MARKETS AND CAPITAL: A HISTORY
OF THE LUMBER INDUSTRY OF BRITISH COLUMBIA
(1773-1952).

by

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The history of the lumber trade of British Columbia has been one of considerable fluctuation and recurring crises occasioned by historical changes over which the industry has had no control. With no large permanent home market to depend upon for stability, it has had to attain a flexibility which would allow it to accommodate itself to the ever-changing complexity of world markets.

In its pioneer phase (1851-1886) the trade could depend on only small local markets in Victoria, New Westminster and, to some extent, San Francisco. With a scarcity of operating capital, no rail transportation whatever, and inadequate water transportation controlled by San Francisco brokers, the infant industry located on Vancouver Island, on Burrard Inlet and at New Westminster struggled for survival. Despite these handicaps, certain fairly reliable markets were gradually established in the awakening Pacific community -- in Australia, Chile, the Sandwich Islands, and China.

The completion of the Canadian Pacific Railroad (1886) marked the real beginning of the lumber trade in British Columbia. It made possible the exploitation of the interior forests, presented the trade with the Prairie market, which was to sustain it until 1913, and it attracted plentiful capital to the industry for the first time.
The completion of the Panama Canal in 1914 marked the third phase of the history of the trade, for it opened to the industry the communities of the Atlantic, especially the seaboard of the United States and the important United Kingdom market. This new cargo trade rescued the ailing industry from the collapse of the Prairie demand.

The pattern of the lumber trade changed again after 1940. War-time shipping difficulties, followed by a seemingly permanent dollar shortage in the sterling area largely diminished the importance of the United Kingdom market. A sustained period of prosperity in the United States, however, facilitated a shift of trade lines from the Old World to the New. The change was accelerated and consolidated by the rise of giant American cellulose corporations which invested heavily in British Columbia forest lands and production plants and integrated them into vast international complexes of industries whose main market is the pulp-, lumber-, and cellulose-hungry industries of the United States.

This thesis attempts to trace these economic changes in the light of changing historical conditions and to discover the pattern which emerges from them.
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The history of the lumber trade of British Columbia is a story of struggle against relative geographical isolation, faulty or inadequate transportation, insufficient capital and undefendable markets. Despite these hazards, in the 170 years between the visits of the early China traders to the Coast for spars and the present-day shipment of vast cargoes of lumber, a great industry worth well in excess of five hundred million dollars annually has been developed.

The land in which this story unfolds is vast and rugged. The chief topographical feature of the Mainland of British Columbia is a series of more or less parallel mountain ranges and valleys extending, generally speaking, in a northwesterly direction. The eastern boundary is the Rocky Mountain System. Westward lies a great glacial trough extending for eight hundred miles, known as the Rocky Mountain Trench. Still further westward are the

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Selkirk, Monashee, Cariboo and Stikine Ranges. West of these mountain ranges is a central plateau which, however, is not all tableland but eroded and dissected plain. Elevations on the plateau range from three thousand five hundred to five thousand feet above sea level, and in the valleys from one thousand to two thousand feet. To the westward lie the Cascades and Coast Ranges, which average six thousand to seven thousand feet and divide the Interior from the Coastal belt. The Coast Mountains in this province are considered by orographologists as a continuation of the Cascades northward from the Lower Fraser Valley. There is little, if any, coastal plain lying to the west of the Coast Range. In the Pacific Ocean, off the Coast, lie Vancouver Island and the Queen Charlotte group, whose mountains constitute the northward extension of the Coast Range of Oregon and Washington.

Fronting on the Pacific Ocean, the province encompasses eleven degrees of latitude between its north and south boundaries; the climatic attributes characteristic of its location, coupled with those distinctive topographical features already described have created alternate wet and dry belts. The prevailing moisture-laden winds, sweeping inland from the sea, release the greater part of their rain as they reach the Coastal belt; then, travelling inland they obtain additional moisture from the evaporation of the inland land masses, and deposit this in turn on
the eastern mountain systems.

West of the Coast Mountains the rainfall ranges from forty inches in the south to one hundred and forty inches in the north. This moisture, coupled with a mild, even temperature caused by the Japan current, creates an environment that produces the most important forests in the province.

East of the Coast Mountains the southern rainfall ranges from ten to fifteen inches, while twenty-five to thirty inches is recorded in the northern areas of the Interior. This relatively light precipitation in the areas east of the Coast Range, in combination with extremes of temperature, produces much lighter forest cover, varying from semi-arid types in the valleys to more dense, but low-grade, forests on the higher elevations. The heavier precipitation again encountered on the western slopes of the eastern mountains (from forty to sixty inches) creates more favourable growing conditions, and forests resembling those of the Coast are common. Greater temperature variations, however, retard the rate of forest growth.

The Coast Range is, in reality, the boundary-line separating two distinct and separate forest areas generally described as the "Coast" and "Interior". The forest-cover of the Coast area, reflecting the effect of its growing
environment, is composed of four main species: Douglas-fir, Western hemlock, Western red cedar, and silver or balsam fir; and three lesser species: yellow cypress, white pine and spruce. On the Southern Mainland Coast and on the southern and eastern areas of Vancouver Island, Douglas-fir is the dominant species up to elevations of about two thousand feet. Beyond that elevation cedar, hemlock and balsam become increasingly important in that order. In the Interior the forests contain Englemann spruce, Western yellow pine, Western larch and white spruce as the main commercial cover. In addition, most of the Coast species are found with the exception of Sitka spruce and yellow cedar. In the southern dry site areas are found fir, yellow pine, spruce, lodgepole pine and larch. Towards the north the yellow pine disappears and spruce, lodgepole pine and balsam become the dominant types. Farther north yet fir ceases to grow and lodgepole pine and spruce predominate. In the Interior "wet belt" are found fine pure cedar stands in the wetter valley areas with cedar-hemlock forests above on the higher slopes. Above this, a hemlock-cedar-spruce cover appears in association with some fir, white pine and balsam. Spruce and lodgepole pine are predominant in the higher altitudes ranging up to six thousand feet.

Since the late 1920's, British Columbia has derived from this source at least half of Canada's
annual cut of timber, all but a small part of its shingle production and more than ten per cent of its pulp output. Much of the largest part of the post-war expansion in Canadian lumber production has taken place in this province. In few parts of the world does forest wealth constitute the economic basis that it does in British Columbia.

If it be assumed from the foregoing that the forest-cover is distributed over the greater part of the land areas of the province, that assumption must be corrected lest the true picture be misunderstood.

The land area of the province is 234,403,000 acres of which 41,159,000 are in the Coast district and 193,244,000 in the Interior. Fully fifty-seven per cent of this great geographical expanse is made up of water, muskeg, swamp, and land incapable of supporting other than forest of little or no commercial value. The remaining area is covered with a forest which has constituted the backbone of the province's economy for the last seventy-five years.

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2 Between 1939 and 1952, the value of the forest products industry of British Columbia rose from less than $90,000,000 to some $500,000,000. In the same period exports of wood, wood products and paper increased from $35,000,000 to more than $320,000,000. The primary industry (logging) and the secondary industry (wood and paper products) together now account for approximately forty per cent of the net value of production in the province.

3 Orchard, C. D., Forest Management, Victoria, Queen's Printer, 1955.
MARKETS AND CAPITAL: A HISTORY
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CHAPTER I

PIONEER TRADE IN THE PACIFIC BASIN (1773-1886)

The history of the lumber industry of British Columbia begins in the days when the Spaniards, whose names so liberally dot our coast line, were still exploring the bays and inlets of the North Pacific. And certainly the dimensions of British Columbia trees greatly impressed Captain Cook, particularly because of their adaptability for spars. When he repaired his two ships, the Resolution and Discovery in Nootka Sound in March, 1778, he became the first white man to make use of the timber of the province.  

It was the need for ships with which to exploit the fur trade with China that led to the first varied lumbering operations by white men in the province. In 1788 John Meares, a British captain operating out of China, arrived at Nootka in the ship, Felice. In her hold was stowed the frame for a ship and the tools to convert the big firs and cedars of Vancouver Island into masts, spars, planking, decking and superstructure. The ship also carried twenty (some authorities say fifty) Chinese loggers, whipsawyers,

carpenters and shipwrights as passengers, the first lumbering and shipbuilding force in the North Pacific wilderness and the forerunners of that Chinese labor force which was to figure so prominently in British Columbia in the following century.

Two days before the launching of the ship *Northwest America*, Robert Gray, another China trader returning to Boston, arrived in Nootka Sound. He and his crew assisted Meares and his Chinese workers to launch their fir-beamed and cedar-planked schooner before continuing their voyage. Three years later, on September 21, 1791, he returned to Clayoquot Sound, just south of Nootka, in the 220-ton *Columbia Redivivia* and there, like Meares before him, cut the abundant forest and fashioned from it a schooner with which to exploit the fur trade of the Coast. By October 3, 1791, the new ship *Adventure*, the second product of the region's forest wealth, was completed and launched.

Although these traders came primarily in search of furs, they were not oblivious to the commercial possibilities of the vast forests which extended down to tidewater of the thousands of miles of Pacific Coast waterways. The records of Captain Meares contain the following order for his second ship, the *Iphigenia*, which loaded at Nootka for China: "During the time you
remain in port, carpenters shall be employed in cutting down spars and sawing planks, particularly boat's knees and timbers, -- all of which bear a good price in China."²

Meares gave this instruction on behalf of his employers, who in 1787 informed him that spars of every denomination were constantly in demand in the Chinese market and ordered him to procure as many as he could conveniently stow.³ Other fur traders doubtless did likewise. It is not possible to estimate the volume of these early shipments, although the total could not have been very great; certainly there was nothing like a timber trade for its own sake.

There followed a hiatus of four or five decades during which there occurred no further exploitation of the coastal forest except for the little cutting in the saw-pits of the Hudson's Bay Company outpost at Fort Langley. There company workmen cut the rough lumber which was used in the erection of houses and store rooms, and later the staves for barrels used in the fish trade with the Sandwich Islands.

The building of the Hudson's Bay Company's outpost at Fort Victoria in 1843 and the transfer thereto of

² Meares, John, Voyages Made in the Years 1788 and 1789 from China to the North West Coast of America, London, 1790, Appendix 2.

³ Meares, op. cit., Appendix 1.
much of the business formerly carried on in their Fort Vancouver office marked the real beginning of a continuous industry on Vancouver Island. The large initial requirement of lumber for the Fort was met by the company's own saw-pit, where two sawyers, one in the pit and one above, ripped into rough planks the log which straddled it. In 1850 this primitive method of cutting fell into disuse when the company established the first machine-operated sawmill on the Island at Mill Stream, just above Parson's Bridge. 4

In 1848 a millwright named Fenton was brought from England to build this mill, but before he finished the lure of the California goldfields overcame him and he joined the army of gold seekers flocking into that area. Another millwright, named Parsons, arrived to replace him, bringing with him the machinery for a grist mill, which was added to the installation.

In November, 1849, the mill was completed and cut a considerable number of deals which were exported to San Francisco, where they brought $80 per thousand feet in gold dust. After some months of operation an irreplaceable part of the machinery broke, and forced the mill to close. Shortly thereafter it was found that the flow of water in Mill Stream was only sufficient to run the mill

4 Lamb, op. cit., p. 39.
In the winter and for this reason a new location was sought. A proper site could not be found near Victoria and it was decided to build the new mill at Craigflower bridge. The planing mill and grist mill were accordingly erected there in 1853 and the old lumber mill at Mill Stream was repaired and operated whenever water conditions were favorable.

In 1851 a second mill, the Vancouver Island Steam Mill Company was organized by Governor James Douglas, Roderick Finlayson, John Tod, Simon Fraser Tolmie and other employees of the Hudson's Bay Company. It is almost certain that the high lumber prices prevailing on the San Francisco market first led them to undertake the venture. They erected a mill at Albert Head, but there is no evidence that it produced any lumber. Perhaps it became quickly apparent to them that they could not compete with the newly established Puget Sound mills where labor and logs were both readily available and cheap. Neither of these conditions prevailed in Fort Victoria. The project was completely abandoned in 1856.5

In the meantime another sawmill had been erected by the colony's first independent settler, Captain Walter

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Colquhoun Grant, who along with a number of servants established himself at Sooke on the southwest tip of Vancouver Island in 1849 with the express purpose of farming and sawmilling. A notoriously poor manager, Grant soon ran hopelessly into debt and, unable to pay his men, lost them to the gold fields of California. Despairing of his failing fortunes, Grant himself quit the colony to try his luck in California, only to return empty-handed to dispose of his property. Once again there is no record of this mill's having produced any lumber.

When John Muir, a one-time servant of Grant acquired his estate in 1853, the property included the remains of the water-power sawmill, at the northeast end of Sooke Basin. Though John Muir's sons, and in particular Michael Muir, engaged in the timber and spar trade, they seem to have made no immediate effort to repair and operate this mill. Exports from Sooke during the first few years of their tenancy were confined to spars, squared timbers and piles, all of which could be produced by hand. The Muirs sent a fair number of spars to England, where they were converted into masts for merchant vessels,


and from England some found their way to the Continent. There they competed with the well-known Riga spars of the Baltic forest lands.  

San Francisco was the chief export market for the sawmills of Sooke and the island. Eighteen of the nineteen vessels which sailed with timber products from Sooke and Victoria in 1853 were bound thither. San Francisco was sufficiently near and its market was sufficiently active to make small shipments by small vessels possible and profitable.

The only other producing mill operating on Vancouver Island in this period was a small establishment on Salt Spring River, about six hundred yards from Nanaimo Fort. It was erected in April, 1854, and probably produced only enough to satisfy the light demand of the Fort itself.

The discovery of gold on the Fraser River in 1858 brought a wave of prosperity to Vancouver Island. Twenty-three thousand gold-seekers left San Francisco by boat and more than eight thousand by land for the new gold-fields of British Columbia. It was this "rush"

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10 Copeland, op. cit., p. 32.
that first drew the attention of the world to British Columbia and its vast natural resources. Victoria, the capital of the Crown Colony of Vancouver Island and the essential supply point for the huge influx, benefited hugely. From a sleepy fort of a few hundred persons, it grew into a town of six thousand, not including the large number of miners who wintered there.\(^{12}\) This influx severely taxed the housing capacity of the little community and the demand for building material was accordingly great.

In the first crowd of fortune seekers to arrive in Fort Victoria from San Francisco by sea in 1858 was William P. Sayward, a lumberman from Maine.\(^{13}\) 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. One glance at the tent city of newly arrived miners convinced Sayward that Victoria itself constituted as good a market for lumber as he was likely to find. He immediately established a water-power sawmill at Mill Bay on Saanich Inlet. During the years which followed he consistently produced from the

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\(^{13}\) For a detailed biography of Sayward, see: *British Columbia Magazine*, Vol. 10-11, (May, 1914), p. 245.
plentiful supply of logs on Saanich Inlet, Chemainus River and Oyster Bay a daily average of fifteen to twenty thousand feet of finished and semi-finished lumber. That production figure was eminently profitable for its day, especially in view of the high price the product commanded on the Victoria market. For a year and more lumber sold at one hundred dollars a thousand feet, then fell to about twelve dollars before it advanced to twenty dollars in 1862, when finished lumber from Puget Sound mills sold at thirty dollars. Sayward's mill was the first permanent venture in exploiting the forests of the colony and province. For fifteen years it continued to produce for the Victoria market from its Saanich site. In 1873, the pioneer lumberman found it expedient to move closer to the city and accordingly located in Rock Bay where he produced thirty thousand feet daily during the two depression decades which followed.

Meanwhile small sawmills were being erected on the Mainland along the route to the goldfields in answer to the demands of merchants, hotel keepers and miners. The first was probably the little mill built on the banks of the Fraser at present-day New Westminster by

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15 Colonist, Aug. 2, 1862, p. 3.

W. J. Armstrong, New Westminster's pioneer resident.
Another was erected in the same place shortly thereafter by J. A. Homer. Others were erected at Fort Langley and at Fort Hope by a Mr. Coe; at Fort Yale by Land, Fleming and Co.; at Lillooet in 1862 by Cadwaller & Co.; at Barkerville by DethendellNason, the Maine lumberman who later became a member of the Provincial Legislature; at Antler Creek by a Mr. Baylor; at French Creek by a Mr. Romano; and at Douglas by P. Smith.

It is doubtful that these mills produced more than a token supply of lumber at any time, for most miners were content to build their log shacks from the scrub or logs in the area where they dropped their picks. That choice involved no cost and no transportation problem; others relied on tents to shield them from the elements. Probably the larger part of the output of these mills went to

17 From a compilation in MS Folder 901-1, Provincial Archives, Victoria, B. C.
18 Loci cit.
19 Kerr, op. cit., p. 120.
20 Kerr, op. cit., p. 240.
21 From a compilation in MS Folder 901-1, Provincial Archives, Victoria, B. C.
22 Colonist, June 11, 1866, p. 3.
23 Kerr, op. cit., p. 182.
construct the stores, saloons, and dance halls in the several mining towns of the area.

The establishment of a permanent large-scale lumbering industry on the Alberni Canal and on Burrard Inlet came in answer to the demand of several historic changes occurring far distant from the isolated colonies of Vancouver Island and British Columbia — in Australia, Hawaii, Chile and China. These were the countries which would constitute the chief markets for British Columbia lumber between 1865 and the coming of the railroad to Vancouver in 1886, and the names of their great commercial centres, Sydney, Melbourne, Adelaide, Honolulu, Valparaiso, and Shanghai were to become as commonplace in the conversation of pioneer residents of the Alberni Canal and of Burrard Inlet as were London or San Francisco.

In Australia, the gold rushes of 1851 to 1860 greatly increased the population of the Colony of New South Wales and made available large sums of gold with which to reinforce the economic and social fabric of the nation. Ships from England carried out full cargoes of eager immigrants and took back large shipments of gold and wool. By the end of the decade, the prosperity of the colony was assured. Wool had doubled in market value and the colony's agricultural industry had been assured an ever-increasing market for its goods in the growing cities of Melbourne and Adelaide.
In 1860 the population of the continent was 1,145,585 of whom 538,234 lived in Victoria and 348,546 in New South Wales. During the next ten years the population grew to 1,647,756. This population growth meant a large building program in the cities and lumber was in great demand. In the earliest days of the colonies, Australia received timber and spars from New Zealand and had even herself, in 1803, shipped a "quantity of wood" from her magnificent forests of red cedar along the rivers of New South Wales to British Navy yards. But by 1860 her supplies, never really large, were greatly depleted and she began to import sizeable quantities from the Baltic nations, the Puget Sound area and, after 1865, ever larger quantities from British Columbia.

The rise of Hawaii as an important sugar producer was the second factor in the growth of British Columbia's early off-shore lumber trade. Hawaii (the Sandwich Islands) had occupied a small place in the trade economy of British Columbia since the earliest days when the Hudson's Bay Company shipped salted Fraser River salmon from Fort Langley in return for sugar and molasses; but the volume of trade was meagre compared with that

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which grew up after 1860. Between 1860 and 1864 the production of sugar in the Islands mounted rapidly from 1,444,271 pounds to 10,414,441 pounds with an accompanying growth of its by-products, and by 1869 it had almost doubled again. Sugar's domination of the island economy was illustrated by the fact that in 1871 it represented a value of $1,250,000 out of total exports of $1,650,000.  

The expanding sugar trade of the islands meant an unprecedented building boom in Honolulu. For the next twenty years scores of ships loaded with British Columbia fir cleared Burrard Inlet and New Westminster, bound for Honolulu. In return, Hawaiian sugar became a common article of commerce in Victoria (which, incidentally, supplied the commercial needs of not only the population of British Columbia and Vancouver Island but also those of some of the thriving camps of the Puget Sound area.

The third factor in this emergence of the Pacific Basin as a market for lumber was the Republic of Chile. The stable conditions which Manuel Montt, the dictator, brought about in 1850 ushered in a period of unprecedented growth in that South American republic, and although he was deposed in 1860, his program of railroad and public

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works construction continued throughout the era of the Liberal Republic (1861-1891). In this period an economic system largely dependent on mineral exports was established and Valparaiso, Chile's chief seaport, became the greatest trading and commercial centre on the west coast of South America. The city suffered great damage at the hands of the Spanish navy in 1866 and from earthquake in 1873. Its reconstruction after each disaster drew heavily upon the infant lumber industry of the North Pacific Coast and of Burrard Inlet in particular.

China, the last important market in the rise of British Columbia's off-shore trade, figured as a permanent market after 1865. The increasing commercial exploitation of the Yangtze basin after 1860 made Shanghai a prime market for almost any construction material. With the largest trade hinterland in the world from which to draw sustenance, Shanghai grew from a city of 250,000 in 1860 to 1,000,000 in 1890.

British Columbia lumber played no small part in housing this enormous increase in population. The trade relations which British Columbia lumbermen established with Chinese lumber merchants remained more or less secure until the Japanese occupation.


which began in 1931, gradually disrupted them.

Concurrent with the demands of these new markets was the cutting of Great Britain's lumber supply line by the American Civil War. Between 1800 and 1860 Great Britain had obtained a large part of her normal requirements in timber from the pitch pine forests of the Lower Mississippi region. With the approach of the outbreak of hostilities between North and South, British lumber merchants feared that their Southern sources of supply would be cut off. They accordingly investigated other possible sources and in their anxiety even investigated the feasibility of hauling at least larger sizes over the thousands of miles around the Horn between Vancouver Island and London. Some little lumber and a few spars were shipped in this way to England, but on the whole the Pacific Northwest product could not compete in the Atlantic markets with the producing areas of Eastern Canada, the Baltic, and the American Southwest after the cessation of hostilities.

The rise of these scattered markets combined to make large demands for timber products which the Puget Sound mills alone were not able to satisfy. For the first time lumbermen began to give careful attention to the untouched timber tracts of Burrard Inlet and the Alberni Canal.
The first attempt to export lumber to one of these new Pacific Basin markets occurred in New Westminster. The town was little more than several score cabins between many stumps when Sewell Prescott Moody, Moses Ireland, and James Van Bramer in 1862 erected a mill there on the profits they had made in gold mining on the Fraser. Moody and Ireland were both Maine lumbermen and fully experienced in the undertaking; nothing is known of Van Bramer's background.

Their plan was to produce return cargoes for ships bringing supplies to the Mainland settlers and to the several hundred soldiers who were engaged in building the wagon road to the goldfields. From the very beginning their mill was fated to failure because of its faulty location. The first ship to load at the mill failed to clear the river, running onto a nearby sand bar where it remained for six weeks. After that misfortune, no other ships would venture near the pioneer mill and it was forced to close down. Nevertheless, Moody and his associates retained their faith in the profit-making possibilities of the business and waited a favorable opportunity of re-entering it. It came a year later in the failure of Burrard Inlet's first

establishment -- the Pioneer Mills.

This forerunner of the giant Burrard Inlet industry was established in 1863 by Thomas Graham and Philip Hicks,30 and was known formally as the Pioneer Mills of the T. W. Graham Co. of New Zealand and New Westminster. It was located at the mouth of Lynn Creek, where its overshot water-wheel could be depended upon to deliver an estimated fifty horsepower to drive two circular saws and a twenty-two inch planer. A plentiful supply of logs from a 480 - acre pre-emption allowed the mill to turn out forty thousand feet of lumber daily. The market for this output was entirely domestic: New Westminster, Victoria and smaller coastal points on Vancouver Island.

Despite cheap power and cheap logs the Pioneer Mills found it could not compete in the Victoria market with Sayward's local product nor even with that of their Puget Sound rivals. The slackening of the boom conditions which followed the gold rush signalled the end for Graham. After struggling for less than half a year, he closed down operations and left the Colony for California. There, in San Diego, Burrard Inlet's first businessman died in 1898.31

Graham's mill was sold by public auction to John Oscar Smith, a New Westminster butcher whose last bid of eight thousand dollars won out against that of Moody, the only other contender. Re-named Burrard Inlet Mills, the plant cut steadily into the next year, making its only export shipment in November, 1864, when the barque Ellen Lewis loaded 277,500 board feet of lumber and sixteen thousand pickets for a historic shipment to Adelaide, Australia. But the difficulties involved in overseas marketing proved too much for the capital-poor early entrepreneur, and the mill passed into the hands of the waiting trio of Moody, Ireland and Van Bramer for the sum of $6,900.

Moody loaded two ships in that first year, the Glimpse and the Envoy and attempted to do successfully what Smith had failed to accomplish: to supply an undeniable market on a very limited amount of capital. He despatched the two ships to the Australian colonies and proceeded to load the Metropolis and the Kent for Valparaiso. The Glimpse and the Envoy arrived in Australia to find the market temporarily glutted; and their captains had to dispose of their cargoes as best they could. Moody and his associates received only

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33 Colonist, August 27, 1864, p. 3.
four hundred dollars\textsuperscript{35} for two shiploads of lumber. Carrying on an export trade without the aid of such modern devices as foreign agents, bills of exchange and cablegrams was no easy matter. The only certain means of safeguarding his interests open to the mill owner was to ship a trusted agent with each cargo; and that was too expensive a precaution for the early mill proprietor to undertake. The lack of trading facilities spelled ruin for the early lumbermen. Ireland returned to mining, Van Bramer went his way but Moody stayed with the mill. He persuaded Hugh McLean to finance the continuation of the venture and recommenced operations, only to run slowly behind for two years.\textsuperscript{36}

Meanwhile the industry was being established on a stronger footing on the Alberni Canal. There, in the spring of 1857, Captain Edward Stamp, an employee of Anderson & Co., one of Great Britain's largest timber brokers, paid a visit while his lumber schooner was being loaded with spars in a Puget Sound lumber port. The magnificent spar timber visible on every side excited his admiration, and upon his return in the autumn of that year to England, he brought this fact to the attention of his employers. The following year he retired from

\textsuperscript{35} Ireland, Moses, \textit{op. cit.}, p. 21.

\textsuperscript{36} \textit{Loc. cit.}.\textit{\textellipsis}
the sea to reside in Victoria.

With the outbreak of the Civil War in 1860, Anderson and Company grew anxious about the possible blockading of their source of supply in the American Southwest and turned with renewed interest to Captain Stamp's revelations concerning the fine spar supply of Vancouver Island.

In the spring of 1860 Stamp was once again in the employ of Anderson and Company, this time with orders to exploit the forest resources of the Alberni area. For the first time there was sufficient capital available to allow a local mill to ride out the initial storms of adversity. And the world-wide offices of the London brokers constituted an additional safeguard of the success of the undertaking.

