TIMBER ALLOCATION POLICY IN BRITISH COLUMBIA TO 1972

By

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ABSTRACT

According to several recent studies, the future of the forest industry in British Columbia is in jeopardy. If present forestry management practices are continued, it is conceivable that within the next decade the timber harvest will decline, employment will be severely reduced, and government revenue from the forest resource will be significantly less than in previous decades. Public ownership of the vast majority of provincial forest land means that government policies are largely responsible for this state of affairs. However, there are relatively few academic studies of the history of those policies.

The purpose of this thesis is to review the evolution one aspect of forest policy, the way in which timber is allocated in British Columbia, and to analyze the dynamics of this evolution in light of six alternative theories of the policy-making process. Forest policy in British Columbia is extremely complicated and is the result of decisions made to meet various demands at different times in history. It is only through a detailed understanding of the history of forest policy and the nature of the provincial state that planners, resource managers, and public policy-makers can attempt to resolve the current crisis in the forest industry.

Public timber is allocated to private forest companies in British Columbia by a variety of tenures. The form of these tenures has changed dramatically over time.
Prior to 1912, access to the forest resource was granted primarily by leases and licenses which carried few restrictions and relatively low royalties and rents. These tenures were perpetually renewable until the merchantable timber was removed.

Between 1912 and 1947 the primary method of disposing crown timber was through competitive bidding on short-term timber sales. The crown not only received royalties and rental fees from these Timber Sale Licenses, but also a bid price. The Forest Branch established a minimum bid price based on the value of the end product minus the costs of production and an allowance for profit and risk.

After 1947, the government attempted to regulate the harvest of timber in such a way as to guarantee a perpetual supply of timber. They did this by awarding huge tracts of public land to owners of private forest land and perpetual tenures in order for them to manage the whole property on a sustained yield basis. On the remaining majority of forest land the government set aside large areas which were to be managed by the public sector on sustained yield principles. Over time, as a result of these policies, competition for the resource was virtually eliminated and, as one consequence, the government always received the appraised upset price for timber. It appears that this has undervalued the crown's share of the resource rent. The combined effect of timber allocation policies after 1947 was to accommodate, if not encourage, the consolidation of timber rights.

In order to explain the evolution of timber policy in British Columbia and to guide future policy development, the thesis examines six
broad theories of how the state operates. These are categorized as follows: rationalist, pluralist, neo-conservative, neo-marxist instrumentalist, neo-marxist structuralist, and Canadian.

After reviewing these theories the thesis concludes that elements of each theory can be employed to explain different policy changes over time. No single theoretical model is totally adequate to answer the question of why B.C. governments acted the way they did. Nevertheless, the neo-marxist structuralist and Canadian theories provide the fullest explanation of the role of the state in British Columbia.

It is apparent that large forest companies have had a disproportionate influence on public forest policies. Over time, the provincial state has become increasingly dependent on those companies to carry out many forest policy objectives, to provide employment and generate tax revenues. New resource policies designed to meet the current crisis in the forest industry must recognize these two important facts.
# TABLE OF CONTENTS

Abstract...........................................................................................................ii
Acknowledgements.........................................................................................vi

Introduction.................................................................................................... 1

Chapter One
Early Forest Policy: 1858-1943................................................................. 4

Chapter Two
The Introduction and Implementation of Sustained Yield Management: 1943-1972.................................................................20

Chapter Three
Theories of Policy Making.................................................................71

Chapter Four
Conclusions.................................................................107

Bibliography.................................................................124
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-vi-
INTRODUCTION

The British Columbia economy is highly dependent on the export of staples, particularly forest products. In a report prepared by the B.C. Ministry of Forests in 1980 it was estimated that the forest industry accounted for almost ten per cent of the province's total employment. After indirect effects are included, forestry sustained close to twenty-five percent of provincial employment. The historical importance of the forest industry to the economic life of British Columbia cannot be overestimated.

However, according to several recent studies, the future of the forest industry is in jeopardy. A report prepared for the Federal Ministry of State for Economic and Regional Development in 1984 concludes:

...the B.C. forest products industry has become 'locked-in' to technologies and products which yield low average rates of return on investment (e.g. construction grade lumber), face declining markets and, in other cases, have not capitalized on changes taking place in the marketplace.

A more recent review by Sten Nilsson, a Swedish economist, paints an even gloomier scenario. On the basis of various forecasting methods, Nilsson predicts that without fundamental shifts in government and industry policies the forest sector's contribution to the economy of British Columbia will be significantly reduced.

In order for planners and policy-makers to develop strategies to deal with the current crisis in the forest industry, it is important for them to understand how past policy was adopted and why. This thesis is meant to contribute to that understanding.
Public ownership of the vast majority of the timber resource has made government forest policy an area of critical concern. As Peter Pearse has stated:

The high profile of the forest industry in the economy, the impact of timber production on the environment, and the predominance of the Crown as the forest landlord push forest policy to the forefront of public concern.  

Government forest policy has many components. Fire suppression, silviculture, pest control, reforestation, and inventory programs, for example, are all important activities in the government's attempt to manage the provincial forest resource. The most important element of forest policy in B.C., however, is the way in which timber is allocated to the forest industry. The rights to forest land and timber are conferred by a variety of forest tenures. As Pearse has noted, these tenures are the "touchstone" of provincial forest policy.  

This thesis examines the history of forest tenure policy in British Columbia up to 1972. Over the years many policy innovations were implemented, the structure of the industry was dramatically altered, the amount of timber cut increased phenomenally, and technological advances changed the nature of harvesting and production.  

Forest tenure policy in B.C. is extremely complicated and is the result of decisions made to meet various demands at different times in history. By 1972, timber allocation policy was a combination of legislation, administrative practice, ministerial discretion and historical fact. Many authors, however, have argued that forest policy has generally operated to the advantage of large corporations. Historically, key policy decisions have encouraged the growth of large, integrated forest companies.
This thesis reviews the history of timber allocation policies in British Columbia and concludes that those policies have indeed contributed to the level of corporate concentration in the industry. The thesis then turns to a question which has not been analyzed in any depth; namely, why did forest policy take this direction?

In order to answer this question, six broad theories of how the modern state operates are reviewed to determine whether any of them adequately explain the British Columbia experience. These theories are categorized as follows: rationalist, pluralist, neo-conservative, neo-marxist instrumentalist, neo-marxist structuralist, and Canadian. After briefly describing each theory and assessing its validity with respect to the case study, the thesis concludes that elements of each theory can be employed to explain different policy changes over the years. No single theoretical model is totally adequate to answer the question of why British Columbia governments' acted the way they did. Nevertheless, the neo-marxist structuralist and Canadian theories provide the fullest explanation of the role of the state in British Columbia.
CHAPTER ONE

EARLY FOREST POLICY: 1858-1943

To the early inhabitants of British Columbia, forests were a limitless resource that impeded the orderly settlement of land. Roderick Haig-Brown, for example, pointed out that B.C. pioneers frequently burned standing timber in order to clear the land for farming. This attitude changed, however, with the recognition that money could be made by transforming nature's gift into functional timber for construction of railroads, ships and houses.

Although the first recorded commercial exploitation of the provincial forest resource occurred in 1788, when John Mears had Chinese loggers and tradesmen build ships for the fur trade, it was not until the gold rush of 1858 that lumbering began to be established as a nascent industry. The discovery of gold led to the influx of over 30,000 people, dwarfing the existing population of about 4,000. Among the new immigrants was W.P. Sayward, an American lumberman from Maine. Upon his arrival, he immediately constructed a profitable water-powered sawmill at Mill Bay on Saanich Inlet. This prompted one author to comment:

Like his compatriots he came seeking his fortune, but unlike them, he intended to find it in the forest wealth of the North Pacific of which he had heard so much.

In the same year, the legislators of the Crown Colony of Vancouver Island passed the first act which had a bearing on the forest resource. The Land Act (1858) proclaimed crown ownership of land and
authorized the disposal of that land at the price of ten shillings per acre. The following year the Act was amended to state "...conveyance of the land shall include all trees..." Thus, access to crown timber could only be obtained by the outright purchase of land.

This remained the case until the Governor of Vancouver Island proclaimed the Land Ordinance of 1865 which authorized the crown to lease land for the purposes of cutting timber. Importantly, the government did not decide to lease timber land because of a philosophical commitment to retain the land in crown ownership. On the contrary, the government wanted to encourage more rapid development of the forests than had been taking place, and by replacing the cost of land with an annual rental charge, the government reduced the costs to the timber industry.

Another important change included in the Act was the stipulation that the lessee be required to own and operate a sawmill. Thirty years later in Ontario, the government imposed a similar clause that H.V. Nelles refers to as the "manufacturing condition". In addition, the government required special approval from the Lieutenant Governor before any timber harvested from timber leases could be exported as logs. But, as one author notes, "...in practice, however, the acquisition of such a permit was not a difficult task."

The Act was clearly intended to promote the exploitation of the forests by supplying inexpensive timber, and to secure the jobs and profits associated with secondary manufacturing for the local inhabitants. In reality, the government provided cheap timber for big lumber concerns, but excluded small operators by requiring the construction of a sawmill. Nevertheless, the 1865 Act set the precedent of public ownership of land
with private exploitation of the timber resource. This principle has remained intact to the present day.

Over the course of the next 35 years, governments of the day often amended the Land Act to provide different forms of licences and leases.

By the turn of the century, the basic tenets of government forest policy were well established. The government wanted to promote settlement by selling cheap arable land and, at the same time, retain valuable timber land for the Crown. However, while public ownership of the forests was firmly entrenched, the government devised various means of disposing the timber, apart from the land, to private firms. Although the early rationale for this was probably to encourage exploitation by alleviating the burden of land ownership on capital-starved companies, governments soon recognized that the revenue received from leases and licenses would exceed that which could be obtained by the outright sale of land. Until 1903, the primary method of disposing Crown timber was through the granting of timber leases. These leases conveyed cutting rights over tracts of timber for 21 years. There was a nominal annual rental fee and a royalty of 50 cents per thousand board feet was charged on timber cut.

Other basic features of government forest policy which had been established by 1900 include encouragement of the rapid exploitation of forest land, requiring (at least theoretically) the manufacture of logs within the province, and supporting the export of semi-finished lumber.

The year 1903 was the beginning of a new era for British Columbia and its timber industry. Richard McBride, a native son and former Minister of Mines in the Dominion government, was called upon to replace the scandal-ridden Prior Administration. Four months later, in October,
McBride called an election, the first to be fought along party lines. McBride's Conservative Party platform, adopted in 1903, listed two points regarding forest policy. The first stressed the need for reforestation and "... that steps should be taken for the general preservation of forests by guarding against the wasteful destruction of timber." The second point suggested that "... it is advisable to foster the manufacture of raw products of the Province within the Province." Upon his re-election, however, McBride was to prove that party platforms were merely the stuff of election propaganda.

The McBride government inherited a debt-ridden province. Thus, aided by his Minister of Finance, Captain Tatlow, the Premier sought immediately to improve the province's finances. As Martin Robin points out:

The first task of the new government was to re-organize the fiscal system by controlling expenditure and to seek new ways and means of raising money to pay off debt charges and other disabilities which had sucked the treasury dry for years...

Various taxes were raised, all new public works ceased, and the cost of financing education was shifted from the province to the municipalities. Such a policy of retrenchment could hardly be popular for long and Conservative politicians desired a large infusion of funds in order to consolidate the position of the first party government in B.C.

In April, 1905, the government decided to raise the requisite revenue by selling off large amounts of the province's timber capital at wholesale prices. In what has dubiously been described as a "master-stroke of bold statesmanship", the McBride administration embarked on a policy of
recklessly giving away rights to cut Crown timber. As A.C. Flumerfelt approvingly notes,

...the government resolved upon a remarkable measure of policy that challenged and defeated criticism... The government threw open all timber lands. Anyone who cared to stake a square mile of forest was encouraged to do so, and the exclusive right to cut timber on that area was given to him.

Essentially, the mechanism which the government used to "throw open" the forests was the special timber licence. The terms and conditions of these licences were altered so as to make them attractive to domestic and American timbermen, capitalists and speculators. Whereas special timber licences previously had been non-transferable and eligible for renewal every five years, they were now made renewable annually for twenty-one years, and transferable. One individual could hold an unlimited number of licences. While the royalties charged for these new licences remained the same, the annual rental fee was raised modestly to approximately 22 cents per acre per year. However, this clearly undervalued the resource, for, as reported in the Victoria Daily Times, many new licensees quickly resold their licences for prices between $6 and $10 per acre.

These changes to the licensing system sparked a timber "rush" of unprecedented magnitude. W.R. Ross, Minister of Lands in 1912, recalled the situation in 1905:

Stumpage... was being sought feverishly by investors. Here in British Columbia was the timber; here the crying need for public revenue to open up the province, for capital to invigorate our anemic industries and there, throughout the older regions of the continent, was the capital we needed, capital which was seeking to invest itself in the fast diminishing western reserve in timber...

At the same time as B.C. was loosening the "rules of the game", so to speak, the American conservation movement was taking hold in the U.S.
Gifford Pinchot, with the strong support of President Roosevelt, moved in 1907 to set aside large areas of public lands into forest reserves.

Gifford Pinchot's swift action initially struck fear in the hearts of the powerful timber interests in the West. Although they were soon to learn that the reserves drove the value of remaining private timber land up and increased stability in the industry, the Western timber barons quickly cast about to satisfy their rapacious appetite for cheap timber. Needless to say, the American timbermen were pleased with the accommodating changes that occurred in B.C. in 1905. They expressed that pleasure in a very tangible way. American business interests began buying up B.C. timber land, licences and leases.

American investment in B.C. timber increased thirty-fold in the first decade of the twentieth century. In 1900 the total amount of American capital invested in the province's lumber industry was less than two million dollars. In 1910, American interests in B.C. timber lands and mills amounted to 65 million dollars and four years later the amount reached 70 million dollars.\(^{27}\)

Americans, however, were not the only ones to invest and profit from B.C.'s forest wealth. Speculation was rampant. Eastern Canadian business interests, European companies, and British Columbian firms all benefited from the government largesse. The number of timber licences issued increased from 1,451 in 1904 to over 15,000 in 1907.\(^{28}\) In less than three years, more than 9,600,000 acres had been staked - ten times the amount of acreage under licence in 1904.\(^{29}\) However, because the special timber licences were now transferable, many holders of these new licences quickly sold out to large corporate interests. Martin Robin asserts:
Over eighty per cent of those whose names were used to stake almost 10,000,000 acres in 1907 allowed their licences to fall into the hands of the timber syndicates.

While capitalists gained access to B.C. timber for a very modest fee, the sheer enormity of the give-away provided a tremendous infusion of public funds.

There is no doubt that, in terms of providing revenue to the crown, the 1905 changes in forestry legislation were a resounding success. In terms of laying the foundation for the continual stewardship of the public's forest resource, the changes were more questionable.

On December 27, 1907, an order-in-council was passed which withdrew all unalienated timber lands from any form of alienation. Effectively, a moratorium was placed on all further issuance of timber licences and leases. Most writers suggest that the primary motivation for the sweeping alterations to the province's timber licensing system in 1905, and the subsequent moratorium in 1907, were related to the government's financial situation. In particular, Flumerfelt, Marris and Robin argue that the pressing need for revenue almost forced the McBride Government to induce investors to stake forest land so that rental fees would swell government coffers. After sufficient revenue was raised, the government was no longer 'forced' to alienate timber land and a moratorium was called for. Stephen Gray, on the other hand, suggests in a recent thesis that the chief goal of the government was to promote industrial development.

In effect, however, both the raising of government revenue and the promotion of economic development were probably seen as twin goals of the government. That is, the province required more money to enable it to
subsidize development and pursue grand plans to 'open up the north'. Nevertheless, Gray's emphasis on industrial development as the McBride administration's most important political objective is no doubt correct. The 1907 moratorium was justified by the rhetoric of the conservation movement which, it was viewed, had finally reached B.C. As Samuel Hays points out, the conservation movement focussed on the promotion of efficient, large-scale industrial production.  

In 1909 the provincial government decided to establish a Royal Commission of Inquiry on Timber and Forestry under the chairmanship of F.J. Fulton. This too was cloaked in conservation language. Among other things, the commission was to conduct an inventory of the forest resources of the province and suggest means to "...conserve the present supply of timber, to guard against fire and to utilize vacant lands suitable for afforestation...".  

A.C. Flumerfelt suggests that the commission was established because the government was uncertain as to what forestry goals to pursue and was determined to begin a systematic method of forestry conservation. Marris, however, argues that the primary motivation for the inquiry was because licensees were agitating for longer, more secure tenure. The evidence presented at the commission's hearings certainly indicates that that was a major objective of most intervenors. More correctly, the reason for the royal commission was probably because the government had taken seriously the arguments put forward by the conservation movement, as Hay's has outlined. The government wanted to rationalize the development of the forest resource and put it on a stable, business-like footing. Interestingly, the McBride government did not wait until the commission reported to act on the question of tenure. In March, 1909,
McBride announced that licences would be perpetually renewable until the merchantable timber was removed. This was done in spite of the fact that McBride continued to reiterate that no changes to forestry legislation would be made until the commissioners had made their report.

The commission spent 13 months after its appointment attending hearings and listening to 115 witnesses. The vast majority of witnesses could be classified as representing either business interests or government. Indeed, only four intervenors represented labour organizations. It is perhaps not surprising, therefore, that the question of length of tenure was the topic which occupied most of the commission's time.

The reason that length of tenure for timber licences was important to the licensees is not difficult to determine. Essentially, because the government had made the licences transferable and allowed the unlimited accumulation of such licences, they became commodities. Individuals not concerned with the timber industry per se could and did hold licences for speculative purposes. Extending the length of tenure increased the value of this new commodity.

For the government's part, it was concerned with ensuring rational private investment, while at the the same time receiving a steady flow of revenue from the forest resource. It was argued that perpetual tenures would enhance the licensee's security and thereby stimulate investment. The government was not so much interested in the scientific management of the public forest, but rather that the ability to control the rent and royalties for the licences be retained.
The Fulton royal commission conveniently accommodated both the industry and the government. Its Final Report placed heavy emphasis on examining the question of provincial tenure arrangements. The commissioners suggested first that licences and leases should be made renewable until they no longer contained merchantable timber. However, they rejected the forest industry's argument that fixed royalties were necessary to provide stability for investment. The commissioners were adamant that the government retain its right to vary the charges levied on timber licences. The following excerpt from the Report illustrates their commitment.

Your Commissioners recommend, definitely and emphatically, that the licence rentals, fees and royalty shall not be fixed for any period beyond one calendar year at any time; that the present right of the Government to regulate and adjust rentals, fees, royalties, or other charges on timber property shall in no way be restricted or limited; and that all conditions appertaining to the control of timber lands by the Province of B.C. shall remain forever distinctly subject to such enactment of the Legislature or Order-In-Council as circumstances, at any time may demand.

