

Interview

Fred McDougall

Director of Forestry/Alberta Deputy Minister

Interviewed by
Peter J. Murphy



Part of the Forest History Program Interview Series

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Informing Land & Resource Management



About the Forest History Program at fRI Research

fRI Research, originally the Foothills Model Forest, has been conducting research in sustainable land and forest management in Alberta since 1992. The positive impacts from the application of this research (e.g. Grizzly bears, watershed, forest history) to improving forest management and resource sustainability can be seen across Western Canada and beyond. The Forest History Program began in 1996 when Pete Murphy, Bob Stevenson and Bob Udell began a project to record the natural and management history of its Hinton Forest. This project soon expanded to add more reports and to encompass the entire model-forest land base. The program has produced a series of seven books and e-books including an Ecotour, an Ecotour App for west central Alberta, one DVD project and a series of reports about the evolution of adaptive forest management in the West Central region of Alberta.

Learn more at fhp.friresearch.ca

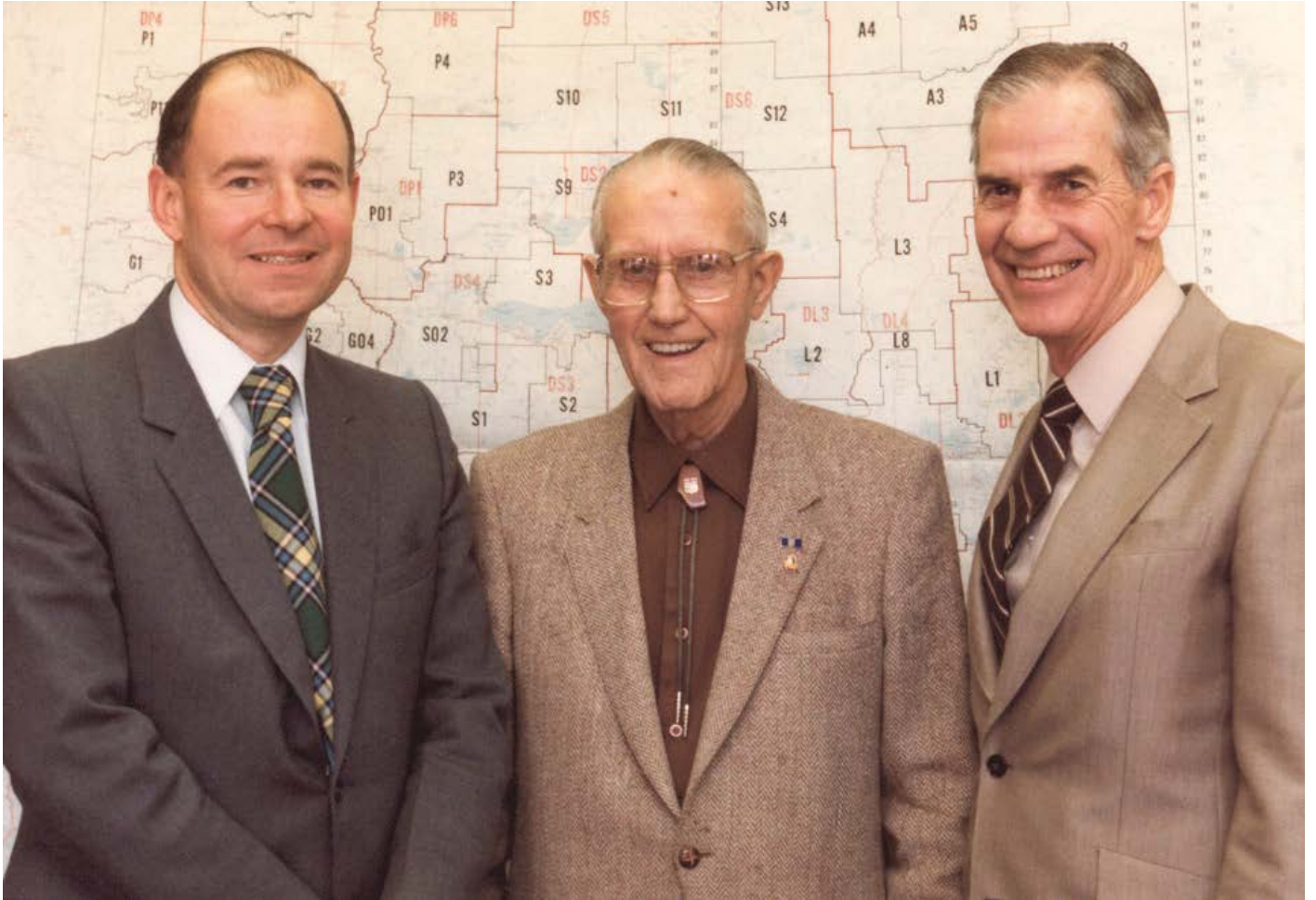
The Forest History Program Interview Series

Between 1997 and 2000, the Forest History Program conducted 33 interviews with various people who played important roles in, or were connected otherwise with the development of the remarkable forest management operation at the Hinton Forest of Weldwood of Canada. These were background information that would be used in a series of books and reports that would follow, all initiated by one book project linked to Weldwood's 40th anniversary celebrations in Hinton in 1997. Some of these interviews are posted to the fRI Research website for general reading, others are available only with permission for research purposes. All interviews were professionally edited to retain content but improve clarity but preserve content.

Dr. Peter Murphy—Interviewer

Interviewer Dr. Peter Murphy is Professor Emeritus in Forestry at the University of Alberta, where he taught and conducted research in forest policy and forest fire management from 1973 to 1995, during which time he also held positions of Chair of Forest Science and Associate Dean for Forestry in the Faculty of Agriculture & Forestry. During his time at the University he was active in promoting the study of forest history and its importance as guidance for the advancement of forest science today. As part of this he initiated and conducted a number of important interviews with key players in Alberta's forest history, most notably Des Crossley—Hinton's first Chief Forester—and his counterpart in the Alberta Forest Service, Reg Loomis who together established the foundation of Alberta's forest management agreement system. Dr. Murphy is the Chair of the Forest History Association of Alberta, and has been a member of the Forest History Program team at fRI Research since the program began in 1996, where he has authored and co-authored a number of books and reports.

Interview Date: November 9, 1998



Fred McDougall with Eric Huestis and Bob Steele, 1979. All three were Directors of Forestry before becoming Deputy Ministers. Photo credit: Alberta Forest Protection Historical Photo Collection.



INTERVIEW

November 9, 1998

Murphy

This is an interview with Fred McDougall at the University of Alberta (U of A) on November 9th, 1998. Fred, perhaps we could start with your recollections of first going to Hinton. I wasn't aware that you had worked there in the summer of 1956. Perhaps you could describe your experiences and impressions then.

McDougall

Yes. I wasn't actually working for the company. I was working for the Forest Biology unit of Canada Department of Agriculture that was based out of Calgary under Vidar Nordin. We were cooperating as part of the company's forest inventory program. We were involved with doing a cull survey. I had gone down to the University of New Brunswick (UNB) as a forestry student in 1955, but I always made a point of doing my summer work back in Alberta. So the summer of 1956 was my first summer's work as a forestry student. One of the crew leaders was Larry Kennedy. We were doing this cull survey out on the Hinton limits. My role then was basically as a labourer. I was a tree faller—I felled the trees, delimbed them, and cut them into sections. Then Larry came along and identified the various pathogens and took readings on the soundness and discoloration, and it is a factor in the forest inventory calculations.

So we were doing this cull survey and halfway through the summer, a very serious fire happened on the Gregg River and we were pulled off the inventory work and sent down as fire fighters. I got assigned to a crew with Charlie Miles and Ken Casey. They were real characters—we spent a full month fighting fire on the Gregg River. I was just basically on a water pump crew, but one of the games that Casey and Miles used to like to play on poor old Dexter Champion, and it worked like hell, was that, and they were not malingering, they would hide on him—so he wouldn't know where they were. We were working this fire and keeping it confined to one side of the Gregg River. They would go to all these elaborate measures so that Dexter Champion could never quite identify where they were and what they were doing. They used to get a big kick out of that. Dexter used to fly the fire fairly frequently and try and figure what was going on. They worked hard, but the whole thing was kind of crazy.

Some interesting things happened on that fire. After a couple of weeks, they brought the army in. That didn't work out very well because by the time the army had set up its camp, the fire had moved and they had to move the camp again. So a very high proportion of the military effort was building camps and moving them and rebuilding them. And they were never really that effective in the actual fire fighting. But it was an interesting experience, and, actually, I found the fire fighting experience invaluable in later years as we dealt with fire issues. It was good to have been actually on a fire and know what the conditions were like and what people had to put up with. I learned quite a bit about fire behaviour on that thing, too, just watching it happen.



Murphy How many were attacking the fire? Did you have pumps?

McDougall Yes. Because the Gregg River was right there, the fire was basically burning along the Gregg River. We had a water source, and we used a lot of water pumps and fire hoses on that fire. Not exclusively though. There was also a lot of Cat work with fire lines and things like that, but we did use a fair amount of water and pumps. There was very little aircraft action. There was not much use of aircraft in those days. There were no water bombers, and there were no water bucketing helicopters, so some of the tools that are commonly used today weren't available. It was either fighting it on the ground with pumps and hand tools, or they did try and use caterpillar fireguard quite a bit as a fire fighting tool. But the organisation on the fire was not great. There was constant disagreement between the company officials and the Alberta Forest Service (AFS) people on the ground, some of whom were old line ranger types who really hadn't been thrown into something like that. The company obviously wanted to throw unlimited resources in and were throwing their own resources in without really getting prior approval.

