

1 FOR GENERATIONS

2 Transcription Series: **Columbia River Treaty Lectures (SFU 1974)**
3 Transcription File Name: CRT Lecture 2
4 Speaker / Lecturer: Alvin Hamilton
5 Speaker Title / Position: Chairman, Columbia River Liaison Committee
6 Lecture Location; Date: Simon Fraser University; 1 February 1974
7 Original File Source: SFU Archives, Audio cassette, converted to digital .wav file.
8 Transcribed by; Date: Dania Robinson
9 Release Date: January 2011 (50 years after Treaty signing)
10 Document Word Count: 15,294 words

11 *Disclaimer: This material was transcribed by BC Hydro from 35 year old cassette tapes that*
12 *contained highly variable audio quality. While significant effort was expended to render these*
13 *transcripts as accurate as reasonably practical, many comments, questions and responses were*
14 *unclear or inaudible. As a result, the enclosed transcripts are not a full disclosure of the Jan –*
15 *April 1974 lectures, and may contain transcription errors. Readers that require the most*
16 *complete understanding of these lectures are advised to review the originating tapes themselves,*
17 *and/or the digital conversions which were requested and funded by BC Hydro. These audio files*
18 *can be reviewed in the SFU Archives located at the Burnaby Mountain campus.*

19 **Introduction by Professor Cook**

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

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

36

CRT Lecture 2: Alvin Hamilton

37

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

50

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

55

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

CRT Lecture 2: Alvin Hamilton (1974)

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

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

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

103 Now when I came back to normal temperature again went back to work I turned it into
104 my Deputy Minister and he said pretty in-coherent stuff, but I could make sense. Now that is
105 how we started in solving the Columbia. So not going in for the type of philosophy that you

106 should take drugs and go into the highs to resolve these things. But it's only in moments of sheer
107 unreality that you can see your way through these things.

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

121 Now that the first step was done, I got some sort of agreement on the political level. So
122 '58 was the year in putting all this brilliant stuff into place that I had figured out in my delirium.
123 And in the first, this is the structure of decision making... it happens like this. Now the first
124 major breakthrough was a decision which I got through our side... that we quit fighting with the
125 British Columbia people and make a deal with them. That we turn over the theoretical parts of it,
126 the principles we called it of these types of combined deals, or to the International Joint
127 Commission. And that we should set up a political committee made up of two of their
128 administrators and two of ours. And that we solve the problems that we had between ourselves,
129 but also give the directions, the terms of reference to the Canadian section of the IJC.

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

135 Now the second step was getting the agreement that I mentioned earlier with the
136 Provincial Government of BC, not just Williston, to form a Liaison committee of equals. The
137 property, the resource belonged to the province but we had to protect the national interest. But
138 we would deal with it just as equals discussing it to recommend policies back to our two
139 governments. And that was to guide the discussions in the IJC, and at the same time eliminate
140 the problems between ourselves. Now these problems were basically certain personal problems.

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

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

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

169 Simultaneously, as the IJC would hold these meetings, the Liaison committee of the
170 federal government and the province of BC would hold meetings for 2 days ahead of time to give
171 them their directions. And we met for 2 days in Ottawa and for 2 days in Victoria... very neutral.
172 And as I recall those discussions, and I brought the minutes of those meetings along with me,
173 which fortunately for those who don't like to have facts in front of them, haven't been used too
174 often. But I brought the minutes along with me, and I think they are over in the room some place
175 being copied... they are right here. I am not going to read them it's a whole fat book of them.

176 And I have re-read them this last week.

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

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

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

205 Now that was '59... great debates on netting and grossing and so on, getting these
206 principles cleared from the IJC. And in 1960's these meetings continued with monotonous
207 regularity. And in February, I'm just listing these now, and in February 27th meeting, both BC
208 and Canada were in agreement on McNaughton's plan that the first three projects should be built
209 in Canada. I'll repeat that loud and clear, both British Columbia delegates and federal delegates
210 were in agreement with McNaughton's sequence 7B or something. That was Mica, High Arrow,

211 and the Kootenay diversion. And this was based on the economic principle that for the money
212 spent you go the most out of it. Now I mentioned that date because some place along in this
213 moment of history, and I have no way of knowing what was in the minds of those in authority in
214 British Columbia, because after we made this proposal to the Americans, they agreed. They
215 accepted the complete McNaughton plan. And then this backing up started. And the Americans
216 agreed because the power principles were that we accept things on the basis of economics, not
217 politics.

