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THE DOSCO CRISIS:
SOME POLITICAL ASPECTS OF A REGIONAL ECONOMIC PROBLEM

BY

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A thesis submitted to the Faculty of
Graduate Studies in partial fulfillment
of the requirements for the degree of
Master of Arts

Department of Political Science

Carleton University

Ottawa, Ontario

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The undersigned recommend to the Faculty
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THE DOSCO CRISIS:
SOME POLITICAL ASPECTS OF A REGIONAL-ECONOMIC PROBLEM

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ABSTRACT

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This study examines regionalism over a short time period by scrutinizing a regional economic crisis in a province whose economy lags behind the Canadian average. Using a loose theoretical framework the study relies almost entirely upon primary material. The history of the particular economic problem is explored as well as the immediate pre-crisis situation. The events of the crisis are followed in detail as are various reactions to it. The crisis seems to indicate that there is an intimate relationship between the content strength and direction of Nova Scotian regionalism and economic well-being of the region. Problem situations play an integral role in the relationship. The dispute also seems to indicate a healthy level of contact between federal and provincial levels and a tendency for regional economic crises to be settled by provincial rather than federal action.

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In compiling this work the author accumulated an astonishing number of debts to others and is left with great doubts that there is any way of adequately repaying them. I can only hope that those mentioned here appreciate my gratitude for their help and kindness. If anyone is neglected below it is not by intention.

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CHAPTER 1

INTRODUCTION

The question of regionalism has received much attention in Canada and is becoming an increasingly popular focus of academic attention. Little of that attention has, however, been directed east of the Quebec/New Brunswick border, and of the study directed that way, more has been in the field of history than in political science.

There are indeed difficulties involved in approaching eastern Canada in terms of identifying what area can rightly be called a region.¹ The question as to whether or not the Atlantic Provinces can be considered a region is fairly easily answered. Any attempt to group Newfoundland with the three Maritime Provinces and consider the area a political, economic, social or cultural unit belies an ignorance of both areas. The question of whether the Maritimes is a cohesive region or not is a much more legitimate endeavour.

¹See for example Cameron, David M., "Regional Intergration in the Maritime Provinces", Canadian Journal of Political Science, Volume 4, Number 1, March, 1971.

The concern of this paper, however, is not the question of whether or not such a region exists in fact but, is rather, to examine the regional feeling in one of the Maritime Provinces, the Province of Nova Scotia.

The larger question is of interest only to the extent that one may want to know whether or not the feelings expressed by Nova Scotians as examined in this paper can be ascribed to residents of the other Maritime Provinces. This is in no way intended as an acceptance of the thesis that no Maritime region exists but is rather a solution to a practical problem. My intention is to make a case study of the Sydney Steel Crisis of 1967, a particular regional problem, and to examine the events surrounding that crisis in order to shed light upon regional feeling.

In addition, two points not directly associated with Nova Scotian regionalism should be somewhat clarified by studying the Sydney Steel Crisis. First, some light can be shed on how jurisdictional problems are solved in Canada in a crisis situation. Secondly, an opportunity can be provided to view the quantity and quality of federal/provincial contact during a time of crisis.

While a Maritime region may in fact exist, it is at present divided into three provinces which react independently to crisis within their own borders. A focus

might have been found which aroused the attention of all three provinces, for example freight rates, but this approach has some marked deficiencies. In the first place the problem of the Maritime Provinces is, and has been, a lack of participation in the economic prosperity of the country. Focus on an issue such as freight rates would encompass only a portion of the larger problem while a problem like the steel crisis presents a broader range of issues upon which public attention was focused. Secondly, the steel crisis provided a fairly sharply defined time span during which regional feelings were clearly focused. A third advantage of examining a crisis which was the concern of only one province is that it gives an opportunity to examine the relationship which exists between one small province and the federal government, and to determine to what extent, if any, that relationship is one of dependence. This is doubly important since if the relationship is one of dependency it will have a deep effect upon the expression and goals of regional feeling.

In examining regional feeling there are several aspects of it which are important to achieving a balanced view of the whole. First, it is important to examine, at least briefly, the roots of the sentiment in order to judge its present status. Secondly, it is obviously necessary to study the content of the feeling itself with some regard to its basis in fact. Thirdly, it is necessary

to determine the scope of the movement and the strength of its support. Finally, it is necessary to attempt to identify its goals and the practicality of these aspirations as tempered by political, economic and social realities.

In this present Chapter I shall briefly outline the roots of Nova Scotian regionalism and suggest a theoretical framework for examining it. In succeeding chapters, using the period of October 1967 to June 1968 with the steel crisis as a focus, I will attempt to deal with the other three factors. While the method of study does not allow for very precise quantitative measures of regional protest, I will attempt some generalizations about that aspect of the question.

The main sources of information used in examining the steel crisis were the news media, records of debate both of the House of Commons and the House of Assembly of Nova Scotia, interviews with political figures on both the provincial and federal level as well as a limited number of civil servants, such files of those interviewed as were made available, and public documents.

Historical Perspective

The roots of Nova Scotian regional protest go back to the days which followed the Charlottetown Conference of 1864. There was strong opposition to joining Confederation

both before and after 1867. A large majority of Nova Scotians expressed this opposition in the federal and provincial election results of that year. Out of 38 provincial ridings there were only 2 pro-confederation members elected; on the federal level only 1 out of 19. There were many reasons for the rejection including lack of prior consultation, a feeling of being abandoned by Britain, an economic recession, the antipathy of the local establishment, and a feeling of close kinship with the New England States.

The regional movement of 1867 to 1869 sought to have Britain repeal the British North America Act and free Nova Scotia from Canada. This movement, led by Joseph Howe, was doomed to failure not by lack of public support in the Province, but rather because its leaders, especially Howe, were fiercely loyal to Britain and realized that the only route out of confederation also led out of the British Empire. They further realized that in face of British naval power and a lack of interest on the part of the United States, force would be needed. In the face of these obstacles the repeal movement dissolved to a demand for better terms.

The feeling remained largely latent until it was revived by W.S. Fielding during the mid 1880s. Mr. Fielding as Premier adopted secession as provincial government policy

and, after a rebuff from the federal government, won a convincing mandate from his Nova Scotian electorate on that issue in 1886. The pressure for repeal faltered however during the federal election of 1887, and with it the secession movement died. One interesting aspect of this outburst of regional protest was the fact that in the 1886 provincial election the industrial area of Cape Breton, a benefactor of Sir John A. MacDonald's national policy, returned pro-confederate members in contrast to the rest of the Province.

A third interesting outburst of regional protest was evidenced after the provincial election of 1920 which saw the election of 3 Conservatives, 29 Liberals and 11 Farmer-Labour members. The Liberals had forsaken the cause of regional discontent as had the Conservatives, and the discontent had led to the strong showing of the Farmer-Labour group. The new protest group was, however, internally divided by farmer and labour differences and the death of the party was ensured by the donning of the armour of Maritime rights by the Conservative party. Of special interest in this phenomena was the role of the media; "In the Maritime Rights Movement leading Conservatives, particularly those associated with the Halifax Herald, saw the emotional issue to ensure not only the survival of the party but also eventual electoral success".²

²Cameron, D.M., Ibid, page 120.

Nova Scotian regional protest did not cease after the 1920s but it did not appear in forms as dramatic as the repeal movement or the success of the Farmer-Labour party. Instead, it was given expression in the constant demands for better terms voiced by Premiers Angus L. MacDonald, A.S. MacMillan, Harold Connelly, Henry D. Hicks and Robert Stanfield. Its slogans were not the emotionally appealing calls for repeal but for federal transfer payments based upon fiscal needs. Even these incessant but unspectacular demands were muted by the second world war.

The regional protest of Nova Scotia had, in time, gathered a new basis of existence. Nova Scotia had felt ignored by the concentration of the national policy on the west, and the fact that immigrants passed by their Province. In addition, there was resentment that Nova Scotians had been lured west by the policy of western expansion. No small factor in this migration was the economic stagnation which had settled in as early as 1900.

The reasons for economic stagnation are well known and need not be dwelled upon here. The economy of Nova Scotia prior to confederation was based on wooden ships and wind, and this economy was on the verge of collapse in 1860s. The manufacturing industries were also facing a period of transformation in the post-confederation period

as technology increased the optimum plant size and closeness to market became an increasingly important factor. The Maritime market was small and the cost of transporting Nova Scotian products to central markets was high. This problem was long-term and circular since the economic stagnation kept the population low by fostering outward migration and encouraging little immigration, thus keeping the market small.

Along with freight rates, tariffs closed off the close New England market which could be reached by relatively cheap water transport. Thus policies designed to develop an integrated economy failed to integrate Nova Scotia into the national economy. "Thus the Maritimes has benefitted little from the opening of the west and were compensated by subsidies during the national expansion in the inter-war period. They received little new productive investment during the second world war, and after it was over, were compensated by continuing rising subsidies while most of the rest of the nation forged ahead".³ Another facet of Nova Scotian economic problems up to the 1960's was the absence of any substantive policy to ameliorate regional disparity. The propping up of declining industries, transfer payments to the poor provinces, and programmes of public

³Nova Scotia, New Brunswick and Prince Edward Island, Maritime Union Study, Queens Printer, Halifax, Nova Scotia, 1970, page 21.

works were not a substitute. They were, in the words of the Economic Council of Canada, "peacemeal expenditures, superficial expedients, unproductive works and mere transfers of income".⁴

It was further felt that new projects such as the St. Lawrence Seaway were not only of sole benefit to other parts of the country but in addition of actual detriment to Nova Scotia.

In addition to the problems noted by the Rowell-Sirois report, a new factor appeared in the postwar era. As a result of the depression and the two wars, the federal government developed economic and bureaucratic tools. This development was complemented by an increase in public expectations in regard to the economy. The national government became responsible for growth, the rate of employment and inflation in the Dominion. This was due in no small measure to the proportionate growth of spending in the public as opposed to the private sector.

As the federal level reacted to national economic fluctuations and cycles, it reacted with national policies which were often not very applicable to the conditions existing in poor provinces. The economic experience of the "have not" provinces has been a slower than average

⁴Economic Council of Canada, Second Annual Review, Ottawa, 1965, page 136.

economic upturn in response to expansionary policies and a close to average economic slowdown in response to deflationary federal policies. Thus while the federal government follows policies which meet national needs it may be dampening inflation in Nova Scotia, where the rate of unemployment is at a level which would be considered a serious recession were it a national figure.

In considering Nova Scotian regionalism another point ought to be kept in mind. When Nova Scotia joined confederation it was a two-week journey from Halifax to Ottawa by land, and as long by water. While modern transportation has changed the time required, the distance remains the same. These distances are important in economic terms and a glance at Table 1 shows how the province is closer physically to the United States than it is to the Canadian heartland.

TABLE 1

Distances by air and road from Halifax in miles:

	<u>Air</u>	<u>Road</u>
Ottawa	600	964
Toronto	850	1184
Boston	320	538
New York	610	793

Distance by water from Sydney and Halifax in miles:

	<u>Sydney</u>	<u>Halifax</u>
Montreal	950	1100
Toronto	1300	1450
Boston	700	500

In addition to causing economic problems these distances create a sense of isolation in the province. There is little communication between central Canada and Nova Scotia through any of the media, with the possible exception of the Canadian Broadcasting Corporation.

Theoretical Perspective

In attempting to study political phenomena in a federal state it would be most helpful to have a widely accepted and solid base of theory with which to direct the endeavour. Unfortunately much controversy surrounds federal theory and at present no one acceptable framework exists. In attempting a study of this nature the choice must be made either to ignore the question of theory or to set out the theory and risk the consequence of stating in a preface that which could only properly be the subject of a lengthy book.

Acceptance of the theory of federalism is in itself a difficult matter since models vary from the broad open-ended Livingstone model⁵ to the narrow and rigid Wheare model⁶, with many variations in between. Open-ended models give the study of federalism a more meaningful basis from which to survey the field, because of their

⁵See W.S. Livingstone, "A Note on the Nature of Federalism", Political Science Quarterly, Volume LXVIII, Number 2 (March, 1962).

⁶See K.C. Wheare, Federal Government, London, E.C.4., England, Oxford University Press, Amen House, 1963.

cognizance of a broad range of factors from social and cultural to economic and institutional. These models are, however, often like ships without rudders since they seldom provide a viable definition of what constitutes a federal state, and often countries which are obviously unitary can be considered under some theories. Rigid theories on the other hand tend to exclude many countries, Canada often among them. Therefore, these theories are severely limited in their application. The federal theory used for the purposes of this paper will be a slight variation of that of R.L. Watts as set out in his book, New Federations⁷. This theory gives, I believe, a good balance between rigid and the open-ended theories and, in addition, incorporates the best features of both.

Professor Watts sets out a theory of federalism which at first glance seems quite rigid, but as he goes on in his examination of federal states it becomes apparent that much of the theory of his approach has not been formally set out, but nevertheless implicitly used. His implicit theory is a broadening and an extension of his formally presented theory. With the risk of expanding Watts' definition to a point I am not sure he would approve, I suggest the following definition and the theory which flows from it. This will, I hope, provide an acceptable basis upon which to rest a theory of federalism.

⁷Watts; R.L. New Federations, Toronto: Oxford University Press, 1966.

Federalism is that form of national political system in which the institutions, values and patterns of political action operate so as to give expression to both a national system and a regional sub-system and/or subcultures, without, however, eliminating the essential mutual dependency of the system and sub-systems. It is this mutual dependency which is the key factor of Professor Watts' contribution.

The usefulness of this definition can better be seen by picturing a continuum or spectrum with unitary centralized government at one end and at the other end a loose confederation of states bound together by an arrangement of mutual interest, for example, a treaty.

FIGURE 1

UNITARY	Area of Mutual	LOOSE

GOVERNMENT	Dependence	CONFEDERATION

At some point on this continuum the sub-systems would be of such importance as to be necessary to the functioning of the state even though their areas of autonomy might be very slight in comparison to that of the central system. As one continued to move along the spectrum toward less integrated systems one would reach a point where the area of autonomy of the central system would be

slight in comparison with that of the sub-systems. However, the sub-systems would nevertheless still be dependent upon the central system. The area between these two points is the area of the principle of federalism.

Watts' approach to the study of federalism was to look at the founding of "Federal States", their constitutions, histories, cultures, social structures, economies and so on, and determine from this whether or not they were indeed within the bounds of the federal principle. In examining a country, therefore, the first step would be to establish whether or not it conformed to the federal principle and roughly at what point on the continuum it would properly be located. Having established this, one can continue to examine the state to see if there are factors developing or changing which might affect the place on the continuum assigned to the country in question. One could then compare the strength of the forces for amalgamation to the strength of those forces for disintegration. A lack of balance would indicate a lack of stability and a tendency for the form of government to move either toward centralization or disintegration.

Ideally the measurement of forces of disintegration and amalgamation would be possible by means of sophisticated behavioral tools. Unfortunately means of achieving this end are far from ready for even imperfect use. Instead an effort to measure these forces must remain totally in the realm of the arts and be based on the judgement of each individual scholar.

Below an attempt will be made to identify the components of amalgamative and disintegrative forces in Nova Scotia. It should then be possible to determine whether or not a balance exists between these forces, and if not, whether Nova Scotia is heading toward closer integration with, or greater separation from, the rest of Canada.

CHAPTER II

THE HISTORY OF STEEL MAKING IN SYDNEY

The steel industry was first established in Sydney in 1899 with the creation of the Dominion Iron and Steel Company. Sydney was at this time a town of 2,500 people, and its selection as a site of a steel complex was due to a number of factors. First of all, Sydney was close to the sources of the major raw materials used in steel making with large coal beds within a ten mile radius. Nearby iron ore sources were available in Newfoundland as were large sources of limestone in a number of areas close to the city. In the second place, Sydney has a favourable tide water location and an excellent harbour for access to export markets. This location gave it access to cheap water transport. Third, generous tax incentives and land grants were made available to the promoters of the steel mill. In addition to these locational advantages there were other factors which made the outlook for a new steel mill favourable, and after its establishment promoted its growth and sustained it. First, was the hope that reciprocity with the United States, which Laurier was promoting, would allow penetration of the New England market which was closer to

Sydney than Montreal or Toronto. Secondly, during the fifteen years preceding the 1914 to 1918 war there was a large demand in Canada for rails. This demand was a direct result of the national policy with its emphasis on railroad construction. Finally, after the mill was in existence its expansion was encouraged by such federal policies as the bounty for the production of wire rod which led to the addition of the rod mill in 1904, and federal financing of the plate mill during the first world war. It should be noted, however, that federal policy had an element of inconsistency to it, as was evidenced by the dismantling of the plate mill in the years between the first and second world wars.

The primary product lines of the mill were pig iron, billets and rails, and these continued to be the basis of steel making in Sydney to the present day. That the mill had problems from the beginning is obvious. "Inefficiency and mismanagement apparently plagued the company from the beginning and its difficulties with the Dominion Coal Company, its supplier of coal led finally to a merger of the two companies in 1910".¹

¹Cambell, Douglas F. and Nicholson, J.J. The Steel Workers Adjustment to Economic Insecurity, Paper presented to the Third Annual Meeting of the Atlantic Provinces Sociologists and Anthropologists, University of New Brunswick, March 15, 1969.

The industry prospered up to the end of the first world war but there was little, if any, capital expenditure until the 1921 merger of Dominion Steel, Nova Scotia Steel and Coal and the Halifax Shipyards to form the British Empire Steel Corporation. Even then improvements were slight. The changeover in the economy from war time to peace-time production and the beginning of the gradual slowdown in the market for rails spelled hard times for the Sydney steel plant. "Between 1920 and 1939 the Canadian steel industry, including DOSCO, was generally stagnant in terms of increased productions, new capital expenditures, markets and financial resources".²

The problem of markets first became a major one between 1921 and 1928, pushing the company towards a re-organization which it completed in 1928 changing its name to the Dominion Steel and Coal Company (DOSCO). When the depression came in 1929 the company's fortunes went down hill and never really revived until the second world war brought a measure of new prosperity. During this time the steel workers of Sydney became part of the union movement, which was experiencing growth all over North America. A period of labour-management bitterness began that lasted through the war years and remained to a lesser extent,

²Hogan, Reverend Andrew, The Sydney Crisis, Pamphlet prepared by the St. Francis Xavier University Extension Department, January 1968, page 7.

and in an unusual form, until the crisis of 1967.³

After the second world war the picture at Sydney again became one of relative stagnation. A new rail finishing mill was established in 1952 to improve the rail production of the mill, but little else of importance was done until the British Holding Company, Hawker-Siddeley, took control of DOSCO in 1957. During the Hawker-Siddeley years several improvements were made. First of all a new pier, designed to improve bulk handling of iron ore and coal, was built by DOSCO with financing provided by the federal and provincial governments through the vehicle of the Atlantic Development Board.⁴ Secondly, the poor condition of the blast furnaces was remedied by a complete relining although it must be noted that this work did not include modernization which would have enabled the implementation of the latest steel producing technology. Third, a system for injection of oxygen into the open hearth process was installed. There were also a number of small improvements carried out by the corporation under Hawker-Siddeley, but these changes and those noted above did not represent a comprehensive modernization. They were rather more in the

³The extent of labour troubles must not be exaggerated, however, and will be dealt with more fully in the next chapter.

⁴This later played the role in negotiations between Nova Scotia and the federal government. The pier was financed on a per ton usage pay back system plus a DOSCO commitment to invest an equal amount of its own funds in modernizing the mill.

nature of housekeeping. In the words of one economist, "these changes were required even for the short run economic survival of the plant".⁵

Also these changes must be viewed in the context of changes which were taking place in the national steel industry. For a number of years most of the steel used in Canada, especially sheets, plate and structural items was imported. After the second world war, however, other major steel companies in Canada began to broaden their product lines. "They borrowed and ploughed back retained earnings into new expansion and diversified their product mixes to meet the demands of a growing industrial nation. DOSCO's management didn't and as a result it lost its position as the second largest producer in Canada, and became a poor fourth".⁶

A measure of its downward change in relation to other Canadian steel producers can be obtained from Table 1 below, which shows basic production volume for DOSCO and the three other major Canadian producers. These figures are directly related to the capital investment made by the various companies to improve their basic production capacity.

⁵Hogan, op. cit., page 9.

⁶Ibid, page 8.

TABLE 1

Ingots Capacities of Canadian Steel⁷ Mills -
1944, 1964, 1967.

Figures in tons per year

	1944	1964	1967	% Increase
STELCO	1,105,500	3,250,000	4,250,000	293.4%
ALGOMA	736,000	2,200,000	2,600,000	253.29%
DOFASCO	307,600	1,550,000	2,100,000	582.5%
DOSCO	750,000	1,000,000	1,100,000	46.6%

Another change in the Sydney mill initiated in the early 1960's was a decreasing use of Cape Breton coal in the coke making mix. By 1967 70% of the coal used was American, and the amount of Cape Breton coal used had dropped to 30% because of its high sulphur content.⁸

During the 1960's Hawker-Siddeley changed its stance in regard to its future plans for the Sydney mill. When Hawker-Siddeley took over DOSCO in 1957 grandiose plans were publicly stated in which the new owners looked

⁷Figures for 1944 and 1964 come from Hogan, Reverend Andrew and Waisglass, H.J., A Submission to the Atlantic Development Board on the Prospects of the Nova Scotia Steel Industry, (March 28, 1966). The 1967 figures come from Hogan, Reverend Andrew, The Sydney Steel Crisis, op. cit., page 4.

⁸Weiner, Norman, Interview, Sydney Nova Scotia, June 20, 1970.

forward to Sydney becoming "the Pittsburg of Canada".

In the decade that followed visions of Pittsburg faded from Sydney in a manner which seemed to the disillusioned steel workers akin to a thief in the night. For the last five years of the Hawker-Siddeley era a sense of foreboding hung over the city with the phenomena of recurring lay-offs and job insecurity becoming a way of life. DOSCO's goal of Pittsburg became increasingly stated in terms of the mill not going beyond the role of the supplier of billets for DOSCO's Contrecoeur plant down river from Montreal, and a supplier of rails for an unreliable and largely export market. The DOSCO decision to locate a finishing mill at Contrecoeur effectively killed hopes of expanding the product range at Sydney as long as it was a DOSCO mill. It also made Sydney almost exclusively dependent upon a single market source and this was a poor position for any industry. The workers believed they could do more but the DOSCO-Hawker-Siddeley position became clarified in a report which they released in co-operation with a voluntary economic planning board of the Province of Nova Scotia and the Atlantic Development Board of the federal government. The report stated that "Sydney's future role will be principally as a producer of rails and a supplier of ingots and billets to the rolling mills in Quebec. The bar mill should continue to supply the small but rising requirements of the Atlantic region."⁹

⁹DOSCO, Voluntary Economic Planning Board of Nova Scotia and the Atlantic Development Board, Sydney Steel Making Study, Queens Printer Halifax, 1968, page 23.

To some Nova Scotian economists, most notably the Reverend Andrew Hogan of St. Francis Xavier University, and to the leaders of the United Steel Workers of America, DOSCO's change of plans spelled eventual doom for the steel industry in Sydney. Since the early 60's they had been advocating diversification of the mill, claiming that the eventual alternative would be closure. In their submission to the Atlantic Development Board in 1966, they re-stated this case. "For a very considerable period of time we have warned of the impending disaster for the Sydney steel operations if diversification was not carried out".¹⁰ DOSCO had chosen, however, to let its Sydney mill stagnate and to pour its capital resources into Contrecoeur. The aim of the company, as will be suggested later, was to shift its major steel holdings to a more profitable base. The problem DOSCO ran into was that many of its problems in Sydney had resulted from poor management, and this same poor management led to the very expensive mistakes at Contrecoeur. By 1967 Contrecoeur was, in parts of its operations, behind production goals and the overall operation was, at that stage, inefficient. The cost of this to DOSCO was such that it had to consolidate its holdings and conserve any possible drain of funds.

¹⁰Hogan, Reverend Andrew and Waisglass, H.J., op. cit. page 1.

There was also some question in regard to the effect of the British economic policy and what possible effect it may have had on the position of Hawker-Siddeley. At that time the British Government was urging its business community to repatriate capital. Hawker-Siddeley was based in the United Kingdom. In short it would seem that DOSCO had neither the moral nor economic strength to honour its commitments to the people of Sydney. Within weeks of its participation in the release of the Sydney Steel Making Study it announced that due to losses it was closing its Sydney plant. At this point it must be made clear that DOSCO was not incurring losses at Sydney unless it included its administration bill for two and one half million dollars (\$2,500,000) per year in its calculation of the Sydney plants profits. Even then losses would be quite small. Father Hogan makes this point strongly when he says: "Let's be clear about one thing, DOSCO made a net profit of over one and one half million dollars (\$1,500,000) at the Sydney plant in 1966. If this statement is not true then let them contradict it publicly. This net comes after paying an administration fee of two and one half million dollars (\$2,500,000). Take this figure out for 1967 and the Sydney plant almost breaks even".¹¹

¹¹Hogan, Reverend Andrew, The Sydney Steel Crisis, op. cit., page 10.

In DOSCO's press release which announed the closure of the mill, President T.J. Emmert stated that the company's losses were four point three (4.3) million dollars in 1966 and six point four (6.4) million dollars in the first half of 1967. The press release leaves one with the impression that these losses are due to the Sydney plant. but I have not found any evidence to support that impression. DOSCO never challenged Father Hogan's claim. Financial problems of the Sydney mill will be gone into in the next chapter in order to better assess the actions of the governments involved and to some extent the responsibility for the fortunes of the Sydney plant. In addition the problems which faced the mill throw light upon regional economic problems. It would seem advisable at this point to look at the geography of the Sydney area and its general economic state at the time of the closure announcement. By doing this some idea of the magnitude of the crisis and the need for government action can be understood.

