NORTHERN POLICY INSTITUTE | INSTITUT DES POLITIQUES DU NORD

Commentary No. 11 | April 2016

From Resource to Revenue:

Dryden Mill Lessons for the Ring of Fire

By Dr. Mark Kuhlberg

Who We Are

Some of the key players in this model, and their roles, are as follows:

Board: The Board of Directors sets strategic direction for Northern Policy Institute. Directors serve on operational committees dealing with finance, fundraising and governance, and collectively the Board holds the CEO accountable for achieving our Strategic Plan goals. The Board's principal responsibility is to protect and promote the interests, reputation, and stature of Northern Policy Institute.

President & CEO: Recommends strategic direction, develops plans and processes, and secures and allocates resources to achieve it.

Advisory Council: A group of committed individuals interested in supporting, but not directing, the work of Northern Policy Institute. Leaders in their fields, they provide advice on potential researchers or points of contact in the wider community.

Research Advisory Board: A group of academic researchers who provide guidance and input on potential research directions, potential authors, and draft studies and commentaries. They are Northern Policy Institute's formal link to the academic community.

Peer Reviewers: Ensure specific papers are factual, relevant and publishable.

Authors and Research Fellows: Provide independent expertise on specific policy areas as and when needed.

Standing engagement tools (general public, government stakeholders, community stakeholders): Ensure Northern Policy Institute remains responsive to the community and reflects THEIR priorities and concerns in project selection.

President & CEO

Charles Cirtwill

Board of Directors

Martin Bayer (Chair)
Ron Arnold
Pierre Bélanger
Thérèse Bergeron-Hopson (Vice Chair)
Terry Bursey
Dr. Harley d'Entremont
Alex Freedman
Jean Paul Gladu
Dr. George C. Macey (Vice-Chair & Secretary)
Hal J. McGonigal
Dawn Madahbee
Doug Murray (Treasurer)
Ray Riley
Dr. Brian Tucker

Advisory Council

Dr. Gayle Broad
Barbara Courte Elinesky
Brian Davey
Tony Dean
Don Drummond
Tannis Drysdale (Chair)
John Fior
Ronald Garbutt
Peter Goring
Frank Kallonen
Duke Peltier
Kathryn Poling
Peter Politis
Tina Sartoretto
Keith Saulnier

Research Advisory Board

Dr. John Allison
Dr. Hugo Asselin
Dr. Randy Battochio (Chair)
Dr. Stephen Blank
George Burton
Dr. Robert Campbell
Dr. Iain Davidson-Hunt
Jonathan Dewar
Dr. Livio Di Matteo
Dr. Morley Gunderson
Dr. Anne-Marie Mawhiney
Leata Ann Rigg
S. Brenda Small
J.D. Snyder
Dr. Lindsay Tedds

This report was made possible through the support of our partners Lakehead University, Laurentian University and Northern Ontario Heritage Fund Corporation. Northern Policy Institute expresses great appreciation for their generous support but emphasizes the following: The views expressed in this commentary are those of the author and do not necessarily reflect the opinions of the Institute, its Board of Directors or its supporters.

Author's calculations are based on data available at the time of publication and are therefore subject to change.

Published by Northern Policy Institute
874 Tungsten St.
Thunder Bay, Ontario P7B 6T6

