

80 "Proceedings of the Carroll Commission re. Trenton Steel Works Ltd.", vol. VI, pp. 406, 421-2, Box 15 #4, RG44, PANS.

appeared before the federal cabinet to urge that the government deny the corporation permission to close the Nova Scotia plant.[81] MacMillan did not accept the cabinet's rejection of his request but appointed a royal commission conducted by Judge W.F. Carroll to investigate. The hearings, which lasted from December 1943 to May 1944, kept the issue before the public. The unions accused the corporation of employing public funds to facilitate its shift from the region and its abandonment of its responsibilities to dependent communities. Clearly implied was a criticism of the government, and in particular the minister who originally gave permission for the plant's closure.[82] Nor was the criticism effectively rebutted by Howe's lame explanation that he "was not told" that the products of the Trenton plant were used for war purposes.[83]

Howe may not have forgiven either Dosco or the Nova Scotia government for this public embarrassment. In 1944, as Duncan McDowall records, Howe advised the steel controllers to use Dosco "to the minimum extent possible even if we have to buy the steel from the United States".[84] Howe's animus towards Dosco may have had even greater repercussions for the Maritime region. In 1943 the federal government invited the provinces to co-operate in appointing commissions to investigate each province's needs in adjusting to a postwar economy. The three Maritime provinces did so. Nova Scotia, as part of its study, retained the firm of Arthur McKee and Company of Cleveland, Ohio to investigate the Nova Scotia steel industry. Its report in the spring of 1944 proposed a sheet steel mill as a basic requirement for both Dosco and the manufacturing industries in the Maritimes. The McKee proposal included the results of a tentative market survey and diagram of the plant. In the same year Howe's department assisted Stelco to develop a mill for the production of sheet steel and invited other companies to submit proposals for a second mill to meet anticipated postwar needs. Dosco was not included in the invitation.[85]

The long-term impact of the government's wartime policies on the Maritimes was largely negative. While the government did generate economic activity, it created relatively little new industry in the region and even less of a permanent nature. It harmed existing industries which survived the war only to discover, as did Dosco, that their relative position in the country had been eroded by the expansion and modernization of their competitors. Even the service or repair industries did not escape damage from the increased capacity at the centre. The

81 Minutes of the Cabinet War Committee, 1 and 16 December, 1943.

82 "Submission of J.L. Cohen on behalf of United Steelworkers of America and District #26, United Mineworkers of America in the matter of...the curtailment of operations at DOSCO Trenton Steel Works...", 24 June 1944, Box 15 #12, RG44, PANS.

83 Province of Nova Scotia, *Report of the Commissioner on Trenton Steel Works* (Halifax, 1944), p. 26.

84 Quoted in McDowall, *Steel at the Sault*, p. 200.

85 A.G. McKee & Company, "Report on the Steel Industry" in *Report of the Royal Commission on Provincial Development and Rehabilitation* (Halifax, 1944), part XI, p. 19. This consulting firm had acted as consultants to Steel Control at the beginning of the war: M.A. Hoey to J.G. Godsoe, 10 May 1944, file 196-14-4, vol. 257, RG28, PAC.

Canadian National Railways' repair shops in Moncton, for example, found their position undermined by a big new machine shop in Montreal which, at Howe's suggestion, the railway built as a munitions plant and then converted at the war's end.[86] Maritime manufacturers who sought to develop lines of consumer products for the postwar era faced long odds in importing their sheet steel from Ontario while attempting to sell their products nation-wide. Companies which did so, such as Enterprise Stoves and the Enamel and Heating Products of Sackville, New Brunswick, found themselves doubly vulnerable to freight rate increases and a rate structure which increasingly favoured the central producers.[87]

By the pattern of its wartime investment, the federal government appeared to be telling businessmen that the Maritimes would have little part to play in Canada's new postwar industrial complex. Dosco responded to that message at first by vigorous protest and later by the transfer of secondary operations to Montreal. Meanwhile, with the taxable resources of the country now hived more than ever within the boundaries of Ontario and Quebec, provincial governments in the Maritimes were in no position to themselves finance the steps towards the re-industrialization of the region which their royal commission studies often suggested.[88]

