

## New Brunswick case shows

**DREE - Instant profits, no jobs**

by Steve Greene

It is beginning to become common knowledge in the Atlantic community that federal development programmes, such as DREE, do not meet the needs of the Atlantic region. Further, as such cases as Brunswick Mills illustrate, these projects often create new hardships or strengthen old grievances.

In 1969, Pierre Trudeau said, "If the underdevelopment of the Atlantic Provinces is not corrected — not by charities or subsidies, but by helping them become areas of economic growth — then the unity of the country is almost as surely destroyed as it would be by the French-English confrontation." This is heady stuff. But Pierre Trudeau was not the first person who recognized underdevelopment to be a peculiarly Atlantic problem.

In 1954, the Atlantic Provinces Economic Council (APEC) was founded. Its main objective was to bring the question of regional disparity to Ottawa's attention. Out of its efforts, the Atlantic Development Board was founded and, eventually, the Department of Regional Economic Expansion (DREE).

The Council's chief concern was jobs. In their 1962 pamphlet, "Initiatives for Manufacturing Industries", they reported that between 1951 and 1957 more than 25,000 jobs had disappeared in resource-based industries. The Council urged that the federal government be active in formulating, financing and administering a regional development program. They argued that that program must be "bold, massive, and well-coordinated".

Ottawa was hard to budge. The 1957 Royal Commission on Canada's Economic Prospects recommended federal spending on public works projects in the Atlantic community and hoped that investment would increase to meet employment needs. But in a monumental blunder, they suggested that if development did not pick up, the federal government should help people to move away.

**Government bureaucracy grows**

Under Alvin Hamilton, minister of agriculture in the Diefenbaker government, federal developmental agencies came fast and furious. The goal of the Agricultural and Developmental Rehabilitation Act (ARDA) and the Fund for Rural Economic Development (FRED) was to redevelop depressed rural areas, to improve rural land usage, and to retrain rural people. The Atlantic Development Board (ADB) was formed to advise Ottawa on the region. Then in 1963 the Pearson government enacted the Area Development Act (ADA) to give hand-outs to new industries in designated areas.

All this bureaucratic activity had no effect on Atlantic underdevelopment. The programs and agencies were uncoordinated both among themselves and with other federal policies. Federal economists continued to ignore advice from the region. Expensive studies from consulting firms collected dust on office shelves.

Then in 1969, with much fanfare in Ottawa and excitement in the Atlantic community, the Trudeau government ushered in DREE. Since its inauguration, DREE has given \$70,494,079 million to New Brunswick firms alone.

The stated purpose of DREE is to give money to new or established firms in order to create new employment. A typical DREE grant was the 2.9 million dollars given to McCain Foods in 1976 to build yet another food processing plant. This was at a time when McCain's was using its own money to build the world's largest "potato chip" factory in Great Britain. But what about jobs? CBC's *The Fifth Estate* has reported that since McCain's hit the big time there have been fewer vegetable producing farmers in New Brunswick. This is because McCain's labour history has been 'shady'. Farmers complain of one-sided contracts and being forced out of business. In addition, McCain's has been actively preventing the farmers from unionizing.

From this perspective, it is readily apparent that DREE promotes corporate welfare at the expense of Atlantic development. Indeed, when you add McCain's to the growing list of Bricklin, Brunswick Mills, Venus Electric, the steel

industry in Nova Scotia and petroleum refining in Newfoundland, this is the only conclusion you can draw. All of these projects required an immense amount of capital in an area that is capital poor but labour rich.

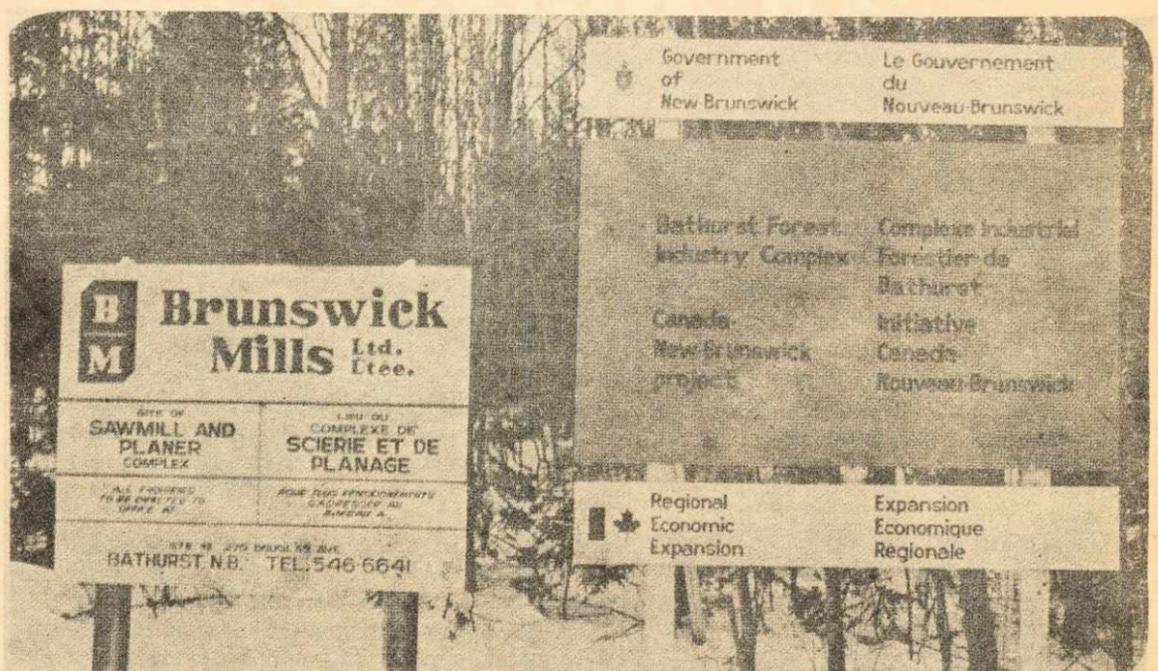
In the light of past failures, it should have been obvious years ago that if DREE is to make any dent in Atlantic underdevelopment it must concentrate its efforts on helping to expand small locally based enterprises. It must stay away from the "bold, massive" programs that APEC called for in 1962. As things stand today, DREE is worsening the problem.

