

PART III

THE QUESTION OF PULPWOOD EXPORTS

PRELIMINARY REMARKS

In Part I of the report we have dealt in detail with the pulpwood resources in various parts of the Dominion, and the extent to which such resources are subject to depletion through domestic use and export, and through fire, insects, and fungi. In Part II, the subject of Forest Conservation has been dealt with in considerable detail. There has been thoroughly portrayed the serious situation which exists in most parts of the Dominion, and the definite recommendations of the Commission urging remedial measures have been clearly set out. There still remains the economic question into which the Commission was instructed to enquire in order that they might lay bare the essential facts concerning the export of pulpwood from Canada,—to the end that the Government might be in a better position to determine a proper course of action, and to enunciate its policy regarding a question which has engaged widespread public attention during the past three or four years.

The complete terms of reference have been quoted in the Introduction to the Report; excerpts therefrom, which are basic to the following discussion are as follows:—

- (f) The question of the prohibition or restriction of the export of pulpwood from the Dominion;
- (g) Any other matter touching on the production, manufacture or sale of pulpwood essential to comprehensive consideration of the next preceding section (f).

While many different classes of people have interested themselves in the question, there are to be considered three main points of view. Firstly, we have the proponents of a complete embargo on the export of pulpwood, or of an export duty designed either to reduce the amount of wood annually exported or to prevent any further increases to a higher level in such exports. Secondly, the opponents of any restrictions in exports either by embargo or export duty. Naturally, both of these classes are divisible into various sub-classes, dependent upon the degree to which the individual may support or oppose restrictions. Thirdly, there is to be considered the national aspect of the problem, which, although it demands full consideration of the other two, must in the final analysis be the basis of decision.

There will be dealt with in the following pages the main arguments advanced by various interests. Except in the province of British Columbia there is at present no restriction in the export of wood from privately owned lands; we shall therefore treat first with arguments advanced by supporters of restrictive measures, and proceeding down the scale, as seems most appropriate, work toward the arguments of those most strongly opposed to restrictive measures. In doing so, reference will be made to exceptions which may occur in any class, and also, opportunity will be taken to express the views of the Commission upon the reliability of the evidence. In doing so, although statements must obviously be made in a spirit of candour, it is our earnest hope that they may be fair. It is in this spirit that the Commission has approached its task.

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The conditions under which pulpwood is exported from Canada have been dealt with in detail in Part I. That the present requirements may be kept clearly in view, a brief summary may be made..... In Nova Scotia, there are no restrictions upon the export of timber cut from Crown Lands except in a large lease in Cape Breton Island where the operators are required to peel or ross the pulpwood. In New Brunswick, the regulations require that softwood timber cut from Crown Lands must be manufactured into pulp or lumber before being exported. In Quebec, Ontario and the Prairie Provinces, the regulations require that timber cut from Crown Lands must be manufactured before being exported. In British Columbia, the regulations provide that timber cut from Crown Lands must be manufactured before being exported, with the proviso that the exportation of surplus logs may be allowed under permission from the Government, upon advice of the Log Export Committee. As for private lands, in every province except British Columbia the timber owners enjoy unrestricted right of export. In British Columbia there is an arrangement under which timber cut from certain private lands is subjected to the payment of a manufacturing tax; if the timber is manufactured in Canada, the tax is almost entirely rebated, but if exported the tax stands. To this extent there is restriction in the export of privately owned timber in British Columbia.

SECTION A.—INDIVIDUAL OR ORGANIZED PRIVATE INTERESTS

1. PULP AND PAPER MANUFACTURERS

Through its Manager, the Canadian Pulp and Paper Association was officially represented at the public hearings. A comprehensive memorandum was read and filed with the Commission, this being supplemented later by a further statement; both of these statements are submitted herewith as Appendix I. They were submitted to establish three successive points:—

“First, that the rate of forest depletion is now dangerously high, in the sense of involving imminent and certain peril of a grave handicap to the Canadian pulp and paper industry and a marked increase of advantage to its competitors, not in a hundred years from now, not in fifty years from now, but in ten or fifteen years, or even less.

“Second, that the rate of depletion cannot effectively be reduced by any action that can economically be taken by the lessees of the Canadian pulpwood lands, or even by the private owners who possess in fee simple some small portion of the total amount of these lands. From this it follows without further argument that the stoppage of depletion must originate in government action, by the provincial or federal authorities or by both. This does not necessarily mean that the whole management of the conservation processes must be entrusted to government officials or to politicians.

“Third, that certain forms of action by both classes of government authority, which in the Association's opinion are calculated to achieve the desired result, are perfectly within the powers of the respective governments, involve no hardships to any Canadian interest, and will work no injustice to any interest whatever.”

Basing its arguments upon the then most recent official figures for pulpwood resources and depletion, and after dealing with various phases of conservation, the Association's statement leads to the conclusion that an embargo or other restriction is an essential step for the development of Canadian industry:—

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(a) Citing the phenomenal development experienced by the industry as a result of "embargoes" placed by the provinces upon Crown land timber, by the imposition of requirements for domestic manufacture, it is claimed that an embargo upon private timber might be expected to further stimulate development of the industry in Canada.

(b) That although the amount of wood used by additional plants, presumed as a result of an embargo, would obviously not be saved, so far as use is concerned, it would take a considerable period of time for such industries to absorb the large quantity of wood now exported; that the amount saved in the interval would be a direct step in conserving of supplies; and that the general economic benefits of home manufacture would accrue.

(c) That notwithstanding such additional competition to existing industries, and even if this did not reduce actual consumption, it would in the long run react favourably upon forest conservation, the necessity of giving security to the gross capital invested furnishing the incentive toward conservation in timber supplies.

(d) That the process of logging without further manufacture is exhaustive, and offers no incentive to conservation of timber supplies; that pulpwood now cut and exported entails little capital investment; that the amount of wood now exported would support the investment of \$150,000,000 in mills producing 3,300 tons per day, employing over 8,000 operatives earning over \$11,000,000 in wages.

(e) That lacking this incentive, few of the American owners of pulpwood lands in this country exert effort toward conservation. This statement was modified verbally before the Commission.

(f) That the amount of pulpwood exports is increasing, and is over one-quarter of all the pulpwood cut in the Dominion.

(g) While no specific statement is made, the memorandum distinctly favours an embargo; failing that, as second measure, an export tax, the revenue from which, it is argued, should be expended in forest conservation.

(h) Failing both of the foregoing, that the embargo proposal be used as an instrument for negotiations aiming at reduction in duties imposed by the United States upon certain grades of paper exported from Canada. The attainment of this object, it is pointed out, would bring about development in the paper industry in Canada.

With regard to the foregoing arguments,—although restriction in exports would have some stimulating effect upon further development of the industry in Canada, the absolute amount of wood so restricted may not be taken as a gauge of such further development. In addition to wood supplies, there are to be considered the questions of power, and other economic factors. Under present conditions at least, much of the wood exported is from areas or districts where mills are not within easy reach, and in some regions there is at least some doubt that the general wood supplies and other contributing factors would justify the erection of mills. Setting aside other aspects of the matter, however, the experience already derived from provincial imposition of restrictions upon Crown land wood cannot be denied. The argument of the Association is, that while if such mills were to come in, it would serve the broader aspects of conservation, rather than merely forest conservation, yet that in so far as they did not come in, to that extent supplies would be conserved for future use in Canada.

Exception must be taken to that part of the Association's statement to the effect that American owners of timber lands do not participate in action toward conservation. As explained, this statement was qualified during the public hearings. It is well to add, however, that several such companies have spent and are spending considerable sums in forest protection, and in several cases they are going much further, with a view to continuous production.

As pointed out in Part I, although the ratio of exported wood to that used in Canada has over a fifteen-year period fallen from 63.3 per cent to 25.8 per cent, it is nevertheless the case that, even neglecting the unprecedented exports of 1923, the general trend in the absolute amount of exports is upward; also, the amount exported has always been greater than one-quarter of all pulpwood cut in Canada.

Regarding argument (h) it is to be noted that the third suggestion made by the Association, that is, the use of embargo proposals in negotiations for reduced tariff on paper products, is one, which if consummated would redound to financial advantage of Canadian mills, as today numerous mills are under severe handicaps owing to present American tariffs, and most of them would benefit greatly by reductions. In these circumstances, there is perhaps significance in the fact that the Association puts it in third place; that is, it should be used if export restrictions are inexpedient. It may be pointed out that although the creation of better market conditions, and resulting improvement in financial condition of the industry, might indirectly operate toward better forest conservation, by enabling the expenditure of greater funds in that direction, and also by encouraging the use of some species not presently used, obviously an increase in the drain on the pulpwood resources might be expected. Therefore, the economic applicability of the proposal must be premised upon a consideration of supplies available, rather than independently. Although the Association foresees the immediate advantages of the third proposal, therefore, first and second choices are accorded to restrictive proposals, which they infer more directly operate toward forest conservation.

The brief presented by the Association, although approved by the Executive, did not contain the views of all the pulp and paper manufacturers. In British Columbia, the pulp and paper manufacturers stated that they were not interested in an embargo, probably due to the fact that they have abundant wood supplies close at hand. In eastern Canada a few appeared who were opposed to any restriction in the export of privately owned wood, notwithstanding the fact that under restrictions they would probably be able to purchase their wood more cheaply. One prominent manufacturer took the ground (a) that it would be injurious to the interests of farmers and exporters; (b) that the province in which he is located had abundant wood supplies, indeed a surplus, regardless of future development of the industry; (c) that he was opposed to it by reason of the possibility of retaliatory tariffs on lumber and paper. As against this, it may be pointed out that in the province concerned the pulpwood supplies are relatively much more limited than in any part of the Dominion; this disposes of (b). In view of the fact that in the case of this manufacturer, the paper produced is newsprint, upon which there is considerable doubt that a retaliatory tariff would in any event be imposed, it may be inferred that the retaliatory tariff which he really fears is one on lumber: this is perhaps borne out by the fact that he is also a lumberman; in this behalf the discussion relates to a later section.

Another manufacturer was not anxious to see a restriction placed on the farmers. The wood in which he, for his own operations, is concerned however, is not of the species exported by farmers, and it may at least be inferred that present exports therefore have but little effect on supplies for his mill; indeed the taking out of one or two species, other than those required by him, might have the effect of cheapening the wood in which he is particularly interested.

Aside from the foregoing operators whose position may have been influenced by such other factors, there appeared before the Commission several operators or their representatives, the majority of whom favoured restriction of some sort, generally on the ground that the supplies should be conserved,

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and that they were being subjected to unfair competition by the presence of American buyers. On the other hand, a few manufacturers were of the opinion that privately owned timber should not be subjected to restriction.

As against the claim of other interests, more particularly the farmers and pulpwood brokers, that they cannot in Canada find a favourable market for their wood, pulp manufacturers claim that they buy extensively from the farmers and settlers. The extent to which wood is so purchased by Canadian operators, as against that cut from their own limits, has been fully dealt with in Part I; in the Maritime Provinces, the amount purchased is about 50 per cent of total consumption; in Quebec, about 25 per cent; in Ontario, nearly 40 per cent; in British Columbia by reason of conditions previously explained, an insignificant amount is purchased from farmers or settlers. It is therefore manifest that there is a market in Canada, which is already taken advantage of, and which affords opportunities for extension. The Commission, however, is fully convinced that in many cases there has been a tendency, on the part of manufacturers, to pay wood-cutters the minimum price which would purchase the material,—and in itself that is perhaps human; in districts where American buyers are faced with high freight rates, Canadian operators may also be buying in the same market and at the same prices; in cases where the foreign buyer cannot offset the freight rate, the Canadian operator controls the market, and may reduce prices to the lowest point at which the settler will cut; finally, in areas more conveniently situated to the American market, the Canadian operator will frequently not compete. We feel that in cases where Canadian operators have been able to control the pulpwood prices, there has been a strong temptation to reduce pulpwood prices to the minimum.

While it is undoubtedly the case that many Canadian mills have difficulty in getting assurance of supplies by purchase—owing to the fact that settlers may hold out for higher prices from foreign buyers, and hesitate to engage in advance contracts with Canadian mills—it is strongly the view of the Commission that, in some cases, Canadian operators who advocate restrictive measures are not actuated solely by forest conservation; that they see in such measures the possibility of cheaper wood; and that, even under existing conditions, they certainly have not gone as far as they might have done in purchasing wood from those engaged in land-clearing operations. Undoubtedly there are some districts where the prices offered by American brokers render competition very difficult; yet in others, Canadian manufacturers have not perhaps taken advantage of opportunities for purchase which, if they were inherently actuated by forest conservation, they would have only too gladly seized. The fact must not be overlooked that many pulp mills are faced with embarrassing financial conditions; it has been stated that fourteen such companies are in receivers' hands. While it might be advanced that with wood at the prices which they have to pay, either in cutting themselves or by purchase, they find it difficult to withstand the competition for raw materials which prevails—the Commission strongly doubts that the prices paid for wood by mills in Canada has been the serious factor in causing their difficulties; rather, these difficulties are primarily the result of other factors.

One feature which has operated to restrict local purchase from settlers, during the past few years, has been that the large operators have been carrying on extensive cuttings to salvage fire-killed and insect-infested wood; the pulpwood market has, therefore, been flooded; indeed, instances have occurred where large amounts of wood, for which there was no sale either in Canada or the United States, have been left to rot—a dead loss in wood-value, and also in the work performed.

Other arguments are advanced by the Association regarding the constitutionality of an embargo measure. Inasmuch as the government of Canada has already passed an Act permitting the imposition of an embargo by Order in Council, it may with propriety be assumed that the question of constitutionality has been fully considered by the government's legal advisers, and no reference to that phase of the question is required of the Commission.

2. PRIVATE INDIVIDUALS

A limited number of people appeared before the Commission who, while not directly interested in the problem, took the position that on the broad grounds of economies and conservation, the imposition of restrictions is desirable. Although he did not appear before the Commission, typifying this class—if his claims to lack of personal benefits from restrictive measures be correct—is Mr. Frank J. D. Barnjum, for several years past the outstanding advocate of the embargo. The Commission was most anxious to have Mr. Barnjum appear so that he might give at first hand the benefits of his wide experience and detailed study of the problem. Although cordially requested to appear, and having indicated that he would do so, he later declined. While the Commission entertains great admiration and respect for Mr. Barnjum, in so far as patriotic motives may actuate him in the devotion of his time and means to the cause of forest conservation, the view is expressed that any person who of his own volition undertakes the responsibility involved in a campaign to mould public opinion, highly-motived though his efforts may be, also bears the responsibility to justify the stand which he may take upon a great public question. Merely as a statement of fact, the Commission records the further view, that if Mr. Barnjum had appeared before the Commission and if his cause, and his methods and arguments are well-founded—he would have thoroughly justified himself before the Canadian people, and a much clearer conception of the problems of forest conservation would thereby have become instilled in the public mind.

Numerous private individuals in advocacy of restrictions, have at times resorted to the use of generalized statements that have no foundation in fact, they argue that there is but "ten years" supply of pulpwood; that "fires, insects, etc., destroy ten, twelve, or more times the amount of wood actually utilized", and other statements. In fact, Mr. Barnjum's statements, more than those of any other individual, savour of extremes of this character. The futility and danger of such statements have been explained elsewhere. Faced with the argument that if an embargo were imposed, many farmers would not have a market for their wood,—the claim is made that new mills would be constructed; when it is pointed out that this will not contribute to forest conservation,—the substitute position is adopted that conditions are so serious that the governments must curtail the cut from Crown lands, and by this means create a demand for privately owned wood that now crosses the American border.

If there be weaknesses in the trend of arguments advanced by such exponents, they lie more in misconception as to the actual forest conditions. The forest situation in Canada is quite serious enough to demand the imposition of any conservation measures which may be practicable, without exaggeration or distortion of facts. It cannot be denied that the broad economic principles of conservation are better served in home-manufacture of raw-materials; it cannot be denied that the restriction of exports encourages development of Canadian industry—experience has already proved it; but to the whole problem the most careful thought must be given, and the action taken must be premised upon the economic requirements arising out of the condition of our forest supplies—the latter dictates a candid treatment of facts regarding the forest resources, which facts are frequently not in possession of those who undertake solution of the problem.

3. FORESTRY EXPERTS

It may at the outset be stated that the foresters in Canada are more actively engaged upon the broad work of forest conservation. Recognizing that the question of pulpwood exports is in a considerable measure an economic one; recognizing also, that in so far as forest conservation is concerned, the main problem lies in the regeneration, protection and proper utilization of the timber stands, they have not as a class permitted themselves to be diverted from these purposes; and, except in certain regions, they have not been very active in the expressions of their opinion, one way or the other, upon the pulpwood export problem. In some cases also, this may be attributed to the feeling that their opinion would be considered to be biased.

In Nova Scotia no foresters appeared before the Commission, and consequently no views were expressed by such men as having application to the conditions in that province. In New Brunswick the Provincial Forester appeared before the Commission, but by virtue of his position, he refrained from taking a definite stand on the pulpwood export issue. He has, however, advised the Commission; he has thoroughly indicated in his departmental reports; and finally, there is to be thoroughly inferred from the statistics presented by him to the Commission; that in New Brunswick, a very serious situation exists. Not only has widespread havoc been wrought by fires and insects, but there is serious over-cutting in the soft-wood species. In a publication of the Department, he clearly states that, in addition to public lands, the farm woodlots of New Brunswick have been seriously over-cut in recent years.

In Quebec, neither the Provincial Forester nor his Assistant took a definite stand upon the export issue, but the Chief Forester plainly pointed out that the private timber-lands in the Province of Quebec are being subject to the depletion at a rate which they cannot possibly sustain. He was of the opinion that local pulp companies could and should take greater advantage of the opportunities which offer for the purchase of timber cut from private lands. The Assistant Forester, during examination by the Commission, expressed the view that, even with the continuance of fire and insect losses on their present scale, there is an annual increment in the forests of Quebec sufficient to offset those losses, and also to provide for about one-half the amount annually used as pulpwood. Upon thorough review of his evidence the Commission has ample ground for the belief that he erred on the side of optimism.

There also appeared before the Commission, in Quebec, two or three professional foresters, who represented the Quebec Society of Forest Engineers. This body definitely took the stand that forest conditions in the province are such as to demand restrictions in the export of pulpwood. Still other foresters, and persons having an intimate knowledge of forest conditions, appeared before the Commission and gave evidence indicating that, while the situation by no means is so serious as is portrayed by the extreme advocates of restrictions, the supplies available at the present rate of depletion could be expected to last for not more than 20, 25 or 30 years. The evidence of these men also has been subjected to careful analysis and it is the opinion of the Commission that they, on the other hand, may have erred on the side of pessimism.

In Ontario, very few foresters appeared before the Commission. The Chief Forester of the province refrained from expression of opinions on the export issue, but he collaborated with the Commission very thoroughly in consideration of the extent of supplies, and emphasized the importance of conservation measures. Another professional forester appearing before the Commission was an American engaged in the pulpwood brokerage business, acting as a buyer for American Pulp and Paper Companies. He emphasized the need of conservation in other directions, as opposed to conservation by restriction on exports.

Still another forester who appeared is a federal official engaged in railway fire protection work; by virtue of his position he refrained from an expression of opinion on the export issue and emphasized the other important requirements of forestry.

In the Prairie Provinces three officials of the Federal Service appeared, and although refraining from expressions on the pulpwood export issue (it does not in any case affect the Prairie Provinces very much) nevertheless emphasized the need for conservation in other directions. In British Columbia, where timber conditions are entirely different, and where the organization of the timber business is on an essentially different basis, the Chief Forester, while not clearly expressing his view on the Embargo, inferentially indicated that, so far as log-exports were concerned, the methods of restrictions now applied in that province adequately serve the situation there.

Generally for the Dominion, it will be seen that many foresters have necessarily refrained from offering opinions on the export question, but they all strongly urged the necessity of applying proper conservation methods.

4. BOARDS OF TRADE

The attitude of bodies of this character has to a greater extent been determined by their location. Upon the basis of their knowledge of the situation, it is undoubtedly the case that the majority opinion of these bodies, throughout the Dominion, would be in favour of restriction either by embargo or export tax. There are, however, so many of them that would not themselves be directly affected by such restrictions; they recognize in home-manufacture the broad principle of industrial conservation, which they consider should be applied in the fullest possible degree. Other organizations, however, situated in districts where they are in close contact with the wood-cutters and forest industries, have in many cases voiced strong objections to restrictions in export. On the other hand, even in timber districts, some such organizations have come out very strongly as supporting restriction in the export of unmanufactured pulpwood. Although it must be admitted that, of the foregoing, those organizations more closely in contact with actual wood-cutting operations have a more intimate knowledge of the concrete problem of pulpwood exports,—and their views must consequently be given most careful consideration—it must also be conceded that other organizations of similar character, but without direct interest in pulpwood operations, are fully entitled to an expression of their views on a problem which assumes national importance.

Such organizations have pointed out that, under the present system permitting pulpwood exports, development of the industry in this country is curtailed; that many young men cross the boundary to the United States, where they secure employment in American Pulp Mills; and that they there engage in the manufacture of the finished product of Canadian raw materials. They point out that were such wood manufactured in Canada it would not only serve to retard emigration of this sort, but that it would result in production values from three to ten times the amount now received in Canada from pulpwood which is cut for export. They refer also to the previous immigration of industry which resulted from the imposition by governments of restriction on the export of Crown land timber; they urge that so long as United States pulp mills are able to secure raw wood from Canada, it cannot be expected—with their large investments in partly immovable plants—that they will establish industries in Canada; and that our cheaper wood supplies, better power facilities, and such factors, would, in the event of restrictions upon the export of raw wood, encourage them to come over here.

With the foregoing arguments, it is not at the present moment necessary for the Commission to enter into details of discussion, inasmuch as the points

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brought out are in any case dealt with elsewhere. It may, however, be stated that the attitude of those public organizations, which are not in direct contact with timber operations, and which have been more or less influenced by propaganda favouring restrictions, epitomizes the view of that part of the Canadian public which does not come into direct contact with forest utilization; in a much more limited way, it characterizes the viewpoint of some people who are in direct contact, but who have inherent objections to permitting raw materials to be exported.

5. LUMBERMEN

For discussion, this class may be divided into 3 main groups; (a) those lumbermen in Eastern Canada or on the Prairies who engage in no way in pulpwood operations or pulp manufacture; (b) lumbermen in Eastern Canada, who in addition to taking out and manufacturing saw-logs, are also interested in the pulpwood business, and in some cases in pulp-manufacture; (c) lumbermen in British Columbia where, on the Coast at least, the logging and the manufacturing phases are distinct, and where there exist certain conditions respecting the export of logs, which lead them to take a decided view one way or the other on an embargo or other restriction in exports of unmanufactured wood.

(a) EASTERN LUMBERMEN EXCLUSIVELY ENGAGED IN TAKING OUT AND MANUFACTURING SAW-TIMBER

During the course of the public hearings it was only in the provinces of New Brunswick and Nova Scotia that lumbermen of this class participated very definitely in the enquiry. In most instances those who appeared were opposed to restrictions in the export of pulpwood. In Quebec and Ontario, no great interest was exhibited by this class on the question of export restrictions; in fact, many preferred not to express their views on the subject and confined themselves to other phases of conservation. In the Prairie Provinces several lumbermen appeared before the Commission, but only in Manitoba—to which province the pulpwood business of the prairies is confined—did any lumberman express his view on the subject; in that case the gentleman inferentially favoured restrictions in export in order to encourage home industries, premising his view, however, upon the establishment of a pulp mill in Manitoba; otherwise, he saw no reason to curtail the settlers' market. In both New Brunswick and Nova Scotia, particularly the latter, timber lands are in a greater extent held in fee simple, and as explained elsewhere the timber resources in these provinces have been rather severely exploited. Numerous lumbermen, therefore, hold considerable tracts of land which, although under forest cover, over considerable areas contain little timber which is exploitable as lumber at the present time, but which has nevertheless a definite value as pulpwood. The interest of lumbermen in the latter category, therefore, lies in protecting the sale value of their timber lands, by leaving unrestricted the market for pulpwood which might be cut therefrom.

(b) LUMBERMEN INTERESTED ALSO IN PULPWOOD

Very naturally, where a lumberman's interests overlap the pulpwood industry, his opinions on the export issue are in considerable measure governed by his interests as a pulpwood holder, and he is desirous of retaining as wide a market as possible for that product. Objections based upon the lumbering end of the business have also been voiced, and will be dealt with in due course. Most lumbermen who engage in both pursuits, however, take strong exception to restriction of exports.

(c) BRITISH COLUMBIA LUMBERMEN

The loggers in this province object to federal export restrictions by reason of their claim that such action would curtail their market for low-grade logs which they claim local manufacturers cannot use. On the other hand, British Columbia lumber manufacturers as a class oppose the restrictions, claiming that the sale of low-grade logs by export is necessary, as it makes possible the more reasonable purchase of the better grades which they require for manufacture of products which they can market. Conditions applying to the logging industry in British Columbia have been fully described in Part I, so that at the present juncture no further reference is necessary, other than to state that although all of the loggers, and the great majority of the manufacturers, who appeared were opposed to restrictions—other than those which are now applied by the province—there were one or two instances in which very prominent manufacturers thoroughly supported restriction of exports. The latter, however, were interested in the purchase of logs.

