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Infrastructure And Resources: Governments And Their Promotion Of Northern Development In British Columbia - 1945-1975

John Ralph Wedley

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INFRASTRUCTURE AND RESOURCES: GOVERNMENTS AND THEIR
PROMOTION OF NORTHERN DEVELOPMENT IN BRITISH COLUMBIA -
1945-1975

by
John R. Wedley

Department of History

Submitted in partial fulfillment
of the requirements for the degree of
Doctor of Philosophy

Faculty of Graduate Studies
The University of Western Ontario

London, Ontario

March, 1986

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ISBN 0-315-33034-1

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ABSTRACT

A major source of British Columbia's economic growth in the three decades after World War II was the expansion of resource industries into the territory lying north of the 53rd parallel. The three provincial administrations of the period (Coalition, 1945-52; Social Credit, 1952-72; and New Democratic Party, 1972-75) were active participants in northern expansion, and the extent and style of their involvements largely shaped the manner in which the process of northern development unfolded. A narrative/chronological approach is used to compare and assess critically the developmental policies and programs of these administrations, and to analyse the impact of their efforts at promoting development in northern B.C. throughout the period.

Two distinct forms of governmental involvement are identified and investigated. The first was the provision of infrastructure to encourage and facilitate the development of northern resources by private interests. Two programs in particular - the expansion of the Pacific Great Eastern Railway (later renamed the British Columbia Railway) and the construction of the Peace River power project - figured prominently in this strategy and are examined comprehensively. The second form was the promotion of northern industrial activity through resource regulation and management policies. This method of governmental promotion

is explored for those sectors - forestry, mining, hydro, oil, and natural gas - that were primarily responsible for B.C.'s post-war northern industrial boom.

The study finds that the governmental policies and programs greatly stimulated interest and investment in northern resource development, but that a lack of planning and certain inappropriate practices produced some unhealthy conditions and costly mistakes. The governments also achieved only limited success in their efforts to promote secondary processing of resources, so that northern B.C. developed primarily from the exportation of raw materials or only partially upgraded products. Of the several concepts or theories traditionally associated with B.C.'s northern expansion (the staples theory, metropolitanism, the colonialism or dependency theory, and province-building) province-building was found to be the most appropriate for interpreting the governments' general approaches to economic expansion, while the dependency view was considered more valid for describing the pattern and features of the industrial development that occurred.

PREFACE

The inspiration for this thesis derived from a class paper I wrote in 1976 at the University of Western Ontario, which revealed how extremely significant and all-embracing the theme of northern development was in B.C.'s post-war political and economic history. I discovered from researching that paper, moreover, that there was a disappointing paucity of secondary literature on the topic. General works, such as Martin Robin's Pillars of Profit and the two biographies of Premier Bennett, dealt with the more prominent northern development programs and events, and were useful background guides. But no volume existed that provided direct or comprehensive analysis of that important aspect of provincial affairs. A research trip to the West Coast in the summer of 1978, where I spent numerous hours gathering references in the libraries at the University of British Columbia, Simon Fraser University, the Provincial Archives, and the Legislative Library in Victoria, further revealed the fragmentary nature of research and writing on northern development in British Columbia. A wide variety of sources were found on related aspects of northern resource development and its consequences, but nothing giving an overall perspective on the problem. Hence it was felt that a more cohesive, multi-disciplinary approach to the subject of post-war northern development in British Columbia was required -- a detailed synthesis that would co-ordinate

existing knowledge in the field and establish a better background against which future research projects could be formulated.

The size and complexity of the topic of northern development in British Columbia has since required limiting the scope of the dissertation to make it more manageable. Early on, it was decided that the investigation should focus mainly on the role of government in promoting northern resource development, and eliminate those industries (such as fishing, agriculture, and tourism) that were only marginally responsible for B.C.'s post-war northern industrial boom. The emphasis on government, combined with the difficulty of securing access to company records, meant also excluding to a large extent the role of the corporations in developing northern B.C., and of the relationship between government and industry in the development process. More thorough investigation of those important themes is still required to provide a better understanding of British Columbia's economic development during this period. In addition, while the original intention of this study was to examine extensively the economic, social, and environmental repercussions of northern development policies and programs, ultimately it proved feasible to discuss only some of those effects. A direct, comprehensive examination of the socio-economic impact of northern development is still required, as well as a broader, comparative analysis of B.C.'s northern

experience with that of other provinces. Some comparisons have been drawn here, but the aim primarily has been to examine the British Columbia situation, in the hope that the manuscript will then serve as a useful guide for future regional studies of this kind.

Much of the work for this thesis involved piecing together the story of post-war northern development in British Columbia using newspaper and other primary sources. In particular, since no Hansard was published prior to 1970 in B.C., the Legislative Assembly's Sessional Clipping Books (a compilation of newspaper accounts of the debates) were employed extensively for that purpose. The B.C. statutes, departmental reports, and other governmental publications were consulted to establish the major resource policies and practices, supplemented by newspaper accounts of the important legislative and policy changes. The reports of the three post-war Royal Commissions on Forestry and the Report of the Royal Commission on the British Columbia Railway also

'These clipping books are poorly labelled for easy reference, so a special system has been adopted here which requires explanation. The clippings for each year have been designated in order of appearance as Part I, Part II, Part III, etc., each part representing a particular newspaper's account of the debates for that session. An abbreviated reference to the newspaper that corresponds with each part has also been provided, followed by the date under which the particular reference has been listed. Thus Sessional Clipping Book, 1954, Part I, Prov., March 25 refers to a clipping listed for March 25 in the first part of the accounts for 1954, which is the section that contains Vancouver Province clippings. Other newspaper abbreviations include Sun (Vancouver Sun), Col. (Victoria Colonist), Times (Victoria Times), News-Her. (Vancouver News-Herald), and Van. Times (Vancouver Times).

were invaluable, as were the Transactions of the B.C. Natural Resources Conferences, published annually from 1948 to 1969, and the companion volume, Roderick Haig-Brown's The Living Land: An Account of the Natural Resources of British Columbia. The findings of a number of university dissertations on aspects of resource development and management practices also are reflected throughout the thesis.

In addition, research into manuscript and other primary source materials located at the Provincial Archives in Victoria was undertaken and the findings incorporated into the final draft.² The transcripts of the above-mentioned Royal Commissions were examined for added insight into forestry management concerns and the rôle of the provincial railway, but in general those sources provided only piecemeal information on government policy. The Premiers' Papers, and to a lesser extent the private papers of E.T. Kenny and the R.L. Maitland Family, were more helpful in that regard for the Coalition period. Unfortunately, however, there are few comparable manuscript collections for the Social Credit and N.D.P. periods. For that reason, extensive use was made of the transcripts of taped interviews with former Social Credit cabinet ministers and N.D.P. leaders contained in the Sound and Moving Image

²References to the Provincial Archives have been abbreviated throughout the thesis as PABC. Subsequent archival references to government records and private manuscripts have been abbreviated as GR and Add.Mss. respectively.

Division's aural history collection. The tapes of Ray Williston (interviewed by Derek Reimer) and W.A.C. Bennett (interviewed by David Mitchell) were especially helpful, and for access to the latter I would like to thank Mrs. Anita Tozer, W.A.C. Bennett's daughter, who granted me permission to study those interviews relating to northern development. In addition, during the summer of 1984, and again in the spring of 1986, I interviewed personally some of the key figures involved with northern development during the Social Credit and N.D.P. periods, and would like to thank Ray Williston, Ken Kiernan, Robert Bonner, Joseph Broadbent, and Bob Williams for the knowledge and insight they provided during those meetings.

In the course of writing this dissertation, I was also fortunate enough to be able to undertake two research trips to northern B.C. during the summers of 1979 and 1980, which enabled me to investigate local sources and meet with community leaders, company officials, government workers, native and environmental organizations, and other concerned groups and individuals. Those trips were invaluable for broadening my knowledge of the North, providing better insight and perspective on northern problems and issues, and generally giving me a better 'feel' for the topic I was tackling. For that opportunity, I would like to thank the Northern Scientific Training Grants Program of the Department of Indian and Northern Affairs, which provided the funding for those trips.

The bulk of this thesis was researched and written at Simon Fraser University, where the Library staff kindly assisted me in locating some of the more difficult-to-find materials. I am also greatly indebted to Margaret Sharon at S.F.U.'s computing centre, for her counselling and assistance in using the computer to process the final draft. I also would like to extend special thanks to my good friend, Karin Crum, who graciously put her artistic training to work drawing the several maps contained herein.

Professor Morris Zaslow's strong, conscientious supervision of this thesis, which was not an easy task considering the great distance that usually separated us, is something for which I will always be extremely grateful. The knowledge he has given me, his constructive criticisms and advice, and his much-needed help in improving my writing style have provided this study with direction and polish that would be sadly lacking otherwise.

Finally, I would like to thank my family and my many friends, in Vancouver and Ontario, who gave their encouragement and support throughout the writing of this thesis. Most of all, I would like to thank my father, William C. Wedley Sr., whose generous financial support during some difficult times made the completion of this thesis possible.

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INTRODUCTION

Northern development in British Columbia in the post-Second World War period has provided one of the most important, striking transformations of recent provincial history. Before 1945, the major centres of population in British Columbia and most of the large-scale industrial enterprises were located in the southern half of the province. The territory lying north of the 53rd parallel was sparsely populated, underdeveloped, and relatively isolated from the remainder of the province. The region had yet to be connected with the main provincial road and rail services, and northern communities were typically small, usually owing their existence to localized farming, small-scale sawmilling, or short-lived mining operations. That situation changed dramatically during the three decades after World War II, however, as larger sawmills, pulp and paper plants, petroleum and natural gas operations, improved transportation services, and massive hydro-electric power projects were introduced to the North. Rapid population growth and expansion of older and newly-established communities soon followed, radically altering northern British Columbia and shaping significantly its present-day socio-economic structure and character.

The development of forest, mineral, hydro, and fossil fuel resources in northern British Columbia after World War II, and the integration of northern industrial activity into

the mainstream of the provincial economy, were also largely responsible for the tremendous post-war boom and resulting prosperity that the entire province experienced. Northern development embraced some of the most far-reaching political and economic decisions of the period, and the attendant policies and programs from that era have had considerable influence on conditions in British Columbia today. The development and utilization of northern natural resources, are ongoing provincial concerns, so the lessons of the past can be invaluable for understanding and guiding the present course and future direction of B.C.'s northern resource expansion. Yet despite the historical and contemporary importance of northern development in British Columbia, the subject has received only piecemeal attention in the literature on post-war provincial history, politics, and economic affairs.

This thesis attempts to redress that shortcoming by examining directly and comprehensively the methods by which provincial governments promoted industrial expansion in northern British Columbia after World War II. For although the advance of industrial enterprises into the region was impelled mainly by market and technological forces, the process was greatly facilitated and guided by provincial government policies and developmental initiatives. The three provincial administrations of the period (Coalition, 1945-52; Social Credit, 1952-72; and New Democratic Party, 1972-75) participated actively in northern expansion, and the extent and style of their involvements largely shaped

the manner in which the process of northern development unfolded. For that reason the roles of these three governments is emphasized, the aim being to compare and assess critically their developmental policies and programs, and to weigh the results of their efforts at promoting development in northern B.C. throughout the period.

* * * * *

Provincial government involvement in B.C.'s post-war northern expansion arose from two fundamental causes. The province's constitutional authority over resources and resource matters grew increasingly important with respect to northern B.C. during the post-Second World War period, when the global economic recovery created a seemingly insatiable demand for B.C.'s resource staples, especially wood-products, minerals, and energy. Since the demand for those commodities was greater than could be met by the more southerly areas, the higher prices and larger markets speedily enticed would-be developers into exploiting the untapped resources of the more distant northern regions. Vast improvements in resource development technology had become available that facilitated the extraction and production of raw materials at a more economical cost, while transportation innovations and other improvements made northern resource use a more viable proposition. As interest in northern resource development increased, the new pressures on resource administration and management

automatically drew the provincial government further into the northern development process, and compelled the post-war administrations to devote greater attention to northern B.C. and its problems than had hitherto been required.

In addition, the idea of developing the North had long been a dream of British Columbia politicians and an objective of its governments. For over half a century northern B.C. had been recognized as a region endowed with immense resource wealth that would become a centre of future industrial importance, and over the years numerous schemes, proposals, and aborted attempts to expand the northern resource frontier had emanated from Victoria. The ambitions of the governments of the post-Second World War era differed little from those held by earlier administrations, notably McBride's and Pattullo's. All three governments studied in this thesis, regardless of their ideological outlook, concurred in considering the North as an important region, and in perceiving great benefits - economic, social, and political - that might be gained for B.C. through stimulating northern industrial growth. They were more than willing to become active protagonists in promoting and assisting the development of the northern natural resources that improved economic and technological circumstances had made possible for the first time.

The role of government in B.C.'s northern development process thus involved two distinct, often complementary, functions -- the constant, day-by-day duty of resource administrator and regulator, and the more purposive role of

active promoter and developer. This study is concerned principally with the promotional side of government involvement, though such promotion of industry (in effect, the methods whereby private companies were encouraged to expand into northern territories) included both regulatory and developmental functions. The title and framework adopted for this thesis reflects these two distinct levels of government involvement in B.C.'s northern development. The most visible, aggressive form of governmental industrial promotion included providing large-scale transportation, hydro, and other facilities whose general aim was to furnish the infrastructure that would facilitate the expansion of northern resource industries by private interests. Chapters II, V, VII, and IX largely examine this form of public promotion. Two infrastructure programs in particular - the expansion of the P.G.E. railway (renamed the British Columbia Railway - B.C.R. - in 1972), and the construction of the Peace River power project - were very prominent features of the northern development strategy and comprise a large portion of the content of these chapters.