Considering the lack of data on the provincial forest base, the commission's Final Report was a well-researched, comprehensive document. In addition to the above suggestion regarding the fixing of royalties and rents, the commissioners made twenty further key recommendations. Many of these dealt with questions of tenure arrangements. It was recommended that lease holders be put on an equal footing with licences; that is, lessees should have the automatic right to renewal, and they should be charged the same rental and royalty. The commissioners suggested that tanbark and pulp lessees be granted the right to cut sawmill timber on their leaseholds, provided that they pay the equivalent taxes and royalties.
Significantly, the Report advocated the indefinite continuation of the moratorium on unalienated timber land and suggested a method of disposing of these lands in the future. If the need arose to open up more land for lumbering purposes, the commissioners felt that such lands should be subject to public competition. One of the reasons given for the eventual need to provide more timber was the possibility of a high degree of corporate concentration leading to less government control. The commissioners were concerned about the ramifications of a large amount of timber land being held by non-operators. The Report stated:

Should such a circumstance... lead to monopoly conditions in the Province, and should the financial control possessed by the Government over licence rental and royalty fail in any way to subdue commercial symptoms of this character, it might therefore, in that future time, be found expedient to throw areas of Reserve timber into the market.40

A number of the other recommendations dealt with mechanisms to collect more reliable data. Specifically, it was suggested that a complete cruise of crown grant timber lands be made by the government, and that "an annual return should be made of the valuation of all such timber lands."41 Special licensees, the commissioners argue, "...should be instructed to proceed with the survey of their holdings," and all operators should be required to submit periodic reports concerning their operations to the government.42

The third major focus of the recommendations concerned fire prevention. Various regulations were suggested which required operators to dispose of debris and required the supervision of railway construction and operation. The Report recommended that the government be responsible for fire protection with the total cost of the protection of unalienated timber
being borne by the government while the private companies would be responsible for fifty per cent of the cost of fire protection on alienated timber. The commissioners also recommended that any merchantable timber left standing after logging be charged full royalties. Ostensibly, this was for fire protection purposes. However, this had the effect of encouraging a larger cut and increasing revenue to the crown.

Finally, the Report recommended the establishment of a Department of Forests under the control of the Chief Commissioner of Lands. The department would be charged with the responsibility of implementing the commission's recommendations. The Report outlined, rather explicitly, the make-up of this new department. Doubtless influenced by Pinchot, the commissioners opted for a professional forest service, the employees of which would not be allowed to hold any pecuniary interest in the forest industry. Foresters, the Report suggests, should be scientific men with "...superior technical, business and administrative ability." 43

In order to finance this new department, the Fulton commission suggested that a Forest Sinking Fund be created. The commissioners proposed that the entire government revenue from forests in 1910 be deposited in the fund. It appears that the commissioners were influenced by the U.S. experience where revenues from the U.S. National Forest financed the U.S. Forest Service. However, the commission was asking the government to turn over about thirty per cent of its total revenue to this new department.

The Final Report of the Fulton commission was completed on November 15, 1910. An Interim Report had been published approximately one year earlier. Although the Interim Report was a scant two pages long, it
indicated the intent of the commissioners. As has been noted, Premier McBride had announced prior to the commission's appointment that the government had decided to allow special timber licences to be renewable in perpetuity. After the announcement, McBride requested that the commission make an Interim Report on this matter. The Interim Report merely supported the government's decision to allow renewable licences. As the document stated,

"A careful consideration of the facts adduced in the evidence submitted, and of the opinions of some of the best known authorities on timber and forestry matters, have led us to the unanimous conclusion that the proposed extension of tenure of these licences, under proper safeguards, will not work to the disadvantage of the Province."44

Consequently, the first piece of legislation resulting from the Fulton commission was introduced prior to the publication of its Final Report. An amendment to the Land Act was passed in 1910 which allowed licences to be renewable for as long as they contained merchantable timber. A further change enabled the government to direct a licensee to remove timber within a specific length of time if the land was deemed suitable for agriculture. However, it was not until 1912 that the government acted on the royal commission's Final Report. In that year, the Forest Act was passed.

Many of the commission's recommendations were embodied in the Act. A Forest Branch was created which was charged with responsibility for all aspects of forestry regulation. Specifically, the Branch dealt with fire prevention, the collection of data, reforestation, the disposal of crown timber, and the collection of revenue raised from the provincial forests.
To oversee the work of the Branch, a Provincial Forest Board was created. Although this was a departure from the recommendations of the commissioners, the Board was not a major innovation. The Forest Board consisted of only six senior forestry officials, and its duty, as stated in the Act, was "...to ensure the carrying into effect and enforcement of the provisions of this Act." This "executive" committee had the ability to view the forestry situation in the province as a whole, whereas the Forestry Branch was preoccupied with the day-to-day, rather mundane task of implementing various regulations. In all likelihood, the Board dealt with the broader questions of policy.

The new Forest Act did not provide for a Forest Sinking Fund as recommended by the royal commission. Given the amount of money requested by the commissioners, the likelihood of such a fund being created was diminished. However, this resulted in the Branch being seriously underfunded from the very beginning. The McBride government's desire for revenue overrode the commission's convincing argument that inadequate reinvestment in forestry would result in the depletion of the province's "capital stock".

The government did provide a limited amount of funds for fire protection. The testimony at the hearings indicated that fire protection was one of the most important concerns of private business. All holders of licences and leases, and owners of private timber land were required to pay one cent per acre into a newly created Forest Protection Fund. The government was charged with total responsibility for the fighting of forest fires, and was required to contribute to the Fund an amount equalling the contribution of private timbermen.
There were a number of regulations, suggested by the commission, which were incorporated into the Forest Act. The government was given the power to order operators to remove or burn slash and debris, and all merchantable timber which was not logged from a given site was to be subject to full royalty charges.

The Act ensured that the government's power to vary charges on crown timber remained intact. The new legislation also attempted to equalize the various forms of crown timber rights. In other words, the different tenures became somewhat interchangeable, with similar royalties, rents and duration. Pulp and tanbark leaseholders, as the Final Report recommended, could cut sawlogs, with the applicable royalty being levied.

The government agreed with the commission in two significant areas. First, the 1907 moratorium on further alienation of crown timber was continued. Indeed, the Forest Act declared that all unalienated forest land be set aside in a forest reserve. Secondly, the right to log any land which was to be released from the reserve was to be sold by competitive auction. Basically, if timber rights were to be sold, the Forest Branch would be required to survey, cruise, establish an upset, or basic price, and advertise the sale. They also indicated the amount of time allowed for timber removal. The 'upset' price established by the Forest Branch was determined by "... subtracting the cost of exploitation of timber from the price of the products, with a margin of safety allowed between the two values to cover operating profits, carrying changes, interest and risk". In other words, the upset price was the payment to the Crown, over and above royalties and rental charges, due it as owner of the resource. A bidder was required to submit a deposit of ten per cent of the bid, and tender an amount he would pay above the upset price. Unsuccessful bidders
were refunded their deposit. The successful bidder was awarded a form of tenure called a timber sale licence. From 1912 to 1948, the timber sale licence was the only means of gaining access to Crown timber. The original intention of these licences, as set out by the Fulton commission, was to prevent monopolies. In other words, the commission felt that it might be prudent to open up areas of the timber reserve to competition so that entry into the timber industry would not be restricted to purchasing a licence from an existing holder. At the time of writing, however, the commission was convinced that enough timber had been secured to supply the needs of the industry for many years. They proved to be wrong, and as the demand for timber grew, timber sale licences became increasingly significant. By 1945, this form of tenure accounted for 25 per cent of the total provincial harvest and 50 per cent of the harvest in the Interior region of B.C. More importantly, perhaps, the fees generated by timber sales, known as stumpage fees, accounted for a disproportionately large amount of total forest revenue. In the fiscal year 1945, the revenue from timber sales amounted to $2,569,512; almost 50 percent of the total revenue generated from direct forestry charges. 

From 1915 to 1944 the total annual harvest increased from 1,017,638,000 board feet to 3,096,333,084. Many professional foresters within the Forest Branch were aware that the forests were being depleted and in 1937 a comprehensive forest inventory was completed which verified that fact. It was apparent that continued harvesting at the same pace would have serious long-term consequences for employment, community stability, and government revenue.
CHAPTER TWO

THE INTRODUCTION AND IMPLEMENTATION OF
SUSTAINED YIELD MANAGEMENT: 1943-1972

When Dr. C.D. Orchard became Chief Forester in 1942, he prevailed upon the government to consider the policy options available. Here is how he recalled the situation in a 1948 interview:

Once we had an inventory of our resources and compared it with our annual depletion, it was apparent that we could not continue our existing policy of liquidation. And we talked, we ate, we slept and we argued that for some years and, in 1942, we put the picture before the government. It was a complete picture too. It outlined the two alternatives between which we had to choose. On the one hand, to continue our liquidation methods and thus secure the immediate maximum return it was possible to get from our forest resource. The other was to look ahead and maintain our industry at as high a level as possible but to sacrifice immediate profits for future and perpetual profits of a more modest sum. Our whole legislation was set up for liquidation. The alternate course was a complete about-face.50

Aside from promoting the "liquidation" of the forest crop, there were other problems with the state of forest policy in 1943. Timber harvesting was concentrated in certain developed areas, while other regions of the province with mature timber remained untouched by loggers. Older industries and communities dependent on the forests were concerned about the future supply of raw material and there was very little reforestation taking place. 51 The solution to these problems, according to Orchard, was to move from unregulated harvesting to sustained yield management.
sustained yield concept is essentially a simple one. The objective is to limit the amount of timber cut to the amount of timber that grows, so that the forests will last in perpetuity. Orchard convinced the government that action was needed and a second Royal Commission into the forest resources of B.C. was established. Interestingly, Orchard and the government apparently perceived the appointment of a royal commission as an important public relations exercise. The central thrust of a new forest policy had already been decided upon by Dr. Orchard and the government. A high profile royal commission was necessary to prepare the public for such a dramatic shift in policy. Orchard recalled the government's reaction to his report calling for strict regulation of the timber harvest:

Mr. Hart and Mr. Wells-Gray, the Premier and Minister respectively at that time, were sufficiently impressed so that, unlike a great many reports that end up on the shelves and collect dust, I was called into consultation repeatedly. And finally it meant so much that the Premier felt that we would have to have a little public education if we were to attempt it. And the Royal Commission was set up and studied the thing for two full years. I don't think - I honestly don't think - that we could have got a better man to suit the purpose than the Chief Justice and he confirmed - not word for word, but principle for principle - everything we had put forward and, whether we ever do anything on that Report or not, I think the time was well spent for the sake of public education.

The Honourable Gordon McGregor Sloan, soon to be Chief Justice of British Columbia, was appointed sole royal commissioner in 1943. Although his mandate was a broad one, giving him scope to deal with all aspects of the forest resource, it instructed him specifically to establish the forests of B.C. on a sustained yield basis.
The commission's hearings commenced in February, 1944 and concluded in July, 1945. The Final Report of the commission was dated December, 1945. Over 300 witnesses, covering all facets of forestry, appeared before the Chief Justice.53

The Final Report of Chief Justice Sloan was 195 pages long. It contained a wide variety of recommendations covering all phases of forestry. It was a dramatic report. Among other things, Sloan recommended vastly increased expenditure on reforestation and insect control. As one author summarized, "Forest administration in all respects is found to have been totally inadequate due to lack of sufficient money."54

Sloan also briefly discussed the level of corporate concentration in the industry. He lamented the fact that "...the great part of the alienated timber resources of this Province are controlled by a comparatively few men."55 Nevertheless, he acknowledged that some degree of integration was necessary for efficient operations.

Sloan recommended the establishment of a permanent Forest Commission composed of not less than three or more than five members. The Forest Commission would receive all forest revenues and make long-term policies. They would control all expenditures and utilize the Forest Service to carry out all forest activities. Ostensibly, the Forest Commission would depoliticize policy development and put the management of forests on a sound, business-like basis.

However, it was Sloan's recommendations concerning the adoption of sustained yield management of the forests that were the most significant, dramatic and controversial. Sloan emphasized that "...we must change over from the present system of unmanaged and unregulated liquidation of our forested areas to a planned and regulated policy of forest management,
leading eventually to a programme ensuring a sustained yield from all our productive land area. He more precisely defined sustained yield in the British Columbia context to mean "...a perpetual yield of wood of commercially usable quality from regional areas in yearly or periodic quantities of equal or increasing volume."

After applying his definition of sustained yield to the state of affairs that existed in the B.C. forest industry, Sloan immediately ran into a problem. If private companies were going to be required to limit their cut to the amount of growth of their forest land each year, no company had a large enough amount of forest land under licence or ownership to enable them to cut enough timber to maintain their existing productive capacity at anything near a profitable level.

Sloan found an answer to this dilemma. The crown, as landlord of 90% of the forest land of the province, would turn over to private tenure holders huge acreages of public land adjacent to their holdings. The combined acreage would be known as a private working circle and administered via a new form of licence called the forest management licence (FML).

The FML carried with it extensive obligations. The licence holders had to give up the unlimited right to cut trees on their previously held private tenures. The licensee was required to submit a cutting plan to the government, with the Forest Service indicating where, when, and how much timber would be cut each year within the FML. The Forest Service had the right to dictate what the allowable annual cut (AAC) would be and to alter the working plans of the company to suit sustained yield objectives. In addition, licensees were obliged to construct logging roads, compile
inventories, conduct reforestation projects and assist with fire suppression.

On the other side of the coin, the FML guaranteed certain rights. First, the FML was granted in perpetuity. The licensee no longer had to compete for timber. This was, ostensibly, to induce long-term planning and investment. The royalties and rental fees remained the same on the original crown-granted lands or old temporary tenures (ie. tenures granted prior to 1907) held by the licensee. All land included in an FML that was owned by the licensee or controlled via an old temporary tenure became known as "Schedule A" lands. The precise rental and royalty fees applicable varied depending upon the type and date of the tenure. In general, however, these generated a relatively small amount of government revenue. On the newly-added crown lands (later referred to as "Schedule B" lands), the rental would be only one cent per acre and a royalty would be paid equivalent to the timber sale licence upon the harvesting of timber. The total revenue generated from all rental and royalty fees in 1974 amounted to less than 5% of direct government revenue from the forest resource. Importantly, the FML holder also was required to pay stumpage fees on Schedule B lands as appraised by the Forest Service, (Although on these lands certain management costs could be deducted from stumpage). However, the FML carried a significant advantage. Whereas timber sale licences were awarded by competitive bid and therefore bids could exceed the appraised upset price, FML's were immune from competition. As a result, FML holders always paid the upset price for harvested timber.

In addition to private working circles, embodied in FML's, Sloan recommended the creation of public working circles. These were to be large acreages of crown land managed directly by the Forest Service on a
sustained yield basis. Public working circles were to be created on all land suitable for forestry that would not be taken up by FML's. Because of the amount of crown-granted land and old temporary tenures held on the Coast region of B.C., the bulk of the public working circles would be created in the Interior region. The ultimate goal of the Forest Service, as expressed by Orchard, was to have 50% of the provincial forest land managed privately via FML's, and 50% managed publicly via public working circles.

Essentially, the Forest Service would calculate the allowable annual cut for a public working circle and dispose of the timber via the timber sale licence system. In other words, timber was to be allocated within PSYU's by competitive bidding. As was the case from 1912, the successful applicant for a timber sale licence was required to pay to the crown any amount bid above the upset price, the cost of cruising, surveying, and advertizing, and the very low rental and royalty fees paid by holders of old tenures.

However, while competitive bidding was recommended, Sloan also indicated that existing operations, in particular, fixed plant and production facilities, should be assured a continued supply of raw logs. Sloan agreed with the Interior Lumber Manufacturers Association that recommended for the Interior that "...all existing operations should be brought under licence and no new operation should be licensed until the availability of timber in the area affected, sufficient to guarantee the maintenance of that operation on a sustained yield basis in perpetuity, has been determined."60

Although the 1946 and 1948 sessions of the legislature enacted legislation arising from the Sloan Report, the major legislative results
flowing from the royal commission's findings were contained in amendments to the Forest Act of 1947. As the Forest Service's Annual Report of that year approvingly notes,

The 1947 session of the Legislature marked the passage of an amendment to the Forest Act providing for the creation of forest management licence areas, with the object of facilitating the practice of sustained yield management of the forest resource by the forest industries. This outstanding piece of legislation further implemented the recommendations of the recent Royal Commission on Forestry and ranks with the formation of the Forest Service thirty-five years previously in importance as a progressive step in the development and perpetuation of our forest resource.

Speaking in favour of the amendment, the minister responsible for forests, the Hon. E.T. Kenney, said forcefully:

What does the Commissioner recommend and what does the new Act aim at?

Definitely a change over from a system of exploitation and unmanaged and unregulated harvesting of a ready found crop of timber to one of planned and regulated forest policy guaranteeing our liquidation will not exceed our increment. In other words, we must live off interest instead of capital.

Naturally very few operators have sufficient timber or timber growing land to go on such a basis without Government co-operation. The Government owns approximately 90% of Provincial timber growing lands and therefore must enter into a scheme with the operators or do it alone.

But the adoption of this key recommendation of the royal commission created a storm of controversy. The Vancouver section of the Canadian-Society of Forest Engineers presented a brief to the cabinet in March, 1947 which criticized the limitations to be placed on current holders of timber rights. Their brief exclaimed: "There is no adequate compensating inducement or equitable basis for the surrender of existing property rights now held under timber lease, licence or crown grant. The terms, as written, involve virtual confiscation of present equities."
In the same month, the B.C. Loggers Association sent a delegation to meet the cabinet. This was a very influential group that included, among others, representatives from many of the largest forest firms: Bloedel, Stewart and Welch, Canadian Forest Products, MacMillan Export, and Gibson Brothers. Their position, essentially, was that a one year's delay was necessary in order that more study could take place. 

By far the most vocal critic of the new legislation, however, was the B.C. Truck Loggers' Association, a group representing small, independent logging companies. While careful not to criticize the notion of sustained yield management, the Truck Loggers' Association was strongly opposed to the Forest Management Licence system. In a letter to the editor of the Vancouver Sun in 1949 the president of the Truck Loggers' reiterated their position:

We do not agree, in principle, with the idea of the government allotting specific areas of Crown timber without competitive bid to a specific party. We believe every citizen of British Columbia should have the opportunity of acquiring any particular piece of forest land for the purpose of growing timber if he so desires.

The Truck Loggers' argued that the size of the new FML's would squeeze out the small operator and eliminate competition. It was this criticism which carried the most weight and many different groups voiced similar concerns. The Vancouver Sun editorialized in April:

British Columbia's forests are in danger of becoming the private preserve of big business... The Act...is found on close examination to favour control of the forests...by a combination of bureaucrats and a few large-scale operators.... The small operator, struggling to retain a semblance of free enterprise both in the woods and at the mill, is on his way out under the system envisaged in the act.... The hand of
the bureaucrat shows brutally clear through the bill, bringing a totally unexpected peril to individual initiative in our richest industry.67

The official Opposition in the legislature, the CCF, shared some of the concerns of the Vancouver Sun. Their forestry critic, Herbert Gargrave railed against the policy which he perceived would lead to monopoly control of the province's timber land. Speaking on the second reading of the Forest Act amendments, he said:

British Columbia's proposed sustained yield forest legislation will, in effect, result in turning over the logging industry to the few huge corporations that already control a large part of the industry.68

The CCF position did not, however, support the Truck Loggers' call for competitive bidding. Rather, the CCF argued that sustained yield management required large units and the most equitable and democratic method of accomplishing this was under direct state control. Harold Winch, leader of the party, argued forcefully for complete nationalization of the industry.69

The government fought back. By the end of March, Forest Minister Kenney reached agreement with some of the larger operators and brought in amendments to deal with their concerns. But the amendments were largely to do with process, rather than substance. Specifically, the government decided to advertise FML applications, so that interested parties could make representations; a provision was made so that the terms and conditions of management licences could be altered by mutual consent of the government and the licensee; and appeals of decisions of the minister could be made to the B.C. Appeal Court.70
Kenney replied to the claims of the Canadian Society of Forest Engineers that no existing timber holders would voluntarily accept the government's terms, by announcing in the legislature that 34 firms had already applied for licences, before the Act had even been passed. And the minister attempted to deal with the Truck Loggers' complaints by giving assurances that there would always be a place for the small operator. He said that he expected 50 per cent of the forest land of the province would be brought under sustained yield management and that that left room for a diversity of operations.

