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.

Attracting New Industries

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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

“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
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.

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.
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.

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

* Date unknown
This painting entitled *We Filled 'Em To The Gunnells* by Sheila Hollander shows what life possibly may have been like in XXX circa XXX.

Fig. 3.4

515

515

515

90x496 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.

### 6.31 Employment by sector in Newfoundland and Labrador, 1945

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

* Includes gainfully occupied not reporting income

Source: 1945 Census

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.

### 6.32 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.

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

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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.

Experiencing The Arts
To learn more about filmmaker Barbara Doran and her other work, turn to page 606.
This painting entitled "We Filled 'Em To The Gunnells" by Sheila Hollander shows what life possibly may have been like in XXX circa XXX.

Fig. 3.4

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

CONTINUED:

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:

NEWSMAN REPORTS (O.S.) As the distinguished business, government and labour leaders listened, Premier Smallwood told them of the progress made toward 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 HOBWOOD INTERVIEW

HAROLD HOBWOOD (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. Waldmann.

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.

**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, NL**

The government viewed 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.

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

**Long Harbour Phosphorus Plant**

OSTAWA (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 Electric 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.
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.

*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.

*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.

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

Churchill Falls Hydroelectric Project
This painting entitled *We Filled 'Em To The Gunnells* by Sheila Hollander shows what life possibly may have been like in XXX circa XXX.

The hydroelectric generation plant, Churchill Falls, 2010

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.

*Metis traplines were also flooded.*

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

6.44 The hydroelectric generation plant, Churchill Falls, 2010
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 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.