

Smallwood's Economic Plan

Is it best to strengthen the economy of the province through the development of small industries or mega-projects?

What do you expect will be Newfoundland and Labrador's next mega-project? Why?



“We must develop or perish. We must develop or our people will go in the thousands to other parts of Canada. We must create new jobs ... Develop, develop, develop – that’s been my slogan and that will remain my slogan.”

- Joseph R. Smallwood, July 1949

6.23 With a policy of “develop, diversify, and modernize,” Smallwood supported new enterprises in a number of ways.

Here Smallwood cuts a length of pulpwood to mark the official opening of Bowater's Loggers' School near Corner Brook in 1967. Subsidized by the provincial government, the school was created to train loggers to work more safely and to increase efficiency and production.

Attracting New Industries

After 1949, Smallwood saw an opportunity to break the cycle of poverty that had plagued Newfoundland and Labrador throughout much of its history. The central theme of his economic agenda was: develop, diversify, and modernize. Although this theme had also been pursued by other leaders, such as Whiteway and Squires, Smallwood had the advantage of starting with an economy that had benefited from the presence of foreign military bases and become more diversified since the war.

Large amounts were spent to build new roads, install water and sewer systems, and finance a major rural electrification program to encourage industrial development. Smallwood's government worked to modernize the fishery and to diversify the economy in two main ways: establishing small-scale industries by attracting European investors through loans and

subsidies, and funding mega-projects to develop the province's natural resources.

Modernization of the Fishery

Smallwood knew the inner workings of the fishery very well, and he believed that modernization was essential for its future. Building upon some of the work begun by the Commission of Government, the provincial government invested heavily in the fresh-frozen industry. Between 1950 and 1967, the government spent close to \$30 million, including loans to fish companies so that they could build, expand, or maintain processing plants and buy trawlers. Individual fishers were also encouraged to acquire longliners and larger boats to enable them to range farther and catch more fish.

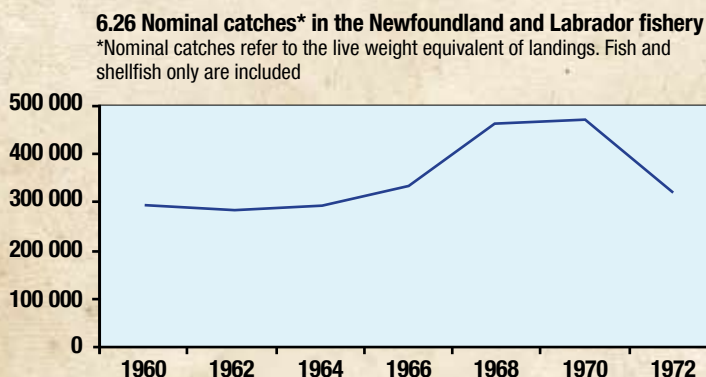
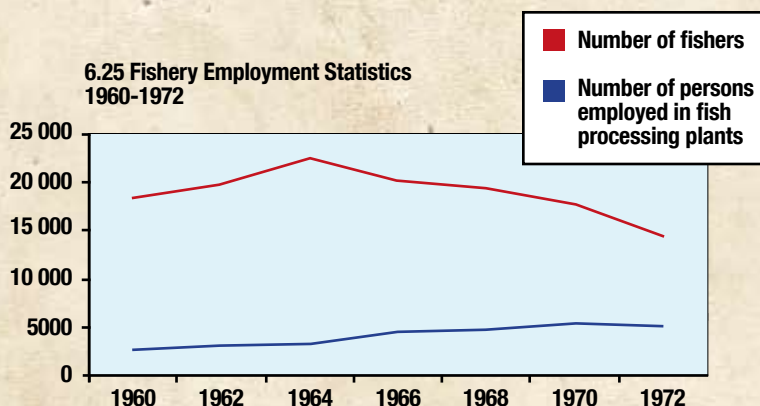
By the 1960s, research by the federal Department of



6.24 A fish plant in Harbour Grace, c. 1966

Fisheries showed that the fresh-frozen sector made better economic sense for a variety of reasons: it was more industrially advanced and less labour intensive; it had easier access to markets; and it would increase Canada's trade capacity. While the economics might have made sense, the fresh-frozen fishery was slow to catch on in the province. It took about 15 years for the value of frozen fish production to surpass that of saltfish. The federal government promoted the development of the fresh-frozen fishery, but also created the **Canadian Saltfish Corporation** in 1971 to maintain that sector of the fishing industry.

Despite the obvious benefits of the fresh-frozen fishery, job reduction occurred in the catching sector. Employment shifted to processing since numerous jobs now became available in the plants. Independent inshore fishers used longliners, bigger boats containing larger holds and work areas, to supply large quantities of fresh fish. These changes impacted the lifestyles of many fishers – some men joined the trawling fleets and worked away from home for long periods and, for the first time in rural communities, some women went outside the home to seek employment.



WOMEN IN THE WORKPLACE

Women always played a significant role in the traditional cod fishery, mainly as part of shore crews: splitting and cleaning, salting and drying, and loading and stacking the finished product. With the development of the fresh-frozen fishery, many women found employment in the new fish plants as handlers and packers, working in assembly-line fashion for hourly wages. Initially the more technical and high paying positions, such as cutting and filleting, tended to go to men, though as time went on, more women took on these jobs as well. In 1961, women made up 20 per cent of all fish plant workers; by 1991 this figure was 60 per cent.

Fish plant wages were not the only financial disparity faced by women in the fishery. The federal government extended the unemployment insurance program to all fishers in 1957. The program applied to people who caught fish, but not to those who processed fish on shore. Therefore, plant workers, most of whom were women, were excluded. Also, if a woman did work on a fishing boat and was married to a crew member, she was not eligible for unemployment insurance.