While Kenney's moves satisfied some critics, the Truck Loggers' and others kept up the attack. The criticisms levelled against the Forest Act amendments prompted the Deputy Minister, C.D. Orchard, to write a personal note to H.R. MacMillan, the head of one of the largest forest concerns in the province, asking his advice on the allocation and administration of the new forest management licences. It is clear from the correspondence in the B.C. Archives that MacMillan and Orchard were personal friends and shared much of the same views on forestry matters.71

MacMillan did not disappoint his friend and sent a lengthy letter to Orchard in September of 1947. The thrust of MacMillan's advice was that the crown should give preference to existing companies that had a proven record of forest management. In his words:

Crown timber should first be allocated to those Companies which by reason of their Capital structure, their prior possession of enough timber, their record of adapting themselves to changing manufacturing processes, and their record for having achieved the highest possible utilization, have already proven to the proper officials and to the public that they are satisfactory custodians of the public interest in
future and present forest crops and therefore are most likely to carry out through the period of rotation the responsibilities of a FML. 72

In addition, MacMillan advocated that the government increase spending on reforestation and that sawmill waste be used for the manufacture of sulphate pulp prior to allocating crown timber for such purposes. Although MacMillan generally approved of the Act and the new forest management licence system, criticisms from small loggers continued.

By the time the first FML was issued, Orchard felt compelled to hold a news conference to attempt to counter the negative press surrounding the issuing of the licences. Orchard was clearly frustrated by some comments in the media and began the conference stating:

We ought to get a fair understanding - an honest understanding - of what is involved so that people will form their opinions on facts, rather than on fancy and on distorted information and propaganda (sic). 73

After briefly summarizing the history of forest liquidation elsewhere and in B.C., Orchard reviewed the various licences the government had used in B.C. to grant access to the resource. He then made the case that, at current harvest rates, the province would soon be out of first-growth timber and that a switch to sustained yield management was necessary to preserve the industry. Orchard went on to describe and defend the FML system. He dealt with the objections of the Truck Loggers' as follows:

Now, what are their objections? First, they say that small industry will be killed. Now, small industry, as far as we can see, will not be killed and it is he the express purpose of the government to protect small industry as much as possible. Wherein we may not be very consistent, but at least we recognize the moral
obligations of the system under which we are working - the social system; the business system of competitive enterprise.\textsuperscript{74}

Orchard argued that no company in business would be put out of business by the FML system, although new businesses might be prevented from entering the market. If a small company was operating in an area where a FML was applied for, "...then either his being there will lead us to refuse the licence or we positively will provide for him for a reasonable length of time within the area that is under jurisdiction."\textsuperscript{75} Orchard argued that everybody agreed sustained yield management was desirable, and even required for the long-run health of the forest industry, but that no one had come up with a better way to implement such a policy.

The CCF advocated, of course, a different method: complete government ownership and control. But that was anathema to Orchard and his colleagues in industry.

Orchard exploited an inherent weakness in the Truck Loggers' position. On the one hand, they appeared to agree with Sloan's call for sustained yield management; and on the other hand wanted to maintain their right to cut timber. Perhaps recognizing this, J.D. Gilmour, a forester, was commissioned to address the 1949 convention of the Truck Loggers'. The title of his speech was "Realistic Forest Management for B.C." and it was subsequently published by the Truck Loggers' Association.\textsuperscript{76}

Gilmour essentially accepted the basic premise that sustained yield management was desirable, but argued that the legislation enacted by the government was not a desirable method of accomplishing this goal. He suggested, "The Sloan Commission placed too much stress on sustained yield units, Government control, and restrictions of cut.... It is assumed
throughout, an assumption contrary to all evidence, that the Government is the only trustworthy manager of forests; also that no private owner can be trusted..."77

Gilmour's solution was to promote private ownership of forest land. He argued that with ownership comes a long-run view of the land, and that, left to themselves, with an appropriate low taxation policy and some government regulation, forest companies will ensure a perpetual growth of timber. He suggested that businesses often maintain more consistent policies than governments. Gilmour stressed that there should be both large and small parcels of private forest land and that the remainder be managed by government on a sustained yield basis.

Gilmour's critique of government policy helped the Truck Loggers' reconcile their contradictory positions. Private companies would continue to have as much right to log as current licences would allow, but ownership of the land would provide the incentive to manage harvesting for sustained yield. Small loggers would not be squeezed out to make way for huge forest management licence areas that would be "locked up" by large companies. However, nothing in Gilmour's plan would have prevented small operators from selling their land to those same large companies.

The government's position remained unchanged and the controversy continued as, gradually, forest management licences were awarded. By the time of the 1952 convention of the B.C. Truck Loggers' Association, 12 FML's had been awarded.78 The Chief Forester, Orchard, was invited to address that convention. He began his remarks by commenting on the divergence of opinion between the Forest Service and the truck loggers':

When Alice, in Looking Glass Land, complained that, in spite of her running, she hadn't got anywhere, the Red Queen informed her that she must have come from a very
slow country indeed if she expected to get anywhere on the strength of a bit of a sprint. When I recall that the last time I took part in your program, in 1948, I confined myself to the same subjects, I wonder whether I am in Looking Glass Land, or whether we are just slow, or whether perhaps I didn't 'run' nearly hard enough or long enough on that occasion. Whatever the answer may be, we still seem to have plenty of divergence of opinion.

Orchard again laid out the government position. The administration wished to move to sustained yield management as soon as possible, without "too much, or too painful, disruption of the forest business, both public and private."

The FML's and the public working circles were the chosen avenues of approach to accomplish this task. He then put forward and dismissed the CCF position with one line: "...it is contrary to all our principles to decree that all lands be retained in Government management to the complete exclusion of private initiative and enterprise." Likewise, he gave short shrift to the Truck Loggers' position as outlined in 1949: "It is childish to suppose that the sale of Crown lands to private ownership would in itself accomplish the desired end [sustained yield]..."

In his speech Orchard suggested that big changes were occurring in the forest industry as a result of moving from liquidation to sustained yield. But it was the lack of accessible timber, the overabundance of logging companies and the striving for long-term stability that was causing the changes. It wasn't the forest management licence system. It was the "...natural result of perfectly normal business development in a young community...."

Orchard argued that the government "...has been inclined to favour the small licence and the small operator." But, "...dwindling timber
supplies... will, and have started to, pinch the smaller operator; and consolidation and stabilization arising from within the industry itself, while they assure the future of some, are going to make things difficult, or intolerable, for others.85

This, then, was the state of forest policy when a new government was sworn into office in August, 1952. The sustained yield management concept was firmly entrenched and forest management licences and public working circles were gradually being established. By the end of 1952 the total productive forest land under management licence was 1,943,200 acres with an allowable cut of 69.7 million cubic feet.86 As well, 30 public working circles had been delineated covering 7,740,000 acres of forest land. The total annual allowable cut from Public Working Circles was approximately 155.5 million cubic feet.87 For its part, the industry was beginning what would be a remarkable period of prosperity, consolidation and concentration.

The 1952 provincial election brought about the defeat of the Liberal/Conservative Coalition government that had held power since the end of 1941. In its place the electorate chose the Social Credit party to assume the reins of government.

Social Credit was a curious new political party made up mostly of ministers of religion, small businessmen, schoolteachers and followers of Major Douglas' monetary philosophy.88 The Socreds were a populist party with an anti-establishment philosophy. As Martin Robin summarizes:

...the old parties gave 'too much of a show to the big companies' and what British Columbia badly needed was a lot of 'little private enterprise', a sentiment reflected in the official Socred program which promised to 'discourage monopolies' and 'encourage individual and private enterprise in exploration and development of resources'.89
It would seem, then, that the Social Credit party would be predisposed to supporting the small business interests of the Truck Loggers', instead of the proposed forest management licences which allegedly supported large firms.

So few of the new MLA's had any experience in government or business that it was no doubt difficult for the new premier, W.A.C. Bennett, to choose a cabinet. The important Lands, Forests and Mines portfolio fell to Robert Sommers, the MLA for Rossland-Trail. Sommers was an elementary school principal, whose only apparent qualification for the job appeared to be his volunteer summer work as a fire warden.90

Despite the apparent philosophical commitment to small business, Sommers and the Bennett government continued the forest policies of the previous administration. One author commented, "...even dedicated capitalists like the Socreds favoured and defended the new system."91 In answer to his critics, Sommers replied: "There is a great deal of talk about 'free enterprisers' in the forest industry.... Unfortunately, the term is used at times where 'freebooter' would be more appropriate.... The free enterprise system is justifiable only as long as it serves the public interest."92

The new minister approved his first forest management licence within a month of attaining office. By the end of 1954 there were a total of 19 FML's in existence, 11 other applications had been given preliminary approval, and there were 85 more applications under review. In addition, the Forest Service had identified and established 29 public working circles.93 As a percentage of the total scale (or harvest) of trees in B.C., the FML's accounted for 1.9% of the total in 1952 and 2.9% in 1954.94
The Socreds continued approval of FML's meant that the controversy endured. The election in 1952 of Gordon Gibson, a Liberal representing the riding of Lilloett, ensured that the Truck Loggers had a vocal and forceful proponent in the legislature. The government, however, did attempt to assuage the criticisms of the small logger by inserting a special clause in forest management licence contracts ensuring that a percentage of the timber in the licence area would be cut by small contract loggers. The first FML with this "contractor clause" was FML #14, awarded in 1953, the second licence granted by Sommers. The specific clause read as follows:

In the process of harvesting the crop from the licence area, the Licensee shall provide the opportunity for contractors other than the Licensee's own employees or shareholders who own more than one per cent interest to harvest a minimum of thirty per cent of the allowable cut on Crown lands not held under other tenure as set forth in each succeeding management working plan, but where the Minister is satisfied that such contract operation is not feasible, either by reason of lack of operators or for other good and sufficient reason, the Minister may relieve the Licensee in whole or in part from this responsibility.

It should be noted that the clause only applied to "Schedule B" lands within an FML.

It does not appear that the inclusion of the "contractor clause" achieved the intended result for the leading spokesmen for the small logging interests, as they continued to oppose the awarding of FML's. Nevertheless, no doubt such a move was viewed by many as a positive step and somewhat reduced the hostility of independent loggers toward the government.

An example of how strongly the government agreed with the FML system, and the continued opposition to that system, can be seen in the application by Empire Mills Ltd. for a forest management licence in June,
1952. Sommers approved the application on June 15, 1954. The licence covered 313,658 acres in the Squamish area, of which 80,529 were productive.97 While not as large as many FML's, the area applied for was within Gibson's constituency.

Gibson accused the government of wiping out free enterprise in the logging industry and giving away one million dollars to Empire Mills. His reasoning was that through competitive bidding on timber sale licences, the crown would have realized a significant profit. FML's were awarded on a selective rather than competitive basis, and virtually no money is charged. Gibson argued that public timber should be for sale to the highest bidder. He also criticized the government for approving the licence in secret.

The provincial cabinet granted an appeal to be heard by the full cabinet on September 7, 1954. According to the Vancouver Sun, Gibson led one of the largest protest delegations ever to be heard on an FML appeal. Once again, the hearing was held in private, with no press allowed.98

In what the newspapers described as a "grandstand play", Gibson announced that on behalf of two local companies, he had offered one million dollars for 2/3 of the proposed forest management licence area.99 Forestry officials quickly commented that there was no provision in the Forest Act for the sale of FML's and that, in fact, "...the whole act...[was]... designed to prevent trafficking in licences."100 It didn't matter, for Gibson's point was made emphatically. The government was awarding huge tracts of public timber at vastly less than market value. Indeed, the crown's share of the forest resource was to be appropriated primarily through the appraised stumpage fees levied on harvested timber.
Gibson must have struck a nerve. On September 9, he was charged with slander by Empire Mills Ltd. and an individual named Berton James Keeley, for charges he had made at the closed cabinet hearing. The charges were eventually dropped.

The government was also under pressure from its own supporters to reassess the forest management licence system. Indeed, one of the local companies that had offered the one million dollars was owned by G.R. Dent, president of the local Social Credit League. Dent resigned in protest over the government's handling of the situation and was bitter. He claimed that approval of a FML to Empire Mills would deprive small loggers of the timber they needed to keep operating. Another galling aspect to Dent was that a Vancouver firm rather than a local company got the licence. He stated, "We want to know why an outside company is getting the licence. I've been logging here for 17 years."

Perhaps wary of growing public opposition, the cabinet stalled. In January, 1955 the government appointed Chief Justice Sloan to head a second royal commission into the forest industry. Shortly thereafter, the government announced that, pending the report of the commissioner, no further forest management licences would be issued. At the time, there were 23 FML's in existence with a productive forest area of 4,685,492 acres and an allowable annual cut of 170,530,000 cubic feet. In other words, approximately 14.6% of the total scale of all forest products in B.C. was generated from Forest Management Licences.

Other than concern for the small logger, there was another, more pressing, reason why the government froze forest management licences. Robert Sommers, minister of the crown, stood accused of accepting bribes from the forest industry in return for preferential treatment in granting FML's.
On February 15, 1955 Gordon Gibson rose in the legislature and attacked the government's handling of FML's. He accused the government of impropriety and stated: "I firmly believe that money talks and that money has talked in this..." The seriousness of the charges, and the ensuing uproar caused the Attorney-General to call a one-man commission of inquiry to investigate Gibson's charges.

Judge A.E. Lord was appointed and hearings were held in Vancouver on March 7 - 9. However, on advice from his lawyer, Gibson decided not to testify. His parliamentary immunity removed, Gibson would have been liable for any non-substantiated charges. As a result, the only witness to appear before Judge Lord was the Deputy Minister of Lands and Forests, Dr. C.D. Orchard.

Dr. Orchard was, as usual, mild mannered and somewhat academic. He was a good bureaucrat who defended the government's forest policy and the awarding of forest management licences. He advised the Lord commission that in his professional opinion there had been no dishonesty in the awarding of FML's. He did not tell the commission, however, that one application for a FML had been approved in principle by the government against the wishes of his department. That application was for FML #22 and was submitted by B.C. Forest Products Ltd., a large, locally-owned firm. FML #22 was soon to cause a storm of controversy.

Having no evidence but that of the deputy minister, the Lord commission exonerated the government. Thus freed of potential scandal, the government awarded FML #22 to BCFP on May 18, 1955.

Gibson, for his part, looked rather foolish for having caused an inquiry, then failing to produce any evidence. As a result, he decided to
resign his seat in the legislature and run again in a by-election. Effectively, he decided to put his case to the electorate. Once again, however, he lost. The Social Credit candidate, Donald Robinson, with much help from the Premier, defeated Gibson handily.

Gibson refused to give up, and his much publicized allegations of government corruption finally paid off. As it turned out, Forest Minister Sommers had, from the beginning of his tenure as cabinet minister, been accepting loans and gifts from H. Wilson Gray, president of a small logging company. Gibson was informed by David Sturdy, lawyer for Charles Eversfield, Wilson Gray's accountant.

On December 16, 1955 Sturdy appeared before the Sloan commission and announced that he had evidence proving the Minister of Lands and Forests had received monies for issuing FML's. Sloan decided, however, not to hear the evidence, arguing that it was not within his terms of reference. Sloan's ultra vires ruling didn't matter. The word was out. Sommers launched a civil suit against Sturdy for libel and the 1956 session of the legislature became dominated by the Sturdy charges.

In early February, 1956, under increasing pressure, the Attorney-General requested that all information in Sturdy's possession be forwarded to Inspector W.J. Butler of the RCMP for investigation. This was done, but the controversy continued. On February 27, Sommers resigned as Minister of Lands and Forests pending the outcome of his civil suit and the RCMP investigation.

Butler issued his report to Attorney-General Bonner in mid-March. The Butler report contained a detailed examination of the charges made by C.W. Eversfield and Sturdy against Robert Sommers. The report apparently describes "fictitious invoices, fictitious names, and the setting up of
Importantly, Butler notes "...that there is definite indication of wrongdoing..." on the part of Forest Minister Sommers, W. Gray's company, Pacific Coast Services Ltd., C.D. Schulz, a close associate of Gray, and the giant B.C. Forest Products Ltd. Despite the Butler report, the attorney-general refused to take action. Repeatedly, the opposition requested the tabling of the Butler report, and repeatedly the attorney-general refused to make any but the most general comments on the grounds that a libel case was before the courts. The full contents of the Butler report, to this day, have yet to be made public.

In the midst of this controversy, Premier Bennett called an election. The legislature was dissolved on August 13, 1956. The dominant issue in the election campaign was the "Sommers' Affair". All three opposition parties hammered the government over their handling of the incident. For his part, Bennett ignored Sommers and concentrated on the rapid economic growth which the province had enjoyed over the previous few years.

Sommers decided to run again for re-election in Rossland-Trail. During the election he campaigned as "Honest Bob". Both Sommers and the Bennett government were re-elected. The Social Credit party elected 39 members to the 52 seat legislature. The government's new mandate, however, did not silence the critics in the opposition. The Sommers case once again dominated the legislative sessions of 1957. Sommers' civil suit dragged on and Bonner continued to refuse to release the Butler report.

Just as Sommers' case was about to be heard in court, he dropped out of sight. On October 28, after 22 months of delay, the court dismissed
the charges against Sturdy. During Sommers' period "out of sight", Waldo Skillings, a Socred backbencher, met him on numerous occasions and offered him large sums of money to stay hidden. The money was apparently proffered by "a consortium of business interests". Sommers accepted some of this money, but changed his mind and arrived back in Victoria.

Meanwhile, Sturdy had filed Eversfield's documents in the Vancouver court registry. The public could now see the full details of Sturdy's charges and the government was forced to act. On November 1, 1957 Bennett appointed Chief Justice Sloan, who had recently completed his forestry royal commission, to another royal commission with the sole purpose of hearing the charges surrounding Sommers. But it was not to be. Defence counsel argued successfully that the province had no constitutional right to establish a royal commission to investigate criminal charges. The Attorney-General had no choice but to order routine criminal proceedings against Robert Sommers. It was a full 707 days from the time Attorney-General Bonner first heard the allegations made by Sturdy and Eversfield to the time Sommers was arrested.