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

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

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

244 With BC different data should... we had to change our proposal in international
245 negotiations with the United States. And the final plan called for the building of 2 structures in

246 Canada with the High Arrow Dam and Mica, plus a small diversion on the Kootenay, about a
247 million and a half acre feet a year I think it was. And Libby would go forward as the American
248 development. On November 23rd I made on behalf of Canada a formal proposal of joint
249 development of the whole resource of the Columbia River. And these are recorded in the
250 minutes. They said they would consider it. On December the 8th, we discussed the terms of the
251 draft Treaty, and on January the 5th 1961, all sides gave their approval with written signatures
252 this time, to the final clause of the Treaty which included a term of 50 years and a right to divert.

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

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

272 After the 1959 honeymoon period, as you know from what I said, we came close to the
273 negotiating time with the United States government. And I proposed to the federal cabinet, that
274 any skills that I had as a politician did not include legal negotiations, and suggested that the very
275 able honourable Davie Fulton become the official negotiator for the Canadian side. And I
276 mentioned that slowly and deliberately. And this was agreed to by the federal cabinet and by the
277 BC delegation. And I say now that I don't think there is anyone who has served his country
278 better in the very difficult and tough negotiations that went on during 1960, than the honourable
279 Davie Fulton... particularly when we had to switch course in the middle of the negotiations. We
280 got what we asked for and had to go back and ask them to do what they wanted.

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

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

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

317 years later, or 15 years later.

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

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

342 So the case of the mystery article appeared last year, I took advantage of it and raised the
343 matter in the Standing Committee of natural resources last May to the Senior Deputy Minister of
344 the department. I hope you have your list, that's McNabb. And I asked him if he had read the
345 article and did he approve the statements made. He replied he had read the article, and after
346 taking 2 or 3 days to cool off, had dug up the figures from the records of the government of
347 British Columbia at the end of December 1972. I am going to quote these figures to you. These
348 are not the figures of the Bennett administration; they have changed the government out here I
349 think because these figures were recorded in 1973.

350 These figures showed that the total costs of all Canadian developments on the Columbia
351 up to that time (that's the end of December 1972), totalled \$539 million. Against this there were

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

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

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

380 At the same time as I make that statement, I will agree that if we had gone ahead with the
381 original agreement of February 1960, that's the 3 projects in Canada and gone for the full
382 development that both countries, if we had gone ahead on the Canadian proposal that was
383 accepted by BC, accepted by the Americans, that both countries would have been even better off
384 than they are today on the present truncated Treaty. So in summary then, the Treaty was good,
385 and is good for both countries, but could have been better for both countries if everything had
386 been done on a purely economic basis as we agreed to in the beginning... on our power principle

387 number six.

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

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

411 Now I know as a person that the ruckus raised by these very small disputes will disappear
412 where they belong. But if that purpose is to establish the truth, of not only what was in our minds
413 at the time of the development of the Columbia River, but also the results of our work. I would
414 think that all those who worked in the BC delegation: Mr. Williston, Mr. Bonner, Mr. Basset and
415 all those variable officials, and in the federal delegation, and many of other officials were there
416 too. I think that a great deal of appreciation from their country is deserved for a job reasonably
417 well done. I would suspect that in hindsight some of the BC delegation would have wished that
418 they had gone for the full development, but that particular moment of time it was there that the
419 politicians in BC who had to face the political problems of the flooding out of people and after
420 all it was their resource. And if they wanted to take a lesser return than the maximum possible, it
421 was still much better than for Canada to go it alone.

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

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

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

447 Now in these remarks, I think you will agree that I've tried to be candid. And in
448 conclusion, after 15 years, because of the fact that we were working with figures that turned out
449 to be wrong, both sides I think made mistakes... that have cost to the people of British Columbia
450 and Canada economically. And that, I think, can be rightly held against us. On the other hand,
451 because we were dealing with human beings on both sides, and each side was fighting their level
452 best for their view point as they saw it, we protected the principle that the provinces do own in
453 their constitutional of their resources, and the right to manage them to their best interest... as
454 long as the national interest and the export is protected. That we maintain the principles of 1867,
455 in the British North America Act, which are now under direct challenge as you know. And
456 thirdly the dealing with the truncated treaty that we finally accepted, we now know from the

457 figures from the first 10 years, that both countries got more units of power; that the unit cost of
458 power in both countries was drastically reduced over quite a bit if we worked alone. And we
459 made better use of the water.