While one can outline with precision the negative impact of the federal government's role, its motives remain open to controversy. There was, of course, no conspiracy to de-industrialize the Maritimes. Little more plausible is the suggestion that Howe and his controllers avoided the Maritimes in their investments from fear of German attack. It is true that Dosco was vulnerable to submarines in the acquisition of ores, and the corporation in 1942 went so far as to open emergency reserves of iron ore near Bathurst, New Brunswick, although these were never employed. Yet the strategic threat was not cited as a problem in the use of Maritime industry by the controllers at the time nor does it seem to have been a matter of discussion among their military advisors. The efficiency argument cannot so easily be dismissed, for it was the explanation most frequently offered by the bureaucrats in their industrial memoranda. But this rationale rings hollow when applied to the location of shipbuilding and ship repair industries or to the unnecessary delay in opening the Sydney plate mill.

86 See draft history of "National Railways Munitions Ltd.", file 3 of 12, vol. 29, RG28, PAC.

87 See their statements in "Submission of the Transportation Commission of the Maritime Board of Trade to the Royal Commission on Transportation", vol. 1, p. 119, Box 9, RG34, PAPEI. Appendix 46 in volume 2 suggests that competitive rates led to decreases of 10 to 35 per cent on basic steel to manufacturers in Central Canada, with the differential against the Maritime manufacturer increasing sharply after each rate increase.

88 Nova Scotia, *Report of the Royal Commission on Provincial Development and Rehabilitation*; New Brunswick, *Report of the New Brunswick Committee on Reconstruction* (Fredericton, 1944); Prince Edward Island, *The Interim Report of the Prince Edward Island Advisory Reconstruction Committee* (Charlottetown, 1945); J.R. Petrie, *The Regional Economy of New Brunswick: A Study Prepared for the Committee on Reconstruction* (Fredericton, 1944) and J.M. Beck, *The Government of Nova Scotia* (Toronto, 1957), p. 341.

The suggestion by officials of the British Admiralty Technical Mission, who were intimately involved in Canadian industry in an advisory capacity, that locational decisions were "heavily" political seems more plausible. Indeed the political hypothesis goes far in accounting for the entire pattern of economic development. The beginning of the war at the end of the Depression found Canadian industries starved for business and lobbying actively for the contracts anticipated from the war. Federal and provincial politicians were keenly interested. The earliest and biggest contracts went to the largest centres in the most influential provinces and with them went the federal assistance for industrial development.

The controllers' tacit respect for the political power of the Montreal metropolis also appeared obvious in their willingness to allow that city to dominate the lucrative ship repair industry. They persisted in this policy regardless of the inconvenience to convoys or the impediment to developing a stable industry, accessible during the winter months. Montreal's influence was also reflected in the discussions of the War Committee of the cabinet, which apparently found it easier to contemplate building destroyers at Halifax to provide off-season employment than to divert repair business from the St. Lawrence. Certainly the decision to locate one shipbuilding plant in Nova Scotia appeared to be largely a response to public protest. It should come as no surprise that politicians act from political motives.

One suspects, nevertheless, that there was more than the consideration of immediate political gain in the behaviour of C.D. Howe and his controllers. Howe's personal motives in decisions affecting the Maritimes cannot be shown conclusively at this stage of research. Letters and memoranda on controversial decisions involving the Maritimes are absent from his papers, and his public statements often appear as simplistic rationales. Howe's extraordinary support for Algoma and his apparent hostility towards Dosco, its most direct competitor, suggest that his friendship with Sir James Dunn might have been an influencing factor. His subsequent attempt to deny this relationship and his admission to destroying portions of their correspondence also point in that direction.[89] Yet his apparent preference for Algoma should not be exaggerated. Assistance to that corporation appeared outstanding largely because, unlike Stelco, its profit margin was too low to allow government investment to be hidden as depreciation.