The eventual trial turned out to be one of the longest in Canadian history, lasting over 6 months. Sommers and Gray were found guilty. Sommers was found guilty of accepting bribes in order to influence the issuing of FML #22. Gray was convicted of offering bribes in connection with the same licence. Yet B.C. Forest Products Ltd., which received the FML, was found not guilty. Sommers became the first minister of the British Commonwealth to serve a prison term. To most observers, however, the big company, BCFP, had escaped, while Sommers became the scapegoat.

The Sommers case highlighted some of the criticisms of the FML system. Specifically, the Forest Act gave the Minister the sole power to
decide on competing applications. This prompted one author to comment that Sommers fell victim to the "...classical ills of monopoly power, public or private..."^111

The willingness by some individuals to offer money for forest management licences, something for which Gibson was previously derided, demonstrated their worth to those seeking them. Indeed, FML's were much sought after and extremely valuable possessions. The government, by not charging a fee and by not subjecting FML's to competitive bidding, was, in effect, transferring income from the crown to the successful applicant. It would perhaps be expected that the Sommers case would have caused the government to reassess its forest policies; but it did not happen. There were two reasons for this. First, the government maintained that, in spite of his conviction, Sommers was innocent of any criminal wrongdoing. In Premier Bennett's words: "History will show that Sommers was an honest - stupid and foolish perhaps, but honest... Sommers made some bad decisions, but he gave no special concessions to anybody, anywhere..."^112 Secondly, and more importantly, the government had embarked on a major review of its forest policies when it appointed Justice Sloan to his second royal commission in early 1955. It fell to the new minister, the Hon. Ray Williston, to implement any of the changes proposed by Mr. Sloan.

While the Sommers drama unfolded, Chief Justice Sloan set about "...re-examining all aspects of forestry in the light of developments during the last ten years..."^113 Sloan himself, in his 1945 report, had recommended another royal commission ten years hence. Clearly, the government saw an opportunity to assuage criticism by providing a public
forum for people to vent their concerns about forest policy in general and the forest management licence system in particular.

The people involved with the forest industry responded. Approximately 18,000 pages of transcript were recorded from the evidence of over 200 witnesses. The hearings of the commission lasted over a year and a half, and over 440 exhibits were filed. The report of the commission was submitted in July, 1957, a full two and one half years after its appointment.

The commissioner's 1957 final report was not nearly as significant or dramatic as his previous one. By and large, Sloan found that the government's implementation of his 1945 recommendations was acceptable. In the course of reaching this conclusion, however, Sloan was forced to debate the critics of the FML system and to re-argue his main conclusion of 1945.

At the outset, he posed what he believed to be the general question to be addressed by the inquiry:

Are we to seek the continued and full realization of our forest resource in a system wherein competition is completely free and unregulated or within a framework of rigid state control, or in a system wherein the free enterprise concept finds expression within a co-operative pattern between Government and Industry wide enough in scope to embrace both private and public interests?

The government, as Sloan had recommended in 1945, opted for the "partnership concept" and embodied it in forest management licences. It was those licences which sparked the debate which can be framed in the above question. Sloan put it this way:

The basic cleavage of opinion on forest management licence policy lies between those who believe that the ownership and management of forest lands is an enterprise most suitable, measured by efficiency and satisfaction of social responsibilities, for the private citizen and private company, subject to general
Government control, and on the other hand, those who believe that their interests would be better served under a system in which ownership and management of forests lands would be a Crown monopoly; that briefly, the Crown should grow the trees and sell them at maturity to the highest bidder in open competition among manufacturers and loggers alike, with no attempt to allocate or give preference of supply to any one of them.116

Those who fell into the former category, which included virtually all of the large forest companies, generally supported the existing system. Their criticisms revolved mostly around the method whereby the government chose who would be awarded a FML. It became apparent, in testimony, that the forest service did not have a uniform method or criteria by which to assess an applicant. This was by choice, for it was felt that each application should be judged on its merits. But this led to inequities in the licences; for example, some licences were required to build mills, others were not. The large forest companies wanted clearly defined rules so that the government had less discretion and the applicants would all be treated equally. In this, Sloan was largely in agreement. He recommended that all existing licences be made consistent, eventually, and that a strict policy be established governing the award of management licences.

Sloan dealt at some length with the comments of those that fell into the latter category, the critics of the forest management licence system itself. John D. Gilmour testified representing the independent operators in the Prince George district. He was a prominent forest consultant who had previously addressed the Truck Loggers' Association in 1949 with a scathing attack on the first Sloan commission. This time he was more philosophical, suggesting that land could not be compared to other forms of property and that, under the British system, it must always be under public ownership. He testified: "The allocation of any natural
resource, forest or other, to a particular person or company, is wrong; justice demands equal opportunity, which means in this case free competition."\textsuperscript{117}

This was a long way from his position in 1949 - that private ownership of forest land was the best vehicle for sound forest management.\textsuperscript{118} At that time he said: "There is no safety without real ownership."\textsuperscript{119} As his testimony continued, and under cross-examination, his views came closer to those of seven years previously. He supported the view that private management was better than public management, but argued for temporary tenures, allocated on a competitive basis.

The 'small logger' position was put forward by Mr. C. Swanson, a logging contractor and president of the Western Forest Management Association. He argued that all crown timber should be auctioned to the highest bidder. The government had no right to allocate public timber to individual companies in perpetuity. He said, "We are opposed to the system because it discriminates against many and favours a few."\textsuperscript{120} In his opinion, the government, as landlord, should manage the public forest on a sustained yield basis and allocate the allowable cut through competitive bidding. It is here that the forest service came down forcefully on the side of the large forest companies. Rather than defending the ability of the forest service to manage the public forests, C.D. Orchard stressed its inferiority to private enterprise. The following lengthy quotes from his testimony fairly indicate his position:

\begin{quote}
Q - All [the money] you wanted, the Forest Service still wouldn't do as good a job in managing our forests as private individuals?
\end{quote}
A - We would not get as good forestry practice on public working circles as we would on management licences.

...

Q - So you think that there may be some force in what is suggested, that companies with bona fide merit and intention to do what's right and live up to the terms of their contract are going to give more intensive management than the forest service is able to do with the anticipated lack of staff which has bedevilled your organization for so many years?

A - Yes, they can do a better job than we can.

Q - Well now, if that is so, would the next step be, in the public interest, to have greater areas under private management than public management?

A - It is my firm belief that, if you're thinking of nothing else whatever, no consideration whatever except the public interest over a long term of years, we ought to have every square foot of forest land in B.C. under management licence. I don't advocate that by any manner of means. We have other attendant circumstances that we can't ignore, but if you're just thinking nothing whatever except good forest management and the best results and the general public interest, forgetting every individual, and the biggest benefit in the long run, put the whole thing under private management.

Q - Is it a corollary of that, then, that the Crown should gradually release more of its Crown-owned lands, say, by form of outright sale and Crown grants to companies who are prepared to take over a sustained-yield management?

A - Once again a purely personal opinion, I think perhaps it would be in the public interest if 50% of our lands belonged to private owners.

Q - It would appear from what you say that the policy that has been enunciated here since about 1909... has discharged its function for which it was designed and we may be approaching a new concept in forest ownership and pattern in British Columbia.

A - I'm inclined to think so... I think that at our present stage of development one-half of our lands in private ownership would be a wise step. I don't think we can do it. I don't think we ever will. We've got
ourselves involved; we've sold the idea of government ownership so thoroughly, we have such a strong minority element of socialism, I don't think the people would ever let us sell the land. But all those things aside, if we were just looking for the greatest benefit for the most people over the longest period of time, I think that we should dispose of one-half of our land in private ownership, and the rest of it, if it were possible, into forest management licences.121

This uncritical, unwavering belief of the top forestry civil servant in the superiority of private management of the forest rendered the small loggers' case a difficult one to sell to the Chief Justice. Indeed, the small logger simply could not afford the management burdens placed on FML holders and required a certain amount of government management to operate within sustained yield parameters.

Their position, essentially, was that the public working circles, of which a few had been organized, were the desired vehicle for disposing all crown timber. The problem was that the most valuable timber land was being "locked-up" in forest management licences. Public Working Circles always took second place to FML's. As proof they pointed to the Clayoquot Working Circle, a large portion of which was removed and placed within the infamous FML #22. As Gibson stated before the Commissioner:

...The best has been given in every instance to the forest management licence applicant or holder, and the poorest has been reserved or set aside, the crumbs have been set aside for the small man...122

This was unavoidable given the pattern of ownership that had evolved prior to 1907. The best most accessible Coastal stands were naturally the first ones purchased or staked. Because the FML's were somewhat contingent upon the ownership of forest lands, it followed that the lucrative Coastal forest was quickly being swallowed up by such licences.
After reviewing the main concerns regarding FML's, Sloan comments:

The basic criticism of the management licence policy, that it creates monopolies in which Crown timber is sold to the licensee without competition, fails to distinguish, or greatly undervalues, the contribution which this policy should make to the permanent, sustained, and increasing production of manufactured commodities, upon which the critics themselves largely depend.

He then observed that there was an increasing tendency for integration of all aspects of the forest industry, from growing trees to selling lumber. But unlike the independent loggers, this didn't overly concern Sloan. He stated:

Such integration, if economic and efficient, can be regarded as undesirable, in my opinion, only if the social effects are unacceptable to our people.

However, adequate provision must be maintained for the independent logging industry. Sloan suggested this be done by retaining the 30% contractor clause in all future FML's and by negotiating their inclusion in existing licences without such a provision. To strengthen the negotiations, Sloan recommended that any holder of an FML without a contractor clause should be prohibited from bidding on any further Crown timber. Small loggers could, of course, continue to bid on timber sale licences on Crown land outside of forest management licences.

The Commissioner made a few other recommendations regarding FML's. First, he advocated that future licences be reduced from 'perpetual' to 21 year terms, although renewable after that time. One of the main arguments Sloan put forward in defense of this reduction was that the perpetual nature of the existing FML's was a "major reason for opposition" and gave the impression of less government control. Thus, the 21 year term was "in order to make government control more evident to the public."
Sloan also made suggestions regarding the future allocation of forest management licences. He reasoned that sustained-yield management, in itself, was not the motive behind public forest policy. Rather, it was the contribution made by sustained-yield management to social and economic objectives that rendered it a useful policy to pursue. Sustained-yield management was, therefore, a technical tool to be utilized to achieve broader public goals. With that in mind, Sloan advocated two basic criteria for awarding FML's. First, consideration should be given to how much an applicant will contribute to stable employment in dependent communities. Second, consideration should be given to the amount of private forest land the applicant will contribute to the licence. As a result of this reasoning, the commissioner advised that first priority be given to:

...the pulp and paper industries and other large conversion units, especially the great integrated organizations, because of their relative stability, the enormous investment required for their establishment, their continuous prosecution of research and development of new and better uses of wood, their ability to offer continuous, profitable employment, the support of communities, and their direct and indirect contributions to the provincial taxation structure...the position of existing industry, meaning in this context companies with mills already producing and integrated expansion already provided for, with existing communities dependent upon their continuous operation, must be carefully examined before any further awards of Crown timber are made to encourage new companies to invest in this field, except in the presently remote and underdeveloped areas of the Province.126

Commissioner Sloan then turned his attention to the other major mechanism with which he advocated in 1945 that sustained-yield management could be accomplished: the Public Working Circle (PWC). His first recommendation was that the name be changed to Sustained Yield Units, a
nomenclature which more aptly describes the nature of the areas. This designation continues to this day.

The discussions during the Commission's hearings regarding PWC's were, as with FML's, controversial. Some witnesses wished their extension, others wished their elimination. Once again, Sloan generally approved of the Forest Service's handling of PWC's and agreed with their frequently stated goal of ultimately having 50% of the forest under FML's and 50% within PWC's. However, he raised certain concerns. The major criticism stemmed from the apparent inadequate management by the Forest Service. Sloan attributed this to "...the overwhelming immensity of the task with which it was confronted in organizing the Crown forests on a managed basis within an administrative framework not adequately staffed to cope with this very heavy burden imposed upon it".127

Because of inadequate resources the Forest Service was restricted to reserving an area as a Public Working Circle, regulating the Allowable Annual Cut (AAC) for that area, and then including in Timber Sale contracts restrictions on logging to ensure reforestation. Timber Sales were only conducted at the request of the applicant.

This was a far cry from the detailed working plans required of FML holders. Those working plans were quite specific. Among other things, the licensee had to submit to the Forest Service for approval plans indicating where, when, and how much timber would be cut each year; the level of reforestation to be carried out; the taking of inventories; and the location of logging roads. However, Sloan was hesitant to suggest any major changes to the current, clearly inadequate system, perhaps because of the likelihood of continued underfunding of the Forest Service. Nevertheless,
he pointed out that "...as time goes on...some way of more extensive regulation in this regard must be formulated than presently exists".\(^{128}\)

Timber Sales were the vehicle for not only allocating timber within a PWC, but also for disposing of virtually all timber not already allocated within any of the various leases and licences that had evolved over time. In 1956 the annual cut from timber sales amounted to almost 50% of the total provincial cut.\(^{129}\)

It was, obviously, an important mechanism for gaining access to crown timber. However, for the small loggers, excluded from FML's and not in possession of Crown Grants or Old Temporary Tenures, it was almost their sole means of survival.\(^{130}\) As well, some of the cut from timber sales were put into the open log market where conversion plants without appurtenant FML's could purchase a continual supply of logs. Sloan suggested that small, independent loggers and millers selling and purchasing logs solely in the open log market was a thing of the past. He stated that it was:

...abundantly clear in the evidence that in the last decade the number of large and small free and independent loggers has been declining... Logging is now, to a major degree, a subsidiary function of integrated companies and other conversion units, using their own crews or contractors to cut private timber, timber sales, and forest management licences.\(^{131}\)

Without saying so, Sloan had confirmed what the Truck loggers' and other critics had been predicting since 1945. The independent logger was disappearing from the forest landscape of B.C. However, Sloan did not lament this fact; nor did he suggest measures to counter the trend. Rather, it was apparently viewed as the price of 'progress' toward a stable and sustained yield harvest.
In any event, competition and access to timber were still, theoretically, preserved via timber sales, within and without of PWC's. Because of its increasing importance as a means of acquiring wood, the timber sale was a subject of much discussion during the hearings and Sloan duly accorded it appropriate treatment in his Report. Many witnesses suggested that there were problems with the competitive aspect of timber sales. They argued that speculators could and did bid up prices, there were sometimes unrealistic bids, responsible operators had no assurances of supply, and that, on the whole, the process was disruptive.

They recommended a variety of ways whereby the existing operators would be given a preferred position vis-a-vis other bidders. Interestingly, Sloan rejected all of these recommendations with the comment:

> We live in a free enterprise economy, and my recommendation of all or any of the submitted suggestions would, if implemented by the Government, impose upon Industry generally the obligatory acceptance of a regimented and controlled system of timber disposal by the Crown with the inevitable concomitant direction of its ultimate end use.132

It was ironic that Sloan felt it not consistent with free enterprise to protect existing industry by reducing competition in non-forest management licence areas. After all, he had previously advocated the creation of FML's which had removed from competitive bidding thousands of acres of Crown land.

However, while Sloan may have opposed regulations designed to curb competitive bidding, private forest companies had already moved to protect themselves. In four PWC's the owners of conversion plants had voluntarily formed associations to control the distribution of the allowable cut. One forester described how one such association worked:
With the advent of the working circle policy, an immediate restriction of allowable cut has come into effect...If two or three additional mills enter the area, the allowable cut is then on the average reduced... It immediately became apparent to companies within a working circle that some apportionment of the allowable cut must be made if all were to exist. In this Association the allowable cut was apportioned according to a mutual agreement between the mills as to the quota each, presumably, should have in perpetuity...

In fact what had happened, as Sloan recognized, was that these associations were turning PWC's into FML's without the associated responsibilities or costs. Surprisingly, in light of his previous comments, Sloan did not appear the slightest bit concerned and made no recommendations regarding these associations. Perhaps voluntary, private methods of restricting competition were in the 'free enterprise' tradition Sloan referred to and, therefore, acceptable.

In reality, there was very little real competition for timber sales. Over the five years prior to the Sloan Commission, close to 90% of all timber sales were awarded without competition at the 'upset' or appraised stumpage rate. The pleas of existing operators to protect them from unscrupulous bidders were louder than the numbers would seem to warrant. It is hardly surprising that Sloan refused to protect them further. They appeared to be doing fine on their own.

Sloan felt the real concern of the existing operators was that the supply of easily accessible timber was not sufficient to meet the demand. A buoyant market had resulted in a scramble for timber which was restricted by sustained yield rules. The answer, Sloan submitted, was to open up new crown forests for exploitation. The Forest Service should expedite the building of main access roads to create new areas of supply
for timber starved companies. Sloan suggested that this would satisfy the independents' concerns, provided more small timber sales were also awarded.

Thus, Sloan, on the whole, approved of how forest policy had developed since his last report. His voluminous findings and exhaustive hearings, as in 1945, no doubt contributed to public education in forestry matters. At the least, his exoneration of the forest management licence system lent the credibility it needed to withstand public distrust aroused by the Sommers affair.

Sloan's report highlighted the major trends occurring in the industry. He documented the increased vertical integration taking place and the reduction in the number of small loggers. Nevertheless, he advocated no major changes to government policy. Indeed, he endorsed large scale, integrated companies as desirable, for they were stable employers able to plan for the future.

Relatively few practical results flowed from Sloan's second royal commission. The principal legislative amendment to the Forest Act in 1958 changed the name of forest management licences to tree farm licences (TFL's) and reduced the term of the licences from perpetuity to 21 years. TFL holders had the right of renewal after such time, subject to renegotiation of the terms and conditions of the contract. Although it required no legislative act, public working circles were also changed. They were henceforth to be called public sustained yield units (PSYU's).

In addition, a new section was added to the Forest Act that provided for the setting up of advisory forest committees and Sloan himself accepted a job as "Forest Advisor to the Government". Sloan, who retained the powers of a royal commissioner, was asked to hold hearings on a few
specific problems which continued to trouble the government. Given the poisoned atmosphere generated by the Sommers affair, it is not surprising that the government moved to attempt to 'depoliticize' decisions on controversial issues. One must remember, however, that the 'advisor' had no power to implement his recommendations other than moral suasion. Within a year of accepting his new appointment Sloan died, and was therefore only able to make recommendations on two problem areas. Sloan had held a series of hearings on other issues, and Judge C.W. Morrow was appointed to conclude and make recommendations on at least two such issues.

One problem that received the attention of Sloan and Morrow was the matter of the tree farm licence applied for by Empire Mills Ltd., alluded to earlier. The Cabinet had not made a ruling on the controversial appeal of Sommers' awarding of an FML to Empire Mills in 1954. Instead, after Sloan had submitted his second royal commission report, the Empire Mills application was referred to him for further study. Specifically, Sloan was asked his advise on the following question:

... as to whether or not the grant of a tree farm licence on the 15th day of June 1954 by the then the Honourable The Minister of Lands and Forests to Empire Mills Ltd., (subject to an appeal to His Honour the Lieutenant-Governor in Council) was then and still is in the general public interest having regard to the past and present relevant forestry, economic and social factors and values involved.\[134\]

However, after Sloan's untimely death, Morrow was asked to pursue a narrower field of enquiry; the terms of reference being as follows:

Should the area applied for by Empire Mills Ltd., Squamish, be managed under a Tree Farm Licence.\[135\]

The controversy was reopened, but the intensity of the opposition was not nearly as strong. After 28 days of hearings, during which 43 witnesses were examined and 133 exhibits filed, Morrow retired to
deliberate over the Christmas season. On December 31, 1959, perhaps filled with the Christmas spirit, Morrow answered the question in the affirmative. Sanctified by Judge Morrow, the Social Credit government was cleared to finally award the TFL to Empire Mills. This they did, some six years after the original application was accepted by Sommers.

