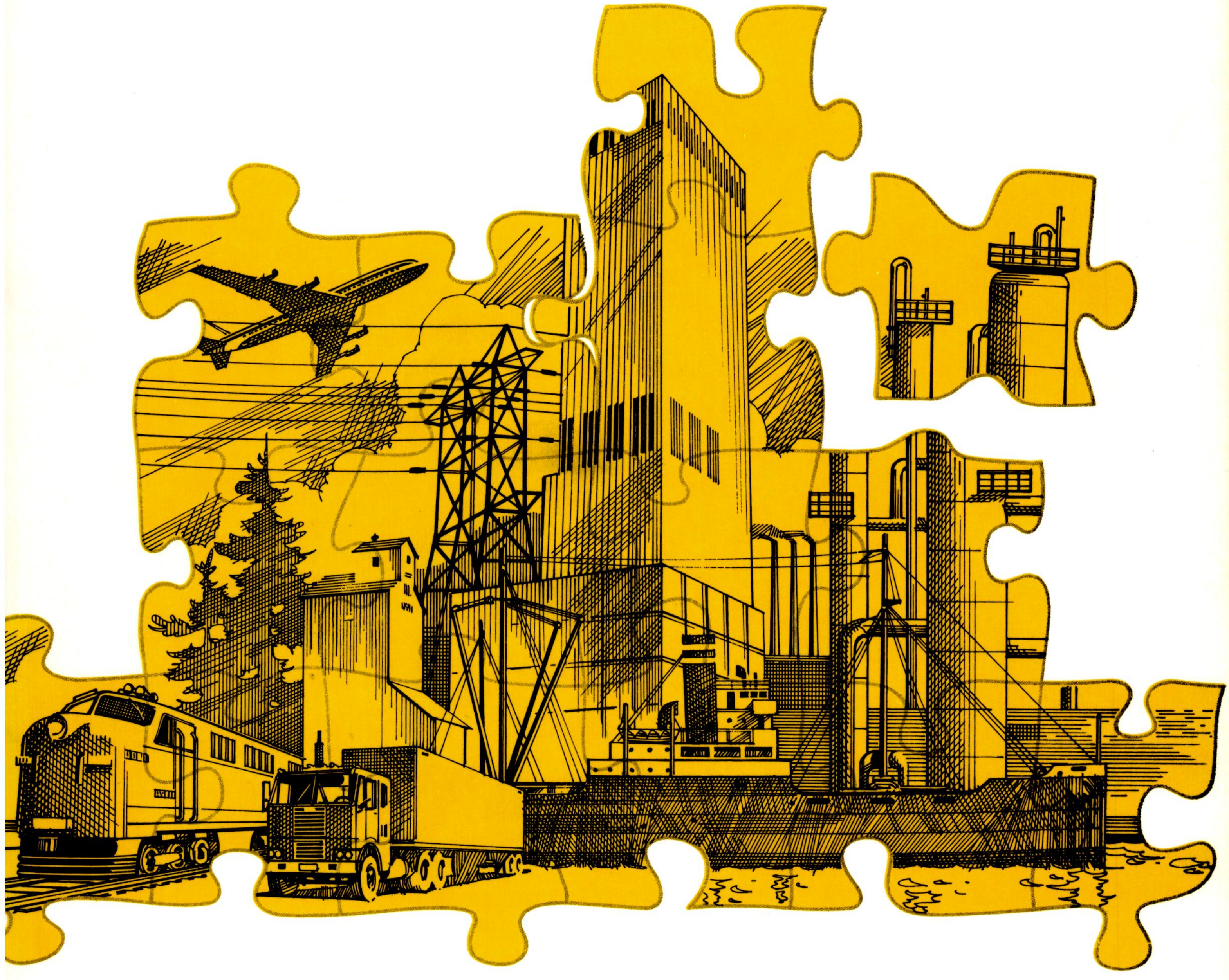
Royal Commission on Corporate Concentration



STUDY NO. 16

The Irving Group

A Case Study

Royal Commission on Corporate Concentration

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February 1978

Available by mail from

Printing and Publishing
Supply and Services Canada
Ottawa, Canada K1A 0S9

or through your bookseller.

Catalogue No. Z1-1975/1-41-16 Canada: $2.00
ISBN : 0-660-00627-8 Other countries: $2.40

Price subject to change without notice.

FOREWORD

In April 1975, the Royal Commission on Corporate Concentration was appointed to "inquire into, report upon, and make recommendations concerning:

(a) the nature and role of major concentrations of corporate power in Canada;

(b) the economic and social implications for the public interest of such concentrations; and

(c) whether safeguards exist or may be required to protect the public interest in the presence of such concentrations."

To gather informed opinion, the Commission invited briefs from interested persons and organizations and held hearings across Canada beginning in November 1975. In addition, the Commission organized a number of research projects relevant to its inquiry.

This study on the Irving Group of companies in New Brunswick was prepared from information and material publicly available and from personal interviews. Most of the Irving Group's financial data is not published, so certain estimates have been made in the study. The study discusses the size, scope, strategy and structure of an ownership-linked group of companies which constitute a very significant regional concentration of ownership in Canada.

The Commission is publishing this and other background studies in the public interest.

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INTRODUCTION

For many people, the study of a large industrial corporation means the study of its financial and economic performance -- its growth rates, dividends, return on investment, and prospects for future profits. For labour unions, such a study might provide information for planning collective bargaining tactics to ensure wage gains, employment benefits, or even survival. For governments, the study of corporations has a bearing on industrial development, tax rates, employment prospects, and possibly for supply procurement. To the academic, the study is important for what it teaches about management principles, corporate development, and entrepreneurship. Yet these are only some main themes which concern selected actors in the corporate interface: corporations are rarely studied extensively by their own managers, and more rarely still are they examined for their overall impact on a society, a region, or a city.[1] Historical and managerial analysis of major Canadian companies, to put the matter in perspective, is a much underdeveloped field of research.[2]

This study concerns one group of companies centered in Canada's third smallest province, New Brunswick. The group in question is the K.C. Irving group, which has its headquarters in Saint John. The "group" consists of something like one hundred separate enterprises, some very large even by Canadian standards, some very small even by provincial standards, all connected directly or indirectly through a labyrinth of holding companies.

In the aggregate, very little is known about the Irving organization, although a book has been written about its founder K.C. Irving,[3] and estimates have been made on the number of constituent firms in the group (these will be analyzed in a later section). While some journalists have been able to outline the general shape of the Irving companies,[4] no specific evidence exists in the public domain to fill in completely the ownership links and interlocking networks for the whole Irving group. Indeed the absence of such data has bred what some journalists call "New Brunswick's army of Irving watchers".

The purpose of this study is twofold: first, to identify and gather as much background information on the Irving group of companies as is possible from publicly accessible sources; second, to interpret the data from three perspectives: organizational, economic, and social. The study is not a piece of investigative journalism, and no attempt has been made to interview individuals familiar with the Irving companies or with officials of the companies. The descriptions of the companies contained in this study are drawn from published materials in the public domain, such as media reports and articles. Relevant articles published in The Financial Post and The Globe and Mail between 1949 and 1978 provided the main sources.

In addition, a search of the literature revealed a number of journals and magazines which had published articles on some aspect of the Irving companies.

In interpreting the data, the following major issues arose:

a. Organizational: What are the boundaries of the Irving companies and what are the main components of the Irving group of firms? The chart of the Irving group has been pieced together from press articles, the K.C. Irving book mentioned before, from a New York Times survey, articles in the Financial Post, and data from CALURA statistics gathered by the Federal Department of Industry, Trade and Commerce.

b. Economic: What were the major incidents which explain the group's success? What are the managerial strategies of the Irving companies and their impact on the Maritime region?

c. Social: What are the perceptions of the Irving companies in New Brunswick (and the Maritimes) held by various interest groups, including the press, labour, government, and the public? What are the realities?

A study which focuses on the Irving companies must inevitably focus, to a limited extent, on the Irvings themselves-- Mr. Kenneth Colin Irving and his three sons, Arthur, James and Jack. It also raises some fundamental questions regarding industrial development in a region like the Maritimes. For example, in an area where there have been some spectacular bankruptcies[5] and industrial failures, the Irvings are a notable success story. The question arises: is economic growth in an underdeveloped area reached only by a large scale industrial organization with its concentration of capital, managerial skills, and organizational talents? From a social point of view, are there policy trade-offs in industrial development between economic growth and job creation on one hand, and economic concentration and private interests on the other? This study poses these questions in the larger context, for they relate to some of the fundamental issues regarding economic growth, not just in the Maritimes, but in all of Canada.

THE IRVING GROUP: 1976

In 1976 the Irving group consisted of about one hundred separate companies, some quite small, some very large indeed.[6] Several of these companies are relatively inactive in that their main purpose is to hold shares in more active companies; others, such as K.C. Irving Ltd., are at the heart of the legal and managerial structure. In all, the companies form a vast web of interlocking organizations which are *de facto* headed by the considerable talents of Mr. K.C. Irving and his three sons, Messrs. Arthur, Jack, and James Irving.[7]

In an attempt to explain the basis of the Irving empire, this section outlines the main features of the Irving organization, including the principal ownership links, the main companies and organizations they own as subsidiaries, and the ties between the provincially incorporated companies and the major holding companies: Forest Mere Investments Ltd., FMW Ltd., FMR Co. Ltd., and Barclays (Nassau) Nominees Ltd. The principal ownership links are outlined in Table 1.

There are three core managerial operations: J.D. Irving Ltd., Irving Oil Ltd., and K.C. Irving Ltd. Of these three companies, certainly the most important is K.C. Irving Ltd. Each of these companies will be outlined in sequence.

1. J.D. Irving Ltd.

J.D. Irving Ltd. is a subsidiary 99.25 per cent owned by FMW Ltd. of Nassau. J.D. Irving Ltd. was the family firm started by Mr. K.C. Irving's father, J.D. Irving, who had stores, mills, land and shipping interests in Buctouche, New Brunswick.[8] Interests in the company were left to the family in 1933 but, in fact, Mr. K.C. Irving gained total control in 1962 when other members of the family predeceased him.[9] Today the company is peripheral to the Irving group of companies: the main companies in the group affiliated to J.D. Irving Ltd., include D'Auteuil Lumber Company, Highland Hardwoods Limited, Kent Homes, Marque Construction and St. George Pulp and Paper (which has control of Charlotte Pulp and Paper). Another company, Atlantic Towing Ltd., was established in 1960 to operate a fleet of tugs to handle the oil tankers at the refinery.[10]

2. Irving Oil Ltd.

After a dispute with Imperial Oil Ltd. in 1924, Mr. K.C. Irving installed a storage tank in his native town of Buctouche and started importing shipments of gasoline from Charles Noble and Company of Tulsa, Oklahoma.[11] From this small beginning, Mr. K.C. Irving expanded his holdings into Irving Oil Ltd., now the core of his oil refining, oil distribution, and gasoline network. Irving Oil Ltd. is now 48.9% owned by Standard Oil of British Columbia, a holding company whose 25,000 issued shares are all, but a few, owned by Standard Oil of California.[12]

Affiliated with Irving Oil Ltd. are some fifteen small gas and oil outlets in each of the Atlantic Provinces and in Quebec, as well as some major propane gas and appliance dealers. Together these companies represent a fully integrated organization involving the distribution, transportation, sales and service of gas and oil throughout the Maritimes and in the eastern part of Quebec. In addition, through the wholesale and retail firms, Irving Oil sells and services propane gas appliances in each of the Maritime Provinces.

A major affiliate of Irving Oil Ltd. is Irving Refinery Ltd., which is 51% owned by Standard Oil of British Columbia (which itself is 99% controlled by Standard of California) and 49% by FMR Co. Ltd., and Irving company incorporated in Nassau. The Irving Refinery was begun in 1959 and opened in 1960. In 1976, a $200 million expansion was begun, based on a 1973 agreement with the New Brunswick Electrical Power Commission for the supply of bunker oil at its $300 million thermal plant in Coleson Cove.[13] (Irving Refinery has recently constructed a 15 mile pipeline from the refinery to the thermal plant.) When fully completed, Irving Refinery is expected to have a total capacity of 250,000 barrels a day. Two companies also related to Irving Oil are Canaport Ltd., which is a wholly owned subsidiary and controls the deep water port at the refinery, and Irving Oil Terminals, controlled by FMR Co. Ltd.

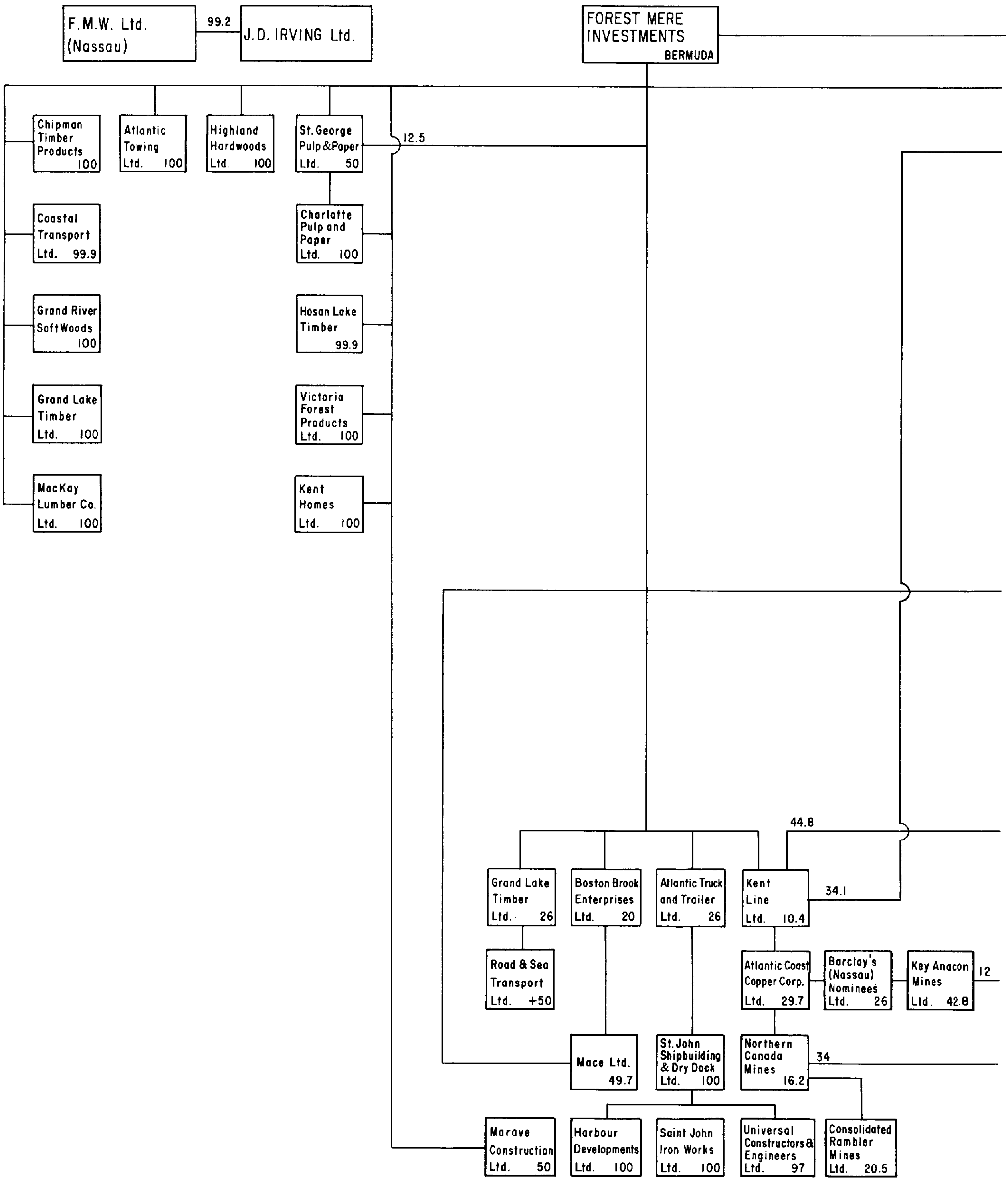
3. K.C. Irving Ltd.