On the regulatory side, the responsibility for managing natural resources in the public interest also was a means of promoting and stimulating northward economic expansion. Many regulatory policies - particularly those dealing with resource allocation and the setting of licence fees, taxes, and royalty rates - were framed with industrial promotion in mind, and were commonly used to encourage companies to extend operations into areas where the government hoped to

foster new development, in this case northern B.C. Thus, functions of resource administration and regulation tended to go hand-in-hand with other northern developmental programs. Chapters III, VI, VIII, and X explore the methods by which the three administrations promoted northern expansion through resource regulation and management policies, and will focus mainly on those sectors - forestry, mining, hydro, oil, and natural gas - that were primarily responsible for B.C.'s post-war northern industrial boom. These chapters also endeavour to piece together as much as possible the post-war development of these industries in northern B.C., since to date there has been little direct historical examination of them. It should be noted, however, that much of the resource development activity that occurred in northern B.C. during this period also took place in more southerly parts of the province, often with the same impacts and repercussions. Similarly, while many government resource policies were general in application (for example, the establishment of Forest Management Licences), others (such as Pulpwood Harvesting Area Agreements) were distinctively northern in their conception and implementation. This thesis examines both types of policies, but only as far as they affected the study region.³

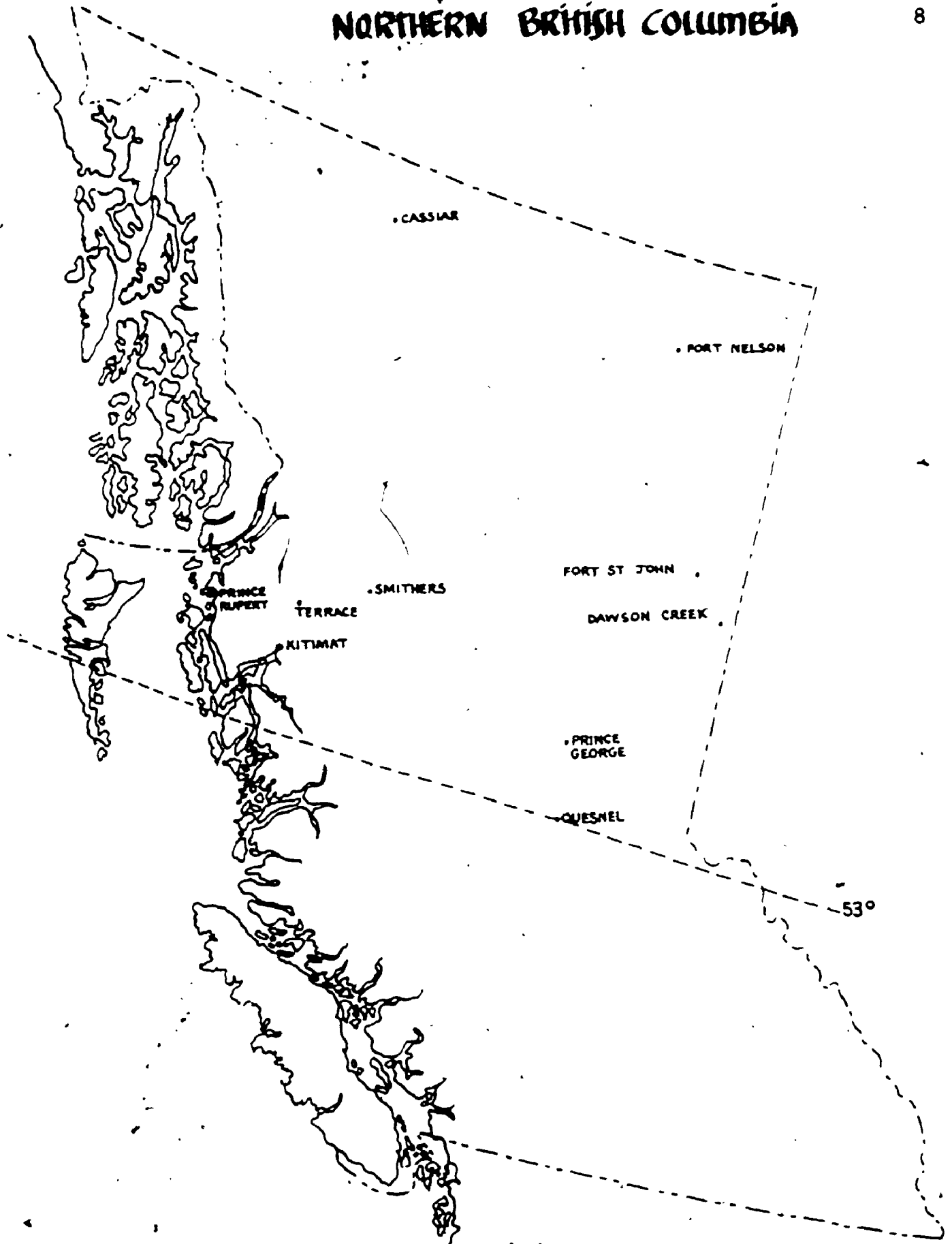
³At times, of course, it will be necessary to discuss events and developments that occurred elsewhere in B.C., whenever they influenced government attitudes and policies that affected the North.



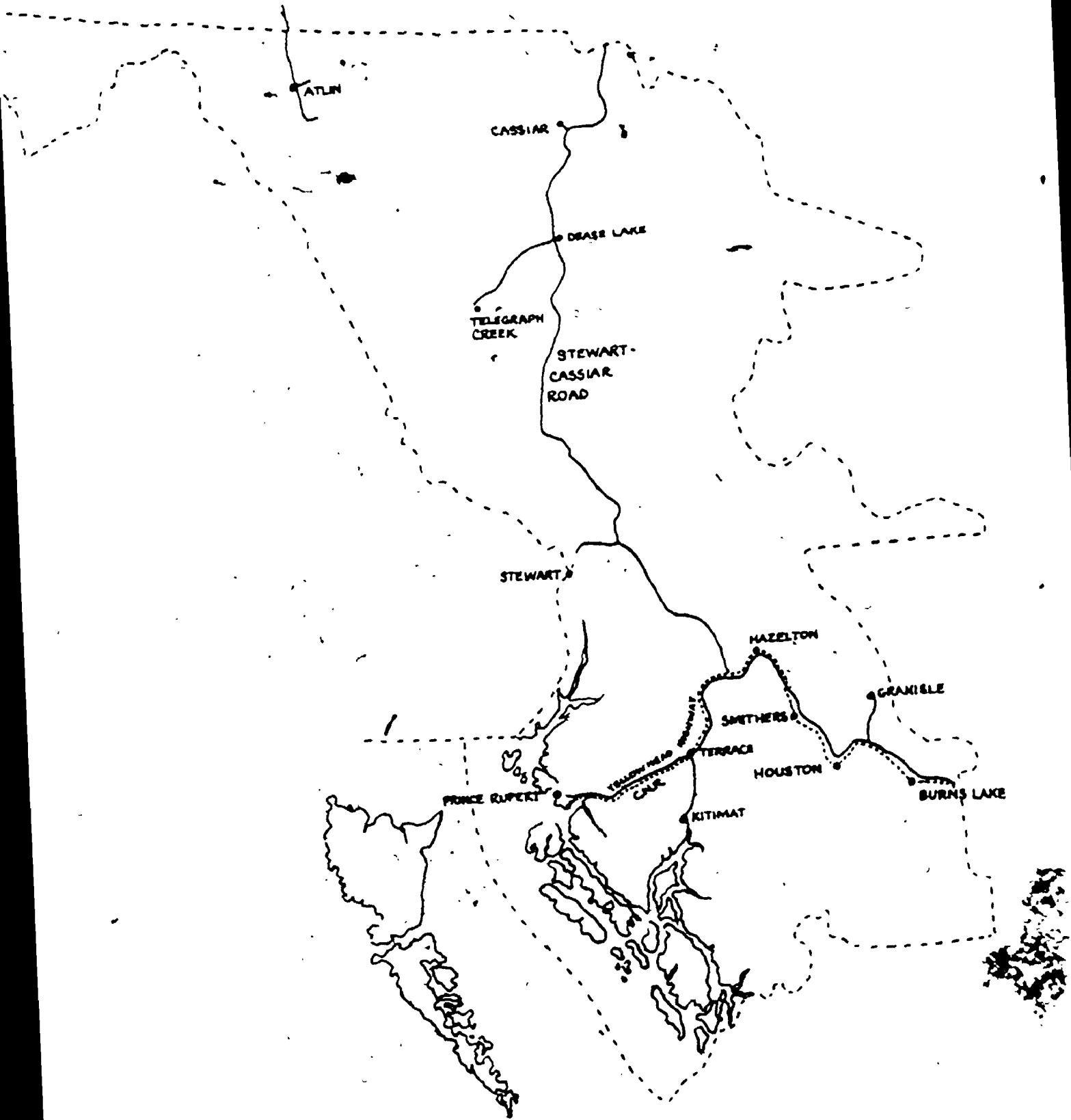
In this study 'northern British Columbia' has been taken as including the territory north of the 53rd parallel (or roughly, the area north of Quesnel). Quesnel in 1945 was the northern terminus of the Pacific Great Eastern Railway (P.G.E.), and the initial thrust of post-war northern development policies was to expand the transportation and resource development frontiers beyond that point. As the period progressed and the resource frontier shifted farther northward, the term 'northern development' came to refer more to expansion beyond the now-settled parts of the Peace River-Prince George-Prince Rupert corridor. In sub-regional terms, the study area encompasses 'northwestern B.C.' (the territory from Burns Lake west to Prince Rupert and north to include Cassiar and Atlin); 'northeastern B.C.' (the Peace River region from Chetwynd east to the Alberta border and north to include Fort Nelson); and 'north-central B.C.' (the area bordered by Quesnel, McBride, Mackenzie, Fort St. James, and Fraser Lake, with the city of Prince George at its centre).

The chronological period of this study - 1945 to 1975 - encompasses an era of almost continuous expansion of activity in northern B.C., in which the major developmental programs of the post-war industrial boom were introduced and put into operation. Industrial activity had begun increasing in a small way a few years prior to 1945, and some of the planning for the post-war boom was already underway while