ISBN: 978-1-988472-72-0

About the Author

Dr. Mark Kuhlberg

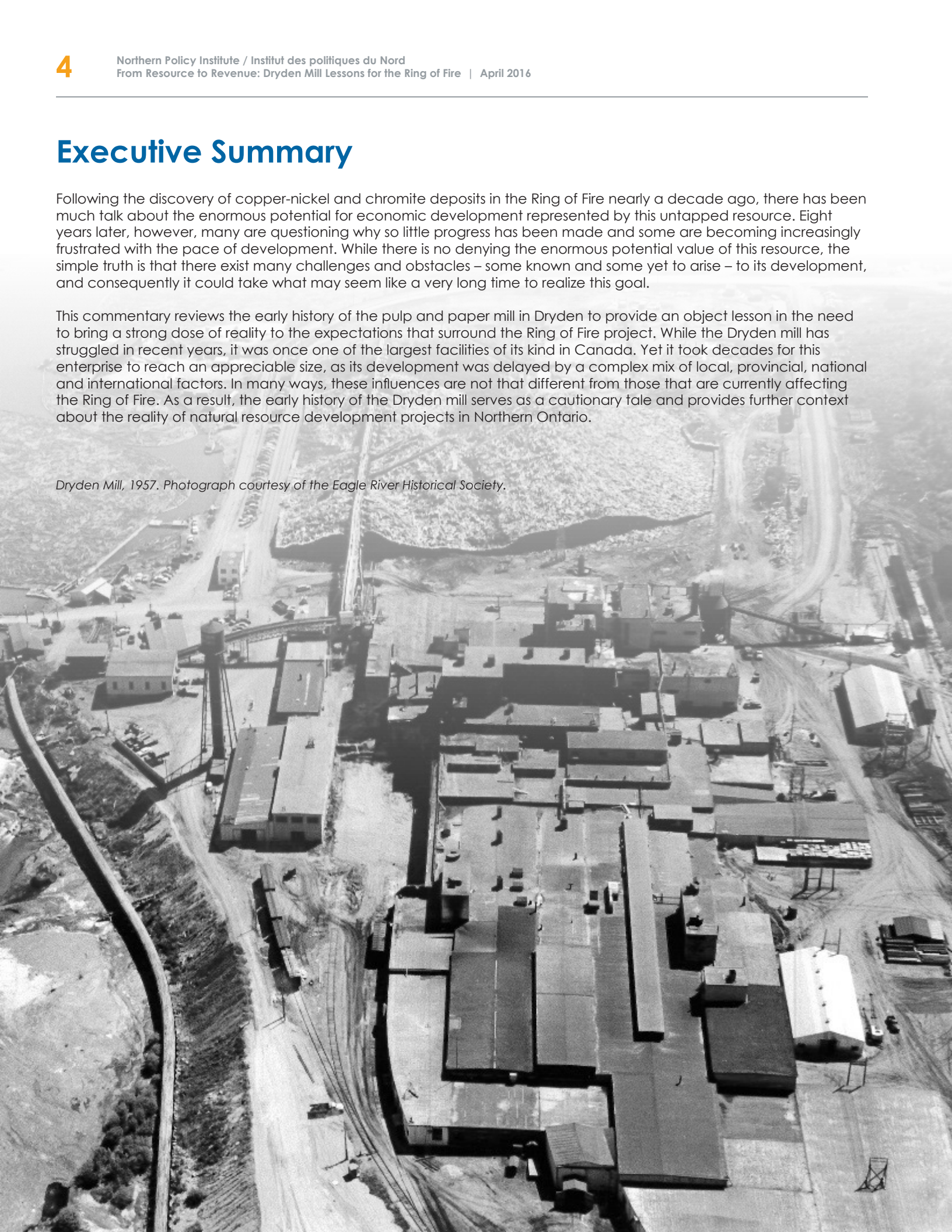
Dr. Mark Kuhlberg is a Professor of History and Director of the MA History/maitrise en histoire programs at Laurentian University. His expertise is the history of Ontario's forests in particular and Canada's in general, and he has published numerous articles and two books in these fields. Mark spent twenty seasons in the silvicultural industry in Northern Ontario, and remains actively involved in contemporary forestry issues.

Executive Summary

Following the discovery of copper-nickel and chromite deposits in the Ring of Fire nearly a decade ago, there has been much talk about the enormous potential for economic development represented by this untapped resource. Eight years later, however, many are questioning why so little progress has been made and some are becoming increasingly frustrated with the pace of development. While there is no denying the enormous potential value of this resource, the simple truth is that there exist many challenges and obstacles – some known and some yet to arise – to its development, and consequently it could take what may seem like a very long time to realize this goal.

This commentary reviews the early history of the pulp and paper mill in Dryden to provide an object lesson in the need to bring a strong dose of reality to the expectations that surround the Ring of Fire project. While the Dryden mill has struggled in recent years, it was once one of the largest facilities of its kind in Canada. Yet it took decades for this enterprise to reach an appreciable size, as its development was delayed by a complex mix of local, provincial, national and international factors. In many ways, these influences are not that different from those that are currently affecting the Ring of Fire. As a result, the early history of the Dryden mill serves as a cautionary tale and provides further context about the reality of natural resource development projects in Northern Ontario.

Dryden Mill, 1957. Photograph courtesy of the Eagle River Historical Society.