Sydney is a city of 34,000 people, about ten miles from the northeastern coast of Cape Breton Island, and situated on one of the best harbours in North America. The main-stay of the city is its steel mill, but it also serves as a distribution centre and to a lesser extent a

shopping centre for four other centres and several towns which lie within a fifteen mile radius.¹² The importance of Sydney extends, however, beyond these satellite towns and on to the dairy farms and fishing ports of Cape Breton Island and the eastern Nova Scotian mainland. The closure of the Sydney mill would have been a disaster whose ripples would have had an immediate effect as far as one hundred and sixty miles away.

It would have been a disaster at the best of times, but the economy of the area was not enjoying the best of times. The coal industry of Cape Breton was in the process of being totally restructured which involved the phasing out of almost six thousand five hundred jobs. The closing of the mill would have meant the further disappearance of a market for coal of about three hundred thousand tons per year and the closing of even more, and perhaps all, of the Cape Breton mines. The proposed use of a new truck and railway car ferry between North Sydney and Port-Aux-Basques, Newfoundland, threatened the loss of jobs for some four to five hundred stevedores on the North Sydney water front. If one adds to these problems the closure of the Sydney steel plant, with the resulting

¹²The main centres are Glace Bay, population 23,000 (coal mining), New Waterford, population 9,500 (coal mining), Sydney Mines, population 9,000 (coal mining) and North Sydney, population 8,600 (C.N.R. terminus and Newfoundland ferry terminus). The total area of population would be almost 90,000 people.

direct and indirect job loss of some six to seven thousand more jobs, the total loss of jobs for an area with some ninety thousand (90,000) people is approximately fourteen thousand (14,000) jobs. It becomes easy to see why it was called "Black Friday" by Cape Bretoners, for translated into human terms it represented a threat to the social and economic foundations of Cape Breton Island. If DOSCO managed to do nothing else, it created a situation in which the actions of the federal government and the Province of Nova Scotia could be looked at in sharp relief. The steel crisis may be typical of Nova Scotian federal relations to the extent that it brought Nova Scotia again to the doorstep of the Federal Treasury. Once again the province was seeking aid with a problem which seemed too big for it to handle alone.

CHAPTER III

THE ECONOMIC POSITION OF THE MILL IN 1967

The financial position of the Sydney Steel Mill prior to the 1967 crisis is of importance to this paper in three ways. First, the problems which were faced by the Sydney steel plant were linked closely to many of the grievances expressed by Nova Scotians, and these problems shed a great deal of light on the reasons for regional discontent. Secondly, governments and their policies over the years have in several ways contributed to the problems of the Sydney Steel Mill and therefore must bear in some measure the responsibility for the 1967 crisis. Third, unless one had some idea of the health of the steel industry, an understanding of the steel crisis is impossible, and an assessment of government action most difficult. There are difficulties, however, in attempting an objective assessment as to whether or not the mill was in as poor an economic position as the DOSCO Press Release would seem to indicate. In view of the success of the mill after the creation of SYSCO, and in view of the announced plans for modernization, it would seem that this whole question must be to some extent prejudiced. It should also be mentioned that this author's prejudices tend

toward faith in the future of Maritime industries in general and thus make a totally unbiased appraisal perhaps impossible. However, what follows is an attempt to look objectively at the economics of Sydney Steel, taking into account those facts that were known at the time of the steel crisis. At that point a preliminary assessment will be made of what the future of the Steel Mill looked like. In order to assess how the fortunes of the Mill unfolded after the crisis, its present condition will then be noted and the whole question of viability will then be reassessed.

Depreciation, and The Sydney Mill

One cannot help being struck by the number of times the words 'obsolete', 'stripping' and 'general disrepair', come up in articles and conversations about the Sydney Steel Plant under DOSCO. These terms were important in attempting to assess whether or not the mill was, or ever could be, a viable industry. In discussing these terms some distinctions must be made between them. Obsolete is used in reference to any process or piece of equipment which is rendered relatively not useful because of technological change. This is very different from disrepair, which might leave a piece of machinery totally useless and not in working order, but not necessarily obsolete. After looking at various sources of information about the Sydney Mill, the most reliable assessment

of its condition would seem to be that of the steel and accounting consultants hired by the provincial government prior to the province's decision to take over the mill.¹ While their opinions will generally be those accepted below, it must also be noted that the whole question of the state of repair and obsolescence of the mill, and the question of stripping, are important not only as they existed in reality, but also as they were seen to exist in the eyes of the workers at the mill, and to a certain extent in the eyes of the provincial and federal politicians. It is these factors along with the brutal manner and speed of the announced closure by DOSCO which created the strong anti-DOSCO climate which had a marked effect on the political decisions which followed. In discussing the condition of the mill before a special session of the Nova Scotia Legislature, the consultants noted that "the costs at the Sydney plant as of the current date are eight to ten dollars (\$8-10) per ton out of line with those of Ontario plants".²

¹There were two companies: Touche, Ross, Bailey and Smart, Chartered Accountants; and Arthur G. MacKee Company, Canada, a steel consulting firm.

²Nova Scotia, Debates and Proceedings of the House of Assembly, First Session, Forty Ninth Parliament, Province of Nova Scotia, December 1967, Appendix A, Committee on Law Amendments. Queens Printer, Halifax 1967, page 73.

The steel workers at Sydney were determined to show that the plant, could be profitable. To that end they made great efforts to break production records while governments decided their fate. This undoubtedly did influence the political decision to some extent, but it had an important side effect in that it gave the steel consultants a much better idea of what the peak production capacity of the Sydney mill was, in its condition, at that time. This in turn provided a rough yardstick with which to gauge plant obsolescence for as the consultants pointed out "very creditable records had appeared in the press on the blast furnace production at Sydney in recent weeks. They are approximating - and this is an extremely good effort on those sized furnaces - a thousand tons per day. There are two furnaces at STELCO and two at ALGOMA - crewed with no larger man crews - are producing two thousand six hundred tons per furnace a day or better".³ This lower production level existed, "...because of the size as much as anything, because of ancillary equipment, because of perhaps more modern blast furnace stove practice, more automation, less manual labour, more push button".⁴ There was also a higher cost to be paid at Sydney for maintenance because of the age of the equipment, the remoteness from Sydney of repair

³ Ibid, page 84.

⁴ Ibid.

supplies and a lack of competitive mechanical contractors and repair firms. It was also pointed out that some of the processes at Sydney were "completely obsolete"⁵ in the sense that they were being superceded by technically efficient methods. In connection with this last point it must be noted that among the improvements called for by the Unions over the years was installation of a complete basic oxygen process shop and continuous casting facilities.

The consultants went on to suggest that "to modernize the Sydney works with a view of overcoming any operating cost handicaps previously outlined, would require capital expenditures in the order and magnitude of sixty million dollars (\$60,000,000)".⁶ This can be compared with Reverend Andrew Hogan's forecasts of between seventy and seventy-five million dollars (\$70-75,000,000). These figures were ones which he and the Unions had been suggesting since 1966.⁷ The state of repair of the mill was not what anyone would describe as excellent, and in his testimony before the Legislature, one of the consultants mentioned that there were a number of fairly superficial things he would have repaired had he been in charge, but he also noted that he

⁵ Ibid, page 85.

⁶ Ibid, pages 74-5.

⁷ Hogan, Reverend Andrew, The Sydney Steel Crisis, op. cit., page 11.

could not describe the mill as unsafe, and, more importantly, "the operating availability of the basis equipment is such that you cannot say it has not been maintained in operable condition".⁸ I must note here, however, that in several interviews which this author had it was mentioned that there had been unnecessary delays and work stoppages due to delays in maintenance.⁹ These delays were attributed to the unwieldy DOSCO administration.

The question of stripping the Sydney plant by DOSCO centres around two alleged practices. The first of these was the removal of equipment from Sydney to other DOSCO plants. The second was the failure of DOSCO to reinvest in Sydney monies which it had charged against the Sydney plant in depreciation. There is no question that DOSCO removed some of the equipment from Sydney. For example, in 1966 two wire drawing machines were removed to DOSCO's Etobicoke works. Some light was shed on the second question by the consultants. They established that DOSCO's depreciation charges were constant at two million one hundred and fifty thousand dollars (\$2,150,000) per year, and that in the three years of operation they had studied "... (they) invested a total of a million dollars (\$1,000,000) less than they had written in depreciation".¹⁰ Thus the picture of the Sydney

⁸ Nova Scotia, Debates and Proceedings, op. cit., page 106.

⁹ Conversations during a tour of the steel mill in Sydney, June 1970.

¹⁰ Nova Scotia, Debates and Proceedings, op. cit., page 108.

Steel Plant was one of a plant that was first, out of date in terms of technology, second, in only a fair state of repair, third, subject to management decisions to move equipment elsewhere for some product lines, and fourth, to invest no more than housekeeping demanded.

Markets for Sydney Steel

This section and the two which follow have a strong common thread in terms of the geographic location of the Sydney mill. This location factor should be kept in mind with regard to almost all the problems of the mill. The whole question of location is the stuff out of which the regional disparity and sectional politics of eastern and western Canada are made.

The general problems of marketing Sydney's steel was stated concisely in the Hogan-Waisglass Study. "Nova Scotia's steel industry has been excluded by high transportation costs from the Canadian markets in which steel consumption and production growth are concentrated, and by tariffs from its natural geographic market".¹¹ The essential problem was that the Sydney mill was located far from markets large enough to absorb a high percentage of its

¹¹Hogan, Reverend Andrew and Waisglass, H.J., On the Prospect of Nova Scotia's Steel Industry, op. cit., page 10.

production, "Sydney's natural market is the Atlantic region which consumes only three point seven per cent (3.7%) of Canadian steel consumption while it has ten point two per cent (10.2%) of the steel production capacity".¹² The logical market within Canada would seem to be Quebec, which has only two per cent (2%) of the country's production capacity but twenty-one point two per cent (21.2%) of consumption.¹³ The only other market which is within low cost transportation range of the Sydney mill, would be the New England States. There are, however, problems involved in merely being far from markets apart from transportation costs. Other things being equal the steel user requiring special specifications wishes a close rapport between himself and the mill. This, in addition to community and regional loyalty makes marketing over long distances more difficult.

The question of what markets Sydney could supply profitably was, and probably still is, a matter of dispute. The Hogan-Waisglass Study claims that Sydney could supply a New England market, given a diversified product range and removal of the U.S. tariffs on Canadian steel. The Voluntary Economic Planning Board report is much less enthusiastic,

¹²Nova Scotia, The Sydney Steelmaking Study, op. cit., page 15.

¹³Ibid, page 10.

however, and suggests that competition from North American countries would undermine the New England market to the point where it would not support diversification at the Sydney mill. Both reports, however, leave many questions unanswered.

Since Sydney's only market, other than central Canada, is the export market, the export practices of steel makers become relevant here. Steel making is a capital intensive industry and as a result, the difference between the average total costs and variable costs is large. It is therefore fairly standard practice for steel makers to recover fixed costs on their home market, and cut their export prices below home prices. As a result most mills export only about twenty per cent (20%) of their production. Of Sydney's production capacity of about one point one (1.1) million tons are sold in its natural market area in the Atlantic region. The problem for Sydney therefore was "...not merely to find export markets but to find opportunities large enough to warrant new facilities and at prices which will cover fixed costs".¹⁴ The question of whether or not Sydney could compete in the New England market given tariff cuts and considering costs of transport by water is not answered convincingly by either the Planning Board or Hogan and Waisglass. In considering the viability of Sydney steel

¹⁴Ibid, page 18.

through the eyes of these two reports, it must also be realized that one was done with the co-operation of DOSCO, whose objectivity must be questioned in light of its corporate interests, and the other was produced in large part by the Union whose objectives would push it towards certain conclusions.

Another market factor which must be considered in viewing the Sydney Steel Crisis at this time is the world market for steel. In the words of Father Hogan, "an estimated sixty million (60,000,000) tons of surplus steel were chasing the world market in 1967".¹⁵ This had a profound effect on the immediate outlook for the Sydney Steel Plant, and it was at that time impossible to predict how long such a situation would continue to exist. The direct effects on Sydney were well stated by the Voluntary Economic Planning Board report. "The fall in export prices has two adverse effects upon Sydney, on the one hand export prices had been depressed and thus restricted the scope and profitability of Sydney's export sales, and on the other hand, it has given rise to increased competition in the Canadian market from foreign producers".¹⁶ The indirect effect was that it made Sydney's position look extremely weak in terms of an assessment of viability.

¹⁵Hogan, Reverend Andrew, The Sydney Steel Crisis, op. cit. page 1.

¹⁶Nova Scotia, The Sydney Steelmaking Study, op cit., page 17.

The Freight Rate Question

As has been noted above, the Sydney Steel Mill is far from domestic steel markets and therefore, the cost of freight in the price charged to the consumer is a major factor in terms of whether or not the Sydney mill was competitive. It has also been noted that the Sydney mill could produce steel only at factory prices eight to ten dollars (\$8-10) per ton more than Ontario plants, and the cost of freight has to be added in addition to this in any market area where it costs more to ship from Sydney than it does from Hamilton. Since steel is relatively cheap, selling for about "six cents per pound"¹⁷ it is therefore relatively expensive to ship.

The freight costs for the Sydney works must be considered in light of the fact that "an estimated..... seventy per cent (70%) of domestic shipments from the two integrated steel plants at Hamilton are shipped a distance of less than two hundred (200) miles. By contrast only ten per cent (10%) or less of Sydney's domestic shipments are sold within a similar radius"¹⁸ Thus a very high percentage of Sydney's production must be sold at a price which absorbs any freight costs greater than that of a

¹⁷Ibid, page 8.

¹⁸Ibid, page 8.

competitor. In terms of the Ontario market the freight differential makes competition almost impossible. The Montreal market, however, is another story. Sydney is helped by the Maritime Freight Rate Act (a Federal Act), and this gives it a differential of about two dollars (\$2) per ont. "The freight from Hamilton is seven dollars and thirty-six cents (\$7.36), and, I believe, Sydney is five dollars and forty cents (\$5.40) on one class of product and five dollars and sixty cents (\$5.60) on the other".¹⁹ Thus it would seem that if Sydney were as productive as the Hamilton plants it could compete for the Montreal market.

There is, however, another facet of the freight rate structures which affects the future of the Sydney mill, and for that matter, any industry in a similar position vis-a-vis markets. The transport of finished products is more expensive than that of primary products.

"For example, the cost of shipping wire rods from Sydney to Montreal is five dollars and sixty cents (\$5.60) per ton, while the rate on drawn wire is twelve dollars and fifty-two cents (\$12.52) per ton. From Sydney to Toronto the freight on wire rod is ten dollars and thirty-nine cents (\$10.39) per ton, and on drawn wire it is nineteen dollars and thirty-two cents (\$19.32) per ton".²⁰

¹⁹ Nova Scotia, Debates and Proceedings, op. cit., page 77.

²⁰ Nova Scotia, Sydney Steelmaking Study, op. cit., page 15.

New expansion at Sydney to broaden the product mix was thus inhibited by this policy of basing freight rate structures on the value of service principle. In the words of the Voluntary Economic Planning Board Study, "such transport differentials inhibit the development of further steel processing in Sydney to serve the markets in Montreal and Toronto".²¹ Even given the Maritime Freight Rate Act there is considerable bitterness in the Maritimes in regard to freight rates. It is claimed by some Nova Scotians that, through the freight rates, efforts to clear the St. Lawrence River of ice, and the tariff barriers to trade, the entire region is being strangled. While the validity or lack thereof of these claims is not the subject of this paper they have a bearing on the reactions of Nova Scotians to the steel crisis.²²

²¹Ibid., page 15.

²²It is worth noting here too that there is complaint about the quality of the rail service. In its submission to the Federal Government concerning the closure of the steel mill the Province noted that at one point between Sydney and Truro there is a grade which reduces the maximum train load from 4,500 tons to 3,900 tons. This represents a reduction in handling capacity of 13.3%. The Province also notes that there are other conditions in New Brunswick and Quebec on the Sydney-Montreal route which are even more inhibiting. This must affect freight rates although the C.N.R. concluded after a cost-benefit analysis that it was not worth repair.

Cost Factor Pressure

Along with market problems Sydney also faced difficulties on the cost side of the ledger. The steel industry has become less raw material oriented and more market oriented due to changes in technology. This has been hard on the Sydney mill since its location was based on easy access to raw materials. Changes in the transportation industry have reduced the cost of bulk handling shipments of raw materials, thus decreasing the advantage of a mill being close to raw material supplies. It is also becoming increasingly evident that it costs less to ship the raw materials to the plant than the finished product to the market. This is true even taking into consideration the loss of weight in processing. It must be noted also that few countries charge duties on imported raw material, but that the same is not true with finished goods.

Importance of raw materials to steel making has also changed in terms of the amounts of materials used to make a ton of steel, and especially in the per cent cost of various inputs. While the difference between 1920 figures and 1964 figures is startling, it would be even more so for the Sydney plant's earlier days. In 1920 the basic

product mix was about two point five (2.5) tons of coal, two (2) tons of iron ore and about point eight (.8) tons of scrap per ton of steel produced. In 1964 the Canadian steel industry used, "less than point six (.6) tons of coal, about one point one (1.1) tons of iron ore in the form of pellets and less than point six (.6) tons of scrap per ton...".²³ In addition to this, the cost of scrap had exceeded the cost of coal in the industry. Beyond that it is obvious that scrap comes from market areas and is the least amenable of raw materials to bulk shipping.

In addition to this, Cape Breton coal becomes less and less useful in steel making. The coal found in Cape Breton, has a sulphur content which is too high to allow it to be used exclusively in steel making. It should be noted, however, that since shortly after the SYSCO takeover, technological progress has allowed the amount of local coal used to be greatly increased. At the same time the discovery of richer ore bodies in South America, Africa and Australia and the development of new technology have made it uneconomical to work comparatively low grade ore bodies. DOSCO's ore body at Wabana on Belle Island, Newfoundland was one of these low grade mines, and it was closed down. Closed down, it must be noted with the same brutality as the Sydney closure. Thus

²³Nova Scotia, Sydney Steelmaking Study, op. cit., page 3.

the case for adoption of the Sydney site for a steel making plant lost two of its most powerful reasons, since suitable coal and iron ore sources were no longer close at hand.

Another problem which faced the Sydney mill in terms of cost was in the maintenance area, and its significance can be better seen by a look at the table below.

TABLE 1

Main Elements of Cost as a Percentage of
Manufacturing Cost.

Wages.....	27%
Iron ore, pellets, sinter.....	16%
Scrap.....	9.2%
Coke and Coal.....	8.8%
Refractories.....	3.1%
Fluxes.....	1.5%
Non-Ferrous Metals and Ores.....	6.2%
Other Materials and Supplies.....	22%
Fuel and Electricity.....	5.5% ²⁴

Mill supplies such as moulds, stools, rolls, etc. and some skilled repair services tend to be centered around areas where the steel industry is concentrated. Therefore,

²⁴DOSCO Voluntary Economic Planning Board of Nova Scotia and the Atlantic Development Board, Sydney Steel Making Study, op. cit.

the Sydney mill was not only isolated from these things but in many cases would have to pay more, because of transportation costs, for such supplies. Sydney therefore suffered some disability as a result of the relationship between some of its contractors and its location.

Management or Mismanagement

When one talks to anyone in Sydney or for that matter in most of Nova Scotia, there is a general air of condemnation in regard to DOSCO's management of the Sydney steel mill, and the feeling probably reaches its peak with the steel workers of Sydney. The opinion of the United Steel Workers of America expressed in the Hogan-Waisglass Submission sums up the feelings of many about the Hawker-Siddeley-DOSCO complex. The Submission said that decisions regarding the mill must not be left to "the counterfeit principles of a free enterprise system which has proved to be neither free nor enterprising".²⁵

Hogan makes his charges more specific in his pamphlet on the steel crisis. He points out that ALGOMA is selling products in the Montreal market in spite of even higher freight costs. This leads to the conclusion that "....the lack of enterprising management in the postwar period boldly moving to meet changing market requirements,

²⁵Hogan, Reverend Andrew and Waisglass, H.J., On the Prospects for Nova Scotia's Steel Industry, op. cit., page 14.

has more than a little to do with the present state of the Sydney steel industry. Its plight in my opinion is largely a compound of locational difficulties and serious mismanagement....."²⁶

The steel consultants also leave doubts as to the management capability of DOSCO. As noted above, the mill's state of repair was not the best, and this in itself is not a sign of aggressive management. The consultants were asked if the financial policies followed by DOSCO would constitute a sound means of closing out an industry. The answer was, "yes".²⁷ What is more specific is the testimony given in regard to the production of the blast furnaces and the maximum capacity possible by Mr. J. Barnacle of Arthur G. MacKee Ltd. Mr. Barnacle noted that "it is by no means the ultimate that could come from those furnances were a better prepared burden fed to them, and were better conditions provided".²⁸ It seems fairly clear that DOSCO ran the Sydney operation from the beginning with the purpose of skimming off profits and eventually selling its "various operations as going concerns to others, especially to the Quebec Government".²⁹ It seems clear

²⁶Hogan, Reverend Andrew, Sydney Steel Crisis, op. cit., page 10.

²⁷Nova Scotia, Debates and Proceedings, Appendix A., op. cit., page 109.

²⁸Ibid, page 86.

²⁹Quoted from a letter to this author from Gordon Milling, Research Director, U.S.W.A., November 9, 1970.

also that having decisions made by absentee managers with little or no interest in making the industry successful in Sydney played a key role in the poor economic position of the mill in the fall of 1967.

The Sydney Labour Force

The Cape Breton worker has been much maligned by press and popular conception both in and out of the Maritimes. This author's impression is that they are as good as any and better than some, and that much of their reputation comes from very short wildcat strikes which arise over minor points. The popular conception that strikes are a way of life is false. This assessment seems basically in tune with the conclusions of Douglas Fullerton who covered the steel crisis for the Toronto Daily Star. In one of his articles Mr. Fullerton quoted one DOSCO engineer as stating, "such labour difficulties as we have stem more from workers' inbred dislike of absentee top level management and of the company itself than from the mistakes that had been made in overall employer-employee relations".³⁰ He went on to say, "we couldn't have had better co-operation than was received from the Steel Workers Union".³¹ Mr. Fullerton also

³⁰ In Fullerton, D.H., Cape Breton: It Can Be a Winner Too, Toronto Daily Star; November 15, 1967, page 27.

³¹ Ibid.

noted a low rate of absenteeism, and a willingness to ignore Union rules when necessary to meet time quotas on orders.

It should be noted at this point that the Sydney work force was a competent group of steel makers who knew their trade well. The consultants hired by the Province had this to say about the quality of the personnel. "There isn't any question in our minds that the supervisory and working force at Sydney are competent, capable and I think, perhaps, slightly better than average in plants elsewhere".³² This may be in part due to the older average age of the Sydney steel worker as opposed to workers in other Canadian steel plants. "The average age of the steel worker in Canada is thirty-nine (39) years as compared to forty-seven (47) years as the average age of the Sydney steel workers."³³

The average age of the steel workers is indicative of the reluctance of younger men to seek employment in an unstable industry as can be seen in some of the quotes from workers cited in the Campbell-Nicholson Study. One twenty-seven (27) year old worker put his feelings bluntly when asked how he felt about the announced closure. "If they recall you, and you don't go, you lose your seniority. You

³²Nova Scotia, Debates and Proceedings, Appendix A, op. cit., page 89.

³³Campbell, D.F. and Nicholson, J.J., Sydney Steel Workers Adjustments to Economic Insecurity, op. cit., page 9.

may get laid off and get a fairly decent job, give that up and go back to the plant for two weeks or two months and then you're on your ass again."³⁴ The Hogan-Waisglass Study also had a taste of bitterness when as early as 1966 it asked if DOSCO was "...leaving Cape Bretoners with nothing but ashes in their mouths and carbon dioxide in their lungs".³⁵ This author asked a representative of the St. Francis Xavier Extension Department whether or not he felt that DOSCO had a good bargaining position with the provincial government, he replied that he felt that it did not because the mill was worth nothing, not even scrap value. He went on to elaborate. "If DOSCO had tried to sell the mill as scrap they would have never been able to move it or the raw materials because no one in Cape Breton would move them, and if they brought in outside labour to do it there would have been violence".³⁶ The Sydney steel workers felt that they were competent and that they were able to make steel. They felt, however, that they had been denied that opportunity and been denied steady jobs, due to absentee management which had no commitment

³⁴Campbell, D.F. and Nicholson, J.J., Sydney Steel Workers Adjustments to Economic Insecurity, op. cit.

³⁵Hogan, Reverend Andrew and Waisglass, H.J., On the Prospects for Nova Scotia's Steel Industry, op. cit., page 7.

³⁶Interview with Reverend William Roach, Sydney, Nova Scotia, June 20, 1970.

either to them or to steel making. For the steel workers October 13, 1967 was only the last of a long line of ashes in their mouths. The steel workers' hopes for a viable industry had been blunted over a long period of time as can be seen from the decline of numbers employed at the mill and the fluctuation in those numbers over the years.

TABLE 2

Employment of Hourly Rated Workers at
Sydney Works

1948 - 4172	1951 - 4811	1954 - 3530
1949 - 4432	1952 - 5129	1955 - 3625
1950 - 4231	1953 - 4791	1956 - 3862
August	August	August
1957 - 5250	1960 - 3663	1963 - 2900
1958 - 3726	1961 - 2331	1964 - 3160
1959 - 3209	1962 - 2560	

The bitterness of the Sydney steel workers was compounded by the fact that they had for years been accepting lower wages for the same jobs as their brother steel workers in Hamilton and Saulte-Ste-Marie. The extent of this subsidy as they called it, can be seen in the following table.

TABLE 3

Average Weekly Wages and Salaries
Primary Iron and Steel, 1960-66

<u>Year</u>	<u>Nova Scotia</u>	<u>Ontario</u>	<u>N-S Differential</u>
1960	\$ 93.83	\$105.01	-11.2%
1961	\$ 99.01	\$109.97	-11.1%
1962	\$102.95	\$112.46	- 9.2%
1963	\$100.46	\$118.52	-18.0%
1964	\$102.76	\$117.78	-14.6%
1965	\$103.87	\$123.24	-18.6%
1966	\$108.26	\$127.15	-17.4%

The steel workers felt that this represented a subsidy to the industry on an individual basis, and that this was only part of the public investment in DOSCO over the years.

