

Chapter Six

MODERN TIMES



Road to Confederation

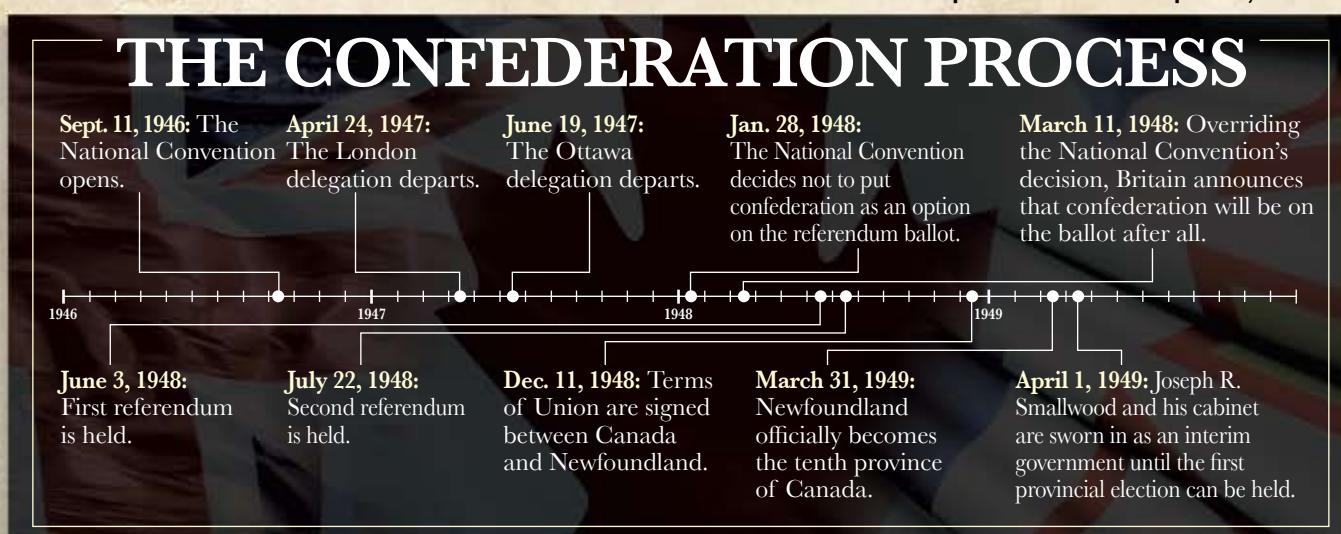
Did Newfoundland make the right choice when it joined Canada in 1949?

If Newfoundland had remained on its own as a country, what might be different today?



6.1 Smallwood campaigning for Confederation

6.2 Steps in the Confederation process, 1946-1949



**This date is significant because it suggests that the confederates expected confederation to be on the referendum ballot, although this was not announced until March 11, 1948.*

The Referendum Campaigns: The Confederates

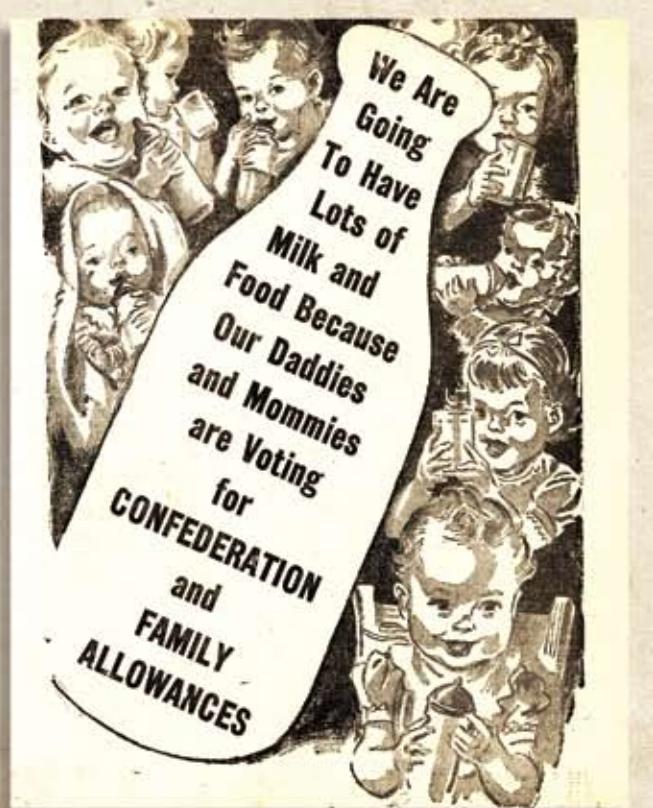
Despite the decision by the National Convention on January 28, 1948 not to include Confederation on the referendum ballot, the British government announced on March 11 that it would be placed on the ballot as an option after all. With the date of the first referendum set for June 3, this seemingly did not give either side of the debate much time to prepare for their campaigns. However, the Confederate Association, formed to advocate that Newfoundland join Canada, had a head start as it was created on February 21, 1948.*

The Confederate Association elected Gordon Bradley as president and Joseph Smallwood as campaign manager. Its campaign was officially launched on April 7, 1948, although it had really begun when the National Convention defeated Smallwood's motion to include confederation on the referendum ballot. Since that time, Bradley and Smallwood had given regular radio addresses over VONF and VOCM, condemning the delegates who had voted down confederation as the "29 dictators."

The Confederate Association was well-funded, well-organized, and had an effective island-wide network. It focused on the material advantages of confederation, especially in terms of improved social services – family allowance (the "baby bonus"), unemployment insurance, better pensions, and a lower cost of living. At the same time, the confederates convinced voters that the anti-confederates represented the mercantile elite. They reminded voters of the corruption and poverty of the 1920s and 1930s, and suggested that a vote for responsible government would signal a return to depression-era poverty. These messages were combined in the confederates' strong appeal to families and the parents of young children. The Association's newspaper, *The Confederate*, described children as the future of Newfoundland, and argued that a brighter future lay with Canada. A vote for confederation was a vote for children.

"Playing on the fears and suspicions that Newfoundlanders associated with Responsible Government, and linking those fears explicitly to the well-being of the country's children, Smallwood and his fellow Confederates utilised ... the notion that a vote against Confederation was an abdication of parental responsibility ..."

– Karen Stanbridge, "Framing Children in the Newfoundland Confederation Debate, 1948," 2007



6.3 From *The Confederate*, June 23, 1948

The confederates used the idea that if one wanted to be a good parent, he or she needed to vote for confederation.



6.4 From *The Confederate*, May 5, 1948

The confederates often depicted anti-confederates as the mercantile elite.