(d) GENERAL

For those lumbermen, whose objections to restrictions apply exclusively to the lumbering business proper, it may be stated that their objection is based on the premises that if Canada imposes an embargo or export tax upon pulpwood, they may be subjected to retaliatory tariffs imposed by the United States upon lumber or allied products of saw-mills. Before dealing with the situation there may be quoted two sections of the Fordney Tariff, which have application:—

"Item 1700: United States Import Duty Tariff Act of 1922.

"Wood: Logs; timber, round, unmanufactured, hewn, sided or squared otherwise than by sawing; pulpwoods; round timber used for spars or in building wharves; firewood, handle bolts, shingle bolts; and gun blocks for gunstocks, rough hewn or sawed or planed on one side; sawed boards, planks, deals, and other lumber, not further manufactured than sawed, planed, and tongued and grooved; clapboards, laths, ship timber; all of the foregoing not specially provided for: Provided, That if there is imported into the United States any of the foregoing lumber, planed on one or more sides and tongued and grooved, manufactured in or exported from any country, dependency, province, or other subdivision of government which imposes a duty upon such lumber exported from the United States, the President may enter into negotiations with such country, dependency, province, or other subdivision of government to secure the removal of such duty, and if such duty is not removed he may by proclamation declare such failure of negotiations, and in such proclamation shall state the facts upon which his action is taken together with the rates imposed, and make declaration that like and equal rates shall be forthwith imposed as hereinafter provided; whereupon, and until such duty is removed, there shall be levied, collected, and paid upon such lumber, when imported directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to the duty imposed by such country, dependency, province, or other subdivision of government upon such lumber imported from the United States.

"Item 1301:

"Printing paper, not specially provided for, one-fourth of 1 cent per pound and 10 per centum ad valorem: Provided, That if any country, dependency, province, or other subdivision of government shall

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forbid or restrict in any way the exportation of (whether by law, order, regulation, contractual relation, or otherwise, directly or indirectly) or impose any export duty, export license fee, or other export charge of any kind whatsoever (whether in the form of additional charge or license fee or otherwise) upon printing paper, wood pulp, or wood for use in the manufacture of wood pulp, the President may enter into negotiations with such country, dependency, province, or other subdivision of government to secure the removal of such prohibition, restriction, export duty, or other export charge, and if it is not removed he may, by proclamation declare such failure of negotiations, setting forth the facts. Thereupon, and until such prohibition, restriction, export duty, or other export charge is removed, there shall be imposed upon printing paper provided for in this paragraph, when imported either directly or indirectly from such country, dependency, province, or other subdivision of government, an additional duty of 10 per centum ad valorem and in addition thereto an amount equal to the highest export duty or other export charge imposed by such country, dependency, province, or other subdivision of government, upon either an equal amount of printing paper or an amount of wood pulp or wood for use in the manufacture of wood pulp necessary to manufacture such printing paper."

With regard to Item 1700, above quoted, it should be pointed out that it has no direct relation to any action which Canada might take in restricting by embargo or other means the export of pulpwood from Canada. What the Item *does* do, is to make provision for the imposition of the United States tariff on Canadian timber products, if, and when, the Canadian Government imposes such *import* duties upon similar products coming from the United States into Canada. In other words, the Item of itself has no relation to export restrictions and cannot be construed as a true basis for retaliatory action. The real reason for which Item 1700 has been applied by lumbermen as an objection to export restrictions, is that under the present Canadian tariff there already exists an import duty upon certain classes of lumber; in other words, the provocation for effective application of Item 1700 of the United States Tariff now exists. In the premises, it has been argued that if Canada were to impose restrictions on the export of pulpwood, the United States could take advantage of the situation above referred to; and on these grounds it is claimed that restrictions on pulpwood exports might constitute a *further* provocation which might result in application by the United States of import duties on Canadian lumber now entering the United States free of duty.

While such a construction can be forced upon the present situation, it need only be pointed out that the directly provocative tariff which now exists is maintained with full acquiescence of lumbering interests, if indeed, it was not imposed directly at their request. If, therefore, there exists any need for restriction in pulpwood exports, either for the conservation of Canadian pulpwood supplies, or even for the protection of the Canadian pulp and paper industry, it is illogical to argue that the real provocation lies in action to that end.

In so far as lumbermen in various parts of Canada object to restrictions upon the export of pulpwood on the basis of possible retaliation, such objections must necessarily be founded on Item 1700. Whether it be in the Maritime Provinces, in Quebec, Ontario, or in British Columbia, this is the basis of the fears which are entertained. Enjoying as they do free access to United States markets for so many of their products; enjoying, also, such benefits as may accrue through Canadian import duties on similar products, imposed for their protection from foreign competition; those who are exclusively lumbermen—and who do object—take the position that it is inimical to their interests, if, in some

other direction—and applying to a product in which they claim no vital direct interest—action be taken by the Government to apply restrictions which—dependent upon insufficiency or sufficiency of supplies—may or may not be necessary.

Item 1301, on the other hand, is the one which applies directly to the question under consideration, and any consideration of the prospects of retaliation, in the event of restrictions in pulpwood exports, should manifestly be based upon it. It provides that in the event of Canada imposing restrictions on pulpwood exports, the President of the United States may—in event of failure to obtain relief under a clearly defined procedure—impose a retaliatory super-duty upon printing paper, which product is already fairly well protected by that country. The application of this item is to a product of pulpwood. Although undoubtedly some operators may fear retaliation even under this clause, it is clearly the case that the Pulp and Paper Association as a body take the stand that the question of restrictions must be decided on what they consider to be much more important grounds.

Reference may be made to a condition existing in British Columbia. Notwithstanding the fact that the lumber industry of that province operates under the same protection tariff as do lumbermen elsewhere in Canada, and notwithstanding the provocation which may therein lie by virtue of Item 1700 of the United States Tariff, the province of British Columbia has for many years applied its “manufacturing tax” to timber from private lands, which tax operates in restriction of exports of privately owned timber. Therefore, in addition to provision for domestic manufacture of Crown land timber—except where special permits for exports are granted—the province itself restricts exports on private timber. More detailed reference is made to this matter in Part I, and a brief reference to its operation will suffice here. During the past five years 74 per cent of total log exports for both lumber and pulp have been from private lands held under various forms of Crown grant. For all private timber which is subject to the manufacturing tax, operators must pay \$2, \$1.50 and \$1 per thousand feet, on No. 1, No. 2, and No. 3 logs, respectively. If, however, the timber be manufactured within the province all but one cent per thousand of this tax is refunded. Under the timber conditions existing in the province of British Columbia, it may hardly be claimed that this tax is enforced for the purpose of conserving timber supplies. Obviously, it was applied to encourage and develop home manufacture; indeed, protection to British Columbia lumber manufacturers may have influenced its introduction.

As this is the only restrictive measure now applied in Canada to exports of privately owned timber, reference to Item 1700 clearly indicates that its existence may have been the motive for the careful wording of that tariff provision. In British Columbia, therefore, there is the additional provocation. While the majority of loggers and lumber manufacturers in the province have given evidence of the strong objection to federal measures operating to restrict pulpwood exports, it is nevertheless the case that they are themselves operating under one directly applied by the province, which applies to logs for all purposes. It is therefore evident that, except in so far as a federal tax might increase the burden on a trifling part of the log-exports, the operators in that province cannot logically object to the principle of such restriction.

Obviously, in determining a question of this kind, the government is called upon to carefully weigh the prospects of retaliatory action, but in so doing it is only proper that the true meaning and application of provisions of the United States Tariff should be studied, and, in so far as they may affect a decision, such action should be based upon their actual portent. It may here be pointed out that on various occasions the possibility of retaliation in other

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directions—by the application of a United States embargo on coal, for instance—has been advanced as an objection to pulpwood export restrictions. Manifestly, such a question has to do with trade relations between the two countries; as it is beyond the scope of the Commission to engage itself with studies which are foreign to its terms of reference, and as a discussion offered without such detailed study would certainly be of little value, the question of such a form of retaliation will not receive further treatment.

Another feature of the British Columbia situation requires explanation. It is claimed that conditions there would prevent the successful application of federal restrictions upon the pulpwood export. The difficulty offered, lies in the fact that logs which are exported may be used either for lumber manufacture or in the production of pulp. With this as a reason it is claimed that federal restriction in pulpwood export would prevent the continuance of the present practice of exporting low-grade logs, and thereby be seriously injurious to the interests of the loggers, the manufacturers, and to the economic development of the industry generally in British Columbia. If an embargo, or any other restriction which might be imposed, were so designed that it would prevent the export of all logs from British Columbia, it might be conceded that their interests would suffer. As will be pointed out later, however, if it is otherwise found necessary to impose federal restriction upon pulpwood exports, it is assuredly a simple matter to do so without in any serious degree affecting the interests of the British Columbia loggers or lumber manufacturers.

6. FARMERS AND SETTLERS

To obtain a clear conception of the problem as it affects this class, it is necessary to divide the farmers and settlers into three groups, (a) the individual who takes up land under the guise of settlement, but really for the purpose of cutting and selling timber; (b) the settler who is clearing his land for the purpose of bringing it under cultivation, and (c) the established farmer who, having a woodlot, may desire to reap some benefit from it other than by simply supplying his domestic requirements of wood.

(a) THE BOGUS SETTLER

As has been fully explained elsewhere, it is unfortunately the case that in various parts of Canada, through laxity of settlement laws or through inefficiency in application of them, large numbers of so-called settlers have been permitted to take up land, which after they have successfully stripped it of timber has been abandoned. There is little need for discussion of this class further than to say, that no matter how proficient he may be in the art of cutting timber and disposing of it, as long as that is his main object in life, he is not the type of citizen required in any phase of Canadian activity, other than in the shanties where his efforts may be used in the proper direction. This type of settler adds little to any community, for the reason that his operations are destructive, and the very practice he follows necessitates his frequent removal from one part of the country to another. The Commission has already strongly urged that thorough control should be exercised to prevent continuation of the practice of allowing these people to secure land. It is evident that the class, as a whole, may be eliminated from any consideration in so far as the question of restrictions upon the export of pulpwood is concerned.

(b) SETTLERS CLEANING LAND

In contradistinction to the bogus settlers discussed above, individuals in this class are worthy of the most serious consideration and sympathy. The time is nearly gone in Canada, when an intending settler may go out and select

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a piece of open agricultural land under any one of the various homestead laws and establish a home for himself. Indeed, it is now generally the case that he must be content with land which is in greater or lesser degree wooded. To give proper consideration to this class, it is necessary to refer to the fundamental considerations set out in Part II of the report, namely: that so long as the land is agricultural, there is no object to be served in preventing the utilization of timber which may be upon it. Providing that the timber is merchantable or near-merchantable, an effort must be made to dispose of it advantageously with the greatest possible speed. It is, therefore, desirable that this class of settler should enjoy a market which will permit of his disposing of his wood as advantageously as circumstances may permit. It must be remembered, however, that while it is quite proper to concede that, during the operations of land-clearing the timber should furnish subsistence for the settler, it is not to be inferred that having taken up free, or practically free, land, he is entitled to any great consideration by way of stumpage. His purpose is to get the land clear, and if in so doing, he be adequately reimbursed for the labour he may give, he is not, after all, inherently entitled to anything more. As a matter of fact, more frequently the homestead is not his until he has an appreciable part of it cleared. When he does secure patent, the position of the matter assumes a different aspect. Whatever the market may be, however, he is entitled to fair wages.

(c) THE FARM WOODLOT

In the case of the farmers established on lands under agricultural production and having woodlots which they desire to operate on a continuously productive basis, some appreciable value must be attributed to stumpage. More frequently such lands are located in the older parts of the provinces, and in many instances the farms have been handed down from generation to generation. In view of their more advantageous location in close proximity to pulpwood markets, such men have an inherent right to something more than mere compensation for the labour involved in the removing of timber.

With these three classes in view we dismiss from further consideration the bogus settler. For the others, we have in Canada innumerable instances of the great variation in degree and value of timber holdings, determined by the existence of markets. In Southern Quebec there are established farmers who receive \$14, \$15, or even \$16 per cord for wood that it may cost \$7 or \$8 to cut and peel. On the other hand in the clay belt region there are large numbers of settlers who must put their pulpwood on the railway sidings at \$4.50, \$5, or \$6 per cord. In the former case, the farmer is receiving a very high return for his stumpage; in the latter the stumpage does not bring anything.

Inasmuch as the proportion of farmers' wood represents 60 to 65 per cent of all the pulpwood exported from Canada, it is of great importance that careful consideration be given to their views. It may be stated that to a far greater extent, farmers directly interested in the pulpwood business have expressed opposition to the imposition of restrictions either by embargo or through an export tax. By reason of the fact, however, that there was a great similarity in the character of the evidence presented by farmers as a class; in view of the fact that, to the knowledge of the Commission, other classes such as pulpwood exporters, were very active in bringing about the appearance of farmers before the Commission, and in securing petitions from them which were presented to the Commission, it can hardly be claimed that the views presented to the Commission by this class were offered entirely of their own volition. However, farmers have not perhaps the same opportunity for organization of their interests as have other classes; therefore, beyond expressing the view that many farmers

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have been influenced to oppose restrictive measures by these other classes, and may even have been furnished with arguments to that end, the Commission has no serious criticism to offer to the procedure that was adopted.

The objections of the farmers and settlers, as a class, to restriction in pulpwood exports are as follows:—

(i) They desire the widest possible market.

(ii) It is claimed that in some cases an embargo would prevent access to any market; in other cases, that they would be forced to accept a lower price for their wood from Canadian pulp mills.

(iii) That an export tax would operate in the same direction as (ii) and if imposed, it is the settler and farmer himself who would be called upon to pay the tax.

(iv) That where the American market is the only one to which they have access at present, the restriction of export would not bring about the establishment of mills accessible to them, as they claim that the aggregate of timber supplies in their district is not sufficient to sustain a mill.

(v) That the Canadian pulp mills have taken serious advantage of settlers who through circumstances have not been directly accessible to the American market; that therefore they have not received a proper price for their wood.

(vi) In many instances, they claim to have offered wood to the local pulp mills at reasonable prices, but have been refused.

(vii) That for the reasons explained in (vi), if restrictions be imposed, the Canadian mills would take undue advantage of them, by reason of the cessation or restriction in the profitableness, of the American market.

(viii) That by reason of their control of licensed or private timber lands, the Canadian pulp mills have a leverage over the farmers and settlers, in that if for any reason the mills desire to depreciate the price asked by farmers, they may simply refuse to buy, securing the necessary timber from their own limits, and await the time when the farmer of necessity reduces his price.

(ix) That a large number of farmers engage in cutting poplar, for which species there is practically no market in Canada either in pulp manufacture or in any other industry; that if restrictions be applied such farmers would be excluded from any market or else would find their present market curtailed.

(x) That farmers engage in cutting fire-killed and insect-infested timber; that Canadian mills cannot absorb all of this material.

(xi) That in certain districts the cutting of timber on the farm provides the settler with the main means of subsistence.

Throughout the country, there is wide variation in the amount considered by the farmer to be a fair price for his wood. In some parts of Nova Scotia, they take out wood at \$5 or \$6 a cord, and feel that they should have a little more. In parts of New Brunswick many farmers secure \$10 a cord for peeled spruce pulpwood; here, too, they feel that they are not being adequately paid; indeed, some claim that \$10 per cord does not more than pay for the labour. In southern Quebec, as previously intimated, farmers may be receiving \$15 or \$16 per cord; they claim that a reduction in this price would leave them very little for stumpage, although they may be receiving \$6 or \$7 for it. In parts of northern Ontario \$5 or \$6 is all that can be secured, and in Manitoba similar prices prevail. Finally, in British Columbia—where wage rates are generally higher than in other parts of the Dominion—the farmers take out pulpwood in the Fraser Valley for \$5.50 or \$6 per cord. As is the case in almost every line of human activity, therefore, the price received is not quite sufficient to satisfy. In some cases the farmers' claims are more reasonable; in other cases they are extreme on the question of price.

There is no doubt that the curtailment of markets, by restriction upon the export of pulpwood, would inevitably have considerable effect on the extent

to which the farmers of some districts could engage in pulpwood cutting; also, it might definitely be expected that under such restrictions there would be a stabilizing in pulpwood prices, which in some cases would reduce the amount below that now received—a tendency to reduce the price closer to the labour-cost of cutting. As previously stated, the Commission is of the opinion that, in the past, at least some Canadian operators have cut pulpwood prices to the bone. There are some companies that do pay, and perhaps others that could be convinced of the desirability of paying settlers fair prices for their wood; but it may be fully expected that, in some other instances, there are those who, enjoying freedom from competition in the purchase of their wood, would continue to take advantage of the situation. Aside from price-fixing by the governments, or other measures of that character—which are just as difficult of application here, as in any other direction—the only apparent way in which such difficulties could be overcome would be through organization of the settlers of a district to demand their just rights.

On the question of stumpage, it may be stated that the very reason for which pulpwood prices are lower in more northerly districts, is the same reason for which established pulp industries cannot afford to pay as much for their wood as those located further south—namely, transportation costs. It must be remembered that, in addition to paying freight upon finished products shipped from their mills, companies located at such distance also have to pay heavy freight charges upon materials essential to the operation of their mills which must be railed in from distant points. Although it has been mentioned that a homesteader on timber-land may have no inherent right to much for stumpage, it is just as true that the pulp manufacturer has no inherent right to that stumpage. The settler engaged in clearing operations on land to which he is in the process of earning title is fully entitled to equitable wages for the labour he performs—preferably a little more than that; also, the man on a well-established farm is, in addition to the labour value in pulpwood, entitled to reasonable compensation for stumpage, depending on his location; but for that type of farmer who considers that, even on land of which he has been possessed for many years, the timber supplies must provide the major part of his subsistence—and by reason of this, that he must be paid exorbitant rates of stumpage—it is not necessary to extend the same sympathy. If a thoroughly established farm cannot provide the major part of sustenance of the owner and his family in the value of agricultural crops, there is something radically wrong with the land itself, or with the region in which he has undertaken farming operations. In such instances, it is futile to blame the pulp industry, or to condemn the pulpwood markets, simply because they cannot offer the price for wood which such a farmer may consider necessary to provide the greater part of his subsistence.

In some parts of eastern Canada it was claimed that many farmers in handling their woodlots are definitely applying the methods of cropping their timber, and great stress was laid upon the fact that, in so far as they might be deprived of markets, there would result an economic loss through failure to take advantage of the growth of which such woodlots are capable. Although there may be some cases where the woodlots are receiving proper treatment, the picture drawn, that farmers generally in any region were following this practice, is decidedly over-coloured. In some cases, the practice of selective cutting is followed, but nowhere is consistent treatment of the woodlots over a whole district. In the majority of cases, the amount of wood cut from an area depends upon the price which the farmer can receive for the wood at the particular time, and the amount of labour which he is in a position to apply to its removal.

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The Commission has been unable to determine closely the number of farmers who might be affected by any restrictive legislation. It may, however, be stated that it probably runs between 25,000 and 50,000. It is only those farmers who would be directly affected by such legislation that have appeared before the Commission, and it cannot, therefore, be inferred that farmers as a class throughout Canada are opposed to restriction in the export of pulpwood. For those that would not be affected by such legislation, it may be assumed that there is a feeling that the home-manufacture of raw materials is desirable. Many farmers intimated that they were perfectly willing to submit to restrictions in export, if they could be assured of markets and fair prices—they nearly all admit the desirability of home manufacture—but relatively only a small part of those affected appear to have confidence that the pulp companies may be depended upon to provide such protection for them. Indeed, the Commission is of the opinion that such objects could be attained only through the application of restrictive control by governments over other sources of wood supply now drawn upon at will by the manufacturers.

7. TIMBER-LAND OWNERS

The general argument of timber-land owners lies in the depreciation of the timber-land values which they claim will result from the imposition of an embargo or tax on pulpwood exports. This phase of the situation was touched upon in dealing with those lumbermen in the Maritime Provinces who own timber-lands which are essentially valuable for pulpwood. Elsewhere, however, the same argument is applied in greater or lesser degree. Such people also claim that restrictions would discourage the influx of foreign capital. In addition to the foregoing, many other arguments which already have been treated of, are advanced.

Particular attention must be given, however, to the timber-lands held in fee simple by foreign companies who engage in the cutting of timber to feed pulp manufacturing establishments in the United States. The arguments advanced by these American owners are set out in a brief, submitted by their Counsel, and attached hereto as Appendix No. 2. After setting out the various advantages under which Canada now operates in enjoyment of American markets for the various classes of wood products, the brief goes on to explain the origin of pulpwood imported from Canada into the United States. Basing deductions partly on Canadian statistics, and partly on replies to questionnaires circulated among American pulp manufacturers; referring also to a statement which was made in the Canadian House of Commons at the time of the amendment to the Export Act providing for restrictions on pulpwood; the brief reaches the conclusion that under an embargo, only an additional 1.7 per cent of the total pulpwood cut in Canada would be retained in this country for the use of Canadian mills. Referring further, to the Order in Council of August 14th, 1923, which made provision for the exemption of contracts already entered into, the final conclusion is reached that not more than one per cent of the pulpwood cut, would, by embargo measures, be retained in Canada. On this basis it is argued that the embargo proposal would be futile as a conservation measure.

Citing authorities on the requirements as to developments in pulp manufacture, the brief proceeds to demonstrate that mills will be established in Canada only when business conditions warrant, the inference being that the embargo would have little effect in bringing that about. In amplification of this statement, they point out that United States still has large supplies of timber which can be drawn upon, and in this manner migration of further United States industries to Canada will, even in event of an embargo, owing to the extent of domestic supplies, be restricted.

After this general argument to the effect that Canada will reap no advantage from an embargo upon pulpwood exports, the cases of several individual American pulp and paper companies, who own extensive tracts of timber in Canada, which they operate and export the wood therefrom to the United States, are described in detail. It is pointed out that large investments have been made in good faith, and that, further, large sums have been expended in the development of the properties on the complete understanding that export would be permitted; that the prevention of exports would be a breach of good faith, and not only operate seriously to the disadvantage of these companies, but will disturb Canada's credit as a place of security for foreign investment.

So far as the brief submitted by the Counsel for American pulp and paper companies is concerned, attention is entirely confined to discussion of the embargo. Although these foreign owners have at various times argued against imposition of an export tax, their main case is directed against embargo. In a very dignified way, they admit the right of the Government to impose restrictions—except in cases where they consider such action would directly violate agreements entered into between the Government of Nova Scotia and American timber holders—but argue that the embargo is not in the public interest.

Obviously in a case where the imposition of an embargo would violate legislative arrangements between an American company and a provincial government in Canada, there is necessity for the most careful treatment. Aside from such cases, the question of property rights generally is one in which the claims of interested owners should be carefully studied by legal advisers of the government. So far as the Commission is concerned, we are inclined to the view that, inasmuch as large American owners freely admit, through eminent counsel that the Government has full power to treat with any question which vitally affects the status of the natural resources of Canada, the question is one which must be determined by other factors.

8. PULPWOOD EXPORTERS

The large group of individuals in this class took very active part in the hearings of the Commission throughout the country, more particularly in eastern Canada. In addition to evidence offered at the public hearings they presented a brief which is attached as Appendix (3). The latter ably sets out their arguments in very succinct form.

Being in great measure dependent upon the continued export of pulpwood for continuance of their operations, the views of the pulpwood exporters may be said to consist of all arguments which have been, or may be, advanced by any of the other classes to whom reference has been made. In most cases the exporter is, after all, the middleman, through whom the transaction of sales as between Canada and United States takes place. From his own standpoint, the main argument—although this has infrequently been advanced—is naturally that a continuance of exports is essential to his own welfare. Some exporters, however, very active in the campaign against restrictions, have given considerable study to the situation, and have even advanced arguments which related to, and might well have been used by other classes. They point out that pulpwood operation more faithfully serves the requirements of conservation, in that a greater part of the tree is used, and that a smaller amount of slash is left in the woods. The comparison herein made is, of course, between pulpwood operations and lumbering operations—herein the argument is sound; it cannot be argued, however, that operations conducted by or for exporters are more conservative than operations conducted by or

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for Canadian pulp manufacturers. Another argument of some considerable importance is their claim that the taking out of pulpwood, and the preparation of the material by peeling or rossing, involves just as much expenditure per unit of wood as does the logging of timber and the sawing of rough lumber; this argument—in so far as it relates to labour values—has a good deal to support it if the wood is peeled or rossed; but it does not apply to a large part of the wood which is shipped rough; neither does it take into consideration the interest on capital in saw-mills.

Using similar extreme figures to those applied by some of the strong^{u. S.} advocates of the embargo, in comparing the losses by fire, wind, insects, etc., to the depletion brought about by utilization, they argue the futility in restricting exports as a conservation measure. They also take strong exception to the possibility of American mills establishing themselves in Canada if exports be restricted; other factors, they claim, must determine the further development of the pulp industry in Canada.

In addition to opposing the embargo, as a body the exporters also are opposed to an export tax. In support of this position they state that Canada does not control the price of pulpwood in the United States. The case of the pulpwood exporters is very clearly set out in their brief, and it is unnecessary to go into greater detail. In fairness to some of them, it must be explained that, in addition to exporting, they supply Canadian mills with part of their pulpwood requirements. Still further, there are those who, in addition to performing these functions, also are themselves owners of timberlands which they operate for pulpwood; so far as this phase of their business is concerned, discussion of their case relates to that of timber-owners.