In the spring of 1860, Stamp purchased the schooner Reporter, re-named her Meg Mervilles, and with two famous early timber cruisers, Jeremiah Rogers and John Walter, set off to explore what was destined to become one of the country's greatest lumbering centres. It is interesting to note that the two cruisers returned from their initial exploration of the canal with conflicting accounts of the area's timber possibilities: Walton's account was very indifferent while Roger's was most favorable.

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Luckily Captain Stamp chose to accept the latters' evaluation.

By summer Stamp had secured a timber concession from Governor Douglas, had armed the Meg Merrilies as a precaution against the Indians of the Alberni area and set out to transport provisions and equipment for the Alberni undertaking.

Along with a number of labourers and Gilbert M. Sproat, the representative of Anderson & Co., Stamp set out in the autumn to erect the mill. On arriving at Alberni they found the bark Woodpecker had arrived from London, loaded with the necessary machinery. The Indians of the area proved as unco-operative as Stamp had expected. They camped on his mill site and moved off only after he ordered the two guns of the Meg Merrilies loaded and the schooner hauled broadside to the beach. The Woodpecker followed suit. Faced with the destruction of their houses, the Indians withdrew.38

Enjoying almost unlimited capital and able to rely upon commercial connections of one of the empire's best established timber brokers, the Alberni mill quickly established a considerable place for itself in Northwest

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38 A colorful account of this initial cruise is given in Western Canada Lumberman, vol. 5, (April, 1908), p. 17.
lumber circles. In 1862, for example, it produced $119,917 worth of rough and dressed lumber and in the following year it shipped over a million feet of lumber to the Victoria market alone.\(^{39}\)

Although their London headquarters secured them orders from the French, Spanish, and Sardinian government dockyards, the Alberni mills depended largely upon overseas orders from Valparaíso, Adelaide, the Sandwich Islands, San Francisco, and Shanghai.\(^{40}\) The company quickly became a large factor in the economic life of the Province. At the height of production it employed as many as seven hundred men in all its operations.

The first indication of trouble at the mill was when Captain Stamp disagreed with the London owners after only eighteen months of operation and quit, leaving the property to be managed by Gilbert M. Sproat.

Sproat's\(^{41}\) letters to the Colonial Secretary in Victoria show that even at the time he took over management he was very concerned about the future. On November 1,


\(^{41}\) For details of Sproat's endeavors in the lumber trade, see: Rickard, T. E., "Gilbert Malcolm Sproat," *British Columbia Historical Review*, vol. 1, (January, 1937), pp. 21-32.
1864, he wrote a letter reviewing the situation. He declared that Stamp's decision to locate the sawmill at Alberni instead of on Puget Sound, which had been considered as an alternative location, has proved disastrous to the owners, for there is no wood in the district to supply the wants of a large mill, and the business is, in fact, being carried on from an unwillingness to wind it up until forced, but without yielding any profit, and with the certainty of having to abandon the place at an early date, after having lost £50,000.

He adds,

The mill must have stopped had we not found that by making a dam we could get logs from a lake, on the sides of which we fortunately found some timber. With these we are now supplying the mill, and on their exhaustion we do not know where to look for more.  

Sproat continued to explain his problem in "securing enough logs, especially in a country so totally unsuitable for large sawmills as this Island."

Following the end of the American Civil war in 1865, the bulk of the British trade in timbers again reverted to Southern ports and operations at Alberni dwindled and finally came to a standstill. In the spring of 1869, the mill was destroyed by a forest fire. The machinery was sold to the Port Gamble Mill Company for

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42 Sproat to Colonial Secretary (November 1, 1864), Provincial Archives, Victoria.
43 Loc.cit.
$4,500 and was removed to their Puget Sound mill site. And so, on a note of temporary defeat, ended the first phase of the remarkable story of milling at Alberni.

Meanwhile Captain Stamp, no longer interested in the Alberni Canal mill, visited Burrard Inlet, where he found the ideal location for a shipping trade in lumber. He originally intended to establish his mill on the bight in the Narrows, the entrance to present-day Vancouver harbor. The strong current prevailing there changed his mind for him, however, and he selected a site a mile or two farther up Burrard Inlet. The change of location was advantageous in two ways: it saved Stanley Park from becoming a settled area and it finally located the mill in the midst of fine timbers which for twenty years or more remained available in its vicinity.

The changed decision, however, in no way saved Stanley Park from the axe of the loggers for Stamp established a camp there in the spring of 1865 on a site now known as Lumberman's Arch, and there in all probability produced spars. Furthermore, Stamp enjoyed other business connections made in a lifetime spent in the international lumber trade and on these he could readily draw. Orders began to pour in — more orders than his mill could conveniently handle.

Stamp's new mill was a financially healthy concern,
being registered in London with a capital of £100,000. Most of that sum was supplied by two London firms — James Thomson & Company and Thomas Bilbe and Company, shipowners and shipbuilders. The smaller part was Stamp's interest. During the first five weeks of production, the company cut around 700,000 feet of lumber for the Australian colonies. And in the years which followed, the mill was shipping lumber to Java, Valparaiso, Honolulu, Shanghai, San Francisco, London and New Zealand.

Stamp's immediate success on Burrard Inlet proved to be Sewell Moody's good fortune too, for Stamp allowed Moody's idle mill to fill the surplus orders that his own company could not handle. In five months the Moodyville Mill made $40,000 — a fairly large profit by the standards of that era.

Moody soon found the capacity of his mill inadequate to supply the growing demand on it for lumber from the stirring settlements of the Pacific Basin. Capital was needed to expand it. Now that the success of the pioneer

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44 Flynn, J. E., Early lumbering on Burrard Inlet, 1862-1891, graduating essay, U.B.C., 1942.


46 Ireland, Moses, loc. cit.

industry seemed assured, there was no end of capital offered him. Andrew Welch, his agent in San Francisco became a partner in the business and made $100,000 available to his erstwhile client. Others taken into partnership were Hugh Nelson, later Lieutenant-Governor of the Province, and William Dietz, a prominent local business man who had profited handsomely from the gold rush. With new capital, Moody undertook the construction of a steam-power mill in the fall of 1867, which increased the firm's capacity to about 50,000 feet of lumber each twelve-hour day.

With Moody as acting manager and George Haynes as foreman, the venture prospered. Unfortunately, about Christmas, 1873, the mill was destroyed by fire, but some of the machinery was saved. Re-construction was, however, immediately begun and the mill was again in running order by March, 1874, its capacity having been increased to 80,000 feet per day.

By 1870 these two Burrard Inlet mills were exporting

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48 See: "Moodyville," Vancouver News and Daily Advertiser, April 2, 1887, p. 1. The name of Andrew Welch figures prominently in the history of the British Columbia's early basic industries. Welch was one of the first capitalists to recognize the potentialities of British Columbia's salmon canning industry and through Welch, Rithet & Co. of Victoria, went far to control it.

49 Kerr, op. cit., p. 265.

50 Ibid., p. 182.
a very considerable volume of forest products. In that year they sent to the United Kingdom 190,803 feet of rough lumber and 780 spars; to New South Wales 356,517 feet of rough lumber, 24,307 pickets and 88,000 laths; to Victoria (Australia) 1,605,040 feet of rough lumber and 15 spars; to China 1,507,537 feet of rough lumber, 73,700 lath, 15,000 pickets, 156,000 shingles, 37 spars; to Chile 266,458 feet of rough lumber; to Mexico 377,489 feet of rough lumber, 65,941 feet of dressed lumber; to the Sandwich Islands 973,000 feet of rough lumber, 127,000 feet of dressed lumber, 635,000 shingles, 420 bundles of shooks; to Peru 2,150,222 feet of rough lumber and 1,116,327 feet of dressed lumber; and to Tahiti 117,007 feet of rough lumber and 33,634 feet of dressed lumber, along with 50,000 shingles.51

The vigor of Moody's salesmanship played a most important part in developing this export lumber trade from Burrard Inlet, which for twenty years after 1865 remained the only important exporting centre in British Columbia. He was an energetic business leader who travelled constantly to the various markets, seeking to expand and promote the sales of his company. It was while on such a trip to San Francisco to arrange ship charters that he met his death. The vessel, on which he was travelling, the S. S.

Pacific, foundered off Cape Flattery and Moody fell overboard to his death. 52

Hugh Nelson became manager of the firm, a position he held until he was appointed senator in 1882. 53 On January 1, 1879, the firm of Moody, Dietz and Nelson became the Moodyville Sawmill Company. Ownership of the new firm at that time included Hugh Nelson, Andrew Welch, James Burns, manager of the Bank of British North America at Victoria, M. W. Tyrwhitt-Drake, Peter McQuade and Captain John Irving. Under this management the mill continued to prosper for when it was sold to the Moodyville Land and Sawmill Company in 1891, it commanded no less than $1,000,000. The new owners were the Earl of Chesterfield, the Earl of Durham, Colonel A. H. Lonsdale, the Hon. Oliver Montagu, and a Mr. Edmund Evan-Thomas. Included in the purchase price were 1,786 acres surrounding the mill with its valuable waterfront frontage of three miles, and 31,443 acres of timber limits. 54

The mill might have continued to prosper for several additional years before the supply of logs in the immediate vicinity disappeared, but the absentee owners had timed their purchase badly. The next six years were years of

general depression and this combined with unimaginative management forced the closure of the pioneer mill in 1901.

The initial success of Welch's investment in the Moodyville mill encouraged other San Francisco capitalists to investigate the Burrard Inlet industry. In 1868, when Captain Stamp once again fell afoul of his London financial backers, the San Francisco firm of Dickson, DeWolf and Company seized the opportunity of gaining control of his business. They changed the name of the firm to Hasting's Sawmill Company and retained Captain Raymur, one of Stamp's employees, as manager.

When the Canadian Pacific railroad was extended to Vancouver in 1886, the business was purchased by a Canadian syndicate headed by John Hendry. The property at the time extended from Carrall street to False Creek, at the head of which the company owned twelve hundred acres of land, all covered with timber. The Hastings Sawmill Company, Limited, obtained the mill site west of the railroad tracks and all the timber and logging camps.

The year-to-year success of these two large enterprises had the effect of making capital available to other smaller lumbermen eager to exploit the forests of the area. In the fall of 1877, four DeBeck brothers,

55 Mitchell, Harris, op. cit., p. 2.
Howard, Warren, George and Clarence, who came from the lumbering province of New Brunswick, founded a fairly substantial mill at the juncture of the Fraser and Brunette Rivers, near New Westminster. This mill, which carried on business for some years under the name of DeBeck Bros., was representative of the second-line mills of the period. Installed in one typical pioneer saw-mill building, the plant comprised one large circular saw, an edger and a trimmer. A twenty-five - hp., direct-action engine ran the large saw and a six-by-twelve engine actuated the edger and trimmer saws. The partnership arrangement eventually became a joint stock company renamed the Brunette Saw Mills, Ltd.

Concurrent with the venture of the DeBeck brothers was the erection of the Dominion Saw Mill not far distant at the junction of the north and south arms of the Fraser River by the Webster brothers of Harrison River. The mill's wharf was 220 feet by 70, running out into a twenty-five-foot depth of water, which offered sufficient accommodation for any vessel that could enter the Fraser. The company operated two logging camps, one on the Pitt River and one on the Lillooet, a tributary of

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56 Resources of British Columbia, vol. 1, (December 1, 1883), p. 31.
57 Pacific Coast Lumberman, vol. 5, (September, 1921),
the Pitt. The force employed in the camps was generally about twenty-six men and twelve yoke of oxen; and in the mill, from fifty to sixty men.

The DeBeck venture prospered in its initial year, showing a profit of sixteen thousand dollars, but in the second year the competition of the Dominion Saw Mill made the undertaking considerably less rewarding.59

The financial hazards involved in establishing a mill in a frontier community have already been discussed; no less real were the physical difficulties. George DeBeck described some of them in a letter to a friend years after he and his brother had built the Brunette Mill:

I went to Victoria and secured a block of land four acres for one hundred dollars, two other brothers, Howard and Clarence, went across the Gulf in a row boat to Baynes Sound and bought a small mill on the installment plan nothing down from George Haynes and George Cole of Moodyville.... The plant we had shipped to New Westminster and installed in the mill. The big saw would cut twenty-eight inches. In order to cut big logs we would run the saw through the center, turn the log back and cut one quarter, turn back again and so on until the log was used up.... For the mill foundation we hauled with a windlass, big cedar logs and bedded them up to form a floor or bed for the mill proper. For a time we used the upper story for a cookhouse and living quarters.... We also built a bridge across the Brunette, previously we went back and forth on a log.

59 DeBeck to Keary, July 16, 1931, DeBeck Correspondence, Provincial Archives.
Next we built a small wharf about sixty feet long. In order to get rid of slabs and edgings we started a slab wharf, not being allowed to put refuse in the river. It was a great success in more ways than one. The summer freshet carried the wharf away. We didn't loose (sic) much and got rid of our slabs in a legitimate way to make room for another supply.... We had to devise some means of getting rid of our surplus sawdust [and so] we decided to build a refuse burner. We built one of sheet iron, ten feet diameter, and ten feet deep.... With a big fire the sheet iron got hot and gradually began to slump down.... The slip for hauling logs into the mill was constructed with five boom sticks from the bed of the mill down into the Brunette.... When an extra big log was coming up all other operations had to stop. There being no such thing as electric lighting those days we had to fall back on the original dog-fish oil lamps.... We had a lot of them about the mill....

Despite such difficulties, by 1883 there were, besides those mills already mentioned, a score or more smaller undertakings deriving considerable profit from supplying the thriving salmon canneries with boxes, trays, floats and the materials with which to build the canneries themselves. Mills for this purpose were located at New Westminster, Georgetown, Metlakahtla, and on the Skeena and Naas rivers. On Vancouver Island there was established only one other mill which warrants special mention. In 1863 Thomas G. Askew erected a small water-power mill at Chemainus at a cost of three thousand dollars. Finding difficulty in obtaining sufficient water for proper

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60 G. W. DeBeck to Keary, July 16, 1931, Provincial Archives.
operation, he obtained permission to divert water from nearby streams to supplement the power.  

In so doing he incurred the enmity of other settlers, a handicap which hampered the project for years. When he died, in 1880, his dream of Chemainus as a great lumber-producing centre remained unfulfilled. His widow operated the mill until 1885, when she sold out to Croft and Severne, who produced ties and lumber for the construction of the Esquimalt and Nanaimo Railroad.

The work at these pioneer establishments consisted of two main divisions; namely, procuring the timber from the woods, and cutting it up into planks at the mills. The saw-mill owner occasionally undertook the work in the woods on his own account, but more often contracted with a logger, who agreed to deliver logs into the mill-pond close to the mill.

Jeremiah Rogers, for example, logged the forests of Kitsilano, English Bay, and False Creek of present-day Vancouver for the Hastings Mill, not as an employee but as an independent contractor. In a like manner Jonathan Miller, the first postmaster of Vancouver, logged off Point Grey between 1865 and 1871; and Angus Fraser

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62 Loc. cit.
63 Mitchell, op. cit., p. 2.
64 Kerr, op. cit., p. 230.
cut 9,470,000 feet from eighty acres of land on English Bay in the year 1875, all of which he sold to the Hastings Mill for export to Australia.65 & 66

Logging for a pioneer mill was a relatively simple undertaking. Having secured his claim to a portion of forest land bordering on the water, the logger proceeded to make a main road from the most densely-wooded part of the land to the waterside, usually to some small bay. At the waterside end of the road he constructed a slide of smooth logs down which the logs brought from the forest rolled into the water. Each logger, it may be added, chipped his private mark on each log, so that it could be at once recognized and claimed if it should go adrift. Booms were placed across to confine the logs until a sufficient number were obtained to form a boom for the mill. The logger then selected a suitable spot for his hut and built a hovel for the oxen he employed in dragging the logs. About a dozen men might be engaged in the various operations of clearing away the brushwood, felling the trees, and bucking them into the required lengths and for driving the team of oxen. A cook was employed to take charge of the house and stores and to cook for the party. Most of the loggers came from Eastern Canada,

65 Kerr, op. cit., p. 170.

66 For an intimate account of early logging personalities on Burrard Inlet see: MacInnes, T., "Early days on Burrard Inlet," Western Lumberman, vol. 23, (August 26, 1926), pp. 30, 36.
where they had been used to the axe from boyhood.

The fallers and the teamsters were the highest paid workers. They received from fifty to sixty dollars a month and their board. The others were only paid from thirty to forty dollars per month with food. When a camp was located so far distant from a mill that boards could not be obtained, the house was built of logs with moss stuffed between them and the roof was made of long splints of cedar. It was warm and water-tight. The inside was a large room with open sleeping bunks placed round. In the centre stood a wood fire, and above it a wooden open chimney coming down through the roof like a vast extinguisher. In one corner of the room, stood an American iron cooking-stove, while benches and a long table at which the men ate completed the furniture.

The running of a large mill -- quite apart from the requirements of the logging camps -- required from fifty to one hundred hands. They served in the capacity of engineers, firemen, log-haulers, gang-sawyers, circular-sawyers, cross-cutters, filers, blacksmiths, and lumber stackers. Several of these occupations required special skill, but many were open to the ordinary labourer. Consequently, the men at a mill were, on an average, scarcely equal to those in the logging camps; more rough labourers were found among the people at the mill. The
married men at a sawmill lived in small wooden cottages, and a general store was usually run in conjunction with the mill to serve the needs of their families. The unmarried men lived in one or two barracks or dormitories, and ate their three daily meals in a large messhouse attached to the company cookhouse. They worked from six to six, with only half an hour for dinner. The wages of the common labourers ranged from $25 to $45 a month with board and lodging; and the skilled men received from $40 to $60 per month with board and lodging, according to their position.

Much of the labor in sawmills, like labor everywhere in the West in that era, was transient. An unmarried laborer was likely to remain in the employment of a mill anywhere from two to four weeks, after which he would draw his wages and move on. It was not unusual for early mills to operate on an extremely small margin of profit, sometimes so small indeed that laborers had difficulty in obtaining their wages. Sometimes they were actually forced to strike in order to force a harassed management to arrange another bank loan.

The mills were generally driven by steam power,

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67 Sproat, G. M., British Columbia, Information for Emigrants, London, Clowes, 1873, p. 82.

the refuse of the logs supplying an abundance of fuel.
The sawn lumber was run out of the mill onto the wharf, and the ships' crews took it into the vessels, which loaded "bow on" to the wharf. 69

The pioneer era in the history of the lumber trade ended with the arrival of the railroad in 1886. For three decades the industry had faced the almost insurmountable problems of a lack of capital and the absence of a near and steady market. The railroad was to remedy both of these conditions. It gave the Coast mills a market for their products in the Northwest Territory and Manitoba at precisely the time when the American frontier was becoming a thing of the past. Both American farmers and American lumbermen were eager to take advantage of the opportunities for gain offered by the Canadian prairie land and the British Columbia forests. And the American lumbermen who were to arrive in British Columbia after 1886 were to differ in one important respect from the Saywards, Moodys and Irelands -- they came with inexhaustible amounts of capital.

Until the building of the Canadian Pacific Railroad through the Rockies in the 1880's, the Interior of British Columbia remained largely undeveloped territory, lacking roads and railways, and possessing only a sparse population of hunters, miners, prospectors and Indians. Lumbering in the Interior, other than that which was carried on during the period of the gold rush, dates back only to the commencement of the construction in British Columbia of the main line of this railway.

The railway created a large demand for lumber. Its first structures, temporary in large measure because they were built as cheaply as possible, called for great quantities of ties and timbers. Station houses and other buildings required other sizes and grades.

The first lumbermen in the Interior were contractors for bridges and other structures, who established sawmills at various points to cut timber in advance of the actual track-laying. Their first mills were small portable ones, but a little later, as the track pushed ahead and the larger structures on the west slope of the Rockies and in
the Selkirk Range had to be provided for, better mills were erected and very large quantities of timber were cut for bridges, buildings, and the huge snowsheds round the summit of the Selkirks. They were usually small and simple plants. A circular saw cutting thirty thousand to forty thousand feet daily, an ox logging-outfit, or, later, one donkey engine and some kind of claim on one or two quarter sections of timber made up the typical venture.

Immediately after the construction of the main line of the railway, a number of small portable mills were erected for the purpose of supplying lumber for local requirements. These mills were usually located in the most desirable timbered districts and in locations were lumber could be produced at the minimum cost. When the local requirements for the small towns that had sprung up owing to the construction of the railway had been supplied, the lumbermen were compelled to look for other markets. Their natural market was the Northwest Territories and Manitoba.

In the sixteen-year period, 1897-1913, the tempo


of settlement in the Prairie area was very rapid. Thousands of square miles of trackless lands were converted into farms and villages, and hamlets grew into cities. As population increased, thousands of miles of new railroads were constructed and millions were spent on improvements by the old lines to take care of the increased business.\textsuperscript{72}

The demands made upon the British Columbia industry by this growth were overwhelming, for this almost treeless region cut little for itself. The first large sawmill on the Prairie was not erected until 1904.\textsuperscript{73}

A large number of lumber distributing yards were located in towns along the railroad lines. From Winnipeg, the centre of the wheat-growing region and the most important supply centre, no fewer than sixteen lumber yards catered to the needs of thousands of farmers.\textsuperscript{74}

Concurrently the very active growth in British Columbia itself afforded another fairly good market for lumber. The arrival of the railroad on Burrard Inlet in 1886 brought a new promise to the Coast. The little town


\textsuperscript{73} Columbia River and Oregon Timberman, vol. 5, (December, 1903), p. 9.

\textsuperscript{74} Western Lumberman, vol. 9, (August, 1912), p. 42.
of Granville mushroomed into the bustling city of Vancouver almost overnight; and the already established larger centers of New Westminster and Victoria too felt the impact of the quickening of the industrial tempo. While many of the more substantial structures erected in these larger centres were of brick and stone, the smaller were of frame construction; and virtually all houses were frame.

This rapid development of Western Canada in this period did not go unnoticed in American lumbering circles. Wealthy lumbermen, men whose fortunes were largely based on profits made in the Civil War of 1860-1865 and from catering to the enormous demand for lumber from the settlers who filled the American West in the era after that war, began to notice the Coastal forests with interest.

Between 1860 and 1905, these lumbermen had swept across Michigan, Wisconsin, and Minnesota slashing down the vast pine forest, until by 1905 all that remained were small fragments of the original stands and hundreds of miles of stumps. They gave little thought to conservation, and were prodigal of timber in the woods and mills, while they allowed fire to run through hundreds of miles of virgin forests. By 1910 their holdings were so depleted that the centre of the lumber industry shifted
to the West Coast.\textsuperscript{75} Many of these newly rich lumber magnates of St. Paul, Minneapolis, and Saginaw turned their interest and their capital to the already established industry of Puget Sound and Oregon; others looked farther north to the comparatively virgin stands of British Columbia, now made exploitable by the building of the railroad which connected the forests of the Coast province with a growing Prairie market.\textsuperscript{76}

That these untouched stands were the last great tracts of coniferous timber in the world was at last realized by American lumbermen and they rushed to make their claims. Between 1890 and 1910, and especially between 1905 and 1910, they cruised almost every good available area in the province and in one way or another brought under their control almost every piece of timber which they thought might eventually prove profitable.

A further stimulus to their investment in Coast forests was afforded by the widespread expectation that stumpage values would advance at least two dollars a thousand feet upon completion of the Panama Canal.\textsuperscript{77}

\textsuperscript{75} Lumberman and Contractor, vol. 4, (June, 1907), p. 45. This remarkable story of depradation is told in greater detail in Fries, R. F., Empire in Pine; the story of lumbering in Wisconsin, 1830-1900, Madison, State Historical Society of Wisconsin, 1951.

\textsuperscript{76} Lumberman and Contractor, vol. 4, (June, 1907), p. 45.

The first area in the Province to receive the permanent attention of Mid-west operators was the East Kootenay region, chosen because it lay closest to the lucrative prairie market. In fact, it received such close attention from American millmen with their vigorously applied policy of indiscriminate cutting that it lasted a scant fifteen years as a primary producer of lumber. Around Fernie, the principal town of the region, were many fine stands of merchantable timber which supported a short-lived but reasonably large lumber industry. 78

The first mill to exploit the stands, however, was not American-owned. It was built by the Canadian Pacific Railroad at Coal Creek in 1899. It was a substantial structure of 60 feet by 310 feet with an adjoining shingle mill and a boiler building of ample capacity. 79

Five years later the Elk Lumber and Manufacturing Company, controlled by O. A. Robertson and F. B. Lynch, both of St. Paul, Minnesota, erected a $75,000 mill. 80 In 1907, which was probably the peak year for the industry in that district, this one firm cut twenty-five million feet of lumber.

78 For a detailed presentation of the rise and decline of the industry in the Fernie region see: Mercer, W. M., Growth of ghost towns, Victoria, B. C., King's Printer, 1944, pp. 18-35.


80 British Columbia Lumberman, vol. 1, (October, 1904), p. 3.
The list of once-prosperous communities, established between 1900 and 1910, which depended for their existence upon the forest resources of the Fernie district and which became ghost towns as the result of the rapid depletion of the forest is a formidable one.

Baynes Lake was the location of the 75,000-foot-per-day mill of the Adolph Lumber Company and the home of 250 persons. By 1923 timber was no longer accessible and the mill was forced to close.

Two mills were located in Waldo, the Baker Lumber Company and the Ross-Saskatoon Company, each of which cut approximately 75,000 feet per day. It is said that they competed with each other for the larger cut, and that this competition led to a worse than average waste of forest resources. Waldo was a rather large and complete community. With bunk houses, mess halls and many homes, it contained a population of five hundred to seven hundred persons. Its life was longer than that of most lumber towns of the area: when the Ross-Saskatoon Company operated until 1923, and the Baker Lumber Company until 1929, when forest depletion decreed their closure. The combined capacity of the two mills was obviously too great for the forest resources of the area, and it was said that neither

81 Mercer, op. cit., p. 23.
company earned a profit over the period of operation. Today Waldo is the centre of a small farming community. All that remain of the town are two small stores, a school, a rather dilapidated hotel, and empty houses.