6.27 Fish plant workers, c. 1966

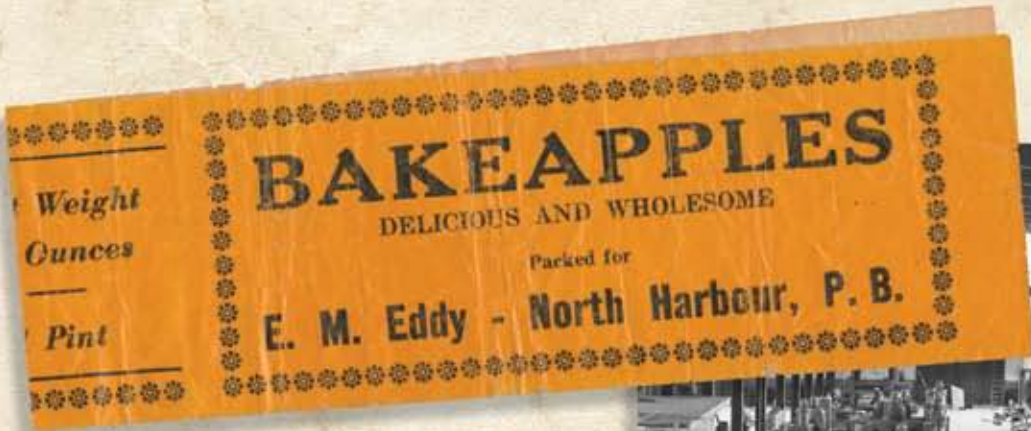
Economic Diversification – Manufacturing

Efforts to develop small-scale manufacturing before 1949 faced several obstacles. Newfoundland and Labrador’s small population meant that the demand for locally manufactured products was not great enough to justify the cost of widespread manufacturing operations. In addition, the international demand for manufactured goods did not greatly support local manufacturing because the costs of shipping to large North American and European cities were too high.

Although there were some manufacturing and processing factories in St. John’s before Confederation that produced goods for the domestic market, less than seven per cent of the labour force was engaged

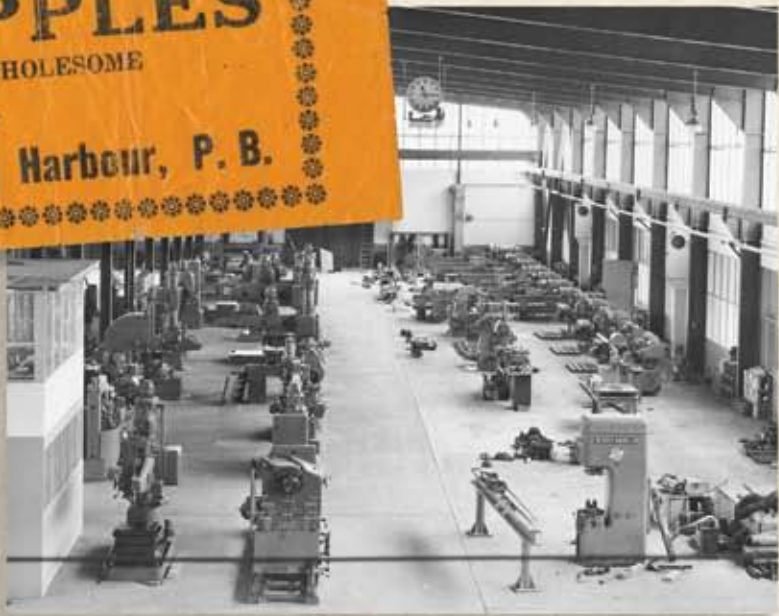
in small-scale manufacturing in the early 1940s. By the late 1940s, some resource-based manufacturing, and services industries had developed, which provided a reasonable cash-based wage for workers. But the majority of Newfoundlanders and Labradorians were still employed in a fishery that gave them a low wage.

Looking for expert direction in industrial development, the provincial government, on the advice of the Canadian government, engaged Alfred Valdmanis as Director of Economic Development. Valdmanis was a Latvian-born economist who had spent considerable time in Germany. He attempted to relocate a number of industries facing production difficulties in Europe



6.28 Despite several obstacles, a few manufacturing and processing factories operated here before Confederation. Goods produced domestically included ropes, nets, twines, stoves, nails, paints, clothing, tobacco products, food and dairy products, margarine, and other commodities. (above) Eddy’s Cannery, North Harbour, Placentia Bay, opened in the mid-1930s and operated for 10-15 years canning lobster in the spring and bakeapples in the summer.

6.29 Interior view of the Canadian Machinery and Industry Construction (machine plant), St. John’s, post 1951



6.30 Industries introduced under economic plan, 1950-1957

Year	Business Name	Location	Cost	Closure
1950	North Star Cement	Corner Brook	\$3.7 million	2000
1950	Atlantic Gypsum	Corner Brook	\$1.5 million	2007
1951	Canadian Machinery and Industry Construction Limited	Octagon	\$5 million	1980s
1951	United Cotton Mills	St. John’s	\$4 million	1986
1951	Atlantic Films & Electronics	St. John’s	\$20 000	1980s
1951	NFLD Hardwoods Ltd.	Donovan’s	\$2 million	1980s
1952	Atlantic Hardboard Ind. Ltd.	Donovan’s	\$575 000	Closed*
1952	Newfoundland Tanneries	Carbonear	\$750 000	1957
1953	Atlantic Gloves Limited	Carbonear	\$350 000	1957
1953	Gold Sail Leather Goods	Harbour Grace	\$200 000	1960
1954	Hanning Electric Limited	Topsail	\$325 000	1958
1954	Superior Rubber	Holyrood	\$1 million	1956
1954	Terra Nova Textiles	Harbour Grace	\$500 000	1986
1954	Koch Shoes	Harbour Grace	\$750 000	Remains
1956	A. Adler Company	Bay Roberts	\$550 000	1960
1957	Eckhardt Knitting Mills	Brigus	\$387 400	1960s

