

July 3, 1981

LS: Today I'd like to talk about the years 1950 and 1951, some of the legislation of those years. But I'd like to leave that aside for the moment and start to look at some of the other things that happened at that time.

In 1950, in your Budget Speech, you said, "The orderly development of our natural resources has replaced taxation as our major source of income and will account for approximately one-third of our total provincial revenue for the year."

There are two things I'd like to get at. First of all, an explanation of what you meant by "replacing taxation" as a major source of revenue for the Province. And secondly, I think that this budget in this period of time in Alberta starts to show that the economic base of the Province starts to change, or is reflected in your Budget in terms of moving from primarily agriculture to oil. I'm interested in your Government's policies about that time, reflecting that change.

ECM: That was the period of time when the amount of revenue accruing from the development of oil and gas became a significant factor in the provincial revenues. As I indicated in that talk, it was up to about one-third of our revenues. It therefore had become a source of revenue which otherwise we would have had to pick up by either increased taxation or new taxes. That's what I meant by saying that it was now becoming an alternate source to taxation, for the increased revenues that were necessary to keep pace with the growing costs of the public administration.

There is a point which should be mentioned in connection with that resource revenue. We, as a matter of policy, at that time made a distinction between the revenues accruing from royalties on production (and this took all royalties whether it was on timber or coal or oil or gas), and the revenues that accrued from the sale of development leases.

In the case of the sale of development leases, we regarded that as an irreplaceable resource. In other words, we were disposing of what amounted to a capital asset. So we were careful not to permit that portion of the revenue to go into the general administration costs of the Province, that is, for social services and general public expenditures. That portion was diverted to capital expenditures. As a matter of policy, we were careful from that time on to see that the amount of money we spent for capital improvements in the Province (building hospitals, schools, roads, bridges, and so on) was equal to or more than the amount accruing from the sale of these development leases.

Really that was the same principle that was adopted way back in those days, that is behind the Heritage Trust Fund that the Province of Alberta has today. It's based on the same premise that that revenue is accruing from an irreplaceable resource, and therefore should not go into general services of the province, but as a cushion to use for industrialization or other capital expenditures.

LS: With capital expenditures, what were the priorities among them? At that time, in the Fifties, as we changed our economic base, did your government have a priority list?

ECM: There was a priority list, but you must remember that we had come out of a period, in the Depression years, when the Province was able to spend very little on capital construction of any kind. For example, we went for years when there wasn't a single new building at the University of Alberta. We just simply couldn't afford it. The same was true of hospitals, schools, and facilities of that kind. So first of all we had the big backlog of those Depression years.

That had been followed by the War years, and capital construction for other than War purposes was almost nill during the War years. Materials, manpower, and everything was devoted to the War effort.

By the time we came to this period, at the end of the War, there was a tremendous backlog of necessary capital construction, particularly in the

areas of University construction, hospitals, schools, bridges--those were the main things.

As far as priorities, these were assessed from year to year. We tried to move to take care of the health needs - hospitals had a high priority. Schools of course had a high priority. We started quite a large capital expenditure program for the University to get caught up on the backlog there. Also there was a great expansion of the Provincial highway system, which meant bridges, which were one of the costly capital structures involved there.

LS: That Budget also had no provisions for reduction of taxes. Why was that?

ECM: We still were not in a financial position where we could afford to reduce taxes, because we had this tremendous backlog of expenditures to take care of. The amount that we were taking in from oil and gas resources was not even adequate to take care of the backlog at that stage, let alone enable us to cut taxation.

LS: You're probably aware that your Government was criticized, I think at that time and in later years (and it's interesting that you raise the Heritage Trust Fund of today) for not having a program or policy for spending these revenues.

ECM: Well, of course, that's a standard kind of media criticism that any Government gets. We felt that a distinction was made between routine expenditures on services (which when the service is rendered is gone, and the money's gone), and capital expenditures whereby you are providing a lasting asset in the place of some other asset which you've disposed of in the process (in this case, the oil and gas resources, because there's only so much oil and gas in the ground and every bit you dispose of is irreplaceable). We were careful to make that distinction.

The amounts were not that large; compared with revenues today they were chicken feed. What we did, rather than set up a separate "heritage trust fund", when we made up our Budget each year, was to allocate to the field

of capital expenditures an amount of revenue at least equal to all the revenue we would take in on the sale of oil and gas leases, which was really converting those assets into a new asset in the form of a school, or a hospital, or a university building, or something of that kind.

LS: Just to bring it up to date on the Heritage Trust Fund. In what ways do you think that Fund has policies or programs set up?

ECM: I'm not familiar, of course, with the detailed regulations of the Heritage Trust Fund.

In the broad concept, as I understand the thinking behind the Heritage Trust Fund, it is recognizing the same fundamental principle that we were getting at, namely that when you're taking revenue from an irreplaceable resource, that is not the same as revenue from taxation or from, say, forestry, for example (where you can have reforestation programs, and it's a continuous thing). The Heritage Trust Fund recognizes that.

In the case of the Heritage Trust Fund, as I understand it, it is made up of a percentage of revenue received from royalties and everything else, on all minerals. In other words, it doesn't go into this distinction between sale of oil development leases as compared with royalties, and so on.

The reason we treated royalties from oil differently was that we collected royalties on other resources - timber, coal - and these were always treated as part of the general revenue of the Province, always had been. So we treated the royalty on oil and gas in that same category as the other minerals. But the difference was that in the case of oil and gas there were large amounts of money coming from the sale of the mineral leases, which did not apply to coal or forestry or anything of that kind.

That distinction is not made, as I understand it, in the Heritage Trust Fund. That Fund is simply made up by an arbitrary percentage of the revenue that's collected from all mineral development being put into a fund.

As to the expenditures, to the best of my knowledge, I don't think the Heritage Trust Fund confines those investments to those things directly connected to capital expenditures, that is, to building other assets - physical assets in the place of a depleting asset. I think to date the Fund has primarily been an investment fund. It's been invested in loans to other Provinces; it's been invested certainly in some major capital expenditures in the Province (in the field of irrigation and things of that kind); but it is a broader-based philosophy than what we used when we diverted the revenue from the sale of the leases into actual physical assets such as buildings and bridges.

LS: Will Albertans benefit from investments in other parts of the country?

ECM: The investment of a fund of that kind has to be looked at purely as a temporary wise use of the fund until such time as it is invested in a capital asset, or for whatever other purpose the fund is being retained. It would be very foolish to have a fund of that kind just sitting in a dead account, not earning anything, especially today when you can put it out at anything from 10% to 17% interest. So the public benefits from all of those investments from the standpoint that that's a tremendous source of revenue increasing the size of the fund.

The long-range objective of a fund of that kind (and as I understand it, this is the purpose of the Heritage Trust Fund) is:

(1) the present Government has put a lot of emphasis on using that fund for industrial diversification, that is, encouraging the diversification of the economy of the province to get more industries developed (which in many cases would involve physical assets). It's a pretty sound use. But I don't believe the Fund has been used to a large extent in that area so far.

(2) Primarily to date it seems to have been an investment fund; in other words, it's still increasing the amount in the Fund, but I don't think they've gotten around to precisely what they're going to invest it in by way of creating long-term assets in the place of the ones that are

depleting.

LS: What would you do to create long-term assets? What would be your direction?

ECM: Quite frankly, the size of the Heritage Trust Fund is such that I think it would be extremely difficult to limit the use of the Fund to physical assets. My idea of a way the Heritage Trust Fund could be used today goes off into a lot of other directions altogether. It's quite a different thing from what we were dealing with in the smaller amounts of money in those days.

This is maybe off our subject here, but I feel that there's a tremendous potential for the Heritage Trust Fund to be used by Alberta almost by the Province becoming bankers for the economic growth of the country as a whole. I think there are a lot of things we could do, not just in Alberta, which would contribute to the economic health of Canada, and which in the long run would redound to our advantage - if you want to bring it right down to cold, hard dollars. I think we would get greater returns than on some of the things that are done within the Province with money of that kind.

I think if that approach was taken to the handling of the Heritage Trust Fund, instead of it becoming (as I'm afraid it has become) a source of envy to the rest of the country, and a source of criticism from the rest of the country, I think it would significantly change their attitude if this great Fund was being used in types of economic growth for all of Canada, but slanted towards the type of growth which would be advantage to the Province who is providing the money. I think those two things could be combined to the mutual advantage of Alberta and the Canadian people as a whole.

LS: What would be an example of that, Mr. Manning?

ECM: I'm speaking off-the-cuff, and I don't like to do that on a thing of this kind because if I was involved in it, I'd want to sit down with some

top-flight people for a lot of deep analysis before you came up with priorities. But let me take a simple example that would perhaps be applicable.

We're faced, everywhere west of Ontario in this country, with a growing (and I think a serious) problem with our transportation system. It's getting to the place where it cannot handle the volume. We're making contracts to sell grain, and we simply haven't got the facilities; our transportation system has not been kept up to date because of costs. That might well be a field for major involvement by Alberta, which has so much to gain from a good transportation system.

We want to get our products to the Pacific Coast; that's where our Pacific Rim markets are for coal and a lot of other things. And, I think, we could do that, perhaps from a standpoint of financing, or having a major role in financing, the upgrading and modernization of the whole transportation system west of Ontario. [The reason I say Ontario, when you get east of the Ontario boundary, there you've got your vast populations and your transportation system is entirely different from what it is in the vast reaches west of there]. I think perhaps we could wisely invest a lot of money there which would result in great advantages to this Province.