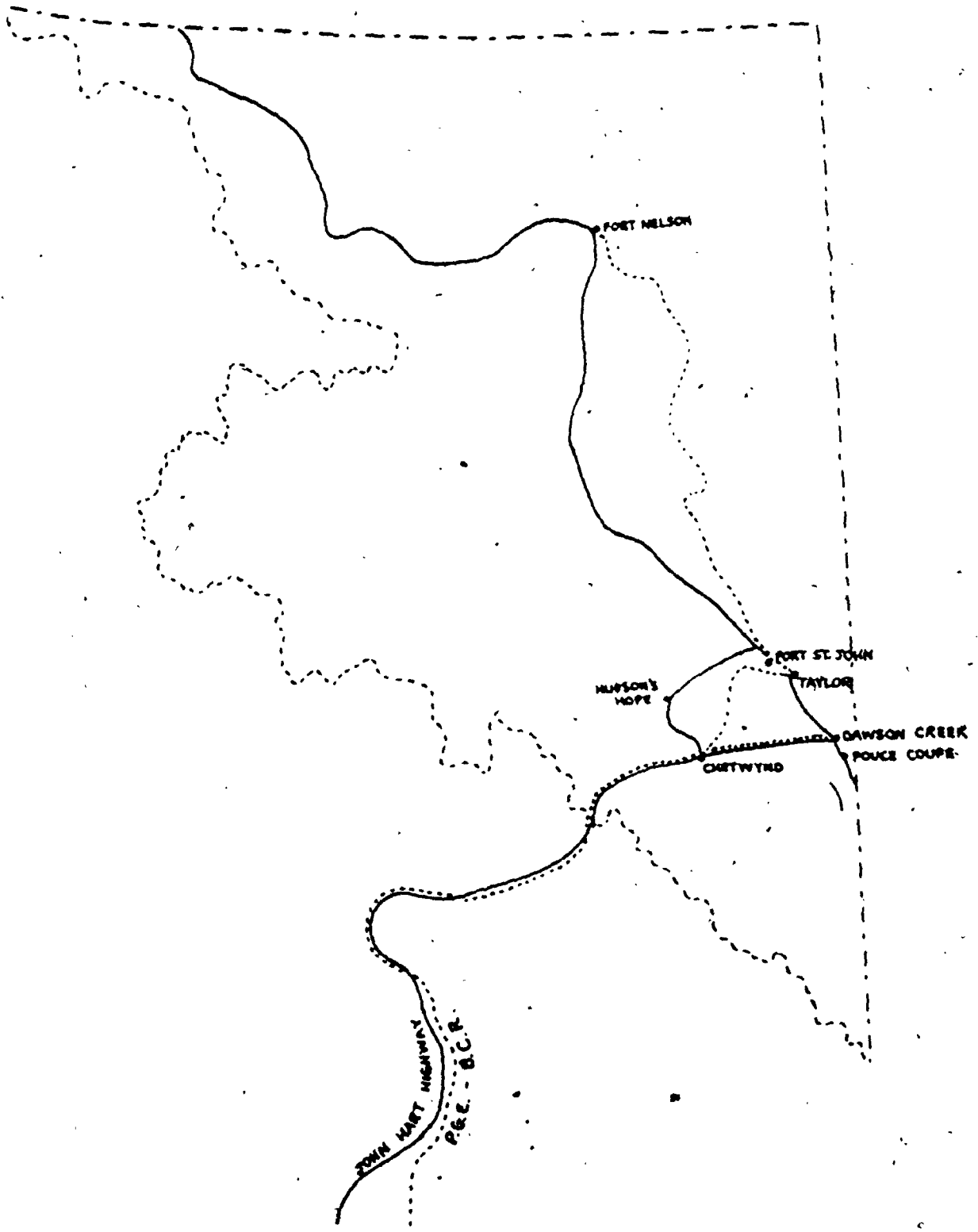
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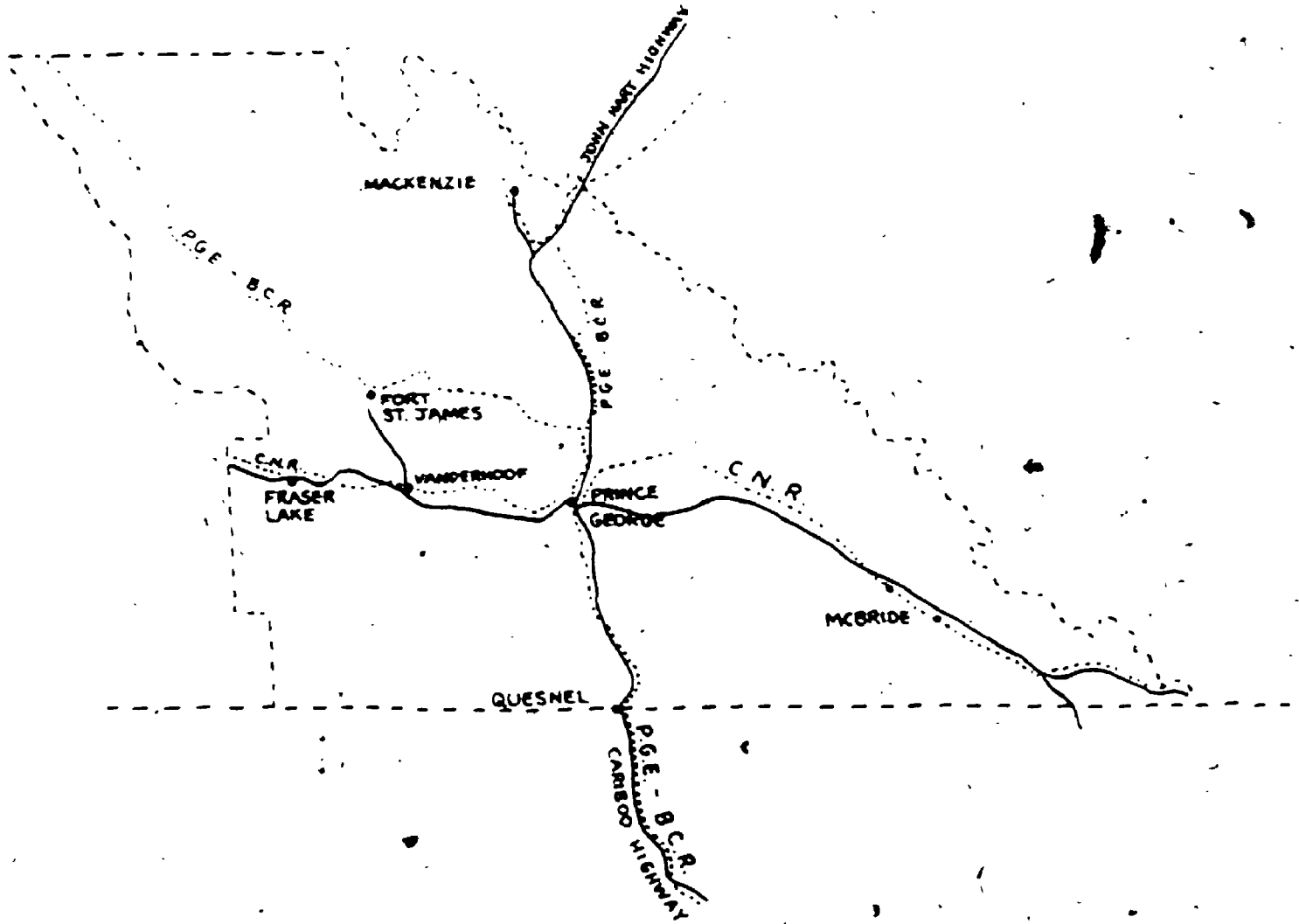
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NORTHEASTERN B.C.



NORTH-CENTRAL B.C.



the Second World War was in progress. However, owing to shortages of labour and of materials drained by the war effort, no major projects were undertaken before 1945. From 1945 the developmental boom in the North continued, interrupted only by periodic, short-lived downturns, until the early 1970's, when changing economic conditions and an oncoming recession induced a long period of relative inactivity. A distinct change of public attitude with respect to northern development affairs that also occurred at that time clearly marks the early 1970's as a significant turning point in the history of B.C.'s northward expansion. The study terminates in 1975, a convenient closing date in that it marks the end of the N.D.P. administration, whose differing philosophy toward resource development (and its application) provide interesting, revealing comparisons with the roles of the two previous administrations.

* * * * *

The size, complexity, and multi-faceted character of northern development in British Columbia precludes its analysis in terms of a single theory or theoretical model of historical causation. Instead, the thesis follows a basically narrative/chronological approach that treats and illustrates appropriate theories and concepts where they are relevant. This framework, besides, offers a more holistic approach - bringing together political, social, technological, as well as economic factors - which would

seem to be more appropriate for a subject as diverse as northern development than any single theory or model. This approach enables the treatment of a greater number of related topics and themes, which serves the purpose here of broadening our knowledge of an area of history that has yet to be written.

The principal theme of this thesis addresses the fundamental questions: How and why did the provincial governments promote northern development in British Columbia during the post-Second World War period? What were the motivations and rationales behind their involvements, and what strategies and policies did they employ to achieve their objectives? Who were the key figures responsible for northern development, and how were important decisions reached in that area of government concern? Investigation of these questions will reveal more clearly the northern development activities of the three administrations, and also improve our understanding of those governments generally, which have yet to receive adequate treatments in publications on B.C. history.

Of the three administrations, the Coalition government has received the least attention from B.C. historians, and its role in post-war northern development has often been overlooked. Most of the activity in the North occurred during the long Social Credit administration between 1952 and 1972, and the W.A.C. Bennett government has rightly been credited as the most responsible for stimulating post-war northern expansion. This study accepts that conclusion, but

at the same time reveals that the Coalition government's contribution was larger and more important than has generally been acknowledged. The first three chapters demonstrate how actively both the Hart and Johnson administrations were involved with northern expansion, and that many Coalition policies and programs helped establish a solid foundation for the Bennett government's subsequent management of northern development affairs.

Despite the importance of northern development throughout the long Social Credit administration, this subject has received only superficial investigation. The published works on W.A.C. Bennett and his administration have not made northern development a major focus of their examinations, but tend instead to pass lightly over that theme. They point in general terms to Bennett's strong interest in the North and his dedication to northern development, but make no attempt to analyse the nature and extent of his northern vision, or to demonstrate how that vision was translated into developmental strategy and concrete practices. The analysis in Chapter IV and subsequent sections represents a pioneer effort to explore more thoroughly that important aspect of provincial affairs under the long Social Credit administration. The method selected has been to examine Premier Bennett's pronouncements to the press and in the Legislature, and his government's actions at the time, and to supplement the findings with data obtained through interviews with former

Social Credit cabinet ministers.' This was found to be the only practical method of tackling the problem, for virtually any other approach is prohibited by the paucity of other data. That lack is due primarily to Bennett's intuitive, non-conventional handling of business and economic affairs, which has left few economic studies or formal policy statements behind as sources for this analysis.

The studies of Dave Barrett's N.D.P. administration published thus far have also treated northern development indirectly and with little depth. Unfortunately, a full-scale treatment of the N.D.P.'s activities in the North comparable with those afforded the other two governments would make this study too cumbersome, but an epilogue chapter discussing the N.D.P.'s approach does seem warranted since the N.D.P. government, as mentioned earlier, held a different attitude towards resource development than its predecessors. The main objective of that chapter will be to compare and assess the N.D.P.'s policies with those of the two preceding 'free enterprise' administrations.

* * * * *

A second theme of this thesis addresses the supplementary question: To what extent did the governments' northern development initiatives achieve the results

 *These include the interviews conducted personally as well as those contained in the aural history collection at the Provincial Archives in Victoria.

expected of them? Each policy and program is assessed on that basis, to provide a better understanding of the impact of northern development during this period. Although comprehensive socio-economic analysis is prohibited in most cases by a paucity of data and by the immense complexity of the developmental programs involved, a brief discussion, of their merits and repercussions was felt warranted to throw light on as many aspects of post-war northern development as possible. In addition, northern development (as already mentioned) embraced some of the most crucial political and economic decisions of the period, many of them extremely controversial. Hence, at times it will become necessary to address arguments and debates that have arisen pertaining to them, and to challenge myths and misconceptions surrounding questions that were, and still remain, of a highly political nature.

Two controversial provincial programs in particular are intrinsic to a study of northern development in British Columbia. The Peace River/Columbia power development program undertaken by the Social Credit government in the early 1960's (commonly known as the 'two-river policy') became the subject of bitter debate a decade later when it was revealed that the Bennett administration had miscalculated construction costs on the dams it built in accordance with the Columbia River Treaty, and had sold its entitlement to the power from that treaty too cheaply to the United States. Considered generally to have been a 'sell-out' of Canadian resources to the U.S., the Columbia River Treaty has been

the subject of several books and articles, many of which point to Premier Bennett's endorsement of the Peace River project as a major reason for the eventual failure of the treaty to provide maximum advantages for Canada. Despite that accusation, however, the rationale and motivation behind Bennett's pursuit of the Peace River project has never been thoroughly examined, nor have past studies of the Peace River/Columbia controversy given due consideration to Bennett's overall northern development strategy during the period 1958 to 1964, for which the Peace River project was an essential ingredient. The investigation of this aspect of the problem in Chapters VII and VIII should thus shed more light on the entire Peace River/Columbia affair.

The second northern development program that became shrouded in controversy was the expansion of the P.G.E./B.C.R. railway in the 1950's, 60's, and early 70's. Considered a success story initially, the railway became the subject of a Royal Commission inquiry in 1977, which was highly critical of the way in which post-war provincial governments had managed the railway's affairs and had utilized the P.G.E./B.C.R. as an instrument for promoting northern economic expansion. The Commission, however, did not directly investigate each administration's strategy and rationale for adopting the railway to promote northern development, nor has there been an independent historical inquiry of this problem to date. Chapters II, V, and IX endeavour to explore more thoroughly that aspect of the railway's role in post-war provincial development, and to

explain how and why the P.G.E./B.C.R. became over-extended and acquired the financial and economic problems that existed by the mid-1970's.

In addition to these two major infrastructure programs, several other controversial aspects of post-war provincial political and economic affairs pertain to this study of northern development. The Alcan aluminum project, the Westcoast gas pipeline controversy, the Wenner-Gren development program, and the repercussions of the provincial governments' forest policies in northern B.C. are all contentious subjects that require more thorough historical examination. This study, while by no means definitive on these topics, will go a long way towards improving our understanding of their role in post-war provincial history.

* * * * *

While the main focus of this study is northern B.C., a third area of investigation is to compare generally the policies and initiatives of the post-war governments with those of other provincial administrations. British Columbia, of course, was not the only province to become actively engaged in northern expansion in the post-Second World period. Canadians in general during the war and post-war years became more informed of the resources of the North and of the feasibility of exploiting them, and several provincial governments made concerted efforts to develop their northern territories. The motivations for northern

development and the methods by which it was pursued varied from region to region, however, and to date there has been little examination or comparison of them. Indeed, other than H.V. Nelles work on northern Ontario,⁵ studies of provincial northern development in Canada are extremely rare. While direct or detailed analysis of the activities of other provinces would be too involved for this study, some comparison has been included to place British Columbia's developmental policies during this period into a broader Canadian context.

Besides comparing British Columbia's experience with that of other provinces, several concepts or theories traditionally associated with Canadian economic development can also be addressed in a study of B.C.'s northern expansion. The most all-embracing of these is the staples theory, which views Canadian development as having been — fueled by the production and export of raw material staples, notably furs, fish, timber, wheat, industrial minerals, and energy products. The staples approach, pioneered by the noted economic historians Harold Innis and W.A. Mackintosh,⁶ has particular relevance to the growth of B.C.'s export-led northern economy. The post-1945 period witnessed increasing

⁵H.V. Nelles, The Politics of Development: Forest, Mines and Hydro-Electric Power in Ontario, 1849-1941, Macmillan Co. of Canada, Toronto, 1974.

⁶For a discussion and some sample writings on the staples theory see W.T. Easterbrook and M.H. Watkins, ed., Approaches to Canadian Economic History, McClelland and Stewart Ltd., Toronto/Montreal, 1967, Introduction and Part I.

development and export of what are often referred to as the new staples (minerals, forest products, hydro, oil, and natural gas), many of which were located in the northern half of the province. The governments of the day wholeheartedly endorsed and supported this form of economic expansion, which had a significant influence on the pattern and structure of industrial development that occurred in northern B.C. during this period.

Another concept traditionally associated with B.C.'s northern development is metropolitanism, or the metropolitan-hinterland theory of development. Metropolitanism refers to a situation whereby a large city or centre dominates a wide territory or hinterland (including the lesser, subordinate cities within that hinterland) through the control of communications, trade, and finance, all of which radiate outward from the metropolis. Historically, such a situation evolves when an expanding metropolis possessing surplus capacity of manpower and investment capital extends its economic ties and influence over the surrounding hinterland. Hinterland expansion, according to a metropolitan-hinterland theory of development, is never a process that begins at, or proceeds from, the frontier region, but is rather a process that is always initiated by the organizing, controlling metropolis.

