

LAKEHEAD UNIVERSITY

THE IMPACT OF THE OPENING OF THE ST. LAWRENCE SEAWAY ON
THE CITIES OF PORT ARTHUR AND FORT WILLIAM, 1959-1969

A THESIS SUBMITTED TO
THE FACULTY OF ARTS, DEPARTMENT OF HISTORY
IN FULFILLMENT OF REQUIREMENTS
FOR THE DEGREE OF
MASTER OF HISTORY

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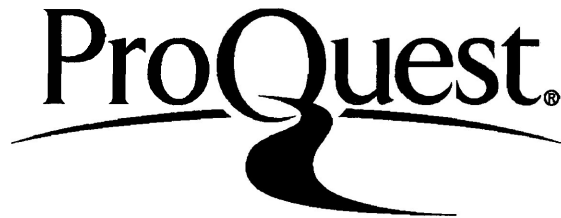
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Chapter 1: Introduction

By its very nature, the St. Lawrence Seaway project, completed in 1959, can be seen as the last of the great Canadian mega-projects. An international venture, involving the expense of millions of dollars and employment of thousands of Canadians and Americans, it effectively changed the course of the St. Lawrence river: sections of the river were deepened, others by-passed, while still others flooded, all the name of making this river, connecting the great Lakes with the ocean, navigable to ocean-going vessels. For the Canadian government, the primary motivation in the Seaway's improvement was the country's continued economic growth. In theoretical terms, the new seaway would open Canada's burgeoning industrial heartland, huddled along the northern shore of the St. Lawrence river and the lower Great Lakes, to international shipping, thereby reducing the costs of shipping and increasing Canada's access to markets. This was also important for the country's grain and iron ore industries, for whom it meant the removal of millions of dollars per year in transshipment costs. Anticipating the further growth of industry in the region, the decision to take advantage of changes in the river's course for the production of hydro-electric power only sweetened the benefits of the entire project for Canada.

Projects like this one were not new in Canada. Unlike the majority of other industrialized countries, such as the United States and Great Britain, which had left much of the

construction of their transportation networks to private enterprise, the governments of Canada had taken an active role in the improvement of trade routes as part of their economic policy. There simply was not enough indigenous funds or markets in the country to develop these projects without government help.¹ The classic example of this was the role the construction of the Canadian Pacific Railway (CPR) played in the national policies of the Macdonald Conservatives: the ribbon of railway was meant to tie the regions together by reinforcing the existing trade routes and also encourage the growth of domestic manufacturing through the opening of western markets.²

Similarly, the St. Lawrence Seaway project was to have an equally important impact on the Canadian economy as it continued to evolve. One of the major motivating factors influencing the east-west trading axis and the construction of the CPR at the turn of the century was the importance played by Britain in the Canadian economy. Prior to the Second World War, the mother country had been the Canada's largest overseas trading partner, consuming a large portion of its raw

¹ Thomas F. McIlwraith, "Freight Capacity and Utilization of the Erie and Great Lakes Canals Before 1850" in The Journal of Economic History, vol.XXXVI #4, p.869.

² Gerald Tulchinsky's book on the Montreal merchants of the nineteenth century paints a similar picture. According to Tulchinsky, the provincial government played an extremely important role in the continued growth of the city through support of transportation improvements. Gerald Tulchinsky, The River Barons: Montreal Businessmen and the Growth of Industry and Transportation, 1837-53. (Toronto: University of Toronto Press, 1977), p.232.

materials, food stuffs and manufactured goods. However, this was to change in the new realities of the post-war period. The ruination of Europe, the emergence of the Americans as a dominant world power and the threat of communism all played a part in a shift of Canada's trading axis south as the United States supplanted Britain as a consumer of Canadian goods. The building of the St. Lawrence Seaway acted to re-enforce this shift in trading axis, facilitating the flow of raw materials south, especially iron ore. For the seemingly insatiable appetite of the blast furnaces of the US midwest, Canadian raw materials became invaluable for continued American growth, while Canada increasingly became dependent on the capital of its southern neighbour for its own development.

For the Canadian Lakehead, centre of the resource rich region of Northwestern Ontario and second largest port by volume in the Great Lakes-St. Lawrence system, it would seem natural that the success of the Seaway project would have long term benefits. From their establishment the twin communities on the northwest shore of Lake Superior, Port Arthur and Fort William, owed much of their existence and prosperity to the role their harbour played in the national transportation network. They became a gateway for people and goods moving between eastern and western Canada. The vast majority of all goods and people that travelled to and from eastern and

western Canada had to pass through the Lakehead.³ This being the case, then surely any improvement to the national transportation network would have a positive effect on these two communities.

As these two communities entered the 1960's, they began a decade that would hold both a great promise and immense challenge for them. The recession at the end of the previous decade had revealed to local leaders that their economy suffered from some fundamental weaknesses, due mainly to a lack of industrial diversification. By that time, much of the regional industrial growth had become increasingly centred in one sector of the economy, the forest products industry, while other important areas, specifically secondary manufacturing, seemed to be in an irreversible decline. Without the cushion of a diverse economy, the recession in the forest industry had meant a large percentage of area's workforce found itself out of work, albeit temporarily, gravely effecting the communities' entire economy. It is small wonder that community leaders were eager for the completion of the Seaway project: for them, the prospect of becoming a seaport and major distribution centre carried with it the hope for a revitalized economy. Many were certain

³ The work of J.M.S. Careless suggests that the role the Lakehead fulfills within the national transportation network is that of a "secondary" metropolis, supplying goods and services to its own hinterland, while at the same time playing a part in a larger hinterland. Cf. J.M.S. Careless, Frontier and Metropolis: Regions, Cities and Identities in Canada before 1914. (Toronto: University of Toronto Press, 1989).

that the improved transportation network, decreased transport costs and their central location between east and west, would make the twin cities attractive to new investors and industry.

Just how successful the residents of Port Arthur and Fort William were in the realization of their hopes from the completion of the St. Lawrence Seaway is somewhat open to conjecture. Based on the surface evidence, it might be easy to suggest that the first decade of the Seaway's use was a prosperous one for the Lakehead region. The cargo statistics from the period reveal that the volume of traffic passing through the port increased at a significant rate, in turn increasing the demand for new, more efficient facilities. This changed the very face of the harbour front as new terminals were built either replacing or supplementing existing facilities. These physical changes were paralleled by a growth in the communities themselves; growth in the population, new school construction, new jobs creation, the establishment of a university and, eventually, a merger of the two cities into a bustling regional centre.

There is a problem with this view however. While it is true that these communities indeed experienced a certain amount of growth during the 1960's, there was also evidence to suggest that their economy was not as healthy as it might first appear. Relatively high seasonal unemployment rates during this period, a topic which stimulated no small amount of concern at the time, perhaps tops the list. Then there

were the requests to the federal government by business leaders to have the area designated a depressed region, eligible for government grants. This was hardly the type of request expected from a prosperous area. The fact is, analysis of the Lakehead's industrial growth during the decade of the 1960's reveals that it was below the national average, and well below that of the rest of Ontario.

How then can this seemingly contradictory evidence be interpreted? Unfortunately, this is not easily answered. At the moment, there is little academic research available that could clarify the Lakehead's economic situation during this period. For the most part, historical research into the region's development has been confined to certain specific areas of study, the most extensive having been in the study of the history of the fur trade and the Northwest Company. While much of this and other research has added to the understanding of some specific aspects or cultural groups in Thunder Bay's history, its relatively narrow focus has meant that a complete picture of the local economy is not available. Without the proper understanding of the uniqueness of this economy, a full understanding of the impact of the St. Lawrence Seaway project is not possible.

The Historiography

To date there are some works, published and unpublished which can offer some help in understanding the history of the

Lakehead's development. From the community's establishment at the turn of the nineteenth century by the Northwest Company, it was the area's role as a transshipment point for goods moving east and west through the continent that was the driving force of its development. Harold Innis, in his landmark study of the fur trade in Canadian economic history, documented the significance that this transshipment point had in the success of the Northwest Company. While the focus of Innis' interest was the institution of the Rendezvous and not necessarily its location, his work reflects the importance of Fort William as the centre of this annual event at its peak.⁴ It was at this annual meeting that the Company partners and managers planned strategies for the coming year. It was also the seizure of the Fort by the Hudson's Bay Company in 1816, that dealt the death blow to the interests of the Montreal traders and led to their eventual merger with their former rival.

The merger of the two giant fur trade companies in 1821 spelled the end of Fort William's importance as a fur trade centre and nearly led to its disappearance. According to Elizabeth Arthur, Fort William's continued existence as a fur trade post hinged more on the Hudson's Bay Company's lethargic efforts at reorganization than any real worth the Fort had in

⁴ Harold Innis, The Fur Trade in Canada: An Introduction to Canadian Economic History. (Toronto: University of Toronto Press, 1956).

the company's organization.⁵ Beginning in the early 1860's, discussions over Fort William's eventual closure lasted over 15 years before a final decision was made. Had it not been for the Red River Rebellion in 1869, Arthur writes, the community surrounding the fort would have probably disappeared along with the Fort. The incident at Red River and the American refusal to allow Canadian troops to pass through their territory made the federal government realise that their proposed rail connection between the east and west coasts must be an all-Canadian route. This virtually guaranteed that the Lakehead would become, as she referred to it, a "zone of transit" between east and west.⁶

Just how much of a guarantee this was is open to debate. While the desire for an all-Canadian rail connection did exist there was no firm idea of what route it would take. It is possible, for example, that the route may have by-passed the Lakehead all together and followed a route similar to that of the National Transcontinental, built during the next century. The decision of what route should be followed was not an easy one. There were as many experts opposed to the line passing through this region as there were who favoured it. In this way Fort William owed as much to the government of Prime Minister Alexander Mackenzie, whose plans included a partial

⁵ Elizabeth Arthur, Thunder Bay District: 1821-1892. (Toronto: University of Toronto Press, 1973).

⁶ Ibid., p.li

water link between east and west with the fort as a rail terminus, as it did to the events surrounding Red River.

While the construction of the Canadian Pacific Railway through the region was important to the future of the Lakehead, it was not the sole event affecting the area's development. Primarily a collection of documents concerning the region, Dr. Arthur's work fills an important gap in our knowledge of the period between the end of the Northwest Company and the coming of the grain trade at the turn of the century. It was at this time that eastern Canada's former perception of the Northwest as desolate land of rock and trees was replaced by an interest in its wealth of minerals and forest products. This led to a boom in both mining and land speculation and is responsible to the establishment of the second community on Thunder Bay, Port Arthur.

The wheat boom that followed on the heels of the completion of the CPR is known to have had a major effect on the evolution of the national economy. While the significance of this boom on the life of the two communities is generally acknowledged, there has been little formal research in to the specifics of its effects. Just how much of a role the harbour played in the economic life of the area is not known. What studies there have been done on the harbour have concerned its growth and efficiency. One such illuminating study has been the 1981 graduate thesis of Patricio Larrain from the Department of Geography at the

University of Regina.⁷ Analyzing the commodity flow through the port of Thunder Bay between 1961 and 1979, Larrain attempted to identify the main factors influencing their movement, with special emphasis being placed on the spatial and temporal variations that occurred during that period.

While primarily a geographic study, using an analytical model to measure and interpret the commodity flow statistics and changes in the harbour, Larrain used some of his research to place the fluctuations of commodity movement into a historical context, making his one of the few attempts to analyze events affecting the communities. Through this analysis, Larrain develops a general picture of the communities, their employment patterns and industries, with an emphasis being place on their interaction with the harbour. Of course, the main focus of the study is how the flow of goods was affected by specific events, such as climatic fluctuations.

From this study some important trends concerning Thunder Bay harbour are revealed. Larrain classified the various commodities passing through the harbour into three types based on their destination. The standard designations for shipping traffic, coastwise and international shipping, are supplemented by another classification, which is actually a subsection of the international classifier, reflecting the

⁷ Patricio Larrain, *Port Geography of Thunder Bay: A Commodity Flow Analysis* (Regina: Unpublished MA thesis, 1982).

large amount of traffic destined specifically to U.S. Great Lake ports. The findings show an increasing redistribution of traffic. For example, while at one time Montreal was the principal destination for grain shipments from the Lakehead, by the late 1960's, a trend developed where this focus shifted away to other ports in the lower-St. Lawrence system.

While Larrain's study of Thunder Bay's commodity flow adds to the research about the Lakehead, it falls short of contributing to an understanding of the communities encompassing the harbour in terms of how the increases affected local employment, and economic and social growth. As a result, the perception generated by Larrain's analysis is that the economic life of the Lakehead was centred around the harbour. For example, he states that there were three periods in the development of Thunder Bay, the fur trade (1679-1845), the mining era (1846-1884), and the grain era (1884-present).

By claiming that this latter period had "lasted for more than a century and ... will last for the foreseeable future", the rise to predominance of the forest industry in the region and the evolution of the service sector are ignored.⁸ This perspective, however, demonstrates his fixation with the grain trade in which the harbour plays a vital role.

Important to this study is Larrain's assertion that the opening of the Seaway had only a slight impact on the movement of commodities in and out of the harbour. This conclusion is

⁸ Ibid, p.30.

based on the findings of a study done by the federal government, which shows that a \$5.50 per ton cost saving was made on the movement of wheat through Seaway. Larrain contends that even without this saving, the freight rate for water transport would have been about 50 percent cheaper than those of rail.⁹ If this were the case then the grain would have passed through Thunder Bay with or without the Seaway. He concludes that since the movement of this commodity, accounting for 85 percent of harbour traffic, was guaranteed, then the existence of the Seaway would mean little to the future development of the harbour.¹⁰ What he does not take into account is the possibility that without the decline in water freight rate, the Lakehead may have lost traffic to either Churchill or Vancouver; the latter did not have the problem of a winter freeze-up to contend with and Churchill's was much shorter.

It is because grain shipping lost some of its importance to the local economy as it matured, that the issue of the impact of the Seaway improvements becomes questionable. Many experts were certain that any decline in bulk freight rates would result in higher grain traffic through the Lakehead. However, the rapid development of the manufacturing industry during the 1940's and 1950's meant that the grain industry had become secondary in importance to the economic survival of the

⁹ Ibid. p.60.

¹⁰ Ibid, p.62.

Lakehead. For these industries, the cheap movement of construction materials and their products to markets were the key to both their continued survival as well as the future growth of the Lakehead. Their concerns, then, were over the impact on the movement of general cargo in which there was no guarantee that the Seaway would have a benefit. This study will show that while there was a significant impact on the volume of commodities through harbour, the St. Lawrence Seaway did not have the desired effect on the movement of general cargo shipments, thereby limiting the industrial growth of the region and the twin cities of Port Arthur and Fort William.

Chapter 2: The Lakehead's Beginnings

In the study of 'place' in geography, one learns that the formation of communities is congruent with the geographic attributes offered their people. Sometimes it was the basic need for food and the fertility of the land that attracted people, as with the flood plains of the Tigris and the Euphrates. Sometimes luxury goods were the attraction, as with formation of the city of Bath, England, around the hot-springs found there. As civilization developed and communities became more interdependent through trade, geographic location on major trade routes became equally as important in their formation as to what the region offered in raw materials. At portages around river obstructions, at the forks of a river or road, or at natural harbours, people were able to acquire both the basic and luxury requirements of life in trade for their produce or services. London, England is one such example of a city growing at a crossroads.

If one were to search for the factors important to the growth of the communities of Port Arthur and Fort William, invariably at the top of the list would be Canada's east-west trade. Situated at the approximate midpoint of Canada, the Canadian Lakehead owes its very existence to the need for a national transportation network and now acts as a point of convergence for railways, highways and port facilities.¹

¹ Prior to the amalgamation of the twin cities of Port Arthur and Fort William, the term Thunder Bay was the geographic designation for the natural harbour formed by the Sibley peninsula and the Welcome Islands. Port Arthur was situated at the north

Considering how important Canada's transportation system was to the establishment of the two communities at the Lakehead, it is curious to note that there has been little research into this system's place in the local economy. In actual fact, there has been little research into the local economy itself, research which would form a basis for the understanding of the economic health of the twin cities. With this in mind, this paper will study the growth of the local economy, in order to place the building of the St. Lawrence Seaway and its effects into the context of the Lakehead's continued development. To achieve this, it is important to explain the Lakehead's development from its early period to the end of 1950's when the Seaway was opened.

The Lakehead's early period (1781-1821) was dominated by the activities of the Northwest Company in the region. Established by the Company in 1801, Fort William became its base for the transshipment of goods in the penetration and exploitation of British North America's northwest. At the head of one of the world's largest lake-river systems, the location offered a relatively safe harbour as well as a navigable tributary linking Lake Superior to other river systems in the west. As for the settlement itself, the fort was used only seasonally, with a population that fluctuated from a peak of 2000 during the summer rendezvous, to as few as

western edge of this harbour and Fort William around the mouth of the Kaministiquia River at the southern extremity.

sixteen people during the winter months. Industry was limited to the manufacture of iron products in the smith's shop, to canoe construction, items strictly for use by the company and not subject to trade. In other words, the survival of these activities was based on the continued existence of the fur trade company.

With the shift of the fur-trade axis north to Hudson's Bay away from the Laurentian route, after the amalgamation of the Hudson's Bay and Northwest Companies in 1821, Fort William lost its trade and its importance. Largely ignored by the fort's new owners, the local community had to wait more than 30 years for the opening of the Soo Locks in 1855, which allowed the passage of ships between Lakes Superior and Huron, before it would experience any significant economic growth.²

This improved water connection between the two lakes injected new life into the community. Claims made about the mineral wealth of the region were investigated and a small timber industry was established. Most importantly for the community, however, was that it represented a new interest in western penetration.

Even after the reputation of the Northwest Company in the region had faded away, the area around Fort William continued to play a role in the movement of people between the Canada's and the Northwest. For this purpose, Fort William continued to stock the giant north canoes, the same design used by the

² Arthur, Op cit., p.xxxv.

fur traders to move their goods east and west a generation before. In 1867, the increasing need for an improved connection between this area west led to an attempt at road construction between Thunder Bay, just north of the Hudson's Bay post, and the Red River colony. The site chosen as the road's starting point by Simon Dawson, the civil engineer leading the project, also became the site of the second community in the area, Prince Arthur's Landing. The Dawson Road, named for its builder, did not reach the Red River settlement but instead became a route for the transportation of supplies for local mining areas.³

It was the construction of the CPR in 1882 that firmly placed the Lakehead within the framework of the nation as a link between east and west. The Lakehead was not in any way guaranteed to be chosen the site of a water terminus for the new transcontinental railway. During the planning stages for the construction of the Canada-Pacific Railway in the early 1870's, the developers actively considered a site at Red Rock near the mouth of the Nipigon River, and Thunder Bay.⁴ The selection hinged very much on which site offered the better harbour facilities. The communities themselves were about

³ Ibid, p.lxxxviii.

⁴ The Canada-Pacific Railway refers to the initial unsuccessful attempt by the Canadian government to establish a railway penetrating its Northwest territories. The Canadian Pacific Railway (C.P.R.) refers to the second and successful attempt at railroad construction by a government funded railway syndicate established in 1881.

equal in size and features;⁵ both were Hudson's Bay Company posts and had roughly the similar populations.⁶

The importance of the choice of Fort William as a terminus for the Canada-Pacific Railway in 1874 and the construction of the Canadian Pacific Railway (C.P.R.) in 1881 cannot be understated. The year 1881 saw the opening of the CPR; in 1882 the first recorded shipment of grain was loaded by wheelbarrow at the Lakehead and in the following year, the first grain elevator was constructed in Port Arthur. This network established the trade and economic foundation for the region which survives today. The construction of the rail system was an integral part of the Canadian government's national policies for economic growth which relied on the development of a western market for Canadian manufacturers as well as a bread basket to feed the country. It was to this national policy that the Lakehead found itself willingly tied.

The opening of the Canadian west and its economic impact on the future of Canadian society is well documented and

⁵ Cf. "The Petition of the Municipality of Shuniah: The Question of the Terminus of the Branch of the Pacific Railway North Shore of Superior, 1874" in Elizabeth Arthur, Op cit., p.178. Robert Crawford, Answer to the Pamphlet entitled "The Question of the Terminus" of the Branch of the Pacific Railway on the North Shore of Lake Superior. (Collingwood: John Hogg, 1874).