The Viability of the Sydney Steel Plant

The question which faced the governments of Nova Scotia and Canada in the fall of 1967 was one which to a degree depended upon political and economic ideology for an answer. Viable to a socialist is not viable to a capitalist, for each have different goals in view. A capitalistic assessment of the mill is contained in the Sydney Steelmaking Study which DOSCO participated in, and more bluntly, in the

closure announcement of October 13, 1967. A socialist analysis is provided by the Hogan-Waisglass Study³⁷ and the Hogan Pamphlet as well as the United Steel Worker of America Publication, Information Magazine, the December 1967 issue.³⁸ The differing views were known to the governments when the closure announcement was made, but attempts to verify one view as opposed to the other were up to that point difficult. Only DOSCO had total access to the information which was needed. This access was subsequently given by DOSCO to the consultants of the Nova Scotian Government.

In short, the Government of Nova Scotia had the view point of DOSCO, that the mill was unprofitable as stated in a DOSCO press release of October 13, 1967³⁹ The province also had the opinion expressed in the Steelmaking Study that at a very best, it was only a marginal plant capable of supplying ingots and billets to Contrecoeur. Assuming the validity of this assessment, in order to remain viable, the mill required an agreement from DOSCO to purchase Sydney Steel for its Contrecoeur plant. No one could operate the mill without that agreement. From the point of view of private enterprise, therefore, Sydney mill

³⁷ Hogan, Reverend Andrew and Waisglass, H.J., On the Prospects of Sydney's Steel Industry, op. cit., page 12.

³⁸ Milling, Gordon, Economics and Politics of Closure, Information Magazine, vol. 15, No. 5, December, 1967, page 17.

³⁹ For text of Press Release see Appendix II.

was unprofitable, not because it could not make a profit but rather because it could not make as great a profit as other sites available.

The Union position on the other hand was that the industry was viable from the point of view that it could make a modest profit and continue to be the main stay of the Cape Breton economy. It also felt that with aggressive non-absentee management the mill could do considerably better than it had done under DOSCO. It believed that it would become more and more profitable as the local markets expanded and, that it was too important to the economy of Cape Breton to let it die.

The Voluntary Economic Planning Board Study with its DOSCO orientation was at best guardedly pessimistic. The conclusions of the Voluntary Economic Planning Board report were that first of all, "Sydney does not possess actual or potential production cost advantages in relation to other actual or potential competitive sites in Canada or abroad".⁴⁰ Secondly, it stated,

"Sydney can be expected to continue to supply ingots and billets to Contrecoeur for many years provided it is economic to do so. More specifically, it will continue as long as the current production costs plus freight are less than the variable and fixed costs including capital charges of new steel making facilities at Contrecoeur".⁴¹

⁴⁰ Nova Scotia, Sydney Steelmaking Study, op. cit., page 1.

⁴¹ Ibid, page 22.

The Voluntary Economic Planning Board's report seemed therefore to say that there would be no major expansion at Sydney, but that it would continue to produce ingots and billets into the foreseeable future. It made it clear, however, that it was certainly not a very profitable plant in terms of maximizing profits.

The federal and provincial politicians had both of these sets of findings and in addition the Nova Scotian Government had the advice of the consultants. The consultants' report dealt with the viability of the mill as a short term and as a long term proposition, under the assumption that the mill itself could be purchased and salvaged at scrap value. The steel consultants were closer to the Unions' assessment of the industry but perhaps not quite as optimistic, and this can be partially accounted for by considering the difference in perspectives. To begin, the consultants noted that if the province bought the mill at scrap value the only losses possible would be operating losses over the short run, for they would always be able to get the purchase price back. The proposal they were evaluating was that the government run the mill for about a year and a half in order to prevent the closure and make a thorough study of the long term viability of the plant. Based on the operations of the previous three years the consultants estimated that the total operating losses between January 1, 1968 and April 30, 1969 would be three

million three hundred and thirty-one thousand dollars (\$3,331,000).⁴² This was based upon three assumptions, first that there would be no change in the existing productivity, second an assumption that no new markets would be found, and third, that the world market condition for steel would remain unchanged. It was a liberal estimate of loss and there was little likelihood that losses would exceed that level.

The consultants went on to say, "I think you gentlemen, in drawing up this Bill have exercised mighty good judgement in setting up as your objective the determination of whether this operation can become viable, in other words the long term future of the Sydney plant".⁴³

In regard to the long term future of the plant, the consultants stated first of all that,

"It would seem, however, that if the plant is to continue beyond one year four months, there is need for a capital expenditure programme which would let the plant catch up with other plants in Canada rather than to sustain the existing type of operation which would fall further and further behind the competition".⁴⁴

Secondly, as noted above the consultants felt that an investment of sixty million dollars (\$60,000,000) would be necessary to overcome operating cost handicaps.

⁴²Nova Scotia, Debates and Proceedings, Appendix A., Page 87.

⁴³Ibid, page 72.

⁴⁴Ibid, page 74.

Thirdly, the consultants suggested that,

"The sixty million dollars (\$60,000,000) expenditure was not thought of in terms of diversification, it was thought in terms of modernizing, and it would achieve, I think, the elimination of the eight dollar to ten dollar (\$8-10) per ton differential. In other words your cost of ingots loaded in Sydney would then not exceed the cost of an ingot loaded in Hamilton".⁴⁵

Fourthly, the consultants pointed out that once the eight to ten dollar (\$8-10) per ton differential was removed, that Sydney enjoyed a "two dollar (\$2) freight umbrella"⁴⁶ in the Montreal market. Fifthly, the consultants suggested, "you have a further advantage in that you have a plant on which, under the Crown Corporation, would probably not have to charge depreciation." They summed up by saying, "not paying any dividends; not being able to make any major capital expenditures; not something that a commercial client could be recommended to buy; but something which may compete and fulfil your purposes".⁴⁸

In short, the steel consultants expressed the belief that the mill could compete and realize a profit, but recognized the fact that the establishment of a basic steel

⁴⁵ Ibid, page 101.

⁴⁶ Ibid, page 78.

⁴⁷ Ibid, page 78.

⁴⁸ Ibid, page 78.

mill in Quebec and/or the vagaries of the world steel market would always leave the mill vulnerable. The Sydney mill therefore could have a sound future if an agreement between Nova Scotia and Quebec protected it from a Quebec provincial basic steel mill, and if the federal government could protect it from world market conditions. The latter was perhaps not as key, since past experience indicated that the world markets were generally favourable to Sydney and the situation which existed in 1967 was quite probably temporary.

Viability After Nationalization

The Nova Scotia Government took over the Sydney Steel Plant with its own management team in January of 1968, and the fortunes of the Sydney mill began an immediate uphill climb. Instead of the three million three hundred and thirty-one thousand dollar (\$3,331,000) loss forecast to April 30, 1969, the plant made a profit of two million two hundred and fifty thousand dollars (\$2,250,000) by the first anniversary of Black Friday.⁴⁹ The reason for this success lay in three areas. First of all, the world steel market became more favourable. Secondly, the new management of the mill led by Nova Scotian industrialist R.B. Cameron,

⁴⁹Payne, Ed., Sydney's Astonishing Recovery, The Atlantic Advocate, Vol. 59, No. 4, December, 1968, page 43.

proved to be aggressive, not only in terms of productivity, but also in terms of cutting raw material costs and seeking additional markets. Thirdly, the work force at Sydney was very happy about the new management for they felt they finally had management which would provide steady jobs and which was not absentee and uncommitted. They proceeded to break all production records and continued to break them, spurred on by full order books and the new belief that they could sell all the steel that they produced.

At present modernization of the Sydney Steel Corporation is proceeding. The total estimates of the new capital expenditure vary from one source to another. Former Premier Smith of Nova Scotia talked in terms of fifty million dollars (\$50,000,000) in October 1968, but this author was given figures as high as ninety to one hundred million dollars (\$90-100,000,000) during interviews with the steel workers and others in 1970.⁵⁰ At this stage it would seem that the future of the existing facilities is bright and that there are even hopes for diversification on a larger scale. While some critics say that SYSCO does not allow for depreciation and other common accounting procedures in its profit claims, they cannot ignore the fact that profit is being made on a sufficiently large scale to make capital investments seem like a sound move. It should also perhaps

⁵⁰ Interviews with Reverend William Roach, Norman Weiner and Martin Merner, Sydney, June 20, 1970.

be noted that the federal government was convinced enough of the solidity of the Sydney plant after nationalization to make available fifteen million dollars (\$15,000,000) in incentive grants in order to facilitate the modernization of the mill.

Government Involvement

The problems of Sydney Steel and the resulting crisis of 1967 cannot be fully understood without some reference to roles played by the federal and provincial governments in the steel industry previous to that date. An understanding of these roles is necessary also in order to better comprehend the positions and actions of both levels of government and, to a certain extent, the political feelings expressed by Nova Scotians during and after the crisis.

Public policy affected the Sydney steel plant both in a direct way in terms of financial aid and in an indirect way through policies whose initial and principal aim was not to affect steel but rather some more general area such as the economy. This demarkation of effects is especially necessary in regard to the federal level of government. Ottawa is charged with the responsibility for the well being of the country as a whole, with a special role in the national economy. In attempting to

control the national economy its policies often affect individual industries.

That both levels of government should be so heavily involved in the Sydney mill is not surprising. Nova Scotia was involved because of the magnitude of the industry in relation to the size of the province. It could not ignore an industry which was in a financially shakey position and which played an almost predominating role in its economy. The Dominion Government on the other hand had committed itself to regional economic equality in principle for many years. Any actions that it could take to shore up the steel industry was preventative medicine. The federal government was also involved for other reasons. Steel had long been a main stay of both industry and war and the Sydney mill and DOSCO played a role in both areas. The Sydney mill provided a large share of the rails for the nation's railroads, and during both wars played a key role in war production. The steel plant was also of federal interest in terms of exports.

Federal Involvement in Sydney Steel

Regional and national policy were reflected first in 1897 with the creation of federal bounties on pig iron steel ingots and fabricated products from what were then the two steel plants in Sydney. Such help was not isolated and the wire rod mill was added to the steel plant in 1904 on

the strength of other federal bounties. Nor was this the only major expansion in response to federal initiative. The federal government later helped to finance the plate mill which was allowed to be removed after the second world war.

In the period just preceding the 1967 crisis the federal government was even more committed and involved in Cape Breton industry in general and the steel plant in particular. Early in 1967 the federal government created the Cape Breton Development Corporation, DEVCO, to rationalize the coal industry in Cape Breton, putting it under the Corporation and at the same time to promote the creation of new industries in the weakened Island economy. Among the industries the new corporation was to try and promote was the ailing steel industry. The government resisted pressure from the Unions and the N.D.P. to nationalize the DOSCO steel mill at the same time as it nationalized the DOSCO coal mines. The government claimed, however, that it had wide scope under the DEVCO legislation with which to deal with the problems of steel. A motion to obligate DEVCO to operate the steel plant was defeated in the House of Commons on June 27, 1967; however, the Honourable Allan MacEachen, Nova Scotia's representative in the federal cabinet admitted in the House during the emergency debate on October 16, 1967 that "this corporation has very wide powers. Powers wide enough to achieve the objective recommended by the members of the N.D.P., if the

directors desire to do so".⁵¹ Thus the federal government had taken a step which made the steel industry a large part of its concern, for if the steel industry were to go under in a matter of seven short months, the task of DEVCO would have been close to hopeless. What is significant also, is that the government had already committed forty-five million dollars (\$45,000,000) to DEVCO.

The Development Corporation was not the only government involvement with steel in the spring of 1967. On May 27, 1967 under a tripartied agreement, among the Atlantic Development Board of the federal government, the Province of Nova Scotia and DOSCO, the federal government forwarded two million dollars (\$2,000,000) towards the purchase of bulk handling facilities for the Sydney plant and another one point seven (1.7) million dollars toward wharf facilities. These grants were conditional upon DOSCO making considerable capital investment over a given period of time. Both facilities were to be paid for by DOSCO on a per ton pay back basis. Contact between the federal government and DOSCO prior to this transaction indicates that the government undertook this with the understanding and aim that DOSCO would use monies thus freed to ensure the steel would remain a going concern.⁵²

⁵¹Canada, Common Debates, October 16, 1967, Vol. 111.

⁵²Substantiated by correspondence between company and government during fall of 1966.

Another area of federal activity in regard to the steel mill was through export credits. Sydney steel, especially rails, became much more attractive to developing countries if they could be purchased on long term credit available through the federal government. This source of expanding Sydney's market was used on a number of large rail sales by DOSCO and continues to be used by SYSCO.

Another measure of the depth of federal concern can be gained by the fact that the cabinet very seriously considered, in the spring of 1967, a stock piling programme for Sydney steel. This proposal was examined from a cost benefit point of view, and from a political point of view. It was subsequently rejected on both counts. It was estimated that it would cost eight dollars (\$8) per ton of steel and that the amount of steel which would have to be stock piled in order to stabilize the Sydney work force would be unacceptably high.⁵³ There were as well other reasons of an economic nature for rejecting the proposal. More interesting were the political reasons and the suggestion accepted by Prime Minister Pearson for an alternate plan. The chief political reasons against stock piling were that it would create a precedent to take such a step and that such plans would have to be made available to all Canadian steel producers while only DOSCO was in desperate need of it.

⁵³Confidential source.

The government was unwilling to single out one firm from a national industry. The alternative was the suggestion that a thorough study of the Sydney steel industry be initiated by the Province of Nova Scotia. The reason the study was left to the Province was that in the federal view the province had "a prime responsibility for the economic health of the steel industry within that province, but if it were the wish of the Government of Nova Scotia to undertake such a study, I am sure the Department of Industry would be ready to co-operate fully".⁵⁴ These lines of thinking, both in regard to special treatment of one section of a national industry and in regard to the prime responsibility of the Province of Nova Scotia, were to remain the pillars of federal policy throughout the steel crisis which followed October 13, 1967.

The indirect involvements of the federal government in steel have already been mentioned in regard to the problems facing the Sydney plant. The main point in mentioning these facts here is to remove them from the sphere of cold economic facts and put them in their proper perspective as federal policy. The first area of concern is freight rates. As noted earlier the freight rates structure is based on the value-added principle

⁵⁴ Confidential source. This position was accepted in the spring of 1967 with cabinet approval.

which means that it costs more to ship finished steel products than it does to ship primary steel products. It is a major factor in making Sydney a less profitable base for expansion and diversification. The value-added formula has no basis in the factors of transportation economics and, it seems, is based largely upon tradition. It does not cost more to ship a ton of finished steel but rather the higher charges are based upon the traditional view that one should charge more to ship a ton of diamonds than a ton of coal or steel ingots. In light of the fact that for most highly refined products, the Maritime market is not large enough, it presents a considerable obstacle to industrial growth. This is the policy followed by a Crown Corporation of the federal government which proves more favourable to central Canadian industry than to Maritime industry.⁵⁵

Another area of federal policy which affected Sydney steel is the realm of tariffs. As noted in the Hogan-Waisglass Study, this cut Sydney off from what could be its natural market in the New England States.⁵⁶ While the Voluntary Economic Planning Board's Study rejected the possibility of entry into the American market, it failed to note whether or not it assumed unchanged tariffs on steel. In addition, it must be remembered that DOSCO

⁵⁵This assessment is based upon interviews with two transportation economists in the Federal Civil Service.

⁵⁶Hogan, Reverend Andrew and Waisglass, H.J.
Ibid, pages 9-10.

managerial incompetence was injected into that study. The effect of either of these policies alone is pronounced, but taken together they form a considerable obstacle. The federal government, therefore, was not only heavily involved in Sydney from the point of view of previous direct aid, but in the eyes of many Nova Scotians had a heavy responsibility for the plight of the Sydney steel plant.

Provincial Involvement in Sydney Steel

The involvement of the province begins early in the history of the Sydney steel plant, and that involvement was much more direct than the federal role. The provincial government had over the years facilitated changes in the corporate structure of the companies involved sometimes under questionable circumstances.⁵⁷ Prior to the crisis the provincial government had put considerable efforts into trying to get DOSCO to expand and shore up its shakey Sydney plant. The provincial and federal governments were aware of the problems facing Sydney but were not convinced of the imminence of the crisis. "Even at the political level top people knew the problems, but didn't know what to do. How could they make the company move?....The provincial people and the federal government saw the problem but not the imminence of it".⁵⁸

⁵⁷Milling, Gordon, The Economics and Politics of Closure, op. cit., page 16.

⁵⁸Interview with H.J. Waisglass, Ottawa, 1971.

While the provincial government was very involved in trying to stabilize DOSCO steel much of its efforts other than its involvement in the bulk handling and wharf projects were never made public because DOSCO's immobility kept it from accomplishing anything. There were also other problems. When former Premier Stanfield, at a federal-provincial conference in Banff, expressed an interest to Premier Lesage in co-operating in a study on the eastern Canadian market for steel, M. Lesage declined to get involved. The study had been begun by Quebec previously, and Stanfield wanted to work out with Quebec what product lines Sydney could move into which would be complementary to Quebec's plans for Sydney.⁵⁹ Even in areas where possibilities existed, DOSCO would not co-operate. A combined federal-provincial offer was made to finance a vacuum degasing capability at the Sydney mill. The financing would have been available if DOSCO would have met the governments half way and provided an electric furnace. The answer from DOSCO was to the effect that it would go along only if everything was government financed and a profit guaranteed.⁶⁰ This process would have fitted in very well with the heavy forge at DOSCO's Trenton, Nova Scotia, mill.

⁵⁹ Interview with Federal Civil Servant.

⁶⁰ Interview with Federal Civil Servant.

The provincial Conservative Party had become involved in steel almost immediately after its assumption to power in 1956. A steel study was carried out near the end of 1957 and following this study, a number of proposals were made to DOSCO which were rejected out of hand. The only possibility which DOSCO was willing to discuss was that of a rod and bar mill, and then only on the basis of total government financing on a pay back per tonnage basis. Even then DOSCO was unwilling to assure the government that they would not build a similar mill in Quebec and use the Sydney facility as a residual supplier. This, of course, was unacceptable to the provincial government.⁶¹

It seems therefore, that both the provincial and federal levels were heavily involved with DOSCO's Sydney mill. One more aspect of government involvement is important. What follows is a quote from a fairly senior civil servant, quite knowledgeable in the area of Sydney steel, "DOSCO were lousy managers, really no managers at all. The steel mill was seen by the federal government and by federal civil servants as being a real dog. DOSCO, which is largely responsible for the mess, was not blamed as much as the economic factors".⁶²

⁶¹Manson, E.A. speech, Debates and Procedures of the House of Assembly, op. cit., pages 182-189.

⁶²Interview with a Federal Civil Servant.

The Voluntary Economic Planning Board Study leaves one with the impression that in many ways they accepted the same point of view, although it is obvious that provincial politicians and civil servants who were familiar with DOSCO had an idea of the incompetence of the operation. It must be assumed that this attitude along with the fact that Mr. C.H. Drury of DOSCO, and Federal Industry Minister, C.M. Drury, were brothers gave one member of the federal level of government a slightly prejudiced view of the Sydney mill prior to the crisis and during it. While the Drury influence might have been minimal this lack of faith in the viability of the steel plant played a role in the federal attitude, and in its fear of becoming involved in a long term subsidy situation.

To sum up then, it would seem that in the fall of 1967 the viability of the Sydney steel complex was an unclear issue at best. There were two conflicting sets of opinions and many unanswered questions. After the consultants' study was complete the bulk of the evidence suggested that the steel mill could make a modest profit, but that it was not a sufficient profit to induce a commercial operator to buy and modernize the mill.

It is also evident that there was a considerable history of government involvement in the mill and that the realities of federal policy making had an effect on the viability of the Sydney operations. As has been noted above the province had, prior to 1967, played the most direct role in regard to the health of the provincial steel industry. The federal government on the other hand exercised a great influence, but channelled its efforts through the offices of the province.

CHAPTER IV

CHRONICLE OF THE CRISIS

It is indeed easy to find the starting point for the Sydney steel crisis but not quite so simple to decide when it ended. Black Friday, October 13, 1967 was the day the crisis broke with the announcement by Hawker-Siddeley, through DOSCO, that it intended to close the Sydney steel plant starting on November 15, 1967 and completing the final lay offs the following April. It might be argued that the crisis was over with the decision of the government of Nova Scotia to keep the mill open until April 1969 and possibly for the foreseeable future.¹ However, the final events which involved the extent of federal participation in the purchase and takeover of the mill occurred after this decision and for the purposes of this paper will be included in the time span covered.

First Days of Shocks and Groping

If Hawker-Siddeley accomplished nothing else it caught Ottawa and Halifax by surprise. The first news

¹The mill was eventually kept open long after the period which the province originally committed itself to and at present is undergoing a ninety-five million dollar (\$95,000,000) expansion and modernization.

of an impending crisis was a meeting on October 12 between several federal cabinet ministers including Mr. Pepin, Mr. MacEachen and Mr. Drury and a small group of officials from Hawker-Siddeley and DOSCO. The government was informed that the closure of the Sydney steel mill would be made public in Halifax the following day. The federal cabinet met hurriedly to discuss what the reaction of the government ought to be and to prepare a statement. By coincidence the leader of the Liberal Opposition in the Nova Scotia Legislature, Gerald Regan, was in Ottawa and he had contact with his federal colleagues in terms of what the reaction of the provincial Liberal party would be. This close contact and co-operation between the federal and provincial Liberals should be noted for it did not last for the duration of the crisis.

It is an ironic footnote that while the DOSCO-Hawker-Siddeley delegation was in Ottawa meeting with the federal officials, the Voluntary Economic Planning Board of the Province of Nova Scotia met in Halifax and set up a committee to study the Sydney Steelmaking Study in which it had participated along with DOSCO, the federal government and the government of the province.

On October 13, the DOSCO group minus the Hawker-Siddeley officials who had flown back to England, met with

provincial cabinet and after the meeting, gave out their press release² announcing the closure. The DOSCO group informed the Premier that their decision was irrevocable and not open to discussion.

The reaction of the federal government was fairly low key, expressing shock and condemning DOSCO for its actions. The position taken by the federal government was that this was primarily a provincial responsibility and that although it would be most eager to help it would have to await word from the province as to what actions it should take and in what way it could be helpful. The chief spokesman for the federal level was Nova Scotia's cabinet representative, Allan J. MacEachen. The federal government suggested to the province that it call a meeting with DOSCO and that if it would be helpful and acceptable, the federal level would send a delegation invited by the province.

The federal government did, however, set up a special cabinet committee of six to study the situation. The committee consisted of Allan J. MacEachen, Jean-Luc Pepin, C.M. Drury, M. Sharp, Robert Winters and Jean Marchand. These six, along with Prime Minister Pearson, and in the

²DOSCO, Press Release, October 13, 1967. For text of release see Appendix II.

later stages Prime Minister Trudeau, effectively made decisions in regard to federal help and formed the core of the federal team during bargaining sessions with the Province.

Provincial reaction was also one of shock and anger with DOSCO, but the position taken by the provincial government was somewhat different than the federal position. The press release issued by Premier Smith made several points which are worth noting. In the first place it said, "it creates problems which are of national concern and will require to be dealt by joint action of the federal and provincial governments".³ Secondly, it announced that after a series of meetings in Sydney the province would seek to meet with the federal government. Thirdly, it emphasized the importance of "...bringing the Cape Breton Development Corporation into operation at the earliest possible moment and the urgency of promoting industrial development".⁴ Last of all it announced that "the provincial government would give immediate consideration to recommending that the Cape Breton Development Corporation take over the operation of the Sydney plant".⁵ Taken together these statements represent a considerably larger idea of the federal role than did the Ottawa reaction. In place of primary provincial responsibility was "joint action" and a connotation of equal responsibility.

³Nova Scotia, Press Release, Friday, October 13, 1967, page 2.

⁴Ibid, page 3.

⁵Ibid, page 3.

This connotation was heightened by the suggestion that DEVCO might take over the mill.

The province also set up a special cabinet committee to deal with the crisis. The members of that committee were, Premier Smith, Chairman, T.J. MacKaough, W.S.K. Jones, James Harding, G.T. Doucet and Donald G. MacNeil. The role played by this committee on behalf of the province was identical to that played on the federal level by the federal cabinet committee.

While the federal and provincial reactions were notably non-partisan the reaction of Mr. Regan, the Liberal opposition leader in the province, was bitterly so. While he too reacted in a strongly anti-DOSCO manner, he blasted former Premier Robert Stanfield and the former Conservative government of the province, for neglect of the industry after campaign promises in the 1967 election. He accused the government of hiding the facts or else being easily fooled in spite of a joint management-government steel committee.⁶

Even at this early stage, however, there was an almost unprecedented amount of federal-provincial contact. Throughout this contact the federal government kept to its

⁶Halifax Chronicle Herald, Friday, October 13, 1967, page 1.

policy of treating the matter as a primarily provincial problem, and waiting for Premier Smith to initiate contact. On October 13, there were at least three, and possibly more, telephone conversations between Premier Smith and Allan MacEachen, and one between the Prime Minister and Premier Smith. The result of this intensive contact was a telegram from MacEachen to Smith conveying shock and suggesting, in line with the federal position, that the province convene a meeting with DOSCO including various interested groups so that DOSCO could explain its action. The telegram ended with the promise from Mr. MacEachen that, "I shall attend with the appropriate officials".⁷

On October 16, Monday, the House of Commons went into an emergency session in order to debate the steel crisis, a fact later noted by the provincial politicians in pushing their claim for greater federal involvement.

