

# The Government's Timber Business: Forest Policy and Administration in British Columbia, 1912-1928

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In his 1980 essay on British Columbia historiography, Allan Smith observed that the most important conceptual innovation during the period of the 1930s and 1940s was that derived from the work of the staple theorists.<sup>1</sup> Historians writing after 1960, however, have not carried on a systematic analysis of the province's resource-based development. This essay will attempt to contribute to that task by focusing on forest policy and administration during the formative years of the Forest Branch of the Department of Lands.

Analyzing the demise of public resource management in Ontario, H. V. Nelles might well have been summarizing the course of events in British Columbia from 1912 to 1928 when he concluded that "businessmen had succeeded in generalizing their ideology, or in identifying their interests completely with the public interest largely through their political influence."<sup>2</sup> It is Nelles' point, and one borne out below, that Crown ownership did not lead inevitably to positive and responsible state intervention. In those areas of policy considered in this study, the government showed a striking inability, if not unwillingness, to use its potential advantage as owner of the timber resources. Timbermen succeeded in penetrating the administrative process in order to shape public policy to their private needs.

This essay will examine British Columbia forest policy and administration by looking at four specific areas: forest protection, log exports, timber allocation, and royalties. The period chosen extends from the founding of the Forest Branch by the Tory government of Richard McBride, embodiment of Old Corruption in British Columbia historiography (1903-1915), to the end of the reform Liberal administration of H. C. Brewster and John Oliver (1916-1928). Regardless of the political stripe of the government, and despite the growth in size and sophistication of the forestry

<sup>1</sup> Allan Smith, "The Writing of British Columbia History," *BC Studies* 45 (Spring 1980): 82.

<sup>2</sup> H. V. Nelles, *The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849-1941* (Toronto, 1974), 428.

bureaucracy, the capitalists in the forest industry were able to assert their short-term private economic priorities over those longer-term resource management goals of professional foresters. During these early years of British Columbia's forest industry development there was ultimately little political or economic scope for advanced forestry or for a "people's share" in this allegedly highly competitive and unstable enterprise.

By the beginning of the twentieth century, British Columbia was one of the last timber frontiers in North America. The gold rush experience of the 1860s had its parallel in the timber rush of the 1900s. The opening up of western Canada to development and the United States' plans for a Panama Canal were among the factors creating tremendous expectations of increasing timber values.<sup>3</sup> Moreover, dwindling United States timber reserves made British Columbia's forests a prime target for American timbermen and speculators.<sup>4</sup> McBride's new Conservative government was anxious to take advantage of this situation in order to build up the provincial treasury and attract industrial capital to the province. Much of the timber already in private hands had been alienated through railway land grants or early Crown grants. These timberlands returned little annual revenue to the government but kept the producing side of the industry well supplied.<sup>5</sup> In order to capture large amounts of timber revenue quickly, the government adopted a policy of allocating millions of acres, mostly for future cutting, at rental charges low enough to be held for that purpose. Between 1905 and 1907, transferable twenty-one-year licences were issued on over fifteen thousand square miles of Crown land.<sup>6</sup> The sheer volume of timber allocated pushed up licence fee revenue from

<sup>3</sup> J. C. Lawrence, "Markets and Capital: A History of the Lumber Industry of British Columbia (1758-1952)" (M.A. thesis, University of British Columbia, 1957), 39-54; Margaret Ormsby, *British Columbia: A History* (Toronto, 1958), 345-55; *Lumberman and Contractor* 2 (September 1905): 10; and R. A. J. McDonald, "Business Leaders in Early Vancouver, 1886-1914" (Ph.D. dissertation, University of British Columbia, 1977), 100-01.

<sup>4</sup> British Columbia, "Final Report of the Royal Commission of Inquiry on Timber and Forestry, 1909-1910," B.C., *Sessional Papers*, 12th Parl., 2nd sess., 1911 (hereafter "Final Report"), D 18; Ralph W. Hidy, et al., *Timber and Men: The Weyerhaeuser Story* (New York, 1963), 207-20; and W. A. Carrothers, "Forest Industries of British Columbia," in A. R. M. Lower, et al., *The North American Assault on the Canadian Forest: A History of the Lumber Trade Between Canada and the United States* (New York, 1968), 306-07.

<sup>5</sup> Carrothers, 235; and Canada, Commission of Conservation, Committee on Forests, *Forests of British Columbia*, by H. N. Whitford and R. D. Craig (Ottawa, 1918), (hereafter *Forests of British Columbia*), 103.

<sup>6</sup> Terry Heaps, "B.C. Timber, 1888-1914: An Exhaustible Resource" (unpublished ms.), 31, table iv.

\$177,686 in 1904 to \$2.4 million in 1908. By comparison, in 1908, royalty from timber cut totalled only \$255,095.<sup>7</sup>

Many licences changed hands more than once, at prices approaching the real market value of the timber,<sup>8</sup> ending up in the possession of large American timberholding firms. Meanwhile, though total revenues were up, the government continued to collect an annual rent of only twenty-two cents per acre or \$140 for each licence of one square mile (or \$115 in the interior region where timber was of poorer quality).<sup>9</sup> By 1910, American investment in British Columbia mills and timber was estimated to be \$65 million,<sup>10</sup> or 75 percent of the total value of the province's timber industry.<sup>11</sup>

The main forest policy question of these early years concerned the stability of tenure of the more than fifteen thousand cutting licences placed in private hands by 1907. The original licences were renewable annually for twenty-one years upon payment of the modest licence fee. Most large holders, even if they intended to start logging immediately, believed twenty-one years to be an inadequate period for profitable liquidation of their holdings. In addition, they argued that the present terms of tenure, including a government right to alter royalty and rental charges, depressed the speculative value of licences.<sup>12</sup>

By 1908, after the industry had thwarted a government attempt the previous year to increase royalties by 50 percent,<sup>13</sup> the British Columbia Lumber, Logging and Forestry Association began pressing McBride to grant perpetual tenure with fixed charges.<sup>14</sup> In view of the wholly inadequate state of forest policy and administration, the Premier, in 1909,

<sup>7</sup> "Timber Inspector's Report (1904)," B.C., *Sessional Papers*, 10th Parl., 2nd sess., 1905, C 66; and "Timber Inspector's Report (1909)," B.C., *Sessional Papers*, 11th Parl., 3rd sess., 1909, H 49.

<sup>8</sup> Heaps, 63; and *Victoria Daily Times*, 22 January 1907.

<sup>9</sup> *Forests of British Columbia*, 89.

<sup>10</sup> Statistics taken from United States Consular Reports, cited in Lawrence, 85-86.

<sup>11</sup> *Western Lumberman* 6 (June 1909): 11.

<sup>12</sup> E. H. Bucklin testimony, British Columbia, Royal Commission of Enquiry on Timber and Forestry, GR 271, Public Archives of British Columbia (hereafter GR 271), vol. 2, 1028; also see the testimony of D. C. Cameron (pp. 395 and 398), O. L. Boynton (p. 600), J. A. Magee (p. 481), and A. D. McRae (p. 1187), GR 271, vol. 2; E. O. S. Scholefield and F. W. Howay, *British Columbia From the Earliest Times to the Present*, vol. 3 (Vancouver, 1914), 163-65; S. J. Bowman to McBride, 14 November 1908, British Columbia, Premier's Papers, GR 441, Public Archives of British Columbia (hereafter GR 441), vol. 32, #301; and *Western Lumberman* 6 (March 1909): 15.

<sup>13</sup> *Vancouver Daily Province*, 15 April 1907 and 16 April 1907.

<sup>14</sup> *Western Lumberman* 6 (March 1909): 15.

promised perpetual tenure, but only on such terms and conditions as recommended by a Royal Commission investigation into all aspects of forestry and the forest industry.<sup>15</sup> After months of deliberation the so-called Fulton Commission endorsed perpetual tenure on the condition that the right of the government to regulate rents and royalties be maintained.<sup>16</sup>

It is remarkable that, with an actual yearly timber cut in British Columbia generally estimated at barely one-fifth annual forest increment, the Fulton Commission's recommendations went as far as they did in the direction of "scientific" forest management. But the scope of the report is understandable in the context of a continental conservation movement dedicated to the promotion of large-scale corporate enterprise and the application of scientific management.<sup>17</sup> As Commissioner A. C. Flumerfelt, himself the personification of a business-progressive,<sup>18</sup> noted in explaining the establishment of the British Columbia forest service:

(That is what conservation means at bottom — the application of ordinary business principles to natural resources) . . . Hence our recommendation to the Government that "large appropriations must be made and a well manned specialized forest service brought into being, thoroughly equipped."<sup>19</sup>

<sup>15</sup> Victoria *Daily Times*, 11 March 1909. The lumbermen must have felt reasonably confident of the outcome when a director of their own association, A. C. Flumerfelt, was appointed one of three Royal Commissioners, along with F. J. Fulton, Chief Commissioner of Lands and Works, and A. S. Goodeve, a former Tory cabinet minister. See Vertical Files, A. C. Flumerfelt and F. J. Fulton, Public Archives of British Columbia (hereafter PABC); and *The Canadian Parliamentary Guide*, 1910 (Ottawa, 1910), 126. M. A. Grainger, later to be Chief Forester, was the Commission Secretary and considered by some as the main force behind its recommendations. See "Transcript of Recorded Interview by C. D. Orchard," 1960, C. D. Orchard Collection, Sound and Moving Images Division, PABC (hereafter Orchard Collection), #1887.

