

01 Mr. E. C. Manning

02 Interview #9

03 September 24, 1979

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05
06 **LS:** We're going to discuss today, Mr. Manning, mainly some of the events of
07 1938, first of all the Saskatchewan election that occurred on June 8th of
08 that year. Apparently the Social Credit party fielded a fair number of
09 candidates in that election, but there was a procedure apparently whereby
10 the Alberta Social Crediters would judge or determine the eligibility of
11 the candidates in Saskatchewan.

12
13 I'm interested in that procedure, what was the public reaction to that
14 procedure, and how did Social Credit fare in that election?
15

16 **ECM:** The election of the Social Credit Government in Alberta naturally created a
17 lot of interest in Saskatchewan. There was also the fact that Mr.
18 Aberhart's radio broadcast which had been used so extensively in the
19 educational campaign and the election campaign in Alberta were heard in
20 most of Saskatchewan, by people who wanted to listen. So there was a great
21 deal of interest generated by reason of those circumstances.

22
23 As a result, quite an active Social Credit organization sprang up in
24 Saskatchewan, and their hope was to repeat in Saskatchewan what had taken
25 place in Alberta.
26

27 When the election in Saskatchewan was called in 1938, the Social Credit
28 movement there decided to field a substantial number of candidates, and of
29 course they appealed to Alberta and to the Alberta Social Credit
30 organization for all the help that they could get.
31

32 We did provide, through the Alberta Social Credit League, quite a number of
33 speakers, many of them Members of the Alberta Legislature, and some of us
34 who were Cabinet Ministers took a few talks. Mr. Aberhart himself made one
35 or two brief tours in Saskatchewan.
36

01 On this matter of their procedure in selecting candidates, I don't know how
02 extensively they used this. If I may go back just a bit. In the first
03 election in Alberta, a rather unique system had been used for choosing
04 candidates. Initially, the conventions at which the candidates were chosen
05 were made up primarily of delegates selected from the Social Credit
06 educational study groups which had been formed all over the Province. And
07 (in keeping with Major Douglas' philosophy that the public should concern
08 themselves with the broad general results they wanted to attain, but when
09 it came to matters where you had to analyze detailed technical matters,
10 that was a job for trained people or what he called "experts") in the
11 Alberta nominating conventions, the conventions selected three potential
12 candidates. There might have been half a dozen or so nominated, but the
13 convention reduced the matter down to three.

14
15 Then there was a Provincial advisory board established by the Alberta
16 Social Credit League. It was made up of half a dozen people headed by Mr.
17 Aberhart. This group toured the Social Credit constituencies, held
18 meetings with the local constituency executives, and went over the names of
19 the three who had been chosen by the convention. And the local
20 constituency executive, in conjunction with this provincial advisory board,
21 made the final choice as to which of those three would be nominated
22 officially as a candidate.

23
24 This had advantages, in that sometimes among the three there would be one
25 that might have quite a wide appeal to, say, an open meeting, and who
26 probably would win an ordinary nominating convention, but who, when you got
27 down to his qualifications, didn't have either the experience or the
28 judgment which was demonstrated by some of the others who had been chosen
29 but who perhaps were less articulate and didn't make as big an impact on an
30 audience or a convention. That was the concept underlying the whole thing.

31
32 So when the Saskatchewan Social Credit Movement made their first big bid in
33 1938, many of the people where who'd followed the procedures in Alberta
34 felt that the same procedure should be followed. And they did ask the
35 Alberta Social Credit League to send them an advisory board to do some of
36 this interviewing. Of course, the matter was in their hands. As far as

01 Alberta Social Credit were concerned, they were only there on the
02 invitation of the Saskatchewan Social Credit organization, but they gave
03 them all the help they could.

04
05 I don't recall the exact number of candidates they fielded, it was quite a
06 number. But they were not successful. I think they elected a few
07 candidates, but it was very few.

08
09 LS: Were you personally involved in that process?

10
11 ECM: Not in the advisory board work. I took a few public meetings in
12 Saskatchewan, I don't recall the actual number. Maybe 3, 4 at the outside.

13
14 LS: How would you account for the difference between the Alberta and
15 Saskatchewan electoral response to Social Credit candidates.

16
17 ECM: It's hard to say specifically, but I think there are two things that are of
18 interest in that respect. One of the unique things about Canada as a
19 country is the tremendous difference in attitudes of people between the
20 different regions and provinces. This is one of the things that makes
21 Canada a very difficult nation to govern nationally. The people in the
22 Maritimes don't think the same as the people in Ontario or Quebec. People
23 in B.C. don't think the same as the people in Saskatchewan or Alberta or
24 Ontario. The regions of this country, perhaps because of our size and
25 small population, tend to develop their own attitudes towards public
26 affairs, towards the issues that arise in the country.