The delays, the studies, a royal commission, the gradual elimination of small loggers, and some relatively minor amendments to the Forest Act combined to wear down opposition to the Tree Farm Licence system. Throughout the remaining twelve years of the Social Credit administration TFL's continued to be issued, although at a significantly reduced rate. Faint voices were consistently raised in protest, but this form of private management of public land became firmly entrenched as public policy.

By the end of 1972, a total of 41 TFL's had been issued since 1947. Some, however, had been consolidated over the years resulting in 34 operative TFL's in 1972. The amount of timber land held under these licences was immense. Over twenty-two and a half million acres was managed within TFL's, with ten and one half being classified as "productive" timber acres. Close to 90% of that land was Crown land previously not held by the licensee. The allowable cut within TFL's in 1972 was close to seven million cunits.¹³⁶ The Table on the following page illustrates this data.¹³⁷

TFL's accounted for about 25% of the total provincial AAC in 1972.¹³⁸ Importantly, of the 34 licences in existence, the ten largest forest companies in the province controlled approximately 97% of the cut.¹³⁹ Indeed, one company's TFL holdings accounted for about 36% of the harvest from TFL's in 1975.¹⁴⁰ Thus, the early critics of the legislation
### TABLE 1

**SUMMARY OF BASIC DATA FOR TREE-FARM LICENCES (PRIVATE SUSTAINED-YIELD UNITS)**

<table>
<thead>
<tr>
<th>Forest District</th>
<th>Number of Tree-farm Licences</th>
<th>Productive Area (Acres)</th>
<th>Total Area (Acres)</th>
<th>Allowable Cut (Cunits)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schedule B</td>
<td>Schedule A</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Vancouver</td>
<td>171</td>
<td>2,990,305</td>
<td>1,152,529</td>
<td>4,142,834</td>
</tr>
<tr>
<td>Prince Rupert</td>
<td>61</td>
<td>3,539,246</td>
<td>207,125</td>
<td>3,746,371</td>
</tr>
<tr>
<td>Prince George</td>
<td>1</td>
<td>390,933</td>
<td>1,733</td>
<td>392,666</td>
</tr>
<tr>
<td>Cariboo</td>
<td>1</td>
<td>80,643</td>
<td>671</td>
<td>81,314</td>
</tr>
<tr>
<td>Kamloops</td>
<td>7</td>
<td>726,253</td>
<td>1,841</td>
<td>728,094</td>
</tr>
<tr>
<td>Nelson</td>
<td>5</td>
<td>1,379,091</td>
<td>42,104</td>
<td>1,421,195</td>
</tr>
<tr>
<td>Grand totals</td>
<td>34</td>
<td>9,106,471</td>
<td>1,406,003</td>
<td>10,512,474</td>
</tr>
</tbody>
</table>

1 Three tree-farm licences located in both districts.
   Schedule B is vacant Crown land.
   Schedule A is land for which the tree-farm licence holder has cutting rights other than those conveyed by the tree-farm licence agreement. This may include lands held in fee-simple or temporary tenures, e.g., timber leases, licences, and berths. Following removal of the mature timber, lands held under temporary tenure are transferred to Schedule B.

were, at least partly, correct. TFL's were awarded to large companies and small independents were denied access to a significant part of the public forest (except as contract loggers tied to the TFL holder). Nevertheless, while the TFL's locked up much of the most valuable timber on the coast and became a very important form of tenure, they nevertheless accounted for only about ten percent of the productive forest land in the province. The major changes in forest policy in the 1960's centred around the remaining ninety percent of the forest land; that land which was to be owned and managed by the government.
Specifically, the government established various new methods of allocating crown timber within PSYU's. These were devised to accommodate a rapidly growing industry that was undergoing significant technological change. The changing needs of business induced the government to react. As Nagle points out:

These new allocation systems for S.Y.U. Timber Sales have developed incrementally, on a trial and error basis, with the industry used as the main "sounding board" for each new regulation or policy.141

Perhaps the most important policy change was the evolution of a "quota system" designed to protect existing operators. Despite Sloan's rejection of any further reduction in competition within PSYU's, the Forest Service moved quickly to begin to institute mechanisms to guard existing forest companies from outside competition. Partly this was in response to overcutting in PSYU's, for existing patterns of harvest in newly created PSYU's were not always consistent with sustained yield management.

The quota system came to operate as follows: each holder of a timber sale licence within a PSYU, where the allowable cut was fully committed, would always be eligible to apply for additional sales, so as to maintain a certain average annual harvest. This was subject, of course, to the total harvest not exceeding the allowable cut for the unit. Certain PSYU's have had to reduce quotas proportionately.

The quota system evolved and was not formally embedded in law. To operationalize this system, all that was required was that the Forest Service establish existing operators as priorities for the awarding of new timber sales. The Minister had the power under the Act to discriminate among applicants and, indeed, need not accept any application for a timber sale.
Essentially, quotas came into being initially to deal with the problem of overcutting in PSYU's. In 1960 the government established 'emergency areas'. These were areas with a combined annual timber commitment that exceeded 150% of the AAC for the unit. In order to equitably reduce the cut, the government first determined each established operators' share of the harvest, and then it was reduced proportionally. Each established operator's share became a quota. Bidding on new timber sales in an emergency area was theoretically open to all. However, quota holders who bid became 'recognized applicants' and were given the privilege of electing that the sale be made by sealed tender and the right to match the highest bid. This was accomplished via an amendment to Section 17 of the Forest Act.

In 1961 the government expanded the areas where 'recognized applicants' could elect that a sale be made by sealed tender, to include all PSYU's whose annual harvest was fully committed. In other words, quotas were established in PSYU's whose combined timber commitment equalled 100% of the AAC. Over time these quotas came to be interpreted as "continuing rights in perpetuity".142

Indeed, the only way a quota holder's position can be reduced is by consistently failing to harvest what the timber sale authorizes, or by failing to match the bid of others. It was not long before the quota became a valuable commodity. As Pearse, et. al., point out:

'Quota' positions can be, and often are, transferred from one operator to another... A 'recognized applicant' who wishes to 'sell' his 'quota' to another party can allow him to submit a tender bidding up by a nominal amount the price of new sales, and by not matching the bids the 'quota' is effectively transferred, often in consideration of payment to the former 'quota' holder.143
Over time, the quota system became increasingly important to the disposal of crown timber. A study conducted in 1974 estimated that almost 60% of crown timber outside TFL's was incorporated in quotas.\textsuperscript{144}

By 1962 competition for timber sales was rare. In that year, fully 90.7% of the timber sales awarded were at the 'upset' stumpage rate. In other words, they were granted without competition. However, even though this was the case, the Deputy Minister wrote in an article in 1963 that he felt further action would be needed to stop the practice of "preying on the present quota holders" by "free enterprise bidders".\textsuperscript{145} In other words, it appears that the government was concerned that quota holders were occasionally required to bid higher than the appraised upset price.

In 1965 the government established a non-refundable bidding fee in timber sale auctions. The fee amounted to approximately 5% of the value of the timber sale. This meant that should an outside operator bid higher than the 'recognized applicant', but with the latter subsequently matching the bid, the outside operator would forfeit his bidding fee. As timber sales increased in size, this presented a significant barrier to competition. As one author commented:

\begin{quote}
The marked increase in non-competitive sales--those awarded at upset price--from 90.9 percent of all sales in 1964 to 95.1 percent in 1965, may well be attributable to the introduction in 1965 of the non-refundable bidding fee.\textsuperscript{146}
\end{quote}

The matching bid privilege, combined with the non-refundable bidding fee reinforced the quota system and increased the value of such quotas.

It appears that the Forest Service viewed the quota system solely as a means of stabilizing the industry and encouraging expansion away from crowded PSYU's. As Nagle puts it:
The thinly-spread Forest Service felt (without much detailed analysis) that the potential gains in stability out-weighed any potential losses in efficiency of raw material allocation. But it is likely that the government viewed the 'commodification' of quotas as an effective means of conferring benefits to existing small loggers and millers while at the same time encouraging corporate consolidation of the timber resource. This increased concentration was viewed positively by the Forest Minister. As he stated in 1961:

Consolidation, where there are larger, more efficient mills is... an imperative and essential development... (together with) security of supply for an industry trimmed to compete.... The opportunity (then exists) for social and civil planning never possible before.

In other words, a few large integrated firms were desirable and assisted the government's efforts to plan for future prosperity.

In 1961 the government inaugurated a new form of forest tenure called Pulpwood Harvesting Areas (PHA's). The objective of the new tenure was to solve the question posed by Forest Minister Williston: "...how to superimpose or integrate a pulp economy with a large, vigorous, well established sawmill economy..." Essentially the government would create a PHA by combining several PSYU's into a large area where a licensee had the option of harvesting timber not suitable for lumber manufacture. The licensee would enter into a pulpwood harvesting agreement whereby they would construct a pulp mill by a given date and the crown would guarantee them a secure supply of raw material.

PHA's were not solely designed to encourage the construction of pulpmills, but, importantly, to ensure greater "utilization" of the forest
than could be accomplished by logging only for sawmills. That is, in many of the fully-committed PSYU's in the Interior, vast amounts of wood were left untouched by quota holders. Pulpwood harvesting agreements required the licensee to purchase pulp chips and other residues produced by mills. Thus, sawmills had a market for previously unmerchantable timber. Sawmills were encouraged, by a variety of incentives, to invest in barkers and chippers to produce the appropriate materials for pulp mills.

For a number of reasons it was decided that PHA's were not required on the Coast. Chiefly, the existing pulp industry was firmly established with adequate security of supplies. In particular, two new TFL's were granted and a third expanded to accommodate and encourage new pulp capacity on the Coast.

The establishment of PHA's in the Interior sparked a new "timber rush". As one author commented: "In total, the early 1960's saw in the B.C. forestry sector one of the largest surges of timber allocation in world forest history."150

After the announcement of the government's intention to create PHA's, a number of contentious issues soon arose. The Minister, who had the sole power to designate PHA's, was required to determine which PSYU's would be combined and to define which logs would be for sawmills and which for pulpmills. A series of public hearings were held to determine the appropriate boundaries, to define pulpmill wood, and to adjudicate on specific allocations. These hearings often resulted in bitter debate between competing PHA applicants and between existing holders of sawlog quotas and proposed pulpmill ventures.

In order to resolve a particularly vexing allocation problem in south eastern British Columbia, the Forests Minister experimented with
auctioning pulpwood harvesting rights. The results surprised Williston:

To my astonishment and dismay, the bids from these three companies raised the stumpage price $7 million above upset, and I felt compelled to reject all bids and call off the auction in what I considered the public interest.151

Thus competitive bidding was apparently seen as disruptive, irrational, and not conducive to stable, healthy industrial enterprise. The alternative course of action was preferred, that of the rational, planned, political decision. However, the decisions reached were not based on consistent criteria and hence appeared only political and not always rational or planned. In the above case, one of the bidders simply began construction of a pulpmill shortly after the auction was called off. Ostensibly, the company believed that this would prove a commitment to contribute to the province. As Nagle summarizes:

This became known as the 'performance concept' of allocation, whereby a company demonstrates its willingness to invest in B.C. and utilize waste wood, more or less on 'good faith' that the government will not let the mill starve for wood, or be 'blackmailed' on price by quota-holding operators, once its capital is committed.152

One wonders, however, who's blackmailing whom, since once a company has built a pulpmill, with its resultant employment, it would be difficult for an elected government to deny it access to available wood supplies.

The Minister believed that flexibility in ascribing terms and conditions for awarding licences was desirable. As a result, the six PHA's that were ultimately awarded (one of which was later cancelled) included a variety of unique characteristics that reflected the circumstances at the time they were awarded.
The PHA tenure "worked" to the extent that it induced pulpmill development and closer utilization of the forests. Indeed, few of the mills have had to actually harvest pulpwood. Rather, their supplies have been drawn almost exclusively from residual chips generated by sawmills.

The government had, for a number of years, talked of "close utilization" of the province's forests. This, in effect, meant harvesting smaller trees, salvage wood, and more of the tree tops and stumps. But it was not until the pulpmill boom of the early 1960's that close utilization became a realistic possibility. A market for this waste wood could now be found, provided the sawmill had the required technology to transform the waste into marketable chips.

The opportunity to adopt close utilization standards was not lost by the Forest Service and they gradually adopted a specific definition. The government then provided a number of incentives to encourage operators to move from what was called "intermediate utilization" standards to the new close utilization standards. The chief incentive was that the government would allow a significantly greater allowable annual cut for those who moved to close utilization. As Pearse, et al., explain:

...when the Forest Service recalculated allowable harvests using the close standard, which involves also a shorter growing or rotation period, the annual rate of cutting which could be sustained was considerably higher than that committed under 'quotas' based on the 'intermediate utilization' standard. The government offered a strong incentive for adoption of the closer standard, and at the same time allocated much of the additional harvest that consequently became available, by increasing 'quotas' - by one-third in the Interior and by one-half on the Coast - of licensees who elected to log to 'close utilization' standards.

Effective January 1, 1966, the government made available close utilization timber sales at the increased harvest levels if elected by the
licensee. The 1965 annual report of the Forest Service heralds this new voluntary program with the remark: "It is believed that the introduction of close utilization will be at least as important to the future of B.C.'s forest as was the introduction of the sustained yield programme."154

When the Forest Service recalculated the AAC to close utilization standards, it also included new inventory data and improved growth studies. As a result, the increased allowable cut in many PSYU's was greater than the one-third to one-half allocated to quota holders. This excess AAC varied with the circumstances of each PSYU and has become known as "third band" volume. The government allocated this cut via the ordinary timber sale licences, usually called, in this case however, third band timber sale licences. Once again, bidding on third band sales was usually restricted to existing manufacturers who required the volumes to maintain their facilities at certain rates of production. Competitive bidding rarely occurred, as bids from other than the recognized applicant were ordinarily rejected. However, the government has not generally allowed most third band volumes to be incorporated within "quotas".

By 1973 almost 32% of the harvest from PSYU's originated from third band timber sale licences.155 As was noted earlier, virtually all of the cut from public sustained yield units was allocated by the timber sale licence mechanism. However, of the remaining 68% of the cut, only about 8% was harvested under the ordinary timber sale licence that six years previously was the only means of gaining access to timber in PSYU's.156 The reason was that fully 60% of the cut within PSYU's in 1973 was allocated via a new form of timber sale licence called the Timber Sale Harvesting Licence (TSHL). This licence was introduced in 1967. According to the 1967
annual report of that year, the primary purpose of this new form of tenure
was to "...permit the operator to play a larger role in the management of
the public sustained yield unit and at the same time provide him with as
much flexibility as possible." 157

According to Marchak, TSHL's were formed, in part, because of
"...public pressure for improved resource management". 158 As consistent
with the history of B.C. forest policy, a chronically underfunded Forest
Service sought to place an increasing management burden onto private
companies. TSHL's allowed existing operators to consolidate their
scattered holdings within a PSYU. The licence carried the right to a
certain harvest over a ten year period, thus giving the licensee greater
security of tenure to enable them to plan to meet their mill requirements.
Rather than commit a geographic area to harvest, as ordinary timber sales,
the TSHL commits the crown to make available an annual volume of timber
within a PSYU.

The licensees are required to prepare, and submit for approval of
the Forest Service, a 3 or 5 year development plan. Within the plan, the
licensee must indicate what his cutting plans are, the extent and location
of roads, and the arrangements for reforestation and fire protection—all
of which are part of the licensee's obligations and may be deducted from
stumpage fees. Thus, the TSHL comes closer to the tree farm licence
concept. Once again, TSHL's were allocated to established quota holders
only. Many of these were sawmill owners and some TSHL's refer to an
"appurtenant mill" with certain utilization features that must be operated
by the licensee.

In 1968 a revised form of TSHL was introduced to require "total
adoption of close utilization and maximum use of forest resources". 159 The
TSHL's proved extremely popular with industry and quickly became the dominant tenure form within PSYU's.

In summary, sustained yield management, as envisioned by Orchard and Sloan, withstood the attacks by its critics and became the overriding objective of the government. The forest management licence system inaugurated in 1947 survived the controversy brought about by then Forests Minister Sommers. The second Sloan commission, and subsequent smaller judicial enquiries into specific forest problems, "cleansed" the tainted atmosphere that was Sommers' legacy and cleared the way for the awarding of further tree farm licences. These TFL's eliminated competition on large tracts of timber land and were held almost exclusively by large, integrated forest companies.

By the early 1960's, government turned its attention to the allocation of public timber within PSYU's, where major new policy innovations occurred. Under Forests Minister Williston, existing holders of timber licences were accorded preferred treatment. They were assigned a "quota" which both protected them from competition and at the same time granted them a commodity which they could sell. While this enhanced the position of small, established operators, it provided an effective barrier to entry for new firms. As quota holders adopted close utilization standards their AAC was dramatically increased, thus reinforcing their positions in the industry. However, in order to move to close utilization standards, expensive investment in new sawmill technology, (namely chippers and barkers), was required. This limited small quota holders from participating in the increased cut and many of them sold out to larger concerns. The increased AAC that was not awarded to quota holders was
allocated via "third band" timber sale licences, with established operators again given preference.

In order to accommodate, indeed foster, a major "pulp" boom, the government sought ways to superimpose a pulp mill economy on top of the existing sawmill economy. They effectively did this through the creation of a new tenure called pulpwood harvesting agreements and the simultaneous move to close utilization standards. Once again, competition was all but eliminated in the allocation of pulpwood harvesting rights. Finally, the government introduced a new form of timber sale called the timber sale harvesting licence. This encouraged corporate consolidation of harvesting rights within PSYU's and sought to increase private management of the public forests.

By 1975, harvesting rights in B.C. had become concentrated in a relatively few, large companies. The largest ten forest companies controlled almost 59% of the total provincial allowable cut in TFL's, and 39% of the provincial allowable cut in PSYU's.\(^{160}\)

It appears that forest policy has expedited this trend toward concentration. Schwindt identifies three factors which promote corporate concentration; "...pursuit of technical efficiency, the pursuit of monopoly power and the existence of barriers to entry."\(^{161}\) While technical efficiency, or pursuit of scale economies, has contributed to the concentration in the B.C. forest sector, Schwindt concludes that "...the exploitation of scale economies has a very limited usefulness in explaining current levels of concentration."\(^{162}\) On the other hand, there is evidence that the largest forest products firms do attempt to pursue and exercise monopoly power in at least some markets.\(^{163}\) As well, the tenure system in British Columbia has established major barriers to entry. The allocation of
extensive harvesting rights in the form of TFL's and PHA's to large companies, and the appurtenancy clauses associated with them, have promoted integration. These rights carry long terms and are not susceptible to competitive bidding. Within PSYU's, the number of small, independent operators has dwindled. The major, integrated firms have continually increased their harvest from PSYU's. While the tenure system may not necessarily have caused this trend, it has certainly accommodated it and probably encouraged it.