And of course, that type of thing has so many spin-offs. When it comes to moving people, I think most transportation authorities agree today that the most economic way to move people is by trains, if you have good trains. It's cheaper than air travel. If we're worrying about energy conservation, and we should be worrying about it, it's the most efficient way to move people from that standpoint.

We're talking today about a passenger service which is 40 years old, so you have to browbeat people to get them on the thing. Take some of the Japanese trains - it's a delight to ride on them. They go at 100 miles an hour, they ride as smoothly as an airplane, and they're pretty efficient. They get there in a hurry, and they're much more comfortable than sitting cramped up in an airplane. All of those are potentials. All it needs is somebody with a little imagination, and I think you can do a fantastic

thing in a field like that.

LS: Those would be very creative uses of the money.

I'd like to turn back to the 1950 period. One of the issues that came up was the question of surface right owners and whether or not they were being compensated enough. It seems to me that this is a recurring issue. What was the issue then, and what was your Government's stance on it.

ECM: It's necessary to understand the reason why it was an issue then, and it will always be an issue. That arises from the fact that years ago mineral rights and surface rights were separated; there were separate titles for mineral rights and separate titles for surface rights. The mineral right title authorizes the owner to that title to enter on the land and develop those minerals.

In other words, the surface owner cannot prevent the owner of the mineral rights from coming on the land to whatever extent is necessary to develop the minerals. And the reason for that is obvious; if you didn't have that provision, your mineral title could be useless. If you owned the mineral rights over a section of land and somebody else owned the surface and said, "You'll never come on this land to develop them", your title would become valueless.

The fact that the owner of the mineral rights can come on the farmer's land and do whatever is needful to develop the mineral naturally is not well-received by the surface owner. It's true that legally he has not had the control over those mineral rights. He's not losing anything because he never had it; his surface rights do not give him control over the minerals. And he knows that the mineral titles have priority as far as their owner being able to come on the land to develop it.

But notwithstanding all of that, when an oil company comes onto a farmer's land, and says, "I want 2 acres in the middle of your wheatfield, and I want a roadway to it to bring my trucks and equipment in," the farmer's not going to be happy about it.

It was for this reason that from the very beginning of the oil development the Government set up machinery for what was called the "Right of Entry Arbitration Board" which acted as a referee. If the farmer and the oil company could make a private agreement (and in the majority of cases that's what happened) the Government had nothing to do with it. If the farmer said, "I want so much to give you that right-of-way," and the oil company and he agreed, fine. That was the end of it.

If they didn't agree, then the farmer or the oil company would apply to the Right of Entry Arbitration Board to enter on that land, and they had a hearing and made an award. They said, "If you will pay so much an acre, so much a year (whatever the amount was)...." But no matter what that amount was, it was not going to make the surface owner happy.

I can remember the surface owners association's demands way back in those days even went as far as saying that the surface owner should be entitled to part of the royalty from the oil developed under the land. We couldn't accede to that as a government, because there's no connection between the minerals and the surface. If you started tying royalty on the oil under the land to the surface, then you would create so many legal complications that you'd be in litigation all the time.

So we said, "No, what you're entitled to is (1) generous compensation for the actual surface which is taken out of production; (2) additional compensation for the nuisance value (and that's a big factor--the company's trucks are coming back and forth, they leave the gates open and the farmer's livestock gets out, and all the problems which are created); and (3) (and this is the contentious one) you're entitled to compensation for arbitrary entry onto your land. In other words, you have not the right to say "no", but you are nevertheless entitled to some compensation by virtue of the fact that your land is being taken from you without your free will and consent. You have to consent because that's what the title says and that's what the law says.

This is not a new principle; this is applied in arbitration rulings. If a city or town or government expropriates a property, you don't pay just the

market value of the property, you pay for "injurious affection" as they call it. You're arbitrarily taking something from a person without their consent. A man might say, "My land is worth \$100 an acre, but I have sentimental attachments to this land. I wouldn't sell it for \$1,000 an acre. And you're going and arbitrarily taking part of it." He's entitled to some compensation for that factor.

So what the Board used to do was try to add up all these factors and make an award which was on the generous side. And I think, to be fair to the boards and to the companies that had to pay the bills, most of these awards were on the generous side. I would have to say at the same time that in very few cases did the surface owner think that they were adequate. That's a situation that will always prevail because of this conflict of interest between titles.

LS: In the Calgary Herald of March 14th, 1950, there was a headline that alluded to a tax agreement with the Federal Government. The headline read, "Manning Hints Tax Agreement May End in 1952". You were addressing the whole question that renewal with the Federal Government was unlikely unless Alberta "gets more".

What's the issue background of that, and how was it resolved?

ECM: That was a carry-over of an arrangement that was made during the War years. Shortly after the War situation became serious, the Federal Government approached the Provinces and said, "Now at least for the duration of the War, we feel it's vital to have an arrangement with the Provinces in the field of taxation under which the Provinces will not be in competition with the Federal Government in these tax areas." As a result of this, what became known as the "Tax Transfer Agreements" were worked out.

Under those agreements, the Provinces "rented" their tax field to the Federal Government for the duration of the War, and in return they received from the Federal Government lump sum payments which were based roughly on what they would have collected from those fields.

The advantage of this was that it put the whole tax structure under Federal administration. They didn't have legal jurisdiction, but the Provinces voluntarily said, "We'll let you look after the field of income tax, corporation tax, and so on. We'll 'rent' you our jurisdiction in those fields for the duration of the war."

Now it was essential, and there was no great argument about this. Under War circumstances you couldn't have circumstances where the Federal Government was raising income tax, for example, to pay War costs, and some Province came along and jacked up the Provincial income tax at the same time. After all, there are only so many dollars that the taxpayer had, and the one could defeat the other.

This way put the whole coordination of taxation, national and provincial, under the control of the central government that was responsible for the War effort.

This went on throughout the War years. The agreements provided for certain floors to protect the Provinces (they would not get less revenue than they would have acquired under other arrangements). They provided for some increases, because it was recognized that, had there not been this unusual situation, the revenues of those taxes would have been increasing as the country developed. There were a lot of factors of that kind.

Then at the end of the War, the question arose, "Should we revert all the way back to where we were before, or should it be a continuation of the tax rental agreements?" After a lot of negotiations and a lot of conferences, it really ended up as a sort of combination of those things.

For example, in the field of income tax (with the exception of Quebec) the Provinces never did go back to collecting their own income tax. Before the War, you provided a Provincial income tax form, and you filed a Federal one. This was all rolled together in the War Tax Transfer Agreements. After the War, Quebec said, "No, we want ours back. We're going to levy and collect our own." All of the others, continued (I don't know where there are any collecting their own today - not that I know of outside of

Quebec). In the field of corporation tax, it was the same thing. Just this last year, Alberta has split off and said, "Now we're going to operate our own corporation taxes."

As to the reference that you have commented on, these were term agreements. As they came up to the termination date, there was always a series of renegotiations. Also involved in this was the adoption of the equalization programs, under which the Federal Government pays out of national revenues to the Provinces (whose income from the various categories of taxation that are included under the agreement is less than the national average) an equalization payment. If you have more, you don't get it. For many, many years, the three that were called "have Provinces" because they didn't get any equalization were Ontario, British Columbia, and Alberta. The others all received some.

What this really is, is a method for redistributing public revenues. Those areas of the country where the amount of income from various fields of taxation (in our case it was because of the oil revenues) was above the national average, got no compensation, and the ones below did. There were a lot of long and bitter arguments over the equalization formula.

In the case of Alberta, the greatest grievance we had was that we felt the revenue from the sale of mineral leases should not be regarded as ordinary provincial revenue. It should be regarded as capital income. This was due to two things: (1) It was coming from the disposal of an irreplaceable resource, the same as if you were selling a building, and (2) In our own province we were not treating that as ordinary revenue. We were not putting it into current expenditures; we were putting it into capital assets. Ottawa said, "No. Revenue is revenue. Period."

Had they excluded the revenue from the sale of leases, for quite a period Alberta would still have been a "have-not" province and would have been entitled to equalization payments. But when it was included it tipped us on the other side, and we became one of the provinces that paid for equalization for the rest but didn't get any ourselves. This was the type of thing I was referring to in "Alberta getting more".

LS: 1950 is an interesting year concerning some public personalities and yourself. I want to go through two or three circumstances and individuals and have your comments on them.

During that year, a Social Credit MLA by the name of A. V. Boisier [sp?] was apparently removed from Caucus and was told to sit on the Opposition side of the House. What was the issue there?

ECM: Mr. Boisier was one of those of the group that we talked of away earlier, of the so-called "Douglasites", way back to the old Insurgency days in 1936. He was one at the time that took a strong view that the Government wasn't doing all it could do to implement the Douglas monetary proposals, and that what it was proposing was not true Social Credit as espoused by Major Douglas, and so on.

When the insurgency problem was resolved, that died out and Mr. Boisier was back in the group along with the others that had taken that view. We went through quite a period when there wasn't much disagreement about it.

It emerged again in his case. I don't recall the individual issues, but he took exception to the Government policy positions and the Caucus policy positions on an increasing number of things, until finally the Caucus expelled him. They said, "If you don't agree, the best thing is to go across the floor and sit as an Independent. Then you won't be circumscribed by the Caucus, and the Caucus won't be put in the embarrassing position where it knows that in its midst there is someone who disagrees with its position on many of these things, and which circumscribes its freedom even to discuss those things." So he was expelled by the Caucus.