From the speeches of the government members, the policy of the federal government becomes a very clear three point response. The federal government was not very willing to consider federal nationalization but did not completely close the door on some sort of federal involvement

⁷Telegram from the Honourable Allan J. MacEachen to the Honourable G.I. Smith, Premier of Nova Scotia, Friday, October 13, 1967.

through one of its agencies. It made the point quite clearly, however, that any participation on the part of the federal government must come out of provincial initiative, and must have heavy provincial involvement. In addition, the federal government indicated that it would not formulate plans for solving the crisis, but would leave those plans to the province, making available advisers as requested by the province. The federal level would become involved only in answer to a direct and specific request for assistance from the province to carry out its plans for solving the crisis. The position of the federal Progressive Conservative Party had not at this point become well clarified except to the extent that there seemed to be considerable consensus that DEVCO should be directly involved if no other solution could be found. The Party took no position on which level of government had primary responsibility. It should be noted, however, that the key person in reaching firm decisions on this matter, former Nova Scotia Premier Stanfield, was not in the House to lead his Party, being at the time immersed in french language courses in Quebec City. The position of the federal New Democratic Party was a clear cut extension of their earlier policy stated during the DEVCO debates. They were in favour of federal nationalization of not only the Sydney mill but all steel mills. They did not, however,

deal specifically with the question of whose primary jurisdiction the Sydney plant came under. Their policy in this regard, however, can be deduced from their statements. If all steel should be nationalized since it is so basic to the nation's economy, it would follow that the steel crisis would therefore be an area of primary federal concern.

The policies of the other two federal parties were to a great extent non-existent and reflected their lack of a national base. M. Couette, Leader of the Creditistes found it sufficient to note that when the gold mines in his constituency were being closed there was no great furore. The Social Credit contribution to the emergency debate was simply a plea for recognition of the merits of private enterprise.

In the meantime, the intense level of contact between the federal and provincial governments continued unabated. However, the steadfastness of the federal decision not to deal with the crisis directly, but rather only through the province, seemed to have convinced the Nova Scotian Premier that the federal level would not budge on the issue. If he needed any reassurance he had it on October 18 when the Prime Minister, in answer to a question as to whether or not the federal government would deal directly with DOSCO, answered

"the primary and immediate responsibility belongs to the Government of the Province. The Government of the Province has taken the responsibility and we are co-operating, and will continue to co-operate with the province in every appropriate way to assist in finding a solution".⁸ It would seem at this point that the Prime Minister seemed sure that Nova Scotia had accepted the federal position.

The stalemate between DOSCO and the provincial government in terms of the former's unwillingness to negotiate its decision had, however, improved somewhat. On October 17 the Premier's office issued a press release stating that DOSCO had finally agreed to meet with the provincial cabinet in order to discuss a proposal under which DOSCO would operate the Sydney mill until April 1968 with any losses incurred being paid for from the provincial treasury if necessary. The purpose of this move was to buy time in order to study the short and long range possibilities of keeping the mill open. While the province seemed to have accepted primary responsibility for initiating action in regard to the crisis it made use of the press

⁸Canada, Debates and Proceedings, House of Commons, Vol. III, 27th Parliament, page 3672.

release to stress the federal government's role. "However as the problem was recognized yesterday by the House of Commons as a matter of urgent national concern, it is expected that the federal government or one of its agencies would be prepared to share in the cost".⁹

Another new development in the crisis came on October 18 when Justice Minister, Pierre Elliott Trudeau, advised the Commons that the federal government had been studying the contract between DOSCO and the Atlantic Development Board for evidence of breach of contract.

On October 19 the province met with DOSCO and began a series of negotiations not only in regard to keeping the plant open for a four month period, but also to gain access to DOSCO's books and accounts so that the province might have a team of accountants and steel experts assess the cost of buying time, and do a preliminary study of the mill's viability.

Another facet of the steel crisis and one that was to continue over a long period of time, was the extraordinarily close contact and co-operation between the steelworkers Union and the provincial government. The Union Leaders had contact almost daily with the steel committee, and the government in turn used them as resource people

⁹Premier of Nova Scotia, Press Release, October 17, 1967.

and reported back to them at each stage of the crisis. For example, after a day of meetings with DOSCO in Toronto, the Chairman of the steel committee flew to Sydney and met with Union leaders.¹⁰ Such close rapport did not exist between the federal level and the unions and as a result the credit given to the union in solving the crisis was perceived to be much greater at the provincial level. This was true even to the extent of assessing the effectiveness of the unions in influencing the actions of the federal government.¹¹

The first meeting between the federal and provincial governments to discuss the Sydney steel crisis was held in Ottawa on October 27. In addition to meeting with members of the provincial cabinet's steel committee, federal ministers also met with a delegation from the Sydney area led by the Mayor of Sydney. This meeting between the two governments was in many ways the key meeting in the crisis. The province presented its main document which analyzed the scope and the estimated cost of the steel crisis given the goals of the province. The submission also dealt with why the province felt the federal government should aid

¹⁰News Item Halifax Chronicle Herald, October 23, 1967, page 1.

¹¹This assessment is based upon interviews with Dr. T.J. MacKough, Martin Merner, President of the Steelworkers Local in Sydney, Allan J. MacEachen, and G.I. Smith.

in finding a solution. The province set up as its tentative goals, first to keep the plant operating fully until April 30, 1968, and secondly to fill all contracts entered into by April 30, 1968, by continuing to operate the plant after that date. Thirdly, the province proposed to set up a careful supervision system to assess any losses the province might be called upon to pay, and finally the province proposed that in concert with the federal government the time bought by its first three suggestions ought to be used to find a long range solution, and to conduct a feasibility study of the mill.

The province also set out conditions which DOSCO had demanded in order to agree to operate the mill until April 30. The three demands of the Corporation were first, that all assets and liabilities of the Sydney mill be transferred to the province by May 1, 1968. Secondly, that the province contract to supply Contrecoeur with raw steel for one year after April 30, 1968, at competitive prices, and finally, that any agreement reached would be carried out independently of and without reliance upon any right or liabilities of DOSCO and the province not arising pursuant to the agreement.¹² There were also some minor conditions.

¹²Nova Scotia, Submission of the government of Nova Scotia, October 27, 1967, page 2.

The brief then set out the province's estimate of the costs of all its objectives and in meeting the conditions of the Corporation, the province made it clear that all of their estimates were maximum and that actual costs would probably be considerably lower than the estimates. Where they set a maximum figure and suggested actual costs, both figures will be included. The estimate of the losses involved in keeping the mill open for the period indicated in the goals set out by the province was estimated to be seven million two hundred and fifty thousand dollars (\$7,250,000), but the province notes that the actual figure would be more in the vicinity of four million (4,000,000).

TABLE 1

Costs of Transfer of Assets

Corporation estimates of raw material value	\$15,000,000.00
Corporation estimates of fixed assets value	\$21,000,000.00
Total	<u>\$36,000,000.00</u>

The province noted, however, that claims resulting from aid for the work on bulk handling facilities would offset capital costs by approximately five million seven hundred thousand dollars (\$5,700,000).

TABLE 2

Federal Claim re: Wharf	\$1,700,000.00
A.D.B. Claim re: Bulk Handling Facilities	\$2,000,000.00
Provincial Claim re: Bulk Handling Facilities	\$2,000,000.00
Total	<u>\$5,700,000.00</u>

The province also noted that the fixed asset value would presumably be less due to the fact that prices paid would be on the basis of scrap salvage value only, and that raw material inventories would also be less than book value. The province estimated that the cost of supplying Contrecoeur for a year following April 30, 1968 would be at a maximum nine million dollars (\$9,000,000) but more likely around the six million dollar (\$6,000,000) level. The province indicated also that it was unsure whether or not there would be any cost in regard to the company's third condition. The province then estimated the capital and maintenance costs at a maximum of two hundred and fifty thousand dollars (\$250,000), admitting it was a rough figure and noting that maintenance costs were included in operating cost figures.

The province's brief then put forward its proposals for meeting the costs. It asked that Canada lend the Government of Nova Scotia the amount necessary to acquire

the assets and liabilities suggesting that no loan would be needed to cover the cost of raw materials since they would be regarded as recoverable to a large extent. The total maximum estimate for this part of the cost was thirty-six million dollars (\$36,000,000). The province then suggested that the Government of Canada share the operating losses in the amount to be agreed, and further that if there were any large capital outlays needed for the short term operation or any exceptional maintenance cost, these might also be shared on some basis. This area of sharing would be a maximum of sixteen million five hundred thousand dollars (\$16,500,000) and more likely around ten million two hundred and fifty thousand dollars (\$10,250,000).

The brief then set out to document some of the reasons why it felt the steel crisis was a matter of urgent national concern. It notes that the new media in Canada and other countries treated it as a national concern and that the federal parliament accorded national status to it also. It goes on to note the areas of federal concern which would be affected by a resulting closure and which would cost the federal government money. The brief notes that about twenty-four thousand people would be affected, pushing up federal costs in such areas as Manpower Services and Relocation, Unemployment Insurance,

Welfare costs shared by the federal government, a loss of seven per cent (7%) of freight revenue by the C.N.R. in its Atlantic operations, a loss by C.M.H.C. on housing loans, a loss of federal income through decrease in income tax, and general costs ensuing from the resulting slump in the regional economy if the mill were allowed to close. It evaluates the costs of closure to both the City of Sydney, which would lose about twenty per cent (20%) of its revenue, and to the province itself which would lose an estimated one point one three (1.13) million dollars, just in terms of income tax and hospital tax, not to mention other areas of provincial revenue. The brief summed up federal losses in what it calls minimum amounts as shown in Table 3.

TABLE 3

Estimates of extra Federal Expenditures or Losses which¹³ would result from Closure of Sydney Steel Mill.

Loss of freight revenue Makeup - C.N.R.	\$ 935,000.
Unemployment Insurance Fund Payments	\$4,400,000.
Relocation of workers	\$6,000,000.
Possible retraining costs	\$5,798,000.
Federal share of additional welfare costs	\$3,375,000.
Federal loss of income tax revenue	\$1,810,000.
Total	<u>\$22,318,000.</u>

¹³This table is primarily based on one found on page 8, part I of the submission with the addition of federal income tax losses estimated on pages 5-6, part I of the submission.

The result of the meeting in regard to the submission was the agreement that both levels of government needed to know much more about the operation of the Sydney steel plant before any long range decision could be made. It was also agreed that since it should be possible to accumulate this information the province should seek a formula under which the plant could be kept open until April 30, 1968, under full production with DOSCO acting as the management. The plan was to involve both governments. It was further stated that "if losses are incurred during this period, it was agreed they would be shared on a basis still to be worked out".¹⁴ The provincial government's cabinet committee then embarked on a busy weekend negotiating with DOSCO. The result of these negotiations were the receipt of final permission to have immediate access to the books and the plant. During the weekend the Nova Scotian Premier met with the press and ruled out expropriation on the grounds that without DOSCO co-operation the steel mill could not be run. On October 30 the Prime Minister answered questions in the House of Commons indicating that the federal government still intended to be involved in the steel crisis only indirectly through the province. Further, he made it clear that federal commitments to share operating losses only covered the period

¹⁴ Nova Scotia and Canada Press Release October 27, 1967. The text of the press release may be found in Appendix II.

from January 15 until April 30. Of more interest were rumours which circulated in Ottawa and were reported in the Halifax Herald to the effect that there was a cabinet split on the proposal to aid the Sydney steel mill. According to the rumour MacEachen and Pepin were voicing positive views on aid while ministers Sauve, Sharp and Drury had come out against such aid. It was reported that Robert Winters was wavering and in the pro-aid camp. It would probably be more accurate, however, to suspect that Winters was solidly in the negative camp and that perhaps some other member of the cabinet was not committed.¹⁵ It would also be probably more accurate to assume that the point in question was not aid or no aid but rather the length of time losses would be shared and the upper limit of aid. The major concern of the federal government at this point seemed to be not to get into a long term subsidy situation as it had with coal.¹⁶ Any idea of a cabinet split was naturally denied by the Prime Minister.

In a letter dated October 31, Premier Smith advised the Prime Minister of the progress of the talks with DOSCO and thanked the federal government for its commitment to aid the province. He reported that the DOSCO meetings had progressed in regard to the consultants and that it appeared

¹⁵This assessment is based on interviews with federal and provincial politicians involved and those close to them.

¹⁶Ibid.

that DOSCO would want the mill operated as a going concern until the end of April 1969, in order to meet its Contrecoeur needs. This last point he stressed, however, was still open to negotiation.

Public opinion was rising in Sydney and to a lesser extent in the rest of the province in support of keeping the mill in operation. It was announced in Sydney that there would be a Parade of Concern to express this feeling on November 19. Another demonstration, possibly linked with the close co-operation between the steel workers union and the province, was the announcement of new production records being set at Sydney. The Sydney work force was determined to show that the mill could be more efficient, and in the words of one of the mill's engineers, "mid-level management took over the running of the mill from the top level just to show them what could be done".¹⁷ The two levels of government had an exchange of correspondence on the 9th and 10th of November in regard to the verbal report of the consultants which was made on the 13th. Premier Smith began the exchange with a telegram inviting representatives of the federal government to be on hand for the consultants' report. The reason for the invitation was that since the province had to reach a decision by November 15, the deadline set by DOSCO, there would be no time for intergovernmental

¹⁷Weiner, Norman, Engineer, Interview Sydney, Nova Scotia, June 20, 1970.

consultation and Premier Smith wanted the federal government to be informed as soon as possible. Prime Minister Pearson answered the letter with a telegram advising that a senior representative of the Atlantic Development Board, one from Energy, Mines and Resources and another from the Department of Industry would attend. The Smith telegram also advised the Prime Minister that the province would seek an answer on the question of assistance after April 30, 1968 as soon as possible, and reminded him of the heavy federal responsibility.

The discussions between DOSCO and the Government of Nova Scotia proceeded, and after the first day it was announced that they would continue until an agreement had been reached. At the same time another of the ironies of the steel crisis occurred. Premier Smith, who was also the Minister of Finance for the Province of Nova Scotia, journeyed to Ottawa to attend a meeting of provincial and federal finance ministers. The main topic of discussion at the meeting was inflation, and while the Premier recognized it as a national problem, he noted that inflation was not his problem. Between meetings he found time to meet with Prime Minister Pearson and the federal steel committee on the evening of the 16th, but no progress was made in terms of a further federal commitment for aid.

The ground-swell of public opinion reached a peak in Cape Breton on the 19th of November with the Parade of Concern which gathered about twenty-five thousand (25,000)

people together in the City of Sydney. Premier Smith represented the provincial government and was accompanied by a large percentage of the M.L.A.'s. The federal government was represented by Allan J. MacEachen who promised federal assistance in reaching a solution.

The increased tempo of the steel crisis climaxed on November 20 when the province announced it would purchase the mill at a price to be decided upon by a team of valuers, and that it would take over the operation of the mill itself or through its nominee on the 30th of April, 1968.¹⁸ Premier Smith noted that the agreement was subject to the ratification of the Legislature, and ratification by the shareholders of DOSCO, but he declined to make public estimates of the cost of the agreement until the Legislature was convened. While Premier Smith declined to estimate the cost of the agreement, the Herald reported that it would be about fifteen million dollars (\$15,000,000) for the inventory, another ten million dollars (\$10,000,000) for the fixed assets. Given the rapport between the Herald and the Conservative Government the speculation had all the earmarks of a careful press leak. The Premier also served notice that he would resume discussions with the federal government as soon as the Prime Minister returned from the United Kingdom. It might be noted that

¹⁸The text of the Press Release of November 20, may be found in Appendix II.

at this stage, the province had still not publicly committed itself to provincial nationalization of the mill and hoped that a private buyer could be found.

Search for Federal Aid, November 23 to February 3

The steel "crisis" had now become a "problem" with the decision of the province to keep the mill open until April 30, 1969, but both the long range future and the question of federal participation remained to be resolved. The federal government's position at this moment was still to wait for a specific request from the province.

The federal government was active, however, on another aspect of the steel crisis, the bulk handling facilities question. There were exchanges of correspondence between officials at the federal level and more specifically between the Deputy Attorney General of Nova Scotia and the Assistant Deputy Attorney General of Canada. The advice from the federal level indicated that the province did indeed have a claim, but that such a claim could be altered by the nature of any agreement entered into by the province or by the takeover of the plant by a private buyer. The exchange of correspondence ended, as far as can be determined, on the 27th of November, concluding that the only and best way to protect the federal government investment was to place the onus

entirely on the province. This was seen as the only option since the province had decided to protect its part in the bulk handling contract by a clause in the agreement between it and DOSCO.¹⁹

On November 27, the Herald carried a front page story from its staff reporter in Ottawa, Eric Dennis, suggesting that Ottawa was unwilling to commit itself to aid beyond the 30th of April, 1968, or any share in the purchase cost of the plant, because of, first of all its austerity programme, secondly its fears of creating a precedent for Quebec to request aid for the purchase of Contrecoeur, and thirdly its apprehension in regard to the reactions of other major steel producers.²⁰

The provincial Legislature met on December 1 faced with two bills. The first was designed to ratify the agreement between DOSCO and the province and the second to set up a provincial Crown Corporation, the Sydney Steel Corporation (SYSCO), to eventually take over the management of the plant from DOSCO. The Premier explained the terms of the agreement to the Legislature and stressed that the essence of the agreement

¹⁹This information is based on four letters between the parties mentioned, dated November 22, November 22, November 23, November 27, 1967.

²⁰While there was an element of truth in the Dennis report it could not from a basis of several interviews, be regarded as an accurate reflection of government policy.

with DOSCO was that it would leave the Corporation neither better nor worse off than if it had followed its original intentions to close the plant by April 30, 1968. This meant in effect that the value placed upon its inventory and fixed assets would be scrap value only, and that any liabilities avoided by DOSCO through the agreement would have to be deducted from the purchase price. The agreement also set out a formula for selection of valuers and a means of settling deadlocks between the valuers. The estimated cost of the fixed assets and the inventory was identical to those published by the Herald earlier. The estimated operating losses between January 13 and April 30 based on the consultants' study were one million thirty-six thousand dollars (\$1,036,000). The estimate of losses between April 30, 1968 and April 30, 1969 were three million three hundred and forty-five thousand dollars (\$3,345,000). These losses were projected on the assumption that sales would be limited to the orders then on hand, and that there would be no increase in productivity over the 1967 level. The premier was questioned at length in the debate about the legal claims surrounding the bulk handling facilities and the wharf facilities. Since these questions later became an issue of federal-provincial dispute, it is worth

recording some of his statements,

..."Legal' advice is that if DOSCO does not keep the conditions under which the money was loaned, the province and the Atlantic Development Board are entitled to be placed in the same position as they would have been, had the agreement never been made. This necessarily carries with it the right to have restored to it the four million dollars (\$4,000,000). ...The Company, of course, vigorously disputes that.....".²¹

He went on to say,

"The legal position is that the title to the wharf is not in DOSCO but in the province, for itself and its trustee the Atlantic Development Board. If DOSCO pays the four million dollars (\$4,000,000) that it, puts the province back in the position where it would have been had the money not been loaned, then the title goes to DOSCO, so that is an added protection against any possibility of DOSCO getting out without paying the bill, that is if there is a bill to pay."

It would seem then that according to the province's legal advice a claim existed, and that the province could pursue that claim given the agreement just signed with DOSCO.

The Premier discussed the federal role in the same terms as previous statements, but stressed that he was happy with the openness of federal officials to listen to the provincial case. He stated that the Prime Minister had agreed to meet again, and that such a meeting would probably be held in the near future..

²¹Nova Scotia Debates and Proceedings, House of Assembly, Halifax, page 85.

The provincial legislature met again on Monday, December 4, to continue the debate on the Sydney steel legislation. The debate was led off by opposition leader, Gerald Regan, who charged that the province would end up paying too much for the mill, and that as usual, it was the Corporation leading the Government down the garden path. The opposition leader raised a great number of specific points which he alleged ought to be deducted from the purchase price. These points he maintained were not accounted for in the legislation. As the debate continued over the next several days, the provincial government answered Regan's charges on a number of the points, stating that while these points were not in the agreement as such, they would certainly be considered by the valuers.

The next major step was a meeting between the Premier and the Prime Minister in Ottawa on December 13, resulting in a letter from Premier Smith to the Prime Minister on December 14, and an answering letter from the Prime Minister on December 20. The meeting and the letter to Pearson served to put before the federal government specific requests for aid to the province. Premier Smith declared himself pleased with the discussion which included Robert Winters, M. Pepin and Allan J. MacEachen, finding them sympathetic but getting no solid answer except that the requests be made in writing. The Premier's letter set out the requests of the

provincial government. First of all the province wanted the federal government to pay one half of the deficit incurred in operating the plant as a going concern from April 30, 1968 until April 30, 1969. Secondly, it requested that the federal government lend to the Province of Nova Scotia one half of the costs of acquiring the assets of the plant from DOSCO.²²

Between the Prime Minister's letter of December 20 and the end of the year, there was no federal decision. The province, however, was active, hurriedly assembling the SYSCO Management. Another hurdle was crossed with the ratification of the Nova Scotia /DOSCO agreement by DOSCO's shareholders.

The start of the new year came in with a flurry for those involved in steel as the Crown Corporation took over the mill on the 4th of January, four months ahead of schedule. The federal committee and cabinet met throughout the month. Premier Smith attempted to speed the deliberations with a letter on the 17th; requesting an early decision so that the province could go ahead with finalizing its budget plans for the year. He stressed that any argument that the

²²The Premier informed Mr. Pearson of the expected costs of both these requests and explained how these costs were arrived at. The Prime Minister's answer on December 20 expressed hope for an early decision and requested copies of the consultants reports and the legislation involved for further study.

federal government would be unfairly subsidizing one part of the steel industry was not valid since the province had already committed itself to keeping the plant open regardless. He also stressed the savings to the Dominion Government as a result of the provincial move and again noted the national scope of the crisis.

The federal government answered the province on January 23 with a counter proposal contained in a letter of that date. The Prime Minister noted that all the facts put forward by the province had been considered in addition to the already existing programmes which the federal government currently operated which would help the situation in Cape Breton. He noted that the federal government had already decided to share losses to April 30, 1968 on a fifty-fifty basis, and also, to share the costs of a viability study on the same sharing formula. He stated that the Dominion declined to share in losses beyond April 30, 1968 or to share in the ownership or operation of the plant or to share in its purchase. The federal government, he stated, would maintain its decisions and would further offer, "...a one time grant to the province in the amount of two million dollars (\$2,000,000) which would also fulfil the commitment to assist in maintaining the plant in operation from January 1, 1968 to April 30, 1968".²³

²³Letter from Prime Minister Lester B. Pearson to Premier G.I. Smith, January 23, 1968.

Mr. Pearson also pointed out that this two million dollars (\$2,000,000) would be in excess of the federal share in the losses estimated between January 1968 and April 30, 1968. Finally he offered to discuss with the province the handing over of any claim the federal government might have in regard to the bulk handling facilities and wharf agreements if they could be an additional source of help. The letter made it clear that the federal government wanted to avoid any commitments in the nature of subsidies with regard to steel and in addition to avoid any direct or indirect involvement with the ownership of any part of the steel industry. The letter left the door open for further contact.

The tempo of federal/provincial contact picked up again in the first three weeks of February. On February 6, Premier Smith wrote to Prime Minister Pearson expressing dissatisfaction with the federal offer. The letter began by thanking the federal government for the assistance already promised and thanking the Prime Minister for his personal concern. The Premier reiterated the points made in his letter of January 17 and repudiated any notion that the already existing programs of the federal government would be of assistance. "They were not developed to cope with such an emergency and cannot effectively do so".²⁴ He also emphasized that

²⁴Letter from Premier G.I. Smith to Prime Minister Lester B. Pearson, February 6, 1968, page 2.

some of the programmes mentioned were not specifically aid to Cape Breton but a number of designated areas across the country and pointed out that the goals of some of these programmes would have been put in serious jeopardy had the province not solved the steel crisis by taking over the Sydney mill. He argued, "our request could not be construed to ask or involve federal sharing in either operation or ownership, strictly speaking, neither could it be construed as asking for federal involvement in keeping the plant in operation, or participating financially in the purchase of the plant".²⁵ He noted also that the federal letter of January 23 agreed to share the cost of the feasibility study and indicated that as far as the province was concerned federal commitment in this regard also included the consultants' costs in advising the province of the likely cost involved in buying time in keeping the plant operating for a short specific period of time. The last item in the federal offer in regard to the bulk handling facilities he termed acceptable, but offered his doubts as to the extent of any assistance it might be because of the legal problems involved. The Premier summed up by asking that the federal level reconsider the original provincial request. The Prime Minister met with Premier Smith and discussed the letter on February 8, but no further decisions were reached.

²⁵Ibid, page 3-4.

Another major event was the arrival in Ottawa of a twenty-eight man delegation from Sydney representing organized labour and other groups. The delegation at first sought to meet with government and opposition Members of Parliament together, but this move was opposed by government members. The delegation then met first with three members of the cabinet, later it met with Liberal Members of Parliament from the Atlantic Provinces and finally it met with Conservative Members of Parliament from the Atlantic Provinces. The delegation made a plea for a broad area of policy change in order to turn back the economic strangulation of the Maritimes. In addition the delegation zeroed in on aid to Sydney with the statement that, "if Ottawa's regional development policy is such that it allows the Sydney mill to be written off then we must doubt the validity of such federal agencies as ADB, ARDA and ADA".²⁶ Federal fisheries minister, Robichaud insisted, however, that the federal aid must be counted as more than the two million dollars (\$2,000,000) the group was suggesting.

The Nova Scotia Legislature met in regular sessions on February 22 and offered provincial politicians a platform from which to discuss the question of federal aid. Perhaps the most surprising element was the lack of debate on the

²⁶News Report, Halifax Chronicle Herald, February 14, 1968, page 1.

issue other than statements by Premier Smith. The Premier's position at the first of the month had been one of unhappiness over the federal offer, but he had still been cautiously optimistic about further aid because he had found the Prime Minister very sympathetic during his meeting with him on February 8. The first signs of doubt were apparent when he spoke in the Legislature. The Herald reported Premier Smith as saying, "perhaps our best hope lies in the probability that the flickering flame of political life of the Government at Ottawa will soon splutter out".²⁷ The Herald report could not be confirmed since there was no record in the Nova Scotian version of Hansard. There were, however, records of an evening sitting of the Legislature having been scheduled but there were no reports of debate for that session.