The Referendum Campaigns: The Anti-Confederates



6.5 Chesley Crosbie, leader of the Economic Union Party

Compared to the Confederate Association, the anti-confederates had less funding, were less organized, and lacked clear leadership. Indeed, the anti-confederates were disunited and consisted of several groups with

differing interests: the Responsible Government League, the Economic Union Party, and the Roman Catholic Archdiocese. However, despite the shortcomings of the anti-confederate campaign, it had widespread support. Its appeal was nationalistic and anti-confederates implored people: "Don't sell your country."

The Responsible Government League (RGL) argued that Newfoundland was economically and financially healthy, with rich natural resources and a strategic location in the North Atlantic. It thought that confederation was unnecessary and that the proposed terms of union posed a threat to the fisheries and the local industries that were protected by Newfoundland tariffs. Its platform was that responsible government should be restored first. Newfoundlanders could then decide whether or not confederation was the best option for the future and only then negotiate terms of union.

The Economic Union Party (EUP) argued for economic union with the United States. It was led by successful businessman Chesley Crosbie,* who believed that if Newfoundland could export its resources to the United States, the economy would be strong enough for responsible government to succeed. However, since that was not an option on the referendum ballot, the Economic Union Party supported responsible

6.6 A cartoon from *The Independent*, March 29, 1948, promoting economic union with the United States



*After confederation won the referendum, Crosbie served on the delegation from Newfoundland that negotiated terms of union. He did not sign these terms because he felt that the financial clauses would not allow Newfoundland's provincial government to balance its books.

*The Roman Catholic Church in eastern Newfoundland was largely the voice of Newfoundlanders of Irish extraction. West coast Roman Catholics seem to have been largely confederate.

government as a step towards that goal.

The Roman Catholic Archdiocese also argued for the restoration of responsible government, which it had been active in attaining in 1855. At the very least, it argued, responsible government should be restored before consideration was given to confederation with Canada. In particular, the Church* was concerned with keeping the denominational school system, which it feared would be destroyed with confederation.

6.7 A letter from the Roman Catholic Archbishop of St. John's supporting responsible government, from *The Monitor*, April 1948

6.8 A cartoon from *The Independent*, April 5, 1948, suggesting joining Canada would mean extra taxes for Newfoundlanders and Labradorians

His Grace The Archbishop Speaks To Young Newfoundland

[Extract from letter to St. Bonaventure's Alumni July, 1947]

"There would seem to be ground for the criticism we sometimes hear that our people, our young people especially, are indifferent to matters vitally affecting the welfare of our country. That is due partly to the fact that the present generation of youth has grown up in an undemocratic atmosphere, and with no practical experience of democratic government. It may also be due to some extent to the prosperity which came to us as a result of the war. There is a wealth of wisdom in the well-known lines of the Irish poet Goldsmith:

"Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay."

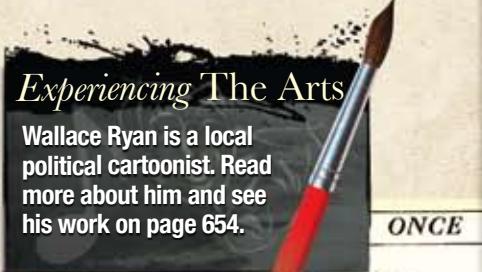
"But whatever the cause, there is a general apathy among the younger generation from which we must awake if we are to avert a national disaster. It is to the younger generation we must look for the leadership of the future. There is no dearth of men in the country eminently qualified for positions of trust and responsibility in any field, but they fail to give the leadership which the country has a right to expect from them.

"I do not think it any exaggeration to say Newfoundland today is stronger than at any period in her history. Her strength is due to circumstances and causes which are not ephemeral or passing but are permanent and lasting. It is for this reason that the decision that Newfoundland will be called upon to make is so vitally important. The present generation are the trustees for posterity in a sense that no previous generation could claim to be. It would surely be the supreme tragedy of our history, if through apathy, indifference, lack of enlightened leadership, or the influence of sinister propaganda, we were to alienate irretrievably an inheritance which was won for us by our patriotic forebears, and which is a sacred heritage from the past. These are serious matters to which we should give grave and anxious thought, and in which the enlightened educated youth of the country should make their influence felt in the times which lie immediately ahead.

I remain,

Sincerely yours,

† E. P. ROCHE,
Archbishop of St. John's.

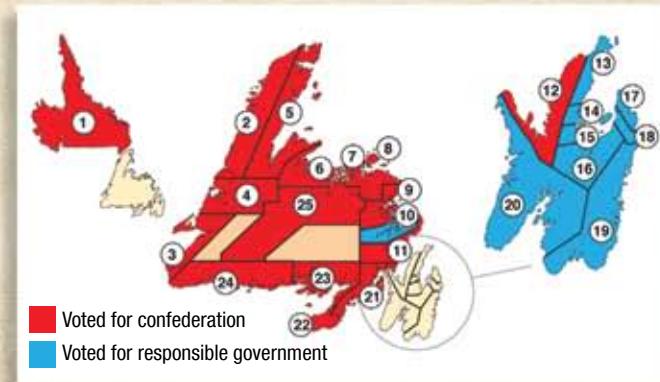


Referendum Results

The first referendum occurred on June 3, 1948. Voters had three options: responsible government, confederation, or continued Commission of Government. In the first referendum, there were more votes against than in favour of responsible government. But in order to definitively settle the matter, a second referendum was scheduled for July, this time with the last-place Commission of Government option removed. The confederates realized that victory was within their reach, and they entered the second campaign with energy and enthusiasm. In the meantime, the anti-confederates remained disorganized and their morale was shaken.

In order to win additional votes, the confederates adopted two new tactics. First, they emphasized the role played by the Roman Catholic Church in the first referendum, which they hoped would swing Protestant votes to confederation. In early July, as a result of confederate pressure, the Provincial Grand Lodge of the Loyal Orange Association issued a circular letter to all members. It cited the role played by the Roman Catholic Church, condemned "such efforts at sectional domination," and warned Orangemen of the dangers of such influence, which they should resist.

Second, the confederates attacked the members of the Economic Union Party for being disloyal, anti-British, and pro-republican. Confederation was presented as pro-British, and "British Union" became a new slogan. An anti-confederate response was to plaster St. John's with posters reading "Confederation Means



6.9 Electoral boundaries and results of the first referendum, 1948

Based on an illustration by Duleepa Wijayawardhana, 1999

1. Labrador	10. Bonavista South	18. St. John's West
2. St. Barbe	11. Trinity North	19. Ferryland
3. St. George's-Port au Port	12. Trinity South	20. Placentia-St. Mary's
4. Humber	13. Carbonear-Bay de Verde	21. Placentia West
5. White Bay	14. Harbour Grace	22. Burin
6. Green Bay	15. Port de Grave	23. Fortune Bay-Hermitage
7. Twillingate	16. Harbour Main-Bell Island	24. Burgeo-La Poile
8. Fogo	17. St. John's East	25. Grand Falls
9. Bonavista North		N/A Not applicable-no district

Note: The result shown for each district in the map above is how the majority of that district voted. Information on the percentage vote received by each option is in the tables below.