<sup>16</sup> "Final Report," 50. For a complete discussion of the Royal Commission hearings and recommendations see Robert H. Marris, "Pretty Sleek and Fat: The Genesis of Forest Policy in British Columbia, 1903-1914" (M.A. thesis, University of British Columbia, 1979).

<sup>17</sup> Samuel P. Hays, *Conservation and the Gospel of Efficiency: The Progressive Conservation Movement, 1890-1920* (Cambridge, Mass., 1959), 261-76.

<sup>18</sup> Flumerfelt was president of Hastings Shingle Mill Co., allegedly the largest mill of its kind in the world, and a member of the British Columbia Lumber, Logging and Forestry Association. He had previously served as business manager of Granby Consolidated Mining and Smelting Co., another modern industrial conglomerate, and had organized the International Coal and Coke Company in Alberta. He later moved into fish-packing and emerged as an important figure in British Columbia's trust, insurance, and securities business. He served briefly as Finance Minister in 1915. He was a promoter of provincial education and personally sponsored a series of essay contests on the natural resources of the province (Vertical File, A. C. Flumerfelt, PABC).

<sup>19</sup> A. C. Flumerfelt, "The Forestry Commission of British Columbia," GR 441, vol. 42, file 21, #192.

American lumbermen had come to expect a certain degree of sophistication in the area of forest protection and management, whether through their own associations, or the United States Forest Service.<sup>20</sup> In British Columbia, Crown tenure arrangements seemed to require, as the Fulton Commission recommended, an active role for government initially, with the industry assuming more responsibility as stumpage values and profits rose. At the outset, all royalties were to go into a sinking fund to provide "forest capital" for perpetuation of the resource. Forest protection costs would be shared between industry and government, while logging was to be closely regulated by government foresters.<sup>21</sup>

The 1912 Act itself, though based on the Commission report, was a more modest document. It provided for government regulation of rentals and royalties on licensed timber, apparently assuring a public share in appreciating stumpage value.<sup>22</sup> A joint government-industry Forest Protection Fund was established, to help pay for the new forest service.<sup>23</sup> But, as far as reforestation was concerned, natural regeneration replaced the proposed forest sinking fund.<sup>24</sup> Railway development and other government promotions had first call on forest revenue. Moreover, there was no provision in the Act for regulation of logging methods on timberland already under licence.<sup>25</sup>

In line with Flumerfelt's design, the Act did provide for a bureaucracy staffed by some of the best forestry talent in North America. Overton Price, who had served as assistant to the renowned conservationist, Gifford Pinchot, in the United States Forest Service, was hired as a consultant to organize the Forest Branch of the Department of Lands.<sup>26</sup> Price recruited two trained and experienced American foresters to headquarters posts, as well as the Canadian, H. R. MacMillan, a recent Yale forestry graduate and Dominion Forester, to the position of Chief Forester. The secretary

<sup>20</sup> George T. Morgan, Jr., "Conflagration as Catalyst: Western Lumbermen and American Forest Policy," *Pacific Historical Review* 47 (1978): 167-87.

<sup>21</sup> "Final Report," D 58-D 73.

<sup>22</sup> B.C., *Statutes*, 1912, 2 Geo. 5, c. 17, s. 26.

<sup>23</sup> *Victoria Daily Times*, 14 February 1912.

<sup>24</sup> Chief Timber Inspector R. J. Skinner to F. J. Fulton, 3 August 1909, GR 271, vol. 1, file 2; John Stinson to Fulton, 19 August 1909, GR 271, vol. 2, file 1; Noel Humphreys, B.C. Land Surveyor to R. E. Gosnell, 17 September 1909, GR 271, vol. 1, file 4; and A. Haslam, Supervisor of Scalers, 31 July 1909, GR 271, vol. 1, file 2.

<sup>25</sup> B.C., *Statutes*, 1912, 2 Geo. 5, c. 17, ss. 11, 21, and 123.

<sup>26</sup> "Transcript of Recorded Interview by C. D. Orchard," 1960, Orchard Collection, # 1887, p. 38; and *Western Lumberman* 9 (February 1912): 26.

to the Fulton Commission, M. A. Grainger, was retained as Chief of Records.<sup>27</sup>

The cabinet member in charge of the Forest Branch was Lands Minister W. R. Ross from Fernie. It was his stated aim to avoid the fate of other jurisdictions where forestry was conducted as a "vagrant" occupation "that destroys a timberland region by fire and lumbering and then moves on elsewhere." Ross declared to the Canadian Forestry Association conference in 1912 that,

The great railroad corporations, departmental stores and manufacturing plants of this continent have shown what careful organization can achieve and it is my ambition to have the Government's timber business run on the same lines of clear cut business efficiency.<sup>28</sup>

In two respects, the Forest Act seemed to point in the direction Ross wanted to take. The 1906 Timber Manufacturing Act, which placed an embargo on all exports of raw logs, was incorporated into the 1912 Act,<sup>29</sup> over the shrill complaints of the logging industry that there was no local market for low-grade cedar.<sup>30</sup> Secondly, the moratorium on timber staking that ended the 1905-07 spree remained at least partially in place. Any future allocations would be according to a timber sale system that included formal application, competitive bidding, sale of stumpage at market value, logging regulations and inspections, and rudimentary reforestation requirements.<sup>31</sup> Pulp timber sales would involve posting of bonds in guarantee of

<sup>27</sup> C. D. Orchard, "History of Forestry in B.C.," C. D. Orchard Papers, Add. Mss. 840, PABC (hereafter Add. Mss. 840), vol. 31, file 4, 362; "Digest of Recorded Interview with Major L. R. Andrews," Orchard Collection, # 1882, 2; "Abridged Version of the Recorded Interview with Charles O. Marsten," 1958, Orchard Collection, # 1861, 3-5; H. R. MacMillan to C. D. Orchard, 15 January 1949, Add. Mss. 840, vol. 6, file 115; H. R. MacMillan to Deputy Minister of Lands, 15 March 1913, British Columbia, Department of Lands 1912 Series Correspondence Files, PABC (hereafter L/1912), roll 298, file 50324; and Rupert Scheider, "Woodsmen of the West: Martin Allerdale Grainger," *Forest History* 2 (October 1967): 6-12.

<sup>28</sup> W. R. Ross, "The Guardianship of the Public Forests of British Columbia," address to the Fifteenth Convention of the Canadian Forestry Association, Victoria, B.C., 5 September 1912, L/1912, roll 296, file 47904.

<sup>29</sup> B.C., *Statutes*, 1912, 2 Geo. 5, c. 17, ss. 100-103.

<sup>30</sup> M. J. Scanlon testimony, GR 271, vol. 2, pp. 66 and 94-85; John W. Coburn testimony, GR 271, vol. 2, p. 168; British Columbia Loggers' Association, written submission to the Royal Commission, 6 February 1908, GR 271, vol. 1, file 11; *Western Lumberman* 7 (June 1910): 19. The Fulton Commission advised that within a decade United States cedar would be so depleted that there would be ample demand for low-grade cedar shingles (F. J. Fulton quoted in John Coburn testimony, GR 271, vol. 2, p. 177).

<sup>31</sup> B.C., *Statutes*, 1912, 2 Geo. 5, c. 17, s. 11; "Report of the Forest Branch (1914)," B.C., *Sessional Papers*, 13th Parl., 3rd sess., 1915, pp. 127-28; and sample of inspection report for timber sale, British Columbia, Department of Lands, O Series Cor-

mill construction, to avoid the speculative excesses that arose under the old 1901 Pulp Lease Act. Allocations to individual companies were not to exceed a thirty-year supply and carried with them specific silvicultural requirements. Rentals and royalties remained at the low levels set in 1901, though royalty would be assessed on the quality of timber cut, to discourage the use of more valuable logs for pulp.<sup>32</sup>

On paper, then, the Forest Act of 1912 was reasonably sophisticated as it pertained to future timber allocations. But it provided little regulatory role for the Forest Branch with respect to pre-1912 tenures, upon which most day-to-day logging operations were conducted. The fire-fighting side of forestry practice was provided for, but fire prevention and artificial regeneration of stocks was largely neglected. Moreover, the thorny issue of an appropriate government share in the value of alienated Crown timber was left open for future resolution, while the logging sector of the industry chafed uneasily under the log export embargo. These would be the chief areas of forest policy to preoccupy foresters, politicians, and lumbermen during the first sixteen years of Forest Branch administration.