Thus, timber allocation policy in B.C., with its restricted access to the resource, has contributed to the level of concentration in the provincial forest industry.
CHAPTER THREE
THEORIES OF POLICY MAKING

The salient features of the evolution of British Columbia forest policy to 1972 have been outlined in the previous chapters. The purpose of this chapter is to analyze the dynamics of this evolution in light of six alternative theories of the policy-making process. These alternative theories include: rationalist, pluralist, neo-conservative, neo-marxist instrumentalist, neo-marxist structuralist, and Canadian.

As in all attempts to fit general theories into specific classes, there is inevitably some overlap. Nevertheless, each category is sufficiently distinct so as to allow analysis of the case study in light of the particular model. After summarizing each theory, an examination of the case study will be undertaken to assess the validity of the theory in explaining the evolution of forest policy in British Columbia.

1) A Rationalist Theory of the State

According to the rationalist view, policy making is essentially an attempt to protect the "public interest". The origin of this view lies with the analysis of people such as Polanyi and Myrdal. These authors explained the increased state intervention during the nineteenth and twentieth centuries as a rational attempt by government to mitigate numerous market imperfections, such as pollution, and to provide basic services, such as water, transportation and power. This rationalist view is normally associated with a comprehensive decision-making process which
utilizes objective experts to analyze problems and evaluate alternative solutions. This process is described by Peter Aucoin in the following way:

...the policy makers (1) recognize a policy problem exists, (2) identify the nature of the problem through investigations, (3) call for the presentation of alternatives, (4) rank their priorities, (5) make predictions on the risks and consequences of the various alternatives, and finally, (6) come to a decision by combining the qualitative and quantitative values they have considered.¹⁶⁵

The major problem with the rationalist theory lies with the difficulty of defining the "public interest". Underlying the theory is the assumption that the public interest can be defined as some objective standard that can be used to evaluate public policy. However, policy often implies certain goals which are not necessarily scientifically derived. Rather, they are frequently based on personal values. Nevertheless, in attempting to assess whether provincial forest policy has operated in the public interest, (and hence rational), two criteria have been used. Schwindt and Globerman have equated efficiency and equity with the public interest.¹⁶⁶ In other words, they attempt to answer the questions: has forest policy promoted efficiency by attempting to mitigate market failure?; and has the public owner of forest land realized the full value of its resource?

With respect to the question of market failure, clearly, governments in B.C. have consistently attempted to use the state to overcome perceived deficiencies in the market. Viewed in this light, the retention by the crown of the land base, the establishment of the Forest Service, the creation of the Forest Reserve, and the limitations on the export of logs were all attempts by the government to pursue the public interest. Undoubtedly the most significant intervention in the market,
however, was the imposition of sustained yield management. This was clearly an attempt on the part of the government to rationally respond to current and impending problems in the forest industry. As well, the numerous actions by government to allocate timber supply with preference to existing industry were made on the grounds of employment and stability. These were designed to protect processing facilities.

But these government initiatives to mitigate market failure had clear distributional consequences. Many policies had the effect of creating oligopolies at the expense of small producers and the public owner. The eventual elimination of competition for the resource restricted the crown's ability to extract resource rent.\textsuperscript{167} Thus, according to the criteria established by Schwindt and Globerman, timber allocation policy in B.C. was not in the public interest.

Likewise, in an article in 1970, Peter Pearse argued that during the previous two decades forest policy did not operate in the interest of the public.\textsuperscript{168} This was because policy was largely determined by what he called "technologists". Pearse described technologists as, essentially, professional foresters. He said that they "...tend to be interested in technical objectives, such as maximum growth, maximum utilization, equal annual sustained harvests and therefore evenly graded age classes of timber stands...These are the precepts of classical forestry..."\textsuperscript{169} As a result, Pearse suggested that the primary objective of forest policy had been to create a perfectly regulated forest with perpetual harvesting. The ideal forest was one with an equal number of trees in each age group, thus ultimately achieving an equal annual harvest.
However, Pearse argued that the pursuit of the public interest required that forest policy maximize the value of the resource for the people of the province. He pointed out that for the policy of equal annual harvest to maximize the value of the forest resource "...a unit of timber would need to be of equal value today and in all future periods. But the most certain prediction is that costs, and the value of the product, will change."\(^{170}\)

Thus, B.C. forest policy had failed to operate in the public interest because only technical goals were pursued. Pearse argued that policies should be subject to economic tests to ensure that "...our forests make their maximum contribution to the welfare of the people whose resources they are."\(^{171}\)

Both Pearse and Schwindt and Globerman, therefore, conclude that the public's equity in the forest resource has been sacrificed and that, by definition, the public interest was not protected.

However, it depends on one's definition of the public interest. Clearly, the two Sloan royal commissions, and the governments of the day, defined the public interest differently. They felt that the implementation of sustained yield management, although possibly reducing the crown's direct revenue, would promote stability and industrial development thus ensuring the long-run viability of the industry. It was their belief that the public was best served by enhancing the existing industry, minimizing competitive influences, and ensuring a perpetual harvest. As a result, the development of 'quotas', the establishment of PHA's and TSHL's, the imposition of non-refundable bidding fees, and the matching bid privilege
all evolved gradually. The government responded at various times to pressure from business and from the public.

However, while policy was developed that was largely in the interests of the existing forest businesses, it is not clear whether this was consistent with the 'public interest'. This is, of course, difficult to determine given the problem of defining the term. Nevertheless, the skewing of forest policy in favour of certain groups necessarily implies, in this case, that other interests were ignored. For example, the interests of individuals wishing to enter the forest business were undermined, the interests of environmentalists were rarely taken into consideration, and the interests of the state in appropriating economic rent were not guarded.

It is difficult to pursue the public interest because it is difficult to define and because the individuals and groups that make up the public often have conflicting goals.

In other words, there often is no overriding 'public interest' that the technocrat can plan to protect. The policy-making process is overtly political and involves conscious choices among competing policies that disproportionately favour one group or the other. The rationalist model fails to come to grips with this. As a result, the rationalist theory is not adequate to explain the evolution of forest policy as outlined in the case study.

2) A Pluralist Theory of the State

In the 1960's, Charles Lindblom attempted to resolve the problem of defining the public interest by equating it with the process of policy making.\textsuperscript{172} That is, because of the difficulties in objectively measuring
whether policy outcomes were in the public interest, Lindblom thought it more fruitful to analyze the way in which policy was developed in a democratic society. Lindblom argued that the policy-making process was characterized by "disjointed incrementalism."\textsuperscript{173} He reasoned that decisions were made, in reality by analyzing a series of incrementally different alternatives, without taking into consideration all the possible ramifications of each one. This was, in fact, virtually impossible given the resources and time available to the policy-maker. By "muddling through" alternatives that involved only marginal change, policies were more likely to be accepted by politicians and be more realistic and pragmatic. Consequently, Lindblom's theory, as well as being descriptive, had a normative component. Lindblom stressed that policies were not made through rational, exhaustive studies. The policy-making process was a messy, political one. As he states:

A policy is sometimes the outcome of a political compromise among policy makers, none of whom had in mind quite the problem to which the agreed policy is the solution. Sometimes policies spring from new opportunities, not from 'problems' at all. And sometimes policies are not decided upon but nevertheless 'happen.'\textsuperscript{174}

Lindblom's emphasis on the political aspect of policy making is rooted in his belief that many different interest groups have influence on policy outcomes. In other words, it is based on a pluralistic notion of society. People ascribing to this view, see society made up of competing interest groups attempting to influence governmental policies. The state, it is believed, acts as an arbitrator resolving conflicts and forging compromises between competing groups or classes.

Theodore Lowi accurately summarizes the assumptions laying behind the pluralist model:
It assumes: (1) Organized interests are homogeneous and easy to define, sometimes monolithic. Any 'dually elected' spokesman for any interest is taken as speaking in close approximation for each and every member. (2) Organized interests pretty much fill up and adequately represent most sectors of our lives, so that one organized group can be found effectively answering and checking some other organized group as it seeks to prosecute its claims against society. And (3) the role of government is one of ensuring access particularly to the most effectively organized, and of ratifying the agreements and adjustments worked out among the competing leaders and their claims.

Critical to pluralists is the belief that power is widely dispersed amongst interest groups, (this corresponds to Lowi's point #2), much as, in classical economics, there is a multitude of producers none of which is dominant in the marketplace. As Adam Smith's 'invisible hand' suggests that the individual pursuit of self-interest in the market produces socially desirable results, the pluralists see the outcome of groups pursuing partisan interests leading to 'mutual adjustment' and incremental and acceptable change. Christopher Ham and Michael Hill summarize this point:

Essentially, then, in a pluralist political system power is fragmented and diffused, and the basic picture presented by the pluralists is of a political marketplace where what a group achieves depends on its resources and its 'decibel rating'.

Importantly, the policy outcome of this "political marketplace" is, by definition, in the public interest.

The role of the state, in this view, is one of umpiring or refereeing contending groups. Decision making is merely the result of group interplay. Gunton concludes that: "Public policy, then, was the outcome of a bargaining process between interest groups mediated by the state. Planning, therefore, was an incremental process of seeking compromises
instead of a comprehensive rational process based on technical analysis."

Does the pluralist theory of the state explain the evolution of forest policy in B.C.? Clearly, many of the policy changes over the years, for the most part, were incremental. The imposition of a contractor clause in Tree Farm Licences, the establishment of sealed tender bidding and non-refundable bidding fees, and the experimentation with different means of protecting existing operators could all be classified as incremental policy changes. Many of these changes merely continued or reinforced trends started in 1945.

However, while these policy modifications were arguably incremental, were they decided upon by negotiations among competing interest groups? Or, at the least, were a diversity of values and preferences taken into consideration in the development of those policies? And, perhaps most importantly, did the state act as a mediator between interest groups?

It is clear from the case study that, with the exception of the contractor clause, few organized interest groups had an impact on forest policy. In an ideal pluralist world, presumably large business interests, small business interests, workers organizations, environmental groups, professional associations, and other groups would articulate policy positions and, out of the inevitable confrontation and discussion, policies would evolve which, at least partially, reflected the goals and aspirations of the parties. In the case study, it appears that, with few exceptions, forest policy consistently supported the interests of large forest concerns and existing forest companies. It is clear, then, that the provincial state
was far from a neutral arbitrator. It actively promoted policies which disproportionately benefited the interests of existing forest businesses.

It is evident also, from the case study that many policy changes over the years could not in any way be classified as the result of group interplay. Premier McBride's decision to dramatically alter the terms and conditions of forest licences and his subsequent decision to freeze any further alienation of timber land and set up large acreages of forest reserves were not arrived at through partisan mutual adjustment. The adoption of the Fulton Commission's competitive bidding system and its later abandonment after the first Sloan Commission were also fundamental shifts in policy that had disproportionate consequences for different interest groups. Obviously, the adoption of sustained-yield management was also a dramatic departure from past practice that does not conform to the pluralist model. However, it is true that, in the case of sustained-yield management, most interest groups appeared to see it as a desirable objective. Groups and individuals testifying before the first Sloan Commission, by and large, supported the move to a more regulated cut.

Even the establishment of Pulpwood Harvesting Areas by the Social Credit government was not the result of interest group pressure. The overlay of a pulpmill economy on an existing sawmill economy marked a significant departure from the norm. As Nagle has commented, the implementation of PHA's gave rise to an unprecedented timber boom. He states: "In total, the early 1960's saw in the B.C. forestry sector one of the largest surges of timber allocation in world forest history."178

The pluralist view does not consistently explain the way policies were developed in the B.C. forestry sector. The flaws in the model stem from its underlying assumptions as laid out by Lowi. First, all interests
are not organized into groups, and the groups that are organized are not always totally united behind a common cause. For example, environmental and conservation groups were disorganized and fragmented, and had little or no impact on forest policy over much of the period under study. Indeed, the two Sloan Commissions received scant input from organized environmental groups. Second, power is not dispersed equally amongst interest groups. It is abundantly clear that the Truck Loggers Association had less influence on government policy than the large forest companies. As we have seen in the case study, the largest forest firms accounted for an enormous amount of the timber cut. Almost 80% of the total allowable harvest in B.C. was controlled by only 25 firms in 1975. Not only harvesting rights exhibited a high degree of corporate concentration, however. In the same year, eighteen companies controlled over 50% of provincial sawmill capacity, and the ten largest pulp companies controlled over 92% of provincial pulp capacity. This concentration of economic power invalidates the pluralist theory.

Third, the state did not act as an arbitrator between interest groups. The state had an agenda of its own, and listened disproportionately to the policy prescriptions put forward by different interests. In the case study, the state pursued, as its primary goal, rapid economic growth. The government saw the development of large, integrated forest firms as the best way to accomplish that goal. Consequently, government forest policy closely followed the policy advanced by larger forest companies.

3) A Neo-Conservative Theory of the State

The tremendous growth in the size and scope of government
activity since the second World War has been the subject of much philosophical and intellectual discussion. In recent years it has become apparent that, in spite of the increased intervention of the state in all aspects of society, governments have been unable to adequately solve a growing list of complex problems. Neo-conservatives, or public choice theorists as they are sometimes called, developed a theory that attempts to explain why modern governments fail and problems persist. They develop a model of the bargaining process itself. This addresses a principle failing of the pluralist model which simply assumes that the outcome of bargaining among interest groups is in the public interest.

Like pluralists, neo-conservatives adapt micro-economic theory to analyze public policy-making. As the theory's most powerful proponent summarizes:

Both [public policy and economics] are regarded as markets in which the outcome is determined by the interaction among persons pursuing their own self-interests (broadly interpreted) rather than by the social goals the participants find it advantages to enunciate.\textsuperscript{181}

However, unlike the pluralists, neo-conservatives extend the economic analogy to include politicians and bureaucrats. Both are seen as forms of interest groups acting to further their own self-interests. As well, neo-conservatives argue that the outcome of this interaction between interest groups is rarely, if ever, in the general public interest. The primary reason for this is because of the phenomenon of "concentrated versus diffuse interests".\textsuperscript{182} As Mancur Olson explains:

...other things being equal, the larger the number of individuals or firms that would benefit from a collective good, the smaller the share of the gains from action in the group interest that will accrue to the individual or firm that undertakes the action.
Thus, in the absence of selective incentives, the incentive for group action diminishes as group size increases, so that large groups are less able to act in their common interest than small ones.

Conversely, the smaller the interest group the more incentive there is to lobby for public policies that benefit them. The possibility for success of the small interest group is enhanced because the costs are borne by the wider public. For example, if a particular industry in Canada employing 1,000 people receives a subsidy of one million dollars, that amounts to $1,000 per recipient. However, although the costs are borne by the taxpayers of Canada, they amount to only pennies for each Canadian. Thus, the Canadian public is not likely to lobby against such a levy, while the recipients have a significant economic incentive to continue to lobby for the subsidy.

Public policy becomes skewed in favour of special interest groups by politicians acceding to their demands. Even democratic elections, it is argued, don't alter this state of affairs. Because of the diffuse nature of the costs and benefits associated with different policies, and the perceived inability of individual voters to affect outcomes, there is a lack of interest in, and knowledge of, the political process. Those citizens that do participate by voting are forced to vote on a package of policies and not on individual issues. In addition, special interest groups finance politicians and mobilize supporters to maintain their privileged positions.

The bureaucracy, likewise, acts in its own self interest. Following the work of Anthony Downs, neo-conservatives argue that, rather than simply identifying alternative methods of achieving goals set by politicians, bureaucrats are motivated by a variety of personal
objectives. Walter Niskanen, in his book, *Bureaucracy and Representative Government*, theorizes that the overriding objective of bureaucrats is to maximize the absolute size of their budgets. Albert Breton develops this theory further. In *The Economic Theory of Representative Government*, he writes:

The hypothesis implies, even when stated in its simplified form (bureaucrats seek to maximize the relative size of their bureaus), that it is through the maximization of this objective that bureaucrats are able to achieve the highest possible income and prestige consistent with the constraints to which they are subjected...It also implies that bureaucrats are not responsive to the preferences of citizens, but are solely guided in their actions by the network of relationships linking them to politicians and to other bureaucrats and bureaus. The fact that the behaviour of bureaucrats is to some extent determined by interaction with politicians implies, of course, some indirect response to the preferences of citizens...

Thus, bureaucrats operate to expand their power, often at the expense of public benefit. Not surprisingly, this neo-conservative view of how the state functions usually leads to the conclusion that the role of government should be severely reduced and the allocation of resources should be left to private markets.

Does the neo-conservative theory help explain the way forest policy developed in B.C.? In part, it does. Clearly, the notion of concentrated versus diffuse interests has some validity in analyzing the evolution of forest policy in B.C. The group which benefited most from the introduction of the FML system were the owners of old licences and crown-granted lands who were in the best position to apply for these new forms of tenure. That small group came to defend the system forcefully, and ultimately, successfully. Before the second Sloan Commission, for example, the holders of FML's were well represented. Their evidence armed Sloan with valuable
facts and arguments with which to defeat, or at least diffuse the critics of the system.

Likewise, in the early 1900's, the holders of special timber licences were successful in convincing the government to grant them perpetual tenure. Most of the allocative systems devised by the government were non-competitive and this usually resulted in favourable treatment for existing licensees.

The costs of a non-competitive allocation system, meanwhile, are diffuse. The real loser is the public, which forgoes some of the benefits associated with ownership, (namely, access to the land base and appropriation of the economic rent). However, in the absence of information regarding the extent of the costs, and the absorption of those costs by the wider public, the individual taxpayer has little incentive to oppose the system. Conversely, those benefiting have a marked economic interest in maintaining the status quo.

Nevertheless, the neo-conservative theory does not totally explain the development of forest policy in British Columbia. For example, the implementation of sustained yield, which was one of the major policy initiatives, was not in the immediate interests of any of the major lobby groups. Indeed, many of the large forest interests opposed sustained yield because it reduced their power to control the pace and pattern of harvest. Instead, the establishment of sustained yield was more of a societal response to crisis, rather than the result of individual interest groups solely pursuing their self-interest.

Second, the neo-conservative view fails to explain the role of the bureaucracy in the formation of forest policy. From their theoretical perspective, the bureaucracy is ever expanding, seemingly oblivious to the
public interest. The role of the bureaucrat is to expand his budget and insulate him from pressure and accountability. But, the Forest Service grew slower than the rest of the bureaucracy. In an unpublished paper presented to the Annual Meeting of the Canadian Political Science Association in 1981, Christopher Leman compared a number of agencies that administer forest land.\(^\text{187}\) He found an enormous difference between the United States and British Columbia experience. The following is an extract from a table he developed:\(^\text{188}\)

<table>
<thead>
<tr>
<th>Ac. Acres (mill.)</th>
<th>% of forest land held</th>
<th>Budget (mill.)</th>
<th>Full-time Regional personnel</th>
<th>District Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min. of Forests, B.C.</td>
<td>211.7</td>
<td>89%</td>
<td>$88</td>
<td>2,903</td>
</tr>
<tr>
<td>United States Forest Service</td>
<td>188</td>
<td>18.4%</td>
<td>$1,942</td>
<td>22,216</td>
</tr>
</tbody>
</table>

The difference in the above numbers is slightly overstated; for the B.C. figures are based on fiscal year 1976, and the U.S. data is from 1980. Nevertheless, the differences in expenditure and personnel are astounding. Leman further points out:

In 1974, a year in which the B.C. Ministry of Forests sold almost exactly the same volume of timber as did the entire U.S. National Forest System, the B.C. ministry employed only 327 professional foresters while the U.S. Forest Service employed 4,897.\(^\text{189}\)

Rather than continually expanding its size and power, the B.C. Forest Service continually shifted more and more management responsibilities onto private enterprise. The comments of C.D. Orchard, for example, run precisely counter to what the neo-conservative theory would suggest. Orchard stressed the superiority of private over public
management in his submission to the second Sloan Submission. In fairness, however, it could be argued that sustained yield management vastly increased the power of the bureaucracy. They were empowered to dictate the amount of cut, the area of harvest, the pace of reforestation, and even the location of logging roads, among other things. Thus, their support for sustained yield management could be seen as in their self-interest.