Howe's general policies and occasional comments suggest that he was more than merely reacting to the hectic events of the period. Repeated references by Howe and his controllers to Canada's postwar needs, even during periods of crisis, suggest that they were working from a plan for the long-term industrial development of the country. Their blueprint included a continued industrial integration with the United States — a relationship which effectively undermined Dosco's claim to virtue as the only steel company not dependent on the

89 McDowall, *Steel at the Sault*, p. 205. See also S.R. Howe, "C.D. Howe and the Americans, 1940-1957", Ph.D. thesis, University of Maine, 1977, pp. 251-2.

Americans for primary materials. It also anticipated the St. Lawrence Waterway, an international project which promised to turn the cities of the Great Lakes into ocean ports. This scheme was abandoned by the Canadian government only after the Canadian-American treaty, signed in March 1941, failed to pass the United States Congress.[90]

From Howe's perspective, it may have appeared a more efficient use of Canada's resources to develop ports and concentrate industry on the Great Lakes and St. Lawrence rather than the coast. Moreover, such a plan had the practical advantage of meeting the long-term aspirations of the two politically powerful central provinces and their metropolises. Such an approach served the interests and regional prejudices of Howe, his controllers and influential friends. It even appeared to conform to the conventional wisdom of Canadian economists. If the weakness of Maritime industry in the 20th century was a natural outcome of the free interplay of the forces of the marketplace, as studies by S.A. Saunders and W.A. Mackintosh seemed to suggest, then it logically followed that government investment to develop industry there might be wasted in the long term. B.S. Keirstead probably reflected the thinking of many of his contemporaries when his studies in 1944 and 1948 set out the classic interpretation of the decline of manufacturing in the Maritimes as the inevitable result of economies of scale and agglomeration in Central Canada.[91]

One should not blame Howe, the politician, for responding to the political pressures of his day. He was not responsible for the structure of Confederation which some have aptly called an "unequal union". But neither the political pressures nor Howe's industrial blueprint served the interests of Canada's war effort in the Maritimes. Not only did Howe's department fail to develop the industrial potential of the region for the war, but hindsight also reveals the negative impact of spectacular errors in particular industries. The long delay in reopening the plate mill at Sydney contributed to severe shortages in ships' plate in Canada in 1941 and 1942. Howe and his controllers failed to develop in eastern Canada a major centre for the production of naval vessels. The construction of escorts on the Lakes led to battles against frost and freeze-up, a loss of flexibility in shifting to larger vessels and the lack of support capacity in refit

90 T.L. Hills, *The St. Lawrence Seaway* (London, 1959), pp. 66-7. The files of press clippings on this subject in Howe's papers suggest the enthusiasm of Great Lakes harbour communities at the prospects of becoming ocean ports.

91 Saunders, *The Economic History of the Maritime Provinces*, pp. 84-5 and W.A. Mackintosh, *The Economic Background to Dominion-Provincial Relations* (Ottawa, 1939), pp. 43-5. See also *Report of the Royal Commission on Dominion-Provincial Relations* (Ottawa, 1940), Book I, p. 119; B.S. Keirstead, *Theory of Economic Change* (Toronto, 1948), pp. 267-310 and *The Economic Effects of the War on the Maritime Provinces of Canada* (Halifax, 1944). W.Y. Smith pointed out, however, that although Howe and his adviser W.A. Mackintosh borrowed heavily from the work of British economist J.M. Keynes for their *White Paper on Employment and Income* (Ottawa, 1945), they conspicuously ignored his strictures on regional development: "Recognition of Regional Balance", *Policy Options*, 2 (5) (November/December 1981), pp. 41-4.

and ship repair. Their failure to heed the advice of major allies on developing a repair centre at Halifax and their persistence in maintaining that industry at Montreal seriously impaired the effectiveness of the Canadian navy.

Meanwhile, their policies, far from helping to overcome trends towards regional disparity of which some Canadians were conscious, served rather to accentuate and consolidate them. Howe may have sincerely believed, given his vision of Canada's future development, that the decline of industry in the Maritimes was inevitable. If so, with the mobilized resources of the Canadian state at his disposal, including billions of dollars in direct investment, his was a powerfully self-fulfilling prophecy.