Elko was once the location of a 50,000-foot-per-day sawmill. Rough lumber was shipped there from distant points for finishing. The city was the gateway to and a secondary distributing centre for the south country, to which the forest industry moved after the area in the immediate vicinity of Fernie became logged-off. The town reached its peak of prosperity in 1912 when the population numbered five hundred. Elko in turn died in the mid '20's, as the south country became logged off and as lumbering operations closed down for lack of accessible timber. Elko was a ghost town even before it was almost completely destroyed by fire in 1931. It was not rebuilt and today there is nothing left.82

Flagstone with its 25,000-foot-per-day mill and Ministee with its 50,000-foot-per-day mill and population of five hundred both disappeared during the First World War83. Hanbury followed with its 50,000-foot mill in 1920.84

82 Mercer, op. cit., p. 21.
83 Ibid. cit.
84 Ibid. cit.
Fernie lost its boomtime atmosphere as the centre of logging and sawmill activity thus moved farther away to the south country. However, since it was the distributing centre for a large area, it did retain a good share of the business arising from forest activity. By 1920 the whole of the Fernie area together could not maintain the cut which was formerly maintained in a relatively small radius about the city, and the industry which had supported fifteen hundred lumber workers around Fernie alone in 1914, employed fewer than one hundred in 1940.  

Almost the total annual output of the mills of Fernie and vicinity was shipped to Prairie points, a relatively small amount being kept for local use and for the rebuilding of Fernie after the fire of 1908.

The story of the Cranbrook area was in many respects similar to that of Fernie. Like Fernie, it could trace much of its initial growth to the coming of the lumberman.

In 1897 Archibald Leitch, an American lumberman of wide experience, built a small mill there. He soon found its capacity taxed to the utmost to meet the ever-increasing demand of the Prairies for the lumber of the practically virgin forest of which he held a large and well-timbered area in close proximity to the saw mill.

In 1902, the pressure of business forced him to purchase additional mills, with their timber holdings at nearby Moyie and Jaffray. In 1904 he erected another at Ryan, thirty-five miles west of Cranbrook, and yet another at Loco, about six miles out of Cranbrook, to clear up the timber remaining in that district.

At Perry Creek, Otis Staples of Stillwater, Minnesota, established a $250,000 mill and procured 200,000,000 feet of timber. At the same time he bought the nearby Marysville Lumber Company.

As the area in the immediate vicinity of Cranbrook became logged-off, it was necessary for these operators to move farther back into the woods. Consequently, small towns grew up near the scene of operations, usually when the cut exceeded fifty thousand feet a day in the locality.

Wardner, which reached its heyday during the mid-20's, was the site of the 150,000-foot-per-day mill of the Crow's Nest Pass Lumber Company which was established just after the turn of the century by Peter Lund, a Canadian lumberman. This community, which was in many

87 Columbia River and Oregon Timberman, vol. 6, (November, 1904), p. 32B.
88 Ibid., vol. 6, (April, 1904), p. 28.
respects representative of dozens of others in the Interior region, consisted of two hotels and beer parlors, two general stores, two garages, a postoffice, police station, church, restaurant and homes for the residents. By 1933 all accessible timber had been cut and only a small planer mill remained of its once-considerable industry.\textsuperscript{89}

Kitchener, the location of two mills, cut some 180,000 feet of lumber per day until the late 20's, when the forests of the area began to show signs of severe depletion. The mills closed in 1926 and 1930.

The list of once great lumber centres is almost endless: Jaffray, about thirty miles southeast of Cranbrook,\textsuperscript{90} had two mills and a population of two hundred; at Bull River,\textsuperscript{91} the Canadian Pacific Railway cut 75,000 feet daily; at Wycliffe,\textsuperscript{92} a community which disappeared along with the depletion of the forest reserves in 1927, cut 100,000 feet daily; Yahk, with a population of 450 residents at its zenith, continued to cut ties for the Canadian Pacific Railroad until 1928.\textsuperscript{93} Again, almost the total output of these mills was shipped to the Prairie

\textsuperscript{89} Mercer, op. cit., p. 5.

\textsuperscript{90} Ibid., p. 4.

\textsuperscript{91} Loc. cit.

\textsuperscript{92} Loc. cit.

\textsuperscript{93} Ibid., p. 5.
The stimulus of railroad building and Prairie settlement was felt no less in the Big Bend region. At Revelstoke, Dan Robinson established the first mill in 1890, and along with R. Howson, erected another, the Harbor Lumber Company, in 1901. Both mills were sold in 1905 to S. H. Bowman, an American with a lumber empire of sixty mills and retail operations stretching from Louisiana to Snohomish. The American lumberman organized the Bowman Lumber Company with a capital of one million dollars and through it he purchased the Empire Lumber Company, taking over its mills at Revelstoke and Comoplex. He then obtained control of timber limits on the Columbia River, Adams River and Fish Creek, and the steamboat business on the North Arm. Altogether this lumber empire was valued at close to three million dollars.

Theodore Ludgate, a Seattle businessman, built the Big Bend Lumber Company, the pioneer mill at Arrowhead, in 1903, while at nearby Trout Lake the Canadian Timber and Sawmills Limited, an English company, erected a 75,000-foot-per-day mill.

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95 *Columbia River and Oregon Timberman*, vol. 6, (March, 1904), p. 6.
96 Ibid., vol. 6, (April, 1904), p. 28.
97 Ibid., vol. 5, (December, 1903), p. 9.
At Three Valley, near Revelstoke, E. F. Munday of Bradford, Pennsylvania, established the Mundy Lumber Company, which must have developed into a prosperous undertaking indeed, for when it was sold in 1907 its mill and limits commanded a price of over one million dollars.\(^8\)

In 1910, British Columbia millmen acquired it along with the extensive holdings of the nearby Eagle Valley Lumber Company and organized the Munday–British Columbia Lumber Company. Magnificent limits were acquired from the Department of the Interior in 1904,\(^9\) and a new company was organized with a capital of five million dollars.

In Nakusp, Peter Genelle erected a mill in 1892, near the Canadian Pacific shipyard.\(^10\) It burned down in 1906, but shortly afterward the Quance Lumber Company built a larger one which operated on the present site of the Bell Pole Company yard. The mill was eventually sold to Victor Carlson, who formed a company known as Arrow Lakes Sawmills Ltd.

In 1898, Genelle also built the first mill of any account at Nelson, which he named the Genelle Lumber Company. Its establishment was based on a contract to supply fourteen million feet of lumber for construction

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\(^8\) *West Coast Lumberman*, vol. 18, (May, 1907), p. 595.


of the Robson-Penticton branch of the Canadian Pacific Railway.101 Shortly thereafter, three additional mills were established at Nelson, Robson, and Cascade. S. H. Bowman, the St. Louis lumberman already mentioned in conjunction with mills at Revelstoke and Comoplix, gained control of them in 1906, thereby making their proprietor one of the most powerful voices in the Kootenay industry.102 By 1910, this firm, The Yale Columbia Lumber Company, Limited, had become one of the big lumbering concerns of the country. The total capacity of its mills were 200,000 feet per day, and during the year the output from its three mills was 25,000,000 feet. The company's total investment in mills amounted to $200,000 and in limits to $500,000. The number of men employed at the various mills and in the yards was about 250, and the number in the woods every winter was 300. The limits held comprised fifty thousand acres in East and West Kootenay, covered with cedar, larch, fir, white pine, spruce and hemlock.103

G. O. Buchanan, a lumberman of United Empire stock, established the first sawmill at Kaslo in 1887.104 In fact, he may be said to have founded Kaslo as most of the

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103 Ibid., vol. 21, (May, 1910), p. 43.
lumber with which the town was built was cut at his mill. This operation failed after the turn of the century and remained idle until 1905 when the city gave a $5000 reward to W. E. Cooke, the mayor of Harvey, North Dakota, for purchasing it and thereby giving employment to seventy-five citizens.

In 1897 Thomas Alton built a mill at Parson, near Golden, which he operated until 1943, when he sold it to Cranbrook Sawmills Limited. Seven years later, the Francis Brown syndicate of Marion, Wisconsin, built the second mill in the area in order to make lumber of its extensive limits on nearby Blueberry River. At Grand Forks, J. F. Linburg of Minneapolis and St. Paul purchased ten thousand acres of timber in order to manufacture cedar poles for the American Midwest market.

Farther west, in the Okanagan, and north of that, in the Shuswap country, millmen set up portable mills to cut the virgin timbers in an attempt less to appease the appetite of the Prairie market, than to satisfy the rapidly increasing number of settlers in the dry belt surrounding Okanagan Lake.

In 1894, C. S. Smith of Vernon erected the first mill in Enderby. After passing through several hands it

came inevitably into the possession of an American operator, the A. K. Rogers Lumber Company of Minneapolis in 1905. 107

As the fruit industry of the Okanagan became well established it used up to four hundred cars of box shooks in the season, 108 and to provide for this large amount of business three more local box factories were established: Young and Martin, at Armstrong; 109 and two portable mills which were established in the Lumby Valley, in May, 1904, one by N. Bessette, and the other by G. Riesweig. 110

The Adams River Company of Chase, was representative of the larger permanent establishments in the area. This mill had a capacity of between 175,000 and 219,000 feet a ten-hour shift. The operation's planing mill consisted of three planers and matchers, double surfacer, planer and sizer, inside moulder, self-feed resaw, circular resaw, and a band resaw. Mill refuse was burned in a Muskegon burner which stood 124 feet high, and had an inside diameter of twenty-nine feet. Shavings were delivered to

110 Eoc: cit.
the burner by a complete blower system by means of two
double seventy-foot fans. In 1912 the company con-
structed eleven miles of water flume on timber limits
near the mill. This was said to be the longest and largest
in Canada, and amongst the largest in the world. It was
claimed that logs of four to five feet in diameter at the
butt passed down this chute at expresslike speeds. Timber
holdings of the company in 1912 amounted to an estimated
six hundred million feet of pine, fir, cedar and spruce,
covering a forty-three-square-mile area on the Adams
River.

Similar mills could be found elsewhere throughout
the area: the Lamb Watson Lumber Co., which later became
the Arrow Lake Lumber Co. Ltd., operated just west of
Kamloops, cutting 250,000 feet a shift. Its holdings
included nine hundred square miles on Shuswap Lake and
also a mill at Enderby, with a cutting capacity of 175,000
feet a shift.

Nor was the Northern Interior ignored. Timber
cruisers were working farther and farther to the north all
the time. Following the announcement of the construction
of the Grand Trunk Pacific Railway across British Columbia

111 "Regional report, Southern Interior: Can they
lick the marketing problem?" The Truck Logger, (April, 1954),
vol. 7, p. 39.

112 Loc., cit.

113 Loc., cit.
from the Rockies to the Coast, came hundreds of applications for timber situated in districts to be traversed by the railway. The valleys of the Upper Fraser River, the Endaco, the Nechaco, the Buckley and the Skeena Rivers, witnessed the posted notices of the timber cruisers, and they dotted the shores of all the other rivers and lake, large and small, which would gain access to the outside world when the new Canadian transcontinental railway was completed.114

Around present-day Prince Rupert, a number of sawmills sprang up between 1908 and 1914, all of them owing their existence to the construction of the Grand Trunk Pacific and to the founding of Prince Rupert itself. Representative of these mills was one built on the Skeena River, not far from its mouth, by W. H. Phelps, of Seattle and E. F. Mitchell, of Vancouver. It had a capacity of fifty thousand feet and produced a considerable number of shingles besides.115

American investors poured many millions into the purchase of the forest lands of the area in the expectation that the boom conditions of the Southern Interior could be repeated in the North. Some operations were

114 Lumberman and contractor, vol. 4, (June, 1907), p. 45.
comparatively small, like that of James M. Anderson, who remembered the Caribou timber he had seen in his gold-seeking days and returned to make twenty-five claims on the Willow River.\textsuperscript{116} Others were large, like that of Herman J. Rossi, of Wallace, Idaho, one of the most prominent capitalists in the American Northwest. He headed a syndicate to secure control of some large blocks of land in the Grand Trunk Pacific belt, the handsome returns from which, encouraged the principals to acquire an additional seventy thousand acres in Central British Columbia. The lumbering, mining and agricultural riches of this region were to be developed at the cost of a large initial outlay. He laid plans to build a new town -- Fraser City -- near the present-day Prince George. It was expected to be the hub of railroads joining the Grand Trunk to the Peace River country, while another was to join Fraser City with Barkerville.\textsuperscript{117} The collapse of the boom in 1913, spelled defeat for Rossi's scheme, and the Prince George area was to wait more than thirty years before the value of its resources was again fully recognized.

In the meantime, millmen continued to erect small and ill-fated mills along the railroad between Prince Rupert and Prince George. Between 1910 and 1922, no fewer

\begin{itemize}
\item \textsuperscript{116} Timberman, vol. 9, (July, 1917), p. 61.
\item \textsuperscript{117} Western Lumberman, vol. 7, (April, 1910), p. 15.
\end{itemize}
than twenty such saw mills operated between Prince Rupert and Smithers. Although situated in the heart of one of the richest timber belts in British Columbia, all of them closed down one after another. Even such large and well equipped plants as the Kleanza Company at Usk, the Kitsumkalum Company at Remo, and the Prince Rupert mills fell idle. In 1922, the only saw mill in operation on the line of the Canadian National Railways between Prince Rupert and Prince George was the 35,000-foot mill at Terrace. 118

Logging in the Interior presented certain problems peculiar to the area, which rendered the undertaking strenuous, expensive and difficult. Road construction alone in the mountainous country was a large item of expense, and, as the timber was cut or burned tributary to the railway and the mills, the logging operations had to be moved back into the mountain districts, where the cost of operation was more than double. These conditions compared unfavorably with those the Coast where 10,000 to 500,000 feet of lumber were cut from an acre of forest land and where logs which measured under twelve inches at the small end were not utilized. In order to obtain an adequate supply, many of the mountain mills utilized timber that Coast lumbermen considered uneconomic and

and left in the woods to decay or to be consumed by bush fires. 119

In addition, the Interior operator fought a sporadic battle with the railroads for cars in which to transport his product to Prairie points. In 1907, for example, the railroad, always reluctant to haul empty cars from distant Prairie points into the mountains, supplied only about sixty percent of the number required. 120

Then there were the problems of labor and supplies. Many of the loggers and sawmill hands in the Interior districts were sons of Prairie farmers and sought employment only for the winter months.

These part-time loggers left a distinct gap in the industry when they departed for their Prairie homes in the spring. In addition, it was not always easy to convince professional loggers to remain long in isolated mountain settlements as long as employment possibilities remained favorable in the larger Coastal towns. In 1910, for example, so acute was the labor problem in the Interior that the Ross-Saskatoon Lumber Company of Waldo decided to follow the example set by the Fraser River Lumber Company and to despatch an agent East to hire a

120 West Coast Lumberman, vol. 18, (April, 1907), p. 529.
gang of expert French-Canadian millmen along the Ottawa River. The Kootenay Shingle Mill at Salmo attempted to solve the problem of labor supply in its mill by importing Oriental labor from the Coast. This importation was the occasion of an aggressive demonstration by the white workers, who forced the Chinese to cease working. A posse of provincial police was required to guard the mill.

With these handicaps in mind, and with the natural eagerness of business men to obtain for their product as much as the traffic would bear, some Interior lumbermen sought to combine and to thereby control the prices that Prairie settlers would be obliged to pay for lumber. To this end certain lumber mills in the East Kootenay along the Crow's Nest Division of the Canadian Pacific formed into combination with a capital of $500,000. The mills concerned were those of Archibald Leitch, at Cranbrook and Palmer's Bar, Leask and Slater at Cranbrook, King Mercantile at Cranbrook, and the McNab Lumber Company at Jaffray. The association secured many concessions from the Canadian Pacific Railways, among others the right to cut timber on the railroad reserves. The Canadian Pacific also contracted for eight million feet of lumber, and all the ties required for the Kootenay section of one thousand miles of road.

In 1902 the millmen of the whole Interior organized as the Mountain Lumberman's Association, to take steps for their collective benefit. An association of the lumber retailers of Manitoba and the Northwest Territories, the Western Retail Lumbermen's Association was formed with headquarters at Winnipeg. One of the objects of this association was to prevent dealers or lumber yards from being established at Prairie points, where, in their opinion, there was insufficient business to justify them and to confine the retail trade, if possible, to the members of the Association. The lumber manufacturers of British Columbia and also those of the district east and north of Winnipeg, were admitted to the association as honorary members, and as such were expected to confine their sales to members of the Western Retail Lumbermen's Association. This was, in effect, an attempt to create a stranglehold on the distribution of lumber throughout Western Canada.

The Canadian Pacific Railway, with its vested interest in filling the great Prairie spaces as rapidly as possible, vigorously opposed what it considered the exorbitant prices fixed by the lumbermen and the retail lumber yards.

The railroad requested the lumbermen to reduce their prices, but the lumbermen responded by raising them. Along the lines of the railway, the country was being rapidly settled. Houses and barns
were needed, but the immigrants were far from wealthy. The railway was largely responsible for the settlers being there; and most of the settlers had settled on lands belonging to the Canadian Pacific. The railway therefore felt a moral responsibility to assist and protect them from what was considered the outrageous demands of the lumber yards. An even stronger compulsion was the railroad's determination to oppose any move which threatened to slow down their costly program of Prairie settlement. Lower lumber prices were necessary to ensure the success of settlement and the railroad set out to obtain them. Finding the dealers and lumber men reluctant to co-operate, the railroad threatened to build its own mills in its extensive forest holdings in British Columbia. The Canadian Pacific made it plain that it would be reluctant to institute this measure, but it was determined to have cheap lumber for its settlers even if it had to resort to such an unusual method.123

In addition, Prairie newspapers and boards of trade bombarded the Dominion Government with demands for an investigation of the situation.

On June 23, 1903, the Hon. W. S. Fielding, Minister of Finance appointed Mr. Justice Richards of the Province of Manitoba to carry out an enquiry into the alleged existence of a lumber combine. On February 26, 1904, the commissioner returned his commission and requested to be relieved from further acting under it. The commissioner had duly advertised his sittings but no

123 *British Columbia Lumberman*, vol. 1, (March, 1904), p. 3.
Despite its failure to fight its case before the commission, the railroad appeared confident of its case against the lumbermen. It posted lists of fair prices for lumber on all its Prairie railway platforms in an effort to acquaint its settlers with prices they should be prepared to pay. These lists were often torn down, a practice against which the Canadian Pacific threatened prosecution.125

The lumbermen of British Columbia were sufficiently impressed by the firm stand of the railroad company to withdraw from membership in the Western Retail Lumber Dealers' Association.

Their action did not mean, however, that they were blind to the advantages of close co-operation or that they had admitted defeat. In 1905, at a meeting held in Revelstoke, they decided to form an association confined strictly to the manufacturers of lumber in the Interior of B. C. "for the purpose of placing the industry on a more satisfactory basis." At this meeting, George P. Wells, a veteran lumberman who had been Chief Commissioner of Lands and Works in the Prior and Dunsmuir

administrations, was appointed to take charge of the association as secretary and treasurer. A new list governing the selling price of lumber was agreed upon by the new members of the Mountain Lumber Manufacturers' Association of British Columbia. They then proceeded to establish retail yards of their own throughout the Prairies. In 1906 Breckenridge and Lund established one yard at Calgary and John Hanbury opened several throughout Manitoba under the name of Manitoba Hardware and Lumber Company. The Rogers Lumber Company of Minneapolis purchased the Kamloops Lumber Company for $750,000 and promptly opened twelve lumber yards in Manitoba, Alberta and Saskatchewan. Many other millmen followed suit.

Peter Lund, of the Crow's Nest Pass Lumber Company, and President of the Association, expressed satisfaction with the new arrangements:

From this time on, the wholesale prices of lumber became more stable. The association assisted the smaller mills in marketing their product at the same price that was realized by the larger manufacturer; in other words, the mills were no longer dictated to by the retail trade, whether large or small. The price asked by the manufacturer at the time

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126 *Lumberman and Contractor*, vol. 4, (May, 1907), p. 296f.

127 *West Coast Lumberman*, vol. 16, (February, 1905), p. 296f.

was considered satisfactory, and in the opinion of the association, or members thereof, was sufficient to allow them a reasonable profit on their business.¹²⁹

For all its great prosperity, the Interior lumber industry in this period remained in a highly vulnerable position. Its prosperity depended almost entirely upon the continuation of Prairie demand and the appetite of the railroad builders, and with the disappearance of these demands, the raison d'etre of the Interior mills would largely disappear too.

By 1913, Prairie demand was declining rapidly, and in the following year it almost ceased. The effect on the Interior industry was disastrous. It could compete with the Coast Industry in neither the dwindling home market nor in the export trade. Its decline was on the whole precipitous, although certain mills, particularly favored by circumstances, continued to produce in a healthy way until the early 'twenties when they too began to close down. Not until the 1940's and the rise of cellulose forestry would the industry of the Interior be revived.

The Coast region also responded readily to the demands of the railroads and Prairie settlement. In fact, so profitable did the Coast operators find the Prairie

market that after 1900 they paid less and less attention to their waterborne trade. Each year the volume of exports from British Columbia diminished as Puget Sound millmen, always eager to satisfy export markets, took over British Columbia's old-established markets in Australia and the United Kingdom.

With the first demand of the railroad builders, mills were established in the vicinity of the terminal of the Canadian Pacific Railroad, in the area around present-day Vancouver and New Westminster. The Lower Mainland area was the logical point from which to ship by rail or by sea and at which to receive supplies; it offered an already established labor force; and it constituted a well sheltered shipping point to which logs could be cheaply towed from any source of supply within a two hundred-mile radius.

Among the first of the new operators to recognize the significance of these circumstances were John Hendry, Andrew McNaill, Andrew Haslam, and R. B. Kelly, who joined forces in 1878 to build a small sawmill and sash and door factory at New Westminster, and because the salmon canning on the Fraser River was becoming more important each year, they added a box factory. In 1880, finding it necessary to become incorporated in order to own real estate, they organized the Royal City Planing
Mills. ¹³⁰ When Vancouver came into existence, they established a branch there, and after the fire of 1886 their mill was one of the few buildings left standing. All the while the company acquired timber limits, securing some of the best in the province. They had hitherto carried on a purely local business, but they now determined to begin an export trade. Owing to the difficulties of navigation at the mouth of the Fraser River and the lack of a reliable chart, lumber ships were chary about going up the river. The company, however, in conjunction with the Board of Trade, of which Hendry was president, succeeded finally in inducing the government to survey and improve the mouth of the river. By 1888 foreign ships could be seen loading at his mill for many parts of the world. ¹³¹ Because many ships still refused to enter the river, however, Hendry decided to establish himself on Burrard Inlet.

In 1889, he purchased the Hastings Saw Mill for the purpose of increasing the company's export trade, and the two companies then merged to become the British Columbia Mills, Timber and Trading Company, with John Hendry as president. From its establishment in 1878, the business grew from a local trade of seven thousand feet per day to a foreign and local trade of 250,000

¹³⁰ Resources of British Columbia, vol. 1, (December 1, 1883), p. 31.

¹³¹ Kerr, J. B., Biographical dictionary of well-known British Columbians, Vancouver, B. C., Kerr and Begg, 1890, p. 188.
feet per day in 1890. Although the cargo trade of this firm was large, the Hastings Mill depended very considerably upon the Prairie market in later years. This is evidenced by the fact that the mill closed down for several weeks in 1904 and the reason advanced was the temporary slump in Prairie demand.

Hendry acquired large property interests in Vancouver, New Westminster and the Kootenay country. In 1894 he formed a company which acquired a local charter for a railroad from Vancouver north and extending east through the Cascade range, touching at Squamish, Lillooet, Anderson Lake, and extending on to the Cariboo country. It proved, however, to be too early for this would-be precursor of the Pacific Great Eastern and the project lapsed. 132

Hendry died in Vancouver on July 17, 1916. His vast business was left in the hands of his son-in-law, E. W. Hamber, of the Dominion Bank, who later became Lieutenant-Governor of British Columbia. 133

In 1886, the year of Vancouver's incorporation and the year in which the railroad arrived on Burrard Inlet, James Leamy and George Kyle joined the half dozen


mills already established and eager to cut for the Prairie market. They located their mill on the south side of False Creek at the foot of Cambie Street, where they sometimes cut up to fifty thousand feet daily.

Two years later the Fader brothers built the second mill on False Creek, which they seem to have operated in a sporadic fashion, for in 1889 it cut only 500,000 feet. In 1890, H. R. Morse of the Michigan Lumber Company purchased the property and operated it more successfully. Ten years later he in turn sold it to Robertson and Hackett, Ltd., who operated two logging camps in conjunction with it.

Five additional mills were constructed in Vancouver in 1890: four on Burrard Inlet and one on False Creek. They were the Vancouver Sawmill Company; the G. F. Slater mill; the Earnest Buse mill; and the North Pacific Lumber Company; and, on False Creek, the Vancouver Manufacturing and Timber Company.135

The granting of a huge land tract to the Esquimalt and Nanaimo Railroad stimulated the industry on Vancouver Island. In 1885, Henry Croft and a man called Severne bought the small pioneer Askew mill at Chemainus. Almost

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134 Flynn, J. E., Early lumbering on Burrard Inlet, 1862-1891, Graduating essay, University of British Columbia, 1942, p. 32.

135 Loc. cit.
immediately, D. Angus bought out Severne, and Croft and Angus enlarged the capacity of the plant and mechanized it completely. They installed new engines, circular saws, a small pony edger, and boilers with a capacity of 220 horsepower. Their success seemed assured for Croft, who later became M.P.P. for Chemainus, was a son-in-law of Robert Dunsmuir, the owner of the Esquimalt and Nanaimo Railroad, and the mill's best customer, and Angus was the brother of R. B. Angus, vice-president of the Canadian Pacific Railroad.

During the years immediately following, the Chemainus mill supplied all the lumber for the construction of the Island railroad — some twelve million feet — as well as pretty well all the lumber used on the East Coast of Vancouver Island. In addition to the Chemainus town-site, Croft and Angus owned large timber limits on the Island and on the Mainland, from which they drew an inexhaustible supply of logs for their mill.

The mill enjoyed certainly natural advantages in its spacious frontage and harbor for anchoring millions of feet of logs and almost from its inception the Chemainus


138 Ibid., p. 191.
mill exported its products to China, Australia, South America and across the Strait and by rail to the Prairie market.  

