

1 FOR GENERATIONS

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19 *can be reviewed in the SFU Archives located at the Burnaby Mountain campus.*

20 **Introduction by Professor Cook**

21 Those of you who were here on Wednesday night will remember the remarks of Howard
22 Green who was, at the time of negotiations to the Treaty, Secretary of State for External Affairs.
23 Well it's a continuation of the development of the federal level of concern with the development
24 of the Treaty. We've asked the honourable Alvin Hamilton to come and to address us on the
25 subject of nation, province and national resources and the Columbia River Treaty of 1961.

26 I'm sure Mr. Hamilton is well known to most of you because of his political career. He
27 was actually born in Ontario, although I think he is probably most closely associated with
28 Saskatchewan. He moved to Saskatchewan in 1927, was educated in Saskatchewan schools, the
29 University of Saskatchewan, and taught in Saskatchewan. Then when war came, he went
30 overseas with the RCAF and at the end of the war, came back and became very active in the
31 provincial organization of the Saskatchewan Conservative Party. He told me that he entered
32 every general election from that period on. He met defeat after defeat but through the years he
33 got a few more votes. He got better at it and finally he was elected in 1957... zoomed straight
34 into the Department of Northern Affairs and National Resources in August 22, 1957. It is in that
35 capacity that the question on the, of the Columbia River came under his purview. And he became
36 the chairman of the Columbia River Liaison Committee. And it is in that capacity that we have

37 asked Alvin to come and address us tonight. I give you the honourable Alvin Hamilton.

38 **CRT Lecture 2: Alvin Hamilton**

39 Thank you very much. When I was first asked to speak on this subject, I thought this
40 subject was defined as, “What was in our minds at the time of the negotiation of the Columbia
41 River Treaty?”. And then when I got the written material I found it was broadened out to nation,
42 province and national resources. Because I don’t think I can handle all that in a short speech, I
43 decided just to hand you a written copy of my views that I delivered 15 years ago and I haven’t
44 changed my views since. And if everyone wants some, this is the philosophy of the development
45 program that we’ve built up. And I’ve mentioned to you earlier, that a lot of us that came back
46 from the services were pretty upset about the drifting of our country, and wanted to add a new
47 dimension of dynamics. And we developed philosophies of, of such things as national
48 development as one of them. And so that speaks for the delivery I think in Vancouver in the late
49 fall of 1959, and puts those principles fairly clearly. So I brought a dozen or so copies along in
50 case that many people might be interested. If you don’t I’m sure you can get an extra copy if you
51 wish.

52 Now having dealt with the past philosophy of the party I belong to very expeditiously, I
53 can now proceed with the statement of the present philosophy of the party. And that’s very
54 simply made, it’s the same. And that is, we look on the world’s shortages as Canadian
55 opportunities to bring industrial development to Canada, on an economic basis rather than any
56 form of artificial support measures.

57 Now to the Columbia River. As you probably know, the Columbia River which is a joint
58 river between two countries and therefore treated under the international law of water. It was
59 turned over to the International Joint Commission in 1944, to recommend the course of action
60 the two countries should take about it. Now when I get into the picture in 1957, literally nothing
61 much had been done. In fact nothing had been done of an action sort, because all the experts all
62 those years were debating the 12th century question of how many angels on the head of a pin...
63 well actually the subject debated was the question of downstream benefits. The question was, “If
64 the two nations cooperated in the use of the water on this joint river, what would be the increased
65 benefits from this cooperation?” And of course most of the increased benefits from this
66 cooperation would come from power produced on dam sites already in place on the American
67 side. And the question boiled down to what percentage of these downstream benefits that were
68 obtained by controlling the flows in Canada, should come back to Canada? And what proportion
69 should go to the Americans, who had all the dams in place at great cost? And they were
70 discussing figures like 40-60 and 60-40, and 70-30 and 30-70, and 50-50 and this had been going
71 on for years. And of course this developed tremendous number of memorandums and briefs and

72 so on, on this great academic debate.

73 Now in addition to this academic debate, quarrels had broken out between the province of
74 British Columbia and the government of Canada for the rights of a province selling its resources
75 across the border. And the federal government took action as you know in the legislation dealing
76 with that. And secondly there were quarrels based on the different opinions between General
77 McNaughton, who was the main... the chairman of the Canadian section of the International
78 Joint Commission, and members of Waters Resource branch of the Department of Northern
79 Affairs and National Resources. Also General McNaughton had strong differences of opinion
80 with the British Columbia officials and some of the experts that they had hired. And this was the
81 situation when I came into the picture in 1957.

82 Now I vividly recall, even though it's 17 years ago, many long hours of briefings with my
83 officials on the history of the Columbia, all the international law on water dating back to the
84 Romans and the Franks, and with the American perversion of that law and so on. And then I was
85 always briefed thoroughly on all the difficulties that existed which made it impossible to go
86 forward. This is a typical position that you get when you've got experts advising you. Now this
87 is where the politician, who doesn't know anything about anything, can make a contribution. I'd
88 tried out several trains of thought with my officials but I must confess I usually end up in a
89 morass of difficulties even worse than when I started. I'm afraid I used to have nightmares
90 because to me, when you come in as a new Minister and you're thrown a problem like this, it fits
91 in with your philosophy, you like to get moving. And I think I can address from my notes to tell
92 you a story I told you over the phone today.

93 I was one of those eager beaver types that got to work about 6 in the morning and worked
94 till 2 every night. And since my family was out in Saskatchewan, I did that on Sundays... a lot of
95 fools like that get into politics. And in the strain I got an infection in my tooth... wisdom tooth.
96 And finally this got so bad I developed high fever and they said I had to go back home and stay
97 there till the fever died off; before they would operate on this thing. And in this fever, if you
98 know anything about high temperature, your mind goes up and down and closes in and you
99 really get like you're in a high from drugs or something. And out of all this confusion I could see
100 all these problems floating around and they'd disappear in the distance and suddenly I'd focus
101 and be coherent for a flash. I wasn't sure after hours and hours of this stuff whether I was sane or
102 not. But I would always used to keep a Dictaphone beside me and when I'd get one of my
103 brilliant ideas and dictate before I'd forget. And I picked it up and dictated on how I thought we
104 could do this and get through these difficulties.

105 Now when I came back to normal temperature again went back to work I turned it into
106 my Deputy Minister and he said pretty in-coherent stuff, but I can make sense. Now that is how

107 we started in solving the Columbia. So not going in for the type of philosophy that you should
108 take drugs and go into the highs to resolve these things. But it's only in moments of sheer
109 unreality some days that you can see your way through these things.

110 Now here's what actually started the thing moving. I was at one of these functions at
111 Niagara Falls in the fall of '57 in September. And I met General [Henry L.] Stimson who was the
112 Secretary of War in the Eisenhower administration, out of whom the Engineer Corps came. And
113 they did all the work on the planning of water projects in their country. And naturally they give
114 politicians a few minutes off in these ceremonial deals and we had a coffee break. We sneaked
115 over to a little coffee shop and got talking. And I asked him how his shop was dealing with the
116 Columbia. I soon found that he was having the same problems that I was. So I said now you
117 come from Minnesota, and I come from Saskatchewan, we don't know much about things, but
118 we can make up our minds. And I said we'll never know who's going to get the better of this
119 deal because how can you until everything's completed. And this 50-50, 30-70, 60-40 it'll go on
120 forever. And we'd like to get the job done. So I said let's make it 50-50 and we'll never know.
121 You'd all be dead before the 60 years are up anyway. And so we decided that ... just on a
122 handshake and that's all there was to it. So we went back to our officials and said we got a deal
123 on the 50-50.

124 Now that the first step was done, I got some sort of agreement on the political level. So
125 '58 was the year in putting all this brilliant stuff into place that I had figured out in my delirium.
126 And the first, this is the structure of decision making... it happens like this. Now the first major
127 breakthrough was a decision which I got through our side... that we quit fighting with the British
128 Columbia people and make a deal with them. That we turn over the theoretical parts of it, the
129 principles we called it, of these types of combined deals, over to the International Joint
130 Commission. And that we should set up a political committee made up of two of their ministers
131 and two of ours. And that we'd settle the problems that we had between ourselves, but also give
132 the directions, the terms of reference to the Canadian section of the IJC.

133 And of course General Stimson was doing the same thing on his side because we were in
134 contact with each other. So we got this warring group in the IJC to agree that these are the
135 problems that they would direct their attention to, the matters of the six power principles. Now
136 these principles applied not only to power, but to flood benefits as well as the peripheral
137 problems of finance. That was the first major step.