The origin of the metropolitan-hinterland model has been attributed to N.S.B. Gras in his Introduction to Economic History (1922) and has since been developed and adapted to fit a wide variety of disciplines and their

fields of inquiry. In Canadian history, its application is usually associated with the Laurentian School of historiography led by Donald Creighton, whose works portray the continental expansion of Montreal and the St. Lawrence trading system as a main factor in Canadian historical development. The rise of Toronto, its dominance over Ontario and ultimately the larger Canadian hinterland, has similarly been interpreted as an example of metropolitanism; so has the growth of greater Vancouver, whose influence has extended eastward to the prairies and northward to the Yukon to establish it as a metropolitan centre in its own right.⁷

Vancouver's metropolitan expansion has been widely identified as a prominent factor in B.C.'s initial northern development drive prior to the First World War. A recent example can be found in Karl M. Ruppenthal and Thomas Keast's A Railway Derailed, which examines the historical background of the P.G.E./B.C.R. railway and the origins of its role as an instrument of public policy for developing the North.⁸ That study shows that the latter function emerged while Vancouver was expanding as a metropolitan area and beginning to organize its own hinterland in the central and northern Interior of the province. The pressures to develop the northern frontier came mainly from the Lower

⁷For a discussion of metropolitanism in Canadian history see J.M.S. Careless, "Frontierism, Metropolitanism, and Canadian History", Canadian Historical Review, Vol. XXXV, 1954, pp. 14-21.

⁸Karl M. Ruppenthal and Thomas Keast, A Railway Derailed, Centre For Transportation Studies, University of British Columbia, 1977, Chapter VII.

Mainland business community, and the policy was strongly supported by the provincial government of the day. The P.G.E. railway was intended to become the main transportation artery between the metropolitan centre and its northern hinterland, a physical link which (for reasons examined in Chapter I) was not completely realized until after the Second World War.

Though metropolitanism has been used to interpret B.C.'s early northern development initiatives, the relevance of the concept to the post-Second World War period of northern expansion has not been fully investigated. This study helps to fill that void, by providing some observations and insights on the metropolitan-hinterland theme. The concept indeed appears highly relevant to the immediate post-war years when most governmental initiatives, particularly those relating to the P.G.E., resembled those pursued unsuccessfully during the earlier period of expansion. At the same time, though, evidence will show that post-1945 northern development did not always unfold in classic metropolitan-hinterland fashion, so that theory only partly explains the expansionary process discussed in this thesis.

Certain studies of the post-Second World War period in fact portray B.C.'s economic development in terms of a still wider metropolitan-hinterland concept. Their interpretations focus less on the internal pressures from the Lower Mainland, and view the entire province, south as well as north, as one single large resource hinterland controlled by

several outside metropolitan centres. Philip Resnick in his essay "The Political Economy of B.C. - A Marxist Perspective", for example, sees

...B.C. as a hinterland region within a larger capitalist world, tied by bonds of varying intensity to Eastern Canada, the United States, Britain, and more recently, Japan. As a hinterland region, B.C. has served principally as a source of raw materials and staple products for metropolitan markets and as a market for finished products from these centres.⁹

Resnick shows that B.C.'s hinterland status increased most notably after World War II, particularly during the Bennett years, the consequences of which were a "superficially high level of prosperity, coupled with such symptoms of hinterland development as high regional unemployment, the relative absence of secondary industry or of diversification in the province's economic base, and the appropriation of much of the economic surplus from production of B.C.'s staples elsewhere".¹⁰ Martin Robin presents the same view in noting that B.C.'s post-war economy was

...skewed in the direction of the capital intensive primary resource sector which employed few people and a diminishing portion of the labour force. Along with timber, ore, oil and gas, the company province exported jobs on a vast scale, to host countries like the United States and Japan where the hewer's and drawer's wood and water were fashioned into finished commodities for internal sale and export.¹¹

⁹Philip Resnick, "The Political Economy of B.C. - A Marxist Perspective", in Paul Knox and Philip Resnick ed., Essays in B.C. Political Economy, New Star Books, Vancouver, 1974, p.5.

¹⁰Ibid., p.10.

¹¹Martin Robin, Pillars of Profit: The Company Province, 1934-1972, McClelland and Stewart Ltd., Toronto, 1973, p.283.

Both Resnick's and Robin's interpretations reflect the concept of colonialism or dependency which gained prominence in Canada during the 1960's following the publication in 1957 of the Gordon Commission's report on Canada's Economic Prospects. The concept was basically an extension of the views of Harold Innis, the earlier staples theorist, who believed that a staples-orientated hinterland always would remain dependent on the metropolis and could never achieve full industrialization. Innis' writings contrasted sharply in that regard with those of his counterpart W. A. Mackintosh (who maintained that export-led growth ultimately would bring industrial maturity for a nation) and it was from the Innis tradition that the dependency school of the 1960's emerged.¹² Canadian political economists at that time, led by Mel Watkins, Abraham Rotstein, and Kari Levitt, observed that Canada, despite its relatively high level of income and degree of industrialization, suffered from conditions of underdevelopment more commonly associated with Third World or less resource-rich nations. The reason for its underdeveloped state, according to the dependency theorists, was an excessive amount of direct foreign investment (mainly American) in both the resource and manufacturing sectors, which effectively relegated Canada to a hinterland or branch-plant role in the world economy. The Canadian economy, they argued, had never been fully

¹²William Clement and Daniel Drache, A Practical Guide to Canadian Political Economy, J. Lorimer, Toronto, 1978, pp.9-14.

independent, but merely shifted from colonial status or dependency on one outside metropolis (Britain) during the 19th century to a similar status of dependency on another outside metropolis (the United States) during the 20th century.¹³

Canadian dependency theorists were strongly influenced by Andre Gunder Frank¹⁴ and other contemporary Marxist writers, who articulated the concept that "capitalist economic development is a dialectical process simultaneously creating development and underdevelopment":

The Capitalist world is structured in terms of the interrelationship of metropolis and hinterland, and is characterized by hierarchial links in long imperial chains. The metropolis is the seat of manufacturing, importing staples - raw materials, food - from the hinterland and exporting manufactured goods. The role of the hinterland, to export staples and import manufactured goods which embody their own staples, is pre-determined. The metropolis, then, develops - or over-develops - while the hinterland is locked into a pattern of underdevelopment.¹⁵

One consequence of this uneven development is that most of the profits or surpluses from resource extraction are taken away from the host country, deterring further processing and depriving inhabitants of the hinterland of the full benefits

¹³See for example, Abraham Rotstein and Gary Lax, ed., Independence: The Canadian Challenge, Committee for an Independent Canada, Toronto, 1972; Robert M. Laxer, ed., (Canada) Ltd. The Political Economy of Dependency, McClelland and Stewart Ltd., Toronto, 1973; Kari Levitt, Silent Surrender: The Multinational Corporation in Canada, Macmillan Co. of Canada, Toronto, 1970.

¹⁴Andre Gunder Frank, Capitalism and Under-development in Latin America, Monthly Review Press, New York, 1969.

¹⁵Mel Watkins, "Resources and Underdevelopment", in Gary Lax ed., (Canada) Ltd., p.111.

of their resource heritage. British Columbia, with its heavy dependence on resource exports and limited secondary manufactures, has often been cited as a prime example of this problem in Canada, but the subject has yet to be comprehensively analysed.

Here again, the present examination of post-war northern development in British Columbia should throw some light on several aspects of the colonialism or dependency arguments. As Kari Levitt notes, "resource development is within provincial jurisdiction and experience shows that the provinces favour maximum resource extraction in the shortest possible time and on the largest possible scale, without particular concern for the nationality of the interests to whom these resources are sold."¹⁶ Such an attitude prevailed in British Columbia throughout much of the post-war period, and is strongly in evidence in the manner by which provincial governments promoted resource expansion on the northern frontier. The post-war governments, particularly Bennett's, relied heavily on foreign investment and markets to speed and promote maximum development of northern resources, and this thesis will explore some of the implications of that process. For example, Robin's and Resnick's contention that the post-war governments squandered the benefits of resource development to foreign companies for insufficient returns and in the process failed to diversify the province's economic base, would have to

¹⁶Kari Levitt, Silent Surrender, p.55.

apply in particular to the policies and programs carried out in northern B.C. where resource activity was so largely focused during these years. The dependency theory raises the question of whether B.C. recovered an adequate share of economic rent for the resources developed, and whether those resources were developed to their highest level of processing. This study, by examining how outside interests were attracted to northern B.C., and with what consequences, should provide some perspective on those issues.

Since the 1960's, a concurrent body of literature has evolved which in effect has challenged the left-wing dependency theorists' perception of the role of provincial governments in Canadian development. Recognizing that several provinces wielded immense power during the 1960's, a period of successive, weak, minority federal governments under Diefenbaker and Pearson, political scientists led by Alan C. Cairns and Edwin R. Black suggested that such provinces had become powerful mini-states in their own right, capable of pursuing policies usually associated with sovereign nations. This had become possible, they argued, because it was the provinces that possessed the important constitutional responsibilities in areas of expanding government concern - welfare, education, highways, natural resources - and, far from succumbing to centralization within Confederation, the administrative competence and power of the provinces had increased. Many provinces, moreover, had come to be headed by ambitious political leaders who, with the support of influential provincial

elites, sought to plan and undertake their respective jurisdictions' economic development in terms of specific provincial values. In other words, according to this view of federalism, Canadians since 1867, and particularly in the post-1945 period, have been actively engaged in more than the construction of a new state -- they have been building provinces as well.¹⁷

The concept of province-building suggests that provincial governments are capable of a much stronger entrepreneurial role in promoting resource development than the dependency theorists have generally conceded. As John Richards and Larry Pratt point out in their work: Prairie Capitalism: Power and Influence in the New West, "Canada is a country of regions and ...under the political system as it has evolved, what can be accomplished through the exercise of power is by no means insignificant."¹⁸ Pratt and Richards reject the left-wing view that a province which becomes heavily dependent on the exportation of staples is thereby placed in a permanent position of political dependence vis-a-vis external capital. Such a view, they argue, ignores the fact that some provinces are stronger than others and that the bargaining power relationship between the external

¹⁷Edwin R. Black and Alan C. Cairns, "A Different Perspective on Canadian Federalism", Canadian Public Administration, March 1966, pp. 27-44; Also, Alan C. Cairns, "The Other Side of Canadian Federalism", Canadian Public Administration, Summer, 1979, pp.175-95.

¹⁸John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West, McClelland and Stewart Ltd., Toronto, 1979, p.7.

companies and the provincial governments does not remain constant over time.¹⁹ Under certain conditions it is possible for provincial governments to alter the relationship between foreign industry and the state in favour of the latter, and Pratt and Richards show how such a situation arose during the 1970's and was acted upon by the provincial governments in both Alberta and Saskatchewan.

To date, the concept of province-building has not been applied extensively to British Columbia,²⁰ but on the surface it would appear to have considerable relevance. Black and Cairns' image of a province led by a strong leader, pursuing aggressive developmental policies as though it were a sovereign state, would seem to describe Bennett's British Columbia, though the extent to which this is true requires further examination, as it does for all three post-war provincial administrations. This study should help in that regard, for northern resource expansion formed a large part of the province's economic development during a period when B.C. grew by leaps and bounds to achieve its natural strength within Confederation - a process that one recent writer has called the 'rise of British Columbia'.²¹ An examination of the post-war governments' efforts to build

¹⁹Ibid., p.8.

²⁰One example of its use can be found in Norman J. Ruff, "British Columbia and Canadian Federalism", J. Terence Morley et.al., The Reins of Power: Governing British Columbia, Douglas & McIntyre, Vancouver/Toronto, 1983, pp.271-304.

²¹David J. Mitchell, W.A.C.: Bennett and the rise of British Columbia, Douglas & McIntyre, Vancouver, 1983.

up the provincial economy through their northern development initiatives should help answer questions that are essential for judging whether the province-building concept can be accurately applied to British Columbia. What type of regional economy did the governments hope to build, and what strategies did they follow to attain their objectives? To what extent did local economic elites support and encourage their ambitions, and how prepared were the governments to use their provincial powers to build and shape the British Columbia economy? Were they willing to assume an entrepreneurial role in the development process, which Richards and Pratt see as essential for governments engaged in province-building?²² Addressing these questions will provide a better understanding of the relevance of province-building to the British Columbia experience, and perhaps suggest a more appropriate theoretical approach to studying the province's post-war political economy.

Besides these themes, several other diverse topics impinge on a study of northern development in British Columbia. Provincial imperialism, continentalism, inter-provincial rivalries, federal-provincial relations, public versus private ownership, corporate-community relations, and a host of other sub-themes have their place. Direct or comprehensive analysis of the majority of them is not possible, but nevertheless this study will open new areas of inquiry and stimulate further research and writing

²² Richards and Pratt, Prairie Capitalism, p.159.

on these and other important aspects of post-1945 provincial affairs. This crucial period of the province's development warrants considerably more attention than it has hitherto been given, and the time is long overdue for correcting that disparity.