* Date unknown

6.31 Employment by sector in Newfoundland and Labrador, 1945

Sector	Number of Workers*	% of Workers
Fishing	31 634	28.12
Forestry and logging	7606	6.76
Agriculture	4179	3.71
Mining	3002	2.67
Hunting and trapping	244	0.22
Service	21 856	19.43
Manufacturing (including paper-making)	10 588	9.41
Transportation and communication	8392	7.46
Trade	7817	6.95
Buildings and construction	6174	5.49
Finance	407	0.36
Unspecified	10 609	9.43
Total	112 508	

* Includes gainfully occupied not reporting income
Source: 1945 Census

to Newfoundland. Several industries were opened here, but most ran into difficulties. The local demand for their products was low, and high transportation costs made it impractical to import raw materials and export the finished products. In many cases, competing products could be imported and sold at lower prices than the locally produced goods. The lack of skilled labour was also a problem and kept productivity low.

These conditions led to the eventual closure of most of the new industries. In 2010, only one of these initiatives remains – Koch Shoes (Harbour Grace), which now operates under the name of Terra Nova Shoes. This experiment in small-scale industrial diversification proved costly and cast doubts on its wisdom. More damaging was the scandal that eventually arose from the revelation of corrupt financial dealings with foreign investors.

6.32 A remaining industry

As of 2010, Terra Nova Shoes of Harbour Grace – which began life as Koch Shoes – is the only remaining venture from the 1950s drive for diversification. In this modern factory view, sewn uppers are roughed by robots prior to the application of outsoles. At left is a finished product, the Style 7996 Mercenary.



THE VALDMANIS SCANDAL

On April 23, 1954, Smallwood informed the press that Valdmanis had been arrested and charged with extortion. He had been accused of skimming large amounts of money from German investors and depositing it in the New York City bank account of a relative. The arrest of Valdmanis in New Brunswick and his trial in St. John's touched off a media sensation. The court found Valdmanis guilty and sentenced him to a four-year prison term, of which he served half; Smallwood later described Valdmanis as a brilliant, but tragic, figure.

The Opposition in the House of Assembly and the media demanded an inquiry into the extent of the kickbacks and the nature of the mismanagement of the new industries. The media bombarded Smallwood with questions in an attempt to get to the bottom of rumours and speculations about Valdmanis' financial role in the whole affair. Smallwood denied any knowledge that Valdmanis received commissions when he was attracting foreign business interests to the province or collecting contributions for the Liberal Party.

6.33 From *The Evening Telegram*, April 24, 1954

Valdmanis Held In St. John Jail

Dr. Valdmanis was locked in the County Jail at St. John, New Brunswick last night. The triple doctor from Latvia, has, according to his own story, been in and out of several jails, and even condemned to death on several occasions in the past.

He was locked up by the Russians in 1940, who found him and a handful of others operating a "caretaker Government"—a dictatorship patterned on Hitler's Germany—in Riga, capital of Latvia.

The Russians, according to his story, were shooting all political prisoners, when the Nazi army of liberation arrived. They had gotten down to the last two cell-blocks, in which Dr. Valdmanis, with his companions crouched awaiting

their turn to go before the firing squad, when the Germans marched in and set all prisoners free.

He was restored by Hitler to his place at the head of the Latvian Government. But that didn't last long. He was re-arrested and once more spent long months in jails and concentration camps, enduring unheard-of hardships, until ultimately he was condemned to death (by an SS court, according to one report, though some authorities claim that only SS members could be tried by the SS.)

Again he escaped, according to his own story, by the skin of his teeth. He then vanished into Germany, and there follows a two-year blank in his career, during which he is

Storybook Career Of Dr. Valdmanis

**Excerpt from
*Joey Smallwood: Between
Scoundrels And Saints*,
a documentary by
Barbara Doran**

This documentary, produced 50 years after Confederation, explores the private and public sides of Joey Smallwood using a mixture of interviews with political observers and colleagues of Smallwood, news clips, propaganda films, and readings from Smallwood's journals. The following excerpt takes a look at some of Smallwood's economic strategies.

6.34

PROGRESS REPORT

SHOT OF A BOOK CALLED THE NEWFOUNDLAND PROGRESS REPORT.

NEWSMAN REPORTS (O.S.)
Here then is another page in the
story of this Island's advancement.

SHOT OF MACHINES WORKING HARD AND INDUSTRY ADVANCEMENT.

MEN WORKING HARD ON HAMMERING HORSE SHOES.

NEWSMAN REPORTS (O.S.)
From the past of despair to a day
of hope when new flourishing
industries will bring to our people
a greater measure of security.

SHOT OF MEN WORKING ON SOLDERING METAL.

SHOT OF MEN WORKING ON WOODEN BARRELS.

A ROOM FULL OF WOMEN IN ROWS, WORKING AT SEWING MACHINES.

NEWSMAN REPORTS (O.S.)
And to its province a rightful
place in the sun.