LS: When you say "expelled by the Caucus", what does that mean? Was there a majority vote?

ECM: Yes, after discussion, somebody proposes a motion that such-and-such a Member be expelled from the Caucus, which means that he's no longer eligible to attend the Caucus. The Caucus couldn't throw him out of the Party, or anything of that kind. All they could do is expell him from the

Caucus. But the usual thing that happens when a person is expelled from the Caucus is that the feelings are strained by that time to the place where the normal thing is for him to go as an Independent. This happened with several; he wasn't the only one.

LS: That year also saw the appointment of J. J. Bowlen as Lieutenant-Governor of Alberta. As I understand it, he had been a strong opponent of the early Social Credit era. I'm interested to know how his appointment came about. What was the thinking behind appointing someone who had been such a strong opponent?

ECM: Well, of course, the Lieutenant-Governor is appointed by the Federal Government, not by the Province.

LS: How did you and your Government react to that?

ECM: Mr. Bowlen was a most interesting gentleman. He was a member of the Liberal Party in the Legislature when we were elected in 1935. There were five Liberals elected in the sweep of 1935, and he was one of them. He was from Calgary.

So he was sort of an old-timer, and a pioneer. He had a most colourful history. He was a rancher; at one time had the largest horse ranch in Western Canada. They used to raise horses on this huge ranch south of Calgary and drive them across the Prairies as far as Winnipeg, where the loggers from Ontario (they used to use thousands of horses in the bush in the winter in lumbering, to haul the logs out before everything was mechanized) would come to Winnipeg to buy the Western horses and take them back to Ontario.

He was a most delightful man; we became very, very close friends in later years, and in fact always were good friends. There was never any animosity. He was a self-made man. He'd had very little formal education, but he was an insatiable reader. He spent some years in Chicago as a youth, and he operated a Chicago streetcar (if I recall the story correctly) in the days when they were pulled by horses, when he was a boy.

They used to tell the story that when he was doing this kind of work he'd spend every hour that he was off work in the public libraries in Chicago, reading, reading, reading. He was very well-read, very knowledgeable, and had a lot of natural ability.

Then he went into the political arena in Alberta, before our time, in the Liberal Party. He was elected and in the House for many years. I don't remember the year that he was defeated. He served as Official Opposition leader of the Liberals when they split (they went into a coalition to defeat the Social Credit Government and split up later on). He was defeated some time after that.

Mr. Bowlen succeeded Mr. Bowen, I think. To the best of my knowledge, I don't think the Province was even consulted on it, in those days. It was a Federal appointment. But as far as we were concerned, we were very happy with him. He was a tremendous Lieutenant-Governor. Quite frankly, I think Mr. Bowlen did more to make the office of Lieutenant-Governor known and appreciated and enjoyed by the rank and file of the people of Alberta than any man in Alberta's history.

LS: How did he do that?

ECM: For one thing, he was a man of the people. He wasn't stuffy in any respect. He came up as a rancher and worked his way from nothing to the top. He loved people; he knew how ordinary people struggled and he had understanding; it wasn't put on, he'd been through it all himself. He knew everybody; he was one of those men who have thousands of people they know.

There is always a tendency in those offices (and I don't say it in the slightest sense of criticism), to have so many demands on their time to attend functions, most of them the "big" deals, something pretty major. Mr. Bowlen was the type who'd go out and open a fair in some little town with 300 people, and love it. He did that kind of thing all the time. He was delighted to do it; his heart was in the rural areas. And as a result, he was very well loved.

LS: Is it unusual that there would be not consultation between the Federal Government and the particular Provincial Government?

ECM: I don't think that's uncommon in Canada. The prerogative is that of the Federal Government. They're not obligated to consult. I'm quite sure, if it's a case where the Provincial Government is of the same political party as themselves, they do. These things usually have a political connotation.

I would doubt today whether a Federal Government would appoint a Lieutenant-Government without some consultation, and I can't say it didn't happen in this case. In those earlier days there was much less of that than there is today, with all the talk about Federal-Provincial relations. No matter how antagonistic they were to the government of a Province, I think a Federal Government would at least tell them ahead of time. And I think probably in this case were were advised, but it wasn't a matter of making a recommendation of anything like that.

I can't remember being consulted in 1950 about the appointment, but had I been consulted as Premier with the suggestion that Mr. Bowlen would be appointed Lieutenant-Governor, I would have gladly approved it without the slightest hesitation.

LS: The third individual that I wanted to discuss was J. Harper Prowse. He had been one of the early people elected from the Forces and had sat in the House. Your relationship with Mr. Prowse was interesting, certainly from what you read in other sources.

I'd like to read a quote from the Edmonton Journal: "In the Legislature last week, Mr. Prowse, during the Budget debate (of 1950) said that if the late William Aberhart was the Messiah of the Social Credit Party, then Premier Manning must be the Judas."

That's fairly strong language. What was the issue? What was your relationship like?

ECM: Well, to go back just a little bit. During the War it was decided that we

should have special representation in the House from the three branches of the Armed Forces - the Army, the Air Force, and the Navy - and arrangements were made for them to be elected overseas. The Air Force elected a Mr. Colborne who later became a Minister in our Government; the Army elected Harper Prowse, and the Navy elected a man by the name of Mr. Ward. They sat in the House for the one term as official Forces representatives; they were not identified with any party.

Then at the end of the War that arrangement ceased, and they had to decide what they were going to do politically. Mr. Ward dropped out altogether, he wasn't interested in remaining in politics. Mr. Colborne joined the Social Credit Party and ran as a Social Credit candidate in the next election. Mr. Prowse joined the Liberal Party and ran as a Liberal, and a little later became Provincial Liberal leader.

He was a lawyer. Prowse was a man, I would say, of some ability. He was belligerent, almost vicious, in debate, sort of a criminal courtroom lawyer type in the House. He launched an all-out effort against the Social Credit; of course he would have been Premier had he been elected. And he built his group; I think the largest number they had was 20-some, 25 I think at one time, which was the largest come-back the Liberals ever made in Alberta from the time they were defeated in 1921.

It's hard for me to give what would be regarded as an objective assessment. Mr. Prowse's personality I found was almost vicious in many respects; he was a vicious political opponent. Cutting in his debate.

As far as this reference you referred to in the newspaper, this probably illustrates his attitude. He was speaking on the Budget, and he knew, going back to the Insurgency days and the Boisier incident that you referred to, that one of the criticisms of the so-called Douglasites of the Government had been that we had maintained a traditional budget instead of a Social Credit budget as they would call it, of creating the credit to pay for the public expenses instead of raising it by taxation and other things. The practical reasons why this couldn't be done is a long, long story all wrapped up in the disallowance of legislation and all that kind

of stuff.

But while Mr. Prowse himself totally dismissed the Social Credit monetary theory as having any validity whatever, when he saw a traditional budget it afforded him an opportunity to say, "What you're doing in this Budget is completely inconsistent with the traditional Social Credit position." He could very conveniently ignore all the reasons why it was that way, and so he came out with this very sarcastic crack.

What he meant by me being a "Judas" was that I had betrayed the Social Credit monetary concepts (I was Treasurer at the time) by bringing in a traditional budget, which of course had been brought in in 1905 and every year since. It was purely a political attack, but he was a quick debater. He was on a debating team when he was at University, and quite successful. He loved that stuff; it appealed to him.

Incidentally, this didn't do Mr. Prowse any good. There was very, very strong condemnation of that kind of language, because it was so obviously unfair and purely a political attack.

LS: Do you think your differences were of personal political style?

ECM: Well, the fundamental difference was that politically we disagreed. Rather interesting in that regard - there was a time, in the latter part of the time that Mr. Prowse sat in the House as the Armed Forces representative, that I know he was seriously considering joining the Social Credit Party. Prowse was politically minded.

Again, it's so hard to comment on things like this without perhaps unintentionally being unfair. I think some of his conduct would justify people assuming he was a political opportunist. And I think, had he felt there were greater fortunes politically by being in the Social Credit Party, he probably would have been there. But I think he concluded you didn't get the plums of patronage by belonging to a one-province party that you got by tying up with something that was not only provincial but national.

I can't say that that was his reason, but that would not be out of character with his conduct, to say the least. Once he went that direction, he became vicious in his opposition to Social Credit - everything was wrong.

So we had that difference between us. We were quite different in personality, I admit that quite frankly. His personality grated on me; I wasn't attracted at all. I don't know what more I can say than that.

LS: You were described at that time, in terms of argument in the House, as being very careful in your methodology and also in the way you presented things - very reasoned, step-by-step. Whereas some contrast that has been written showed him to be much less careful in argument. Would you agree with that?

ECM: I think that's a reasonable assessment. But again, to be fair to him, I was the head of a Government. When you have the responsibility for government, you are obligated to weigh your words. Whatever you say is going to be interpreted as the position of the Government; people are going to be influenced by it. You've got to be so careful that you're sure you're right in what you say. He was in the Opposition where his only task was to try to make the Government look bad and if possible be defeated. He didn't mind stretching the truth or bending it all over the place, if that would achieve that end.

LS: I'd like to move on to look at one of the major things that starts happening in 1950. This seemed to be a period where gas was a major issue. I'd like to talk a little bit about that and your government's policies about it.