Chief Forester MacMillan quickly set about recruiting personnel to fill out the ranks of the forest service.<sup>33</sup> The legislature passed an initial forestry budget of \$265,000, \$100,000 of which was to be matched by collections from timberholders to comprise the Forest Protection Fund.<sup>34</sup> By 1914, over five hundred permanent and temporary foresters were busy in the woods cutting trails, building lookout stations, conducting surveys, fighting fires, burning old logging slash, studying insect damage and doing reconnaissance along proposed new railroad lines. At the end of the year, the Elk River forest reserve was established as an experiment in sustained timber yield.<sup>35</sup>

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respondence Files, Lands Management Branch, Ministry of Lands, Parks and Housing (hereafter L/O), roll 1192, file 04002-1, #15.

<sup>32</sup> B.C., *Statutes*, 1912, 2 Geo. 5, c. 17, s. 11; and Sample of timber sale contract for pulpwood, L/O, roll 1194, file 04009, #12-18.

<sup>33</sup> C. D. Orchard, "History of Forestry in B.C., Add. Mss. 840, vol. 31, file 4; "Digest of the Recorded Interview with Charles R. Mills," Orchard Collection, #1876, pp. 1 and 8; and "Digest of the Recorded Interview with Major L. R. Andrews," 1961, Orchard Collection, #1882, p. 1. Notable among these early recruits was future Chief Forester, P. Z. Caverhill, from New Brunswick.

<sup>34</sup> "Report of the Forest Branch (1912)," B.C., *Sessional Papers*, 13th Parl., 1st sess., 1913, p. D 93; and "Appendix to Forest Branch Annual Report (1940), Consolidated Statistical Tables 1912-1940," B.C., *Sessional Papers*, 10th Parl., 1st sess., 1941 (hereafter "Consolidated Statistical Tables"), p. F 93, table 32.

<sup>35</sup> "Report of the Forest Branch (1913)," B.C., *Sessional Papers*, 13th Parl., 2nd sess., 1914, pp. D 48, D 54, D 65, D 75, D 76, D 86, D 93-D 94, and D 97-D 99; and

While protection was a concern, MacMillan believed his first duty was to assist in the liquidation of overmature "excess timber stocks" before they rotted or burned, by increasing the annual cut to the level of annual increment. The Forest Branch, contrary to the spirit of the Forest Act, began to prepare large tracts of Crown timber for sale in advance of application. MacMillan felt this practice justified as long as stumpage prices were not sacrificed.<sup>36</sup> But that was exactly the result, according to the Vancouver District Forester. Not only were values being sacrificed, he complained, but low prices were leading to poor logging methods.<sup>37</sup> Furthermore, when the bottom fell out of the prairie lumber market in 1913, the Forest Branch was forced to grant cutting extensions on many of these recent sales.<sup>38</sup>

The 1913 crash led to a more conservative approach to timber sales. At the same time, it put an abrupt end to many forestry initiatives. Operators withheld forest protection contributions, criticizing the government for wasting money on a forest service far beyond the needs or capacity of the industry.<sup>39</sup> When the war broke out, the Forest Branch lost most of its field personnel to enlistment. Conservation was put on hold.<sup>40</sup>

Unable to protect properly the vast forest resource from fire, damage, and rot, or to solve the problem of overabundance simply through rapid allocation of cutting rights, the depleted Forest Branch turned its attention to the business priority of extending British Columbia lumber markets.<sup>41</sup> By 1915, MacMillan had evidently changed his approach when he observed:

it now lies in the hands of an unorganized, inexpert mob of timber owners on the Pacific slope, by stampeding to cut their holdings, to cause more loss to the state and the public, by maintaining an overproduction of lumber, than can reasonably be expected from any series of bad fire seasons.<sup>42</sup>

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"Report of the Forest Branch (1914)," B.C., *Sessional Papers*, 13th Parl., 3rd sess., 1915, pp. I 7, I 8, I 12, I 32, I 39, and I 53.

<sup>36</sup> "Report of the Forest Branch (1912)," B.C., *Sessional Papers*, 13th Parl., 1st sess., 1913, D 65.

<sup>37</sup> G. D. McKay to Grainger, 6 July 1906, L/O, roll 1192, file 04022-1, # 138.

<sup>38</sup> H. R. MacMillan to W. R. Ross, 23 November 1914, L/O, roll 1192, file 04002-1, #87-89.

<sup>39</sup> *Western Lumberman* 11 (January 1914): 33.

<sup>40</sup> "Report of the Forest Branch (1915)," B.C., *Sessional Papers*, 13th Parl., 4th sess., 1916, G 27 and G 30-G 33.

<sup>41</sup> For Forest Branch market extension activities during World War I, see Stephen Gray, "Forest Policy and Administration in British Columbia, 1912-1928" (M.A. thesis, Simon Fraser University, 1982), 83-96.

<sup>42</sup> H. R. MacMillan, "Export Timber Trade," in *Proceedings of the British Columbia Forest Club*, 1916, vol. 2 (Victoria, 1916).



But despite the best efforts of the Chief Forester to find new markets for British Columbia forest products, the timbermen and, it would seem, the government preferred an older and simpler solution: to ship the logs to American mills on Puget Sound.

On 26 August 1914, under pressure from logging companies, wholesale suppliers, and banks, the government issued an order-in-council permitting all logs cut and in the water by that date to be exported upon payment of a modest export tax. A wider log market led quickly to the opening of camps, both old and new (only 50 of approximately 240 had been open in August), providing badly needed employment to loggers, and business to local suppliers.<sup>43</sup> With British Columbia logs now coming to them, there was less reason for Puget Sound operators to open mills in the province. But once logging camps had opened up on the basis of an American market, it was difficult to reimpose the embargo, despite complaints from local manufacturers of scarce log supplies and high prices.<sup>44</sup> Exports were allowed to continue long after the booms in the water as of 26 August had been cleared. Lost sight of, at least temporarily, was the government's stated goal of expanding mill capacity.

Local manufacturers protested that lumber and shingles made from exported timber were competing on the international market with British Columbia products, while the industry in Washington and Oregon was allowed to preserve its own timber supplies. In view of these facts, millman E. H. Bucklin advised the Forest Branch, in March 1915, that it would seem "opposed to the general policy of the Government and future development of the Province to continue to export beyond the present necessity of the Government."<sup>45</sup>

The present necessity of the government, however, was apparently not to interfere with the logging sector of the industry, at least until after a general election due the following year. But to satisfy manufacturers that exports would not be allowed indefinitely, an amendment was passed, in 1916, empowering the government to permit exports during, and for six months after the war.<sup>46</sup> On the other hand, this amendment gave official

<sup>43</sup> MacMillan to Ross, 24 August 1914, L/O, roll 50, file 03678-2; Minutes of meeting of British Columbia Loggers' Association (BCLA), 19 August 1914, Council of Forest Industries of British Columbia papers, Special Collections Division, University of British Columbia Library (hereafter COFI), vol. 2, file 1; MacMillan to McBride, 10 September 1914, GR 441, vol. 59, #664; and McKay to Grainger, 19 April 1915, L/O, roll 50, file 03678-2, #185-87.

<sup>44</sup> M. A. Grainger, memo on export of logs, April 1915, L/O, roll 50, file 03678-2, #195-97.

<sup>45</sup> E. H. Bucklin to McKay, 26 March 1915, L/O, roll 50, file 03678-2, #176.

<sup>46</sup> B.C., *Statutes*, 1916, 6 Geo. 5, c. 23, s. 9.

recognition to the fact that log exports had become an important aspect of the forest industry and of government policy.

At the same time that the Forest Branch was trying various methods of liquidating vast tracts of Crown timber, it was also concerned to extract more than the nominal share in stumpage values represented by yearly rental fees and current royalty rates. The government's financial condition made this more than a simple issue of prudent resource management. While the cost of ambitious railway and other development projects pushed the provincial deficit up to an unprecedented \$3 million by 1912-13,<sup>47</sup> royalty on cut timber remained at the fifty cents per thousand board feet level established in 1888.<sup>48</sup> The industry should not have been surprised, then, when W. R. Ross introduced legislation in 1913 that would have increased royalties to \$1.<sup>49</sup> Nevertheless, the inevitable protests, delays, and public hearings ensued, from which no conclusive agreement emerged.<sup>50</sup> The industry, dominated by its timberholding element, demanded fixed charges for thirty years,<sup>51</sup> a concession that would have effectively excluded any government share in appreciating values. The Forest Branch, still under the guiding hand of consultant Overton Price, and with its new battery of professional foresters freshly on the job, was assigned the task of developing a scientific policy to protect the government without crippling the industry.<sup>52</sup>

After extensive deliberations, the government announced a scheme that appeared to tie royalty increases to increasing stumpage value over a forty-year period. The proposed \$1 royalty was reduced for the first five-year period to eighty-five cents and fifty cents, depending on grade, in recognition of the depressed condition of the industry. For each subsequent five-year period, royalties would increase in proportion to any increase over

<sup>47</sup> British Columbia, *British Columbia in the Canadian Confederation: A Submission Presented to the Royal Commission on Dominion-Provincial Relations by the Government of British Columbia* (Victoria, 1938), 239, table 123, and 243, table 124.