138 Now the second step was getting the agreement that I mentioned earlier with the
139 Provincial Government of BC, not just Williston, to form a Liaison committee of equals. The
140 property, the resource belonged to the province but we had to protect the national interest. But
141 we would deal with it just as equals discussing it to recommend policies back to our two

142 governments. And that was to guide the discussions in the IJC, and at the same time eliminate
143 the problems between ourselves. Now these problems were basically certain personal problems.
144 Now for example, McNaughton's cooperation, but he was pretty suspicious of my officials, and
145 certainly very suspicious of the BC officials. I gave him a personal guarantee that I would be
146 conscious of his point of view in discussions with my officials. Now I don't know if he realized
147 the significance of that, but if there was a quarrel I'd be on his side that's what I meant. I
148 reminded him that his father and my grandfather's brother had formed the first store in
149 Moosomin Saskatchewan in 1882 in a tent beside the railway, and they'd never broken their
150 word to each other and I wouldn't break mine to him. So that's how you deal in politics; you
151 make these kinds of deals. And he accepted that and he was just as bad a WASP as I was, and
152 you know how these things go.

153 So the next question that we had was to make sure that he was sure that I would carry out
154 my word. So I gave him a second guarantee that I recommended the honourable Howard Green
155 would go on the Liaison Committee with me. And he knew and respected Howard Green and
156 likewise Howard Green was a great admirer of General McNaughton. There's a real mutual
157 admiration operating there. And also Howard Green had been a long term advocate of the
158 development of the Columbia, which to him just meant Mica Dam. I don't think he had too much
159 use for cooperative deals with them there Americans. McNaughton accepted that and came on as
160 Liaison Committee's advisor.

161 Now in the spring of 1959, the International Joint Commission began a series of meetings
162 to discuss the basic principles on which decisions could be reached. An example of what this
163 means would be: How much... how would you choose one project over another? There must
164 have been 30 different projects on the list there. And the final decision was that the project that
165 was most economic in benefit / cost ratio would take the precedence, or priority, over another
166 project which had a less positive ratio in a benefit / cost analysis. Now accepting of that
167 economic principle was the basis of greater success that we had in getting agreement ... because
168 you put it into an economic level of decision, rather than a political level of decision. You
169 probably know there are a lot of politicians on their side as well as ours. Now there were several
170 other principles just as important. And I won't go into those in detail unless you want to ask, but
171 I will be prepared to discuss them in the question period afterwards.

172 Simultaneously, as the IJC would hold these meetings, the Liaison Committee of the
173 federal government and the Province of BC would hold meetings for 2 days ahead of time to
174 give them their directions. And we met for 2 days in Ottawa and for 2 days in Victoria... very
175 neutral. And as I recall those long discussions, and I brought the minutes of those meetings along
176 with me, which fortunately for those who don't like to have facts in front of them, haven't been

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177 used too often. But I brought the minutes along with me, and I think they are over in the room
178 someplace being copied... they are right here. I am not going to read them it's a whole fat book
179 of them. And I have re-read them this last week.

180 Now these long discussions of 2 days, first of all with my own officials we always met
181 for days before we met with the Liaison Committee. And I supposed they met in BC with their
182 officials. Big subject that we debated all that summer of '59, were the advantages of grossing
183 versus the advantages of netting. Now in retrospect, when I think on the hours we spent on this
184 delightful economic theory, it seems odd we should have spent so much time on this. But these
185 two phrases, grossing and netting, I will never forget. I still don't know what they mean but, it's,
186 a lot of arguments about it. But they were important and you'll see from reading the minutes.
187 And I think there will be some copies made available for you here if you want them.

188 But this was a very serious item that first year. They're very important in the financial
189 terms, and in the long run impact to both countries. Now I am going to mention something which
190 I haven't seen any mention of in any news media at all. And the minutes show this. At every
191 meeting I used to put in the idea at first on my own, but as you'll see later from the minutes,
192 finally as a government proposal, was that the electric power generated from the Columbia River
193 was a small type of resource of the Columbia River. And there are other resources much more
194 valuable. And I have very few figures to back this up with but I used to quote the Tennessee
195 Valley Authority which was started in 1933 as a power proposition to relieve the marginal
196 economic areas of the south east United States. And there's great debate for 20 or 30 years about
197 Tennessee. But by 1957, when it had been in place for 25 years... 24 years, by this time the
198 returns from the recreational charges, for using all these waters, for recreational purposes were
199 greater in direct revenues to the Tennessee Valley Authority than the power revenues.

200 Well this seemed like a long ways away but I kept throwing this in. and I had no figures
201 at that time for the greater value of water storage for industrial purposes or I could have made a
202 much better case. For instance if I had seen the Landsburg report of 1963, which was the first
203 quantitative analysis of the value of the various uses of water, I could have maybe done a better
204 job of putting up my case. But I wanted to let you know that there was somebody trying to put
205 into effect combined resource, multiple use, and best use of the whole Columbia River. My
206 proposal was a Columbia River authority that would look after resources from all forms in the
207 valley including minerals, forestry, recreation, industrial uses of water and so on.

208 Now that was '59... great debates on netting and grossing and so on, getting these
209 principles cleared from the IJC. And in 1960's these meetings continued with monotonous
210 regularity. And in February, I'm just listing these now, and in February 27th meeting, both BC
211 and Canada were in agreement on McNaughton's plan that the first three projects should be built

212 in Canada. I'll repeat that loud and clear, both British Columbia delegates and federal delegates
213 were in agreement with McNaughton's sequence 7B or something. That was Mica, High Arrow,
214 and the Kootenay diversion. And this was based on the economic principle that for the money
215 spent you got the most out of it. Now I mentioned that date because some place along in this
216 moment of history, and I have no way of knowing what was in the minds of those in authority in
217 British Columbia, because after we made this proposal to the Americans, they agreed. They
218 accepted the complete McNaughton Plan. And then this backing up started. And the Americans
219 agreed because the power principles were that we accept things on the basis of economics, not
220 politics.

221 And then in the March 30th meeting we received the first warnings from the BC
222 delegation of their concern over flooding in the east Kootenay valley. And by May 14th in that
223 meeting, we were faced with a complaint, which I'm afraid was legitimate, that somebody at the
224 federal level was leaking our confidential discussions to the news media, mainly the Vancouver
225 Sun. And I'm not going to mention in that small group of us who the BC guys thought it was.
226 But took me months to find out it wasn't the one they thought, but I won't say who did it. But I
227 did find out... took me six months to find this out.

228 But this caused a certain amount of tension. And the discussions now were more than just
229 on the flooding of the Kootenay River... questions of good faith and so on. And in the meeting
230 on May 14th, the BC delegates came out flatly, that we should withdraw our opposition to Libby
231 being uneconomic and ask the Americans to build Libby. And as I remember these discussions
232 over the flooding of the Kootenay Valley, I'm going out there and walking over it, flying over it,
233 and checking every report I could get. I never realized it was such a rich agricultural area: gravel
234 as big as your fist, 400 moose in there and 360 deer. And that was the reason we couldn't do the
235 economic thing. People couldn't do without those moose and deer, and I am a conservationist.
236 Now, anyways now I won't go through that. All I can say was that the flooding of the Kootenay,
237 the request for the Libby on the part of the Americans, this was the start of the real quarrel in the
238 Liaison Committee. You can imagine General McNaughton's position and so on.

239 And as I re-read these minutes of the June 15th, of the next month, I find the record
240 showing that both General McNaughton and myself were still battling for the Kootenay
241 diversion, or at least the right to divert, if we so wished. And this meeting also brought forward
242 the tough, the very tough political statements by both Mr. Williston, who was head of the BC
243 delegation, and myself on behalf of Canada, as to the position of the two parties in the dispute. It
244 was a real Donnybrook type of name calling. Neither of us should be very proud of it. But at the
245 moment two tough politicians were slugging it out. It's interesting reading today ... I didn't
246 realize I was such a SOB. But in any case I mention those dates of significance.

247 With BC's different attitude, we had to change our proposals in international negotiations
248 with the United States. And the final plan called for the building of 2 structures in Canada with
249 the High Arrow Dam and Mica, plus a small diversion on the Kootenay, about a million and a
250 half acre feet a year I think it was. And Libby would go forward as the American development.
251 On November 23rd I made on behalf of Canada a formal proposal for an entity of joint and best
252 use development of the whole resource of the Columbia River. And these are recorded in the
253 minutes. They said they would consider it. On December the 8th, we discussed the terms of the
254 draft Treaty, and on January the 5th 1961, all sides gave their approval with written signatures
255 this time, to the final clause of the Treaty which included a term of 50 years and a right to divert.