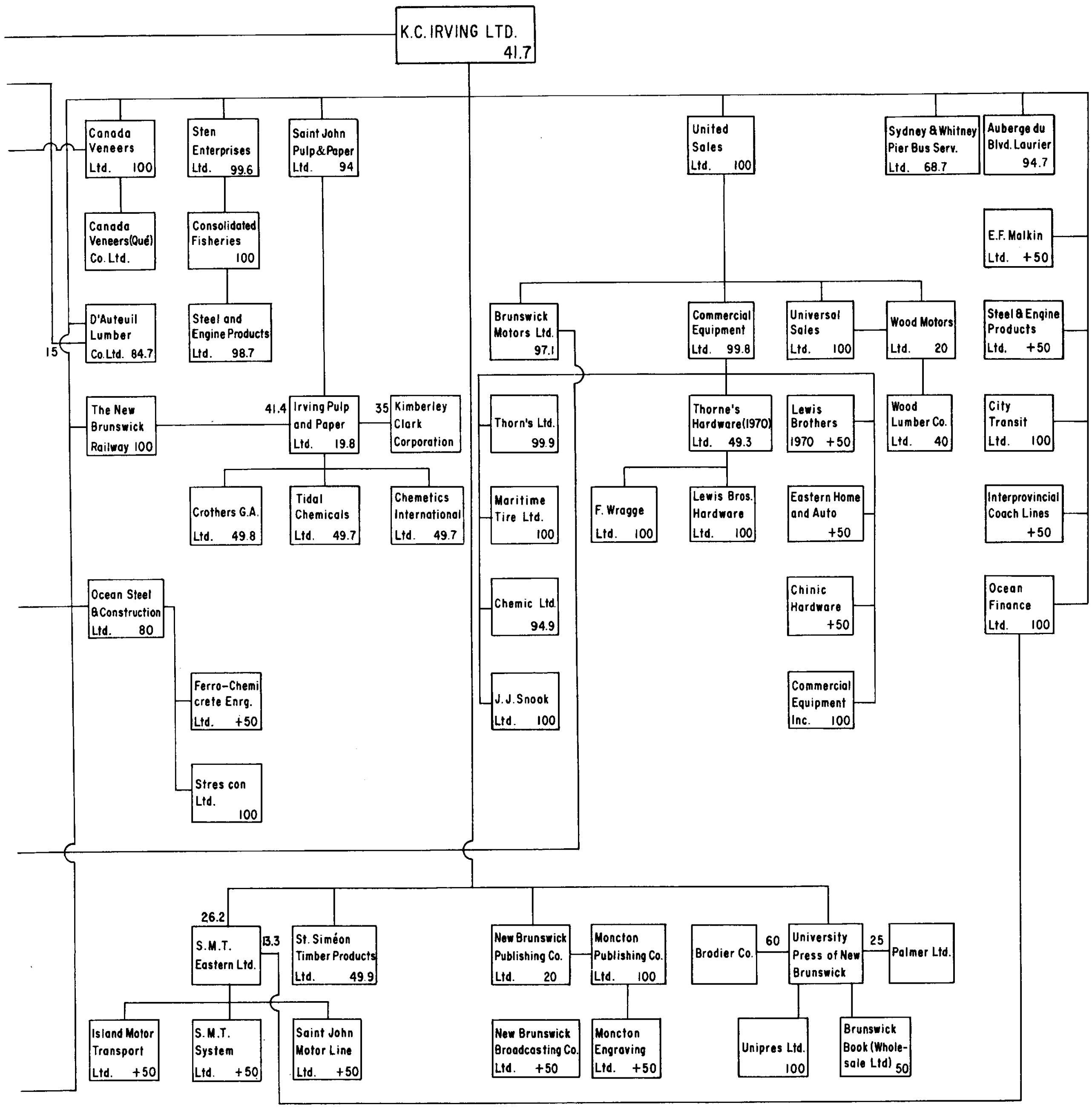
The centre of the Irving group is K.C. Irving Ltd., a holding company established in 1957.[14] This company represents the largest portion of the total Irving group in the number of companies controlled and the pervasiveness of the operations in all areas of New Brunswick. Individual enterprises within the Irving Oil group represent sizeable financial investments, such as Irving Refinery and the interests in K.C. Irving Ltd. point to the direct ownership links of Mr. Irving himself, and only 41.7% of the company is controlled through one of the offshore holding companies, namely Forest Mere Investments. The importance of K.C. Irving Ltd. can be indicated in another way (as documented in the next section), namely by its large interests in timber holdings, pulp and paper, and related ventures. Much of what is known and understood about the Irving companies is centered around oil: crude, refining, distribution, and sales outlets, including a large retail network of some 1600 service stations as early as 1959.[15] These activities flow directly from Mr. Irving's earliest involvement in oil as a young entrepreneur in Kent County.

At the heart of Irving's present product mix, despite the spread of some one hundred companies, are two quite unrelated core outputs: oil and timber products. What they have in common, despite the appearance of fundamental differences in end users or even production technology, are these characteristics: a need for engineering staff and equipment at every stage of production; control over large land areas for production and distribution; services by in-company specialists or external consultants for repairs, replacement of equipment, and regular maintenance, transportation facilities, equipment and personnel to link the raw material to the site of production, end processing or refinement, and, finally, distribution outlets to the customer, whether industrial or retail.

It is because of these "connections" that the K.C. Irving associated companies cover such a wide range of products and services. On the one

TABLE I PRINCIPAL OWNERSHIP LINKS



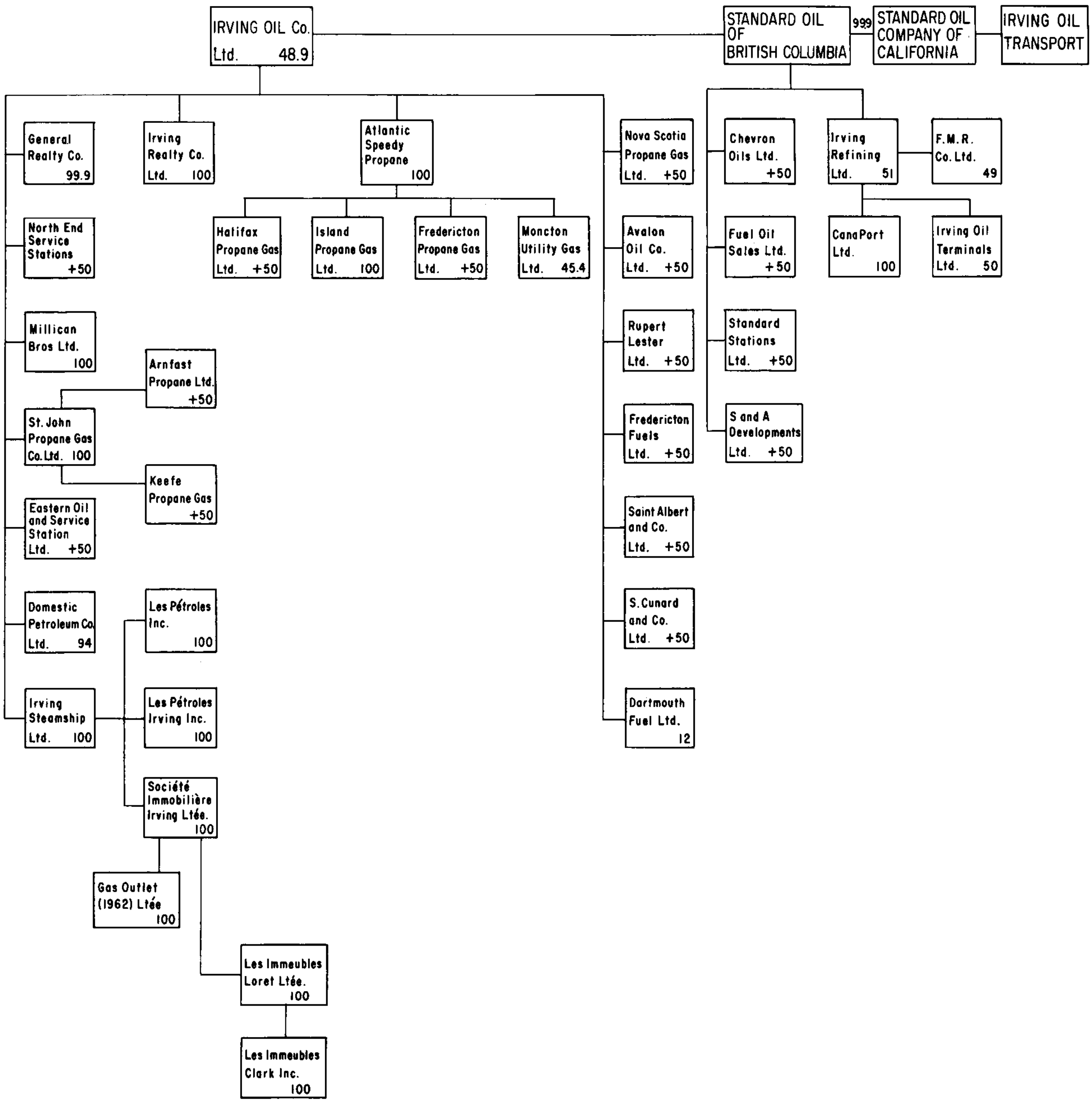

K.C. IRVING LTD. 41.7
Canada Veneers Ltd. 100
Sten Enterprises Ltd. 99.6
Saint John Pulp & Paper Ltd. 94
United Sales Ltd. 100
Sydney & Whitney Pier Bus Serv. Ltd. 68.7
Auberge du Blvd. Laurier 94.7
Canada Veneers (Qué) Co. Ltd.
Consolidated Fisheries 100
E.F. Malkin Ltd. +50
D'Auteuil Lumber Co. Ltd. 84.7
15
Steel and Engine Products Ltd. 98.7
Brunswick Motors Ltd. 97.1
Commercial Equipment Ltd. 99.8
Universal Sales Ltd. 100
Wood Motors Ltd. 20
Steel & Engine Products Ltd. +50
The New Brunswick Railway 100
41.4
Irving Pulp and Paper Ltd. 19.8
35
Kimberley Clark Corporation
Thorn's Ltd. 99.9
Thorne's Hardware (1970) Ltd. 49.3
Lewis Brothers 1970 +50
Wood Lumber Co. Ltd. 40
City Transit Ltd. 100
Crothers G.A. Ltd. 49.8
Tidal Chemicals Ltd. 49.7
Chemetics International Ltd. 49.7
Maritime Tire Ltd. 100
F. Wragge Ltd. 100
Lewis Bros. Hardware Ltd. 100
Eastern Home and Auto +50
Interprovincial Coach Lines +50
Ocean Steel & Construction Ltd. 80
Chemic Ltd. 94.9
Chinic Hardware +50
Ocean Finance Ltd. 100
Ferro-Chemicrete Enrg. Ltd. +50
J. J. Snook Ltd. 100
Commercial Equipment Inc. 100
Stres con Ltd. 100
26.2
S.M.T. Eastern Ltd.
13.3
St. Siméon Timber Products Ltd. 49.9
New Brunswick Publishing Co. Ltd. 20
Moncton Publishing Co. Ltd. 100
Brodier Co.
60
University Press of New Brunswick
25
Palmer Ltd.
Island Motor Transport Ltd. +50
S.M.T. System Ltd. +50
Saint John Motor Line Ltd. +50
New Brunswick Broadcasting Co. Ltd. +50
Moncton Engraving Ltd. +50
Unipres Ltd. 100
Brunswick Book (Wholesale Ltd) 50

hand, there are some of the earliest acquisitions in the Irving group: Canadian Veneers, St. John Pulp and Paper, New Brunswick Railway, and SMT (Eastern) Ltd. These enterprises are important in understanding the development and expansion of the Irving group because they probably represent major sources of finance in the early years of growth. A case in point is Canadian Veneer Ltd., which provided materials for the famous Mosquito planes during World War II; or major land and timber rights which became the heart of the pulp and paper network of companies, as in the case of St. John Pulp and Paper and New Brunswick Railway; or the first entry into a large and integrated transportation system, as in the case of SMT (Eastern) Ltd.

Among the K.C. Irving companies is a smaller group tied around a holding company called United Sales, a wholly owned subsidiary. Among the companies owned through United Sales are Brunswick Motors, listed in CALURA data as "ship owners"; Universal Sales, the Irving's Ford auto dealership; Wood Motors, a non-operating company; Commercial Equipment Ltd., a company listed as an automotive jobber and which has six companies directly linked to it; and three additional enterprises linked indirectly through Thorne Hardware Ltd. These companies appear to serve two functions: first, to act as regular wholesale and retail outlets in the regional provincial markets which they serve; and secondly, to service the needs of specific industrial companies in the Irving group, in particular the service companies engaged in construction and engineering operations, such as Ocean Steel and Construction Ltd., St. John Iron Works, and Boston Brook Enterprises.

Yet another group of companies within K.C. Irving Ltd. is that associated with St. John Shipbuilding and Drydock Ltd., a wholly owned subsidiary of Boston Brook Enterprises, which is listed in CALURA statistics as a wholesale agency business and is 20% owned by Forest Mere Investments. Among the companies affiliated with St. John Shipbuilding and Drydock are three enterprises: Harbour Development Ltd., which is involved in dredging; St. John Iron Works, which handles repairs for machines and boilers as well as ship repairs, and Universal Constructors and Engineers Ltd., which is in dredging and construction. However, this network of companies associated with St. John Shipbuilding and Drydock Ltd., is not owned directly by K.C. Irving Ltd., but by Forest Mere Investments of Bermuda, which owns 41% of the shares in K.C. Irving Ltd. and minority interests in Atlantic Truck and Trailer, Boston Brook Enterprises, Grand Lake Timber, St. George Pulp and Paper, and Kent Line Ltd.