⁶ The populations of the two areas were approximately the same in 1870-71: Nipigon with 438 people and Kaministiquia with about 503. Canada, Census of Canada 1870-71., p.30. However, those figures changed drastically only ten years later, theoretically caused by the prospects of a completed terminus at Fort William. Nipigon grew to 512 people while the Lakehead exploded to a population of 1,965 inhabitants. Canada, Census Of Canada 1880-81., p.90.

controversial. To Harold Innis, it was another example of Canada's dependence on staples for its economic development which latter was to result in unbalanced growth. For J.M.S. Careless, the exploitation of the west explains the growth of the Canadian city, representing the hinterland in his metropolitan view of history. For the development of the Prairies, W.L. Morton believes the main determinant has been its integration with the national economy, or metropolitan system. The greatest controversy over the interpretation of this period appears to come from the economic historians. Traditionally the "wheat boom", the period from 1901-1911 is considered to have supplied a major impetus to Canadian economic development. This has been challenged by Edward J. Chambers and Donald F. Gordon, who claim that the export of wheat contributed at most only an 8.4 percent increase of the 23 percent increase in per capita income experienced during this period.⁷ Gordon W. Bertram, on the other hand, disagrees with their conclusion. Instead, he argues that the wheat boom contributed about 25 percent of this per capita increase.⁸

Regardless of the impact that the wheat boom had on the national economy, its influence was far greater regionally.

⁷ Edward J. Chambers and Donald F. Gordon, "Primary Products and Economic Growth: An Empirical Measurement", in Perspectives of Canadian Economic History. Douglas McCalla ed. (Toronto: Copp Clark Pitman Ltd., 1987), p.213.

⁸ Gordon W. Bertram, "The Relevance of the Wheat Boom in Canadian Economic Growth." in Ibid., p.236.

On the prairies, for example, where grain production was the centre of the economy, the benefits for its population would be significant. The same can be said for the impact of the wheat boom on the Lakehead. In fact the development of the grain trade can be considered part of and a major stimulant to what may be known as the Lakehead's 'period of development' between 1900 and 1927. This was an era of rapid industrial development and population growth. It is also symbolised by the spirit of enthusiasm and rivalry felt by the two communities.

This vigorous development in the Lakehead, stimulated initially by the wheat boom, can be seen by the construction of four grain elevators along the Kaministiquia River by the CPR in 1900, bringing the local total to five. The area's importance as a transportation centre was secured when first, the Canadian Northern Railway in 1901, and then, the Grand Trunk Pacific Railway in 1905, followed the CPR's example by establishing grain termini at the Lakehead. This influx of investment and jobs into the region did much to stimulate growth. Between 1903 and 1913, the number of industries located there grew an astonishing 375 percent, from 15 to 71 companies. While much of this expansion can be attributed to the grain trade, companies like Canadian Car and Foundry, which began production in 1912, started its corporate life building and repairing rolling stock for the Canadian government. The importance of this period of development is

further highlighted when one considers that four of the companies established during this time, Port Arthur shipbuilding and Drydock, Ogilvie Flour Mill, N.M. Paterson and Son, and Canadian Car and Foundry continued to be major employers in the Lakehead well into the 1960's.⁹

With the establishment of the grain trade in the region, the skyline of the twin cities was irrevocably changed. Starting with one elevator in Port Arthur in 1883, there were five by the turn of the century with a capacity of 7,500,000 bushels. By 1913, the Port Arthur Board of Trade was announcing that its grain trade had increased 1400 per cent over the past ten years.¹⁰ By 1922, Port Arthur and Fort William had the largest grain capacity in the world. The fifteen elevators in each city gave the Lakehead a storage capacity of 92,730,000 bushels.¹¹ In addition, the movement of grain east was counter-balanced by the establishment of coal docks in both cities. Coal travelled west from the ports of Lake Erie both as cargo and as ballast for the grain

⁹ The Lakehead Chamber of Commerce and The Canadian Lakehead Industrial Commission Inc., The Canadian Lakehead. (Fort William), p.6.

¹⁰ The figures supplied show that in 1902, 3,693,689 bushels of grain passed through Port Arthur and 27,752,899 bushels through Fort William. By 1912 this number had increased to 49,861,143 bushels and 97,238,531 bushels, or 1400% and 400% through Port Arthur and Fort William respectively. Port Arthur Board of Trade, Bulletin, (Port Arthur: Daily News, 1913) Vol.1, no.23. Aug. 5 1913. Whelan Collection.

¹¹ Henderson Directory: Twin Cities Fort William and Port Arthur. Vol.XV 1935, p.19.

carriers. It was then transhipped at the Lakehead for storage or direct use by the railway companies.

During the 1920's other changes were taking place on the harbour fronts. Many of grain elevators built during the wheat boom were of wood slat construction held together by metal bands. Because of their weak construction, many had to be replaced or were destroyed. Throughout the 1920's, various projects were established to either replace existing wood structures with concrete ones or to increase the capacity of existing ones. As a result, between 1920 and 1930, twenty-three projects were initiated accounting for the addition of 39,487,000 bushels of new elevator capacity. This brought the total capacity of the Lakehead elevators down to 88,867,000 bushels but placed them on a more permanent footing. Many of these elevators remained the same through to the 1960's with only minor changes to them during the intervening period.¹²

To the harbour itself, the development in front of Port Arthur was somewhat more pronounced than Fort William. Whereas all of the development in Fort William lined the dredged Kaministiquia and Mission rivers, the harbour of Port Arthur needed to be dredged and a break-wall built. The first break-wall, 4150 feet of timber cribwork, was

¹² Paterson Library Archives, Phillips Collection, MG-26 C-52. J.E. Young, Historical Fact Grain Elevator Construction and Shipping Lakehead Harbour 1883-1964. (Lakehead Harbour Commission, february 1965).

constructed in 1883. By 1930, the break-wall extended to enclose 5 1/2 miles of shoreline and was in the process of conversion to crushed rock.¹³ The physical changes to Fort William harbour were less noticeable but just as significant. In 1909, The Great Lakes Dredging Company out of Port Arthur, partly owned by James Whalen, a local entrepreneur, was "indentured" for the dredging of both the Kaministiquia and Mission Rivers in Fort William to a depth of 22 feet.¹⁴ In 1911, the contract was extended to include the McKellar river, for a total of 13 miles of navigable waterway with three turning basins for the ships. It was estimated in 1930 that there were 22 miles of potential frontage for wharves and docking berths.¹⁵

This development of the waterfronts of the twin-cities continued, not only as maintenance projects, but as new demands were placed on the transportation network and the communities. For example, further improvements were made in the mid-thirties, maintaining the harbour depth of twenty-two feet and an extension of the Port Arthur break-wall. The traffic through the harbour was up over recent years, but not

¹³ From a paper presented by A.A. Anderson, engineer Department of Public Works to Thunder Bay Historical Society, 1930. in Thunder Bay Historical Museum Society, Papers and Records., Vol. XI, (1983), pp.43-44.

¹⁴ Paterson Library Archives, Lakehead University, Whelan Collection, MG-6. Contract between Dominion of Canada and Great Lakes Dredging Co. Ltd., 11 Dec. 1909, pp.1-2.

¹⁵ Anderson, Op cit., p.47.

over pre-depression levels. The government's motive for this project appears to have been directed more towards improving the local employment situation, than relieving pressure on the harbour's facilities.

The fantastic development of the harbour fronts and industries of the two cities brought with them the trappings of the modern city. During the first decade of the twentieth century the populations of the two communities more than doubled. Fort William grew from 3,997 people in 1901 to 16,499 in 1911, an increase of 354 percent, while Port Arthur increased to 11,220 people from 3,214 during the same period, a 249 percent increase.¹⁶ Sewer and water systems, electric lights, paved streets, theatres and cinemas and the first municipally funded and built electric street car system in North America made the twin cities an island of civilization in a sea of forest. With this new found prosperity it is not hard to imagine the enthusiasm of local residents, an enthusiasm and excitement that led to an intense rivalry between the two neighbours.

By the 1920's the development that the Lakehead had experienced, sparked strictly by the transportation revolution, began to wane. The transportation industry was now established and no longer served as a market for some of these companies forcing them either to close or to diversify.

¹⁶ Canada, Dominion Bureau of Statistics, Census of 1911. (Ottawa: Office of His Majesty's Printer, 1911), pp.539-540.

The history of the Canada-Car plant, illustrates this. With the disappearance of government contracts for rolling stock it sought more diverse business contracts, like building ships for the French government. Even so, the plant was closed in 1922. Fort William's statistics show that the area likely experienced a transition in its employment pattern. Table 2.1

Table 2.1--Number of persons employed in key industries in Fort William in 1911 and 1921

Industries	Manufacturing	Services	Transportation
Census years			
1911	1067	1406	2565
1921	1339	1505	2425

Source: Dominion Bureau of Statistics, Censuses of Canada.

Note: Figures are only available for Fort William before 1931. Assuming the similarity between the two cities the percentages should represent both communities.

reveals that there had been an increase in the number of people employed in manufacturing and services industries between 1911 and 1921, manufacturing representing the largest of the two with an increase of almost twenty percent. The transportation field on the otherhand experienced an approximate drop of five percent in its number employees.¹⁷

¹⁷ Owing to the population size of Port Arthur in 1911, its employment statistics were not published by the Dominion Bureau of Statistics. Canada, Dominion Bureau of Statistics, Census of Canada 1911. (Ottawa: King's Printer, 1911). Canada, Dominion Bureau of Statistics, Census of Canada, 1921. (Ottawa: King's Printer, 1921).

As one can see from these figures, industrial development at the Lakehead did not stop because the market in the transportation industry was no longer expanding. The existence of the transportation network and the changes that it had wrought became the incentive for industry to locate at the twin cities. In short, the establishment of the Canadian Lakehead as a major transportation link brought markets and supply sources closer, making the cost of transportation for local industry cheaper.

The second major stage of the Lakehead's development occurred in the latter part of the period. Much of the communities' economy was based on resource exploitation. Even though the mining and timber industries had been in existence in the region well before the advent of the CPR, the penetration of the railways into the interior had helped to stimulate growth somewhat in these industries. It acted both as a source of supply to work camps and as a means of extraction of the raw materials.

Despite the important role this played in the development of these concerns, it was the intangible contribution of nationalism that acted as the major stimulant to this sector of the economy, especially in the forest products field. Developing out of a tariff war with the United States over the supply of sawlogs, the Ontario provincial government instituted restrictive legislation, known as the manufacturing

condition, meant to prohibit the export of unprocessed wood.¹⁸ Important to the Lakehead was the extension of this legislation from sawlogs to pulpwood in 1900.¹⁹ This act, combined with the US decision to eliminate the tariff on newsprint in October 3 1913, opened the door for the establishment of what would become the largest single industrial employer in the region, the pulp and paper industry. The first of these mills was erected in 1918 by James Whalen for the production of wood pulp for eastern markets. Two other mills were to follow during the next six years.²⁰

By 1927, the foundations of the Lakehead's economy had been set. The almost frantic expansion that had characterised the first three decades of the twentieth century had reached a peak and begun to stabilise. The importance of this period was the opening of the rail link with the prairies and tying the Lakehead into the national transportation network. It not only meant a link to the Prairie economy but allowed the Lakehead to profit from its central location in a resource-

¹⁸ Cf. H.V. Nelles, The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849-1941. (Toronto: Macmillan, 1974).

¹⁹ Canada, Dominion Bureau of Statistics, The Pulp and Paper Industry 1934. (Ottawa, Kings's Printer, 1936), p.8.

²⁰ By 1924 three of the eventual four mills at the Lakehead had started production. The last one opened three years later. By the 1960's there are ten pulp and paper mills in operation in the Thunder Bay District, four of which are located at the Lakehead. Ontario Government, A History of Port Arthur Forest District: District History Series #4. (Toronto: Department of Lands and Forests, 1963).

rich region where it acted as a sub-metropolis. This, it could be argued, led to a certain amount of economic stability for the Lakehead, at least in the short term.

As with the rest of Canada the twin cities of Port Arthur and Fort William were greatly affected by the world events of the 1930's and 1940's. The depression shook the very foundation of the local economy but did not destroy it. Perhaps it can be said that the role the two cities played in the transportation network was the great stabilizing factor for its economy. Through out the entire period, as other industries were faltering, cargo continued to move through the ports, though in some years at a below average level. Generally speaking the registered tonnage entering the two harbours remained constant throughout the decade. The only major fluctuations in cargo movement occurred for departures destined for local points in the three years between 1933-35. Coastwise shipping was relatively unaffected.²¹ Any decline in the volume in cargo must also have been felt throughout the country. The Lakehead's harbour statistics for 1933, the lowest volume recorded for this period, still placed the it as the second largest port in Canada after Montreal in registered tonnage moved.²²

²¹ Canada, Dominion Bureau of Statistics, Shipping Report. 1928-1936.

²² "Seven Million Tons of Shipping Arrive, Leave Harbours in One Season" in Fort William Daily Times Journal, 19 December 1936.

While the transportation industry may have been fairly stable, other sectors were not so lucky. If the census year of 1931 can be used as a gauge for the entire period, then the transportation, communication and storage industries offered Ontario's workers better job security than did manufacturing. While in 1931, 18 percent of the people employed in manufacturing were out of work, only 11 percent of the employees from the transport industry were idle in Ontario.²³

One of these manufacturers, the pulp and paper industry owed much of its financial troubles to declining demand and exports. Prior to the 1929 stock market crash, the paper industry was one of Canada's fastest growing industries. Except for one year, 1921, it boasted regular annual growth reaching a peak profit of \$243,970,761 in 1929. By 1933, four years later, profits were cut almost in half to \$123,415,492.²⁴ Locally that translated into shut downs and lay offs; 300 men in the Abitibi Mission Island Mill alone.²⁵ By 1934, all four of the local paper mills were in receivership.

²³ Canada, Dominion Bureau of Statistics, Census of Canada, 1931. vol.6 (Ottawa: Kings Printer, 1932), Table 13.

²⁴ The Pulp and Paper Industry 1934. p.7.

²⁵ "Newsprint Industry Firmly Established in Lakehead Cities" in Fort William Daily Times-Journal. 10 December 1932. Mill workers were not the only people effected by such shut downs. For every person employed in the mills there was at least one man employed in the forests to harvest the trees.

Despite the economic hardship experienced at the Lakehead, there was continued growth, however slight. The mid-thirties saw further improvement of the harbour facilities and work on a trans-Canada highway had begun.²⁶ In addition, the Lakehead celebrated the establishment of three major employers²⁷ two of which were lumber and timber firms, Northern Wood Preservers and Great West Timber, both in Port Arthur. Also, in 1937, Canada Car started production again after almost a decade of silence, building bi-wing training aircraft for the Royal Air Force and then Grumman fighters for the Turkish government.²⁸ This reopening is significant as a precursor of a new period of development at the Lakehead and the herald that the world was preparing for war.

The years 1939-1945 were prosperous for the Lakehead. At the centre of a vast and resource rich region, it benefited greatly as a source of supply for the Allied forces. In

²⁶ This was primarily a make work project, only lasting the depression. The Trans-Canada highway through Northwestern Ontario was not completed until 1960.

²⁷ Commencing in 1936, the Federal government improved the harbour depth of both Port Arthur and Fort William to 25 feet from 22. In addition it commissioned the construction of a new pierhead at the east end of Mission Island as well as 1200 feet of break-wall in front of Port Arthur linking the Bearpoint breakwater completed in 1930 with the harbour's old wall. Fort William Times Journal. 14 December, 1935

²⁸ This was an important change for the plant, though not unusual. During the first world war, Can-car was commissioned to construct for the French Government, eleven frigates for its navy. As the Grain market began to stabilize the company could no longer rely on government contracts for the production of rolling stock. In order to remain open, Can-Car was placed in a position that it had to be flexible and able to build a variety of types of items.

addition, many local industries were refitted for war time production. With the declaration of war, Can-Car received the contract for the Hawker "Hurricane" for the RCAF and then in 1942 began construction of the Curtiss "Helldiver" for the U.S Navy. In total, the local Can-Car plant produced 1451 "Hurricanes" and 894 "Helldivers" and employed more than 7,000 people, half of whom were women.²⁹

Even though the Port Arthur Shipbuilding Company could not boast 7,000 employees, its contribution was no less substantial. It built twenty-three Algerine and Bangor type minesweepers and nine corvettes for the Royal Canadian Navy, used in the protection of the North Atlantic convoy route. It also continued work on ship repair and even repaired aircraft fuselages.³⁰ In its highest year of productivity, 1944, the plant employed 2,150 men.³¹ Both Can-Car and the shipbuilding company were joined in the war effort by such companies as NESCO, a small local engineering and machining firm established in 1906. During the Second World War it supplied 14" shells for the British Army.

The end of the war meant retooling for peace. The Lakehead experienced many of the same events that other Canadian cities did as life returned to normal. For

²⁹ UTDC, Can Car Thunder Bay Works- 1912-1990.

³⁰ "Port Arthur Plant Building Ships" in Fort William Daily Times Journal. 20 December, 1941.

³¹ Phillips collection, MG6 A-83. A promotional pamphlet for the Port Arthur Shipbuilding Co. March 1966.

companies like Can-Car, it meant the manufacturing of non-military products such as gas and diesel buses for various cities throughout North America. This company alone supplied the Lakehead with about a thousand new jobs. In the resource industries, a growth in investment and the ability to use Marshall Plan funds in Canada led to a period of growth in Northwestern Ontario that was to last well into the 1960's. Of major importance for the region, was the establishment of the Steep Rock iron mines at Atikokan, just west of the twin cities. The opening of the mine coincided with the end of the war and the demobilization of the Canadian troops overseas. The demands of reconstruction replaced those of war and it was expected that the mine would produce over a million tons of iron ore per year all of which would be sent through the harbour at the Lakehead. Many soldiers went almost directly to the mine right after the cessation of hostilities.

As this brief survey of the Lakehead's development reveals, the transportation industry, specifically that played by the harbour, was an integral part of the area's prosperity. It not only was a stimulant to growth during periods of economic health, but it acted also as an economic cushion for the communities during the depression.

Beyond this general observation, if one looks closely at the development of the area, from the establishment of the CPR and grain terminals to the end of the Second World War, a

downward trend in the influence of the transportation industry on the local economy can be seen. In actual fact, much of this sector's influence on the cities' development is limited to their early years of growth where it was the major stimulant. Once established, their economy began to evolve, adding secondary manufacturing and resource based industry to the pool of employers. As reflected in the nature of the Lakehead's workforce, by far the largest change was to come during the 1940's. By 1951, manufacturing accounted for the largest share of employees at the Lakehead, twenty percent of the entire workforce. It was followed by the service industry at seventeen percent, transportation and communication at sixteen percent and forestry and logging accounting for fifteen percent of available workforce.³² Comparing these figures with those from 1911 or 1921, the scale of the Lakehead's diversification becomes clear: the transportation and communications industry accounted for thirty-three percent and manufacturing only fourteen percent.³³

³² Canada, Dominion Bureau of Statistics, Statistics of the Economic Regions of Ontario and Quebec: A Progress Report. (Ottawa: 1956), pp.21-22.

³³ Figures are only available for Fort William for 1911. Employment figures for Port Arthur are available from 1931 on. Assuming the similarity between the two cities the percentages should represent both communities. For 1921 manufacturing accounted for eighteen percent of the work force. Canada, Dominion Bureau of Statistics, Census of Canada. (1911 and 1921).

Chapter 3: The Seaway's Promise

It is generally acknowledged that the first quarter century following the end of the Second World War marked perhaps the greatest period of economic expansion in Canada's history, if not the greatest in statistical terms, then in terms of economic diversification.¹ Prior to the war, Canada had lagged behind other countries in its recovery from the economic devastation of the world depression. The war had acted as a stimulant to its economy, fuelling its industries, while leaving the country physically unscathed, unlike the shattered nations of Europe and Japan. This factor, combined with the infusion of millions of dollars for the development of manufacturing and natural resources, left Canada one of the seven strongest economies of the world. While the demands of the wartime economy disappeared with the end of conflict, profits made from the war, the demands of reconstruction, new international policy and a new sense of optimism helped Canada fill the economic void. Everyone was making long postponed investments, from the family purchasing the long awaited washing-machine to corporate investment in Alberta's oil fields.

This trend carried into the 1950's, helped along by the demands placed on the world by the Korean War. During this

¹ Robert Bothwell et al, Canada Since 1945: Power, Politics, and Provincialism. (Toronto: University of Toronto Press, 1981), pp.9-25. R. Douglas Francis et al, Destinies: Canadian History Since Confederation. (Toronto: Holt, Rinehart and Winston of Canada, 1988), pp.307-311.

period Canada's GNP grew from just under \$30 billion per year in 1945 to \$50 billion by 1960.² While impressive in itself, in terms of representing the maturing of the national economy, these figures show growth despite three periods of recession following the war. The first, which occurred in 1945, reflects the conversion to a peace-time economy; the second recession occurred following the end of the Korean conflict in 1953, and the last represents the end of Canada's post-war boom and the resulting recession of 1957-61.³

To a certain extent Canada's economic experiences in the post-war period, both good and bad, can be attributed, to the close relationship between its economy and that of its American neighbour. Canada could not expect to remain unaffected by changes in the international economic order in the aftermath of the war. While the country had a strong trade relationship with the US as a net importer of goods prior to the Second World War, shifting trading patterns caused by European reconstruction resulted in a change in the relationship, making Canada a net exporter to the United States. It was the extensive American demands for raw materials that fired the resource boom in Canada. As a result, American investors were large contributors the development of iron ore, oil and uranium deposits north of the

² Statistics Canada, National Income and Expenditure Accounts, 1926-1974. (Ottawa: Queen's Printer, 1975).