256 Now this dry recital of events in 1960 does not begin to paint the colourful picture of the
257 dramatic events in the negotiations with the Americans. Or even our own little drama here in
258 Canada, in the BC-Ottawa quarrel, over the full use of the Columbia River vs. the provincial
259 right to decide what to do with their own resources. It seems odd that this is the issue now
260 between the federal government, and Alberta and Saskatchewan. And we took the stand that
261 once the national interest was protected, we got a better deal than we would have got working
262 alone. We had no right to interfere with the decision of the provinces on resources. And so we
263 accepted in effect the BC position at that moment.

264 Now I want to say in passing, since Howard Green was here last Wednesday, that the
265 honourable Howard Green did fulfill his pledge to keep a watching brief at all times for the
266 interest of General McNaughton and his pro-Canada position on the full development of the
267 Columbia River waters. I think as probably as much as anything responsible for the complete
268 dedication that General McNaughton gave to the work of the committee, in spite of all his fights
269 over many years with many of the officials. And also Howard Green had a difficult decision to
270 make: As a long time supporter of the Mica project, at any cost, and accept the overall decision
271 of us all to work in a cooperative plan for the development of the flows of the river for the
272 interest of both countries. And I give him full credit for being able to change his mind on a
273 matter of a deep principle with him in the interest of Canada, because it's made very clear from
274 these figures that both countries would be made better off.

275 After the 1959 honeymoon period, as you know from what I said, we came close to the
276 negotiating time with the United States government. And I proposed to the Federal Cabinet, that
277 any skills that I had as a politician did not include legal negotiations, and suggested that the very
278 able honourable Davie Fulton become the official negotiator for the Canadian side. And I
279 mentioned that slowly and deliberately. And this was agreed to by the Federal Cabinet and by the
280 BC delegation. And I say now that I don't think there is anyone who has served his country
281 better in the very difficult and tough negotiations that went on during 1960, than the honourable

282 Davie Fulton... particularly when we had to switch course in the middle of the negotiations. We
283 got what we asked for and had to go back and ask them to do what they wanted.

284 Now the minutes of the Liaison Committee which are now in the public domain,
285 thoroughly vindicate the strong stand that Davie Fulton took on behalf of the full development of
286 the river, and the maximum return of all units of power to Canada. And as I said earlier with
287 some feeling, I don't think any person has taken a rougher beating from the public than Davie
288 Fulton over the last 5 or 6 years in this Columbia business. For example, one of the subjects that
289 arose in these discussions was the sale of downstream benefits. We fought like tigers to get 50
290 per cent back of the actual power produced in the American plants downstream and to get these
291 returned directly at American expense right to BC. And the federal government view was
292 expressed very strongly that we didn't want anything to do with any sale of those downstream
293 benefits. That was the object of the exercise to us. But the strongest in the opposition was Davie
294 Fulton. And of course it wasn't until after the government changed in 1963 that the Pearson
295 administration agreed to this proposal by the Bennett administration.

296 Another question that has to be brought into a full discussion of the debates of that time
297 was that cloud over our heads made up of the proposal that we should develop the Peace River
298 for power at the same time as the Columbia. We had nothing to do directly with this, we simply
299 knew from reading the papers that the BC government was going ahead with the plan to develop
300 the power in the Peace River. And in view of the technical experts, the power available from the
301 series of developments on the Columbia River, would be sufficient to look after all the needs of
302 British Columbia for a good many years in advance. Therefore the talk that was going on all
303 around us out in the outside. Going ahead with the Peace River power development
304 simultaneously always left us with the impression that the BC delegates were not cooperating
305 with us in good faith. It was very hard to negotiate with all this talk about the Peace River. But
306 we had these figures in front of us that showed that all the power that BC needed was available
307 on the Columbia.

308 Now I'm saying this again very slowly. In retrospect, this issue was very unfortunate for
309 all concerned. The experts on both sides had agreed that the rate of growth in power demand for
310 BC would be at the most 8 percent a year, and it was a hard fight getting them up to 8 percent.
311 The politicians on both sides pleaded with the experts to let us use 10 percent. Because the
312 difference on a continued percentage base is that it's accumulated... between 8 percent and 10
313 percent is fantastic in 10-20 years. But we couldn't persuade them to move from that 8 percent
314 figure. And on this basis, the argument that the Columbia River would provide for the demand
315 factor was sound. Now the bitter truth is in retrospect, that actually the demand factor turned out
316 to be something between 14 and 17 percent: Accumulative! Therefore there was good economic

317 argument for both the Peace and Columbia River development going along simultaneously. As I
318 said, it is unfortunate that the question of the Peace River caused such a deep political cleavage
319 between our BC representatives at the federal level, and the BC government. That is the
320 hindsight of 10 years later, or 15 years later.

321 Another item of major importance is the establishment of, establishing of truth is, is the
322 fact that in many of our universities of Canada, to use the Columbia River as a classic example
323 of Canadian-United States relations... of how Canada was sold down the river to the United
324 States. Now I became aware of this very dramatically in the last 4 or 5 years as I have been doing
325 a lot of guest lecturing at universities. And the horror that comes across me as I heard these
326 students regurgitating in the sessions that I was having with them... stuff that I knew they knew
327 nothing about. And so you inquire where they get it from, and this thing hits you pretty hard
328 because you know it isn't based on fact at all. And for instance, this is the type of thing which
329 goes into the Saturday additions in a lot of the dailies across the countries. And an article by a
330 chap who I met a couple of times, it is headed "The Columbia River Didn't Cost a Nickel", and
331 then it goes on to say it cost millions. And then he finally concluded that it cost a billion. And
332 then he talks about the flooding of the Kootenay. And so on one part of the thing he said we
333 should have accepted General McNaughton's plan and the other part of the thing he's
334 condemning for having flooded the Kootenay with the Libby, 14 thousand acres. If we had
335 accepted McNaughton's plan we would have flooded 90 thousand acres, then the moose would
336 really have to move out.

337 In any case I took I took some pretty violent objections and one was at a post graduate
338 course in Osgood Hall. That's where the lawyers go to take post graduate work in or something
339 in Ontario legal system. And these fellows were studying Canadian-American relations and I got
340 invited in there for 2 or 3 days. So they arranged a seminar with Mel Watkins and Jim Laxer
341 from Queens and a bunch of these fellows. And I just asked them what their basic documents
342 were, where their facts were. Well they read some book on the life of McNaughton. And I said:
343 "Did you use the minutes of the Liaison Committee?"... never heard of them. Well in any case I
344 won't go through that.

345 So the case of the mystery article appeared last year, I took advantage of it and raised the
346 matter in the Standing Committee of natural resources last May to the Senior Deputy Minister of
347 the department. I hope you have your list, that's McNabb. And I asked him if he had read the
348 article and did he approve the statements made. He replied he had read the article, and after
349 taking 2 or 3 days to cool off, had dug up the figures from the records of the government of
350 British Columbia at the end of December 1972. I am going to quote these figures to you. These
351 are not the figures of the Bennett administration; they have changed the government out here I

352 think because these figures were recorded in 1973.

353 These figures showed that the total costs of all Canadian developments on the Columbia
354 up to that time (that's the end of December 1972), totalled \$539 million. Against this there were
355 three items of income: First the sale of downstream benefits for cash; Secondly, interest on the
356 investments, remember you lent some of that to Quebec; and there had been the flood control
357 payments in cash. And these totalled up to the end of 1972, totalled 474 million. Therefore the
358 cost of Mica Dam was 65 million. That's the difference between the two as a net cost to the
359 province of British Columbia. Now, the Deputy Minister pointed out the estimates of this cost in
360 1964 which I brought along with me, indicated at that time, that under the deal with the United
361 States, there should have been a net profit of 53 million, therefore inflation costs in the 10 year
362 period, had made the dam costs 128 million more than was estimated in the net balance point of
363 view.

364 And the Deputy Minister [MacNabb] went on to say that if Canada had built Mica Dam
365 and had not built the operations at High Arrow, and there had been no Treaty, we built Mica
366 alone, purely of the Canadian operation, the cost would have been 330 million. Now if you take
367 these figures and put them down in front of you, you can say that with the Treaty, the actual cost
368 was only 65 million, and therefore the net savings to Canada of the Treaty in the first 10 years,
369 well actually only 8 years of real operation, were 265 million. Naturally these savings will
370 increase over the next 40 years of the Treaty. So to repeat that again, instead of this proposition
371 costing a billion dollars, we are actually ahead on the deal by doing a cooperative deal with the
372 Americans by 265 million in the first 10 years of the Treaty.