First of all I'd like to ask generally about gas as a major issue. Why was it? What was happening in the Province with gas in 1950 and the early 50's.

ECM: With the quite rapid discovery of new gas reserves, the marketing of gas became a major issue. We didn't have domestic markets that would begin to

absorb the gas that we were able to produce at that time. We had stringent conservation measures which prohibited gas being flared except under very restricted circumstances. So the pressure built up rather strongly, particularly by the producing companies, that "we can't go on drilling wells and just putting a cap on top of them. We've got to market the stuff somewhere." That's the thing that gave birth a little later down the road to the TransCanada PipeLine to get this gas into the rest of Canada. Prior to that there were strong pressures for authorization to export gas to the United States. Some of this came from American companies that wanted to export gas.

We therefore, as a Government, had to come to some pretty firm policy decisions. One was the question, before we authorized gas leaving the Province (in other words, declaring it surplus to the Province's present and future needs), what would be a reasonable gas reserve for us to look at for the Province's interests? And after a lot of surveys and discussions with the Conservation Board people and Department people, we finally came up with what we called a "Thirty Year Revolving Supply".

Very briefly, what that meant was that we would not declare any gas surplus to Alberta's needs unless we had proven reserves adequate to supply Alberta's projected needs for a minimum period of thirty years. When I say revolving supply, that didn't mean that you just took a certain volume of gas and dedicated it and set it aside.

As long as there was more gas coming along, you could take some of the gas which you'd included in your computation of the reserve at that time, take it out, sell it somewhere else, and put some new gas in. But we always kept that cushion. That was followed for years and years. It became the accepted yardstick.

Then we had the other situation which arose, and which has always been true since gas was found in this country, and still is today - the nationalistic philosophy that "we shouldn't export it anyway". Keep it for Canada's use. So even with the idea of a thirty-year revolving supply for Alberta, there was still opposition in some quarters to authorization of gas being

exported to the United States. You find the same attitude today. That's what I call the "negative nationalist" philosophy.

We had a lot of hearings and a lot of controversy in those days, first to finally arrive at this adequate reserve for the Province's use, and secondly the general concept of export. And it lent itself to becoming political, for one thing. If the Government said, "We're prepared to authorize export of gas," then of course the Opposition would say, "That's a terrible thing." And the media largely were opposed to exports; because it was negative, I suppose it was consistent with what they do.

LS: But to get a little bit deeper into it. Your Government had a policy to protect for Alberta a 30-year supply gas. Nationally, what was your attitude.

ECM: All we could do, as far as exports of gas were concerned, was declare that X-quantity of gas was surplus to Alberta's needs and was available to be removed from the Province. We had no jurisdiction beyond that. Now, as a matter of policy, our position would be, if applicants came to us with projects, that our first priority after Alberta's needs were met would be the Canadian requirements. And beyond that the United States. Those were the only place you could export to - the rest of Canada and the States. So our number one priority would be to give first consideration to any Canadian project to take gas to the rest of the Canada. And number two, or in the absence of that, we were happy to see it go to the States.

LS: It's been suggested that you personally were much in favour of exporting to the United States.

ECM: Well, I was in favour of marketing the gas. If it could be marketed in Canada, fine. That would have been my preference; that's what I would have liked to have seen done. But I wanted to see it marketed. And if we weren't going to get a marketing and transmission system to get it into other areas of Canada, then I wanted to see it marketed and the most readily accessible market was the United States.

The problem with the Canadian marketing was that the population where the market was was Ontario. Saskatchewan had gas; Manitoba had gas. Their local needs were pretty well being met by local supplies. So the market was 2,000 miles away from the gas, as far as Canada was concerned. And that raised the whole economics and the costs of transmission lines all that distance to supply a market in Ontario and Quebec.

And you have to remember, in those days the market wasn't like the market today. There were all kinds of other, cheap sources of fuel - oil, imported oil, seaboard oil, coal, electricity, hydro-electricity - they had lots of other energy. It was a situation completely the reverse of today, it was not a seller's market at all.

LS: It was quite competitive?

ECM: Oh yes. This was the problem the TransCanada PipeLine ran into. To build a line from Alberta to Ontario and put into the price of your gas at the end of the pipeline the amortization of the cost of that line, unless you could get your gas for almost nothing at this end, you couldn't be competitive with other sources of energy.

This is maybe digressing a little bit, but it illustrates the point we're talking about. I can remember when the TransCanada PipeLine was finally built. The initial gas they bought in Alberta was bought at 10¢ a thousand cubic feet. And I can recall negotiations between TransCanada and Alberta gas producing companies, when TransCanada was dickering to buy more gas, breaking down over a differential of 1¢ a thousand cubic feet. The margin was so tight. TransCanada would say, "We can go to 11¢ a thousand." They would say, "We want 12¢." "Sorry, that's prohibitive."

That sounds ridiculous today when we have gas jumps of 50¢ a thousand cubic feet at one time! As I say, all our initial gas was at 10¢ a thousand cubic feet. There was no market for it. There was a long period of time when the City of Edmonton got its gas from the Kinsella field east of Edmonton and were not charged for the gas at all. All it cost was the cost of the pipeline from Kinsella into Edmonton. There was nothing to do with

the gas except flare it, so they said, "Take it away. Put it in the pipeline instead of us burning it." Now that didn't last too long, but there was a period when that was true.

So these were the circumstances we were dealing with when we were trying to find markets. In the States there was a better market because they were huge energy consumers, and they didn't have anything like an adequate supply of gas in the north-western states. Their gas came mostly from Texas.

Our first major deal to the States, as you'll remember, was to San Francisco, an area where there was tremendous demand for gas.

LS: In terms of gas as a political issue, the Conservation Board apparently at this time was holding hearings on the very issue of whether in fact there was surplus gas to export from Alberta. At that period you took a trip down to Seattle and the Western States. Were there connections between those two things?

ECM: I recall going down there to speak at some American Gas Association conference that was interested in Canadian gas. As I remember (this is pretty vague; it's a long time ago), British Columbia had a fair supply of gas, and they were anxious to get into the Pacific North-West area of the States. And there was quite a bit of competition between Alberta and B.C. I remember that B.C. had a man (not a government official) connected with the gas and electricity industry in British Columbia go down shortly after the conference, to give the other side of the story, that B.C. ought to be taken into account.

LS: We'll return to gas, because some of the legislation we'll look at has implications there, but I'd like to look at some of the legislation now.

One piece of legislation, very quickly, was an Act to Amend the Communal Property Act of 1950. It requires clarification because, although it was an amendment to the 1947 Communal Property Act which regarded Hutterites, there was some suggestion that this Amendment (which provided that a colony

not established in the Province by May 1st, 1947, could not acquire land within the Province without the Lieutenant-Governor in Council's consent). There was a suggestion that that was an attempt by your Government to stop Doukhobors from moving into the Province.

ECM: The Communal Property Act didn't designate any groups. It's true that the group directly affected in Alberta was the Hutterites. I don't recall any situation where there was talk of Doukhobor colonies coming into Alberta. It's possible, though I don't remember it.

I have a vague recollection that there were additional Hutterite groups that were thinking of moving into Alberta, because they had a lot of colonies here, and they had a certain base that way. All the Amendment to which you refer did was to extend the jurisdiction of the Act to colonies which were not in the Province at the time it was passed. In its original form it only applied to colonies here. And certainly from the standpoint of equity, if you're going to control the colonies that were in the Province, you'd have to make the same apply to colonies coming in from outside.

I don't recall anything about Doukhobors, but it's conceivable that some of them might have been thinking of moving over from British Columbia.

LS: I'd like to look at four other pieces of legislation, the first of which is Chapter 34 of 1950, the Amendment of the Alberta Labour Act. In each case, I'd like to know about the provisions and why they were important.

ECM: It was a policy of the Government to have legislation in a few categories reviewed and amended only once every (usually) four years. That was true of the Workmen's Compensation Act. We tried to do the same with the Labour Act as far as was possible. The reason for that is that with that kind of legislation there are a lot of suggestions for changes. They may come from labour, from administrators, from management. And if you're changing these things all the time, where there are a lot of people involved, they just haven't an opportunity to know what's in the legislation.

So we took the position, "Let's hold this kind of legislation, hold up these amendments - unless there's something very urgent - and about once every three or four years let's have a major revision of the Act." 1950, as I recall, was the year for the Labour Act to be updated. And that's all that particular Bill was - a lot of little amendments. There was no big thing.

It gave a bigger role to the Board of Industrial Relations in the field of arbitration. It gave them authority to collect wages where there were wages in arrears, in other words to act more as an agency between the employer and employee in areas of that kind. It also dealt with the matter of holidays with pay, which was a practice that was just coming into play in those days. Holidays with pay was unheard of as far as a general application. There may have been individual employers that did it, but it wasn't a general thing provided by law. This Act did deal with that.

It also had several sections that simply clarified the terms in the previous Act, where there had been ambiguity before.

LS: Just before leaving that Act, do you recall any discussion about people who had been involved in or participated in a strike or lockout - that they wouldn't be eligible for pension? Do you recall?

ECM: No, I have no recollection of that. What happens in amending that kind of legislation is that hearings are held, though not necessarily always public hearings. In the case of the Workmen's Compensation there was always a Legislative Committee that held hearings. But both management and labour always made representations in advance of the time when their Act was going to be amended. And it's quite probable that some suggestions of that kind were made in those representations.