Over at least the last half decade, there has been much talk about the enormous potential for economic development represented by the Ring of Fire in Northern Ontario. Touted as one of the largest chromite deposits in the world, it has often been portrayed as representing a virtual panacea to many of the economic problems that have recently afflicted our region. While there is no denying the enormous untapped value of this resource, the simple truth is that there exist many challenges and obstacles – some known and some yet to arise – to its development, and consequently it could take what may seem like a very long time to realize this goal.

Reviewing the early history of the pulp and paper mill in Dryden provides an object lesson in this reality and reminds us of the need to bring a strong dose of caution to the expectations that surround the Ring of Fire project. Although Dryden's pulp and paper mill has endured difficult times over the last decade or so, by the early 2000s it was one of the largest facilities of its kind in Canada, boasting a capacity of 450,000 tons of paper and 70,000 tons of softwood kraft pulp. Moreover, the firm drew its pulpwood supply from a relatively enormous fibre basket, covering over 7000 square miles and stretching from the mill's wood yard over 200 miles north. In many respects, the mill exemplified the stereotypical mega-industry established amidst a plethora of resources.

This enterprise took decades to reach an appreciable size, however. Although it had first been conceived as a project in the early 1900s, it was only during the 1950s that it began to exploit fully the natural bounty that surrounded it. This process was delayed for so long by a complex mix of local, provincial, national and international factors, and other forces that could be generally described as having been both micro and macro in scope.

"Reviewing the early history of the pulp and paper mill in Dryden...reminds us of the need to bring a strong dose of caution to the expectations that surround the Ring of Fire project."

For various reasons, on the eve of the twentieth century the Ontario government was profoundly committed to propagandizing the notion that the province's northern reaches could be converted into Canada's new wheat belt. To help support this effort, it offered settlers virtually free land on the hinterland and launched a multi-million dollar propaganda campaign to convince them that, indeed, it was possible to turn much of Ontario's hinterland into a booming expanse of grain production.[1] Almost immediately, it became clear that this dream would never materialize but one means of tying northern Ontario's homesteaders to the region was to generate a robust market for the only crop they could produce, namely spruce pulpwood cut from their own lots and the surrounding forest. Thereafter, despite a provincial law that prohibited the export of raw spruce logs from the province, the Ontario government facilitated the sale of an ever-growing volume of this wood to numerous American pulp and paper producers.

At the same time, the provincial politicians denied Ontario's own mills enough pulpwood to sustain their operations, thereby compelling them to purchase large supplies of settlers' timber on the open market.[2]

These forces led to the creation of the town of Dryden and the idea for building a pulp and paper mill there. The site was nestled amidst the generally densely-treed Boreal Forest Region and was blessed with several nearby, untapped water powers. The Canadian Pacific Railway rendered the area readily accessible when it went through the region in the mid-1880s, and settlement took off in the wider "Wabigoon" district roughly one decade later. In 1903, the Liberal provincial government granted a lease to a local water power site and the roughly 650 square mile "Dryden and Wabigoon pulpwood concession" to the newly-created Dryden Board Mills Company, which sought to build a pulp and paper mill in the town. The project was delayed by the period's economic uncertainty, and when the Conservatives won the 1905 election, they proved averse to assisting the firm in realizing its project. The Tories essentially cancelled the company's pulpwood lease and re-tendered the tract in 1906 but with terms and conditions that rendered much of the timber off limits to industry. This move would result in any pulp and paper mill developer becoming a major buyer of settlers' timber. New interests began building a mill in 1909, but only over the course of 1911-13 did developers, now backed by British capital and geared to producing kraft[3] pulp and paper products, succeed in completing the enterprise, which stood as northwestern Ontario's first pulp and paper mill of any kind.[4]

The local environment and technology also played a hand in delaying the project. The forest around Dryden was dominated by jack pine not spruce, and the local waterways lacked a major waterfall. These factors meant that the best product to make at a mill in Dryden was kraft pulp, which processed jack pine and required less hydraulic energy than newsprint to produce. The problem was that the technology for making kraft pulps and papers had arrived in Canada only in 1907, and it still required further improvements before industrialists felt comfortable investing in it.[5]

The mill, re-named the Dryden Paper Company in 1920, endured numerous challenges for its first decade of existence (1913-1923), many of which were of the government's making. It fell victim to the recession on the eve of the First World War, and sunk into receivership. It continued to operate successfully, however, albeit with little help from the politicians. The latter refused to reduce significantly the diameter limit on Dryden Paper's pulpwood concession, thereby leaving the firm dependent upon purchasing timber from settlers and contractors. The provincial politicians also prevented the company from flooding a small section of the shore upstream from its hydro-electric generating stations despite the fact that the local community supported Dryden Paper's request. The upshot saw the firm