Of course, the fire led to a very significant policy review at the end of the fire season in terms of the adequacy of the Forest Service effort, and it was generally deemed that the Forest Service simply were not, either organisationally or by way of equipment, prepared for fires like that and not able to do the kind of effort that was going to be required if forest management at Hinton was going to be a reality. The company wrote a review of that fire, and I think it was instrumental in getting the Forest Service, not motivated, because I think the Forest Service were motivated to improve all along, but it gave them the reasons they needed and the arguments they needed to go to the political level and get significant additional resources.

If you look at the record after that 1956 season, there was a significant boosting up of resources and personnel and growth in the Forest Service. I am sure in my own mind that it resulted in large part because of the problems on that fire. So I think the fire was a positive event in the sense that it motivated the government to expand and improve their ability in the Forest Service to fight fire.

Murphy And then when the fire was over did you resume your cull survey?

McDougall Back to the cull survey, yes. That is right. For the balance of the summer.

Murphy I think for the Forest Service interview, which we will do later, we will come back to this and follow your career—discussing this aspect more specifically. But for this Weldwood policy interview, perhaps we could jump ahead in time—when did you next become involved with Weldwood?



Later in his career, Fred McDougall was instrumental in upgrading the forest service fire fighting capabilities. In this photo from 1985 senior AFS staff pose with the first CL215 bomber purchased by Alberta. L-R: John Benson, Director of Forest Protection; Owen Bolster, Supervisor of Wildfire Operations; Fred McDougall, Deputy Minister; Cliff Smith, Assistant Deputy Minister; Gordon Bisgrove, Manager, Wildfire and Aviation. Photo credit: Alberta Forest Protection Historical Photo Collection.

McDougall

Yes, getting back to Weldwood, I didn't of course have anything to do with them or had very little to do with them while I was at Peace River. I used to see Des Crossley at the odd CIF (Canadian Institute of Forestry) meeting over the years. I would come in when I could from Peace River to the odd CIF meeting, and Des was always very active and influential in the CIF, so I used to see him occasionally at things like that, but I had no real direct involvement until I came into Edmonton.

Fred Sutherland had been forester in charge of woods operations, and Fred was promoted to forest superintendent out at Rocky Mountain House. That opened up that position, so I applied on it. With the experience I got that year with Swanson Lumber Co Ltd, I was reasonably well suited for that job, so I came back into the Forest Service in charge of woods operations. At that time, the woods operations job involved providing some policy and program direction over annual operating plans, and any disputes that operators were having with the Forest Service over their operations. You tended to become the arbitrator or referee to some extent of those. And the job included



responsibility for timber revenue—timber scaling, auditing, and collection of timber revenue. That is when I got directly involved Northwestern Pulp and Power because, as part of that job, I had to go out annually and help the Edson Forest review the Northwestern Pulp and Power annual operating plans. I worked closely with Don Fregren, who was the forester out at Edson then. I worked with Don, and, as a team, we undertook the annual operating plan reviews for Northwestern and also supervised the calculation of their timber revenue.

I remember working closely with Harm Sandomir, who was their chief scaler. Harm was an excellent professional, very dedicated, and technically very competent. We worked closely with Harm, and one of the things we achieved working with Sandomir was to set up a statistically sound sampling system such that only a percentage of the loads would have to be pulled aside and check scaled, i.e. broken down and scaled in detail. So we established conversion factors that would be accurate and reliable, and that could be applied to all the loads coming in to the yard. We did that successfully. There was good cooperation there. As I say, Harm was a dedicated individual, and I worked well with him and we were able to establish some good sound sampling techniques and conversion factors for that operation.

Murphy

To clarify—this was when they were converting to weight scale?

McDougall

Yes, that is right. They were going to a weight scale system, and we needed to get conversion factors established that were reliable and accurate.



Fred McDougall in the field, 1964. Photo credit: Alberta Forest Protection Historical Photo Collection

Murphy

Do you recall what year that was?

**McDougall**

That would have been approximately—I landed that job in 1964 and I recall getting involved in that almost right away—so my guess is 1964 or 1965 or somewhere in there. It was more than a year's work to get that done the way we wanted it done, so it was probably about 1965.

Then on the annual operating plan review we did develop some of the confrontational situation with the forestry staff at Hinton. Maybe I was influenced more than I should have been by my work experience up in the boreal mixedwood with spruce. But there was a general concern in the public and shared by some of the Forest Service that some of the cut areas at Hinton were excessively large (that the clear cuts were larger than perhaps they should be). There was also a concern that the FMA generally was being undercut—that they were accumulating under-cut volume at an excessive rate. That showed up clearly in the Berland Working Circle. There were Working Circles, like the Athabasca Working Circle, the McLeod Working Circle, the Berland Working Circle, etc. The problem was that rather than have that undercut distributed across all the Working Circles, they would maintain the full cut in say the McLeod and the Athabasca Working Circles so that those were managed according to plan, but the Berland wouldn't get cut at all or get cut for an insignificant amount of wood. Partly that was economics. The Berland was a little further away, and the wood quality wasn't as good. They used to use wood quality, I think maybe more than we thought was justified, as a reason for not taking wood out of the Berland. But I honestly do not to this day think there was anything wrong with the wood in the Berland. But it was further away and more expensive.

It wasn't just Crossley we were dealing with here. It was also the woodlands people, and there was—in their organisation—a bit of a split there. There was Des on the forestry side, and there were the woodlands guys who were more accountable for costs, and I think they had some interesting dialogues between their different groups, too. But, in any event, why it became fairly obvious there wasn't enough wood being cut was the Berland was being grossly undercut. The Berland Working Circle was falling behind. So these were some of the issues we used to have with them in their reviews, and we would be attempting to get some action taken to correct the undercut volumes. But there were also concerns about the removal of the reserve blocks after ten years. It was a rigid. You know the initial cut was taken and ten years later, the reserves were to go out. John Stelfox (Stelfox was a wildlife biologist) and others had pointed out that the negative effect of this was on ungulates.

When I came in there, the timing was such that some of the reserve blocks were starting to be cut. They started cutting in about 1955. I came into the scene in about 1965, so by 1966–67, there was already some thought of taking out some of the initial reserve blocks. So it wasn't any longer an academic thing. We were starting to see what was going to happen, and it was going to open up large areas. For example, in what was called the Camp 1 area, which was heavy to spruce. It was going to open up, and we could see that it was starting to open up some very extensive cut areas because the regrowth on the initial cuts was still very small. It was there. It was successfully



regenerated, but a lot of it was spruce seedlings, which were still down in the grass. So from a wildlife perspective, it was turning into one gigantic clear cut, and there were concerns about that. So these were some of the issues that we disagreed about, and it was internally quite a heated debate. I recall writing a letter to Des in 1964—which was almost like a declaration of war—but we stated some of our concerns and more or less directed them to make changes, and this is what Des didn't appreciate. We directed them to make some changes—and that got the debate going in a fairly confrontational way that persisted for some time.

Murphy

Was this part of the debate about clear cutting itself or was it beyond that?

McDougall

No, we accepted clear cutting. Des had done an awful lot of work, as you know, down at Strachan, and the results were such that we could see the regeneration was happening. The issue was never that there was no regeneration there. The clear cutting in Des' system was working and working well, but we felt that it wasn't giving adequate consideration to other resource values, either the aesthetics or particularly wildlife, and Stelfox had done some work that supported our concern. Certainly, once the reserve blocks were taken out, we were starting to develop very, very large cut areas there, and we were concerned about that. And that debate got elevated up to Bob Steele's level above me, and to Reg Loomis (I was working directly under Reg at the time). The dispute went right up to the top of the department and took place over quite an extended period of time.

I remember on one occasion Crossley took us out to the Camp 1 area because this is where this issue had first kind of surfaced. He had a horse staked out in the cut area. He had staked it out on one of the original cuts that had regrown to some extent. Our issue was that we had these extensive clear cuts, and it wasn't good for wildlife, and he was trying to prove that it wasn't all that bad. He had this horse staked out there, which was supposed to represent a moose. And he was smart enough to do it in the poplar regrowth because the poplar was coming up at a reasonable height. The spruce regeneration was still down in the grass, but the poplar was five or six feet tall and it was in summer leaf. So one of his points was that we couldn't see this horse, so the moose would be safe and secure there from a wildlife point of view. But what he was not admitting, of course, is the fact that the critical exposure is when the leaves are down in the fall, and I am sure we could have seen the horse had it been, say, in October, after the leaves were down. That is just a little illustration of how the debate took place. He had Steele out there looking for this horse and me and a few others, so it was interesting.

Anyway, I think you know we finally did prevail. I can't recall how long it took, but it took some time, and we did impose, I guess would be the word, the six-foot rule, which meant that they couldn't cut the reserve blocks until the coniferous regeneration on the initial cuts was at least six feet tall. But it took a while to get that change implemented. It was fairly bitter fight over that. So that was in that woods operation job.



In 1969, Reg Loomis retired and I was placed in charge of the Forest Management branch, so I had a broader responsibility but was still involved quite extensively with the company as head of the Forest Management branch.

Murphy Maybe we could go back to the list of questions. This would have been before your time—but did you have involvement with defining the sawlog tree?