PART I

THE REVIVAL OF THE
NORTHERN DEVELOPMENT DREAM:
THE ROLE OF THE
COALITION GOVERNMENT

Chapter I

The Impact of the Second World War

The Coalition government of Liberals and Conservatives, led by John Hart and (after 1947) by Premier Byron Johnson, was the first administration to undertake the challenge of promoting and directing new industrial development in northern B.C. in the post-Second World War period. That fact is often overlooked, however, because the Coalition's efforts were overshadowed by the high level of northern activity during the ensuing Social Credit administration of Premier W.A.C. Bennett. The greatest increases of post-war industrial activity in northern B.C. occurred during the long period of Social Credit rule between 1952 and 1972, when Bennett's party adopted northern development as a central ingredient of its governing platform, and zealously expounded a northern vision of expansion like no other provincial government before or since had done. Premier Bennett, moreover, repeatedly boasted of his government's great achievements in the North, and deliberately fostered the impression that all governments prior to his own had treated northern B.C. like 'darkest Africa', ignoring or failing to address effectively the needs and interests of the northern half of the province.' It is not surprising, therefore, that the year 1952 came to be seen by many as a

'Martin Robin, Pillars of Profit, p.297.

critical turning point in the history of post-war northern development affairs.

In truth, however, the government that immediately preceded Bennett's performed a significant 'forerunner' role in post-war northern development. Several policies and legislative devices responsible for stimulating industrial expansion in the North were planned and introduced during the Coalition period between 1941 and 1952, many of which were subsequently taken up and expanded by the Bennett administration. As the following three chapters will demonstrate, there is much greater continuity between the Coalition and Social Credit eras than has generally been acknowledged. The initial stages and early groundwork of the post-war industrial boom in the North had been organized and set in motion before Social Credit took office, and the Hart and Johnson administrations deserve more credit for their accomplishments than they have been given to date.

* * * * *

The Coalition, to be sure, was not the first British Columbia government to be lured by the North's rich economic potential. Dreams of extending natural resource development activities into the area north of the 53rd parallel were circulating from the 19th Century onward, and the Coalition's efforts often were the reworkings of previously unsuccessful schemes and strategies. Indeed, the initiatives taken during the Coalition period were an almost carbon-copy

revival of earlier campaigns to develop the North that had lain dormant since the 1920's, but had become more viable under the changed circumstances arising from the Second World War. Several developments during that war helped to reawaken British Columbia's interest in the North, and created new and improved conditions under which dreams of northern expansion could be realized. The pre-war background of northern development in British Columbia, and the impact of the Second World War, were thus essential factors shaping the objectives and policies the Coalition pursued in the immediate post-war years.

Historical Background

Early interest in northern development first blossomed around the turn of the century, when the Yukon gold rush awakened British Columbians to the lure of the North and kindled schemes of railway expansion to tap the wealth of the Yukon and other promising northern regions.² At that time the Lower Mainland area was beginning to grow as a metropolitan trading centre, and northern development was closely linked with the economic and commercial interests of Vancouver's businessmen. That city had shared only marginally in the mining booms of southeastern B.C. (the

²Patricia E. Roy, "Railways, Politicians, and the Development of the City of Vancouver as a Metropolitan Centre, 1886-1929", unpublished M.A. thesis, University of Toronto, 1963, pp.119-21.

most important economic development in B.C. to that time), the trade from which tended to flow east over the Canadian Pacific Railway and remained captive of Eastern metropolises. Anxious to secure a larger trading area of their own, Vancouver's business interests were inclined to look increasingly towards the city's northern hinterland, where the opportunities for commercial expansion were abundant and more readily attainable.³

Interest in northern expansion in the years following the Yukon rush continued at a high level, with attention shifting towards the promising but hitherto little-known Peace River region of northeastern B.C. That vast area, along with its counterpart in northwestern Alberta, was fast gaining recognition as a region of future commercial and agricultural importance, and Vancouver's business interests regarded it as a trade hinterland that was rightfully theirs.⁴ A railway connecting the Lower Mainland with the Peace River country was advocated as a means of capturing the future commercial wealth of northeastern B.C., and preventing trade from that region flowing east through Edmonton, or (a lesser possibility) west through the Grand Trunk Pacific (G.T.P.) outlet at Prince Rupert.⁵ A railway

³Ruppenthal and Keast, A Railway Derailed, p.111.

⁴Roy, "Railways, Politicians", p.172.

⁵Vancouver's interest in a Peace River Outlet was incited by knowledge that the Alberta government also was contemplating a railway to the Peace River country. The Edmonton, Dunvegan, and British Columbia Railway was constructed northward from Edmonton, reaching Grande Prairie in 1916. Ibid., p.177.

from Vancouver to the Peace River would also provide an instrument for developing the resources en route in central and northern B.C., and draw the trade from those regions south through the port of Vancouver.⁶ The settlers of the Peace River district, who "suffered from the effects of scattered settlement, remoteness from railway facilities, and distance from markets", also sought a direct outlet to the Pacific Ocean for shipment of their agricultural products, and formed a loose alliance with metropolitan Vancouver in pursuit of that goal.⁷

The provincial Conservative government of that day, led by Premier Richard McBride, strongly supported the Lower Mainland's trade and business ambitions, and took the lead in promoting the popular Vancouver-to-Peace River railway proposal. The upshot was the chartering of the Pacific Great Eastern Railway Co. in 1912, a firm organized by Messrs. Foley, Welch and Stewart, a prominent group of railway contractors who were associated with the Grand Trunk Pacific.⁸ The P.G.E. was to connect with the Grand Trunk Pacific at Fort George, providing a link for the G.T.P. with Vancouver at that point, and ultimately to extend farther

⁶Ibid., p.173.

⁷Morris Zaslow, "The Struggle for the Peace River Outlet: A Chapter in the Politics of Canadian Development", in Carl Berger and Ramsay Cook ed., The West and the Nation: Essays in Honour of W.L. Morton, McClelland and Stewart Ltd., Toronto, 1976, p.274.

⁸Roy, "Railways, Politicians", pp.177-84; see also Bruce Ramsey, P.G.E.: Railway to the North, Mitchell Press, Vancouver, 1962, pp.43-60.

north to the Peace River district and draw the freight from that region into the G.T.P. system at Fort George. The hope that the P.G.E. would eventually be merged with a larger Canada-Alaska railway project (with assistance from the Dominion and U.S. governments) was also entertained at the time.⁹ Such grandiose dreams proved unattainable, however, for the advent of the First World War soon put an end to all further plans of railway expansion. Despite large bond guarantees from the B.C. government, the P.G.E. Company collapsed under the financial pressures imposed by the war, after completing only 163 miles of the line from Squamish to Clinton. The ensuing scandal shook the provincial Conservative government (now led by W.J. Bowser), and the succeeding Liberal administration was forced to take over the ownership of the company in 1918.¹⁰

The P.G.E. was completed under government auspices as far as Quesnel in 1921, and a tug-and-barge system was instituted to handle traffic over the unfinished southern link between Squamish and Vancouver.¹¹ But construction was halted at that time due to the railway's poor financial performance and the reluctance of the provincial government to pump more money into a losing proposition. For the next 30 years, the P.G.E. remained in that unfinished state -- a railway that 'began nowhere and ended nowhere', piled up

⁹Roy, "Railways, Politicians", p.201.

¹⁰Ramsey, Railway to the North, pp.85-128.

¹¹See map, Chapter IV.

deficits year after year, and earned such derogatory nicknames as Provincial Government Expense, Please Go Easy, and Prince George Eventually.¹² Not the least of the railway's troubles resulted from the federal government's decision in 1917 to amalgamate the G.T.P. and Canadian Northern Railway systems into the present-day Canadian National Railways (C.N.R.). The P.G.E. was originally to have handled all G.T.P. freight bound for Vancouver, but such traffic was thereafter routed over the Jasper-to-Vancouver section of the former Canadian Northern. The provincial railway was thus deprived of its principal source of traffic, while business generated along the P.G.E. route itself was insufficient to take up the slack.¹³

A second event contributing to the railway's despair was the take-over in 1929 of the Edmonton, Dunvegan, and British Columbia Railway, the P.G.E.'s successful competitor for access to the Peace River country. The E.D. and B.C. (amalgamated with the Alberta and Great Waterways Railway as the Northern Alberta Railways Co.) was thereafter jointly-owned and -operated by the Canadian National and Canadian Pacific (C.P.R.) railway companies. The Northern Alberta Railways (N.A.R.) line was extended as far as Dawson Creek in 1931, providing the first rail service to British Columbia's Peace River district, but also meaning that the trade from that region would continue to flow east through

¹²Ramsey, Railway to the North, Chapters V to IX.

¹³Zaslow, "Struggle for the Peace River Outlet", p.277.

Edmonton.¹⁴ That outcome was unsatisfactory to both the B.C. government and Vancouver's business interests, as well as to Peace River farmers who continued to agitate for direct and cheaper access to the Pacific Ocean. With the advent of the automobile and truck farming, their demands also began to include a highway link through the Rocky Mountains to integrate northeastern B.C. with the remainder of the province.¹⁵ The province strove repeatedly throughout the 1920's and 30's to have the P.G.E. incorporated into the national railway system (as the N.A.R. had been), but all efforts to convince the federal government and the two Eastern railways to take over the line and extend it to the Peace River district proved fruitless. The C.N.R. and C.P.R. had little interest in further expensive railway-building; moreover, the take-over of the N.A.R. solidified their control over the Peace River trade and gave them a strong reason to preserve the status quo in that region.¹⁶

The abandonment of further P.G.E. construction in the 1920's and 30's reflected, among other factors, a decreased provincial preoccupation with northern expansion during the inter-war period. The government proceeded with several road-building projects in the North during the 1920's: for example, the road from Fort George to Hazelton was completed in 1925, and construction was started at both ends to finish

¹⁴Roy, "Railways, Politicians", p.257.

¹⁵Zaglow, "Struggle for the Peace River Outlet", p.292.

¹⁶Ibid., pp.285-6.

the gap between Hazelton and Prince Rupert. But such activity declined dramatically with the onset of the depression.¹⁷ The prospect of extending B.C.'s highway system to the Peace River district also was eliminated, for, as Premier Pattullo told advocates of a road via the Monkman Pass in 1939, such a project was impossible given the government's limited resources and the back-log of still unfinished roads and bridges throughout the province.¹⁸

As Pattullo's explanation suggests, the decline of northern development initiatives during this period was primarily the result of world-wide political and economic events, coupled with the fiscal limitations of the provincial government, rather than a sign the dream had been abandoned altogether. Indeed, the North still figured prominently in the hopes and ambitions of many provincial politicians (Premier Pattullo being the best example)¹⁹ but little could be attempted during an era of depression and financial weakness. Hence, the vision of northward expansion quickly revived during the Second World War, when several changes eroded the former obstacles to northern development and dramatically altered public perceptions of the feasibility and desirability of renewing the assault on the

¹⁷B.C., Transportation and Highways, Public Information Office, "History of Roads in B.C.", unpublished manuscript, PABC, GR 1460, Box 2, File 3, Vol. 3, p.133.

¹⁸Pattullo to Captain T.P. O'Kelly, President, Monkman Pass Highway Association, July 18, 1939, Premier's Papers, PABC, GR 1222, Box 155, File 12.

¹⁹Martin Robin, Pillars of Profit, pp.30,36.

northern frontier.

Effects of the War

The first and most influential of these was the changed economic climate. When the Coalition was formed in 1941, the province's financial and economic affairs were already experiencing dramatic improvement. Wartime demands for B.C.'s manufactures and resource staples had rejuvenated industrial activity and had rapidly ushered in a new era of prosperity. The value of gross production in B.C. jumped from \$311 million to \$629 million between 1940 and 1945, and per capita net value of production from \$345 to \$553.²⁰ More important, the expansionary trend continued into the post-war, until by 1951 the estimated gross value of production reached \$1,378 million, while the per capita net value of production nearly doubled, increasing from \$553 to \$966 between 1945 and 1951.²¹

These improved economic conditions greatly enhanced the provincial government's spending power, ushering in a situation favourable to vigorous economic expansion policies for the first time in decades. The increased government revenues encouraged the Coalition to design and implement a number of post-war development-orientated programs,

²⁰A.E. Carlsen, "Major Developments in Public Finance in British Columbia: 1920-1960", unpublished Ph.D. thesis, University of Toronto, 1961, p.60.

²¹Ibid., p.81.

including several that directly affected the northern half of the province. No major projects could be undertaken before 1945 because of shortages of labour and materials drained by the war effort, but from 1942 onwards the Hart administration began accumulating revenue surpluses (amounting to some \$15,000,000 in 1945) which it set aside for post-war use.²² By the end of the war, the provincial government was financially far better prepared than ever to direct huge expenditures towards an industrial and economic development program. The war effort, moreover, accustomed British Columbians to accept high levels of government spending to promote industrial activity, and prepared the public - weary of the years of depression and the sacrifices of war - to wholeheartedly support and encourage expansionary measures in the post-war period.

The events of the war were also directly responsible for renewing the province's interest in the North and its vast economic potential. Wartime developments in northern B.C. helped convince the Coalition government to pay particular attention to that region in the post-1945 period.³ For example, several defence-related activities were undertaken out of concern for a possible Japanese attack on the northwest coast. Large Canadian forces were stationed at Prince George, Terrace, Prince Rupert, and other northern locations, while the U.S. Army utilized Prince Rupert as a large-scale embarkation base for supplies, troops, and

²²British Columbia, Budget Speech, 1947, p.23; Victoria Colonist, July 13, 1944, p.1.

equipment proceeding to Alaska.²³ In addition, the U.S. government, fearful of a Japanese invasion of Alaska, undertook a number of military defence projects in northeastern B.C. in co-operation with Ottawa. First was the strengthening and improvement of the string of all-weather air bases from Edmonton via Grande Prairie, Fort St. John, Fort Nelson, Watson Lake, and Whitehorse to Fairbanks, Alaska, known as the Northwest Staging Route. Second, a military road - the Alaska Highway - was built from Dawson Creek to Fairbanks to service the airfields along the route and provide a long-needed overland road link with Alaska. Then, and lastly, a pipeline and refinery system, called the Canol Project, was constructed to supply the air route and Alaska with aviation fuel drawn from the oil fields at Norman Wells in the Northwest Territories.