1 While the Ontario government focused much of its attention on boasting about the great northern Clay Belt's agricultural potential in particular, it opened up township under its colonization program literally across the province's hinterland. As one of the first accounts of this subject, namely Donald E. Pugh, "Ontario's Great Clay Belt Hoax", *Canadian Geographical Journal*, January 1975, explains on p. 19, "many early settlers entering the clay belt region were unfortunate victims of a deception which portrayed the region as a promised land, fertile and generous beyond all sane belief".

2 This paragraph is based on M. Kuhlberg, *In the Power of the Government: The Rise and Fall of Newsprint In Ontario, 1894-1932* (Toronto: University of Toronto Press, 2015, passim; Kuhlberg, "'Pulpwood is the Only Thing We Do Export'": They Myth of Provincial Protectionism in Ontario's Forest Industry, 1890-1930", in A. Smith and D. Anastakis, (eds.) *Smart Globalization: The Canadian Business and Economic History Experience* (Toronto: University of Toronto Press, 2014).

3 At this time, nearly every mill in eastern Canada produced groundwood and sulphite pulps, which were made largely from spruce, a species of tree that contains fibres that are relatively strong and white. Newsprint paper was made by combining groundwood and sulphite pulps. In contrast, kraft or sulphate pulp could be made from resinous conifers such as jack pine, which gives the product its distinct brown colour. The kraft (Swedish for strong) paper made from sulphate pulp was used in products – such as cardboard packaging – where strength and not colour is the most important consideration.

4 The nascent story of the mill in Dryden is built largely upon these sources: AO, RG1-E-6, Volume 3, 186-191, 6 January 1906, F. Cochrane, Memorandum re: Cancelling pulp concessions and agreements; ibid., RG1-246-3, 5520, 15 April 1916, T.A. Gordon to Deputy Minister; ibid., 6 June 1916, T.J. Niven, Memorandum regarding application by T.A. Gordon … ; K. Hall, "The Sweet Smell of Success: A Study of the Origins and Development of the Pulp and Paper Industry in Dryden, Ontario," (Undergraduate Honour's Thesis, Lakehead University, Thunder Bay, Ontario, 1992), 17-18; G. Wice, *Carved from the Wilderness: The Intriguing Story of Dryden* (Dryden: Canada Confederation, 1967), 4-5.

