

The politics of forestry: The failure of the Lepreau pulp and paper project in New Brunswick, 1947–1949

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ABSTRACT

Prior to the Second World War, it was commonplace in Canada for politicians to shape the development of the forest industries through the allocation of Crown forests for the purposes of patronage or traditional party politics. This began to change in the early decades of the 20th century due to the lobbying efforts of professional foresters and forest industrialists. However, it was a long and uneven transition, lasting well into the 1960s. An excellent example of the politics of development that occurred during this shift in Crown land dynamics was a failed New Brunswick pulp and paper project, to be located on the Lepreau River watershed, in the late 1940s. The surviving Lepreau project records offer historians unique insight into the closed-door politics that took place during the long and uneven transition away from the traditional dynamics of patronage and party politics that once surrounded Crown land allocation in New Brunswick and much of Canada in general.

Keywords: New Brunswick, Lepreau River, Crown lands, Crown forests, Crown land allocation, politics, party politics, patronage, pulp and paper, John B. McNair, Ewart Atkinson

RÉSUMÉ

Au cours des années précédant la Deuxième Guerre mondiale, les politiciens canadiens avaient l'habitude de façonner le développement des entreprises forestières en leur accordant des forêts publiques sous forme de patronage ou sous le couvert de pratiques politiques partisanses. Cette situation s'est modifiée au cours des premières décennies du XX^e siècle, suite aux activités de démarchage des forestiers professionnels et des industriels forestiers. Cependant, cette transition fut longue et inégale et se poursuivit jusqu'au cours des années 1960. Un exemple parfait de ces politiques de développement qui est survenu au cours de cette transition dans la dynamique des terres publiques, porte sur un projet avorté de pâte et papier au Nouveau-Brunswick qui devait se situer dans le bassin de la rivière Lepreau à la fin des années 1940. Les archives encore disponibles portant sur le projet de Lepreau offrent aux historiens un aperçu unique des politiques secrètes qui ont pris place au cours de cette longue transition inégale à partir du régime traditionnel de patronage et de politiques partisanses qui entouraient alors l'allocation des terres publiques au Nouveau-Brunswick et dans la majeure partie du Canada.

Mots clés : Nouveau-Brunswick, rivière Lepreau, terres publiques, forêts publiques, allocation des terres publiques, politiques partisanses, patronage, pâte et papier, John B. McNair, Ewart Atkinson



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The politics of forestry in Canada have at times been messy. As historian H.V. Nelles has noted in his influential book *The Politics of Development* (Nelles 1974), politicians often shaped the development of the forest industries through the allocation of Crown forests for the purposes of patronage or traditional party politics, particularly prior to the Second World War (1939–1945). This began to change around the turn of the 20th century,

when, as part of the progressive conservation movement, professional foresters advocated so-called rational and scientific forest management and industrialists lobbied for the stability of long-term forest tenure (Nelles 1974). In New Brunswick, for example, government officials worked to alter the traditional dynamics of patronage and party politics that surrounded

Crown land allocation to make the province more attractive for corporate investment as part of the transition from lumber to pulp and paper as the dominant forest industry in the 1920s and 1930s (Parenteau 1992, 2013). This shift in Crown land dynamics was a long and uneven process, and the lure of using the Crown lands for political gain survived well into the second half of the 20th century. Historians seldom have access to the back-room discussions that went hand-in-hand with Crown land allocation, but a unique set of records from the failed negotiations of one industrial development project in New Brunswick have survived the passage of time and offer much insight into the politics of development. From 1947 to 1949, John B. McNair's (Fig. 1) Liberal government (1940–1952) was engaged in serious but ill-fated discussions with promoters to build a large pulp and paper mill complex on the Lepreau River in southern New Brunswick.