CUT TO:

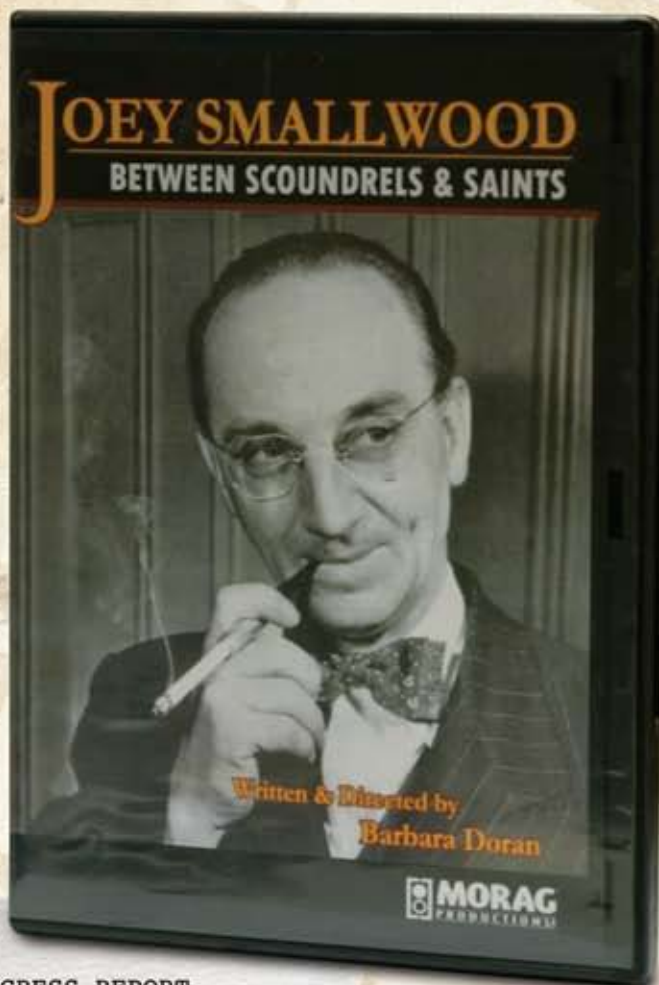
RICHARD GWYN INTERVIEW

FILM FOOTAGE OF CONTRACTORS TAKING MEASUREMENTS IN THE
FIELD. CEMENT AND WOODWORKERS MAKING ADVANCEMENT.

SHOTS OF PLUMBING BEING INSTALLED INTO THE GROUND AT NEW
HOUSING DEVELOPMENTS

RICHARD GWYN (O.S.)
Joey wanted to make dramatic
instant change because he was
terrified that once Newfoundland
(MORE)

(CONTINUED)



6.35 DVD cover of
the documentary
*Joey Smallwood:
Between Scoundrels
and Saints*

This stands for "off screen".

Experiencing The Arts

To learn more about
filmmaker Barbara Doran
and her other work,
turn to page 606.

CONTINUED:

4.

RICHARD GWYN (O.S.) (cont'd)
had joined Canada therefore all
barriers to movement of people was
gone.

SHOT OF MEN WORKING IN COAL MINES.

MEN HAMMERING BOARDS TOGETHER. ADVANCEMENT IN HOUSING.

RICHARD GWYN (O.S.)
That Newfoundland's population
would just hemorrhage away because
Newfoundland was so much poorer
than the rest of Canada.

LINEUPS OF PEOPLE

NEWSMAN REPORTS (O.S.)
Yes today and tomorrow Newfoundland
is truly on the march.

SHOT OF THE RED ENSIGN.

SHOT OF UNION JACK FLYING IN THE WIND.

RICHARD GWYN
So he went the route of
industrialization to make
Newfoundland into an industrial
society. Totally crazy, totally
crazy, I mean here we have an
island which had, I think, about 50
miles of paved road. Off shore or
off North America why on earth
would anybody locate a factory in
that island to sell to a market in
the United States or Canada? It was
totally crazy, but he was convinced
he had to do it because it was the
only way he could create jobs fast
enough to stop people from
emigrating. And that's when he blew
it.

JOEY ON THE STAND TALKING TO LABOUR LEADERS

SHOT OF JOEY SMALLWOOD TALKING TO A CROWD OF LABOUR LEADERS
AND BUSINESSMEN. RADIO MICROPHONES ARE PLACED IN FRONT OF
HIS PLATFORM.

(CONTINUED)

CONTINUED:

5.

NEWSMAN REPORTS (O.S.)
As the distinguished business,
government and labour leaders
listened, Premier Smallwood told
them of the progress made by the
economic development program.

SHOT OF MR. HOWE ADDRESSING THE SAME CROWD

NEWSMAN REPORTS (O.S.)
Optimistic too was Mr. Howe as he
told his audience that success for
the new enterprise was assured.

SHOT OF PREMIER SMALLWOOD AND AUDIENCE OF GOVERNMENT
OFFICIALS WATCHING AND LISTENING AS MR. C.D. HOWE ADDRESSES
THEM.

CUT TO:

HAROLD HORWOOD INTERVIEW

HAROLD HORWOOD (O.S.)
Smallwood's first great mistake was
going to C.D. Howe and saying that
I'm looking for a man to run the
economics of our province, and then
his second mistake was accepting
the one that C.D. Howe recommended,
which was Dr. Valdimanis.

6.36 The Atlantic Gypsum Plant
in Corner Brook (shown here c.
1954) was one of Smallwood's
many manufacturing initiatives.



Experiencing The Arts

Now that you have your pre-production tasks completed, it's time to shoot your film. Do a final review of your storyboard, and schedule multiple practices with any

actors **before** you shoot. As you shoot, make sure to log your takes carefully and have fun!