27
28 The attitude of the Saskatchewan people obviously was different towards the
29 problems of the Depression to that of Alberta. Alberta people had gone
30 wildly enthusiastic about a new experiment that was breaking brand new
31 ground. That's one basic reason. Why that exists, I don't really know,
32 but it's a fact of political life in Canada.

33
34 I think perhaps the more pertinent reason, however, was that as we've said
35 in some of our earlier talks, in Alberta there had been two to three years
36 of intense educational work with respect to Social Credit, prior to the

movement being political and entering an election at all. What happened in the election in Alberta was the pay-off of those three intense years of educational work.

That kind of work had not been done in Saskatchewan, so they started from a different base altogether. An election came along, they saw a neighboring province that made a fundamental change in their type of government, so a lot of people said, "Let us do the same." They tried to do it without the background of intense educational work which had been done in this province. I think perhaps that was the major reason why they were different.

LS: In the same year there as a small article in the Edmonton Journal talking about the creation of an Edmonton Stock Exchange. Do you recall any activity about that issue in Edmonton?

ECM: That's very vague in my mind after all these years. To the best of my recollection, there were a group of Edmonton businessmen who were interested in the establishment of a stock exchange in Edmonton, and who made representation to the Alberta Legislature for a statute incorporating such an Exchange. Of course, this is quite a common practice with respect to any type of business organization that requires to be incorporated by statute. It wasn't any unique or big thing at all.

The legislation did encounter some opposition. Again, this is rather vague because it was not any major thing, but a number of the Social Credit members were pretty suspicious of stock exchanges in those days. For one thing, of course, the Crash of 1929 in the public mind was identified with the crash of the stock market. And people who didn't know anything about a stock exchange had a tendency to blame the stock exchanges for the crash. That was merely the place where the crash manifested itself, it wasn't the fault of the stock exchange - but there was opposition to it, and I don't believe the legislation was passed. It seems to me it was dropped before it got to finality.

LS: During this time and a little earlier, I would like to get into a

01 discussion of Dominion-Provincial relations. One of the early conferences,
02 in fact in January of 1936, was a conference on Finance. The one
03 particular issue that I would like to discuss there is the creation of a
04 National Loan Council. Especially of interest are Mr. Aberhart's concerns
05 about a National Loan Council and participating in it. Can you give us the
06 background on that, what were the issues, why was Mr. Aberhart concerned,
07 what eventually happened with the National Loan Council?

08
09 **ECM:** As a matter of background, we have to remember that all of this took place
10 in the period of the Depression when every Provincial Government in Canada
11 was desperate for revenue. They simply were not able to raise enough
12 revenue to take care of their people, especially with the tremendous number
13 of unemployed and the high costs of welfare and relief.

14
15 And as a result, they were all desperately trying to borrow money; that was
16 the only way they could carry on. The Federal Government was
17 understandably concerned. They knew that a number of the Provinces were
18 trying to borrow beyond what would be reasonable having regard to their
19 capacity to handle and pay the loans.

20
21 Certainly in the case of Alberta, we were on the verge of bankruptcy.
22 There was no way this Province in those days could collect enough revenue
23 to carry the debt service charges of the amount of money that we would have
24 to have borrowed if we were going to meet all the demands. I think I've
25 mentioned before that the first year we were in government in 1936, the
26 total Provincial Budget was about \$19 million. But the significant thing
27 about that was that roughly half of that was required to handle the debt
28 service charges along. Which left half, to run the whole Province.

29
30 The Federal Government saw the Provinces getting deeper and deeper into
31 this morasse of debt. They were concerned about what it was going to do,
32 first to the credit rating of the Provinces. And they knew that if the
33 Provinces' credit was shot and they couldn't borrow any more on the
34 national or international money markets, then the only way they'd be able
35 to do it was with federal backing or federal guarantees. So their concern
36 was quite understandable.

01 One of the proposals that they made, and I think it started in this
02 Finance Ministers Conference you refer to, was the creation of a National
03 Loan Council which would exercise general supervision over the borrowing
04 policies of the Provincial Governments. In other words, a Province would
05 not be able to borrow, with the sanction of the Federal Government at
06 least, unless its application had the approval of this National Loan
07 Council.

08
09 It was also proposed that the Council would have broader functions than
10 that. It was suggested that they should examine the revenue situation in
11 each of the Provinces, in order to determine the ability of the Province to
12 handle debt service charges if they borrowed more money.

13
14 The whole idea of the Loan Council was not enthusiastically received by any
15 of the Provinces. Some of them were favourable, and of course there were
16 some arguments that were valid. They argued, for one thing, that they
17 could stagger the times when the governments went on the market for loans.
18 There would be a more orderly pattern, instead of each Province deciding on
19 its own when it would go to the market. Sometimes when this is done, you
20 have two or three of them going on the market at the same time, and that
21 made it that much more difficult to sell their bonds.