McDougall No—when I looked at your list of questions—I can't recall how that was ever used. I can speculate a little bit. It might help you, but this is speculation now. I recall that when the Northwestern Pulp and Power 1954 agreement was first entered into, the sawmillers who were in that FMA were all evicted. There were no quotas at that time. They were all forced out. Sawmill operations were all forced out of the FMA over time.

Murphy Over time? They were allowed to complete the berths that they had?

McDougall Yes. That is right. This definition may have had some bearing on what they could cut during that period before they were all terminated. That is the only use I think could have been made of it. I am not sure of that, but I am sure of the fact that the sawmills were all moved out. If you remember, Imperial Lumber had some contract sawmills north of Marlboro, for example. So over a period of three or four years, they were all phased out, but I think this wording may have been intended to make sure that any operations that were occurring during the phase-out period were restricted to certain kinds of timber. I am just speculating, but I suspect that may be what happened.

Murphy OK, thanks.

McDougall I do know that the sawmills were all phased out, and that caused some hard feeling at the time, and that lingered. That lingered with some of the operators with people like Dick Corser. I think it may have been one of the reasons why later on there was some opposition from independent sawmillers to pulp developments—the history of what happened at Hinton and west of Edson. Even though, after the quota system came in, the sawmillers were protected and allowed to maintain their quotas in FMA (forest management agreement) areas in subsequent agreements, like with Procter and Gamble (P & G) and other pulpmills. But certainly in the case of Northwestern Pulp and Power the operators were phased out. I was still in university when that happened.

Murphy The concept and development of ground rules is interesting—I think that this approach was unique. My impression is that initially the ground rules were to be guidelines, not firm rules.

McDougall Yes, that is right. They were guidelines, and they were intended to be applied with professional judgement. In other words, the reason they were ground rules and established that way rather than in regulation was to allow flexibility and modification where appropriate. I think what happened here is that in 1964–65 the Forest Service, i.e. the province, started to get more aggressive in terms of wanting input into those ground rules and how they were written, and, in fact, demanding



changes in some cases. I think that put the whole ground rule discussion in a more confrontational light, and I can see that being perceived on the other side of the issue as an attempt to change them from professional judgement to rules that were rigid. It was never intended to make them rigid, but it was certainly our belief and intent at the time to incorporate changes that we thought were necessary, as well as to enforce those where appropriate.

I guess part of it, too, was personality. In 1969, I replaced Reg. Reg and Des had a very close relationship professionally and saw eye-to-eye on things and tended to work things out in a very, very cooperative way—to the credit of both of them. This cooperation was partly due to circumstance and partly to personality. When I replaced Reg, the cooperation would have been less evident. It was more confrontational, and we were more demanding, and part of that was circumstance. As I say, by the time I had come along, the reserve blocks were starting to be cut. There was starting to be public opposition to clear cutting along the highway. So it wasn't all just personality, but I am sure personality was part of it. But a lot of it was simply that the Forest Service was being put on the defensive. We were starting to see criticism—some of which we regarded as valid—of what was happening around Hinton, so the atmosphere changed.

Murphy

Before we started recording, you were talking about the company having the right to make its own decisions, but you (AFS) sometimes had to live with the consequences. Could you comment again about the difference between what you were confronted with in public criticism and the company point of view?

McDougall

The forest management agreement made it very plain that we had the right of approval on the annual operating plan. The ground rules were flexible and were intended to be something that professional judgement was applied to, and we tried to honour that. At the same time, if we saw annual operating plans, and the ground rules were in effect part of that operating plan, that were not addressing some of our concerns, we were reluctant to approve them. So the ground rule review and the annual operating review took place at the same time.

The procedure normally was that several of us from Edmonton would go to Edson for a day or so, work with Fregren and his people to be sure we were all on side within the Forest Service, and then we would go on out and have a two or three day meeting with Des Crossley and his people. As I say, it tended to get more confrontational. I was only part of those meetings when I was in the woods operations job. Once I had Loomis's position as head of the Forest Management Branch, someone else attended the meetings but I was still obviously involved with policy and oversight. And, of course, previously when Des had thought we were being unreasonable or too demanding, he had gone to Reg and Reg would tend to be the moderating influence there. Once I replaced Reg, from their perspective, the moderating influence was gone, and the hard line probably became a little deeper and more difficult to deal with.

Murphy

Then could you comment too about the Arnim Zimmer episode?



McDougall

Well, that was a good example of some of the concerns that were starting to come forward. About that time—I think it would have been probably in the early 1970s—but Zimmer was very concerned about what he regarded as a lack of success in reforestation. Now our work had shown that the company in fact had been very successful in getting good regeneration established. In fact if anything, the concern was over density not lack thereof. But Zimmer had gone out and didn't like what he saw. And we never did find any negative motivation for Mr. Zimmer. I think he was sincere in his concern. But he went out and took a whole bunch of photographs and put together quite a complete dossier or brief on the Hinton operations. Somehow or other it got to Cabinet. It didn't stop at just our department or the minister. He got it into Cabinet. So we were asked by the government at a very senior level to find out what was going on and to investigate, which we did. We came back with a report that most of Mr. Zimmer's concerns were not well-founded, that in fact there was good regeneration occurring.

There was the odd thing that we didn't like. There was an ongoing problem out there with erosion on logging roads. It wasn't serious. It wasn't major, but there was enough of it that we felt there had to be better guidelines established for road construction, culvert replacement, bridges, and that kind of thing. He had touched on that, so there was some validity in some of his concerns, but his big concern about lack of regeneration we couldn't support. We didn't find any evidence to support it. So because we were dealing with politicians and not professional foresters, we felt the best way to really counter Mr. Zimmer's claims was to have someone go out and stand in exactly the same place that Mr. Zimmer had stood to take his pictures and take the same picture all over again, only this time have somebody who was a qualified forester and who would do a good, honest job to go in and stake each seedling that was in the same spot that Zimmer had photographed. The problem was the seedlings were too small to be seen in Zimmer's pictures, so we had Dr. Kare Hellum go out and place a stake beside each of the seedlings that were actually there and take the picture again. The stakes showed that in virtually every case there was all kinds of seedlings, but they were hidden by the grass and the logging slash. So we were successful in convincing the political level that at least the regeneration part of the Hinton requirements were being fully met.¹

Murphy

But it brought home the point that the Forest Service was accountable for what was happening?

¹ Editor's Note: 35 years after the campaign, the blocks contained in the Zimmer Report were revisited, re-photographed and the results summarized in an fRI report by Robert Stevenson, Steve Ferdinand and Robert Udell: "The Resilient Forest—Looking beyond the Stumps".

**McDougall**

Yes, I mean the public was relying on the Forest Service to ensure that all of the obligations that Northwestern had under the agreement were being met, and we took that seriously. We also felt we had a broader obligation where there were other legitimate interests, like wildlife, to make sure that those were recognised because there was a multiple use aspect written right into the forest management agreement. Although, as Des used to like to point out, timber production was the primary use and the forest management was the primary thing. I guess he beat that point home pretty heavily. Nevertheless, we felt that there was still an obligation to ensure that there was no degradation of the water resource (that the streams continue to be silt free), and that the wildlife concerns were addressed, at least to some extent, in the way the timber cut areas were planned and taken out. Those were some of the issues that we struggled with through that period of time.



*Block 534, McLeod Working Circle Compartment 6 in 1972 (left) with Hellum's seedling markers and (right) in 2005).
Photo credit: fRI Research*

Murphy

The first major revision to the agreement was 1968 when the company had decided that it would commit itself to expanding the mill and taking over the provisional reserve area. Were you part of that negotiating team?

McDougall

That was prior to my having any real influence. Reg left in 1969. I had some involvement in the 1968 changes and some input, but it was essentially handled by Reg and Des. The reason I remember that is there was some frustration among those of us who were kind of one level below Reg about lack of input, and there were some things that we didn't agree with. But in fairness to Reg, 1968 was when the Procter & Gamble agreement was signed. What the companies did was they used to compare. If you made a concession to one, the other knew about it the same day. So I am quite sure that part of the difficulty that Reg had in those negotiations was the fact that Northwestern would want to make sure that any concessions granted to Procter & Gamble in their new agreement were also available to them. There was no question that the 1968 Procter & Gamble agreement had a bearing on the revised agreement with Northwestern. There is no question about that.

Murphy

That is interesting. That is what I referred to as the same deal.

McDougall

Yes, they actually formalised that by insisting on a clause where if one got concessions, the other was eligible for the same concessions.