9. GENERAL

Many of the classes treated of above have at various times claimed that Canada can in no way control the prices of pulpwood in the United States market. This argument is offered more particularly in opposition to an export tax. The claim is made that, in event of such a tax, the pulpwood-cutter himself would pay it. The Commission is unable to advise just exactly what would happen, because the question as to who would pay the tax depends upon a great many economic factors which are subject to great variation from time to time. As wood is, and for many years has been cheaper in Canada than in the United States, it is possible to argue that under normal conditions American producers would absorb any tax which might be imposed. In view of other factors, which for the time being disturb the pulpwood and pulp markets, however, there is certainly a possibility that an effort would be made to pass on payment of the tax to the wood-cutter.

Present conditions of the pulp market also have been advanced as a strong argument against restrictions. It is pointed out that as European pulp is now being laid down at United States ports at prices lower than those for which Canada can supply the same product—lower even than many American mills can produce it—any action taken by Canada to make manufactured pulp more costly to United States paper manufacturers, by curtailing wood supplies and thus rendering it less accessible to them, would be entirely overcome by the competition from Europe. The Commission has taken occasion to enquire into this situation, and while it is undoubtedly a fact that European pulp is causing a lowering of market prices in regions reasonably accessible to tide-water, this condition is really due to economic factors which may be more or less temporary in character: (a) The pulp industry in Sweden—which country is most active in competition—is not in a satisfactory condition, and finds it necessary to unload products at little or no profit; (b) they operate under rates of exchange

which contribute to lower prices; (c) labour costs are much lower. As pointed out in Part II, however, some of these European countries are, notwithstanding the inherent desire in the governments and the people to conserve their wood supplies, seriously over-cutting their annual increment, to relieve present financial distress. As things become more stabilized, therefore, it may reasonably be expected that European competition in pulp will be less serious. Indeed, there is good reason to believe that the amount of pulp which they now place upon the American market is at or near the maximum quantity which they are capable of making available for export to this continent without reducing their output of other forest products.

By reason of the fact that very frequently pulpwood and saw-timber resources are intermingled; by reason of the fact that timberlands are in some cases operated with both objects in view; and finally, for the reason that protection and management measures must be applied to both of them on the same basis—the view has been conceived in the minds of some, that no action toward restriction of the pulpwood exports is possible, without having very serious effect upon the other branch of the industry. It may be strongly emphasized, however, that regardless of the inherent intermingling of interests, if it should be considered desirable to impose export restrictions, it is absolutely feasible to do so by means and in a manner which will accomplish the object in view, without any serious detriment to other interests.

SECTION B—THE NATIONAL INTEREST

In the foregoing pages, there have been discussed the views of private interests upon the question of restricting pulpwood exports. It has previously been intimated that while such views must manifestly be afforded the most serious consideration, there is the broader aspect of the problem which must, in the final analysis, prevail. The success of farming interests, of lumbering interests, and of pulp manufacturing interests, are individually and collectively of the utmost concern in the industrial development of the Dominion, but so far as they depend for their success upon the timber resources of this country—and inasmuch as their continued success is absolutely based upon the continuance of the forest resources—the interest of one or all of them must obviously be made subservient to the continuance of the forest resource as a whole, so necessary to national development and security.

1. THE SUPPLIES

This subject has been dealt with in great detail in Part I. and for the purpose of applying that information, it is necessary only to briefly summarize. The two important species in pulp-manufacture are spruce and balsam. In one province only, hemlock attains some importance. All other species contribute little to pulp manufacture in Canada. Although with the development of methods, other species may undoubtedly be used, the problem now faced must be solved on present established practice. Similarly, although with our huge forest areas, we have large inaccessible tracts which in the distant future may be brought to some form of utilization, there is no justification for our taking them into serious consideration at the present moment. The problem we are faced with is that of determining the extent to which we may continue the use of the pulpwood species. Unless the fundamental principles of forestry are to be ignored, this use must be based on the extent to which our forests can supply the annual requirements by growth. In other words, conclusions must be based on the principle of living within our income. To ignore this principle, and to make use of visionary timber assets in our calculations, would be quite comparable to the case of a man who, in an effort to place his expenditure on the

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basis of the annual income justified by his assets, adds to his profitable assets the sum-total of all questionable securities, in the hope that they may at some time in the future produce revenue—thus leading himself to believe that he is justified in using a larger income than his assets really permit.

Just as there has been a tendency on the part of extreme advocates of restrictive measures to exaggerate the depletion resulting from annual utilization and other causes, there has been a tendency on the part of opponents of restrictive measures to belittle the amount of wood that would be retained in Canada if restrictions in pulpwood exports should be found necessary. After all, a hundred is comprised of *all* its parts, not ninety-nine. Many a business has been wrecked through failure to realize the effect of the humble one per cent—to say nothing of three, four, or five per cent—in the calculation of income or of use. While the extreme advocates of restrictions may exaggerate out of all reason the benefits to be derived from such measures, the opponents on the other hand frequently take the position that no good whatever can be accomplished by this means. There has also been a tendency to calculate the duration of supplies in Canada as a whole, by the simple process of division of total stand by total consumption, notwithstanding the fact the larger part of our timber is in British Columbia and consequently utterly inaccessible as raw-materials to the industries of the East. As has been thoroughly demonstrated elsewhere, the economic use of land positively demands that forest industries of both classes should prevail throughout the Dominion. On this basis, it is essential that supplies must be considered by regions, if not, indeed, by provinces.

It has been thoroughly pointed out that in the Maritime Provinces the timber supply situation is extremely serious. On the theory of "ultimate exhaustion"* there is only 31 years' supply of the pulp species. On the same basis, in Ontario and Quebec combined, in which provinces the pulpwood industry has its highest development, there is 51 years' supply; while in British Columbia, where the output of pulp is as yet only ten per cent of the Dominion total, there is available 195 years' supply. None of these figures, however, take into consideration the losses due to fire, insects and decay which, in the lack of adequate forest protection, in almost every case except British Columbia offset, or more than offset, the increase due to growth. It has further been pointed out that in the Maritime Provinces—and aside from losses through fires, etc.—annual utilization of pulp woods by industries already established exceeds by a wide margin the annual increment in those species. In Ontario and Quebec, on the other hand, *aside from losses*, annual growth of pulp woods may be approximately in a state of balance with annual use—although it is open to serious question that the condition is even that satisfactory—but in those provinces all losses due to fire, etc. operate in net depletion of the forest resource. In British Columbia a different condition obtains, and, although the application of better fire protection and better methods of utilization are necessary, there is certainly little fear of exhaustion of supplies.

2. USE OF PULPWOOD RESOURCES

Reference has already been made to the fact that consideration of the problem must be based on timber actually used in the pulp industry. Therefore, although it may be argued that the total depletion due to pulpwood exports represents only 5 or 6 per cent of the total utilization of our entire timber resources, such calculations do not satisfy the situation. Rather, we must confine ourselves to pulp woods proper, and consider that our pulpwood exports of spruce and balsam constitute somewhere from 12 to 15 per cent of the amount of those species used in Canada for all purposes. Therefore, in view of the fact that, for Eastern Canada at least, it has been thoroughly demonstrated that the

*See Part I, Chapter II, Section 10.

consumption of the pulpwood species in all directions results in continuous depletion of the resources, so far as use is concerned, this 12 or 15 per cent constitutes a 1 to 8 factor in depletion, rather than 1 to 20, as so many people have been inclined to regard it.

In gauging the extent to which an embargo might operate to retain in Canada wood which otherwise would cross the American border, it is necessary to consider whether or not it would be applied to all exports, (1) as between different species of timber, (2) as between different classes of timber-owners. As for the first of these, the results may readily be determined by the simple application of figures derived in Part I of the report. For the second, determination is not quite so simple: we may, of course, readily arrive at the conclusion that if farmers' wood were exempted from such restrictions, there is a clear six hundred thousand, or seven hundred thousand, cords of wood which would not be affected; if, however, exceptions were to be made for contracts that may have been entered into, as provided for in an Order in Council of August 14, 1923, the Commission is unable to determine to what extent the pulpwood exempted from such restrictions would reduce the amount which would otherwise be retained in this country.

With regard to poplar, it may be stated that, except in so far as the confinement or restriction in the use of this species to Canada might contribute to the development of industries which can use it as a raw material and thus serve the general economic purposes—there is no need, from the standpoint of forest conservation in preventing its export. The species is prominent throughout Canada, and is more in the nature of a weed. While it has undoubtedly some very limited uses, even in this country, there are so many better varieties which should be the subject of concern that we need give no further consideration to it. Foresters, generally, already have in poplar a difficult problem in utilization, without taking steps aimed to conserve it.

It is upon spruce and balsam supplies, particularly in Eastern Canada, that attention must be centred.

3. MARKETS

The problem of the preservation of foreign markets for pulpwood products, the importance of which has been fully emphasized in Part I, must naturally receive the most careful attention. It may be pointed out, however, that it is not only the present existence of those markets in which we are interested, but also the permanence of them. Generally speaking, this country is in the position where the extent of forest lands and timber resources fully permit of sustention of our forest industries, but in the Eastern Provinces at least, the conclusions of Part I clearly point to the fact that a reduction in the rate of depletion of pulpwood species must be effected in some direction or other. In the Maritime Provinces, in addition to proper forest protection, there must actually be a decrease in the amount of spruce and balsam timber removed annually from the forests, unless constant net depletion is to continue. In Ontario and Quebec, if the financial condition permits of providing adequate forest protection in all directions, use on the present scale, through cutting, could be sustained. It may be pointed out, however, that the solution of protection problems to the degree indicated, will entail expenditures and effort very much greater than those now applied.

4. THE ISSUE

With the problems previously outlined the federal government and the provincial governments of Canada are faced. The directions in, and the degree to, which curtailment in the use of pulpwood supplies must be effected, in the various parts of Canada, have been thoroughly indicated in Part I of the

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report. As has already been explained, as between different parts of Canada, there are three degrees of seriousness in the present situation, which must definitely be met with measures to improve conditions. So far as forest conservation—in the usual sense of the term—is concerned, the Commission has been at pains to point out the weaknesses which exist and the steps which should be taken to remedy the situation. The extent to which other measures of an economic character should be applied must necessarily be determined by the extent to which the federal and provincial governments are prepared to go in applying the methods of forest conservation proper to the situations which obtain within their respective jurisdictions. There is a great difference of opinion, as between the officials of various governments, as to whether an embargo, or an export tax, or neither of them should be applied. It may definitely be stated, however, that should an export tax be adopted, the only basis upon which it could possibly be construed as serving the purposes of conservation would be: that all revenue to be derived through the operation of the tax should be applied in forest protection through the federal and provincial services. In the present state of our forest conditions and forest industries, the application of any export tax, ostensibly as a measure of conservation, but actually for the purpose of securing revenue to apply in other directions, would be literally "adding insult to injury". For generations, our forest capital has carried far more than its proper burden in supporting public expenditures. If, therefore, an export tax were to be applied, its only justification lies in the application of the funds derived therefrom directly to the work of maintaining and developing the forest resource.

So far as this Commission is concerned, we have clearly pointed to the fact that some steps must most assuredly be taken whereby the annual drain on the spruce and balsam supplies of eastern Canada must be very greatly reduced. In some parts, this object may possibly be attained by the complete elimination of fire and insect losses; in other cases, it can only be attained by the elimination of such losses plus the reduction of the amount of spruce and balsam used, either in local industries or in export. The same situation does not exist in British Columbia, and, by reason of the fact that there has been some concern in that province as to the effect of Dominion legislation, it is here necessary to indicate the means by which such legislation could be effected without being unduly harmful to British Columbian interests. The solution of this particular difficulty lies in the fact that those tree species, which it is from a pulpwood standpoint necessary to conserve, are the spruce and balsam.

If, therefore, the pulpwood situation in the eastern provinces demands the imposition of restriction on the exports of these two species, it will readily be perceived that such restriction would have no detrimental effect on the logging or manufacturing of British Columbia. In that province the demand for the export of logs applies primarily to western cedar, Douglas fir and western hemlock. In view of the fact that none of these species even occurs in eastern Canada, it is manifest that no difficulty will be occasioned. A small amount of Sitka spruce is exported from British Columbia, but curtailment or restriction in exports of that species could not be claimed to have any widespread effect. Indeed, even if it did, the spruces which might be included in any restriction to be applied could be defined by their specific names, and in this manner Sitka spruce would be eliminated. Similarly, although a limited amount of "white fir" is exported from British Columbia—and notwithstanding the fact that it has been included under the heading of balsam in our consideration of pulpwood resources—the tree is nevertheless an entirely different species to the balsam of eastern Canada. At the present time, if it be claimed that there

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is no necessity for restricting the export of white fir (*Abies amabilis*) it would only be necessary to refer specifically to the balsam (*Abies balsamea*) of eastern Canada. Even if it should be desired to serve broad economic principles of home manufacture by restricting the export of poplar (which is not at all necessary from the standpoint of forestry), here again, the use of specific names to designate the class of timber to be so restricted, would obviate all difficulties which might otherwise occur.

CONCLUSION

Owing to the many intricacies involved in the pulpwood export question; in the complications as between forest conservation and trade relations; in view of the fact that the character and extent of the restrictions would necessarily depend upon the extent to which the government might otherwise go in conservation; finally, as the facts have been very plainly and fully laid before the Government,—the Commission takes the view that the actual determination of a policy must rest with the Government.

Respectfully submitted,

JOS. PICARD,
Chairman.

W. A. ANSTIE,
Deputy Chairman.

JOS. G. SUTHERLAND,
Commissioner.

A. B. KERR,
Commissioner.

APPENDIX No. 1

CANADA'S PULPWOOD RESOURCES

WHAT SHOULD BE DONE TO CONSERVE THEM

A Statement Prepared by The Canadian Pulp & Paper Association For Submission to the Royal Commission on Pulpwood, Montreal, November, 1923.

The Canadian Pulp and Paper Association, whose members are engaged in carrying on an industry which annually produces wealth to the value of 150 millions of dollars, and by exporting the major portion of that wealth brings into Canada an annual cash income of over 100 millions of dollars, is convinced that the present rate of depletion of the Canadian pulpwood forests (the source from which all this wealth is developed) is ruinous to the future of the industry, and therefore to the permanent interests of the country. The Association is also convinced that this present rate of depletion can be materially reduced, without hardship to any Canadian interest or injustice to any interest whatever, and the future of the industry be thereby secured, with very great benefit to the economic position of the Dominion.

The purpose of this statement is to establish three successive points:

First, that the rate of forest depletion is now dangerously high, in the sense of involving imminent and certain peril of a grave handicap to the Canadian pulp and paper industry and a marked increase of advantage to its competitors, not in a hundred years from now, not in fifty years from now, but in ten or fifteen years, or even less.

Second, that the rate of depletion cannot effectively be reduced by any action that can economically be taken by the lessees of the Canadian pulpwood lands, or even by the private owners who possess in fee simple some small portion of the total amount of these lands. From this it follows without further argument that the stoppage of depletion must originate in government action, by the provincial or federal authorities or by both. This does not necessarily mean that the whole *management* of the conservation processes must be entrusted to government officials or to politicians.

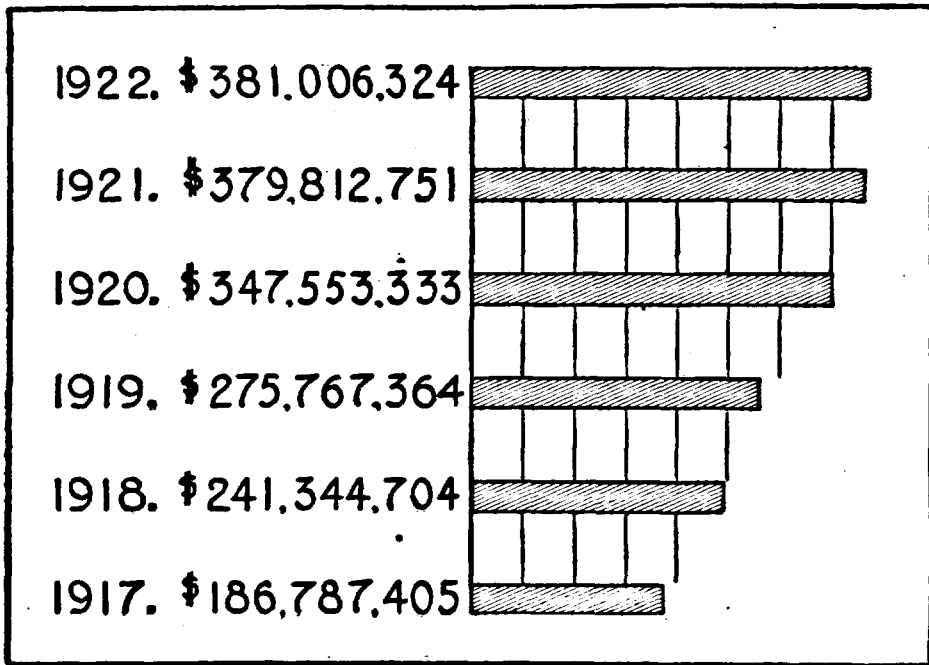
Third, that certain forms of action by both classes of government authority, which in the Association's opinion are calculated to achieve the desired result, are perfectly within the powers of the respective governments, involve no hardships to any Canadian interest, and will work no injustice to any interest whatever.

THE RATE OF DEPLETION

As to the first point, that the present rate of depletion involves a certain prospect of a steady diminution in the advantages now enjoyed by the Canadian pulp and paper industry in respect of cost of production, a diminution not in the far distant future but likely to commence within a few years and to progress with rapidity, until the industry in Canada, from its present character of a swiftly expanding one, will become a stationary and eventually a contracting one.

Exact statistics are not obtainable either for the total amount of pulpwood (wood of the type and size now employed in the manufacture of pulp) in the Dominion, nor of the rate of its diminution by use and destruction, nor of the extent to which that diminution is offset by natural or artificially stimulated growth. Even if the most perfect statistics were obtainable, they would not give us an accurate statement of the case; for it is not only the *amount* of the consumed timber which is of importance, but its geographical situation. The destruction by fire of a hundred square miles of timber in an area which is not likely to be cut for another hundred years is of less consequence, it may be, than the destruction of ten square miles adjacent to an existing pulp mill. The former may be replaced by the unaided action of nature long before the expanding industry has reached out to utilize it; the loss of the latter may materially increase the operating cost of a great Canadian mill within a year, with an increase which will be permanent and irremediable.

CAPITAL INVESTED IN THE CANADIAN PULP AND PAPER INDUSTRY



The growth in the amount of capital invested in the Canadian pulp and paper industry is illustrated above. The figures are taken from the Dominion Bureau of Statistics report and show a steady growth in invested capital from \$186,787,405 in 1917 to \$381,006,324 in 1922, an increase of 104 per cent in this period.

In the absence of statistics we are compelled to have resort to the most expert estimates that are obtainable. Of these there is no lack, and they are in substantial agreement one with another. As the authorities dealing with forests are mainly provincial in character, the estimates are for the most part provincial in area; and as Quebec is the most important of the pulpwood-producing provinces of the East, it is expedient to devote some time to a discussion of the estimates for that province, treating the other provinces more briefly and by means of analogy.

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The American interests which argued at Washington in 1920 in favor of the adoption of the Underwood Resolution were naturally concerned to make as light as possible of the depletion of the Canadian forests. They presented an estimate that the Province of Quebec alone contained a stand of 608 million cords of wood, and that 24,320,000 cords could be cut annually therefrom without depletion if it were conducted as a "scientifically lumbered forest." (The estimate of an annual cut of 4 per cent of the stand is of no great interest, as if that rate of replenishment is the sign of a "scientifically lumbered forest" there is no such forest anywhere in Eastern Canada or in the Eastern States.) As against this we may place the estimate set forth in the government publication, "The Forests of Canada," prepared by the Department of the Interior, at Ottawa, in 1923, under the special care of the Dominion Forestry Branch. In this document the total stand of merchantable timber of every kind of soft wood is given as 871,720,000 cords for the whole of Canada. But of this amount only 65 per cent, or less than two-thirds, consists of good pulpwood, namely, balsam and spruce, the great bulk of the remainder being jack pine, which at present is utilized to a very limited extent. This gives us a total of about 580,000,000 cords of merchantable spruce and balsam in the whole of Canada; but the term "merchantable" refers only to sizes and quality, not to location, and it is therefore necessary to deduct all that immense quantity of pulpwood which lies north of the great divide in Quebec and Ontario, and hence in watersheds running down to Hudson Bay, for such wood, unless it happens to grow within a short distance of the very few railway lines which enter that territory, cannot possibly be brought out to the market. Estimating this inaccessible wood at the moderate figure of 80,000,000 cords, we get 500,000,000 cords as an approximate total for the good merchantable pulpwood of all Canada. Of this the Eastern Provinces are, in the same Forestry Branch 1923 document, estimated to contain 552,210,000 cords of all kinds of soft wood, which gives about two-thirds of that amount of pulpwood, or 368,000,000 cords, and deducting 80,000,000 cords for inaccessibility we get 288,000,000 cords of accessible pulpwood in Ontario, Quebec, New Brunswick and Nova Scotia. It is out of this 288,000,000 cords (and out of only a part of it at that) that almost the whole of the cut of 5,000,000 cords per annum is now being derived; and yet the experience of the best foresters in the Province of Quebec shows that the rate of increment which can be attained by spruce and balsam under the best conditions is only 1.22 per cent per annum.

Before passing from this point to a discussion of the rate of depletion, it may be well to point out that a large part of this stand of 500 million cords is not part of the "operated forests" (whether "scientifically operated" or not) of the present time, but is simply a reserve for the future, the utilization of which cannot take place until the cost of securing wood in more accessible areas has become a good deal higher. The contents of this untouched reserve are stationary, or may by accident be actually diminished; there is no rate of growth upon them whatever, whether 4 per cent or $\frac{4}{10}$ of one per cent; there can be no rate of growth upon them until they begin to be cut; they cannot grow one single new log to replace anything that may be cut in the now operated areas, because all that they can do is to replace their own natural decay. They are "matured stands," not growing forests. Whatever rate of reproductive power these areas would possess (and, so far from approaching the one-fifth cord per acre of the American estimate, it is placed by experts at one-twentieth of a cord per acre, much lower than in the operated Canadian lands and the American forests, because of its northern situation and consequently slower growth) is at present being wasted, and must continue to be wasted until it becomes economically feasible to cut timber there. This consideration applies to probably at least 100 million cords of the above estimate, which will continue to be

100 million cords (unless diminished by fire) for a thousand years, if that time should elapse before it begins to be cut, and would not contribute one additional tree even though every tree in the other forests of Canada should be cut down or burnt off in the interval.

CONSUMPTION AND DESTRUCTION

So much for the actual pulpwood reserve of Canada. Now for the rate of combined consumption and destruction. The total annual cut of pulpwood in Canada has not hitherto greatly exceeded four million cords, but the present greatly increased rate of export of unmanufactured pulpwood to the United States, together with the coming into action of several new mills in Canada, indicates that a cut of five million cords will henceforth be a minimum figure so long as the accessible woodlands of this country continue to afford such a crop. A small proportion of this total, not exceeding 300,000 cords, comes from British Columbia, the remainder being the product of the Eastern Canada areas already sketched. This of course is the net cut, as brought to the mill or to the port of export; the gross cordage actually destroyed in getting it out is considerably larger.

But if the Canadian forests lost each year only what is actually taken out of them by loggers, the situation would be comparatively cheerful, even admitting that this five million cords is not spread over the whole 500 million cords of standing pulpwood in Canada, but comes out of (and thus allows a natural replacement process in) only some 200 to 250 million cords in forests under actual operation. Such a rate of consumption, while it certainly would not, even with the most scientific forest management, allow anything to be added to the contents of the forests, would not greatly exceed the rate of replacement which could be attained under such management in all but the coldest portions of Eastern Canada. But we have to add to this consumption an unknown but infinitely alarming rate of destruction by fire and by disease.

Statistics of fire and disease loss in the Canadian forests are even less exact than those of forest contents and rate of extraction. But that it has been in the past and still is immensely in excess of the loss by cutting would be admitted by anybody with the slightest knowledge of Canadian forests. The Forestry Department 1923 document already referred to gives what must certainly be considered a very cautious and moderate estimate. Unfortunately, no distinction is drawn between hard and soft wood. The annual utilization (gross) is placed at 2,616,000,000 cubic feet of standing timber, the fire destruction at 790,000,000 cubic feet and the insect destruction at 1,350,000,000 cubic feet, plus an unknown loss due to fungus diseases, with the total result that "the forests have, during the last five years, been depleted at the rate of upwards of 5,000,000,000 cubic feet per annum." This, it is frankly admitted, much exceeds the existing rate of increment, which it is estimated (by the same authority) "should be," *with good management and adequate fire protection*, between 7,500,000,000 and 11,500,000,000 cubic feet. As it is, even with utilization and loss estimated as low as 5,000,000,000 cubic feet, "the forest capital of Canada is being materially reduced, owing primarily to the failure to provide for a future crop while cutting and the lack of protection from fire for the natural reproduction."

But other authorities are even less cheerful.