LS: Moving on to Chapter 46, on the Conservation of Oil and Gas Act.

ECM: That's quite a large statute. It was a new Act, although it did provide for the repeal of the Oil and Gas Resources Conservation Act, which had been put in the Revised Statutes of 1942. It came into effect prior to

that date, and had been revised a few times. It also provided for the repeal of the Oil and Gas Wells Act of the same period, 1942.

It was a fairly lengthy act, divided into seven sections. The first dealt with the organization and constitution of the Oil and Gas Conservation Board. The second section was the general powers of the Board. The third section dealt with drilling and the completion and abandonment of oil and gas wells. The fourth dealt with oil and gas production, and that was particularly in the field of proration of production to market. The fifth dealt with transportation and disposition of oil after it was produced, and that got into the whole field where companies could be declared common purchasers, pipelines could be declared common carriers.

The sixth section dealt with assessment of taxation of oil and gas production. (That wasn't general taxation to the province. The structure of the Oil and Gas Conservation Board, because it was as much in the interests of the industry as it was a Government board, was paid for jointly by the industry and the Province. And it was paid by a levy on mineral leases and production. What the Province paid was the levy as it applied to Crown lands still held by the Province. When companies acquired it, then it was a levy imposed on their land, and a levy imposed on their production. So the section dealing with assessment and taxation was for that purpose - the basis of arriving at the revenue that the Board received from industry for its general operating costs.)

LS: Was that an unusual formula?

ECM: Well, the formula was perhaps unique. The concept of a board of that kind being paid for by the industry and the Government was not unique.

Now the last section was just the general provisions, which dealt with all the refining of the definitions from previous legislation.

LS: Was there any controversy about that Act?

ECM: If I recall correctly (this again is a long time back, and there were a

number of revisions of that Act), this one was rather unique in that when we knew that we were going to draft a new Act, we called in the industry, the two associations (the independents and the majors) and told them the intention - the legislation was getting antiquated and we wanted to have a modern, updated act. We invited their cooperation in setting up advisory committees to deal with various phases of the legislation. We would be interested to have their viewpoints and representations before finalizing the legislation.

We had excellent cooperation. If I remember correctly, I think there were somewhere around 100 people in the two petroleum associations involved in some form of research, advisory committees, and things of that kind. We'd farm out a little section to these people and say, "Now here's an area we want to cover. We have some ideas; what are yours?" They'd come up with a brief on this thing, and we took all the material and put it together.

As a result, I think we good an excellent Bill, far better than we could have drafted in the Department or Government ourselves. While they were naturally not satisfied with everything in the legislation, at least they had the knowledge that they had been consulted, they'd had every opportunity to present their arguments, they had heard the pros and cons. As a result, there was very little opposition to it.

LS: The next piece of legislation is Chapter 61, the Act to Control Rentals and Terms of Leases.

ECM: That was a piece of legislation that was provided as a tapering off of rent controls which had been imposed under the Wartime Prices and Trade Board regulations during the War. The Federal Wartime Prices and Trade Board not only controlled the price of commodities, products, wages, salaries, but also controlled rentals. So we'd had rent control right across Canada for years, during the War.

At the end of the War, on into this period (quite a lapse of time) many of these controls had been continued. There were the usual representations: some wanted them continued indefinitely, others said they should never have

been put in in the first place. The Federal mechanism by this time was all being dismantled, and the various provinces had continued these things under provincial legislation. It had simply been a carrying on of what had been done under the Wartime Prices and Trade Board.

This Act was to be a transition until this was eliminated altogether. What it did was it continued the rent control of the Wartime Prices and Trade Board, but it provided for the exemption of all new construction, it provided that anything exempt under the old Federal regulations was exempt under this, and it gave the Lieutenant-Governor in Council power to deregulate. It was really a transition piece of legislation.

LS: What is your opinion about rent controls coming down from a Provincial source?

ECM: Rent control is a mixed blessing. It obviously has benefits to people who are protected against excessive increases in rents. But there are so many features of rent control that are obviously unfair and unsound that it really can't continue for very long without creating a very, very serious situation.

For one thing, if you're going to control what the owner of a home or an apartment can charge for rent, you're going to find very few people that are going to build homes and apartments and put them on the market to rent. In the first place, they're not free to get a return that will get their capital back. And secondly, and even more adverse in its effect, they're always fearful of governments and government boards changing their minds. They never know what the income will be.

So it's one thing for an owner of a property to say, "I'm prepared to hold my rents down to such and such a figure" (not that too many of them do this, but they could conceivably say that). That's one thing. But if you put these things under some government regulatory body, there's absolutely no way for the investor to know what the income is going to be. They may decide six months down the road, "We're going to roll these rents back further."

And so, as a result, people will not invest in it. No sensible businessman would invest in rental property under rent control. So you get along fine for a while, when there's a surplus of property on the market. But when that's taken up, you then get to the place where there isn't the accommodation. So that immediately has a tendency to force up rents and work counter to the board.

In principle, I think they're very, very unsound and counter-productive. I doubt, in the long run, if the public gains anything by rent control legislation.

At the same time, it's certainly true that in the short run there are individuals, individual families, who do gain.

LS: The final piece of legislation from 1950 is Chapter 71, to Amend the Town Planning Act. What was that all about?

ECM: This again is an amendment to an existing Act. I guess the major change in the Act at that time was that whereas the old Act only dealt with plans developed by a town for their town, which broadened it to include rural areas as well. And even two or three municipalities could go together and have an overall plan.

The change came into being as a result of the controversy that always goes on when a town is enlarging and it's encroaching on the rural areas. The rural municipality says, "Wait a minute! We don't want this." And the town says, "Well, you're circumscribing our ability to grow."

The idea behind this was that if you could roll some of the rural areas and the towns in together as far as planning was concerned, they could say, "Over a period of time we're going to need X-amount of additional land for homes or industries, and so on." You could work out a master plan, and hopefully get them to agree to it.

Most of the provisions in this Act were for Advisory Councils. It had very few arbitrary powers. It provided for a Provincial Planning Advisory

Board; it provided for a District Planning Advisory Commission. And these were to develop plans which they would recommend to the respective municipalities. And on the merits, hopefully have them carried.

LS: That act was in no way a reflection of the beginning of boom towns like Fort McMurray and Grande Cache?

ECM: No. No, this had a broader, general application. Those were special situations - towns that grew up as a result of some major development - and they were treated independently.

LS: I'd like to move on to 1951 and look at some of the issues there. The Government use of revenues from natural resources - again I come back to it because there's one area that I'd like to take a look at. It appears that in the 1951 Budget one of the most important areas that your Government addressed was that of municipal financing.

I want to have your comments on what was your Government's view of municipal/provincial relations. That is to say, what should that relationship be like? And, do you recall the kind of particular financing that you were talking about in this period of time, with municipalities?

ECM: As far as the relationship was concerned, we always held the position (and it certainly is the constitutional and legal position) that municipalities are creations of the provinces. I mention this because there's been a lot of talk in connection with the constitutional issue today, that the municipalities should be given a position in the constitution. Personally I do not agree with that.

You often hear the inaccurate comparison between the Provinces and the Federal Government, and the Municipalities and the Provincial Government. The reason I say there's little comparison is that the Provinces are not creations of the Federal Government. The Provinces existed in this country before there even was a Federal Government. They came together in a union and created the Federal Government. Now it's true that in the cases of Alberta and Saskatchewan, by the Alberta Act and Saskatchewan Act, new

regions of territory which was under the jurisdiction of the Federal Government were carved out and made Provinces. But I'm going back to the original Provinces - Ontario, Quebec, the Maritimes, B.C. They all were entities long before there was Confederation or a Federal Government.

So it isn't true to say that the Provinces were "created" by the Federal Government. They pre-dated the Federal Government.

In the case of municipalities, they are all created by acts of the Provincial Legislatures. In my judgment, the municipalities should not be involved in dealing directly with the Federal Government and should not have a position in the Constitution.

Coming back to the financing, I think it was in about that period (and I can be wrong about this because it's a long time ago) one of the major steps that was taken by Alberta to assist municipal financing was the creation of a municipal loan fund by the Province, from which the municipalities could borrow. The Province was not able to provide enough money for that fund out of its revenues. It had to go on the market and borrow for that fund, but the point was that the Province could borrow for that fund at a lower and better interest rate than the individual municipalities could go on the market themselves.

Prior to that time, every municipality that had to borrow for capital purposes had to go on the market itself and sell its own securities, and of course the interest rates were higher because they didn't have the resources and the back-up. But by putting the Province's credit behind it, you could get that money at the lowest possible rate and lend it out to the municipalities. It was not a revenue-producing thing as far as the Province was concerned; the Province didn't expect to get more than what the money cost it. The advantage was that it saved the municipal tax payers from paying the higher rate of interest.

Now that was a revolving fund. And this is rather amusing in retrospect. We had the municipalities and municipal organizations in, of course, to talk to the Government about this. They were very enthused about this idea

of having a fund from which they could borrow. The idea was that as they repaid their loans, it would all go back in the fund - it was a revolving fund.

I don't know who did all the computations, but I remember at the time the general ball-park figure was that when we got this fund up to about \$100 million it would be self-sustaining. The money coming back in would equal the new loans. It's rather ridiculous today when you see individual municipalities wanting to borrow \$150 million!