	Votes	Percentage
Responsible Government	69 400	44.6%
Confederation	64 066	41.1%
Commission Government	22 311	14.3%

	Commission Government	Responsible Government	Confederation
Avalon	8%	67%	25%
Other Districts	20%	26%	54%

6.10 From *The Daily News*, June 4, 1948

TWO-WAY STORES
Phone 3235-778
POTATOES, sack 3.50
TOMATO JUICE, 16 oz. can 15¢
STRAWBERRY JAM, 1 lb. each 30¢

THE WEATHER
Fog, hazing by noon. Cloudy this afternoon and evening.

THE TRAINS
Local express due in the city at 11 A.M. with 1000 passengers.

NATIONAL SAVINGS CAMPAIGN
Book up Your Book Account
by Saving — The Savings Stamp Way

The Daily News
Newfoundland's Only Morning Newspaper

ST. JOHN'S, NEWFOUNDLAND, FRIDAY, JUNE 4, 1948

PAGE 1

NO DECISION IN REFERENDUM

Heaviest Poll In History Of Island Recorded Yesterday

Responsible Government, Confederation Wage Stiff Battle For Leadership

COMMISSION OF GOVERNMENT REJECTED OVERWHELMINGLY

Standing Of Poll At 12:30 a.m.

Commission Confederation Responsible

10. Barre 2,751 1,265 405

White Bay 1,685 2,285 286

Grand Falls 1,800 1,800 400

Carbonear 2,000 1,800 500

St. John's 5,885 5,500 1,000

Port au Port 1,000 2,400 200

Harbour Grace 1,800 2,300 400

Bonavista 1,800 2,000 200

Bonavista North 1,700 2,000 200

St. John's West 1,800 2,000 200

Twillingate 1,700 2,000 200

Fogo 1,800 2,000 200

Burin 1,800 2,000 200

Burgeo 1,800 2,000 200

Grand Falls 1,800 2,000 200

Placentia 1,800 2,000 200

Placentia-St. Mary's 1,800 2,000 200

Fortune Bay 1,800 2,000 200

Burin 1,800 2,000 200

Burgeo-La Poile 1,800 2,000 200

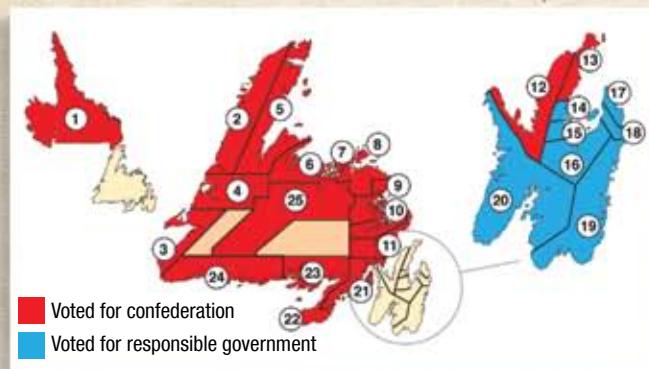
Grand Falls 1,800 2,000 200

Commission of Government 1,800 2,000

British Union with French Canada."

Between the two referenda, the confederates were able to convince most of the Commission of Government supporters to vote for confederation. As a result, the second referendum, held on July 22, 1948, resulted in a narrow victory for confederation over responsible government. There was a sectarian element to voting patterns – most, but not all, Roman Catholics voted for responsible government while most, but not all, Protestants voted for confederation. However, the greatest division among voters was regional – in both referenda the majority of Avalon Peninsula districts voted for responsible government, while the majority of the other districts voted for confederation.

After the second referendum, the Roman Catholic Church abandoned its opposition to confederation and the Responsible Government League disbanded. However, some of its members did try to stop confederation. They sponsored a petition calling for a return to responsible government, and gathered 50 000 signatures. Peter Cashin and others took it to London, hoping to influence British parliamentarians, but it had little or no effect. They also took court action against the Commission of Government, claiming that the legislation authorizing both the National Convention and the referenda were unconstitutional, and that confederation could only be brought about by an elected legislature. However, the action was thrown out.



6.11 Electoral boundaries and results of the second referendum, 1948
Based on an illustration by Duleepa Wijayawardhana, 1999

1. Labrador	10. Bonavista South	18. St. John's West
2. St. Barbe	11. Trinity North	19. Ferryland
3. St. George's-Port au Port	12. Trinity South	20. Placentia-St. Mary's
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9. Bonavista North		N/A Not applicable-no district

Note: The result shown for each district in the map above is how the majority of that district voted. Information on the percentage vote received by each option is in the tables below.

	Votes	Percentage
Confederation	78 323	52.3%
Responsible Government	71 334	47.7%

	Responsible Government	Confederation
Avalon	66%	34%
Other Districts	30%	70%

6.12 Group of men reading newspaper headlines announcing the results of Newfoundland's second referendum, Corner Brook, July 1948.
Newspaper headline of *The Evening Telegram* reads, "Mackenzie King Accepts Confederation Decision."

6.13 From *The Daily News*, July 28, 1948



(((DIMENSIONS OF THINKING))) *PERSPECTIVE*

—Was Confederation a conspiracy?—

Did Newfoundlanders and Labradorians freely choose Confederation? Or were they herded through the National Convention and referendum process by Britain and/or Canada to ensure they arrived at a predetermined end? Historians have different views on this.

6.14 Joseph R. Smallwood
Signing Terms of Union



Most historians seem to agree that, from Britain's perspective, it was in their best interests to promote Newfoundland's confederation with Canada. In the postwar period, Britain's own financial situation was weak, which made expenditures on reconstruction in Newfoundland impossible. The British Empire and Commonwealth was also going through its first phase of decolonization (1946-49), in which the empire withdrew from colonial administration and encouraged some colonies to move towards independence. Newfoundland's Confederation with Canada must be understood within these financial and political contexts. From Britain's point of view, as historian Jeff Webb points out, "the best way of ensuring that the Newfoundland government did not look to Britain for further financial aid was therefore to have Canada take responsibility for the island."

The question for you to decide is whether or not Britain simply acted to encourage confederation or if they used inappropriate influence to shape the future for Newfoundlanders and Labradorians. For instance, some historians point out that despite the National Convention's recommendation that the referendum ballot include only two options – the restoration of responsible government

versus the continuation of Commission of Government – Britain included confederation on the ballot anyway. Historian James Hiller argues that "it made the Convention seem like a waste of time, and convinced many that the British were more interested in manipulating events than listening to Newfoundlanders." Hiller suggests that the British should have restored responsible government first and then put their faith in the pro-confederates to win a general election and negotiate Newfoundland's union with Canada.