373 Now this explains why, on the Americans side just as our leaders have thought quotes,
374 that is quotation marks around that, are saying that the Columbia River was a bad deal for
375 Canada. So that leaves a thought in the many of the American universities have been telling their
376 students that the Americans got the worst of the deal. Now actually in truth, no one will know for
377 certain who got the better of the deal until the Treaty is over and all of the results can be
378 tabulated. But at this moment of time, that's the end of '72, we're ahead 265 million, which isn't
379 bad for a start. And all I can say as a person that led the negotiations, I'm saying this again
380 slowly: both countries are better off today and will be better off for the next 40 years because of
381 the Columbia River Treaty than we would have been if there had been no Columbia River
382 Treaty. That's the first thing. Both countries Canada and the United States are better off in the
383 hard measurements of quantity economics by having the Treaty.

384 At the same time as I make that statement, I will agree that if we had gone ahead with the
385 original agreement of February 1960, that's the 3 projects in Canada and gone for the full
386 development that both countries, if we had gone ahead on the Canadian proposal that was

387 accepted by BC, accepted by the Americans, that both countries would have been even better off
388 than they are today on the present truncated Treaty. So in summary then, the Treaty was good,
389 and is good for both countries, but could have been better for both countries if everything had
390 been done on a purely economic basis as we agreed to in the beginning... on our power principle
391 number six.

392 Now these next things are parts that I would rather not mention, but I will mention for
393 interest of truth. These are small footnotes that I think should die. Now as a small footnote, and it
394 grates many of us, is this debate over the flooding of the Kootenay. In the Adams article in the
395 weekend, the worst accusations are levelled at the Columbia River negotiators for flooding some
396 14 thousand acres of quote "this very valuable land in the south Kootenay Valley behind Libby".
397 Now like many people, both on the provincial side and on the federal side we wandered over that
398 valley, flew over it, drove over it. I looked at the composition of the soil, looked at every report I
399 could get and so on... even counted the moose and the deer, again. And then in the discussion
400 with the BC delegates, I asked very pointed questions which doesn't appear in the minutes, but
401 there are figures recorded for each of these resources assets. And never have I heard such
402 evasion in reply.

403 And I had a feeling that some higher force was at work when the representatives that
404 were in there that made them change their minds; I never heard such stuff. Now to add to the
405 hypocrisy of some of the statements made about the harm done to flooding of these 14 thousand
406 acres, was the fact that these same people who wrote these articles these last 4 or 5 years, who
407 condemned this, 14 thousand acre flooding, said we should have taken the McNaughton Plan
408 (which incidentally I supported as you know from the records), which would have flooded 90
409 thousand, actually it was 88 thousand but 90 thousand is a round figure, and would have made
410 necessary either long bridges or some sort of diked roads across the bodies of water that would
411 have divided the Kootenay Valley of BC into two parts. Now I was prepared to do that. So was
412 General McNaughton. So were the BC people up to February of 1960. But when they turned
413 down the flooding of the, least the putting in the dams at Bull-Luxor and so on, and the diversion
414 into the Columbia we asked the Americans to build their uneconomic Libby instead.

415 Now I know as a person that the rancour raised by these very small disputes will
416 disappear where they belong. But if that purpose is to establish the truth, of not only what was in
417 our minds at the time of the development of the Columbia River, but also the results of our work.
418 I would think that all those who worked in the BC delegation: Mr. Williston and Mr. Bonner,
419 Mr. Bassett and all those variable officials, and in the federal delegation, and many able officials
420 were there too. I think that a great deal of appreciation from their country is deserved for a job
421 reasonably well done. I would suspect that in hindsight some of the BC delegation would have

422 wished that they had gone for the full development, but that particular moment of time it was
423 they the politicians in BC who had to face the political problems of the flooding out of people
424 and after all it was their resource. And if they wanted to take a lesser return than the maximum
425 possible, it was still much better than for Canada to go it alone.

426 And in conclusion to make this point, and using very round figures, if Canada had
427 developed its share of the Columbia River, purely as a Canadian operation, we would have
428 developed approximately 17 billion kilowatt hours of electricity each year. 17 is all you have to
429 remember. But by working with our flows in cooperation with the American storages, we
430 increased the power potential from the same water to 37 billion kilowatt hours annually. From 17
431 to 37. Under the 50/50 split of the extra 20 billion kilowatts Canada could have had a share of
432 approximately 27 billion. That's 17 plus half the 20 which is 27. And the United States 10
433 billion. This would have been a superb deal for both countries at much lesser cost than by
434 working alone. Now that's the position that General McNaughton, were he alive today, that he
435 would take.

436 And as it is, under the present Treaty, the returns to Canada in terms of power units, has
437 been much less than originally planned and hoped for. Because you know we sold off our share
438 of the downstream benefits for cash. But the province of British Columbia can argue that they
439 got the cash which they invested, at interest, and therefore this saved them from borrowing huge
440 sums of money and this was very much in their minds and therefore it was a good deal, from the
441 point of view of the people of BC.

442 Now arguments like this can on forever. But all things considered, I think that Canada's
443 interests were protected, and its economy improved by the Columbia River Treaty of 1961. And
444 when the Treaty is over, we have the right to divert the full flowage coming out in the Kootenay
445 Valley back into the Columbia. We have the right to divert into the Fraser, if we ever solve the
446 fish problem. You still have tremendous potential, and above all we have protected the sovereign
447 rights to that water because the water in the long run will not be important to you and future
448 generations for purely power purposes. The great use of that water will be for industrial purposes
449 and recreation. And I'm very sorry that the concept that I had of the entity didn't go down...
450 maybe it was ahead of its time in Canada. But I think that would have made a much more
451 coherent type of development.

452 Now in these remarks, I think you will agree that I've tried to be candid. And in
453 conclusion, after 15 years, because of the fact that we were working with a figure that turned out
454 to be wrong, both sides I think made mistakes... that have cost the people of British Columbia
455 and Canada economically. And that, I think, can be rightly held against us. On the other hand,
456 because we were dealing with human beings on both sides, and each side was fighting their level

457 best for their view point as they saw it, we protected the principle that the provinces do own in
458 the constitution their resources, and the right to manage them to their best interest... as long as
459 the national interest and the export is protected. That we maintain the principles of 1867, in the
460 British North America Act, which are now under direct challenge as you know. And thirdly the
461 dealing with the truncated treaty that we finally accepted, we now know from the figures from
462 the first 10 years, that both countries got more units of power; that the unit cost of power in both
463 countries was drastically reduced over what it would have been if we worked alone. And we
464 made better use of the water.

465 On the human side, the flooding of the High Arrow and the dislocation of some 14
466 hundred people even though there were generous flowage costs provided for them, they're still, I
467 think, on the negative side. They are always... it's impossible to put a quantity on the,
468 difficulties that are caused by asking a person to move. And if Bert Herridge were here I think he
469 would repeat that loud and clear. He never let us forget it. And I think that's a summary that,
470 that's the best I can do. Now Mr. Chairman I'm open for questions.

471 **Audience:** If the Treaty was so bad, why is it that the residents of Washington state paid less per
472 kilowatt hour [...loud static]? Also why is it that more industry has located in the state of
473 Washington than has located in British Columbia, because of huge river electrical rates there,
474 therefore increasing the tax rates, increasing the state of the whole?

475 **Mr. Hamilton:** I think that's a question that's right within the ballpark. The Americans have
476 always had a big advantage all across the United States on power costs over Canadians because
477 they draw their capital at a very low rate of interest from the federal government: 2% and I think
478 it has never gotten higher than 3%. If you look at the money that BC has had to use both on her
479 private power and then later on, in her public power, their borrowing rates. I don't think I'm
480 exaggerating that they have always been at least double. And since power is a capital intensive
481 industry and the main costs are interest costs, I think that's the reason why kilowatt power is
482 higher in this province than straight south. And the same argument I think would apply right
483 across the country. Manitoba for the longest while had the cheapest power. But now their power
484 is right up with BC costs. And the James Bay power I've seen those projections, it's all running
485 around 8-9 mills, your power is a good deal less than that.