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

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

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

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

488 **Audience (Professor Cook?):** Mr. Hamilton I wonder if I can ask you a question here. You
489 mention that General McNaughton exhibited some suspicion of both BC officials and of the
490 federal officials. How strong was his suspicion of the American's and did you yourself and your

491 colleagues in the cabinet, any of your other colleagues in cabinet, did you at any time have any
492 suspicions of the American intentions of entering into negotiations? In other words what was the
493 spirit which the governments went into the negotiations?

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

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

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

525 **Mr. Hamilton:** Well I've hinted at that; I thought I did more than hint. We had very strong

526 debates not only in Cabinet but in caucus, and the debates were on the essential principle. Even
527 though we thought that our proposals, I'm using the McNaughton proposal as ours, were the
528 best. And we had all the evidence to prove they were the best. The fact is that the Province
529 argued that it was their resource and they didn't want the Kootenay flooded. And our debate was
530 fought out on the philosophy of our party where do we stand on these issues. And there was quite
531 a difference of opinion between the members of parliament with 18 from BC and our two
532 ministers and the truth is that the great majority of the MP's and the great majority of our party
533 were unanimous on the constitutional principle that as long as it's a good deal for Canada (and it
534 was), not as good as we wanted it to be, but it was a better deal than going at it alone, that we had
535 no right, that we should never try to manage the resources of a province.

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

548 **Audience:** [inaudible question]

549 **Mr. Hamilton:** That's a shrewd question because at the end of 30 years there's nothing more to
550 come back. The downstream benefits are, under a theory that these power experts have, would
551 only last for the first 30 years of the deal. After that there there's no power returned. The
552 downstream benefits only come back for 30 years. And we sold that 30 years. But at the end of
553 that 30 years, the right to divert the Kootenay still remains so we can at least cut off their water
554 at Libby. And who was that politician that said the other day you don't know what trouble is
555 until you've had your water cut off. Did you hear about that? He said in television. He brought
556 the house down. I think it was in the British House of Commons not so very long ago. But it's
557 one of these off the cuff remarks that politicians make that are really funny. But that's actually
558 the way it stands now.

559 At the end of 30 years we would like to recoup, since they aren't giving us downstream
560 benefits, and we can build our dam right through the flooded area and back up all the water up

561 and dump it back here, and give us more power, but not as much as we would have got by
562 getting the same power (water) dumped over all the dams downstream. So you'll get all your
563 water back in another 20 years thanks to General McNaughton and to myself to a degree. We
564 fought the last battle. We lost the big battle but we fought the one last rear guard action that
565 saved you the water on the Kootenay.

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

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

569 **Audience:** [inaudible question]

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

587 But I like would like to make multiple use of it. I think the power use is only one use. My
588 first love of course is the recreational side. But also I'm a great believer that sooner or later we
589 are going to have to start farming trees in this country and the water gives you access to the
590 individuals so he can farm his trees leave all the trees beside the dam and farm right behind it
591 like they do in these operations. And if your taking on so many trees and putting new ones in,
592 you'd never even know there's an operation going on which you can double and triple and
593 quadruple your production by silviculture. But we don't do that much in Canada or the United
594 States. I'm talking about what they're doing in Europe, as you know. And most of our

595 knowledge of this, we've done all the scientific research on it in Canada, we know we can
596 quadruple our production here. And we will have to do that to meet the world... this tremendous
597 world demand for fiber. There is no shortage of energy in the world, but there is a good shortage
598 of fiber and metals.

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

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

618 On the question of government regulations, using the all-in gas industry as the classic
619 example. The oil and gas industry was under provincial regulations and we're speaking here at
620 this particular moment of time, of Manitoba, Saskatchewan, Alberta, and British Columbia.
621 Every one of those 4 provinces copied their oil and gas regulations off American state
622 regulations... which worked on the assumption that the great bulk of the value of these resources
623 should belong to the man that put the money into the finding of them. And I'm quoting now
624 precisely... giving you the dates. This decision came up before the government of Saskatchewan
625 in 1952. Alberta got the jump on them in 1946 but everyone was interested in Saskatchewan.
626 And we had a government headed by a very fine Canadian, Tommy Douglas, who writhed in this
627 anguish what he should do. Now his basic philosophy is that the people should own these things,
628 and should develop them.

