

The technology of the era limited logging to areas adjacent to bodies of water and by 1863 all suitable trees on the timber reserve had been harvested. The mill was closed by the end of that year and all hands laid off. The white population of the Alberni Valley, which had risen to two hundred, declined to three.

Although it had a favorable location on a deepwater inlet surrounded by forest, the Alberni Valley remained a frontier backwater for forty more years. Several small mills came and went until the Barclay Sound Cedar Company was established in 1904 on land purchased from the Anderson Company. After passing through several hands, in 1915 it became the Alberni Pacific Lumber Company, the first permanent timber operation in the area.

Meantime, in response to the hoped-for boom that would follow the arrival of the transcontinental railroad at Port Moody in 1886, the Anderson Company laid out two townships on its Alberni Valley property. These became the towns of New Alberni (later named Port Alberni), which was largely industrial, and Alberni, which was a residential community.

Development of the Alberni Valley accelerated in the years prior to World War I. The Esquimalt and Nanaimo Railway (E&N, owned by the Canadian Pacific Railroad) arrived from Victoria, and the two Albernis became incorporated municipalities, New Alberni in 1912 and Alberni in 1913. By the time of the 1921 census their combined population had reached 1,596.

In the early 1920s the E&N extended branch lines into the woods to the northwest of the Alberni Valley, to encourage the sale