One company which connects this network of companies to K.C. Irving Ltd. directly, as distinct from the indirect tie-in through Forest Mere Investments, is Kent Line Ltd. Kent Line is shown in CALURA data to be listed as shipowners and agents, and the shares of the company are divided among three companies: Brunswick Motors Ltd., the majority shareholder (44.8%), is owned in turn by United Sales, a K.C. Irving holding company; Canada Veneers owns 34.1% of the shares, and is a wholly owned subsidiary of K.C. Irving; Forest Mere Investments holds 10.4%.


IRVING OIL Co. Ltd. 48.9
STANDARD OIL OF BRITISH COLUMBIA
999
STANDARD OIL COMPANY OF CALIFORNIA
IRVING OIL TRANSPORT
General Realty Co. 99.9
Irving Realty Co. Ltd. 100
Atlantic Speedy Propane 100
Halifax Propane Gas Ltd. +50
Island Propane Gas Ltd. 100
Fredericton Propane Gas Ltd. +50
Moncton Utility Gas Ltd. 45.4
North End Service Stations +50
Millican Bros Ltd. 100
Arnfast Propane Ltd. +50
St. John Propane Gas Co. Ltd. 100
Keefe Propane Gas +50
Eastern Oil and Service Station Ltd. +50
Domestic Petroleum Co. Ltd. 94
Les Pétroles Inc. 100
Irving Steamship Ltd. 100
Les Pétroles Irving Inc. 100
Société Immobilière Irving Ltée. 100
Gas Outlet (1962) Ltée 100
Les Immeubles Loret Ltée. 100
Les Immeubles Clark Inc. 100
Nova Scotia Propane Gas Ltd. +50
Avalon Oil Co. Ltd. +50
Rupert Lester Ltd. +50
Fredericton Fuels Ltd. +50
Saint Albert and Co. Ltd. +50
S. Cunard and Co. Ltd. +50
Dartmouth Fuel Ltd. 12
Chevron Oils Ltd. +50
Fuel Oil Sales Ltd. +50
Standard Stations Ltd. +50
S and A Developments Ltd. +50
Irving Refining Ltd. 51
F.M.R. Co. Ltd. 49
CanaPort Ltd. 100
Irving Oil Terminals Ltd. 50

Kent Lines acts as ships' agents for most of the Irving fleet of tankers, although Kent Lines does not in all cases own the ships directly. For example, one of the larger tankers in the Irving fleet, the Irvingsteam, is entirely owned by Irving Oil Ltd. and Kent Line serves as the ship's agent.[16] On the other hand, ships like the smaller Irving Ours Polaire or the Aime Gaudreau are owned by Kent Lines (sixteen shares in each), Universal Sales, and J.D. Irving in unequal share amounts.[17]

The control and ownership ties within the entire group of Irving companies are, therefore, exceedingly complex. The diagrams shown in the attached table are based on data which is two, or in some cases, five years old. However, even with the caveat that the CALURA returns are partially out-of-date, there is little reason to suspect that this broad picture of the Irving structure is not correct. The corporate structure itself has been built up over a fifty-year period, from the time of Mr. Irving's first involvement with oil and gas sales and his Ford dealership in Saint John, and his major acquisitions before, during, and after the World War II. Much fanfare was made of the departure of Mr. Irving to Nassau in 1971[18] (even though Mr. Irving himself was entirely circumspect about the change of residency).[19] Mr. Irving's departure may not have led to structural reorganization of the Irving companies. In this respect, it seems unlikely that more up-to-date CALURA data would materially change the overall picture of the Irving group of companies.

STRUCTURE AND STRATEGY

In any large organization whose operations encompass different political and therefore legal and tax jurisdictions, there are bound to be two separate but interwoven corporate structures.[20] The first structure, and the one examined in the last section, is the statutory or legal organization. It includes the different companies and incorporated entities, whether they are provincial, federal, or non-Canadian chartered companies, and the mix of branches, subsidiaries, holding companies and the like. The statutory organization, in short, outlines the legal and ownership definition of the company, in terms of the parent and subsidiary units.

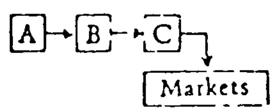
A structure closely related to the statutory one is the managerial structure. Unlike the legal structure, which may exist only on paper, the managerial organization is at the core of the real operating system, the lines of authority and communication, the reporting relationship, the flow of raw materials, through to processing and manufacture, to distribution and final sales. To understand the Irving organization, one must take account of the legal dimensions of the companies simply to define the exact size and diversity of its operations, the markets served, and the degree of interdependence of the enterprises. It should be recognized that there is no necessary congruence between the legal structure and the managerial structure: they serve quite separate purposes. This fact sometimes obscures the point that at times the legal and managerial structures can serve compatible ends.

From the point of view of the managerial organization, the appropriate starting point is not the legal structure but rather the strategic thrust of the firms. What are its main products? What are its markets? In organizational theory terms, the managerial strategy and structure are closely connected.[21] A simple strategy can be pursued by a fairly simple structure. Organizational strategy may be defined as the determination of the long-run objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these objectives. In order to understand organizational structure, therefore, it is necessary to examine the factors which define strategic choice. For corporations, strategic choice involves defining the product-market mix, that is, the variety of products to be produced and sold, and the location and penetration of markets to be served.

Most organizations grow by unbalanced increments, expand unevenly into separate markets, and develop new products to improve or replace old products. Put differently, organizations go through a number of "stages" of development. There may be an early phase of owner-manager control with a single product line but informal structure; this stage is the prototype of the entrepreneurial firm in economic theory. As the firms grow, many reach a second stage similar in many respects to the Stage I structure but including greater delegation of day-to-day decisions, and a wider range of strategies open to the company. The third stage of development is the most complex, firstly because the range of strategies is very wide -- including entry into as well as exit from new industries, and diversification into product lines not closely related by raw materials, markets, or even technology -- and secondly because the organizational form necessary to function with such strategies must be capable of allocating resources, controlling and monitoring performance, and maintaining rewards for effective performance.

The basis of this sequence of developing organizations is illustrated on the following page. The important point about the development of a firm is this: movement from one stage to the next is not a quantitative change from a given size to a larger size, it is a qualitative change in the organization itself. As Professor Scott puts it: "The critical variable is <u>not</u> continuing growth in size but a change in strategy -- that is, from a strategy based on market position in one industry to a strategy based on market opportunities in several industries....The three stages of company evolution are not small, medium, and large....but small, integrated, and diversified".[22]

The Three Stages Of Organizational Development

Company characteristics	Stage I	Stage II	Stage III
Product line	Single product or single line	Single product line	Multiple product lines
Distribution	One channel or set of channels	One set of channels	Multiple channels
Organization structure	Little or no formal structure; "one-man show"	Specialization based on function	Specialization based on product-market relationships
Product-service transactions	Not applicable	Integrated pattern of transactions  	Nonintegrated pattern of transactions 
R&D organization	Not institutionalized; guided by owner-manager	Increasingly institutionalized search for product or process improvements	Institutionalized search for new products as well as for improvements
Performance measurement	By personal contact and subjective criteria	Increasingly impersonal, using technical and/or cost criteria	Increasingly impersonal, using *market* criteria (return on investment and market share)
Rewards	Unsystematic and often paternalistic	Increasingly systematic, with emphasis on stability and service	Increasingly systematic, with variability related to performance
Control system	Personal control of both strategic and operating decisions	Personal control of strategic decisions, with increasing delegation of operating decisions through policy	Delegation of product-market decisions within existing businesses, with indirect control based on analysis of "results"
Strategic choices	Needs of owner versus needs of company	Degree of integration; market-share objective; breadth of product-line	Entry and exit from industries; allocation of resources by industry; rate of growth

Source: Bruce R. Scott, *Stages of Corporate Development* (Case Clearing House, Harvard Business School). Copyright © 1971 by the President and Fellows of Harvard College.

This description of the stages of corporate development is highly relevant to the study of the Irving group, for it provides a conceptual model to analyze the Irving operations. As previously noted, the legal structure can be characterized as a vast labyrinth of companies with complex interrelationships. But the managerial structure appears to be quite different, as this section will show. Far from viewing the range of mergers and acquisitions to the Irving group as simple additions to an already large company, they may be best understood as a managerial process of moving from Stage I through Stage II towards Stage III structures, piecing out the diversification strategy, slowly and even cautiously moving towards a fully integrated company across different markets.

This section will trace the development of the Irving Companies in a historical fashion, and attempt to apply the conceptual framework just described to the logic of development inherent in the product lines and industries. It is worth noting at the outset that the data available in newspaper accounts, at least those cited here, point to such factors as luck, availability of resources, favourable circumstances, and competitors' incompetence as being at least as important to the Irvings' success as their own corporate strategies and formidable management shrewdness.

Stage I: The Early Years

As shown in the chronological outline on the following page, the first fifteen years of the Irving group's history centre around only a few small enterprises. There was the buildup of Irving Oil Ltd. by Mr. K.C. Irving after the celebrated dispute with Imperial Oil in 1924. The record of interviews and personal reminiscences of New Brunswickers who worked for and knew Mr. Irving tend to confirm the descriptions by journalists and politicians fifty years later: a man of strong will, considerable ability, who liked to complete what he started, with a penchant for secrecy, and unostentatious personal tastes.[23] They also reveal an additional characteristic of Mr. Irving, the manager: a man in total control, with an understanding of every facet of the organization. One anecdote serves to illustrate this personal trait of the entrepreneur. In an article in the Atlantic Advocate, a Maritime monthly, Mr. Russel H. Fraser, a Halifax dealer for Irving Oil, describes his first connections with the Irving Company:

> Up until 1928 I sold several other varieties of gasoline. One day Mr. Irving came along and asked me to put in another pump to sell his gasoline. I had just finished paying for the installation of the other pumps and told him I didn't have any more money to play around with then. He told me he would help, and he really meant it, for he was soon back in overalls, ready to go to work. With a pipe-fitter to help him, Mr. Irving made the installation himself right here under the floor of the building.[24]

KEY DATES IN HISTORY OF IRVING EMPIRE

1924 - After a short dispute with Imperial Oil, K.C. Irving establishes an oil retailing business with bunker imported from Oklahoma; firm is called Irving Oil Company.

1931 - Establishes Universal Sales, the Ford dealership in Saint John.

1933 - K.C. Irving assumes control of J.D. Irving Limited, the company established by Irving's father. It included a sawmill, the family store, and about 7,000 acres of woodland.

1936 - Commences manufacture of bus bodies.

1938 - K.C. Irving purchases Canadian Veneers; expansion and reorganization leads to production of materials for de Haviland Ltd.

1943 - Purchased D'Auteuil Lumber Company in Quebec, a firm with large timber reserves in eastern part of the province.

1944 - K.C. Irving purchases the New Brunswick Publishing Company, publisher of Saint John Telegraph Journal and the Evening Times-Globe.

1945 - Completes the purchase of outstanding shares of New Brunswick and Canada Railway and Land Company from Fraser Companies.

1946 - Purchases Port Royal Pulp and Paper Company of Quebec City, name changed to Saint John Sulphite Limited.

1949 - Canadian Veneers moved from Saint John to Pembroke, Ontario.

1951 - Incorporated Irving Pulp and Paper, formerly St. John Sulphite Company, by an act of the New Brunswick legislature.

1959 - Purchased Saint John Shipbuilding and Drydock for rumoured $4.5 million.

1960 - Irving Refinery Ltd. opened in Saint John.

1961 - Irving invests into Brunswick Mining and Smelting buying 24% interest at $2.5 million.

1967 - Some 15 Irving firms initiate suit Brunswick Mining and two subsidiaries for unpaid bills of $15 million.

1971 - K.C. Irving Ltd. charged under the Combines Investigation Act in New Brunswick provincial court for operating New Brunswick newspapers as a monopoly.

1972 - K.C. Irving moves to Nassau.

1973 - Signs a twelve year contract for $212 million with New Brunswick Electric Power Commission for the supply of bunker oil.

In the early years of his career as industrialist, Mr. Irving was a car dealer selling Model T Fords, established the challenge to Imperial Oil with his Irving Oil operation, and, in 1933, shared with his mother and family the inheritance of his father's company, J.D. Irving Ltd. Within this estate was a sawmill and family store in Buctouche, New Brunswick, and more important for the future development of the Irving interests, a tract of woodland amounting to 7,000 acres. Perhaps this shared inheritance had no direct effect in turning the Irvings' main product interest beyond oil and gas, and the machines that consumed them: on the other hand, the J.D. Irving interests would in time be the next major product for Mr. Irving. His Ford dealership was a going concern, established as Universal Sales in 1931, and housed in what is still the base of the Irving group, the Golden Ball Building at Sydney and Union Streets in Saint John.[25] Part of Universal Sales was a large autobody shop, and it was this operation which was used for further expansion --bus bodies.

Between 1934 and 1936 Mr. Irving had been acquiring small independent bus operations. When the provincial government passed the Motor Carrier Board Act in 1936, several companies couldn't meet the regulations and sold out to Mr. Irving. Others, like Saint John Motor Line Ltd., discovered that the credit extended to it by Irving Oil Ltd. was suddenly called in.[26] Another company had 82% of its operating expenses going to Irving companies. Both sold out to K.C. Irving. The net result was that by 1936 Irving's newly formed SMT system was the largest in the province. Moreover, since the new bus system required not only regular maintenance and repairs, but also new buses, Mr. Irving expanded the auto repair area of his Ford dealership and began employing as many as twelve people to manufacture bus bodies which were then mounted on imported British Leyland chassis. According to the Irving biographers, this small-scale diversification illustrated two aspects of the Irving approach: an amazing versatility to move into new markets whenever the opportunity arose, and a well-developed capacity to thwart by court injunctions or threats of legal action any person or group who would challenge the Irving presence once established.[27]

The expansion into the bus market proved to be a highly profitable venture. By 1937, the new SMT system was carrying 375,000 passengers over a million miles of routes, using 200,000 gallons of fuel and lubricants and making a gross profit of $160,000. By 1942, profits were by one account, almost $600,000.[28] But this venture seems small when compared to Mr. Irving's next big gamble, the purchase of Canadian Veneers.