Establishing Mega-Projects

Since attempts at developing new industries ended in failure, the Smallwood government moved on in the mid to late 1960s to another phase of its industrialization plans – **mega-projects**. The chief stumbling block, as always, was financing. Believing that foreign capital could be attracted, the government attempted to entice investors with such incentives as tax breaks, loans, and cheap hydroelectric power. The projects included a phosphorus manufacturing plant in Long Harbour, an oil refinery in Come By Chance, a massive hydroelectric project at Churchill Falls in Labrador, and a linerboard mill in Stephenville.



6.37 From *The Daily News*, Feb. 1, 1973

Suspicion is growing in dead herring issue

OTTAWA (CP)—The “suspicion is growing” that fish are being killed in the Placentia and St. Mary’s Bay areas of Newfoundland by waste from a phosphorus plant, the federal Fisheries Department said Thursday.

In an announcement referring to dead herring showing discoloration that have appeared in these bays the department said the problem first showed up after the plant of Electrolytic Reduction Co. of Canada started operations last year.

An “accidental spill” of material from the plant into the ocean took place shortly after the start of operations and it may have been a cause of an initial herring kill, the announcement said.

It added:

“Recently the situation has changed and there is now evidence that some additional fish are dying.

“The suspicion is also growing that these fish kills are in fact being caused by the waste from the phosphorus plant.

The question of taking action against the company has been raised.”

But the statement said Fisheries Minister Jack Davis feels that evidence so far is inadequate for such action.

“We do not have enough facts to prove that the fish are being killed by effluent from the phosphorus plant and the burden of proof is on my department in any case,” Mr. Davis was quoted as saying.

Long Harbour Phosphorus Plant

In 1966, the Electric Reduction Company of Canada Industries Limited (ERCO) established a phosphorus plant in Long Harbour, Placentia Bay. ERCO considered Newfoundland an attractive location for this development for several reasons. Processing phosphorus consumed large quantities of energy,* and the government promised cheap, long-term power from the Bay d’Espoir hydroelectric development. Moreover,

Long Harbour had a deep, ice-free port that made shipping easy, and it was close to a natural supply of silica (a raw material used in phosphorus production). From the government’s point of view, the plant would be an economic boost for a rural area where jobs outside the fishery were scarce.

Long Harbour, formerly a typical inshore fishing

The company manufactured elemental phosphorus, which is commonly found in inorganic phosphate rocks and in all living cells, and used in foods, cleaners, animal feeds, and fertilizers.

*When operating the plant, ERCO consumed 14 per cent of the electricity used on the island.

**The herring turned red because of internal bleeding caused by exposure to wastes from the plant. Cod were afflicted with a form of meningitis, causing erratic behaviour and death.*

community, had little public infrastructure; therefore, in addition to the cheap power and \$10 million in electrical subsidies, the provincial government built roads, schools, and housing in the area. The federal government funded a wharf and a road between the community of Long Harbour and the mill. The silica was also highly subsidized by the province, at 10 cents per ton. The project employed 1300 workers at the peak of construction and about 400 during regular operation. The plant was completed in 1968 at a total cost of \$40 million.

Within months of opening, the phosphorus plant was implicated in environmental and health-related issues. Fishers in Placentia Bay reported finding dead fish, including herring that had turned red. ERCO voluntarily closed the plant to investigate. The reports revealed that untreated waste was damaging the marine ecosystem.* Air pollution also became an issue, as fluoride emissions from smokestacks damaged plants and animals in the area. Deformed moose and rabbits were found near the plant. Snowshoe hares were dissected and tested, and high levels of fluoride were found in their bones.

Furthermore, a by-product of phosphorus production, slag – used locally as a building material – was found to contain uranium and thorium, which emitted carcinogenic radon gas. This gas was particularly

poisonous when contained in enclosed spaces. Although ERCO had to pay for the removal of the material, a provincial health study later found that about 15 per cent of the plant workers suffered from fluorosis – a condition that causes stomach ailments and muscle and joint pain.

In 1980, the Newfoundland government negotiated the sharing of power costs with ERCO to help alleviate the government's huge economic burden of supplying cheap power to new industry. But six years later, financial difficulties ensued for ERCO and the company laid off 80 employees. Finally, in 1993 ERCO closed its doors, claiming it was no longer economically viable to operate the facility. A new method of manufacturing phosphoric acid and other phosphorus chemicals had been invented, which cost 20 to 30 per cent less than the Long Harbour process. About 300 workers were left unemployed and the population of Long Harbour dropped by half. After closing, ERCO spent \$29 million cleaning up the site and paying severance packages and pensions. The shutdown resulted in a loss of \$4 million a year to the local economy.

6.38 Fishers demonstrate against the pollution of their fishing grounds by the waste from the Long Harbour phosphorus plant



6.39 ERCO Phosphorus Plant, Long Harbour, c. 1974

ERCO was attracted to Newfoundland because of the government's "cheap power" policy, enabling them to receive power at half the cost.



6.40 Come By Chance Landscape 2
by John Hofstetter, serigraph, 1977



Come By Chance Oil Refinery

In 1967 an American industrialist, John Shaheen, proposed to build an oil refinery at Come By Chance. Smallwood embraced the job opportunities that the construction and operation of the refinery would create. Since Shaheen had previously established a successful refinery at Holyrood in 1960, his reputation was not in question. His proposal was sound: build the refinery, import crude oil from the Middle East, and produce a range of products that manufacturers could transform into leaded and unleaded gasoline, jet fuel, fuel oil, and asphalt. Come By Chance was a suitable geographic location for the refinery because of its ice-free, deep-water harbour that provided easy access to the world's shipping lanes. The refinery was expected to process approximately 100 000 barrels a day for sale in North America and employ up to 1000 people.