Mr. Frank J. D. Barnjum, a profound student of the situation and a lumberman of 34 years' experience, speaking with the utmost caution and seriousness before the Canadian Society of Forest Engineers in January, 1923, said:

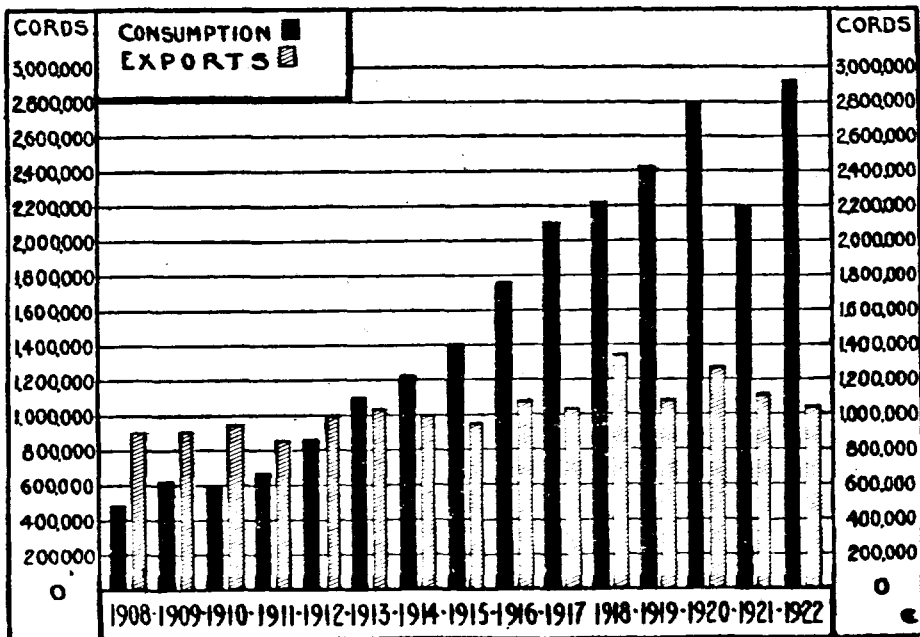
"If you will look over the records of our forest history you will find that the amount of the annual cut is not over one-tenth of the amount of destruction

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by bugs, fungi, fire and wind. If we had only the annual cut to contend with, and there was no loss from the above-mentioned causes, there would to-day be just as much timber in Canada as there was when the country was first settled."

The statement that the annual loss from fires and other destructive agencies is ten times greater than the annual cut, it is fair to state, has been challenged by experienced lumbermen when applied to the particular districts with which they are most familiar, their deductions being arrived at by multiplying the

CANADA: CONSUMPTION AND EXPORTS OF PULPWOOD



The above chart illustrates the growth of the Canadian pulp and paper industry as shown by the increase in our consumption of pulpwood. In 1908, Canadian mills consumed 482,777 cords and in 1922 this figure had risen to 2,912,608 cords. The shaded columns show the exports of pulpwood which have been fairly steady throughout these years. From 1908 to 1922 Canadian exports of pulpwood have averaged 1,025,000 cords annually, all of which has gone to the United States. During the first eight months of 1923, 1,046,367 cords were exported.

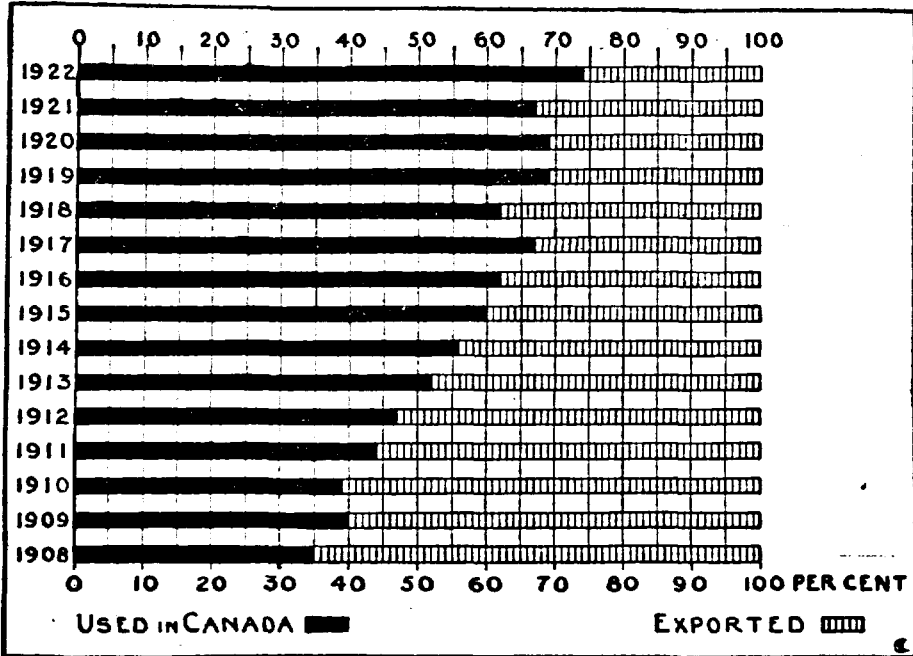
annual cut ten times and by showing the impossibility of such a drain taking place; but the statement, nevertheless, receives credence in other quarters and as applying to Canada in general. It must not be assumed that total destruction is the invariable accompaniment of forest fires, since usually much timber is left standing that is subject to salvage. Fire, however, it must be remembered is vastly more destructive than even the most unscientific logging. The logger is obliged by regulations, and to some extent by his own interest, to leave the young trees of the pulpwood species; fire not only destroys, but it leaves the soil in a condition which, as every experienced lumberman knows, allows such unimportant woods as birch and poplar to spring up first, and it is often many years before the pulpwood species attain to their normal proportional strength.

The rate of fire loss rises with the rise of population—until that advanced stage is reached when the forest area begins to be intersected by extensive agricultural clearings, as is now the case in most of the American States; these in

time begin to limit the extent of any single fire in a way that is not possible in such vast uncleared areas as those of Northern Ontario and Northern Quebec.

The rate of disease loss, on the other hand, rises as a direct consequence of both fire loss (when the destruction is not fully complete) and of careless cutting. The tree diseases which are most destructive are due, according to Mr. O. Schierbeck, Forestry Engineer, to the over-multiplication of the natural scavengers of the forests, the beetles and fungi, in areas where an exceptional amount of dead wood has for any reason been left upon the ground. This dead wood may be partially burnt trees, windfalls or the wreckage of lumbermen's cuttings; the scavengers multiply in it until they have entirely consumed it,

DISTRIBUTION OF CANADIAN PULPWOOD



The chart shows the distribution of Canadian pulpwood on a percentage basis. The full bar represents the total cut of pulpwood as 100 per cent, the solid black portion represents the proportion made into pulp or paper in Canadian mills, and the shaded portion the amount exported. In 1908 Canadian mills consumed 35 per cent of the total cut and exported 65 per cent; in 1922 domestic consumption was 75 per cent and exports 25 per cent.

and then they turn to attack the living trees. "The loss caused by a fire cannot be counted only as the area burned; the greater danger lies in the fact that it spreads all the forest pests to the unburned sound wood." Nature eventually provides the corrective, because none of these scavengers can flourish on healthy wood as they do on their proper food, the decayed tree, and hence each epidemic of beetles or fungi eventually dies away; but not until it has ruined for generations to come vast areas of healthy trees. One of these pests, the budworm, had a tremendous development in Eastern Canada during the second decade of this century, and it is estimated by Mr. Schierbeck that 150 million cords of balsam, a high-grade pulpwood, is dead or dying as a result of its ravages in the Province of Quebec alone.

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In sum, therefore, we find that in Canada the rate of cutting of the pulpwood forests is considerably in excess of what natural reforestation can offset, having regard to the limited area in which natural replenishment can take place, and that in addition to this exhaustive cutting, which alone would suffice to produce a grave shortage of pulpwood within the lifetime of the present generation, there is a further source of depletion, as set forth above, which must in all certainty be many times as great as the actual cut itself, and which is estimated by one expert authority as no less than ten times the cut. It is obvious that this process cannot go on without paralyzing in a few years the operations of many of the plants engaged in the pulp and paper industry, and so raising the cost of operation to nearly all of them as to deprive this country of its present invaluable advantage over its competitors in the United States and Northern Europe. Space does not permit of more than a reference to what may be termed the secondary consequences of deforestation, namely the diminishing of soil moisture, the reduction of water powers and the lessened fertility of the soil. The function of the forest as a preserver of moisture in the soil and a regularizer of stream flow is now too well known to need explanation. The records of the Shawinigan Water & Power Co., Limited, as quoted by Mr. Julian Smith, the president, show progressive increase in the difference between extreme high and extreme low water, due to the denudations by lumber operations and settlement of the watersheds of streams used for power production, and plenty of other evidence to the same effect is available.

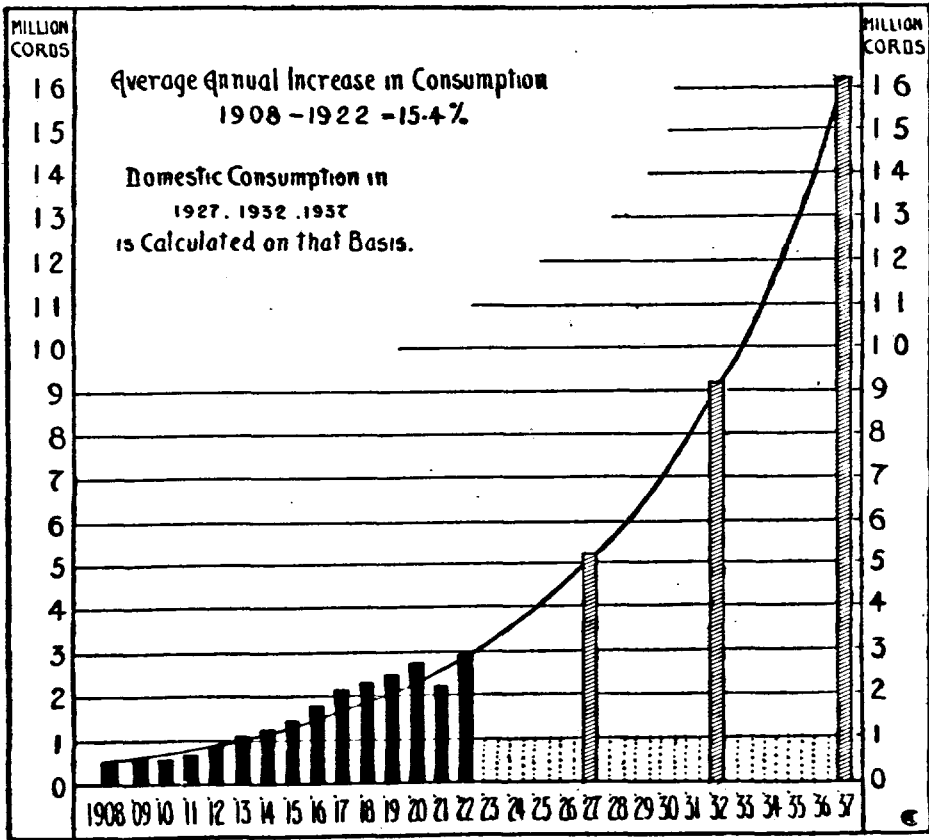
THE COST OF CONSERVATION

It is sometimes alleged, by those who cannot deny the necessity of forest conservation, that the burden of its cost should fall entirely upon those who are engaged in the exploitation of the forests. Those who advance this contention are unfamiliar with the characteristics of the forest industries, and it is not difficult to show that their proposal is economically impossible and intrinsically unsound. The first objection is that no man can be expected to spend large sums for the preservation of that which he does not own. Of the 155 million cords of available pulpwood estimated above for the Province of Quebec only 25 million cords are on lands owned in fee simple by private individuals and corporations; 100 millions are on lands owned by the Crown and licensed (on a one-year license) to operators, and 30 millions are on Crown lands not licensed to anybody. In Ontario the proportions are closely similar, and in the Maritime Provinces the privately-owned lands are a slightly larger share of the whole. Such preservative operations as are now being carried on are mainly on the private lands, and, for reasons which will shortly be explained, they go about as far as is possible in the case of voluntary action by private individuals.

The system of yearly licenses grew up in an age when logging was carried on mainly for lumber purposes, when forests were plentiful and when the "plant" required on or near the limits was small and more or less transportable. It may not be permanently suitable for an industry such as pulp and paper, involving millions of dollars of investment in machinery and water-power and in town developments, which must be permanently established at a point where logs can be assembled cheaply for generations to come. But at all events it is the system under which pulpwood lands are granted by governments to the operators who are to exploit them. There is naturally a moral obligation resting on the governments to continue the license from year to year, but the terms of the license may be, and from time to time are, changed as the government sees fit. In effect the license-holder at the end of each license year possesses nothing but a first claim on the right to take out a new license for the coming

year at the government's own terms. There is an annual rental per square mile and a stumpage charge for timber cut, and both of these may be raised and have actually been raised at the government's discretion. That the license has a certain permanent quality, vague though it must be under these conditions, is

CANADA'S POSSIBLE CONSUMPTION OF PULPWOOD FOR THE NEXT FIFTEEN YEARS



The above chart shows the actual consumption of pulpwood by the Canadian mills during the years 1908-1922. In 1908 the consumption of wood was 482,777 cords; in 1922 the consumption was 2,912,608 cords or more than six times as great. During these years the average annual increase in the consumption of pulpwood by the Canadian mills was 15.4 per cent. The curved line shown above is based on this annual increase of 15.4 per cent and if in the next fifteen years the domestic consumption of wood increases at the same rate we shall require for our manufacture of pulp and paper the quantities indicated.

however recognized by the fact that when any area is first put under license, the license is sold by the government to the highest bidder, and that provision is made for the transfer of licenses from one owner to another at a prescribed fee. It is also admitted that the licenses are accepted as collateral for loans, and that a cancellation is practically unknown, but these facts do not alter their actual status as year-to-year leases.

With ground rents, stumpage dues and cutting regulations, all of them a matter of complete uncertainty as regards the future, it is obvious that the

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policy of licensees must necessarily be the getting out of enough timber to pay the capital cost of their licenses within the first few years, while terms and conditions are likely to remain unchanged. They are limited by the Crown regulation as to size of trees and other matters, and to go any further than that in the direction of forest preservation would simply be adding very greatly to the cost of their timber for the sake of growing additional trees, which may not be cuttable for fifty years and which by that time may be of no interest whatever to the present licensee. The return for any investment made in reforestation or other branches of scientific forestry is so excessively remote—a matter of fifty to one hundred years—that even where the forests are the absolute property of the investor it is impossible to secure capital for any such undertaking unless the price of the resultant product is exceedingly high. In very few places can private capital, even where most plentiful, be found embarking upon such protracted adventures except to a very limited extent; the business man will put his money into enterprises where the return, beginning in two or three years from the investment, will be completed in thirty, forty or fifty years, but he will hesitate when asked to invest in a crop which will not ripen until his grandchildren are ready to spend its proceeds and which can yield nothing whatever until it is ripe. Still less will he put it into such a crop to be grown on land that is not his actual property and that is subject to a rental charge which he can neither control nor foretell.

COST OF FIRE PROTECTION

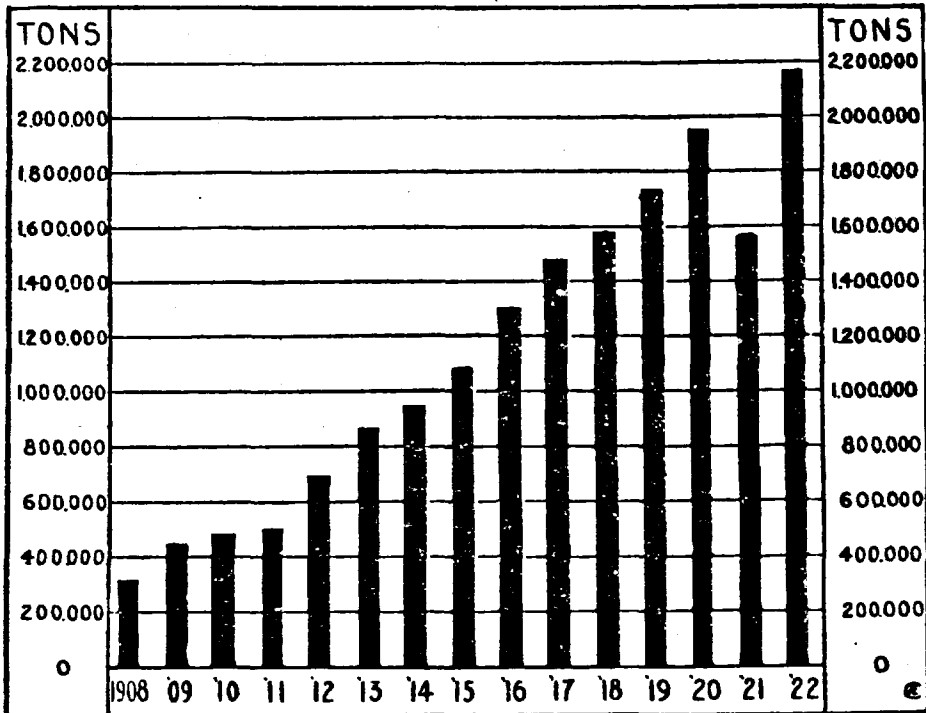
And what is true of reforestation and of scientific forest management is equally true of fire protection. The timber that is destroyed by forest fires is not, in the vast majority of cases, the property of a private owner. The licensee has an interest in it, but it is not that of an actual owner. Its destruction means nothing more to him than that, at whatever future date he would have begun cutting it, he will have to go further afield and harvest at higher cost less desirable timber, and possibly even take out a new license on new areas of government land. If he has built an expensive mill which must be kept supplied with wood, his interest will be more acute; but many license-holders have no mills in connection with their limits, and some have no mills at all, and merely cut pulpwood for sale to the best bidders. The price at which these latter (whose interests in the limits is of the most temporary kind) can sell their product is naturally a governing factor in the price that can be paid by any mill-owner for getting timber from his own limits; if the mill-owner pays more for his timber (in capital cost of license, plus ground rent, plus stumpage dues, plus cost of extraction of wood and maintenance and preservation of limits) than his competitors pay for timber on the open market, he is headed straight for bankruptcy, and the fact that in fifty or a hundred years from now he may be the license-holder of a very rich and high-grade forest (belonging to the province) will not help him in the least.

But there are further reasons, apart from the lack of permanent property interest, why it is impossible for limit holders, whether owners or licensees, to make effectual efforts to protect and replenish the forests without action by the government. The most important of these is the fact that the risks are not isolated. The forest of one limit-holder may be impaired by fire or disease originating in his own territory, but it is much more likely to be impaired by invasion from somebody else's limits (or unlicensed government property) outside. A limit-holder might spend ten per cent of the annual value of his crop in protecting his own limits from fire and disease, but unless his neighbours do the same thing his risk will be almost as heavy as it was before. This fact constitutes an obstacle, not only to any effectual effort towards fire pro-

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tection except where a large body of owners can get together and organize protection for a whole geographical area, but also to any expenditure by individual concerns on reforestation; for whatever sum is expended on reforestation will be exposed during the whole fifty or one hundred years of growth to the imminent peril of loss through fire or disease originating beyond the control of the planter.

CANADA: PRODUCTION OF WOOD PULP



This chart represents the total production of wood pulp by Canadian mills from 1908 to 1922. In 1908, the production of wood pulp, all grades, was 854,624 tons; in 1922, the total was 2,150,251 tons. The average annual increase in production during these years was 10.8 per cent. Of the quantity produced during this period, Canada has used, approximately, 62 per cent in her own mills for manufacture into paper and other products, and has exported 38 per cent.

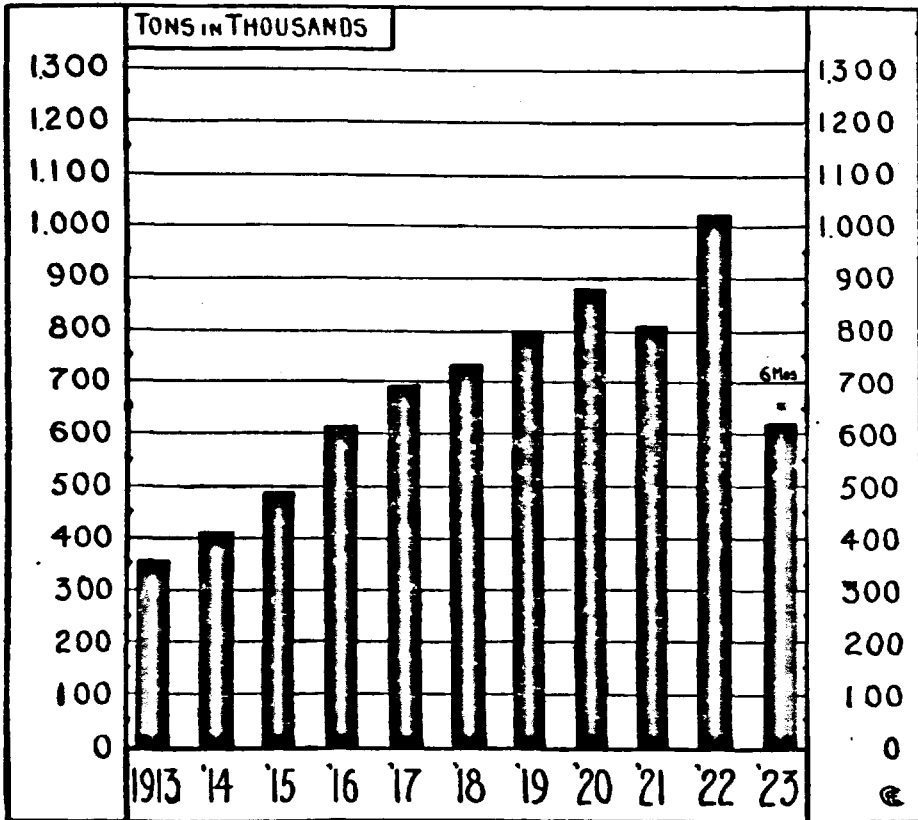
Broadly speaking, the poorer the forest, the greater is the probability of its originating a fire. But it is precisely these poorest forests which are least capable of the expenditure necessary for effectual fire protection. A limit which has been cut over, and is therefore of little immediate value to its licensees, though they may be willing to retain the license with a view to cutting it again in ten years or so, is likely to contain a great deal of slash and abandoned rotten wood, the source both of fire risk and of disease. Burnt and diseased areas dry up more readily than healthy ones, and thus offer opportunities for new fires. The perfectly healthy and therefore most valuable forest needs least effort to protect it against fires originating in its own territory, but *cannot* by any human power be protected against fires originating in poor areas and getting well under way. In other words, the task of protecting the good forest must begin in the poor one. This means that it must be per-

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formed under government authority. For the owner or licensee of the poor forest will never voluntarily spend money to protect, not his own area which is hardly worth protecting, but the areas of his richer neighbours.

The city fire brigade attends ten fires in sheds and shacks for one in a first-class building; but if it did not bother about the sheds and shacks the first-class building would eventually be swept away in a conflagration; and we do not ask the sheds and shacks to bear more than an insignificant fraction of the cost of the brigade. There is no difference between the city buildings and forests, except that a good building is, even without the fire brigade, much less exposed to fire risks *from outside* than a good forest.

NEWSPRINT PRODUCTION IN CANADA



In the ten-year period, 1913-1922, the production of newsprint in Canada has increased from 350,000 tons to 1,086,000 tons. For 1923 the production for the first six months only is given and if this rate of production is maintained it is expected that Canada's total output of newsprint in 1923 will exceed 1,250,000 tons.

GOVERNMENT ACTION

If it is by now admitted that forest preservation is urgently needed in Canada, not so much in the interests of the present owners of forests and pulpwood mills as in the interests of permanent and growing pulp and paper industry, and therefore in the interests of Canada as an economic unit; and if it is

now admitted also that no great advance on the present measure of conservation can be achieved by individual action by private limit-holders, we may pass to a discussion of the possible kinds of action by the two classes of governments, federal and provincial, and of the arguments for and against each of them.

The federal government has no power over property rights within the provinces, and can only intervene when property begins to enter into inter-provincial or international commerce. One particular exercise of its powers in this latter sphere, in the shape of restricting the exportation of unmanufactured pulpwood, has been suggested and will be discussed later. The possible types of action by the provincial governments, both as sovereign powers in the sphere of property rights and as owners and lessors of 95 per cent of the forests, are so much more numerous that they may well be considered first.

And to begin with, let it be premised that concerted action and the utmost possible uniformity of legislation is highly desirable as between the four Eastern Provinces, whose conditions are closely similar and whose forest products are all in close and constant competition one with another, while their forest areas, in the case of Quebec and Ontario, are sufficiently close to one another to allow of the ready passage of fire and tree disease from one province to another. To impose more stringent regulations or heavier dues in one province than in another involves grave hardship to the lumbermen of that province; but if the charges and regulations are uniform in the whole area both benefits and cost will be evenly distributed. In fixing acreage dues, it would, of course, be necessary to take into account the varying productivity of the different areas as the yield per acre in one province may be much higher or much lower than that in another.

Second, let it be borne in mind that the forests of all these provinces are producing large amounts of income for the provincial exchequer, of which only an insignificant portion is being spent on their conservation. The Province of Quebec in 1921 was taking \$4,500,000 a year out of its forests as provincial revenue, and putting back about \$400,000, the cost of the administrative staff and of a small amount of fire protection. The amount put back has increased somewhat during the last two years but is still inadequate. The State Forest Service of Sweden expends fifty per cent of its revenue on forest improvement and upkeep. Seeing that the revenue of Quebec is being acquired as the result of operations which are steadily and rapidly diminishing the timber supply, it seems to be a very clear case of securing current income by the sale of capital assets. The province is largely living on posterity.