In the 60-plus years since Confederation, there has been much discussion on Britain's and Canada's involvement in these referenda and their legality and results. A few scholars have argued that Britain and Canada conspired secretly to get Newfoundland into confederation and that the outcome was somehow rigged. However, most historians reject the conspiracy theory and claim that there was nothing unlawful about the event. Indeed, some scholars suggest that, through the 1948 referenda, Newfoundlanders and Labradorians had more of a democratic say in their future than the residents of the four original provinces of Canada. What do you think?

"When the colonies of British North America united in 1867 it was primarily through accommodations made by elites, for voters in most colonies did not have the opportunity to accept or reject confederation. In Newfoundland in 1948 not only did voters have the opportunity to vote in a national referendum, but they were fully informed of the specific implications of the terms of union through the broadcasts of the debates."

Jeff Webb, *The Voice of Newfoundland: A Social History of the Broadcasting Corporation of Newfoundland, 1939-1949* (2008)

"When it came to Confederation, the United Kingdom led, Canada followed, and Newfoundland consented."

Peter Neary, *Newfoundland in the North Atlantic World, 1929-1949* (1988)

"The events of the late 1940s were finely orchestrated by the United Kingdom and Canada to produce an outcome that was legally and constitutionally correct and which Newfoundlanders and Labradorians freely voted for in the July 22, 1948 referendum."

Melvin Baker, *Falling into the Canadian Lap: The Confederation of Newfoundland and Canada, 1945-1949* (2003)

Questions:

1. Using the quotes in this dimension of thinking as evidence, whose perspective of Confederation seems most plausible?
2. What is your perspective on the quote from Dr. James Hiller that Britain should have restored responsible government and put their faith in the pro-confederates to win the election?
3. If there was a vote in Newfoundland and Labrador today to leave Confederation, what perspective would you take?

Excerpt from *A Secret Nation*, a screenplay written by Edward Riche

The feature film *A Secret Nation* was released in 1992. The screenplay, written by Edward Riche, follows the fictional story of history student Frieda Vokey, who stumbles upon what appears to be a conspiracy around Newfoundland's Confederation with Canada. A mix of historic facts and fictional twists, the film looks at Confederation in a different light.

6.15

CUT TO:

063 INT. PARKINSON's OFFICE. DAY.

063

A dark, heavily furnished St. John's lawyer's office. The place looks as though it has escaped passage into the 20th century. From behind his desk the jowled lawyer, PARKINSON scans several letters of reference FRIEDA has presented. Occasionally he breathes with uncommon weight, forcing gales of wind through his hairy nostrils. The breathing actually rustles the papers on his desk. This effect adds to FRIEDA's discomfort as she sits in a chair on the opposite side of the desk. He places the letters on the desk.

PARKINSON
Well you certainly seem to have the credentials.

FRIEDA
Thank you.

PARKINSON
You understand why the Smallwood family has me screen persons such as yourself?

FRIEDA
I know that Mr. Smallwood is not in very good health.

PARKINSON
Exactly. Now then what is this thesis of yours all about?

FRIEDA
Well, the decline of the notion of the sovereign Newfoundland state. I'm investigating how a people

LOCATION Draft 5-B, August 25, 1990

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FRIEDA (cont'd)

with national status could so quickly be integrated into Canada.

PARKINSON
(laughing - tones of condescension)
It's not another one of these conspiracy theories is it? Another unsubstantiated claim that the confederation referendum was ... rigged ... or ... fixed?

FRIEDA
No. The vote itself is not the focus of my work.

PARKINSON
If not the focus, what then?

FRIEDA
Well, it's significant in that the confederation option received a majority of less than a two percentage points.

PARKINSON
Why now is that significant?

FRIEDA
Isn't it strange that with 48 percent of the population opposed to the idea the voice of dissent was so quickly silenced. Isn't it extremely strange that in the twentieth century ...

PARKINSON
Cutting her off.
... yes, yes, yes, I'm sure I've heard these arguments. I'm sure you see Newfoundlanders as victims awaiting some kind of emancipation, some kind of heroic, revolutionary gesture. But alas, we just weren't made for it. We just weren't made for it. What we have in Canada is far better than our lot. What is it Mr. Smallwood said? "The sport of historic misfortune, the Cinderella of empire".

FRIEDA
And confederation the glass slipper?

PARKINSON
I suppose, yes! Yes, quite clever.

PARKINSON smiles, then glances at his watch.

A SECRET NATION Draft 5-B, August 25, 1990

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PARKINSON
I'll make arrangements for a ... 7:30 visit?

FRIEDA
Yes, that will be fine. Thank you, Mr. Parkinson.

FRIEDA leaves. PARKINSON calls after her.

PARKINSON
My regards to your father.

Secret Nation/delving into the past

Intimacy Canada
a new Nation release directed by Debbie McGee, Canada tour in St. John's, 7:30 p.m. at the Grand Theatre, along with present (from Montreal) men featured in the film and Gail St. sent at this special

is a compelling plot surrounding a young graduate student her thesis on Newfoundland Nationalism, director Michael Jones spins a web of historical and fictional intrigue. Cathy Jones plays Frieda Voke, the lead character, with a forceful and compelling urgency. Her desire to uncover the truth about the 1949 referendum leads Frieda away from her comfortable academic world at a Quebec university. She adopts the shady cloak of the journalist/spy to delve into the reality surrounding that vote.

The movie blends historical segments of debates between Smallwood and Cashin, then uses fictional

elements to explore the complex issues like sexism and stereotyping that

event heralds the screenings in five

Canada, all sponsored by Women's Net-

Canada and the

ard of Canada.

**Alliance
the Ship**
Alliance of New-
foundland will host a
fête at The Ship

readings by Joan
Bernice Morgan,
Gordon Pinson
and tick-
et Squares print
take place on

It's both ironic and appropriate to be reviewing a film about Newfoundland's 1949 referendum on the very eve of Canada's constitutional conundrum.

Ironic, because Newfoundlanders are now helping to decide Canada's fate instead of just their own. Appropriate, due to the controversy that surrounds the '49 referendum in this movie and the warning it serves of political ripples most people never hear about until it's too late.

In a completely enthralling plot surrounding a young graduate student her thesis on Newfoundland Nationalism, director Michael Jones spins a web of historical and fictional intrigue.

Cathy Jones plays Frieda Voke, the lead character, with a forceful and compelling urgency. Her desire to uncover the truth about the 1949 referendum leads Frieda away from her comfortable academic world at a Quebec university. She adopts the shady cloak of the journalist/spy to delve into the reality surrounding that vote.

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Smallwood's emaciated frame lying in a hospital bed is an excellent analogy for Newfoundland's slow death by asphyxiation after confederation. The music of *Thomas Trio and the Red Albino* at a wonderfully weird costume party near the climax of the film serves to heighten the tension to a screaming point.