In 1889 the mill was sold to the Victoria Lumber and Manufacturing Company, owned principally by J. A. Humbird, which had acquired several billion feet of choice Vancouver Island timber. The new owners, using the old mill for cutting construction lumber, built a modern plant with a capacity of 200,000 feet of lumber, 50,000 lath, and 50,000 shingles per ten-hour shift. It was completed in 1890, but operated for only a month before it was shut down probably because of the general economic collapse. It was one of the finest mills on the Pacific Coast at that time, having cost about $250,000. It did not recommence operations until 1896 after which time, under the management of E. J. Palmer a Texan it shipped each year not less than thirty million feet and sometimes as much as forty-eight million. When it burned down in 1923 it had produced the astounding total of 1,000,000 million feet of lumber. It was rebuilt once again and is today one of the Province's most important

139 The New West, Winnipeg, Canadian Historical Publishing Company, 1888, p. 190.
140 West Coast Lumberman, vol. 3, (July, 1892), p. 3.
In 1893 the Ross-McLaren Company, an Eastern Canadian concern, established a mill near New Westminster. It operated the mill until 1905 when the company sold it to the Fraser River Sawmills. There Lester W. David, of Seattle, the new president, proceeded to erect an organization which became universally known as the largest sawmill in the world. His financial backers were E. J. Dodge, H. J. Crocket and G. A. Innes, three well known San Francisco capitalists, and W. P. Fowle and Ernest Walker, two local business men.

The Fraser River Lumber Company began operations in 1906, and its first shipload of lumber marked the real revival of the ocean lumber trade of New Westminster. It soon became obvious that a larger operating capital would allow the company to take better advantage of its trading position and to this end a new company was formed with a capital of twenty million dollars. A. D. McRae of Winnipeg became president and Peter Jansen later President McKinley’s ambassador to Russia, a Senator of

the State of Nebraska and one of the largest ranch owners in the Middle West,¹⁴⁶ became vice-president.

They completed the largest lumber deal on record in British Columbia, the purchase of 75,000 acres of magnificent standing timber, stretching from Comox to Campbell River, Vancouver Island and then transferred the enormous assets of the company to a new corporation, the Canadian Western Lumber Company. The limits owned by the corporation were the largest in the world, with the possible exception of those controlled by Frederick Weyerhaeuser, the timber king of Michigan.¹⁴⁷

In 1908, McRae bought David's interest, and along with Senator Jansen, Col. A. D. Davidson of Toronto, Edward and Louis Swift, the Chicago meatpackers, William Mackenzie and D. D. Mann, the Canadian railroad builders, and D. B. Hanna, the American industrialist, set about re-building and extending the old mill at a cost of an additional million dollars.¹⁴⁸ Lester W. David and Company of Seattle, continued to act as brokers for the huge industry.¹⁴⁹

The tempo of American investment quickened

¹⁴⁷ Ibid., vol. 7, (May, 1910), p. 36.
¹⁴⁹ Ibid., vol. 9, (September, 1907), p. 47.
noticeably as more and more Mid-West lumbermen watched potential customers for British Columbia lumber streaming into the Prairie Provinces from Europe in the first decade of the century.

One of the most astute was M. J. Scanlon, of Minneapolis, president of the American Timber Holding Company, an American corporation with a capital of six million dollars. He was also principal partner of the well known firm of Brooks-Scanlon Lumber Company, which owned plants and timber limits in the Bahamas, and in the Southern and Northwestern States. Scanlon purchased widely in British Columbia after 1905, and in 1909 he erected two large sawmills, one at Harrison Lake, and another at Vancouver. These two mills, built at the enormous cost of $750,000, could produce 350,000 feet per ten-hour shift.

The Brooks-Scanlon timber holding company continued

150 In the early 1880's, there was a dearth of capital to develop the agricultural industries upon which the cities of St. Paul and Minneapolis grew to their importance in the grain trade. The capital necessary for their development came largely from Canadian banks. In the early 1900's, these cities were obviously in a position to come forward with money for investment in the various enterprises in Western Canada, where conditions regarding investment capital were analogous to those which obtained in and about St. Paul and Minneapolis a quarter of a century earlier. Western Canada Lumberman, vol. 5, (June, 1908), p. 17.
to buy timber limits until by 1911 they had accumulated five billion feet representing an investment of $2,500,000. Their principal holdings were located on the Fraser River, Jordan River and Quatsino Sound, Powell Lake and the Narrows Arm district. In 1910 Scanlon founded the Powell River Company, which became the largest pulp and paper company in the West and the largest undertaking with which he was connected. Both partners died in 1930.\footnote{151} 

An estimated 280 million feet of cedar timber in the Capilano Valley on the north shore of Burrard Inlet were acquired in 1908, by the Nickey interests of Memphis, Tennessee, and C. A. Marsh, a leading Chicago capitalist. A standard-gauge logging railway was built into the limits in 1917 and exploitation of the area was begun.\footnote{152} E. J. Young of Madison, Wisconsin and J. N. Norton of Medford purchased five thousand acres of fir and cedar on the North Arm of Burrard Inlet at the cost of $300,000.\footnote{153} In 1905, H. L. Jenkins and J. C. Busch, of Blaine, secured between 75,000,000 and 100,000,000 feet in the Municipality of North Vancouver and 2,300 acres in the neighbourhood of Campbell River and Discovery Pass.\footnote{154} Their firm, the Vancouver Timber and Trading Company, 

\footnote{151 A detailed obituary of Scanlon appeared in: \textit{West Coast Lumberman}, vol. 57, (November, 1930), p. 43.} 
\footnote{152 Western Lumberman, vol. 14, (April, 1917), p. 36.} 
\footnote{153 West Coast Lumberman, vol. 18, (May, 1907), p. 595.} 
\footnote{154 Ibid., vol. 16, (May, 1905), p. 511.}
established large camps to cut timber for export to Blaine, where it operated a large mill.\textsuperscript{155} Hunter and Fox, two other Blaine operators, purchased the Leamy and Kyle mill in Vancouver and operated it in conjunction with their Blaine property.\textsuperscript{156}

Another large purchase, made by a Duluth lumber firm, embraced the leases of ten thousand acres of valuable timber land around Coquitlam Lake and on the Fraser River, and the construction of a lumber mill.\textsuperscript{157} Twenty-two thousand acres were bought on Harrison Lake by R. H. Roys of Saginaw, Michigan, and M. E. Jeffries of Janesville, Wisconsin\textsuperscript{158} while the Vancouver Lumber Company was purchased by J. D. Moody and A. Taylor of Texas.\textsuperscript{159}

In 1908, Johnes and Summerville of Memphis, Tennessee purchased twenty thousand acres on Jervis Inlet and New York investors bought forty thousand acres on the same fiord for $150,000.\textsuperscript{160}

\textsuperscript{155} \textit{West Coast Lumberman}, vol. 17, (June, 1906), p. 672.
\textsuperscript{156} \textit{Timberman}, vol. 3, (July, 1902), p. 11.
\textsuperscript{158} \textit{West Coast Lumberman}, vol. 19, (September 1908), p. 833.
\textsuperscript{159} \textit{Lumberman and Contractor}, vol. 4, (March, 1907), p. 34.
\textsuperscript{160} \textit{West Coast Lumberman}, vol. 19, (September, 1908), p. 833.
An area of about eight square miles of timber in the Squamish Valley was acquired by Colin Campbell, of Seattle in 1905. His Seattle logging firm cut twenty-five million feet the following year, most of which was utilized by the Pacific Coast Lumber Company of Vancouver. 161

Charles F. Heidrick, of Clarion, Pennsylvania, president of the Pittsburg, Summerville & Clarion Railway, bought nine thousand acres, seven thousand of which were located on North Valdez Island and two thousand on the Fraser River, about seventy-five miles east of Vancouver and adjoining the main line of the Canadian Pacific Railway. 162

Midwest railway and timber operators purchased forty-nine square miles on Moresby Island, as well as eight thousand acres of the choicest crown lands on Graham Island and incorporated the Moresby Island Timber Company. The investment amounted to several million dollars. 163

San Francisco and Australian capitalists backed a concern to build a mill at Grumshewa Bay, on the southern part of Graham Island. In 1906 D. Drysdale, of Seattle, formerly president of the Alaska Packers Association, acting in conjunction with English capitalists established

161 *West Coast Lumberman*, vol. 16, (June, 1905), p. 573.
163 *Western Canada Lumberman*, vol. 5, (June, 1908), p. 19.
a mill at Glew Bay, near Skidegate, where they controlled ten thousand acres of timber.164 At approximately the same time, J. P. McGoldrick and G. A. Lammars, of Minneapolis, staked fifty-five square miles of timber on Moresby Island.165 In 1909 New York and Iowa people invested in seventy-six sections of timber on the same island with the intention of building a mill at Skidegate.166

On Vancouver Island the mill of the Cowichan Lumber Company, near Victoria was purchased by J. Gauthier and F. H. Reis, of St. Louis.167 A Seattle firm bought six thousand acres of timber leases near Nanaimo for $37,500.168 Waldo Ellis Knapp, of Duluth, Minnesota, founded the Red Cliff Lumber Company at Alberni after acquiring thirty thousand acres of fine timber in the neighbourhood.169

Seventy-eight sections were secured by a company, the principal stockholders of which were Elliott Calendar

169 West Coast Lumberman, vol. 18, (December, 1907), p. 177.
of Peoria, Illinois; G. R. Grazelli of Cleveland, Ohio, and B. F. Gooderich of the Akron Rubber Trust. 170

Minneapolis lumbermen were credited with making the heaviest purchase of standing timber recorded in British Columbia when, in 1905, they purchased forty-three thousand acres of timber lands on the Eastern Coast of Vancouver Island. The tract which was said to contain one million feet of fir and cedar, lay between Salmon and Campbell Rivers. 171

St. Louis capitalists acquired twenty thousand acres of heavily timbered land in the vicinity of Port Renfrew on the West Coast, at a cost of $100,000. 172

For $81,000 the Rupert Timber and Lumber Company, a Spokane firm, secured options on thirty-two thousand acres of timber, mostly cedar, on Vancouver Island. 173

In 1907 E. B. Caldwell of Michigan purchased sixty thousand acres of timber on the same island. 174

New York capitalists headed by Richard C. Patterson and including B. G. Poucher and W. S. Kinnear, prominent

173 West Coast Lumberman, vol. 18, (December, 1907), p. 177.
industrial engineers, and the Rev. Newell Dwight
Hillis, the well known pastor of Plymouth Church, New
York, took out an option on about 100,000 acres of
timber land on northern Vancouver Island, opposite the
Mainland Coast.\textsuperscript{175}

The Sutton Lumber Company an American concern
erected a mill at Mosquito Harbor, on Clayoquot Sound,
on the west coast of Vancouver Island, where they employed
between four hundred and five hundred men.\textsuperscript{176} It was one
of the largest industries on the Island. Until this time
the West Coast north of the Alberni Canal had been
inhabited only by straggling bands of Indians and by
fishermen or miners. Five hundred white men meant the
establishment of a community bigger than any ever seen
along that coast. The company's aim was to cut cedar from
its seventy square miles\textsuperscript{177} of first-class virgin timber,
process it chiefly into shingles and ship them around Cape
Horn to the New York market. The number of shiploads
dispatched is not known, but it cannot have been large,
for there is no record of the existence of the firm in
the years that followed although Clayoquot continued

\textsuperscript{175} *Timberman*, vol. 23, (June, 1902), p. 99.
\textsuperscript{176} *West Coast Lumberman*, vol. 18, (September, 1907),
p. 890.
\textsuperscript{177} United States Government, *Monthly Consular and
Trade Reports*, No. 308, (March, 1906), pp. 177-178.
from that time as a lumber and fishing community.

In 1909, E. C. White, a sawmill operator of Boyne City, Michigan, acquired holdings of British Columbia timber for which he paid over two million dollars. They were located on and near the Klaanch River on the northeast coast of Vancouver Island. One tract for which he paid $1,500,000, was estimated to contain three billion feet. In addition, he purchased areas aggregating about five hundred million feet. Ownership was vested in the White Brothers Lumber Company, incorporated in Michigan with a capital of two million dollars. At Alert Bay he erected a sawmill large enough to handle the large number of logs which he cut from what was described as the most valuable timber area in British Columbia, if not in the world.178

In 1910 William McKnight, a prominent millman of Grand Rapids, Michigan, organized the Michigan-Puget Sound Company, which acquired vast limits in the Jordan River area on the West Coast of Vancouver Island.179 This syndicate, with a capital of $1,500,000, merged in 1911 with another American firm, the Michigan-Pacific Lumber Company, to form the Canadian Puget Sound Lumber Company, Limited. With a capital of five million dollars, the new organization was one of the largest, if not the

largest, of its kind in the country. McKnight, along with Chicago and Salt Lake City capitalists, organized a second undertaking, the New Miami Lumber Company, with a paid-up capital of $500,000 to control a further 800,000 feet of timber in the Jordan River region. In addition, they purchased the mill and limits of the pioneer Sayward and Company, all of which merged to become the Michigan-Puget Sound Lumber Company, with a capitalization of $1,250,000. 180

Apparently until about 1905 the staking of timber limits was practically confined to certain comparatively restricted areas: on Vancouver Island and at points along the Mainland coast to a distance of two hundred or two hundred and fifty miles north of Vancouver. After 1905, however, it became common for licenses to be taken out for limits far to the north, both on the Mainland and on the Queen Charlotte Islands.

It is difficult to ascertain the extent to which American investment in British Columbia timber was wholly speculative. Most large investors seemed willing to erect mills to cut their holdings when the price of lumber warranted it; some large tract owners, however, were interested wholly in speculation, or almost so. Certainly

180 *Western Lumberman*, vol. 7, (February, 1910), p. 16.
there were many small speculators like W. E. Simpson of Iowa Falls, Iowa, who invested in timber berths on Southwest Vancouver Island in 1907 and two years later sold them for $200,000 to F. L. Peck of Scranton, Pennsylvania, the president of the United States Lumber Company. He was said to have netted five hundred per cent on his investment. 181 Then there were large speculators, like T. B. Merrill, the first American to recognize the long-term value of the British Columbia forests; D. J. O'Brien of Tacoma; E. R. and A. Burkholder of Kansas; A. C. Frost, the lumberman financier of Chicago; the Rockefellers of Standard Oil fame, and the Alworth family of Duluth. 182

Moses Ireland, the lumberman who first pioneered the industry on Burrard Inlet with Sewell Moody and Van Bramer, attempted as early as 1880 to convince Victoria capitalists that the province's timberlands would become valuable on the completion of the railroad to the Coast. He approached Thomas Earle, the railroad contractor, who had extensive interests in salmon canneries and land, and Edgar Marvin, the Victoria hardware merchant and general broker, but with little success. In 1882, however, T. B. Merrill, the 21-year-old son of the Michigan lumber


operator, visited British Columbia from San Francisco, and, like many Americans who followed later, was overwhelmed by the large dimensions and the virgin condition of what he saw. Ireland first showed him some choice timberland on Malaspina Inlet. Merrill just ran through the woods and looked around and waved his arms and said "It's great; it's fine. I want to buy it." For these five thousand choice acres he paid a total of fourteen thousand dollars. By 1909, Merrill, then a member of Merrill and Ring, of Puget Sound, valued the property at more than $500,000 despite his having already taken a fortune out of it in the form of logs. He steadfastly refused to sell any of the acreage, maintaining that it was more profitable to hold it as an investment. 183

After the turn of the century, the Rockefellers quietly began to purchase timber tracts in the Esquimalt and Nanaimo Railway belt, so that by 1907 their ownership extended over fifty thousand acres of some of the choicest fir and cedar. Perhaps representative of these quiet purchases was the exchange of $500,000 for eleven to twelve thousand acres of timber lands on Ash and Dixon Lakes, near Alberni. The timber was some of the finest in the Railway Belt. 184

The eleven thousand-odd acres stood in the name of Mr. H. Brownell, secretary of the Everett Timber and Investment Company, the regional representative of the Standard Oil Company. It was said that the Rockefellers desired to own anywhere from five hundred to one thousand square miles of the province. By 1907 they had acquired over three hundred square miles of timberland. These purchases proved a lucrative long-term investment. Rockefeller held them for thirty years before selling one tract in the Alberni region to the H. R. MacMillan interests in 1936 and another in the Nanaimo area, the following year to the Canadian Western Lumber Company.

The Alworths of Duluth purchased about a billion feet of Douglas-fir and other timber on Vancouver Island and held them until 1940 before selling out to the Canadian Robert Dollar Company for approximately two million dollars.

British Columbians welcomed the influx of American capital. They showed little fear that the purchase of their primary natural resource on so extensive a scale by

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188 Ibid., vol. 67, (February, 1940), p. 51.
American operators might render them economically subordinate to another nation, and the phrase "loss of national identity" had not yet been coined. The prevailing attitude was nicely summed up by the editor of the *Western Canada Lumberman*:

> It is not with a spirit of complaint that we say that if the Eastern Canadian manufacturer does not become alive to the big chances for opening here, the United States manufacturer will. The world's capital is looking for profitable investment, and Western Canada is not being overlooked. Money will surely come in larger amounts than ever before and we invite the Eastern Canadians to get in on the ground floor, before the monied man of other countries will. It makes little difference to the people of Western Canada where the money comes from, as long as the country is developed, but we are loyal enough to our Eastern brethren to desire that they take advantage of the opportunities offered. 189

The magnitude of the American investment scramble can best be gauged when it is realized that capital invested in the province's timber business at the turn of the century did not exceed two million dollars. Among the largest timber holdings were those of the British Columbia Mills, Timber and Trading Company of Vancouver, with 75,000 acres; the Toronto and British Columbia Lumber Company, with 45,000 acres; the Ross, McLaren Company, with 23,600 acres; the North Pacific

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189 *Western Canada Lumberman*, vol. 5, (July, 1908), p. 15.
Lumber Company of Barnet, with 15,000 acres; and A. Haslam, with 8,000 acres. All of these holdings were Canadian.

A decade later, American investment alone in British Columbia mills and timber mounted to sixty-five million dollars, and by 1914, it had risen to seventy million dollars. It was reported in a *U. S. Consular Trade Report*, that fully ninety per cent of all great business enterprises in Western Canada, had United States capitalists interested in them. J. O. Cameron, a prominent millman from Texas was moved to comment:

> The assertion that the lumber industry of British Columbia is absolutely dominated by U. S. capital, is so far removed from the real facts of the situation, as to be ridiculous, but it might have a serious effect on the minds of people not familiar with the business. Instead of being controlled to the extent of ninety-five per cent by American capital, I doubt that the control extends to one-third of that, certainly not more than thirty per cent. So far as Victoria is concerned, there is only one mill that is owned by Americans. Regarding my own company, the owners may have originally been Americans, but we all live in Victoria and I would certainly challenge the statement that the Cameron Lumber Company is anything but a Canadian institution.

190 *Timberman*, vol. 11, (August, 1902), p. 56.
191 United States Government, Department of Commerce, *Consular and Trade Reports*, (June 15, 1911), No. 139, p. 1181.
192 Ibid., (February 11, 1914), No. 145, p. 554.
193 *Western Canada Lumberman*, vol. 5, (June, 1908), p. 17.
194 *Western Lumberman*, vol. 18, (June, 1921), p. 31.
The distinction Cameron made between owners who moved to Canada to actively head their organizations on a permanent basis and those owners who remained resident in the United States while consistently drawing their profits from Canada was certainly more valid than it appeared upon first notice. Many of the American operators who arrived in that era remained, like the Camerons, to eventually become Canadian citizens in every sense of the term. Nevertheless, they were officially Americans and their investments were popularly termed American.

Although American investment dominated the scene, Americans were not alone in recognizing a profitable venture. German investment in British Columbia's forest dates from 1901 when it was reported that German capitalists had secured 35,000 acres of timber land, and would expend $500,000 in a saw mill and logging camp. The company, so the report stated, would enter the foreign cargo trade. In the next decade, German investment grew steadily, if unspectacularly, until German investors found it expedient to be represented locally by one of their own countrymen, Baron Alvo von Alvensleben. In 1910, this agent startled timber interests by purchasing for one million dollars the extensive business and holdings of the Vancouver Timber & Trading Company on behalf of German capitalists. The

195 West Coast and Puget Sound Lumberman, vol. 12, (September, 1901), p. 547.
holdings of the concern included six large logging camps, about twenty million feet of logs in booms adjacent to the Vancouver mills, and some twenty thousand acres of first-class timber. With the outbreak of the First Great War in 1914, the various British Columbia interests of von Alvensleben went into liquidation and German investment disappeared.

British investment was more widespread and more difficult to isolate from American and Canadian investment. Much of it was managed by the Western Finance Company, of Victoria, which purchased timber limits on behalf of its clients. A representative purchase was one made on Vancouver Island, which aggregated 200,000 acres, the consideration being 500,000 pounds. The limits included in the transaction were located on the west coast of the Island, in the Quatsino, Nootka, Clayoquot and Nitinat Kale districts. Another British concern was the British Canadian Lumber Company, founded in 1910 with a capital of two million dollars, by several prominent English financial houses. They bought the Pacific Coast Lumber Mill's plant and timber limits for $600,000.

196 Western Lumberman, vol. 8, (February, 1911), p. 23.
197 Loc. cit.
Shortly thereafter, four of the largest and best known mills operating in different parts of the province, together with about 135 square miles of the choicest timber on the continent, passed into the control of another newly formed British corporation, the Canadian Pacific Lumber Company. The capitalization of the new concern was five million dollars, and the head office was in Vancouver. Mills included in the consolidation were the Canadian Pacific Lumber Company of Port Moody, the Anglo-American Lumber Company of Vancouver, the Barkley Sound Cedar Company of Port Alberni and the Gibbons Lumber Company, operating on the Arrow Lakes. 199

Although American capital dominated the era, Eastern Canadian capital was represented in a comparatively small way. Prominent among the Eastern Ontario operators who came to British Columbia were the McLarens of the Ottawa Valley; D. H. Cameron, another experienced lumberman from the Ottawa Valley and head of the Rat Portage Lumber Company; 200 George McCormick, ex-M.P. of Grillis; John Arbuthnot of Winnipeg; and John Hanbury of Brandon.

Of the Eastern Canadian lumbermen who exploited

the forest resources of the province, few profited more than the McLaren family. The head of the family, Senator Peter McLaren, was the owner of 100,000 acres of valuable timberlands in Virginia as well as three hundred square miles on the Mississippi River in Ontario. With such a rich background of experience in the trade, the McLarens early recognized the commercial possibilities of the forest lands of the coastal areas, and having accumulated sufficient investment capital from their extensive operations, they invested liberally in Coastal tracts. Their first purchase, made in 1892, consisted of more than nine thousand acres between the United States boundary and well forested Cultus Lake. In conjunction with this purchase they erected a mill on the Fraser, which continued to operate until 1905 when they sold it to the company which used it as the nucleus for the establishment of the famous Fraser Mills.

The construction of a branch of the B. C. Electric Railway Company into the Chilliwack Valley in 1909, gave an opportunity to the Ross-MacLaren Lumber Company to exploit their timber holdings, but it is doubtful

203 West Coast Lumberman, vol. 19, (October, 1908), p. 32.
that they took advantage of it, for in 1922 the Westminster Mill Company willingly paid $600,000 for them. 204

Again, in 1898 the McLarens purchased extensive timber holdings in the Campbell River region and once again erected a mill, this time at Barnet, on Burrard Inlet. They operated this mill in a desultory fashion until 1900, and then closed it. 205 It re-opened to operate sporadically for the next two decades, only to cease operations entirely at the end of the war. In 1926 the family disposed of the timber limits at Campbell River to Bloedel, Stewart & Welch for $3,000,000 and another on Vancouver Island to the Lamb Lumber Company for $550,000. 206 The profits on the investment must have been large indeed.

Historical evidence seems to bear out the belief that the McLarens were not seriously concerned about the physical business of producing lumber in British Columbia. They were more interested in allowing the passage of time to surely increase the value of their stumpage. The mills which they built on the Fraser and at Barnet were erected only to comply with the government regulation of the day.

205 Ibid., vol. 2, (December, 1900), p. 11.
206 Ibid., vol. 28, (December, 1926), p. 159.
which proscribed the sale of timber lands for purely speculatory purposes and stipulated the erection of a mill with every large sale of crown-grant forest land. The expense of erecting mills, which were never operated to any extent, was deemed worthwhile in view of the increasing value of the timber.

It is often erroneously assumed that the early lumbering business on the Coast was primarily an offshore trade. That assumption is valid for the period before the advent of the railroad, but after that, and especially after 1897, the Prairie and railroad demands accounted for by far the larger part of the Coast production. In the representative year of 1904, shipments from thirty-three Coast mills to the Prairies, amounted to 95,540,444 feet, to Eastern Canada 10,000,000 feet; to railroad consumption 60,000,000 feet; and local consumption reached 90,000,000 feet. Thus over 255 million feet were used in the home market. By contrast, the exporting mills of the Coast despatched only 60 million feet overseas. By 1910, the Prairie market was consuming 800 million feet of lumber cut from both the Interior and Coastal regions.

Only on Vancouver Island did the industry depend

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chiefly on the export trade. As late as 1907, there was only one large producer on the East Coast of Vancouver Island, the Chemainus mill, which produced 165,000 feet daily,\(^{209}\) while the Red Fir Lumber Company of Nanaimo, the second largest, produced 60,000 feet. Other mills at South Wellington, Ladysmith, Duncan, Shawnigan Lake and Victoria, cut only between five thousand and forty thousand feet each and so could not be compared with the larger mills of the Lower Mainland and Interior.\(^{210}\) Even so, large shipments were made from time to time across the Gulf of George to the Mainland. The Sayward mill in Victoria, for example, shipped 200,000 feet to Whitehorse, Yukon Territory, in 1900 to help alleviate the shortage of housing among the hordes of gold seekers.\(^{211}\) The same company made a pioneer car and shipment of lumber to the Kootenays in November, 1900.\(^{212}\) The first railway shipment of lumber from the West Coast of the Island, was made from the Canadian Pacific Lumber Company's mill at Port Alberni, in 1912.\(^{213}\)

\(^{209}\) *Timberman*, vol. 9, (August, 1907), p. 41F.

\(^{210}\) *Loc. cit.*


\(^{213}\) *Western Lumberman*, vol. 9, (August, 1912), p. 57.
These valiant attempts to compete with Mainland mills for the Mainland market were not successful in the long run. The Island industry had to wait for the opening of the Panama Canal in 1914 before it would see large-scale exploitation of its forests and it would be made almost wholly on behalf of the cargo trade.