That was one of the major things that was done at that time.

LS: There was a suggestion in that Budget too (and this is a direct excerpt from your Budget Speech of 1951) which referred to a retirement annuity plan for residents: "You will be asked to approve legislation under which citizens of the Province would be enabled to purchase Provincial Government annuities on advantageous terms. Subject to the approval of this Assembly when the legislation is introduced, payments into the annuity fund within certain reasonable limits will be at the option of the purchaser and will bear interest at 3 1/2% compounded annually. The moneys available for investment under the Provincial Annuities Act will be made available for approved municipal borrowings at rates below those currently obtainable on the open market."

What was this concept?

ECM: It was the establishment of a system of provincial annuities. Prior to that time, in those days, there were Federal annuities that could be bought by individual citizens, that were quite popular. Today, practically all of that stuff of course is done through trust companies and insurance companies. To buy an annuity today, you usually go to an insurance company. But the Government of Canada for years offered annuities to Canadians. It was no different from buying it from an insurance company or trust company - you opened an account, you had to have a minimum deposit to open your annuity account, on which you were paid interest, and that interest compounded (it just went into the fund and compounded) and you

could add to that account at your own convenience - so much a month, so much a year and so on. There were certain limits. You couldn't put in less than certain stipulated amounts.

The Dominion Annuity plan was fairly widely used. So we hit on the idea of establishing a provincial annuity plan, which would build up a reservoir of capital that we could invest within the Province. And we chose to invest it in municipal borrowings.

Now, it never amounted to much. In retrospect, I guess we made the interest rates too low. They were competitive with the Dominion rates in those days (3 1/2% compound interest), but they were not high enough to make the fund attractive enough to grow in significant amounts, and the whole scheme was allowed to die a few years later.

LS: I would like your comments on your relationship with certain people, having to do with the relationship with municipalities. The two mayors, Joe Clark, and Don MacKay(?).

ECM: Andy Davidson was the first one.

LS: Oh yes. What do you recall about these individuals?

ECM: Of course, you're going way back before this date. Joe Clark was mayor of Edmonton in 1935 when we were first elected. He was a very, very colourful figure. He was called Klondike Joe because he'd been involved in the Klondike Gold Rush. He was a monetary reformer, a very flamboyant, going type of a concern. Incidentally, he was quite a good supporter of the Government. He liked our monetary reform approach. Our relationships with him, I would say, were quite good.

I remember, for example, when we were forced to cut the interest on our bonds because we simply didn't have the dollars to pay them, he was one of the few public officials who came out publicly and supported us. He said, "They have no choice." He was very anti-high-interest rates.

In Calgary, the Mayor was a man called Davidson, who later ran for the Coalition group, and was a Member of the Legislature. Our relationships with Mayor Davidson, I would say, were not as smooth as with Clark. Davidson was pretty critical of the Government right from the time of its election.

In fairness to the Mayors in the two large cities in those days, they had a terrible problem because such a large percentage of the people were on relief. Relief problems were the big problems. You had between 20 and 25% of your people on relief and no money; it was pretty terrible. Of course their demands on the Province were always for more money to meet the relief costs.

LS: What about the period of the Fifties?

ECM: It was better by then because we'd passed through the War years and the post-War reconstruction, and the economy was far more bouyant and the relief situation was more manageable. It was relatively small by the Fifties.

The big drain on the municipalities in that period was the same as I mentioned earlier for the Province - all during the Depression and the War years the municipalities had not been able to keep their capital expenditures up. Their streets were all going to pieces; their public buildings were all going to pieces. So the big push was in the capital construction field. That's what led to the setting up of this municipal loan fund.

This money they were borrowing was not for current operations. It was for their capital expenditures, to try to catch up on the years when they couldn't build anything.

LS: Was there increased pressure on your Government with the increased revenues from the development?

ECM: Oh, yes. Mayor Clark had died; he was over there for a relatively short time. But when Mayor Davidson became a Member from Calgary, one of his strong criticisms of the Government was that we were sitting on our bags of gold while these poor cities were still struggling. Very similar to what you hear today!

LS: I'd like to look at the legislation of 1951. First, the Act to Amend the Alberta Natural Resources Act.

ECM: That was a rather minor piece of legislation. It refers back to the Natural Resources Transfer Agreement deal which was worked out with Ottawa in 1929 and formalized in 1930 by the Farmers Government, that transferred the resources from Ottawa's administration to the Province.

During the period when the resources were administered by Ottawa, going away back to the early days, there had been certain lands allocated for educational purposes. There was also, as you recall, land set aside for the CPR when they built the railway. And things of that kind.

Under the Federal legislation, the revenue accruing from the sale of any of those lands set aside for school purposes, or revenue accruing from the lease or use of the land, went into a special trust fund for educational purposes. And the Natural Resources Transfer Agreement Act required that those funds be invested only in Federal securities. That was the only field of investment that was permitted for those funds. So all this piece of legislation did was amend the agreement to permit those funds to be invested in other securities besides the Dominion.

LS: And was there any controversy on that?

ECM: No, the old original thing was antiquated; it was just something that at the time seemed appropriate. The request to broaden it was so reasonable that there was no criticism.

LS: The next Act is the one to Amend the Mines and Minerals Act.

ECM: This again was purely an amendment of existing legislation. As far as I recall, it did not introduce any new policies or principles. This was another Act which was only revised from time to time because of the accumulation of amendments and the clarification of definitions, and the broadening of the Act because of the greater activity in mineral development. But there was nothing new in it as far as policy is concerned.

LS: The next Act I think was a fairly major piece of legislation, or at least it was of great interest. (You're smiling!) The Act to Permit the Temporary Export of Gas to Montana for Essential Defence Production. I'm interested in some of the background to this Act, as well as its provisions.

ECM: This was a rather unique piece of legislation, and it had some humorous aspects to it.

The Anaconda Copper Company in Montana was one of the large copper producers in the States, and their entire production, of course, during the War went to War munitions purposes. Then America was still involved in a lot of hassles that went on in 1951, and required this copper for their military requirements.

I recall getting a call one day from Mr. C. D. Howe, the Federal Minister, who had been contacted by his counterpart in Washington, who had told him that the Anaconda Copper Company was running into a problem because the local gas supplies were running out. They were going to have to get additional supplies to keep the mine operating at full capacity.

The American Government was concerned because they were taking, I think, the entire production of the company for military purposes. So what he had contacted Mr. Howe about was to see if they could get Canadian gas to supplement the Montana supply, to enable Anaconda to keep operating.

Mr. Howe phoned me and said, of course, the only gas close enough that they could get was in Alberta. There was lots of gas in Southern Alberta; could

we get them some gas?

I said, "We have lots of gas there, but normally they would have to apply to the Oil and Gas Conservation Board for a permit to take this gas out of the Province. There'd be a public hearing, and if they found the gas was surplus they would declare it surplus, and then you'd have to authorize it to go into the United States."

"Well," he said, "I know that's the problem, but time is of the essence in this. They need this gas quickly."

The quantities weren't much; it was no problem as far as quantity was concerned. So I said, "Well, Mr. Howe, if you will write us and request this on behalf of the Government of Canada because of the need on the part of the United States Government, our House is in session and we can cut down on the time factor by simply taking a little Bill into the House and asking the House to approve this as a special project - instead of going through all the process of hearings which will take a lot of time."

He conferred back and forth with Washington, and came back and said, "We would certainly like that done, and I'll send you a letter making it a formal request. Time is of the essence." That was the thing that was stressed over and over again.

As I say, it just happened that our House was in session, so we drafted this little Bill which simply authorized the export of this relatively small amount of gas from Southern Alberta to the Montana gas company, which had the gas system - they were delivering Montana gas to the Anaconda Copper Company. All they needed was a few miles of pipeline from southern Alberta down through Montana to tie into the Montana gas system, and they'd have their gas.

All this was done, on Mr. Howe's part and on our part, on the information that this was absolutely urgent, "time is of the essence". We had the Bill passed in three days and the thing was law.

Well, they brought the pipe out for the line, and they laid it down across the Prairie from Southern Alberta down through Montana, maybe 60 miles of pipe or something like that. And that pipe lay out on the Prairie there for about two and a half months, because the American regulatory authorities got into some hassle over approving the import of this gas from Canada!

It was a classic example of government bureaucracy. The Defense Department in Washington said, "We've got to have it" in a few weeks time. "It's vital." Then C. D. Howe and ourselves go through all the process - and to be fair, it wasn't any great problem; it wasn't difficult. They buy the pipe and stretch it across the grass. Then it lay there for months while the American regulatory people hassle over all the technical details of importing gas from a foreign country.

LS: The Montana Power Company, that was involved in this copper mining company, had made arrangements earlier to purchase some gasfields in Alberta, hadn't they? The McCall Union Gasfields? Do you recall?

ECM: I know they were negotiating to buy gasfields in Alberta. I don't know just what process they went through.

LS: I'd like to return to the thing about gas exports. I want to quote from a book called C. D. Howe: A Biography, and have your comments on the quotes.

(page 287) "In 1949, Howe advised Frank Ross, who was investigating the prospect of bringing gas south from northern British Columbia, that his chances looked good. Howe added that as Minister he was ready and willing to expedite the export of gas across the United States border north of Seattle to help pay for the line to Vancouver and make the product cheaper there. He also advised Ross to discourage if he could the filibustering by Western Opposition Members of Parliament against bills for rival pipelines out of Alberta."