³ Ibid.

border. In the same way, when the recession hit the United States economy, it acted to restrict further investment in and limited imports of raw materials from Canada, thus affecting its economy.

Throughout this period, the Lakehead's fortunes fluctuated alongside that of the country's. Just as the nation benefited from renewed growth in the aftermath of the world war, so did resource rich Northwestern Ontario. The boom in resource investment led such employers as the forest products industries to expand their operations in the twin cities and in the surrounding district, solidifying their role as the dominant sector employer. Steep Rock Iron Mines and Caland Iron Ore Company, children of the previous decade, continued to flourish as demand for iron ore in the U.S increased and the resources of the Mesabi range of northern Minnesota dwindled. The growth of such towns in the district had a residual impact on the Lakehead, as the regional metropole. The Lakehead had long been the main service centre for the region, augmented by the communities of Kenora and Dryden.

The other two mainstays of the local economy, the Port Arthur Shipbuilding Company and Canadian Car, also continued to grow. In one sense, the two could almost be considered new companies. The Shipbuilding Company came under full control of Canadian Shipbuilding and Engineering Limited, a subsidiary of Canada Steamship Lines (CSL), immediately

following the war. This organization ran the operations of four of the five major inland shipbuilding companies at Midland, Collingwood, Kingston and Port Arthur.⁴ Portship, as the local operation became known, continued to build ships for the Department of National Defence, but increasingly began to rely on the diversity of its operation, expanding the number of repair contracts and taking on projects that varied from aircraft components to kitchen cabinets. In 1954, the millwork department contributed more than "a half million dollars worth of business", fulfilling sub-contracts for major construction projects in the Lakehead and surrounding district.⁵

Can Car followed a similar path of diversification, but unlike Portship, could not continue its wartime occupation of building fighter aircraft. This fact was a threat to the plant's solvency because in a very real sense the aircraft industry was all it had ever known. Because of the decade long hiatus it had experienced during the 1930's, it was not the same plant that had at one time produced rolling stock and ships. Following the war the emphasis again changed, from the construction of war planes, to the building of buses and other transportation vehicles after the war. In fact, it is

⁴ The other company, Davie Shipbuilding of Levi, Quebec, was the largest of the five and owned also by CSL.

⁵ Canada Steamship Lines Limited. no.66, 15 December 1955, Kingston, Marine Museum of the Great Lakes, Kingston Shipyards Collection.

the resilience and adaptability of the operation which has allowed the company to remain solvent until the present.

While these industries were expanding, the transportation industry and the related grain industry changed little. If anything, it declined. The last expansion of elevator capacity occurred in 1948 and there was not any further improvement until 1960. In terms of grain movement, the volume declined also. In the ten years between 1944 and 1953, 3.3 billion bushels of grain passed through the combined harbours; during the following decade that total fell to 2.9 billion bushels.⁶ As a result of the limited growth in this sector the relative importance to the communities of this industry declined also. Table 3.1 shows that since 1931, the

Table 3.1--Percentage of populated employed in key industries at the Lakehead during census years

Industries	Manufacturing	Services	Forestry	Transportation
Census years				
1911	14%	19%	N/A	33%
1921	18%	20%	N/A	33%
1941	19%	15%	N/A	11%
1951	20%	17%	15%	16%
1961	17%	23%	9%	17%

Source: Dominion Bureau of Statistics, Censuses of Canada.

Note: Figures are only available for Fort William before 1931. Assuming the similarity between the two cities the percentages should represent both communities.

⁶ J. E. Young, Op cit., p.12.

percentage of people employed in the transportation industry dropped significantly from its high of 33 percent in 1921. By 1951, it fell behind both the manufacturing and service industries as a source of employment to the communities: at that time, manufacturing accounted for the largest share of employees at the Lakehead, 20 percent of the entire work force, while the service industry accounted for 17 percent.⁷

Despite what one might assume, this period of growth and prosperity was not taken with complacency. The Royal Commission on Canada's Economic Prospects also called the Gordon Commission after its chairman, Walter Gordon, began work in 1956, just prior to the start of a lengthy national recession. Moreover, it was ironic that the report of the Gordon Commission viewed with trepidation the very fuel of the recent boom, foreign investment and resource exploitation. In one sense it can be said that the debate which ensued between those who, like Walter Gordon, condemned Canada's close economic ties with the United States and the advocates of such ties, led by Port Arthur's own Member of Parliament C.D. Howe, Minister of Trade and Commerce and arguably the most powerful individual in the federal government, was simply semantics. Just months following the release of the commission's report, Canada found itself in the middle of a

⁷ Canada, Dominion Bureau of Statistics, Statistics of the Economic Regions of Ontario and Quebec: A Progress Report. (Ottawa: Queen's Printer, 1956), pp.21-22.

recession, caused by the resource boom's end and the loss of accompanying capital investments, the two things which had formerly helped to propel Canada's expansion. As American markets began to tighten, inventories of Canadian resources began to increase, further worsening the impact of the economic slow-down.⁸

The winding down of the resource boom and accompanying recession was deeply felt by Northwestern Ontario, which relied heavily on the resource industries and on exports to the United States. Perhaps hardest hit was the forest industry, which was affected from the manufacturers down to the small independant sawmills. By 1958, Hobart Styffe, vice-president of Oscar Styffe Limited, a local forest products firm, noticed a marked decrease in the number of contracts that his company was able to procure, amounting to only one-fifth (20,000 cords of wood) of what had been moved the year before.⁹ This he attributed to the stockpile of raw materials by his customers, who were in turn unable to move their products. It was his opinion that his company was not the only one to be affected this way, but that the whole

⁸ The government implies that this is a cause of the recession, but viewed from another reference point it could also be seen as an effect. Inventory build up can be caused by the loss of markets. National Archives of Canada, C.D. Howe Papers, MG-27 III b-20, vol.168 file 89-3(1). O.J. Firestone, Economic Advisor, Department of Trade and Commerce, speaking to Vancouver Board of Trade.

⁹ C.D. Howe Papers, MG-27 III B-20, vol.10, 75-5-1-1. H.H. Styffe to C.D. Howe, 23 June 1958.

forest product sector, the largest regional employer, was "heading for a let-down."¹⁰

The reliance of Northwestern Ontario on the resource industry was beginning to generate a great amount of concern locally. By some reports, the region began its slow decline into recession as early as 1954, years before the rest of the country.¹¹ A better description, however, would be that the region was experiencing stagnation in its industrial growth. Certainly some industries, like pulp and paper, were expanding their operations, but some community leaders saw the need for a more diversified economy to assure continued growth. The formation of the Northwestern Ontario Development Association (NODA) in 1955, to promote the region and to attract industry to the district, highlights this concern. Perhaps the largest problem for the local economy was the fact that many major employers such as the grain elevators and the wood-lands divisions of the forest industry either laid off or curtailed operations during the winter months. The development of new industry was believed to be one of the cures for this seasonal unemployment and a source of future stability for the cities, by offering year round employment to their citizens.¹² The

¹⁰ Ibid.

¹¹ Cf. Fort William-Port Arthur and District Labour Council, Brief concerning the Serious Unemployment Situation in the Fort William-Port Arthur Areas. June 1960.

¹² "New Real Estate Boom Predicted for Fort William" in Fort William Daily Times-Journal. 27 March 1956. Port Arthur Mayor Eunice Wishart speaking on the expected impact of the St. Lawrence

opening of the St. Lawrence Seaway, it was hoped, would help to bring on this economic stability.

Canada's return to prosperity coincided with the return of the government mega-project. The last real mega-project had been the building of the CPR during the 1880's. Other projects, such as the various improvements to Canadian canals or the Trans-Canada highway make work projects, may well have been important and expensive, but lacked the breath of scale and did not have as decisive an economic impact.¹³ The two most significant projects were the building of the Trans-Canada Pipeline, carrying western natural gas to central Canadian customers and, of course, the joint venture with the United States, the St. Lawrence Seaway project.

The improvement of Canada's waterways had long been a popular project in Canada. Ever since the completion of the Welland Canal system in 1848, even through Canada's early railway era, a period in which most countries lost interest in canal building, petitions were made to the federal government for an improvement of the waterway between the Canadian

Seaway and the natural gas pipeline. Northwestern Ontario Brief presented to the Royal Commission on Canada's Economic Prospects. 1956.

¹³ Sections of the Trans-Canada were completed piecemeal. For example a route was cut connecting the Lakehead to Winnipeg in 1935. There was also a route going east but it zig-zagged through various communities. It was far easier to travel through the United States or to take a ferry to Sioux Ste. Marie than to take the highway when travelling east. The Trans-Canada highway was completed through Northwestern Ontario in 1960.

Lakehead and Montreal. Some advocated an improvement of existing waterways, while others supported the building of various routes connecting Georgian Bay directly with Lake Ontario or the Ottawa river.

The communities of Port Arthur and Fort William were strong supporters of any move which might improve their connection with eastern Canada, effectively shortening the distance. It is also important to remember that the two cities had become very much linked with the prairie economy. Local growth was tied to policies that would have a direct national rather than regional impact. As a result, local leaders tended to ally themselves with projects beneficial to the nation, at least those which led to western development. It is not surprising therefore that people like James Conmee, perhaps one of Port Arthur's most controversial and influential figures, would speak in favour of St. Lawrence improvement and its resulting benefit for western Canadian farmers. In a paper presented before a forum on the subject, Conmee noted that an all Canadian route via Fort William and Montreal to Liverpool, with an improved St. Lawrence, was 700 miles shorter than a similar route via the Boston-New York route.¹⁴ This speech was made six years before the wheat boom and the importance of prairie prosperity to the Lakehead's welfare was fully realized.

¹⁴ International Deep Waterways Association, Proceedings of the First Annual Convention of the International Deep Waterways Association. (Toronto: Hart & Riddell, 1895), pp.441-447.

While much of the discussion over the St. Lawrence Seaway was marked by debate between special interest groups and nationalists, many became increasingly aware that any project required the financial and political assistance of the United States government. The Great Lakes waterway constituted much of the international boundary between the two countries and they each shared the benefits of its drainage basin. As a result, neither country could unilaterally change the course of the system without the permission of the other. The importance of this was accentuated by the increasing interest in the hydro-electric potential of the St. Lawrence River.

Years of negotiation between the United States and Canada leading to the development of an international waterway along the Great Lakes St. Lawrence water system culminated in an agreement in March 1941. Converting the written agreement into action was not an easy task, however. This accord between the two neighbours did not meet with universal enthusiasm, with most of the opposition to the development based in the United States led by such large and influential lobby groups as the Association of American Railroads (AAR) and the New York Port Authority, which feared a loss of business. The debate was further complicated by the addition of groups convinced that the project must be self-supporting and not be a burden on the American people.¹⁵ Both groups

¹⁵ For example; the National Committee for a Non-Subsidized Seaway and the New York-New Jersey Committee for a Self-supporting Seaway. Great Lakes Waterways Development Association, A Detailed

were effectively able to block the ratification of the agreement in Congress for a number of years, especially after they joined forces. The lobby interest led by the AAR, eventually took the position that if the project could not be stopped then the imposition of crippling tolls would negate its impact on their business.¹⁶

Canada did not experience these intrigues where there appeared to be little opposition to the Seaway project. What opposition there was concerned specifics, such as the imposition of tolls, rather than the promise of the project itself. The result was that Canada was left waiting a full decade for the Americans to deal with internal resistance before it decided to act. Throughout the intervening period Canada had made overtures to its southern neighbour in an attempt to hasten the ratification in the Senate, including a promise to abandon a 40 year old toll-free policy on Canadian canals.¹⁷ Even after Canada passed the Seaway Act in 1951, thus establishing the St. Lawrence Seaway Authority and

Study of Serious Problems Now Confronting All Users of the International St. Lawrence Seaway (Montreal-Lake Ontario) and All-Canadian Wetland Ship Canal (Toronto: 1969), Lakehead University, Chancellor Paterson Archives, Phillips Collection, MG-6 n-371, p.5.

¹⁶ Lionel Chevrier, The St. Lawrence Seaway. (Toronto: Macmillan, 1959), p.115.

¹⁷ When after six years of debate and delays, the Truman administration approached the Canadian government regarding "the possibility of reaching agreement in principle that the Seaway be made self-liquidating through an agreed system of tolls". Canada agreed providing any benefit gained through the project would not be lost. Louis St. Laurent to the House of Commons, Canada, House of Commons Debates. 24 April, 1947, p.2354.

mandating the construction of the project, there was little encouragement that the US was going to move on the project. Rather, it was the Canadian threat to begin construction of an all-Canadian route in 1954 that stimulated the Americans into action. Shortly after the Canadian announcement, the US Congress passed the Wiley-Dondero Act ratifying the original 1941 agreement and establishing a corporation to handle the project.

Much of the rationale for the project was based on a Canadian and American desire to supply the demands of the industrial centres surrounding the Great Lakes with power and raw materials. With the decline of the Mesabi range in North-Eastern Minnesota as a source for iron ore, these centres increasingly turned to the developing iron reserves of Sept Isles and Labrador to supply their iron ore needs. The proposed seaway development was meant to improve the movement of this commodity west through the St. Lawrence system. Incorporated into the development of an improved canal system were a series of hydro-electric plants meant to supply the needs of this region's expanding industrial base.

Important also for Canada was the impact that new the Seaway would have on the movement of grain. Grain had long been an important export commodity for Canada, representing billions of dollars of trade with Europe. But in this international trade it competed with the Americans and Argentineans, and Canada's network for grain movement was

inefficient. Prior to the opening of the improved seaway, the ships plying the St. Lawrence river were much smaller than ships in use at either end of the system. As a result, transshipment points were needed to enable small canal size vessels to traverse the 14 foot canal system. Ocean ships could on occasion traverse the system, but with a much reduced cargo. The new depth of the St. Lawrence river meant that ocean vessel now had access to the Upper Great Lakes and, most importantly to the residents of the Lakehead, access to the ports of Port Arthur and Fort William. Local leaders from the area expected that the establishment of the Lakehead as a sea port was one of the keys to the region's future development.

In many ways the Lakehead was still isolated from the rest of Canada. The railways and the port were the life-line with the outside world. All goods and most people moved in and out of the cities mainly via these two transportation systems. Though started in the 1930's, the trans-Canada route through Northwestern Ontario was not to be completed until the 1960's.

The importance of transportation issues for the future development of the Lakehead is also evident from Northwestern Ontario's brief to the Gordon Commission. In general, many of the submissions from various business leaders listed problems with the availability and ultimately the cost of transportation as a major impediment to their development. One representative of the forest products industry cited the

combination of government policy and a small population located "between the Manufacturing East and the transportation subsidized West" translated into Northwestern Ontario having to support the burden of excessive transportation costs for its manufactured goods. Similar sentiments were reiterated by Robert E. Henderson, Vice-President of Manufacturing, Canadian Car. Of the influences governing the further development of secondary industry in the region, he saw the cheaper transportation rates of goods in and out of the district, as a major factor in countering the disadvantages of location.¹⁸

The importance of this point cannot be stressed too much. Being located so far away from major markets was not only a factor discouraging the establishment of further manufacturers, but was also a threat to those firms which already existed. Ironically, it was Robert Henderson's company, Can-Car, which experienced this fact first-hand. Part way through the fall of 1958, Can-Car's head office in Montreal informed the plant in Fort William that it was going to transfer the diesel bus and tractor trailer production from the Lakehead to its Dominion plant in Montreal. President Harwood announced that after completing an economic survey, the "consolidation of the company's commercial operations nearer its markets is essential if we are to maintain a

¹⁸ Northwestern Ontario Brief Presented to the Royal Commission of Canada's Economic Prospects, 1956. Thunder Bay Historical Museum Archives.

competitive position for our products."¹⁹ While this move would not have closed down the plant entirely --there was some contract work in process, producing aircraft parts and aircraft repair work-- the loss of the bus and tractor trailer contracts, as the major chunk of the process would have been a serious blow to the plant and the community. It was Alexander Phillips' opinion that nearly 1,000 employees would be affected.²⁰ While this figure was somewhat inflated --at the time of the decision, the plant was operating at 50 percent capacity,-- it represented a significant portion of the local economy.²¹

For some, the proposed seaway project held the promise of improving the transportation situation for the area and stimulating the growth of the manufacturing sector. Eunice Wishart, the mayor of Port Arthur, believed that the improved connection to outside markets would lead to the development of such industry as "warehousing and automotive assembly plants".²² Others were more cautious in their expectations, still cognisant of the importance of the west to the region's

¹⁹ Phillips Collection, MG-6 a-14(2). Alexander Phillips to John Diefenbaker, 18 December 1958.

²⁰ Ibid.

²¹ Phillips Collection, MG-6, a-14(1). Brief expression grave concern over proposed termination and relocation of commercial and defence manufacturing facilities of Canadian Car Company in Fort William, Ontario. 1958.

²² Eunice Wishart, Mayor of Port Arthur, Brief to the Royal Commission.

future prosperity. It was realized that, as with past development, the Lakehead's share in the success of the St. Lawrence Seaway "will depend largely upon growth in Manitoba, Saskatchewan, and Alberta and perhaps the Northwest Territories."²³

In the discussion of the benefits of the St. Lawrence Seaway, there appears to be marked differences between comments made by local leaders in official documents and comments made to the public. Local expectations of the project printed in official documents such as the brief to the Gordon Commission are comparatively cautious in tone. Public uttering, on the other hand, bordered on boosterism, seen most vividly in the press. The production of an annual supplement by one of the two major regional papers, the Fort William Daily Times-Journal illustrated the level of optimism many business and political leader projected to the general public. These so called "Progress Edition" supplements all extolled the potential benefits of the two harbours becoming sea-ports open to ships from all nations. Characteristic titles included: "Harbour Committee Maps City's Role in Seaway", "Seaway Will Enhance Northwest's Industrial Potential", "Seaway, Natural Gas Will Spur Lakehead Growth Says Howe" and

²³ Thomas Todd, President of Fort William's Chamber of Commerce, Brief to the Royal Commission.

"Prosperity Seen With Seaway Opening".²⁴

To a certain extent these "Progress Editions" can be referred to as promotional material as opposed to news. This can be illustrated through the contrasting coverage given to employment in this supplement. At the Lakehead during the late 1950's and early 1960's concern mounted over the growing number of seasonally unemployed people in the area. Where employment figures were announced, however, the articles refer only to the peak summer months when seasonal unemployment is non-existent. If, in fact, this supplement was promotional in nature then the importance placed on the Seaway in the Lakehead's future industrial development is further highlighted. The Seaway then acts as a selling point to potential manufacturers to locate in the region.

How many of these optimistic statements were believed by their exponents is difficult to state. Contemporary business and political leaders were not concerned simply with the actual state of the region's economy, but also with the public perception of their problems. In 1957, the Port Arthur Chamber of Commerce attempted to suppress information concerning local high unemployment to prevent depression in

²⁴ "25 Miles of Fort William Waterfront Being Studied: Harbour Committee Maps City's Role in Seaway" Fort William Daily Times-Journal 27 March 1956. "Seaway, Natural Gas Will Spur Lakehead Growth Says Howe" in Fort William Daily Times-Journal 26 March 1957. "Seaway Will Enhance Northwest's Industrial Growth", Daily Times-Journal 26 March 1958. "Prosperity Seen With Seaway Opening" in Fort William Daily Times-Journal 24 March 1959.

local morale that might adversely affect business.²⁵ For 30 September 1957, there were 1,128 men registered for unemployment, up 360 percent from the previous year.²⁶ This example of the community leadership attempting to 'soften the blow' of difficult economic times in the minds of the general public may well explain the difference in tone between official and public statements on the future of the Lakehead and the impact of the seaway on its development.