**Brunswick Mills and our money**

But there is little recognition of this at DREE's Ottawa headquarters. As the *New Brunswick Weekly the Plain Dealer* discovered, the saga of Brunswick Mills is another example of priorities

feet sawmill successfully in operation. The project is massive. It is estimated that the Brunswick Mills pilot project will cost 10 million dollars. The price tag for the entire project is 110 million. All of it is public money. Much of it comes from DREE. Some of it comes from the Regional Development Incentive Act. It is estimated that by the end of 1977 the amount of public funds that will have been spent will exceed the New Brunswick government's input into Bricklin.

According to the people the project was designed to serve, it is not working. Sawmill operators and woodlot owners are still petitioning the government. But there is a difference. Now they want protection from Brunswick Mills. Their main complaint is that public funds are being used to drive them out of business. One way of doing this is through "dumping". Large



*Brunswick Mills, a typical DREE project, is driving small sawmill and woodlot owners out of business.*

in the wrong place. In fact, Brunswick Mills provides an excellent example of DREE's fallibility.

When in March 1973 the New Brunswick Forest Resources Study reported that "pulp and paper firms had under-utilized the Crown lands while creating a shortage in the lumbering industries", it was reacting to over one hundred years of discontent.

Since the early nineteenth century, individual lumbermen and small timber concerns have petitioned local and provincial authorities to protest against the fact that a few monopolies control the timber reserves. In light of these petitions two things have become clear: the lack of confusion in the minds of ordinary citizens concerning the fairness of allocating Crown lands and the unbending, unyielding attitudes of the Governments and the interests they have served.

But in 1973 the New Brunswick government recognized that the pulp and paper firms had made poor use of Crown lands. According to Premier Hatfield, the pulp firms had undercut the higher quality wood while not making good use of lower quality pulp. Therefore, lumber and secondary manufacturing industries were in danger of stagnating. To correct matters the government established the NB Forest Authority to harvest and reallocate all woods from Crown lands.

**Lack of consciousness**

Was this important policy decision a result of changed government attitudes? Was "social justice" an object of the policy? Unfortunately, the answer is "no".

The NB government obviously took into consideration the amount of federal money it could get. In 1973, "regional development" was still Ottawa's pet. Everyone was in favour of it. It was the catch phrase that won elections.

The Brunswick Mills pilot project was to take over a one million acre holding formerly under lease to Consolidated-Bathurst and, through proper forest management, supply enough roundwood to keep a modern 50 million board

feet sawmill successfully in operation. The project is massive. It is estimated that the Brunswick Mills pilot project will cost 10 million dollars. The price tag for the entire project is 110 million. All of it is public money. Much of it comes from DREE. Some of it comes from the Regional Development Incentive Act. It is estimated that by the end of 1977 the amount of public funds that will have been spent will exceed the New Brunswick government's input into Bricklin.

According to the people the project was designed to serve, it is not working. Sawmill operators and woodlot owners are still petitioning the government. But there is a difference. Now they want protection from Brunswick Mills. Their main complaint is that public funds are being used to drive them out of business. One way of doing this is through "dumping". Large government subsidies enable firms like Brunswick Mills to dump excess products on the market. The effect of this is that prices go down. When prices go down, the smaller operators go out of business.

The independent operators wonder why the government allows Brunswick Mills to keep its lumber when prices are low while piling up huge debts. They point out that as independent businessmen they must either meet their expenses or go bankrupt. In short, the small operators are unable to compete with Brunswick's prices because of its government subsidies.

The promise of proper forest management is not being fulfilled either. In order to supply Brunswick Mills with the necessary 50 million board feet per year, the forest authority has had to instruct its crews to do "high grading" to cut everything in sight. Moreover, unemployment is still embarrassingly high because the technology that Brunswick Mills uses is less labour intensive than that of the independent operators. Some of these problems are the result of a "miscalculation". Despite three years of planning the 50 million board foot mill is more than the pilot area can handle.

**Dree hampers growth**

The story of Brunswick Mills is typical of DREE projects. According to the Quebec Federation of Labour, DREE perpetuates outside control of the economy, neglects the poorer parts of the province in favour of those that are economically stronger, and that the new employment it does create is often offset by layoffs or shutdowns elsewhere, sometimes even in the same companies that get the grants.

Government grants have eliminated the risk factor from private enterprise — the usual justification for private profit. It seems that the prevailing attitudes at DREE headquarters are that small and medium sized local companies cannot meet the challenge of regional development. But it is also clear that the government grants are not only gifts for large enterprises, but that also, they encourage further underdevelopment.