The federal government was also being criticized by the Conservative opposition in the Federal House of Commons. While the bitterness and acrimony of this debate will be noted in the next chapter, suffice it to say that Members of Parliament Donald MacInnis and Robert Muir accused the federal government of not living up to its pledge to help Sydney steel which was given at the time of the Parade of Concern.

²⁷News Report, Halifax Chronicle Herald, February 27, 1968, page 1.

In the meantime, the fortunes of the Sydney steel mill were on the rise. By February 8, T.J. McKeough, the provincial Minister of Trade and Commerce, announced that the future of steel looked a little brighter because of some softening in the world steel market. This was especially true in the area of rails and in addition the Atlantic market seemed larger than it was at first estimated. This was followed by a statement on March 9 announcing that the estimate of the mill's losses over the full year and a half of provincial operation, ending April 30, 1969, had been revised downwards to about two million dollars (\$2,000,000) from a previous estimate of four point three (4.3) million. There were also reports that the capital cost of the mill would be less than the original estimates.

The answer to Premier Smith's letter of February 6 was contained in a letter from Prime Minister Pearson to the Premier dated March 8. Since this was the last complete federal statement it will be looked at in some detail. The Prime Minister enumerated the aid granted by his government and stated, "it seemed to the Government of Canada that this is a substantial sum to be made available to meet the problem.... a problem which is, of course, normally and essentially, in the area of provincial jurisdiction".²⁸ The Prime Minister

²⁸Letter from Lester B. Pearson to G.I. Smith, March 8, 1968, page 1.

went on to discuss the question raised in the previous provincial letter 'as to the cost of consultants' fees for keeping the plant open for a specified period of time, in addition to the cost of consultants' fee for the long range viability study. Since there was some controversy surrounding this item later, it is perhaps worth noting the Prime Minister's position at this point. "As requested in your letter of February 6 this undertaking can cover both the study of the economic viability of the plant and the study of the cost likely to be involved in keeping the plant for a specified period".²⁹ This would seem to indicate that the federal government was willing to agree to share the cost of the consultants from November onward. There is, however, nothing to indicate that this can be construed as including the costs of the province's valuer on the valuation board set up to put a price on the mill. The Prime Minister also maintained that turning over the federal claims in regard to bulk handling and wharf facilities represented federal aid to the value of three point seven million (3.7) dollars and when added to the two million dollar (\$2,000,000) one time grant, this brings the total federal aid to five point seven (5.7) million dollars plus the cost of the federal share of the consultants' fees.

²⁹ Ibid, page 2.

The Prime Minister also took exception to the Premier's claims that other federal programs would not be of much help, and listed federal projects and loans totalling approximately ninety-four point five (94.5) million dollars spent in the Cape Breton area. He did not, however, meet the Premier's specific objection that these problems would not help with this particular problem. In addition to the Prime Minister's letter, a statement was made by Allan J. MacEachen in regard to the federal claims on the bulk handling and wharf facilities.

Mr. MacEachen argued the validity of the federal claim of three point seven (3.7) million dollars as being the contribution to the SYSCO undertaking. In addition, the federal government was also able to announce that federal co-operation lauded by SYSCO officials had helped SYSCO land a three million dollar (\$3,000,000) rail order from Chile.³⁰

There was one other statement made on the question of federal aid which cannot be overlooked in a discussion of the steel crisis. During the Spring session of the Nova Scotia Legislature, Mr. Regan, the leader of the Liberal opposition, turned and attacked his federal Liberal colleagues. Mr Regan's words speak for themselves.

³⁰The federal co-operation was through extension of export credits. This is a common device used by the Department of Trade and Commerce to boost Canadian exports.

"It would appear from what the Premier has said today, and also from the consideration of the nature of the offer, that what the federal government is doing, in part, is assigning a law suit to the Province of Nova Scotia because of the uncertainty of the legal position of the parties involved".

"...It has always been an understanding between federal and provincial governments in this country, as I understand it, that in matters of distress or problems of industry or of any nature of economic disaster - that if it is of such a size or magnitude that the province can reasonably, within its own resources, deal with the situation then it is a provincial responsibility".

"But, that if it is of such a large size and importance to the overall economy as to have national significance, that there is a federal responsibility".³¹

Mr. Regan went on to ask the federal government to reconsider its decision. Needless to say there was loud desk thumping in the predominantly Conservative Legislature. Needless to say also, federal Liberals, especially Mr. MacEachen, were not eloquent in praise of Mr. Regan's speech when questioned about it; surprisingly neither did they publicly denounce the move at the time nor do they today. They would rather not talk about it.

The month of April was the first month after the steel crisis that it was not heavily debated by either politicians or the news media. The events worth recording

³¹ Nova Scotia, Debates and Proceedings, Volume 3, pages 1061-62.

centered mainly on the progress of the new SYSCO operation, and the acquisition by DEVCO of the steel plant's coke ovens for the sum of four million dollars (\$4,000,000). In announcing the DEVCO purchase, Allan MacEachen noted that the purchase would have a double effect of helping the new SYSCO operation in terms of working capital and in addition it would aid the coal industry by helping to synchronize DEVCO's efforts to increase the amount of Cape Breton coal used in the coking process. As noted above, the federal aid to this point had been five point seven (5.7) million dollars plus the cost of the federal share of the consultants fees. From this point onward, the federal government claimed the package, not including its share of the consultants' fees, to a total of nine point seven (9.7) million dollars. There were two items in this federal claim which the provincial Conservative government disputed. In a letter written sometime in April and never made public, Premier Smith claimed that first of all the purchase of the coke ovens could not be counted wholly as aid to the steel mill, and that secondly, the transfer of the bulk handling claims was not worth three point seven (3.7) million dollars. The federal government naturally did not agree.

For a sick industry, SYSCO began to look better as it made further gains. The DEVCO coke oven purchased its

needed working capital. With the help of federal export credits another major order of rails worth seven point five (7.5) million dollars was sold, this time to Korea. These gains were followed by a cautious statement from the Premier that the mill might just break even.

The election called by Pierre Trudeau gave the political debate over the steel industry its last gasp. While the steel question was not a major issue in the rest of the province it occupied a fairly prominent place in Cape Breton and was the subject of not a little ranquor.

Donald MacInnis led off the attack at his nominating convention blasting (to use the Herald's words) Allan MacEachen for not helping to meet the steel crisis. MacEachen in turn responded in a series of television and radio spots. He claimed that the federal government had answered the call for a loan and cost sharing with a ten million dollar (\$10,000,000) package which would never have to be repaid. He went on to explain why the federal level chose this avenue rather than those suggested by the province. He stated that,

"...Ottawa's problem to provide help without creating a precedent which would require it to support every steel plant, indeed, every industry which got into financial difficulties. Because of this the federal government chose a variety of avenues through which to provide assistance...."³²

³²MacEachen, the Honourable Allan J., quoted from the text of one minute television talk, delivery date unknown.

What is interesting to note is that none of Mr. MacEachen's claims were given any space in the Halifax Chronicle Herald with one exception. Prior to the start of the campaigning the Herald carried a two and one half column inch story on page 26. This motivated Mr. MacEachen to note in a television address, "many people may not be aware of the role of the federal government has played. It hasn't been mentioned much in the daily press and the emphasis has been on carping or criticism".³³

Of conservative claims, Mr. MacEachen had this to say,

"Despite the devious distortions of our opponents the federal government has played an important role in rescuing this area's steel industry...I am sure if this aid had come from a federal Tory government they would be terming it the greatest act of generosity since Caesar offered the Roman Empire to Cleopatra".³⁴

The claims of the Conservative party needless to say were of a different vein. Referring to the federal aid in a speech in Cape Breton they called it, "two million dollars (\$2,000,000) and a law suit".³⁵ Conservative leader

³³ MacEachen, the Honourable Allan J., quoted from the text of a five minute radio, or television address, delivery date unknown.

³⁴ MacEachen, the Honourable Allan J., from the text of a speech for radio delivery date unknown.

³⁵ Quoted from a clipping from the Halifax Chronicle Herald, date unknown, courtesy of Robert Muir, M.P.

Stanfield also criticized the federal aid although in less strong language. "With a narrow tax base, limited resources and ever increasing responsibilities, the Government of Nova Scotia had alone to make the decision to take over the plant, and had virtually alone to assume the awesome financial risks".³⁶ Mr. Stanfield went on to promise aid to the Sydney steel industry if he, as leader of his party, were elected the next Prime Minister.

It is impossible to assess the results of the steel crisis on the outcome of the federal election in Nova Scotia because the main issue to many Nova Scotians was the mere fact that Robert Stanfield was leading the Conservatives. It must be noted, however, that Allan MacEachen was the only Liberal Member of Parliament left in the province after the election. And, while majorities for the Conservatives went up on the island of Cape Breton, Mr. MacEachen's majority was decreased.³⁷ The majority in the Conservative held ridings rose from one thousand two hundred and fifteen (1,215) and three thousand and fifty (3,050) to three thousand eight hundred and forty-two (3,842) and three thousand eight hundred and sixty-four (3,864) respectively. Mr. MacEachen's majority

³⁶Stanfield, the Honourable Robert L., from a text of a speech delivered to the Cape Breton East Richmond nominating convention, May 15, 1968.

³⁷There are three federal constituencies in Cape Breton one of which spills over into the mainland of Nova Scotia, that one being Mr. MacEachen's.

dropped from one thousand three hundred and thirty-nine (1,339) to five hundred and seventy-eight (578). The increases for the Conservatives, however, were not greater than their increases across the province. In fact the increases in the two Cape Breton constituencies of only seven hundred and twenty-two (722) and seven hundred and sixty-one (761), were considerably smaller than increases in the rest of the province.

From the end of the election campaign onward, only the correspondence between the two levels of Government will be followed. There were two more series of letters between Premier Smith and Prime Minister Pierre Trudeau.

On the 2nd of December, 1968, Premier Smith wrote to Prime Minister Trudeau accepting the federal offer of legal claims against DOSCO with respect to the wharf and bulk handling facilities. The premier advised that the claim had been settled out of court and that,

"DOSCO has agreed to pay the province in satisfaction of the claims of the province the sum of four million five hundred and fifty thousand dollars (\$4,550,000), and to convey to the province certain lands in the County of Pictou and on the island of Cape Breton".³⁸

³⁸ Smith, the Honourable G.I., Letter to the Right Honourable Pierre Elliott Trudeau, December 2, 1968.

While this sum, which included provincial claims as well as those given by the federal government to the province, may have been less than the three point seven (3.7) million dollars claimed by the federal government, it was a far cry from a "law suit". The federal position in regard to these claims was simply that whatever the province settled for out of court, the claims were worth three point seven (3.7) million dollars. The Prime Minister replied to the Premier's letter acknowledging the aid and assuring that steps were being taken to accomplish the transfer of claims.

A second series of letters dealt with the agreement to share the costs of the consultants fees. A dispute arose as to what was or was not included in that commitment. The Premier in a letter to the Prime Minister dated October 3, 1969, opened the debate with a claim of having spent a total of one hundred and seventy-six thousand nine hundred and two dollars (\$176,902) on the consultants fees with the federal share being set at eighty-eight thousand four hundred and fifty-one dollars (\$88,451).³⁹ The Prime Minister answered the premier's letter on December 5 replying, "it is difficult to determine from the statement you have

³⁹Smith, the Honourable G.I., Letter to the Right Honourable Pierre Elliott Trudeau, October 3, 1969.

submitted...whether all these costs fall within the ambit of the federal undertaking".⁴⁰ The Prime Minister asked that more documentation be provided and the Premier replied enclosing documentation on January 9. The extent of the request and some of the items included were not well received by some who had participated in the federal/provincial meetings on the steel crisis. There were doubts expressed at the federal level as to whether or not the federal commitment went so far as to include some of the costs involved in the takeover, or whether the commitment was merely to study the long range viability and the problems of the short term takeover. There was also some question as to whether or not some items on the list were proper under either frame of reference.⁴¹ The eventual decision, however, was to agree to the amount claimed by the province while noting that, "strictly speaking, fees in connection with the valuation of DOSCO's assets were not included in my predecessors undertaking about cost sharing".⁴²

⁴⁰Trudeau, the Right Honourable Pierre Elliott, letter to the Honourable G.I. Smith, December 5, 1969.

⁴¹Source Confidential

⁴²Trudeau, the Right Honourable Pierre Elliott, Letter to the Honourable G.I. Smith, January 28, 1970.

After examining the aid claimed by the federal government, I find it difficult not to accept their figures. The final aid package as claimed by the federal government was nine million seven hundred and eight-eight thousand four hundred and fifty-one dollars (\$9,788,451).

Progress After the Crisis and the Provincial Role

The fate of the Sydney steel mill changed rapidly in the year which followed "Black Friday" and exactly one year later on "Bright Friday", as the Cape Breton Post called it, Premier Smith announced that the Sydney Steel Corporation had reaped a solid profit of two million two hundred and fifty thousand dollars (\$2,250,000), with a projected profit at the years end of two million five hundred thousand dollars (\$2,500,000).⁴³ Robert Cameron, the Chairman of the Corporation, said that the plant would produce a record eight hundred and seventy-five thousand (875,000) tons of steel in 1968 and that the order books were filled for most of 1969.. He said the mill should reach the "...million ton mark in 1969 and produce slightly more in 1970".⁴⁴

This was a far cry from the pessimism of a year earlier and a ringing endorsement of the faith of the

⁴³ Figures are taken from an article by Ed. Payne, Sydney Steel, Atlantic Advocate, Vol. 59, No. 4, December 4, 1968, pages 43-48.

⁴⁴ Ibid, pages 43-45.

steelworkers in their mill. The problems still remained but a softening of world markets and capable leadership enabled the mill to make a modest profit. While no firm figures are available for 1969 and 1970, the sum of eight million dollars (\$8,000,000) is often mentioned as the 1970 profit level, and this was not denied by Premier Smith.⁴⁵ The Premier avoided using concrete figures but did not directly deny the suggested figure of eight million dollars (\$8,000,000). One question not yet answered, is what amount did the province spend as its share in solving the steel crisis. The answer to this question is not certain.⁴⁶

The conclusions reached here are mainly the result of a great number of interviews done in 1969 during a visit to Nova Scotia. There are several assumptions which can be made on the basis of opinions expressed by persons in a position to have some access to information and knowledge about the Sydney steel mill. First of all, it seems doubtful that public funds were used to purchase inventory since funds for this purpose were available from normal commercial sources. This, I believe, is a fair assessment since raw materials could be converted into saleable goods and their costs recovered through sale of those goods. This point was made by

⁴⁵Interview with Premier G.I. Smith, July 25, 1969.

⁴⁶No figures have ever been published to my knowledge with regard to this matter, and the author was unable to get such figures from either federal sources or sources within the province.

Premier Smith several times. It can also be assumed that since the inventory was purchased on the basis of salvage value, it would be an extremely good risk for a commercial lender.

Secondly, it is doubtful that much was paid for the fixed assets of the mill. These assets were purchased on the basis of their salvage value. Long term liabilities which would have faced DOSCO had they followed through with their decision to close were discounted from the purchase price. There would have been for example, taxes owed to Sydney under an agreement ratified by the province as well as many contracts with time to run after the proposed closing date. If, in addition, one allows for the federal aid in regard to docking and handling facilities and such claims as the province had against DOSCO, it would seem fairly apparent that the total cost of the fixed assets was probably no more than two point five (2.5) million dollars. Again, considering the availability of commercial capital, it is doubted by some that the province spent even that amount in purchasing the fixed assets of the mill. It seems not only possible, but likely, that no public funds were spent by the provincial level in purchasing the mill. This seems even more likely in light of the company's later profit position.

Premier Smith said,

"The final valuation of the fixed plant, that is everything except the inventory, turned out to be four million dollars (\$4,000,000) or something like that, and the inventory and other assets turned out to be something like ten million dollars (\$10,000,000)...as I say, we were able to finance through the banks without going into the bond market. That is still the case".⁴⁷

The cost to the province would seem, therefore, to be little or nothing in terms of dollars, but it must be remembered that losses were expected, not profits. Perhaps the main role the province fulfilled was to accept the risk to take over the plant. The federal role on the other hand was to supply most, and quite probably all, of the public funds necessary for the province to accomplish its ends. The feeling of Premier G.I. Smith in retrospect was that, "while federal aid did not seem to be much in the midst of the crisis, it was probably sufficient in looking back".⁴⁸

⁴⁷Smith, Premier G.I., Interview, July 25, 1969. The Premier was, however, unwilling to specify whether or not the figure of four million (\$4,000,000) took into account all liabilities including the wharf and bulk handling facilities. Also unclear after the interview was whether or not the financing through the banks applied to the purchase of inventory or whether it applied also to the purchase of the fixed assets.

⁴⁸Ibid, interview Smith.

CHAPTER V

REACTIONS TO THE CRISIS

The most interesting phenomena which emerge out of studying the reaction to a regional crisis are patterns of regional and sub-regional feeling. The crisis provided a focus which drew out regional responses around a specific issue and concentrated them within a given period of time. It also provided an excellent opportunity to assess the roles played by various political actors in terms of this regional feeling. Below, an attempt will be made to gauge the public reaction to the crisis and to the efforts to resolve it. In addition, the reactions of politicians to the crisis and to each other on both the federal and provincial levels, will be assessed.¹

A few comments must be made about the problems involved in identifying a region's collective opinion and the special limits placed upon such an attempt in a study of this

¹The sources of information used to gauge public and individual reactions were: first, editorial policy and letters to the editor to the Halifax Chronicle Herald and the Cape Breton Post, and as well, two weekly papers within the Province; secondly, interviews with federal and provincial political figures and others associated closely with the crisis; thirdly, letters received by political figures to the extent that they were available; fourthly, the Records of Debate, both in the House of Commons in Ottawa and the Legislative Assembly in Halifax; and lastly, statements by individuals and groups which were made public through the media.

nature. First of all, it is impossible to say that a collective group holds an opinion without remembering that each individual in the group in question may have his or her own special twist or emphasis and that each person may vary in the degree to which the opinion is felt. Individuals undoubtedly could be found in any collective whose views diametrically opposed the so-called collective feeling. It must also be remembered that the views of individuals within the collective may be slanted by a sub-regional feeling or subordinate to a supra-regional feeling. In addition, it should be noted that the sources of information used in this paper do not lend themselves to quantitative analyses through use of sophisticated analytical tools.

What the following analysis attempts to do is to identify the views expressed by a significant number of politically active Nova Scotians and to weave these views into a pattern. To a limited extent, the "man on the street" is included, through letters to the editor and letters to Members of Parliament. However, the main focus will be on opinion leaders. These include the principal federal and provincial politicians, the media and such prominent persons whose views were made public.

Rather than deal with reactions to the crisis in a group-by-group or individual-by-individual manner, it will be dealt with in chronological order. This method of presentation was chosen because it preserves the dynamics of the crisis as it evolved, and secondly, because it more accurately preserves the interplay of opinions, thus rendering them in context.

The first reaction to the steel crisis, which went beyond shock and anger directed toward DOSCO, is that of the provincial leader of the Liberal opposition, Mr. Regan. As noted above, Mr. Regan condemned the previous Conservative administration of the Province of Nova Scotia, then led by Robert Stanfield. While the federal Liberals were publicly non-partisan in their reaction to the crisis, they felt that what Regan had said was true. Mr. Stanfield had built an almost god-like reputation in Nova Scotia and had used his influence in the federal arena during the previous federal elections to the point where only two Nova Scotian Members of Parliament were on the Government's side of the House. While the federal government was most unhappy about the DOSCO crisis, it can be assumed that they were not unhappy that the former Premier, and now leader of the federal Conservative Party, was being sharply criticized. It may also be assumed that, in light of Mr. Regan's presence in Ottawa on October 12,

they played some role in the tone of the Regan statement. It is possible that they felt that the Tory's "shining knight from the East" could use some tarnish on his most prized armour. Until the very late stages of the crisis, the conduct of the two levels of government remained basically non-partisan. The only partisan input to the crisis came from Mr. Stanfield and the federal Conservative Party. The first sounds of the massive public outcry were voiced with a statement issued by the Nova Scotian Federation of Labour. Without specifying details, they called for a federal-provincial takeover of the mill and called for Contrecoeur to be included in the takeover to ensure markets for Sydney steel. They also claimed a special responsibility for the province since it was the province that had assured the future of steel. This was to be the line adopted by labour generally in the weeks that followed. All over Nova Scotia, organizations of all types and colours were meeting or scheduling meetings to discuss the DOSCO crisis and a flood of press releases followed. The content of all these early releases was, basically, similar. They condemned DOSCO and called for government action to provide a solution to the crisis. The "call for government action" never specified which government or got into details as to what exactly was meant.

The first editorial comment came from the Halifax Chronicle Herald on Saturday, October 14. As was expected, it denounced DOSCO and Hawker-Siddeley and called upon the federal and provincial governments to co-operate in seeking a solution.

Of more significance was the emergency debate in the federal House of Commons on October 16. This debate was moved by Donald MacInnis, the fiery Member of Parliament in whose constituency the mill was located. His address expressed a quiet anger with DOSCO and was delivered in sombre tones.

The next Conservative speaker was Robert Muir, Member of Parliament for Cape Breton North and Victoria. After using strong language to denounce DOSCO he recommended that the Sydney steel plant be brought under DEVCO (Cape Breton Development Corporation), "...not forever and a day, but perhaps later to be sold to a private company or, if it had to close, at least to phase it out over a long period of time." He made it clear that he was not against free enterprise but for it and that it was the peculiarities of the present crisis which made him advocate this radical step. He also claimed that he had good reason to believe that the interdepartmental committee which had advised the government prior to the setting up of DEVCO had recommended "that

steel be brought under the legislation since it would eventually be included anyway".² Mr. Muir also took exception to the Regan statement in strong terms. In addition he probed the possibilities of the Trade and Commerce Department taking initiatives to find export markets for Sydney steel. He ended with an appeal for time; time to adjust; and time to see if the plant could be kept open.

Little of consequence was added to Conservative policy by H. Russell McEwan, the Conservative member of Parliament for the Nova Scotia riding of Pictou, except to point out that the DOSCO plant, in his constituency, used Sydney steel and that there was concern that it too might be closed or its operations curtailed.

The Conservative position began to clarify more as George Hees suggested that "if the government is unable to persuade the DOSCO Corporation to carry on as it had in the past, then I believe that this Parliament has no alternative but to see to it that the Company comes under the direction of the Cape Breton Development Corporation..."³

²Canada Debates and Proceedings, House of Commons, Volume III, 27th Parliament, page 3129.

³Ibid, page 3152.

Mr. Hees was followed immediately by Lloyd Crouse, the Nova Scotian Conservative Member of Parliament for Lunenburg-Queens, who stressed that "This in fact is not a provincial problem, it is a national problem".⁴ Mr. Crouse also inquired as to whether or not the St. Lawrence Seaway could be used in some way to reduce transport costs for Sydney. This reference to the Seaway, free of acrimony over its existence, was surprising since the Seaway seems to bubble forth any time there is any controversy over federal aid to the Maritimes and Nova Scotia in particular. The Seaway was mentioned later in the crisis, usually as part of a list of grievances attached to Nova Scotia regionalism.

The two N.D.P. members who spoke in the debate were David Orlikow and Stanley Knowles, who dealt primarily with nationalization, pointing out that the Government of Canada already owned companies which compete with private business. They suggested that Polymer Corporation and Atomic Energy of Canada were examples and went on to say that it was only logical that DEVCO, which already had taken over the coal interests of this same company, should merely extend itself to include steel. Government members questioned their analogies but failed to refute their points. Mr. Knowles criticized the approach of the federal government as a shotgun approach, stating that a long-term cohesive approach was

⁴Ibid, page 3153.

necessary to solving Maritime problems. If such an approach was not adopted, he said, "...then I am afraid the next hundred years will be no better for the Atlantic Provinces than the first hundred years".⁵ Mr. Knowles' speech was the only one by an opposition Member of Parliament which touched on the area of regional discontent. This absence of regional discontent in the speeches of Conservative Members of Parliament from Nova Scotia was surprising, and one can only speculate that it came from the benumbed shock which they felt over the magnitude of the crisis.

Government spokesmen were led by Jean-Luc Pepin, who, in addition to following the already stated policy of denouncing DOSCO, and saying that the government intended to hold DOSCO to any and all legal responsibilities, promised close co-operation between the federal and provincial governments. Mr. Pepin then went on to list all the federal government had done for this area of Nova Scotia through various agencies⁶ and the studies that had been carried out by these various agencies. One point he did stress, however, was that the DEVCO legislation was "...flexible enough to allow for practically anything".⁷

⁵ Ibid, page 3149.

⁶ The major federal agencies active in the area were the Atlantic Development Board (ADB), the Atlantic Development Agency (ADA), the Federal Regional Economic Development Program (FRED) and of course, the Cape Breton Development Corporation (DEVCO).

⁷ Canada Debates and Proceedings, House of Commons, Volume III, 27th Parliament, page 3124.

The next government spokesman was the Honourable Jean Marchand who stated that as the first step, he had sent the Regional Director of Manpower to Sydney. Mr. Marchand's emphasis was on the need to require companies to live up to moral obligations and to prevent such situations from developing in the future. He did, however, make one statement which would seem to indicate that the special Cabinet Committee, of which he was a member, had not yet closed the door on the federal takeover of some sort. In reply to a question from Mr. Muir he answered that the government could not prevent DOSCO from closing but added "...of course we can decide to re-open it..."⁸ Mr. Marchand was followed by Dr. John B. Stewart, the only other Liberal Member of Parliament from the Province of Nova Scotia. Dr. Stewart went into some detail on the specific problems of the Sydney mill, using the Sydney Steel Study as a main source and stressing that the report indicated that the present operation was basically and economically sound. He also made the clearest statement to this point on the general attitude of the federal government. "There is no doubt in my mind that the government will want to be as helpful as possible and proper to the Government of Nova Scotia and to all others immediately challenged by the

⁸ Ibid, page 3137.

decision announced by DOSCO last Friday".⁹ Dr. Stewart went on to make the point even clearer with the statement that,

"...we in the House ought not to prejudge the question of the long-term operation of the Sydney plant; neither ought we to prejudge the question of the organization of management and ownership, because these questions legitimately belong elsewhere. I am saying to this House that we must be prepared, as a national body, to make available to the province, all the assistance that we properly can...."¹⁰

Dr. Stewart had always been careful in choosing his words and because of his close relationship to Mr. MacEachen and close consultation with him during the early period of the steel crisis, it must be assumed that their thinking and government policy were probably very carefully mirrored in this statement. Another point worth mentioning was the similarity between Dr. Stewart's and Mr. Regan's statement in regard to summoning DOSCO before the legislature to explain their actions.