486 So I would think that's the answer that I would give to that. Our country has never seen
487 fit to subsidize the production of electrical power. Not saying anything pro or con in the
488 argument, but the Americans have subsidized ever since... private power as well as public
489 power. Oh yes by the way, we have started to subsidize power a little bit about 10 years ago by
490 taking off the corporation tax off private power. I think that's about 10 years ago. To give it a
491 little more equality with public power but, that's all we've done in Canada take off the

492 corporation tax off power production by private companies; but there aren't too many of those
493 left.

494 **Audience (Professor Cook?):** Mr. Hamilton I wonder if I can ask you a question here. You
495 mention that General McNaughton exhibited some suspicion of both BC officials and of the
496 federal officials. How strong was his suspicion of the Americans and did you yourself and your
497 colleagues in the cabinet, any of your other colleagues in cabinet, did you at any time have any
498 suspicions of the American intentions of entering into negotiations? In other words what was the
499 spirit with which the government went into the negotiations?

500 **Mr. Hamilton:** We were certainly aware of the quarrels that had developed many years before
501 between McNaughton and the BC government. See BC government had tried to sell this power
502 to the Americans and the federal government stepped in and stopped it. And it was under
503 General McNaughton's prodding that this was done. So this is something that isn't the best way
504 to start a friendship. And certainly he was very suspicious that the American politicians were
505 under the thumb, were under the direction of the American Corps of Engineers. The Americans
506 follow the system that part of their army should be used for peaceful purposes during peace time.
507 And so the Corps of Engineers were doing all the water development all over the United States.
508 And of course they had friends in every senator and every congressman. And they had played
509 this political game to the hilt. And about this time, I don't think there was any question about it,
510 if you look back at the political science articles of the day, the Corps of Engineers were the most
511 powerful political pressure group in the United States. And McNaughton was certainly aware of
512 this power, and this is another thing I didn't want to mention here because it deals with the
513 American side.

514 This was discussed very frankly between cabinet ministers on our side and cabinet
515 ministers on their side. Were they strong enough to stand up against this tremendous political
516 pressure of these back-scratching alliances between the politicians and Army Corps of
517 Engineers? And to give the American politicians at the administrative level. And I give credit to
518 General Eisenhower ... he was a very honest type. And he was able to hold that in check. And
519 we used this pressure on getting the American side of International Joint Commission to agree to
520 the principles of economics of power development rather than politics. And once we won the
521 battle of economics of each development based on actual benefit cost ratio of each project, that
522 was the victory that made Canada's victory on overall negotiations complete. Because once they
523 agreed to the principle of economics, that's how we got our three projects in first. Just by
524 economic measurements. They were better projects... less money gave you more power. And I
525 think that was the turn of the tide for the influence of the Corps of Engineers. Now this is
526 something I shouldn't say in commenting on the politics of another country but, I think it's a fair

527 question and my judgement as to what the answer was.

528 **Audience (Professor Cook):** Well then following on from there, on May the 14th when the BC
529 government raised its strong objections, put simply, why did, from then on, why did the federal
530 government back down? Could it not have held firm?

531 **Mr. Hamilton:** Well I've hinted at that; I thought I did more than hint. We had very strong
532 debates not only in Cabinet but in caucus, and the debates were on the essential principle. Even
533 though we thought that our proposals, I'm using the McNaughton proposal as ours, were the
534 best. And we had all the evidence to prove they were the best. The fact is that the Province
535 argued that it was their resource and they didn't want the Kootenay flooded. And our debate was
536 fought out on the philosophy of our party, where do we stand on these issues? And there was
537 quite a difference of opinion between the members of parliament -- we had 18 from BC -- and
538 our two ministers and the truth is that the great majority of the MP's and the great majority of
539 our party were unanimous on the constitutional principle that as long as it's a good deal for
540 Canada (and it was), not as good as we wanted it to be, but it was a better deal than going at it
541 alone, that we had no right, and we should never try to manage the resources of a province.

542 And that was a philosophical stand that the party took in caucus and has been expressed
543 in the House. But doesn't tell you what I just told you... that there was a difference of opinion
544 and the two BC members, Mr. Fulton and Mr. Green weren't quite sure that Mr. Bennett really
545 represented the province accurately. But they accepted as good soldiers, the will of the party.
546 And the humiliation that Davie had to go through, the worst thing you can stand... you can
547 imagine. But he went through with it. But he felt so badly about it that he come out and ran here
548 as Leader of the provincial Party and got clobbered. So the BC people said we don't care for
549 your principles of maximum power, we want both the Peace and the Columbia and we think it's
550 a good idea, a smart idea of selling them for cash and lend the money to Quebec. And the people
551 spoke very clearly and just destroyed him as a provincial politician. So he's paid a heavy price
552 for his views. But the people of BC spoke, and they spoke clearly, because he made that a very
553 clear issue in that election. The older people here will remember that I'm sure.

554 **Audience:** [inaudible question]

555 **Mr. Hamilton:** That's a shrewd question because at the end of 30 years there's nothing more to
556 come back. The downstream benefits are, under a theory that these power experts have, would
557 only last for the first 30 years of the deal. After that there there's no power returned. The
558 downstream benefits only come back for 30 years. And we sold that 30 years. But at the end of
559 that 30 years, the right to divert the Kootenay still remains so we can at least cut off their water
560 at Libby. And who was that politician that said the other day you don't know what trouble is

561 until you've had your water cut off. Did you hear about that? He said in television. He brought
562 the house down. I think it was in the British House of Commons not so very long ago. But it's
563 one of these off-the-cuff remarks that politicians make that are really funny. But that's actually
564 the way it stands now.

565 At the end of 30 years we would like to recoup, since they aren't giving us downstream
566 benefits, and we can build our dam right through the flooded area and back up all the water up
567 and dump it back here, and give us more power, but not as much as we would have got by
568 getting the same power (water) dumped over all the dams downstream. So you'll get all your
569 water back in another 20 years thanks to General McNaughton and to myself to a degree. We
570 fought the last battle. We lost the big battle but we fought the one last rear guard action that
571 saved you the water on the Kootenay.

572 **Audience:** You mean that statement at the end of 30 years or at the end of the Treaty?

573 **Mr. Hamilton:** No, at the end of the Treaty. At the end of 30 years when the downstream
574 benefits are over, then we fulfilled our part, under the downstream benefits part And ...

575 **Audience:** [inaudible question]

576 **Mr. Hamilton:** No I, I would hesitate. No I don't believe that. I think the history ... go back, I
577 have to go back into history, this is subjective opinion. I would think that in dry areas that the
578 impounding of water has added much more to the economics and the quality of life of the people
579 of that civilization than the not impoundments of water. And we certainly know this is true in the
580 very dry areas and when I look at the tremendous impounding of water in the last 20 years in the
581 mainland Republic of China. They couldn't support their population unless they did that. But you
582 can't argue that their quality of life has gone down because they've filled in those valleys with
583 these great impoundments of water. In fact the greatest revolution that I've seen between 1964
584 and 1971 on my two visits out there, was this tremendous terracing on the mountainsides adding
585 a total of some 5 percent. And the Chinese are the biggest agricultural land base of any country
586 in the world. Well you add 5 percent to 4 or 5 hundred million acres of cultivated land that's a
587 big percentage. That's equal to about a third of all Saskatchewan's land being added up from
588 those terraces. So I would think in talking to these people that they feel so much happier with
589 that water... it keeps their economy steady. That I think you could find a place or two to grow
590 some cherries above the flooded cherry orchards. This is what I'm really trying to say that the
591 added value of impounding of water historically has been greater on the plus side than any
592 negative quantities; any negative values. That is purely a subjective judgment.

593 But I like would like to make multiple use of it. I think the power use is only one use. My

594 first love of course is the recreational side. But also I'm a great believer that sooner or later we
595 are going to have to start farming trees in this country and the water gives you access to the
596 individuals so he can farm his trees leave all the trees beside the dam and farm right behind it
597 like they do in these operations. And if your taking out so many trees and putting new ones in,
598 you'd never even know there's an operation going on which you can double and triple and
599 quadruple your production by silviculture. But we don't do that much in Canada or the United
600 States. I'm talking about what they're doing in Europe, as you know. And most of our
601 knowledge of this, we've done all the scientific research on it in Canada, we know we can
602 quadruple our production here. And we will have to do that to meet the world... this tremendous
603 world demand for fiber. There is no shortage of energy in the world, but there is a good shortage
604 of fiber and metals.