The neo-conservative theory of the state is useful to describe certain elements of the forest policy-making process in B.C. Importantly, it demonstrates that governments are not neutral servants of the public, but act to further their own interest and the interest of narrow lobby groups. The use of the economist's self-interest model provides insights into how policy is developed, but it is an incomplete picture. As Geoff Hodgson points out:

The approach of the...(neo-conservatives)...underestimates both the social and the ideological elements involved in the political process and postulates a system of egotistical maximization, in which self-interest is all that matters.190

4) A Neo-Marxist; Instrumental Theory of the State

Since the late 1960's, neo-marxists have placed increasing emphasis on the functioning of the state in capitalist society. The works of Ralph Miliband and Nicos Poulantzas have profoundly influenced recent neo-marxian thought on this matter.191 The former has developed what is termed an 'instrumental' theory of the state, while the latter employs a 'structural' analysis.
The debate between the two schools of thought is a complicated one which continues to this day. Briefly, and at the risk of oversimplification, the instrumentalists argue that the state elite is dominated by the economic elite and thus functions to protect the latter. In other words, the state is merely an instrument of the dominant capitalist class. As Miliband states clearly:

In the Marxist scheme, the "ruling class" of capitalist society is that class which owns and controls the means of production and which is able, by virtue of the economic power thus conferred upon it, to use the state as its instrument for the domination of society.  

This view is explicitly derived from the works of Karl Marx and V.I. Lenin. Writing in the *Communist Manifesto*, Marx said, "The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie."  

Numerous empirical studies, like Wallace Clements' *Canadian Corporate Elite*, which emphasize the interchange among elites, are used to support this concept. Simply put, it is argued that the economic, political and bureaucratic elites share the same social, cultural and class backgrounds. Thus, the possibility of fundamental change away from the status quo is remote.

What then is the "job" of the state, given that it is to serve the interest of the "ruling class"? Essentially, all neo-marxists agree that the state must perform two functions; 1) to assist and promote the accumulation of capital and; 2) to legitimize this accumulation process in the eyes of its citizens.

Perhaps the most significant contribution of the neo-marxists is their placing of the state within the socio-economic context of society.
Rather than neutral or a self-interested unit, the state is part of the 'system'. It is shaped by, (and helps to shape), socio-economic forces. Always the role of capital is dominant, and the role of the state is to facilitate the accumulation of capital. Thus, by grounding their theory of the state within a broader context, neo-marxists demonstrate the limitations of state action.

Does the neo-marxist instrumentalist theory help to explain the evolution of forest policy in British Columbia? The fact that, as the case study has shown, forest policy has systematically favoured large firms and encouraged corporate concentration may lead one to believe that the instrumentalist view has some merit. It could easily be argued that forest policy was designed to meet the needs of the dominant economic elite in B.C.

The development of 'quotas', the imposition of non-refundable bidding fees, the matching bid privilege, and the increasingly private management of public land have all conspired to reduce competition for the resource. This, according to many authors, has led to a reduction in the economic rent appropriated by the state. Thus, the state, as owner of the resource, has subsidized and fostered the development of an integrated and increasingly concentrated forest industry. But, policy skewed in favour of large interests does not necessarily imply that there is a particular ruling class.

To begin with, the idea that there is a class that 'rules' is debatable. While, clearly, there are dominant classes in society that have tremendous influence on policy, it is a long step to say that that means there is a ruling class. As Hodgson notes:
It is possible to talk of a class being dominant in society, but only by virtue of the dominance of a particular type of economic structure. To say that a class 'rules' is to say much more. It is to imply that it is somehow implanted into the apparatus of government.196

Furthermore, it is simplistic to argue that there is one unified, relatively homogeneous ruling class. Within the dominant economic class there are divisions and even contrary interests. To postulate that the state acts merely as an instrument of the dominant economic elite ignores the tension and cleavages within that elite.

The method of implementing sustained yield management, for example, was not heralded by all the large forest companies as a positive step. Indeed, H.R. MacMillan, (by anyone's measure a member of the economic elite), the patriarch of the largest forest company in Canada, commented before the second Sloan Commission on the eventual impact of the forest management licence system. He said:

A few companies would acquire control of the resource and form a monopoly. It will be managed by professional bureaucrats... Public interest would be victimized because vigorous, innovative citizen business needed to provide the efficiency of competition would be denied logs and thereby prevented from penetration of the market.197

Although Marchak points out that MacMillan's comments were treated somewhat lightly, they highlighted the fact that there is rarely absolute agreement, both within and between interest groups, on the appropriateness of state action.198

The move to sustained yield management limited the rights of private holders of forest tenures to liquidate the resource. It reduced the power of private companies to maximize their revenue. Importantly, however, the constraints imposed by sustained yield management were never quite as
onerous as they appeared. In many regions of B.C. the actual harvest of trees rarely reached the allowable harvest levels. This lends a certain amount of credence to the neo-marxist perspective. On the other hand, increasing the management burden on private companies (as in TFL's and TSHL's), even though certain costs could be deducted from stumpage fees, is not necessarily the type of policy one might expect from a state mechanistically reacting to the demands of capital. Perhaps most fundamental, the decision by the state to retain public ownership of forest land could hardly be seen as a policy designed solely for the ruling class. After all, why did the government not simply relinquish title to private companies. The instrumentalists argue that this type of policy is necessary because of the need to legitimize the state in the minds of its citizens. Indeed, every action that appears to run contrary to the interests of capital is explained as legitimation. But the instrumentalists fail to come to grips with how much autonomy the state has to fulfill this legitimation function. If the state crudely reacts to the demands of the economic elite, it follows that it is not free to pursue policies that are against their interests. As Block summarizes:

...instrumentalism fails to recognize that to act in the general interest of capital, the state must be able to take actions against the particular interests of capitalists. Price controls or restrictions on the export of capital, for example, might be in the general interest of capital in a particular period, even if they temporarily reduced the profits of most capitalists. To carry through such policies, the state must have more autonomy from direct capitalist control than the instrumentalist view would allow.

Were the political and economic elites the same in British Columbia? Did they share the same class backgrounds as the theory would suggest? While there was a certain similarity between the political and economic
elites prior to the 1952 election, the elected legislators of the Social Credit administration were not members of the economic elite of the province. Both Forest Ministers holding office between 1952 and 1972 were schoolteachers. The Social Credit government has been aptly characterized as petit-bourgeois.201

On the other hand, there was a closer relationship historically between the bureaucracy and the economic elite. Reid and Weaver, in an analysis in the mid-70's, point out:

Occupational mobility from the Forest Service to industry provides...evidence as to the intimacy of the relationship. (By 1955 every member of the BCFS who had presented a brief to the 1945 Commission had moved into a position with private industry.)202

The personal friendship between C.D. Orchard, Chief Forester, and H.R. MacMillan is evident in the case study. Orchard's requests for advise from MacMillan and his sympathetic attitude towards the industry lend credence to the instrumentalist perspective. It is clear also that Orchard shared the ideology of business. In 1960, while interviewing Gordon Gibson, Orchard commented on how he, like Gibson, "hated" socialism.203 It was anathema to him.

Nevertheless, it is clear that the forest policy pursued by the B.C. government was not consistently at the behest of the provincial economic elite. To explain all policy decisions contrary to the interests of the dominant class as legitimation is simply too vague to enhance our understanding of the dynamics of forest policy evolution in the province. A more sophisticated version of the neo-marxist theory of the state is provided by the structuralists.
5) A Neo-Marxist; Structural Theory of the State

The structuralist analysis of the state rejects the idea that the state in capitalist society is but a tool of the capitalist class. Rather, as Gold, et al., state:

The fundamental thesis of the structuralist perspective is that the functions of the state are broadly determined by the structure of the society rather than by the people who occupy positions of state power. Thus, structuralists view the state as a broader concept which is more than a mere mechanism which can be easily manipulated, but nevertheless serves the general interests of the capitalist class. State policy is constrained by the nature of the capitalist system itself and this limits the scope of possible state action.

While Poulantzas is perhaps the most widely known exponent of the structuralist perspective, an interesting and more applicable version has been advanced by Claus Offe, a German scholar. Offe postulates four basic features of the state that limits and shapes the development of public policy. First, the state does not control the means of production. It cannot 'order' a company to produce that which is not profitable and it cannot stop production that contributes to the accumulation of capital. That is, property is private, and thus private interests have a degree of autonomy with respect to internal production decisions. These decisions are not made on the basis of political criteria or some notion of the 'public interest', but rather are based on private criteria.

Second, the state depends upon the volume of private accumulation because it derives its resources from the taxation of wages and profits generated by the accumulation process. (i.e. the term 'accumulation...
process' refers to the necessary process in capitalist economies of accumulating surplus capital). It can be argued that the increasing proportion of GNP consumed by the modern state has exacerbated this dependence on the profitability of private production. The recent works of Gough and O'Conner provide the most sophisticated analysis of the relationship between capital accumulation and state expenditures.

Third, because it depends on the process of accumulation the state is compelled to create and sustain conditions that are conducive to accumulation. Consequently, threats to such a 'healthy' condition from exogenous or internal forces cannot be tolerated. The state acts through such things as the military, the police, and the legislature to deal with, for example, aggression from other states, workers organizations, or criminal behaviour.

Finally, in democratic regimes political parties must win electoral support before exercising control over institutional state power. This means that the state must appear to operate in the public interest and at times must challenge the interests of private capital in order to maintain the viability of society and its support. Offe and Ronge suggest that:

> This mechanism [democratic competition] plays a key role in disguising the fact that the material resources of state power, and the ways in which these are used, depends upon the revenues derived from the accumulation process, and not upon the preferences of the general electorate.

In other words, because the state depends upon the accumulation process, and must operate to sustain conditions whereby private production generates profits, it is powerfully constrained in its scope of action. The state cannot act on the 'preferences of the general electorate' if to do so would threaten the accumulation process upon which it depends. The
capitalist state depends upon the revenues derived from the accumulation process and democratic competition allows choices to be made only within this context. However, this democratic competition provides the state with its important fourth element, legitimation.

Thus, to the neo-marxist structuralist, the four elements of the capitalist state can be succinctly summarized as exclusion, dependence, maintenance, and legitimation respectively. That is, exclusion from but dependence upon the accumulation process, the maintenance of the conditions of accumulation, and the legitimation of these functions through democratic competition. However, it is the fundamental tension between accumulation and legitimation that is critical to the neo-marxist structuralist analysis.

The structuralists endeavor to address the most serious deficiency of the instrumentalists. That is, they attempt to explain actions by the state that are clearly against the wishes of the 'ruling class'. Rather than resort in every case to the notion of legitimation as an explanation, the structuralists ascribe to the state a 'relative' autonomy that allows it to take the independent action necessary to maintain capitalism. In other words, structuralists see the state as the guardians of the 'system' as a whole. It, at times, must take action that is not in the interests of the economic elite, or at least a fraction of it, to preserve the system itself. Capitalism possesses inherent contradictions that would lead to its demise in the absence of the coordinative role of the state. As Poulantzas puts it:

Relative autonomy allows the state to intervene not only in order to arrange compromises vis-a-vis the dominated classes, which, in the long run, are useful for the actual economic interests of the dominant
classes or fractions; but also... to intervene against
the long term economic interests of one or other
fraction of the dominant class: for such compromises and
sacrifices are sometimes necessary for the realization
of their political class interests.208

However, while the concept of relative autonomy is a more useful
explanation of state actions than that provided by the instrumentalists, it
presents a number of problems.

In particular, how does the state resolve the conflict between
legitimation, (or pursuit of the public interest), and accumulation, (or
pursuit of the interests of capital). Given the constraints indicated by
Offe, it would appear that the scope for independent action to pursue the
public interest is severely limited. Implicit in the notion of 'relative'
autonomy is the view that the ruling class would respond effectively to any
abuse of that autonomy. In other words, any time the state leaned to far
toward legitimation. But that assumes a high degree of unity, political
cohesion, and class consciousness of the ruling class. More importantly, as
Habermas concludes, it attributes to the ruling class the capacity to
determine which action by the state is not in its long-run interests.209

Christopher Ham and Michael Hill summarize the weakness of this approach:

To explain the activities of the capitalist state
requires the identification of criteria for locating
the limits of dependence by the state on the
bourgeoisie and the conditions under which state
agencies are able to operate autonomously.210

By emphasizing the economic context of policy making, and the
dependent nature of the capitalist state, neo-marxists correctly
demonstrate the constraints on state action. However, neo-marxist theory of
the state posits an overly deterministic view of the economic/political
relationship. Not all political power is derived from economic power and
the state can and does respond to non-economic pressure.
Does the neo-marxist structuralist theory of the state explain the development of forest policy in B.C.? Clearly, there are a number of elements of policy that promote accumulation. Indeed, the primary goal of B.C. governments was to promote economic growth and thereby, facilitate the accumulation of capital. Over time they systematically moved to enhance the security and stability of the forest industry. They provided a secure and inexpensive resource base and the necessary infrastructure to enable its extraction.

The possibility of the province involving itself in the harvesting and manufacture of timber was never considered. It was not conducive to the maintenance of a 'healthy' investment climate. By allowing the deduction of management costs from stumpage fees, the state effectively subsidized the accumulation of capital by private firms and enhanced their value.

David Haley and others have pointed out the glaring differences in economic rent captured by the governments of British Columbia and the States of the U.S. Pacific Northwest. Haley demonstrates that a major reason for this stems from the competitive bidding practices in the U.S. The moves by the government to eliminate competition for timber, as the case study has shown, has led to increased corporate concentration and benefited large capitalists. For example, the development of tradeable 'quotas', the awarding of TFL's, and the restrictions on bidding for public timber limited entry into the forest industry, enhanced the position of the existing industry and ultimately contributed to the decline of the independent logger.

On the other hand, the state enacted a number of policies which would best fall under the category of legitimation. The introduction of
sustained yield management in 1947 represented a fundamental change in the management of the forest resource. As the landlord of the resource, the province recognized that the harvest had to be regulated to ensure the survival of the industry. While that may not have been in the interests of the existing industry, in terms of maximizing their profit, it clearly was in the interests of the continued 'health' of the economy of the province. In other words, the move to sustained yield management was a real example of the state restricting the rights of private capital in order to protect the perceived public interest.

However, the mechanism used to implement sustained yield favoured existing firms with private land or old tenures. These were the dominant firms in the industry. Thus, the sustained yield policy also ensured the long run viability of the large forest companies. As well, it should be noted again that the restrictions on timber harvest brought about by sustained yield were not as significant as they might appear. The provincial allowable cut continued to increase dramatically over the years, and in most regions the harvest rarely reached allowable limits.212

Clearly also, the retention of land in public ownership and the levying of stumpage fees are also policies that are not in the direct interest of capital. After all, while many of the rights accorded land owners have been conferred to private holders of tenures, the crown has ultimate control of the land. As well, while stumpage fees have been relatively low, the government has generated significant revenue from this source. The crown has also retained the right to vary royalty charges at any time.

However, it appears that all of the actions taken by government that have impinged on the accumulation process can be accurately described
as legitimation functions. For example, the move to sustained yield management is precisely the type of policy the structuralist theory predicts. In this case, the state moved against the immediate interests of capital in order to preserve the long-run viability of the forest industry.

Thus, the structuralist theory of the state is the most adequate of the theories reviewed thus far in explaining the evolution of forest policy in B.C. Its emphasis on the accumulation and legitimation functions of the state contributes to a better understanding of the causes and consequences of provincial actions.

6) A Canadian Theory of the State

While the previous five theories of the state have largely been based on general principles independent of a specific set of facts, what is called here a 'Canadian' theory of the state is rooted in the specific history of the country. As such, it is more a descriptive statement of how the state has acted in Canada, rather than a normative theory supporting a particular course of action.

Briefly stated, in Canada and the provinces, the state has pursued as its primary goal the promotion of economic growth through staple-led development. This, combined with the unique geography of Canada has resulted in an unusually high degree of direct intervention in the economy by the state.

Perhaps the first detailed study of the role and growth of government in Canada was written by Professor J.A. Corry in 1939. Corry was commissioned by the Royal Commission on Dominion-Provincial Relations. Corry takes the year of Confederation, 1867, as his starting point. At that
time, he argues, the "doctrine of laissez-faire" was at its height of influence and governments around the world intervened little in the lives of their citizens. In the seventy years after 1867, however, governments came to intervene more in economic and social matters. The reasons for this, in industrialized countries, were self-evident to Corry:

The free economy, which brought about such rapid development, was self-adjusting in a narrow sense. But it made no provision for the social adjustments which had to follow what appeared to the sufferers as capricious action. The sufferers were many and when they secured the franchise, they laid these problems of social adjustment on the doorstep of the political authority.  

But Canada was not predominantly industrialized over much of this period, and the small areas that became industrialized did not suffer the same level of social disruption that occurred in Europe. What then accounted for the corresponding growth in government activity in Canada? To Corry, the answer lay in the newness and geographic uniqueness of the country.

...we did not have, at Confederation, any of the problems of a highly specialized and urban industrialized economy. The principal problems of that day were not the difficulties of social adjustment in a complex society but rather the difficulties of organizing a concerted attack upon nature.

Hence, from its very outset, the state was required to become a force for the development of the country. In the name of national economic development the government built and owned railways, granted enormous acreages of land to private organizations in order to facilitate the construction of other railways, instituted protective tariffs, and provided subsidies and technical services to business.
Thus, the state in this developing country assumed many 'positive' functions, whereas in the more industrialized countries the growth of state activities was more in the form of 'negative' functions. These 'negative' functions consisted largely of government regulation of business to improve social welfare.

Corry was one of the first Canadian writers to recognize the unique role of the state in post-Confederation Canada. That is, as the primary force for economic development. But it is not only the interventionist role of the state that is uniquely Canadian. It is the role of the state as it relates to the export of staples that has been the focus of intellectual discussion in Canada and the basis of specific 'Canadian' theories of the state. The two writers who first identified the significance of staples to Canadian development were Harold Innis and W.A. Mackintosh.216

Innis was critical of the consequences of an economy dominated by the export of staples. He argued that Canada became dependent on the countries that imported the staples. This dependency led to periods of crisis and distorted the development of the local economy. As Innis stated:

Concentration on the production of staples for export to more highly industrialized areas of Europe and later in the United States had broad implications for the Canadian economic, political and social structure. Each staple in its time left its stamp, and the shift to a new staple invariably produced periods of crisis in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple.217

Innis believed that because Canada was dependent on a foreign industrialized country, it necessarily would remain that way. It was
inherent in such an imperial-colonial relationship that Canada's manufacturing sector would be constricted.