The influx of military personnel and equipment for construction of these projects stimulated local commercial and industrial activity at Prince Rupert, Prince George, Dawson Creek, Fort St. John, Fort Nelson, and several other northern communities. More important, these developments provided new infrastructure for the region and drew attention to the area's future economic possibilities.²⁴ The defence projects in the Canadian Northwest were widely publicized throughout North America, and inspired immediate,

²³C.P. Stacey, Arms, Men and Governments: The War Policies of Canada, 1939-45, Queen's Printer, Ottawa, 1970, p.384.

²⁴One benefit, for example, was the completion of the long-awaited Prince Rupert to Terrace highway, which was now undertaken as a defence project.

widespread speculation as to their impact for the post-war northern economy. Various surveys conducted by the U.S. Army in conjunction with its projects revealed in greater detail what had been suspected for decades -- namely, that the northern parts of the province harboured an abundance of rich natural resources. That realization, plus the construction achievements, convinced many observers that northern British Columbia was on the verge of the great economic future long forecast for that region. The Alaska Highway, in particular, which opened up thousands of square miles of previously inaccessible territory and furnished the first real transportation artery in the Peace River district, seemed to afford the key to unlocking latent resources in northeastern B.C. and creating a new trade route between Alaska and the South.

Another hint of future regional economic activity was the comprehensive northern resources survey, begun in 1943 by a special U.S.- Canadian Economic Committee, called the North Pacific Planning Project. This study aimed at continuing the wartime policy of close economic co-operation between Washington and Ottawa, with an eye to post-war development on a joint basis of a huge territory encompassing northern B.C., Alaska, northern Alberta, the Yukon, and the Mackenzie region of the Northwest Territories. The United States soon lost interest and withdrew from the project, but the Canadian part of the survey continued after the war and the results were published in 1947. The report noted, however, that future

planning for the region involved considering the interests of Alaska in the northwest, and without Washington's collaboration, the Canadian government also shied away from further involvement.²⁵ Nevertheless, the North Pacific Planning Project in its early phase, around 1943-44, helped to attract public attention to the possibilities of the region, and caused British Columbians to hope that economic development of the North, assisted by both Ottawa and the United States, soon would proceed.

The dream of international economic co-operation proved futile, as the British Columbia government ultimately failed to convince the two parties to maintain their involvement in the North after the war. And partly because of the gradually weakening of interest on the part of Washington and Ottawa, the wartime developments had a lesser impact on the northern economy than anticipated. Apart from the air bases and the Alaska Highway, for example, northeastern B.C. gained little permanent economic infrastructure, and the commercial activity resulting from the highway (which was not improved for many years after the war) did not increase as quickly as expected. The cost of hauling freight over the Alaska road was so high, for instance, that it could not compete with the traditional sea and railway route from Vancouver to Whitehorse via Skagway.²⁶ The road did help to stimulate

²⁵North Pacific Planning Project, Canada's New Northwest, Ottawa, 1947, p.23.

²⁶K.J. Rea, The Political Economy of the Canadian North, University of Toronto Press, Toronto, 1968, p.233.

In addition, the Coalition's desire to promote and take advantage of the awakening interest in northern resources gave new support and justification for the traditional pursuit of northern transportation goals. The Coalition carried on with developmental projects like the Peace River highway and expansion of the P.G.E. even after all hopes of outside assistance had been dashed, because they were regarded more than ever as essential to facilitate expansion of resource industries in northern B.C. Moreover, the provincial government, under the altered conditions of the 1940's, had become wealthier, more capable, and more confident of being able to carry out railway construction and other development projects without needing to rely on outside aid, whether from Ottawa or from private interests. This attitude developed gradually as post-war prosperity continued throughout the late 1940's and into the following decade. Emboldened by swelling revenues and visions of a vast industrial empire, the Coalition government worked ceaselessly to promote northern transportation and resource development, and in so doing, initiated a post-war onslaught on the northern frontier that would proceed without interruption for nearly a quarter of a century.

long-standing concern that the benefits of economic and commercial activity in northeastern B.C. would fall to Alberta. As early as 1943, the B.C. government felt compelled to secure a link with the new military road or else accept remaining isolated from the anticipated post-war economic development on the northern frontier.²⁷ The U.S. Army formulated plans to build such a connection in 1943, and conducted reconnaissance surveys of possible routes for a road link between Prince George and Dawson Creek, but it later declined to undertake any further construction in northern B.C. beyond the projects completed in 1942. The Hart government, which had hoped the road would be built as a military undertaking, nevertheless had decided that the highway linking Prince George to the Peace River district was its first priority, with or without American support. The Coalition thus began surveying on its own in 1943 to ensure that

...should this road not be undertaken as a war measure, this Province will be ready at the earliest opportunity to embark upon a public works programme so that the business arising from the great development in the Yukon, Peace River District, and Northern British Columbia will be held within this Province.²⁸

A similar series of events revived the plans to extend the P.G.E. railway. The U.S. government, along with the Alaska Highway, had considered constructing a military railroad through northern British Columbia to Alaska,

²⁷B.C., Premier, Statement of Government Policy, Victoria, 1943, p.11.

²⁸Ibid., p.12.

inspiring the hope that the P.G.E. might be extended as a war measure to link with the proposed railway at Prince George or Dawson Creek, depending upon which route was selected.²⁹ As Premier Hart explained in 1943,

...the Government is keeping in close touch with the developments that are taking place with the proposed establishment of a railroad to Alaska. It fully realizes the importance of joining the Pacific Great Eastern line with such an extension, for if the existing railroad is not connected with this project then the entire business of the Yukon and Northern British Columbia will go to Edmonton and Eastern Canada, while the Alaska business would go to the Middle West and Eastern United States.³⁰

The provincial government throughout 1942-43 attempted to induce the Americans to take over the P.G.E. as part of their plans for an Alaska railroad, a move that would give the province a share in the anticipated post-war commercial activity in the North and also recover some of the debts the line had accumulated over the years.³¹ Influential interests in the states of Washington, Oregon, and California also supported the railway plan, for they, like British Columbia, feared that the proposed Alaska railroad traffic otherwise would be diverted to the mid-West and by-pass the Pacific Northwest.³² The idea of the military railway slowly dissolved as the war threat declined and the U.S. Army lost interest, and the project never materialized. But the

²⁹Ibid., p.13; The routes examined were the same as those for the Alaska Highway, in addition to one running north from Edmonton. See Vancouver Sun, August 20, 1942, p.1.

³⁰Statement, 1943, p.14.

³¹Victoria Colonist, May 8, 1942, p.2.

³²Ibid., June 22, 1943, p.1.

possibility of extending the P.G.E. survived as a major element in the Coalition government's post-war expansion plans.

The Stimulus of Post-war Rehabilitation

The revival of the P.G.E. and Peace River highway plans was inspired largely by the continuing provincial imperialist view that British Columbia should protect its interests in the North and head off the Alberta challenge for economic control of northeastern B.C. Yet the fact that those projects continued to receive strong government attention over the next decade, long after the excitement and anxiety caused by the wartime developments had subsided, was indication that other important elements had also entered the picture. For example, the new era of economic well-being was accompanied by a significant growth in the province's population, as large numbers of workingmen from the Prairies and the East migrated to the West Coast during the war seeking employment in the ship-building, airplane construction, and other war-related industries.¹³ After the war, returning veterans added to the growth, and the population of the province continued to swell, increasing from 805,000 to 1,165,000 between 1940 and 1951.¹⁴ This

¹³Margaret Ormsby, British Columbia, Macmillan Co. of Canada, Toronto, 1958, p.481.

¹⁴Carlsen. "Major Developments", p.81.

population boom provided both the means and the need for future economic expansion.

But first the provincial government (like others of the period) had to take up the tasks of providing employment opportunities for the growing work force. Policies to foster industrial and economic development were drafted in 1942 by an all-party post-war rehabilitation council, headed by H.G.T. Perry, Minister of Education, which became the basis of the Coalition government's post-war reconstruction program. Perry was a northerner from Prince George, and the policies the council recommended showed a strong northern focus. Their general aim was to promote industrial activity through the development of natural resources, increased generation of electrical power, and vast expenditures on essential public works, particularly to construct new roads and rehabilitate older ones that had badly deteriorated in recent years.¹⁵

The efforts of the Coalition government to develop the northern regions of the province in the immediate post-war years emerged as a major ingredient of this reconstruction program. Building transportation facilities like the P.G.E. and Peace River highway, along with other public works on the northern frontier, was designed to provide employment for returning veterans and relocated workers, as well as to speed up settlement and resource development in the

¹⁵See B.C., Post-war Rehabilitation Council, Interim Report, Victoria, 1943.

hinterlands. To ease overcrowding in the cities³⁶ and the traditional over-concentration of population in the southwest corner of the province, the government attempted to make settlement in the hinterlands more attractive through improved roads to the Interior, rural electrification, land grants to returning veterans (the province allocated a million acres under the Dominion Veteran's Land Act, some of which was located in northern B.C.), reduced farm taxation, and improved rural education.³⁷ While these were largely aimed at encouraging agricultural settlement, steps also were taken to promote development of other resource sectors as part of the same strategy of redressing the imbalance between the urban Lower Mainland and the sparsely-populated Interior regions. Northern British Columbia was expected to play a major role in fulfillment of that strategy, in view of the area's vast reserve of natural resources and the increasing interest in their utilization.

³⁶This overcrowding resulted from the rapid influx of workers and discharged veterans during and immediately following the war. It was felt by some that these individuals should be enticed to relocate in the resource industries of the hinterlands, by making conditions in those industries more attractive to settlement. See Citizens Rehabilitation Council of Greater Victoria, "Brief to John Hart on 'Rehabilitation Problems'", November 13, 1945, pp. 2-3, Premiers' Papers, PABC, GR 1222, Box 180, File 9.

³⁷B.C., Legislative Assembly, B.C. Legislative Assembly Sessional Clipping Books: Newspaper Accounts of the Debates, Victoria, 1944, Part 1, Prov., Feb. 23.

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As the following two chapters reveal, the growing demand for B.C.'s northern resources ultimately was most responsible for sustaining the Coalition government's attention to northern development in the immediate post-war years. Mining and forestry activity in northern B.C. had been expanding considerably since the early part of the war, and interest in northern fossil fuel and hydro-electric power development³ also increased dramatically. The Coalition government, as part of its reconstruction program, encouraged resource industries to continue seeking out new areas of supply in the underdeveloped North. Policies were framed to facilitate expansion of forestry, mining, and fossil fuel development, while a long-held strategy for tapping B.C.'s northern hydro resources received greater attention in the period after 1945.³ These measures all helped broaden the provincial government's long-time interest and involvement with northern expansion, for whereas transportation programs had formerly been the overwhelming focus of plans for developing the North, promotion of industrial expansion through resource regulation and management policies now emerged for the first time as a major component of the northern development process.

³See below, Chapter III.

In addition, the Coalition's desire to promote and take advantage of the awakening interest in northern resources gave new support and justification for the traditional pursuit of northern transportation goals. The Coalition carried on with developmental projects like the Peace River highway and expansion of the P.G.E. even after all hopes of outside assistance had been dashed, because they were regarded more than ever as essential to facilitate expansion of resource industries in northern B.C. Moreover, the provincial government, under the altered conditions of the 1940's, had become wealthier, more capable, and more confident of being able to carry out railway construction and other development projects without needing to rely on outside aid, whether from Ottawa or from private interests. This attitude developed gradually as post-war prosperity continued throughout the late 1940's and into the following decade. Emboldened by swelling revenues and visions of a vast industrial empire, the Coalition government worked ceaselessly to promote northern transportation and resource development, and in so doing, initiated a post-war onslaught on the northern frontier that would proceed without interruption for nearly a quarter of a century.

Chapter II

Transportation Developments Under the The Coalition

Transportation development has traditionally been the most prominent and direct form of government assistance for economic expansion and settlement in British Columbia. Geography plus an economy built on resource extraction have made supplying transportation services a perennial concern, and have dictated a high degree of government involvement in opening new territories to industry and the spread of population. Accessibility is essential to development of the province's resource industries, and transportation, in turn, is the key to providing access to new resources and reducing the costs of production and of delivering goods to outside markets. B.C.'s mountainous topography and generally rugged terrain have made it difficult and expensive to provide overland facilities, and have further made transportation concerns a long-standing preoccupation throughout provincial history. Indeed, every major period of the province's growth and settlement since early times has been triggered by the building of new roads and rail services to push back the physical and economic frontiers.

The post-Second World War era was no exception to transportation's pre-eminent role in British Columbia's

¹See Trevor David Heaver, "The Evaluation of Transportation Projects in Northern British Columbia", unpublished Ph.D. thesis, Indiana University, 1966, Chapter III.

development process. The tremendous acceleration of resource development activity and population growth after 1945 was accompanied by an unprecedented expansion of British Columbia's transportation and communications systems. Applying their swelling revenues, the governments of the post-war period spent more than ever on constructing highways, bridges, ferries, access roads, and the provincial railway, and their investments stimulated and supported the fantastic development boom of the period. These transportation improvements, begun by the Coalition and continued under Social Credit, aimed at extending and improving services throughout the entire province. They constituted, as well, a central element in B.C.'s post-war strategy for encouraging resource activity in the North. The improved financial picture after 1945, combined with ever-increasing demand for northern resources, made transportation facilities a principal focus of attention throughout much of the post-war period.