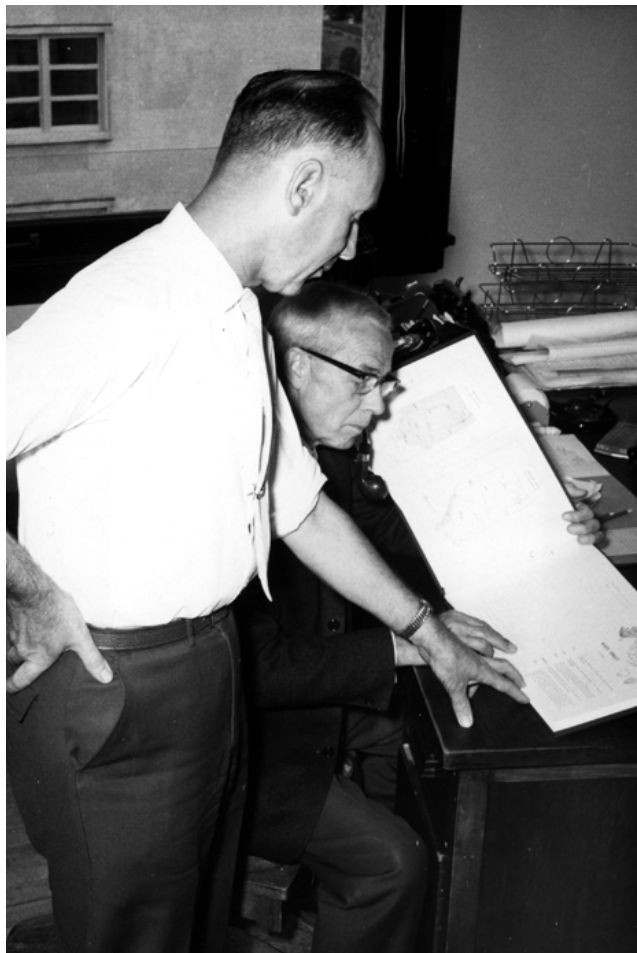


Murphy

But was it reasonable—in the sense that they were two different agreements for two different areas?

McDougall

Well, in fact, there was such a provision, as you note in your questioning here. Those provisions were eventually dropped because through the years they found out that it made it almost impossible to get the province to agree to any changes because we knew that if we agreed to a change even for a very legitimate reason say at Grande Prairie, we would have to make it also at Hinton, even if there was less reason for it there. So it was almost counterproductive in that it made us much more rigid and difficult to deal with because we knew any change we made would have repercussions elsewhere. I think kind of by mutual agreement it didn't work out to the benefit or satisfaction of either party, so, later on, those clauses were dropped, although some of them did persist I think in some agreements for some years. But they just didn't work out that well.



Charlie Jackson (l) and Reg Loomis at Workca 1960. Photo credit: Alberta Forest Protection Historical Photo Collection.

Murphy

You might comment too about Charlie Jackson's role. I understand that he was very much involved in these negotiations as well.



McDougall

Charlie was involved, but I think he was like the rest of us under Reg that were frustrated by the way things proceeded. Certainly, Charlie did some excellent work and was a very dedicated forester. I learned a lot from Charlie Jackson, but Charlie was a bit frustrated. I think Charlie was perhaps even more frustrated when Reg left and I was appointed to take Reg's place. Charlie really had been the second-in-command there for a number of years, and I understood Charlie's disappointment. But we are out-of-sync now with timeline.

McDougall

The agreement incorporated some of the stuff that had been incorporated in the P & G agreement, which was negotiated the same year. I think with respect to the free seedlings what happened is by 1968 (actually in 1966) the quota system had come in. Of course, there was a whole set of regulations pertaining to the quota system, and, for the first time, the province had established a set of reforestation regulations. The quota holders were given free seedlings in exchange for their commitment to do reforestation. They were given free seedlings. So in the context of both the P & G agreement and what happened with quota holders, the free seedlings was understandable because what it was basically doing was making the Northwestern Pulp and Power agreement consistent with what was going on in both quotas and Procter & Gamble.

There was a downside to that though because one of the issues with Northwestern Pulp and Power at that time was that they subject to the details of the reforestation regulations. They had developed their own system and were doing things their own way, and one of the issues that again caused some difficulty between the Forest Service and the company was our feeling that the reforestation regulations applied across the board. It wasn't that they weren't doing reforestation because they were, and they were doing a good job. But the issue was the regulations that we had developed required a fairly extensive set of surveys to ensure that the reforestation was properly done. This was absolutely necessary when you are dealing with one hundred and some odd quota holders. We had to have a good tight system of verification, and so we stipulated in detail when the surveys had to be done, how they had to be carried out, and how the results had to be recorded.

I am proud that Alberta was the first province in Canada to set up a computerised record of all cut areas. As we approved annual operating plans for cutting, the cut blocks were identified by a number code, which was related to their location and entered in a computer, and then there was an automatic listing generated. And seven years after cutting, there had to have been a reforestation survey submitted showing that the block was adequately stocked. That system worked extremely well for a number of years, and we were the only province in Canada that had a comprehensive record of every cut block showing when it was cut, when it was surveyed, and whether or not it had been properly reforested to meet the standard. Other provinces did it by sampling techniques, but for every cut block after 1966, we had an actual computer record. We were the first province and the only one that had that kind of comprehensive system in place for many years. It was many years later before anybody else had equivalent complete records. The tragedy is that later on, some years later, the integrity of the Alberta system was somewhat compromised with changes which I always



regretted. I felt that we would have been better off staying with what we had but that is another issue.

Murphy

What was the bottom line on the regeneration requirements? One thing that the Northwestern team seemed to have prided itself on with respect to developing policy was that they were judged on the results not on the methods.

McDougall

Yes, and that was the issue you see. That was their point—that as long as the results were there why were you dictating method? But we had to because we were dealing now with a much broader population of people (operators)—all the quota holders and the two FMA holders—and we had a province-wide system that we were quite proud of and we had provincial records being kept. And on the Zimmer thing and things like that, we had to be able to verify and then say to the public and the politicians that we were able to verify with surveys that the stocking was there. So it gave us the verification that previously we did not have. We knew they were doing a good job, and there were spot checks done all the time that were very positive. So it was a case of do they fit within the provincial system or do they remain an anomaly and above the regulations?

That was basically the issue. We felt that if the reforestation regulations were going to be applied to and adhered to by everybody else in the province, that they should too. We didn't think it should be an issue for them because we knew they were doing a good job. So it isn't like they were going to have any difficulty meeting the requirements. The problem they had was that it was going to force them to do surveys that they really didn't want to do, and there was an extra cost of doing the surveys. There was no question of that. But then again, they got the free seedlings. We even paid them for the seedlings they grew themselves. There were some trade-offs there. I mean it wasn't like it was all a one-way street. But I know Jack Wright, for example, was very concerned about the impact of the extra cost of doing the regeneration surveys and meeting the survey requirements. But the issue was do they comply like everyone else or do they continue to be an exception?

Murphy

Perhaps contributing to the argument was Crossley's so called 10%. He was able to get a budget for forestry from the woodlands people based on average cost of wood, but again he had a finite amount to work with, so he would have had his own priorities to where those funds should be put.

McDougall

I understand your concern. It was largely a cost concern. That was part of it for sure.

Murphy

Then the supplemental reforestation clause went in, and it was later taken out.

McDougall

That was unfortunate because we, in principle, strongly supported supplemental reforestation. What that basically amounted to was a mechanism whereby there could be a shared cost taken on additional reforestation beyond cut areas, i.e. areas that were naturally understocked, potentially productive lands that for some reason or other weren't supporting full stocking. What it was is that it was a shared cost approach to doing work on those. And some work was done by the way under that supplemental clause. It wasn't a total write-off. There was more done in Grande Prairie. Procter



& Gamble did quite a bit of supplemental reforestation work. Where I think it got to be controversial is in some cases it was used for aspen conversion, i.e. to convert young aspen stands over to conifer, because in those days nobody was using poplar. In P & G's case, some of the very best sites on their FMA and which were close to the mill were occupied by young poplar growth, so they had a strong desire to go in and convert some of that young poplar to conifer plantation and some of the money was used for that. And, of course, that caused some controversy, and there was some disagreement whether that was an appropriate use of shared cost because it was partially provincial funding going into those projects. There was a little bit of a work done up at Hinton under the clause but not as much as at Grande Prairie. I think partly because they didn't have as many potentially productive understocked sites to work on.

Murphy Yes, and, as you said, they probably had wood they were undercutting at that point?

McDougall Yes, that is right. But I think some was done out there. I couldn't verify that for sure, but my memory is that there was some done.

Murphy Do you know why the initiative for that one came?

McDougall What I wanted to do there, which never happened, is they had, on their cut areas, small areas of non-merchantable. You would find areas where they would log around them because the stand was non-merchantable. What I had wanted to do is use some of the supplemental funds and go in and salvage what timber was salvageable from those areas, scarify them, and reforest them because with treatment they would have been able to support good future growth in-sync with the surrounding reforested cut block. Otherwise, I was concerned that the land in these non-merchantable areas was going to be permanently unproductive. Once it was bypassed in the initial cutting, it wasn't part of the cut. It was just sitting there, and, in some cases, that land was going to be left permanently non-productive and that bothered me. Not all of them were suitable for reforestation, but some were, and I felt that it would have been a good use, But we were never able to get that going in any significant way. Again, it was partly funding limitations and partly a concern that some of those residual areas were useful as wildlife refuges, so it wasn't like they were a total waste.

Murphy Let's move on to the fire control part. It is interesting that you were there in 1956, which was, as you described, a catalytic event for increasing government appropriations for fire control. It was interesting in the 1968 agreement. Eric Huestis actually used the 1/10th of 1% figure in the agreement, but that specific figure was not used in subsequent agreements. Do you recall what happened?

McDougall I think it was mainly because provincial performance in that regard after 1968 was really very good. And I think that the perception by the company was that their concerns had been addressed and that in fact the Forest Service had evolved by the early 1970s into a pretty effective organisation



and was doing a very effective job. I think it just wasn't necessary. The other thing is that the measures to achieve the 1/10th of 1%, which was an objective the Forest Service fully endorsed, were incorporated into the fire control agreement (there was a fire control agreement as well as a detailed forest management plan). A lot of this stuff got transferred into the fire control agreement.