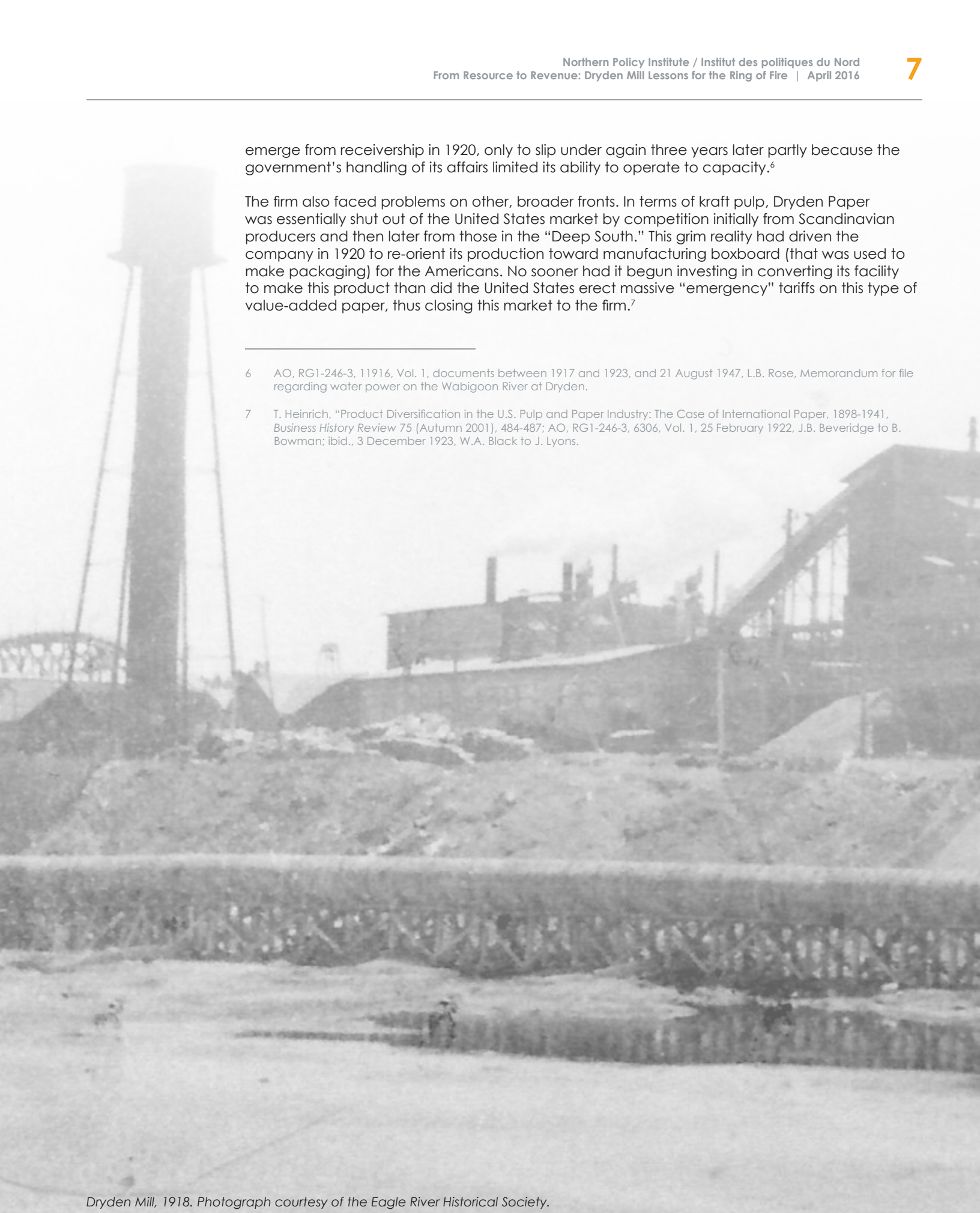
5 Carruthers, George, *Paper in the Making* (Toronto: Garden City Press Co-operative, 1947), Ch. 17.

emerge from receivership in 1920, only to slip under again three years later partly because the government's handling of its affairs limited its ability to operate to capacity.[6]

The firm also faced problems on other, broader fronts. In terms of kraft pulp, Dryden Paper was essentially shut out of the United States market by competition initially from Scandinavian producers and then later from those in the "Deep South." This grim reality had driven the company in 1920 to re-orient its production toward manufacturing boxboard (that was used to make packaging) for the Americans. No sooner had it begun investing in converting its facility to make this product than did the United States erect massive "emergency" tariffs on this type of value-added paper, thus closing this market to the firm.[7]

6 AO, RG1-246-3, 11916, Vol. 1, documents between 1917 and 1923, and 21 August 1947, L.B. Rose, Memorandum for file regarding water power on the Wabigoon River at Dryden.

7 T. Heinrich, "Product Diversification in the U.S. Pulp and Paper Industry: The Case of International Paper, 1898-1941, *Business History Review* 75 (Autumn 2001), 484-487; AO, RG1-246-3, 6306, Vol. 1, 25 February 1922, J.B. Beveridge to B. Bowman; ibid., 3 December 1923, W.A. Black to J. Lyons.



Dryden Mill, 1918. Photograph courtesy of the Eagle River Historical Society.

"Thus by 1945, some four decades after the mill in Dryden had first been proposed, it was not much bigger than it had been when it had first started production."

Dryden Paper survived another receivership over the course of 1923-28, and how it emerged from this ordeal shaped its future for more than the next two decades.

St. Regis Paper Company, a major American paper and power firm, apparently acquired a controlling interest in Dryden Paper in late 1928. St. Regis held the monopoly (through its acquisition of the Bates Valve Company) on the manufacture of a particular kind of multi-walled paper bag, which was the primary means for packaging things like cement at the time (and still); paper bags were made from kraft pulp. St. Regis was keen to establish a beachhead in northwestern Ontario in order to enjoy a paper bag monopoly on the Canadian prairies; the mill in Dryden was by far the region's closest kraft pulp and paper mill. As a result, St. Regis built a paper bag-making plant adjacent to Dryden Paper, from which it obtained raw kraft materials and converted them into bags. Exercising such tight control over its markets gave Dryden Paper little incentive to expand its capacity even though the Canadian kraft pulp and paper industry grew significantly during the late 1920s and early 1930s.[8]