The years between 1907 and 1912 need special characterization, for they marked the culmination of a period of unparalleled business expansion throughout the province, and indeed throughout the whole country. The movement of settlers to the Prairie was at its peak; the volume of wheat production increased steadily; railroad building showed little sign of abatement; and a spirit of boisterous optimism pervaded the whole of the West.

On the Prairies and in British Columbia, villages became towns and town became cities, and cities like Vancouver underwent construction booms which saw thousands of frame houses and hundreds of large buildings rise with great benefit to the mills of both the Coast and the Interior regions.

In the midst of this great upsurge of activity there occurred the earthquake in San Francisco on April 18, 1906. That city, always a heavy buyer of fir lumber absorbed 925 million feet in the process of
re-building — double the amount it had been accustomed to take. So great was the demand made on Coastal mills by the disaster that a temporary shortage ensued.

Another earthquake at Valparaiso, occurring in August of the same year added to the backlist of orders. As an indication of the rush for timber and manufacturing profits, no fewer than ninety new companies entered the lumber business in British Columbia in 1907. Throughout the latter part of the decade large cargoes were also despatched to the Panama Canal by mill owners who held contracts to supply the construction project there.

The end of this era of boom and reckless investment occurred abruptly. A series of small crops on the Prairies led to a consequent lowering of demand from that region. But more important, in 1912 British Columbia millmen began to feel more than ever the effects of the invasion of the Prairie market by the American mills of Washington and Oregon. The consequence of this competition was a general lowering of prices.

217 Ibid., vol. 6, (December, 1904), p. 29.
American competition for the Prairie market was no new phenomenon. Common lumber had been placed on the free list by the Conservative Government in 1894, and had remained there ever since. British Columbia millmen had protested against the practice of their Inland Empire counterparts who, enjoying a vast home market protected by a tariff wall, in times of financial urgency dumped large quantities of common lumber on the Canadian Prairies.²¹⁸

So serious had the invasion of the Prairie Market become by 1900, that a deputation from the industry interviewed Sir Wilfrid Laurier to request the establishment of a tariff of three dollars per thousand on foreign lumber, and thirty cents on shingles. The deputation was composed of the mayors of Vancouver and New Westminster, John Hendry of Vancouver, W. C. Wells of Palliser, B. C., and J. G. Scott of Vancouver.²¹⁹

In substance, the petition recited the proximity of the province to the State of Washington, and pointed out that owing to heavy import duties the initial cost of logging equipment and maintenance was higher in British Columbia than in Washington or Oregon. Eighty percent

²¹⁹ Columbia River and Oregon Timberman, vol. 6, (June, 1904), p. 39.
of the donkey engines and blocks were made in the United States. The wire rope came from England, while saws and small-mill machinery was mostly made in Canada. Large mills used American-made burners, bands, gangs, log-deck and electrical machinery. The proportion of American-made goods was decreasing, but Canadian prices were based on American prices, plus duty.

In addition, the cost of labor in British Columbia compared unfavorably with that of Washington and Oregon, being ten percent higher in British Columbia than in Oregon. Considerable cheap Oriental labor was used in the mills of British Columbia but, according to local millmen, its cost per unit of production was equal to that of the Western States. To make competition with the American industry even more difficult, the Provincial law prohibited the employment of Oriental labor in Provincial forests and on public works.220

The petitioners might have added that no public railroads traversed logging districts such as existed in Washington and Oregon, so that when a railroad was needed for log transport it had to be built from the water by the logger himself, a much more serious undertaking than the

construction of a spur from a logging camp to an established railroad. Another feature which increased the cost of logs on the Coast was towage. Most of the Coast logging was carried on in localities sixty to two hundred miles distant from Vancouver. Towage rates for these companies ranged from 60 cents to $1.50 per thousand feet, and the loss of logs during transit in open waters added a further considerable amount.221

The delegation presented these arguments to the Minister of the Interior and requested his serious consideration.

Clifford Sifton, the Minister of the Interior, sat for Brandon, Manitoba, a constituency which vigorously opposed the tariff which could have no other effect than the bolstering of lumber prices in Prairie points. Sifton was regarded by his cabinet colleagues as a kind of lone director in matters affecting the internal policies of Western Canada; therefore his decision was of great moment. Sifton refused to consider the argument of the Coast industry, maintaining that cheap lumber was absolutely essential to the continued settlement of Manitoba and the Northwest Territories.

The consequence of his policy was that by 1905.

American millmen were enjoying ten percent of the Prairie trade, and they continued to do so throughout the decade. In the years 1911, 1912 and 1913 that market absorbed 479,169,300 feet of lumber, 121,940,000 lath and 90,093,000 shingles, imported from the United States. It had become the prime dumping ground for low-grade lumber from the Inland Empire. British Columbia millmen had been able to weather the competition in good years only because the Prairie demand was so very great. In years of stress and fewer orders, they found competition extremely difficult.

Over-speculation in the industry was another source of trouble. By 1915 there were enough mills to produce annually two billion feet of lumber, while the greatest demand ever required was about one billion. Excessive speculative dealings in urban real estate marked the period since as far back as 1897, and the consequent deflation resulted in heavy losses. There was a sudden contraction in the output of numerous industries connected with the supply of materials and equipment for railway and residential building. A reduction consequently occurred

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in the supply of goods for the daily wants of a population which had been increasing rapidly in numbers and purchasing power. The culmination was reached in the breaking out of the First Great War in 1914, following which the demand from Ontario and the Prairies for lumber dwindled almost to the vanishing point. Production fell to sixty percent of the 1910 figure, and exports skidded to five percent of the cut.

Now, under the exceptional circumstances of a depression in the industry, British Columbia millmen once again registered their complaint against the dumping practices of the American industry, this time successfully. The Conservative Government instituted a 7-1/2% war tariff, which effectively closed the market to American millmen. The concession was welcome but it made little difference now to the general tone of depression.

Most of the British Columbia mills suspended operations, and this in turn brought about the closing down of many of the logging camps. Thousands of men were thrown out of employment. Then, and not till then apparently, did the business men of Vancouver and the Province begin to realize how dependent they were upon the lumber business for the maintenance of prosperity, and how overwhelmingly dependent the lumber business had grown upon the continued demand of the Prairie market.
CHAPTER III

THE PANAMA CANAL AND THE CARGO TRADE (1915-1940)

Before the outbreak of the first World War, British Columbia's overseas trade was pitifully small. There were several reasons for this unfortunate situation: the province enjoyed only limited means of ocean transportation; its businessmen had developed no sense of trade-association, and neglecting to travel, they had only a limited field of vision upon which to draw; and, most important of all, before the opening of the Panama Canal, British Columbia remained geographically isolated from the chief European markets and from the Atlantic Seaboard. The economic crisis of 1913 and 1914 brought these limitations home most forcibly to the leaders of the lumber industry.

Realizing that the Prairie markets would be unresponsive for some time to come, leading millmen began to seriously investigate the feasibility of expanding the cargo trade as a means of gaining relief from the economic depression. Official figures indicated that the shipments made by British Columbia mills to foreign countries had fallen almost yearly since 1900, while tremendous increases were recorded by the mills of Washington and Oregon. For example, American shipments to Australia and New Zealand — natural markets for
British Columbia lumber -- had increased from 61,300,293 feet in 1902 to 203,053,172 feet in 1914, or over 370 per cent; while British Columbia's share had fallen from thirty-three per cent of that market in 1902 to only three per cent in 1913. In 1894 British Columbia enjoyed more than thirty per cent of the Pacific Coast's export trade. By 1913 this share had dwindled to a mere 53,810,000 feet, perhaps five per cent of the total. "The trouble with us," admitted a leading millman, "is that we have been going through boom times where it did not take much exertion to dispose of our product." It became clear that a determined policy of opening up world-wide markets for the lumber products of the province was essential not only for the salvation of the industry, but to the economic well-being of the whole province. Businessmen bombarded the Canadian government for aid. "I think it is the duty of the Board of Trade, and in fact everyone in British Columbia, to impress upon the Minister of Trade and Commerce, the necessity of trying to provide an outlet for the lumber of British Columbia," went one representative letter. Fortunately, the opening of

226 Ibid., vol. 11, (September, 1914), p. 33.
228 Palmer, E. J. to Gosnell, R. E., November 9, 1914, *McBride Papers*.
the Panama Canal in the spring of 1914, offered the government an opportunity to satisfy these demands. It had been felt for some time that the canal would afford British Columbia manufacturers an almost unassailable position in the lumber markets of the Atlantic Coast, owing to the low freight rates they would enjoy as compared with the charges that would have to be imposed by ships of American register. Before the opening of the canal there was a small all-water movement from the Pacific Coast states and British Columbia to New England and other Atlantic Coast states, but on the whole the long trip around the Horn made it commercially impracticable. Sailing vessels needed three or four months for the journey, while the steamer, following the same path, contended with a tremendous coal consumption which was not only costly but also decreased its cargo capacity. By reducing the mileage by more than half, the Panama Canal lowered the cost of transportation; indeed, freighters were able to transport Coast lumber to Eastern ports at a rate that the railroads were entirely unable to meet.

230 Despite these disadvantages, both steam and sailing craft were able to offer a rate from the Pacific Coast slightly lower than the all-rail rate, from the Pacific to the Atlantic. They were not able, however, to make this rate low enough to obtain much of the custom or to make it possible to ship to Atlantic coast ports and reconsign to the Interior. Western Lumberman, vol. 6, (November, 1909), p. 26.
The Canadian government, in response to the pressure of the Coast lumbermen, investigated the possibility of marketing British Columbia lumber in a large way in the United Kingdom and in Europe. Early in 1914 Sir George Foster, the Minister of Trade and Commerce appointed Mr. H. R. MacMillan, the young Chief Forester of British Columbia, to the post of Special Trade Commissioner and directed him to tour Europe and Asia on behalf of the lumber interests of British Columbia.

When Mr. MacMillan reached the United Kingdom at the end of April, the lack of shipping was becoming acute, and the lumber trade between the Pacific Coast and Europe was suffering seriously. Moreover, he found that American interests were very strongly represented in the British timber trade while British Columbia mills were not. Since the private business still being transacted was almost entirely controlled by American agents, the new commissioner found little opportunity of securing immediate orders for British Columbia mills. In fact, so little was the existence of a lumbering industry in British Columbia recognized by English buyers that the Imperial Government itself through the War Office and other large departments, was as a matter of course purchasing much Pacific Coast timber
through American agents. As the export lumber trade of the Coast was centred in the hands of brokers in San Francisco, Portland, and Seattle, the arrangement was highly unfavourable to the British Columbia industry.

Mr. MacMillan, with the assistance of Sir Richard McBride, the premier of the province, who was then in London, drew the attention of the Imperial authorities to this situation, and pointed out that the provincial government, through the Department of Lands, would willingly supply any lumber cargoes that the British Government might need. The British authorities met these representations most co-operatively, and since the trade was being rigidly controlled because of the war

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231 MacMillan described the situation in these words on his return from his mission:
"We here in British Columbia are wont to believe that British Columbia lumber is the standard of the world, that everywhere this province's name is known. It will doubtless be a keen disappointment to many to learn that so far as the lumber trade, at least, is concerned, by far the great portion of our exports -- I am talking now of ante-bellum export business, for there has been virtually none since war broke out -- were shipped through United States firms, billed as American lumber. Another fact which impressed itself upon me was that the San Francisco firms which do the great bulk of the export business from this Coast are steadily going after the business and getting it. "I must confess it made me almost indignant when I saw, practically everywhere I went that the lumber, including British Columbia's product, is sold through United States firms. The importers of the countries did not know that any of it came from this province. We have the raw materials, but sadly lack organization to sell it to the world. Western Lumberman, vol. 13, (September, 1916), p. 13.

crisis, they were able to announce that Imperial purchases of Pacific Coast timber would be restricted to British Columbia mills, and that orders would be placed through the provincial government. Mr. MacMillan was able to secure almost immediately from the War Office the first order for a cargo of timbers and railway-ties. In addition, he obtained from the Prize Disposal Committee the loan for lumber-carrying purposes, of the prize vessel Grahamland, at the Falkland Isles. It was subsequently chartered to the Cameron Lumber Company of Chemainus.233

With this beginning, a number of additional orders were secured through the Special Trade Commissioner, and during the summer the Forest Branch was very actively engaged in the handling of the business. This promising new start of the export trade with the United Kingdom was suddenly stifled, however, by the disastrous slide in the Gaillard Cut of the Panama Canal in 1915, and although an attempt was made to carry on by the costly means of a combined rail haul and Atlantic shipment via St. John, further orders were not obtained.

Despite this setback, the British Columbia industry in the long run profited considerably from the work of the Special Commissioner. In the first place, he made

the timber brokers of London aware of British Columbia as a source of supply, and, secondly, he opened the eyes of the home industry to the effectiveness of vigorously soliciting orders overseas. Most important, perhaps, he himself became aware of the opportunities which awaited the industry in overseas markets upon the resumption of normal trading conditions. That awareness was destined to markedly affect the history of the lumber industry after 1920.

Concurrent with this attempt to break into the United Kingdom market in a larger way, British Columbia lumbermen were building up a profitable initial trade with American Atlantic seaboard ports. The Gaillard Cut slide, however, ended that successful endeavour too, and when the canal was reopened in May, 1916, the increasingly strained war conditions left far fewer vessels available for lumber transport.

Fortunately, British Columbia lumbermen recognized the temporary nature of these setbacks, and did not forget the taste of the success they had so briefly enjoyed in the British and American Atlantic Coast markets. They waited for the day when shipping would no longer be controlled by war needs and the canal would open a whole new ocean of markets to them.

Apart from securing orders and shipping from British Government departments, Mr. MacMillan investigated the general market for Canadian timber in the United Kingdom, Holland, France, South Africa, and India, and then proceeded to Australia, New Zealand and China. The circumstances of war rendered MacMillan's mission successful only to a degree; its consequences were not to be really felt until after the cessation of hostilities, when the province's first chief forester resigned from the government service in order to put into practice some of the plans which crystallized on his world tour. In the meantime shipping grew ever more scarce and demand from potential markets awaited the end of hostilities. As far as most of the British Columbia mills were concerned the export trade remained a relatively unfamiliar mystery.

At this time the American control of the distribution of British Columbia lumber which had angered MacMillan in London was being subjected to ever more frequent criticism at home. Many millmen vigorously claimed that the province's export industry was being systematically stifled by American brokers and their agents overseas in order to increase their own profits. A prominent citizen summed up the belief in this way:

There is no question as to why British Columbia has not had its fair share of the export trade, the reason is obvious; British Columbia has had to buy its freight through its competitors in the United States. A large proportion of
the standing timber in British Columbia is American-owned or controlled, American standing timber has heavy carrying charges. A group of financiers controlling both American and British Columbian standing timber would naturally use all their endeavors to cut their American timber in preference to their British Columbia timber. The leading people in the British Columbia Lumbermen's Association, those who have the ear of the government, and the Boards of Trade, represent mills that are controlled by American capital. These mills get the greatest proportion of the small export trade that British Columbia is allowed to have. Most of the British-owned lumber mills are closed down.235

The Western Lumberman, a particularly outspoken Canadian trade journal, doubted that the export mills of British Columbia were possibly receiving their full share of recognition, referring to "the pregnant fact that the coterie of San Francisco brokers, through charters, had only a short time before, given out the information that 'the export mills of British Columbia could be counted on one finger'. "To say the least", the journal continued, "this was an odd blunder for them to fall into, seeing that nineteen or twenty of the waterfront mills of the province have membership in the Pacific Inspection Bureau, for the sole reason that they are equipped for the export business, and make shipments when opportunity offers or the state of the market permits. We have seen

This situation, which was certainly prejudicial to the interest of the local industry, was due partly to historical conditions over which local lumbermen had little control and partly to their own lack of foresight. The lumber industry of the American Northwest began in Humboldt County, California, in 1850 and within a very short time grew into an industry of much more than local importance. By 1870 enterprising Californian businessmen had built up a healthy export trade in redwood and pine, which they shipped to almost every nation in the Pacific Basin. Even Victoria itself ordered large quantities of redwood for the interior finishing of public buildings and the more pretentious homes. This trade centred its activity in San Francisco, the largest city in the West. By as early as the middle 'fifties the timbermen of San Francisco began to extend their interest to the fir and spruce forests of Washington and Oregon. Washington, with its many harbours and ports, was most attractive, and operations were established as early as 1855 on Puget Sound and Grays Harbor. So far as shipment by water was concerned, the lumber industry of Washington was older than that of British Columbia.

Some of the pioneer firms established on Puget Sound were still cutting in 1915, chiefly for the water-borne trade, whether coast-wise or export.\textsuperscript{238} The commercial part of this vast industry remained overwhelmingly centred in San Francisco.\textsuperscript{239}

During this pioneer period, the American industry established foreign connections of value; it built its own fleets, and some San Francisco firms controlled a dozen or more vessels, which, on occasion, served in the export trade as well as in the coast trade. Ten to twenty years after the industry was well established on Puget Sound the British Columbia industry began to be developed. Therefore, the United States enjoyed the advantage over British Columbia of being established earlier in the export business, and long and friendly acquaintance in foreign markets. Lines of trade thus established and maintained were not easily challenged.

The carrying trade remained consolidated very largely in the hands of Pacific Coast vessels controlled by San Francisco brokers. It was only natural that owners chartered more readily, all things being equal, with fellow merchants in San Francisco than with operators in British Columbia. Certain expenses could be avoided


\textsuperscript{239} Palmer to Lugrin, (October 19, 1914), \textit{McBride Papers}. 
by loading in the United States instead of in Canada. Consequently British Columbia exporters paid 1/3d to 2/6d per thousand feet higher freight for a vessel to load in British Columbia than the same vessel would accept to load in Washington or Oregon. Needless to say, this difference constituted a most serious handicap to the British Columbia industry.

This unfortunate position in 1914 was described by the Hon. W. R. Ross, Minister of Lands, in this way:

We can only deal with the sister Dominions of the Empire through the agency, and by the favor of American brokers, American lumber buyers, American shipping companies. I speak about our cousins across the line in no unfriendly spirit. Their competition with us is straightforward business. But naturally, they exercise their legitimate privilege of swinging business to their own people, and therefore the shipping and selling monopoly they have established in the export lumber business, has become a lid that stifles the export trade of this province. When orders from other portions of the British Empire -- from Australia, India, the United Kingdom -- are subcontracted to British Columbia mills by San Francisco brokers, instead of being received direct; when other orders from the Empire are filled on the American side without our even hearing of them; when, after strenuous efforts, our mills secure the chance of tendering on a few orders, and find themselves condemned to let everyone go past them to American mills, because they can not get a single ship -- well, in such untoward circumstances, it is time for us to get busy and do something drastic to secure this trade that rightfully belongs to us.

240 Palmer to Lugrin, (October 19, 1914), McBride Papers.
There was also the problem that several of the importers in Australia, England, and other lands were closely allied with, if not branch establishments of, those in San Francisco. None of the Canadian mills, with the single outstanding exception of the Hastings Mill, had any real knowledge of the export trade. That mill had its own agents in Australia and the United Kingdom.

But the fault of British Columbia lumbermen, or at least their responsibility for their plight, derived from their short-sighted policy of refusing to face these problems for two decades, thereby allowing the export market to go by default in favor of the more insistent and temporarily more profitable trade of the Prairies. During the same period there was no such extraordinary demand made on American Coast mills by the American Prairies, so the lumbermen of Washington and Oregon, in a position to export, were able to step in and take over much of the trade which British Columbia mills were neglecting in favor of the home market.

Two solutions offered themselves to the problem: the close co-operation of the British Columbia millmen amongst themselves to establish trade lines, and the establishment of government-subsidized shipping.

242 Palmer to Lugrin, October 19, 1914, McBride Papers.
243 West Coast Lumberman, vol. 73, (September, 1946), p. 100.
E. J. Palmer, one of the few millmen who all through the previous period of great prosperity had never lost sight of the essential need of a healthy cargo trade, suggested the first solution: "My idea is, that the British Columbia lumbermen should get together and sell through one agency, each mill binding themselves to the amount they will furnish, charging the same commission as they now pay California brokers, everything in excess of the amount required for actual expenses, to be expended in the extension of our markets, if possible, in conjunction with the Government."244

Mr. MacMillan, reporting to Sir Richard McBride, on his world tour, offered additional reasons for giving Palmer's suggestion serious study: "This course of business is unnecessarily indirect, and exposes the Canadian producer both to paying two commissions on profits, to making his quotations known to his competitors, and further prevents him from keeping in touch with the London market. It is very advisable that Canadian Douglas fir producers should consider the advisability of either individually or jointly, establishing business connections with strong timber agents here, as has been done by American shippers."245 Meanwhile, the provincial government

244 Palmer to Gosnell, (November 2, 1914), McBride Papers.

met the demand for subsidized shipping by providing aid to the aggregate amount of two million dollars to the shipping and the shipbuilding industries of the province. The bill, which Premier Bowser introduced in the provincial legislature on May 3, 1916, provided for the appointment of a board to be known as the Shipping Credit Commission. It was composed of a superintendent and two directors, as a

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246 Subsidization of transport by government was not new to British Columbia. In March, 1907, the governments of Canada and Mexico began to jointly subsidize a bi-monthly steamship service between Vancouver and Salina Cruz, Mexico. (U. S. Government, Department of Commerce, Monthly Consular and Trade Reports, Government Printing Office, Washington, (January, 1907), p. 110.) These ships carried considerable shipments of grain and lumber to Mexican ports. The grain went from Alberta to Vancouver by rail, by steamer from Vancouver to Salina Cruz, and then over the Tahuantepec Railroad to ports on the Gulf of Mexico where it was re-shipped with the lumber by steamer to England. This route was cheaper than the rail route from Alberta to St. John and then by steamer to Liverpool. (Ibid., (May, 1909), p. 40.)

The ironships of this company, the Canadian-Mexican Pacific Coast Steamship Company of Vancouver, were bound by a crippling proviso. The subsidy was granted only on the condition that no calls were made at American ports for the purpose of obtaining business or supplies. (Ibid., (May, 1907), p. 119.)

The company lasted less than a year before it was taken over by the British Coast Steamship Company, an American-controlled firm with headquarters in Victoria. Bound by no agreement with the government, it continued the service between Vancouver and Mexico, but added Puget Sound lumber towns to its ports of call. (Ibid., (January, 1908), p. 133.)

The subsequent history of this early sea link between British Columbia and the mother country is not known. It is reasonable to assume, however, that competitors in Oregon and Washington would do all in their power to persuade this American company to purchase its lumber and cereals in American ports. After 1910, the company ceased to be a factor in the province's export trade.

246a British Columbia, Statutes, Bill No. 43, 1916, "An act respecting shipping and to make Provision for aid to the ship-building industry in the Province of British Columbia."
body corporate, which had complete control of the administration of the act, and the responsibility for carrying out its provisions. The annual subsidy was paid only to vessels which remained in the continuous service of British Columbia industry and carried cargo from British Columbia and brought return cargoes to the province. 247 Under the bill's provisions if a builder could not borrow money elsewhere, he could obtain fifty-five per cent of his outlay from the provincial treasury. 248

Immediately after the enactment of the legislation, the Cameron Lumber Company Limited, and the Genoa Bay Lumber Company organized a shipbuilding firm known as the Cameron-Genoa Mills Shipbuilders, Limited. 249 Their first ship, christened Margaret Haney was launched on February 3, 1917. She was instantly chartered to carry a cargo of British Columbia lumber to Australia. Immediately after the launching of the Margaret Haney, the keel of the

Malahat was laid down. In rapid succession the ships, Laura Whalen and Esquimalt were launched and other keels were laid in their places. On July 1, 1917, another shipbuilder, the Foundation Company of British Columbia, Ltd., established a yard on the waterfront of Victoria's inner harbor, immediately adjoining the yard of the Cameron-Genoa Company and began the production of additional carriers. These vessels were usually five-masted schooners equipped with auxiliary gas engines and designed primarily for carrying lumber. They were about 250 feet long, with 44-foot beams, and 21-foot holds. Built at a cost of $140,000, they had a lumber-carrying capacity of 1,500,000 feet.

In Vancouver there was even greater activity in shipbuilding. In the years between 1917 and 1921, the shipyards of the province's largest city produced 492,000 tons worth $88,000,000, many of them for the Canadian Government's Merchant Marine, and many for service in the province's greatest industry.

With the end of the war the Canadian Government was prevailed upon to interest itself in this same problem. In 1919 it offered subsidies to various lines carrying

252 Vancouver Sun, October 8, 1932, p. 4.
Canadian goods from West Coast ports to points in the Orient and the South Pacific. In this way subsidized shipping played a major role in the establishment of an export trade, and many lines were encouraged to establish connections. By 1922, the Canadian Robert Dollar Lines, the Canadian Pacific S. S. Company's Lines and the Canadian Merchant Marine Lines, in addition to the many smaller companies either operated out of Vancouver or made it a port of call. In the early 'twenties, the service of the Canadian Government Merchant Marine became the most important feature of all in the shipping facilities of British Columbia ports. The monthly services of their 8,000-ton steamships to practically every foreign lumber market of the world were of inestimable value to the export lumber trade.253 The vessels of this line were operated for the benefit of British Columbia trade on a preferential basis over any other line. In the one month of June, 1921, for example, these government ships carried thirty-five million feet of lumber from British Columbia ports to overseas destinations.254

Another factor which aided materially in breaking the stranglehold which American firms maintained on the distribution of British Columbia's lumber industry was the changing character of the wheat-shipping lanes. The

movement of Prairie grain through British Columbia seaports to such offshore markets as the United Kingdom and the Orient grew rapidly after 1921. The influence of the Panama Canal route in the movement of Canadian Prairie grain to Europe was the controlling factor in forcing this recognition of the strategic location of the Canadian Pacific Coast ports for grain shipments. During the war years, the shortage of ocean tonnage precluded the use of the Panama Canal for grain shipments just as it had done for lumber shipments, but with the easing of the tonnage problem after 1919, advantage could be taken of the opportunity that the Panama offered to cut out the expensive rail haul between Alberta points and the Lakehead. Another important factor was the shift in the location of the wheat-producing areas on the Prairies. In 1907 the wheat-growing centre of the nation lay in Manitoba; by 1912 it had shifted into Saskatchewan and by 1928 it had again moved westward until Alberta and Saskatchewan together produced ninety percent of the Prairie's wheat. With every shift of the grain-producing centre westward, it became more feasible to ship via Pacific ports rather than via the long haul to the Lakehead and Atlantic ports. The result was that between 1921 and 1925 this volume of annual wheat shipments increased from 1,250,000 bushels to over 52,000,000 bushels. In 1925, Vancouver established

its claim for an equalization of the export grain and flour rates between Eastern and Western Canadian ports. This claim, granted by the Board of Railway Commissioners, became effective on September 15, 1925, and Vancouver's future as a great grain port was assured. A gradual increase in shipments occurred annually, until in the 1927-1928 crop year, over eighty million bushels entered world markets through Vancouver alone.