Provided that the regulations are made uniform over the entire Eastern Canada area, and provided also that they are accompanied by a more generous expenditure by the provinces for the preservation of the forest heritage of the future, there is no doubt that considerable improvements could be effected in the method of exploitation as at present practised. The compulsory removal of "slash," the small wood taken from the felled trees in reducing them to transportable logs, is a very commonly suggested improvement, and would certainly reduce immensely the risk of disease and fire. The companies which would like to practise slash disposal are unable to do so now for the competitive reasons outlined above, but would welcome a regulation which made it compulsory. The same is true of the enforcement of a more selective cutting policy.

The question of slash disposal, however, it is to be noted, is a moot one among forest owners and operators. Some contend that such disposal is impracticable and others that it is unnecessary. It is admitted that it would add greatly to the cost of harvesting the wood.

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DESTRUCTION BY SETTLERS

A large part of the fire losses are due to the introduction of settlers into areas close to the forests and the complete failure of the provincial authorities to enforce upon them the most elementary rules for fire protection, or to imbue them by educational methods with a proper care in the handling of fire. In one respect the Quebec law actually makes a fire on his own land beneficial to the settler, as he is thereafter permitted to cut and sell an unlimited quantity of timber from the burnt-over area (which may still contain a lot of good wood), whereas without a fire he may only cut five acres a year. The whole policy of admitting settlers into timber lands is open to grave question; the settler maintains himself for a few years by completely stripping his land of timber, five acres at a time or with the help of a fire, and when this is done the land, which has been ruined as forest for a hundred years to come, is as likely as not to prove valueless as plowland, and the settler moves on to repeat the operation elsewhere. If settlement could be confined to areas of proved agricultural value, much would have been done; and after the settlers have been rendered harmless, the fishermen and hunters, another prolific source of fire, might be subjected to much more stringent regulation and much more energetic enforcement. A system of proper land classification is an essential corollary to the adoption of any scientific forestry programme for the provinces. At present, "settlers" are frequently placed on land that has no arable possibilities whatever. They strip the land of its wood and then abandon it, leaving it in a condition that renders it utterly valueless. There is so much arable land in every province awaiting settlement that it would appear to be unnecessary to invade land suitable only for tree-bearing for this purpose. A proper classification of all government lands would tend to clear up this situation.

But many of the causes of fire and disease in the Eastern Canadian forests cannot be eliminated even by the best regulations until many years have passed; and one thing in which the provincial governments should take early action is the provision of an efficient force for detecting and checking fires in their earliest stages. At present the governmental expenditure on this head is comparatively nil. In one or two areas several limit-holders have been able to organize together for mutual protection, though for the reasons already outlined their efforts are necessarily restricted. Fire protection, if it is to be effective at all, must be extended to all the forest areas of the country, or at all events to all those which are within striking range of any timber which is now accessible. It should be scientific, involving the promptest possible means of detecting and reporting outbreaks anywhere in such areas, and an adequate force of men and machinery so stationed that they can deal promptly with any fire reported. And it should be disciplinary and educational, endowed with ample authority and incentive for the enforcement of the safety laws, and with funds and machinery for instructing all classes that the happiness of future generations depends upon the carefulness of to-day. The forests are not merely so many dollars' worth of property owned by individuals or the state; they are, if preserved, the sources of the healthy, happy and remunerative employment of thousands of Canadians for indefinite generations to come, and if destroyed they may be the source of poverty and hardship to many thousands of other Canadians, some of whom perhaps have never seen a stand of timber or handled an axe or entered a pulpmill.

THE EXPORTATION OF PULPWOOD

A method of conservation which has been adopted by all the pulpwood-owning provinces, and which has been generally approved by everybody inter-

ested in the permanence of the Canadian forest industries, is that of prohibiting the exportation from Canada of pulpwood in an unmanufactured state when derived from crown lands. So far as it has been effective (and its operations have naturally been limited by the fact that timber from lands in private ownership has remained free to leave the country in the log, while in one province even crown timber has been exported after the merely preliminary process of barking), it has tended to diminish one type of consumption of our forests, namely that caused by the American pulpmills which are nearing the end of their domestic supplies and have sought wood across the border. It has already been suggested that this tends to be a more extravagant and destructive kind of consumption than that which is performed by limit-holders who have erected pulp and paper mills in strategic relation to their limits, and have hence a distinct interest in the permanence of the supply. In support of this view it may be mentioned that practically none of the great American pulp concerns which import raw pulpwood from Canada have participated in any of the concerted efforts towards conservation which have been carried on by the owners who have mills in Canada; and also that all of these American concerns possess large timber limits in the United States, which they are conserving by cutting as little as possible while they fill their requirements by importing wood from Canada. Their attitude towards Canada is, naturally and necessarily, that of getting what they can while the getting is good; a tree saved in the United States, where they can always get at it, is easily worth two trees chopped down in Canada, between which and their mills there may at any time arise the barrier of an export or an import duty, an embargo, or a sharp increase in the cost of transportation.

The license clause prohibiting the export of unmanufactured wood does not, as already mentioned, prevent the export of unmanufactured wood from privately-owned lands, and the demand for such wood has in the last few years become extremely urgent. The enormous extent of this trade is shown by the fact that out of less than six million cords of wood used annually by the paper manufacturers of the United States, over a million cords have been drawn from Canada yearly for the past fifteen years, and in spite of the limited sources from which exportable wood can now be procured the amount is increasing rapidly. The rate of export for the half-year just ended has approximated one and one-half million cords annually, and is likely to be maintained throughout the year. This is much more than a quarter of the total net cut of the Dominion. In other words, while we are depleting our forests at a rate which threatens to produce a famine within a lifetime, we are doing so largely in order to provide another nation with the wherewithal to save it from further depleting its own.

It is now proposed to put a stop to this exportation by an embargo declared by the federal government in virtue of its powers over trade and commerce. Such an embargo would cause for a time a sharp reduction in the Canadian cut, for the Canadian mills would be unable to absorb immediately so large an amount of additional wood as one and one-half million cords a year.

It is generally conceded, however, that another consequence would be that American concerns, now more or less dependent on Canada for their pulpwood, and who control forest areas here, either under license or in fee, in addition to being forced into making greater use of their American resources, would immediately proceed to build pulp mills in Canada in order to grind their wood here and export it in the form of pulp. In doing this they would only be following the precedent set when the provincial regulations requiring wood cut from crown lands to be put through at least one process of manufacture before being exported were given effect. These regulations date from 1910. They were followed by an immediate expansion of the pulp and paper industry which has

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continued progressively until it has reached its present important stage. Without the restrictive regulations there would have been no such expansion. The charts which appear herewith give a graphic representation of the remarkable development of the industry during the last fifteen years. While in some cases these records date back to 1908, the real development began in 1910. Since that year the consumption of pulpwood by Canadian mills has shown a constant increase (with the exception of 1921) from a total of 598,000 cords to almost 3,000,000 cords in 1922.

The tremendous increase in the domestic consumption of pulpwood is naturally reflected in the corresponding increase in the production of various grades of pulp and paper, which are shown in the following table:

	Production	
	1910	1922
	Tons	Tons
Mechanical Pulp.....	370,195	1,241,185
Chemical Pulp.....	104,409	909,066
Newsprint.....	215,600	1,081,364
Other papers.....	*	285,451

In the fiscal year 1910, Canada's total exports of pulp and paper were valued at \$4,464,197; while in the twelve months ending March 31, 1923, the total exports were valued at \$122,554,889.

Similar restrictions placed upon wood cut from private lands, it is logical to suppose, would stimulate still further the development of the industry and thereby prove of the utmost economical advantage to Canada. To the extent that this industrial expansion resulted in increased consumption of pulpwood, such a measure could perhaps not properly be classed as assisting conservation, but it would take a considerable number of years of even the most rapid expansion conceivable to overtake the inroads at present being made into our supplies by the system of unrestricted exportation now permitted.

Timber can be cut and exported from Canada with practically no capital investment whatever, except the original price of the limit; but the timber now exported from Canada would, if kept in Canada until manufactured and then exported, bring about (and amply remunerate) a capital investment in this country amounting to \$150,000,000. It is sufficient to keep 33 pulp and paper mills, each producing 100 tons a day, in operation throughout the year and to give employment to 8,250 operatives earning \$11,140,500 in wages. If these mills could all be erected in a single municipality, they and the subsidiary trades and industries which would be needed in connection with them would alone constitute a city larger than any in Canada except Montreal, Toronto, Winnipeg and Vancouver. These figures are not cited with a view to arguing that the mere influx of capital into Canada would be beneficial, for such an argument would be entirely outside of the scope of this statement, having nothing whatever to do with the conservation of pulpwood. The point is this: that every owner of a pulp and paper mill in Canada, representing as it does an immense permanent investment of capital, the productive power of which depends on a continued supply of pulpwood, is a factor working strongly for conservation, whereas every owner of timber lands who exports unmanufactured wood is interested in the present alone, and can be relied upon to strip his land in five years if the price is high and the net return on a policy of conservation threatens to be low or too long deferred. Logging, separated from the subsequent processes, is purely and simply an exhaustive industry, and has proved itself such all over this country for a hundred years; but logging, plus the costly manu-

*No records available but the quantity was insignificant.

facturing industries of pulp and paper, is a permanent and highly conservative industry, with the highest incentive to crop and replenish the soil and enlarge, rather than diminish, the supply of raw materials.

It should here be pointed out that the action of the Canadian Pulp and Paper Association in discussing this particular method of diminishing the danger of exhausting the forests is dictated solely by a regard for the permanent good of Canada and not by any consideration of present profit. The American mills which are now kept in operation by the use of Canadian pulpwood are for the most part old and of an obsolete character, with an extremely high operating cost. They are in any event being gradually abandoned or converted to other uses, as their share of the output is taken over by newer mills; but this process is slow and will last for many years. The stoppage of their supply of Canadian wood would contribute to their finish; and since the American paper market must have a constantly increasing supply of pulp, it is fair to assume that they would be immediately replaced by new mills of the most modern type, erected at the best available sites in Canada. Operating costs at such mills would be lower than at many of the old mills, and the existing Canadian plants would be faced with a much more formidable competition. The only compensation which the present Canadian manufacturers can expect, and the compensation which leads them to favor this method of conservation, is the fact that, once established in close and permanent relation with their Canadian sources of raw material, these new mills would have as keen an incentive for the preservation of the forests as any plant now operating in Canada; and the practice of "mining" or recklessly imperilling areas of wood-pulp timber would cease to be profitable to any owner of such areas in Canada, while the amount of capital and labor in Canada directly concerned in conservation would be increased by immense additions. Every cord of wood now exported, and bringing into Canada about \$6 for the cutter and another \$6 (average) for the railway, would then bring into Canada \$50 to \$60, which would be divided between the remuneration of labor and that of capital.

There are two alternatives to the embargo proposal which also deserve a brief consideration here. One is the use of an export tax in place of an absolute prohibition. This, if made high enough, would reduce, if it did not completely abolish, the drain on Canadian forests by American pulp mills, and in so far as exportation still continued, the resultant revenue could be expended on conservation. It is open to the objection that an export trade, however undesirable, which has once become a source of revenue to the government is likely thereafter to be encouraged rather than repressed; while the revenue could under no circumstances be great enough to provide an adequate conservation fund. The second alternative is the use of the embargo proposal in negotiations for a further tariff concession by the United States, in the shape of free admission of papers other than newsprint, such as book, writing, wrapping, tissues, kraft and blotting papers. These now bear a duty of 25 per cent and upwards, and are nearly all affected by the same condition (shortage of raw materials) as led to the removal of the newsprint duty; so that the placing of them on the free list would not be contrary to any general American interest. It would lead to a sharp increase in the amount of capital invested in paper manufacturing in Canada, with the same result in the shape of an increased interest in conservation; and it would possibly effect the removal to Canada of some mills now using Canadian pulpwood and thus cut down our unmanufactured export. The history of the Canadian newsprint industry since 1910 shows that free access to the United States for the manufactured product is all that is required to bring about a very large transfer of the manufacturing industry to this country, especially when combined with a prohibition of unmanufactured export from crown lands.

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If it be granted that an embargo on unmanufactured wood would be a step towards conservation, it must still be ascertained whether it be constitutionally and economically possible. It is sometimes argued that parliament does not possess the right to prohibit exportation of anything, at least in time of peace; but since the Dominion government is to-day prohibiting, five years after the close of the war, the exportation of gold, and allows the exportation of hydro-electric power only under license, the point does not seem to be very well taken. Neither is it of any great importance, since if an embargo were proved to be unconstitutional, a prohibitive export duty would achieve the same object, and nobody questions the right of the Dominion to impose any duties or regulations which it chooses in the case of exports as of imports. A more serious objection is the claim that it would be an unfriendly act towards the United States, which is energetically advanced by the American Paper and Pulp Association through its president, Mr. Henry W. Stokes. This claim is based on two separate arguments, which must be examined separately. The first is that it diminishes the property rights of certain American citizens and corporations who own timber lands in Canada; but since the embargo would diminish equally the property rights of large numbers of Canadian citizens and corporations and of some non-Canadian British and other foreign subjects - in short, of anybody who happens to own that type of property—this argument really relates to the whole question of property rights, and not to the United States in particular, and will therefore be dealt with later on. The second argument is that the American pulp manufacturer as such, and irrespective of whether he is an owner of Canadian timberlands or not, is entitled to buy pulpwood from Canada. The reasons advanced for this claim are (1) that the prohibition of such purchases would be disastrous to the paper industry of the United States. This is extremely farfetched since Canada supplies not to exceed 20 per cent of the pulpwood now used in the United States for paper-making purposes, amounting to about 6,000,000 cords a year. It might also be replied that the last change in the United States tariff was disastrous to equally important industries in Canada, but that nobody thought of questioning the right of the United States to adopt it. (2) That the price of pulpwood in the United States would rise; to which it might be replied that the losses of the American pulpwood buyer would appear to be counterbalanced in that matter by the gains of the seller, and that Canada's action would thus be far from "unfriendly" to those Americans who happen to be "long" on wood. (3) That more than a million cords a year would be added to the drain on the fast-diminishing wood resources of the United States; to which the answer is that our resources are also diminishing, and that the right of a nation to conserve its own resources is superior to any possible right of another nation to make use of them. Incidentally it may be pointed out that the United States is perfectly capable of supplying its own pulpwood requirements from its own territory, when Alaska is included, and that nothing but the lower price of Canadian wood prevents the exploitation of the Alaskan forests. Secretary of Agriculture Meredith stated in 1920 that Alaska contained pulpwood areas capable of producing two million cords a year for all time. The argument that Canada is obligated to exhaust her own forest reserves by selling wood to the United States while that country completely neglects the cropping of her own reserves seems farfetched.

The effect of the embargo on property rights deserves a brief consideration. The right of the sovereign to prohibit the transit of goods across the national boundaries in either direction is one of the oldest attributes of sovereignty, and has been exercised by sovereign states without question ever since international law began to be a science; and it is inconceivable that a country with so high a conception of national sovereignty as the United States would ever question it.

England prohibited the export of unmanufactured wool as early as Edward III, and again from 1660 to 1825, always with a view to stimulating the manufacturing industry. Foreigners, so far from having any special rights, were under Edward IV prohibited from exporting wool while permission to do so was granted to Englishmen. Generally, the principle is held that foreigners who become possessors of goods within any country become subject to any restrictions of their property rights which may be imposed upon citizens, unless special privileges are guaranteed by treaty. There is thus no question as to the right of the sovereign power to arrest pulpwood or anything else at the national boundary, whether belonging to Canadians or to foreigners. The real question, owing to our system of divided sovereignty, is whether the particular aspect of sovereign power which is involved pertains to the Dominion or to the Provinces. Contentions have already been raised by provincial authorities, which suggest that if the Dominion should seek to exercise the power, the question would have to go before the Law Lords; but the man in the street will have little difficulty in determining that the matter is more likely to be covered by the term "Commerce" than by anything else in the British North America Act.

An embargo, therefore, offers a prospect of a considerable improvement in forest conservation, is constitutional and economically feasible. There is one other possible consequence which ought perhaps to be considered, and that is the adoption by the United States of some form of friendly retaliation, the form usually suggested being the stoppage of coal exports to this country. If the United States were in a position to stop all coal exports, this might be a serious possibility; but while the time may come when she will find it greatly to her interest to do so (and for that reason she is not at all likely to dispute the right of embargo to-day), she cannot do so now without serious detriment to the mining and transport industries, which would not be offset by any benefit to any interest whatever. And the stoppage of shipments of coal to Canada alone, leaving it free to move to any other country, would certainly constitute a breach of international comity, while it would do almost as much harm at home as the complete embargo. Speaking generally, it may be said that Canada is not enjoying any benefits from commercial relations with the United States, except in virtue of some equally important benefit which the United States is herself enjoying as a result; so that none of the benefits which Canada is enjoying can be curtailed except at the cost of a similar and serious curtailment in the United States. The proposed embargo, however, is a step which is so entirely within the rights of any sovereign nation, and so obviously dictated by a sole consideration for the general and permanent interests of the Dominion, that there is scarcely the smallest probability of its being resented by the American people or government; the language of those who will be adversely affected by it, because they have been in the habit of utilizing Canada's forest resources to save them from falling back on their own more distant ones, is intended merely to alarm the Canadian government and deter it for a time at least from taking action.

Much has been made of the fact, in some arguments dealing with proposed embargo, that the United States now admits free of duty some grades of paper and of pulp and for that reason, it is urged, Canada should continue to permit free access to the raw materials of which these products are composed. It is true that the present American tariff imposes no duty on newsprint paper or on pulp. The privilege of shipping in these commodities free of duty is shared by Canada with other countries notably Sweden, Norway and Finland. From none of these countries other than Canada does the United States derive raw pulpwood, so that the right to import raw pulpwood in exchange for the American market for paper does not and never has entered into the consideration. Free entry is accorded solely on account of the fact that the United States is unable

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to supply its own requirements of pulp and newsprint. On all other grades of paper, such as wrapping, book and writing, boards, etc., which Canada is in a position to produce in large quantities for the export market, the American duty ranges from 20 to 35 per cent ad valorem and acts as a complete barrier to exports from this country. Certainly the claim of the United States to unrestricted exploitations of Canada's raw paper-making material would rest on sounder ground if that country were willing to accord duty-free entry to the finished products made from such raw material.

ADDENDA

Newfoundland, next to Canada, leads all other British overseas dominions in producing pulp and paper. Developments now going on in that country will very shortly add to its prestige and place it among the largest producers of newsprint paper in the world, ranking alongside of the United States, Canada, Sweden, Norway and Finland. The Crown Lands Act, cap. 129, Consolidated Statutes of Newfoundland, has for many years contained a provision inhibiting the exportation of unmanufactured pulpwood. It reads as follows:—

“Sec. 43. No holder of a timber or pulp license shall take or carry away for exportation from the lands licensed any trees, logs or timber, unless and until the same have been manufactured either into paper or paper pulp, sawn lumber or other saleable products of timber, under a penalty of not less than twenty dollars for every tree cut, to be recovered by suit in the name of the Minister of Agriculture and Mines; and trees or timber cut into cordwood or other lengths shall be held not to be saleable products of timber for the purposes of this section.”

This Act was subsequently modified, in 1921, by the passage of “The Exportation of Timber Act,” permitting the exportation of a certain amount of round timber, cut under special conditions, but limited in its application to timber cut within a period of four years and not applicable to license holders already under contractual relations with the government. This Act requires the payment of a duty of one dollar per cord upon all timber exported under its provisions. Generally speaking, Newfoundland still prohibits the exportation of unmanufactured pulpwood.

AN AMERICAN OPINION ON THE POLICY OF EXPORTING RAW MATERIALS

“No country on earth can get rich shipping raw materials. Raw materials are simply the basis for the employment of labour, and labour creates the wealth which comes out of the use of raw materials. Wherever raw materials can be utilized at home, whether that be the United States or Canada, whether, so far as this country is concerned, it be the utilization in Alabama, for instance, of coal and ore, carrying the raw materials through to the finished product; whether it be in Louisiana in the utilization of gas or oils and sulphur, the *Manufacturers' Record* is heartily in sympathy with the policy of using these raw materials at home to as great an extent as possible. It does not believe that we can by legislation prevent the shipment of raw materials from one state to another. That would be unwise under our form of government. Canada has a perfect right to utilize its raw materials at home if it decides to do so. We have a perfect right to utilize our raw materials of all kinds at home for the production of manufactured goods, preferring to ship the finished product into Canada or other countries rather than send the raw materials abroad. It would be better, for instance, for this country if we could turn all of our wheat into flour and ship the flour rather than the wheat, but that point has not yet been reached.”—From the *Manufacturers' Record* (New York).

CANADA'S MANIFEST DUTY

"We must either manufacture the raw materials of Canada within the country—thus employing labour, rearing new communities, providing local markets for merchants and producers, strengthening the national structure, making the back of Canada strong to bear its accumulating burdens—or the sons of Canada will follow these raw materials out of the country, establish themselves in foreign industrial centres, and, more and more, from year to year, the national burden will become heavier and the issue of the great political experiment in which we are engaged become more difficult and uncertain. Every sound economic and natural reason, therefore, demands that the raw materials of Canada shall be manufactured in Canada, and the Canadian people protected in the possession and control of their natural inheritance."—Sir John Willison, as President of the Canadian Reconstruction Association.

CANADA'S PULPWOOD RESOURCES

Supplementary Statement to An Argument Presented to the Royal Commission on Pulpwood by the Canadian Pulp & Paper Association, at Ottawa, November 5, 1923

In view of the effort, made by counsel for American interests engaged in the export of pulpwood from Canada to the United States, to represent the statement entitled "Canada's Pulpwood Resources," submitted to the Royal Commission on Pulpwood at Ottawa, on November 5, 1923, as inconsistent with a previous publication entitled "A Handbook of the Pulp and Paper Industry," issued in 1920, it seems desirable to refer in detail to the alleged points of difference. These alleged inconsistencies are due to the acquisition between the dates of publication, by government experts and private experts alike, of a much more carefully based and reliable knowledge of the forests, which has diminished both the estimate of their size and the belief in the rapidity of their replenishment. In both the 1920 and 1923 documents of the Association, the latest government estimates of the size and contents of the Canadian forests were employed. But in the earlier work, the latest available estimate was that of the now defunct Commission of Conservation, made several years ago. This estimate was superseded by one published in 1923 by the Forestry Branch of the Department of the Interior, in "The Forests of Canada." The difference between the two sets of figures is not, however, as great as has been suggested. It is due in part to more careful surveying and in part to a truer realization of the extent to which fires and other destructive agencies have reduced the nation's heritage of standing timber.

In the 1923 "Forests of Canada" there appears on page 42 the following:—

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TABLE VII (a)—ESTIMATED STAND OF TIMBER OF MERCHANTABLE SIZE IN CANADA BY SPECIES

Species	Saw material		Pulpwood, fuel-wood, ties, poles, posts, etc.	Total
	1,000 cu. ft.	1,000 cu. ft.	1,000 cu. ft.	1,000 cu. ft.
<i>Softwood</i>				
Spruce.....	25,264,715	44,783,154	70,047,869	
Balsam fir.....	10,516,820	19,203,440	29,720,260	
Jack pine.....	3,996,530	25,254,492	29,251,022	
Cedar.....	17,979,240	4,065,761	22,045,001	
Douglas fir.....	16,512,600	374,400	16,887,000	
Hemlock.....	14,879,518	1,265,136	16,144,654	
White pine.....	3,827,025	4,559,958	8,386,983	
Red pine.....	866,145	1,632,735	2,498,880	
Larch.....	732,115	710,184	1,442,299	
Western yellow pine.....	876,000	117,000	993,000	
Yellow cypress.....	876,000	117,000	993,000	
Total.....	96,326,708	102,083,260	198,409,968	
<i>Hardwood</i>				
Poplar.....	3,234,630	26,315,480	29,550,110	
White birch.....	1,188,045	5,599,100	6,787,145	
Yellow birch.....	2,278,695	3,003,550	5,282,245	
Maple.....	1,359,114	2,671,125	4,030,240	
Beech.....	401,979	741,734	1,143,713	
Basswood.....	242,214	302,100	544,314	
Elm.....	195,786	235,298	431,083	
Ash.....	120,669	213,250	333,919	
Cottonwood.....	172,572		172,572	
Oak.....	43,143	58,330	101,473	
Alder.....		4,750	4,750	
Total.....	9,236,847	39,144,717	48,381,564	
Grand total.....	105,563,555	141,227,977	246,791,532	

TABLE VII (b)—ESTIMATED STAND OF TIMBER OF MERCHANTABLE SIZE IN CANADA BY REGIONS

Region	Saw material		Pulpwood, Cordwood, Posts, etc.	
	1,000 ft. B.M.	1,000 cu. ft.	1,000 cords	1,000 cu. ft.
<i>Softwood</i>				
Eastern Provinces.....	76,101,000	16,666,115	552,210	64,700,590
Prairie Provinces.....	17,985,000	3,938,715	272,010	31,825,170
British Columbia.....	345,762,000	75,721,878	47,500	5,557,500
Total.....	439,848,000	96,326,708	871,720	102,083,260
<i>Hardwood</i>				
Eastern Provinces.....	32,134,500	7,037,430	209,815	20,342,417
Prairie Provinces.....	9,305,000	2,037,795	196,010	18,620,950
British Columbia.....	788,000	172,572	2,160	205,200
Total.....	42,227,500	9,247,797	407,985	39,168,567
Grand total.....	482,075,500	105,574,505	1,279,705	141,251,827

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In the first of these tables will be found an estimate of the total volume of balsam and spruce in the whole of Canada. Translating these figures into cords at 117 cubic feet of standing timber to the cord, we get approximately 383,000,000 cords of spruce and 146,000,000 cords of balsam, a total stand of 547,000,000 cords, or even less than the round figure of 580,000,000 cords suggested in the Association's statement laid before the Commission. In the same 1923 government document is to be found the following:—

TABLE I.—STATEMENT SHOWING THE TOTAL AREA OF FOREST AND THE PERCENTAGE OF THE LAND AREA COVERED BY FOREST

	Agricultural Land	Forest			Other lands	Total
		Merchant-able	Unprofit-able or inaccessible	Total		
	1	2	3	4	5	6
Square miles.....	431,700	456,800	739,125	1,195,925	1,975,711	3,603,336
Percentage of total area.....	12	13	20	33	55	100.00

Cols. 1, 2, 4 and 6—Estimates based on available information.