Like nearly all mills in Canada during the early 1930s, Dryden Paper endured difficult times but it recovered in extraordinarily short order. It was turning a profit again by 1935, and it enjoyed a boon precipitated by the Second World War. The conflict created a huge demand for kraft packaging, and it also cut off the supply of cheaper and better Scandinavian pulp supplies to the United States and most of Europe, thereby opening these markets to the company. While Dryden Paper was thus keen to expand its capacity at this time, wartime shortages of raw materials and equipment prevented it from doing so.[9]

Thus by 1945, some four decades after the mill in Dryden had first been proposed, it was not much bigger than it had been when it had first started production. In the early 1920s, the facility could produce 60 tons of kraft pulp and 30 tons of kraft paper, and its capacity had not even doubled by the time the conflict in Europe was ending. Moreover,

8 U.S. District Court for the District of Delaware – 39 F.2d 162 (D. Del 1930), March 11, 1930, United States v. Bates Valve Bag Corporation et al., No. 705; E.R. Maunder and J.R. Ross, *Evolution of a Paper Company: The Carlisle-Ferguson Years at St. Regis – Interviews with Homer A. Vilas …* (Santa Cruz, California: Forest History Society, 1977), passim; AO, F1056 (R.L. Hearn Papers), MU8655, R.L. Hearn Correspondence, 1929, 20 April 1928, C.M. Lynn to R.L. Hearn; ibid., 18 December 1928, Hanson Bros Incorporated to R.L. Hearn; M. Kuhlberg, "An Accomplished History, An Uncertain Future: Canada's Pulp and Paper Industry Since the Early 1800s", in J.-A. Lamberg, J. Ojala, M. Peltoniemi, and T. Särkkä (eds.), *The Evolution of Global Paper Industry, 1800-2050* (Springer Press, 2012), 109.

9 *The Forestry Chronicle*, June 2014, 90(03), "100 Years and Beyond – Dryden Mill", 340; Commissioner – Combines Investigation Act, *Canada and International Cartels: An Inquiry into the Nature and Effects of International Cartels and Other Trade Combinations – Report of Commissioner, Combines Investigation Act, Ottawa, October Tenth, Nineteen Forty-five*, 40.

the enterprise was using roughly the same volume of pulpwood – about 50,000 cords – in the mid-1940s as it had been a few decades earlier.[10]

Only in the late 1940s did local and international circumstances lead to the dramatic expansion of Dryden Paper. North American pulp and paper producers had escaped the damage that the war had wrought on their European competitors, and the former were thus ideally positioned to capitalize on the post-war's enormous demand for pulp and paper products. By 1953, Dryden Paper's capacity was four times what it had been in 1940, and in the same year it was acquired by the Anglo-Canadian Pulp and Paper Company. That firm sought a large, secure supply of bleached kraft pulp and it initiated a massive expansion in Dryden that, for the first time ever, fully began to tap the area's profusion of fibre and hydro-electric resources. By the late 1950s the plant in Dryden could produce 128,000 tons of pulp and paper and it was processing well over 200,000 cords of pulpwood annually. Moreover, the Ontario government's decision to adopt a new approach to resource development in the hinterland now made it only too happy to shower the firm in timber largesse. As a result, the company held leases to well over 2,000 square miles of Crown timber lands by the early 1950s (two decades later that figure had tripled). Furthermore, by this time Anglo-Canadian was envisioning one day requiring 1,000,000 cords of pulpwood annually to supply a "super-mill" in Dryden; this augmentation would necessitate the town's population growing to over 10,000, a level it would never reach[11] (in 1951 Dryden's population was just over 2,600 residents and by 1961 its population had more than doubled to over 5,700; it would nearly hit 7,000 by the time of the census in 1971, and then begin a gradual decline).[12]

The early history of the paper mill in Dryden illustrates that the presence of bountiful natural resources that are generally in high demand does not always translate immediately into strong economic development for a region. In this instance, a multitude of factors – ranging from provincial policies to foreign tariffs, and from a lack of technological know-how to a corporate culture committed to monopoly capitalism – combined in a variety of ways both to delay and impair the exploitation of the relatively rich forests and water powers that were found in the environs of Dryden.