The growth of the grain trade had a two-fold effect on the lumber industry: the new tonnage used to transport the grain gave a real impetus to various commercial activities of the province, thereby stimulating the lumber industry; and, more important, it made available a continuous stream of cargo vessels to Vancouver. Grain offered a very great inducement for regular steamship lines to establish themselves in Vancouver and New Westminster, as a partial cargo of this cereal could be depended upon for a greater part of the year. In the early stages of the grain traffic, the bulk of shipments moved by full cargoes in tramp steamers, but, after 1923, regular lines and tramp steamers grew more and more interested in grain transport.257


257 Loc.cit.
The availability of grain shipments played a vital part in bringing about lower rates for shippers of lumber and other kinds of cargo, for ship owners could complete their cargoes with bulk grain at any season of the year. The ideal cargo for a tramp steamer was two thousand to three thousand tons of bulk wheat in the lower holds, completed with lumber between decks, and a deck load of lumber, timbers, or logs. This combination created buoyant ballast and soon became the ideal revenue earner.

The movement of grain through Vancouver also brought to the industry a continual supply of empty box cars to carry eastbound lumber shipments: an advantage which was accepted without the gratitude that it would have elicited two decades earlier.

Concurrent with the establishment of a continual supply of ships was the organization of home-controlled selling organizations, which gave foreign buyers direct contact with British Columbia exporters. The first such organization was established early in 1914. It was the Canadian Trading Co., Ltd., of Vancouver, an offshoot of the Douglas-Fir Exploitation & Export Co., of San Francisco. Its agents offered to buy on a yearly contract all the lumber the British Columbia mills were prepared to export. They offered to pay the market price as long as it was not in excess of the price then being paid by
the Douglas Fir Exploitation & Export Co. The Victoria Lumber & Manufacturing Co. Limited of Chemainus; the Cameron Lumber Co. Limited of Victoria; the Genoa Bay Lumber Co. Limited of Genoa Bay; the Canadian Western Lumber Co. Limited of Fraser Mills; and the Vancouver Lumber Co. Limited of Vancouver accepted the offer; other mill-owners, however, preferred to either look after their own export business or to continue to give their entire attention to the Prairie and Eastern markets. This promising start was foredoomed to failure. The war and the consequent shortage of tonnage disturbed the arrangement and the little tonnage available to the lumber trade was diverted by the American parent organization to American mills, and British Columbia mills got along as best they could.

The first successful large-scale attempt at co-operation occurred five years later, when, in 1919, Sir James Ball, the British timber controller, visited British Columbia and presented local lumbermen with an opportunity that was ultimately to revolutionize the industry and change its whole marketing attitude. The railways of Great Britain, strained and worn by five years of war-time service, required the quick delivery of large

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258 Western Lumberman, vol. 15, (December, 1918), p. 41.
quantities of timbers and ties, and Sir James proposed placing an order with the British Columbia government for seventy million feet. No single mill would undertake to supply such an order within the time limit and Sir George refused to divide the order up and make separate contracts with as many different mills. Several conferences were held with the Hon. T. Dufferin Pattullo, Minister of Lands, which finally resulted in the adoption of a plan to organize a corporation to act as sales agent for all the manufacturers taken in as shareholders. No person or company was admitted as a shareholder unless he was actively engaged in lumber manufacturing. The formation of the Associated Timber Exporters of British Columbia Limited was completed on March 27, 1919.259 This organization, accepted an order for seventy million feet of railroad ties for the commissioner and filled it in a manner satisfactory to the purchasers and to the mills concerned. The successful execution of this order, more than any other single factor, served to give self-assurance to the industry in its determination to trade in the markets of the world as an industry independent of its American counterpart. The organization continued thereafter to handle orders which would have been beyond the capacity of any one mill to fill. By far the larger

259 Western Lumberman, vol. 18, (October, 1921), p. 25.
number of export mills became members of the association, and all channeled their export business through it.

As other mills grew interested in the overseas trade, the organization expanded and sought more markets in which to sell its product. In a very few years, sales were being made to nearly every country in the world. As a result of this sales expansion the mills which owned Associated Timber Exporters of B.C., Limited, organized Seaboard Lumber Sales in 1928. It was formed to organize water shipments to the Atlantic Coast of the United States along with the Marine Shipping Co., Limited, which was to provide freight for the movement of the lumber.260

In 1937 the Associated Timber Exporters and Seaboard Lumber Sales Co. amalgamated under the Seaboard name. By 1952, when the lumber division of the giant Alaska Pine and Cellulose Ltd., joined the organization, it was, with the possible exception of the Russian government-owned timber agency, the largest lumber export sales and shipping company in the world.261 With a membership of forty sawmills it controlled an annual output of more than 1.1 billion board feet.

The other great exporting firm established in the period was that of H. R. MacMillan. In 1916, Mr. MacMillan left the service of the Canadian government to become Assistant Manager of the Victoria Lumber Manufacturing Company. Then, encouraged by the co-operation of Montague Meyers, one of England's best-known timber buyers, he founded his own firm, the H. R. MacMillan Export Company, in Vancouver.\(^2\) MacMillan and Meyers soon discovered that the five most substantial importers in the United Kingdom refused to recognize them. They, embarked, therefore, on a policy of selling lumber directly to anyone in the United Kingdom who would buy.\(^3\) After that, the MacMillan company rapidly became a leading factor in the export trade. In one perhaps representative, seven-day period in September, 1921, it received orders totaling thirteen million feet of lumber from the British Admiralty Shipyards, from California, from China, Japan, New Zealand and Australia.\(^4\) During the next fifteen years the H. R. MacMillan Export Company built up a lucrative trade, with as many as fifty-one ships under charter at one time to its subsidiary, the Canadian Transport Company.


\(^3\) West Coast Lumberman, vol. 74, (October, 1947), p. 97.

The first market seriously considered by the lumbermen encouraged by Sir James Ball's huge order in 1919 was Australia, the sister Dominion. Australia had been the mainstay of the Coast business in the early days of Stamp and the Hastings Mill. In 1894, for example, thirty-five per cent of Australia's imports of lumber from the Pacific Northwest originated in British Columbia, but the province's obsession with the Prairie market had caused its share to dwindle to three per cent by 1914. Australia now became a highly prized market, for in addition to her traditional consumption of large quantities of Baltic timber, she was buying very large shipments of timber from California, Oregon and Washington.

American exporting companies were in almost complete possession of the Australian market for Pacific Coast lumber. The problem was to dislodge them. The formation of Canadian trading companies with agents in Australia was essential, for, as Mr. MacMillan pointed out, Canadian exporters operated at a disadvantage as long as they quoted in the Australian market through the agents of their American competitors.

Accordingly the local industry set up its own marketing offices in Australia. The combination of

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266 loc. cit.
government-subsidized shipping and independent marketing won almost immediate returns. Within four years local mills were supplying from thirty per cent to forty-two per cent of Australia's demands of Douglas-fir and had deprived Oregon and Washington mills of much of their custom in the sister Dominion. By 1924, so well-established were the shipping routes with Australia that the Canadian government decided that its subsidization of transport to Australia was no longer essential. It cancelled its subsidy with disastrous consequences. British Columbia's share in Australia's imports from the Pacific Coast region fell in the next four years to seventeen per cent, thirteen per cent, fifteen per cent and thirteen per cent.268

The chief difficulty before the exporter of British Columbia lumber to Australia was the lack of return cargoes. Baltic lumber was sold in Australia at a price lower than British Columbia's despite the longer distance it was carried, simply because the ships carried profitable freights both going and coming: taking coal from England to the Baltic provinces, lumber from the Baltic to Australia, and returning with meat and wool.

268 Ibid., p. 24.
for the United Kingdom. Only a preferential tariff or a ship subsidy would allow British Columbia to meet the prices made possible by this triangular trade pattern.

H. R. MacMillan took a leading part in the agitation for a return of the subsidy, his argument being that the lack of a direct freight service between Canada and Australia, was once again driving the lumber trade with Australia into the hands of the American producers, who could compete with the Baltic industry.\textsuperscript{270} He pointed out that the United States government subsidized various American trans-Pacific shipping services to the extent of more than five million dollars a year, and that that made competition beyond the resources of British Columbia private interests.

The Dominion government heeded the argument, and in 1929 the House of Commons passed an estimate of eight hundred thousand dollars to subsidize a lumber-carrying steamship service from British Columbia ports to Australia, and several coast shipping companies, notably the H. R. MacMillan Export Co. filed bids for the contract.\textsuperscript{271} Finding his bid successful, MacMillan formed the British Columbia-Australia Shipping Company, which operated in

\textsuperscript{270} \textit{Western Lumberman}, vol. 16, (January, 1919), p. 42.

\textsuperscript{271} \textit{Timberman}, vol. 3, (January, 1929), p. 137.
conjunction with the H. R. MacMillan Export Company. They received a federal subsidy of ten thousand dollars a cargo.\textsuperscript{272} The only other subsidy paid by the Canadian government on the Pacific Coast was that made to the Canadian-Australia Royal Mail Line, which received $115,000 a year. This company, however, anxious to earn the maximum profit, catered almost exclusively to passengers and general cargo, and in 1928 carried only eight million feet of lumber.\textsuperscript{273}

Japan was the next logical choice upon which local exporters set their sights. That nation was no newcomer to the local market, having occasionally placed large orders in the province since the turn of the century when the Canadian Pacific Lumber Company cut large quantities of lumber for the construction of rolling stock for the Manchurian Railway.\textsuperscript{274} In 1920, trade channels with Japan were still of a very minor nature as the war had disrupted the normal activity and Japan was now going through the severe post-war economic depression that affected a large part of the world.

The picture, however, was suddenly and completely changed, by one of the worst earthquakes in the history of

\textsuperscript{273} Loc. cit.
the nation. The earthquake, which occurred on September 1, 1923, was followed by a tidal wave and by fire which all but completely destroyed the cities of Tokyo and Yokohama. It was estimated that almost 400,000 houses were destroyed in these two cities alone, and that 1,382,310,000 feet of lumber would be needed to rebuild them. Unable to buy more than half of her requirements in the American market, Japan turned more than she would have otherwise done to British Columbia's mills. Almost at one leap Japan became one of the industry's most important customers, buying over a billion feet between 1924 and 1926.

This enormous demand sent prices up to near wartime heights, with the effect of forcing the Japanese to look for new sources of supply. In their extremity they turned to Siberia, an area from which they had, until then, imported only the smallest quantities. There, in 1925, with the permission of the Soviet authorities, they began the exploitation of the Eastern Siberian forests.

It is difficult to ascertain to what extent the falling off of Japanese demand after 1928 was due to the exploitation of the Siberian forests, for the world was entering a period of severe economic depression into which Japan was inevitably drawn. However, it can be assumed

275 Western Lumberman, vol. 21, (December, 1924), p. 11.
that a fair part of Japan's supply was drawn from the Soviet region, at least until Japan's attack upon Manchuria, China's northern province. After 1931, with Japan in more and more control of Manchuria's natural resources, Manchurian lumber went far to satisfy her requirements and she ceased to buy more than minute quantities in the British Columbia market.

For a long time it had been felt that with the end of the war Pacific Coast lumber would immediately invade the Eastern Seaboard of the United States via the Panama route. That this invasion did not immediately occur cannot be attributed to any laxness on the part of the Douglas-fir producers, but rather to the fact that they could not at first compete in the Northern markets with the pine shipments from the Southern States. However, by the middle of 1922, rail shipments from the South into the New York district began to fall off owing to the growing scarcity of Southern stumpage, and water shipments of Douglas-fir began to move through the Panama Canal from the Pacific Northwest.


277 In 1921 a total of 500,000,000 feet of timber from British Columbia, Washington and Oregon, was shipped through the Panama Canal to the Atlantic seaboard, and in 1925 the total was tripled. Ibid., vol. 30, (February, 1927), p. 206.
While the United States attempted to meet its tremendous post-war housing shortage, British Columbia mills enjoyed one great advantage over their competitors in Washington and Oregon: foreign vessels were excluded by American law from carrying cargoes between United States ports. Consequently American shipowners, freed from foreign competition charged high rates. There was a margin of $3.25 per ton in favor of vessels plying between Vancouver and New York over American vessels running from Seattle.278 The British Columbia millman could, therefore, land his product in New York at about two-thirds the cost faced by his Seattle counterpart. The consequence of this disparity was immediate and startling. Export figures of the waterborne lumber from British Columbia to the United States in those first years leaped from 4,164,845 feet in 1920, to 326,313,841 feet in 1925,279 and for the first time in the history of the local industry the United States became by far its most important customer.

Not all of this huge production, however, was destined for the Eastern Seaboard. A lesser part of it contributed to the meteoric rise of the city of Los Angeles, and the general expansion of other Southern California cities. The rise of Los Angeles constituted one of the

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278 *Western Lumberman*, vol. 11, (February, 1914), p. 42.
279 *Timberman*, vol. 27, (March, 1926), p. 58.
most remarkable phases of the growth of Southern California. In 1920 Los Angeles harbor used 562,385,157 feet of lumber; in 1923 it handled 1,086,828,600 feet and in 1926 the lumber receipts were estimated at upward of 1,214,502,600 feet. Most of this production came from American mills in Washington and Oregon, but British Columbia mills were also involved. For example, in 1922, the Los Angeles Shipbuilding & Drydock Corporation amalgamated with the Massett Timber Company Limited of British Columbia, the Puget Sound Box Company, Ltd., of Seattle, and the Western Marine Supply Co., to form a corporation capitalized at $10,000,000. This new organization operated lumber mills of all kinds, a fleet of lumber vessels and many other allied activities. The Masset Timber Company Limited, the largest of the British Columbia parts of the firm, held the logging rights to 110,000 acres of standing timber on Graham Island, which were declared by experts to be the finest single tract on the American continent. The Los Angeles end of the giant undertaking owned a seventy-acre plant at Los Angeles. Logs were cut and rough-sawn on Graham Island, and the product was sent to the shipyard plant in Los Angeles, where a large area of the yard's unused water

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281 Loc. cit.
282 Loc. cit.
frontage was converted into a lumber yard, and where modern sawmills of large capacity were erected to finish and dress the lumber for the market. In this way a very large trade between the two coastal points was built up. In 1923, for example, California imported fifty million feet of British Columbia lumber, three times the quantity exported to the United Kingdom.

The Eastern Seaboard, however, remained the most consistently satisfactory market. The demand for pit props in the coal fields, for lumber to satisfy the Florida real-estate boom, and for new housing generally, constituted the most dependable market of the era. In 1929, the year of the great economic crash, British Columbia disposed of ninety per cent of its shingle output and between fifty per cent and sixty per cent of its lumber to these United States markets.

With the facility offered by the Panama Canal route, large quantities of local timber were also shipped to Montreal and Quebec. In Montreal, special equipment was installed on the docks to handle the large dimensions of the Coast forests. From Montreal much of the imported lumber found its way into Ontario. In fact, so large

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284 Ibid., vol. 25, (February, 1924), p. 129.
were shipments made in this way that lumber manufacturers of that province appealed to the provincial government for protection. It responded with an order stipulating that only Ontario lumber could be used in government contracts, and it instituted a campaign for the promotion of local lumber in preference to the Coast product, but beyond that point it could not proceed. British Columbia lumber continued to use the all-sea route through the Panama to flood Eastern Canada with a quantity of lumber almost equal to that which she exported to the American Eastern Seaboard.

By 1929 the goal of the British Columbia industry had been largely achieved. Lumbermen could point to a reasonably healthy home market, which consumed 210 million feet of local lumber; Eastern Canada and the Prairies used another 830 million; 580 million were shipped by water to California and the Eastern Seaboard; and another 400 million were distributed between the United Kingdom, Australia and other overseas markets. British Columbia had obviously won the struggle for a cargo trade independent of American control. Whether she could retain that trade in the face of the impending world-wide economic depression was another matter.

In 1929 there occurred on Wall Street the crash of stocks which ushered in a full decade of economic
depression for most of the world. Within two years, the building trade of the world was paralyzed; the consumption of lumber on the American continent tumbled to the lowest point since 1869; and the production of lumber in North America fell by seventy-five per cent to the lowest point since 1859. Not only was Coast production reduced by approximately sixty per cent, but the price of lumber dropped in the year 1932 to less than half the average of the preceding seventeen years. In the five-year period between 1930 and 1935, many operators both large and small were forced to discontinue operations, and many others worked on reduced time schedules. Other plants reduced wages from thirty to forty per cent to maintain operations.

An additional blow to the industry came in the decision of the twenty leading timber importers of the United Kingdom to combine for the first time to purchase the entire exportable timber supply of the Soviet Union for 1929. The agreement involved payment to Russia of fifty million dollars and was one of the largest transactions made with the Soviet Union since the revolution of 1917.

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At this time the Russian Government had embarked upon its first five-year plan to industrialize the Soviet Union, and, in accordance with its plan, contracted with other nations to supply raw and near-raw materials for the necessary currency with which to purchase industrial machinery from the West. Her first such agreement, with Japanese lumber interests for the exploitation of far Eastern Siberian forests, deprived British Columbia of the Japanese market, and its second one threatened the province's lumber trade with Great Britain.

In the following year the Soviet Union appeared in the role of serious competitor against the Pacific Northwest as a shipper of doors to the United Kingdom.\textsuperscript{289} To have met the price for doors quoted by the Russians would have been ruinous for West Coast mills, while price was not an overriding consideration with the Soviet Union.

Throughout Australia, New Zealand and Southeast Asia depression prevailed, and orders from those regions dwindled to a fraction of their former volume. In addition, the Prairies suffered from a curtailment of wheat sales, which rendered their purchases of lumber almost negligible. But perhaps the most severe blow of all came in the form

\textsuperscript{289} \textit{West Coast Lumberman}, vol. 57, (December, 1930), p. 56.
the Smoot-Hawley tariff, which effectively excluded British Columbia's lumber from the United States. This tariff, designed to protect American industries from competition with foreign sources in the home market, became law on July 1, 1932. This Congressional action virtually shut out British Columbia lumber from the United States, thereby marking the bottom of the slump in the industry. It was the worst year since that year of crisis, 1914.

Under these unfavorable circumstances it became necessary once again to attempt to repeat the performance of building almost from nothing a new market for British Columbia's lumber. This was no easy task in a time of world-wide depression, when international trade was declining and intensified nationalism was erecting trade barriers in the form of higher import duties, quotas and other restrictions.

Facing the curtailment of their American market and recognizing the nature of the new and peculiar Soviet competition, British Columbia lumbermen prepared to make the strongest bid ever attempted for the lumber trade of the United Kingdom. The United Kingdom was the greatest lumber importing country in the world, requiring over thirty-three billion feet a year. If that market could be captured or even shared in a reasonable way with the other great producing areas, the problem of the
province's first industry would be largely solved. The first opportunity to carry out this resolve came in July 1932, when the representatives of Great Britain and the Dominions, met in Ottawa in order to find some solution to the general economic impasse in which their respective nations found themselves. They agreed that the only hope for solution lay in increased intra-Commonwealth trade encouraged by imperial preferences. The significance of Britain's abandonment of her traditional policy of free trade to British Columbia lumbermen lay in the ten per cent preference which Great Britain agreed to accord to lumber from the Dominions. This decision gave British Columbia mills the actual refusal of all business that came to the Pacific Northwest. It meant that Washington and Oregon mills could not seriously compete in any lumber product that the British Columbia mills could supply. In effect, ships that formerly took cargos out of Portland, Oregon, for the British Isles, but could not afford to load a cargo in Vancouver at the same rates, now found it more profitable to load in British Columbia.

The ten per cent preference did not prove large enough, however, to dislodge the Baltic and Russian products from United Kingdom markets. The Canadian industry, therefore, requested a preference of at least twenty per cent. Great Britain did not agree but instead,
in accordance with Article 21 of the Ottawa trade agreement, imposed an embargo on Soviet lumber. This article read: 'This agreement is made on the express condition that if either government is satisfied that any preferences hereby granted, are likely to be frustrated by the creation or maintenance directly or indirectly, of prices for such classes of commodities, through state action on the part of any foreign country, that Government hereby declares that it will prohibit the entry from such foreign country such commodities into its country, for such time as may be necessary to make effective and to maintain the preferences, hereby granted to it.'

The Baltic region now remained the Canadian industry's most serious competitor in the United Kingdom, and in the Commonwealth and Empire. This formidable competition was based upon ample, satisfactory and accessible forest resources, first-class machinery, high-grade management, competent labor at under fifteen cents per hour, and a freight haul averaging only one thousand miles to the United Kingdom market, as compared with British Columbia's nine thousand miles. In consequence of this fortuitous

290 Great Britain, Imperial Economic Conference at Ottawa, 1932, Summary of proceedings and copies of trade agreements, Cmd. 4174, pp. 22-23.

combination of factors shipments of 81,000,000 feet to the United Kingdom in 1931 grew to 455,000,000 feet in 1934,\(^\text{292}\) and continued at a high pitch until after the outbreak of World War 2. This great consumption of lumber in Great Britain in the depression decade was based on the decision of the British government to aid slum clearance and to subsidize large-scale housing development projects. In 1937 and 1938 alone, housing societies built four million houses with government aid.\(^\text{293}\) In 1938, after Chamberlain returned from Munich, Britain added to her normal demands by constructing vast numbers of air-raid shelters for use in the coming struggle with Germany. Each one used fifteen thousand feet of lumber.

The Ottawa Agreements having been renewed in 1937, the British market remained the very backbone of the province's export industry until the outbreak of war in 1939. As one leading exporter phrased it: "We are as much a part of British trade economics as Yorkshire. Whether we like it or not, we have placed all our eggs in one basket, and we had better watch the basket. Otherwise, all is lost."\(^\text{294}\)

\(^{292}\) *Timberman*, vol. 37, (December, 1935), p. 40.

\(^{293}\) *West Coast Lumberman*, vol. 74, (October, 1947), p. 97.

\(^{294}\) Mr. H. R. MacMillan, quoted in: *West Coast Lumberman*, vol. 65, (May, 1938), p. 74.
The second important market to be captured from Oregon-Washington competition, was Australia. Australia used 800,000,000 feet of lumber annually, of which less than 40,000,000 feet came from Canada in an average year. The larger part was supplied chiefly by Oregon, Washington, and the Baltic states. In 1929 British Columbia lumbermen, despatched a delegation of able lumbermen to Australia who had arranged an agreement between Canada and Australia, and later with New Zealand, that gave Canada a preferential of one Australian pound (then about $5), a thousand feet on fir, and one-half of that amount on hemlock. Immediately trade with Australia shifted from American mills to British Columbia mills.

The Ottawa agreements of the next year assured the position of British Columbia in the Australian market by according her the same preference she enjoyed in the United Kingdom. As a result, exports to Australia grew rapidly from 41,000,000 feet in 1929, to 158,000,000 in 1937, and British Columbia's share in the total export of lumber from the Pacific Coast to the Australian market, rose from sixteen per cent in 1929 to ninety-two per cent in 1934.295

Not all of the Australian trade took the form of

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sawn lumber, the form in which lumbermen prefer to export lumber. In order to encourage lumber manufacturing in Australia and to provide employment for Australians, low import duties were imposed on British Columbia logs. Australian sawmills, usually equipped with modern American sawmill machinery, were erected in Sydney, Brisbane and other cities, to manufacture lumber from Douglas-fir logs imported from British Columbia. Probably seventy-five per cent of the fir lumber used in Australia was manufactured in Australian sawmills under such conditions. 296

Having already captured eighty-three per cent of the Pacific Coast trade with Great Britain, British Columbia now reached the premier position in timber exports from the Pacific Coast. Fifty-five per cent of all shipments made from the Pacific Coast ports in 1934 were made from provincial ports; while in 1936 they accounted for sixty-seven per cent. 298 Several factors besides tariff preferences were responsible for this remarkable achievement: subsidized shipping allowed the industry increased distribution; the aggressive salesmanship of the large exporting firms was easily the equal of that of its American competitors; the co-operation of both

provincial and dominion governments; the relatively
stable labor conditions in the British Columbia industry; and lastly the easing of the competition from the United
States industry owing to the rigid regulations of the
National Recovery Act.

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300 The National Industrial Recovery Act was a code designed to revitalize the lagging commerce and industry of the nation. For a period of two years the outputs, wage scales, hours of labor and price schedules of the American lumber industry were governed according to its principles. The high wages and shorter hours which the act forced on the mills in Washington and Oregon worked temporarily to the advantage of British Columbia mills. Thirty to thirty-three cents an hour was about the top minimum wage in the lumber industry in British Columbia, and some mills paid as little as fifteen cents an hour. In addition, most British Columbia mills operated on a forty-eight hour week. The act, by comparison, imposed a minimum hourly wage of 42-1/2 cents and enforced a forty-hour week. Timberman, vol. 36, (March, 1935), p. 7.
CHAPTER IV


The outbreak of the Second World War signalled a sharp increase in activity in the lumber trade. It seemed evident that Canadian forests and forest industries would be depended upon to supply not only the major part of the requirements of the United Kingdom for forest products but also increasing amounts to other countries that had been securing supplies from the Baltic states, whose exports were practically eliminated. Before they could take advantage of this seemingly fortunate turn of events, British Columbia lumber exporters had to face two major problems: increased freight and insurance rates caused by Germany’s indiscriminate submarine and mine warfare, and, more important, the growing scarcity of ships to carry their products to the hungry markets of the United Kingdom and other states of the Atlantic community.

In the emergency British shipping was taken over once again by the British Admiralty and, under government control, plied the more important supply lines on the

301 Large quantities of lumber, pit-props, pulp, paper and other wood products were normally exported from Finland, Sweden, Russia, Latvia, Estonia and Lithuania not only to the United Kingdom and other European countries, but to the United States, South America, South Africa, Australia and Asiatic countries. British Columbia Lumberman, vol. 24, (November, 1940), p. 75.
Atlantic. To add to the shortage, neutral vessels were no longer freely available for handling freight to belligerent ports, the convoy systems rendered all ships as slow as the slowest vessel in the fleet, and submarine losses each day constituted a further toll on transportation.