The proposed refinery faced the same obstacle as past projects – financing. This became a divisive issue within the government after Smallwood guaranteed government assistance to finance the construction of the refinery to the tune of \$30 million. When he then gave Shaheen \$5 million in unsecured financing, two members of his cabinet crossed the floor. A British company was awarded the contract to build the facility and, in mid-1972, a crew of 2000 labourers started building office and warehouse space and giant storage tanks able to hold more than 600 000 barrels of crude oil. Workers laid a spur track to the railway and built an access road to the Trans-Canada Highway. Shaheen signed a multi-million dollar deal with a British oil giant and predicted the refinery would pay for itself in six years.

Come By Chance was a suitable geographic location for the refinery because of its ice-free, deep-water harbour that provided easy access to the world's shipping lanes.

Unfortunately Shaheen was wrong and the refinery went bankrupt within three years. During the first three years of production, the operation was plagued with work stoppages and malfunctioning machinery. Other circumstances, such as competition from other refineries in Eastern Canada, caused a significant decline in the price of petroleum products. In addition, Arab oil producers cut exports of petroleum in 1973, driving up the price of crude oil. By 1974, the refinery had lost \$58 million. Several investors called in their loans in 1976 and forced the refinery to close its doors. Local suppliers were left unpaid and hundreds of workers were suddenly unemployed. In all, taxpayers lost about \$42 million on the project.

But Come by Chance got a second chance. The refinery was reopened in 1987 by a new company that turned the operation around with exports of more than \$2 billion a year. Currently owned and operated (since 2009) by Korea National Oil Corporation (KNOC), the refinery is well known for cutting edge technology that produces low-sulphur clean fuel from lower grades of crude.



6.41 In 1972, the Isomax reactor lift, part of the Come By Chance refinery's gasoline-producing unit, was the heaviest single lift in North America at 644 metric tonnes (710 tons).



6.42 The Come By Chance refinery still operates.

6.43 Smallwood at a news conference regarding the opening of Churchill Falls.



***The contract stated 44 years from first power in 1972 or 40 years from project completion in 1976 with automatic renewal for another 25 years.*

**When built, the power facility's height was equivalent to a 13-storey building, and it was the length of three football fields.*

Churchill Falls Hydroelectric Project

The development of hydroelectricity on the Hamilton River (renamed the Churchill River in 1965) in Labrador was a major project undertaken by the Smallwood government. Churchill Falls, at the time of its construction, was the largest underground power station in the world. The power facility* was hollowed out of solid rock nearly 305 metres (1000 feet) beneath the surface.

Many academics suggest that, under the market conditions of the time, the Upper Churchill Falls hydroelectric project was a good idea for the province. The main flaw was the agreement, which did not provide for escalating prices in energy and appropriate revenue sharing. The plan was simple: cheap power would spur new industry in Newfoundland and in Labrador; the sale of electricity would be a source of revenue for the government, and the construction and operation of the facility would create jobs. However, the project was in a remote location 200 kilometres from the Québec border, which meant power would have to be either sold to Québec or transmitted across that province to markets elsewhere.

Talks with Hydro-Québec began in the mid-1950s and, after a complicated and drawn-out process, a contract

was signed between Hydro-Québec and Churchill Falls (Labrador) Corporation (CFLCo) in 1969. The contract provided that Churchill Falls power would be sold to Hydro-Québec at fixed prices until the contract ended in 2041.** Very little power was retained for use on the island and in Labrador.

The surge in energy prices caused by the oil crisis in the 1970s turned this arrangement to Hydro-Québec's advantage. Québec was able to sell its cheaply purchased power at inflated prices and received windfall profits. By the end of that decade, it was calculated that Newfoundland and Labrador was losing \$600 million per year. Attempts to renegotiate the deal with Québec in following years failed, as did court actions to have the contract overturned. However, in 1998 the provincial government and Québec successfully negotiated a revision to the pricing system that would enable Newfoundland and Labrador to net a profit of \$2.6 billion by the year 2041.

The environmental and social effects of the hydroelectric development in Labrador were devastating for the Innu population. The damming of the Churchill River

This is based on the difference between the amount for which Newfoundland and Labrador sold the power to Hydro-Québec and the amount for which Hydro-Québec resold it for.