Dr. Stewart also provided an expansion on existing government policy toward the crisis in two areas. He directed his attention to the question of nationalization, noting that any move to do so would have to ensure that the Sydney mill retained its principal customer - Contrecoeur.

⁹Ibid, page 3140.

¹⁰Ibid, page 3142.

He put the question of primary responsibility into clearer words and in addition, he added some personal comments in terms of asking the House to consider whether or not it was more expensive to keep the Sydney steel mill open or to face the costs, long and short range, of moving a large number of people to central Canada. In his words

"...there comes a point at which the savings made by concentrating industry are outbalanced by the costs of concentration...which bill will be bigger for the Canadian taxpayer, meeting the costs of making life tolerable in great metropolitan conglomerates or making it possible for steel making to continue in Sydney, thereby making possible the continuation of that city".¹¹

This statement by Dr. Stewart grows, in part, out of one of the grievances often expressed by Nova Scotians. That grievance is to the effect that the answer to problems of unemployment in Nova Scotia has been to move people to "Upper Canada". His question, however, goes beyond the usual grievance to suggest a possible basis of a new regional policy.

The only partisan sentiments of the debate were expressed by Mr. H.A. Olson, the Liberal Member of Parliament from Medicine Hat. Mr. Olson criticized the opposition for proposing no solutions but only stating the problem and he criticized the N.D.P. for their instant, all-purpose solution of nationalization. His criticisms were met with bitter

¹¹Ibid, page 3142.

jeers from the Conservative benches. Mr. Olson went on to contend that nationalization was a poor solution because the steel situation was not analogous to the situation of the coal industry.

The last speaker in the debate and the last spokesman for the government was Allan J. MacEachen who rounded out the federal views on nationalization and on primary responsibility for the crisis. "...the Sydney steel plant", he said, "is one part of the growing and competitive industry...this being the difference from coal".¹² He went on,

"Aside from the question of finances, the constitutional or jurisdictional case is stronger for provincial authority to undertake this job than for federal authority. We have situations in various provinces where, ...local support is given to plants in those provinces which are in competition with other plants involved in the same industry in other parts of Canada. This problem is a bit more difficult for a national government".¹³

He further specified the federal position by assuring "All I can say is that if the provincial government made a proposal and came to the federal government for help, it would be considered with all possible care".¹⁴

¹² Ibid, page 3157.

¹³ Ibid, page 3158.

¹⁴ Ibid, page 3158.

What was surprising in the emergency debate was the lack of expression of bitter regional feeling as is often expressed within the province. The only above noted exceptions to this were the statement by Mr. Knowles and the statement by Dr. Stewart, neither of which was bitter.

If regional feeling was not expressed in the House of Commons on October 16, it was expressed in Halifax through an editorial in the Halifax Chronicle Herald. Much of the ills of Nova Scotia were blamed on the national freight rate policy, economic policy and tariff policies. The editorial went on, "The question that Nova Scotians must ask themselves and the federal government also is, are we Canadians deserving of the same treatment as other parts of this great and wealthy country".¹⁵ They added, in customary fashion, a reminder of the "...more than eight billion dollars (that went) into various programs and other parts of this country and outside...but only two hundred and forty-five million had been given in assistance to the Cape Breton Coal and Steel Industries, and that, over a period of thirty-eight years".¹⁶ In regard to this editorial, it does no good to argue that no one reads editorials anyway. In this case, the editors wanted it read. It appeared on the front page

¹⁵ Editorial, Halifax Chronicle Herald, October 16, 1967, page 1.

¹⁶ Ibid.

of the Halifax Herald, highlighted by a picture, framed in red and taking up twenty-eight column inches. A similar format was given to the editorials of October 13, 17, 18, and 20, which also appeared on page one. Along with the editorial policy, there was a tendency for news stories to go a bit beyond the facts, as in one which appeared on the 16th of October, predicting the emergency debate is likely to be a "full scale and angry debate"¹⁷ with the Progressive Conservatives and the New Democratic Party calling for federal takeover and the government resisting. The anger in the debate was a quiet solemn anger directed at Hawker-Siddeley, and not at the government, as the article implied. This slight, but persistent bias continued throughout the crisis and after, in the placing of stories and the wording of events.

The Halifax Herald, October 17, followed its strongly worded editorial of the 16th with a milder variation which posted three facts about the crisis. First, it said that neither the federal nor provincial governments could be hesitant about enforcing DOSCO's legal obligations. Second, that public sentiment would not allow the mill to close. And third, that unusual solutions would have to be adopted. Other political statements were made about the crisis on several fronts.

¹⁷page 1. Halifax Chronicle Herald, October 16, 1967,

In Ottawa, Mitchell Sharp criticized the province for not taking steps to head-off the closure before it was announced. This is the first, and the only time, that the federal government or any of its Ministers, were openly critical in those terms. In Sydney, the Steel Worker's Union issued a press release, saying that the mill would not be closed in their opinion. In Halifax, the Nova Scotian leader of the provincial New Democratic Party, called for the federal takeover of Contrecoeur in order to guarantee markets for Sydney.¹⁸ This story was not considered front page news and could be found on page three of the Herald.

Front page space, however, was given to the provincial Liberal Leader, Gerald Regan, who called for Industrial Estates, a provincial development agency, to take over the Sydney steel mill. The only other provincial daily, the Cape Breton Post, had also carried a front page editorial on October 14 which condemned Hawker-Siddeley and called on both levels of government to take any steps necessary to force the Corporation to keep the plant open. The strong regional appeals of the Herald's editorials was absent from the Post's opening look at the crisis, although it was to be present later. The Post differed from the Herald in another way also. While the Herald seemed clearly biased towards the Conservative Party, both in the crisis and in the spring election campaign, it never gave

¹⁸The New Democratic Party in Nova Scotia had no seats in the provincial legislature and its leader directed the Party from the Gallery.

explicit editorial support to the Conservatives openly. It wished Stanfield luck but it did not adopt an editorial policy which recommended that readers vote for him. The Post, on the other hand, gave full editorial support to the Conservatives in the election campaign, and in addition, a slight reporting bias.

The Cape Breton Post's editorial of October 16 was a strong statement of regional discontent. This editorial was also on the front page. It went

"...centralization of heavy industry, a trend which could eventually lead nowhere except to lead to further disunity, is continuing unabated. In the foreseeable future we may look forward to the day when no major industry will be located anywhere but in Quebec".

"The inclination of Ottawa, both now and in the past, has been to place new industry in the 'have' provinces and dole out gradually, after much effort, delegations and negotiations by the have-not provinces, a few small industries to give them their minor place in the Canadian industrial picture".

"They (the federal government) have failed to adjust freight rates in order to place Cape Breton products in a competitive position, and in effect, have encouraged the dumping of more cheaply made European steel into Canadian markets".

"The Canadian grain grower, the dairy farmer, the car industry, the appliance companies in Central Canada enjoy protection via the tariffs and floor prices at the expense of the taxpayer. We have never been able to get it so adequately for coal and steel".¹⁹

page 1. ¹⁹Cape Breton Post, Editorial, October 16, 1967,

The Post carried much of the House of Commons debates verbatim and gave fair coverage to speakers of both major parties. The report stressed anything which made prospects for Sydney seem better. For example, though there was little in MacEachen's speech to indicate that the federal government might nationalize the mill, the story lead was "Plant Nationalization Possibility - MacEachen".²⁰ Throughout the crisis, the Post remained optimistic about federal involvement and in its editorials predicted a substantial direct role. In its comment column, called Between the Lines, which was found on the op-ed page, the general view expressed was that Nova Scotia would never get a fair shake from the government. In the latter stage of the crisis, when it became clear that the federal government had made its last offer, the editorial and comment policies became one.

The Halifax Herald of October 18 carried two editorials on the steel crisis. In its front page effort, the Herald again stressed the national aspect of the crisis and again pointed out its figures of aid to the rest of Canada as being eight point seven (8.7) billion dollars as opposed to two hundred and forty-five million dollars (\$245,000,000) to Cape Breton. The editorial added that the

²⁰Cape Breton Post, News Item, October 17, 1967, page 1.

aid to Cape Breton was decreasing each year with the phasing out and modernization of the coal industry. In its page four editorial, the Herald demanded that the federal government pay a "large share" of the costs of meeting the crisis and suggested that there was ample precedence in terms of federal aid to the uranium industry. The Herald followed up this editorial with one on October 19 which again called on the federal government to play a major role in view of the estimated costs of averting a closure. The province, it claimed, just did not have the resources to do it alone.

Several other voices were raised in regard to the crisis. Canadian Labour Congress President, Donald MacDonald, called for the federal government to take over with DEVCO as his choice of agency. James Vaughan, a Conservative Member of the Provincial Legislature, said at a Conservative meeting in Kentville, Nova Scotia, that because of freight rates, the federal government had a major responsibility for the steel crisis.

The Halifax Herald again ran two editorials on the 20th of October, stating in its front page editorial, that it was time for the federal government to thoroughly re-examine its freight rate policy and continued its demands that the federal government help generously in solving the steel crisis. Inside, on the page four editorial, it dealt with the question of responsibility.

"The question of who has responsibility for the DOSCO steel plant is largely an academic one. While it seems that the Nova Scotia government agrees with Ottawa, as shown by the fact that they are taking the first steps, no matter whose responsibility it is, the problem must be solved. Ottawa is the only one able to tackle a problem of this size. The federal assumption of most of the burden should apply to both the long and short range solutions".²¹

While the Conservative Members of Parliament avoided bitter regional statements during the emergency debate in the House of Commons, the lack of regional bitterness did not continue.

On October 23, Nova Scotian Conservative Member of Parliament, Robert Coates, made a speech significant in terms of its expression of regional feeling. He said, in part, "It is easy to pick up an Ontario newspaper today... only to find out that we are being told to face the fact that if an industry is uneconomical, it should be shut down. Surely it is time we reversed the trend of the rich getting richer and the poor getting poorer".²² He went on, "Governments, both Conservative and Liberal - I am endeavouring to be non-partisan - have been talking for a hundred years about the

²¹Halifax Chronicle Herald, Editorial, October 20, 1967, page 4.

²²Canada, Debates and Proceedings, Ibid, page 3392.

problems of the Atlantic Provinces, almost as though by talking and doing nothing, the problems would disappear".²³ What was significant about the Coates speech is that it was non-partisan and departed from the normal party lines with their claims that the federal government works to solve regional problems only when the government is of the same party label.

On October 24 the Herald carried on its front page an article by Duncan Fraser stating that Nova Scotia got a raw deal at Confederation since it got no resource rich areas and has suffered under a transportation policy which favours central Canada. In addition, the Herald made two separate editorial comments. In its first, on the front page, it praised the provincial Premier and the steel committee for their untiring efforts in solving the crisis. In the second, on its editorial page, it called for a great federal aid, even to the point of building a whole new mill if it was determined the old one was in too poor a shape to rebuild and modernize. The Herald, at this point, seemed to take for granted that there will always be a steel mill in Sydney and that the federal government must ensure that this is a reality.

Robert Winters, on the other hand, speaking in Wolfville, Nova Scotia, expressed a very different view according to the Herald news report of the following day.

²³Ibid.

The Herald reported Mr. Winters to have said that the province would be far better off to invest in sound areas such as the Halifax-Dartmouth area and that to sink money into lost causes such as Sydney steel was a waste of effort. These sentiments were never denied by Mr. Winters but he did deny later reports that he felt the Sydney mill ought to be closed.²⁴

While the Halifax Herald Editorial Board did not bother to comment on Mr. Winters' statement, it published an editorial which noted the results of the federal-provincial meeting the previous day and implied that the meeting was a good start. Another difference between the Post and the Herald became evident during these first two weeks following the steel crisis. The Herald kept up a steady stream of editorials on steel and often published several letters to the editor per day, including many heavy with regional sentiment stirred by the steel crisis.

The Post on the other hand, wrote editorials on steel very sparingly and much of its editorial comment was directed rather to international affairs. The Post, in addition, published very few letters to the editor, and in the six months following the steel crisis only one letter dealing

²⁴While a copy of the speech was not available and an interview with Mr. Winters could not be arranged, various reports and interviews indicated that these views were very close to Mr Winters' feelings on the issue.

with the crisis and with regional frustration was published. In the ten days between October 20 and the end of the month, the Post had only one editorial on steel.

On October 21, a weekly column Between-the-Lines did, however, carry some comments on steel. The unnamed writer listed federal spending in Quebec and Ontario over the past few years. He ended his comments on the question of whether or not Ottawa would come to the aid of steel. "...but on a national industry like steel, not located in Ontario and Quebec? Why? The Maritimes are not expected to get this kind of treatment. And we don't get it".²⁵ Further down the column the author notes that the Toronto Globe and Mail has taken the usual hard line editorial policy that if an industry is not economic then it ought to be closed.

The single Post editorial on the steel question came on October 23, and in it the editors predicted that Ottawa would announce heavy involvement within a week, and that, "It will involve heavy expenditures, revisions and freight rates and changes in foreign trade policy".²⁶

²⁵Cape Breton Post, Between-the-Lines, October 21, 1967, page 5.

²⁶Cape Breton Post, Editorial, October 23, 1967, page 1.

The editorial went on to claim that,

"At the present time steel plants in Ontario which are supplying material for Canada's car industry which is subsidized by tariffs, and which benefits by cheap transportation of oil from the St. Lawrence Seaway, whose losses are subsidized by the taxpayer, are themselves indirectly subsidized by the federal government ...the Atlantic Provinces only steel industry surely can expect like treatment".²⁷

The editorial continued that the mill must be kept open until a good look could be taken at its long term viability. It then suggested, "This is Premier Smith's avowed purpose and it must be our aim also, unkindly and ignorant Ontario and Montreal press comment to the contrary".²⁸ While the style of its front page editorial may have been a bit unwieldy, its message is fairly clear. The Post did not consider subsidy a dirty word. It considered subsidies a part of Canadian economic life, and included under the term "subsidy" many other types of welfare payments made to large corporations which are not normally called subsidies. The editorial underlines what many Maritimers feel. Protection of central Canadian industry is in the national interest, but protection of Maritime industry is a subsidy.

The Post also carried a letter to the editor dealing with the steel crisis. The writer mentions the Seaway and Expo as examples of federal help to Central Canada, and

²⁷ Ibid, Editorial, October 23, 1967, page 4.

²⁸ Ibid.

asks in regard to the closing of the steel mill, "... would this mean another migration to Ontario and Quebec".²⁹ The letter writer does, however, express general hope that governments will not allow the mill to close.

Nova Scotian weeklies got their first chance to register their views on the crisis during this second week, and for two of them, the Kentville Advertiser and Lunenburg Progress Enterprise, it was also to be their last mention of the steel crisis.

The Progress Enterprise, in its October 23 edition carried a fairly factual account of the debate in the House of Commons written by local Conservative Member of Parliament, Lloyd Crouse. It also directed its editorial attention to the steel crisis in two paragraphs of one of its six paragraph editorials. To the Progress and possibly to Lunenburg and area, the steel crisis was not a very important event. The editorial served mainly to record support for the editorial policy of a sister weekly the Kentville Advertiser for an editorial it had published on October 20.

That editorial suggested that the press and politicians had been too free in condemning Hawker-Siddeley for abandoning a lost cause. It went further, "...should the company be bound by gratitude for past favours, and if so what are these favours?

²⁹The Cape Breton Post, letter to the editor, October 23, 1967, page 4.

A heavy municipal tax bill? A labour force clammering for wage parity with far more productive American and Ontario steel makers?"³⁰ The editors went on to consider the possibilities of private or government takeover. "Either alternative might be possible and tolerable if, and only if, Cape Breton miners and steelworkers would be satisfied to take for their services no more than those services are worth, but that may be a vain hope". The editorial ends by suggesting that the governments encourage one of the big three steel makers to take over the Sydney mill.

There is, in this editorial by the Kentville Advertiser and in the seconding of it by the Lunenburg paper, a new element to consider. While there may be a regional feeling which unites Nova Scotians to some extent, there are also sub-regional feelings, two of which were expressed by the editorial. The first of these feelings expresses the belief held by many Nova Scotians outside of Cape Breton, that the steel workers and coal miners of Cape Breton, who are strongly unionized, make exorbitant wage demands at the expense of the industries in which they work. A second and associated feeling is that as a result of these wage demands industries in Cape Breton are constantly in danger of closing, with the result that federal and provincial governments provide a great deal more aid to the Cape Breton area than its

³⁰ The Kentville Advertiser, editorial October 23, 1967, page 6.

population would seem to indicate. The net result is a resentment of Cape Breton, its problems and its government aid. Notable in the editorial was the total lack of any Nova Scotian regional feeling. As will be noted later, members of the provincial legislature from these areas of the province registered similar feelings, but they, in addition, expressed views of a regional nature.

Another Nova Scotian weekly, the Antigonish Casket, is located much closer to the scene of the crisis and the direct economic shock of closure would have been felt throughout its circulation area which includes Cape Breton Island. The front page editorial in the October 19 edition was not the Casket's last word on the crisis and it did not show any evidence of sub-regional division. Neither did it have any comments which could be interpreted in a regional manner. In an editorial on October 26, however, it does get into the regional area.

"We are particularly impressed that there was no suggestion (in the House of Commons) of the old cry that Nova Scotians should go where the jobs were...Cape Breton and eastern Nova Scotia were not considered in the role of a poor relation with its hand out looking for the dole".³¹

The editorial went on to recommend that all Hawker-Siddeley assets in Canada be expropriated by the federal government because no trustworthy agreement could ever be reached with that corporation.

³¹The Antigonish Casket, Editorial, Section 2, page 12.

The Halifax Chronicle Herald continued its stream of editorials with one on October 21 in which it praised Premier Smith and his cabinet committee again. On November 1 another editorial dealt with a rumoured cabinet split at the federal level. The editorial assumed that the "cabinet split" story was true and praised MacEachen for his strong efforts. It noted with regret, however, that he had to push very hard in the cabinet to gain for Nova Scotia that which was owed to it. The editors expressed faith that the MacEachen-Pepin faction would prevail.

This editorial support for Mr. MacEachen, in spite of his party affiliation, is understandable only in terms of regional discontent. While Nova Scotians often accuse federal Members of Parliament of going to Ottawa and forgetting about Nova Scotia, they just as often rally behind their political leaders at the federal level and express the opinion that they must fight hard for what political leaders from Ontario and Quebec get with ease.

The first major policy statement by federal Progressive Conservative Leader Stanfield was made at the annual meeting and leadership convention of the Nova Scotia Progressive Conservative Party on November 3, 1967. The convention was held in part to choose a successor to Mr. Stanfield

and the outcome of the leadership campaign was decided largely by the steel crisis. The convention chose acting Premier G.I. Smith by default, as other major contenders moved to allow Mr. Smith to deal with the steel crisis without having to campaign.

Mr. Stanfield declared that the steel crisis was, "...not primarily a provincial matter. While the government of Nova Scotia has given magnificent leadership, it will not be good enough for the Government of Canada to sit back and take the position that the responsibility is mainly provincial".³² Mr. Stanfield gave three reasons for this position.

"First, the steel plant at Sydney is part of an integrated steel operation, much of which is located in other provinces, and consequently, the Government of Canada alone is in a position to exercise the necessary authority. Secondly, the Government of Canada has already agreed that the conditions in industrial Cape Breton are of national concern, and has established with the Government of Nova Scotia the Cape Breton Development Corporation, the aims of which would be jeopardized if the steel plant were allowed to close next spring. Thirdly, the decision of DOSCO to close the plant and import steel rather than manufacture it was probably made more attractive to DOSCO by the protective tariff reductions on the importation of steel under the Kennedy round. I am not criticizing the Kennedy round but simply stating that the federal government must accept a major share of the responsibility for working out a solution at Sydney".³³

³² Stanfield, Robert L. speech November 3, 1967, Halifax, Nova Scotia. The quote is taken from a transcript of that speech, page 2.

³³ Ibid, pages 2-3.

There are a number of points which must be made about the contents of these remarks. First of all, they are, it seems to me, light weight in terms of analyzing the problem from an economic point of view. In the second place, the first reason is surely almost a contradiction for the Conservatives would never have agreed to total nationalization of the Canadian steel industry, yet that is what is implied. Thirdly, the final point fits into a pattern of regional discontent in the way it assesses the responsibility. The implication of the remarks is that major federal policies work to the disadvantage of the Maritime region.

The Stanfield statement was answered for the federal government by Mr. MacEachen. He declared that the steel crisis was primarily provincial and expressed regrets that Mr. Stanfield had injected a note of political controversy into such an important issue, on which the two levels of government had been working so harmoniously together.³⁴

Another disagreement worth noting was one which was active in the letters to the editor of the Herald after the speech by Robert Winters. Mr. Winters had suggested that the provincial government might be just as well off to invest its resources in sound areas of the province like the

³⁴Halifax Chronicle Herald, news item, November 7, 1967, page 1.

Halifax-Dartmouth area. This was followed by several letters suggesting that Cape Breton was getting more than its share. These letters were answered by Reverend Andrew Hogan, an economist at St. Francis Xavier University, who had very harsh words for those who put their faith in the belief that, "...the Holy Trinity of economic salvation for Cape Bretoners and Nova Scotians, was Halifax, Truro and that's right friend, the valley".³⁵ This exchange of letters underlines the intra-provincial rivalry which has been noted above.

While the Herald editorial board avoided getting into the argument which raged in its letters to the editor column, it did have some words in regard to this dispute between Mr. Stanfield and the federal government over whose responsibility the crisis was. It urged the federal and provincial governments to forget about whose primary responsibility was involved and get on with the solution. In addition, the Herald reprinted an editorial from the Winnipeg Free Press which expressed sympathy for the people of Sydney and pessimism for their industry.

Of perhaps greater interest was a news story carried by the Herald regarding harsh union criticism of the financial editor of the Toronto Star for a statement which he made on

³⁵Hogan, Reverend Andrew, letter to the Editor, Halifax Chronicle Herald, November 7, 1967, page 4.

C.B.C. television to the effect that Maritime workers had a, "slow tempo". These reactions form another part of the Maritime regional thought pattern; namely, that, "upper Canadians" are condescending and ignorant in regard to Maritime problems. The union and the Herald, needless to say, denied emphatically the existence of a slow tempo in the Maritimes. The Herald claimed that production records recently broken at Sydney had certainly disproved this charge.

On October 30, the Cape Breton Post in its Between-the-Lines column praised Smith and his provincial steel committee for their hard work. The column also praised Allan MacEachen for his efforts in Ottawa. On November 4, however, they followed their praise with an attack on the freight rates which said in part, "a tariff wall has been erected between ourselves and Upper Canada which, although not called a tariff, is one, for it automatically operates against our goods as effectively as if the customs duty was placed upon them".³⁶

An interesting editorial appeared in the Antigonish Casket on November 9, which accused Britain of economic imperialism and suggested that if an American firm had been involved the outcry would have been great. It called for a diplomatic protest, and if this was ignored, a cooling of relations. At no other time during the steel crisis or its aftermath were such suggestions made.

³⁶Cape Breton Post, op. cit., October 30, 1967, page 4.

The Post editorial pages were active again on November 8 in regard to the steel crisis and again stressed the regional theme relating to tariffs. "Maritimers are often victims of snide remarks by Upper Canadians about subsidies, 'why don't you pay your own way?' they shout".³⁷ The editorial writers then listed several tariffs and comment about the deficits run up by the Seaway, adding,

"Consequently, thousands of Canadians pay extra for imported goods and this extra acts as a subsidy to manufacturers of similar goods in Canada...Upper Canadians should realize they can measure the amount paid to the Maritimers. ...but who can or would try to measure the amount by way of tariffs, deficits and the like paid to Upper Canadians".³⁸

An eloquent appeal for federal aid was made by the Right Reverend M.A. MacLellan, President of St. Francis Xavier University. The appeal was made in the form of a letter to Prime Minister Pearson which was made public on November 18, and which received much media coverage. The letter was similar in tone to the remarks of Dr. John B. Stewart during the emergency debate. It was persuasive without being critical, and again the pattern of regional discontent was evident. Reverend MacLellan asked, "must we stand by helplessly while Canada's growth pattern crystalizes into several super powerful metropolitan centres and all life on the periphery is forced into an orbit of jeopardy?"³⁹

³⁷ Cape Breton Post, Editorial, November 8, 1967, page 4.

³⁸ Ibid.

³⁹ MacLellan, Right Reverend M.A., letter to Prime Minister Lester B. Pearson, November 10, 1967.

The Chronicle Herald reprinted excerpts from the MacLellan letter in its front page editorial of November 18. In the same editorial it posted a list of the Atlantic area grievances noting transportation, freight rate policies, tariff policies and the problems of local industries competing in Canadian markets because of other federal policies. In addition, it noted the reduction in shipping as a result of massive federal expenditure on the St. Lawrence Seaway. The writers commented that Canada had a new flag and asked, "Surely it was not the intention that it fly proudly over a prosperous central part while the outer fringes are left to die".⁴⁰

On the 16th and 18th of November, the Herald had also carried editorials critical of the lack of federal response to provincial requests for aid. In addition, it had carried an inside editorial to supplement its page one effort of the 17th. The second editorial of the 17th decried the fact that Premier Smith had to, "waste his valuable time" explaining to federal finance Minister Sharp that anti-inflation policies were not exactly ideal for a province that was fighting for its economic life. This, in effect, represented to the Herald, and many other Nova Scotians, another federal policy appropriate to Central Canada but not to the Province of Nova Scotia.