The result was a gradual stockpiling of lumber in British Columbia yards. So serious did the ship shortage become, that British Columbia millmen were driven to attempt one of the most daring strokes in trade history. In December, 1939, a large proportion of the lumber accumulated on the coast for the United Kingdom began moving by rail to the Atlantic coast for trans-shipment, instead of by the customary Panama Canal route. From there the British Government undertook to supply the sea tonnage to the United Kingdom. Despite these formidable difficulties, British Columbia mills shipped to the United Kingdom 964,000,000 feet of lumber in 1939, and about one billion in 1940.

Gradually, however, the shipping situation deteriorated even further as the Battle of the Atlantic progressed. After June, 1941, when Hitler invaded the Soviet Union, Britain discovered a new source of supply

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303 Ibid., vol. 67, (December, 1940), p. 64.
in the Soviet's northern forests. Ships carrying munitions from the United Kingdom to Murmansk, returned with cargoes of lumber for the besieged British Isles. 304

This point of activity constituted the fourth abrupt change in the marketing pattern of the British Columbia lumber trade: it marked the end of the United Kingdom as the prime sustainer of the province's chief industry. At one time, such an understanding between the Soviet lumber trade and the United Kingdom would have caused anxiety among British Columbia lumbermen, but with North American markets so active that they found it difficult to meet demand, the lumbermen of the West Coast were not disturbed by the development. By 1942, overseas export shipments had fallen to between thirty and forty per cent of their pre-war bulk. 305

The loss of the export market was not noticeably felt for Canada's own war demands were growing as she hastily built and trained a war machine. Construction of air-training bases for the Canadian Air Force, and the Commonwealth Air-Training Scheme used millions of feet of fir. The lumber industry was engaged on defence work to the extent of about eighty per cent of its production. After December 7, 1941, the United States

304 West Coast Lumberman, vol. 69, (March, 1942), p. 78.
commitment to an all-out war effort taxed its own lumber industry to the utmost and made demands on the Canadian industry. This combined demand more than compensated for the loss of the cargo trade.

In 1942, the Prairies entered the British Columbia market in a large way for the first time since 1913, with orders totalling 200,000,000 board feet. The lumber was needed in the grain country because of the unprecedented demand for storage. A huge harvest in Alberta, Manitoba and Saskatchewan caught those provinces totally unprepared for the storage situation, and in the emergency, operators of depleted lumber yards looked to the West Coast for assistance.306

As a result of these developments, the British Columbia lumber industry became once again chiefly concerned with the rail trade of the home market and the United States, and has remained so ever since. The trade with the United Kingdom fell from a high point of 971,594,000 feet in 1940 to an average of 557,101,000 feet in the years between 1946 and 1955. The trade with Australia, another member of the sterling area, fell from 158,400,000 feet in 1938 to an average annual shipment of 83,947,000 feet in the 1946 to 1955 period.307

Trade with the United States showed an opposite trend. The population of the United States in this period increased very rapidly -- by a number equal to the population of Canada every six years. Of equal weight was the startling extent to which the United States raw material supply surveys depicted the growing American dependence for industrial raw materials on external sources. Canada remained the logical source for many of the raw materials, and the United States drew increasingly upon her for them.

Nowhere was this demand more emphatically felt than in the lumber trade. For the ten years before the war, forty-five per cent of Canada's lumber exports went to the United Kingdom and twenty-six per cent to the United States; for the six war years, forty-five per cent went to the United Kingdom and forty-six per cent to the United States; for the first four post-war years only thirty per cent went to the United Kingdom and fifty-three per cent to the United States and in 1950 just eight per cent went to the United Kingdom and eighty-four per cent went to the United States.\textsuperscript{308}

The total value of British Columbia forest products exported to foreign parts in 1952 amounted to

\textsuperscript{308} Canadian Pulp and Paper, vol. 5, (April, 1952), p. 120.
of which amount the United States accounted for $100,961,916.\textsuperscript{310} Fully sixty per cent of British Columbia's pulp and paper was sold to the United States; about twenty-five per cent to other off-shore markets, chiefly in the Pacific basin; and fifteen per cent in the home market.\textsuperscript{311}

The unprecedented prosperity of the lumber industry in these war years and in the years immediately following wrought some remarkable changes upon the industrial and social face of British Columbia, for the lumber industry was still the most important single factor in the general prosperity of the province.

One significant change was the return of the Interior to an important place in the production of forest crops. The invention of modern machinery for making roads, the development of trucks for transporting logs long distances from forest to mill, and the new demand created by the war and post-war prosperity effected a strong revival of logging and lumbering in both the Southern and Northern Interior. Even timberlands near

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\begin{itemize}
\item \textsuperscript{309} British Columbia, Department of Trade and Industry, \textit{External Trade, 1952}, p. 2.
\item \textsuperscript{310} Ibid., compiled from statistical tables on pp. 30-42.
\item \textsuperscript{311} \textit{Canadian Pulp and Paper Industry}, vol. 5, (April, 1952), p. 72.
\end{itemize}
the large centres, which had been thought unexploitable under normal conditions, became suddenly valuable under the compulsion of war-time demands. It was the industry of this area which was called upon by the Federal Timber Control during the war to supply a large part of Canada's domestic requirements and much of the lumber used for a variety of war purposes. Nakusp became the chief pole-producing centre of the Interior. Nelson became a matchblock centre, producing blocks for Eastern Canada as well as matchplant for Spokane firms, and cotton-wood veneer for furniture-factories in British Columbia and Washington. Some of the cottonwood was logged on contract in the East Kootenay District and shipped by rail, but most was boomed down the arm of Kootenay Lake.

Salmo produced chiefly shingles, but it also made timbers for West Kootenay mines and sent pulp logs to paper mills in Spokane. Cranbrook, Golden and Invermere produced chiefly lumber and large numbers of railroad ties. Fernie too manufactured lumber and ties, but devoted much of its production to mine props for the heavily-seamed coal-mining mountain pass. An ever increasing volume of lumber was cut as the war progressed. War-time demand eventually became so great that it was loaded green.

In the Okanagan region, the lumbering industry gradually overtook fruit growing as the major item in the economy. The Vernon region alone supported sixty-four mills, four of which handled two-thirds of the total cut. Payrolls from the industry totalled $2,400,000 annually.\(^{313}\)

Between 1947 and 1954, the number of sawmills operating in the Southern Interior increased from around 475 to 1000 and the daily capacity of the region grew from 4,754,000 feet to 7,120,000 feet. The annual cut also has risen proportionately: from 582,437,000 board feet in 1947 to 905,279,000 in 1953.\(^{314}\)

The war years and the post-war decade were to the Northern Interior what the turn of the century years were to the Kootenays. Remarkably little change occurred around Prince George in the long period between 1915 and 1940. Perhaps the story of the area could best be illustrated by the fortunes of one man, Prince George's leading millman, Roy Spurr. In 1917, Spurr opened one

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\(^{313}\) Capital investment in the Vernon area for forest industry was conservatively estimated at $1,200,000 aside from some $550,000 in trucking and allied equipment. Shipments of up to twenty-five hundred railway carloads a year were worth more than $4,000,000. Stumpage, royalties, and other taxes total another $250,000. *British Columbia Lumberman*, vol. 38, (April, 1954), p. 28.

of the district's first sawmills, at Penny. He sold it in 1928, and three years later, he and four other investors bought the bankrupt Eagle Lake assets of the Winton Lumber interests, taking over a straggling community which depended on a mill which employed a crew of thirty-five men.315

Under Spurr's guidance the company replaced men with machines, built all-weather logging roads, and put logging trucks on tight time-tables. Despite his careful management, however, the years of depression proved difficult to survive. As in the Southern Interior, the lumber industry in the North received a considerable impetus from war demands. But it was the American demand for Engelmann spruce that underlay the development of the industry in the Northern Interior, and specifically, the Spurr mill.

Spurr's undertaking prospered under large war orders until it became the biggest lumber operation in the Prince George Forest District. In 1953, it produced 22,000,000 board feet and employed 165 men. Spurr sold the controlling interest in the company to the Milner interest in 1947 at a reported one million dollars, but continued to manage the company.316 He died in August, 315

1954. By that year the presence of seven hundred lumbering operations in the area had increased the population from the depression level of three thousand, to a prosperous twelve thousand.

In Quesnel, eighty miles south of Prince George, the Western Plywood, (Caribou) Ltd., opened a multi-million dollar plant in 1953, and a sawmill to process logs, not suitable for plywood, was erected in the following year.317 Before 1945, the Nechako district produced only enough lumber to satisfy local demand. In 1954, two thousand carloads of lumber were exported, providing a $800,000 payroll.

In Hazelton, the Olaf Hanson Lumber Company, which was established in 1910 to supply ties to the Grand Trunk Pacific Railroad, branched out into the cedar pole business. The Olaf Hanson Lumber Company, until recently, was the major single operation in the district. The forest products of the Northern Interior were finished and rough lumber, cedar poles and hand-hewn ties. Over two million poles and 171,000 ties were produced in 1953, in addition to lumber from sawmills. Lumber was produced by 740 sawmills, with a total daily capacity of 2,047,000 board feet.318

318 Loc. cit.
Much new forest wealth in the north was discovered by the engineers who built the Alaska Highway during the Second Great War. Before their flights, there was no exact information available about the forest wealth north of the Peace River along the Alcan route. Driven on by the urgency of war, and bending every energy to complete the Alaska Highway, engineers at first imported from the Kootenays all the lumber and timber needed for construction purposes. Fir ties for the rail extension from Whitehorse, for example, were transported from the Burns Lumber and Coal Company at Nelson, B. C., two thousand miles to Dawson Creek by rail, and then 910 miles by road to Whitehorse. The ties were hauled in midwinter through some of the best tie timber in the world north of Fort St. John.\textsuperscript{319}

American contractors soon discovered commercial timber along the way and they erected small sawmills at a score of places north of the Peace River Bridge. Canadians too erected sawmills in Fort St. John and on the Peace River between the Bridge and Dawson Creek. And a new timber industry was established beyond the Peace, between Dawson Creek and the White River. Ten years later, eleven mills were producing on the Alaska Highway, between Mile 83 and 110, and two larger companies

\textsuperscript{319}\textit{British Columbia Lumberman}, vol. 29, (March, 1945), p. 81.
were producing at Cecil Lake, near Mile 40. Their production was sent down the river, from St. John, to the mines and oil-fields of the Northwest Territories.\footnote{320}

The favorable marketing climate that lay behind this general prosperity encouraged the trend to amalgamation and diversified production. The almost insatiable market in both Canada and the United States for such products as wallboard, insulation board, laminating board, plywood, plastics, and pulp, created opportunities for the full utilization of the forest. It meant that materials hitherto regarded by lumber producers as useless, could be profitably used and hastened the day when forests could be clear cut, with all debris, as well as primary logs, removed and marketed.\footnote{321}

The reasons for the great mergers of the era, were, therefore, almost entirely economic. The objective was to economize to the best possible utilization of intermixed timber holdings. Under giant companies with unlimited capital and controlling every kind of forest products plants, it was possible for one plywood mill to receive all peeler logs, a gang mill to handle all small logs, a bevel-siding mill to handle all cedar saw

\footnote{321}{Pacific Coast Lumberman, vol. 77, (February, 1950), p. 69.}
logs, and a pulp mill to use all pulp logs. It was possible to drop all inefficient units and to concentrate on and strengthen the efficient units.

This trend toward the complete utilization of the forest crop led to the integration of the industry, wherein the logging camp, sawmill, veneer and plywood mill, and pulp and paper mill became complementary to each other. Large-scale operators recognized the desirability of controlling every facet of the integrated industry in order that maximum efficiency could be attained. This venture demanded large amounts of capital, some of which were available in the Canadian market but most of which was supplied by large American corporations.

This new condition for survival within the industry led to far-reaching changes. Apart from the pulp and paper companies operating in British Columbia, all of which held extensive timber limits, the forest industry of the province gradually passed into the hands of five large corporate groups. Several additional companies could be added to the list, but the chief groups were MacMillan and Bloedel and its subsidiaries; Alaska Pine and Cellulose Company, and its subsidiaries; Canadian Western Lumber Company; Canadian Forest Products; and British Columbia Forest Products.
The first of these large concerns was the MacMillan and Bloedel Company. Harvey Reginald MacMillan, the president of the company, was born in Newmarket, Ontario, in 1885 and graduated from the Ontario Agricultural College. He received his training in forestry in Yale University Forest School, under Professor H. S. Graves, who later became Chief of the United States Forest Service. In the opinion of Graves, MacMillan was one of the most competent students in forestry ever to emerge from the school. After graduating in 1904, MacMillan was employed for eight years by the Forestry Branch of the Department of the Interior, where he established a remarkable reputation for administrative capacity. He made the first forest survey in Canada, started the survey of the Rocky Mountain Forest Reserve, and inaugurated the collection of statistics of the lumber industry in Canada.322

In 1912, when the provincial government decided to establish a Forest Branch, the Hon. W. R. Ross, Minister of Lands and Forests, largely on the recommendation of Professor Graves323 selected MacMillan to organize it as the province's first Chief Forester. MacMillan's service as Timber Trade Commissioner during the early years of

323 Loc. cit.
the war has already been described. From 1917 to 1919 he acted as Assistant-director of the Imperial Munitions Board.

With the end of the war, and convinced of the possibilities of the export trade, MacMillan borrowed ten thousand dollars with which to establish the H. R. MacMillan Export Company Limited.\textsuperscript{324} The story of the company has already been told. In time it became one of the largest lumber export agencies in the world, with as many as fifty-one cargo ships under charter at one time to its subsidiary firm, the Canadian Transport Company. Until 1936 the MacMillan company functioned wholly as a lumber exporter. In that year, however, some of the large mills for which MacMillan acted as seller and distributor established their own distributing firm, Seaboard Shipping Company, in an attempt to share in the profits of the shipping end of their business. To counter this move to some extent, MacMillan began to produce lumber.

He first purchased the old Dominion Mills on the Fraser River, the site of the present Canadian White Pine mill,\textsuperscript{325} and followed that with the purchase of the Alberni-Pacific Lumber Company, at Port Alberni, together with approx-

\begin{footnotes}
\footnote{\textsuperscript{324} West Coast Lumberman, vol. 80, (May, 1953), pp. 122, 123.}
\footnote{\textsuperscript{325} Ibid., vol. 66, (March, 1939), p. 54.}
\end{footnotes}
imately a billion feet of timber, chiefly Douglas-fir. MacMillan purchased this substantial property from Denny, Mott & Dickson Ltd., of London, well-known British importers in whose interest it had been operating. The Alberni mill, with its modern equipment, and its capacity of 300,000 feet per 8-hour shift, had a steady reputation as one of the most important export plants in the province. MacMillan bought timber in nine different tracts varying from 770 acres to 2,000 acres and situated on the Ash River close to the Alberni-Pacific operations.

The new company was known as Alberni-Pacific Lumber Company, 1936, Limited. The name of the purchaser given in the document was Canadian White Pine Company, the MacMillan holding company. The acquisition of the Alberni-Pacific mill, gave the MacMillan organization a much needed grip on lumber production.

"Our real start," MacMillan confided later, "was when we bought the Alberni-Pacific Lumber Co. in 1936, with a little money and a lot of debt. And we hit the incoming tide. I am going to give you some advice: If you are ever going to go into business, do it on an incoming tide; don't do it on the outgoing tide. Lumber was between $12 and $13 a thousand then; it started up and between the fall of 1936 until April 1952, it ran from $13 a thousand to $85 and $90 a thousand -- a continuous run-up and that's what has made all these companies...."


Loc. cit.

Ibid., vol. 80, (May, 1953), pp. 122, 123.
became president of the new Alberni company, capitalized at $1,500,000 and W. J. Van Dusen, his associate in other enterprises, became vice-president. 329

Three years later, MacMillan and his associates, financed largely by British capital, augmented their timber holdings on Vancouver Island by acquiring the property of the Campbell River Timber Company, near Menzies Bay, for about $950,000. 330 It was MacMillan's first venture in buying timber not directly associated with a sawmill. The Campbell River holdings, comprising about 350,000,000 feet of timber, made MacMillan one of the three largest timber holders in British Columbia, and marked a significant step in the rise of the MacMillan timber empire in British Columbia.

In 1947, the MacMillan interests, strongly affected by the post-war prosperity sweeping the whole nation, purchased the operations of the North Coast Timber Co., Ltd., at Ucluelet, the stands of the Maggie Lake Timber Company near Kennedy Lake, and a small shingle mill at Port Alberni, which was thereafter operated as part of the Alberni-Pacific Lumber Company. 331

The company's most significant purchase, however, was the big tidewater sawmill of the Victoria Lumber Company, at Chemainus from the Humbird interests, for whom the MacMillan organization had been operating it on a management basis. At the same time the parent company purchased six additional 1,000-ton cargo ships for its subsidiary, the Canadian Transport Company, built a door factory, installed chipping plants to make pulp chips from wood waste, and made other capital additions to timber, mills, machinery and logging operations. In that year, the H. R. MacMillan Export Company produced about ten per cent of the Coast region's output of logs, about fourteen per cent of its lumber production, fifty per cent of all the plywood manufactured in the province and about thirty per cent of its doors. Total assets of the company exceeded thirty million dollars.\(^{332}\)

In 1951, the MacMillan interests amalgamated with Bloedel, Stewart & Welch Limited, another mammoth concern. The company resulting from this history-making merger, by far the largest and most significant in the industrial history of the province was known as MacMillan & Bloedel, Ltd. It was the largest lumber-producing corporation in Canada, and in the volume and diversity of its output and close integration, ranked with the giants in the

\(^{332}\) *West Coast Lumberman*, vol. 74, (February, 1947), p. 93.
world's forest industry, comparable with Weyerhaeuser and Long-Bell in the United States.

The Bloedel, Stewart & Welch organization originated eight years before the MacMillan company, when, in 1911, J. H. Bloedel, a Puget Sound lumberman formed a partnership with General J. W. Stewart and Patrick Welch. Stewart was a Canadian engineer, well known for the construction of railroads in France during the First Great War and better known locally as the builder of the Prince George to Prince Rupert section of the Grand Trunk Pacific Railway. Welch, too, was a noted railroad contractor. 333

The Bloedel organization began logging operations in 1911 at Myrtle Point and from that beginning expanded gradually into a highly diversified forest products organization. In 1922, the company started to operate at Union Bay, after which it purchased timber limits at Menzies Bay from the McLaren interests of Ontario. In 1926 it acquired a newly-built mill at Great Central, and vast adjacent stands of timber from the Esquimalt and Nanaimo Railway. 334 The firm established itself as

the leading logging operation by purchasing the Mill-Quin timber limits at Franklin River the following year. 335

With the rapid expansion of the British market in the mid-thirties, the company built a new export sawmill at Port Alberni, adding a 12-machine shingle mill to it in 1937. This addition, combined with its 24-machine shingle mill in Burnaby made the company the leading shingle operator in British Columbia.

In 1951 the principal operations of the MacMillan & Bloedel firm were located at Port Alberni and on the Alberni Canal (logging, sawmilling, plywood and pulp making); at Nanaimo (pulp milling); Great Central Lake (logging and sawmilling); Northwest Bay, Menzies Bay, Sarita and Kennedy Lakes on Vancouver Island, and St. Vincent's Bay on the mainland (logging). In the Vancouver area, where the head office was located, the company produced lumber, plywood, doors, shingles, and presto-logs (fuel made from pressed mill waste). 336

The second large concern was the Alaska Pine and Cellulose Company, whose story has been largely connected with the fortunes of one particular kind of lumber -- hemlock, and with one particular family -- the Koerners.

The history of hemlock production is peculiarly interesting. Until recent years hemlock has been a nonentity in most markets. Blamed with all the shortcomings of the Eastern wood of the same name, it was truly a victim of heredity. The faults of Eastern hemlock — such as brittleness, a tendency to splinter, and a coarse texture earned a bad reputation for all hemlock. Improper handling of the Western species only served to strengthen the traditional belief in the restricted usefulness of the wood.

Millions of feet of it were left unlogged and standing as they occurred on the land mixed with other species because they could not be profitably marketed.337

One of the most urgent problems which confronted the logging industry of British Columbia arose from the large amount of Western hemlock found in the vast stands of timber west of the crest of the Cascade Range. The fact that hemlock appeared in increasing proportion as the forests were cut added to the importance of finding a satisfactory market for it. It was largely owing to the pioneer work of Messrs. Leon and Walter Koerner, the founders of the Alaska Pine Company, of Vancouver, that a large and important market for once-despised wood was developed.

337 *Timberman*, vol. 25, (December, 1923), p. 102.
The Koerner family had been producing and marketing timber for four generations — under the empire of Franz Joseph and then in the Czechoslovakia of Masaryk and Benes. They enjoyed international trade contacts that made their name a familiar one in the lumber markets of Central and North Europe, and especially in the United Kingdom. Their firm, the J. Koerner Lumber Industries Limited, of Prague, controlled a lumber empire employing fifteen thousand people in the forests and sawmills of Czechoslovakia, Poland, and Germany.

In 1939, after Hitler had invaded Czechoslovakia, Leon and Walter Koerner arrived in Vancouver with what capital they had managed to salvage from their timber empire. Almost immediately they set about establishing the Alaska Pine Company, Limited, an organization based upon the conviction that Western hemlock, when properly dried, is not inferior to Douglas-fir for most structural purposes. The company was incorporated at $250,000. The directors were Leon Koerner, George A. Cassady and A. R. Macfarlane.

The first move of Mr. Leon Koerner, was to counteract the prejudice that prevailed against the name of the wood itself, and to this end he obtained official permission to market hemlock under an old and seldom used name: Alaska pine. "Alaska pine" was a dictionary term coined about fifty years earlier at the behest of James J. Hill, the Canadian builder of the Great Northern Railroad, and one of the largest timber holders in the Northwest. Then, having changed the label on the product, Koerner proceeded to change the product itself. He purchased the property of the International Wood Products Company of New Westminster, and there installed elaborate air-drying

340 James J. Hill, along with Weyerhaeuser, the Minnesota timber king, controlled hundreds of thousands of acres of timberland along the route of his railroad, in the westernmost sections of which hemlock was well represented. Finding Eastern prejudice against hemlock so strong that its introduction into Eastern markets was very difficult, Hill suggested that a new name be found for the species. Frank B. Cole, the editor of the West Coast Lumberman suggested "Alaska pine". Eastern lumber journals charged Western lumber interests with attempting to deceive the public by adopting a misleading misnomer; and there was a certain validity in their accusation. For, unlike the Koerners at a later date, Hill and Weyerhaeuser were content to merely change the name of their product; they did not in any way alter the product itself. Consequently the change of name had little effect on the volume of hemlock marketed. In 1899, for example, seven years after the birth of Alaska pine, Washington and Oregon produced only about a quarter of a million feet and increases were most moderate thereafter. British Columbia Lumberman, vol. 25, (January, 1941), p. 28.
and kiln facilities in which to season and dry thoroughly the hemlock he produced. His example set the trend to large investments in kiln expansion. The new dry hemlock commanded a ready market in both the United States and in the expanding home market.

The next ten years saw the Koerner interests expand rapidly to include timber lands, logging operations, a box company and other related enterprises.

The trend towards large industrial mergers which allowed fuller advantage to be taken of the tree crop overtook the Koerners after only little more than a decade of operation as a family company. On May 15, 1951, the Alaska Pine group of companies merged with the British Columbia Pulp and Paper Company, a subsidiary of the powerful Abitibi Pulp and Paper Company of Toronto, to form Alaska Pine and Cellulose, Limited.

Alaska Pine and Cellulose Limited, owned in equal parts by the Abitibi Company and the Koerner interests, now owned the British Columbia Pulp and Paper Company, Limited, including its pulp mills at Port Alice and Woodfibre and its timber lands and logging operations; Alaska Pine Company Limited; Universal Lumber and Box Company, Limited; Alaska Pine Sales, Limited; Alaska Pine Trading, Limited; Northern Timber Company, Limited; Pioneer Timber Company Limited;
Jones Lake Logging Company; Empire Machinery Company, Limited; Alaska Pine Purchasing, Limited; Canadian Puget Sound Lumber and Timber Company Limited; and Western Forest Industries, Limited.\(^{341}\) By means of this merger the British Columbia Pulp and Paper Company obtained access to additional chips and timber for its pulp mills and the Alaska Pine Company received from the paper company all timber not required for pulpwood.\(^{342}\)

The ultimate rationalization of this industry occurred in 1954 when eighty per cent of the Alaska Pine and Cellulose, Limited, stock was acquired by Rayonier, Incorporated, of New York,\(^{343}\) and the control of the large company passed into the hands of American industrialists. Fourteen years of rapid expansion within the industry had witnessed first, the establishment of a family company, then its merger with a large national organization, and finally its integration as a part of one of the largest international producers.

\(^{341}\) *British Columbia Lumberman*, vol. 35, (June, 1951), p. 76.

\(^{342}\) The ownership of the British Columbia Pulp and Paper Company by the Abitibi organization made it the only Canadian company in the industry with Canada-wide operations. Abitibi paid about $20,000,000 for the properties in 1950.

\(^{343}\) Porter, M., "Leon Koerner's one-man giveaway program", *Macleans*, vol. 69, (August 4, 1956), p. 34.
of cellulose products in the world.

The Canadian Western Lumber Company, the third giant of the industry, was incorporated in 1910. In that same year it took over the charter of the Fraser River Lumber Company, popularly known as Fraser Mills, which has already been described in some detail in a preceding chapter.

In its initial stages this large and highly successful exporting mill operated on both British and American capital under the direction of Alexander Duncan McRae, a Canadian, and Peter Jansen of Beatrice, Nebraska. McRae was succeeded in the dominant position in the firm in 1914 by J. D. McCormack, a Wisconsin lumberman. Having witnessed the rapid depletion of the forests of his native state, McCormack showed an understandable interest in obtaining large tracts of standing trees for his Canadian company.

He purchased heavily for the years ahead in the Crown-granted Esquimalt and Nanaimo forests of Vancouver Island, where the land went with the forest and was not forfeit to the Crown when the timber was removed. His successor, Henry Mackin, perpetuated this policy to very good effect.