605 **Audience:** I wish I shared your belief that this was a good deal for Canada. These meetings that
606 are organized now indicate to me that there are already questions. Or I can't see any reason for
607 these types of meetings to come, because these types. I think for future generations of Canadians
608 will feel for a greater extent that you sold them down the river as you did mention. You stated
609 that you believe in developing Canada on an economic basis. I wonder to whose advantage,
610 foreign advantage? Does this include in your mind too, that our mineral resources and our oil
611 resources should be developed on an economic basis to foreign investments and banks? You also
612 mention that Canada was a rich country. If so, why did your government not assist Canadian
613 investors and companies to a greater extent than they did?

614 **Mr. Hamilton:** You've got a whole plate. Well you're right on my bailiwick, and I'll take those
615 points in order. First of all, on this question of foreign ownership, this is one of the things I
616 mention in my paper, that Canada's tax laws, and American tax laws... 2 strikes against our
617 Canadian investors to start with. I happen to believe that the resources of this country should be
618 owned by Canadians and I don't mean governments... I mean individuals. I'm a private
619 enterprise person. And what has bothered me is to see the tax laws aided by all those yup-
620 yapping of people talking about the fifty big shots 30 years ago... now it's the corporate welfare
621 bums. And all we do is panic our civil servants into more and more restrictive legislation on the
622 person that wants to invest in this Country... I mean a Canadian. So I declared my views on that
623 very clearly. Now let me get back to how it should be done economically.

624 On the question of government regulations, using the all-in gas industry as the classic
625 example. The oil and gas industry was under provincial regulations and we're speaking here at
626 this particular moment of time, of Manitoba, Saskatchewan, Alberta, and British Columbia.
627 Every one of those 4 provinces copied their oil and gas regulations off American state
628 regulations... which worked on the assumption that the great bulk of the value of these resources

629 should belong to the man that put the money into the finding of them. And I'm quoting now
630 precisely... giving you the dates. This decision came up before the government of Saskatchewan
631 in 1952. Alberta got the jump on them in 1946 but everyone was interested in Saskatchewan.
632 And we had a government headed by a very fine Canadian, Tommy Douglas, who writhed in this
633 anguish what he should do. Now his basic philosophy is that the people should own these things,
634 and should develop them.

635 But as he said in his speech in February 1952, in the debate on the reply to the throne
636 speech after the election was over in '52, he had come to the conclusion that the people of
637 Saskatchewan couldn't dare risk the hundreds of millions of dollars that would be required to
638 invest in a risky enterprise like oil or gas. And therefore he decided to bring in a system of
639 regulations which took approximately 33 percent of the value of that resource into the back-end
640 of the pockets of the peoples with treasury. And 2/3 of it was left with the private entrepreneur
641 who had invested. And that was a little better than Alberta which was roughly about 25 percent.
642 This was made up in several ways: lease fees, royalties, and what they call sale of lands. Now if
643 you look at the regulations in BC just the same. You aren't one bit better than Alberta or
644 Saskatchewan. And look at Manitoba because the same people helped to draft the regulations,
645 that drafted them in the American states.

646 And I was so resentful of this as a young person as I say coming back full of beans. And I
647 wanted to stop this robbing of the Canadian people over their resource rights. And you mention
648 the date when I became a minister: August the 22nd, 1957. The records will show that an order in
649 council went through 4 days later, I canceling the federal oil and gas regulations at my request,
650 under my signature. I called the oil companies together and said, no more, you're not dealing
651 with some province. Your dealing with the federal government, and all these tremendous oil
652 reserves and gas reserves of the federal domain which is in area north of 60 and off our shores.
653 The people own these resources, and we want you to come in as a partner. And the partnership
654 deal is this, we will get off your back with all these niggling little charges that you put in the first
655 years they come in. You charge them for everything every time a cow gets killed... give the
656 farmer a thousand dollars for a cow. You know that type of ways they milk the oil companies.
657 We will protect you from all that type of expenses. And give you these to look after these
658 expenses ourselves.

659 But in return but when you do find oil or gas, 50 percent of every find comes back to the
660 people of Canada. And in addition on the 50 percent you get, you will pay a royalty to us of 40
661 percent in the easy areas to get at, and as low as 10 percent in the tough areas like the Beaufort
662 Seas and offshore. The Arctic Islands which we looked is fairly easy is 20 percent. If you take 50
663 percent plus 10, that works out to 55 percent of the resource comes back to the people. If you

664 take 50 percent plus 40, 70 percent comes back to the people. Do you realize that those
665 regulations went into effect in 1961? And wasn't until there was a change of government in
666 Alberta under Lougheed, that he began to change the royalty rates. It wasn't until last December
667 the 13th that Saskatchewan changed its royalty rates to take a proper proportion.

668 As a young man 1973 is a long time from 1945. And I have always spoken in the House
669 of Commons as a minister, as an opposition person, that until we face the facts about the world
670 oil situation we weren't going to get very far. I pointed out that the international oil companies
671 ran the whole world market of oil. They allocated the markets, they set the prices. And these
672 prices gave them maximum returns, profits, but also the other partner that shared in this sinful
673 operation were the consumers. And the consumers of Japan and the consumers of United States
674 and Canada and the whole world have had 50 years of low prices for gasoline, heating oil, and
675 industrial oil. And we did this by robbing it from the producers in Venezuela, Arab countries,
676 and later on Africa.

677 Now as these few miserable little cents per barrel were given to the Arabs, they went into
678 the hands of a few sheikhs. Because they were reasonable fathers, they sent their sons to Oxford
679 and Harvard; they read a little; some of them took economics. And they went back and they told
680 their old man, "look we're getting [screwed]", I won't use the word they use in Arabic for this,
681 but you know what I mean. "We've been taken", and the fathers said, "What do we do?" So they
682 said, "Lets get into an alliance... these big oil companies are pretty powerful." And they formed
683 OPEC, Organization of Producing Export Countries. And they are the ones who took the lead.
684 And what are they fighting for, what are they hoping to get? They hope to get 60% of the value
685 of that oil.

686 We've had it in the federal regulations since 1961 effective in '57 put in by a
687 Conservative government. And we challenged the provinces... look at my speech to the
688 [provincial] Mines' Ministers conference in 1959. Asked them to stand up and be men and give
689 proper regulations to protect the people's interests. Your government moved in BC when in 1973
690 with Naught... 1956 when we moved. I'm simply giving you these facts.

691 Now having said that, why do I say that the oil companies deserve a section? Because
692 they do. I know that the average rate of return on oil exploration is low. The average rate up to
693 1962 was 11 percent around the world. It declines steadily till 1972 down to 7 percent. And if
694 you want the figures for Canada, the Oil industry spent 20 billion dollars looking for oil and gas
695 in Canada, and up to the end of 1973 had collected 20 billion dollars. So they broke even. But in
696 practice some companies had gone ahead and broke even long ago: 4, 5, 6, 7 years ago. Most of
697 the companies didn't, haven't broken even yet. And the great majority of the companies, mostly
698 Canadian, are the 2000 companies in Alberta and Saskatchewan and BC in 1955 in that period,

699 there are only 200 of them left: 1800 of them have gone broke. So that's why, you can say quite
700 accurately, that oil companies don't pay taxes. Most of them have so much stuff to write off that
701 they will never pay taxes for years to come.

702 One company called Shell has been a very adventurous company... spending money like
703 mad exploring. They've got so much money to write down, it'll take years before we get to tax
704 them. It's true. But take the amount of money, under our law if you take money spending on
705 buying a tractor, you'll write it off over six years. If you spend money exploring for oil you can
706 write that off too. I'm simply pointing out to you that if you want your country to develop, you
707 have to decide if you're going to do it all by the government, or a joint enterprise with them: a
708 partnership. And under the reality of power, and the responsibilities that power brings to you,
709 men like Tommy Douglas, who I would say is just as honorable as any person in this room, faced
710 his decision and made it and he still holds to that that view. That doesn't mean he wants to see
711 the scalping that's been going on in the last six months, which is disgraceful. It was started by
712 politicians this whole scare, and these fellows saw the scare working and the prices going up and
713 they milked it for all their worth. So they're all to blame.

714 I'm simply pointing out to you; you've got to decide where your philosophy is. I don't
715 know of a single government in Canada, including your own here in BC that's willing to come
716 out and grasp and say, "I don't want any private enterprise money spent in our government."
717 Because the risk factors are so great." And as Tommy Douglas said publicly years ago in the
718 legislature in Saskatchewan, "If we went in and lost 100 million dollars, as you would, to learn
719 that know-how, no party would get re-elected." And so, you have to make that decision. Once
720 you make that decision what's a fair break. And I'd say that the break should be 2/3 for the
721 people 1/3 for the company. I think they could make do on a third. Maybe on these higher prices
722 maybe even less than a third. And ever province has the responsibility to see their royalties to
723 keep moving up, milk off this windfall effect. Now the same argument holds true to mining
724 companies.