Cols. 3 and 5—Figures obtained by subtraction from total.

This shows that the unprofitable or inaccessible areas form a total of 62 per cent of the forest area. It is admitted that the density of growth in these areas—chiefly in the Hudson's Bay watershed—is much less than in the accessible areas. But in assuming that 500 million cords are on the 38 per cent of accessible forest land and only 80 million (or more accurately 47 million) on the 62 per cent of inaccessible, our statement assumes a density much more than ten times as great in the accessible as in the inaccessible lands, surely a very generous allowance, erring if at all on the side of deducting too little for inaccessibility. That this estimate of the accessible spruce and balsam in Canada is materially lower than that which prevailed until the 1923 survey embodied in the latest "Forests of Canada" may be admitted; it does not, however, seem to be desirable that forest industry should still be carried on and regulated exactly as if the old estimate were still reliable.

THE RATE OF REPRODUCTION

The rate of reproduction is another matter upon which scientific opinion has greatly changed in recent years. The official documents make practically no effort to estimate it; in the 1923 "Forests of Canada" the words "Not Available" appear under the headings: "estimated increment per square mile," "loss by fire," "loss by decay," "net increment," and every other heading in Table III. In the accompanying letterpress it is stated that "it should be possible to produce" a growth of ten to fifteen cubic feet per acre per annum, with adequate fire protection and general conservation, as an average for all trees and all areas in Canada. The lower of these rates, it is further stated, would give an annual yield of 7,500,000,000 cubic feet for the whole Canadian forest, which amounts to approximately 3 per cent of the standing merchantable timber as shown in Table VII. This is a very rough estimate, based on ideal conditions, and applying to large areas with a much higher growth rate than Eastern Canada, and to many varieties with a much higher growth rate than spruce. Thus one-third of the standing timber of Canada is in British Columbia, with a growth rate probably twice as high as that of Eastern Canada; and a large proportion of it is poplar and jackpine, which in any area are more rapid growers than spruce.

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Lacking an official estimate for the growth rate of the important pulpwood trees in the chief pulpwood area, namely Eastern Canada, the best basis for an estimate would seem to be the observations of an experienced forester in that area. The Association's statement therefore quotes the estimate of such a forester, made since the 1920 pamphlet was published, and based upon very recent study of conditions. This estimate, of 1.22 per cent per annum, is that of Mr. Ellwood Wilson, chief forester of the Laurentide Company, Limited, who own or control approximately 3,500 square miles of timber lands, mostly in the St. Maurice Valley.

In support of this estimate Mr. Wilson submits the following:—

"We have just compiled some figures from studies made in all parts of the St. Maurice Valley, taking all of the white and black spruce and balsam. We find, taking all the trees standing on an acre in virgin forest from 4 inches breast height to 21 inches breast height diameter:

White spruce.....	329.6 cu. ft.
Black spruce.....	180 cu. ft.
Balsam.....	1200.9 cu. ft.

giving a grand total of 1710.5 cubic feet per acre. It took this wood about two hundred years to grow—taking an extremely low figure, let us say 170 years—this would give us an annual increment per acre of 10 cubic feet of solid wood, which would give .59 per cent per acre per annum as the rate of growth in virgin stands as established by nature, of white spruce, black spruce and balsam. No figures for rate of growth should be used unless they are referred to certain definite conditions.

"The figure of 1.22 per cent was calculated on the basis of the average tree. Neither of the figures which I give above can be applied to any other areas than the ones for which the averages were taken. The figure of .59 per cent can be used wherever a mature natural stand in the St. Maurice Valley is to be found. It is reasonable to suppose that practically all our virgin stands have come in after fires, therefore it would be safe to use .59 per cent in estimating the yield on lands just burnt or in process of natural regeneration, but not for jackpine lands or cut-over lands for the latter the figures so far obtained are meagre. As far as they go they indicate that the rate of growth will not be any better than the figure mentioned above."

In "Forest Resources of the World," by Raphael Zon and William N. Sparhawk, Forest Economists, Forest Service United States Department of Agriculture (McGraw-Hill Book Co., Inc., New York, 1923), some attention is paid to the subject of the annual forest increment. On p. 498 the total stand of Quebec's forests is given as 38,750,000,000 cubic feet; on p. 504, the net annual growth is given as 397,279,440 cubic feet, from which it is deduced that the net annual increment amounts to 1.02 per cent. The same authority (p. 498) gives the total stand of timber in Canada as 227,531 million cubic feet, the net annual growth (p. 504) at $2\frac{1}{2}$ or, more likely, 2 billion cubic feet, which works out at 1.1 per cent on the $2\frac{1}{2}$ billion estimate and 0.88 per cent on the 2 billion estimate. The same authority (p. 528) gives the total stand of timber in the United States as 745,588,000,000 cubic feet and the net annual growth (p. 531) as 4,265,000,000 cubic feet, or a net annual increment of 0.57 per cent.

With these authorities before us, it would not appear that the figure 1.22 per cent, suggested by the Association, can be considered as an under-statement.

IMPORTATIONS OF PULP FROM EUROPE

As the question has been asked, whether the stoppage of export would not lead to increased American importation of pulp from Europe rather than to

erection of plants in Canada, it may be pointed out that there are very important arguments in favour of American paper mills contracting for supplies of pulp from Canada rather than from Europe, when supplies from Canada are obtainable. The chief of these arguments is reliability and regularity of shipment, in normal times, at a known rate of transportation cost, as compared with the uncertainties of marine carriage. In the case of mills not near the seaboard but near the Canadian boundary, the geographical argument is also forcible.

The American pulp market is a competitive one between the domestic mills, Canada and the European countries. Prices of American pulp and Canadian pulp do not vary greatly, wage schedules and other costs being about on the same level in both countries. Competition is really between North America and Europe (mainly Scandinavia and Finland). These countries have the advantages of lower labour costs and, temporarily, at least, of depreciated exchanges. In addition they have had and still have, a very low freight rate owing to the slump in ocean traffic which has prevailed during the last two to three years. This is not likely to continue indefinitely. The figures of imports of sulphite pulp into the United States for the past three years give some idea of the greatly increased quantities coming in from Europe. These are as follows:—

Nine months 1923.....	349,867 tons
“ 1922.....	237,229 “
“ 1921.....	75,755 “

The actual production of sulphite pulp in the United States was less in 1922 than in 1920, being 1,257,240 tons compared with 1,494,989 tons, in spite of 1922 being a year of better business and larger production of paper than was 1920.

The loss of production of sulphite in the United States during 1921 and 1922 was partly due to the fact that the paper manufacturers were able to buy European pulp at prices cheaper than the American mills could afford to sell it; hence some of their mills ceased the manufacture of sulphite.

The dependence of the United States on other countries for sulphite is shown in the following:—

	U.S. Production	Total Imports	Imports from Europe
1920.....	1,494,989	473,176	136,205
1921.....	1,045,900	327,309	162,378
1922.....	1,257,240	713,616	413,209

In other words the United States depended upon outside sources for 24 per cent of its supply in 1920, 24 per cent in 1921, and 36 per cent in 1922.

Of the total imports in 1920 Europe supplied 28 per cent, in 1921 practically 50 per cent, and in 1922 58 per cent.

The total supply in 1922 was almost exactly the same as in 1920 and yet Europe supplied 413,209 tons in 1922 compared with 136,205 tons in 1920. The only logical reason is that European prices must have been lower than the domestic prices.

UNITED STATES' IMPORTS OF WOOD PULP

The following statement gives particulars of the United States' imports of woodpulp from 1914 to 1922, inclusive, and shows their source:—

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BLEACHED CHEMICAL PULP (FIGURES IN SHORT TONS)

From	1914	1915	1916	1917	1918	1919	1920	1921	1922
Finland.....	411					1,095	9,424	10,114	11,349
Germany.....	23,250	5,266					584	2,451	3,888
Norway.....	63,027	39,301	31,837	17,759	1,344	5,998	17,416	9,748	45,148
Sweden.....	25,343	14,808	12,328	13,180	112	5,464	15,712	9,523	57,789
All other.....	3,277	297	89		412	27	3,160	2,723	4,788
Total other.....	115,308	59,672	44,254	30,939	1,868	12,584	46,296	34,848	122,962
Canada.....	11,603	10,808	8,688	12,918	18,647	35,315	101,216	66,341	136,589
Total Imports.....	126,911	70,480	52,942	43,857	20,515	47,899	147,512	101,189	259,551

UNBLEACHED CHEMICAL PULP (FIGURES IN SHORT TONS)

From	1914	1915	1916	1917	1918	1919	1920	1921	1922
Finland.....	1,229	2,855	896			14,231	20,262	33,662	52,118
Germany.....	44,931	13,535					5,488	14,984	20,691
Norway.....	52,206	27,267	13,463	8,378	4,406	6,556	7,062	6,794	41,190
Sweden.....	126,881	136,884	159,551	131,347	672	80,111	132,027	143,403	345,934
All other.....	7,368	979	197	475	562	2,215	5,443	8,588	4,988
Total other.....	232,615	181,520	174,107	140,200	5,640	103,113	170,282	207,431	464,921
Canada.....	97,601	130,801	194,116	214,312	366,536	282,795	355,767	199,140	317,856
Total imports.....	330,216	312,321	368,223	354,512	372,176	385,908	526,049	406,571	782,777

MECHANICAL PULP (FIGURES IN SHORT TONS)

From	1914	1915	1916	1917	1918	1919	1920	1921	1922
Finland.....	*	*	*	*	*	*	12,815	13,698	4,975
Germany.....	*	*	*	*	*	*	*	*	3,478
Norway.....	28	105	22	15,541			11,384	23,381	9,227
Sweden.....	155	28	190	2,468			7,074	17,233	6,366
All other.....	1,494	280	521	9,900	1,439	3,372	3,109	747	1,452
Total other.....	1,677	413	733	27,909	1,439	3,372	34,382	55,059	25,498
Canada.....	215,903	178,122	261,880	251,162	184,088	199,240	198,135	137,360	190,080
Total Imports.....	217,580	178,535	262,613	279,071	185,527	202,612	232,517	192,419	215,578

*Imports from Finland previous to 1920 included in "All other."
 *Imports from Germany previous to 1922 included in "All other."
 Figures from American Paper and Pulp Association.

COMPARATIVE PRICES OF IMPORTED AND DOMESTIC SULPHITE

Following is a list of prices taken from the Daily Mill Stock Reporter (New York) of date nearest to the first of the month. Imported prices refer to European pulp quoted ex dock. Domestic prices are f.o.b. producing mill. Prices are per 100 lbs. Domestic prices and Canadian prices are practically the same:

	Unbleached Sulphite							
	1922				1923			
	Domestic		Imported		Domestic		Imported	
	\$ c.	\$ c.	\$ c.	\$ c.	\$ c.	\$ c.	\$ c.	\$ c.
January.....					2 60	2 75	2 75	3 00
February.....					2 60	2 75	2 75	3 00
March.....					2 60	2 75	3 00	3 20
April.....					2 60	2 75	3 35	3 50
May.....					2 60	2 75	3 35	3 50
June.....					3 25	3 50	3 25	3 50
July.....					3 25	3 50	3 35	3 50
August.....	2 60	2 75	2 40	2 60	3 25	3 50	3 35	3 50
September.....	2 50	2 60	2 60	2 70	3 25	3 50	3 35	3 60
October.....	2 60	2 75	2 75	3 10	3 00	3 25	3 00	3 25
November.....	2 60	2 75	2 75	3 10	3 00	3 25	3 00	3 35
December.....	2 60	2 75	2 75	3 10				

To the Domestic prices must be added in each case the freight rate to New York which at present is about 34 cents per 100 lbs., having been reduced from 38 cents in July, 1922.

RELATIVE EFFICIENCY OF MILLS

In the course of our earlier argument it was suggested that many of the American mills now dependent on Canadian pulp or pulpwood to keep in operation are less efficient than the more modern mills operating in Canada. It was argued that in consequence of this condition Canadian pulp and paper manufacturers, looking solely to their own selfish interests, would be served better by a policy of *laissez faire*, than by one which would most probably result in bringing additional up-to-date mills to Canada to intensify competition. The statement was advanced as evidence of the Association's disinterestedness in the stand it has taken on the question of pulpwood exports. Counsel for the American interests took umbrage at this statement and challenged its accuracy.

No one questions that there are many efficient and up-to-date pulp and paper mills in the United States. On the other hand, no one familiar with the industry will question that the recent development of the industry has been greater in Canada than on the other side of the line and that, generally speaking, Canadian mills are newer and consequently more efficient than the older mills in the United States. Production of newsprint in Canada advanced from 415,000 tons in 1914 to 1,081,364 tons in 1922, or 160.6 per cent, while American production increased from 1,283,000 to 1,447,688 tons in the period, or 12.9 per cent. Production of chemical pulp in Canada increased from 289,776 tons in 1914 to 909,066 tons in 1922, or 213.7 per cent, while in the United States the increase was from 1,599,489 to 2,037,857 tons or 27.4 per cent. Production of mechanical pulp in Canada during the same years increased from 644,924 to 1,241,185 tons or 92.5 per cent, while in the States the increase was from 1,293,661 to 1,483,787 tons or 14.7. The greater increase in Canada was brought about by the erection here of new mills, embodying the latest developments and improvements not available to mills of prior construction.

A special United States Congressional Commission in 1908, and the Federal Trade Commission in 1918, both found that American newsprint mills operated at a disadvantage of \$5 per ton as compared with Canadian mills. It may be, of course, that this disadvantage is wholly accounted for by mills which have their own timber limits in the United States, and that the mills drawing from Canada are as up-to-date as the average Canadian mill, although this scarcely

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appears probable, since in recent years the mere prospect of a possible embargo or export duty on Canadian pulpwood must have deterred any sensible American business man from erecting a mill dependent on Canadian supplies (unless in such a location and of such a kind that it could be readily removed to Canada).

The Commission is also referred to a report recently submitted to the bondholders of the American Writing Paper Company, by Mr. S. L. Wilson, receiver. This company owns and operates twenty-three paper mills, seventeen of which are located in Massachusetts, three in Ohio, three in Connecticut and one in Wisconsin. The receiver reports:—

“A physical examination of the plants was made by two men having experience with other companies of approximately twenty years. They reported that over half the plants were so out of condition that it would require a minimum expenditure of \$800,000 to put them in a condition in which the necessary quality of paper to compete successfully with other companies could be produced. For really efficient production a substantially larger amount should be expended in rehabilitating the plants.”

The question, however, as to which country has the more efficient mills has no direct bearing upon the matters now before the Commission, except as it may suggest that, other things being equal, the advantage in the pulp and paper industry lies with the country possessing a plentiful supply of pulpwood and cheap and adequate water-powers necessary for its conversion and that Canada's present advantage, in this respect, is being dissipated to a certain and grave extent by the practice of permitting the free exploitation of Canadian pulpwood by a competing foreign country.

THE EXPORTATION OF POPLAR

An attempt has been made to persuade the Commission that the bulk of the pulpwood now exported from Canada is poplar, a species admittedly in less demand in Canada than spruce or balsam, and that consequently no benefits would accrue to Canada by its suppression. The statement is a fallacy as the Commission can readily ascertain by inquiry at Canadian ports of egress, particularly in Quebec and Ontario. While it is true that poplar is not at present in great demand in Canada for the manufacture of pulp, the fact is, nevertheless, that the stoppage of the exportation of poplar would result in its increased demand in this country, as American soda pulp manufacturers would then find it to their advantage to establish mills on this side of the line. Out of an annual consumption of 5,500,000 cords in the United States, poplar constitutes only about half a million cords. This fact in itself refutes the statement made to the Commission that some 75 per cent of Canada's exports of pulpwood—amounting to from 1,000,000 to 1,500,000 cords a year—are comprised of poplar.

APPENDIX No. 2

MEMORANDUM ON BEHALF OF THE PULP AND PAPER
MANUFACTURERS OF THE UNITED STATES

In submitting a memorandum on behalf of the Pulp and Paper Manufacturers of the United States it is proper at the outset to state that we do not propose to discuss the internal policy of the Dominion Government, either with respect to what it is or what it ought to be.

However, not only in fairness to themselves but in fairness to the Royal Commission and to the Dominion and Provincial Governments, who will have to determine the policy of Canada, the American manufacturers have, in view of their vast expenditures in the purchase and development of freehold land and leases in Canada, felt that they should place the facts before the Commission.

The United States, so far as the pulp and paper industry is concerned, imports forest products from Canada in three forms:

Newsprint and paper,
Wood pulp of various kinds,
Pulpwood ready to be manufactured into pulp.

So far as the first two of these forms are concerned, the United States market absorbs approximately four-fifths of Canada's pulp and paper shipments. (See, Canada Natural Resources & Commerce, p. 93, published at Ottawa, 1923, by the Department of the Interior, Canada.)

In this same publication, the Department says, page 91:—

“The pulp and paper industry, in fact, has been built upon trade abroad, and owes its exceptional advance in a large measure to the demands of the United States market with its high consumption of newsprint and other paper.”

The pulp and paper exports, four-fifths of which are absorbed by the United States have increased from \$8,975,000 in 1912 to \$105,450,000 in 1922 (see Dominion Bureau Statistics) and this record

“demonstrates the extent to which the pulp and paper industry has been responsible for the increase in Canada's total external trade” (page 91 same volume).

The other form in which the United States imports forest products from Canada is in pulpwood, and notwithstanding the “high consumption of newsprint and other paper” in the United States, the

“exportation of this raw pulpwood (from Canada) has remained practically constant since 1916, while the quantity consumed in domestic manufacture has increased since 1912 by over 300 per cent.” (Page 92.)

This constant figure which has gone exclusively to the United States is annually about 1,000,000 cords, (page 93).

SOURCES OF THE UNITED STATES IMPORTATION OF PULPWOOD

In considering this phase of the matter it is proper to note that it has been the long settled policy of Canada to keep the bulk of the forest land in public ownership. The result has been that for the Dominion as a whole about ninety

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per cent of the forest area is publicly owned or Crown lands and in the Province of Quebec where most of the wood which is exported to the United States comes from, ninety-four per cent of the forest area is Crown land. (See Kellogg Pulpwood and Wood Pulp in North America, page 170.)

It therefore appears that the approximately 1,000,000 cords which have been exported yearly comes from less than ten per cent of the forest area for the reason that in practically all Provinces there is a prohibition against the export of wood from Crown lands.

This wood therefore comes from lands of farmers and settlers or from lands owned in freehold by manufacturers in the United States or from leases which have been granted by owners in Canada to manufacturers in the United States.

The United States manufacturers, for the purpose of determining what proportion of the wood came from the lands of settlers and farmers, circularized the entire industry in the United States with a questionnaire asking for the amount of wood imported by each mill and where that wood came from. One hundred and twenty-four replies were received, 71 of which reported importations of wood. These 71 mills reported total importations for 1921 of 891,489 cords and for 1922, 965,019 cords. It appears in the Preliminary Report on the Pulp and Paper Industry in Canada for these respective years, issued by the Forest Products Branch, Dominion Bureau of Statistics, that in 1921 the total exports of pulpwood from Canada was 1,092,553.

It therefore appears that the reports from the 71 companies cover substantially the importations and are sufficient to base statistics upon.

Of the total reported in 1921, 891,489 cords by these 71 companies, 694,629 cords came from the lands of farmers and settlers and 196,860 from other lands in Canada, and of the total in 1922, 965,019 cords, 702,342 cords came from the lands of farmers and settlers and 262,677 cords from other lands in Canada.

At the time the legislation was up in the House of Commons and the Premier was asking for the adoption of the bill which would authorize the Governor in Council to place an embargo on the exportation of pulpwood, he stated that the lands of farmers and settlers would be exempted from the embargo should one be decreed. This would mean that, for instance, in 1921 more than 694,629 cords of the total export of 1,092,553 cords would be exempted and in 1922 more than 702,342 cords of the 1,011,332 cords total amount exported would be exempted.

For the purpose of illustration take the last table of "Annual Utilization" of the Canadian Forests which is for the year 1920, being from 1921 census and the last table available. (Forests of Canada, page 35.)

It is pointed out that in 1920 both the quantities and values of the principal products were higher than normal.

Reduced to cords, the total cordage used, according to this official authority for all purposes was 22,731,743 cords. Of this total utilization 4,024,826 or 17.7 per cent was used for pulpwood. Canada used 2,777,422 cords of pulpwood or 12.2 per cent of the total lumber cut in her own mills. Canada exported from the lands of farmers and settlers 875,104 cords of pulpwood or 3.8 per cent of the total lumber cut, and 372,300 cords of pulpwood or 1.7 per cent of the total lumber cut from lands of operators or lands owned or leased by manufacturers in the United States.

If, therefore, farmers' and settlers' lands were not exempted an embargo as proposed would affect 5½ per cent of the total annual wood and lumber cut in Canada and if farmers' lands were exempted an embargo would affect 1.7 per cent of the total lumber cut.

This statement would have to be modified, however, for since the bill authorizing an embargo was passed, an Order in Council has been issued which exempts from the operation of any embargo that may be imposed any contract

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made prior to June 15, 1923 for a period of ten years. Just how much wood this would cover it is not possible to say, but it is safe to estimate that it would reduce the percentage of the total wood cut that the embargo would apply to 1 per cent or less than 1 per cent and in cords to around 100,000 to 150,000 cords per year.

From the standpoint of conservation of forest resources, the embargo would therefore seem to be absolutely useless.

There have been a great many loose statements made in connection with the supply of pulpwood from the conservation measure, to the effect that unless an embargo is put on the supply will be exhausted in from five to ten years. It is obvious that these statements are without any foundation in fact, in view of the fact that at least ninety per cent of the forest area in Canada is what is known as Crown land from which there is prohibition from exportation in practically every province.

We call attention on this same line to Kellogg on Pulpwood and Wood Pulp in America, page 157, where he states:—

“Were there to be no increase over the present rate in the cut of softwood for pulp and lumber in Quebec and were all the estimated stand of 360 million cords accessible, the supply would last for 100 years if it were not reduced by fire, storm or insects. On the other hand, much publicity has been given to a statement that the available supply of timber in Eastern Canada will be exhausted in ten years. It is sufficiently obvious that neither of these conditions will occur.”

CANADIAN INDUSTRIAL DEVELOPMENT

It has been suggested that the placing of an embargo upon the exportation of pulpwood would result in mills from the United States moving immediately to Canada.

In a paper prepared by the Canadian Pulp and Paper Association called, *Canada's Forest Resources*, the author glibly says, page 19:—

“It is generally conceded that another consequence (of embargo) would be that American concerns, now *more or less* dependent upon Canada for their pulpwood, and who control forest area here, either under leases or in fee, in addition to being forced into making greater use of their American resources, would immediately proceed to build pulp mills in Canada in order to grind their wood here and export it in the form of pulp.”

It not only is not conceded, but an examination into the facts and conditions is a complete refutation of the suggestion.

It is not contended that American capital may not invest in Canadian mills in the future. As in the past where due to the tremendously increased consumption of paper in the United States, pulp and paper mills have been established both in Canada and in the United States to supply the demand; so in the future pulp and paper mills will be established in the United States and in Canada whenever proper sites can be found and proper conditions exist, but the growth of this industry will be the result of economic laws and not the result of statute law.

There were in the United States in 1919 (and this condition is probably about the same now) 61 mills manufacturing pulp only, 497 mills manufacturing paper only and 171 mills manufacturing both pulp and paper, with a total investment of \$905,794,583. (Kellogg, page 223).

In order to locate a ground wood pulp mill there must be cheap power in large amount and these plants are always located where water-power developments are possible. (Kellogg, page 21).

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It is usually figured that as a safe minimum a ground wood plant should be provided with a water-power development of at least 75-horsepower per ton of daily output, or that a mill of 100 ton daily capacity, which would be an economic minimum to justify an investment for the manufacture of pulp alone to supply a paper mill should have access to a dependable supply of 7,500 h.p. Such a plant including cost of power development but not timber supply, might easily cost \$800,000 or \$8,000 per ton of daily capacity. On the other hand, a chemical mill for the manufacture of sulphite pulp, while it would take much less power, would cost much more than the ground wood mill, namely for a 100-ton mill manufacturing unbleached sulphite, two to two and a half million or twenty to twenty-five thousand dollars a ton, and for bleached sulphite, three to three and a half million or thirty to thirty-five thousand dollars per ton.