Murphy I see.

McDougall In other words, the policy was still in effect. It wasn't that it was dropped. It was just that it was felt that between the provisions of the Forest and Prairie Protection Act and the regulations there and the fire control agreements that it was covered adequately in those ways.

Murphy Is there anything else about the 1968 agreement that is noteworthy in your mind that we haven't addressed?

McDougall No, I think we have covered the issues that I recall dealing with at that time under those early agreements.

Murphy All right.

McDougall I guess the other one, but I think we are going to come to it anyway, is the whole issue regarding withdrawals in landbase but that was not just the 1968 agreement. That kind of carried on as a concern all the way through, so we can deal with that in another way.

Murphy OK. We will come to that later.

McDougall I know that when we used to go out to those annual operating plan meetings one of the frustrating, time-consuming things we had to deal with was Des would insist that we reconcile additions and deletions to the landbase for the previous year. Ray Ranger used to work his butt off to have all the stuff updated and current, and, of course, we used to have discussions over what were sometimes very minor changes to the landbase. I remember the Overlander fence. The Overlander Lodge had fenced off a broader area than they were legally entitled to occupy, and Des insisted that I get that Overlander fence removed, and we did try. But it finally culminated in one cabin that we had to order removed because it was not legally authorised, as well as the fence, and that caused quite a bit of hard feeling amongst the other people involved. But Des was a tiger on insisting that the landbase be protected. I remember that being an issue at a number of meetings until we finally dealt with it.

Murphy Can we go on then to the timber damage business? Ray Ranger explained how with the increase in the oil exploration in particular there was timber damage occurring, and they hired the Shtabsky legal firm. Were you involved in those decisions?

McDougall Yes, very much so. And what happened there was they hired Shtabsky, and the oil industry went out and hired none other than Dr. J. Harry G. Smith from the University of British Columbia (UBC). Smith



submitted a report which took the oil industry perspective and which was that unless the company actually suffered an allowable cut reduction (I am oversimplifying here) they really weren't suffering any damages at all and there should be no compensation. Interestingly enough, on this issue, we tended to side with the company. We felt that in fact there was damage occurring. It was obvious to us. There was timber being bulldozed and destroyed that could and should be utilised for the production of forest products and that there was waste occurring. There was also some environmental damage (not a lot but some). Certainly, the way the Forest Act was structured in the 1971 rewrite, which I was involved with, and with the wording of the surface rights legislation in the province, what we did was we made sure that (and this was partly at Des' insistence but I think he was right) the forest management agreement areas were recognised as occupancy under the Surface Rights Act. And with the Forest Act, in effect giving ownership of the timber on an FMA to the FMA holder subject only to the right of the Crown, we didn't think Smith adequately recognised the FMA holder's rights.

These things put the pulp companies in a stronger (this was obviously pointed out as well by Shtabsky) legal position than they were in BC and perhaps other jurisdictions. So the problem we had is that we were being caught in the middle. I mean we had Northwestern Pulp and Power insisting that we require the oil companies to pay them compensation in significant amounts, and the oil industry violently objecting. Interestingly enough, that still goes on today. What we did is we settled it, and it worked for a number of years. What we did is compromise, rather than being seen to be coming down heavily on the side of one company, Northwestern Pulp and Power, against the whole oil industry. People representing the oil industry had been warning us that we better be careful. So we came out with our own timber damage assessment table, and we made it very clear when we brought it out that "This is what we think Crown timber is worth." We said, "This is what we think is a fair value for Crown timber that is taken down in the course of industrial operations." And what that did was put something fair and reasonable on the table, and that way we weren't taking sides in a legal dispute.

This was important because Shtabsky and the oil industry had gotten to the point where they were threatening to sue each other, and we didn't want to get in the middle of that. But what we did publish our stand damage table by cover type, which gave what we considered to be fair values for timber land. And what said was that the lower height classes (the small young growth like a C1P stand for example) were basically based on the cost of reforestation. In other words, we said this is basically young regeneration, and it is worth this much because this is what it cost to establish. And, at the other end of the scale on mature stands, we simply took the timber value that was a fair assessment of what the timber would be worth based on the residual stumpage value. Each cover type would yield an average volume of forest products with a market value less the cost of logging and manufacturing to get a residual value for the stand. Then we simply joined those two values with a curve. Basically, that was how our table was constructed. And actually that held up for many



years. It solved the immediate problem in 1968 and 1969, and that table was in use for many years. I understand in the last two years, it is now being challenged again by the oil industry, but then it has been revised along the way several times and the technique for constructing it has been changed somewhat. But that is basically how we resolved that. As I say, we were able to resolve that issue for a number of years with the use of that table.

Murphy

Thank you. Now we can move on to the 1972 cancellation. That was a time of great trauma. I think part of it may have been a lack of communication between their resident manager and the staff.

McDougall

Well, what sometimes gets lost in these things is –the obvious. In 1971, the Social Credit government was defeated, and the Conservative government under Peter Lougheed was elected and Allan Warrack became minister. There was quite a change. At that time, I was head of the Forest Management Branch. Allan Warrack to his credit was a very inquiring mind and very active, and a lot of stuff was challenged. And one of the things that people forget is that in that 1971 election the quota system was one of the things that Conservatives, such as Frank Appleby running up in Athabasca riding and one or two other MLAs who formed the government after 1971, had criticised and questioned. One of the first things that I had to do for Warrack was to prepare an explanation of our forest policies.

What made it really interesting is that in 1971, just prior to the election, I had been given the responsibility by Bob Steele and V. Wood² to draft a new Forest Act. One of the last acts that the old Social Credit government passed was the 1971 Forest Act. So that had tended to give forest policy an exposure beyond what it normally would have gotten. And, of course, the 1971 legislation that I had done an awful lot of work on was challenged by Allan Warrack and the new Conservative government. And I think to their credit we were able to maintain that legislation and the quota system. But I don't think, to this day, that people in the industry understand how close they came to losing the quota system. I mean it was seriously challenged. People wondered why these guys were being protected from competition, and why we dropped the old timber berth auction system, which some of them felt was fair.

One of the things that was being questioned was the granting of these extensive timber areas under FMAs to companies like Northwestern and Procter & Gamble. In that context, the fact that the Northwestern Pulp and Power provisional reserve area was questioned isn't surprising at all, particularly when the records showed very clearly that the existing FMA without the provisional reserve area was being undercut. And there was a very significant volume of wood accumulating on that FMA. I can't recall exactly when we did that calculation, but it was around this time. There was over a million cords of accumulated undercut sitting on that FMA, and the Berland Working Circle was hardly being cut at all. The other thing was that Warrack was absolutely convinced our revenues

² Editors' Note: V.A. Wood was Deputy Minister of Alberta Lands and Forests from 1969-70 to 1972-73



from FMAs were too low. We had a forest economist working on staff at the time. I can't remember the young guy's name. He was a very bright young guy. He had done some comparative studies internally and supported Warrack's view that we simply were not getting enough revenue out of the two FMAs. That is what motivated the trip to New York by Warrack and I, and we had a meeting with Jim Bowersock³ and Bill Hazelton⁴ who were the "powers that be" in St. Regis. Warrack was convinced that he could convince them to voluntarily increase the timber dues that were payable. They gave us a nice listen and asked us if we had anything to do that evening and we said, "No" and they said, "Well, here are a couple of tickets to a play in Broadway." They basically gave us the brush-off—so it wasn't a very successful trip. But Warrack was sincere, and rightly so I think, to this day in his belief that the revenues the province was getting out of the FMA were not adequate and should be increased.

So again with that background when the provisional reserve came up for review, I don't think it was surprising, and I supported Warrack's action in terminating their rights because they had held the area for some time (virtually 20 years—1954–1974). It was clear on the record that their current facilities didn't require that timber, and they were in fact undercutting the FMA. We had a meeting with them, and I recall Ivan Sutherland's behaviour there. I am not sure who used the word "bizarre".

Murphy That is my word (bizarre), but we can talk about it.

McDougall Anyway, it was odd in the sense that I remember Sutherland sitting in the office combing his hair while the meeting was on—in front of the minister. And you know with a Minister of the Crown it is not typically what you do in a meeting. It was odd. The word I would use is "odd". But basically I think Warrack explained his concerns, and I think had the company come forward at that time with a significant proposal for development, it might have been different. But as I recall their position—it seemed to be that we should just leave the area for potential future expansion without them giving us any real solid commitment to an investment or a facility that would utilise the extra timber. We (the department and the minister) didn't view that as an adequate response, so the reserve was cancelled.

Murphy Do you recall when that meeting was? That is a tough one to answer.

McDougall It would have been just shortly before the letter went out, so I don't recall specifically, but my guess would be that it would have been January–February of 1972. It would have been just prior to that letter going out.