Canadian Veneers was incorporated in 1933 by a Mr. Fred Roderick, President of Wilson Box and Lumber Company of Saint John. By 1936, the company employed 60 men on two shifts making hardwood veneers. However, in March of that year, the company experienced a serious fire which caused a loss of $150,000. The company bought new equipment for the newly purchased site at the Cornwall Cotton Mill, acquired from the city at the knockdown price of $10,000 for land and buildings, even though the building had been once assessed at $300,000. Moreover, the city provided additional tax concessions for the company -- no taxes in the first year, and $5,000 annually for the next decade. For two years the company attempted to survive, selling hardwood veneers to the small Maritime market and holding out for better prospects in the foreign market. By 1938 the company faced bankruptcy and the directors invited Mr. Irving to take control. Already a major purchaser of veneers for the frames of his buses, Mr. Irving soon reorganized the company and purchased new machinery and equipment for hardwood veneers.[29]

About this time, De Haviland Aircraft Company of Britain was in the process of working on construction plans for light bombers using aircraft quality veneer as a substitute for expensive and increasingly scarce aluminum. These plans came to fruition and within months of Irving's takeover, Canadian Veneer began shipments of aircraft veneers to De Haviland. However, this was only the start, for De Haviland had top secret plans to produce, in cooperation with the British government, a high speed bomber made of wood. The first prototype was flown in December, 1939.[30] In all, some 6,700 Mosquito bombers were actually produced for the war effort and employment in the Irving company reached as high as 500 employees. At a hearing of the Legislature's Municipalities Committee in 1943, a representative of Canadian Veneer's, Mr. Cyrus Inches, reported that the De Haviland contract resulted in "tremendous" profits for the company.[31]

Nonetheless, the company had problems. As early as 1940 Canadian Veneers faced demands by its employees first for union recognition, then for improved wages and work conditions, as the company had prospered. In 1949, after almost a decade of continuous and at times bitter labour disputes, often involving appeals to the Wartime Labour Relations Board, Irving shifted the company's operations to Pembroke, Ontario, where it remains today.

During this entire phase of K.C. Irving's operations, a solid foundation for future development was clearly established. The oil business had spread throughout the Maritimes with a viable dealer network; the autobody shop was proficient enough to provide regular maintenance work as well as a limited scale bus assembly plant; both were major supports to the new integrated bus network, and the bus assemblies were the first step into the totally unforeseen developments in hardwood veneers. All of these operations held prospects of further growth in their own right; whatever reciprocal advantages there were by way of services or markets were an added bonus. Moreover, the growing capital accumulation accruing from the war years gave the Irving companies a surer financial footage for a new product line in the group's activities -- pulp and paper.

Stage II: Towards Diversification

In a brief read on December 16, 1969 before the Special Senate Mass Media Committee headed by Senator Keith Davy, Mr. K.C. Irving indicated something of his personal corporate philosophy:

> Almost any New Brunswick corporation, subject to national or international competition, must if it is to survive successfully, diversify its activities, or itself become national or international in scope. If the latter happens, the head office will no longer remain in the Maritimes. I prefer diversification. Call it conglomerate or what you will -- in New Brunswick it contributes to survival.[32]

The major push towards diversification into the lumber business came about from one of the standard experiences of any company dependent on fluctuating supplies of raw materials. By the mid-point of the war, Mr. Irving realized that continuous supplies of veneer logs were not assured and began a search for suppliers other than the owners of the vast timber tracts in New Brunswick. The first move came in 1943 with the purchase of D'Autueil Lumber Company of Quebec. This firm had large timber reserves in the eastern part of Quebec but these were rather distant from the mill in Saint John and even from the Dexter Mill of New York, (purchased only months previous to the D'Autueil lumber operation) located near Kingston, Ontario.[33]

A new alternative, with possessions and timber reserves located closer to what Mr. Irving wanted, soon presented itself. This was the New Brunswick Railway Company, a company possessing 1,600,000 acres of timberland. It had been incorporated in April 1879 as the New Brunswick and Canada Railway and Land Company. When the company went bankrupt at the turn of the century, the government of New Brunswick assisted in a reorganization and its 420 miles of track and rolling stock were leased to the C.P.R. for 990 years. The company, however, was allowed to maintain its land and collect rent on its forests. By 1940, the company was very profitable and, for tax purposes, sold off some of the land to reduce its capital. Some 90,000 acres in Madawaska County and 623,000 acres in Victoria County were sold to the Fraser companies, operators of two large mills in Edmunston and Maine. In May 1943, Mr. Irving himself, through D'Autueil Lumber Company acquired 210,000 acres of the Railway company's holdings on the Restigouche River, reportedly for one dollar an acre.[34] Within two years the remaining land was purchased, bringing D'Autueil's land holdings in New Brunswick to just short of one million acres, or equivalent to the entire size of Prince Edward Island.

These huge timber holdings may have been important as an assured source of veneer logs for Canada Veneers, but after the war, this highly lucrative venture was facing a slackening demand and declining sales were all but inevitable. A new opportunity came up for a push in the timber industry with the availability of the financially troubled Port Royal Pulp and Paper Company's mill at the mouth of the St. John River. This company had a long history in New Brunswick, dating from 1848 as a water powered mill at Union Point in the St. John River. A pulp mill had been built in 1899 as a cooperative venture between the Cusings of the U.S.

and the Portington group of England. In 1916, the mill became the Nashwork Pulp and Paper Company and owned by the Oxford Pulp and Paper Company of Maine. In 1929, the company went into bankruptcy and was acquired by the Port Royal Pulp and Paper Company of Quebec City three years later for $250,000, of which $120,000 consisted of provincially approved bonds. Although this company did gain some prosperity and capacity was increased to 125 tons per day after new machinery was added, continued shortages of pulp logs and transportation difficulties plagued the company. In March 1946, Mr. Irving gained control of the company, renamed it St. John Sulphite Ltd., and set about expanding its operations.[35]

In the next few years, pulp and paper went from a state of chronic over-capacity to one of rising prices and flat-out production. These circumstances prompted Mr. Irving to undertake a major expansion at a cost of $20 million in 1951. In the spring of that year the St. John Sulphite company was renamed the Irving Pulp and Paper Ltd. and Mr. Irving petitioned the New Brunswick Legislature for a new bill of incorporation. Among the concessions the new company wanted was a fixed tax assessment for thirty years ($35,000 for the first five years, $45,000 for the following decade, $55,000 for the second ten year period, and $60,000 for the last five years), exemption from expropriation rights, immunity from nuisance cases in the courts, and freedom to spill wastes into the St. John River.[36] Despite some objections by the municipal councillors and minor amendments after contentious hearings in the legislature, Mr. Irving had his new bill of incorporation for the $20 million dollar expansion. Today Irving Pulp and Paper Ltd. is owned by New Brunswick Railway Company with 41.4% of the shares, Kimberley-Clark Ltd., the American-owned paper firm, with 35%, and St. John Pulp and Paper with 19.8%. It is not known just when Kimberley-Clark gained an interest in the company, or the degree to which they participated in the expansion after the new bill of incorporation.[36a]

The move into large-scale production at the newly incorporated Irving Pulp and Paper Company must have given Mr. Irving mixed emotions, at least at the time. Many of his previous enterprises had begun in quite different circumstances. Some, like the oil distribution business, car sales, or the bus lines, were not major ventures at the start, they grew with the market and as management gained in experience. Similarly, some ventures, like the purchase of the bankrupt Canadian Veneer plant, became lucrative enterprises by force of a combination of hard work and external influences, like the war. Yet in all of these, and with others like the purchase of the New Brunswick Publishing Company in 1944 or the Port Royal Pulp and Paper Company, there was the common trademark of the Irving approach -- masterful attention to detail, installation of the newest and best equipment where warranted, and development of a management group to handle the day-to-day operations. Mr. Irving showed the classic touch of the successful entrepreneur -- that indefinable instinct to look ahead, to see outlines of the forest when others see only trees. Beyond that was -- and is -- what can only be described from a distance as a spectacular capacity to learn, both from previous mistakes or from competitors. Not only was the Irving group of companies growing, but the product mix was gaining in complexity. The new bill of incorporation of Irving Pulp and Paper in 1951 led to a $20 million expansion, and with it, new technologies and processes to cope with, in order to take full advantage of the million acre timber holdings. Yet the end users of the timber and pulp side of the company had little in common with the end users of oil, at least in the early stages. So the new investment in Saint John must be considered as a turning point for the company's development. From a legal perspective, the structure of the Irving group portrayed a collection of diverse enterprises. Managerially, by 1951, the Irving companies were committed to Stage II development, with major investments in two quite separate and distinct product lines, oil and timber. The basis for full managerial integration was now clearly established.

Stage III: Full Diversification

After the considerable public debate over the expropriation, waste discharge, and tax assessment provisions in the 1951 bill,[37] the decade of the fifties was much calmer; it seemed a period of steady growth, forward planning and buildup of Irving resources. Using imported oil, the Irving Oil Company was spreading throughout the Maritimes and Eastern Quebec, and the white stations with the blue and red trim became a familiar sight to Maritime consumers. During a period when other Canadian owned oil companies where being acquired and integrated by the large, foreign-owned majors, the Irving stations displayed the large diamond shaped sign and symbol of local identification. For some, the sign had a particular irony --the white, red and blue were the same colours used by Irving's old rival, Imperial Oil!

By 1959, when K.C. Irving reached 60, speculation began anew concerning "the Maritime's wealthiest industrialist" who "shuns limelight like the plague".[38] The occasion for this renewed interest was the Irving purchase of the Saint John Shipbuilding and Drydock, a company which had for four decades operated in the cyclical fortunes of the shipping trade. Within months of this purchase, there was an announcement of a second project (although some observers failed to see the relationship), the construction of a refinery at East Saint John (near the drydock) at an estimated expenditure of between $45 and $50 million.[39] Still another project was a $7 million paper mill located near the pulp mills in Lancaster. Coincidence in the timing? "Just normal growth and development. We have been planning this for 20 years and more", Mr. Irving announced to reporters.[40] The <u>Globe and Mail</u> was moved enough to call Saint John, that "modest city of 65,000 nestled on the Funday Shore halfway between heartbreak and high hope", Boomtown, 1960.[41]

The first of these major enterprises was the drydock purchase and reorganization. Saint John Shipbuilding and Drydock was started in 1918 by the Saint John industrialist, C.N. Wilson, and construction was completed in 1923 at a reported cost of $5.5 million.[42] Employing as many as 1500 workers during the war, the company was bought out from Wilson in 1947, although he remained as President. The drydock itself, 1,150 feet long with a top width of 145 feet, consisted of various small workshops and marine railway and fitting docks. Part of its operations included a steel fabrication plant and a subsidiary, the Saint John Iron Works, as well as dredging operations, harbour tugs, a machine shop, and a coastal ferry. When the Irvings bought the company for a reported $4.5 million, reorganization and expansion of the new acquisition soon followed.[43] It was the old formula once more -- very close scrutiny of acquisition possibilities and eventual integration with other Irving companies for either supplies, markets, or services.

Soon after the purchase, Mr. Irving commissioned two major studies, the first by Acres Consultants of Toronto, and the second by Shipbuilding Research Services of Oslo, Norway. Their recommendations called for a two-stage development of the drydock by expanding the width of the yard and installing a number of heavy-duty cranes capable of lifting up to 350 tons. Among the new facilities which resulted were new 400 foot steel storage yards, built by Ocean Steel and Construction,[44] and installation of a 1,420 foot straight line construction flow from steel plate unloaded directly from rail flat cars through to various fabrication stages, assembly line fashion, all accompanied by a $150,000, 172 ton motorized transporter to carry the pieces to the different stages.[45]

The expansion of the drydock and shipbuilding facilities, starting in 1970 at a cost of $8 million, made it the first yard in Canada with a capability of repairing ships of 250,000 tons and even building them.[46] Shortly after, the yard built medium size tankers for the Irving fleet, including the 37,500 Irving Arctic, and the Irving tugs, the Irving Beech and the Irving Birch. The company won a $25 million bid for four ships for ESSO Tankers Ltd. In addition, the company received orders from Swann Oil Inc. of Philadelphia and from Shell Bermuda (Overseas) Ltd., Britain, for six 30,000 ton ships.[47] Employment escalated to 700 employees, including many skilled craftsmen from Britain's ailing Clydeside Yards. For an area like Saint John, which was at the centre of the Maritimes prosperous nineteenth century shipbuilding boom and which surrendered to the steam-driven iron hulls of the Upper Clyde, the Irving reversal of the historic trend must have special irony.[48]

This pattern of development at the Saint John Shipbuilding and Drydock Company was vintage Irving entrepreneurship: takeover of a fledgling company, invigorate it with new staff, install the newest and most sophisticated equipment, use existing Irving companies to handle as much of the servicing as possible, incorporate the new company's facilities into the managerial structure of the group but at the same time, press ahead for external markets,[49] and take advantage of any government concessions, subsidies, or assistance programs available to anybody else.

The pattern was identical to the system first developed in the thirties with the takeover of Canadian Veneers and later, the Port Royal Pulp and Paper Company. However, what was different from these earlier ventures was the level of stakes. By now, Mr. Irving had four decades of experience in manufacturing and raw materials management.

In 1960,close on the heels of the shipyard expansion came the construction of the Irving Refinery with an initial capacity of 40,000 barrels per day. Built immediately adjacent to the drydock and not far from the steel fabrication plant of Ocean Steel and Construction, the refinery involved a total initial expenditure of $50 million.[50] This,it must be remembered, was a period in which oil was moving into the forefront of North American energy demand. Middle East Oil and Venezuela crude were considerably cheaper than anything available in Western Canada and America south, so millions were being invested in the heartlands of the north eastern part of Canada and the United States to take advantage of the price differentials. Refineries for imported crude, tanker fleets, deep water ports, pipelines, and related facilities were the order for all the integrated major oil companies.[51] Imperial Oil was building a large refinery in Halifax; British American Oil was constructing a $50 million refinery in Point Tupper on the Strait of Canso; Newfoundland Refining Co. Ltd. of St. John's, a wholly owned subsidiary of Shaheen National Resources Company, of New York, was building a 30,000 barrel a day Newfoundland refinery for export to the United States.[52] In the isolated context of New Brunswick, the Irving expansion into a refinery was yet another thrust towards downstream growth; the larger perspective and the gift of hindsight, showed that the Irving development was a natural but risk-laden entry into the competitive league of the majors. It should not go unnoticed that one company, backed by money of the British government and a major Japanese trading firm, would not survive a decade of operations. The Irving Refinery, by contrast, has twice been expanded.

So from a consistent but unspectacular growth in the late fifties, the Irving companies moved into the sixties with a large scale development on three fronts: pulp and paper, oil refining, and shipbuilding. It was a major effort for any corporation, but for a single entrepreneur, without access to funds from a public share issue and in an area still at the bottom of the economic pecking order, the surge into new, complex technologies was a forward push of the first magnitude. However, though the Irving companies began to attract even more attention from the national press and business community, there seems scant evidence that the Saint John based group began to accommodate itself to them. The watchword for the group, as Jack MacArthur was to lament, was "no comment".[53]

But if these developments were proceeding with almost military precision, the road ahead was filled with two dramatic clashes. First, there was the Senate Committee on the Mass Media and hearings newspapers. Following closely on the Senate hearings was the order for four of the corporations to stand trial in the New Brunswick Supreme Court on four charges of contravention of parts of the Combines Investigation Act. After a preliminary hearing began in March 1972, Judge Charles F. Tweeddale ordered the trial, indicating "in my opinion, the evidence is amply sufficient to put the accused corporations on trial".[54] The second major public confrontation was the aborted effort by the Irving group to diversify further into basic metals and mining in Northern New Brunswick. The facts surrounding these two major case studies in the Irving profile are relatively well known, in part because they happened so recently, but also because of the attendant national press curiosity into the affairs of this growing industrial complex on Canada's east coast.