22
23 But the great concern the Provinces had, and it was the basis of Mr.
24 Aberhart's concern, was that really the Province would be surrendering to
25 this National Loan Council its jurisdiction over a very important sector of
26 its provincial finances. It would not be able to borrow, or do quite a few
27 things in the financial field, unless it had the sanction of this National
28 Loan Council.

29
30 I guess it would be true to say, even in those days, the general feeling in
31 the Western Provinces was that Ottawa was not the best friend the West had,
32 and they just were not willing to put in the hands of a Federal Loan
33 Council jurisdiction over something that was so important to them.

34
35 So Alberta opposed it completely. If I remember correctly, I think B.C.
36 opposed it, and I'm not sure about Saskatchewan and Manitoba. I think

Ontario was pretty skeptical about it too.

LS: What was the fate of the Council?

ECM: As I recall, the suggestion at that meeting of Ministers of Finance was like many other conferences of that kind. It was a proposal. It was debated, and there was no consensus, so it dropped.

But later on, when the Rowell-Sirois Commission was established, when they made their report one of their recommendations included the establishment of a Loan Council. They pretty well accepted the Federal Government's argument for a loan council, and included it as one of their recommendations.

LS: One other area of interest is related to that. In September of 1936, the Edmonton Journal had talked about Ottawa agreeing to collect Provincial income taxes. What was the situation with respect to collection of income tax at this time, and what was Alberta's and Mr. Aberhart's stance in regard to this procedure.

ECM: If you go back in history, personal income tax initially was a provincial source of taxation. The Federal Government got into it in the time of the First World War as a temporary measure to help finance the War. But like most temporary measures, it never ended, and they never got out of it after they started. So from that time on, we had in Canada two distinct systems of personal income tax, one Federal, one Provincial, which meant that taxpayers, whether individual or corporate, filed two sets of returns each year. One with the Province in which they paid whatever income tax the Province levied, and one with the Federal Government in which they paid their Federal income tax.

This of course meant that you had two administrative structures doing the same work, one for the Federal, one for each of the Provinces. So it was a very cumbersome and quite unwieldy total tax collecting structure. The other thing, of course, was the inconvenience to the individual taxpayer in that he had to make up two complete sets of forms, and deal with two tax

01 departments. And no taxpayer wants to deal with any more tax departments
02 than he can help!

03
04 So the idea developed that it would simplify all this if at least the
05 collection end of personal income tax was handled by the Federal
06 Government, and the two forms were amalgamated. So the taxpayer would file
07 only one form which showed what he owed to Ottawa and what he owed the
08 Province; the one government would do all the collecting, and simply pay
09 the Province's share of the tax back to the Province. It made a lot of
10 sense, and was a natural outgrowth of the duplication system that grew when
11 both governments were in the income tax field.
12

13 **LS:** One of the other areas around this period of 1936, '37, '38, is the whole
14 beginning of the development of the resources of the Province, or
15 legislation concerning it. Before talking about some of the specific
16 pieces of legislation, I'm interested to learn about Alberta's financial
17 interests in other parts of the country or the world, in the development of
18 oil. What was the Social Credit party's stance on that, and what was its
19 experience in trying to interest other people in the development of
20 resources?
21

22 **ECM:** To go back a little as a background to that, away back in 1912-14, oil had
23 been discovered in Alberta in limited quantities. The Turner Valley
24 oilfield or naphtha field had been brought into production. So in the
25 first place, it was known that there was oil in this part of Canada. There
26 was quite a widely-held opinion within the oil industry, and shared
27 certainly by the Social Credit Government, that the potential for oil
28 development in this part of Canada was quite significant.
29

30 There was very little exploratory work being done in those days, again
31 because of the Depression conditions and the shortage of capital.
32

33 In the case of the Alberta Government, the first two or three years the
34 Government had concentrated primarily on trying to develop its Social
35 Credit legislation and trying to do something in the way of meaningful
36 monetary reform, monetizing the credit of the Province. And as we've

01 indicated, ran up against pretty well a stone wall because all the
02 pertinent legislation was either disallowed or when it got into Court
03 declared ultra vires of the powers of the Province.
04

05 So that Government had to face up to the reality that the prospects of
06 improving the economic and social conditions of the Province by that route
07 were pretty debatable. And this increased the concern and interest of the
08 Provincial Government in seeing if there wasn't some other action that
09 could be taken to stimulate the economy and help relieve the conditions
10 that existed.
11