<sup>48</sup> *Forests of British Columbia*, p. 83.

<sup>49</sup> British Columbia, Department of Lands, Forest Branch, *Forest Policy of British Columbia*, speech by William R. Ross, Minister of Lands, on the second reading of the bill for the amendment of the Forest Act, 10 February 1913 (Victoria, 1913), (hereafter *Forest Policy of British Columbia*).

<sup>50</sup> Written notes from conference between Ross and lumbermen, 18 February 1913, L/O, roll 56, file 03873-1, #140-44; *Western Lumberman* 10 (April 1913): 34; Ross to R. H. Alexander, secretary of the British Columbia Lumber and Shingle Manufacturers' Association, 27 February 1913, L/O, roll 56, file 03873-1, #2-6.

<sup>51</sup> *Vancouver Daily Province*, 31 October 1913.

<sup>52</sup> Forest Branch retort to accusation that timberlands overtaxed, L/O, roll 56, file 03873-1, #78-81; Forest Branch memo, "Comparison between revenue from different natural resources," L/O, roll 56, file 03873-1, #175-76.

\$18 in the wholesale price of lumber, the best approximation to stumpage value available to the Forest Branch at that point. The government's share of the increase would rise from 25 percent in the first period to 40 percent in the last.<sup>53</sup>

But 40 percent of nothing was still nothing. With lumber wholesaling at \$12, most lumbermen felt secure that it would take the better part of forty years for prices to reach the \$18 mark. One forester, who later recalled that MacMillan had held out for a \$15 ceiling, remembered "the wave of delight that swept the industry" when the \$18 figure was announced.<sup>54</sup> Moreover, rental fees were also frozen for forty years.<sup>55</sup>

In sum, despite the scientific gloss provided by the efforts of the fledgling Forest Branch, the 1914 Royalty Act reflected the same political expediency that characterized Tory log export policy. Any move that endangered investor confidence in British Columbia's timber had to be shelved, regardless of the most appropriate long-term resource management strategy.

The 1914 Royalty Bill was the natural sequel to the granting of perpetual tenure in 1912. Both Acts were surrounded by an atmosphere of scientific inquiry, but together they appeared to provide the industry with the very terms and conditions of tenure it had been demanding since 1908. As far as Ross was concerned, the Royalty Bill was "not an ideal policy, because ideal policies do not work; . . . it faces facts and deals with actual conditions."<sup>56</sup> Unfortunately for Ross, and even more so for the Liberal administration that would soon follow, the facts and conditions were to change dramatically during the course of World War I.

The Liberals, under H. C. Brewster, were helped to power in 1916 by a wave of reform sentiment directed, in part, against the wholesale "robbing and plundering" of the province during the previous administration.<sup>57</sup> The Tory government, according to the new Liberal Minister of Lands, T. D. Pattullo, had itself been the "arch-speculator."<sup>58</sup> But like it or not, invest-

<sup>53</sup> Price to MacMillan, 29 November 1913, L/O, roll 56, file 03873-1, # 169-74; H. R. MacMillan, "Government Stumpage Prices in British Columbia," *Western Lumberman* 11 (October 1914): 24-25; B.C., *Statutes*, 1914, 4 Geo. 5, c. 76, ss. 6, 8-13, and 18; and Forest Branch memo on suggested royalty legislation, 18 December 1913, L/O, roll 56, file 03873-1, # 124-25.

<sup>54</sup> J. D. McCormack to William McNeill, 20 February 1924, COFI, vol. 44, file 5.

<sup>55</sup> B.C., *Statutes*, 1914, 4 Geo. 5, c. 76, s. 18.

<sup>56</sup> W. R. Ross, quoted in *Western Lumberman* 11 (March 1914): 47.

<sup>57</sup> See, for example, *The Crisis in B.C. — An Appeal for Investigation by the Ministerial Union of B.C.* (Vancouver, 1915).

<sup>58</sup> T. D. Pattullo, address delivered during the 1923 throne speech debate, Thomas Dufferin Pattullo Papers, Add. Mss. 3, PABC (hereafter Add. Mss. 3), vol. 12, file 10, # 103-04.

ment in British Columbia timber continued into the 1920s, to be based as much on the expectation of speculative profit from appreciating timber values, as on anticipated profits from lumber production. This fundamental fact would continue to shape the direction of forest policy during the Liberal regime, particularly in the area of royalty legislation.

By 1919, the royalty schedule that had seemed so advantageous to timberholders five years before suddenly became a threat to the future of their investments. As a result of the effect of wartime inflation on the wholesale price of lumber, royalties increased by thirty-seven cents per thousand on 1 January 1920, or between 43 and 74 percent, depending on grade of lumber and region.<sup>59</sup> As inflation continued to push lumber prices up, the government, as well as the industry, recognized that a new royalty system would have to be devised prior to 1 January 1925. But there was basic disagreement on the content of that system.

When negotiations got underway in early 1923, the Lands Department, as Deputy Minister G. R. Naden made clear, remained committed to realizing a government share in the value of standing timber, by tying royalty rates to increases in stumpage prices.<sup>60</sup> The Department held the view that possession of a licence gave the holder only a right to cut Crown timber. When this timber was logged, the licensee would have to pay the government a fair market price for each tree, regardless of how much he might have already paid privately for his licences.<sup>61</sup> In addition, a more sophisticated Forest Branch would now determine stumpage value scientifically by appraising timber to be cut and assessing actual operating costs of camps and mills.<sup>62</sup>

The Department of Lands' position on royalties aroused the various industry associations, organized since 1921 under the leadership of the Timber Industries Council (TIC).<sup>63</sup> One of the Council's first acts had been to establish the Timberholders' Association of British Columbia.

<sup>59</sup> Caverhill to Mason and Stevens, Forest Engineers, Portland, Oregon, 3 August 1923, L/O, roll 56, file 03873-2, #245-50; and "Consolidated Statistical Tables," F 85, table 24.

<sup>60</sup> Report of Royalty Committee by William McNeill to meeting of Timber Industries Council (TIC) directors, 9 March 1923, COFI, vol. 44, file 5.

<sup>61</sup> Minutes of meeting of TIC Royalty Committee with Lands Department officials, 12 April 1923, COFI, vol. 38, file 6. All four of the TIC representatives (Battle, Hendry, Logan, and McNeill) were members of the Timberholders' Association of B.C.

<sup>62</sup> Minutes of TIC Royalty Committee with Lands Department officials, 5 April 1923, COFI, vol. 38, file 6.

<sup>63</sup> *Pacific Coast Lumberman*, vol. 5 (March 1921), 31. The TIC was organized largely through the efforts of ex-Chief Forester M. A. Grainger, who became its first Managing-Director.

While all sectors of the industry were concerned with the royalty question, the timberholders took the leading role in negotiations with the government.<sup>64</sup> The TIC viewed the proposed appraisal system as a profound intrusion into the private business of its members. Secondly, the Council refused to accept the principle that licensees should have to purchase from the government timber for which they had often paid a high private purchase price.<sup>65</sup> In 1914, timberholders implicitly agreed to this principle in theory, assured as they were that it would not come into effect over the greater part of the forty-year agreement. In 1923, without the protection of the \$18 base price, such a division of profit appeared much more imminent. If the government persisted, however, the very least the industry would settle for was the inclusion of the private purchase price of licences in any assessment of stumpage value.<sup>66</sup> Timberholders' Association President, M. S. Logan, informed the Lands Department that he had become "fed up" with government intervention, and predicted "more trouble in store" for the industry if "so-called 'experts' and 'theorists' were allowed to interfere with theories against practical suggestions."<sup>67</sup>

Upon receiving the Department's final proposal for a permanent one-third share of appraised timber value, without any deduction for private purchase price, American timberholder and TIC negotiator, C. S. Battle, proclaimed that such a policy would not appeal to investors as much as timberland in California, Oregon, and Washington where they could secure "the water rights, mineral rights, the air above, and to a depth below that will bring them face-to-face with a region described in Dante's *Inferno*." Though he was "friendly to this government and especially to the Minister of Lands," Battle wrote to the Managing-Director of the TIC, he was afraid Pattullo had become too attentive to officials in the Forest Branch. The government had, he concluded, the power to push the bill through without modification, but would do so not necessarily at a loss to the influence of the party, but absolutely to the detriment of the public good.<sup>68</sup>

By December 1923, what looked like a disastrous policy to the industry was also giving Pattullo second thoughts. For one thing, with a bare

<sup>64</sup> Timberholders' Association of B.C., circular letter no. 2, L/O, roll 238, file 028768, #2-3; and see note 61 above.