³ In 1971, Jim Bowersock was General Superintendent of the Hinton Pulpmill. I.K. Sutherland was Vice President and General Manager, it is assumed that Bowersock attended the meeting in Sutherland's stead. Jim Bowersock left the Company in 1971, returning in 1976 to replace Sutherland as VP. Source: Weldwood Timeline

⁴ President, St. Regis Paper Company



- Murphy** The 1968 agreement stated the company agrees to commence construction on or before the 1st day of January 1971.
- McDougall** Yes, they simply weren't performing. I can't recall the timing of this, but my recollection is that the undercuts persisted. We kept pressure on them, and, as a result of that, as I recall in 1971 they added the sawmill.
- Murphy** Yes, that would be in the early 1970s⁵. I was going to ask you about the sawmill.
- McDougall** I know because of this ongoing concern about undercuts we were consistently pressuring them to do something, and the sawmill was the obvious answer to that. They were not happy about being forced into that investment. The irony was that they put the thing in, and the lumber markets just took off. Just by coincidence, we happened to hit a very hot lumber market. That thing made nothing but money. They were kind of laughing about it later, but, at the time, there was a lot of resistance. They did not want to do that, but we kept so much pressure on them about the undercuts that they finally did respond with the studmill. It was a studmill. It was a good mill. It paid off. It made them good money, and I think they were happy about it afterwards.
- Murphy** Some felt that because of the commitment to the sawmill that it would have satisfied the expansion requirements that would allow them to continue.
- McDougall** No, because if we had left the reserve area in place, it would have continued the same problem of significant major undercuts. And clearly for the reserve area we were looking for something more. But it did resolve finally the issue of undercuts on the original FMA.
- Murphy** It was interesting to note in Crossley's interview (I have it on microfilm) that he made repeated references to discussions in Edmonton about expanding the mill. This was after the February letter. Were you still talking about expansion?
- McDougall** Well you know, they kept talking about it, but talking about something and getting a commitment to do it with a fixed time frame... As you pointed out, they were already well beyond the dates that they were required to meet. We just felt that unless we had something very firm, that talking about possible future expansion wasn't good enough.
- Murphy** If they had committed later (and this is a highly conjectural question)—what would your impression be of what might have transpired? Was there any possibility that they could have got that original area back, or was it a dead issue?
- McDougall** I can't answer that for sure. It is possible. You see part of the concern also was that the terms of the original FMA were one-sided. I mean Warrack was strongly of the view that the revenues we were

⁵ Interviewer's note. The first concrete was poured for the new studmill mill on June 25th, 1971. The mill was "opened" in 1972. (PJM)



getting on the original FMA were not what they should have been. They were too low. So it might have taken a little more. But having said that, I think if they had come in with a very firm commitment for something major (major pulp expansion), I believe they might have been successful in getting all or most of it restored—but that didn't happen. And it was made worse by the relationship between the company and the department and Warrack at that point in time because of the things we have talked about (you know, his concerns about the adequacy of the revenues and the relationship between Warrack and Sutherland) and our unsuccessful trip to New York. All these things tended to work against an easy solution to that problem.

Murphy OK. Now there was an accord—interestingly, referred to as the Warrack-Sutherland accord in 1974—in which you evidently agreed that in the case of inability to agree on changes to the ground rules, that the process would be to go through an Order-in-Council.

McDougall Yes, that was a compromise. We felt that the act and the regulations gave us, through the annual operating plan approval mechanism and the forest management plan approval mechanism, authority to insist on changes, if necessary. And the big issue there, as I said, was the reforestation survey requirement. That was one of the big points of difference between us—whether they were subject to those regulations or not. But this was kind of a compromise. They argued that they had to be protected against an unreasonable minister and an unreasonable department and reference to Cabinet gave them at least some degree of comfort that an unreasonable minister couldn't force or impose an unreasonable requirement on them unilaterally. So it was a compromised solution. It has never been done to my knowledge. It has never happened that any company has taken those kind of issues forward to Cabinet to overrule a minister's decision.

Murphy Then in the meantime, Sutherland was replaced, and Ken Hall came in with a substantial background in the pulp and paper industry. As he explained in his interview, one of the reasons he came to Hinton was that he perceived an opportunity. He saw two things. One was a threat that if they didn't expand they would become obsolescent and uncompetitive.

McDougall And he was dead right on that. You see that old mill was a small batch digester mill, and it was becoming obsolete by the early 1980s for sure. I am not sure whether it would have been totally uneconomic, but certainly it was sub-optimal. There was a huge opportunity there to improve the performance of that mill and it was very labour intensive for a pulpmill. In other words, there was a high operating cost. There were very significant cost savings to be had by modernising it. So I would say he was right.

Murphy So in addition to that perception, he saw a tremendous opportunity for expansion, so he set about pursuing it. It was interesting hearing him talk about how he figured out the options and developed a plan—and that led him to talk to the government. I don't know who specifically he talked to. He felt that his enquiry about expansion was a trigger that led to the Berland-Fox Creek TDA (timber development area) call for proposals.



McDougall Let's get my dates right here. This is where I always have problems with these dates.

Murphy Yes, I think it would be about 1985 or 1986 that this started.

McDougall Well, there was the Berland allocation though. The Berland date I know for sure. The Berland hearings were in July of 1979 and that was when the award was made to British Columbia Forest Products (BCFP) for a newsprint mill at Knight, which is south of Fox Creek, and a sawmill at Grande Cache. I have no reason to quarrel with you here. You say he came in 1977, and I think he probably did approach the government about possible expansion and reincorporation of the reserve around 1977 or 1978. That may very well have been one of the trigger events (not the only one though) behind putting the Berland block up for proposals.

Murphy What were some of the other triggers?

McDougall Well, we were getting pressure by this time for more timber from all around like Canfor up north. The Berland was an interesting block because it was halfway in between Procter & Gamble, Canfor, and Northwestern. So it was a central block, and we were getting some pressure for more timber, not just from Northwestern, but from those to the north and from some of the independent operators in the Fox Creek area. So there was a political decision taken to put the Berland block up for proposals. At that time, we followed a very formal process. In other words, rather than just handing it to Northwestern as a reserve area in exchange for some less than definite commitment, it was felt that the appropriate procedure was to put it up for proposals and see what came in. And we may very well have received expressions of interest from outside companies like BC Forest Products, but I can't verify that or recall that clearly.

Because remember what happened in 1975—we had a timber award in the Whitecourt area to Simpson Timber and that had gone up as a request for proposals and resulted in quite a competition between Weyerhaeuser and Simpson Timber. It is kind of missing here, but it all colours or influences what happens, and the fact is that we had strong interest from Weyerhaeuser and Simpson Timber in the Whitecourt timber block in 1975. In other words, we were starting to see outside interest by major companies in the Alberta resource by the mid-1970s. The award of that Whitecourt block went to Simpson Timber, and the critical thing there was that the government insisted that the Alberta Energy Company (AEC) be a participant in that development, and there was a last minute negotiation with both Weyerhaeuser and Simpson. And the reason it went to Simpson was simply that Simpson agreed to a bigger share for Alberta Energy Company than Weyerhaeuser was prepared to accept. Weyerhaeuser was prepared to accept AEC getting 25% participation and equity in the project. Simpson were prepared to go to 40%. The other aspects of their proposals were very similar, so the award was made to Simpson.

What happened was the Simpson-AEC partnership didn't go very well. They disagreed a lot, and Simpson, some years later, finally sold out and left Alberta Energy Company with the entire Blue



Ridge Lumber. The big thing there was the medium density fibreboard (MDF) at Blue Ridge, which is still operating today and is an excellent facility and plant. It wasn't a pulpmill, but it was more complete utilisation of the resource. By this time, we were trying to get utilisation of the resource beyond just a sawmill, and whether it was fibreboard, oriented strand board (OSB), or pulp, we were trying to get a variety of products and trying to get economic utilisation of residual fibre, and the MDF plant gave us that. So you have got to look at this in the context of what happened at Whitecourt in 1975.

So now in 1977 or 1978, we had a request for more wood, so it was decided to put the Berland block up for proposals, and we received a proposal from Northwestern Pulp and Power. But now they were forced to compete. They gave us proposals for the Berland block, but so did Canfor, British Columbia Forest Products and Mulyk, Mostowich, McCorkel and Meunier (the four M's at Fox Creek). So we had a number of proposals, as well as a whole bunch of very strong demands from quota holders for increased quota allocations. So the Berland hearings became highly charged politically. The entire Forestry Caucus Committee under the chairmanship of Frank Appleby (Frank actually chaired those hearings) was in attendance at those hearings. The press coverage was major. There were headlines on the front page of the *Edmonton Journal* for quite a few days. The Forestry Caucus Committee was Leroy Fjordbotten, Ian Reid, Jack Campbell, and Frank Appleby⁶. So quite a high-powered group of MLAs were in attendance.

It was a very high-profile situation and decision. In 1979, Merv Leitch was the minister, thank God. The beauty of Merv Leitch was nobody could end run him. Peter Lougheed had absolute faith in him, and he was extremely fair, thorough, and balanced. So after the hearings in July 1979, the department and the Forestry Caucus independently did an assessment of the proposals. I never did see the Forestry Caucus assessment, but we submitted a departmental assessment. We had a huge chart, and we had each proposal and a detailed list of the pros and cons. Things like how much investment, fibre utilisation, level of forest management, job creation, and all of those factors that the government was interested in were evaluated for each of the proposals in detail on a chart. I reviewed that with Merv Leitch, and he took it to Cabinet and they made a very balanced decision. So I think it was very fairly done and very thoroughly done.