12 One of the obvious potentials was in the area of mineral and particularly
13 petroleum development. If oil could be discovered in the Province,
14 obviously this would change the whole economy of Alberta which at that time
15 was primarily an agricultural economy. Very little industry, not very much
16 mining (other than coal mining) and the oil industry limited to the one
17 field south of Calgary in Turner Valley.
18

19 With that background, the Alberta Government in about 1937 or '38 first of
20 all tried to interest and persuade the Eastern financial, brokerage, and
21 investment houses in encouraging Canadian investment capital - which was
22 primarily situated in central Canada, Ontario and Quebec - to take a hard
23 look at the potential of oil development in Alberta.
24

25 In those days, the main focus of interest on the part of investment capital
26 was mining in Ontario, which was very extensive, and lumbering,
27 particularly pulpwood, in Quebec, which was a big industry. Frankly, we
28 didn't get anywhere in trying to persuade Canadian interests to invest
29 money in what they regarded as the highly speculative, venturesome idea of
30 hoping to find oil out somewhere in Western Canada.
31

32 When nothing came of those efforts, in 1938 we put together a delegation of
33 government and industry people, about five or six men, headed by Eldon
34 Tanner who was the Alberta Minister of Mines and Minerals, and including
35 representatives of the Alberta petroleum industry. They went to the old
36 country to see if there was any possibility of interesting British capital

01 in the potential of oil in Western Canada.

02
03 They had quite a good reception, and there was a significant degree of
04 interest, but as you'll understand, by the fall of 1938 Hitler was rattling
05 his sabres over in Berlin and the situation in Europe looked very
06 threatening. The war clouds were gathering already over Europe. It seems
07 to me it's probable that had it not been for that situation, something
08 might well have come out of this effort to get British capital. But of
09 course the uncertainty created by the threat of war tended to make all
10 investors sit on the sidelines for a while to see what was going to
11 happen. And then of course the war broke out in 1939, which put an end to
12 that.

13
14 After those two efforts proved fruitless, the Alberta Government started
15 making a concerted effort to encourage American investment capital. In the
16 case of American participation in oil exploration and development, it in a
17 sense was easier. It wasn't just a matter of going to investors and
18 suggesting this was an area that they might want to put money in. It was
19 more a case now of going to companies which were actually in the oil
20 development business in the United States and discussing with them the
21 possibility of extending their exploratory work up into Canada where we
22 believed this potential existed.

23
24 It's a matter of history now. The American response was very good, very
25 positive. It disturbs me a bit in our present day, when I hear some of
26 the negative nationalists that we have in this country - groups like the
27 Committee for an Independent Canada and that type - railing against
28 American involvement in the oil industry in Canada, because frankly had it
29 not been for the positive response of the American oil companies in those
30 late '30s, I hate to think where we might be in Canada today as far as our
31 oil situation is concerned.

32
33 They were interested. And of course when the war came on in '39, there was
34 the tremendous demand for oil. It was an absolute necessity, and this
35 stimulated the overall concern to find more energy resources.

36

01 Perhaps I should add in this regard so that the picture is clear in the
02 minds of those that give attention to these things: The concern that's
03 been expressed about involvement of foreign capital and foreign ownership
04 in oil resources is based on premises which are often very shaky, and
05 sometimes completely erroneous. In Alberta, for example, it was a firm
06 policy of the Social Credit Government never to give up title of ownership
07 to any of our mineral resources - land, oil, coal, no matter what it was.
08 We were completely committed to the development of those resources by
09 private enterprise, but only under lease agreements with the Province under
10 which the ownership, the title to the resources, always remained with the
11 Crown in the right of Alberta. All the companies got was a lease under the
12 terms of which they could carry out the exploration and development work.
13

14 This is very different from owning the resources, which is the erroneous
15 public impression that's given particularly by the socialist crowd that's
16 anti-American, anti-capitalist, and so on. It was always our conviction,
17 and certainly in all the years I was in Government I know it worked this
18 way, that we should have adequate flexibility in the terms of the leases
19 under which the development took place to control the resources in the
20 interests of Alberta and Canada, without any question.
21

22 The fact that the development was being done by a foreign company was
23 immaterial. They were developing under the terms which the Government of
24 the Province laid down. We dictated the amount of royalty revenue and
25 rental revenue that they paid for the privilege of that development and any
26 profits they might make from that development. And it was on that basis
27 that the great development of this country took place, as far as oil was
28 concerned.
29

30 In the light of the inflationary conditions of more recent years, anyone
31 can see that it was a godsend that the development was done in those days.
32 You could go out and drill an oil well for \$150,000 or \$200,000. When you
33 consider today, you're talking about millions of dollars often for each
34 well, it shows what a tremendous advantage it was to have the development
35 done in the period before this wild inflation situation took place.
36

So that's briefly the background of the efforts to get oil development under way and what finally led to the oil development.