The Irving investment in newspapers date back to 1944 when Mr. Irving purchased the New Brunswick Publishing Co., which published the Saint John Telegraph Journal and the Evening Times Globe. Four years later, in 1948, he acquired control of the Moncton Publishing Co., which published the two Moncton papers, the Times and the Transcript.[55] In 1968, the Irvings bought into the University Press of New Brunswick, which published the Fredericton Daily Gleaner, and by 1971, they had acquired the last shares from Mr. Michael Wardell, an old associate of Lord Beaverbrook in England.[55a] In the case before the New Brunswick Supreme Court, the trial Judge found:

> "In my view, once a complete monopoly has been established, such as the evidence clearly discloses, inasmuch as the post-1960 charges are concerned, detriment, in law, resulted."

However, the defendants appealed this decision, and in a judgment by the Court of Appeal reversing the conviction and acquitting the accused, the following statement was made:

> "It is clear from the above wording that the trial Judge was using the word monopoly therein in the ordinary sense or dictionary meaning and not in the restricted connotation of the word as defined in the Combines Act. I concur that K.C. Irving Limited created a complete monopoly in the dictionary meaning of the word with the final acquisition of the controlling interest in the "Daily Gleaner". I differ from the trial Judge, however, in his statement that when a monopoly (as defined in the dictionary) occurs, detriment in law results. Whether the one ownership businesses have operated or are likely to operate to the detriment of or against the interest of the public is a question of fact not of law and a question which must be decided against the appellants in this case before they can be found guilty; further it must be found against them beyond any reasonable doubt. If any presumption of detriment to the public arises out of the acquisition of a number of businesses by one individual, which I do not accept, that inference is rebuttable. The Combines Investigation Act is restrictive

legislation limiting common law rights and should be strictly construed. I find nothing in the Act to create any such presumption or prima facie case."

The Court of Appeals considered a number of areas to show that the public interest was well served generally by the Irving papers in New Brunswick. Indeed, the papers were among the last to raise their prices from the prevailing 8¢ to 10¢, advertising rates were no higher than anywhere in Canada, and further, the editorial stances of the papers were different and often in conflict with one another, and included positions unfavourable to Irving companies. Moreover, the Court of Appeal found a situation which was a common occurrence in Irving acquisitions: the publishing companies did not have the financial resources to modernize their production facilities or to rebuild their old plants. The Irving takeover led directly to a major renovation of plant and equipment, a fact which the Court found to be good and in the public interest. The Court of Appeal's decision was then appealed by the prosecution. In a 9-0 decision, the Supreme Court of Canada upheld the decision of the Court of Appeal acquitting the accused corporations.

On June 16, 1972, before the trial had begun, Mr. John Irving announced that the Irving companies had reorganized the ownership of the papers. He himself had acquired the Moncton Publishing Co. and the University Press of New Brunswick. Both companies operated a commercial printing firm in addition to the newspaper, and the University Press also published the monthly magazine, the Atlantic Advocate. The third company, the New Brunswick Publishing Co. of Saint John, was acquired in part by Mr. Irving's other two sons, James K. Irving and Arthur L. Irving, who each have 40%. The remaining 20% remained with K.C. Irving Ltd., the family holding company.[56]

To what degree the Irving interests in the newspapers made much difference to the operation of the total group of companies remains an open question. Some critics imply that the newspapers help to provide a favourable image for K.C. Irving or the Irving Companies.[57] Possibly the newspapers are good customers of other Irving companies for such products as newsprint, but then there are the statements made during the trial of the continuing losses of the publishing companies, even after the Irving acquisitions, including a $211,334 loss by the Saint John Telegraph Journal in 1971.[58] On the other hand, the Irving papers had investments in other areas of the group's activities. For example, one accountant called at the trial stated that the Moncton papers invested $875,000 in two Irving tugboats and received annual charter fees which averaged out at $83,000 or 9.5% return. The two Saint John papers invested $1,102,000 and received $105,000 a year or 9.4%.[59] In other words, the exact financial position of the publishing companies cannot be analyzed in isolation, because the cross-subsidization with other investments may well bring about tax advantages, depreciation allowances, and subsidies which newspapers operating separately would not gain. Yet the data given at the trial showed no dramatic profits from the newspaper operations.[60]

If the newspapers gained more than their share of publicity for the Irvings considering their size in the group, they received a good deal of competition for press attention during the sixties with the controversies surrounding the base metal complex in Northern New Brunswick. The story begins in 1952. Mathew James Boylen, with a million dollar stake of New York money, discovered a major ore body near Bathurst on the North Shore of New Brunswick. Among his companies was Brunswick Mining and Smelting, whose stock soared to a value of more than twenty dollars on the news of the find, but it was never developed and control of Brunswick moved to St. Joseph's Lead of New York. By 1959, Brunswick'S controlling interests went to Sogemines Ltd., but neither company wanted to push development of the area given the downturn in the base metal market.[61]

In 1960, Mr. Louis Robichard was elected Premier of New Brunswick defeating Hugh John Flemming's Conservative government in an unexpected upset. A resident of Kent County like Mr. Irving, the new Premier made the development of the Brunswick ore a major issue. Still participating with the company, Mr. Boylen set up a new venture, East Coast Smelting and Chemical Company, and put in an offer for St. Joseph's Lead's shares at a cost of $10,500,000. He managed to get a government guarantee for a new smelter if he could raise the money for the acquisition within 45 days. On June 20 came the announcement that a new group had gained controlling interest in Brunswick Mining and Smelting at the agreed price, with formal transfer to take place on June 28, 1961. The new consortium consisted of Maritime Mining, headed by Boylen with 46%; Patino Canada Ltd., and Nipissing Mines Ltd., and K.C. Irving, with 20%. In all, 1,600,000 shares were purchased and $6,270,000 of bonds were held by St. Joseph's Lead Co.[62]

Two hurdles remained. The first was the $20 million needed for capitalization of the new smelter. This matter was settled with an invitation extended to Sogemines for participation ($11,500,000 of first mortgage bonds in U.S. funds) and Irving's Engineering Consultants ($8 million in Canadian funds).[63] The second hurdle was the provincial government's approval of the venture by new acts of incorporation, first of Brunswick Mining and, secondly, East Coast Smelting and Chemical. Several days of very controversial debates followed, including detailed reading of the bills in the Corporations Committee hearings, and Mr. Irving himself appeared before the members to argue in favour of concession clauses: expropriation, freedom from nuisance charges, exclusive lead and zinc smelter rights, and authority to make tax and water agreements with the municipal authorities. In addition, a $20 million bond guarantee was passed by an act of the legislature which, like the concession clauses, were contingent on a December 31, 1963 start up date. Mr. Irving's firm, Engineering Consultants Ltd., was to build the mine and mill at a fee of eight per cent of total cost, and other Irving companies, such as Thorne's Hardware, were providing construction materials.[64]

As work proceeded on the construction, it became clear that the deadline could not be met. Even though the Irving interests had quickly become very familiar with all of the complications of base metal smelting --

a point which did not go unnoticed by the Robichard government -- by September 1963, Mr. Irving was warning about the company's worsening financial state owing to what he stated to be the premature start of the project and the need for continuing redesign during actual construction.[65]

Nonetheless, Mr. Irving proceeded to commit his companies even further to the project by buying Brunswick shares through Key Anacon Mines and Kent Lines Ltd., which held $900,000 of Key Anacon convertible debentures. Key Anacon had sold shares at 60 cents and with the $1,386,976 received, bought 131,666 shares of Brunswick Mining at $4 per share. A Financial Post estimate in October 31, 1964 gave Mr. Irving's combined interest (through Key Anacon and his direct shareholdings) at 38%; Mr. Boylen held 29%.

By late 1966, the complex was in further financial difficulties as construction costs escalated. The government refused to give another $20 million loan guarantee, in part because another area where the government had promoted industrial development, the Westmoreland Chemical Park at Dorchester Cape near Moncton, was also in serious trouble.[66] Moreover, there were by this time press allegations of an open rift between Mr. Irving and Mr. Robichard, although this was not apparent to many people at the time, and both sides denied it.[67] The government had established the ammonium nitrate plant through its New Brunswick Development Corp. in 1964 over the opposition of Mr. Irving, who was interested in a similar development himself. Then there was the case of major concessions granted to the Italian firm, Cortere del Timavo for a mechanical pulp mill. When that firm got into trouble, its mill, South Nelson Forest Products, was purchased by Atlantic Sugar Refineries Co., whose directors included Mr. John D. Park Jr., formerly Mr. Irving's close associate. Further, there was the controversy surrounding the Byrne Commission Report, which had been tabled in the legislature in January 1964.[68] Among the recommendations of the Commission was a change in the seventy-one separate tax concessions which, some people argued, were granted in part because of the way businesses were able to play one municipality off against another to lure industry. As noted already, several Irving companies were among those listed with such tax concessions.[69]

Work on the complex continued. Then on March 19, 1967 -- only seven months before another provincial election -- came the announcement that Noranda Mines Ltd. of Toronto was investing $50 million into Brunswick Mining and thereby gain voting control. Noranda purchased 100,000 newly issued $5 par value preferred shares and $49.5 million 10 year income bonds, convertible at option into ten million Brunswick common shares. With the $50 million, Noranda paid off some $33 million of Brunswick debt, and bought back the $8 million Brunswick bonds held through the Irving firm, Engineering Consultants Ltd., thereby getting its powers of management. With the investment, Noranda achieved majority shareholding, eight seats on the expanded fifteen man board and its own president, Mr. W.S. Row.[70] The remaining shares were controlled by First Maritime Mining

(23%), Patino (11%) and the Irving companies (13%). The New Brunswick government gained two seats on the board (one held by Mr. E.G. Byrne, the Bathurst lawyer who headed the Royal Commission), Sogemines Ltd., one seat; Patino, one (held by Mr. Carter), and the Irving companies had three seats.[71]

Mr. Irving did not take kindly to this Noranda entry in New Brunswick industry, and he claimed he would have put up as much as $63.5 million in new funds.[72] (The other minority shareholders, including Mr. Carter and Mr. Boylen, both felt the Noranda participation was a good thing, and said so publicly.) In October, 1967, Mr. K.C. Irving filed thirty-one writs in New Brunswick Supreme Court against Brunswick Mining, East Coast Smelting, and Belledune Housing for a total of $15 million for goods and services supplied.[73] At the annual meeting in May 1969, a bitter argument over Brunswick's affairs -- Mr. Alfred Powis, Noranda's President, called the one day meeting "a distressing experience, more a meeting of creditors than a meeting of shareholders" -- was preceded by Mr. Irving's resignation from the board.[74] In 1971, Noranda exercised its option to exchange its preferred shares and first mortgage bonds for common shares. Under a refinancing scheme, the smelter owned by East Coast Smelting and Chemical Company was transferred to Brunswick Mining, and then sold to Noranda for $1.5 million. The Noranda takeover was now complete. In 1976, some one million shares of Brunswick Mining held by Mr. Irving were sold on the open market.[75]

In all, the move into base metals was not a happy one for the Irving interests, even if the financial return as a minority shareholder (and through the management service contract of Engineering Consultants) was possibly rather lucrative.[76] Yet minority status for an Irving venture was not the Irving approach. Except for Irving's link with Standard Oil of California, the preferred policy was one hundred percent equity, even if it was divided up among subsidiaries and holding companies. But the real result of the Brunswick case, and to a similar degree with the newspaper trial and Davey Commission hearings, was not just financial but to some degree political. The Irving companies were put in the forefront of the national press. Questions were raised about what concessions the Irving companies had received over the years, what businesses they controlled, what links existed between the different operations. But managerially there can be little question that this third stage of the group's development brought the Irving structure to a fully mature, diversified operation. When Mr. Irving testified that he never interfered with the day-to-day operations of his companies, he was articulating one of the basic tenets of divisionalized companies. The legal structure was characterized by some one hundred separate enterprises (like dozens of other major corporations), but managerially, these were probably no more than profit centres linked to their divisions, controlled by detailed cost accounting systems, guided by overall policy directions flowing from Mr. Irving and his sons in Saint John. Increasingly, these divisions were acting as fully autonomous entities, financed on their own internally generated funds, and borrowings, and from cross borrowings and investments within the group, as with the case of the ties between newspapers and ships. It is a complex structure of legal and managerial linkages, but probably no more so than many other Canadian companies which evolve over time and takeover the legal identity of on-going corporations.

THE SIZE AND SCOPE OF THE IRVING GROUP

In rounding out the analysis of the shape and form of the Irving group of companies, a recurrent theme is the curiosity over its size. Size has a particular fascination in the context of industrial enterprises, even if such matters as scale economies are imperfectly understood. Certainly in the case of the Irving companies, the issue of size holds a recurrent fascination and, of course, the air of secrecy surrounding the group's evolution has added fuel to the flames. Few comments on the companies' operations have failed to make a stab at the size of the empire.

In 1959, one estimate has the Irving companies worth a quarter of a billion dollars, with new saw mills, a chemical plant, and pulp and paper expansion to bring a new investment of $50 million. Another $50 million for the oil refinery brings the total to $350 million.[77] Only a decade later, with several new investments, the estimates reached a modest gain, to $280,000,000 but the annual payroll was still at the familiar 10,000 people.[78] Then there is the chronicle of the richest men in Canada by Peter Newman, who reports on second hand evidence that the fortunes of Mr. Irving are placed in the $100,000,000 class.[79]

Yet after all of these "guesstimates" of the Irving size and worth, in the end it must be asked, what does it matter? As the last section has described, the Irving group of companies has moved into new and unchartered waters in the development of the New Brunswick and Maritime economy. In many instances, the growth of the Irving companies had required considerable risk and adroitness on the part of management. Moreover, the group has displayed a dynamism and push for growth, the secrecy and propensity to appeal to local and regional loyalties notwithstanding, in an economic arena not noted for high growth. In other words, much that has been written on the Irvings tends to stress what the others suggest are negative factors -- government tax and expropriation concessions, excessive secrecy and the like -- and fail to give much weight to the considerable success the diverse companies have enjoyed in the face of competition from much larger concerns.

It is this latter consideration which must be kept in mind when considering the size of the Irving group of companies. However, the total size may be very large by the standards of New Brunswick, but the diverse enterprises -- particularly oil refining, oil distribution, pulp and paper, and shipbuilding -- serve different markets and operate with different management skills and technologies. In this respect then a more useful benchmark is the size of the Irving companies in a particular industrial sector relative to their competitors.