⁴⁰Halifax Chronicle Herald, editorial, November 18, 1967, page 1.

The Cape Breton Post in the meantime chided the federal government in its November 18 editorial about its lack of further commitment and it called upon Mr. MacEachen to ensure action and justify the faith placed in him. This it declared was his great opportunity in spite of any cabinet opposition. This was the closest that anyone, media or otherwise, in the Province of Nova Scotia, came to criticizing Mr. MacEachen. This did not hold true for the federal level where he was criticized by the opposition members from Cape Breton. As will be noted later, this criticism was never carried by the local press.

The Antigonish Casket again chose to take a novel approach to the crisis on November 16 by suggesting that both the federal and provincial levels of government were to blame for allowing Hawker-Siddeley to lead them, "down the garden path". Nowhere else during the crisis did anyone suggest, with the possible exception of Mr. Regan, that the crisis was caused by anyone else than Hawker-Siddeley.

The Casket of November 23, in addition to carrying extensive coverage of the Parade of Concern, ran an editorial expressing satisfaction with the meetings between Premier Smith and DOSCO and suggesting that these were, "...most welcome in light of no clear cut policy statement from Ottawa".⁴¹ The

⁴¹Casket, op. cit., November 23, 1967, page 4.

editorial went on to argue that any claims that Ottawa could not take over Hawker-Siddeley holdings in Canada were "ridiculous" since many public operations were already in competition in private firms.

This was the last editorial written by the Casket editors on the steel issue, although later they published the full text of a pamphlet written by Reverend Andrew Hogan, and a lengthy article written by him on the future of steel.

The writer of the Cape Breton Post Between-the-Lines column, directed his attention to the Sydney steel crisis on November 25, stating that the next move was up to Ottawa. He suggested several possible ways in which the federal government might now aid the steel industry: capital could be provided for modernization; assistance with the freight rates could be offered; and lastly, he suggested some tariff protection or quota on imports could be imposed. The column went on to praise the Smith team for its takeover of the mill and lashed out at Robert Winters for being traitor to his native province. The reaction to Mr. Winters stand continued to be bitter and during the Liberal leadership convention that spring not a single Liberal in Cape Breton Island rallied around his banner.⁴²

⁴²Based on personal observations and conversations during the Liberal Leadership Convention, Ottawa, April 6-8, 1968.

On November 29, the Halifax Herald again carried another editorial spawned by the steel crisis. The editorial decried the poor economic position of the Maritimes and the trend toward two huge metropolitan areas quoting again from Reverend M.A. MacLellan's letter to the Prime Minister.

Also worth noting at this point is a ground swell of anti-federal and anti-confederation feeling expressed in letters to the editor of the Herald. While the letters had many suggestions as to what ought to be done, they were quite consistent in many respects and mentioned many of the same points of regional discontent noted above. Between the first and the end of December alone there were sixteen letters commenting on regional dissatisfaction which expressed negative attitudes towards the rest of Canada. On the other hand, there were only two which, while noting the disparity, called for Nova Scotians to help build a better Canada.

Meanwhile the provincial legislature was meeting to consider the DOSCO-Nova Scotia agreement and a number of the speeches and exchanges in the legislature are interesting in terms of this paper. Dr. McKeough, Chairman of the Steel Committee, makes a comment which reflects the feeling of many Nova Scotians that their province is considered to be on welfare. Dr. McKeough asked, "Does he (Regan) want us to sit back and allow this plant to close itself; to be no longer

operative; to commence to begin looking for handouts from Ottawa for the assistance that would be required"?⁴³ This is the same feeling, namely of being a welfare recipient, that was in the Casket editorial noted above.

On the question of unions, Dr. McKeough noted, "We have worked closely with the union executive and the two way exchange of information and assistance has helped us immeasurably".⁴⁴

Of interest also were the statements of Mr. William MacLean, a Cape Breton M.L.A., who praised the efforts of Mr. MacEachen and expressed assurances that his efforts would bring about a generous federal contribution. Again, as in the Herald editorial quoted above, the faith was not so much in the federal government but rather in an individual in that government and his ability to achieve a level of persuasion necessary to move the federal level.

Almost every speaker called upon the federal government to declare itself and to aid the province in its efforts. A further point of special interest was made by E.A. Manson, who observed, "...that the reception we received in Ottawa, I think that the best way I can describe it was, 'mixed'. Some of the members seemed to be cordial at one time and at other times another attitude".⁴⁵ A somewhat similar view was expressed

⁴³ Nova Scotia, Debates and Proceedings, Ibid, page 163.

⁴⁴ Ibid, page 196.

⁴⁵ Ibid, page 214.

by A. MacIssac later in the debate when he opined that, "I have great faith that the able and dedicated minister who represents Nova Scotia in the federal cabinet will be able to convince his government that this is a federal responsibility. If, however, he fails and the Honourable Mr. Sharp deals Allan another foul blow...".⁴⁶

These statements not only reinforce the view that the province met a mixed reaction in Ottawa, but re-express the opinion that the Nova Scotian member of the federal cabinet must fight hard if he is to gain anything for his province.

As has been mentioned earlier, the existence of sub-regional feelings was made obvious by the crisis. Several speakers in the debate in the provincial legislature brought this fact into sharp relief. The phenomena was first manifest in the debate in the remarks of a Conservative member of the legislature for Lunenburg, Mr. G.O. Lohnes. Mr. Lohnes said,

"Now there is one thing I think should be taken into consideration by the people of Cape Breton - and I hope they hear this - that when this is taken over and the mill kept going that they don't go on strike the next morning, that's my hope, I am not joking, we have had too many strikes in some parts of Nova Scotia and I hope this won't happen at the steel mill".

⁴⁶ Ibid, page 261.

He went on,

"...but with all due respect to my constituents - some of them think that there is too much money going into the Island of Cape Breton - I would say that this is something national".⁴⁷

The rejoinder to Mr. Lohnes' remarks came later in the debate from Conservative, Dr. M. Laffin, of Cape Breton Centre, when he directed his comments to Mr. Lohnes,

"I think, Mr. Speaker, that when we are here tonight we should say one more thing to the member from Lunenburg Centre that spoke before, let any of them here come and tell me when the miners or the steel workers went on strike lately. Years and years and years they went working for the low wage given to them and the opportunity to work".⁴⁸

Perhaps the best example of regional discontent was the speech of N. Loughton-Ferguson, Conservative member of the legislature from Cape Breton East. Mr. Ferguson went on at length, and a couple of excerpts give insight into the nature of regional feelings,

"At the time of confederation, Mr. Speaker, 1867, the Maritime provinces amongst were the most prosperous, possibly the most prosperous areas in Canada... There are some who will say that a look at the events leading to Confederation in 1867 indicate that it was felt that railway systems at the time were to be made use of in equalizing the cost of our product in the markets of central Canada with those of central Canada itself... The situation existing today and not made easier by recent freight rate increases certainly gives lie to such hopes that there might have been to this effect in 1867".⁴⁹

⁴⁷ Ibid, page 243.

⁴⁸ Ibid, page 282.

⁴⁹ Ibid, pages 218-219.

These remarks contain part of the essence of Nova Scotian discontent, that is, that the expectation of Nova Scotians in regard to confederation was never fulfilled, and that present federal policies continue to impair Maritime development.

While the legislature was in session federal opposition Members of Parliament continued to question the government as to when a decision on federal aid could be expected. The federal government maintained that it would await the passing of legislation by the provincial legislature and a specific request from Premier Smith. The Halifax Herald carried editorials calling for the federal government to act immediately, and also to consider such measures as anti-dumping laws to help Sydney. On December 9, after the two Sydney bills had been signed into law on the 7th, the Herald took a strong stance. Again it was a front page effort. Using quotations from the Hamilton Spectator, the Herald said, "If the Maritimes had developed the art of making nuisances of themselves to a degree that Quebec had done, it is certain that by now the proper economic correctives would have been applied".⁵⁰ The Herald went on to suggest that the same was true in the instance of the steel crisis.

⁵⁰Halifax Chronicle Herald, editorial, December 9, 1967.

Several exchanges in the Federal House also dealt with the steel mill. Mr. Muir, from Cape Breton, irked the Prime Minister with his insistence that the federal government act, but more interesting was a long speech by Donald MacInnis, in which he catalogued Maritime ills and feelings. He expressed displeasure about a request by Max Saltzman, Waterloo South, for a list of all forms of aid and subsidies for Cape Breton. Mr. MacInnis claimed that the Island has had no more dependency on government aid than any other area. He noted the cost of the Seaway and quoted C.D. Howe as saying, "We had to provide a St. Lawrence Seaway otherwise the steel industry would move to the Atlantic coast".⁵¹

In the Cape Breton Post of December 8, the editors were again expressing anger at what they felt was ignorance in Upper Canada, "The view held by many in Upper Canada on the relations between management and labour is without basis and fact, and is used to justify an attitude toward our area that cannot be substantiated".⁵² The editorial writer went on to give examples to back their point. On the following day the writer of the Between-the-Lines stated that money for modernization could only come from Ottawa. He went on to charge the federal cabinet with indecision, saying more than interest and sympathy was needed.

⁵¹Canada Debates and Proceedings, Ibid, page 5355.

⁵²Cape Breton Post, editorial, December 8, 1967, page 4.

The Halifax Herald, in the meantime, asked the question, how could it take the federal government so long to reach a decision with all the resources it had at its disposal when tiny Nova Scotia had reached a decision with such speed.

Between the beginning of the new year and the federal government's answer to the province on the 23rd of January, which contained its proposals for aid in the steel crisis, there was a lull in public statements in regard to the crisis. This silence ended, however, with the publication of the federal offer on February 1st.

On Saturday, February 3, the Halifax Herald called the federal offer shockingly small, saying that it fell far short of the Premier's request, and of the pledges made by Mr. MacEachen and Mr. Pearson. The editorial rated Ottawa's arguments against either types of help being inappropriate to an industry which was in competition with other steel-making plants in Canada, unimpressive. They went on to express the hope that further negotiations would produce a better deal.

While the editorial page of the Cape Breton Post was silent on the federal offer, the writer of Between-the-Lines was critical. While his comments were not in a regional tone, he expressed hopes that Mr. MacEachen would take a strong stand against his colleagues and urge favourable treatment for a

a request, he claimed that Premier Smith was about to make, for a loan of fifteen million dollars (\$15,000,000). As noted previously no such specific request was made.

The Herald again commented on the federal offer in an editorial on Wednesday, February 7.

"We all applauded Mr. MacEachen's pledge at the Parade of Concern, so did twenty thousand (20,000) people from across Cape Breton and other parts of Nova Scotia who attended. Was this mere window dressing? Did Mr. MacEachen mean what he said that Sunday afternoon when he spoke of his government's concern? Ottawa has not kept faith with Sydney, Cape Breton, nor with the people of Nova Scotia. As a measure of federal participation the two million dollars (\$2,000,000) is ludicrous".⁵³

In Ottawa in the meantime, the House of Commons was the scene of bitter debate during question period, which ended with Cape Breton Conservative Robert Muir, charging, "Why is it that every time we, the representatives of Cape Breton Island and indeed the members from Nova Scotia and the Maritimes, try to speak in this House on behalf of the people that we represent, we are howled down by the idiots in the cabinet?"⁵⁴ In spite of the speakers request to be seated he continued, "This is no joke, we want assistance, we have the sincere sympathy of the Prime Minister, and I think we should get it from the rest of the cabinet".⁵⁵

⁵³The Halifax Chronicle Herald, editorial, February 7, 1967, page 4.

⁵⁴Canada Debates and Proceedings, Ibid, page 6553.

⁵⁵Ibid.

While the Halifax Herald virtually ignored the outburst by Mr. Muir, the Cape Breton Post did not. On February 10 they gave the confrontation front page headlines and twenty-nine column inches of front page news coverage. They carried much of the debate verbatim. While the editorial writers did not comment on the incident until February 12, the Between-the-Lines columns had this to say,

"Mr. Muir and Mr. MacInnis stood up and called for aid and were howled down. Seemingly we have only two Cape Breton Members of Parliament who are prepared to speak out at Ottawa to support the request for adequate financial assistance to the Cape Breton steel plant".⁵⁶

The editorial of February 12 continued the discussion of the incident, "Although the problems of Cape Breton may cause boisterous mirth in some federal members... these are not funny to us".⁵⁷ The editorial went on to support the question that Mr. MacInnis was raising in the House in regard to foreign aid as compared to aid for the Sydney steel mill. The editorial writers claimed that about eighty per cent (80%) of all foreign aid funds must be spent in Canada. They continued.

"This foreign aid is an indirect subsidy to Canada industry. It needs no crystal ball to know where that subsidized industry is located. Members of Parliament for Upper Canada should quickly realize that although Cape Breton problems may give them an opportunity for boisterous howling, to us and to our Members of Parliament, they are desperately serious".⁵⁸

⁵⁶ Cape Breton Post, Between-the-Lines, February 10, 1968, page 5.

⁵⁷ Cape Breton Post, editorial, February 12, 1968, page 4.

⁵⁸ Ibid, page 4.

Another voice was added to the chorus denouncing the federal aid and, was recorded in the Post the following day. In a front page news item the Post quoted Reverend George Topshee of the St. Francis Xavier University, Extension Department, as saying that Cape Breton steel should seek aid from outside the country if Ottawa was going to allow, "the inexorable laws of economics to build a handful of super states in Canada outside our region".⁵⁹

The Post editorial staff took up the foreign aid issue again on February 15 to note that, "The federal government needs perspective. It is contributing two million dollars (\$2,000,000) to the steel plant in Sydney - even the Leeward and Windward Islands got more than this".⁶⁰ While there may be a question of whose perspective needs adjustment, the Post at least demonstrated a quality of tenaciousness in insisting that all forms of aid to any industry be called subsidies whether or not nicer names for them exist.

Nova Scotia's representative in the federal cabinet, Allan J. MacEachen, came in for further criticism in the House of Commons on February 26. Donald MacInnis rose and accused the government of not living up to its pledge to help which was giving during the Parade of Concern; "The Minister of Health and Welfare, although paying lip service to the

⁵⁹The Cape Breton Post, news item, February 13, 1968, page 1.

⁶⁰Cape Breton Post, editorial, February 4, 1968, page 4.

people of Cape Breton, has not accepted his responsibilities any more than the Prime Minister".⁶¹

The opposition was again active in the Federal House on March 23, and again bitterness and strong language were used by Members of Parliament, Robert Muir and Donald MacInnis. Mr. Muir led off the opposition attack with a reference to Mr. MacEachen as the, "weak sister" in the cabinet, and in the heated exchange which followed with Industry Minister Drury, Mr. MacInnis basically repeated some of his previous remarks, adding that while it was difficult to pin the governments low aid on any one minister, there was little doubt about where the Minister of Trade and Commerce, Mr. Winters, stood. This was the last time prior to dissolution that the Sydney steel problem was discussed in the federal parliament.

Again, the Chronicle Herald ignored the outbursts by Mr. Muir and Mr. MacInnis and again, the Cape Breton Post did not. On the day following the exchange in the House of Commons, a front page news item reported that Member of Parliament, Robert Muir, "Tore strips of the hides of Industry Minister Drury and MacEachen".⁶² The story went on to quote

⁶¹Canada Debates and Proceedings, Ibid, page 7016.

⁶²Cape Breton Post, news item, March 24, 1968, page 1.

Mr. Muir as stating outside the House that, "Because the government won't or can't find jobs it falls back on its manpower policy of exile - of exporting unemployment - or denuding the region of its skilled work force".⁶³

One of the other major events of the month in regard to steel was the speech by Liberal opposition leader Regan, noted above. While the Cape Breton Post reported the speech, it declined to comment on it. The Herald on the other hand ran two editorials in late March, one on the 20th and one on the 23rd. The first decried the lack of federal aid and declared it incomprehensible since it claimed the closure of the Sydney steel mill would have cost the federal level a great deal of money and would have wrecked DEVCO. The second editorial centered on Mr. Regan's speech and described it as a courageous stand which might help the cause of receiving more federal aid.

The end of March again brought developments for the Cape Breton Post to report and comment upon. The federal government announced the sale of twenty thousand (20,000) tons of Sydney rails to Chile, financed through export credit. The Post acknowledged the sale and noted that Mr. MacEachen and Mr. Pepin had announced the sale on behalf of the federal government. They failed, however, to note that this was federal aid, or as they would seem to

⁶³Ibid.

prefer, a subsidy to the Sydney steel plant. Not only did they fail to report this aspect of the sale (an omission they repeated on April 18, the date of the sale to Korea of fifty thousand (50,000) tons), but the Between-the-Lines column scorned Ottawa for its lack of aid. The column in part went as follows, "For a broken down obsolete plant so widely proclaimed by Hawker-Siddeley and the Upper Canadian experts, the Sydney mill might not have faired off too badly. ...next Wednesday we may expect encouraging news from Ottawa where no substantial aid whatever has been offered".⁶⁴ Whatever the explanation it could not have been that the Post did not realize that export credits are a form of aid to Canadian industry. While the Herald ignored the federal contribution through export credits it at least did not involve obvious contradictions in its editorial policy.

The federal government's move to purchase the coke ovens from the Sydney Steel Corporation in mid-April got news coverage both from the Post and from the Herald. The Herald, however, did not comment upon the sale beyond its news reports. In addition to the purchase of the coke ovens, DEVCO also purchased a scrap steel press which it turned over

⁶⁴The Cape Breton Post, Between-the-Lines, March 30, 1968, page 5.

to SYSCO for the use of the Crown Corporation. The Post did acknowledge the purchase of both the steel press and the coke ovens but did not, in two editorials about them, consider them aid to the steel industry. It lauded the purchases but preferred not to consider them as aid. As far as the Post was concerned, the figure of two million dollars (\$2,000,000) plus the share of the consultants costs was the total amount of federal aid.

As the campaign for the June 25, 1968 federal election swung into high gear, the press and the politicians debated a number of issues, among them the Sydney steel question. The claims and counter claims of both political groups have been noted above. The role of the press in the campaign has yet to be commented upon.

The Cape Breton Post carried the Conservative view of federal aid prominently in two front page and three, page three, news reports. Between-the-Lines noted on June 15, just prior to the election that, "Mr. MacEachen is fighting for his political life in Inverness and Antigonish when he might well have proven himself Cape Breton's number one hero last October 13".⁶⁵ As with the Herald the Post played down federal claims of assistance, but the Post went even further. As noted above, the Herald gave the federal claims a page twenty-six space, the Post never reported the

⁶⁵ Cape Breton Post, Between-the-Lines, June 15, 1968, page 5.

claim at all and in a sense it had even less reason to miss them.. Many of the television and radio spots in which Mr. MacEachen outlined the federal contribution during the election campaign were broadcast over C.J.C.B. Television in Sydney and C.J.C.B. Radio in Sydney.

In reviewing the reaction to the crisis, several points stand out fairly clearly. Both the Halifax Chronicle Herald and the Cape Breton Post struck a strongly regional flavour in their editorial coverage and to a certain extent, in their news coverage. While there were differences in the two papers in terms of their support to political parties, both favoured the Conservative party, in editorial and news coverage. The Herald, however, did not attack either Mr. MacEachen or Mr. Pearson on a personal basis. The Post on the other hand displayed no hesitation in attacking Mr. MacEachen or other members of the federal government. The Herald at least maintained a semblance of fair play. The Post succumbed to total bias. Its bias extended so far as to make its editorial comments inconsistent from time to time.

Another notable difference between the Herald and the Post were in the numbers of letters to the editor and editorials on the steel crisis. There was only one letter in the Post in regard to the steel crisis. The Herald on the other hand carried thirty-eight letters which dealt with the

crisis between October 13 and June 25, 1968. In the same time period, the Herald had forty-two editorials dealing with the steel crisis, while the Post had fourteen. In light of the fact that the Cape Breton Post is located in Sydney, this seems to be surprising.

As I have noted above, the Post did not display any hesitation about attacking Mr. MacEachen or members of the federal cabinet, while the Herald did neither. In spite of the attacks on Mr. MacEachen in the Post, when the Liberal leadership campaign was in progress, it supported him editorially and had high praise for him as a Nova Scotian and Canadian.

The Herald was also curious to this regard. After having struck strongly regional tones throughout the entire crisis, it gave equal support during the leadership campaign to Mr. Winters and Mr. MacEachen. This was the same Mr. Winters that the Post called a traitor. The Post and the Herald also differed in terms of personal support offered in the election campaign. The Herald supported Mr. Stanfield, but gave him no personal editorial endorsement. The Post on the other hand did give Mr. Stanfield editorial endorsement.

One more aspect of media reaction to the crisis has not been dealt with in detail. This aspect concerns the role of the media in expressing public opinion through its

letters to the editor column. As has been noted, the Cape Breton Post plays a very small role in terms of this function. The Herald on the other hand printed many letters to the editor, and some of these shall be quoted below and an attempt was made not to quote from so called crank letters (letters which displayed extreme emotion or which lapsed into irrationality were not considered).

The Herald published only two letters which supported the government takeover of the Sydney steel mill. The first of these written on October 28, 1967 suggested that the federal role ought to be very big since the federal government built the St. Lawrence Seaway and had funded EXPO. In addition, it suggested that the federal share ought to be considerable because the geography of Canada militates against Nova Scotia.

At the same time, the Herald published several letters which expressed a lack of sympathy with Sydney and Cape Breton. As noted previously, two letters were written in support of Robert Winters' statement to the effect that the province ought to be spending its money on areas of the province where it might do some good like Halifax and Dartmouth. In addition to these, a letter written on October 25, 1967, suggested that while Cape Breton has only one per cent (1%) of the population in Canada, it received three per cent (3%) of the aid. The writer of the letter used the Herald's figures in order to arrive at his percentages.

On November 7, the Herald published a letter which expressed some of the anti-steel worker feeling which existed in the mainland of Nova Scotia. The letter said in part, "It is time that the steel men of Sydney laid claim for the collapse of their industry on the right shoulders, namely the trade unions and themselves".⁶⁶ Significantly, all letters which expressed an anti-steel worker or anti-Cape Breton feeling were written from Nova Scotians from the mainland portion of the province.

A number of letters expressed general dissatisfaction with Nova Scotia's place in Canada. A letter writer noted on November 10, 1967, "Nova Scotia is being reasonable and will continue to be treated with paternal benevolence and the type of handouts usually given to beggars".⁶⁷ On December 2 another correspondent decried the building of industry in central Canada only. "Why not help populate Nova Scotia?", the writer asked. On December 20, another contributor expressed the opinion that, "We in the Maritimes do not have the same ballot box potential as possessed by the Province of Quebec, so we can readily understand why concessions are being made to that Province. Are we Canadians?"⁶⁸ On December 27 another

⁶⁶Halifax Chronicle Herald, letter to the editor, November 7, 1967, page 4.

⁶⁷Halifax Chronicle Herald, letter to the editor, November 10, 1967, page 4.

⁶⁸Halifax Chronicle Herald, letter to the editor, November 20, 1967, page 4.

writer suggested that, "The picture of Canada we see today is one where the largest and richest provinces receive a major share of federal funds, while the economy of the smaller Atlantic provinces progressively shrinks, and Canada, to many Canadians, ends at Montreal".⁶⁹

A more extreme view was expressed in the letters to the editor column of February 17, "Separatists still exist in Nova Scotia, but appear to be resigned to accept the impoverished state they now exist in".⁷⁰ The same spirit of pessimism appeared in a letter published on March 2. "Premier Smith is whistling in the dark if he thinks the Maritimes are to share in the economy of Canada".⁷¹

All of the letters were not of such a general nature and several dealt specifically with the tariff and freight rate grievances. A letter published on October 23 echoed in part what the Herald had been saying in its editorial pages. "Freight rates are the key to the mill's problems"⁷² A second letter along the same lines appeared in the Herald on December 12. A small businessman whose business had recently failed due, in his opinion, to tariffs and freight rates, wrote "...the duty collected by the federal government to protect car and other manufacturers I am sure would go along way toward equalling

⁶⁹Halifax Chronicle Herald, letter to the editor, December 27, 1967, page 4.

⁷⁰Halifax Chronicle Herald, February 17, 1968, page 4.

⁷¹Ibid, March 2, 1968, page 4.

⁷²Ibid, October 23, 1967, page 4.

the money we receive from Ottawa".⁷³ A third and final letter in regard to tariffs and freight rates was published on June 4, 1968. It said in part, "The Atlantic Provinces don't need handouts - they need a better deal on tariffs and freight rates in order to make the region competitive".⁷⁴

A number of letter writers proposed a solution to the political problems of Nova Scotia. Three different solutions were proposed on November 29, November 30 and December 1 in letters to the editor column. The first suggestion was that Nova Scotia seek to become the fifty-first State of the United States. Another letter suggested that all the Maritime provinces join the republic to the south. The third suggestion was that Maritime Union be formed and then the United Maritimes secede from Canada.

A somewhat tongue-in-cheek letter published on December 16 suggested, "To conclude, we have submitted to the English and suffered for it; let us now try the French, for we can fare no worse".⁷⁵ The import of the letter was to offer the novel solution that the Maritimes unite, join with the Province of Quebec and secede from Canada. Another contributor to the letters to the editor column suggested Maritime Union in order that the maritime provinces would have

⁷³Ibid, December 12, 1967, page 4.

⁷⁴Ibid, June 4, 1968, page 4.

⁷⁵Ibid, December 16, 1967, page 4.

a united voice in Parliament. "Naturally, seventy-five (75) Quebec members or eight-five (85) from Ontario can drown out the plaintive squeaks of Nova Scotia's twelve (12), New Brunswick's ten (10) and Prince Edward Island's four (4), even when they agree, which is seldom".⁷⁶

It must be noted, however, that two letters to the editor expressed displeasure with the defeatist attitude of those who wished to leave Canada. These two writers suggested that Nova Scotia remain in confederation and fight hard for, "its place in the sun". Both of the writers of these letters did however, express the opinion that the Maritimes were not getting fair treatment within Confederation.