Between 1910 and 1950 the company acquired other
operations engaged in various phases of lumber production, until it could offer a complete service from logging to the finished distributed product. It owned the Comox Logging and Railway Company, a huge undertaking in itself, comprising trucks, tractors and 170 miles of railroads, branch lines and truck roads; the Canadian Tugboat Company, Limited, which towed logs from Vancouver Island to the Fraser Mills; the Fraser Mills Sash, Door and Shingle Company Limited, which operated a plywood plant, shingle mill and door plant at Fraser Mills; and the Crown Lumber Company, Limited, the Security Lumber Company, Limited and Coast Lumber Yards, Limited. These last-named companies operated ninety-five lumber yards in Alberta, Saskatchewan and Manitoba, for the distribution of lumber and related supplies. 344

Impressive though this complete forest products service was, it was chiefly the large size of the company's raw material resources on Vancouver Island that attracted the attention of J. D. Zellerbach, one of the American Pacific Coast's largest lumber operators. The certainty that these holdings need never be forfeited to the state made their acquisition doubly attractive to his material-hungry Pacific Coast operations. In

June, 1953, his company, the Crown Zellerbach Corporation of San Francisco, gained a majority interest in the Canadian company through an exchange of stock and the Canadian Western Lumber Company became a division of Crown Zellerbach Canada, Limited, with effective control held in San Francisco. \(^{345}\)

The combined timber resources of the Canadian Western and the Crown Zellerbach probably made the Zellerbach organization the second largest timber holding company on the Pacific Coast, surpassed only by the Weyerhaeuser holdings. Crown Zellerbach now owned Pacific Coast stands and pulp and paper mills from the Queen Charlottes to Southern California.

The story of the Canadian Forest Products, Limited, effectively dates from 1925, when the International Harvester Company, of Chicago, bought the assets of the defunct Beaver Cove Lumber and Pulp Company from W. H. White of Boyne City, Michigan, for six million dollars. \(^{346}\) The property included timber and pulp wood tracts on the Nimpkish River, situated on the east coast of Vancouver Island, and a mill at Beaver Cove.

Little activity of note occurred during the

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\(^{345}\) Vancouver Province, (June 16, 1953), p. 19.

difficult decade of the 'thirties. Once again it was war-time demand that underlay the expansion of this company. In November, 1941, Ossian Anderson, the president of Puget Sound Pulp and Timber Company, of Bellingham, Washington, acquired the property from the International Harvester Company along with the adjacent holdings of the Wood-English Company, and of Timber Investments, Limited. These purchases involved the acquisition of one hundred thousand acres of forest at a price approximating fifteen million dollars. The American owners retained the name of Canadian Forest Products Company, Limited, for their new subsidiary. Ossian Anderson became president and director, while Fred Stevenot, of San Francisco became chairman and director.

In May, 1942, this company increased its holdings by acquiring eleven thousand adjacent acres from Michael F. Cudahy of Milwaukee. This acquisition consisted of fourteen crown grants which the Cudahy family had obtained fifty years previously in the expectation that the Esquimalt and Nanaimo Railway would be extended in that direction, and two leases granted

348 Ibid., vol. 25, (November, 1941), p. 27.
in 1896. This property was first acquired on a stumpage basis (that is, an agreed-upon price was paid by the company for every thousand feet of timber it took out of the Cudahy holdings) but after a decade of cutting, the giant firm bought the tracts outright.

By 1952 the company had expanded to include in addition to its extensive Vancouver Island forest holdings, a sawmill and a shingle mill at Vancouver, a plywood plant at New Westminster, and a controlling interest in the Howe Sound Pulp Company.

British Columbia Forest Products was the smallest of the giants and a comparative latecomer to the scramble for the forests of the province. The company was formed in January, 1946, by Edward P. Taylor, the head of the Argus Corporation, of Toronto. He brought together several industries to form the new company. They included the Victoria Lumber Company, at Chemainus, which Taylor had owned for several years; Industrial Timber Mills, at Cowichan Lake; Hammond Cedar Company, at Hammond; Cameron Lumber Company, at Victoria; and the Sitka Spruce Company, of Vancouver.

Among the smaller firms included in the transaction

350 Vancouver Sun, (June 17, 1952), p. 10.
were Cameron Brothers Timber Company; Hemmingsen-Cameron Company; Osborne Bay Timber Buyers, Limited; Renfrew Holdings, Limited; Realty Holdings, Limited. These properties were acquired along with several logging concerns and subsidiaries for a sum exceeding ten million dollars.351

On November 5, 1955, the Scott Paper Company of Chester, Pennsylvania, arranged to take over eventual control of the organization. The Scott Company was a leading manufacturer of sanitary paper products and other kinds of paper in the United States. The control of its subsidiary's pulp mill on Vancouver Island, which was itself backed by a forest management license, guaranteed the American firm a perpetual supply of pulp.

It can be readily seen that much of the stimulus for the trend to integration in this period came from the enormous expansion in the pulp and paper industry. Inasmuch as this industry is a study in itself, quite apart from the lumber industry, no attempt will be made here to treat it in a detailed way. The two industries have, however, become so closely integrated in this age of cellulose forestry, that at least a cursory account

of the development of the pulp and paper industry seems essential.

British Columbia's first pulp and paper mill was built at Alberni in 1894 by William Hewartson, a Yorkshireman. Called the British Columbia Pulp and Paper Mills Company, it operated on capital advanced by W. P. Sayward, the pioneer Island lumberman, Thomas Shotbolt, druggist and cannery financier, James Thomson, J. S. Yates and Joshua Davies. All of these early day entrepreneurs were Victoria businessmen.352

With high optimism Hewartson imported and installed machinery from England in the expectation that his mill would become one of the important industries of the Coast. Enough rags and jute to start production were also imported from the Old World. A total of $77,000 was invested in equipment and building -- a not inconsiderable sum for that day. All went well until the original supply of raw material was exhausted. Then the Coast was scoured for rags, but without avail, for the 'nineties were years of economic depression on the Coast and little clothing was discarded. Inasmuch as the promoters had originally intended to make paper from pulp, a pulp-making plant was set up. A reasonably large quantity of wrapping paper was produced,353 but the

353 Ibid., p. 203.
operation was not economical. The machinery was designed for the manufacture of rag paper and rag paper only.\textsuperscript{354} The mill closed down in 1895.

Seven years later the provincial government made the first serious attempt to interest international industrialists in the pulp wood timber of British Columbia. The growing shortage of pulp wood timber in the southern and eastern states was being increasingly felt. The expanding markets of Australia, South America, the Orient, California, Oregon and Washington, coupled with the imminent construction of the Panama Canal aroused new interest in the vast pulp-wood forests of British Columbia.

The natural advantages of the province seemed obvious: its pulp-wood timber was not only greater in quantity than that of Washington or Oregon but it was also more advantageously situated, the bulk of it being within a few miles of its many thousand miles of coast line. An abundance of water power, near tidewater and cheap to develop, completed the picture. Even so, capital to develop even the choicest sites was not readily available.

To encourage investors to establish pulp and

\textsuperscript{354} \textit{Western Lumberman}, vol. 14, (May, 1917), p. 28.
paper plants, the provincial government passed a special act in 1902, enabling investors to obtain large tracts of pulp wood and to hold them for twenty-one years with little revenue to the government.\(^{355}\) This liberal legislation constituted a great temptation to speculators to obtain limits and hold them for purely speculative purposes, the expense of survey and cruising being the only disbursements necessary.

The government's generous offer came at an opportune time. The period 1903 to 1913 was one of high optimism in British Columbia and the West generally, and speculation was in the very air of a province beginning to experience its first period of uncontrolled boom.

Several companies were formed almost immediately and they selected 354,399 acres\(^{356}\) before the generous laws were repealed and replaced with others of a more stringent nature. Under the new regulations the annual rental of a pulp lease was two cents an acre, and the leasee was required to erect a mill.

The Bella Coola Pulp and Development Company was

\(^{355}\) *West Coast and Puget Sound Lumberman*, vol. 14, (September, 1903), p. 717; and *Western Lumberman*, vol. (January, 1912), p. 33.

\(^{356}\) *Statistical record of the pulp and paper industry*, p. 44.
representative of several speculative investments in the pulp and paper industry of the time. It was formed in Seattle, in May, 1904, by A. E. Williams, city attorney of Seattle; R. N. Thompson, a Tacoma businessman; and four other Seattle operators who gained control of 79,999 acres of pulp wood forests at the mouth of the Bella Coola River for the ostensible purpose of producing pulp and paper.357 A Norwegian colony, of four hundred persons, which was located near the site of the proposed mill, would have constituted an excellent source of labor.358

It is doubtful, however, that the founders intended to produce pulp; instead with Yankee shrewdness they recognized the province's liberal legislation as constituting an excellent opportunity to profit in speculation alone. They were not disappointed. It was said that within a period of two years over $1,500,000 of Eastern capital was subscribed for the mill that was never built. All capital was channeled through the First National Bank of Seattle, the treasurer of the company.359

357 West Coast and Puget Sound Lumberman, vol. 15, (June, 1904), p. 612.
In 1909 the Bella Coola Company sold its leases to the Ocean Falls Company, organized in that same year by the energetic Lester W. David, of Seattle, with the local cooperation of the Honorable Edgar Dewdney. Dewdney had high ambitions for the Bella Coola area, one of which was to build a 250-mile railroad to connect it with Fraser Lake and the country's railroad system. The collapse of the boom in 1913 effectively disposed of that plan.

David, the head of David Investment Company, of Seattle, played a prominent role in establishing several early British Columbia industries. His success in obtaining capital for the development of the Fraser Mills has already been discussed. In 1909 David visited England, where he persuaded Hamilton Benn, the English parliamentarian and financier, and several paper merchants to supply capital equivalent to several million dollars for the establishment of the new pulp industry.

Their object was to supply customers in the Far East and South America from British Columbia, rather than from London. Despite this seemingly fortunate beginning, the attempt proved a failure. Insufficient

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developmental capital has been given as the reason. It was closed down by the London holders of its debentures in May, 1913, after five difficult years during which time the British Columbia government had patiently extended its leases in the expectation of eventual production. The property was sold to the Crown-Willamette Paper Company of Portland, Oregon, which was dominated by the Fleischacker interests of San Francisco.\(^363\)

In 1915 the name of the firm was changed to Pacific Mills, Limited. The new proprietors soon added a paper mill and a chemical pulp mill to the property; and years later they built a converting plant in Vancouver. As a subsidiary of Crown-Willamette, the fortunes of Pacific Mills, Limited, shone bright indeed. With plentiful capital available, and assured markets handled by an organization well-established on the Pacific Coast, Pacific Mills expanded over the next four decades to produce a long list of paper products. In 1954 the name of the company was changed to Crown-Zellerbach Canada, Limited, in order to conform with that of the American parent company, which had also undergone a change of name but not of ownership. Control of the large enterprise had shifted, however, from

Portland to San Francisco.

The Oriental Pulp and Paper Company was another pioneer attempt by English investors to produce pulp from coastal forests. This company, which controlled an 84,180-acre lease at Swanson Bay, was underwritten by the Canadian Financial Syndicate, founded in London in the spring of 1903 for the express purpose of financing British undertakings in British Columbia. Its investment, managed in British Columbia by J. M. Mackinnon, amounted to $300,000 over the next two years.

In January, 1905, the Canadian Pacific Pulp and Paper Company, another London-backed group took over the leases and property of the firm which had expended its full capital allotment without producing an ounce of pulp. But the new company fared no better despite the fact that it had a guaranteed market in England and a considerable number of orders on its initial file. It did, however, produce the first pulp in British Columbia, in September, 1909. It operated for several months before closing down for undisclosed reasons.

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364 Statistical Record of the Pulp and Paper Industry, p. 44.
365 Columbia River and Oregon Timberman, vol. 6, (November, 1904), p. 32.
367 Loc. cit.
Once again a new group of English investors were found to take over the idle property and its name was changed to the Swanson Bay Forests, Wood, Pulp and Paper Company, Limited. The new English controllers fared no better than the old, and once again, in 1916, the company underwent further reorganization, emerging as the Empire Pulp and Paper Mills.

In 1918, after expending vast sums, London industrialists finally relinquished their attempt to operate an industry far removed geographically from London and even farther removed from conditions which they could control. The firm passed into the possession of two Canadian papermen, George and W. H. Whalen.

The Whalen brothers were themselves pioneers in the business. Natives of Port Arthur, Ontario, they migrated to British Columbia expressly to investigate the lumber industry of the province. With the backing of Eastern Canadian capital, the Whalens erected the British Columbia Sulphite Company Limited on Howe Sound in 1911, and by February of the following year, this firm was producing fifty tons of sulphite pulp

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368 Western Lumberman, vol. 9, (March, 1912), p. 25.
daily. From this early success the Whalens went on to make their name a power in the world of pulp and paper. Their acquisition of the ailing Empire Pulp and Paper Company in 1918 rounded out the development of the largest pulp-producing organization of the era.

Rapid expansion, however, had strained the finances of the company. The world's markets were in a most unsettled state during the first post-war years and the price of pulp fell from its high point of $114 a ton in 1920 to $68 in 1921. The collapse of the Japanese market following the earthquake of 1923 further unsettled the Canadian company, which, like other companies independent of American control, depended largely on Australia and the Orient for custom.

The Whalens took their first step to avert collapse in 1919, when Sir George Bury, the vice-president of the Canadian Pacific Railway Company, was engaged to undertake the reorganization of the industry. Bury made several much needed changes but remained helpless in the face of falling prices for pulp.

A receiver was appointed in September, 1923. The Eastern Canadian bondholders bought in the properties at the judicial sale held in 1925 and incorporated a

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new company under the name British Columbia Pulp and Paper Company, Limited. They abandoned the Swanson Bay mill shortly thereafter but continued to operate the Howe Sound and Quatsino mills until 1951. In that year they merged with the Koerner family's Alaska Pine Company to form the Alaska Pine and Cellulose Company, which was in turn acquired by Rayonier, Incorporated, of New York.

Another early name in the industry was the Western Canada Pulp and Paper Company Limited, which was floated in England in 1904. The local factor in this company was the Hon. R. G. Tatlow, the provincial Minister of Finance.

Preparations were made by the directors of the company, leading paper manufacturers of London, to develop their 163,000 acres of limits at Powell Lake, but for undisclosed reasons nothing came of the venture. Perhaps they were too far removed from the Pacific Coast to judge the need of the area accurately. Whatever the reason, the property passed into the hands of the Canadian Industrial Company, which sold it in October, 1909, to D. F. Brooks and M. J. Scanlon, prominent international lumber operators of Minneapolis, whose

firm, the Brooks-Scanlon Lumber Company, of Minneapolis, has already been mentioned in connection with other large local timber investments. The new owners renamed it Powell River Paper Company, Limited, and proceeded to transform it into one of the most successful industrial enterprises in the province.

Surveys of the limits were made in 1910, but development was slow at first; it was not until April, 1912, that the first shipment of paper was dispatched to various Pacific Coast cities. Rapid development followed in the war years, and within a decade newspapers from Prince Rupert to Los Angeles and from Fort Worth, Texas, to Buenos Aires were using thousands of tons of the product. Control of this great firm remained in the hands of Brooks and Scanlon until the death of both partners in 1930. The principal shareholders in this company were also principal shareholders in the Crown-Willamette Company, of Portland, Oregon.

The company expanded greatly during the 1940's under the stimulation of a war economy. In 1947 a large hydraulic barker, the first of its kind in Western Canada was installed as part of a four-year thirteen million dollar

modernization program. A further investment of fifteen million dollars was made in replacement and modernization in the following five years, and by 1953 the company had become the world's largest newsprint mill with a production record of 1,219.9 tons in one 24-hour period. 377

The trend towards full utilization of the forest crop induced the Powell River Company to establish logging operations and sawmills which would give it access to extensive pulp-wood holdings and at the same time divert its more valuable logs into lumber. By 1951, ten logging operations served the company, one as far distant as Massett Inlet, 520 miles from the company's mills. 378

The mill at Port Mellon, now owned by the Howe Sound Pulp Division of Canadian Forest Products Limited, was erected in 1908 at a cost of $375,000. As the British Canadian Wood Pulp and Paper Company, this British-financed mill began in the winter of 1909 to produce a sporadic seven tons of manilla paper and fifteen tons of chemical pulp daily. Its assets were extensive, for in addition to its own mill and limits at Port Mellon, it owned 55,569 acres of forest tracts on Quatsino Sound, originally the property of the defunct Quatsino

377 Statistical record of the pulp and paper industry, p. 46.
Power and Pulp Company.\(^{379}\)

After only two years of operation this British-owned company closed down for lack of capital to make needed improvements. On August 18, 1910, the mill with all its local assets and those on Quatsino Sound passed into the control of a group headed by Joseph Martin, K. C., one-time premier of British Columbia, T. F. Paterson, an ex-lieutenant-governor, W. I. Paterson, a local lumberman, and J. S. Harvey.\(^{380}\) Once again the agreement included the transfer of the assets and leases of the Quatsino Pulp and Paper Company.

In 1910 the Colonial Pulp and Paper Company, in which George F. Whalen figured prominently, acquired both properties. The financial health of this company was never better than doubtful and the firm underwent many reorganizations in the next thirty years. During the 'twenties and 'thirties it flourished when economic or political conditions in the Orient and Australia were favorable and it sagged when conditions were not. After the Japanese invasion of China, it closed down temporarily.

In June, 1939, the Columbia River Paper Mills, of

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\(^{380}\) Western Lumberman, vol. 7, (September, 1910), p. 20.
Vancouver, Washington, purchased the assets of the company with $500,000 worth of bonds and reorganized it under the name of Vancouver Kraft Company, Limited. Chief factors in the company were the C. E. Leadbetter interests of Oregon.\textsuperscript{381}

In 1941, the Sorg Paper Company of Middleton, Ohio, finding their source of Swedish pulp cut off owing to the war, purchased the mill as a means of obtaining a raw material supply for their American plants. When Swedish pulp became available once again after the cessation of hostilities, the parent company closed the plant down. It was purchased in 1951 by Canadian Forest Products, Limited, as a processing mill to handle the waste recovered from the lumber operations of its Eburne Sawmills in Vancouver.\textsuperscript{382}

With the increased demand for pulp and paper after 1945, other large pulp manufacturers entered the province. In 1952 it was announced that Celgar Development Company Limited, a wholly-owned subsidiary of Canadian Chemical and Cellulose Company, Limited, would exploit the Arrow Lakes region in a sixty-five million dollar integrated forest industry centring on

\textsuperscript{381} West Coast Lumberman, vol. 66, (July, 1939), p. 54.

\textsuperscript{382} Statistical record of the pulp and paper industry, p. 54.
The Kitimat Pulp and Paper Company, controlled by the American-owned Powell River Company and the American-controlled Aluminum Company of Canada, erected a sixty-five million dollar pulp and paper industry at Kitimat, where the Aluminum Company of Canada established a large aluminum plant based upon readily available cheap hydro-power.384

In 1951, the Columbia Cellulose Company, set up a high-alpha mill at Watson Island, near Prince Rupert, where it used about eighty million feet of pulp wood a year.385 This company, a subsidiary of the Celanese Corporation of America, began operations under the first forest management licence granted by the British Columbia government, -- a licence which covered an area of nearly 700,000 acres, or about one thousand square miles.386

By 1952 there were twelve mills manufacturing pulp, paper, or both products in the Coast region. They utilized either raw logs, waste from lumbering and logging

383 Statistical record of the pulp and paper industry, p. 57.
384 Loc. cit.
386 Loc. cit.
operations, or both. The demand for material to feed the operations was dramatic. In 1952 it represented 20.9 per cent of the total log cut of the province; hemlock accounted for 88.18 per cent of that.\textsuperscript{387} And eighty-five per cent of the raw material which was used to produce the 211,000 tons of kraft pulp was sawmill waste.\textsuperscript{388} Sawmill burners, long a landmark in almost every sawmilling community, began to disappear from the coastal areas and the problem of superfluous hemlock, which the Koerners had partially solved, ceased to exist.

During the period between 1945 and 1951 the annual production of pulp and paper in the province increased from 534,000 tons to 962,000 tons,\textsuperscript{389} and its net value rose from $18,879,580 in 1942 to $61,452,218 in 1952.\textsuperscript{390} In the course of forty years the industry had developed into an important factor in the forest economy of the province.

\textsuperscript{388} Wright, Thomas G., "Effects of recent pulp and paper developments in British Columbia on the forest", The Forestry Chronicle, (December, 1952), vol. 28, p. 43.
\textsuperscript{389} Loc. cit.
\textsuperscript{390} Statistical record of the pulp and paper industry, p. 15.
CHAPTER V

CONCLUSION

There emerges from this study a certain pattern of development which characterizes the lumber industry of the province as a whole. That pattern is itself the product of certain basic considerations: the isolated geographic location of the industry in relation to the traditional lumber-consuming markets of the world; the inability of the industry to achieve stability owing to its historical dependence on overseas markets which expand, contract, or even cease to exist, according to the prevalent economic or political climate; and the dependence of the industry upon foreign capital with all its benefits and its accompanying dangers in the absence of Canadian investment.

The isolated location of the province, far distant from the main trade routes of the world, effectively retarded the development of the lumber industry. The few ships engaged in transporting supplies to the comparatively small population of the province were available for carrying return cargoes of lumber, but their number was totally inadequate to the demands of the trade.

This condition was aggravated by the domination of Pacific shipping by San Francisco brokers who preferred, all considerations being equal, to charter their ships to
mills on the American side of the border. This handicap was temporarily overcome by the settlement of the Canadian Prairies and the subsequent rise of a large market for Coast lumber.

The Panama Canal served to lessen considerably the province's isolation from the main markets of the Atlantic community and to make the ports of Vancouver and New Westminster more attractive to sea freighters. Not, however, until the industry established its own line of ocean-going lumber carriers was the problem of transportation solved. Even then the cost of transportation from the Northwest Pacific to distant nations was often great enough to price the Coast product out of the local market.

Unlike other large lumber producers of the world, the British Columbia industry had no large home market to give it stability. The American industry in the Pacific Northwest enjoyed a large and well protected home market over which it had considerable control in regard to prices. The Soviet lumber industry also enjoyed a large and rigidly controlled home market, and the price at which it marketed its product overseas was of no special consideration. The industry of the Scandinavian countries has always maintained a certain stability from their propinquity to the world's chief consuming markets and their ability through the huge volume of their production
to control prices to some extent.

The British Columbia forest industry, on the other hand, was considerably less fortunate. It depended on a world market in which it supplied less than three per cent of the total lumber consumed and less than three per cent of the pulp.\footnote{Timberman, vol. 81, (January, 1954), p. 100.} It could, therefore, exercise no control over the price at which it was sold. These handicaps made the British Columbia industry extremely vulnerable to international economic and political crises. Wars, embargoes, trade agreements, and exchange difficulties in far distant parts made or undid the British Columbia industry from time to time. The prosperity of the Alberni mill depended upon the continuation of the Civil War; the Smoot-Hawley tariff, which barred British Columbia lumber from its prime market in the United States, threw the industry into temporary depression; barter agreements between the Soviet Union and the United Kingdom or between the Soviet Union and Japan were known to dislocate industry in many British Columbia mills; and the shortage of dollars in the sterling area effectively ruined the traditional position of the British Columbia industry in the United Kingdom and other sterling-bloc countries.

The stability which the industry seemed to enjoy
In 1952 was highly uncertain, depending as it did on the maintenance of the American market. It was estimated by one authority that a ten per cent increase in American production would mean that that market could dispense with Canadian lumber. An economic depression in the United States could effect the same end.

Another problem which did much to shape the pattern of the growth of the industry was the scarcity of capital. Canadian capital hardly figured in the industry except in very recent years. Even then it ranked a very poor third to American and British capital.

British capital invested in the industry did not fare well. Bad timing and faulty judgment was largely to blame for this unfortunate occurrence although hesitation to supply adequate capital and poor local management contributed to the failure.

A notable characteristic of British investment in Canada and the United States was the willingness of the British investor to leave the management of his enterprises in the hands of local industrialists. This practice was followed especially in enterprises where the British owners possessed no special knowledge of the undertaking. On the whole this method proved successful, but sometimes, notably in the case of Western American railroads, it proved disastrous. Certainly the British
were not wise in their choice of managers for their British Columbia pulp and paper mills.

British investment in the first period of economic expansion (1903-1913) was marked by considerable caution. The British investor had just gone through difficult times in which he had watched the value of his investment in American western railroads shrink owing to the economic depression of the 'nineties, and his mining ventures in West Australia and the Transvaal turn out disastrously. Then he was called upon to underwrite government securities to finance the Boer War and to repair the damage that it wrought to the nation's financial position.

When London's money market recovered from these reverses, the cautious British investor preferred to invest his capital in undertakings which offered a certain and safe reward. British investment in Canada reflects that caution. Of a total British investment of $890,805,625 made between 1905 and 1911, less than $120,000,000 was placed in industrial, mining, forest and land securities.\(^{392}\)

The dislocation caused by two great wars, an economic depression, and a protracted period of post-war economic recovery further weakened the British investors

\(^{392}\) Field, F. W.; Capital investments in Canada, Monetary Times, Toronto, 1911, p. 9.
interest in the lumber industries of the province.

American investors, on the other hand, were considerably more responsive to the money-making possibilities of the province's forests. In the course of a century, the moving frontier of America had accustomed American investors to adapt their commercial behaviour to rapidly changing circumstances. British Columbia posed no problem for Mid-West American capitalists who had already adjusted themselves to the peculiar conditions of Washington and Oregon. In fact, conditions for business and industrial success in British Columbia were not radically different from those of the American Northwest and many an American lumberman rightly considered British Columbia little more than a natural economic and geographical extension of that region.

Retrenchment in British investment at the turn of the century occurred at the very time when American economic expansion was at a peak. The capital value of the United States more than doubled between 1890 and 1904, when more than eighty billion dollars was added to pre-existing wealth, and the export of American capital began.

British Columbia felt the strength of America's

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capital exports more strongly than any other part of the nation.

The American investment was never liquidated during the decades that followed. After 1942, when the United States became the only real source of capital, American investment increased rapidly to the point where, according to H. R. MacMillan, United States interests owned more than one-half of the investment in British Columbia forests and in wood-consuming mills of all kinds.394

As the Timberman, an American trade periodical, observed fifty years before:

It is only occasionally that Canadians get a grip on what they term their birth-right; the enterprising American with a knowledge and an appreciation of the possibilities, generally secures it first.395

394 Vancouver Province, (June 19, 1956), p. 16.
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