725 Now the next thing you asked, "Why didn't our government when we were in power do
726 more to help private enterprise companies get started?" I say that's a good question because I
727 wanted to do it. I take full responsibility as being the one that is responsible for that type of
728 policy. I wanted to get power lines from one end of this country to the other. I wanted to get the
729 Columbia River power. I wanted to get the Churchill power. I wanted to get the Yukon power. I
730 wanted to get the Nelson power. I wanted to get all these power sources developed. I wanted to
731 get the tar sands developed. I wanted to get all the other forms of renewable energy sources built
732 in. And I take the coal from BC, Alberta, and Saskatchewan, the lower grade coal, turn it into
733 power, and pump it along the line if the economics were right. And the Fundy tides and all the

734 rest of it.

735 So it was a great dream. And it was music to my ears last week to hear all the provinces
736 say this is what we have to have is a national power grid. And the head of the CTV anchorman,
737 the head of the CTV they said, “That’s your invention isn’t it?” And I said, “That’s right.” I
738 started talking about this after the war. Dr. Menses, Don Stevenson of Winnipeg, these are the
739 guys that gave us the know-how; that did all the research. All the research is done on the power
740 grid and the costing is all done. Canada so it’s research in the national research council in that
741 big wind tunnel in Ottawa and the Quebec Hydro are farther ahead on long range transmission of
742 electricity than any country in the world. Russians and Swedes used to be ahead 20 years ago,
743 now we’re passed them long ago. Our scientists haven’t let us down. But our politicians have.
744 They need a good swift kick.

745 In other words, I wanted to see the development come by doing things cheaper. Now take
746 for instance iron, which always griped me. I recall when they found that iron ore in Labrador. I
747 was one of those guys that went all over the country in my early days paddling a canoe looking
748 for stuff. And when they got the iron, this poor devil, a Canadian, went around trying to get
749 money for it. After weeks of effort in Toronto and Montréal, you know how much he got? A
750 million and a half dollars pledged! Well he needed about three hundred million. He went down
751 in New York, and in one afternoon he got it. And that’s how Hanna got a half interest on that.
752 And they have paid us for that iron ore for 20 long years: \$9, now \$10 a ton. And that iron goes
753 into plants... half of it goes into plants, more than half in Cleveland and Indiana, and Buffalo.
754 And when they buy iron from their own sources, they pay \$40 and \$50 a ton for it. But when
755 they buy iron from Brazil or iron from Canada we get \$9 or \$10.

756 You can see why Walter Gordon looking at these facts, in his report of 1956 he wrote,
757 “Put on an export tax.” And bring it up to its fair value. Governments have to have a dynamic
758 part, and they have to be willing to do that type of thing. But I still believe that we’re going to
759 get the best progress, the cheapest progress, and the fairest progress, if we act in partnership with
760 private investors.

761 But our attitude towards tax law in this country is awful. We hold to the view that if a
762 man makes a big expenditure which gives him a write off, that he’s a bum. That he doesn’t pay
763 taxes. And I was campaigning in ‘72 in my riding, which is farm riding, heavily mechanized, and
764 they said, “What about this charge that a lot of these fellows don’t pay taxes?” I said, “Very
765 true.” David Lewis is telling half of it. I could tell them twice as much as he’s told you, on how
766 they don’t pay taxes. And I said he holds to the view that any person that spends money to
767 improve his operations shouldn’t get a tax write off for that... would you spend 15 thousand or
768 20 thousand for your tractor... and no write off? That stopped all that nonsense. So the NDP vote

769 just disappeared. These fellows have to have their write off to buy those tractors.

770 So I'm simply saying your theory of tax law has to be that if you want to get Canadian
771 ownership, quit double taxing the guy that invests in this country. And that's what we do, we
772 double tax them. And if I go in and I do it as a matter of personal philosophy, and I risk 4000 or
773 5000 dollars, which I do every 2 or 3 years on some wild adventure, and I lose it. Which I do
774 every time, almost except once I made out. What happens? I can't write that off. But an
775 American can lose 100 million dollars, and write it off against any type of income. But we had
776 great reforms in '73. We gave Canadian's the right to write off losses now. And if you lose 5000
777 bucks, you can write off 1000 bucks a year. Now that's a great help to me. And I appreciate that
778 1000 dollars of write off.

779 But I talked to a person, 15 years ago... a Canadian business person. Very uptight about
780 the fact that so much of her industry is being increasingly owned by American's. And this person
781 said with the influences that I have over the companies under my control, your asking as a
782 minister, for Canadians to invest in their country. We'll put in 100 million dollars but my tax
783 lawyers say that if I lose the 100 million in an oil play, or mining play, I can't write it off against
784 the income of my companies because it's not in my principal business. I said, "No you can't."
785 You couldn't get the 100 million. But an American can come up here, under the tax law
786 business, and if he loses his 100 million, which is peanuts in the oil play, last year we spent 2
787 billion, and most of that was lost last year, he can write that off, or that company can write that
788 off against any other form of business. They have this unfair advantage. Now that's a 50 percent
789 write off. If it's a private person that comes up from the States and loses a 100 million, and some
790 of them can afford large figures, they get up to 90 percent write off. We don't get any write off
791 of 1000 bucks a year.

792 Now this is the type of tax law we have. Then we are due after waiting for 10 years to get
793 your blasted proposition up and going where you make a few bucks, and get your debts all paid
794 off. And then they pay you dividends. They come in and tax you on dividends, they have already
795 taken 50 percent out of you, then they tax you again. The only way you can beat that is join a
796 cooperator, they only tax on the dividends. So I got into a political speech in response to you
797 because yours was, I think, a political speech. And I've given you my philosophy and my
798 doctrine. I would rather go ahead on the basis of a partnership and make sure that I protect the
799 public interest by the tough stands that had to be made. And I've never lost a friend by being
800 tough if I was fair.

801 And the oil industry accepted my terms in 1959, and '61, on the grounds that I was able
802 to prove to them that they made more money by paying us more than they made by paying us
803 less. Because I was able to demonstrate to them that I reduced the amount of money that they

804 had to borrow if we didn't add on these front-end loading charges... like lease fees when there
805 was no production. And I was able to prove that with the same amount of money invested, at a
806 lesser return, they got a higher interest rate because, not the same amount of money invested, but
807 a lesser amount of money invested, they got a higher return on the money invested. And once
808 they saw that they said ok. And that was it. I told you this background because this is a key
809 question that's coming alive today.

810 And my final answer to one of your questions: "Why are these meetings being held you
811 say?" Because there are suspicions in the minds of people about Columbia. You're quite right.
812 For 5 years, the so-called opinion-makers of this country, or opinion leaders mostly in our
813 universities, have taught religiously that the Columbia was a sellout. And I thought, in talking to
814 you, that I was being invited out here to bring the truth. So at least in Simon Fraser, you could
815 start from scratch and look at the facts as they are. And I'll take my invitation to go back to
816 Osgood Hall and I'll fight, I don't think with Mel Watkins anymore after the last one, or Laxer.
817 And I'll take these fellows on, because I'm not admitting this was perfect but, here are the facts,
818 judge on those. But to have people who have never even read those minutes, who don't have a
819 single document in their possession, except the bile that flows up from god knows how many
820 years of frustration. And that's all they base it on.

821 I lectured at a university for a living; I taught school... that's my profession. And I
822 thought a university was a place where you sought for truth, and you faced up to it. And I was
823 congratulating these people on starting this series to let all people have their say. And I wouldn't
824 let Davie Fulton off the hook because he was a judge. Something that happened 15 years ago
825 doesn't affect his judgment today surely. Make him come in here... you think I was tough? Wait
826 till you hear Davie. He's the guy who got chewed up, no one even remembers I was in that
827 Columbia River.

828 **Audience:** [inaudible question]

829 **Mr. Hamilton:** I'm simply saying this great political speech that you inspired, is, has been
830 made. I can go on, this is my favorite subject. I want to do things in a positive, constructive way.
831 The positive nationalist ... not the negative restrictive nationalist. I'm not too much enamored
832 with doing things by government... but if I can't get private enterprise to do it, I'll do it by
833 government. I always use that as a wind-up because I fight big businesses as tough as I fight big
834 governments. They're too fat; too complacent. I'm Irish from the bottom to the top... I'm just
835 agin 'em all. And I'm against civil servants right, left and center... because they know
836 everything and don't do anything. And we're run by experts and I think you need a few stupid
837 people around to ask stupid questions; and we get closer to the truth.