Do you know anything about that? Who was Frank Ross, and what was this all about?

ECM: It comes back to what we touched on earlier. There were two main sources of gas available to the Pacific North-West in the United States. One was the British Columbia, and the other was the Alberta production. And the producers in both provinces were very anxious to sell their gas, so they'd both been down working on the American gas companies to take Alberta gas or take British Columbia gas. This was the controversy that developed between them.

B.C. had a plan: they wanted to run the gas line down the West Coast as far as Seattle, make that the distribution point for the Pacific North-West area. The Alberta producers wanted to run a line out through the Crows Nest Pass and go on down further south, and ultimately the one went to San Francisco, with feeder lines going up in to the Pacific North-West.

The reason for the jockeying for the area was that in gas lines the volume is so important in setting the cost per unit. You only build one pipeilne, and if you can run that line to full capacity or close to it, your cost is a fraction of what it is if you're only running it at half capacity. So they both wanted to get the lion's share of the market. There was a lot of rivalry between the two.

We were not actually involved in it as a Government. We took the position that as far as we were concerned we would declare gas surplus to Alberta, and if we don't need it with a first priority to the rest of Canada, if somebody there wants to take it. Otherwise, as far as we're concerned, it's available for anybody that wants to buy it and ship it to the United States.

LS: To continue on with that, there's another quote from there: "But then, Clint Murchison appeared and introduced a new element into the game. He proposed that a line could be built across Canada without dependence upon the American market. In August of 1950 the Canadian subsidiary of his Delhi Oil Company was incorporated and it became the first major corporation in Alberta whose prime objective was to search for gas rather than for oil.

Who was this individual, and how did that work in Alberta?

ECM: Clint Murchison was a Texan, a very very wealthy Texan, who was very heavily involved in oil and gas in Texas. He was a unique individual, an entrepreneur, one of the old school, rugged individualist, rugged free enterpriser. I don't think he ever had the faintest idea how much he was worth - it was way up in the hundreds of millions - he was fabulously wealthy. But he'd made it all by dint of hard work and expertise.

I don't know how he became interested, but as you indicated there he came up with this plan for a trans-Canada pipeline to take Alberta gas to Ontario and ultimately perhaps to Quebec. His companies, I believe, had some oil and gas interests in Alberta at that time, or some of his companies did. He had a string of companies; I don't remember which were his and which weren't. But he conceived that idea and made that proposal. That was the start of what ultimately became the TransCanada Pipeline.

About the same time, or very shortly after, Clint Murchison got into the act, a Western Canadian group that was headed by Ray Milner (a prominent Edmonton industrialist and lawyer) came up with a counter-proposal which was almost identical. They were both proposals to build a major gas line, a large-diameter gas line, from Alberta to, I think, Sarnia, and then on to Toronto--that was the goal.

And a very bitter rivalry developed between the Murchison group and the Milner group. As far as the projects were concerned, there was practically nothing to choose between them. The design, the route, the pipe, and the expertise - both companies were top-flight groups, they had all the engineering expertise and everything necessary. It was just a case of two rival groups really proposing the same thing, with just enough variation so they could call it their own plan.

Both of these groups of course would have to apply to the Alberta Oil and Gas Conservation Board to have the Board declare surplus the huge quantity of gas that this project involved. This was a big one now. And that in turn would have to be approved by the Cabinet. Of course all the Board did

was make a recommendation, which then had to have Cabinet approval.

We became quite concerned that they were going to go through these lengthy hearings, and really there was so little to choose between the two. It wasn't a case where one proposition was sufficiently different from the other that you could have some pros and cons. It was two rival groups, for all practical purposes both wanting to do the same thing. But they both had the right to apply for their gas, which they did.

In the last analysis, of course, while Murchison's proposal to start with was purely to serve the Canadian market, the thing didn't progress very far before they added the idea that you could tap this line and serve some American markets, if the volume of gas would warrant it, which of course would improve the economics of the transmission of the gas for Eastern Canada, in other words, cut the transportation costs for the Canadian section by virtue of selling some gas into the United States.

There also developed a controversy between the two groups as to whether the line should go north of the Great Lakes, or south. If it went north, it was all-Canada; if it went south it had to cut across the United States and come back into Canada again. And all the usual arguments were advanced, that the one would be all Canadian, on Canadian soil, the other one would be going across the United States, and if the Americans ever wanted to cut it off, they could because you were on their territory. The same kind of argument you hear today with the American gas from Alaska coming through Canada to get to the States. This controversy became quite bitter, and went on and on and on.

Finally we decided, as far as the Alberta Government was concerned (and in consultation with the Conservation Board) that really the best solution for this thing would be for these two groups to get together into one company. The project was so big, there was lots of room for both of them. It would improve the financial viability, to have the resources of both groups pooled. And it would solve all of the time-consuming process of going through all the hearings for both groups, when you knew only one of them could build a line, and you might as well put both names in a hat and pick

one out as far as the ability to do it.

So we decided there was no way we could put them together. By this time, incidentally, they were both talking about exporting to the United States. That was an integral part of the project. To do that they would have to have C. D. Howe's approval because at that time there was no National Energy Board. The Minister had to give the approval for the Canadian gas to go into the United States.

I went down to Ottawa along with Mr. McKinnon (the Chairman of the Conservation Board of Alberta) and we had a meeting with Mr. Howe and went over this whole thing with him; and he agreed in general with our conclusions on it - that the ideal thing would be for these two groups to amalgamate. So we said in our view the only way this could be brought about would be through his office. They were dealing with a national project, so actually we had no say in it, except to say the gas was surplus to the person taking it out. But because the TransCanada Pipeline would cross provincial boundaries, it was all under C. D. Howe's jurisdiction from that standpoint (it was a federal pipeline) and the export was under C. D. Howe.

We said, "There's no hope of their getting together themselves (because they'd become bitter rivals); the only way this could be brought about would be for you to call them in and say, 'Look, we're going to have a shotgun wedding, and you two people are going to get together into one company. That's the only way this thing can be done.'"

Mr. Howe agreed with that, and of course he was a most delightful man to deal with. He hated bureaucracy; he hated red tape. This is where he was always getting in wrong with Parliament. He'd go ahead and do something and then discover afterward that he'd forgotten there wasn't any statute that authorized him to do it. He'd have to go back and get authority to do what he'd already done. But he was a "doer" - he wanted to get the projects done.

A very short time afterward I had a call from Mr. Howe, and I remember he

came on the line and said, "Well, mission's accomplished." I said, "Could you enlarge on that a little?" He said, "Well, they're married! I had the two of them in here, and they're amalgamating." And that became TransCanada PipeLine.

I may have mentioned this earlier, but that's were Eldon Tanner, who used to be our Minister of Mines and Minerals, got into TransCanada PipeLine. When these two groups amalgamated, because of the bitter rivalry between them, they couldn't agree on a Chairman and Chief Executive Officer. Neither one was prepared to accept a key man from the other group. So they agreed that they'd have to go outside altogether and get a neutral person with stature and ability that they could both agree to.

So I got another call from Mr. Howe. They'd gone back to him with this and said, "We're stymied. We can't agree on a Chief Executive Officer and Chairman, and had better go outside. Have you any thoughts on it?" So he phoned me, and wanted to know if I had any suggestions. It was out of this conversation that we came up with the name of Eldon Tanner, who had left the government some years before to go back into private business and was at that time President of Merit Petroleum in Calgary. Mr. Howe said, "Will you call him and see if he would be interested, or would consider it? I'll call him in an hour's time; you have a chat with him first."

So I phoned Mr. Tanner, and Mr. Howe phoned him, and though he didn't want to take it, he finally did. And that's how the TransCanada structure came about with Eldon Tanner as the President and Chief Executive Officer.

LS: I think leading up to that were also some discussions on the whole question of the energy needs of Ontario.

ECM: Well, of course, with the pipeline going to Ontario, then the market end in Ontario became a very, very important factor. In the early period, the whole concentration had been on getting the gas and building the pipeline. Now, when it was looked as if it was going to become a reality, they had to concentrate on the marketing, which took them into the Ontario field. They had a lot of negotiations there with Mr. Frost (as Premier of Ontario) and

the gas companies of Ontario who would be the distributors. TransCanada wanted to remain in a wholesaler position; not get into the distribution end themselves. They'd prefer to transport the gas and sell it to existing utility companies in Ontario, and largely that's what they did.

LS: Did you deal with Mr. Frost?

ECM: Well, we may have had some discussions, but really it didn't involve us. All they were dealing with there was arrangements for supplying communities, which had other sources of gas - limited sources, some from the States. And also, the question of what companies were going to serve what regions, the enlargement of their systems to handle this huge volume of Western Canadian gas. But it didn't involve us; that was purely a provincial matter in Ontario.

LS: Just to finish off on that whole thing in terms of any other comments on Mr. Howe. You've mentioned that he was a "doer". What were some of the other characteristics of working with him?

ECM: As I've said, I had a tremendous admiration for Mr. Howe. We worked a lot together because we were counterparts as far as the energy thing - I was Minister of Mines and Minerals in Alberta at the time as well as Premier. What I always found so delightful about him was that he didn't want to waste time with a whole lot of petty side issues. "Let's decide, number one, what do we want to achieve? O.K., now we're agreed on what we want to do. Now, what's the quickest, best way to do it?" And then when all the little bureaucrats would come running around saying, "But you can't do this, you can't do that," he would say, "Forget it. This is what we're going to do; you go off and figure out how we can do it. I don't want to hear why we can't do it." I liked that. We had a lot in common.