The subplots surrounding Frieda's serious discoveries are incredibly entertaining. They serve to lighten the load of the message the movie is carrying. Rick Mercer as her brother Chris, a cab dispatcher, makes for a more than hilarious scene when he delivers an incredible advice column spiel over the air for the cabbies.

Secret Nation is

the Top



Rick Mercer and Kay Anonsen, just two of the large cast of Newfoundland stars in *Secret Nation*.



6.16 From *The Express*, Oct. 28, 1992

111 — Classified Display

Page 32, The Evening Telegram, Tuesday, November 27, 1990

A Secret Nation "fun look" at history of Newfoundland

The neoclassical facade of the old grey Colonial Building is obscured by a sea of cameras, lights and people talking into portable phones.

Inside the former legislature, a film crew sets the scene: a modern-day graduate student has come to comb the archives — research for her thesis on Newfoundland's vote to join Confederation.

Was the 1949 referendum rigged? Did Confederates tamper with votes to produce a narrow margin of victory?

Paul Pope, producer of *A Secret Nation*, says the film offers no conclusion to the query that has intrigued historians and politicos for over 40 years.

"She finds out stuff but it's not definitive," says Mr. Pope, a small, energetic man with windswept hair. "The film doesn't answer the question."

Besides, this movie from independent film company Black Spot is hardly a stuffy docudrama.

He describes it as an adventure-comedy about the decline of Newfoundland nationalism amid one family's troubles: "It's a fun look at our history."

The National Film Board, Telefilm Canada and the Newfoundland Independent Filmmakers Co-operative all put up money for the project.

RETURNS TO ROCK
The lead character, played by



6.17 From *The Evening Telegram*, Nov. 27, 1990

Experiencing The Arts

Now is the time to explore film as a medium to create your final artwork for this course. Your assignment in this chapter is to select a theme related to the material you studied in this course and create a short film (four-seven minutes in length) about it. You may choose to do this solo or as part of a small group. Some possible themes include:

- Early peopling of "this place"
- The landscapes of Newfoundland and Labrador

- Your community (past, present, or future)
- Changes in the culture of this province
- A current issue

Once you identify your theme, begin the tasks of pre-production. This should include having your screenplay and storyboard prepared, as well as ensuring your actors, location, and equipment are ready for the production stage.

**One of Newfoundland and Labrador's major industries, the fishery, now came under federal control.*

Terms of Union

The Terms of Union between Newfoundland and Canada were signed on December 11, 1948. The document contained 50 terms outlining how Newfoundland would fit into the existing Canadian Confederation. The first 16 of these detailed the shape of the Newfoundland provincial legislature and constitution, its electoral districts, and its representation in the Canadian House of Commons and the Senate. The remainder dealt with issues negotiated during the National Convention in 1947 – that is, the “proposed arrangements” that were offered by Canada. These terms, unique to Newfoundland, included: the protection of the denominational school system (term 17); the continuation of existing laws in Newfoundland after union (term 18); and the maintenance of the Newfoundland Fisheries Board* (term 22).

This was followed by considerable discussion about how the new province should be governed between the date of union – set for March 31 – and the first provincial election. After many consultations, Canadian Prime Minister Louis St. Laurent appointed Sir Albert Walsh,

who had served as a Commissioner for the Commission of Government, as the first lieutenant-governor. It was understood that he would in turn invite Smallwood to form an interim government. Gordon Bradley, who had been President of the Confederation Association, received a position in the federal cabinet.

On April 1, 1949, Walsh swore in Smallwood and his cabinet. On Parliament Hill in Ottawa, Bradley was sworn in as Secretary of State. He said:

This is a day which will live long in North American history ... It is a day of fulfillment—fulfillment of a vision of great men who planned the nation of Canada more than 80 years ago; and as we stand here on this day of destiny, our thoughts fly back through the years to those far-seeing men of the past – Macdonald, Brown and Cartier in Canada and Carter and Shea in Newfoundland ... In fancy we see them now, bending over this scene in silent and profound approval ... Thus we begin life as one people in an atmosphere of unity. We are all Canadians now ...



6.22 The signed Terms of Union of Newfoundland with Canada

Questions:

1. What advantages did the confederate campaign have over the anti-confederate campaign?
2. What was the most significant reason(s) why confederation won a narrow victory over responsible government in the second referendum?
3. Was the decision for Newfoundland to confederate with Canada in 1949 a good decision? Support your answer.

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.

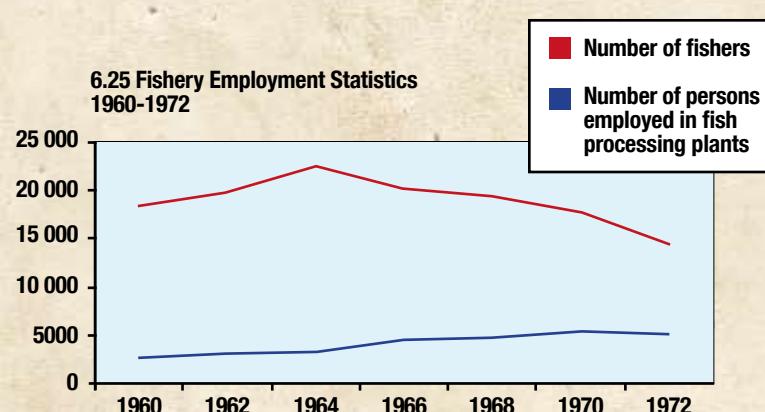
By the 1960s, research by the federal Department of



6.24 A fish plant in Harbour Grace, c. 1966

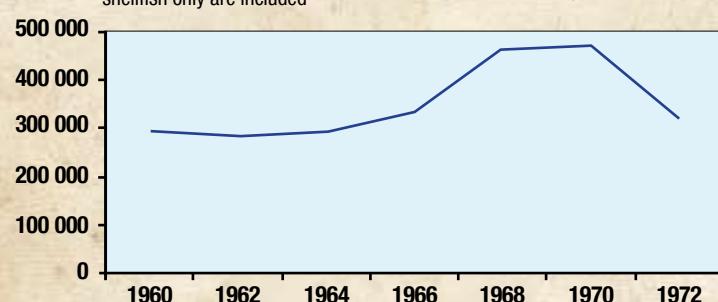
Fisheries showed that the fresh-frozen sector made better economic sense for a variety of reasons: it was more industrially advanced and less labour intensive; it had easier access to markets; and it would increase Canada's trade capacity. While the economics might have made sense, the fresh-frozen fishery 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.