Consider the case of Irving Oil Ltd. In 1973, it was reported that annual sales amounted to $217 million, making it one of the fifty largest Canadian oil corporations.[80] How big is Irving Oil in the regional Maritime market? According to one study[81] of the Nova Scotia gasoline market, retail sales are divided among eight companies, as shown in Table 2. In the Nova Scotia market, Imperial Oil and Irving Oil account for about 24% of retail sales, with other companies dividing the remainder with half that amount each. Nova Scotia is the largest of the Maritime province and, of all Canadian provinces, has the greatest density of service stations.[82] Yet density of service stations is not closely related to market share in any easy fashion, so market power doesn't necessarily come from additional service stations.

The Nova Scotia market may not be directly comparable to the other Atlantic provinces, although in the absence of other data, it does give some guide to the market position of Irving Oil relative to other companies. In hearings in July 1976 of the New Brunswick legislatures Standing Committee on Energy, MLA Leland McGraw asked Irving Oil's president, Arthur Irving, about the company's provincial market share. In reply, Mr. Irving was quoted, "We have no way of knowing. The only figures we have are the provincial tax returns collected on gasoline and industrial fuel. I would guess about 25 to 30% depending on the time of the year."[83]

In contrast to the retail market where Irving Oil does not have significant market position, the position of Irving Refining is such that it is not only large by relative standards -- Imperial Oil's refinery in Dartmouth functions at 85,000 barrels a day capacity[84] -- with a daily capacity when fully operational of 250,000 barrels, it is one of the largest in North America.[85] During the New Brunswick legislature's hearings in July, 1976, it was revealed that a product exchange agreement existed among the oil companies. Under the terms of the agreement, as revealed in the hearings, the Irving Refinery at Saint John provides most of the gas and oil sold in New Brunswick, regardless of the brand name. Imperial Oil, Gulf, and Shell, without a refinery in New Brunswick, received oil and gas from the Irving refinery. In exchange, Irving Oil, without a Nova Scotia or Quebec refinery, get products in those markets. According to testimony from Charles Martyn, Imperial's Chief of operations for the Atlantic region, the exchange agreement is not an arm's length market price exchange, but rather, a product exchange. "We exchange products but we set our own prices. It's a swap, an equal trade-off".[86] The basic rationale for the agreement, which was not publicly known prior to the hearings, was the excess refining capacity among the Maritime refineries -- Gulf's Port Tupper plant operates at less than 50% capacity -- which, with transport being a major variable cost in outlying regions, justified the exchange agreement in the companies' view.[87]

The third largest area of the Irving group's operation is the shipbuilding and drydock operations at East Saint John. Statistics on this firm are somewhat scarce, but minimum investment in this enterprise,

TABLE 2

COMPANY MARKET SHARE IN NOVA SCOTIA RETAIL SALES: 1974

Oil Company	% Market Share
Imperial Oil Ltd.	24.3
Irving Oil Ltd.	23.6
Texaco Canada Ltd.	14.5
Shell Canada Ltd.	13.5
Gulf Oil Ltd.	12.1
Petrofina Ltd.	12.0
	100.0%

Source: Gasoline Marketing Study: Apendix 1, p.3.

purchased for about $5 million, amounts to substantial monies for expansion and modernization. The company builds ships for other Irving operations and won a major contract from Esso Tankers Ltd. for $25 million. Perhaps a better estimate of its present size is indicated by the point that Saint John Shipbuilding and Drydock has a contract to build six 31,250 metric ton oil tankers for Shell Bermuda (Overseas) Ltd. For this contract, the company secured a $110.9 million loan payable in 14 semi-annual payments six months after delivery.[88] Unofficial statistics reported in The Financial Press reveals that for the year 1976, total revenues of the company amounted to $67,521,000 and net profits were $4,912,000. Assets were valued at $41,896,000.[89] A measure of this operation to the company's total production is interesting. For 1975, total production in New Brunswick accounted for by "Transportation Equipment" -- the label is not defined -- amounted to $78,688,000, divided among 21 establishments.[89A]. How many of these consist of Irving companies remains unknown.

The next area of primary interest among the group's activities is pulp and paper, and related industries. Various references have been made to the vast timber tracts owned by the Irving companies, although it must be said that considerable numbers of acres have been owned for decades, when acquisition prices were fairly low. Again exact estimates of the assets and revenues of Irving companies are difficult to determine. However, some scanty bits of information are known. According to data published in the provincial report of the Department of Natural Resources (1975), forest management licences issued to Irving companies are given as follows:[90]

Company	Area Sq. Miles
J.D. Irving	593.0
Lake Utopia Paper Ltd.	236.5
Irving Pulp and Paper	288.5
N.B. Railway	294.0
St. George Pulp and Paper	109.0
Total	1521.0

Of the total square miles where licences were issued, the different Irving companies had 1521 square miles in the province, or 17.4% of the total. Or put differently, of the 92 licences issued by the province, five companies accounted for 17.4% of the total square mileage, large but hardly a provincial monopoly, let alone a national monopoly in an industry of at least sixty-five firms.[91] One final point about the pulp and paper industry in New Brunswick is that about 55% of the province's production is exported to the United States, where, of course, other eastern Canadian producers also export. Again, put differently, New Brunswick producers have no natural monopoly over production either for U.S. exports or the British market, so that the general export level of the provincial market is a fair gauge of its efficiency in general terms. In this perspective then, the Irving companies seem to enjoy no special market advantages either in terms of size, control of forest areas, or technology. Except for the special instances already referred to in the newspaper companies, the only other related industries where Irving companies operate are "downstream" investments, including pulp and paper, chemicals, wood veneers, plasterboard, construction materials, wood paneling and the like.

One of the least known enterprises which links the upstream timber enterprises of the Irving group to the "downstream" end use products is the company Kent Homes Ltd. One hundred per cent owned by J.D. Irving Ltd. (See Table 1), Kent homes has operations in each of the Maritime provinces, and specializes in luxury prefabricated homes. The firm was formed in 1965 in Buctouche, New Brunswick and was relocated to its present headquarters in Derbert, Nova Scotia. It operates a producing plant in the Air Industrial Park in Derbert, N.S., and concentrates in the Atlantic region. However, recently it has sought to enter the export market of the oil producing countries by selling pre-fab homes, and has sent a shipment of four modulars to Iran.[92]

Overall then, what picture emerges on the size of the Irving Companies? First of all, if even crude estimates are made of the four core areas of the groups activities -- oil refining, oil distribution, timber and timber products, and shipbuilding, it seems that past estimates of the aggregate size of the group are probably conservative because not all Irving companies were included in the total group. Guesstimates of the assets employed in oil transport, refining, distribution and sales are probably much more accurate in the region of $500 million, which is a figure previously used for the entire group. The shipbuilding and drydock enterprise, together with the shipping, tugs, dredging, construction and steel may be in the vicinity of $100 to $150 million, and even higher. Even companies which might seem small at first glance may in fact be larger than expected, for example, Thorne Hardware had gross revenue of $15,296,000 and net profits of $560,000 to December 31, 1977, assets were $18,463,000.[92A] The pulp and paper industries and related enterprises -- Irving Pulp and Paper went through a $50 million expansion in the 1950s and now pays at least $60,000 in local taxes in New Brunswick according to the 1951 Act of Incorporation -- could well be in the vicinity of $100 million assets. The Irving Refining Ltd. expansion alone is estimated at $200 million and when fully operational would be one of the largest in North America.[92B]

In other words, ignoring several significant areas of the Irving group's activities -- bus lines, publishing, television and newspapers -- the total size of the group is almost certainly higher than almost all previous estimates have made it, and the more accurate picture could well place it in the ranks of the billion dollar Canadian companies.

Yet for all the emphasis on size, the analysis in this section shows, with incomplete data, that the main arms of the Irving companies do not operate with overriding market power -- that substantial regional and national competitors operate in the industries where the Irvings have established a competence. The aggregate position of the Irving companies poses a facile image of an industrial giant in a region of low growth and industrial pigmies, and to some extent, this image is true. But it ignores the more important issue that in the main industrial areas where the Irvings operate, there is substantial competition to the Irving companies. What is particularly striking in the end is that invariably, that competition comes from a corporation based outside the Maritime region.

CORPORATE GROWTH AND INDUSTRIAL DEVELOPMENT

For fifty years now, the Irving companies have been growing in fits and starts, in incremental adjustments and in quantum leaps, to the point where the group now stands as one of the major industrial enterprises in the country. As a group, the company is a mixture of contrasts and paradox, a reflection of the personality of its founder, K.C. Irving. A man with abundant energies, considerable foresight, a person with a public reputation for spartan living and a private record of generosity, K.C. Irving is a monument to the tenacity and hard work of the industrial entrepreneur.

In their social impact on the province, the Irving companies create jobs, foster new technologies, reap exports for the province, shape the income distribution and wage rates for the province -- the sheer size of the group's activities being an economic and social engine of development. Throughout the period, growth has come from a mixture of approaches: an entrepreneurial challenge to the big and powerful outsider, a takeover of a bankrupt enterprise, a carefully thoughtout purchase with an eye on future development, a piece-by-piece buildup of a company, a reckless gamble, a purchase for pennies and dimes profits because otherwise, the outfit will be run from Toronto or elsewhere. In other words, the construction of the Irving companies is a story of the entrepreneur casting a wide net, a matrix of risk, luck, windfall and loss.

In the biography of K.C. Irving, and in a number of journalistic accounts of the Irving companies, some common criticisms stand out: the propensity of the Irvings to press for tax concessions, a capacity through the press operations to shape opinion in ways favourable to the company, extreme aggressiveness towards competition (real or imagined), and lack of corporate social responsibility on such matters as pollution control. In some cases the various allegations against the Irvings are not supported with clear reference sources or data. In other cases, the charges and insinuations made against the Irving companies fail to take into account the fact that the Irvings are often only taking advantage of opportunities available to all companies. Yet these points are not to deny the validity of certain arguments about the Irvings, for example, on pollution.

An example of this latter point is a court case on 8 April 1977. As reported in the press, the Irving Pulp and Paper Company was charged with violations of the Fisheries Act by depositing toxic mill waste in the St. John River. Four similar charges were made in 1976. The provincial court Judge hearing the case, Judge Andrew G. Harrigan, fined the company $3,500.00, noting a subsection of the Act, indicating a company should be forced to "immediately cease and resist depositing deleterious substance" into the water. Judge Harrigan added in a statement to the Crown Prosecutor: "You have one evidence of your own witness who says this (pollution) can't be corrected for a year and a half. How can you lay any charge in the next one and a half years successfully? You are successfully barred from future charges. All the company has to say is that it is making every effort to correct the situation." The Judge further noted: "Fisheries Department officials have made serious attempts to correct the situation. But no serious attempt has been made by the mill personnel to cooperate."[92C]

On the other side is the Irving approach to management -- a long range perspective, an amazing capacity for detail, and a willingness to learn and conquer new technology-equipment, materials, distribution, communications. In this the Irving companies show a flexibility that few acknowledge, let alone understand, for it is one of the basic strengths of the Irving group and goes a long way in explaining its success. In putting the diverse companies together, the management has operated with an underlying philosophy of self-sufficiency, of avoiding excessive reliance on any one external source.[93]

But were these characteristics a product of K.C. Irving himself, or was it a by-product of studying his competitors? Mention has already been made of the parallels between the marketing approach of the Irving oil gas stations and those of Imperial Oil -- the colours, decor, locations, and the like. Does the parallel go further still, to a copy of the managerial style of competitors such as other oil companies? Writing about Standard Oil and its development, Anthony Sampson describes its policy of "self-sufficiency" and close integration. It was "shrouded in the secrecy which was to be characteristic of oil companies" and, quoting J.C. Welch in 1883, "if there was ever anything in this country that was bolted and barred, hedged around, covered over, shielded before and behind, in itself and all its approaches with secrecy, that thing is the Standard Oil Company".[94]

But if the parallel drawn here is somewhat unfair, there is a fundamental point, namely one of corporate size and control. In the orthodox view of organizations, once production economies are met, there are diminishing returns to growth and expansion due to loss of managerial control. Yet the Irving case shows that, if anything, the correlation between corporate growth and managerial control is not negative: on the contrary, corporate secrecy together with financial strength go a long way in making it positive. But is this more obvious in hindsight from day-to-day operations?

Perhaps the Irving group of companies represent a unique blend of the entrepreneurial personality of the founder, the operating styles of the industries, and the business norms of the Maritime region. For years now the Irvings have been the local butt of criticism, jokes, and just plain mischief. The very size of the Irving companies would make this a natural reaction in a small province, but even in jest, some comments carry an ambiguous tone. This fact was illustrated over 25 years ago, in 1950, when the opposition party was preparing its questions for the February opening of the provincial legislature. As it convened in caucus, the five man opposition, facing 46 government members, tried to make a point against the government by taking advantage of the Irving name.

As chronicled by Dalton Camp in Gentlemen, Players, and Politicians,[95] the conversation went as follows between opposition leader Ken Carson and Party President Ewart Atkinson:

> "Look here, Ken, all you have to do is just ask one question -- 'What is the secret deal between John McNair and K.C. Irving?' -- just ask that question and you'll have those fellows in an uproar".
>
> "What deal are you talking about, Ewart?"
>
> "Never mind what deal. I know what I'm talking about. Just ask that question."
>
> "Ewart, you can't just ask a question like that."
>
> "Goddammit, Ken, why can't you?"
>
> "They aren't going to answer it."
>
> "Of course they aren't, Ken, but everybody in New Brunswick is going to be asking themselves, 'what is the secret deal between John McNair and K.C. Irving?' See what I mean!"

Almost all writers on the Irving companies acknowledge the group's alleged obsession with corporate secrecy which dominates the Irving operations, and the absence of any detailed data of the total group has tended to fuel speculation.

Certainly the historic record shows there can be little doubt of the Irving policy of corporate secrecy. The only public disclosure required of the Irving enterprises is that contained in the annual CALURA Reports.[96] However, it is generally recognized that the CALURA statements are largely ineffective in providing much data about the companies that do report on time, and there are no penalties for firms which fall as many as three years behind.[97] Furthermore, there are many instances where a company can indicate that the appropriate data on directors and ownership are identical to the previous year, so anyone wanting CALURA statistics must trace back to the year when the data was first given.

The ineffectiveness of Canadian disclosure laws generally, however, should be the basic context to describe any policy of secrecy by the Irving companies. For almost all large firms are loathe to disclose anything but the minimal legal requirements, and in this respect, the Irvings are doing what other companies (and probably some government agencies) also practise. A basic question, of course, remains: is the Irving policy of corporate secrecy now working against the long term interests of the group? Secrecy in business can be an important tool for planning and strategy; it can also be a target for outsiders -- government, the press, free lance journalists, and competitors -- to make allegations and claims about a company which may not be grounded entirely on facts.