838 I'm a great believer that the common character just looking at things, gives you better
839 answers. And I've been lucky, maybe, that I've been able to cook with these experts. And they
840 even pay me big fees down in the States to go and insult them. You know Americans are great
841 for think tanks, so are the British and Europeans. They always get you to come over there and
842 join secret these think tanks. They bring in Mr. Sean Vill, and Pureury, and all these big shots.
843 And they hold forth in these great theories. And then they bring a stupid guy like me and say,
844 "What's your reaction?" I just tell them bluntly that they've been wrong consistently, and that
845 they still are wrong, and as long as they keep that attitude, they still will be wrong. And it makes
846 for good seminars. And they are wrong. And one of the editorial writers from years ago wrote
847 about me: They're all out of step but Alvin. He walks to his own drum. Well that's true... I tend
848 to keep on walking by my own drum. Make lots of mistakes, but at least I'm walking. I don't
849 like, I just don't like complacency.

850 Big businesses are complacent, they're so frightened. They're frightened of
851 governments... they won't take any risks. They leave all the risks to the little guy and when he's
852 got all the risks taken up they come in and take it over. We have what we call the friendly loan
853 company mentality in our business investment here in Canada, and that's got to change. And I
854 would like to see what I hope is going to happen in BC, that every time a big venture starts you
855 say to this company you say, "Glad to support you. Here's the amount of debt money you're
856 going to borrow. Now for the equity, how much are you going to make available to the people of
857 BC before you start this proposition?" And I stated that before they build these pipelines that get
858 all their money collected before they put one cent into it. Put Canadian individuals first, and
859 then Canadian institutions have the first right to as much equity as they want.

860 And you'll be surprised how much we're willing to invest if we get the tax collector off
861 our back. And if we lose our shirt, we can write it off against our other income. And I'd like to
862 see at least 500 dollars out of every guy's investment each year be taken off as an income tax
863 deduction to be invested in Canadian resource companies. Sure they'd lose their shirts a lot of
864 times, but the odd one will collect. And it's a disgrace that only 5 percent of the people of
865 Canada hold equity shares. America's is at over 45 percent. We just make it impossible for a guy
866 with rational minds to invest in anything but bonds in this Country or tax law. I've been fighting
867 that battle all my life and haven't won a victory yet. But sooner or later, I hope to get another
868 crack at that cherry. Thanks for the inspiration.

869 **Chair:** Mr. Hamilton I don't know how you feel, but do you wish to take more questions?

870 **Mr. Hamilton:** It's up to the audience, they've been very good.

871 **Audience:** May I ask you one last question? [laughter]

872 **Mr. Hamilton:** Have you got a guilty conscience?

873 **Audience:** Do you think there are any lessons to be drawn from the story of the negotiations of
874 the Columbia River Treaty which can be applied to possible future negotiations which might take
875 place between Canada and the United States over cooperative developments of other national
876 resources? Are there any lessons to be drawn from the Treaty? I don't want you to launch into a
877 political speech but the....

878 **Mr. Hamilton:** Yes I would think so. We have made the word "continentalism" a dirty word.
879 And "continentalism" is applied to date, for they just come and we, and take. But realities are
880 that we're going to develop cheaper forms of energy for all people in Canada, and keep them
881 cheaper than the United States and the rest of the world. To make that system work most
882 efficiently we are going to have to be cooperative with the Americans,, and I suspect in the long
883 run maybe other countries.

884 I'll give you an example, and your Premier stated this well at the energy conference. If
885 we build a big east and west power grid to reduce the capital costs and make power move up and
886 down, first chance for Canadians to get a cheaper price, we'll soon find out that there are periods
887 of the day or periods of the month or year, in spite of all our pumping it back and forth... we'll
888 have surplus amounts. And if the Americans ever get around to doing what they should do and
889 build 3 or 4 east to west grids, we'll find this to our mutual advantage that we've got some
890 surplus to dump it down and let them use it, if they've got some surplus and dump it back. So at
891 the end of the year there's no export surplus or net export or net import.

892 In other words, 2 nations looking after our own people first will still look, be better
893 Canadians and better Americans if they allow for interchange on a balanced concept of just
894 bumping surplus' around where they can be used. So every bit of power is used without being
895 wasted. Because you run that power of the dam to produce electric current... put it into a wire or
896 particularly in a thermal plant where you can't stop the things going, and you have this surplus at
897 any moment and if you're not selling it's lost power. If you put it into use and get him to pump
898 his stuff back. That's one of the things I think: That the cooperative principle established in the
899 Columbia River negotiations is still a good principle, but you've got to be right on your toes.
900 And seeing that you make a good bargain on both sides. And both sides should benefit.

901 A second principle I think we should learn from the Columbia River experience is a
902 principle which I call "jijitsu". This was the essential working principle in the Columbia River.
903 And that was, you use the other fellow's great needs and his desires, both political and economic
904 for certain things, to get him to do what you want to do. And I give great credit again to General
905 McNaughton in those meetings of the International Joint Commission to getting the Americans

906 to accept, what seems like a very simple, but a very good principle: That everything be decided
907 on the basis of economics. And once they accepted that principle, then the principle of jujutsu...
908 they just had to come because every one of our projects, as he very well knew, would be better,
909 after they examined all the figures.

910 And we're going to have to use that principle because they are going to be up here if they
911 aren't here already, we're talking about these Washington, they are going to be short of gas for
912 the next 6 or 7 years before they get their renewable downstream. And we have enough gas here
913 for, at our present use for about 12 hundred years with our potential supply. I would say that if
914 you're going to sell them gas, we talk about it. And then we say, well look, we don't mind
915 selling you a couple trillion feet to help you through the next couple of years till you get your
916 other supplies down stream, but we want deals from you in kind.

917 In other words, if we give you for the next 7 or 8 years when you're short so many
918 thousand a day adding up to 2 or 3 trillion, after 1985 when you're surplus of gas, is you're
919 going to produce out of forms whether it's rotten material, or whether it's hydrogen or whatever
920 forms you're using, will you bring back, or gas out of coal, will you let us buy back from you the
921 same amount of gas as we bought? And we'll put this into a treaty. And you know as well as I do
922 that we sold them gas today at 60 cents a thousand at the border and got your price here isn't it.
923 And you got a deal at after 1985 you could buy back the same amount of gas; at the same price.
924 You know who's going to win that deal? They want the gas so badly they'll pay that price and
925 will also give you a deal to give it back. That's what I mean by jujitsu.

926 And then if you get them rolling, coming, under jujitsu, throw in another hooker, I guess
927 that's the right word. You say "By the way, it isn't quite fair we should be hewers of wood all
928 the time. How about taking off your petro-chemical tax?" Let an industry go wherever they can
929 produce the stuff cheaper, because you've got 220 million consumers who's short of yarns for
930 their cloth and short of chemicals to produce their plastics, and so on. And if these industries
931 tend to come where they can produce the cheapest, they'll come to western Canada. And I'm
932 very serious when I say BC, because you've got the natural outlet to the west coast, and on the
933 pipeline. And if your consumers get it better, they'll be very happy and vote for you. That's the
934 jujitsu principle... you've got the voter working with you.

935 I think that's the type of negotiations that we should be going in there, using their great
936 needs and making deals where they benefit by getting things at cheaper prices, but we have them
937 a little cheaper here too. And the point that I'm making, we get the industry, that's what we're
938 after. And that is the point that was raised by one of the young gentlemen back here. And the real
939 criticism with this Columbia deal was, in the give-away, sale of that power, we got the cash but
940 really what we should have had was the industries.

CRT Lecture 2: Alvin Hamilton (1974)

941 And in the long run that was the quarrel between the federal and provincial but I didn't
942 want to make it too political. That was 3 or 4 answers of what we should be learning from the
943 lessons of the Columbia. And one of the things you've got to learn in dealing with the
944 Americans, that they are extremely conscious of the fact they are in a consumer society and if
945 you can indicate that you're going to get cheaper stuff for 2 million, 100 million Americans and
946 only 2 or 3 vested interests are going to be opposed to this, you've won the battle.

947 This is the great power of jujitsu. There's great strength get him moving your way and
948 bring him right along. But there's got to be mutual advantage for him. He's got to get a gain out
949 of it. And I would think that, from my point of view, this is what I've learned from it.

950 **Chair:** Thank you very much indeed.