6.26 Nominal catches* in the Newfoundland and Labrador fishery

*Nominal catches refer to the live weight equivalent of landings. Fish and shellfish only are included



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

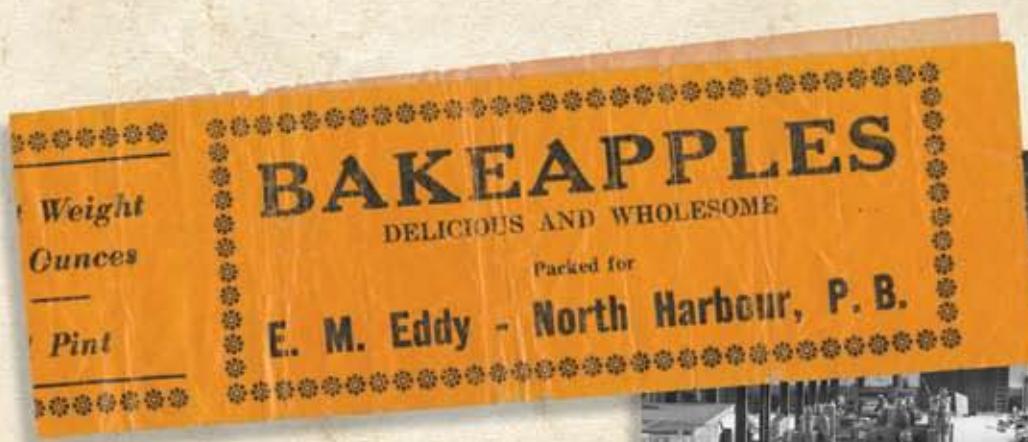
Economic Diversification – Manufacturing

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.

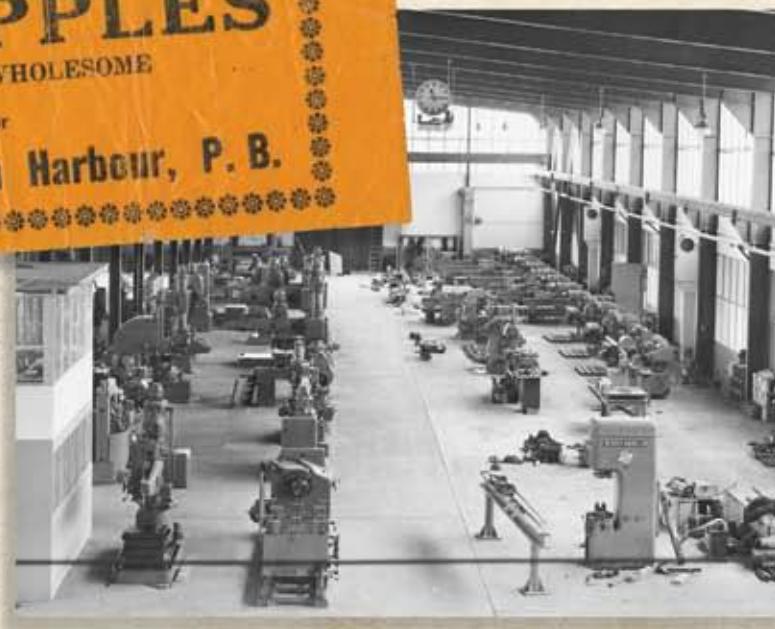
Looking for expert direction in industrial development, the provincial government, on the advice of the Canadian government, engaged Alfred Valdmanis as Director of Economic Development. Valdmanis was a Latvian-born economist who had spent considerable time in Germany. He attempted to relocate a number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

**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.

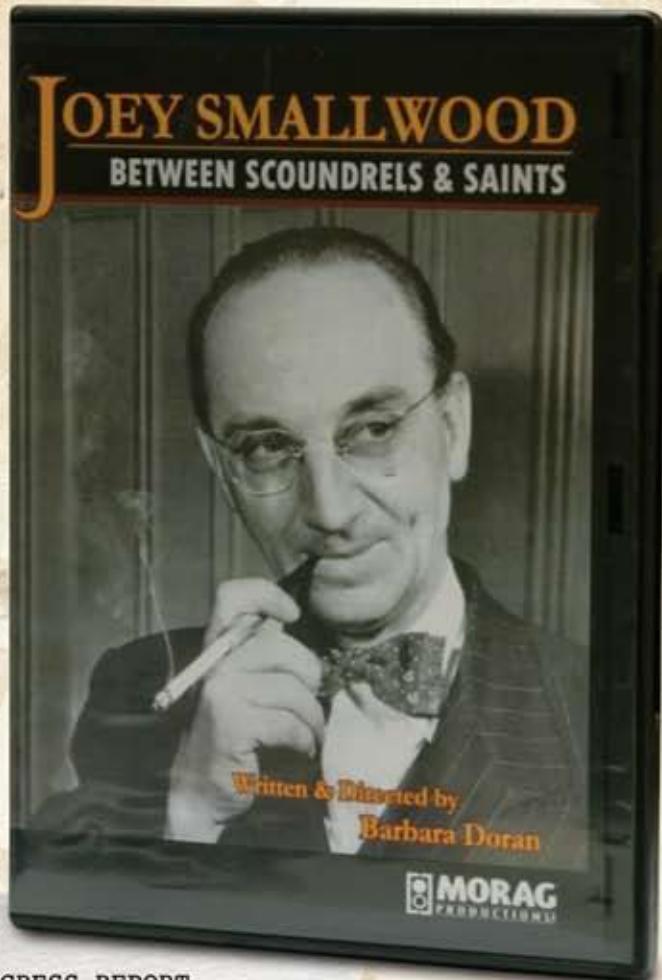
CUT TO:

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)



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

This stands for "offscreen".



(CONTINUED)

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:

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. Valdmanis.

(CONTINUED)

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 behavior 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.