Moreover, the political landscape is, in many ways, even more complicated for resource industries today than it was during Dryden Paper's first few decades of existence. Environmental regulations were virtually nonexistent then, and the Aboriginals whose traditional lands were being developed in the early 1900s were often denied a voice in the process. In the 21st century, stickhandling through these two major issues alone will take untold blocks of time and money.

As a result, those who are prone to pinning their hopes for northern Ontario's future prosperity on the rapid realization of potential mineral developments such as the Ring of Fire would do well to heed this story and the cautionary tale it represents.

10 To be fair, Dryden Paper invested in improvements in its operation in 1944-45 which would raise its pulp capacity to 125 tons, but this efforts did not produce results until the latter part of 1945: Dryden and District Museum, Historical notes on operation of the pulp and paper mill in Dryden; *The Globe*, 20 June 1945, "Expansion at Dryden is Progressing Slowly".

11 This paragraph is based on AO, RG1-A-I-10, Box 7, Advisory Committee … Management (Timber), Nov/51 – Jan/52, 7 November 1951, E.L. Goodall to H.R. Scott; ibid., RG3-23, Box 91, Department of Lands and Forests 1951-6, 16 December 1953, F.A. MacDougall to L.M. Frost; *The Globe*, December 1951, "Dryden Paper to Expand to 80,000 Tons by End of 1953".

12 Beginning in 2001, census data for Dryden included the "amalgamated City of Dryden", and thus the data show a significant jump in its population after this date.

References

Carruthers, George. 1947. *Paper in the Making*. Toronto: Garden City Press Co-operative.

Hall, K. 1992. "The Sweet Smell of Success: A Study of the Origins and Development of the Pulp and Paper Industry in Dryden, Ontario." Undergraduate Honour's Thesis, Lakehead University, Thunder Bay, Ontario.

T. Heinrich, "Product Diversification in the U.S. Pulp and Paper Industry: The Case of International Paper, 1898-1941, *Business History Review* 75 (Autumn 2001): 484-487.

Kuhlberg, Mark. 2012. "An Accomplished History, An Uncertain Future: Canada's Pulp and Paper Industry Since the Early 1800s", in J.-A. Lamberg, J. Ojala, M. Peltoniemi, and T. Särkkä (eds.), *The Evolution of Global Paper Industry, 1800-2050*. Springer Press.

Kuhlberg, Mark. 2014. "'Pulpwood is the Only Thing We Do Export'": The Myth of Provincial Protectionism in Ontario's Forest Industry, 1890-1930", in A. Smith and D. Anastakis, (eds.) *Smart Globalization: The Canadian Business and Economic History Experience*. Toronto: University of Toronto Press.

Kuhlberg, Mark. 2015. *In the Power of the Government: The Rise and Fall of Newsprint In Ontario, 1894-1932*. Toronto: University of Toronto Press.

Pugh, Donald E. 1975. "Ontario's Great Clay Belt Hoax", *Canadian Geographical Journal* 90 (January 1975): 19-24.

Wice, G. 1967. *Carved from the Wilderness: The Intriguing Story of Dryden*. Dryden: Canada Confederation.

Maunder, E.R. and J.R. Ross. 1977. *Evolution of a Paper Company: The Carlisle-Ferguson Years at St. Regis – Interviews with Homer A. Vilas and James E. Kussmann*. Santa Cruz, California: Forest History Society.

About Northern Policy Institute

Northern Policy Institute is Northern Ontario's independent think tank. We perform research, collect and disseminate evidence, and identify policy opportunities to support the growth of sustainable Northern Communities. Our operations are located in Thunder Bay and Sudbury. We seek to enhance Northern Ontario's capacity to take the lead position on socio-economic policy that impacts Northern Ontario, Ontario, and Canada as a whole.

Related Research

Transportation Authority Model
Nick Mulder

The Airport/Port Transportation Authority Model; Is It Applicable for Ontario's Ring of Fire Mineral Development?

Ring of Fire Infrastructure
Julien Bonin

Ring of Fire Transportation Infrastructure Map

Roads, Rail, and the Ring of Fire
Rick Millette and Mike Commito

To stay connected or get involved, please contact us at:
1 (807) 343-8956 **info@northernpolicy.ca** **www.northernpolicy.ca**

NORTHERN POLICY INSTITUTE | INSTITUT DES POLITIQUES DU NORD

northernpolicy.ca