If some community leaders appeared cautious in their expectations, others were confident enough about the success of the project for the region and attempted to prepare for the challenge. In 1954, Great Lakes Paper embarked on a major expansion of its facilities adding a new paper machine and new ground-wood pulp equipment. The expected cost of the new equipment was approximately \$13 million.²⁷ Other than the usual impetus for expansion to improve one's market share, enthusiasm over the future prospects of the Seaway on access to markets played a hand in their expansion plans.²⁸ In addition, Great Lakes' management realized that the market

²⁵ Thunder Bay Historical Museum Archives, Port Arthur Chamber of Commerce Collection. Minutes of the meeting of the Retail Merchants Executive of the Port Arthur Chamber of Commerce, (Port Arthur: 29 October 1957).

²⁶ Port Arthur Chamber of Commerce Collection. Minutes of the Meeting of the Industrial Committee. (Port Arthur: 9 October, 1957).

²⁷ Great Lakes Paper, 1955 Annual Report, Expansion Issue 1955-57., p.12.

²⁸ Ibid, p.2

itself, especially the mid-west, was also destined to grow thanks to the potential of the Seaway. If it was simply to "sit tight" and not prepare for the future, then they were certain that the company would instead be "slipping backward".²⁹

Still others appeared to be making similar moves. As reported by Alexander Phillips in the Financial Post, a number of companies were expected to either expand their existing operations or add new ones, most of which were to be located on the harbour front. Much of this expansion was simply in relation to the storage of bulk materials such as petroleum products --Imperial Oil and Canadian Husky Oil-- or cement -- St. Lawrence Cement Company and Canada Cement Company-- but there was some new development. Three chemical companies, Hurons Chemical, Mid-Canada Chemicals and Nichols Chemical were expected to establish plants at the Lakehead. In addition Canadian Malting Company planned to double the size of its Port Arthur plant.³⁰

Many of the expectations for development centred around the movement of general cargo. Both Port Arthur and Fort William had harbour terminals and freight sheds; however, it was believed that these facilities were inadequate. The average volume of general cargo from 1950 to 1957 amounted to

²⁹ Ibid.

³⁰ Alexander Phillips, "Lakehead Ready, Willing and Able" in The Financial Post. 19 July, 1959.

approximately 350,000 tons. This figure was expected to increase to 1 million tons over the next decade.³¹ Plans were initiated for the construction of a Seaway terminal which integrated marshalling yards for both the CNR and CPR and parking areas for trucking and storage sheds in a 180 acre site. This was meant not only to increase the general cargo capacity of the harbour, but also to offer a more modern and efficient handling facility.

The period from the end of the Second World War to the opening of the St. Lawrence Seaway represents a era of growth for the Lakehead but, from a development point of view, it was flawed growth. Certainly there was intensive expansion of the economy; most of the existing manufacturing establishments expanded their operations and the communities grew around them. The problem appeared to be a lack of diversity which robbed the region of the economic maturity and stability. The result was a high level of seasonal unemployment owing to the predominance of industries which either reduced their operations or closed down during the winter months.

The announcement of the construction of the Seaway, effectively making the Canadian Lakehead a sea-port, offered to concerned citizens the possibility of economic stimulation, revitalizing old industries and attracting new ones. Not

³¹ Keefer Lakehead Terminal, Canada's Mid-Continent Seaport: Official Opening., 23 June 1962, p.6.

only would foreign vessels now have access to the twin ports, but the distances to market would become shorter owing to the improved transportation network and a decrease in cost would be realized. It was based on these perceptions that many felt that renewed growth was assured.

Chapter 4: The Business of Transportation

It is no mean task to ascertain the impact of a single factor on a community's industrial development. There are indeed many factors that lead to a company's decision to first locate in a community and then to either expand or fold operations. Primarily, the concern is to get the maximum return on the investment in the community. When one is a primary industry involved in, for example, mineral extraction, then the choice of a location for the operation is limited since a mineral deposit can not be relocated. The question of plant location becomes more important for secondary industry. Proximity to both markets and supply sources are of utmost concern. Should the cost of the raw material be more expensive to ship than the finished product, then a location close to the source of the raw materials would be preferable. Therefore, the cost of transportation to a distant market or from a distant resource centre can have an impact on profits.

Because of its relatively isolated position in Canada, the issue of distance to markets, efficiency of movement and, ultimately, transportation costs became important to the industrial development of the Lakehead. First as the major metropolitan centre for Northwestern Ontario, an efficient distribution network was needed to supply the outlying district then, because that district did not supply a large enough hinterland to fuel the Lakehead's economic development, it was forced export most of its production elsewhere:

newsprint was shipped to the eastern United States; the iron ore from Steep Rock moved to the steel mills surrounding the lower Great Lakes; and forest products, such as lumber, generally found their way to the United States and eastern Canada. This fact underlines the importance an efficient transportation network had for the communities. If these primary industries were the heart of the region, then transportation routes were the arteries of life to the markets. The Seaway improvement promised to act as a stimulant for growth, through improved contact, improved competitive standing and market share.

The review of the Lakehead's initial period of development in the previous chapter revealed the extent of the impact a single factor, in this case a regular transportation connection with the rest of Canada, can have on a community. The growth experienced is made more impressive by the fact that the region, isolated as it was, had little industrial base to begin with. By the mid-1950's, however, the situation had changed; the Lakehead had a well established economy, one which was nationally integrated. In addition, the transportation industry, while important in the local economy, was no longer the dominant employer that it once was; from roughly 30 percent of the workforce in 1911, by 1961, it employed less than 20 percent.¹

¹ Dominion Bureau of Statistics, Census of Canada (Ottawa: The King's Printer, 1911). Dominion Bureau of Statistics, Census of Canada (Ottawa: The Queen's Printer, 1961).

The question is, therefore, with the myriad of possible factors now at play in the local economy, how to measure the impact of the Seaway on the growth of twin cities? There are two closely related possibilities. In abstract terms, the improvement of the St. Lawrence water system should have the result of bringing the markets closer to the Lakehead. With the decrease in the cost of transportation over a given distance, that cost would no longer play as important a role in the manufacturer's decision with respect to plant location. Also, if the cost of transportation falls significantly enough in one mode of transportation, the competition must follow suit if it wished to remain competitive, an advantage to those industries unable to make use of water transport. To study the impact of Seaway improvements, the cost of transportation and the industrial expansion of the Lakehead will be studied. As part of this analysis, it is important to also view the impact rate changes had on the volume of traffic through the harbour and in some cases the alternate modes of transport.² The resulting picture will illustrate whether in fact the optimism expressed by local leaders prior to the Seaway's completion was based more on realistic expectations or simple dreams for the future.

² As part of the changes to Canada's transportation network surrounding the Seaway, the harbours of Port Arthur and Fort William became unified under the administration of the Lakehead Harbour Commission in 1958. From this moment on, except when specifically designated, "the harbour" or "Thunder Bay Harbour" will refer to this new entity.

One of the major issues and controversies concerning discussion of transportation costs was the decision to impose tolls along the Seaway route. In 1948, as a concession to the American government to encourage its participation in the Seaway project, Ottawa decided to remove the long standing policy of toll-free movement through Canadian canals.³ This act was immediately condemned by the shipping industry which argued that any tolls on the system would sap any cost benefit consumers would gain from the Seaway's construction. In this criticism, shipping companies were joined by Canadian industry, to whom decreased costs of transport meant increased profit or an improved competitive position;; and, of course, the port cities bordering the Great Lakes- St. Lawrence basin, who would benefit from the increased traffic. These groups employed economic nationalism to fight the tolls, claiming that the government would not stand up for Canadian rights in the face of their southern neighbour, placing Canadian jobs and industrial development were at risk.⁴

In reality, the debate over the tolls centred on the effect on the cost of general cargo shipments. At the time that discussions between the Canadian Seaway Authority and the

³ When after six years of debate and delays, the Truman administration approached the Canadian government regarding "the possibility of reaching agreement in principle that the Seaway be made self-liquidating through an agreed system of tolls". Canada agreed providing any benefit gained through the project would not be lost. Canada, House of Commons, Louis St. Laurent to the House, Debates (24 April, 1947), p.2354.

⁴ Emphasis from the original. A Detailed Study.... p.5.

American Seaway Corporation were under way over the form of the toll structure, similar discussions were taking place between C.D. Howe and T.R. McLagan, President of CSL, over the merits of the entire Seaway project. McLagan acknowledged that even with tolls, the cost of movement of bulk freight would decline. For example, using figures leaked from the international discussions, he estimated that with the elimination of transfer costs, the cost of the transshipment of wheat at Kingston, would fall by approximately 2.855 cents per bushel of wheat.⁵ His concern was over the possibility of higher tolls on general cargo movement. The cost related to return was higher for coastwise cargo freight than it was for ocean vessels. He argued that

the income per ton of freight from say, Liverpool to Toronto or Chicago will be much greater than that between Montreal and Toronto; with equal tolls applied, the percentage increase will be much higher on local operation.... The Seaway will not shorten the distance, avoid trans-shipment costs, or reduce handling costs on such package freight. The only saving on this type of freight brought about by the Seaway will be the fact that somewhat larger vessels can be used with some increase in ship operating efficiency.⁶

He wrote to Howe that "the magnitude of the tolls could wipe out any possible savings we can make by bigger and faster vessels."⁷

⁵ C.D. Howe Papers, MG-27, III B-20 vol.84, file 5.35.T.R. McLagan to C.D. Howe, 6 February 1957.

⁶ C.D. Howe Papers, MG-27, III B-20 vol.84, file 5.35. McLagan to Howe, 25 January 1957.

⁷ C.D. Howe Papers, MG-27, III B-20 vol.84, file 5.35. McLagan to Howe, 6 February 1957.

While the figures that McLagan used in his estimation were higher than the eventual toll schedule, the structure of the tolls took were essentially the same, with one major exception. According to his letters, he expected a higher toll rate for general cargo. However, neither he nor anyone else expected the inclusion of the Welland Canal into the system of tolls as part of the government's plans to make the system self-sufficient. The decision was made to fix in place two toll structures for the route, one for the Seaway between Montreal and Lake Ontario and the second for the Welland Canal. This, it was believed, would allow a greater flexibility for future changes in the tolls structure.⁸

The inclusion of the Welland Canal was a further subject of contention between shippers and the Authority. The shippers argued that the Welland Canal improvement had been completed long before there had been a firm agreement between Canada and the United States for the international Seaway and that the costs of the project had already been paid for from public coffers. This, they argued, showed that the government was attempting to make the Seaway into a money making venture, which could only adversely affect their interests.⁹

⁸ Ibid.

⁹ Phillips Collection, MG-6, N-371, Great Lakes Waterways Development Association, A Detailed Study of Serious Problems Now Confronting All Users of the International St. Lawrence Seaway (Montreal-Lake Ontario) and All-Canadian Welland Ship Canal (Toronto: 1969), p.4.

Table 4.1--Tolls applicable to the movement of cargo
along the St. Lawrence Seaway 1959-1963

	tolls		
	Total passage	Montreal to Lake Ontario	Lake Ontario to Lake Erie (Welland Canal)
a) Charge per gross registered ton, as per national registry of the vessel, applicable whether the vessel is wholly or partially laden, or is in ballast	.06	.04	.02
b) Charge per ton of cargo as evidenced by ship's manifest or similar receipt or document, as follows:			
-bulk cargo	.42	.40	.02
-general cargo	.95	.90	.05

Source: The St. Lawrence Seaway Authority, Canadian Tolls Committee, Report of the Tolls Committee, 12 June 1958, 2, Canada, Archives of Ontario, Pamphlet No.65-1958.

The shipping companies were resolute in their opposition to the tolls policy. David Trembly, author of the seventy-fifth anniversary history of N.M. Paterson and Sons, How Great The Harvest Is, stated that throughout the 1960's, Canadian shipping companies fought a constant battle against rising costs. The imposition of tolls along the St. Lawrence shipping route was a primary factor, along with the rising price of fuel, escalating wages and the cost of revamping their fleets to meet the new demands of the improved Seaway,

in their rising costs.¹⁰ This being the case, one should find either an increase in water freight rates paralleling the rise in costs or, at the very least, the continuation of the status quo.

Despite this claim, however, water freight rates generally dropped. An analysis of the two major commodities passing through the Lakehead, grain and iron ore, reveals that the freer movement of shipping between the head of the lakes and the St. Lawrence tidewater brought about a revolution in the industry, based first of all on the increased economy of scale. After 1959, with the improvements made to the locks and canals, the St. Lawrence could accommodate vessels of a draft of approximately 25 feet through the entire system, removing the need to transship cargoes before Montreal.¹¹ Prior to 1959, there were two main types of vessels in service in the Great Lake-St Lawrence system, "upper lakers" and "canallers". The upper lake vessels, those plying the lakes above the Welland Canal, were used either to carry cargoes for trade directly within the Upper Great Lakes system or carry their goods to transshipment points usually somewhere before the Welland locks. At these transshipment points the cargo would be stored or transferred to small canallers, whose job

¹⁰ David Trembley, How Great The Harvest Is. (Erin, Ontario: The Boston Mills Press, 1984), p.120.

¹¹ The Seaway was deepened to a draft of 27 feet but quite naturally the maximum allowance of the vessels must be less than that depth. In addition, seasonal water levels can affect the maximum allowance draft of vessels.

was to carry the cargo to points within or outside the canal route. These transshipment points were scattered along the Georgian Bay-Upper Lakes section of the waterway, places like Port McNicoll and Goderich, or harbours on the Lower Lakes-Upper St. Lawrence section, like Port Colborne and Kingston.¹² After 1959, all upper lakers could sail the entire route from the Lakehead to Montreal at almost full capacity.

The new economies of scale led the shipping companies to invest in new, larger, more powerful and in some cases, more specialized ships. N.M. Paterson and Sons, which had 40 ships in service in 1961, began selling off its older ships in that year. By the end of the decade, 25 of its pre-Seaway vessels were sold off to make room for the new generation of shipping.¹³ Canadian Steamship Lines (CSL), Paterson's main competitor, increased its total tonnage plying the lakes from the 1951 level of 300,000 tons to 570,000 tons by 1965. Approximately 80 percent of this 1965 total represented new

¹² The ports of the Georgian Bay-Upper Lakes section include Port McNicoll, Midland, Collingwood, Owen Sound, Goderich, Sarnia and Walkerville. The Lower Lakes-Upper St. Lawrence section include the ports of Port Colborne, Humberstone, Toronto, Lakefield, Peterborough, Kingston and Prescott. These are the destinations employed by the Dominion Bureau of Statistics in their analysis of Canada's grain transport network. Dominion Bureau of Statistics, Grain Trade of Canada (Ottawa: Queens Printer, 1960).

¹³ Trembley, Op cit. appendix 7.

construction.¹⁴ In total, 53 new bulk vessels were added to the Canadian fleet plying the Great Lakes.¹⁵

The revolution in water transport was completed by the complementary relationship that developed between the movement of grain and the movement of iron ore. One of the prime motivations for the construction of the new Seaway system was for the shipment of iron ore from the Quebec-Labrador deposits to the Canadian and American steel plants surrounding the shores of Lakes Ontario, Erie and Michigan. This western movement of iron ore became part of the backbone of the whole St. Lawrence system. After unloading their cargoes at the ports of Chicago, Cleveland or Hamilton, the bulk carriers, rather than returning through the St. Lawrence system in ballast and paying tolls on an empty hold, would continue on to the Lakehead to load up with grain to be taken to Montreal or other Quebec ports. Ideally they would pick up other cargoes from other Great Lake ports for shipment to the Lakehead. In many cases these cargoes would consist of limestone, salt or other miscellaneous bulk cargoes.¹⁶ The

¹⁴ Marine Museum of the Great Lakes, Port Arthur Ship building collection, box #287. J.W. McGiffen, Executive Vice-President CSL, Transportation '65 to '70 1 April 1965.

¹⁵ Gary S. Dewar, "Canadian Bulk Construction 1960-1970: Seaway and Subsidies" in Inland Seas vol.43 #2 (summer 1987) attached vessel information. pp.122-23.

¹⁶ As the title would suggest, miscellaneous bulk cargoes refer to a list cargoes whose volume does not represent a significant figure to be listed independently. Such high bulk, low cost cargoes include limestone, salt, cement and chemicals.

return trip then would be made with a cargo of grain destined for Montreal or one of the lower St. Lawrence ports, to start the process over again. This relationship, combined with the new economies of scale, injected a new effectiveness and efficiency into the whole process.

Given the above, it is not surprising that the volume of traffic through the harbour did increase. In fact based simply on the statistics of commodity flow, one might be tempted to state that, of course, the opening of the St. Lawrence Seaway must have improved the Lakehead's economy. The total tonnage jumped from 11 million tons in 1958 to 14 million tons in 1961 and eventually to 20 million tons in 1970!¹⁷ Certainly that is a very spectacular increase, but what did the increase in volume do for the Lakehead and was this increase due to the improvement of the Seaway?

To get an accurate idea of what role these increased cargo volumes played in the life of Port Arthur and Fort William, four types of cargo will be analyzed -- grains, iron ore, forest products and general cargo. The first three represent bulk cargoes of which the first two represent the largest volumes moving through the port. Forest products represent the largest sector employer at the Lakehead and surrounding district, employing people in the forest, as well as in manufacturing. General cargo has been included because

¹⁷ Approximate figures taken from Port of Thunder Bay-Cargo Statistics circa. 1989.

it represents in most cases, the materials needed for production and finished products, and can reflect to what extent Lakehead manufacturers would have been able to directly benefit from the Seaway.

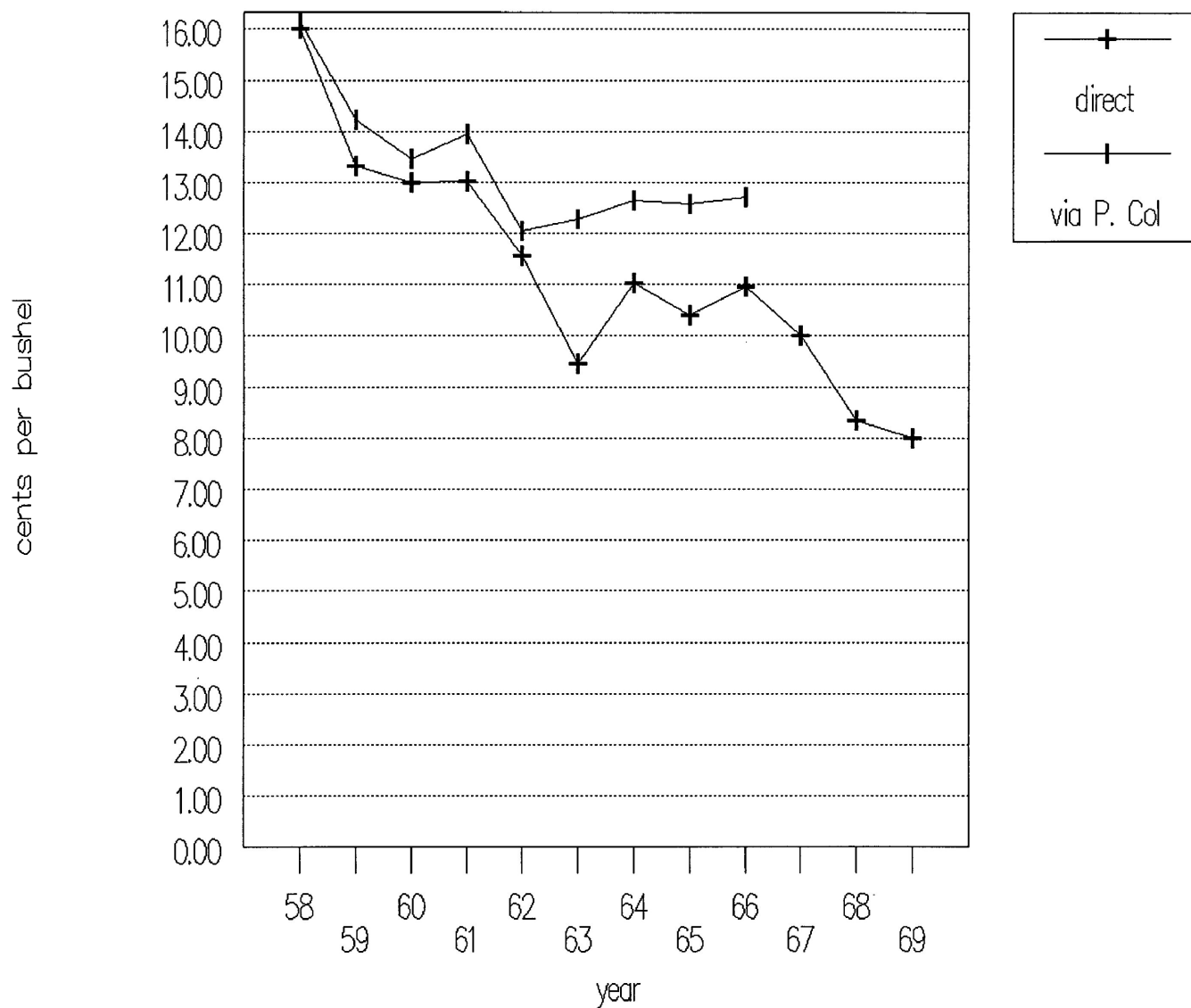
As one might assume, the largest role of the Thunder Bay harbour was the transshipment of prairie grains. Of all of the cargoes that passed through the harbour, it is this commodity that continually represents the largest volume of traffic, as much as 65 percent of the total. Therefore, fluctuations in its movement can greatly affect the total tonnage figures, as can be seen from the cargo statistics of this period. Consequently anything that might have had an effect on Canada's grain exports would also have had an impact on the Lakehead's harbour statistics.