Mackintosh, on the other hand, believed that the export of staples was the first step towards the development of a mature economy. Only by generating revenue from staple exports could the country accumulate the necessary capital for further expansion. Investment in infrastructure and the creation of a domestic market through settlement would promote the manufacture of commodities for home consumption and ultimately export.

Utilizing both Innis and Mackintosh, the staple theory has been developed by dozens of Canadian writers.\(^{218}\) Since the 1960's in particular, a critical Innisian perspective has been employed primarily by neo-marxists to explore and explain the nature of the Canadian economy.\(^ {219}\) However, for the purposes of this thesis, of particular interest is the application of the staples approach to the provincial state. The work of Richards and Pratt in this regard stands out as a significant contribution to understanding the role of the provincial state in economic development. In their book, *Prairie Capitalism: Power and Influence in the New West*, the authors describe and analyze the positions of the Alberta and Saskatchewan governments vis-a-vis their respective resource industries.\(^ {220}\) They come to the conclusion that, as owners of the resource, the provincial state has significant power to shape the pattern of development and collect resource rent. However, in order for the provinces to exercise that power, "its leaders [must] be ideologically oriented to take entrepreneurial risk..."\(^ {221}\) In the absence of such orientation, the province loses its bargaining power to extract from the resource economic rent or developments linked to the staple base.
In addition to a willingness on the part of the provincial state to intervene directly in the production process, broad public support is necessary for the ultimate success of a strategy to generate greater public returns from the resource sector. Richards and Pratt conclude that, prior to the 1970's, the provinces of Alberta and Saskatchewan were unwilling to embark on public ventures in the resource field and thus were forced to acquiesce to the demands of the resource industry. However, since the 1970's, both provincial governments determined to capture a greater share of the economic rent generated and were prepared to use public entrepreneurship if necessary. As a result, as the authors state:

The primary source of the entrepreneurial initiative and of the changes which have overtaken prairie capitalism since the opening of the new postwar mineral staples has been public, not private.

The Canadian state has historically promoted the exploitation of staples through the provision of infrastructure and subsidies to business. Most writers in the staple tradition argue that either this has resulted in dependency and underdevelopment, or it is a necessary precondition to developing a mature economy. Richards and Pratt argue that the reliance on staples in the prairies is inevitable and that development away from the staple base is unlikely. However, the power of the provincial state can be (and to some extent has been) utilized to exploit that region's comparative advantage in such a way as to avoid, or at least mitigate, the consequences of dependency and underdevelopment.

It is clear from the case study that the B.C. government pursued staple-led development. It is a fact that during the period under review the provincial economy was dominated by the export of staples, in particular forestry. Thus, the government was successful in promoting the
exploitation of the resource. B.C. governments, in particular the W.A.C. Bennett administration, acted precisely in the Canadian staples tradition. Bennett, for example, was willing to use the power of the provincial government to directly support industrial growth. To that end, he nationalized B.C. Electric to accelerate the development of power and to provide favourable rates for business. His administration embarked on an ambitious railway scheme to the north to open up new frontiers for development. Likewise, highways and 'instant towns' were created to meet the expanding needs of expanding business.

While the province busily created the necessary infrastructure, guaranteed access to natural resources was assured. But the type of access granted in the forest sector was limited to large, usually multinational, companies. This was, apparently, desired by the government and fit with their overall goals. As Bradbury points out:

Forest policy under Williston between 1957-1972 was designed to complement Bennett's overall expansionist policy. Roads, railways, dams and bridges physically facilitated resource extraction; changes in the laws associated with the forest industry altered both the legal position and the economic chances of large forestry companies.223

In British Columbia the provincial state has historically been interventionist. Rather than services to people, however, the priority for state intervention was on aid to business.

It is probably safe to say that B.C. governments accepted the traditional staple theory of economic growth espoused by W.A. Mackintosh. That is, they saw the development of the staple base as a necessary prerequisite to the evolution of a more diversified and mature economy. However, while the government successfully promoted the rapid exploitation
of the forest resource, did a more mature economy develop? No objective analyst of the B.C. economy would argue that it remains anything but staple-dependent and immature. Patricia Marchak has clearly documented that the policies pursued by governments in B.C. have not fostered a more diversified economy. She writes in 1983:

...the present policies inevitably lead to depletion of the resource base and increasing peripheralization of the economy. The province, initially allowing itself to become a regionally specialized resource production area, eventually becomes a denuded, dependent, and impoverished region within the world economy.

Perhaps, then, Innis' formulation of the staple theory is more applicable to the reality of British Columbia development. Clearly, as Innis suggested, the provincial economy fluctuated with the vagaries of the export market. As the demand for raw material rose, so too did the health and vitality of B.C. industries. Thus, the provincial economy became tied to the economy of its trading partners. This dependency notion is developed further by Marchak. She argues that government policies which have aggressively promoted staple exploitation have resulted in an extremely vulnerable economy controlled largely by foreign companies. She states:

...the vulnerability of a region such as B.C. to such sudden reverses is caused by the extreme dependence on exports of raw and semi-processed materials to the advanced manufacturing centre. The division of the world economy into specialized production components was to the advantage of the central manufacturing regions, assuring them of continuing supplies of raw materials and of markets for their finished products.

She further argues that this dependence has resulted in inadequate care of the resource base, and virtually no development of backward or forward linkages.

The case study has demonstrated that provincial policy has
followed a "staple approach" to development. It is clear that the result has been closer to what Innis suggested than what Mackintosh theorized. Nevertheless, the work of Richards and Pratt suggests that this need not have been the case. In their study of Alberta and Saskatchewan the authors document the history of provincial resource policies. Those early policies were remarkably similar to the British Columbia experience. The authors summarize the prairie position:

The original concession agreements negotiated by the governments of Alberta and Saskatchewan with the international resource industries for the development of their oil, natural gas, and potash after the Second World War fall into a familiar pattern. Designed to induce foreign investors to commit risk capital to the rapid exploitation of non-agricultural staples, the concessions invariably provided favourable terms of access to resources, long-term leasing arrangements with royalty ceilings fixed at low levels, and assurances that crown-owned companies would not be placed in competition with private interests.

They further point out that the respective provincial governments fostered rapid development of their resources and that this resulted in a high degree of corporate concentration and foreign ownership in their natural resource industries.

But, in the early 1970's, the Alberta and Saskatchewan governments decided to attempt to extract a greater return from their resource base and enacted policies which challenged the status quo. It is evident from the case study that British Columbian governments never undertook to affect a change from the classic rentier position.

The relative successes, documented by Richards and Pratt, of the Alberta and Saskatchewan governments' attempts to capture a greater share of economic rent and to promote backward and forward linkages from the resource base hold out some hope that the bias of B.C. government policy
toward large corporations need not continue. Their work suggests that by effectively utilizing the bargaining power of the provincial state it is possible to extract greater public benefits from the forest resource base than was the case throughout the period under study.
CHAPTER FOUR
CONCLUSIONS

Public ownership of the forest resource and the crucial importance of the forest industry to the economy of the province has meant that public policy in this sector has had a profound impact on the lives of British Columbians. This thesis has reviewed the most important facet of provincial forest policy; the method of allocating public timber to private companies. It is apparent from the case study that there are definite historical periods during which timber allocation policy has remained relatively consistent.

The first can be called the 'early forest policy' period. This covers the time up to 1912 and the passage of the first Forest Act. All tenures issued during this period collectively came to be known as Old Temporary Tenures (OTT's). Contrary to this euphemism, however, OTT's have perpetual renewal rights until the merchantable timber is harvested. Importantly, the crown's share of the resource rent from OTT's was to be extracted from royalties and rental fees. The more onerous stumpage fees are not levied on trees harvested from OTT's. During this early stage, there were three distinct phases. Prior to 1905 the primary method of allocating timber was through timber leases, usually tied to manufacturing facilities. Between 1905 and 1907 alterations were made to forest licences to make them attractive to investors, speculators and timbermen. An enormous amount of timber was staked during these two years. While specific licences carried no manufacturing conditions, the government still
restricted the export of logs from the province. Between 1907 and 1912 there was a moratorium on further alienation of timber lands pending the report and subsequent implementation of the Fulton Commission's recommendations.

The second period of provincial timber allocation policy can be called the "stage of competitive bidding" and spans from 1912 to 1947. The 1912 Forest Act ushered in a new method of disposing crown timber. The newly created Forest Branch was to cruise an area of unalienated land and establish an upset price for the timber on that land. Companies wishing access to the resource were required to bid for it, with the floor being the upset price. The royalties and rental fees remained virtually the same as on OTT's, but new companies were required to pay a bid price over and above these levies.

The third historical period of British Columbia forest policy can be called the "age of sustained-yield management". From 1947 to 1972 the government sought to regulate the harvest of trees in such a way as to guarantee a perpetual supply of timber. The first Sloan Royal Commission on forestry suggested methods to induce private sustained yield management on private land, OTT's, and on large acreages of public forests. On the remaining land public sustained yield was to be implemented. Throughout the first half of this period, the government concentrated on awarding Forest Management Licences to large forest companies to enable them to continue harvesting at their current levels in perpetuity. This sparked controversy because it removed from competition vast areas of public forest land. Throughout the second half of this period, the government sought ways to encourage better management on public lands. In order to minimize the
possible disruptions that would arise from the move to sustained yield management, the government moved to increasingly protect the existing industry from competition. The combined effect of government policies over this period has been to expedite the trend toward corporate concentration evident in the B.C. forest industry, and, according to many authors, to reduce the economic rent captured by the provincial landlord.

It is obvious from the preceding chapter that no single theoretical model adequately explains the evolution of timber allocation policy in British Columbia. However, while elements of each theory can be said to describe the reality of forest policy during certain times in history, it is clear that some models more adequately explain than others why policy evolved the way it did.

The neo-marxist structuralist and Canadian theories of the state are particularly useful in accounting for the actions of the government of B.C. during the period under study. The Canadian theory demonstrates that British Columbia acted in the tradition of Canadian states. The governments' goal of rapid economic development and the promotion of the exploitation of staples to accomplish that goal was not peculiar to B.C. As an empirical description, then, the Canadian theory is valid. However, it holds relatively little usefulness as an explanatory tool. The neo-marxist structuralist theory suggests that the B.C. state acted, by and large, to promote the accumulation of capital by private firms. However, the state did intervene to limit the rights of capitalists when the long-run viability of the industry was in jeopardy. All of the actions taken by the B.C. government can be explained by the accumulation/legitimation criteria. Nevertheless, the central failing of this theory is the vagueness of these terms. In other words, it fails to answer the question: how much autonomy
does the state have to pursue legitimation functions, given the fundamental need to promote the accumulation of capital?

Richards and Pratt suggest the state has a significant degree of latitude to pursue policies that are in the public interest (i.e. rent collection), and not necessarily in the direct interests of capital. In this respect, the neo-conservative theory is more accurate. The state responds to a variety of interest groups. The dominant one may well represent large capital, but other groups can and do have an impact on public policy. The role of bureaucrats and politicians is not insignificant, as the case study has shown. It is evident also that the state has pursued policies which it perceived to be in the broad 'public interest'. Although that term is difficult to define, the move to sustained yield management, for example, was clearly a societal response to crisis. While the method of implementing sustained yield management had certain distributional consequences, the decision to move to a regulated harvest was a rational one that was supported by broad segments of the population.

In conclusion, it is too simplistic to draw exclusively upon one specific theory to explain the development of forest policy in B.C. Rather, it appears that each theory can contribute to our understanding of the nature of policy-making in the provincial state.

This thesis has described how past timber allocation policy evolved and attempted to determine why it evolved the way it did. It is hoped that this will assist planners and policy-makers in the development of new policies to deal with the current crisis in the British Columbia forest industry.
FOOTNOTES


4) Nilsson, "British Columbia Forest Sector."

5) Nilsson developed a mathematical programming forest sector model which was a modified version of the IBRD (World Bank) model. He then tested various assumptions about future AAC's, chip prices and general economic conditions to arrive at various scenarios about the future state of the forest industry.


7) Ibid.


11) Ibid.


14) The following year Vancouver Island united with British Columbia to form the United Colony of British Columbia. The Land Ordinance was extended to the Mainland in 1870.


18) Exactly when the government determined that more revenue could be obtained by retaining Crown ownership of the land and selling only timber is, of course, difficult to ascertain. However, A.C. Flumerfelt writing on "Forest Resources" in Pacific Province, vol.22 of Canada and Its Provinces, edited by Adam Shortt and A.G. Doughty. 23 vols. (Toronto: Publishers' Association of Canada, 1914) discusses forestry legislation of the 1880's. He commented on page 492: "The government soon began to realize that standing timber had ceased to be valueless... It was then established that crown timber was no longer to be given away; it was to be sold..."


21) Ibid.


23) Flumerfelt, "Forest Resources."

24) Ibid.


31) See for example, Robin, Rush for Spoils; and Flumerfelt, "Forest Resources."


36) Flumerfelt, "Forest Resources."

37) R.H. Marris, "Pretty Sleek and Fat."

38) Ibid.


40) Ibid., p. D55.

41) Ibid., p. D45.

42) Ibid., p. D63.

43) Ibid., p. D68.

44) Ibid., p. D77.

45) British Columbia, Forest Act, 1912 S. 5.

47) Pearse Report, p. 28.

48) British Columbia, Department of Finance, Public Accounts (Victoria: King's Printer, 1945).


51) Pearse Report, p.29

52) 'Recording...', p. 4.


56) Ibid., p. Q127.

57) Ibid.

58) The rental on old temporary tenures amounted to 50 cents per acre.

59) The rental on "Schedule B" lands amounted to 1 cent per acre.


61) In 1948 the Forest Act was amended to provide for 'Farm Wood-lot Licences'. The purpose of this form of tenure was to enable farmers to establish small sustained yield units on adjacent Crown forest land. The Minister was empowered to grant these licences to bona fide farmers. The area of Crown land to be managed by the farmer was to be large enough to yield 100 cunits of timber per year, to a maximum of 640 acres. The idea behind this tenure was to provide a means whereby farmers could supplement their income from a forest crop. Unfortunately, the licences were a dismal failure. The main reasons appear to be the fact that they were excessively small, appurtenant to a specific farm, and not transferrable. By 1972 only 42 licences were in existence. The harvest for that year amounted to 332,809 cubic feet out of the total provincial harvest of 1,963,747,008 cubic feet. This
thesis concentrates only on significant developments in provincial forest policy. As a result, Farm Wood-lots and other minor tenures, like Christmas tree permits and Taxation Tree Farms, will not be discussed in any detail.


64) "Forestry Bill 'Confiscatory' say Engineers," Vancouver Sun, 11 March 1947, p. 8.

65) "Loggers Ask Year's Delay on Forest Bill," Vancouver Sun, 19 March 1947, p. 7.

66) Vancouver Sun, 28 March 1949, p. 4.

67) "Forests for the Few?," Vancouver Sun, 12 April 1947, p. 4.


72) Ibid., MacMillan to Orchard, 13 September 1947.

73) 'Recording...', p. 1.

74) Ibid., p. 6-7.

75) Ibid., p. 7.

76) J.D. Gilmour, "Realistic Forest Management for British Columbia" (n.p.: Truck Loggers' Association, January 13, 1949).

77) Ibid.


81) Ibid., p. 6.
82) Ibid.
83) Ibid.
84) Ibid.
85) Ibid.
87) Ibid.
89) Ibid., pp. 143-144.
90) Robin, Pillars of Profit, p. 166.
92) As cited by Mitchell, WAC Bennett.
97) Vancouver Sun, 8 September 1954.
98) Ibid.
99) Ibid.
100) Vancouver Sun, 9 September 1954.
101) Ibid.
102) Ibid.

104) The determination of the percentage of the total cut that is derived from FML's is often difficult. The Forest Service statistics are usually disaggregated to the extent that the cut from crown granted land within FML's are not included in FML cut statistics. Thus, FML statistics often only include Schedule 'B' lands (crown land). In this case, however, Table 12 in the 1959 Annual Report of the Forest Service reviews the scale of all managed lands from 1950-1959. By converting the TFL statistics noted in that table to 'fbm' from cubic feet and dividing the result into the total scale as indicated in the 1955 Annual Report, the figure 14.6% is derived.

105) Vancouver Sun, 15 February 1955.

106) As cited in Mitchell, WAC Bennett, p. 231.

107) Ibid.

108) Ibid., p. 239.


110) See for example, Robin, Pillars of Profit; and Mitchell, WAC Bennett.


112) Mitchell, WAC Bennett, p. 251.

113) Sloan Report 1956

114) Ibid.


116) Ibid., p. 62.

117) Ibid.

118) Gilmour, "Realistic Forest Management."

119) Ibid., p. 7.

120) Sloan Report 1956, p. 64.

121) Ibid., pp. 65-67.

122) Ibid., p. 67.
123) Ibid., p. 89.
124) Ibid., p. 90.
125) Ibid., p. 96.
126) Ibid., p. 94.
127) Ibid., p. 134.
128) Ibid., p. 135.
129) British Columbia, Department of Lands and Forests, Report of the
132) Ibid., p. 162.
133) Ibid., p. 189.
134) "The Report of the Commissioner in the Matter of a Tree-Farm Licence
and in the Matter of Empire Mills Ltd.", Judge C.W. Morrow,
Commissioner. Public Archives of British Columbia, GR 1255, p. 1,
Victoria, British Columbia.
135) Ibid.
136) British Columbia, Department of Lands, Forests and Water Resources,
137) Ibid., p. V91.
138) Ibid.
140) Ibid.
142) Marchak, Green Gold, p. 49.
143) P. Pearse, A. Backman, and E. Young; Forest Tenures in B.C., Policy
Background Paper Prepared by the Task Force on Crown Timber Disposal,
(Victoria: Queen's Printer, December, 1974), pp. 65, 66.
144) Ibid.

118


149) Ibid., p. 6.


153) Pearse et. al., Forest Tenures in B.C., p. 120.


155) Pearse et. al., Forest Tenures in B.C., p. 62.

156) Ibid.


160) Pearse Report, Table B-9 on page B7.


162) Ibid.

163) Ibid., p. 15.


Ibid., and for a recent review of the B.C. government's failure to capture economic rent see Paul Drysdale, "Monitoring British Columbia's Timber Pricing Performance: An Examination of Interregional Stumpage Comparisons" (Master's thesis, Simon Fraser University, 1984).


Ibid., p. 284.

Ibid.

Ibid.


Lindblom, "The Science of 'Muddling Through'."


Pearse Report, Tables B-13 and B-18 on pages B11 and B14.

182) Ibid., p. 292.


188) Ibid., p. 5.

189) Ibid., p. 15-16.


197) As cited in Marchak, Green Gold, p. 37.

198) Ibid.


201) See Robin, Pillars of Profit, particularly Ch. 6.


214) Ibid., p. 3.

215) Ibid.


221) Ibid., p. 327.

222) Ibid., pp. 328-329.


225) Ibid., p. 350.

226) Richards and Pratt, Prairie Capitalism, p. 71.
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