629 But as he said in his speech in February 1952, in the debate on the reply to the throne

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

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

652 But in return but when you do find oil or gas, 50 percent of every find comes back to the
653 people of Canada. And in addition on the 50 percent you get, you will pay a royalty to us of 40
654 percent in the easy areas to get at, and as low as 10 percent in the tough areas like the Beaufort
655 Seas and offshore. The Arctic Islands which we looked is fairly easy is 20 percent. If you take 50
656 percent plus 10, that works out to 55 percent of the resource comes back to the people. If you
657 take 50 percent plus 40, 70 percent comes back to the people. Do you realize that those
658 regulations went into effect in 1961? And wasn't until there was a change of government in
659 Alberta under General Headen, that he began to change the royalty rates. It wasn't until last
660 December the 13th that Saskatchewan changed its royalty rates to take a proper proportion.

661 As a young man 1973 is a long time from 1945. And I have always spoken in the House
662 of Commons as a minister, as an opposition person. That until we face the facts about the world
663 oil situation we weren't going to get very far. I pointed out that the international oil companies
664 ran the whole world market of oil. They allocated the markets, they set the prices. And these

665 prices gave them maximum returns, profits, but also the other partner that shared in this sinful
666 operation were the consumers. And the consumers of Japan and the consumers of United States
667 and Canada and the whole world have had 50 years of low prices for gasoline, heating oil, and
668 industrial oil. And we did this by robbing it from the producers in Venezuela, Arab countries,
669 and later on Africa.

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

679 We've had it in the federal regulations since 1961 effective in '57 put in by a
680 Conservative government. And we challenged the provinces... look at my speech to the Mayans
681 to Ministers conference in 1959. Asked them to stand up and be men and give proper regulations
682 to protect the people's interests. Your government moved in BC when in 1973 with Naught...
683 1956 when we moved. I'm simply giving you these facts.

684 Now having said that, why do I say that the oil companies deserve a section? Because
685 they do. I know that the average rate of return on oil exploration is low. The average rate up to
686 1962 was 11 percent around the world. It declines steadily till 1972 down to 7 percent. And if
687 you want the figures for Canada, the Oil industry spent 20 billion dollars looking for oil and gas
688 in Canada, and up to the end of 1973 had collected 20 billion dollars. So they broke even. But in
689 practice some companies had gone ahead and broke even long ago: 4, 5, 6, 7 years ago. Most of
690 the companies didn't, haven't broken even yet. And the great majority of the companies, mostly
691 Canadian, are the 2000 companies in Alberta and Saskatchewan and BC in 1955 in that period,
692 there are only 200 of them left: 1800 of them have gone broke. So that's why, you can say quite
693 accurately, that oil companies don't pay taxes. Most of them have so much stuff to write off that
694 they will never pay taxes for years to come.

695 One company called Shell has been a very adventurous company... spending money like
696 mad exploring. They've got so much money to write down, it'll take years before we get to tax
697 them. It's true. But take the amount of money, under our law if you take money spending on
698 buying a tractor, you'll write it off over six years. If you spend money exploring for oil you can
699 write that off too. I'm simply pointing out to you that if you want your country to develop, you

CRT Lecture 2: Alvin Hamilton (1974)

700 have to decide if your going to do it all by the government, or a joint enterprise with them: a
701 partnership. And under the reality of power, and the responsibilities that power brings to you,
702 men like Tommy Douglas, who I would say is just as honorable as any person in this room, faced
703 his decision and made it and he still holds to that that view. That doesn't mean he wants to see
704 the scalping that's been going on in the last six months, which is disgraceful. It was started by
705 politicians this whole scare, and these fellows saw the scare working and the prices going up and
706 they milked it for all their worth. So they're all to blame.

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

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

728 So it was a great dream. And it was music to my ears last week to hear all the provinces
729 say this is what we have to have is a national power grid. And the head of the CTV anchorman,
730 the head of the CTV they said, "That's your invention isn't it?" And I said, "That's right." I
731 started talking about this after the war. Dr. Menses, Don Stevenson of Winnipeg, these are the
732 guys that gave us the know-how; that did all the research. All the research is done on the power
733 grid and the costing is all done. Canada so it's research in the national research council in that
734 big wind tunnel in Ottawa and the Quebec Hydro are farther ahead on long range transmission of

735 electricity than any country in the world. Russians and Swedes used to be ahead 20 years ago,
736 now we're passed them long ago. Our scientists haven't let us down. But our politicians have.
737 They need a good swift kick.