<sup>65</sup> Minutes of meeting of TIC Royalty Committee with Lands Department officials, 12 April 1923, COFI, vol. 38, file 6.

<sup>66</sup> *Ibid.*

<sup>67</sup> *Ibid.*

<sup>68</sup> Battle to W. McNeill, 13 December 1923, COFI, vol. 44, file 5.

majority of two, and with the government already under fire in the press and the legislature for its wide open log export policy,<sup>69</sup> several Liberal members were apparently unhappy with the terms of the proposed Royalty Act. While it assured the Crown an appropriate resource rent in the long run, it provided only minimal increases during the first five-year period.<sup>70</sup> Secondly, it is likely that the Liberal Party was not anxious to contest the upcoming provincial election with the full weight of the organized timber industry thrown against it. Pattullo informed the TIC late in the month that the Royalty Act would not be introduced that session since it could not be put through the House.<sup>71</sup>

After the June 1924 election, which saw the Liberals barely squeeze back into power,<sup>72</sup> the TIC began a more assertive public relations campaign focusing on the royalty issue. On the defensive now, Chief Forester P. Z. Caverhill agreed to a partial recognition of the private purchase price paid for licences, and proposed rates for 1925 that averaged only 1 percent more than existing ones.<sup>73</sup> Nevertheless, the industry steadfastly refused to agree to any system that included the principle of a government share in appreciating values or government appraisal of privately held timber.

With 1 January 1925 fast approaching, both sides needed a settlement to prevent the new rates under the 1914 Act from taking effect. As any agreement on a permanent royalty policy appeared impossible without further extensive negotiations, they settled on a schedule of arbitrarily fixed royalties over two five-year periods, with an initial increase of four cents per thousand.<sup>74</sup> While, in practice, something approaching a one-third government share was realized for these ten years, the principle of an equal partnership in the value of standing timber was enshrined neither in the Act nor in machinery to ensure its maintenance.

In a speech to the Laurier Club in early 1925, Pattullo defended the agreement by repudiating the principle upon which his Department's for-

<sup>69</sup> J. Castell Hopkins, *Canadian Annual Review, 1920* (Toronto, 1921), 833-34; and *Victoria Daily Colonist*, 24 November 1923 and 1 December 1923.

<sup>70</sup> Minutes of meeting with the Minister of Lands and his Royalty Committee, together with joint Committee of the TIC and Mountain Lumber Manufacturers' Association, 28 November 1923, COFI, vol. 38, file 6.

<sup>71</sup> McNeill to Poole, 28 December 1923, COFI, vol. 44, file 5.

<sup>72</sup> Martin Robin, *The Rush for Spoils: The Company Province, 1871-1933* (Toronto, 1972), 209.

<sup>73</sup> Memo of P. Z. Caverhill, "Department of Lands Case for Adjustment of Royalty," Add. Mss. 3, vol. 17, file 6, #76 and #85-88. Caverhill was appointed Chief Forester in 1920 following the resignation of M. A. Grainger, who held the position from 1917.

<sup>74</sup> *Ibid.*, Exhibit #1; and Minutes of meeting of TIC Royalty Committee and directors with the Minister of Lands, 1 December 1924, COFI, vol. 38, file 6.

esters had, from the beginning, based their negotiating position. It was clear, he argued, outlining the history of government timber policy since 1905, that the licensee had a vested interest in his holdings beyond the mere right to cut. There was "no more reason why the so-called speculator in timber should be mulcted of his profits any more than the speculator in coal, minerals, real estate or any other natural resource." As with all resources, he concluded, "unless there is left a measure of profit to the individual I cannot see how we can expect much development in the Province."<sup>75</sup>

By the early 1920s, the Forest Branch had developed a fair degree of technical expertise which Chief Forester Caverhill was ready to apply to the assessment of royalties in order to protect the public's interest. But, as Pattullo's statement made clear, the Liberal government was unwilling to take full advantage of the bureaucratic talent it had at its disposal. Its own political weakness and the economic and political strength of the timbermen prevented the Forest Branch from doing anything that might jeopardize, or even be made to seem to jeopardize, the competitiveness and profitability of the forest industry.

Compounding this poor performance with respect to resource rents, the Liberal government allowed more and more of the financial burden for forest protection to be shifted onto the Department of Lands. The various forest industry associations had wasted little time in reminding Pattullo that "inefficient" forest protection was a threat both to the province and to the capital investment of timberholders and operators.<sup>76</sup> The Minister responded quickly to industry demands for a "clean sweep" of old methods, by establishing an advisory board composed of government foresters and industry representatives to oversee the administration of forest protection.<sup>77</sup> Once the forest service had been put on a proper businesslike footing,<sup>78</sup> the main function of this so-called Forest Protection Committee was to manage the joint government-industry Forest Protection Fund.<sup>79</sup>

On the industry side, the Committee consisted of the most advanced and well-financed operators and some of the largest timberholders in the prov-

<sup>75</sup> T. D. Pattullo, Address on Timber Royalties, Add. Mss. 3, vol. 23, file 1a, # 22-34. See also *Victoria Daily Colonist*, 10 February 1925.

<sup>76</sup> R. H. H. Alexander to Pattullo, 29 January 1917, GR 441, vol. 335, file 5.

<sup>77</sup> Minutes of meeting of BCLA, 20 February 1917, as edited by C. D. Orchard, C. D. Orchard Papers, Special Collections Division, University of British Columbia Library (hereafter Orchard Papers), vol. 1, file 6.

<sup>78</sup> *Victoria Daily Times*, 7 March 1917.

<sup>79</sup> Minutes of meeting of Forest Protection Committee (FPC), 9 January 1919, L/O, roll 33, file 02002-2, # 102.

ince.<sup>80</sup> In 1919, it authorized increased expenditures on forest infrastructure and an ambitious program to eliminate old logging slash, one of the chief causes of fires.<sup>81</sup> Several factors, however, soon put a damper on the industry's enthusiasm. First, a series of very costly fire seasons resulted in special levies on licensees.<sup>82</sup> Secondly, the revenue base of the Fund was being eroded as nearly one-half of provincial timber licences were put in abeyance under a Wartime Relief Act.<sup>83</sup> Thirdly, industry representatives claimed that at least two-thirds of all fires began on Crown and private lands not paying into the Fund.<sup>84</sup> Fourthly, royalty increases in 1920 exacerbated a feeling expressed by one logging company representative that the government was receiving more from the forests and spending less than any other jurisdiction in the world.<sup>85</sup>

In December 1920 this combination of factors brought demands from industry representatives on the Committee for a revision in the cost-sharing formula.<sup>86</sup> Although Caverhill did not accept the validity of all their complaints,<sup>87</sup> the effect of increased assessments and royalties, coming on top of a post-war decline in timber values, apparently won them some sympathy. In March 1921, the Department agreed to reduce the industry share of the fund from 50 to 40 percent.<sup>88</sup> Furthermore, at the end of the following year, the government consented to an industry demand for a more general restructuring of forest protection administration in which much of the responsibility was shifted onto either the individual operator or the Forest Branch, with the industry as an organized entity, withdrawing further into the background.<sup>89</sup>

<sup>80</sup> *The "ABC" British Columbia Lumber Trade Directory and Year Book* (Vancouver, 1920), 47 and 78; and *The "ABC" Directory*, 1923, 37, 80, 89, and 116.

<sup>81</sup> "Report of the Forest Branch (1922)," B.C., *Sessional Papers*, 15th Parl., 3rd sess., 1923, L 40, and M. A. Grainger to Clyde Leavitt, n.d., Orchard Papers, vol. 1, file 22.

<sup>82</sup> "Consolidated Statistical Tables," F 93, table 32, and F 89, table 28; Minutes of meeting of FPC, 30 October 1919, L/O, roll 33, file 02002-3; and Minutes of meeting of FPC, 15 December 1920, L/O, roll 34, file 02002-3, # 126-27.

<sup>83</sup> Chief Forester to Messrs. McRae, Rector, and Sutherland, L/O, roll 34, file 02002-3, # 6-11.

<sup>84</sup> *Ibid.*

<sup>85</sup> Minutes of meeting of FPC, 11 October 1920, L/O, roll 34, file 02002-3, # 65.

<sup>86</sup> Minutes of meeting of FPC, 15 December 1920, L/O, roll 34, file 02002-3, # 126-27.

<sup>87</sup> Forest Branch memo on FPC meeting of 11 October 1920, L/O, roll 34, file 02002-3, # 96.

<sup>88</sup> Minutes of meeting of FPC, 31 March 1921, L/O, roll 34, file 02002-3.