LS: Turning now to look at the specific kinds of legislation that the Province passed, there were three or four acts of interest. Two are fairly small acts, one the Act to Amend the Pipeline Taxation Act, and one to Impose a Tax on Minerals. Can you tell us about those briefly?

ECM: The Pipeline Taxation Act of 1938 simply amended the Pipeline Taxation Act which had been passed by the Farmers' Government back in 1933. That first Act imposed a tax on pipelines built in the Province at the rate of 5 mills on the dollars. The amendment in 1938 simply doubled the rate of the tax; it changed the mill rate from 5 mills to 10 mills. Simply a means of getting more revenue in a period of desperate financial conditions.

The Act to Impose a Tax on Minerals, which was also passed in 1938, provided that "every mineral owner who is a taxable person shall in respect of any parcel of land in, on, or beneath the surface of which he is entitled to search for, work, win or get any mineral, pay in every year to the Minister a tax at the rate of one-third of one cent per acre of the surface of such parcel of land."

This was passed because by this time there was quite a bit of land where the mineral rights were being taken up in the hope of exploration and development somewhere down the road. The people who were acquiring the mineral rights were not paying anything on the land as long as it just sat there, other than the normal surface taxes that they might pay to a municipality. And we wanted, (1) to get more revenue, and (2) to discourage companies or individuals from tying up the mineral rights for a long time without doing anything about it.

So this imposed a tax on whatever land they took under their control for the purpose of developing minerals, at a rate of so much per acre. As you notice from those figures, the rate was very low. Today it wouldn't deter anybody, but in the Depression years, and where companies might be talking about several hundred thousand acres, this became a factor. It did have

the tendency that they didn't take any more land than they felt they could get by with, because they were going to be taxed for it. If they let it sit there, they kept on paying the tax every year, and of course they had no revenue from it in the meantime. So it was a deterrent to tying up the land.

LS: Another act in that period is the Act for the Conservation of Oil and Gas Resources of the Province of Alberta. In fact there were two passed, one in April (in the first Session of 1938) and one in November of the same year. What were the provisions of those Acts?

ECM: These were the first two major pieces of legislation that moved the Province into a significant conservation program as far as oil and gas was concerned. If I remember rightly, the first crude wells in Alberta were discovered about 1939 on the flank of Turner Valley, which was quite a significant step. Prior to that we'd had only a naphtha field. Now we had evidence that there was crude oil in the Province.

There was also the concern over the terrible waste of natural gas in Turner Valley, which we've referred to before. That naphtha field produced vast quantities of gas and relatively small quantities of oil. And because the oil was in demand and there was no market for the gas (except that they did run a pipeline into Calgary, and that didn't take a fraction of the gas that was being produced) they ran the naphtha through separators in the field, took out the rather small quantity of oil, and just flared the gas. There was no market for it, so we burned millions and millions and millions of cubic feet of natural gas per year. This had gone on for years.

One of the first acts of the Social Credit Government was to move to close in that wastage of gas. But we didn't have adequate legislation, so we started in 1937 to put together some legislation that would be applicable to the minerals of the Province, particularly oil and gas, for meaningful province-wide conservation.

Both in the conservation legislation and the legislation relating to the conditions and terms under which oil and gas would be developed in Alberta,

01 we sent representatives of the Government to the oil-producing States in
02 the United States. They went over all their legislation - they'd had this
03 type of experience for years in Texas and California and so on - and
04 discussed and consulted with their administrators in the field of
05 conservation. And we drew on that experience to design our own
06 legislation.

07
08 I think I'm quite correct in saying (this has been said to me and I'm sure
09 to others by people knowledgeable in the oil industry especially in those
10 early years) that Alberta probably had the most advanced form of
11 conservation legislation in North America. We started long after these
12 problems had arisen in the United States and were able to profit from their
13 experience. Our legislation was regarded on the whole as being very good.

14
15 Primarily what the conservation legislation did was provide for the
16 establishment of an Oil and Gas Conservation Board, to whom very wide
17 powers were given. Those powers included the implementation of any
18 programs, or the imposition of any conditions on the development companies,
19 that the Board considered necessary to prevent waste of either oil or gas.

20
21 For example, later on when the development of crude oil became
22 province-wide, every well was assigned a production quota. This was done
23 for two reasons: One, of course, there wasn't a market in those days so
24 the oil was pro-rated to market to a considerable degree. But there was
25 also an engineering factor in this. A crude oil well can be produced at a
26 certain rate which will insure the maximum ultimate aggregate recovery of
27 oil. You can produce that same well at a much faster rate so temporarily
28 you're getting much more oil per day, but the aggregate ultimate production
29 of the well will be significantly less. You deplete your pressures too
30 fast, and leave more in the porous rock beneath the surface.