In general, the post-war governments displayed few original ideas in their policies and projects for northern transportation investment. Their programs were largely copies or adaptations of earlier schemes or aborted undertakings, and the strategy on the whole followed the forms and directions of past efforts. One focus was expansion towards the northeast corner of the province, a constant goal of transportation initiatives for more than a

century.² The Coalition's decision to seek road and rail links with the Peace River district following the war revived that traditional goal and the methods of northern transportation policy, and did much to shape B.C.'s post-war northern development outlook. Development of the northeastern region became the government's main preoccupation with the North until the 1960's, to the disappointment and frustration of residents of other northern districts.

A second theme of the post-war period that reflected the past was a strong emphasis on railway-building as a means of promoting industrial development and settlement. B.C.'s early development strategy had been formulated during an era when railways were accepted as indispensable to economic expansion, and reflected the Dominion government's national policy of opening the West by means of railway construction. The contributions of the C.P.R. and the other national railways in fostering industrial activity in the towns and regions through which they passed was not lost on British Columbians; their legacy was a largely unquestioned faith in the value of railways as 'development tools'. The P.G.E. program applied the same formula to the opening of north-central and northeastern B.C.³ The failure of the P.G.E. plan to date, the government's desire to make the provincial railroad a success, and a prolonged faith in

²Ruppenthal and Keast, A Railway Derailed, pp. 108-9.

³Ibid., pp. 111-12.

railway-building to achieve economic goals, all guaranteed that railway construction would continue to figure prominently in northern transportation policy after 1945.

The continued heavy emphasis after 1945 on railways was paralleled by the emergence of road and highway construction as a major element in the northern development strategy. The evolution of the automobile as an economic and efficient medium for transporting passengers and freight, and the large number of autos now owned by B.C. residents, greatly enhanced the value of roads and highways in the post-Second World War period. Many of B.C.'s roads had deteriorated through neglect and heavy usage during the war, so increased expenditures on construction of new roads and upgrading of old ones was urgently needed.⁴ A good road system had important social as well as economic purposes - aiding tourism, increasing social mobility, reducing isolation of hinterland communities, and helping assimilate many of the migrants attracted to the province's booming resource industries - and considerable political advantages as well. Highway construction has always boosted a government's image, for virtually everyone benefits from new roads, and, as an observer has noted, "there is nothing more action-oriented than a roaring bulldozer or a new and inviting stretch of 70-mile-an-hour blacktop."⁵ The Social

⁴Sessional Clipping Book, 1944, Part 1, Prov., Feb. 23.

⁵Edwin R. Black, "British Columbia: The Politics of Exploitation", in R. Shearer ed., Exploiting Our Economic Potential: Public Policy and the British Columbia Economy, Holt, Rinehart and Winston of Canada Ltd., Toronto/Montreal, 1968, p.36.

Credit government of Premier W.A.C. Bennett became the leading practitioner of 'blacktop politics', vastly expanding the provincial highway system during the 1950's and 60's, and skilfully reaping political and economic benefits from the massive public works program. But it is important to note that this accelerated highway construction, the trademark of the Bennett years, was well underway (albeit on a smaller scale) before the Social Credit party assumed power in 1952. It began in 1946, when the Coalition government embarked upon what was the largest road-building program to that time in provincial history.⁶

The Peace River Highway

The Coalition's post-war road construction extended over the whole province, and included efforts to open the northern frontier to development and settlement. The program reflected to some extent the influence of the Conservative Party, which had strongly advocated new highway development prior to joining the Coalition.⁷ New highways were considered a priority for post-war rehabilitation in any case; a public works department report in 1943 recommended that work be undertaken on nine main roads in B.C., four of

⁶Sessional Clipping Book, 1946, Part II, Times, March 8.

⁷See Radio Speeches by R.L. Maitland, September/October, 1941, Maitland Family Papers, PABC, Add.Mss. 781, Box 10, Files 1,2,10.

them in the North.⁸ That plan formed the basis of the Coalition's northern road-building efforts, as considerable work was done to improve the Cariboo Highway linking Prince George to the Lower Mainland, and Highway 16 stretching from Prince George to Prince Rupert. A new road, constructed as a joint federal-provincial undertaking, also was begun in 1949 in the extreme northwest, to link Atlin with the Alaska Highway.⁹ These projects were considered necessary to improve access to northern communities and facilitate the movement of population and industry into the North. The most significant undertaking, however, was the Peace River highway, constructed from Prince George to Dawson Creek between 1945 and 1952, which also linked a hitherto isolated region with the province's highway system.

The undertaking of the Peace River road immediately after the war suggested the prominent position northern resource development had assumed in the Coalition's plans for post-war economic expansion. The initial inspiration to reconsider the project may have been anxiety over Alberta's hegemony in the Northeast, but the more sustaining influence ultimately was a growing appreciation of the vast, varied resources of the Peace River district. Prior to the Second World War, extending transportation links to the Peace River district had been seen primarily as a means of stimulating

⁸Department of Public Works, "Postwar Rehabilitation Programme, Construction and Reconstruction of Main Highways", Victoria, April 5, 1943, Premiers' Papers, PABC, GR 1222, Box 254, File 5.

⁹Sessional Clipping Book, 1949, Part I, News-Her., March 18.

and tapping the valuable agriculture of northeastern British Columbia. But now the provincial government had become better informed as to the additional resource possibilities of the area. Premier Hart, who toured the Peace River district in late July 1943, returned with glowing praise for the "vast unexploited territory", which he was confident would "one day form the industrial backbone of B.C."¹⁰ He was convinced that northeastern British Columbia was ripe for industrial expansion and that a direct highway connection with the rest of the province should be proceeded with at the earliest opportunity:

...an outlet to the coast must be and will be given the Peace River District...this area is so rich in natural resources, such as coal and oil, agrarian products, timber and water power that every effort will be made to complete the link between British Columbia's network of highways and the Peace River Block and contiguous territory.¹¹

The provincial government also was becoming increasingly interested in the resources of the territory the planned highway connection would traverse. Surveys of four possible routes for the new road in 1943 revealed the potential forest, coal, and petroleum wealth of the district between Prince George and the Peace River in much greater detail. The eventual choice for the road was the Pine Pass route, running from Prince George via Summit Lake, McLeod Lake, Tudyah Lake, thence through the Pine Pass to Commotion Creek and Dawson Creek. That route was selected because it

¹⁰Vancouver Sun, Aug. 5, 1943, p.2.

¹¹Press Release, Premier's Office, August 6, 1943, Premiers' Papers, PABC, GR 1222, Box 261, File 1.

was the approximate mean of the three routes being considered and would best serve all the communities concerned.¹² It was favoured as well because of its comparatively light engineering obstacles, and because it would provide access to known resources en route, such as "coal deposits on Hassler Creek and possible petroleum and natural gas structures at Commotion Creek and Hassler Creek."¹³ Ground survey teams were dispatched to the Pine Pass in 1944 to locate the new road, and in the following year the estimated \$6,000,000 project was formally launched as part of the government's province-wide, \$45 million post-war public works program.¹⁴

The potential for exploration and development a Peace River road offered was evidently the decisive reason for its inclusion in the reconstruction package. As the Highway Board noted, the project had severe limitations as a post-war rehabilitation project, for it would not provide year-round employment and would attract only a few unmarried men.¹⁵ A road connection with the Peace River district was

¹²Highway Board, Memorandum for the Honourable Herbert Anscomb, Minister of Public Works, January 21, 1944, Premiers' Papers, PABC, GR 1222, Box 45, File 2.

¹³Statement, 1944, p.18.

¹⁴Vancouver Sun, Feb. 12, 1945, p.1; The eventual cost of the road was greater than expected because of higher prices of materials and labour. In 1949, a specially-appointed investigation committee recommended that the government pay two contractors an extra \$1,744,000 in partial compensation for losses they had sustained during construction. Sessional Clipping Book, 1949, Part V, Times, March 2, 4, 5, 8, 16.

¹⁵Highway Board, Memorandum for the Honourable Herbert Anscomb, Minister of Public Works, Premiers' Papers, PABC, GR 1222, Box 45, File 2.

required at some stage, but the real urgency in 1945 was the Coalition's eagerness to promote northeastern resource expansion. The Peace River road - completed in 1952 and named the John Hart Highway after the former Premier - proved a worthwhile undertaking indeed. It helped promote exploration and discovery of coal, oil, and natural gas deposits, and helped increase the rate of settlement in the previously neglected sections west and southwest of Dawson Creek. The new road also gave the Lower Mainland its first direct link with the Peace River country, offsetting the pull of Edmonton and partly satisfying Peace River residents' long-standing demands for a direct outlet to the coast. Despite bickering between Dawson Creek and Fort St. John as to which centre would become the highway's northern terminus, the residents of the Peace River district welcomed the new facility on its merits, and because it demonstrated the government's commitment to northern development, providing encouragement that the other long-awaited project - completion of the P.G.E. railway - would soon be forthcoming.

Hart and the P.G.E.

The Coalition government agreed that the Peace River highway should be only the first element in its transportation program for northeastern B.C., for it was considered incapable of stimulating large-scale industrial

development. As Premier Hart told a C.B.C. radio audience in 1944, a highway by itself "will not suffice for development of the area's great resources."¹⁶ A railway link with the coast was essential, he asserted, to transport the bulk of the region's forest, coal, and agricultural products to world markets. Some disagreed, feeling that modern trucking advances rendered further investment in the P.G.E. inadvisable, and argued for a first class highway instead.¹⁷ Their views were not without foundation, for trucking operations were beginning to replace many traditional freight-carrying functions of railroads, which would continue to decline in importance over the next twenty years. For the most part, however, these changing realities in transportation technology received little consideration in post-war development planning. The Coalition government (and later the Socreds) continued to regard railway-building as the primary, indispensable instrument of commercial and economic expansion. Most British Columbians seemed to share that view, for they applauded Premier Hart's determination to seize the seemingly ideal opportunity to complete the line to the Peace River district.

Despite the widespread public appeal, however, the construction was not undertaken in as forthright a fashion as the John Hart Highway. The Peace River road, regardless of its developmental potential, was a public works project.

¹⁶Vancouver Sun, July 13, 1944, p.7.

¹⁷Sessional Clipping Book, 1949, Part II, Sun, March 19; 1948, Part I, News-Her., April 20.

that had required little economic justification, and its cost was well within the government's financial capabilities. Railway-building, by contrast, was much more costly and risky (as past experience had shown), and the Coalition government was more concerned and cautious about the financial implications of a Peace River rail extension. It was not anxious to undertake construction until all possibilities for outside assistance were exhausted. After the U.S. military authorities had lost their enthusiasm for the project, it turned to other potential investors. It received several offers from private interests south of the border, but they were usually promotional in nature, and Hart refused to entertain any scheme that lacked a sound economic basis or involved large-scale alienation of land or natural resources.¹⁸ Instead, the government resumed the old policy of trying to persuade Ottawa or the two transcontinental railway systems to take over the P.G.E. and extend it to the Peace River district, or to join the province in such a program.

The Hart plan (as it was sometimes termed by the press) differed little from those of the previous quarter century,

¹⁸Sessional Clipping Book, 1949, Part II, Sun, Feb. 11. This attitude reflected a greater appreciation of the value of the P.G.E. railway that had developed during the war, which was the reason behind the government's repeal in 1945 of the P.G.E. Railway Act of 1925. That Act had set aside some 16 million acres of land to give to anyone interested in completing the P.G.E. As Conservative leader R. L. Maitland noted, "The day of turning our natural resources over to railway promoters has gone by." R. L. Maitland, Radio Address, C.B.C., Oct. 9, 1945, Maitland Family Papers, PABC, Add.Mss. 781, Box 10, File 7.

except that it involved a more hard-headed attitude towards the negotiations. Earlier approaches had generally emphasized the federal government's moral duty to amalgamate the P.G.E. with the national railway system, because Ottawa had effectively undermined the P.G.E.'s raison d'etre by combining the G.T.P. and Canadian Northern lines in 1921, and choosing the latter's right-of-way to the coast for the newly-formed Canadian National Railways. As compensation, it was argued, the federal government was obligated to rectify the P.G.E.'s financial plight.¹⁹ The Coalition continued to point to Ottawa's moral responsibilities, but Hart's sales pitch was also reinforced by his government's new-found appreciation of northeastern resources and the seemingly greater economic justification for extending the P.G.E. to the Peace River district. As the Premier explained, "the government no longer views the railway as a 'white elephant'. It believes the railway is the key to important development of the northern interior."²⁰

The new outlook arose from a conviction that the vast coal reserves of the Peace River district area warranted extension of the line to spur their development and provide new traffic for the railway. Four small coal mines, three near Hudson's Hope and one at Hassler Creek, were producing

¹⁹Zaslow, "Struggle for the Peace River Outlet", p.277. For an example of these earlier approaches to Ottawa see Pamphlet: Why the Dominion Government should take over the Pacific Great Eastern Railway, December 28, 1933, Premiers' Papers, PABC, GR 1222, Box 177, File 1.

²⁰Vancouver Sun, May 30, 1945, p.15.

in 1944 for local markets, mainly for the airports at Fort St. John and Fort Nelson, the army base at Dawson Creek, and the Northern Alberta Railways.²¹ With railway access, the Hart government believed the coal deposits could be developed for provincial and foreign markets and supplement the diminishing output from the province's coastal mines.²² They also might help induce the national transcontinentals to take over the P.G.E. and extend it to a link with the Northern Alberta Railways at Dawson Creek. This plan was inspired by a report prepared by Norman C. Stines, a mining engineer working for an American syndicate, which had begun studying in 1943 the possibility of extending the P.G.E. for the purpose of shipping coal from the Peace River district.²³ Investigations over the past two years had revealed "a rich coal field estimated to contain 2,700,000,000 tons of high grade coal equal to, and in some instances superior to Pennsylvania coal." The Americans' plans were never realized, but Hart obviously was attracted to the idea of using these coal finds as 'bait' to lure the national railways into an extension scheme. These finds, the Premier felt,

together with the other known deposits of coal at Hudson Hope and Hassler Creek, the possibility of oil development and the uncovering of other wealth has finally brought the Peace River area to a point where a railway connection to the Coast should now

²¹B.C., Department of Mines, Report, 1944, p.A127.