Even where the Irvings provide philanthropic gifts, such as the $500,000 grant to the Université de Moncton[98] or various smaller amounts to different charitable groups, there is a suspicious air because some people suspect secondary motives in the process. Secrecy in business operations or in philanthropy may be the preferred way for industrialists like the Irvings but they can hardly ask for much sympathy from the press or the public when they fail to present their side of the story in an open-handed way.[99]

Many companies have found that a policy of disclosure, and with it, a sophisticated approach to public relations is the best long-run policy, even if it requires some difficulty in short-run adjustments. Moreover, there seems little doubt that basic societal values are pushing for more disclosure about the activities of all large institutions, business or otherwise, and while this country is hardly the pioneer in this area, can Canadian public policy continue to be far behind on this matter?

Of all the comments made on the Irving group, one of the most misunderstood criticism is its large size. In some respects, this issue focuses on the basic dilemma facing the group's operations in a small region. There is, first, a genuine admiration and respect for the ability of the Irvings as industrialists. This respect is due in part to the fact that the Irvings are not just New Brunswickers but Maritimers, and while they are accused at times of overplaying this issue to gain public relations points, there is a strong feeling in the region that the Irvings are part of it, warts and all. In an area of some very dubious industrial ventures which have gone bust, the Irvings have been able to make their companies pay, so it perhaps shouldn't have been surprising to see in 1975 a degree of speculation in New Brunswick that the Irvings might take over the bankrupt Bricklin car plant.

But if there is admiration for the success of the Irving companies, there is also a certain reservation about the company's sheer size and diversity of operations. To critics, the fact that the Irving group's activities cover a wide number of industries is not considered an economic virtue, rather, it is likened by some as proof of the insatiable demands of a dinosaur.[100] Yet a quite different argument can be made for the diversity of operations from a management and organizational perspective. As the description of corporate development in this study illustrates, firms which remain locked into a single industry making a single product are doomed to market entrophy. What is outstanding about the Irvings' development is not simply their ability to move into new unrelated product areas, so much as their tremendous capacity to learn new techniques, adopt new ways of doing things in a very short period of time. Presumably, Mr. K.C. Irving and his sons are largely responsible for this characteristic of the group, but surely there must be a management philosophy institutionalized into the companies which allows others the freedom and autonomy to carry out innovative methods and approaches.

Certainly this has given the Irvings a reputation both in industry and in government as very hard workers who drive a very hard bargain in negotiations -- some might say ruthless bargaining -- but they also have a genuine reputation for keeping their word and never reneging on a contract.

The issue of corporate size works in another way, however. In many ways, size makes an institution a prisoner of its own situation.[101] The fact that others see a corporation as big and prosperous means that they are unlikely to give it much of a break. Every move of the big company becomes suspect; every attempt is made to see that it must earn what it gets. In the history of the group's development, successive governments may well have taken a sympathetic line towards the Irvings. After all, this was a company conceived in the challenge to Imperial Oil in the 1920's; it took on Canadian National in the 1930's, merging with several bankrupt companies in the 1940's. The Irving interests were fairly small then, so concessions could at least be rationalized as a desire to help the local firm.

Today the company is approaching a billion dollar enterprise -- its operations branch out through seven of ten provinces and abroad. In any negotiations with the Irvings now, other organizations will likely take special care not to give them any favours, simply because they are the Irvings. In fact, now there may well be a situation where they find themselves in a position that outsiders do not treat them equally; they take special precautions and allocate extra resources to assure an adequate (plus extra) care and attention in dealing with the Irvings. Where once they enjoyed special attention and respect by virtue of their small size and local identification, today their large size and industrial diversity stand at the forefront of their dealings with suppliers, competitors and government. Few special favours are likely to be accorded. Indeed, the limited empirical evidence linking corporate power and public policy influence shows that while firm size is important, more visible firms are less likely to exercise actual political influence.[102]

The same reasoning applies to the Irving relationship with organized labour. There have been some major strikes in the Irving companies -- the six month strike at Irving Refinery when the workers returned to their job accepting the same offer before the walkout -- but strikes in Canada are not confined to New Brunswick. Relations between management and unions reflect power relations as well as economic relations, and the fact that smaller New Brunswick companies have pushed for stiffer resistance to unionization is perhaps an indication of the limitations of corporate size, and the Irvings have learned this lesson well.

What all this points to is that economic development in a region is subject to different ground rules as conditions change. One may well ask if the price of rapid economic development in a backward region is subject to the constraints of certain social costs; is emphasis on large scale growth of one company at the expense of small, inefficient competitors; what is the tolerance of the firm that adapts more quickly to new technology, new machinery, or even new industries if the track record is one of success; should there be concessions and assistance programs to aid the local enterprise because the alternative may well be an even larger organization and an outsider to boot! The study of the Irving companies tends to show a positive conclusion to these very fundamental and important issues, for they point not only to the direction of future government policies but to the larger analogy of Canadian corporations in the international corporate community.

The love-hate relationship between successive provincial governments and the Irving interests may not change greatly in the near future because both groups may decide to accept the status quo. Yet the Irving companies can grow within the present product mix only so far before either technology or markets make their existing structure too unacceptable. A basic redirection of the company may then take place. Until that time comes, an objective and realistic perspective on the company's development, its net contributions to the province and the region, and an understanding of the real difficulties of living with an acceptable alternative may well be in order. For the Irving companies, the time may well have arrived for a basic reassessment of their approach to corporate secrecy and disclosure, if only for the reason that it is better to anticipate voluntarily a situation than to have to submit unwillingly. For in the long run, what may have appeared as adversaries in the past could well be the allies sought out in the future.

NOTES

1 As Professor Preston notes, "Although the large corporation is clearly the characteristic and most important economic behavioural entity in our economy...it bears little relationship to the abstract "firm" of economic theory. And the analysis of such "firms" and their interrelationships in industries, markets, and sectors within the current framework of economies does not appear to account for even the principal features of modern economic life; still less do they account for the role corporate organizations in the larger society". See Lee E. Preston, "Corporation and Society: The Search For A Paradigm," Journal of Economic Literature, XIII (June, 1975), p. 434.

2 This is a recurrent theme in recent Canadian studies. See David S. MacMillan (ed.) Canadian Business History (Toronto: McClelland and Stewart Ltd., 1972). Professor Porter, in his review of trends in Canadian business and economic history, writes that "within Canadian historiography there has traditionally been relatively little emphasis on business history." Glenn Porter, "Recent Trends in Canadian Business and Economic History", Business History Review, XLVII (Summer, 1973), p. 1.

3 Russel Hunt and Robert Campbell, K.C. Irving: The Art of The Industrialist (Toronto: McClelland and Stewart Ltd., 1973).

4 In their book, Hunt and Campbell describe the Irving group as "the single most powerful economic force in Eastern Canada", p. 16, J.E. Belliveau describes Mr. K.C. Irving as "almost certainly Canada's richest individual". "Good-Bye, K.C. Irving, Good-Bye!" MacLean's, May 1972, p. 27.

5 Philip Mathias, Forced Growth (Toronto: James Lewis and Samuel, 1971). See also "Stand Alone Is the Goal - But A Distant One", Financial Post, July 12, 1976, pp. S1-S3.

6 Various estimates have been made of the exact size of the Irving group (see Part IV of this paper). Statistic Canada's catalogue, Intercorporate Ownership, has shown as many as eighty companies, and these do not include certain publishing interests. See "The Visible Irving Empire", Impetus, November 22, 1975, p. 10.

7 According to one report, "the precise degree of involvement is not known, but K.C. (Irving) once said he never went into a deal with anyone without owning a controlling interest". Ibid, p., 107 Hunt and Campbell, in The Art of The Industrialist, suggests that "one of the most consistent principles of action underlying Irving's policies has been the drive to own one hundred percent, to have to consider no outside pressures when making decisions.... It is clear that, to him (K.C. Irving), control means complete ownership and total control", p. 40.

8 The exact extent of J.D. Irving's holdings isn't known, and opinions vary. According to Hunt and Campbell, "Irving's father, J.D. Irving, was one of the most powerful and wealthy men on the North Shore; for his day and location, his interests and powers were almost as extraordinary as K.C. Irving's are for his ownership of vast tracts of Kent County, as well as land elsewhere in New Brunswick, operator of mills and stores, interested in shipping and involved in the Saint John financial scene. J.D. Irving's economic position offered a secure base from which his son could operate." "The Art of The Industrialist", p. 21. A more conservative picture is offered by this account: "He (K.C. Irving) started financially almost from scratch. His father was a Buctouche merchant, patrician, well-to-do, but not wealthy. There were some timber concessions in the family, but nothing obvious to start an empire with". H.E. Belliveau, "Good-Bye, K.C. Irving, Good-Bye!", MacLeans, (May, 1972), p. 81.

9 Hunt and Campbell, p. 44-45.

10 The Globe and Mail, September 24, 1969. For some time after the start up of this company, there was a dispute over pilotage of Irving tugs in the Saint John harbour. A Royal Commission was appointed and reported in 1969.

11 Mr. Irving also had a Ford dealership. One account has it that other car dealers, forced to buy gas from a competitor, complained to Imperial Oil, who then withdrew his agency. "Whereupon Irving took out a $2000 bank loan, bought a storage tank and three trucks, imported gas and oil from Oklahoma and the Middle East". See article on Irving by Kenneth Bagnell, Globe Magazine, June 14, 1969.

12 The vast oil refinery operated by Irving Refinery Ltd. at East Saint John was constructed in 1959 at a cost then estimated at $45 to $50 million dollars. A similar size investment was being made at J.D. Irving Ltd. sawmill at South Bay and chemical plant. See "Maritimer Adding Big Chemical Plant to Industrial Web",

The Toronto Star, April 13, 1959. Whether Standard Oil's purchase of 51% of the shares in the refinery and 48.9% of Irving Oil was made at this time is not known. A Globe and Mail article (July 22, 1969) stated, "Although Irving has not confirmed the report, it is generally believed that Standard Oil of California has financed 49 percent of the refinery and has bought into some of Irving's other enterprises".

13 "New Irving Refinery Starts Up Production", Globe and Mail, April 6, 1976, p. B8.

14 See Globe and Mail, November 9, 1972. This date came from Ms. Winnifred Johnson, who testified at the Irving newspaper monopoly trial. Ms. Johnson was secretary of K.C. Irving Ltd. and private secretary to Mr. Irving from 1955 to the end of 1971.

15 The Gazette, November 6, 1959. By 1967, this number was estimated to be 2900 retail stations in eastern Quebec, Newfoundland, and the Maritime Provinces. Globe and Mail, July 7, 1967.

16 Hunt and Campbell, p. 41.

17 Hunt and Campbell, p. 42. Their report is based on hearings before the Canadian Labour Relations Board held in October and November, 1971, when the Seafarers' International Union applied for certification as bargaining agent for the crews on Irving ships.

A recent working document by the United Nations based Center for Study of Transnational Corporations has the following comments on the difficulty of establishing adequate information on shipping companies.

> Even a cursory examination of this field of business is enough to reveal the immense problems involved in developing a ranked link of shipping companies. Shipping companies are first of all, particularly secretive when it comes to revealing financial or ownership information. Most ships are incorporated separately making it difficult to determine who owns what. This problem is compounded by the fact that there are over 60,000 registered ships.

* - The CTC List of Transnational Corporations, Unpublished manuscript, New York, 1977, p. 8.

18 For example, see Saint John Telegraph Journal, January 21, 1972.

19 Reporting that he was no longer a resident of New Brunswick, Mr. Irving issued in Nassau, The Bahamas,only a short, three sentence statement. Globe and Mail, January 19, 1972, p. G7.

20 For an elaboration of this point, see Stefan H. Robock and and Kenneth Simmonds, International Business and Multinational Enterprises (Homewood, Ill., Richard D. Irwin Inc., 1973) pp. 426-428. "The managerial organization may cut right across the statutory structure and is concerned with the authority and responsibility of each executive and the lines of communication among these executives".

21 For an elaboration and further references, see Charles J. McMillan, "Corporations Without Citizenship" in G. Salaman and K. Thompson (eds.), People and Organization (London: Longmans, 1973), pp. 25-43.

22 Bruce R. Scott, "The Industrial State: Old Myths and New Realities", Harvard Business Review (March-April, 1973). The classic study of evolving organizational structure remains Alfred Chandler's, Strategy and Structure (Cambridge, MIT Press, 1962).

23 "Mr. and Mrs. Irving live quietly and modestly and are rarely seen socially in Saint John". "A Presbyterian who doesn't smoke, drink, or swear". Globe and Mail, June 20, 1971. Kenneth Bagnell, writing in the Globe Magazine, quotes an acquaintance as follows: "I have seen him drive his chauffeur on the return trip of a long drive. The only reason he has a chauffeur is that he needs one, he is so busy. But there is no show with K.C., no ostentation. He drives a Ford, not a Cadillac" June 14, 1969. Mrs. Irving died in 1976.

24 Atlantic Advocate, July 1960, quoted in Hunt and Campbell, p. 24. The Atlantic Advocate was later purchased and operated by an Irving subsidiary.

25 The Globe and Mail, June 20, 1971.

26 Hunt and Campbell, p. 92.

27 According to their account, "as Irving had discovered before, often you don't need to go to court just as long as everyone knows you are prepared to go", p. 93.

28 Ibid. See also "Maritime Millionaire", The Gazette, November 6, 1959.

29 Hunt and Campbell, pp. 98-99. The authors don't give any sources for their statistics.

30 The origins of the link between Canadian Veneers and Britain's De Havilland Aircraft Company have not been documented, but would make an interesting line of enquiry. One hypothesis which would be worth exploring would be early friendship or common bonds to their native province, namely the two New Brunswick industrialists, K.C. Irving of Saint John, and Max Aiken, later Lord Beaverbrook, who was by this time in charge of Britain's wartime defense production.

31 The quote came from Cyrus Inches in the provincial legislature's Municipalities Committee.

32 Quoted in Hunt and Campbell, p. 173.

33 Ibid, p. 105.

34 Ibid, p. 106.

35 This sequence of events must be kept in perspective to the overall state of the pulp and paper industry. In 1932, a year before K.C. Irving's father died, the price of newsprint, the main end product of the industry, had declined in price to an uneconomic $48 per ton from $62 in 1930 and $112.60 in 1920. Several companies, including such big companies as Abitibi, defaulted on interest payments of first mortgage bonds. The industry itself was on shaky economic grounds until prices started to rise following World War II -- in fact, Abitibi remained in receivership until 1946. In other words, given the circumstances of the pulp and paper industry at the time of this purchase, Mr. Irving's action may be fairly judged to involve considerable risk. For further statistics on pulp and paper prices, see Philip Mathias, Takeover (Toronto: MacLean-Hunter, 1976), pp. 179-180, 232-234.