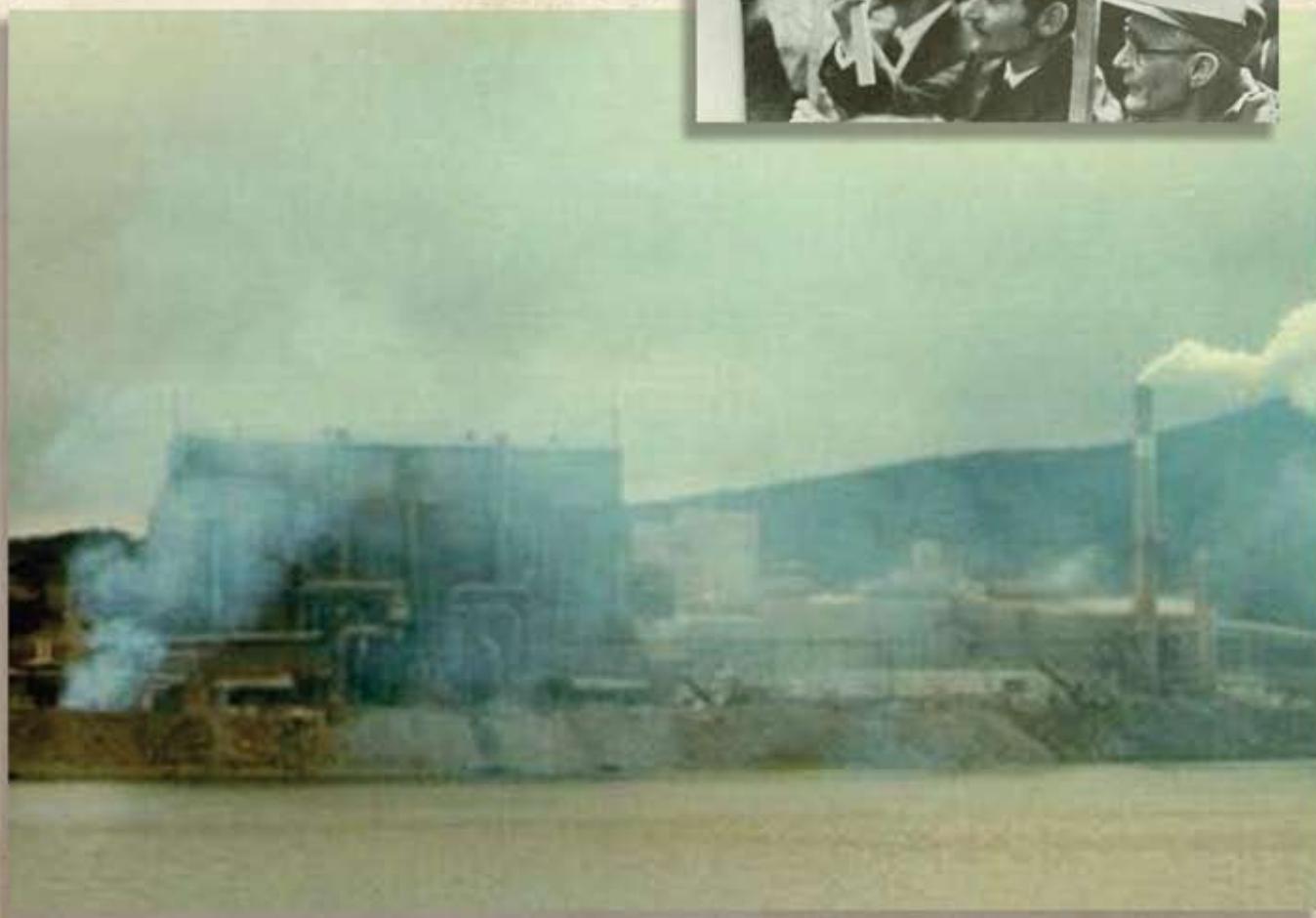
Furthermore, a by-product of phosphorus production, slag – used locally as a building material – was found to contain uranium and thorium, which emitted carcinogenic radon gas. This gas was particularly

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.



Come By Chance, NL

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.

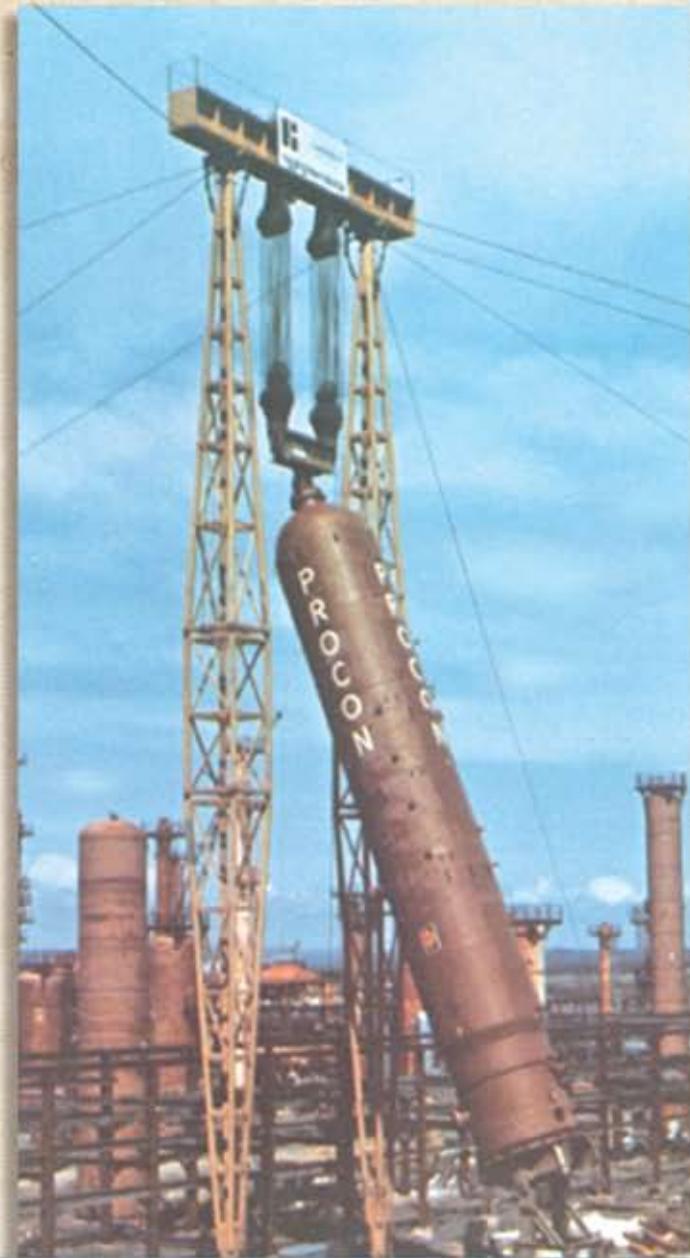
The proposed refinery faced the same obstacle as past projects – financing. This became a divisive issue within the government after Smallwood guaranteed government assistance to finance the construction of the refinery to the tune of \$30 million. When he then gave Shaheen \$5 million in unsecured financing, 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.

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

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.*

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.