One of the points often mentioned in expressions of Maritime regionalism is the fact that many young people move away from Nova Scotia in order to find employment. On December 6 and December 7, two letters were written which called for the young people of Nova Scotia to stay in the province and build it. In addition both of these letters expressed sentiments against joining the United States. The migration question was also dealt with in a letter on December 11 which charged, "Upper Canada" with failing to implement its part of the Confederation pact. The letter mentioned freight rates, tariff walls and the unnecessary length of the inter-colonial railway as examples of this failure. It went on,

⁷⁶Ibid, February 14, 1968, page 4.

"Our productive age groups...have been forced to leave because of lack of opportunity at home; this lack can be charged directly to the conditions that have developed under Confederation."⁷⁷

Another writer to the Herald on December 20 blamed the export of youth on politicians who failed to support policies necessary to Nova Scotia. "What justification is there for a Maritime politician who supports, actively or passively, the tariff wall which not only cuts us off from our natural markets in New England, but forces us to buy our imports from central Canada at a price much above what we would pay elsewhere?"⁷⁸ An interesting aspect of this letter was its tendency to regard central Canada and New England as equally foreign countries. Perhaps the most bitter letter to the editor concerned this outward migration of Nova Scotian youth. This is perhaps understandable because it is something which is close to the heart of many Nova Scotians. The letter said, "Ever since being forced into bondage back in 1867 to obtain their livelihood, countless of thousands of Maritimers have been forced to migrate from their exploited homeland".⁷⁹

⁷⁷ Ibid, December 11, 1967, page 4.

⁷⁸ Ibid, December 20, 1967, page 4.

⁷⁹ Ibid, January 29, 1968.

A number of letters to the editor also commented upon the role played by political figures and political parties. In a letter published on December 16, the author offered the opinion that, "Stanfield, like most of our politicians, will sell us down the river for a few seats from Quebec".⁸⁰ As the election campaign drew closer, two letters were published which commented upon the old line parties. The first condemned the lack of concern of the old line parties for the Atlantic region in past federal governments. The second published on June 7, said, "The promises of the old line parties face us again. How long will it be before they actually do something for the Maritimes?"⁸¹

One last observation should be made as a result of the letters to the editor in the Herald. In four letters the Province of Quebec was named in a disparaging way. The impression which seemed to be given was that Nova Scotians resented the success which Quebec was achieving in terms of attaining some sort of special status in Confederation. Only one of the contributors to the letters to the editors column recognized that Nova Scotians and Quebecois had something in common in their discontent over the present reality of Canada.

⁸⁰ Ibid, December 16, 1967, page 4.

⁸¹ Ibid, June 17, 1968, page 4.

A number of expressions of regionalism were also recorded in interviews with the political figures who were prominent in the steel crisis.⁸² A number of those statements are well worth noting at this point. One member of Parliament expressed the opinion that,

"Voters and people close to the crisis felt that people in Ontario really did not give a damn and B.C. cared even less".⁸³

Another Member of Parliament noted that, "There was alienation in Nova Scotia as a result of the lack of direct federal involvement and the feeling was stronger as you moved closer to Cape Breton".⁸⁴

All six Progressive Conservative Members of Parliament who were interviewed agreed that Nova Scotians were alienated by the federal role in the steel crisis. Needless to say, this view was not shared by the two Liberal Members of Parliament from the Province, Allan J. MacEachen and Dr. John B. Stewart. In addition, Mr. MacEachen expressed the opinion that, "Federal help to the Province of Nova Scotia is as good as to any other province and a great deal better than some".⁸⁵

⁸²Unfortunately the author was unable to arrange interviews with three Nova Scotian Members of Parliament. In the interviews with the other eight Nova Scotian M.P.'s, and for that matter in all of the interviews for the paper, a conscious attempt was made not to seek out regional statements. Almost without exception, however, regional statements were made.

⁸³Forrestall, Michael, interview, May 12, 1969

⁸⁴Nowlan, Patrick, interview, May 23, 1969.

⁸⁵MacEachen, the Honourable Allan J., interview, Ottawa, July 14, 1970.

Other than Mr. Forrestall, only one Member of Parliament who has not been quoted previously makes strong regional statements. Patrick Nowlan expressed the feeling that,

"Many people felt that federal actions such as the building of the Seaway and the erection of tariff walls had done a great deal of harm to the Sydney steel industry, and to Nova Scotia generally. They felt that the federal government should have been prepared to do a great deal more to relieve the Sydney situation which was partly a result of federal policies."⁸⁶

Another interesting area of comment was in regard to anti-steel worker or anti-Cape Breton feeling which existed in the constituencies of mainland Members of Parliament. Dr. Stewart, whose riding is closest to the Island of Cape Breton, admitted the presence of some of this feeling. In the case of Russell MacEwen, the member for Central Nova, he noted that the feeling was not present in the more urban areas of his riding, but did exist in the rural areas. This is explainable because of the fact that in the urban areas of his riding the economic mainstays are a steel foundry, which was owned by DOSCO and coal mines. A large percentage of unionized men and the presence of DOSCO created a great deal of sympathy for the Sydney workers. The two members who represented Halifax and Dartmouth ridings acknowledged that the anti-steel worker and anti-Cape Breton feeling was present

⁸⁶Nowlan, Patrick, interview, Ibid.

in their ridings also, but stated that it was neither strong nor serious. Among those interviewed, only Mr. Nowlan said that he felt inhibited by the strength of the anti-steel worker feeling in his constituency.

In surveying the reactions to the steel crisis, it becomes evident that the grievances which make up the pattern of the discontent in Nova Scotia are shared to a great extent by many segments of the population and by the politicians of both levels and all parties. In the concluding chapter an attempt will be made to draw together these feelings, the regional factors which affected the economic health of the steel industry, and the process by which the steel crisis was solved, in order to try and make some generalization about the nature of Nova Scotian regionalism.

CHAPTER VI

CONCLUSIONS

There are a number of phenomena highlighted by examining of the Sydney steel crisis which are of interest in terms of Canadian Federalism. Two of these are quite specific and pertain to the method of crisis solution in the Canadian federal state, and to the intensity of federal-provincial contact. The third covers a broad area of federal-regional relationship.

How does a federal state solve jurisdictional problems in a crisis situation where the need for immediate action allows no time for litigation and judicial process? In announcing the closure of its Sydney steel mill, Hawker-Siddeley gave governments in Canada thirty-three (33) days in which to act, for at the end of that short period of time the process of closing the mill was to begin. If the steel industry was to be kept operating at an even level and massive layoffs were to be avoided, a solution had to be found during that period of time.

The federal government made its decision quickly, and that decision was that the steel problem was primarily a provincial matter, but that the federal level did have an interest, and would be most willing to co-operate with any

initiative which the province might propose. This stand was based on two grounds as noted in the statement by the Honourable Mr. MacEachen in the House of Commons on October 16, 1967. First, he said, "...however, bearing in mind that the Sydney steel plant is one part of a growing and competitive industry in Canada it would present difficulties if a national government selected a single plant to be operated and supported with public funds in competition with other plants involved in the same industry in other parts of Canada".¹ He went on to add, "I do believe that aside from the question of finances the constitutional or jurisdictional case is stronger for a provincial authority to undertake this job than for a federal authority."²

Mr. MacEachen was challenged on the constitutional aspect by New Democratic Party leader, Mr. Douglas, who asked what the constitutional difference would be that would allow the federal government to take over selected coal mines but not selected steel mills. Mr. MacEachen answered that the coal mines were not in competition with any other coal mine, and that that was the difference. Mr. Bell, the Progressive Conservative member for Carleton, interjected that the

¹Canada, Debates and Proceedings, op. cit., page 3157.

²Ibid, page 3158.

constitutional aspect was not involved, and later advised the minister that he ought to leave the constitution to the experts. Mr. MacEachen accepted his advice and moved the discussion on to a possible DEVCO role. Federal statements after this time merely reiterate the claim that the problem is primarily a provincial matter.

The province, in its turn, stated that the threatened closure "...created problems of national concern and will require to be dealt with by joint action of the Federal and Provincial Governments".³ The province also, as noted above, stated that it was considering asking DEVCO to assume operation of the plant. Thus while the federal government made it quite clear from the outset that it regarded the problem as provincial, the provincial government statement talked of national concern and joint action with possible federal takeover through DEVCO.

What settled the jurisdictional question was the necessity to act on the part of the province. The province assumed primary responsibility in light of a strong federal stand motivated mostly by the economic difficulties of federal involvement and the necessity of the province to act for political reasons. The question of jurisdiction in time of crisis, whether on economic or constitutional grounds, was decided by which level of government found itself.

³Press Release, Nova Scotia, October 13, 1967,
page 2.

under the most pressure to act.

While no generalization can be made from this one instance, it seems likely that under crisis circumstances the regional or provincial government would, in most cases, be forced to accept primary responsibility because of its proximity to the crisis. This would be the case unless the crisis involved some other country.

A second observation is that the steel crisis also pointed up a strong capacity and tendency for the federal and provincial governments to co-operate and interact with each other. There were four meetings between the Premier of Nova Scotia and the Prime Minister, three of which included the steel committees of both levels. In addition to this there were two other meetings between senior civil servants of both levels. Nor was contact limited to these meetings. During the first ten days of the crisis, political and civil service officials were in contact of upwards five times each day according to Premier Smith and Dr. MacKeough.⁴ While Mr. MacEachen could not remember exact figures, he agreed that the estimate of the provincial leaders would be fairly accurate.⁵

⁴Based on interviews with both Dr. MacKeough and Premier Smith.

⁵Based on interview with Mr. MacEachen.

While the amount of communication by telephone slowed later in the crisis, it remained daily until the province announced its decision to purchase the plant. What was as important as the frequency of the contact was the assertion by Dr. MacKeough to the effect that "both Mr. MacEachen and the Prime Minister made themselves available for communication at any time and advised many key civil service personnel to do the same."⁶

In addition to personal and telephone contact the steel crisis generated three telegrams and twenty-one letters at the ministerial and Prime Ministerial levels. When asked if there was any one outstanding feature of the steel crisis which stood out in their minds, both Premier Smith and Dr. MacKeough made note of the high level of contact and communication between levels of government, and both agreed that while there had been substantial previous contact the steel crisis had permanently opened new channels of communication especially at the civil service level.

This reported increase of contact would have the effect of increasing the ties between the sub-system and the central system, and thus increasing the likelihood of co-operation between the two levels. This would possible also decrease the tension which results from the feeling of some Nova Scotians that central Canada is ignorant of Nova Scotian problems, and prejudiced against the region.

⁶Interview, Dr. T.J. MacKeough, Halifax, Nova Scotia, July 25, 1969.

The main thrust of this paper has been the regional feeling expressed in the province during the steel crisis and the basis of that regional feeling in the economic life of Nova Scotia as evidenced by the economy of the steel industry. The history of regionalism has been briefly traced above and it was evident during the steel crisis that a sense of historical injustice is felt by many Nova Scotians. Examples of this historical perspective were found in the press statements by politicians and from numerous other sources. This historical view remains the constant point of departure each time Nova Scotians see either a new issue as one which detrimentally affects the region or an economic decline which appears to be new evidence of their historic economic position.

It may be true to a certain extent that even failures which ought to lie squarely upon Nova Scotian shoulders are blamed on confederation. Certainly it is true that in the case of the steel crisis significant sections of opinion chose to blame the government of Canada and not Nova Scotia for the crisis. On the other hand, an objective appraisal seems to place at least part of the blame on the province. Such criticism as there was from the provincial Liberal opposition was ignored by the Cape Breton Post and the weeklies, and buried in the back pages of the Herald.

This, however, is not meant to suggest that there is no basis for the Nova Scotian feeling that confederation was the author of their economic problems. Some basis for that criticism is readily apparent in the economic factors which plague the Sydney steel industry. The most striking factor is the lack of a national economy in the sense that the economy of Nova Scotia faces great problems in trying to participate in the economy of Canada. Further we note during the crisis, federal economic policy designed to have beneficial effects on the national economy are often at best irrelevant to the problems faced by Nova Scotia, and, at worst are detrimental. These two closely related facts give substance to the regional claims.

The economic factors which support growth are not present in Nova Scotia as the steel case demonstrates. The province has small local markets and has to face tariff barriers and high transportation costs in order to compete in non-local markets. In addition, to this, the economies of scale which govern almost all modern industry make it imperative for industries to be of a size at which production is far in excess of the demands of the small Atlantic market. These interrelated factors were responsible for the difficulties of the Nova Scotian steel industry:

While the federal government can do little to control the economies of scale, tariffs and transportation have long been part of federal policy and subject to federal control. As has been noted above, not only are transportation costs and more specifically freight rates high, but in addition, their structure does not lend itself to encouraging highly sophisticated industry to locate in Nova Scotia. This had a direct effect on the prospects for diversification at the Sydney steel plant.

The tariff question has another effect which was noted during the steel crisis. Nova Scotians must pay more for a number of goods both in terms of tariff and transport costs because less expensive sources of supply are not open to them. Thus, Nova Scotians feel the double edge of tariff policy. Not only does it help discourage industry from locating in the province but it results in a higher cost of living. In this regard also, transportation costs are double edged. They not only make industry less viable but add to the cost of goods which, for economic reasons, must be procured from central Canada.

These factors and the resulting low level of industrialization give the province a lower than average cash income, when compared with the average of the rest of Canada's provinces. In addition the province has a limited resource base and while future discoveries of oil may change this,

there is at present little income to the province from the resource field. As a result of the low level of cash income and resource income the provincial treasury has long been in a difficult position to provide services at a level which we have come to expect in a Canadian province.

This fact has been recognized almost since confederation. It has been the reason behind transfer payments to the poorer provinces. Any new expenditure therefore, puts a great strain on the province, and the effects of this budget squeeze are evident in the frequent appeals by the provincial government to the federal level. The steel crisis is a classic example of this. It was also evident that, to some extent, Nova Scotians expect the federal government to help in such situations almost as an automatic response. As will be noted later, one of the results of such a dependent relationship with the federal government is a defensive attitude. It quite probably contributes to the tendency noted above to blame Ottawa for regional problems.

The feelings Nova Scotians have in regard to the effect of confederation on their economic situation are based firmly in reality. This, in a sense, is not as important as the mere fact that the feelings do exist. Even if they were groundless they would not be irrelevant. These feelings

profoundly affect the conduct of public business in the province and the relationship between the province and the rest of Canada. The existence of a basis for these feelings in reality is important, rather, in understanding those feelings in order that they may be dealt with by Nova Scotians and by Canadians.

These underlying economic factors had a number of secondary effects both in terms of concrete problems and in terms of regional feeling. Two areas of concrete problems which result from them are the difficulties surrounding subsidies and the youth drain from the province.

Several times during the crisis the media, politicians and others mentioned the drain of young people, especially well-educated youth, from the province. The impact of this problem cannot be ignored. Nova Scotia is still largely a rural province and urbanization has not greatly eroded the ties of the extended family. Nova Scotians expect to live close to their work and to their homes. The experience of seeing their children forced to move to "Upper Canada" to find employment has left many bitter. In addition their loyalty to their province prompts them to ask what future lies in store for it, when its most energetic, ambitious and educated young people are removed generation after generation.

The position of economic dependency has resulted over the years in subsidies for Nova Scotian industry and transfer payments, not as a short term measure, but as a long term reality. This puts the province in somewhat the same position as a welfare recipient, and references to such feelings were evident during the steel crisis. In addition most of the forms of aid received by Nova Scotia are in a form which is highly visible. Somewhat like the welfare recipients' Christmas dinner, they arrive as public charity. Nova Scotians feel that the aid they receive should not be regarded as being any different from aid received by other provinces through more subtle means.

The Cape Breton Post in particular spelled out what it considered to be subsidies. The aspect which irritates Nova Scotia is that while its aid is labelled "subsidy" and tarred with the brush of cold charity, forms of aid to central Canada are lauded as support to free enterprise and Canadian industry. Projects such as the St. Lawrence Seaway and Expo are often viewed in this manner as well.

Moreover, as an extension of the feeling of defensiveness, regional exponents are likely to point to aid items to other parts of Canada and claim that Nova Scotia is not getting its fair share. It is notable that both major daily papers made an attempt to total items they regarded as aid to other parts of Canada, and to compare it with aid to

Nova Scotia. While it is probably impossible for anyone to calculate accurate figures to support such claims, many Nova Scotians believe that they are being discriminated against. The production of figures to prove their point will likely be part of the reaction to any new regional issue.

Another area of interest in the regional reaction to the steel crisis was the anti-Upper Canadian feeling. This feeling was expressed in the belief of many Nova Scotians that the people of central Canada did not understand the problems of Nova Scotia. The newspapers of central Canada were noted for their lack of understanding as was the C.B.C. television team which did a program on the steel crisis. There was also angry reaction to an attempt to ask a question in the House of Commons in regard to how much aid was given by Canada to the Maritime Provinces. In addition, there was strong reaction against the claim by an Ontario paper that Maritime workers had a slow tempo. Many in the province expressed the view that the people in central Canada regarded Maritimers and Nova Scotians as some sort of slow, unmotivated sub-species.

This anti-Upper Canadian reaction is, in part, a result of defensiveness but has some root in reality. As was noted the Toronto Star published an undistinguished analysis

of the steel crisis, but later as a result of further investigation, published another rather different point of view by the same writer. The C.B.C. programme was also rather undistiguated. Also, as noted above, the analysis of the steel crisis by several civil servants left much to be desired. The inescapable conclusion is that there is some justification in the feeling of Nova Scotians that there is a certain amount of prejudice and ignorance in central Canada in regard to their problems.

Some Nova Scotians also commented on the political realities of the small size of their province. Several times during the crisis the view was expressed that a mere eleven Members of Parliament from Nova Scotia do not create much of a power block in Ottawa. Added to this was the realization that they seldom act as a block, due to party differences. Some Nova Scotians view the Canadian Parliament, not as being hostile, but rather as being not really concerned with their problems.

Regional feeling expressed during the steel crisis tended to see confederation as a mistake, or as having a long run detrimental effect on the province. While there is disagreement with regard to details there is a general thread of common anti-confederation feeling. At the same time, many Nova Scotians see themselves as depending upon the rest of

Canada for a solution to their problems. However, there seems to be only partial faith that the rest of Canada knows of their problems and cares about them or considers them worth the effort.

There are a number of factors which interfere with clear expression of Nova Scotian feeling. First, there was a distortion in the printed news media both on a regional and on a party support basis. Secondly, there seemed to be a fairly low level of differentiation between the responsibilities of the federal and provincial governments. Thirdly, there was the existence of sub-regional feelings, and fourth there was distortions caused by divisions along party lines.

The bias in both major dailies toward the Conservative Party was striking. In addition there was a strong regional tone which was not balanced by any other sources of written news. Both major dailies were owned by Nova Scotian interests and both have an almost totally regional circulation. The lack of intrusion into their market by a national paper left their views of the steel crisis unchallenged. The weekly papers, if anything, make the total news media of the province more parochial. Their orientation in addition to reflecting regional bias reflects a narrower sub-regional emphasis. Spontaneous regionalism is therefore subject to a multiplier effect by the printed news media, and the only challenge to it within the region is sub-regional.

Secondly, as noted above, there is a tendency to confuse federal and provincial responsibilities in dealing with concrete issues. In the many letters and telegrams from groups and individuals, there was only one instance where the division of responsibilities was given cognizance. More than that the news media down played this aspect of the steel crisis and ignored any analysis of who was properly responsible. The reaction was to blame Ottawa as much as possible, while, like the ostriches, their heads were buried firmly in the sand.

The distortion caused by sub-regional reactions was possibly the most important. Much of the comment on the mainland of the province, while expressing some sympathy for Sydney, also expressed a feeling against the unions which are strong in Cape Breton. Part of the blame for the crisis was laid on the unions. The areas of the mainland where this sub-regional feeling was strongest tended to be the areas which were less unionized. There was also an element of feeling that Cape Breton gets more than its share of government attention and aid. While this did not erase a feeling of common regional grievance, it effectively muted and blunted it.

The strength of sub-regional feeling was affected by a factor other than distance from Cape Breton and the level of unionization. The more contact a Nova Scotian had with other areas of the province, the more likely he would

have stronger regional feelings than sub-regional feelings. Thus, the weekly newspaper editors expressed stronger sub-regional opinions than did the provincial members of the legislative assembly, or the federal members of parliament. In turn the federal member of parliament and the provincial legislature member expressed stronger regional awareness than the editors of the weekly papers.

The expression of a clear and unified regional voice was impeded as well by party considerations. This division was most effective on the federal level, where a unified regional position simply did not materialize. The reaction of federal members of parliament from Nova Scotia was within the regional pattern but party solidarity kept agreement from being realized on what course of action should be followed. The federal political representatives, nevertheless, all expressed regional feeling to some extent.

At the provincial level the strength of regional feeling proved to be the stronger force. Mr. Reagan felt himself to be under enough regional pressure to abandon his federal party comrades and expressed disappointment at the federal response to the crisis. This is of considerable importance in Nova Scotia where the federal and provincial party organizations are for all practical purposes identical. This intra-party split emphasizes the strength of regional feeling.

It might be helpful at this point to refer to the theoretical perspective suggested in the first chapter. In order to analyze Nova Scotian regionalism it is necessary to provide some basic overview of the factors which comprise the regional feeling in order to attempt to assess what it means in terms of the dynamics of Canadian federalism.

There is an interrelated network of grievances which tend to support a pressure toward separation and alienation in Nova Scotia. At the center of this web are the difficulties which beset the economy of the province, and its failure over a period of more than a hundred years to become integrated into the national economy. The network, therefore, has historical depth as well as a number of related grievances which have resulted from the history of economic stagnation. In light of this, any detrimental economic event tends to become a new focus for discontent which revives not only the central issue but a host of subordinate issues and past historical events. The problem is exacerbated by the weak financial position of the provincial government which forces it to approach the federal level for aid to deal with even seemingly minor setbacks.

The steel crisis seems to suggest the possibility of a pattern of regional response to any situation which

affects the network of regional grievances. At the provincial political level there is expression of dissatisfaction with the federal level but a willingness and even an eagerness to co-operate. At the same time, the federal representatives from the province divide along party lines with opposition members expressing bitter dissatisfaction. Concurrently, government members support the federal level while making private behind-the-scenes representation on behalf of their provincial interest often couched in the language of regionalism. The provincial opposition however seems to be bound more by regional feeling than party ties.

Non-governmental response tends to be heavy in its criticism of the federal level especially as far as the media is concerned. The media foster regional discontent but fall short of any call for a separatist stance. The only separatist response comes from a few isolated individuals.

In light of such a fervent revival of the network of regional grievances, it seems almost anti-climatic that the call for separatism is not a great deal stronger. An analysis which confined itself to the web of grievances would fail to explain why the province would not opt out of confederation. The explanation comes from seeking the area of dependence of the province on the federal level.

The province is dependent upon the government of Canada for its economic survival to the extent that it cannot seriously use separation even as a threat in its dealings with the national level, much less, consider it as a serious possibility.

It should also be noted that in its refusal to accept responsibility for the steel crisis, the federal level demonstrated its dependence upon the regional government. It in fact admitted that because of the economic diversity of the country it would not be able to take action such as that taken by the province. This highlights the theme of mutual dependency in the Watts thesis.

It would seem, as well, that there is at present no evidence of movement along the continuum suggested in Chapter 1. It is necessary, however, to look more closely at the balance point which exists. As it exists between Nova Scotia and Canada this balance point is not so much a compromise at the point of greatest mutual interest as it is a stalemate of mutual frustration. For its part, the federal government has found itself unable to integrate Nova Scotia into the national economy. Nova Scotia on the other hand has found itself unable to secure for its people a satisfactory standard of living and an acceptable level of progress.

The stalemate of mutual frustration is even more interesting because it seems to be one which would not be amenable to a re-allocation of functions between the federal and regional levels. The areas of jurisdiction which affect the economy, inter-provincial transportation, tariffs, and economic policy, are areas which will most likely not even be considered as negotiable in terms of federal-provincial bargaining. There is therefore no feasible re-allocation of powers which would seem to offer a solution.

There would also seem to be little hope of solution in current economic policy approaches to regional problems. Tax breaks and incentives may lure industry to the province but the creation of a sufficient home market and other necessary conditions seems a remote possibility in an age approaching zero population growth and in an area with a defined limit on living space. Nova Scotia does not find itself in a position analogous to British Columbia with its vast interior rich in natural resources and largely empty.

Separation from Canada is not a viable alternative either. Aside from long range questions of economic viability it is most doubtful if Nova Scotia could, at present, stand even the initial cost of separation just in terms of the loss of transfer payment income.

The next question which must be considered is that of the future prospects of regionalism and federal-provincial

relations. It would seem likely that there will continue to be bursts of regional feeling around specific events which tend to highlight the problems of the province. The pattern observed in the steel crisis is not likely to disappear until the problems which underlie it disappear.

As well the seeming inability of the federal government to gain favorable publicity for its efforts on behalf of the province will strengthen the position of the regionalists. In the case of the steel crisis the federal government contributed most, if not all, of the cost of meeting the crisis, yet few of those interviewed were aware of this and the two major daily papers ignored it.

One hypothetical situation underlines the importance of these federal problems. If Nova Scotia were to benefit from the discovery of off-shore oil to the extent that it no longer depended upon transfer payments the equilibrium might be in jeopardy. This is a real possibility especially since such a development would solve the problem of economic dependence but would leave untouched to a large degree many of the other more basic problems. It is not impossible that the province might become a "have" province with a "have not" economy.

In light of this it is important for the federal government to continue to assist the province as it has in the past. It should however insure that it is able to achieve public recognition for its actions. Even more important, however, is that the country as a whole realize that there are costs to be paid for future unity.

The federal government must search for new ways to integrate the economy of Nova Scotia into the economic life of the nation. It would seem that solutions must be found, beyond those presently being tried, which will effect a change in the basic problem areas of transportation and tariffs. Solutions must have the effect of giving Nova Scotian industry access to markets of sufficient size. Perhaps innovative solutions will have to be made to convince Nova Scotians that Canada is really committed to national unity and regional economic equality and perhaps through such considerations the regular outbursts of regional dissatisfaction will finally end.

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