The revolution in the shipping industry, brought about by changes in the economy of scale and the removal of transshipment costs, was bound to have an impact on the cost of transport. By referring to the graphs [figures 4.1 to 4.3], it is obvious that the rates dropped just after the opening of the new Seaway, despite the inclusion of tolls along the canal system. In the first year, the cost of transport dropped as much as 18 percent for oats from the Lakehead to Montreal and throughout the 1960's prices fell as much as 60 percent of the pre-Seaway price in 1969.¹⁸ The resulting price difference

¹⁸ The Freight rate for wheat between Port Arthur and Fort William, and Montreal fell in the first year by 17 percent; barley by 16 percent, flax by 12 percent, and rye by 15 percent. The

Figure 4.1

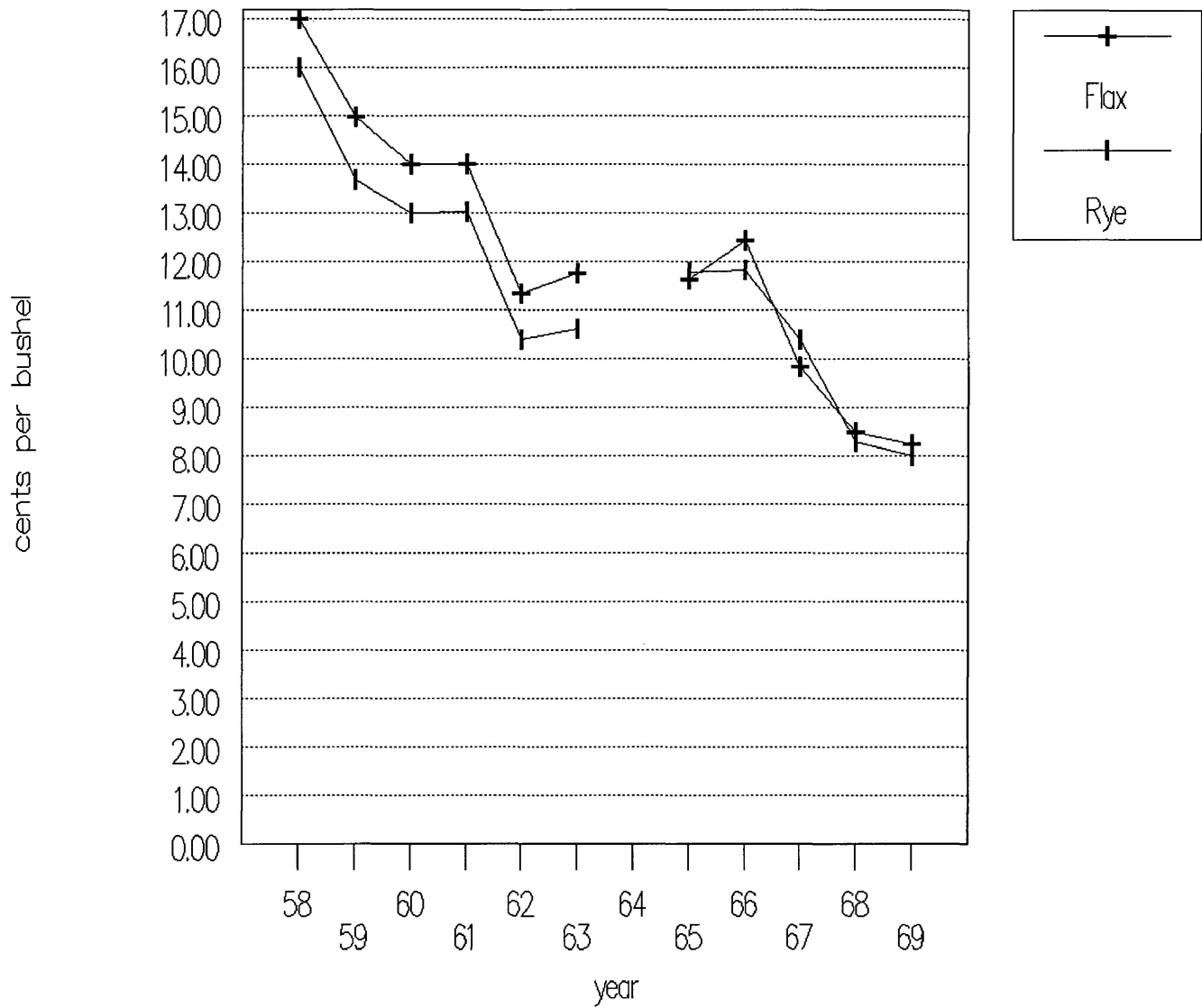
Cost comparison of Wheat shipped directly between Thunder Bay and Montreal, and indirectly via Port Colborne



Source: Canada, Dominion Bureau of Statistics, Grain Trade of Canada.

Figure 4.2

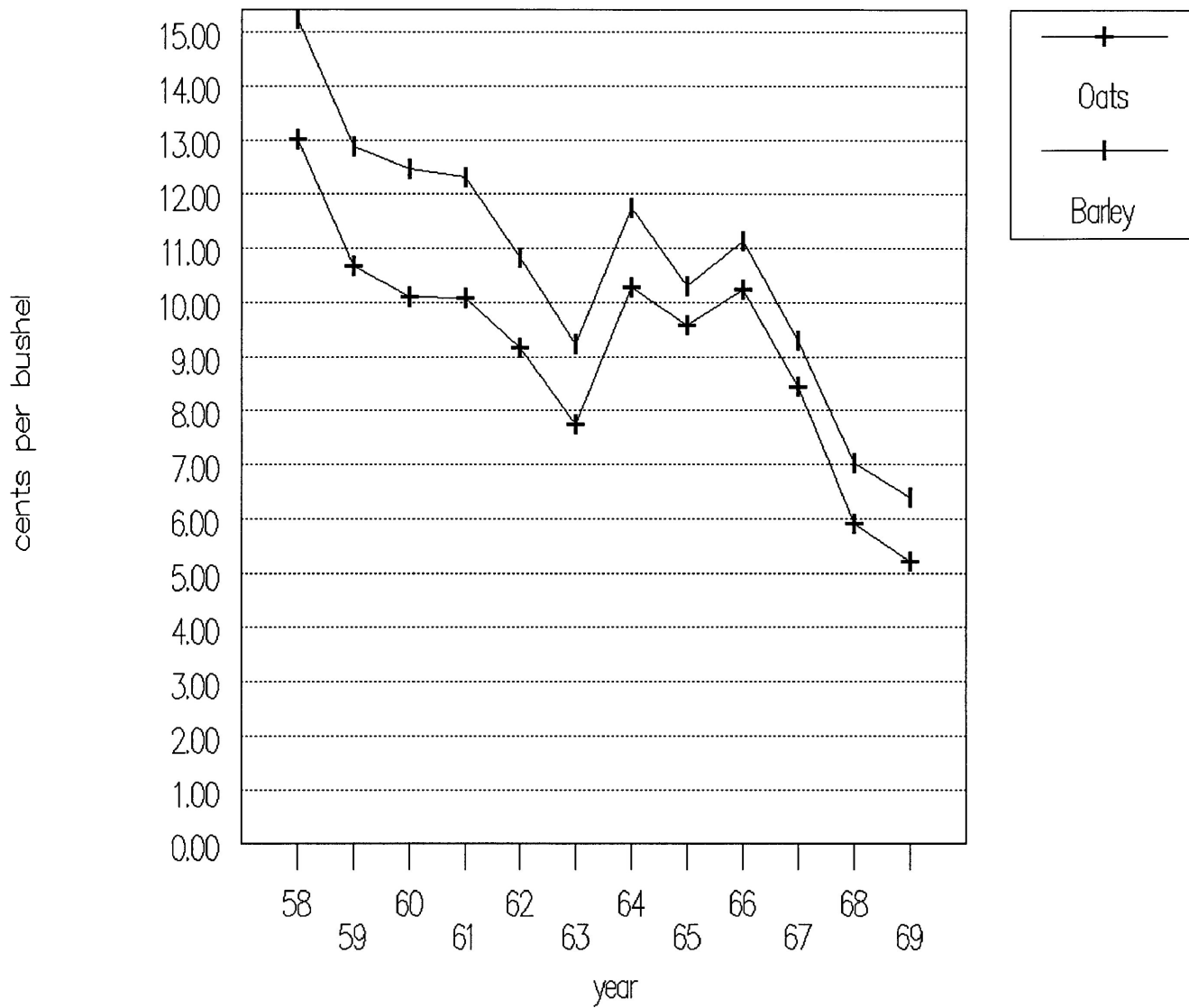
Price per bushel of Rye and Flax shipments between
Thunder Bay and Montreal, 1958-1969.



Source: Canada, Dominion Bureau of Statistics, Grain Trade of Canada.

Figure 4.3

Price per bushel of Oats and Barley shipments between
Thunder Bay and Montreal, 1958-1969.



Source: Canada, Dominion Bureau of Statistics, Grain Trade of Canada.

for all of the wheat passing through the twin ports in 1959 was \$5,063,458.31 or approximately 89 cents per ton. A look at the other types of grain reveal that they have a parallel decline, thus indicating that the factors acting in the rate fluctuations were likely the same.

Although, the water freight rates reacted quickly to the

Table 4.2--Volume of wheat received by Great Lake-Upper St. Lawrence ports from various points

Crop year	58-59	59-60	60-61	61-62	62-63	63-64
	(000's of bushels)					
Receipts from						
Lakehead (v	151024	136043	111084	82004	91297	81889
(r	576	111	2	30	7	16
E. Canada (v	158	113	39	1023	142	1159
(r	3185	1243	2374	5064	2400	5273
W. Canada (r	388	497	16	30	0	0
Total	161217	140492	117180	90708	95669	90518
Crop year	64-65	65-66	66-67	67-68	68-69	69-70
	(000's of bushels)					
Receipts from						
Lakehead (v	98382	81167	92167	32634	57993	49372
(r	2	0	0	26	34	2
E. Canada (v	1080	26	1106	988	1309	1230
(r	4750	3763	4166	5021	4439	6290
W. Canada (r	86	18	6	73	0	0
Total	107551	87060	98564	40388	65939	69237

v=vessel traffic, r=rail traffic

Canada, Dominion Bureau of Statistics, The Grain Trade of Canada.

Note: Because of inter-port traffic, the yearly total is somewhat higher than the sum of the columns.

year 1969 saw the largest rate decrease from the 1958 levels; wheat declined by 50 percent, barley by 59 percent, flax by 51 percent, and rye by 50 percent. Canada, Dominion Bureau of Statistics, Canal Statistics. (Ottawa: Queens Printer, 1958-1970).

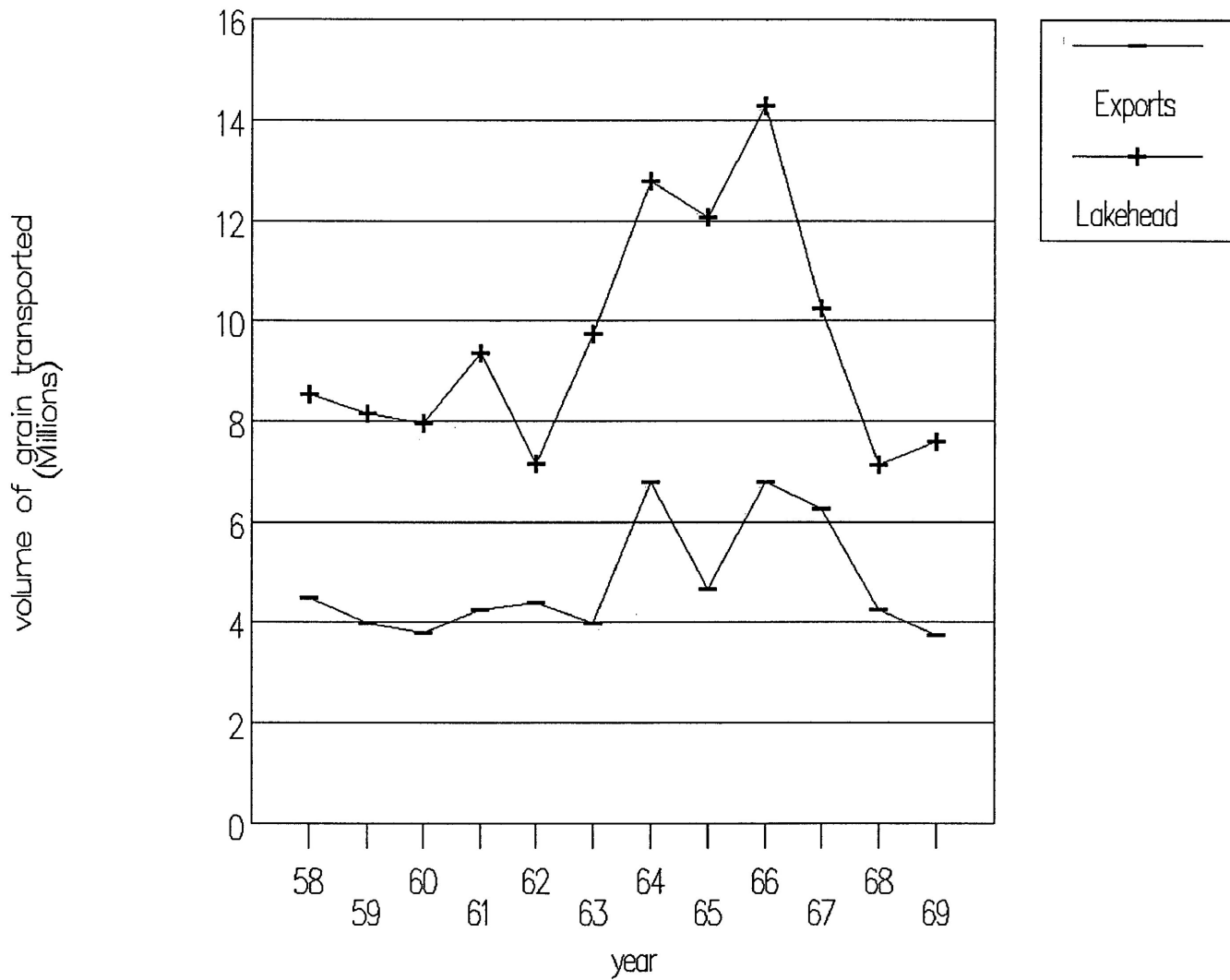
improvements in the transportation system, the established trade routes were somewhat slow to change.¹⁹ By referring to table 4.2, one can see that the volume of grain travelling from the Lakehead to the transshipment points west of the Seaway decreased steadily through out the 1960's, but not dramatically. To put this into perspective though, it must be realized that by this time almost all of the grain received by these points as destined for production points inland.

It was export traffic, not the domestic traffic passing through these Great Lake ports, that was the heart of the Canadian grain trade. This is reflected in the statistics of grain exports for the period. By superimposing the graphs depicting total grain movement through Thunder Bay and Canada's total grain exports for the same period, [figure 4.4] the full extent of the impact that export contracts had on the Lakehead's commodity movements can be illustrated. For example, the explosion in the volume of grain traffic through the harbour between 1964 and 1967 corresponds with record grain sales to the Soviet Union. Conversely the same is true for the 1968 when the loss of Soviet contracts caused a record low for the decade in the Lakehead's grain traffic. When one considers at the same time that water freight rates increased during the years of record sales and declined again during slower seasons, it must be realised that fluctuations in these

¹⁹ This figure is arrived at by multiplying the difference in freight rates between 1958 and 1959 by the volume of wheat shipped through the harbour.

Figure 4.4

Comparison of the volume of grain passing through the Lakehead with that of Canada's total grain exports, 1958-1969.



Source: Canada, Dominion Bureau of Statistics, Grain Trade of Canada.; Thunder Bay Harbour Commission.

Note: The figures for the Lakehead are expressed in millions of tons while those for Canada's total exports are in hundred millions of bushels. The conversion from one measure to the other is not readily available owing to the fact that the various grains differ in density from one another.

rates were governed by the level of European demand, through pressures placed on the system, rather than the opposite, that is European demand being stimulated directly by a decline in Canadian freight rates.

While undoubtedly the decline in freight rates had an impact on the volume of grain shipments, it was in the prairies that the effect of these changes was felt, more so than at the Lakehead. The Canadian Wheat Board was established to guarantee profits to the Canadian farmer during periods of low world prices; however, the result was also that it helped to guarantee that the price of Canadian wheat remained competitive on world markets. Considering this, it is probable that grain exports to Europe would have continued passing through Thunder Bay, as long as the demand existed, regardless of the construction of the Seaway. The new canal system then benefited the prairie economy by improving the farmer's profit margin and lowering possible stresses on the Canadian system of grain subsidies.

The savings in the cost of grain shipments would not have been realized without the important reciprocal movement of iron ore to make the system more efficient. Representing the second largest volume of traffic out of the Lakehead, as much as 32 percent of the total, iron ore became an important factor in the health of the harbour and represented more to

the regional economy than did grain.²⁰ Since 1945, Atikokan, Ontario, approximately 142 miles west of the port cities, had grown from a small rail stop to a bustling mining town of over 5 000 people.²¹ The growth of communities such as Atikokan and later Red Lake, Ontario, resulted in the expansion of the twin cities' hinterland. Much of the Lakehead's service industry developed to serve not only local residents but also the those of the surrounding communities. Increased prosperity in the out-lying district had a residual effect on the development of Thunder Bay.

The transportation revolution was a boon for east coast iron ore producers; transshipment points were removed, economies of scale increased and the exchange relationship with grain from the Lakehead lowered transportation costs. It was a different story for the iron ore shipped from the Lakehead, however. Its movement ran counter to the normal flow of goods within the system, travelling east instead of west. The largest percentage of this iron ore traffic was destined for ports outside of the Seaway system. Therefore, the economies of scale did not change. These ports lined Lakes Huron, Michigan and Erie and included such centres as Chicago, Illinois, Toledo, Ohio, and Buffalo, New York. These were not the main destinations, however. Almost half

²⁰ Based on the volume of traffic in 1968. Iron ore traffic constituted 4 179 345 tons of the 13 604 854 ton total. Port of Thunder Bay-Cargo Statistics.

²¹ Fort William Daily Times-Journal. 27 March 1956.

of all the iron shipment from the Lakehead were destined for Indiana Harbour, on Lake Michigan.²² The only destination within the Seaway system that received iron ore during the 1960's was Hamilton and then only occasionally. There were no shipments further East than Lake Erie for six out the ten years between 1961 and 1970.²³ As a result, any increases in the volume of iron ore shipments and benefits to the region were not based on improved access to markets. In fact the regional iron ore industry was instead finding its markets shrinking thanks to the new Seaway.

Prior to the Seaway's opening, the Lake Superior iron ore district, which included the Steep Rock and Mesabi Ranges, held a virtual monopoly on the supply of ore to the American mid-west. However, instead of allowing the local iron ore industry increased access to markets, the St. Lawrence's improvements opened the existing market to increased competition, thus ending its monopoly. In short, district producers found themselves competing with higher grade ores from eastern Canada and South America.²⁴

²² Dominion Bureau of Statistics, Shipping Report: International Shipping vol. III (Ottawa: Queens Printer, 1961-70).

²³ Dominion Bureau of Statistics, Shipping Report: Coastwise shipping vol.II (Ottawa: Queens Printer, 1961-70).

²⁴ "I am sure you realize that the Lake Superior District no longer has a monopoly on ore supply for Mid-western furnaces, nor is the ore of the Steep Rock range considered superior to others as it once was. A decade ago neither the St. Lawrence Seaway nor the Large taconite plants were in existence.... Lake Superior direct shipping ores are also losing out to higher grade material from eastern Canada and South America. The St. Lawrence Seaway and open

Where the iron ore traffic out of Thunder Bay harbour experienced a positive impact was in the cost of transport. As was stated earlier, the complementary relationship that developed between movement of grain and iron ore within the system helped to lead to a general decrease in transportation costs and this appears to have been system wide. While this decrease was quite pronounced for the movement of grain - there were of course more factors involved in that rate change-- the rates on the movement of Steep Rock iron ore fluctuated only slightly.