31
32 So this Board had the power to determine these engineering factors and set
33 production quotas. On the question of gas, it had the right to order the
34 closing of gas wells unless they could be tied into a market. The general
35 practice that evolved over the years in that regard was that when you were
36 opening up a new field, the first few wells you had no alternative but to

01 flare the gas. You had to drill a significant number of wells before you
 02 could tell whether it was economically viable. But once there were a
 03 sufficient number of wells so their gas lumped together would be adequate
 04 to service a pipeline to take it somewhere to a market, then the Board
 05 would say, "You can't flare any more of this gas. You'll have to tie these
 06 wells into a pipeline and get the stuff into the market, or else just leave
 07 it in the ground until there is a market."

08
 09 These are just illustrations out of the many things that the Board was
 10 empowered to do.

11
 12 The first Act in the Spring Session of 1938 set up that general
 13 legislation. The second Act in November of that year was really a re-write
 14 of the first. Basically it was the same substance except that it went into
 15 much more detail on the powers of the Board in controlling the wastage of
 16 gas. The first Act was found to be rather general, and once the framework
 17 of the Act was established, there were consultations with the industry and
 18 the people who would have to live with it, apply it, and administer it.
 19 And wherever it was possible many of the things which in the first Act were
 20 left for the Board to do by regulation were put in the new Act so that
 21 everybody would know what the rules were and not have to rely on changing
 22 regulations.

23
 24 **LS:** The final piece of legislation that I want to look at in this period of
 25 time is an Act to Ratify Certain Agreement Between the Government of Canada
 26 and the Government of the Province of Alberta. What was the background to
 27 this?

28
 29 **ECM:** That was an amendment to the Natural Resources Transfer Agreement, which
 30 had been negotiated by the Farmers' Government just immediately prior to
 31 the election of the Social Credit Government.

32
 33 To go back into the history very briefly. The Provinces of Saskatchewan
 34 and Alberta were incorporated as provinces in the year 1905. But the
 35 administration and control of the natural resources of those two provinces
 36 was retained by the Government of Canada when the provinces were

01 incorporated. So from 1905 to 1935, all the natural resources of these two
02 provinces were still administered by the Federal Government. Land titles
03 initially were all issued by the Federal Government, mineral titles were
04 all handled by the Federal Government. They had complete jurisdiction over
05 the administration of the natural resources in these provinces.

06
07 The argument for this was that when these two provinces were set up they
08 had a very small population; this was the "wilderness of Western Canada" in
09 the view of the East, and they didn't think we were quite sophisticated
10 enough out here to know how to handle our own resources, so they kept
11 control of them.

12
13 This obviously didn't go down too well with the two provinces, and they had
14 pressured for a long time to have their natural resources transferred.
15 Under the British North America Act, the jurisdiction over natural
16 resources was vested in the Provinces, so this period was really a time in
17 which the provisions of the BNA Act were being temporarily set aside, and
18 Ottawa was doing something which really should have been in the hands of
19 the Province. Ottawa's argument was that this area was part of the
20 Territories before the two provinces were formed, so these resources had
21 been under Ottawa's jurisdiction.

22
23 Anyway, finally a Natural Resources Transfer Agreement was negotiated and
24 the ownership, control, and jurisdiction over the natural resources was
25 transferred from Ottawa to Saskatchewan and Alberta.

26
27 The statute you referred to in 1938 was an Amendment to that agreement, and
28 it only contained two provisions. Incidentally, the original agreement
29 made provision that the agreement could be amended, but only by the
30 concurrence of both the Federal Government and the Province with whom the
31 agreement was entered. The Province couldn't do it on their own, and
32 Ottawa couldn't do it on their own.

33
34 Two points were clarified in the amendment to the agreement in 1938.
35 perhaps the simplest and shortest way of making clear what was done is just
36 to read one clause of the Preamble: "Whereas doubts have been entertained

01 on the part of the Province whether the interest of the Crown in the waters
02 and water powers within the Province under the Northwest Irrigation Act of
03 1898 and the Dominion Water Power Act was transferred to and vested in the
04 Province under the terms of the Natural Resources Transfer Agreement, the
05 same not having been specifically mentioned in the description of the
06 natural resources transferred to the Province as hereinbefore recited, and
07 for the quieting of such doubts, it is expedient that the transfer to the
08 Province of the interest of the Crown in the waters and water powers
09 aforementioned should be confirmed."