As a concept, the Lepreau project originated with Ewart Atkinson and Frederick Bagley. Atkinson (Fig. 2) was a Frederickton-based lawyer, pulpwood dealer, Conservative MLA for Sunbury County from 1926 to 1935, and he controlled the timberlands in the Lepreau River watershed, either through direct ownership or Crown land leases. Bagley was an experienced

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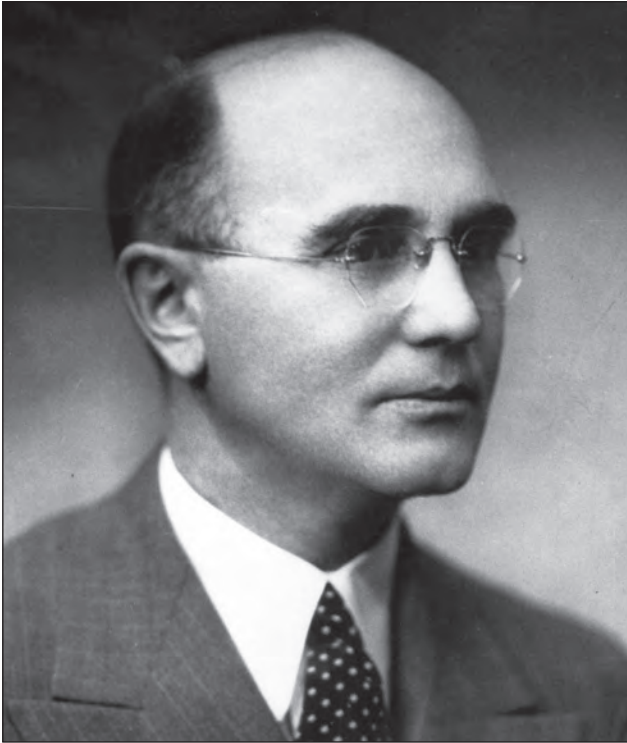


Fig. 1. John B. McNair, c. 1940, Premier of New Brunswick from 1940 to 1952. Photo credit: Provincial Archives of New Brunswick Department of Health Photographs: P107-4

mill promoter and a former general manager and vice-president of two newsprint mills in Maine. As the main contact with the New Brunswick government, Atkinson started to promote the construction of a large mill in Lepreau as a feasible industrial project in the second half of 1947. In October of that year, several newspapers across North America printed articles covering negotiations at the Pennsylvania Hotel in New York City over the possible construction of “the largest paper mill in Canada.” The *Financial Post*, a business weekly out of Toronto, published front-page stories on the negotiations from 18 October to 1 November, reporting that Atkinson and Bagley were in New York on two separate trips at the end of October to meet with a group of American newspaper publishers and Harold Rowley, chair of the New Brunswick Resources Development Board. Discussions at the meetings were purportedly centred on a 1000-short-ton-per-day newsprint mill to be set up on a cooperative basis, whereby publishers involved in the project would pay a subscription price of \$100 for every contracted short ton of newsprint. The subscriptions were to raise half of the \$60 million in capital needed to build the mill, while the other \$30 million would be raised through bond issues. The *Post* also reported that several publishers had shown interest in the scheme, but some had had concerns over the lack of available electrical power in New Brunswick.¹

By early 1949, many of the Lepreau project’s details had changed. The company slated to build the proposed mill complex was named the Maritime Pulp and Paper Mills Corporation, and Atkinson had spent the previous 15 months venturing to New York, Montreal, Washington, DC, and Saint

¹*Financial Post* (Toronto), 18 and 25 October and 1 November 1947.

John to promote his fledgling company (PANB 1949g). On 22 February 1949, Atkinson wrote to New Brunswick’s Minister of Lands and Mines, R.J. Gill, informing him that the proposed development had changed from a newsprint mill to a sulphite or sulphate mill, with a town site of 10 000 to 15 000 people, which would produce dissolving pulp to be used in rayon manufacture. There were several other new details: Bagley had assumed a less prominent role in the project, the productive capacity of the mill had decreased from 1000 short tons per day to 300, the total capitalization had declined to \$30 million, and J.U. Gauthier from St. Lambert, Quebec had been hired as the project’s new head promoter (PANB 1949a). The Lepreau project also had possible financial backers, an unnamed group from New York represented by one Stuart Otto, and they were willing to back the mill once “engineering and other reports confirm[ed] all phases of the enterprise” (PANB 1949c).