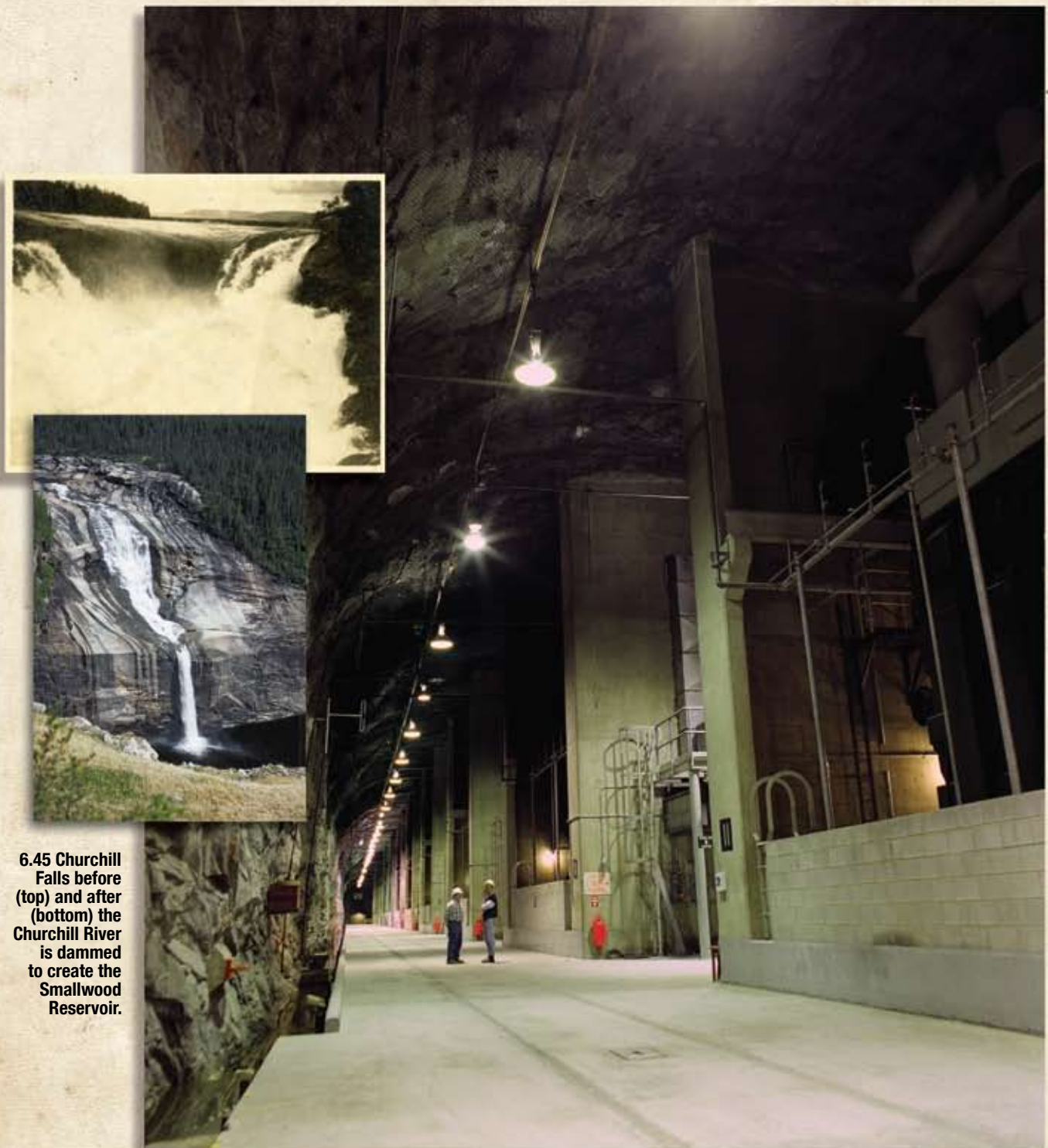
**Metis traplines were also flooded.*

flooded more than 1300 square kilometres (502 square miles) of Innu land. The tremendous waterfall Innu named Patshetshunau ("Grand Falls" in English), once audible and visible 16 kilometres (10 miles) away, was reduced to a mere trickle in order to create the Smallwood Reservoir. The extensive flooding accelerated the erosion of the river banks and destroyed Innu burial grounds to the point of exposing human bones. Innu campsites and belongings were destroyed, as was access to hunting areas.* The flooding also did irreversible environmental damage to wildlife habitats, and methyl mercury produced by the rotting of newly submerged

vegetation affected some fish populations. There is no evidence to suggest the Newfoundland government consulted with Innu, nor was compensation granted even after their losses were understood.

Other residents of Labrador were also unhappy with the Churchill Falls development. Many of the new jobs created went to people from Québec or the island, who went home after the construction phase and took their money with them. This left some Labradorians feeling that their natural resources were being exploited by and for the benefit of others.

6.44 The hydroelectric generation plant, Churchill Falls, 2010



6.45 Churchill Falls before (top) and after (bottom) the Churchill River is dammed to create the Smallwood Reservoir.

Linerboard mill operating on a test basis-Crosbie

The much-maligned Stephenville linerboard mill is in production, at least on a test basis.

Finance minister John Crosbie said Wednesday the first linerboard stock to be made from Labrador wood was expected off the production line about midnight last night. He said the process, carried out as a production test, involves the first reduction of Labrador wood to pulp and its processing into linerboard stock.

In the House of Assembly Wednesday, Mr. Crosbie told

Opposition Leader Edward Roberts that the first products of the mill had already been received. What he was referring to was a test run earlier this week which consisted of re-digesting linerboard made at another plant and then re-processing it into linerboard again.

Forestry minister Ed Maynard said the logs used in the test came from a stock of 150,000 cords of Labrador wood now in a holding boom at Stephenville. He said the supply is enough for about two months continuous operation of the mill.