10
11 As that Preamble makes quite clear, the question of jurisdiction over water
12 (and this was important in Alberta because of the large irrigation projects
13 we had in this province) had not been specifically mentioned in the
14 Transfer Agreement. Everyone assumed that it was included along with all
15 the other resources. But because of the millions of dollars that were
16 being spent on irrigation development and the contracts and agreements
17 between the Province and irrigation companies, the Province felt that it
18 was very essential that that be clarified, and wouldn't lead to some
19 litigation or Court cases later on. The Federal Government agreed that the
20 intent was that those resources would be included, and so the amendment to
21 the Agreement in 1938 simply spelled that out in so many words and removed
22 any doubt.

23
24 The second amendment that year was really an addition to the working of the
25 Agreement and had to do with the matter of conservation of resources that
26 we were talking about a moment ago. It added to one of the sections of the
27 Resources Agreement the following words, "or is legislation relating to the
28 conservation of oil resources or gas resources or both by the control or
29 regulation of the production of oil or gas or both, whether by restriction
30 or prohibition or whether generally or with respect to any specified area
31 or any specified well or wells, or by re-pressuring of any oilfield,
32 gasfield, or oil gas field and incidental thereto, providing for the
33 compulsory purchase of any well or wells."

34
35 Here again, when the Natural Resources Transfer Agreement was negotiated,
36 the concerns of conservation were not in the picture at all. The resources

hadn't been developed so nobody was worried about conserving them. But as we moved into this field of conservation, there arose a few questions as to whether the legislation under which this conservation took place could be challenged because of being in a possible conflict with the wording of some of the sections of the Natural Resources Transfer Agreement. So this other section in 1938 simply clarified the absolute right of the Province, not only to the ownership of the resources but to do what it felt was needful to conserve them.

LS: This discussion about specific pieces of legislation raises the whole issue of Federal-Provincial relations, and in particular in regard to resource development. Do you have any thoughts on the current situation which seems to be fairly difficult between the two levels of government?

ECM: It is a very complicated and a very serious problem, because it concerns both provincial and national interests. To begin with, the BNA Act, as I mentioned, unquestionable gives to the Provinces the jurisdiction, ownership, and control of the natural resources within their boundaries. That's quite clear in the BNA Act.

In the case of Alberta and Saskatchewan, they are in rather a unique situation in that in addition to the BNA Act general provision, their resources were transferred from the Federal jurisdiction to the Provincial jurisdiction by the specific Natural Resources Transfer Agreement. So in the case of those two Provinces, you might say they have a double claim to the complete ownership, control, and jurisdiction over natural resources. One in the BNA Act, one in their Natural Resources Transfer Agreement.

All of the Provinces of course have jealously maintained that position - that within their jurisdiction, they alone have the say in how natural resources are going to be developed, conserved, marketed, and so on. They enter the Federal jurisdiction only when the product crosses a provincial boundary. Then they get into the field of national/international trade and pass out of the jurisdiction of the Province.

01 This of course is a matter which has taken on a whole new importance, and
02 certainly a vital interest to Alberta in the last few years, because of
03 what's happened to the world energy situation. Today, the whole of Canada
04 looks to Alberta primarily as a source of oil. This wasn't too significant
05 in the years when oil was \$2 a barrel and you could bring it in from
06 Venezuela or the Middle East cheaper than you could ship it from Alberta to
07 Ontario and Quebec, the large consumer areas of Canada. And of course in
08 all those early years, Alberta oil was never able to get further East than
09 the Ottawa Valley because from there on East the oil could be brought in
10 from off-shore cheaper than you could move it by pipeline from this
11 Province.

12
13 But when the Arabs jacked up the price of oil, when the era of political
14 price-fixing of oil came in, you had a whole new ballgame. The price of
15 imported oil became staggering, and understandably you had the pressures
16 from the consumer areas of Central Canada for Canadian oil, which of course
17 they want to obtain at a price less than the world market price at which
18 they could get off-shore oil.

19
20 This does create some very real, and very difficult, problems.
21 Understandably, the Province of Alberta and the other oil producing
22 provinces of B.C. and Saskatchewan - although their volume is less, they
23 have the same problem - if they were free, and if they chose to sell their
24 oil where they could get the most money for it, would be selling all of
25 their oil at world prices. They could sell every barrel of it today at
26 \$23-25 a barrel, and they'd be clamouring for more. They sell it in the
27 others regions of Canada at way below the world price.

28
29 Of course Alberta and the other oil-producing provinces argue that they're
30 doing it because they are part of Canada, and this is a contribution they
31 are making to the national good. It has cost this Province (if you take
32 the difference between what they have received for their oil selling it at
33 the Canadian price to other regions of Canada as compared with what they
34 would have gotten if they had sold it to the world markets) already around
35 \$15 billion. So Alberta can rightly say they've made a very significant
36 contribution to the good and welfare and best interests of Canada by that

01 lower price.