36 Hunt and Campbell, p. 109. An editorial in the Times-Globe expressed the opinion that "A lot of trouble in New Brunswick and Saint John was due to a lack of industry. A start on getting new industry had to be made some place and he (Irving) suggested that it be made with the proposed pulp and paper mill. What the company was seeking, was what it felt was required". The editorial was referring to Mr. Irving's comments before the Municipal Councillors.

36a On May 1, 1958, a thirty year agreement was assented (Ch. 71, 1958) placing a fixed tax of $10,000 for 3 years beginning in 1960, and $15,000 for 27 years thereafter. K.C. Irving is indicated as part of the agreement. Possibly the tie-in between Kimberley Clark and K.C. Irving Ltd. dates from this tax concession. See Report, Royal Commission Finance and Municipal Taxation in New Brunswick (Fredericton, New Brunswick, 1963), Appendix N, p. N1. Kimberley Clark has 50.1 holding in Spruce Falls Power and Paper.

37 The profitability of these timber holdings is difficult to ascertain, although if the returns from other Canadian producers are any guide, then profits for Irving were not spectacular. According to Philip Mathias, who has chronicled various aspects of Abitibi, the world's largest producer of newsprint, prices remained steady in the late fifties, and had a slow upward trend in the sixties. "The rise in newsprint prices wasn't enough to produce any bonanza for the producers. Aside from a few exceptional years, the Canadian newsprint producers worried along with earnings that represented a pretty unexciting return on investment". Takeover, p. 237. Also see, Hunt and Campbell, pp. 110-114.

38 The Toronto Star, October 31, 1959. "This is a man who has at least 10,000 men on his payroll. In 35 years he has built an empire worth perhaps $200,000,000 and is still -- at the age of 60 -- building in a region he describes as Number 1 on the charity list. He says he plans to spend $100,000,000 on expansion in New Brunswick in the next few years".

39 The Toronto Star, April 13, 1959.

40 The Montreal Gazette, November 6, 1959.

41 The Globe and Mail, July 22, 1960. "Construction underway, just finished or about to begin is worth a whopping $144,000,000, the most for any city in Canada relative to size". "Last year the

per capita value of new construction for the whole of Canada was $417; in Saint John...it was $1300". "The reason why Saint John is booming is remarkably simple: Irving lives and works here".

42 Burt Burgoyne, "Who's The Owner of the Drydock in Saint John?" Globe and Mail, January 17, 1959.

43 In a widely quoted story, the Halifax Chronicle Herald announced the purchase and the price and added "an extensive invasion of the shipbuilding field would...follow", quoted in The Globe and Mail, January 6, 1959.

44 This company, with its million dollar plant constructed, is the major construction arm for the Irving companies, including construction of the paper mills in Lancaster, turning out steel, and new facilities at the shipyard. See The Gazette, November 6, 1959. According to Hunt and Campbell, the company is a model of Irving's power. "Think, for instance, about the opening of Irving's Ocean Steel plant. Not only did the company set up a heavy industry in an area that had been zoned for light, neglect to mention to the city that it was going to block streets and create traffic obstacles, but, without notice, it sealed off a road that was the only access to a fish store -- which had, for five days, to throw away a ton of lobster and salmon because nobody could get to it. Had it been anyone but Irving, the company would have been prosecuted or reprimanded; but it was Irving and the city council passed the buck -- along with a motion to the effect that in the future any company had to warn the city of such plans "so merchants in the area can arrange their business and fire and water departments can prepare for emergencies". Art of the Industrialist, pp. 16-17.

45 See Albert Sigurdson, "Shipping Notes: Saint John", The Globe and Mail, October 7, 1971.

46 Ibid. Part of the new expansion east of the drydock was on reclaimed land at the edge of Courtenay Bay. Other locations of Irving operations have similarly used land reclamation, such as the Irving storage tanks in Charlottetown's Hillsborough River.

47 The Irving shipyard receives a 14% subsidy on the approved cost of Canadian built ships from the shipbuilding assistance program

of Ottawa's Department of Industry, Trade and Commerce. "The Government came through with this subsidy and with the help of the provincial and federal governments, we started our program and got the orders". Globe and Mail, October 7, 1971. The Financial Post, November 15, 1975, p. E3.

48 For an early history of Saint John shipbuilding interests, see Richard Rice, "The Wrights of Saint John" in David S. MacMillan (ed.), Canadian Business History (Toronto: McClelland and Stewart, 1972), pp. 317-337.

49 It wasn't just Irving ships which were busy in the Maritime ports, nor were the ships necessarily small. As Mr. Irving noted in one press report, "with an increasing number of large vessels coming to Eastern Canadian tidewater refineries, there is need for repair facilities to serve this traffic". The Globe and Mail, October 7, 1971.

50 The Globe and Mail, July 22, 1969.

51 According to Professor Penrose, a distinguished expert in petroleum economics, the surplus of oil in the low cost production areas of the Middle East, despite the denials of the integrated majors who lamented low profits, provided the means to expand in other areas. "Throughout the period, the majors were able to finance from their own funds the construction of an enormous volume of transport facilities, refineries and distribution networks, and succeeded in maintaining their dominating position in an industry expanding at around 8% per year". Edith Penrose, The International Petroleum Industry (London, 1968) p. 195.

52 The Globe and Mail, June 20, 1968.

53 The Toronto Star, June 12, 1962. "Don't bother to ask Mr. Irving for his comment. He'll have no opinion".

54 "Irving Group Faces Charges of Monopoly." Globe and Mail, July 18, 1972.

55 Ibid. See also Hunt and Campbell, p. 186. The dates are taken from The Globe and Mail, November 10, 1972. See also Hunt and Campbell, pp. 164-166.

55a See Dalton Camp, Gentlemen, Players and Politicians (Toronto: McClelland and Stewart, 1970), pp. 24-25. According to Camp, the Gleaner under Wardell became a staunchly Conservative paper. "His was a different newspaper from the Gleaner of four years ago (1952), when it had been blatantly Liberal. Now Wardell's editorial pages belched forth salvoes of praise for the Flemming government, and laid heavy fire on the Grits". p. 197. Later, appearing as a witness at the monopoly trial, Camp argued that Irving had every right to buy the Gleaner, but felt newspapers should not be linked with radio and television stations. (The Irving's New Brunswick Publishing Company owned radio and TV outlets.) "But the government of Canada willingly bestowed on him the additional ownership of radio and TV licences in the community, knowing he already had the Saint John Telegraph-Journal". See Globe and Mail, November 15, 1972.

56 The Star, June 16, 1972.

57 The Special Senate Committee on Mass Media, citing a case unreported in the New Brunswick daily press wherein the chairman of the New Brunswick Water Authority had been secretary-treasurer and general manager of the New Brunswick Forest Products Association - "a lobbying organization for the pulp and paper industry" -- was moved to comment as follows: "The uncharitable might be led to suspect that this lack of journalistic enterprise was connected to the fact that K.C. Irving, owner of one of the province's largest pulp mills, also owns all five New Brunswick English-language dailies". See The Uncertain Mirror, Vol. 1 (Ottawa: Information Canada, 1970),p. 87.

58 The Globe and Mail, November 15, 1972. The figure, provided in testimony by Clifford Warner, a chartered accountant, is before depreciation.

59 The Globe and Mail, November 16, 1972.

60 According to one testimony, The Moncton Times reported deficits between 1960 and 1971 ranging from 13,015 in 1965 to 86,073 in 1971. In contrast, the Senate report, The Uncertain Mirror, states a different case: "There is a third kind of newspaper in Canada -- the kind that prints news releases in tact, that seldom extends its journalistic enterprise beyond coverage of the local trout festival, that hasn't annoyed anyone impart in years.... Interestingly enough, among them are some of the most profitable newspapers in the country. A number of these newspapers are owned by K.C. Irving". p. 85.

61 Hunt and Campbell, pp. 120-121.

62 The Globe and Mail, June 21, 1961. The announcement was made jointly by the consortium and Premier Robichard.

63 Hunt and Campbell, p. 126.

64 Ibid., p. 131.

65 According to one chronicle of the event, "the company's deteriorating financial condition was due 'in large part' to the 'many changes, proposed changes, and additions, practically all of which were the result of a premature start of the construction, which meant that the smelter actually was being designed and redesigned during the building programme'. The government, on the other hand, thought that Irving himself was responsible for the rising costs". Hunt and Campbell, p. 135.

66 The Globe and Mail, March 15, 1966.

67 In a report from Fredericton by Langevin Côté of The Globe and Mail, it was added: "Nevertheless there is a growing feeling that a showdown between the Irving interests and the Government is inevitable and that it is but a matter of time before the two clash head-on". Ibid.

68 See Report, New Brunswick Royal Commission on Finance and Municipal Taxation (Fredericton, N.B.: November 1963). The commissioners were Edward G. Byrne, Arthur Andrews, Alexander J. Boudreau, Ulderic Nadeau, and Charles N. Wilson. Mr. Wilson was president of the Saint John Drydock and Shipbuilding Co. Ltd. from 1947 to 1959, when the company was sold to the Irvings.

69 Ibid., Appendix N. The impression left in some reports is that the Irving companies receive especially favourable treatment. This table shows evidence to the contrary. The next of the report notes the following: "The present incidence of the real and personal property taxes is such a jumble that, in the absence of the protection afforded by an agreement, many companies would find their competitive position weakened and their incentive to expand their operations in the province reduced", p. 15. See also Richard Wilbur, "New Brunswick Power Struggle: K.C. Irving vs. Louis Robichard". Canadian Dimension (1970), p. 13.

70 Hunt and Campbell, p. 149.

71 *Ibid.*

72 In one report, he asks "Why Premier Louis J. Robichard decided to favour a $50 million investment offer from Noranda in 1967 to help the company over financial hurdles when I had $63.5 million to be invested in Brunswick Mining?" See *Globe and Mail*, May 7, 1969.

73 *Globe and Mail*, October 14, 1967. One of the writs involved the chartering of two Brunswick ships built to carry company concentrates overseas. The agreement was with Engineering Consultants.

74 *Globe and Mail*, May 7, 1969; May 9, 1969.

75 *The Financial Post*, August 28, 1976.

76 According to a statement from Noranda's President, Alfred Powis, and Vice-President of Brunswick, there were $72 million in accounts claimed by the Irving companies, of which about $60 million had been paid". *The Globe and Mail*, May 7, 1969.

77 *The Toronto Star*, April 13, 1959.

78 *The Globe and Mail*, July 22, 1969.

79 Peter C. Newman, *The Canadian Establishment*. (Toronto: McClelland and Stewart, 1975).

80 According to the last disclosed data, annual sales for 1972 amounted to $217,870,000, assets were $214 million and profits were $17,070,000. The company was 55 in size ranking by sales. With added capacity from new expansion, total sales by 1976 could easily double the 1972 figure. See "The Top 200 Companies", *Canadian Business* (July, 1973), p. 13.

81 See R. Harrison et al., *Gasoline Marketing Study* (Halifax, Government Studies Programme, Dalhousie University, 1976).

82 *Ibid.*, Appendix 2, p. 8.

83 The Saint John *Telegraph-Journal*, July 22, 1976, p. 3.

84 *Ibid.*

85 *The Globe and Mail*, April 6, 1976, p. B7.

86 Saint John *Telegraph-Journal*, July 22, 1976, p. 3.

87 *Ibid.* Profits made by Gulf were two cents a gallon in 1975 but "very little earnings above zero cents in 1976". See also, *The Last Post*, August 12, 1976.

88 Export Development Corporation, 1975 *Annual Report*, p. 9.

89 *The Globe and Mail*, January 13, 1978, p. B-12.

89A *The New Brunswick Economy*: 1976. (Fredericton, 1976), Table 24, p. 113.

90 See *The 138th Annual Report* (Fredericton: The Development of Natural Resources, 1975), pp. 14-17.

91 The analysis is based on the number of pulp and paper mills in Canada for the total value of shipments, valued at $3,128,000, the four largest companies accounted for 34 per cent. *The Financial Post 300* (Summer, 1976), p. 9. In a recent survey of pulp and paper companies in New Brunswick, the following figures were given for annual production by company: Consolidated Bathurst, 180,000 tons; Fraser Companies, 325 tons; Irving Pulp and Paper, 300,000 tons; Kimberley Clark, 14,000 tons; MacMillan Rothesay, 335,000 tons. See *Canadian Pulp and Paper* (April, 1975), p. 79.

92 *The Financial Post*, August 28, 1976, p. 8.

92A *The Globe and Mail*, January 13, 1978, p. B-12.

92B "New Irving Refinery Starts Up Production". *The Globe and Mail*, April 6, 1976, p. B7.

92C "Judge Regrets The Law Won't Let Him Hold Irving Company In Contempt", The Globe and Mail, April 16, 1977, p. 3.

93 See The Globe and Mail, October 30, 1959.

94 Anthony Sampson, The Seven Sisters (New York, 1975), p. 3.

95 (Toronto: McClelland and Stewart; 1970), p. 42.

96 Intercorporate Ownership 1972 (Ottawa: Statistics Canada, 1974), pp. 411, 413, 414.

97 For an analysis, see Charles J. McMillan: "After the Gray Report; The Tortuous Evolution of Foreign Investment Policy", McGill Law Journal, Vol. 20, 1974, especially pp. 251-252.

98 The Globe and Mail, March 15, 1966.

99 As one reporter noted, quoting from a Saint John businessman, "Trying to get his side of the story across, or influencing you, doesn't cross his mind. The Irving haven't the foggiest understanding of sophisticated public relations". Globe and Mail, June 14, 1969. Another comment, from a CBC official is as follows: "They simply don't understand the media and what they don't understand, they fear". Impetus (November 22, 1975), p. 34.

100 Hunt and Campbell, pp. 191-197.

101 For a little known but valuable essay with this theme, see M.A. Adelman, "Some Aspects of Corporate Enterprise" in R.E. Freeman et al., Post War Economic Trends in the United States (New York: Harper Row, 1960), especially pp. 299-302.

102 See Lester M. Salaman and John T. Lugfried. "Economic Power and Political Influence": The Impact of Industry Structure on Public Policy", American Political Science Review, Vol. LXXI (September 1977), pp. 1026-1043.

Based on a sample of industries in the United States, these authors summarize their conclusions as follows: "Especially striking are the positive relationships discovered between form size and industry success in avoiding both federal corporate income taxes and state excise taxes. To the extent that political power is reflected in such actual policy outcomes, we can therefore say that larger firm size does indeed seem to yield greater political power. Also interesting are the findings suggesting that larger industries (as opposed to larger firms) are less successful politically, which supports the "free rider" hypothesis advanced by Mancur Olson, since larger industries in general have more firms than smaller industries. In addition, we found evidence that industries which are most visible and most fearful of government intervention because of other attractice (i.e. concentrated) market structure or profitability are more inclined to avoid (or are less successful at mounting) political influence efforts aimed at reducing their tax burdens", (p. 1042).