There is no single source recording water freight rates for this commodity and the information as a result is incomplete. However, with the data that is available it can be determined that the rate did drop during this period. One indicator involves the analysis of the Lake Erie Base Price on iron ore between 1956 and 1970, which reveals that the price for Mesabi non-bessemer grade ore, the ore exported from Northwestern Ontario, fluctuated little during the period. It did, however, drop by ten cents in 1963 reflecting the same drop in transportation costs.²⁵

How this translates into an actual figure is difficult but not impossible to determine. There is information quoting

the industrial Midwest to salt water." Phillips Collection, MG-6, C-46. C.B. Jacobs, President Caland Ore Company Ltd. to A.H. Hart, Vice-president Canadian National Railways, 27 March 1961.

²⁵ Canada, Canadian Minerals Yearbook. (Ottawa: Department of Energy Mines and Resources, 1964), p.215.

the 1970 base rate for iron ore transport between Thunder Bay and the Lower Lakes as being US\$1.78 1/8 per long ton.²⁶ When one compares the 1960 water rate between the Lakehead and Ashtabula, Michigan of \$2.10 per ton, it is obvious that the 1963 decrease in transportation costs could not have been the only one during the decade.²⁷ This further rate decline probably occurred around 1967 when, according to the Canadian Minerals Yearbook, the rate from Duluth, Minnesota, the Lakehead's American counterpart, to Chicago, Illinois was US\$1.90 per long ton.²⁸ If this was also the same price for iron transport from Port Arthur to Chicago, as is reasonable to expect, then that the rate would have dropped a further 11 7/8 cents per long ton between 1963 and 1967. This would bring the decrease to approximately 31 7/8 cents per long ton or 15.2 per cent, for the period between 1960 and 1970.

Despite this fairly substantial rate decrease, it is doubtful if it had much of an impact on the development of the industry in the region. First of all, while the actual traffic volumes of iron ore out of Port Arthur did increase somewhat during this period, it was not by a great amount. These volumes hovered between 2,500,000 and 3,500,000 tons

²⁶ Canada, Canadian Mineral Yearbook. (Ottawa: Department of Energy, Mines and Resources, 1970).

²⁷ Phillips Collection, MG-6, N-104. Northwestern Ontario Development Association, Submission to the Royal Commission on Transportation at Port Arthur 28 May 1960, p.41.

²⁸ Canada, Canadian Mineral Yearbook. (Ottawa: Department of Energy, Mines and Resources, 1967).

consistently through this period, not surpassing the 3,500,000 ton mark until 1968.²⁹ This year coincides with two events, the opening of the Valley Camp iron ore terminal in Fort William and the bringing into production of the Griffith Mine at Red Lake, Ontario. In 1968, its first year of production, the Stelco owned mine produced 501,000 long tons of pelleted iron ore for transport. The Valley Camp new automated facility at Fort William made the movement of the increased traffic through the harbour more efficient. It allowed the ore to be dumped from rail cars while in motion to be stored in giant "surge bins". Either from these surge bins or directly from the rail cars, the ore boats could be loaded at a rate of 5,000 long tons per hour.³⁰

The fluctuations in the iron ore traffic out of the Thunder Bay harbour can also be seen in the production levels in the region. By referring to table 4.3, it is possible to see that production was hardly consistent, rising over 1.1 million tons over three years between 1961 and 1964 only to drop .7 million tons in the two years following. Had production been influenced by the decline in water freight rates, it is reasonable to assume that it should have continued to increase after the 1963 rate change. Instead, the largest increase in production came two years prior, in

²⁹ There is one exception to these figures. In 1964, 3,661,515 tons of iron ore existed the harbour. Ibid.

³⁰ Phillips Collection, MG-6, N-114. Valley Camp's Lakehead Terminal, 1968.

Table 4.3 Iron ore production in NWO, 1958 -1969.

Caland Ore Co.	58	59	60	61	62	63	64	65	66	67	68	69
raw	0	0	765	1,009	2,005	2,003	2,001	1,800	1,445	1,214	1,203	886
pelleted	0	0	0	0	0	0	0	0	0	971	1,039	896
Steep Rock Iron												
raw	1,156	2,786	1,586	1,214	963	963	1,312	1,265	1,236	890	242	159
pelleted	0	0	0	0	0	0	0	0	0	275	1,058	1,413
Griffith Mines												
pelleted	0	0	0	0	0	0	0	0	0	0	501	921
total	1,156	2,786	2,351	2,223	2,968	2,966	3,313	3,065	2,681	3,350	4,243	4,275

Source - Canada, Canadian Mineral Yearbook

1961. It is more likely that the conversion to pelletization in 1966 by both Steep Rock Iron Mines and Caland Ore Company had a greater impact on the region, allowing them to ship a larger volume of ore for the same cost while employing people in the pelletization process. By 1968 most of the iron ore passing through the Lakehead was pelletized.

To discover the reason why changes in the water freight rate had little or no impact on the movement of this bulk cargo, one must turn to the railways. The CNR transported all of the ore to the docks at Port Arthur and Fort William. Unfortunately, any benefits the mines may have received from the Seaway improvements were swallowed up in freight rate increases instituted by the CNR. Concern over freight rate hikes were expressed in 1961 when the CNR proposed a 20 percent increase in the rate affecting iron ore shipments to Port Arthur. The CNR's decision was based on a failure of the mining companies at Atikokan to live up to volume figures announced in 1954. These companies were given a preferential rate based on a specific volume of traffic. The CNR's return on investment was not, therefore, satisfactory.³¹ The rate was scheduled to increase from \$1.45 per ton to \$1.74 per ton

³¹ Phillips Collection, MG-6, C-46. The new rate became effective 1 May 1961 " the increase in question was made after a long and exhaustive study of the situation which disclosed that the rate was not returning sufficient revenue to make a reasonable return for our services and investment." A. Sutherland, general rates officer CNR to Dr. M.W. Bartley, general manager Cliffs of Canada Ltd., 10 May 1961.

between Atikokan and Port Arthur, effectively negating any efficiency achieved through the Seaway project.

As with any other enterprise, the cost of transportation can affect its future. For the Caland Ore Company of Chicago, one of the three companies exploiting the Steep Rock deposits, concerns were raised over the future development of their holdings. C.B. Jacobs, the President of Caland, stated that "any significant change in the total cost of delivering this ore to market would be a major deterrent to spending large sums to develop underground ore for future mining."³²

Considering these facts, the movement to pelletization of the iron later in the decade can be seen as a response to the rising rail costs and increased competition within the midwest market. The purer, more uniform product, meant more efficient handling and increased product price. It is doubtful that the investment in pelletization would have been necessary, had the Seaway offered a sufficient reduction in price and allowed the Atikokan companies to remain competitive.

Despite the increases in the shipment of grain and other bulk commodities, they had very little impact on Port Arthur and Fort William outside of the improvement projects. The Lakehead was simply a transshipment point for these commodities and the fluctuations in their volume do not reflect the level

³² Phillips Collection, MG-6, C-46. C.B. Jacobs to A.H. Hart, 27 March 1961, p.2.

of the area's production. The grain itself was not produced at the Lakehead, but only handled and stored there until it could be transhipped, destined for eastern ports and Europe. Since all of these bulk cargoes were high turned-over commodities and not stored for long periods of time, their expected increases in volume could easily be handled with only slight expansion of facilities. The Lakehead then could handle a larger volume of these goods than was its capacity. Where this translates into benefits for the municipality is primarily through increased employment at the actual point of transshipment and, secondarily, through the infusion of capital into the communities via building contracts or simply the redistribution of local wages.³³ Between 1961 and 1971, the number of jobs produced in the grain handling industry alone increased by 322 people or about 24.3 percent.³⁴

Unlike either grain or iron ore, forest products represented only a minor percentage of the over-all traffic leaving the Lakehead. This must not be equated, however, with the importance of this industry to the local economy. With a total of ten pulp and paper mills, four directly at the Lakehead itself, and numerous small sawmills scattered

³³ This last point is not easily measured. The increased employment would result in an increase of cash flow to other industries such as retailers.

³⁴ Dominion Bureau of Statistics, Census of Canada (Ottawa: Queen's Printer, 1961). Dominion Bureau of Statistics, Census of Canada (Ottawa: Queen's Printer, 1971).

throughout the region, the forest products industry represented the largest employer in the region. As a manufacturer, this industry was the largest employer in the twin cities engaging 2,945 people in 1961.³⁵ This figure, however, does not include those employed in what is known as the "woodlands", people employed in the harvesting of trees. The 1961 census figures for this group in Port Arthur and Fort William, totalling 1,126 people, do not adequately represent the number of people employed in this capacity. Many of the forest product companies employed men in work camps, small temporary communities, away from the cities. Great Lakes Forest Products alone employed some 1,250 men in the forests that year.³⁶

There are further differences between the movement of forest products and the movement of grain and iron ore. The primary mode of transport out of the harbour for the latter two commodities was by ship. An increase in volume would correlate to an increase in production and, hypothetically, an increase in prosperity. On the other hand, the primary mode of transportation for the forest industry was by rail. In 1958, approximately 60 percent of Great Lakes' newsprint reached its markets in the United States in this manner.³⁷

³⁵ Canada, Dominion Bureau of Statistics, Census of Canada, Ottawa, Queens Printer, 1961).

³⁶ Great Lakes Paper Co., 1961 Annual Report, p.4.

³⁷ Great Lakes Paper Co. Annual Report 1959.

An improvement to water services then would be reflected either in increased use of water transport or a decrease in transportation costs by virtue of competition in freight rates.

Industry wide, there was some scepticism over the impact of the Seaway on the forest industry. The two important mitigating factors were first, the decision to impose tolls along the canal system and then, the potential classification of the various forest products as general cargo. It was believed that both would nullify any discount in water transport gained by the improved route. Others, such as the Canadian Pulp and Paper Association expected that, where there was incentive to ship via the Seaway, the competing rail systems would offer competitive rates to protect their share of the market.³⁸

Outside of the costs of transportation for the newsprint industry there was another concern which discouraged the extensive use of the Seaway --the market itself. Most customers were not interested in stock-piling large quantities of newsprint. As a result, shipments were usually of a moderate size and required quick and efficient transport, a service more reliable with the rail companies.³⁹

Given this general attitude of the industry, it is surprising that the local pulp and paper mills awaited the

³⁸ "Urge Low Tolls for Pulp, Paper" Financial Post

³⁹ Ibid

opening of Seaway with mild anticipation. Two of these mills, the Abitibi Mission Mill and Great Lakes Paper, expanded their facilities during the 1950's, ostensibly in preparation for the Seaway. The latter took a very calculated view of the benefits open to them from the Seaway project. While logically they hoped for increased access to market, much of their expectation appeared to have involved those already existing:

An important factor in this consideration [expansion of the newsprint operation] is the approaching completion of the St. Lawrence Seaway. We believe the Seaway is likely to bring a new surge of growth throughout the great midwest area which our Lakehead location uniquely fits to serve.⁴⁰

In other words, the mill's management was banking on improved prosperity in their traditional markets. Accordingly, they expanded their paper making, as well as their docking, facilities in preparation of the Seaway opening. As for the movement of their products, management had expected to increase the proportion of their product transported by water to 53 percent in 1959, up from 40 percent the year before.⁴¹

To get a complete view of how the shipment of commodities changed throughout the decade, accurate statistics are needed from the various mills or, at the very least, from trucking or rail industries, which could be compared with the readily available shipping reports. Unfortunately these are

⁴⁰ Great Lakes Paper, 1955 Annual Report, p.2.

⁴¹ Great Lakes Paper, Annual Report 1959.

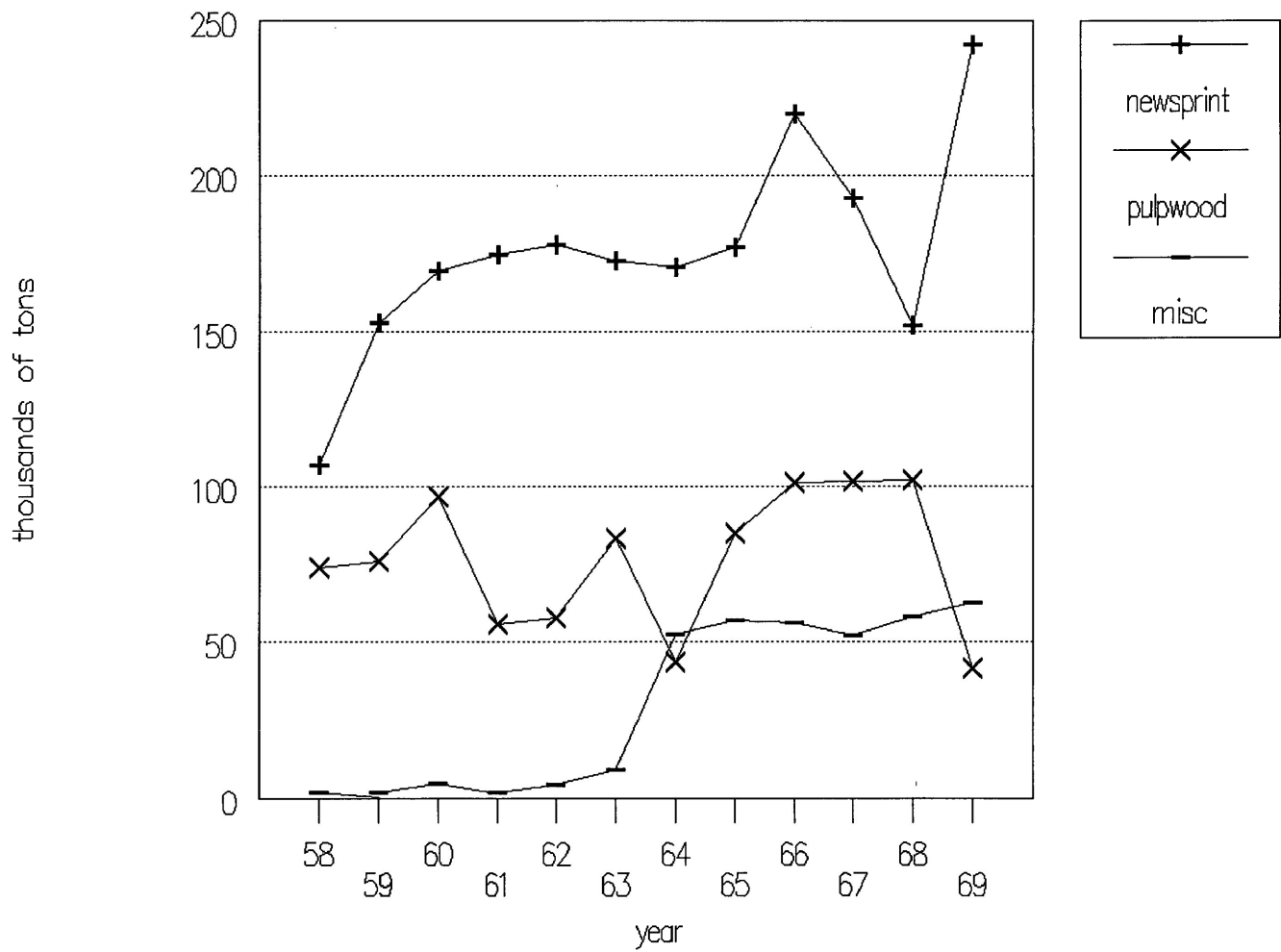
unavailable. Despite this though, there are a number of indicators to suggest that the improved transportation system did not have a great affect on the forest products industry. For example, a comparison of Great Lakes figures for shipments to customers, with the actual cargo statistics of Fort William harbour for 1959, reveal that in actual fact they could have potentially shipped only 49 percent of their products by water. Assuming they were the only company using the harbour facilities to transport their goods, it means that their target of 53 percent water transport was not reached.

Throughout the decade, the volume of traffic in forest products out of the harbour continued to increase, as did many of the other commodities. Figure 4.5, illustrates this increase in the volume through the harbour. On average, it increased approximately 10.4 percent per year, reaching a peak in 1966. While this would tend to suggest that some benefit was gained from water transport by the forest industry locally, it is questionable whether access to new markets or a decline in freight rates were the catalysts. Throughout the decade, at most only six percent of the region's newsprint, the largest single commodity produced by the local forest product sector, travelled east of Lake Erie. For the other forest products that figure was even less.⁴² The main

⁴² The fine papers produced at the Abitibi provincial Paper mill in Port Arthur did not even use water transport at all. All of its products reached markets via rail and transport trucks. Interview with Fred Miners 17 June, 1991.

Figure 4.5

Volume of forest products shipped through
Thunder Bay Harbour, 1958-1969.



Source: Thunder Bay Harbour Commission.

destinations tended to remain the same as before the Seaway's opening, Chicago and Detroit, outside the Seaway route. This suggests that the improved transportation route then did little to open access to new markets as some expected.

This lack of new newsprint markets can be explained by viewing the market trends in the United States, the main consumer of Lakehead produced newsprint. On an industry-wide basis newsprint consumption paralleled the growth in the American GNP throughout the 1950's and 1960's, though stunted somewhat by the advent of television during the 1950's and a rash of newspaper strikes in the early 1960's. The impact of these events, combined with a slow population growth in eastern US markets, slowed the growth of the industry somewhat during the early part of the decade.⁴³ These factors would invariably reduce the potential of Lakehead-based newsprint producers to find new markets there.

On the other hand, the growth experienced in the newsprint industry during the middle of the decade closely followed a jump in the US GNP and growth in advertising, experienced mainly in the American west and midwest, the traditional markets of Great Lakes Paper. This would explain why the markets for newsprint produced in the Lakehead remained relatively the same; the industry benefited from expansion in existing markets rather than the development of

⁴³ National Archives of Canada, RG-31, vol. 1505, file 5510-4. Department of Trade and Commerce, Commodities in International Markets: Newsprint. Ottawa, June 1967.

new ones. From this perspective, the expectations of the Seaway's impact on market development expressed in 1955 by Great Lakes' administration was quite close to the mark.

Perhaps the most accurate account of how the Seaway affected commodity flow comes from an Ontario government review of the transportation issues of Northwestern Ontario. An analysis of various commodities transported by rail out of the Lakehead in 1969, showed that 810,000 tons of newsprint were loaded for shipment.⁴⁴ This is in contrast with the roughly 242,000 tons that left the cities via Thunder Bay harbour. Considering the fact the volume of newsprint that was moved by ship did actually expand that year, it is likely that the rail-to-ship ratio was normally higher than 4:1 ratio registered.

If this was indeed the case, was it possible that because of the competition from their shipping rivals, the railway companies were forced to lower their freight rates? This is doubtful. In 1958, it cost Great Lakes \$3,340,000 or 10.7 percent of their profits to deliver their products to the customer.⁴⁵ By 1968, this figure jumped to \$8,282,000 or 11.7 percent of their profits, making it generally more expensive to ship their product to market. In other words,

⁴⁴ Ontario, Department of Treasury and Economics, The Northwestern Ontario Region; A Transportation Impact Study. (Draft Final Report, 1970), Addendum 3, Table 4.

⁴⁵ Great Lakes Paper Co., Op cit., 1958.

savings in the cost of transport were not realized from a more competitive freight rate structure.⁴⁶

Thus far most of the discussion of forest products has involved the pulp and paper industry, largely for reasons concerning the availability of records. Those dealing with lumber and sawmills, are sketchy at best. This is because of their rather transient nature and the varying scales of their operations. The Ontario Ministry of Natural Resources does not have an accurate picture of most of these operations for the 1960's. Without statistics dealing with the productive capacities of these operations it is difficult to judge the direct impact the Seaway had on them. Despite this fact, however, one can come to some basic conclusions concerning the industry based on the traffic volume of the various commodities leaving the port. These commodities include pulpwood, lumber, railway ties, tar and creosote, and plywood. With the exception of pulpwood few of these products consistently amounted to over 2,000 tons in traffic. In addition, much of the statistics reflect one time jumps in volume which only settled down the following year. Tar and creosote produced by Northern Wood Preservers, jumped from a little over 2,000 tons in 1963 to over 10,000 tons two years later, only to fall and remain under 1,000 tons for the rest of the decade. Activities like this suggest one of two things; a lack of consistent markets, or a temporary shift in

⁴⁶ Great Lakes Paper Co., Op cit. 1968.

the choice of transportation modes. It is reasonable to assume that had there been an decline in the cost of water transport via the Seaway, the statistics would reflect a long-term growth in commodity traffic as producers switched transportation mediums. Had the problem been the former, inconsistent markets, then the demand causing the drastic fluctuations would have existed despite the improvement in water transport.