02
03 But there is another side to the argument, that has to be recognized. The
04 resources are not only Alberta resources; they are Canadian resources
05 because Alberta is a part of Canada. And this raises the whole argument of
06 where you draw the line between how you treat a resource because it's a
07 provincial resource, and how you treat the same resource because it's also
08 a national resource. There will never be a meeting of minds on those two
09 things.

10
11 Some people will argue - the people who live in the Provinces where they
12 have to buy the oil - "Look, it belongs to the Canadian people. We should
13 all get the advantages of it equally. Alberta shouldn't have a Heritage
14 Trust Fund with \$5 billion in it. They should cut the price and we should
15 all share and share alike."

16
17 The provinces on the other hand, and their people, are obviously going to
18 say, "It's ours by virtue of the terms of the BNA Act. It's ours by virtue
19 of the Natural Resources Transfer Agreement. We're already selling it at a
20 significantly lower price than we could sell it elsewhere. We're already
21 making all the contribution you could expect us to make."

22
23 The simple fact of it is that the BNA Act does not make clear this "grey
24 area". To what extent does the national interest justify or authorize
25 federal involvement in the development and pricing of resources which are
26 produced in a Province that has the legal, legitimate claim to ownership
27 and development of those resources?

28
29 My own belief is that the chances of getting an amendment to the BNA Act
30 that would ever be accepted by the Federal and Provincial Governments, that
31 is the resource provinces, is nil. I just can't see that happening. What
32 I think you will see is a long debate, often quite bitter, that ultimately
33 will lead to a type of accommodation where there will be a bit of give and
34 take on both sides. But it's a very, very difficult problem.

35
36 Certainly from Alberta's (or any Province's) viewpoint, you'd have to say

to be completely realistic about it, that they're on very sound ground in saying, "These are our resources by virtue of the Constitution, and we have the right to develop them and handle them as we feel best." On the other hand, I don't think any Province can escape the responsibility, as a part of Canada, of the national interest. The Provinces, I think, have to be willing to give, and at least have a reasonable compromise between two positions which are almost opposite one to another, and which are simply not clarified in the existing legislation.

LS: It's going to be very difficult because of the shortages.

ECM: And it's going to become more difficult as world prices go higher. My own view is we haven't begun to see the end of increases in energy prices. I find it terribly disturbing in both the United States and Canada. The situation that's looming on the horizon - which we'll face in this country in the 1980's - was quite predictable four or five years ago. Within a year at least after the initial Arab boycott, when it became obvious that the nations of the Middle East were no longer going to provide energy at a price based roughly on the cost of production plus a reasonable profit, but a political price, the evidence was all there. The oil companies all had the data; the governments had it. This country was going to face a very, very serious energy crunch at least by the 1980's. And the same was true in the United States.

What I find so terribly disturbing is that that is four or five years ago. And to date, really very little of anything meaningful has been done, by way of conservation - we're the worst wasters of energy of any country on the earth, and nothing realistically is being done to conserve. And relatively little has been done to develop alternate sources of energy.

Now in the last few years, both in the United States and Canada, you have another related problem that, in my view at least, is desperately serious. Hopefully we're going to have some government, sooner or later, that will show a little backbone and come to grips with it. And that is the often completely unrealistic obstruction to any attempt to provide alternate sources of energy, such as nuclear energy or even the mining of coal for

thermal energy by perhaps well-meaning but certainly very ill-advised (and in some cases utterly irresponsible) environmental and conservation groups.

This country, in my view, ought to be one of the great nuclear energy producers of the world. It should be one of the great thermal generation centres of the world. If I was suggesting a course of action to handle our balance of payments, I would like to see this country go all out for nuclear development of energy, and development of energy through thermal generation from the huge, almost inexhaustible, volumes of low-quality coal that we have, and export it. We could do more to correct our balance of payments problem that way, probably, than any single thing. And at the same time we'd be making a tremendous contribution to saving the stability of the economies of North America.

If the American economy collapses by virtue of energy problems, ours is going to collapse. So we have a vested interest in it. But today you can't open up a little coal mine without having a parade of protestors screaming around - it's going to chase the birds away, or knock down a tree. And when it comes to nuclear energy....I noticed this past weekend, in the old country, a crowd of 200,000 protestors against nuclear energy development.

In this age of technology, when we can put men on the moon and bring them back; we can send space probes out to Jupiter; we can dig up the earth on other planets and analyze it and send the results back to earth; we can send a satellite 3 billion miles to circle Saturn and after a journey of six and half years through space send back radio and television communication to the earth of what it's seeing; in the light of that type of technology, for somebody to say, "We can't build a nuclear plant that's acceptably safe" is utter nonsense.

The sooner we realize that, the better for everybody concerned.

LS: It's going to be a very difficult time.

ECM: Very difficult.

LS: Thank you.