Now having said that, one of the issues that came up was that we felt that the Northwestern Pulp and Power proposal had a lot to recommend it. It was an excellent proposal. It would have involved paper production in the province, which was something we wanted to have. But when we analysed it, we couldn't see that it required the entire Berland block to do it. In other words, the amount of timber that it required was less than the total Berland TDA. So we asked them if they would proceed

⁶ Editor's note. Ian Reid also listed Frank Bradley from the Crowsnest Pass as a member of the Forestry Caucus Committee. See Reid's interview in this same archive.



on a partial allocation of (I can't recall precisely) 50–60%. In other words, they were offered approximately half the Berland block if they would do their proposal on that basis. They turned the minister down. Leitch made that proposal himself to St. Regis. I am not sure who he talked to. I wasn't at the meeting where it was done, but I know it was done because that was the recommended approach. But the company insisted that they have it all. The trouble with all or nothing is that it is sometimes nothing. They overplayed their hand.

Murphy Interesting.

McDougall They didn't get anything. So it went to BCFP and a significant part of the timber went to the independent sawmill at Fox Creek to the Four M's, and it was unfortunate that their part of the development didn't proceed. They were unable to finance it in the end, which was too bad because there were some excellent guys there. And, of course, the Grande Cache sawmill was part of the requirement. One of the things that the government made clear was in putting the Berland block up was that there was a desperate need for jobs at Grande Cache, so it was kind of a mandatory requirement that whoever got the Berland had to put a sawmill in at Grande Cache and BCFP did that. They put the Grande Cache sawmill in place. But then they were unable to perform. They were overextended and were unable to meet the requirement to put a newsprint mill in at Knight, south of Fox Creek. So subsequently a couple years later, their rights were cancelled and their deposit was forfeited and the area was again available for development, although BCFP were granted a quota in the Grande Cache area to maintain the sawmill that they had already built.

Murphy Can you respond to a couple of other points that have been suggested or raised as points of perplexity? One was the strong view that the BCFP inventory figures were too high.

McDougall I think that is true. In fact, what we did is we went in some time later and did a check of the BCFP numbers because they were somewhat above our original Phase 1 inventory numbers. I remember we pulled together some really good timber people in the Forest Service and put them in the field to check. Chuck Ratliff was one of them, but they were people in whose ability to assess timber we had a lot of faith. They went in and ran a series of checks in the Berland. What we ended up doing was working with allowable cut numbers that were approximately halfway in between our original Phase 1 numbers and the BCFP numbers. In other words, we scaled back the BCFP numbers significantly. There is probably reason to believe that maybe we didn't scale them back enough, as subsequent events have shown that even our reduced numbers were still somewhat high. But they were certainly well below what the BCFP numbers had been.

Murphy The other concern was that the BCFP proposal came in after the deadline. I don't know if you remember that.

McDougall No, I don't recall that. I think if it was, it would have been a minor technical breach. The key issue was that St. Regis were offered a big chunk of the Berland if they would proceed with their



development on the basis of the numbers we had. And I don't think at that stage we were using the BCFP numbers. I think we were still using the provincial numbers at that time, so I think the BCFP numbers at that point were not that relevant. Although, I suppose it might have coloured our thinking a little bit in terms of convincing us that our numbers were right because we were well below BCFP. I honestly don't think that those discrepancies were relevant. I think we are really kind of splitting hairs here. I think the key issue was their refusal to go ahead based on the major allocation that was offered to them.

Merv Leitch was very, very fair and professional in everything he did, and I recall him being very frustrated by the company's position. He felt like he was playing poker at a time when he shouldn't be playing poker. He felt that they believed that if it came to the crunch, we were going to give them the whole area and that they didn't have to compromise. He went out of his way to stress to them that what he was saying was real and that it wasn't a bluff or game-playing, and that we very much wanted to see them go ahead on the basis of part of the Berland but that he couldn't see his way clear to recommending they get the entire area.

And, quite frankly, subsequent events have shown that those decisions were correct with respect to the removal of the reserve area, and the award to BCFP at the time. Because if those things had not happened, there would not be a newsprint mill at Whitecourt today. I mean what the province gained from all this in spite of the concerns and everything else was a very successful, very clean newsprint operation at Whitecourt that we wouldn't otherwise have had. So tough as it was, I think the results came out fine and in the end Northwestern did get a major expansion. The other thing that should be pointed out is that part of that area finally did end up with Northwestern. I mean in the 1986 negotiations their FMA was extended up to the Berland River. They did get additional timber for their pulp expansion, so the modernisation of that mill and the related expansion and security of the jobs was protected in the end. So it did not come out badly at all. We got an expanded modern pulpmill at Hinton, as well as a huge sawmill expansion there. We got the newsprint mill at Whitecourt. The sawmill at Grande Cache was maintained. So in the end, I think it came out fine.

Murphy Could you comment on the suggestion that part of the problem arose because there was a feeling within government that the Hinton group (St. Regis) was going to build the papermill regardless of what happened?

McDougall No. Some may have thought that, but I didn't. I took them at their word. And there is no question that they needed some additional resource to do the things that they wanted to do. And Mr. Leitch, not having any background in the forest industry, pretty well relied on the departmental assessments, and we never made that assumption.

Murphy Then just to go on. In 1982, there was an amendment about the pollution abatement facilities. Could you add any comment about that one?



McDougall

Yes, I was involved in that. Jim Bowersock sued us for over 30 million bucks. My recollection is 37 million dollars. That is probably what it was. But he sued us under the pollution cost-sharing clause in their agreement. Merv Leitch was still the minister, so it must have been about the same time. I am speaking here about the early 1980s. The province retained McLennan-Ross as solicitors, and I believe that the company used Shtabsky again, although I could be wrong on that. That is my recollection. Anyway what eventually happened is we settled out of court for somewhere between 2 and 3 million dollars. I can't recall the exact number, but it was a small percentage of the lawsuit. We settled it out of court, but one of the terms of the settlement was that the clause would no longer apply—no more pollution cost-sharing. But they ended up collecting the 2 or 3 million dollars from the province as a result of their suit, which I thought was fair.

I felt that the lawsuit for the entire 36 million dollars was grossly exaggerated because what it failed to do was recognise that included in those costs was a whole lot of stuff that had operational benefits to the mill, either cost reductions or production increases. In other words, there were other benefits accruing to the mill besides just strictly pollution control. And what we tried to do is factor those out so that we were left looking at just those things that were purely related to pollution control. It brought it down to a number very close to where we ended up settling.

Murphy

Ken Hall commented how he still felt very keenly that they had to expand, so they did another assessment with a new proposal—and that was successful—which I think probably concluded with a reasonable agreement. I wonder if you could comment from your viewpoint what went on there.

McDougall

Yes, to their credit, and I agree with them totally. There was a need to revamp that Hinton mill. It was becoming obsolete. They had a lot of staff in that mill because it was old, and it wasn't properly instrumented the way a modern mill would be, so it was a higher cost mill to run. I think he was bang-on in that assessment. And we sat down in good faith once we recognised that they were prepared to make a significant investment and improve that facility. By this time, BCFP had disappeared from the scene and the timber along the Berland was still available in part at least. So we sat down with them and negotiated a new FMA, and it did include adding back in some additional areas south of the Berland River and north of their FMA. But there was a very, very tough negotiation. We felt that they were again demanding more wood than they really required to wood the pulpmill expansion and part of it was also a significant expansion of their sawmill operation. It wasn't just the pulpmill requirements. They wanted to expand their sawmill to 150 million board feet at the same time.

They did a shrewd business thing and that is prior to entering into what they knew were going to be tough negotiations with the department, they went to Premier Don Getty and got a commitment from him that they would get the wood they needed and he agreed to that. He also agreed that there would not be any significant increase in timber dues because they anticipated that the department knew that particular area of the province had by far the best timber situation of any



area in the province and could afford to pay higher dues. When the 1968 agreement expired, we had ideas of negotiating a significant increase to the timber dues. So they anticipated that was where we were likely to come from. So they obtained a political decision that there would be no significant increase in timber dues. So they went into our negotiations with two pre-conditions established at the political level without our input, which frustrated us. In other words, we started off a little bit frustrated. Not that we believed they should not get the timber they needed. We had no real quarrel with that because that was common sense, and the needed wood was still there, so they still had to demonstrate need. But the limitation on timber dues we felt was unfortunate. The other thing is this was the first in a round of significant developments. We were on the verge of a very significant expansion of the industry, and, if we couldn't get more revenue for this timber, where could we? They had by far the best timber chance in the province. We knew this was going to be a precedent. So it limited our ability to extract more revenue in other situations down the road. We were aware that might be the case although we didn't appreciate fully at that time how significant it would be.

So we went into the negotiations with that situation in front of us, and we had a very difficult time because we felt the company was understating the amount of timber in the area and overstating their need. We had a very difficult time with that. It was a very difficult negotiation with Don Laishley, Bob Udell, and others over that issue. We finally compromised. But I guess the subsequent events proved that we were essentially correct in the numbers we were using because the sawmill at Hinton ended up being 250 million board feet and not 150 million board feet, which demonstrated that there was at least 100 million board feet of cushion in their numbers. The problem was that they had all the inventory data on their FMA because we had relied on their inventories and their work. It was excellent work, but we did not have the same quality of data on our side of the table. That FMA had been excluded from inventory work we had done subsequently in the province because it was under management, and they were doing good inventories. I am not questioning here in any way the quality of their work. The issues that we had were more interpretation of the wood requirements, conversion factors, and those kinds of technical arguments. But we did feel that their numbers tended to understate the productivity of the FMA and overstate their requirements.