A short letter that Premier McNair wrote to Gauthier on 26 March represents the first definite statement of his administration’s position on the Lepreau project. McNair wrote the letter shortly after Gauthier and Otto had travelled to Fredericton:

“This is to assure you again of the interest of the Government of this Province in the proposed Lepreau project which was under discussion with you and Mr. Otto when you were in Fredericton this week.

“I believe that you found in our various departments evidence of a desire and disposition to cooperate in every reasonable way to bring about such a development. “It was a great pleasure for me to meet Mr. Otto and yourself and I wish to state again that all of us will gladly lend our efforts to assist in every reasonable way to bring about the major development on which you are working.” (PANB 1949b)

While professing interest in the project, McNair also demonstrated that there were limitations to the degree of cooperation and assistance his government was willing to provide.

He stressed on two occasions that his administration would assist or cooperate with the mill’s developers “in every reasonable way,” suggesting there were certain forms of cooperation or assistance that McNair considered unreasonable. This type of language appeared again in a telegram McNair sent to Stuart Otto on 18 April, stating that the financial backers in New York could “count on every reasonable measure of cooperation from this government” (PANB 1949d).

On 27 May 1949, Gauthier wrote to Rowley, asking him to



Fig. 2. Ewart Atkinson, 1930, during his time as a Conservative Member of the New Brunswick Legislative Assembly. Credit line: Provincial Archives of New Brunswick Assorted Photo Acquisitions #4 : P37-151

arrange a meeting with McNair on 3 June so that Gauthier could discuss “political matters” with the premier. Prime Minister Louis St. Laurent, a Liberal, had recently called a federal election for 27 June, and Ewart Atkinson, a long-time member of the Conservative/Progressive Conservative Party, had become the Tory nominee for the district of York-Sunbury. Atkinson had planned on formally announcing the Lepreau project to the public and the media in an attempt to guarantee his election victory, despite the fact that he had agreed with the provincial government that McNair would be the one to make the formal announcement. In addition, Gauthier and Otto had signed on to the project only after they had secured an agreement with Atkinson that he would not enter federal politics while they were trying to promote the mill. Milton Gregg, the Minister of Veterans Affairs, their contact in the federal government, and a good friend of McNair’s, was the sitting member for York-Sunbury, so Gauthier and Otto did not want Atkinson’s political ambitions to possibly derail the project (PANB 1949e).

McNair and Gauthier met in Fredericton on 3 June to discuss Atkinson’s nomination and its implications for the Lepreau project. In a letter to the premier on 9 June, Gauthier reiterated what was discussed at that meeting, including that they had determined that Atkinson could no longer be trusted. McNair and Gauthier, who had the backing of Otto and the financial group in New York, conspired both to continue the mill project without Atkinson’s involvement and not inform him of their new arrangement. At McNair’s request, Gauthier agreed to remove Atkinson’s name and the title of his company, Maritime Pulp and Paper, from the preliminary and final engineering reports; they later renamed the company the Bay of Fundy Pulp Corporation. They decided to appoint Rowley as the new mill’s president and general manager, and McNair assured Gauthier that the New Brunswick government could secure the pulpwood needed to supply the mill without access to Atkinson’s timber limits. Gauthier also revealed that he could use his “influence” over Atkinson to keep him from announcing the Lepreau project during the election campaign, although the exact nature of that influence was unclear (PANB 1949f). In any case, Atkinson did not use the Lepreau announcement to his advantage in the weeks leading up to the election. McNair sent telegrams to both Gauthier and Otto on 25 June, stating that he was “happy to advise situation passed off without any announcement” (PANB 1949i).

By the end of June 1949, no longer able to rely on Atkinson’s resources, Gauthier started to ask the New Brunswick government for financial assistance. Gauthier wrote to McNair on 24 June, outlining how much he had personally spent on the Lepreau project, approximately \$16 000, and asking for a small amount of financial aid. He clarified in early July that he required \$25 000 to finish the report, emphasizing that he hoped he would “receive the full cooperation as promised by the Government of New Brunswick.” Gauthier later settled for the sum of \$12 000, an amount he negotiated with McNair at a meeting in Fredericton on 7 July (PANB 1949h).