The greatest expected impact of the St. Lawrence Seaway on the future of the Lakehead was in its development as a seaport, in competition with Montreal and Toronto. The basis for this was the belief that as the economy of the west prospered with the increased flow of grain exports, the volume of trade travelling west would also increase. In addition, the opening of the Seaway meant large freighters could now traverse the entire length of the St. Lawrence-Great Lakes system, effectively by-passing Montreal in favour of points further west such as Port Arthur-Fort William. This fact would increase the Lakehead's importance as a port in the Canadian economy, as well as adding jobs in the local transportation industry. There is, however, a more important potential side-effect dealing with the Lakehead's industrial development. Should transportation costs become low enough, more industry could have been attracted to the twin cities since the cost of transport would no longer be a discouraging factor to industrial expansion.

Prior to the opening of the new general cargo facilities in 1962, there were 12 freight and transit sheds located in the cities owned by the Canadian National and Canadian Pacific Railways. Even by the late 1950's, their 70,000 ton storage capacity was being tested by the volume of traffic in and out of the harbour. Based on the recommendations of the Gordon Report, a 500 acre section of waterfront between the two cities was developed for the transfer and storage of general cargo. At a cost of over \$8.5 million, the terminal included docking berths for two Upper Lake vessels and one salt water vessel and facilities for handling freight by the two rail companies as well as transport trucks. It was even boasted that the plans for the "Keefer Terminals" made it adaptable to the developing trends in modern transport; piggy-backing, roll on-roll off stock, and containerization.⁴⁷ All of these new advancements could be seen as a general improvement to the transportation network, making it more efficient and cheaper to use.

While by the end of the decade, the volume of general cargo traffic did not meet the expectation of 1 million tons, there was a fairly sizable increase over all. In the latter part of the 1950's just prior to the opening of the Seaway, general cargo movements in and out of the twin cities amounted to an average of about 367,000 tons between 1955 and 1958.

⁴⁷ Thunder Bay Historical Museum Society, Keefer Terminal File. Gerald Millar and W.H. Van Allen, The Lakehead: An up-to-date Harbour, May 1962.

This level jumped to an average of 662,000 tons per year for the first decade of the Seaway's operation. That is an impressive 87 per cent increase. But even with this increase, however, there was a general feeling of dissatisfaction over the role the movement of general cargo played at the Lakehead.

Most of the growth of this traffic occurred between 1959 and 1965, when it reached a peak of 705,000 tons. After that point the volume slowly declined until it bottomed out at 290,000 tons in 1973. Part of the problem rested on the inability of the Lakehead to attract overseas shipments of general cargo. The majority of the growth experienced was in coastwise shipping, which by 1965 accounted for about 92 percent of the traffic. Local promoters had expected that the Seaway would have encouraged a higher level of foreign vessel visits, since they could now travel directly to the Lakehead to pick up grain. To a certain extent this was not a realistic expectation, since the trip to the Lakehead was longer than Montreal and that the tolls existed along the Seaway route.⁴⁸ In fact, this was known as early as 1955.

That year, in a presentation to George Marler, the Minister of Transport, the Canadian shipowners pointed out that "even

⁴⁸ C.D. Howe Papers, MG-27 III B-20, volume 58, file 47. Presentation made to George C. Marler by Canada Steamship Lines, Colonial Steamships Ltd, N.M. Paterson & Sons Ltd., Upper Lakes & St. Lawrence Transportation Co. Ltd., Hall Corporation of Canada Ltd., Keystone Transports Ltd: Mohawk Navigation Company Ltd., August 1955, p.9.

if all of the existing tramps [vessels] did proceed to the Head of the Lakes, the grain they could carry in one season from the Lakehead would only be some 50 percent of the amount they presently carry from Montreal due to the increased time on voyage and reduced capacity within the Lakes." ⁴⁹

Attracting more cargo vessels to the twin cities was more important to the Lakehead than simply increasing their cargo statistics; it was also the key to lowering freight rates. At a forum on the subject of Seaway transport held in 1963 delegates representing business, government and the shipping companies were told that if the port authorities could somehow develop trade by attracting tramp vessels, "the overall transportation costs from foreign ports into the Canadian West can be very substantially reduced."⁵⁰ The problem was, however, that these tramp vessels were unlikely to call on the Lakehead because of the small amount of general cargo traffic entering the port. Even if they could combine the cargo destined for twin cities with those destined for other ports along their route, there was a loss of stowage efficiency, and therefore loss of cost benefit. It was easier for them to discharge their cargoes in Montreal for rail shipments to the west and then load the grain or iron ore for the return voyage.

⁴⁹ Ibid.

⁵⁰Phillips Collection, MG-6, N-10. Proceedings of the Seaway Transportation Forum. Winnipeg 27 May 1963, p.35.

The problem of attracting increased general cargo traffic into the Lakehead illustrates the dependence the harbour had on the prosperity of the West. Of course, the Northwestern Ontario market was not large enough to absorb an increase of general cargo, therefore any of this cargo entering the port would ultimately be destined for the Prairies. The problem was that while it was true that the West was prospering because of the increased grain shipments, its growth simply was not enough to boost the demand needed to stimulate large general cargo shipments. This was in turn aggravated by the fact that the prairies themselves were a small market. As a result, the carriers were unlikely to increase their business through the port as long as the volume of traffic remained small.

Equally as important to the shipper was the question of reliable services offered by water transport. Although low cost transport was an important issue, there were other factors in the choice of modes of transportation, perhaps the most important for the shipment of general cargo, being the speed and reliability of the various types of transport. Where it would take a ship three to four days to make the journey from Southern Ontario to the Lakehead, that same distance could be covered by the inland transport mediums in just 25 to 35 hours.⁵¹ The shipper also had to contend with a winter freeze up, which limited the shipping season to about

⁵¹ Ontario, Department of Treasury and Economics, Op cit, pp.2-8.

eight months per year. This meant that if the shipper wanted to use the Seaway to transport his products, then he would either have to find alternate transport for his goods or stockpile the goods in preparation for the winter months; a very unpopular option if the product was a high cost item.

The whole question of reliability was intensified by the transshipment times at the Keefer Terminal itself. Despite the fact that the port authorities boasted state of the art facilities, the fact remained that by 1965 they were already experiencing bottlenecks in the system. A study done in 1966 of the terminal's facilities showed some unanticipated problems; the small size and diversity of the consignments required increased time and space for sorting, the amount of trucking traffic did not materialize, forcing a burden on the rail facilities, and the slow turn around time meant space needed for incoming cargoes was already filled by existing stock.⁵² The report filed for the federal Department of Public Works, suggested that the situation would deteriorate as the decade continued.

By 1969, the situation had not improved, as the drop in cargo traffic partially shows. A study of the transportation system in Northwestern Ontario by the provincial government revealed that "the quality and price for [all of] the transport services fall short of the low-cost, high quality

⁵² Gibb, Underwood and McLellan Consulting Engineers, Keefer Lakehead Terminal Expansion: Lakehead Harbour Improvements. 1966, p.11.

criteria that would have to be met if transportation is to play a more positive role in the development of the region."⁵³ This suggests that the Seaway did not have the anticipated impact of either acquiring an increasingly larger share of general cargo traffic nor forcing an improvement in the rival transport mode by offering a competitive alternative. In fact, the cost of trucking and rail transport increased throughout the decade, while increasing at the same time the percentage of general cargo traffic that they carried.

The fact that generally the St. Lawrence Seaway had a larger impact on the volume of bulk cargoes as opposed to general cargoes is not difficult to understand. The nature of low-cost, high volume products lends itself to movement by ship: the commodities are needed in large volumes; can be stockpiled by both the producer and the consumer; and the length of time needed to transport them by ship will not drastically affect their availability. The opposite is true of general cargo, whose high cost discourages the use of stockpiling. The disadvantage for the twin cities was that most of benefits of the Seaway, the lower transport costs and improved competitive position, went to the producer outside of the Lakehead. With being the transshipment point for bulk

⁵³ Ontario, Department of Treasury and Economics, Op cit, Part IV-B, p.3.

cargoes, the communities gained only from the ability to handle the commodities rather than direct benefits of improved transportation. It was these benefits that Port Arthur and Fort William needed if they were to stimulate industrial growth.

Table 4.4- Cargo statistics for Thunder Bay Harbour, 1958-1969.

	1969	1968	1967	1966	1965	1964
Grain	7,595,849	7,121,850	10,244,251	14,299,330	12,056,878	12,799,222
Coal	0	0	0	0	0	0
Iron Ore	4,179,345	4,286,109	3,521,174	2,990,799	3,347,155	3,924,329
Potash	58,987	112,964	99,297	0	0	0
Other Bulk	277,402	348,332	415,973	561,642	367,152	222,423
Liquid Bulk	363,450	328,905	350,918	436,646	370,287	375,559
General Cargo	653,265	661,746	514,680	679,303	705,524	688,847
Forest Pro.	233,533	146,964	193,749	228,135	200,648	208,994
Pulpwood	243,023	194,900	289,166	308,068	584,954	471,155
Total	13,604,854	13,201,770	15,629,208	19,503,923	17,632,598	18,690,529
	1963	1962	1961	1960	1959	1958
Grain	9,747,218	7,153,603	9,346,603	7,949,677	8,140,191	8,531,715
Coal	0	0	0	206,268	192,878	336,060
Iron Ore	3,342,798	3,455,995	2,510,788	2,697,004	3,262,803	1,380,379
Potash	0	0	0	0	0	0
Other Bulk	254,650	251,115	291,248	102,689	119,945	154,630
Liquid Bulk	451,975	473,613	516,816	445,444	320,366	309,358
General Cargo	634,232	556,465	689,404	434,747	405,360	317,630
Forest Pro.	174,219	177,273	177,665	173,806	174,112	107,132
Pulpwood	478,693	478,697	564,983	96,917	76,294	74,273
Total	15,083,785	12,546,761	14,097,507	12,106,552	12,691,949	11,211,177

Source: Thunder Bay Harbour Commission.

Chapter 5: The Lakehead's Industrial Evolution.

As was shown in the previous chapter, the opening of the St. Lawrence Seaway had a beneficial effect on the commodity flow entering and exiting Thunder Bay harbour. These overall figures reveal that there was a significant growth in traffic volume, increasing to an average of 15,209,100 tons during the 1960's from 13,329,750 tons recorded the previous decade. While on paper, this would seem a successful increase when one considers that a large majority of the cargo that passed through the harbour was neither destined for nor originated at the Lakehead, one must question how much of a benefit there was for the communities. In fact, as illustrated by the experiences of the iron ore industry of Atikokan, which seemingly grew in spite of challenges produced by the Seaway, an overwhelming endorsement of its impact on the region must be reserved.

To properly evaluate the impact of the St. Lawrence Seaway on the Lakehead, the flow of goods in and out of the harbour must be placed in the context of the economic growth of the communities and their expectations for that growth, expectations that revolved around a revitalization of the regional economy mainly through increased industrial development and diversification. A large sector of that local economy had been based on resource extraction and exploitation, the largest of these being the forest industry. Most of the capital expenditure that occurred in the region during that decade had involved the expansion and improvement

of existing facilities rather than the development of new ones. So, while the economy of Northwestern Ontario was growing, it did so at a rate where the job opportunities did not match the population growth. A 1961 study, done by the Northwestern Ontario Commission on Employment, found that the region's population during the 1950's had grown a full 35 percent while the job market had grown only 12 percent.¹ To complicate matters, many of the resource based industries offered only seasonal employment to a large section of local population, a fact which further limited economic growth.²

The inauguration of the St. Lawrence Seaway in 1959 opened along with it, a whole new realm of possibilities for the Lakehead. It threatened to remove the relative isolation which had prevented the development of Northwestern Ontario's full potential. The region, rich in many natural resources like minerals, forest products and water for power generation, was an important piece in the economy of the province and the country. It was Ontario's second most important source of minerals and the Lakehead ranked among the world's largest paper making communities.³ It was a region wealthy in

¹ Northwestern Ontario Commission on Employment, Report of the Commission. (Port Arthur: 1961), p.2.

² The resource based industries were not the only ones offering seasonal employment. The closing of the shipping season coincided with the lay off of a large number of people in the transportation industry, mostly the grain handlers.

³ J.R. Nininger, Ontario Economic Council, A Survey of Changing Employment Patterns at the Lakehead Cities of Port Arthur and Fort William. (London: University of Western Ontario, 1964),

everything except one vitally important resource --people. The Seaway promised to bring people and markets closer through a more efficient transportation system and cheaper transport costs. The result of this perception was that throughout the first decade of the Seaway's operation, much was made of the Lakehead's geographic position by local promoters, dead centre between the markets of east and west, and its location in an efficient transportation network. These promised to be strong selling points to prospective investors if the Lakehead was to attract new industry to the area.

To ascertain just how the Lakehead fared economically during the 1960's poses something of a difficult problem, owing primarily to the mixed signals transmitted concerning the communities' growth over the period. Figures representing high seasonal unemployment were recorded at the same time that some employers were having problems filling job vacancies and fantastic growth in the service industry occurred at the same time that certain sectors of the manufacturing industry were experiencing difficulty. When these facts are viewed independently two different pictures of local development emerge; one of prosperity, the other of economic uncertainty. Viewed together, however, a picture of an area in flux develops, struggling to deal with changes to both its local economy and the economy of the nation. Locally, the population and the regional hinterland was

growing, stimulating the growth of service industries, while at the same time the large established industries faced the challenge of competitiveness with the outside world. The result was a change in the local industrial base and a crisis in some industries.

Perhaps one of the most enduring weaknesses experienced by the regional economy was the problem of unemployment, most of it seasonally caused. Because of the resource based economy, a large number of the regional industries were greatly affected by seasonal fluctuations. Whether it was the closing of the shipping season with the winter freeze up, or a slow down in the woodlands when the snow fell, many local people found themselves laid off until spring or even summer. Although it was a problem known during the previous decade, the issue of this type of unemployment, as well as others, generated great concern as the 1960's opened. In a brief to the local mayors and Members of Parliament, the Fort William-Port Arthur District Labour Council pleaded for help to deal with what they saw as a "grave unemployment situation."⁴ According to the brief's calculations, over 20 percent of the Lakehead's labour force was unemployed during fall, winter and spring months. While at first glance, this seems to be an extreme figure, the fact that of the four industries that were

⁴ Fort William-Port Arthur District Labour Council, Brief Concerning the Serious Unemployment Situation in the Fort William-Port Arthur Areas. June 1960, p.1.

most affected by seasonal fluctuation, water transport, grain storage, forestry and logging, and construction, accounted for 6,184 employees or approximately 18 percent of the local workforce, the figures the council supplied enters the realm of the possible. For communities in this position, regular seasonal lay-offs become a problem, especially in periods of recession. At these times only those people with a certain level of seniority had any expectation of being rehired once the industry restarted, leaving the unfortunate either to find other work or the support of Unemployment Insurance. This would in turn cause ripples through the economy as it affected the level of the population's disposable income needed to support other local industries.

Concern over the unemployment situation at the beginning of the decade was aggravated to a large extent by the growing perception that two of the major manufacturers at the Lakehead were "just about on the Rocks -- on their way out."⁵ This concern was expressed in reference to the serious situations facing Can Car and the Port Arthur Shipbuilding Company (Portship) both which had been suffering in the later part of the 1950's. Can Car's loss of the trailer and bus operations to the A.V. Roe plant of Montreal in 1959 was a serious blow to the community, forcing almost 1,000 people or 50 percent of the staff out of work. Although the situation at Portship was not as dramatic, it too had been the victim of a harsh

⁵ Ibid, p.3.

business climate. Throughout the 1950's the number of employees had dropped from its normal operating staff and employment pool of between 800 and 1,000 people to between 200 and 300 where it remained for most of next decade.⁶

In each case, Portship and Can Car owed most of their financial problems and inability to gain contracts to the cost of transportation, both of raw materials from eastern steel mills and of the final product to market. In a brief to the Royal Commission on Transportation, Portship's management reported that "since the war there has been considerable shipbuilding but high freight rates involved in bringing materials to the Lakehead have pretty well put us out of competition with Collingwood and the yards on the St. Lawrence River."⁷ For Portship, the situation did not improve throughout the rest of the decade even with the opening of the Seaway. As part of the Canadian Shipbuilding and Engineering Limited (CSEL), owned by Canada Steamship Lines, it was relegated to doing ship repairs, a few ship conversions -- installing auto-loading equipment-- and work for the forest industry. By the end of the decade, the local management's

⁶ "...in normal periods the firm employs from 800 to 1000 men or about 10 % of the wage earners of the city." Port Arthur Industrial Committee, Brief Submitted to the Royal Commission on the Coasting Trade., 22 August 1955, Thunder Bay Historical Museum Archives, Port Arthur Chamber of Commerce Collection; Fort William-Port Arthur and District Labour Council, Op cit., p.4.

⁷ Phillips Collection, MG-6 n-104, p.16. Northwestern Ontario Development Association, Submission to the Royal Commission on Transportation. Port Arthur, 28, 1960.

efforts were directed towards finding what it termed as "bread and butter" work, contracts that would cover the basic cost of man-hours and fringe benefits needed to keep a knowledgeable workforce employed for when more lucrative contracts became available.⁸ For the entire decade, all of the ship contracts for CSEL went to the Collingwood operation in Southern Ontario.

The story was somewhat similar for Can Car. On the subject of the trailer operations which the Fort William plant was eventually able to regain, R.E. Henderson, Can Car's general manager, wrote that

The cost of transporting raw materials inward to the Fort William Plant and finished trailers to the market therefore represents a complete competitive disadvantage. In dollars, this cost includes \$200 (present Piggy back rate) plus \$50 for incoming freight. This is a competitive disadvantage because approximately 80 % of the trailer deliveries are made in the Toronto-Montreal area..."⁹

Part of the problem was that, in the case of Can Car, the plant was unable to take full advantage of savings offered by the Seaway, being forced to ship all its finished products by rail. The nature of the products, size, cost of the items, and sophistication of their construction, made them uneconomical to send by ship. Much of this was due to the cost of handling the items and the time involved in their

⁸ Marine Museum of the Great Lakes, Kingston Shipyards Collection, box 9, file 21, p.3. Port Arthur Shipbuilding Company, Annual Report 1968.

⁹ Phillips Collection, MG-6 a-14. R.E. Henderson to W.H. Johnson, Canadian Pacific Railways., 10 December 1962.

transportation, which was measured in days rather than hours.

While it is true that the rail freight rates may have been affected by the Seaway's competition, it was not enough to make the Lakehead manufacturer more competitive in eastern markets.

When dealing with western markets, Can Car experienced another problem, one that almost defies logic. Because of the marketing abilities of the railways and their freight rate policies, the Fort William operation was forced "on occasion to ship units to Toronto to pick up payloads to effect final delivery of the trailer to Western Canadian points with a lower overall transportation cost."¹⁰ This being the case one must question whether the Seaway had any impact on any of the competing transport mediums in the effect of lower freight rates or the removal of discriminatory pricing policies. Eventually, when Can Car's management turned the company around in the latter half of the decade, it did so by working around the geographic disadvantages and using an aggressive marketing and contract acquisition approach. Throughout the rest of the decade a dealer network was established in Canada and the US for marketing and servicing their products which now included among other things rubber-tired skidders for the forest industry. By 1964, the sales of these skidders exceeded the revenues of their bus operations, the former

¹⁰ Ibid.

staple of its plant.¹¹ None of the company's success can be attributed to benefits from the Seaway project.

The impact of plant slow downs like those experienced by Can Car and Portship were diverse and permeated the local economy. Besides contributing to the lay-offs of their own employees, these companies affected the businesses and employees of numerous sub-contractors supplying materials or expertise.¹² For Portship, its long period of inaction affected its ability to fill future orders. By 1968, the company was having difficulty finding skilled labour since its labour pool had disappeared. Management was forced to hire 140 men of "questionable skill" in order to fill a barge contract on time.¹³

In the case of both of these manufacturers, a large part of their problem was a lack of cheap transportation for their products. Their continued survival was based on their ability to adapt and tailor their operations to demand and to work around the disadvantages of their geographic location. To a certain extent, their situations could be considered worse case scenarios; both the materials for production and the prime consumers of their products were located in a

¹¹ Phillips Collection, MG-9 a-14. Presentation by R.E. Henderson to the Northwestern Ontario Business and Industrial Forum, 4 August 1964.

¹² Northwestern Ontario Development Association, Submission to the Royal Commission..., p.8.

¹³ Kingston Shipyards Collection, Box 19. R.W. Sutton to W.A. Webster, " re:Port Arthur Shipbuilding", 28 June 1968.

distant market. Part of their survival strategy involved catering to the local market, specifically the forest industry.