In any event, that took a lot of time because we literally fought that boundary line section by section. We ended up compromising on it. Why it was so critical is had we not taken a stringent stand there and fought as we did, there is no question that we would not have had the resource for the newsprint mill at Whitecourt. So it was very tight, but our efforts there did protect an adequate base for the newsprint operation, and had we not gone through that difficult and confrontational set of negotiations, that would not have been the case.

Murphy

So you feel that contributed to the duration of the negotiations?



- McDougall** Well, yes. It also set a fairly negative tone for the whole thing because we started off somewhat frustrated over the timber dues issue and then that frustration carried over into quite a difficult disagreement over wood volumes and allowable cut calculations. Then there was all the other kind of details to work through after that, so yes. Thirty-three months though sounds longer than it actually took. I think that might have been the entire period from when he first approached government to when the legal agreements were finally executed.
- Murphy** I think so.
- McDougall** To when the agreement was signed, sealed, and delivered. And, of course, there were fairly lengthy negotiations although they difficult didn't take 33 months. I think that included a period of time for the agreement to be legally prepared, and, as I recall, there were some delays in the signing process. So I think there were some other things that contributed to that. The negotiations, although they were lengthy and difficult, didn't take 33 months.
- Murphy** I think there were many other elements in their negotiation package outside of your department that they had to address as well.
- McDougall** I think so. That is right.
- Murphy** Was one of the wood supply offsets that you agreed to direct chip supply?
- McDougall** That is right. We insisted that available residual sawmill chips be factored in as part of their wood supply because they were already buying some chips, and we felt that should form part of the wood supply in support of their facilities. That was a point of difference, and we went through a very difficult time. One of their arguments was "what do we do if the quota holders don't deliver for some reason? What if the sawmill shuts down?" So we built in protection for them where they could actually access the quota holder's timber supply if the quota holder failed to meet his chip delivery requirements.
- Murphy** That was quite explicit in the agreement.
- McDougall** Yes. Those provisions were put in there to cover their concern about the reliability of sawmill chips. But we insisted that available chips be factored in as part of their timber supply, and I think rightly so. You know it is good utilisation of the resource that ensured a market for sawmill chips, and again it saved a whole lot of standing timber that turned out to be very necessary for subsequent investments in the Whitecourt area. If we hadn't done that, there wouldn't have been enough wood. So we did the right thing, but it was difficult and it involved us putting together a whole lot of arrangements for access to quota holder's timber. And we had to go so far in that regard that the sawmillers themselves weren't very happy about being subjugated to the Northwestern agreement. It required us to make subsequent amendments to quotas and to make sure we could enforce those



provisions in the agreement. So it involved third party rights, in other words. It wasn't an easy thing to put in place, but it was the right thing to do and I think it has worked fine.

Murphy How did you work out the price question because you were actually intervening in so-called free markets?

McDougall I think the wording in the agreements kind of explains that. It had to be at fair prices, and I think the understanding was that if necessary those might end up being arbitrated in some way.

Murphy Do you know what led to the subsequent consultations?

McDougall We had provision about average pricing. It was based on the provincial average price. In other words, all the prices of chips in the province were going to be used. Also we made a point of not directing chips in certain areas of the province, so there would be a reference point where there were "free chips" being traded in a free, arm's length market. In other words, we set up a benchmark for comparison. That was done deliberately. The High Prairie area was one area where we deliberately avoided any direction, so we would have some kind of free market reference on chip prices.

Murphy The chip direction was later cancelled. I don't know if that was after your time.

McDougall That was later. That was fairly recently, actually. That has only happened in the last couple of years. I am not sure that that has even been properly reflected in legislation, or is it just a kind of policy decision not to enforce it?

Murphy That is a good question. I can't answer that.

McDougall I should know the answer to that and I don't. That happened after I left. Again, I am not sure unless there were proper amendments made, whether that is legal. You may find it is legally still in place. I don't know.

Murphy You mentioned one other aspect that I didn't ask about specifically, and that was the question of land withdrawals.

McDougall That was always an issue with the company. When Des was there, he guarded the landbase and rightly so. I appreciate his reasoning, but he guarded that landbase very, very diligently and in detail. So any time there was any kind of industrial development out there, whether it was coal or whatever, there was always a fight with him in terms of making sure that we absolutely minimised the amount of land used and the amount of land withdrawn from the FMA. It was a constant process of healthy disagreement. That wasn't a case where in principle we had any difference. There were times when we were accused of being too lenient with the dispositions, and we didn't feel we were. We felt we were being pretty stringent. But there was always that kind of tug of war back and forth over whether other uses of land were acceptable and to what degree.



Murphy

Do you want to take a shot at some of these broadside questions? It has been suggested, for example, that the Timber Development Area (TDA) approach had some built-in inefficiencies such as, for example, that the volume, quality and specific location of the timber within the TDA wouldn't necessarily meet any one mill's requirements. I think Ken Hall indicated from his point of view that the negotiations that led to the 1988 agreement were more productive from his standpoint because he was addressing a specific need for his expansion rather than the previous ones. In the Berland TDA proposal, for example, they had to adjust their proposal to meet the area and conditions.

McDougall

During the Berland process, he was one applicant, and each applicant would have asked for the area to be defined a little differently to meet their own needs, but where do you stop with that? He was fortunate later on in the 1988 negotiations that BCFP had failed, and, therefore, there was an available block open. Also, they didn't know at the time that we were fighting to protect a potential newsprint mill at Whitecourt. But we knew we were fighting to protect an adequate area for another major mill north of the Berland near Whitecourt. So they may have wondered why we were being so grudging in giving up resource. It was right in principle anyway, that they shouldn't get any more resource than they actually needed. What he is maybe missing is that there were a lot of other people who were interested in that resource.

Murphy

The other two questions are very broadside. One is your retrospective view of the FMA concept.

McDougall

I think it was pioneering legislation when it was first brought in. It has been widely copied. I guess the dilemma that it solved was "how do you get companies to make significant forest management investments on public lands?" And they are investments, not expenditures. How do you get companies to make very significant forest management investments on public lands? If you start with the assumption as we do in Canada that we are not going to sell off our forest lands, that we are going to retain our forest lands in public ownership, then you have got to come up with a mechanism that allows companies to make huge investments in mills and forest management. You have got to come up with some system that gives them security of tenure. I think the work that Huestis did, and to some extent that of Loomis and Crossley, was brilliant. The FMA concept solved that dilemma and problem very, very well. It is not perfect, but you have got an underlying dilemma that doesn't lend itself to a perfect solution. If you are going to retain public ownership, you have got to find some mechanism, and they found an excellent one in terms of giving the company enough tenure, incentive, and security to go ahead and make huge investments in reforestation, forest management, and road development and to construct multi-million dollar mills. I think it has worked very, very well over the years. I mean there have been all these frictions and disagreements that we have talked about, but essentially it was a sound system. Certainly when I was charged with rewriting the Forest Act in 1971, I gave no thought at all to changing that because it was extremely well done. I think it has met all its expectations. It has worked extremely well.

I see there is a mention of biodiversity here...



Murphy It is an added dimension to forest management.

McDougall I think that has to happen in the forest management planning work that is done, and the agreements are flexible enough to allow this. Public expectations do change over time. They are not static. And, as some of our disagreements over the years have shown, there does have to be some change to the forest management system and the incorporation of biodiversity to the extent that it is needed. It generally has to be expected that not every square inch of every FMA is going to be managed for optimum or maximum fibre production, and that there is going to have to be an accommodation. I think policy is already shifted that way, and you see public advisory committees being incorporated in FMA reviews. You start to see much more involvement with Fish and Wildlife managers and biologists in forest management planning work and in planning and determining what is going to be cut and where and when. So the FMA concept is flexible enough to allow those adjustments to take place. I don't see the FMA system necessarily as an obstacle to incorporating biodiversity and other objectives into forest management. Now at some point in time, if it got to the point where it was threatening wood supply, then a trade-off is going to have to be made. But that trade-off would have to be made in the economy regardless. I mean if you are going to take productive forest lands and not manage them for fibre production, there is an economic trade-off, regardless of your tenure system. So I think it is wrong to blame the tenure system for that. I mean that becomes a public policy debate in its own right and one which can probably be resolved just as easily under the FMA system as any other system and a lot easier than if you had private ownership. So I don't think it is right to blame the FMA system for any difficulties there.

Murphy Some of these modifications will incur costs or decrease revenues. How would you anticipate those being worked out?

McDougall I think he who benefits should pay. If you are taking land and managing it for fibre production, then I think it is proper and correct that the person utilising the timber should pay all the costs of that. But if you want to set aside landbase in areas for other uses, say for songbird production or elk production, then those people who visit the area to enjoy those resources should pay. One of the challenges to public policy is to be define a fair and equitable way for other users to bear their share of those costs. It shouldn't all be dumped on the shoulders of the guy who is utilising just the fibre. It should be shared with the people who are enjoying those other benefits as well. Also what I think people are missing now, which was recognised many years ago and is no longer recognised adequately by the general public, is that if you want to insist on public ownership of the forest landbase, if you want public ownership of forest land, that brings with it a certain responsibility and a certain obligation of stewardship. If you are the landowner, there is only so much that you can fairly ask the tenant to pick up. I mean there is a fairness here. If I am renting a house to you, how much maintenance and repair is it fair to ask you do as a tenant if I still own the house? I mean that comes into this, too, and particularly when you start managing for benefits other than timber. At



some point or other, either the user (the direct beneficiary of those benefits) or the land owner have to be involved.

I think we are done.

Murphy

Thank you Fred.

End of Interview.