6.46 From *The Daily News*, Feb. 1, 1973



Labrador Linerboard Ltd. Mill, Stephenville

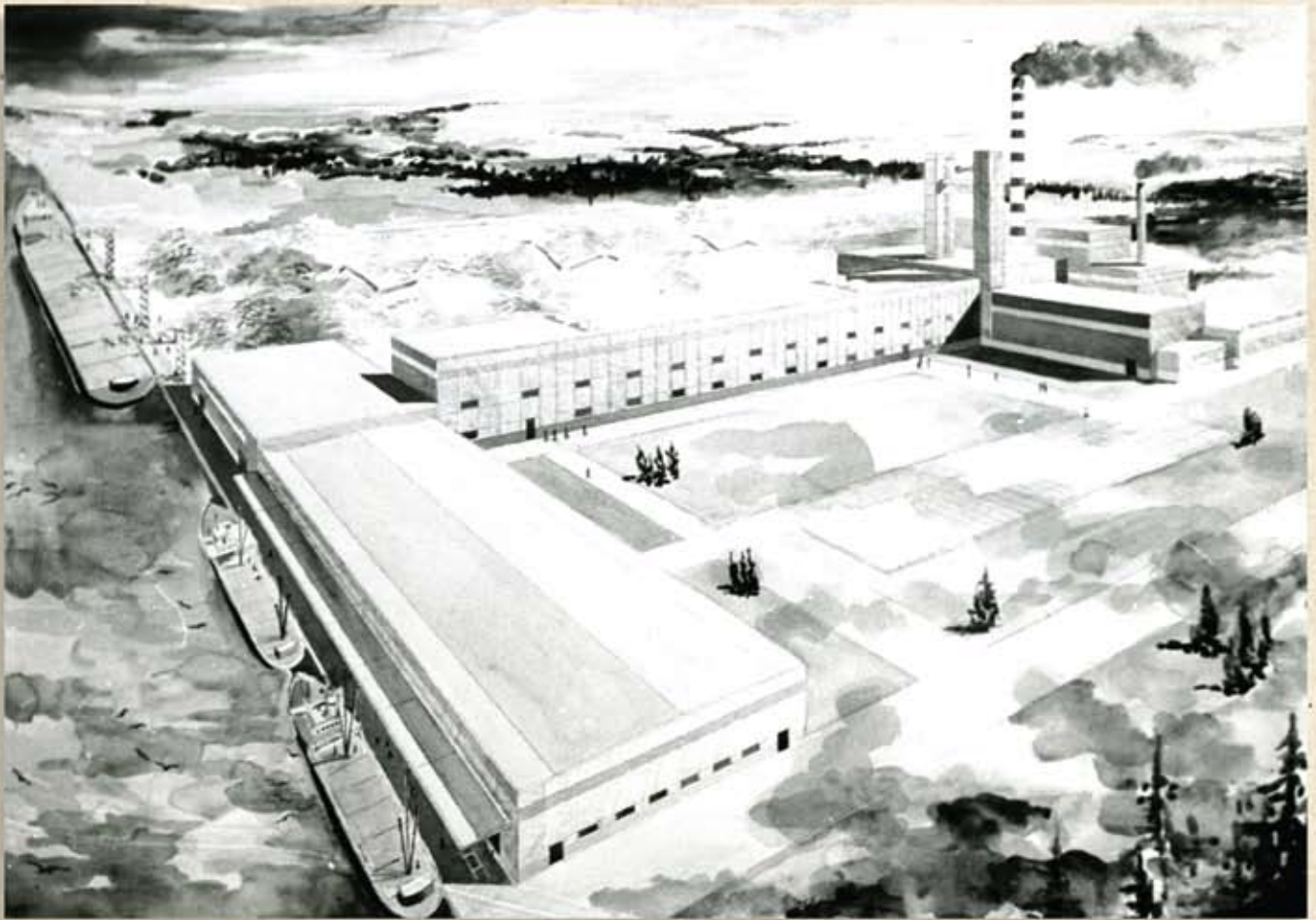
In the mid to late 1960s, the government began exploring options with private companies to build a third mill in the province. This was due in part to the success of the existing pulp and paper mills at Grand Falls and Corner Brook. Impressed with the business sense of American John Doyle, Smallwood's government entered into a joint deal with Doyle to develop a linerboard mill. Linerboard, a flat cardboard surface, was a highly marketable product, fetching close to \$500 per ton in Europe by 1974. Smallwood rationalized that if the other paper companies could economically cut wood and ship it out for processing, it could work for the linerboard mill.

Stephenville* was the chosen location for the new mill. Located on the island's west coast, this community

was in desperate need of employment. The United States military had withdrawn from Harmon Field in December 1966, eliminating 1200 jobs and decreasing Stephenville's population by around 4500 people. While Stephenville's port was deep and ice-free year-round, transporting the wood from Labrador to Stephenville would be costly. Even though Newfoundland was closer to the markets than other North American linerboard facilities, the mill was still a long distance from Europe, North and West Africa, and the Near and Middle East.

The projected cost to build the mill was \$75 million; as this was an expensive venture, the Newfoundland government sought foreign investors and new markets. Doyle's company undertook technical studies to choose

**The original location of the mill was to have been Labrador, which had large supplies of wood. However, the waterway leading to the Labrador Sea was blocked by ice for at least half the year, impeding accessibility to the product.*



6.47 A graphic representation of the linerboard mill in Stephenville

the best method to transport the wood to Stephenville. A combination of these issues created a four-year delay for the project. Construction of the Labrador Linerboard Ltd. Mill finally began in 1971 – the same year Smallwood’s Liberals were defeated. The newly elected Conservatives, led by Frank Moores, took office early in 1972 and purchased the mill. The project was plagued by major cost overruns and large infusions of government cash were necessary to complete the project. By the time construction of the mill was finally complete in 1973, the mill had cost \$155 million.

The government hired an advisory board in 1976 to determine the fate of the mill. It was deemed not viable

in the long term. Interestingly, representatives from the two other paper mills operating on the island were on the advisory board, which could explain why it was proposed that the Stephenville mill should be operated in conjunction with them. The linerboard mill was closed late in 1977, after the government had invested over \$300 million in it. In 1978, the government sold the mill and its shipping and docking facilities to Abitibi Paper Company for just \$43.5 million. The mill was converted for newsprint production and during the 15-month conversion employed 600 people. Regular operations employed 250 workers until the mill finally closed its doors in 2005 because of high electricity costs and adverse market conditions.

Questions:

1. What were the main reasons many industries which opened in Newfoundland and Labrador during the Smallwood years ran into difficulties? What reasons might explain why Koch Shoes survived?
2. Use a graphic organizer to give the main reasons for building a phosphorus plant at Long Harbour, an oil refinery at Come By Chance, a hydroelectric power plant at Churchill Falls, and a linerboard mill at Stephenville. Also, give the main problems associated with each mega-project.
3. Despite the problems noted in question 2, was the building of these mega-projects good for the provincial economy? Support your answer.