<sup>89</sup> Minutes of meeting of FPC, 18 October 1922, L/O, roll 34, file 02002-3, # 259-61; Minutes of meeting of FPC, 28 February 1923, L/O, roll 34, file 02002-4, # 8;



Effective fire protection required universality of coverage: in effect, compulsion. As protection came to depend more on the initiative of the individual timberholder, a financially weak and negligent operator could prove disastrous for many. Caverhill voiced his displeasure with this new regime in a March 1924 circular to coast lumbermen on the future of an industry that produced one-quarter of Canada's total lumber output. That industry, he noted, had lost, in 1923, eighteen cents per thousand feet of timber on fire costs and damage, while ten to twenty-five cents per thousand, spent properly on co-operative forest protection, would virtually eliminate fire risk.<sup>90</sup>

Yet, by 1925, industry contributions to the Fund had slipped significantly below the 40 percent mark. While the Forest Branch stood firmly by the existing ratio, the industry pushed for another revision.<sup>91</sup> To buttress their demands, industry representatives on the Committee used, to telling effect, the failure of the government to implement the Fulton Commission recommendation that timber royalties be used as forest capital, not current revenue. Since 90 percent of reforestation, in the industry's view, consisted of proper protection of new growth, a sufficient portion of government revenue from the liquidation of the capital asset ought to have been spent on such protection.<sup>92</sup>

To appease the industry in this regard, the government established a Forest Revenue Account for the protection of timber on all Crown forest reserves, funded on the basis of 3 percent of gross annual timber revenue.<sup>93</sup> Even after this concession, industry contributions continued to fall consistently short of the 40 percent demanded by the Forest Branch. Despite Caverhill's complaint to Pattullo, in 1927, that, "It is a recognized fact that all Forest Protection agencies have to protect areas outside their holdings," the timbermen had by that time clearly transferred to the Lands Department the major responsibility, not only for the protection of existing holdings, but also for ensuring the future timber needs of the forest

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Minutes of meeting of FPC, 8 March 1924, L/O, roll 34, file 02002-4, # 50; C. S. Cowan to District Foresters, 8 March 1923, L/O, roll 35, file 02023-1, # 17; and B.C. *Statutes*, 1922, 13, Geo. 5, c. 41.

<sup>90</sup> P. Z. Caverhill to lumbermen, L/O, roll 35, file 02023-1, # 328-30.

<sup>91</sup> Minutes of meeting of FPC, 3 November 1925, L/O, roll 34, file 02002-4, # 144-45.

<sup>92</sup> Report of the Sub-Committee on Forest Protection, 5 November 1925, L/O, roll 34, file 02002-4, # 151-57.

<sup>93</sup> P. Z. Caverhill's Minority Report, 5 November 1925, L/O, roll 34, file 02002-4, # 173-77; and B.C., *Statutes*, 1925, 16 Geo. 5, c. 12, s. 2.

industry.<sup>94</sup> This process was apparently facilitated by the lackadaisical approach to silviculture of the Minister himself.

Pattullo, having personally investigated European forestry systems, estimated that efficient slash disposal and artificial planting would cost \$3 million a year, or almost the entire amount collected annually in forest revenue. Given the current level of economic development in British Columbia, the Minister explicitly ruled out that level of expenditure for the perpetuation of the resource.<sup>95</sup> He, rather, concurred with the industry view that natural regeneration would look after future timber needs,<sup>96</sup> apparently oblivious to the results of Forest Branch experiments that had already clearly demonstrated the inability of logged-over areas of Douglas fir to restock naturally.<sup>97</sup>

Such experiments, generally ignored in the formation of Department policy, were typical of the relatively advanced work done by the Forest Branch during this period. At the Aleza Lake forest station, experimental sustained yield forestry was practised by government foresters in anticipation of extensive industrial development in the spruce forests of the Upper Fraser River.<sup>98</sup> By 1927, sixteen forest reserves had been established, the goal of the Forest Branch being to reserve one million acres a year until 1956.<sup>99</sup> The following year the first experimental application of sustained yield forestry to the private logging sector occurred, under the special terms and conditions of a timber sale made to Penticton Sawmill Ltd., in the Little White Mountain Forest Reserve.<sup>100</sup> That year, as well, the Forest Branch began its first comprehensive timber survey of the entire province,

<sup>94</sup> Minutes of meeting of FPC, 20 January 1927, L/O, roll 34, file 02002-4, # 103-04; and Caverhill to Pattullo, 26 January 1927, L/O, roll 34, file 02002-5, # 108-11.

<sup>95</sup> Pattullo, draft of article for *British Columbia Lumberman*, "Reforestation in Relation to the Lumber Industry," 20 October 1924, Add. Mss. 3, vol. 12, file 10, # 135-45; Pattullo to Oliver, 2 March 1921, GR 441, vol. 345, file 6; and "Consolidated Statistical Tables," F 83, table 22.

<sup>96</sup> T. D. Pattullo, transcript of speech to "Ye Knights of the Round Table," 31 October 1927, Add. Mss. 3, vol. 23, file 14, # 104-19.

<sup>97</sup> B.C., *Sessional Papers*, 16th Parl. 3rd sess., 1926-27, pp. E 5-E 7; and T. L. Alexander, "Relation of Fire Hazard to Silviculture," *British Columbia Lumberman* 11 (May 1927): 91.

<sup>98</sup> P. M. Barr, "The Aleza Lake Forest Experiment Station: Its Development and Purpose," *Forestry Chronicle* 4 (September 1928), n.p.

<sup>99</sup> P. Z. Caverhill, "British Columbia's Forest Policy," *British Columbia Lumberman* 12 (March 1928): 69; and F. D. Mulholland, "The Entrance of Forest Reserves into the Forest Policy in British Columbia," *Forestry Chronicle* 5 (September 1929): 6-10.

<sup>100</sup> *British Columbia Lumberman* 12 (June 1928): 32.

intended to provide the basis from which, eventually, to limit total annual cut to an amount equal to annual reproduction.<sup>101</sup>

While these undertakings were no doubt significant from the perspective of the foresters, of much greater significance from the point of view of the Minister, and of the industry, was the rapid liquidation of current timber stocks. Toward achieving this goal, the Liberal government adopted policies with respect to timber allocation and manufacturing that very much resembled those of its predecessor in office.

The core of the 1912 Forest Act was a timber allocation system that promised to prevent the reckless giveaway of Crown timber that had taken place during the staking spree of 1905-07.<sup>102</sup> Yet this timber sale system, as it was administered by the Liberal government's Forest Branch, did not eliminate speculation, often did not function on the principle of fair and open bidding, as the Act intended, nor did it yield, in most cases, the market price for Crown stumpage. While all these lapses were present in the case of saw timber sales,<sup>103</sup> the most notable abuses occurred in the administration of pulp timber sales.

The Forest Act required separate appraisal of individual pulp sales, public advertisement, and formal bidding. No mill was to be sold more than a thirty-year supply.<sup>104</sup> But the desire of pulp companies, such as Pacific Mills and Whalen Pulp and Paper, in the words of the Prince Rupert District Forester, "to grab up all the vacant Crown timber easily accessible to water,"<sup>105</sup> put pressure on the Lands Department either to ignore the terms of the Act or to alter them.

To meet the demands of the pulp companies, the government passed additional legislation in 1921. The Minister was empowered to establish pulp reserves adjacent to existing mills or licensed limits, to be set aside for that operator's use and sold as required at current stumpage rates.<sup>106</sup> On the one hand, this system guaranteed to pulp companies a perpetual supply of timber without the burden of carrying charges. On the other hand, by delaying the sale of timber, the government kept open the possibility of capturing more revenue from the resource as stumpage values

<sup>101</sup> T. D. Pattullo, Transcript of Address on Forestry delivered in the Legislative Assembly, 15 February 1928, Add. Mss. 3, vol. 27, file 10; *Victoria Daily Times*, 16 February 1928; and *British Columbia Lumberman* 12 (March 1928): 30.

<sup>102</sup> B.C. *Statutes*, 1912, 2 Geo. 5, c. 17, ss. 10-12.

<sup>103</sup> Gray, pp. 156-62.

<sup>104</sup> B.C., *Statutes*, 1912, 2 Geo. 5, c. 17, ss. 10 and 11.

<sup>105</sup> E. C. Manning to Grainger, 29 April 1920, L/O, roll 1192, file 04002-2, # 169-70.

<sup>106</sup> B.C., *Statutes*, 1921, 11 Geo. 5, c. 28, s. 7.

appreciated. In reality, however, the efficacy of this system depended on the political will of the government, something the Liberal administration of the 1920s distinctly lacked. Three examples will demonstrate this point.