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

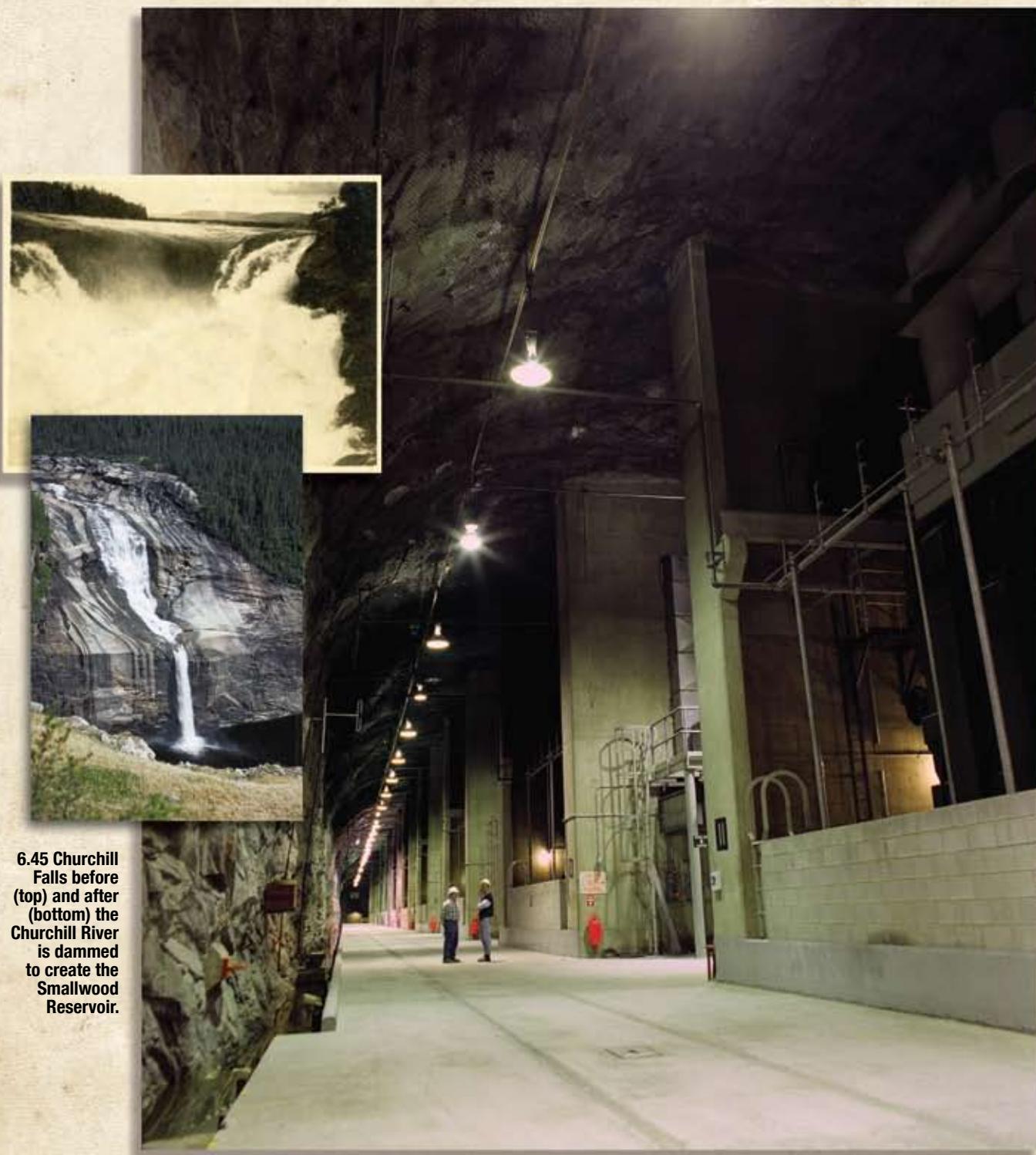
**Metis traplines were also flooded.*

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

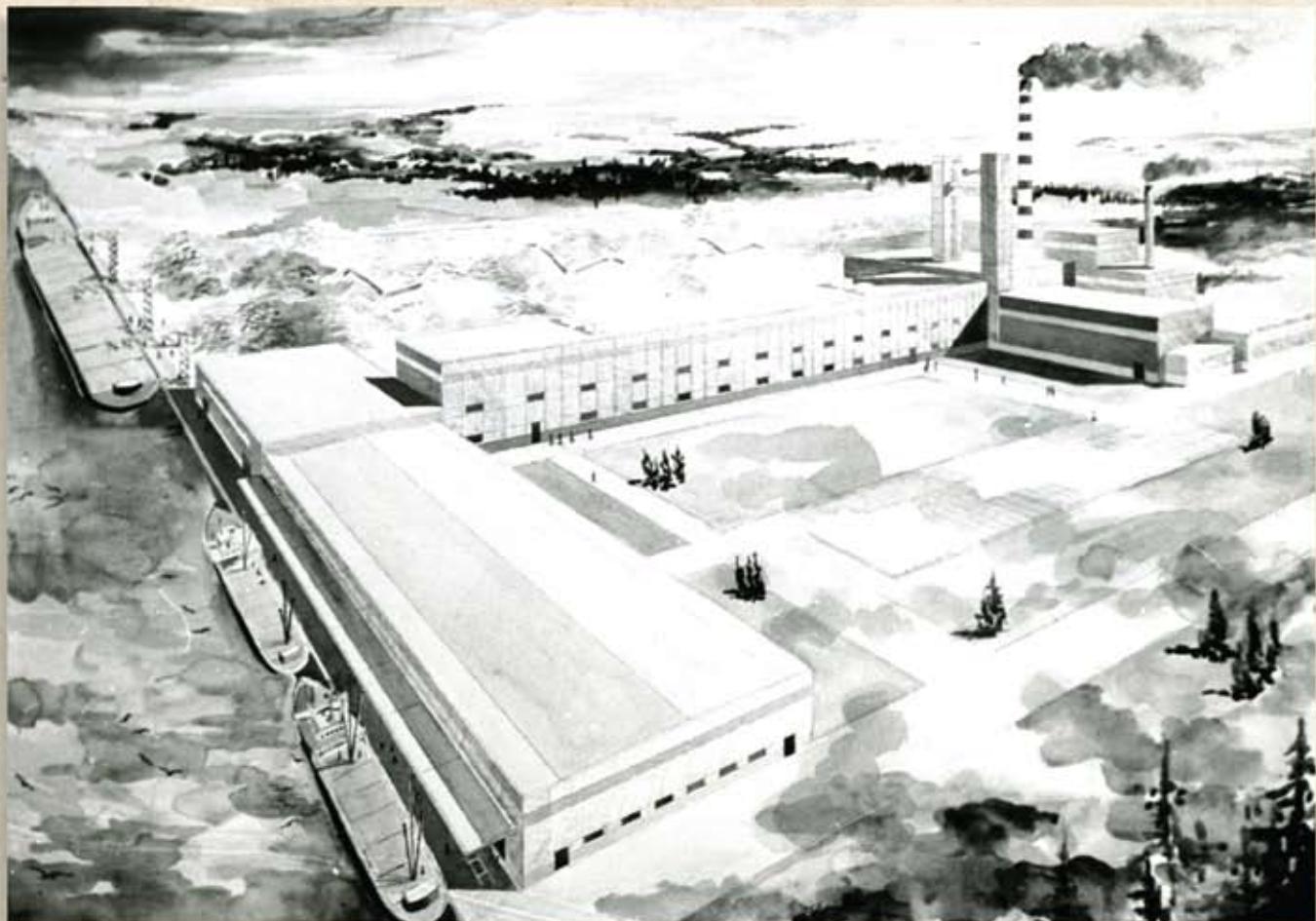
In the mid to late 1960s, the government began exploring options with private companies to build a third mill in the province. This was due in part to the success of the existing pulp and paper mills at Grand Falls and Corner Brook. Impressed with the business sense of American John Doyle, Smallwood's 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.