This disadvantage could partially explain the high mortality rate among local industry. As is evident from table 5.1, the number of manufacturing establishment declined significantly from 202 in 1960, to 110 by the end of the decade. This alarming figure of 92 closures is made worse by the fact that these yearly statistic would also have contained the 69 new manufacturing starts in the Lakehead during this period.¹⁴ However, as the Dominion Bureau of Statistics also reported, some of these establishments were in the planning stages and may never have started production. It is not surprising, therefore, that the Lakehead's level of production was down in comparison with the rest of the province. Table 5.1 shows that from 1960-1969, manufacturing activity at the Lakehead only increased 78 percent while the province as a whole increased almost 100 percent.

This is corroborated by another report (table 5.2) done by the Dominion Bureau of Statistics, which listed the industrial growth of all of the major communities in Canada and then compared their relative growth with that of the nation as a whole. As an indicator of growth, the number of manufacturing jobs were measured first at the beginning of the

¹⁴ DBS, New Manufacturing Establishments in Canada (Ottawa: Queen's Printer 1960-1969).

Table 5.1- Industrial growth in Thunder Bay and Ontario, 1960-1969.

Year	# of Est.	Production related workers	Total Employees	Cost of Materials ('000)	Cost of Fuel ('000)	Value of Shipments ('000)	Productive Activity ('000)
Thunder Bay							
1960	202	5,986	7,215	83,090	11,705	181,857	87,062
1961	152	5,685	7,152	86,621	11,375	178,978	80,411
1962	149	5,964	7,569	93,447	11,940	192,970	89,659
1963	147	6,047	7,958	96,363	11,982	205,642	95,931
1964	136	6,362	8,508	100,499	13,013	216,360	104,033
1965	128	6,855	9,387	120,308	13,782	244,271	110,892
1966	127	7,427	9,091	138,253	15,220	272,459	119,291
1967	125	7,297	8,618	138,662	16,748	275,319	122,632
1968	116	6,858	8,777	144,579	16,698	287,515	124,384
1969	110	7,038	8,395	154,357	18,786	311,149	138,567
Total for Ontario	1960 13,580	N/A	644,245	5,827,318	N/A	11,078,593	5,047,711
	1961 12,419	433,059	638,757	6,129,239	237,405	11,563,734	5,244,846
	1962 12,585	456,026	662,533	6,944,729	249,459	12,914,454	5,815,088
	1963 12,489	478,370	690,470	7,745,076	260,511	14,262,208	6,369,483
	1964 12,781	509,758	728,936	8,627,975	283,965	15,842,949	7,066,985
	1965 12,766	543,501	774,428	9,668,876	314,290	17,675,865	7,881,825
	1966 12,986	578,559	820,465	10,712,882	339,748	19,452,570	8,648,180
	1967 13,076	571,106	818,227	10,982,235	352,475	20,259,696	9,032,055
	1968 12,932	563,777	810,772	11,932,954	372,847	21,942,620	9,714,889
	1969 12,971	574,694	825,462	13,100,271	387,241	23,847,773	10,037,008

Source: Canada, Dominion Bureau of Statistics, Census of Manufacturing Industries of Canada.

1960's and then again ten years later. According to the Bureau, the number of manufacturing jobs at the Lakehead increased by 1,198 people or approximately 16.5 percent. While this is a modest increase, it is three percentage points below the national average. Moreover, when it is compared to the average of the province which was almost 25 percent, it is obvious that the manufacturing industries at the Lakehead received a disproportionate share of the decade's prosperity.

Returning to table 5.1, it is interesting to note that while the number of establishments was declining, the number of people employed in the that sector was increasing. These figures reflect a concentration of the manufacturing process in a core group of operations which were able to survive changes in the economy and even to grow, supplying the lion's share of the sector employment. It also suggests that in all likelihood, it was these industries that accounted for most of the growth in the manufacturing industries.

Who were these manufacturers? Outside of the usual number of bakeries, cabinet makers, and tailors, operations typically hiring three or four people, the largest industrial employer was the forest industry. Except for the occasional faltering of pulp and paper markets, the 1960's was a period of growth for almost all of the forest industry and it was this sector that became the driving force for industrial development in the Lakehead. Two of the four local mills commenced a series of expansions to their existing facilities

Table 5.2 Component change in manufacturing employment, 1961-1971.

	1961	1971	Change #	%	National Growth *	Net Relative # Change
Canada						
Total.....	1314861	1569780	254919	19.4	254919	0
Office M	287531	305083	17552	6.1	17552	0
Employees F	87917	97634	9717	11.1	9717	0
Production M	729449	901119	171670	23.5	171670	0
Related Workers F	209964	265944	55980	26.7	55980	0
Ontario						
Total.....	620638	778286	153648	24.8	120326	33322
Office M	140782	157198	16416	11.7	8594	7822
Employees F	46797	54230	7433	15.9	5172	2261
Production M	343026	437095	94069	27.4	80728	13341
Related Workers F	90033	125763	35730	39.7	24004	11726
Thunder Bay						
Total.....	7252	8450	1198	16.5	1406	-208
Office M	1278	1308	30	2.3	78	-48
Employees F	288	418	130	45.1	32	98
Production M	5470	6348	878	16.1	1287	-409
Related Workers F	216	376	160	74.1	58	102

* The figures for National Growth reflect the number of jobs that would be created in this area had it grown at the national average.

Source: Canada, Dominion Bureau of Statistics.

in the late 1950's representing a capital investment of approximately \$37 million.¹⁵ Great Lakes Forest Products, one of the two companies, attributed its expansion to a large extent, to its expectations of increased trade once the Seaway was complete. While the company expected not only to access larger markets and to take advantage of the improved transportation network, its faith was based also on an expansion of its existing markets. As the study of commodity movements has shown, the executives of Great Lakes appear to have had more realistic expectations of this development than did many of their contemporaries.

The expansion of Great Lakes' facilities which started in 1954 was an ambitious endeavour involving a 60 percent increase to the productive capacity of the mill. This was the largest expansion since the troubled period of the 1930's depression. Rated at 100,000 tons of newsprint per year in 1928-29 the mill had improved the capacity of the existing machinery 55 percent during the 25 years which followed. With the expansion complete by 1955, adding a third paper machine to the mill, Great Lakes' management expected that the production level would reach about 245,000 tons or better per

¹⁵ Great Lakes Paper estimated their expansion to cost about \$15 million. Great Lakes Paper, 1955 Annual Report (Fort William, 1955), p.12; The expansion Abitibi Pulp and Paper, Fort William Mill was expected to have cost approximately \$22 million. "Seaway will enhance Northwest Industrial Potential" Fort William Daily Times-Journal 26 March, 1957.

year.¹⁶ The entire project was slated to cost approximately \$15 million.

It is important to note that this expansion was not based simply on the company's ability to expand, nor on the expectation of increased demand. It was important that other factors, most importantly a supply of raw materials and power, were in place before the expansion took place. In both cases, Great Lakes needed the cooperation of the Ontario provincial government which controlled the use of the woodlands and produced the power needed to run the facilities. New licensing agreements with the provincial government guaranteed a supply of wood that would make this expansion viable. At the same time, the new facilities meant that the energy consumption from Ontario Hydro would almost double to 73,000 horsepower from 37,000.

Despite early expectations, Great Lakes' production level did not reach 250,000 tons per year until 1960, two years after the new paper machine began production.¹⁷ The company leaped away from the recession, however, to reach a record out-put of 374,672 tons of newsprint in 1966. In that same year, the company opened its expanded craft mill. Prior to this second major expansion, Great Lakes produced an average of 30,000 tons of chemical pulp for shipment. In the first

¹⁶ Great Lakes Paper, 1955 Annual Report, p.7.

¹⁷ Actually the mill bettered that figure for the year, producing 268,468 tons. Great Lakes Paper, 1968 Annual Report, p.6.

year of production, that level jumped to 89,000 tons, and it almost doubled from that figure to 168,000 tons by the end of the decade. In terms of dollar figures the new production capabilities translated into large profits. In 1957 and 1958, the operating profit for Great Lakes Paper was \$7,853,285 and \$8,554,001 respectively; by 1969 that profit more than doubled to \$17,951,000 or a record \$75,226,000 in sales.

The prosperity of the pulp and paper firms played a major role in the growth of the Lakehead during the 1960's. Of the seven large scale manufactures that located at the Lakehead, five of them chose the location expressly to serve this industry; three of them were chemical companies which produced various chemicals for the paper making process, another manufactured wire screens used to drain the pulp and the last built heavy machinery used in the woodlands.¹⁸ The establishment of these manufactures became very important to the Lakehead because it was losing its bid for industrial diversity.

When one looks at the industrial expansion of the Lakehead during the first decade of the Seaway's operation, it becomes questionable if the project had any direct impact on the area. Few of the establishments that began production in

¹⁸ These companies were Nichols Chemicals, Mid-Canada Chemical, Dow Chemical, West-Coast Wire, and Larson's Woodland's Research Ltd.. The other two establishments were Tee-Kay Apparel, a clothing manufacturer and the Lakehead Bag Company, which produced jute bags for the grain industry.

Port Arthur and Fort William during this period attributed their choice of location to the favourable position of the cities on the new Seaway route. In almost all cases, these companies were established to serve a specific sector of the local market, such as the Lakehead Bag Company, which produced bags for the grain industry. In fact, many of these establishments could also be classified as service industries, producing custom furniture, or parts to repair machinery in the region

To a certain extent, the difficulty in attracting new industry to the Lakehead must be expected. Two years after the Seaway's completion, it had been established that the desired changes in the transportation costs had not appeared. The Northwestern Ontario Commission on Employment, as part of its mandate to monitor the employment situation at the Lakehead, concluded the size of the local market combined with the distance from large centres of demand and the high cost of transport were still major factors limiting the region's industrial growth.¹⁹

While it could be argued that, at the time of the Commission's publication in 1961, the Seaway had not been active long enough to have had a positive impact on the movement of general cargo, there is evidence to suggest that the situation did not improve by the end of the decade. In 1970, the Ontario government completed a transportation impact

¹⁹ Northwestern Ontario Commission on Employment, Op cit., p.9.

study on Northwestern Ontario that was meant to establish what improvements were needed if the region was to expand into the next decade. It was concluded that, as the major distribution centre for the region, Thunder Bay would play a vital role in future development. The province was convinced of the potential of the Lakehead and the region for growth, as long as a system of transportation between Thunder Bay and Southern Ontario "would be developed so that the quality and price of transport services would not act as deterrent to traffic movements."²⁰ Since the province did not have the power to affect the shipping industry, most of its recommendations involved the improvement of roads both within the region and connecting it with Southern Ontario, and the encouragement of programs that would attract industry to the Lakehead.

It is rather obvious that because the St. Lawrence Seaway was unable to bring about a revolution in the movement of general cargo, its impact on the industrial sector of the Lakehead was largely non-existent. As the previous chapter illustrated, what business needed, low transportation costs for the means and yield of production, was a difficult goal owing to inefficiencies in the system and shippers' reluctance to change. As a result it was only in the movement of bulk

²⁰ Ontario, Department of Treasury and Economics, The Northwestern Ontario Region; A Transportation Impact Study. (Draft Final Report, 1970), part III-B, p.6.

goods that there could be any true expectation of price benefit.

While the potential for bulk shipments having an impact on the growth of the Lakehead was limited compared to the movement of general cargo, it was in this important traffic that the communities of Port Arthur and Fort William found the largest benefit. Technically speaking, the major beneficiary of the transportation revolution in the movement of bulk cargo, went to the prairie farmer or the Quebec miner, as the major producers in the system. How the Lakehead profited from the Seaway project was through its 150 year old role as a transshipment point between East and West. In order to integrate this point into the new transport network took a large amount of capital; capital that would supply jobs and foster growth in another sector of the local economy.

It was through regional improvements and integrating the harbour into the national transportation network that the Lakehead benefitted the most from the Seaway project. While the twin cities represented the extreme western terminus of the Great Lakes-St. Lawrence Seaway system, the area was, of course, not the end of the national transportation network. Improvements had to be made to both the harbour and the land systems to increase efficiency and to handle the rise in traffic westward. To that end, the harbour itself was

dredged, railway overpasses were built, highways improved and the storage capacity was increased.²¹

In order to handle the expected increase in grain shipments, a total of 15,682,000 bushels capacity was added to the harbour's grain elevators, bringing the total capacity to almost 105,000,000 bushels, reflecting a 16 percent increase.²² These expansions were estimated to represent a capital investment of approximately \$15 million.²³ In addition, the facilities needed by the terminals to load and unload grain were improved to handle the increased capacity more efficiently. This was especially important in loading ocean vessels, whose design was significantly different from the lake carriers. For example, in 1962, a modern loading gallery capable of accommodating the high level loading spouts of ocean vessels was added to the United Grain Growers of Alberta elevator.²⁴ This new system had the ability to load a vessel at a rate of 25,000 tons or 1,000,000 bushels every

²¹ Rather symbolically, the first step was to improve the administration of the two harbours through their amalgamation. First announced by George Hees, Minister of Transport, two years previous, the two harbours were privatized and came under the administration of a unified Harbour Commission in 1959 to coincide with the opening of the Seaway. Made up of five members, the commission was meant to control the traffic through the harbour, collect harbour fees and take care of its maintenance.

²² J.E. Young, Op cit.

²³ Phillips Collection, MG-6, c-38. Observations on Future Employment Factors at the Canadian Lakehead.

²⁴ Phillips Collection, MG-6, c-52. R. B. Chandler, The St. Lawrence Seaway and the Lakehead Harbour: Canada's Mid-continental Seaport, 1962, p.27.

eight hours. A similar system was already in existence at the Lakehead Terminal Elevator, and was later added to Manitoba Pool no.1 in 1962. Other systems that were added included an automatic rail-car dumper used by Saskatchewan Pool no.7 which could unload 200 cars in an eight hour period.²⁵

These capital investments and others, like the \$8 million Keefer Terminal opened in 1962, and the \$5 million Valley Camp Iron ore dock, opened in 1967, represented a substantial investment in the Lakehead's harbour facilities. These were combined with various subsidiary projects that were needed to complete the reform of the transportation network passing through Northwestern Ontario. These projects, such as road improvements, railway overpasses, new rail marshalling yards and the improvement of the trans-Canada highway resulted in a large influx of money into the region. The demand arising for building materials during this period of improvement helped to spur on the development of the local construction industry. Of the 60 new manufacturing establishments that came into existence during the period of expansion, a majority, 38 in all, were involved in the production of building materials.²⁶ The industry also provided more employment than ever before. The 1961 census, taken at the

²⁵ Young, Op cit.

²⁶ DBS, New Manufacturing Establishments in Canada. (Ottawa: Queen's Printer, 1959-1970).

height of the construction boom, recorded a total of 2,894 people employed in the construction industry, representing 8.5 percent of the work force. Normally this industry's share of the work force was only 7.2 percent. It was even higher than the provincial average of 6.0 percent.²⁷

The impact of the expansion and improvement of the existing transportation facilities went beyond the mere injection of funds into the economy and was to play a major role in the development of Port Arthur and Fort William's place as the regional metropole. The decade of the 1960's represents an evolution of the Lakehead's role in the life of the Northwestern Ontario, due mainly to the penetration of the region by an extensive system of roads to the various communities. Already, by 1959, service industries were beginning to play an increasingly important role in the economy of the communities. Whereas in 1951, the number of people employed in this sector accounted for 16 percent of the workforce, a total of 6,874 people, by 1961 the proportion had grown to 23 percent, or 12,144 people. This growth of course did not go unnoticed. Various local leaders commented on the increasing number of service related businesses being established, and their impact on the economy of the Lakehead at this time.²⁸ It is doubtful, however, that they fully

²⁷ Census of Canada. (Ottawa: The Queen's Printer, 1961).

²⁸ "But we are witnessing a greater and greater degree of diversification in employment by the influx of enterprises and establishments, like those already mentioned [distributive plants,

realized the potential for growth of this industry and the role it was eventually to play in the local economy. By the end of the decade, the employment in the sector grew by 11,742 people, reflecting a 91 percent increase, placing it at 53 percent of the total labour force.²⁹ Compare this growth with that of the manufacturing or grain handling sector, which experienced an increase of only 1,198 and 302 people respectively.

By the end of the decade these service related businesses had become an integral part of the health of the local economy, so much so that various government reports concerned with the region's economic health placed road construction and maintenance between centres, high on their list of projects important to the economic health of the region.³⁰ The focus of effort was placed on improving what is known as "door to door" service, which would reduce transfer and shipment problems hampering the efficient movement of goods, in turn

government establishments, amusement centres, regional retail stores, sales offices insurance and utility companies, restaurants, etc.]" Phillips Collection, MG-6, c-38. Alexander Phillips, A Paper - Observations on Future Employment Factors at the Canadian Lakehead.

²⁹ A total of 8342 new jobs were created in the service industry at the Lakehead during the 1960's. This out an increase of 12770 new employees in the community. DBS, Census of Canada 1961; DBS, Census of Canada 1971.

³⁰ Ontario, Department of Treasury and Economics, The Northwestern Ontario Region; A Transportation Impact Study. (Draft Final Report, 1970), Part III-A, p.7; Ontario, Department of Treasury and Economics, Design for Development: Northwestern Ontario Region Phase 2: Policy Recommendations. (Toronto: Department of Treasury and Economics, 1970), p.82.

helping to reduce shipment costs. Recommendations in this area covered all three transportation modes with the main emphasis being placed on the two competing in-land options, rail and truck transport. The nature of water transport precluded any real attempt of reforming the system since shippers choosing that mode did not have efficiency of transport as a major priority, insomuch as it affected shipment time.

Conclusion

For the communities of Northwestern Ontario, the search for economic stability had been an on-going challenge. Even for the Lakehead, the region's metropolitan centre whose economy was the most diverse of all of the region, the goal of sustained growth was never guaranteed. Both its location, away from Canada's prime sources of production and markets, and its small population, limiting its hinterland, played a major role in stunting, what might be thought of as a great potential for growth. Considering that much of the Lakehead's fortune was tied to the movement of goods between east and west, it is quite natural to assume that what was good for the transportation network was good for the Lakehead, especially if it promised to reduce the distance between it and its markets. This was what the opening of the St. Lawrence Seaway promised. But in a sense, it promised more to the residents of Port Arthur and Fort William than making it easier and cheaper to ship the fruit of its labour; there was the chance that it could figuratively remove one of the major barriers to its future growth, the problem of its location. Major industry could be attracted to the region bringing with it more people, thereby removing the barriers to growth.

For the residents of the Lakehead, this promise could not have come at a better time. A long period of prosperity, second only to the growth sparked by the wheat boom, had suddenly come to an end, awakening the communities to the problems of an economy based on resource exploitation. The situation

became worse when it was realized that two other major employers, Can Car and Portship, which once supplied stable employment to a large sector of the local work force, had become victims of increased transportation costs and competition. A reduction of these costs could have significantly improved the economic situation of the community.

Unfortunately, the promise was not realized. This study reveals that much of the anticipated benefits from the Seaway project, the general decline in water freight rates, the substantial increase in commodity traffic and physical improvements to the harbour, in actual fact had little direct impact on the Lakehead. The all important reduction in transportation costs only affected the movement of bulk cargo, cargo which was produced elsewhere and was merely transhipped just passing through the Lakehead. The Seaway project did have an some impact on the shipment of general cargo, enough to almost double its volume moving through the harbour, but not enough to improve its efficiency and reduce transportation costs. As a result, these costs remained a deterrent to industry locating in the region and reduced the competitiveness of the existing establishments.

This is not to suggest that the twin cities did not profit from the Seaway project, but for the most part they were indirect benefits, such as the general prosperity that fuelled the economy or the lattice work of regional access

roads. It was both of these factors that influenced the shape of the local economy during the 1960's, leading to the concentration of the means of production in the forest industry and the phenomenal growth in the service industry. The few direct benefits were isolated primarily with the development of employment in freight handling or the initial construction projects improving the Lakehead's harbour facilities. The result was that local leaders had to turn to government for assistance programs to stimulate the needed industrial development, development that would have stabilized the regional economy and guaranteed growth.

Was there a single reason why the Lakehead, considered to be at an advantageous location in the national transportation network, did not gain more from the St. Lawrence Seaway? In one way, the answer is yes, but this factor was not anything that could have been corrected. The St. Lawrence Seaway can be seen to have been part of a general trend of change in the national economy. For business, the need for speed and efficiency had become paramount, while stockpiling and warehousing were slowly being phased out. In both cases, the proximity of markets and transportation efficiency became more important, in effect making the Lakehead more isolated from concentrated markets and increasing the importance of its own hinterland.

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