In order to attract to the Prince George area an eastern Canadian group of pulp and paper interests operating under the name of the Fraser River Syndicate, Pattullo, in 1921, established a large pulp reserve in this predominantly spruce region. Dismissing Caverhill's contention that 68 per cent of the spruce in the area was sawmill material, Deputy Minister Naden advised the Minister that:

It would mean everything to the people living in Prince George and to the pre-emptors and ranchers on either side of the Upper Fraser River. You know this as well as I, and will appreciate the necessity of the Government doing everything in their [*sic*] power to try and get an industry of such magnitude established.<sup>107</sup>

In compliance with his Deputy Minister's advice and the Syndicate's demands for certain conditions to ensure financing,<sup>108</sup> Pattullo guaranteed to fix the stumpage price for a thirty-year period on all sales from the reserve, as well as to assess royalty according to use (saw or pulp) rather than on the quality of the timber put through the mill.<sup>109</sup> Even these concessions failed to please the Syndicate. Negotiations dragged on for seven years, during which time local sawmills were prevented from bidding on the timber.<sup>110</sup> In the end, no deal was concluded.

In the same year negotiations opened with the Syndicate, Pacific Mills was awarded Pulp District One as a reserve from which to select up to one billion board feet of timber.<sup>111</sup> Six years later, having made very few applications for sales from the reserve, Pacific Mills complained to the government that it could not obtain the agreed footage of good quality timber. The company proceeded to apply for a large tract of 300 million feet outside of Pulp District One. This new unit of timber was tributary to the

<sup>107</sup> G. R. Naden to Pattullo, memo on Fraser Syndicate proposal, n.d., Add. Mss. 3, vol. 12, file 2, #46-48.

<sup>108</sup> F. P. Jones, Canada Cement Co., to Pattullo, 12 November 1921, Add. Mss. 3, vol. 12, file 2, #33-34.

<sup>109</sup> Pattullo to Jones, 21 November 1921, Add. Mss. 3, vol. 12, file 2, #39; and B.C., *Statutes*, 1921, 12 Geo. 5, c. 25, s. 9. To make the latter concession legal, Pattullo put through an amendment to the Forest Act.

<sup>110</sup> Thomas Largue, Secretary, Prince George Manufacturers' Association, to Department of Lands, 10 May 1923, GR 441, vol. 232, file 15.

<sup>111</sup> Pattullo to A. B. Martin, 4 July 1921, Exhibit D, and Order-in-Council 1081, 8 August 1921, Exhibit E, Forest Branch memo re Pacific Mills, Orchard Papers, vol. 6, file 11.

idle, but potentially operable, British Columbia Pulp and Paper Company mill at Swanson Bay, and close enough, as well, to supply a possible mill development at Kitimat. But as Pacific Mills persisted, Pattullo agreed to create Pulp District Two, guaranteeing the 300 million feet, on condition that the company not seek timber elsewhere, and that it promptly proceed to take up all remaining timber in Pulp District One.<sup>112</sup>

Pacific Mills had, by this time, control over 3.2 billion feet of timber, equivalent to an estimated forty-five-year supply. Nevertheless, in 1929, claiming that much of this timber was commercially inaccessible, the company applied to the new Conservative Lands Minister for 100 million feet outside of either of the pulp districts it then held.<sup>113</sup>

Although it was Liberal policy to use guaranteed supplies, and over-supplies of pulp timber, allocated on extremely favourable terms, to attract new industrial development to the province, the only case where an increase in productive capacity actually occurred on the basis of a pulp sale made by Pattullo was the 1926 extension of the existing Powell River Pulp and Paper Company plant.<sup>114</sup> The Lands Minister initially resisted the sale to this already well-supplied operation, but finally succumbed to threats by mill manager Norman Lang that expansion plans would be shelved and newsprint prices to local papers raised. The sale was made with minimum time allotted for competitive bidding, and at prices low enough to accommodate high logging and transportation costs claimed by the company.<sup>115</sup>

Pattullo was quickly attacked in the legislature for the way his Department had handled the sale.<sup>116</sup> In his defence, the Minister informed the House that "the competitive feature has retarded the development of the industry in the Province." In the more highly developed eastern provinces, the competitive principle was, perhaps, no deterrent. But British Columbia,

<sup>112</sup> C. L. Barber to Caverhill, 15 August 1927 (Exhibit F), and pp. 6 and 10, Forest Branch memo re Pacific Mills, Orchard Papers, vol. 6, file 11; and Brian A. Tobin, "The Pulp and Paper Industry of British Columbia" (B.A. Essay, University of British Columbia, 1930), 36-37.

<sup>113</sup> Forest Branch memo re Pacific Mills, 1929, pp. 8 and 11, Orchard Papers, vol. 6, file 11.

<sup>114</sup> "Consolidated Statistical Tables," F 63, table 4; and B.C. Economic Council of British Columbia, Research Department, *Statistics of Industry in British Columbia, 1871-1934* (Victoria, 1935), (hereafter *Statistics of Industry in British Columbia*), tables FY 12 and FY 13.

<sup>115</sup> Public statement issued by T. D. Pattullo on Powell River timber sale, quoted in *Victoria Daily Times*, 6 January 1927; and *Victoria Daily Colonist*, 14 January 1927.

<sup>116</sup> *Victoria Daily Times*, 5 January 1927 and 15 January 1927; and *Victoria Daily Colonist*, 14 January 1927.

at a more rudimentary level, could not afford such rigid adherence to it. Moreover, he argued, the public interest was amply protected through assessment of stumpage prices, royalties, and rental fees.<sup>117</sup>

The argument was ludicrous, if convenient. Stumpage prices were frequently undervalued to promote development. Royalties on pulp timber cut from post-1912 sales remained unchanged until 1927. On pre-1912 pulp leases, still the mainstay of the industry, they had been frozen in 1914 for thirty years.<sup>118</sup> As for Pattullo's claim that "too much competition" was retarding development in the forest industry, the Timber Industries Council estimated that sixty-six logging operators produced 88 percent of the total cut in 1925. The remaining 12 percent was logged by 890 truly competitive concerns.<sup>119</sup> The trend was definitely toward concentration of production — something that government policy did little to reverse.

As with the Conservatives, Liberal timber administration was based on the practice of liquidation forestry. The main task was to get the timber down and out onto the market in whatever form was in demand. A subordinate aim was to promote home industry. To this end, through the early 1920s the Forest Branch actively pursued market extension work, both in Canada and abroad.<sup>120</sup> But export of manufactured logs continued, increasing dramatically between 1918 and 1923, in spite of a qualitative leap in the water-borne lumber trade.<sup>121</sup>

In 1918, as a result of various factors related largely to the war economy,<sup>122</sup> Chief Forester Grainger advised Pattullo that, in view of the province's present timber need, "no surplus labour or machinery" could be devoted to supplying American mills. On the other hand, Grainger acknowledged that the logging companies, "having secured a temporary modification of export at one period of the crisis, with benefit to general business in the Province, (and having at present as it were, a foot in the door) . . . are very anxious that the door should not again be slammed against them by reimposition of the embargo. . . ." As a compromise, in

<sup>117</sup> Public statement issued by T. D. Pattullo on Powell River timber sale, quoted in *Victoria Daily Times*, 6 January 1927.

<sup>118</sup> B.C., *Statutes*, 1926-27, 17 Geo. 5, c. 23, s. 8; and Forest Branch memo, Selling pulpwood from Crown Forests, L/O, roll 1194, file 04009, # 101-07.

<sup>119</sup> Minutes of meeting of TIC directors, 18 August 1925, COFI, vol. 38, file 6.

<sup>120</sup> Gray, pp. 96-115.

<sup>121</sup> "Consolidated Statistical Tables," F 75, table 16, and F 61-F 62, table 3.

<sup>122</sup> Lumber and Shingle production had risen sharply by 1918 over the depressed years, 1914-16. See *Statistics of Industry in British Columbia*, table FY 3.

March of that year, the Department ceased issuing export permits except for low-grade cedar.<sup>123</sup>

The government, it should be noted, had direct control only over log exports from licensed Crown timberland. The competitive advantage held by operators on private land, who benefited from nearly unfettered log exports,<sup>124</sup> was a constant factor working against rigid application of an embargo on Crown land exports. Moreover, the shingle manufacturers, who had for years been the chief opponents of log exports, now joined the chorus of protest against any restrictions. With shingle exports up under a regime of relaxed United States duties, the possibility of American tariff retaliation loomed as a greater threat to them than possible cedar log shortages or high log prices.<sup>125</sup>

In order to establish "a regular working policy to give stability to the industry," Pattullo organized a meeting of Forest Branch officials and representatives from the different industry sectors, the result of which was the formation of a War Advisory Committee. This joint industry-government committee, renamed the Export Advisory Committee after the war, met monthly to consider all export permit applications in light of current log stocks and mill requirements.<sup>126</sup>

The creation of this new layer of quasi-governmental bureaucracy to regulate the log export trade signified that export of unmanufactured timber had become an accepted aspect of the coastal forest industry and of the provincial economy in general. Only because of improved economic conditions over the 1918-20 period was any semblance of the original intent of government timber manufacturing policy preserved. A 50 percent increase in the number of operating mills<sup>127</sup> and an 85 percent decrease

<sup>123</sup> Grainger to Pattullo, 15 February 1918, L/O, roll 50, file 03678-3, # 57-60.