LS: But the political parties were quite different.

ECM: Well yes. Of course, Howe was not a political man at all. He was brought in by Mackenzie King during the War. Howe had no political interest whatever. He was in the Liberal Party because he sat as a Liberal Cabinet

Minister, but it was purely by accident. I don't think politics meant anything to C. D. Howe.

LS: What makes a man come into political ...

ECM: Oh, it was a matter of public service. It was in the War situation, and it was just a matter of a patriotic duty.

LS: Did you ever have any disagreements with him?

ECM: We had arguments; but we got along very well. We thought alike in so many things. I can't recall any situation where Mr. Howe and I didn't come to an accommodation. We approached things (several that I can think of) where we started off quite a long way apart. But we ended up agreeing to do something.

LS: Through what kind of process? Just a mutual respect?

ECM: Sure, just sit down and argue it out. I'd say, "Why don't we do it this way?" And he'd say, "No, this is a better way." And working out a compromise.

I may have mentioned this previously, but I'll give you this as an example, an illustration. During the War, the Federal Government had a huge air training program in Canada for Air Force people from allied nations as well as the Commonwealth people (under the Commonwealth Air Training Program), and this was headquartered in Alberta. They built air training centres and fields all over the place. There were millions of dollars of expenditure in barracks, in Penhold, McLeod, Lethbridge, a lot of them.

Also during the wartime, Great Britain, I believe France, and Canada, wanted a vast tract of unpopulated ground for testing of artillery and gas and stuff of that kind. C. D. Howe came to us about this, because they got their sights on what became known as the "British block" in southern Alberta, down the south-eastern end of the Province. There was a vast area there of arid land, in the Palliser Triangle - very dry land - and very few

people living there. They wanted to know if they could arrange to have this "block" as a testing ground for military equipment.

Well of course, under the War circumstances, in the first place, they could have taken the whole thing if they'd wanted to anyway. Under the War Measures Act they had complete power. But C. D. was very cooperative. He'd always call you and say, "Here's our problem; can we do something?" So we said, "O.K., we'll let you have this."

Now it was done very quickly (time was always of the essence) and no arrangements to amount to anything were worked out for compensation for this land. The only thing we carefully spelled out was that they didn't get the mineral rights; they could play around on the surface but they couldn't dig in our ground.

There were maybe some little sidelights on it, which I won't go into other than just to illustrate. One of the requests that Mr. Howe made was, would we set up a team from Edmonton to go down to this area and buy out the few farmers that were out in this drought-stricken land. There were very few of them. There had been just the odd little patch in this area that had been taken out years before by farmers. We said yes, and put together a team, and they went down. That land in those days was worth hardly anything; you could have bought any of it for, probably, \$15 an acre. What we planned to do was buy out their land (the Federal Government was going to finance this) and move them further north in the Province and resettle them, on Crown land. Which was quite a boost for these people, because they were struggling on this land where they had drought four years out of five.

It was quite amusing. Our team went down to buy these fellows out. They didn't know what it was all about at first - just somebody came along and offered to buy their farm. They thought this was the millenium. They never thought they could sell land in that country. Well, typical of the way governments operate, just about the time our fellows had got about half through buying out this handfull of farmers, some team came out from Ottawa from the National Defense Department - they had decided they wanted a

prisoner of war camp located near Lethbridge. (They had a huge one there for mostly German prisoners of war.) They bought a section of land, just a mile or two out of Lethbridge. Now, it was better land, admittedly, but I think they paid \$60 an acre or something for it, which in those days was a high price.

Inside a week, of course, this got out all over the country. The week after the first time round, the farmers weren't falling all over themselves to sell. The price was just going up like a skyrocket, and the fellows who'd signed up to sell the week before were badgering them to tear up the papers and start over again. They weren't going to sell their land for \$15 an acre when the government was paying \$60 an acre for land. It was so bad that our team threw up their hands and came back. They said, "We can't do it. We just can't justify the prices they're asking."

Of course, the Federal Government had the power of expropriation, so we said to them, "You'll have to expropriate. We're not going to be responsible for the taxpayer paying so much more than this is worth. The value has been set by the fact they were so willing to sell the week before. The fault is really with your people for coming out and publicizing this purchase at a high price - of course it created this situation." So they had to expropriate quite a few of the farms. However, that's on the side.

This was a huge tract of land; and no deal about how it was going to be paid for. It was sort of under an indefinite term to the joint governments for this purpose.

After the War was over, we finally got around to tidying up some of these things. We said to Ottawa, "You'd better turn that block back to us, or buy it. We'll sell it to you (they wanted it for a permanent thing) except the mineral rights. You can have the surface."

So C.D. said, "What do you want for it?" We set a price for it which our people gave. And C.D. said, "That's terrible, that's way too high." So

we couldn't agree on it.

In the meantime, the Federal Government had all the properties - barracks, hangars, storage sheds, and all the stuff they'd built all over the place for the Commonwealth Air Training Program. We were dickering over what was going to happen to this stuff, so we said, "Why don't you turn it over to the Province; we'll use what we can, and make it available to municipalities and towns." So, "What will you give us for it?" We said, "Well, it didn't worth anything. It's just salvage." "It's worth so many millions to us."

So anyway, somehow, out of all these discussions on the two issues, we came out with a figure that was roughly the same - what we said the British Block was worth, and what they said the hangars and stuff was worth, were not too different. So finally C.D. and I were talking one day, and one of us came up with the bright idea, "Why don't we just swap. You take the British Block surface, and we'll take all this stuff that you've built." And we agreed on it, and that's how it was settled. We could both be happy because we said their stuff wasn't worth anything, and they said our stuff wasn't worth anything, so we were equal there. When they put their price on theirs and we put our price on ours, we were together again away up here. So we exchanged the one for the other.

But that was typical of how you dealt with C. D. Howe. It was completely unorthodox; we had to have legislation to ratify all this afterward. But it was a very sensible thing. It saved a lot of trouble - appraisal boards, etc. - we could have gone on for five years. This way, it was done in two weeks.

LS: I thought political decisions were much more mysterious than all that!

I just have one final quote for you to comment on, and then we'll close for today. A Saturday Night issue in 1950, in an article written by Richard Needham, was talking about Social Credit hoping to organize in Saskatchewan. I want to read it to you.

"Social Credit belongs to the Prairies. It reads the Bible, mistrusts Montreal and Toronto, looks down its nose at labour unions, and takes a great interest in the weather. Social Credit understands the Alberta soul and thus it comes a long way towards understanding Saskatchewan's soul which has gone through torments that would unnerve Big Sister. Premier Manning and his colleagues know that the prospects are good in Saskatchewan, and that is why the Social Credit Party held its 'national' convention this fall in Regina."

Do you have any comments on that?

ECM: I don't know the explanation, but the political philosophy, and I guess the thinking, of people in Saskatchewan and Alberta are not too similar. I don't agree with Needham on that point. I think that's borne out by the fact that the NDP (or CCF as it was originally), and the Regina Manifesto, was born out of the Depression there. It was socialistically oriented from the beginning. In fact, the original Regina Manifesto was extremely socialistic - almost a communist manifesto.

Alberta went the other route. Faced with the same problems of the Depression, the same terrible economic conditions, they went the Social Credit philosophy route, which was individual enterprise, anti-socialist. I don't know what the explanation of that is. It's rather significant that the people, in largely rural areas in those days, of two provinces which had so much in common as far as the poverty and suffering of the Depression was concerned, went two different routes.

And that distinction has always been there. CCF never got anywhere in Alberta; Social Credit never got anywhere in Saskatchewan. They ran a few candidates; they elected a few, the same as the NDP did here. But it was never effective.

LS: Was there any attempt by your Government to organize there?

ECM: From time to time we were invited over there. They had a Social Credit organization in Saskatchewan that sprang out of the same birth period as

the Social Credit Movement in Alberta. The radio broadcast Mr. Aberhart had in those educational days went into Saskatchewan - that's where I was. So there were a lot of people there who were very enthused about it, and when he was still living he crusaded in Saskatchewan at the request of the Saskatchewan organization.

I remember one time particularly, in a provincial election, he had a lecture tour through Saskatchewan. And they came out by the hundreds. But they went out the next day and voted for the Liberals (Jimmy Gardner's machine was there at the time). I remember, I think it was Melville, Saskatchewan, as a classical example. Jimmy Gardner, who was then Premier of Saskatchewan, and Mr. Aberhart, ended up in Melville the same day for a meeting. Somebody got the organizing arrangements a little bit mixed up. And the Social Credit took a skating rink, or some big place like that, and they had 2000 people turn out. Jimmy Gardner was down the street with about 500. This was the night before the election. But the next day they went out and voted 80% for Jimmy Gardner.

LS: So the souls of the two Provinces were quite different?

ECM: Yes, they were quite different. I went over a number of times. I recall the Regina meeting - that was the national Social Credit organization. Saskatchewan had elected to their Provincial legislature several Social Credit Members, and had members in the House for some years. They said, "Why should all this always be in Alberta; why don't you bring the Convention over here?" So the national people said, "Let's have one in Regina."

LS: Why are Social Crediters so interested in the weather all the time?

ECM: First time I ever knew we were concerned with the weather!

[End of interview]