Unfortunately for Gauthier, that was not the end of his money problems. Shortly after he left the meeting on 7 July, McNair and Rowley decided against providing the financial assistance. Rowley wrote to Gauthier on 8 July to explain that they considered it “undesirable for government to participate in promotional financing.” Essentially, the state providing direct assistance to private industry was one of the unreasonable forms

of government assistance or cooperation McNair had alluded to when he had stated that the New Brunswick government would aid in the development of the Lepreau project “in every reasonable way.” As a pre-Keynesian liberal (limited government involvement in the economy), McNair believed that all aspects of financing should be through the private sector, thus Rowley suggested that Gauthier should contact the group in New York for the amount of \$12 000 (PANB 1949j). Gauthier called Otto on 9 July and asked him to approach the financial group in New York for the funds. Otto replied that he would not ask the financial group, because the New Brunswick and federal governments had to demonstrate their full support of the Lepreau project with financial aid. Otto was also concerned with some of the delays in the project’s progress, including the earlier problems with Atkinson and subsequent difficulties Gauthier had been having trying to secure new sources of pulpwood without Atkinson’s timber limits. Consequently, Otto stated he would only recommend financing of any type once the mill proposal had been completed and deemed satisfactory by the financial group (PANB 1949k).

Finding no help in New Brunswick and New York, Gauthier next turned to Ottawa. According to Gauthier, the federal cabinet minister from New Brunswick, Milton Gregg, assured him that if the Lepreau project “was endorsed by the Provincial Government of New Brunswick, then . . . I shall gladly recommend to my Colleagues that the necessary wharves, and other facilities for shipping from the proposed plant, be constructed by the Federal Government without delay.” In addition, the federal Deputy Minister of Public Works supposedly agreed to send federal engineers to the mill site at the end of July to help choose the exact location to build the mill. Gauthier thereafter used these alleged pledges to continue to pressure McNair to provide the financial aid he needed to complete the mill proposal (PANB 1949l).

In the months that followed, the Lepreau project slowly fell apart. It turned out that timber limits near the Lepreau River watershed that McNair believed he could access for the project were controlled by Ewart Atkinson. By mid-August, both McNair and Gauthier realized that Atkinson had to be brought back on to the project (PANB 1949m). The financial group in New York, nervous about the venture due to McNair’s unwillingness to finance the completion of the mill proposal, was not pleased that Atkinson had to be included in the project once again. Nonetheless, Otto reluctantly agreed to work with Atkinson until the final engineering report was completed (PANB 1949n). The final report was finished in September, and Otto considered it to be “most unsatisfactory.” When Gauthier’s consulting engineer refused to revise the report, the financial group pulled their support in late October (PANB 1949o). That was effectively the death knell for the project. In a hastily scrawled note to McNair on 8 December, Gregg observed that “[t]he Atkinson-Gauthier-Otto trio appear to have dissolved partnership with a good deal of search for scape goats [sic]” (PANB 1949p).

The surviving Lepreau project records offer historians unique insight into the closed-door politics that took place during the long and uneven transition away from the traditional dynamics of patronage and party politics that once surrounded Crown land allocation in New Brunswick and much of Canada in general. Politicians used their privileged ability to mete out access to Crown forests for their own benefit and the benefit of those around them until well after the end of the Second World

War. In the case of the Lepreau project, Atkinson had been a New Brunswick MLA in the late 1920s and early 1930s, and Atkinson believed he could use his control of Crown limits in the Lepreau River watershed and the announcement of a new pulp and paper mill in the area to his political benefit during the federal election of 1949. This brazen political ploy angered McNair, so the premier struck a deal with Gauthier to cut Atkinson out of the project. Unfortunately for McNair, Gauthier did not have the necessary funds to see the Lepreau project through to the next phase, nor did the premier have access to the needed timber limits without Atkinson's involvement. The uncertainties of the project and the various political machinations eventually scared off the financial backers in New York. Like other industrialists, the financial group wanted security of investment, but they did not find it in the proposed Lepreau project of the late 1940s. By the 1960s, patronage and party politics had been largely purged from the Crown land allocation process in New Brunswick, and the province's pulp and paper industry expanded to an unprecedented degree over the next few decades (McLaughlin and Parenteau 2009).

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