<sup>124</sup> Theoretically, the provincial government could have curtailed Crown-grant exports by increasing the nominal export tax, but for years its constitutionality had been in question. The government feared that any increase would have led to an industry challenge to the authority of the province to levy an indirect tax in restraint of trade, and a possible move by the Dominion government, already under pressure from Ontario timber and financial interests, to ban all timber exports from Crown-granted lands in Canada. Grainger to Ross, 11 July 1913, L/1912, roll 308, file 58934, # 2-3; St. Clair to Andrews, 30 June 1923, L/O, roll 51, file 03681-4, # 218; and L. Ethan Ellis, *Print Paper Pendulum: Group Pressures and the Price of Newsprint* (New Brunswick, 1948), 126-27.

<sup>125</sup> See telegrams from several shingle manufacturers to Lands Department expressing fears of United States tariff retaliation, L/O, roll 50, file 03678-3, # 107-171. William G. Robbins, *Lumberjacks and Legislators: Political Economy of the U.S. Lumber Industry, 1880-1941* (Texas, 1982), 67.

<sup>126</sup> Minutes of meeting of Round Table Conference on Log Export held at the Parliament Building, 20 March 1918, L/O, roll 50, file 03678-3, #84-87; and *Pacific Coast Lumberman* 2 (April 1918): 24.

<sup>127</sup> *Statistics of Industry in British Columbia*, table FY 2.

in log exports<sup>128</sup> encouraged the Liberals to continue the suspension of the log export embargo.

In March 1920, upon the advice of the Export Advisory Committee, and amid great controversy in the legislature, the period for discretionary log exports from Crown lands was extended to March 1930.<sup>129</sup> In response to charges that he was "selling out" the province's timber resources to Puget Sound lumbermen, Pattullo replied that, in contrast to a policy of unrestrained export followed by the Tory government, his policy of "occasional export of logs is merely a safety valve to save waste."<sup>130</sup>

In addition to the long-standing log trade with Puget Sound mills, much of Pattullo's so-called waste was shipped to Japan after a market for red cedar logs opened there in 1921.<sup>131</sup> Contrary to the Minister's view that exports were simply a "safety value," several logging concerns, such as the Capilano Timber Company, regarded the Japanese log trade as essential to their business, as did H. R. MacMillan and Nelson Spencer, whose export companies were the chief British Columbia suppliers of logs to Japan.<sup>132</sup>

To regularize the trade, the logging companies involved requested a blanket export permit from the Export Advisory Committee for all low-grade red cedar. The Forest Branch functioned on the premise that at any moment a domestic market could open up permitting manufacture of this material within the province.<sup>133</sup> Caverhill feared that a blanket permit would only encourage many operations to spring up, financed by Japanese capital, dedicated wholly to the export of logs. On his advice, the Export Advisory Committee decided that booms would continue to be considered for export application individually.<sup>134</sup>

Despite the Chief Forester's serious pronouncements in this regard, little real action was taken to enforce this decision. Logging companies continued to find ways of circumventing the Committee's guidelines,<sup>135</sup> sanc-

<sup>128</sup> "Consolidated Statistical Tables," F 75, table 16.

<sup>129</sup> B.C., *Statutes*, 1920, 10 Geo. 5, c. 45, s. 17.

<sup>130</sup> *Pacific Coast Lumberman* 4 (April 1920): 30 and 73; and *Victoria Daily Colonist*, 10 March 1920.

<sup>131</sup> *Pacific Coast Lumberman* 6 (February 1922): 60.

<sup>132</sup> "A Condensation of the Recorded Interview with William McMahan, Vice President and General Manager of Canadian Forest Products Ltd.," October 1957, Orchard Collection, # 1864, p. 1.

<sup>133</sup> Minutes of meeting of Export Advisory Committee (EAC), 24 January 1922, L/O, roll 65, file 04392-A, # 15-17.

<sup>134</sup> Minutes of meeting of EAC, 21 February 1922, L/O, roll 65, file 04391-A, # 44-48.

<sup>135</sup> Minutes of meeting of EAC, 24 January and 10 February 1922, L/O, roll 65, file 04392-A, # 15-17, and # 35.



tioned by Pattullo, who regarded the Japanese log trade as a progressive move toward efficient forestry. Before this new outlet was available, much low-grade material had been left to rot, according to the Minister, since the North American price did not justify manufacture. There was no indication that stopping the trade "would force Japan to purchase the manufactured product at a price that would repay the cost."<sup>136</sup> Soon, approval by the Export Advisory Committee of large-scale log exports to Japan had become commonplace, with the Chief Forester voicing his approval.<sup>137</sup>

Between 1920 and 1922, log exports from Crown lands jumped from 10 million board feet to 50 million. For the next five years they remained at that level or higher.<sup>138</sup> In fact, far from being an incidental waste-saving aspect of logging, exports rose proportionately with, and comprised a significant percentage of, the total annual cut. Including exports from privately held lands, over which the government had only indirect control,<sup>139</sup> approximately 10 percent of the total timber cut during these years was exported in log form.<sup>140</sup>

By 1923, Pattullo was singing a somewhat different tune. Under attack by the opposition for a policy that exported present and future jobs to Puget Sound or Tokyo while turning Vancouver Island into a "howling wilderness,"<sup>141</sup> the Minister assured the legislature that, since most of the timber in question was overmature, it should be cut as there was a demand for it. Whether logs were manufactured in Canada or elsewhere, the timber would still have disappeared. The answer was not to stop exporting logs, but to ensure that a healthy natural regeneration occurred.<sup>142</sup> Furthermore, as the United States emerged, in the early 1920s, as British Columbia's chief export customer for lumber and shingles,<sup>143</sup> the Minister used the fear of a possible retaliatory duty on these products to justify current log export policy.<sup>144</sup> The Liberals were not about to jeopardize the American market,

<sup>136</sup> T. D. Pattullo, transcript of speech, 2 October 1924, Add. Mss. 3, vol. 12, file 10, # 135-45.

<sup>137</sup> Minutes of meeting of EAC, 22 December 1925, L/O, roll 65, file 04392-A1, # 143-48.

<sup>138</sup> "Consolidated Statistical Tables," F 75, table 16.

<sup>139</sup> See note 124 above.

<sup>140</sup> "Consolidated Statistical Tables," F 75, table 16, and F 63, table 5.

<sup>141</sup> *Victoria Daily Colonist*, 27 November 1923.

<sup>142</sup> *Victoria Daily Times*, 27 November 1923.

<sup>143</sup> "Consolidated Statistical Tables," F 61, table 3.

<sup>144</sup> T. D. Pattullo, transcript of speech on log exports delivered to the legislature, November 1923, Add. Mss. 3, vol. 60, file 16, # 120-26; and T. D. Pattullo, transcript of speech, 2 October 1924, Add. Mss. 3, vol. 12, file 10, # 135-45.

and the jobs it supported, to save a few hundred million board feet of "rotting timber" for future home manufacture.

In sum, by the mid-1920s, the Lands Department perspective on log exports, rationalized in silviculture terms, had become nearly identical to that of the industry. What had originally been a policy aimed at encouraging local manufacture and conserving timber supplies for future use was now almost entirely concerned with supply and price of logs and short-term profit. As Pattullo told the legislature in 1927, "The people have to live today, and if there were no industry here there would be no people here; and the day when the waste products could be used to advantage would be that much further away."<sup>145</sup>

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With the Royal Commission of 1909-10, the passage of the Forest Act and creation of the Forest Branch in 1912, a new era was supposed to have dawned in British Columbia. The "epoch of reckless devastation" of the province's forests had ended, according to W. R. Ross, through the introduction of legislation that was "not only for ourselves and for the needs of this day and this generation, but also, and no less, for our children's children and for all posterity — that we may hand down to them their vast heritage of forest wealth, unexhausted and unimpaired."<sup>146</sup>

In less than one generation, Ross's Progressive vision had been totally undermined. Despite the rhetoric of 1912, large-scale capitalist development of the forests was not compatible with good forest management. The provincial state, as proprietor, deferred to the perceived needs of the forest companies in most aspects of policy administration. Though there were definite areas of conflict between these businessmen and Department of Lands officials under both Conservative and Liberal regimes, the political and economic significance of the forest industry during these early years severely circumscribed governmental autonomy. Using the administrative and quasi-governmental structures established by conservationists and progressive-minded politicians and foresters, lumbermen succeeded in overcoming most political and bureaucratic resistance to their demands by invoking the shibboleths of investment, development, and prosperity for all. The people were to benefit from the forest resource, not through meddlesome restrictions, regulations and taxes, but by allowing private enterprise free rein.

<sup>145</sup> T. D. Pattullo, transcript of speech on the timber industry delivered to the legislature on 18 January 1927, Add. Mss. 3, vol. 25, file 20, # 1-20.

<sup>146</sup> *British Columbia Forest Policy*, 24.