That then is the problem which would face anybody contemplating the establishment of a pulp mill, and in addition to that he must find the necessary wood supply to justify the investment in the mill and water-power. A ground wood mill of 100 tons a day would have to have the equivalent of 100,000 acres of well-stocked growing forest which might mean very much in excess of 100,000 actual acres in order to yield steadily the amount of wood needed. A sulphite mill would require a tract at least twice as large. If it had to purchase these limits the ultimate investment, including improvements, etc., might easily be \$5,000,000, making a total investment of from \$6,000,000 to \$9,000,000. (Kellogg, page 3.)

In considering the question of whether the United States manufacturers would move their mills to Canada it must be borne in mind that the manufacturers who it is thought would move their mills have already made very large investments in mills, water-powers, timber limits and equipment in the United States. It is safe to assume that those manufacturers have in all probability expended as much money for equipping and building their mills and their water-powers as it would cost them to do the same in Canada. The moving of their mills to Canada would therefore either involve the scrapping of their large investments in the United States or duplicating a part or all of them in Canada. Furthermore, the large investment involved in establishing a new mill, for instance, for the purpose of making pulp to export to the United States for a large self-contained mill which already has a pulp mill in the United States would make the investment so tremendous and overhead so large that the amount of paper that the mill would be able to produce would not be sufficient to pay the overhead on the total investment. A mill in this condition not being permitted to use its Canadian limits would use its present limits in the United States and acquire other limits in the United States, which supplemented by the amount of pulp now imported from Canada and from Scandinavian countries (imports from the European countries are increasing rapidly each year) would have sufficient raw material for an indefinite time, or in any event for a sufficiently long time to make other arrangements to allow it to use its investment already made.

Mills will be established in Canada either with Canadian or United States capital when business conditions warrant such investment and not otherwise.

The United States Department of Agriculture is now making a survey on behalf of the pulp interests of the United States which indicates large pulpwood reserves in Alaska, in the states of the Pacific coast, in the Rockies and in the southern states. These reserves have hardly been touched due to the fact that the industry has been concentrated. The preliminary survey indicates that there is sufficient raw material in the United States by the additional

use of hardwood by new pulping processes and proper fire protection, careful cutting, reforestation, greater use of waste paper, co-ordination with lumber industries, utilization of lumber waste and the elimination of waste in manufacture, to not only take care of the present requirements of the industry but to take care of any probable increase.

The suggestion that American mills would move to Canada is prompted by the suggestion that the raw materials in Canada should be manufactured into the finished product in Canada. It has been suggested at some of the hearings of the Commission if the wood should be manufactured into pulp in Canada why not the pulp manufactured into paper in Canada and even carried to a greater extent? Up to two years ago American manufacturers were purchasing freehold land in Canada after making inquiries as to their rights to export the pulpwood cut therefrom and being assured that there was no law and no law suggested that would prohibit the exportation of pulpwood from freehold lands. Is it fair to assume that in the face of the suggestion at present made of an embargo, on pulpwood, that American manufacturers would move a pulpwood mill to Canada with the idea that they could export their pulp to their mills in the United States for the manufacture into paper, when it is even now suggested that pulp is a raw material and should also be manufactured into finished product in Canada, and it may be only a question of a short time when the American manufacturer would be faced with the proposition that he cannot export his pulp to his paper mill in the United States and must therefore move his paper mill also? In other words, practically a scrapping of his entire plant and investment in the United States. If the American manufacturer had moved his pulpwood mill to Canada and made the tremendous investment necessary for the purpose of establishing the mill, purchasing his water-power and timber limits for the operation of that mill, he would be in a position where he would be very much more easily coerced into moving his paper mill to Canada than at the present time when it is possible for him to get a supply in the United States either in the Eastern or Western part thereof or from Alaska.

There are, of course, many points in the United States where the pulp and paper industry has not been developed and it is fair to assume that if mills were to be compelled to move due to the lack of raw material supply in any particular section that they would move to such places as they could be assured would guarantee them a sufficient supply to operate without governmental interference.

The foregoing is a general discussion of the situation with reference to the probability of an embargo necessitating the removal of mills to Canada and it is perhaps proper to call attention to specific cases of United States manufacturers and to the conditions attaching to those cases.

St. Croix Paper Company.

This company is a Maine corporation with its mill located at Woodland, Maine, on the American side of the international boundary of the St. Croix river. The company was organized in 1904 and at that time procured by purchase some 200,000 acres of timber lands which has since been increased to 350,000 acres. All of this land is in the watershed of the St. Croix river, approximately 176,000 acres being on the Canadian side of the International boundary.

The company owns several water-powers on the St. Croix and under special act of the Dominion of Canada, parliament has developed about 20,000 h.p. and maintains large reservoir capacity which is of material benefit to powers on the river below their developments, most of which are on the Canadian side of the boundary.

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The actual investment in Canada is in excess of seven million dollars, of which one and one-half million is represented by bonds secured by mortgage on both Canadian and American timber land.

The company purchased its holdings in Canada largely from Canadian citizens relying on its right to cut the wood therefrom for use in its mills. It has paid taxes on the land for many years; has disbursed millions of dollars to Canadian citizens in wages and under contracts. The company as already stated has large holdings in Maine and the result of an embargo on pulpwood, so far as this company is concerned, would be that for a long period of time, unless its groundwood mill which is in good condition required replacement, its wood would be cut or purchased from the American side. It is possible that when the ground wood mill required replacement it might move across the river and use its Canadian lumber. This would be the case in any event and an embargo would not affect the situation. So far as Canada and its citizens are concerned, the result of an embargo would be that for a number of years the Canadian owners of pulpwood in the St. Croix valley and vicinity would have an unsettled market. Most of the wood naturally tributary to the company's plant is located within a radius of eighty miles and is delivered at the mill either by floating down the St. Croix River or by rail from Milltown. The nearest plant of any size in New Brunswick is located at considerable distance and would have a long rail haul for any part of the wood.

It is obvious that the Canadian owner of wood in this locality would be placed at a disadvantage for a considerable period of time and the only possible benefit to Canadian citizens would come in the remote possibility of the establishment of a groundwood mill which would require the employment of about twenty-five men, twelve of whom would be employed regularly inside and the balance handling wood would be employed intermittently.

Pejepscot Paper Company

This company is a Maine corporation, the plant of which is situated near the mouth of the Androscoggin River. Has a yearly capacity of about 47,000 tons of paper. This Company owns 67,000 acres of pulpwood lands on the South shore of the Province of New Brunswick bordering on the Bay of Fundy. The major portion of these lands was acquired by this Company or companies of which the Pejepscot was a consolidation about twenty years ago. This company also owns in fee approximately 35,000 acres of land in the vicinity of Cookshire, Province of Quebec. The Company also purchases wood from farmers and other small holders in the vicinity of its woodlands.

These lands were acquired as a permanent supply for its manufacturing plant. The Company in order to unify the operation of its woodlands with its plant in Maine has constructed and put in operation a complete Ocean going fleet of barges and tugs to convey its pulpwood from New Brunswick to Maine. It has erected wharves and complete loading and unloading dockage facilities in New Brunswick and Maine and storage facilities in New Brunswick and Maine. It has also constructed numerous permanent dams on various streams leading to its loading points in the Bay of Fundy, in order to control the inadequate supply of water during the log driving period. The company has also as an adjunct to its manufacturing operations, built a substantial townsite at Great Salmon River with school and other facilities and gives employment to from three to five hundred men, many of whom have their permanent homes there. In establishing this unified operation the company has expended very large sums of money relying upon a continuous and permanent operation. Were the Pejepscot Paper Company to be prohibited from using its supply of wood from its Canadian sources, acquired twenty years ago, for this particular purpose, it

would most seriously jeopardize if not destroy the large investment which this Company has made in Canadian lands and improvements. Such an act would in effect be the arbitrary seizure of private property justified, if at all, through the exercise of the absolute power vested in the Canadian Government, a power so infrequently to be exercised and so severe in its operation that only the direct necessity would invoke it. The holdings in New Brunswick are situated on a narrow watershed extending along the South shore of the Bay of Fundy. The property extends backward from the Bay to the Divide which does not exceed 15 miles in depth. The pulpwood on this property cannot be moved over the divide and the natural and only economical outlet is by water transportation to the point of manufacture. The depth of the watershed is too limited to provide water storage sufficient to produce reliable and continuous power to operate a mill in this locality. The Company has been required to employ gasoline engines to operate the conveyor mechanism at its chief loading station in New Brunswick. The Company could not move its manufacturing plant to these woodlands or to the Quebec woodlands not only on account of the lack of power, restricted producing area, but because the removal of a complete manufacturing plant such as this company would mean virtually the scrapping of the plant representing an investment of several millions.

This company has so cut its wood on its New Brunswick holding that for a period of twenty years operation the wood has not only not been depleted but the property contains a greater stumpage than at the time of their acquisition. This company has conducted the most scientific and far reaching conservation and reforestation programme of any company, Canadian or American, known. It has regulated its cutting operations; has been careful to minimize fire risks by burning slash along public highways; by building roads and telephone lines through its property and maintaining lookout stations, portable gasoline pumps for fire hose, etc.

Dr. C. D. Howe, President of the Canadian Forestry Association, in a letter dated August 26, 1923, after visiting this property with the delegates of the British Empire Forestry Conference, said,—

“The delegates regard your company the most far sighted of any they have met in the work it is doing to place its operations on a long time basis.”

Oxford Paper Company.

This company is a Maine corporation with its plant at Rumford, Maine. This company has acquired through leases very large timber limits and rights in the Province of Quebec and Nova Scotia, Canada. In Quebec the company holds a lease, aside from its Crown leases, of approximately 88,000 square miles from the Seminary. This lease was originally granted to Maurice Quinn, a citizen of the United States of Saginaw, Michigan, on the 19th day of October, 1909 for a period of fifteen years from November 1, 1909, with the privilege of an additional period of ten years, which privilege was exercised so that this lease runs until 1934. The Oxford Paper Company acquired this lease for approximately \$98,000, and has invested in mills, river and dam improvements, dams, etc. for the purpose of operating these limits approximately \$200,000. The Company pays to the Seminary a fixed sum per year plus a sum for each cord cut. The lease gives to the lessee the exclusive right to use and enjoy said lands with the exception of those sold for farming purposes as therein mentioned and to cut therefrom spruce, balsam and any other pulpwood. The lease requires that the lessee shall cut each year at least 3,500 cords and failing to do so shall pay the Seminary the stumpage on that amount.

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This company also holds a lease at Cape Breton, Nova Scotia, covering approximately 1,015 square miles. It was originally granted by the Crown (Province of Nova Scotia) in 1898 to Daniel F. Emery, Edwin L. Sanborn and Robert B. Blodgett. The lease originally contained a provision against the export of pulpwood and within a year the lessees came back to the Government and pointed out the impracticability of handling the lease if they were prohibited from exporting pulpwood. In 1900 the Government of Nova Scotia passed an Order in Council advisedly and deliberately and after consideration, providing that wood could be exported after it were shaved or peeled. In 1905, in the House of Assembly of Nova Scotia, the matter of the legality of the lease having come up because of the fact that there was no express power given to the Governor in Council to alter it, the Premier stated that if he apprehended that there was any violation of the law that would void the contract he would soon have the contract legalized, and in 1913 the law officers of the Crown to whom the whole matter was referred, recommended to cancel the lease which was subject to the Order in Council and make a new lease, which was done and approved by the act of the Assembly, and that lease contained a provision that,—

“ Provided that all wood cut and barked roused or hand peeled, ready for being made into pulp shall for the purpose of this lease be considered as manufactured lumber.”

This lease was made as stated in 1913 under the amended Crown Lands Act of 1910. In 1914, a year after the lease was made the whole matter was brought to the attention of the House of Assembly and was subject to debate. In 1915, the lease came up for revision by an express bill and there was a debate on this lease and the Premier at that time said:—

“It should not be forgotten that the lessees had paid to the Government \$100,000, in the shape of rental and up to date they had never got a dollar out of it.”

A bill was passed (Chap. 84 of the Statutes of Nova Scotia, 1915) approving this lease, the terms of which were embodied in the Act of the Legislature and the bill provided that “said lease agreement made as aforesaid the 19th day of June in the year of our Lord, one thousand nine hundred and thirteen, in substitution for said lease so surrendered as aforesaid is hereby declared to be in all respects a legal and valid lease according to the terms thereof, which terms are declared to be binding on the parties thereto in all respects according to the tenor of the same.”

This was the condition of this lease in 1917 at the time it was presented to the Cape Breton Pulp and Paper Company, Limited, by Mr. F. J. D. Barnjum, at that time a part owner of the lease. This company, relying upon the terms of this lease and the acts of the legislature of Nova Scotia purchased the lease with the consent of the Government and subsequently the Oxford Paper Company took over the lease from the Cape Breton Pulp and Paper Company assuming all its liabilities including \$777,000 in principal amount of bonds then outstanding secured only by property rights covered by said lease. This company since they took over the property have expended from a million dollars to a million and a quarter in actual money in putting the property in shape to operate, in the shape of dams, fire towers, mill construction and lading facilities. They started operations in 1917; the payrolls run from a minimum of approximately \$65,000 a year to a maximum of approximately \$613,000. The company employs approximately 750 men. The average expenditure of the company for supplies which in part is expended locally as far as possible runs to approximately \$150,000 which means that the company distributes in the country from five to six hundred thousand dollars a year as

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the result of their operations. Mr. Chisholm in testifying before the Commission at Halifax stated that the most conservative estimate that they had as to the amount of wood on the property was three million cords. The company cuts about 40,000 cords a year which would be 75 years' supply; that they are cutting the property in such shape that this would take them virtually around the property back to the point of starting at which time

"if the experts are at all correct we will not only have a complete net cutting to start from but a great deal more than that, because the wood grows pretty fast in that particular climate on account of the dampness and the moisture of the soil, etc."

Since this Company took over the property they have maintained fire patrol organized in conjunction with the Government; three fire towers have been erected. This company could not move its mill to those limits because of the climatic conditions, their port being closed five months in a year and it would be impossible to operate a pulp plant the size of the plant of this company making 300 tons of book paper a day at a point of location which is closed to transportation five months in the year. In addition to that they have invested in their mill property at Rumford, approximately fifteen million dollars, 50 per cent of which would be represented by bricks and mortar, piping, etc. By the time that they would have moved their big machines and paraphernalia which goes with them they would have spent half of the cost of them in moving, so that instead of having an investment of fifteen million there would be something like twenty-five million.

The Oxford Paper Company has had the Cape Breton property examined by the well known consulting engineer, Hardy S. Ferguson, for the purpose of seeing whether or not a mill could be constructed at Cape Breton, both a sulphite and sulphate or a combined sulphite and sulphate mill. The report made by Mr. Ferguson indicates that the capital investment required and the cost of manufacture, considering the difficulties which would be encountered, would be prohibitive. Such a plant would require facilities for storing pulp for six months in a year, which would have to be unbleached pulp as bleached sulphite would not keep that long. It would also require a storage capacity for four months' supplies of raw materials other than wood. The total cost of pulp including investment on the working capital required and on the capital investment for the plant, including storage facilities would at a conservative estimate for the unbleached sulphite pulp on steamer at Portland, Maine, be about \$72.20 per ton. The Oxford Paper Company would have no difficulty in purchasing unbleached sulphite pulp of the best grade for book paper from Scandinavian countries alongside wharves at Atlantic ports for from fifty to fifty-five dollars per ton, which would show an excessive cost to them of \$27.00 to \$22.00 per ton which would make the price of paper which they manufacture so high that they would not be able to compete with manufacturers making the same product. This shows the absolute impossibility of establishing a mill at Cape Breton.

International Paper Company.

This company is a corporation organized under the laws of New York, having plants in various localities both in the United States and Canada through its subsidiaries.

The company manufactures pulp and paper both in the United States and Canada. It has subsidiary companies with very large investments in plants manufacturing pulp and paper in Canada and also in the United States. In 1905 one of its subsidiary companies purchased 47,657 acres at Sheet Harbor, Nova Scotia, for approximately \$190,000. None of this property has been improved but it has been held as a pulp reserve.

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In 1905, and in the course of the next few years, the Miramichi Lumber Company, a subsidiary of the International Paper Company in New Brunswick, purchased 193,449 acres of freehold in New Brunswick for which was paid a total sum of approximately \$680,000. In order to utilize the forest products on this tract the Company has expended approximately \$100,000 since its purchase in the construction of a rossing mill and river improvements. In 1907 and during the next few years the St. Maurice Lumber Company, a subsidiary of the International Paper Company in Quebec, purchased 82,631 acres of freehold land in that Province on St. Maurice River, on the Batiscan River and the Pentecost River and in the Gaspé Peninsula, for which the total sum of approximately \$470,000 was paid. The various plants, wood preparing mills, dams, piers, booms, jack works and other improvements necessary to operate these Quebec properties have actually cost the Company \$425,000 in addition to the cost of the land. In other words, the company has a total investment of approximately \$1,900,000 at prices actually paid. It is obvious that none of these purchases alone would justify the installation of a plant on the Canadian side and the Company already has large investments there. Imposing an embargo so that the company would not be able to use the wood on their freehold land would not only result in a practical confiscation of the property of the company so far as this use is concerned but would result in very serious loss to the Company both in its American and Canadian operations.

Penobscot Development Company.

This is a company organized under the laws of the State of Maine, a subsidiary of the Penobscot Chemical Fibre Company, located at Old Town, Maine. In 1917, the Penobscot Development Company obtained a ten year permit from the Pokiok Land and Water Company, Ltd., a Canadian corporation, to cut pulpwood off lands at Pokiok in the Province of New Brunswick. Under this permit the company is obliged to cut during the next five years 5,000 cords a year at \$2.00 a cord. An embargo would necessitate a payment of \$50,000 without any return to the company. This company has spent on this land approximately \$5,000 in improvements and approximately \$250,000 in operating expenses. Of this one-quarter has gone to the Canadian railroads, three-eighths to Canadian labour, three-eighths to the Canadian supply dealer.

In January, 1921, this company bought 4,614 acres of land in St. James Parish, Charlotte County, New Brunswick, for \$10,000. Nothing has yet been cut on these lands, the purchases being made solely for the purpose of supplying the Penobscot Chemical Fibre Company with pulpwood in its mills in Maine. These purchases were made on the understanding that there was no law prohibiting the export of wood into the United States from freehold land. This company at the present time owns and controls in the United States enough timber land to supply its parent company with spruce for 38 years. The company also owns or controls in Maine enough poplar to supply the parent company for at least five years. It is obvious that this company has sufficient limits and has ample supply in Maine to prevent it from considering any move.

Hollingsworth & Whitney, Ltd.

This company is organized under the laws of the State of Massachusetts with pulp and paper mills in Maine. This company owns in fee 300,000 acres in Nova Scotia and about 50,000 acres in New Brunswick. They have made no attempt to use these lands. They were purchased from Canadian citizens 200,000 of the same being purchased from the Bank of Montreal, receiver of the Davison Lumber and Manufacturing Company. These purchases were recently made, prior to any talk of an embargo. The reason that this company has not

used any of its Canadian limits is that it has been very busy cutting wood in Maine destroyed by the budworm. From their limits in the United States this company has sufficient pulpwood to last them from fifteen to twenty years. The investment in freehold land in Canada which was purchased in 1922 was for between two and three million of dollars. The purchases were made after careful inquiry from persons highly situated in the Government of Nova Scotia and New Brunswick as to the possibility of any embargo and were assured that this could not be feared. This company could not put a mechanical pulp mill in Canada as there is not sufficient power on any of the property or in any locality sufficiently near to their limits.

S. D. Warren & Co.

This company is organized under the laws of the State of Massachusetts. This company owns limits in Nova Scotia, about 67,000 acres, for which it paid approximately \$400,000. No wood has been taken from those limits and no expenditures made with the exception of about \$5,000 a year which has been expended for the purpose of fire protection. The probabilities are that this limit will not be used for four or five years. This company owns very large timber reserves in the United States and could get along without using the Canadian limits and by depending exclusively upon its United States sources for eighteen to twenty years. An embargo in this case would be practically a confiscation of this property because the company could not move its mills to their limits in Nova Scotia as there is no water-power available; Nova Scotia coal would not be an economical substitute on account of its price and quality; the timber limits are too small to justify the building of a pulp mill of sufficient size to be economically operated and there are not sufficiently large limits within reasonable proximity to be added to the company's present holdings. This company would fear also that if the principle of an embargo is adopted compelling the manufacture of pulp in Canada it would be followed by the compelling of the manufacture of paper in Canada.

Bayless Pulp and Paper Company.

This company is a corporation organized and existing under the laws of the State of New York and maintains a plant at Austin, Pennsylvania. This company owns properties consisting of about 350 square miles of which 92 miles are Government limits and the balance freehold land. This property comprises the watershed of the St. Ann River and is located about 21 miles from the City of Quebec. The property was purchased in 1905. The company has at Baupre a very fine receiving pond and wood preparing plant as well as a short railroad. On this property the company maintains telephones and various camps, roads practically to the back of the property, and the streams have been put in excellent driving shape by the construction of dams and otherwise. The company has invested approximately for these river and camp improvements, etc., and in putting the property in shape \$450,000. During the years from 1905 to 1923, the company has only taken from this land 161,842 cords of wood. In 1922-1923, 3,126 cords; in 1921-1922, 3,436 cords, and in 1920-1921, 21,222 cords. The number of men employed is approximately 300 men from September 15th to May 15th and from May 15th to September 15th about 125 men. The wood which the company has taken from these limits has been exported to their mill at Austin, Pennsylvania. The company in the purchase of this property and development has invested approximately \$1,000,000. The property was originally purchased with the idea of supplying the plant at Austin with pulpwood. It was purchased in 1905 long before any question was ever suggested even of an embargo on Crown Lands. The company certainly would not have made this

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investment had it had any idea that there would have been at any time any legislation which would interfere with its rights as a freehold land owner to cut and do with the wood as it desired. The company by its telephone lines and operations has been careful of all fire risks and has conserved this property as appears by the number of cords which have been taken off from 1905 to 1923.

The foregoing shows the condition of a few of the United States companies operating in Canada and is sufficient to show the tremendous investment of United States capital both in leases and in freehold lands and in the improvements of lands and rivers in Canada. The greater proportion of the investments were made long prior to the talk of any embargo and as far as twenty years back, in good faith, and the operation has been in co-operation with the Government and in accordance with the best interests of the forests and the operation of the mills.

While it is conceded that the Canadian Government, either Provincial or Dominion, has the absolute power to make such regulations as it sees fit with reference to its natural resources, it is confidently submitted that no such drastic action would be taken by either the Dominion or Provincial Government as an embargo on the exportation of pulpwood from freehold lands.

Such an embargo would affect only a small portion of the forest area of Canada, namely ten or less than ten per cent of the total forest area;

If the farmers were exempted as promised by the Premier it would affect less than $1\frac{7}{10}$ per cent of the total amount of lumber cut in Canada;

It would amount to a practical confiscation of the property and contract rights of freehold owners of lands and leases, the purchases and improvements on which were made in good faith long before action of this kind was taken; and

So far as leases from the Government of Nova Scotia to any of the American companies, approved by the Legislature, are concerned, would amount to the same thing as the repudiation of a bond issued by Act of the said Legislature.

MONTREAL, March 28, 1924.

AIME GEOFFRION,
*Attorney for The Pulp and Paper
Manufacturers of the United States.*

APPENDIX No. 3

THE PULPWOOD EMBARGO

MEMORANDUM OF THE CANADIAN PULPWOOD ASSOCIATION

FOR SUBMISSION TO THE ROYAL COMMISSION ON PULPWOOD

OTTAWA, May, 1924.

This Memorandum deals with the proposal to embargo pulpwood cut from privately owned lands. The plan of the Memorandum is:—

First—To test the two main reasons advanced for the embargo, namely: "Conservation" (Part I), and "Industrial Development" (Part II).

Second—To state some of the reasons which are directly opposed to the experiment (Part III).

PART I.—THE CONSERVATION ARGUMENT

One of the two main reasons advanced in support of an embargo is that it will "conserve our wood resources." It is proposed to test this argument. Will an embargo on pulpwood really conserve our forests?

1. *What True Conservation Means.*

"Conservation" does not mean "miserly hoarding" which deprives the present generation of its share of the country's wealth and claims justification in a pious solicitude for "posterity." Conservation of our forests means the same sort of prudent administration as sound business men use in dealing with their capital. It means sanity in handling our wood assets. It means discouraging waste and encouraging care, but it recognizes that natural resources are to be enjoyed, and that the laws of supply and demand and the rights of property are not to be lightly disregarded. "Conservation" is simply sound cutting, because if cutting is properly carried on, it promotes new growth and it saves timber which has reached maturity and will, if not cut, deteriorate and form a fire menace as well.

2. *A Pulpwood Operation Does Conserve.*

A pulpwood operation conserves by utilizing more of the raw material and creating less fire hazard, by reason of the fact that there is less top and slash left behind and what is left is practically flat on the ground.

This point came out very strongly in the New Brunswick evidence with regard to the economy resulting from taking the tops which would be too small for a lumber operation.

The saving which comes from being able to use burned and budworm killed wood, if a quick market is available, and the advantage in getting a revenue from the otherwise worthless poplar, has also obvious advantages.

3. *Economy of Pulpwood and Rough Lumber Operations Compared.*

If an embargo will "conserve" our wood resources, why limit the proposal to pulpwood? Why not include rough lumber? If conservation means avoiding waste of raw material then the lumber operation does the greater damage.

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A rough lumber operation, carried on by itself, wastes approximately 50 per cent of the tree. An operation which combines rough lumber and pulpwood wastes only 15 per cent of the tree.