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

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

754 But our attitude towards tax law in this country is awful. We hold to the view that if a
755 man makes a big expenditure which gives him a write off, that he's a bum. That he doesn't pay
756 taxes. And I was campaigning in '72 in my riding, which is farm riding, heavily mechanized, and
757 they said, "What about this charge that a lot of these fellows don't pay taxes?" I said, "Very
758 true." They were only interested in listening to half of it. I could tell them twice as much as he's
759 told you, on how they don't pay taxes. And I said he holds to the view that any person that
760 spends money to improve his operations shouldn't get a tax write off for that... would you spend
761 15 thousand or 20 thousand for your tractor... and no write off? That's dead and stopped all that
762 nonsense. So the NDP vote just disappeared. These fellows have to have their write off to buy
763 those tractors.

764 So I'm simply saying your theory of tax law has to be that if you want to get Canadian
765 ownership, quit double taxing the guy that invests in this country. And that's what we do, we
766 double tax them. And if I go in and I do it as a matter of personal philosophy, and I risk 4000 or
767 5000 dollars, which I do every 2 or 3 years on some wild adventure, and I lose it. Which I do
768 every time, almost except once I made out. What happens? I can't write that off. But an
769 American can lose 100 million dollars, and write it off against any type of income. But we had

770 great reforms in '73. We gave Canadian's the right to write off losses now. And if you lose 5000
771 bucks, you can write off 1000 bucks a year. Now that's a great help to me. And I appreciate that
772 1000 dollars of write off.

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

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

795 And the oil industry accepted my terms in 1959, and 61, on the grounds that I was able to
796 prove to them that they made more money by paying us more than they made by paying us less.
797 Because I was able to demonstrate to them that I reduced the amount of money that they had to
798 borrow if we didn't add on these front-end loading charges... like lease fees when there was no
799 production. And I was able to prove that with the same amount of money invested, at a lesser
800 return, they got a higher interest rate because, not the same amount of money interested, but a
801 lesser amount of money invested, they got a higher return on the money invested. And once they
802 saw that they said ok. And that was it. I told you this background because this is a key question
803 that's coming alive today.

804 And my final answer to one of your questions: "Why are these meetings being held you

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

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

822 **Audience:** [inaudible question]

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

832 I'm a great believer that the common character just looking at things, gives you better
833 answers. And I've been lucky, maybe, that I've been able to cook with these experts. And they
834 even pay me big fees down in the States to go and insult them. You know Americans are great
835 for think tanks, so are the British and Europeans. They always get you to come over there and
836 join secret think tanks. They bring in Mr. Sean Vill, and Pureury, and all these big shots. And
837 they hold forth in these great theories. And then they bring a stupid guy like me and say, "What's
838 your reaction?" I just tell them bluntly that they've been wrong consistently, and that they still
839 are wrong, and as long as they keep that attitude, they still will be wrong. And it makes for good

840 seminars. And they are wrong. And one of the editorial writers from years ago wrote about me:
841 They're all out of step but Alvin. He walks to his own drum. Well that's true... I tend to keep on
842 walking by my own drum. Make lots of mistakes, but at least I'm walking. I don't like, I just
843 don't like complacency.

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

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

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

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

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

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

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

872 **Mr. Hamilton:** Yes I would think so. We have made the word “continentalism” a dirty word.
873 And “continentalism” is applied to date, for they just come and we, and take. But realities are
874 that we’re going to develop cheaper forms of energy for all people in Canada, and keep them
875 cheaper than the United States and the rest of the world. To make that system work most
876 efficiently we are going to have to be cooperative with the American’s, and I suspect in the long
877 run maybe other countries.

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

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

895 A second principle I think we should learn from the Columbia River experience is a
896 principle which I call “jujitsu”. This was the essential working principle in the Columbia River.
897 And that was, you use the other fellow’s great needs and his desires, both political and economic
898 for certain things, to get him to do what you want him to do. And I give great credit again to
899 General McNaughton in those meetings of the International Joint Commission to getting the
900 American’s to accept. That seems like a very simple, but a very good principle: That everything
901 be decided on the basis of economics. And once they accepted that principle, then the principle
902 of jujutsu... they just had to come because every one of our projects, as he very well knew,
903 would be better, after they examined all the figures.

904 And we’re going to have to use that principle because they are going to be up here if they
905 aren’t here already, we’re talking about these Washington, they are going to be short of gas for
906 the next 6 or 7 years before they get their renewable downstream. And we have enough gas here

907 for, at our present use for about 12 hundred years with our potential supply. I would say that if
908 you're going to sell them gas, we talk about it. And then we say, well look, we don't mind
909 selling you a couple trillion feet to help you through the next couple of years till you get your
910 other supplies down stream, but we want deals from you in kind.

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

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

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

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

CRT Lecture 2: Alvin Hamilton (1974)

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

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