Incidentally if the tree must be exported as rough lumber, but not as pulpwood, then our railways lose 50 per cent in freight on account of the difference in weight between rough lumber and pulpwood made from the same quantity of raw material.

Although we are here discussing the relative "conservation" merits of pulpwood and lumber, another comparative feature may as well be noted, and it is one which is not generally realized; namely, that, taking an equal amount of raw product, there is as much money spent and as much and probably more labour required, in manufacturing it into peeled or rossed pulpwood than into rough lumber.

This is at least a strong indication that genuine conservation is not the thing which is really being sought. Conservation is only being stressed to provide an argument for an embargo on pulpwood.

4. *Futility of Embargo as Conservation Measure, When Only Negligible Quantity of Annual Wood Consumption is Affected.*

The relatively insignificant quantity of wood which could be affected shows how delusive as a "conservation" measure a pulpwood embargo would be.

It is neither exporting nor cutting which is threatening the Forests of Canada. It is estimated by advocates of the embargo that cutting accounts for only 10 per cent of our annual wood consumption, and that the remaining 90 per cent is destroyed by fire, wind, bugs, fungi, etc. Of this 10 per cent which is cut, one-twentieth is pulpwood which is exported. This means that under the mask of "Conservation" it is proposed to stop the export of one two hundredth, or one half of one per cent, of our total wood consumed, and, the burden of this spasm of conservation is to fall exclusively on wood which happens to have been manufactured in a rossing drum instead of a circular saw. Conservation thus limited is a misnomer.

EMBARGO NEVER CAN AFFECT MORE THAN TEN PER CENT OF CANADA'S PULPWOOD STAND

It may be said, however, that exports may increase and become in time an appreciable factor. Let us see therefore, what is the maximum proportion of our pulpwood which could be exported if there were no embargo. It is overlooked sometimes, that 80 to 85 per cent of the pulpwood of the four Eastern Provinces of Canada is now owned and controlled by the Governments and cannot be exported. This leaves 15 per cent privately owned, but of this 15 per cent it is fair to say that at least one third is owned by Canadian Pulp and Paper Companies and other Canadian wood using industries, who certainly would not export it as pulpwood, particularly in view of their strong antipathy to anyone else doing so. This leaves only 10 per cent of the pulpwood of Canada as the maximum which could ever be exported.

To sum up on this point, it is idle to talk of an embargo on pulpwood as a genuine conservation measure because (1) an embargo would only apply to about one twentieth of our annual forest cut; (2) an embargo would apply only to one two-hundredth part of our total annual wood consumption from all causes; (3) an embargo could never apply to more than ten per cent of our pulpwood stand, because that is the total extent of our privately owned wood available for export.

5. "*Conservation*" and "*More Pulp Mills*" are Contradictory.

The conservation argument is destroyed if the embargo will, as its advocates predict, result in a rush to establish American mills in Canada.

It is not by any means admitted that this forecast will come true, and the reasons for doubting its reliability are given elsewhere in this Memorandum, but if it were so, would not the tendency be to cut the wood much faster than in the past? At present the wood from Canada is simply supplementary to the American supply, and is drawn on as a reserve, but with the forced erection of mills is it not reasonable to expect an independent, vigorous and thoroughly exhaustive operation. The cost of the plant must be repaid. It cannot be allowed to stand idle, and intensive cutting will be the result. If it is answered that cutting restrictions could be added to the embargo, this only goes to show that the embargo is not effective as a conservation measure and that what is needed is improved forestry methods. Again, it is obvious that a simple restriction requiring that our wood be turned into pulp north—instead of south—of the 49th parallel, will not lessen the cutting, and even the strongest advocates of the embargo do not deny that there will be just as much cut under an embargo as without it, but it is said that we have the dismal comfort of the reflection that in this way Canadians will "at least reap the benefit of their own devastation." Admittedly, therefore, there is no hope of conservation in an embargo.

6. *Conservation Should Apply Particularly to the Ninety per cent now Destroyed by Fire, etc.*

Conservation is to be attained by natural and approved methods of practical forestry, rather than by artificial and unsound trade restrictions.

It is not the wood which is cut, but the wood which is wasted by lack of fire protection and by lack of sound forestry methods which depletes our resources. Attention has already been called to the estimate that nine times as much wood is destroyed by fire, wind, insects, etc., as is cut.

Following are quotations which put the situation succinctly and indicate the real menace and the real remedy—

"Cutting is a mere bagatelle compared with the incredible damage by fire, and in Eastern Canada, fire itself has been far outshone by the spruce budworm—between flames and forest insects we are due for a sharp reduction of the forest inventory."—(Can. Forestry Magazine, April, 1923).

"It is the business of scientific foresters and prudent forest statesmen to devise and carry out policies which will preserve this national estate without unduly hampering the activities of the lumbermen. The forest is made for man and there are idealists who would deprive the present generation of their legitimate share of these resources. As yet the danger of their propaganda is not grave. Influences in the other direction are sufficient to protect legitimate industry from excessive prudence. The annual crop of timber in European countries which preserve their forest capital is relatively large. If Canadian forests are guarded from fire, protected as far as possible from disease, and prudently harvested, they will undoubtedly afford an annual increase exceeding the present yearly product. Miserly hoarding may never be necessary if the same principles of prudent administration are applied to the forest as sound business men use in the protection of their capital."—(Vancouver Province, B.C., August 27, 1923).

Only to make it a matter of record and with no hope of suggesting anything which has the virtue of novelty, the following methods of practical and effective conservation are noted:

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1. The dedication of absolute forest land to the permanent production of timber. This involves the classification of the land and the exclusion of settlement from lands which are essentially suitable for forest purposes.

2. The encouragement of the practice of forestry on private lands by the proper adjustment of taxation to meet the special needs of forest property and by furnishing advice and assistance in the establishment and care of the forests.

3. Increased fire protection.

- (a) Regulations prohibiting going in the woods without license.
- (b) Fire warning notices.
- (c) Increased ground patrols.
- (d) Tower and telephone alarm systems.
- (e) Aircraft.

4. Regulated cutting according to some plan approved by such representative associations as the Canadian Society of Forest Engineers, the Canadian Forestry Association, the Canadian Pulp & Paper Association, the Canadian Lumbermen's Association and the Canadian Pulpwood Association.

5. A constant educational campaign, beginning in the schools, as to the duty and responsibility of the public respecting the conservation and protection of the Forests.

6. Greater effort in protecting and encouraging reproduction by natural seeding.

7. Governments to take full advantage of the opportunity afforded for consultation and co-operation with Committees of representative Forestry Associations such as those mentioned.

All these things have been repeatedly suggested and are admittedly sound. What is needed now is that public authorities take practical steps to bring such measures into effect and that those engaged in the industry bend every effort to see that they are carried out.

PART II.—THE INDUSTRIAL ARGUMENT

The other main reason given in support of the embargo is that it will "stimulate industrial development" by improving conditions for existing mills and by compelling the erection of mills by United States operators who buy wood in Canada, or who own lands here and who will be compelled to come North in order to get the benefit of their holdings.

As has been said the "Industrial" benefit and the "Conservation" benefit cannot both be enjoyed. One destroys the other.

1. *The Obvious Enquiry is: What Real Assurance have we that this New Industrial Era will Materialize?*

It is dogmatically asserted that United States manufacturers will be forced immediately to come to Canada, but those who assert this can only be indulging in the most insecure speculation. In economics what is apparently an obviously necessary result does not always follow, and the more seemingly clear the conclusion, the more likely to be proved wrong by some simple economic factor, the full effect of which has not been foreseen.

The suggestion is to literally force, by legislative enactment, the expenditure of money in Canada by citizens of the United States. The measure is based on

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the assumed needy condition of the United States as to wood resources. It is proposed to profit by that need. If we are going to take advantage of what we consider to be our neighbour's straitened circumstances to drive a shrewd bargain, we must be sure that we have made no mistake as to his resources.

The only thing which can be said positively is that no one can foretell what the effect will be.

To say that the United States operator will jump at the crack of the whip without taking careful stock of his resources and possibilities, is to delude ourselves. Even allowing nothing for growth, it is admitted that he has many years timber supply in sight in his own country and he can therefore, if necessary, carry on for a few years at least with wood from his own holdings. To arrogantly prognosticate that, in his endeavour to avoid the discomfort of this commercial thumbscrew, he will not adopt measures which will successfully husband his own resources, and that he will fail to work out methods to utilize woods not heretofore used, or even substitutes for wood, and that he cannot develop any other outside source of supply, is to give our neighbours credit for less initiative and resource, than we ourselves would expect to display under similar circumstances, and is also to be dangerously blind to the possibilities of science in industry as forecasted by the phenomenal achievements of the past two or three decades.

But supposing all these possibilities fail, the citizen of the United States who has lands in Canada still has four alternatives: (1) He may sell his land or wood to his Canadian competitor; (2) He may put his wood through a saw-mill and thus secure its passport to the United States; (3) He may build a mill and grind the wood, or (4) He may let it stand for an indefinite period.

In the meantime the Canadian timberland owner has been cut off from the most profitable market for his product and has had to sell (if he can sell at all) to one of the local mills at a price which would be reduced because there was no outside competition.

This then is at least fairly certain, that under an embargo there must be an indefinite but prolonged period of suspense and consequent depression in the wood business.

2. Mills will be Established Naturally just as Fast as Conditions Warrant

There is every economic reason for the manufacturer to locate his mill as near to the raw material as possible. The difference between the freight paid on pulpwood as such, as compared with the same quantity of pulpwood in the form of pulp or paper, has constituted an economic embargo for years.

Suitable pulp mill sites are not by any means readily found and this factor of location (together with those of financing, operation and market) far outweigh any trifling consideration as to whether or not the pulpwood from 10 per cent of our timber stand may go to the United States. An embargo will not induce mills which are not otherwise commercially feasible, nor will the absence of an embargo deter the erection of a mill where the active requisites for success are present.

To say that existing mills could not continue successful operations without an embargo would certainly be to confess the hopelessness of the prospect of attracting other establishments.

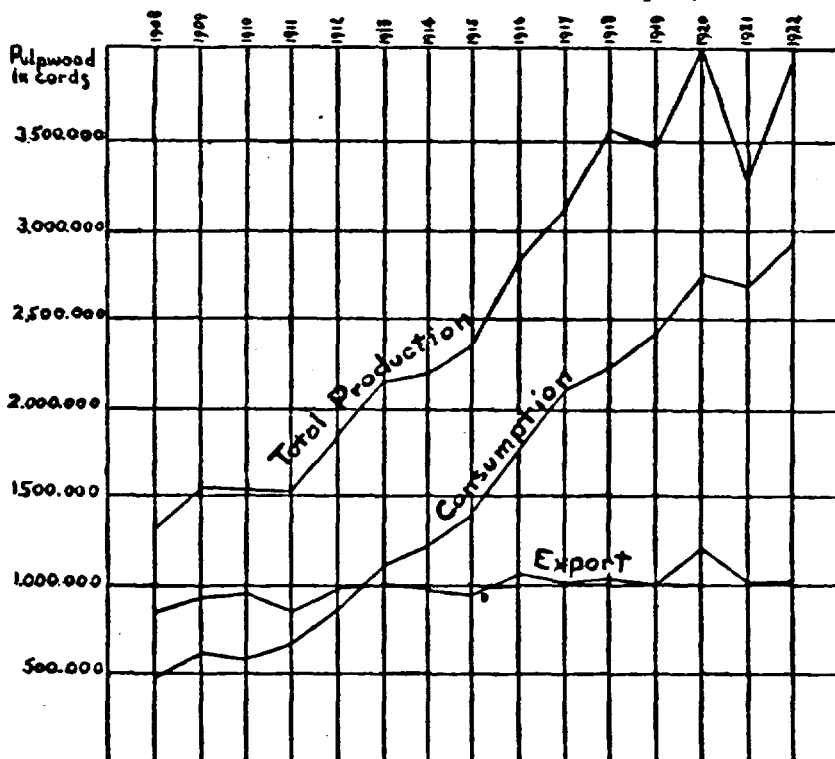
Events of the last two years have demonstrated that the business is already overdeveloped. It is not only futile to *expect* the establishment of more mills in Canada until the general commercial situation warrants it, but it is folly to talk of *forcing* such a development in the face of existing market conditions.

Under healthy conditions of competition the Canadian industry has made great strides in the past ten years. A statement made in the Canada Year Book (1922-23, p. 328) is as follows:—

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"The exportation of raw pulpwood, as shown in the accompanying diagram, has remained practically constant since 1912, while the quantity consumed in Canadian pulp mills has increased by over 236 per cent during the same period. In 1908, almost two-thirds of the pulpwood cut in Canada was exported in the raw or unmanufactured form. In 1922, with an increase of almost 300 per cent in total production, the proportion exported has fallen to about one quarter."

Canadian Pulpwood production manufacture and export, 1908-1922



(Diagram referred to in quotation from Canada year book 1922-23)

THE SUGGESTED EXPORT TAX

There has been an alternative suggestion, that in lieu of an absolute prohibitory measure, Canada might adopt the expedient of an export tax.

An examination of the reasons against an embargo will make it clear that they apply relatively, with equal force, to an export tax. In addition to all these, however there is the very pertinent enquiry;—who will pay this tax, the American buyer or the Canadian producer? The following considerations indicate the answer:—

Canada does not control the price of wood in the United States. It is controlled, as all well-informed authorities admit, by three factors:—

- (a) The cost to American mills of producing wood from their own lands in the United States.
- (b) The price of open-market wood in the United States.
- (c) The price of Scandinavian and other foreign Pulps, delivered at New York.

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Since the Canadian producer is not the arbiter of Pulpwood prices it follows inevitably that the imposition of an export tax will not increase the cost of Canadian wood to the American mills but will simply mean that out of the same price that the Canadian now receives, or would receive at any other time, he will have to pay the amount of such tax.

Therefore, an export tax on pulpwood shipments to the United States would not, as is popularly supposed, be paid by the American importer. It would come out of the price received by the Canadian producer.

PART III.—DIRECT REASONS AGAINST AN EMBARGO ON PULPWOOD

1. *It is Unsound Economically.*

It is an attempt to make a country prosperous and its people wealthy by legislation. It blocks up natural trade channels, offends against the laws of supply and demand, restricts exports (which are our chief instrument with which to maintain the balance of trade), involves a false conception of conservation, and, in its effect, denies to the present generation their rights in the natural resources of the country.

There is something wrong with a policy which works out so that, although a property owner may, if he choose, slash, strip, burn, and completely destroy his woodlot, he cannot carry on a reasonable and prudent operation and sell his wood in the United States.

2. *It is Class Legislation in an Insidious and Vicious Form.*

It is for the benefit of the Pulp and Paper Manufacturer at the expense of the timberland owner.

Under the guise of conservation, the Pulp Manufacturer calmly proposes to compel the land owner, by law, to keep his wood on the stump until the manufacturer is ready to use it. If, when that time comes, the wood has not been destroyed by fire, wind, or insects, then the manufacturer will take it at a price which he himself will fix, and which obviously will not in any case be higher than it would cost to cut off his own land.

If it is true that Canadian Mills will ultimately require the wood, their obvious course is to go into the market and buy the land or wood in fair competition, with the United States manufacturers. They should themselves finance and insure their future supply of raw material. There seems to be no reason why the woodlot owner should be forced by law, not only to tie up his capital but to carry the risk of loss by fire and other causes, for their benefit.

3. *It Reduces the Value of Every Acre of Freehold Woodland.*

In the last ten years, a new factor has entered into the price of woodlands, namely: their value from a pulpwood standpoint. Probably the bulk of privately owned timber lands in Canada to-day is worth more for pulpwood than lumber. To realize the pulpwood value, the owner must have the benefit of the United States market and the competition of the United States buyer. An embargo, by a stroke of the pen, would wipe out both market and competition. A reduction in land values is inevitable; the most profitable use to which the product could be put is gone.

4. *It Would Mean the Waste of a Great Deal of Burnt and Budworm Killed Wood Now Salvaged.*

Canadian fire killed wood is sold extensively to United States Companies, and there is the case of one company at least which has operated its mills con-

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tinually and exclusively for over five years on fire killed wood. Shutting off the United States market means the loss of the opportunity to promptly dispose of a large quantity of this damaged wood. Without an open competitive market there would be little chance of being able to realize on it at a fair value and it would be left to rot and blow down, resulting not only in a total loss but in a greatly increased fire hazard.

5. *It would Destroy Our Only Market for Poplar.*

The development of the commercial use of poplar, has been principally in making soda pulp. Soda pulp is not manufactured in Canada to any extent, so that without the United States market the wood would be practically worthless. The demand from across the line has been a source of unexpected revenue for many small land owners. This tree begins to deteriorate after about thirty years, and cutting off the United States market would mean an almost complete loss to Canadian owners of this class of wood. Every year over 200,000 cords of poplar are exported to the United States, and if not so utilized would have to be burned by the settler or would rot on the stump.

6. *It May Act as a Boomerang. Interference with this Comparatively Insignificant Item in our Exports of Forest Products May Jeopardize the Whole, the Biggest and Most Rapidly Developing Trade Connection we have with the United States.*

(a) THE IMPORTANCE OF OUR TRADE, WITH THE UNITED STATES, IN WOOD PRODUCTS.

For the year ending March 31, 1924, the total exports to the United States of all merchandise produced in Canada amounted to Four Hundred and Thirty Million Dollars.

Wood products and paper alone comprised Two Hundred and Thirty Million Dollars of this amount (over 50 per cent of the total) whilst of this Two Hundred and Thirty Millions, only Fourteen Millions, or approximately 6 per cent, was pulpwood.

The above was no exceptional year in this respect. Wood products and paper have been steadily advancing to a premier place in our foreign commerce and for the last three years have made up over one-half the Country's entire exports to the United States.

It is felt that there is not a thorough appreciation of the extent to which Canada's interests are wrapped up in this trade. There is a feeling, evident at times, that the woodland owner and the manufacturer are the only persons interested in the embargo debate, but anything which even threatens to endanger the security and continuity of a trade of such immense comparative volume, should arouse not only the intense interest, but the keen anxiety, of Canadians generally, since all must inevitably be affected by the dislocation of a trade connection of this magnitude. It may be asked in what way an embargo on pulpwood might adversely affect this valuable commercial relation? The next four paragraphs indicate the answer.

(b) THE ALMOST INEVITABLE LOSS OF CONFIDENCE.

There are Canadian woodlands that have been bought and paid for by United States citizens in good faith. Their purpose in buying such lands was, as everybody knew, to use them to supply their mills in their own country. No one discouraged them in buying, nor suggested that they would be deprived of the benefit of their purchase by having to erect new mills in Canada and thus double their plant investment, or accept the alternative of selling out their Canadian holdings to their Canadian competitors. If the United States owner

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of Canadian woodlands is compelled to grind his wood in Canada he may well fear that, if he *does* erect a grinder, the next step will be to embargo his ground-wood. Once bitten he will naturally be "twice shy," and he can hardly be blamed if he becomes skeptical of Canada as a desirable field for investment and turns his attention in some other direction where he can have a reasonable prospect of getting what he considers he has paid for.

All over Canada there are object lessons illustrating our reliance on outside capital. Naturally, as a young nation, we must look abroad for a substantial part of the capital with which to increase our industrial development; and, at least so long as that state of affairs continues, we certainly cannot afford to lose the confidence of the foreign investor.

(c) THE MISTAKEN IDEA THAT CANADA HAS A MONOPOLY IN WOOD.

Contrary to the prevailing idea, it must not be overlooked that if the American is forced to turn away from Canada for raw materials, he will find that we have not by any means a monopoly. For instance, wood from Russia, in large quantities, is already quoted freely, by substantial concerns, for delivery at Atlantic seaports; and Pacific Coast pulpwood has recently been offered for similar delivery at prices which cannot be met by the pulpwood producers of Eastern Canada. To-day United States operators can buy Scandinavian and other European pulp cheaper than they can manufacture Canadian wood. The evidence given in the enquiry on this whole subject of alternative source of supply for the United States makes elaboration of this point, beyond referring to the Record, unnecessary.

(d) RESULTANT STIMULATION OF UNITED STATES INITIATIVE AND RESOURCES

If the United States operator has the Canadian door shut in his face, he will naturally consider it to his interest to intensively encourage forestry conservation and development in the United States to insure independence as far as possible. It will also stimulate him in his research concerning the possibility of substituting wood now obtainable in the United States for that obtainable in Canada. Already most of the hardwoods are being successfully utilized, and the remarkable recent development of the use of Long Leaf Southern Pine in the Kraft industry is an instance of what may be expected if, by reason of an embargo, "necessity" becomes the "mother of invention."

In short, there is a possibility that, in the attempt to take advantage of the supposed extremity of our neighbour, we may discover, not only that we have jeopardized a valuable trade connection in paper products and lost his confidence as well, but that we have stimulated him in the development of his own resources and in the exploiting of his own possibilities, and unconsciously encouraged his trade with other countries at the expense of our own.

Our only consolation will be that our pulp wood still stands on the stump for posterity, provided it is not wiped out by fire in the meantime.

(e) POSSIBILITIES OF RETALIATORY ACTION

Having begun such a trade war, we, of course, should not complain of retaliation. These are some possibilities:—

(1) The imposition by the United States of embargoes on coal, sulphur and other raw products utilized by many Canadian Pulp and Paper Mills.

(2) Increase of United States duties on certain manufactured pulp and paper products which are as yet only manufactured in Canada on a very small scale, if at all. This would prevent or delay Canadians from engaging in the widest possible range of manufacture of pulp and paper products. Such duties might in their effect be retaliatory although ostensibly justified on other grounds.

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(3) Action under regulations permitting the imposition of duty on paper coming from a country which restricts the exportation of raw material used in paper manufacture.

Note the recent steps taken by the Americans to put themselves in a position for instant retaliation. (Supplement to U. S. Statutes of 1923, p. 347, par. 1301).

"The duty on printing paper not specifically provided for, shall be one-fourth of one cent per pound, and ten per cent ad valorem, with a provision that if any country, etc., forbids or restricts or imposes any export duty, etc., on printing paper, wood pulp or wood for use in the manufacture of wood pulp, the President may enter into negotiations with such country for the removal of such prohibition, etc., and if not removed he may, by proclamation, declare the failure of the negotiations. Thereupon until the removal of such prohibition, etc., printing paper imported directly or indirectly from such country, etc., shall pay an additional duty of ten per cent, ad valorem, and in addition thereto an amount equal to the highest export duty imposed by such country, etc., upon either an equal amount of pulp wood or wood for use in the manufacture of pulp wood, necessary to manufacture such printing paper." (See Canadian Hansard, 1923, June 26th, page 4546).

7. It Does not Adequately Provide for the Widely Different Conditions in the Various Provinces.

It is an attempt to impose one rigid policy for the whole country regardless of essential differences in local conditions, and it is opposed to the spirit of the constitution which wisely commits to the Provinces matters affecting property and civil rights, which demand special treatment to suit varying local requirements.

The evidence in the inquiry of your Royal Commission, established nothing with more certainty than that there existed the greatest divergence in conditions surrounding the supply and utilization of wood in different sections of the Dominion. One province had abundant forest stands with power facilities in proportion; but in that very province the competition of the United States buyer was necessary to ensure the land owner a fair price for his wood. In another province the possibility of power development was comparatively meagre, the wood supply was scattered and consisted of numerous individual small holdings, but there existed the compensating factor of easy access to the United States market. In still another province fire and insects took a relatively heavy toll and made a market of the greatest possible capacity and certainty, doubly desirable, so that the damaged wood might be saved and realized on. In another, the utilization of wood cut in the process of clearing and settlement required a large consuming market readily available; and there is still another where local conditions make it advantageous to export, not only pulpwood, but logs in the round, piling, and fuel wood.

In some of these provinces crown lands had been granted or leased on terms that the wood should be manufactured in Canada, while in others the local situation as to power sites, scattering nature of wood supply, market opportunities, and other factors, had been such as to lead the public authorities to recognize that the widest opportunity for trading was desirable and that restrictions would simply lock up a part of the country's natural wealth without resultant benefit to any one.

Premier Armstrong of Nova Scotia well expressed it in his letter to your Commission on October 4 last, when he said:—

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"With respect to the general application in this province of an embargo on the export of pulpwood, I am convinced that the varying local conditions in each province illustrate and forcibly emphasize the desirability of preserving intact Provincial jurisdiction in dealing with property and civil rights."

And Premier Taschereau of Quebec, speaking in the Legislative Assembly of that province on March 10 of this year expressed the same viewpoint in equally forceful terms as follows:—

"What might suit British Columbia might not suit Quebec, or Nova Scotia, or New Brunswick, and I suggest very firmly to our friends at Ottawa that they seek to get all the necessary information, that they gather all facts available as to the forestry situation in Canada, but to leave to each province the care, and the exclusive care, of the forests so that each province may take the steps necessary to protect the forests consistent with the needs of colonization and agriculture. We will await with interest the work of the Commission, and in the meantime suggest to Ottawa to leave to each province the disposal of the forests within its respective limits so that each province may take what steps are necessary in the best interests of its own people."

Obviously Provincial autonomy is the only practical agency by which to determine the appropriate policy in these various instances. To impose one standardized cast iron regulation would not only be an invasion of Provincial rights, but would be to pay no attention to radical differences in economic conditions throughout the country, and to sacrifice entirely the interests of certain sections for the sake of a fruitless uniformity.



DUE DATE

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