²²Victoria Colonist, June 9, 1945, p.1.

²³Press Release, October 15, 1945, Premiers' Papers, PABC, GR 1222, Box 261, File 5.

be considered as a sound economic undertaking...²⁴

Premier Hart's approach to Ottawa accordingly was more confident and optimistic than those of his predecessors in the 1920's and 1930's. Coal appeared at last to provide the added ingredient to convince Ottawa and the two national railways of the merits of a Peace River extension. Hart genuinely believed he had something worthwhile to sell, and for two years, between 1945 and 1947, he made the most concerted effort of all time to demonstrate the economic rationale of a Peace River railway expansion program. Extensive surveys and studies were conducted to determine as accurately as possible whether a Peace River extension was justified -- an approach to railway construction planning that was unique in the post-war history of the P.G.E. railway. For in later years, ambitious railway expansion programs would be launched without the same degree of economic study, relying heavily on faith that profitable volumes of traffic would inevitably follow new construction.²⁵ That approach placed heavy emphasis on the P.G.E.'s function as a 'development tool', a philosophy (as already noted) that had long been an integral part of the railway's history.

The Coalition under Premier Hart did not exactly repudiate the idea of using the P.G.E. as an instrument of economic development. The Premier in a speech to the

²⁴Ibid., June 8, 1945, Premiers' Papers, PABC, GR 1222, Box 261, File 4.

²⁵See below, Chapters V and IX.

Vancouver Board of Trade in 1946 acknowledged that the railway served a "pioneering function" that should not be overlooked. Recalling the heavy indebtedness of the railway to the province - which amounted to \$121,090,325 in 1946 - Hart suggested that

That investment...makes the question of development even more paramount since the only solution to salvaging something of these heavy investments in the past would seem to lie in the extension of the line so that it can secure the tonnage necessary to make it a profitable railroad.²⁶

Resource activity in northeastern B.C. was not yet at a level required to make the P.G.E. solvent, but the government was in favour of extending the railway, in co-operation with the C.N.R. and C.P.R., as a means of promoting the necessary business. Such an approach - construction to stimulate traffic, as against building to meet new traffic demands - was the essence of the 'development tool' or 'pioneering railroad' philosophy. But unlike later premiers, Hart displayed a strong concern to keep expansion on a sound economic basis, and was inclined to build to the Peace River district only if forecasts indicated such an extension would prove profitable. Before carrying out such a large undertaking, Hart explained, it was essential to prove up the resources and locate the most advantageous route for the new line.²⁷ His businesslike attitude was dictated partly by the need to 'sell' the idea

²⁶Victoria Colonist, Oct. 3, 1946, p.1.

²⁷An address by the Honourable John Hart, Premier of British Columbia given before the Vancouver Board of Trade, Oct. 2, 1946. Premiers' Papers, PABC, GR 1222, Box 190, File 1.

traffic was worth considering, but whereas the province had much to gain by satisfying popular demands to direct Peace River traffic southward, the transcontinentals had to consider its merits purely as a business undertaking. Unlike the province, the two Eastern railways were interested in the N.A.R. retaining its status as the sole railroad into the region. Tapping the coalfields of the Peace River district, if the C.N.R. and C.P.R. felt it justified, could be handled more easily, perhaps even more profitably, by extending the N.A.R. westward. That perspective dominated the national railways' thinking, which was why the Social Credit administration of Premier W.A.C. Bennett later abandoned thoughts of relying on aid from the East and undertook the project on its own responsibility and expense during the 1950's instead.*

The positions of the C.N.R. and C.P.R. had not really altered since the 1930's, and the Hart government perhaps was naive or ill-informed to think otherwise. Premier Hart undoubtedly believed, on the basis of his government's surveys and traffic predictions, that co-operation was justified from a business standpoint, even though he had actually hitched his expansion plans to a resource that was declining. The forecasts for future coal traffic would likely not have been realized, for coal mining was in a depressed state and would continue to decline in the post-war period due to competition from petroleum, natural

*See below, Chapter V,

in volume and quality as now indicated.³⁰

The cost of extending the P.G.E. to Hudson's Hope was estimated at \$20,000,000, not including equipment.³¹

The Committee's report verified Premier Hart's contention that coal development was the key to expansion, but more evidence was needed to determine whether sufficient tonnage to warrant the extension was obtainable. Further surveys of possible routes and of the size and quality of the Peace River coal fields were conducted throughout 1946-47 and included the Pine Pass (which traversed the coal fields at Hassler Creek) as well as the Peace Pass recommended by the Committee.³² Then the Department of Railways in Victoria prepared an updated plan for extending the P.G.E., for discussion at a proposed conference with Prime Minister Mackenzie King and the heads of the C.N.R. and C.P.R. in November 1947.³³ The conference was expected to lead to a four-way partnership among the province, the federal government, and the two transcontinentals to extend the railway to the Peace River district.³⁴

³⁰B.C., Committee on Resources and Railways, Report, Victoria, 1946, p.5.

³¹Ibid., p.8.

³²Victoria Colonist, March 13, 1946, p.1.

³³For an outline of the government's proposals for this conference see Government of the Province of British Columbia, "Proposal for a Northern Extension of the Pacific Great Eastern Railway to the Peace River Region", Victoria, November 6, 1947, Premiers' Papers, PABC, GR 1222, Box 190, File 1.

³⁴Vancouver Sun, April 30, 1947, p.24; May 6, 1947, p.22; May 10, 1947, p.15; May 27, 1947, p.3.

The meeting never materialized,³⁵ but the Department of Railways' report demonstrated the Coalition's efforts to make detailed traffic projections a basis for expansion. The evidence also provided much of the groundwork for the eventual completion of the railway to the Peace River district; for example, by revealing that the Pine Valley route (later used by the Socreds) afforded a shorter, more viable alternative to the Peace Pass route the 1945 Committee had recommended.³⁶ The coal reserves of the Pine Pass/Hassler Creek area were judged to be of better quality than those of the Hudson's Hope fields, and the Pine Pass route, besides, was 100 miles shorter and approximately \$10,000,000 cheaper to construct than an extension through the Peace Pass.³⁷ An investigation of the potential markets indicated that the quality and lower cost of mining and transporting Pine Valley coal would give it an advantage in

³⁵The meeting was postponed indefinitely when the opening of the Canadian Parliament conflicted with the original arrangements and, owing to other commitments, the principals were unable to agree on an alternative date. Press Release, November 22, 1947, Premiers' Papers, PABC, GR 1222, Box 262, File 4.

³⁶The 1945 Committee chose the Peace Pass because it was believed there was no feasible crossing of the Peace between the town of Peace River and the canyon at Hudson's Hope. The surveys of 1946-47, however, discovered a route via the Centurion Creek valley, which would cross the river south of Fort St. John. See B.C., Department of Railways, Pacific Great Eastern Railway, also Proposed Extensions and Potential Resources of Central Interior and Northern British Columbia, Victoria, 1949, p.22. Also, "Pacific Great Eastern Railway, Report on Comparison of Railway Routes via Peace Pass/Pine Pass", Victoria, April 17, 1947, Premiers' Papers, PABC, GR 1222, Box 227, File 4.

³⁷Department of Railways, Proposed Extensions, pp.17-22; also Statement, 1947, p.15.

the southern B.C. market, and arrest the growing trend of importing fuel-oil and coal from Alberta to offset declining production of British Columbia coal. There was evidence, too, that Pine Valley coal might be able to find markets in northern Washington State, especially in the cities of Seattle and Tacoma.³⁸

The 1947 plan selected the Pine Pass route but recommended tackling it in stages. First, the line would be pushed through the potentially productive forest lands north of Prince George to a temporary terminus 30 miles west of Centurion Junction.³⁹ That extension would produce an annual outbound traffic of 900,000 tons (750,000 tons coal and 150,000 tons forest products), 60,000 tons incoming revenue freight, and yield annual revenue of \$5,731,000 against a total annual cost of \$5,395,000 -- giving a small surplus of \$336,000. When profitable operation was reached, the line would then be extended east of the Rockies - both north and south of the Peace River - giving the farm produce of that huge region a more direct route to Vancouver. This second extension would tap an additional 3,000,000 tons outgoing (farm products) and another 60,000 tons of incoming revenue freight, which would increase the annual surplus to a total of \$423,000.⁴⁰

³⁸Department of Railways, Proposed Extensions, pp.18-9.

³⁹Ibid., pp.17-8.

⁴⁰Ibid., p.21.

The evidence of profitable operation contained in the 1947 plan obviously encouraged Premier Hart, who remained confident throughout that a co-operative undertaking could be arranged. Talks, however, were not resumed until 1948, and then the province's optimism was shown to be unwarranted. Federal authorities advised Byron Johnson (Hart's successor as Premier in December 1947) that Ottawa was not interested in participating without still more information on the resources, while officials of the C.P.R. and C.N.R. informed Johnson they definitely would not join in any extension.¹ Their rejection wrote 'finis' to the Coalition government's carefully-laid plans for railway development to the Peace River country. Premier Johnson publicly announced on November 6, 1948, that the Hart plan was "a dead issue" for the present, and it was never revived during the remainder of the Coalition's term in office.²

The reluctance of the two national railways to become involved with the province's plan was understandable, since there was little advantage for them to invest in a project that was not essential to their needs. The C.N.R. and C.P.R. were in effect being asked to help absorb the burden of an unprofitable railroad and pump more money into extending it farther, with only a prospect that it would become a paying concern sometime in the future. The potential resource

¹ Statement, 1949, p.1.

² Vancouver Sun, Nov. 6, 1948, p.1.

traffic was worth considering, but whereas the province had much to gain by satisfying popular demands to direct Peace River traffic southward, the transcontinentals had to consider its merits purely as a business undertaking. Unlike the province, the two Eastern railways were interested in the N.A.R. retaining its status as the sole railroad into the region. Tapping the coalfields of the Peace River district, if the C.N.R. and C.P.R. felt it justified, could be handled more easily, perhaps even more profitably, by extending the N.A.R. westward. That perspective dominated the national railways' thinking, which was why the Social Credit administration of Premier W.A.C. Bennett later abandoned thoughts of relying on aid from the East and undertook the project on its own responsibility and expense during the 1950's instead.⁴³

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⁴³See below, Chapter V,

gas, and hydro-electric power.⁴⁴ Nonetheless, the Hart plan in most other respects was a sensible, worthy effort to resolve the P.G.E. question. In comparison with later railway expansion programs (as will be seen), which involved little prior planning or traffic forecasting, the Hart administration's cautious two-stage plan for expansion to the Peace River district stands out as a prudent, commendable approach to railway development.

The abandonment of the Peace River project following the transcontinentals' withdrawal indicated that the Coalition was not yet ready for a unilateral undertaking such as the Socreds later adopted in 1954.⁴⁵ The failure to secure co-operation from the Eastern railways demonstrated that only a bold, independent approach could succeed in getting the railway built. Whether the Coalition (or either of its two founding parties) would have adopted such a course had they remained in office after 1952 is unknowable. The northeastern coal surveys continued until 1950, and Premier Johnson throughout his administration maintained that his government's policy was to extend the line eventually to the Peace River district.⁴⁶ The Premier evidently favoured such a step,⁴⁷ but construction was never

⁴⁴B.C. Natural Resources Conference, Transactions, #2, Victoria, 1949, p.196.

⁴⁵See below, Chapter V.

⁴⁶Sessional Clipping Book, 1950, Part III, Col., Feb. 18, March 17.

⁴⁷Ibid., 1951, Part IV, Col., April 18.

seriously entertained. Nevertheless, the Coalition's handling of P.G.E. affairs during the remainder of its term in office showed that the Johnson government was heading along the course Bennett and his Successors later followed.

The Prince George Extension

Failure to enlist Eastern support did not completely halt the Coalition's efforts to resolve the P.G.E. problem; rather, the Johnson administration adopted a new policy in 1949 of extending the railway in stages as a public work, the first objective being its completion to Prince George. To a degree, this was an effort to compensate for abandonment of the more popular and grandiose Hart plan, but there were also economic purposes behind the change of strategy. Prior to 1949, the Railway Department had maintained that extending the railway only to Prince George would not provide enough additional freight to make the P.G.E. profitable.¹ But the rapid growth of sawmilling in the Prince George Forest District since the Second World War, and the prospect of that city becoming an important lumber-shipping centre, caused the government to revise its calculations. The new program was designed to benefit from, and assist, expansion of the lumber industry in the Prince George area. Linking the P.G.E. with the Canadian National

¹Memorandum to the Hon. H. Anscomb, Minister of Railways, from J.M. Stewart, Deputy Minister of Railways, July 10, 1944, Premiers' Papers, PABC, GR 1222, Box 177, File 1.

Railways transcontinental line at Prince George also would give the lumber operators south of Prince George access via the C.N.R. to expanding prairie and eastern United States markets. Construction of a lumber assembly plant at the P.G.E.'s southern terminus of Squamish to encourage shipments to the south Coast also was proposed.⁴⁹ Moreover, plans were made to build a \$2,000,000 highway to connect Squamish with Vancouver and thereby eliminate the slow, costly system of moving freight between those two points by barge.⁵⁰

In addition to new lumber traffic, the government considered that extension to Prince George would permit cheap feed from the prairies to be shipped to farmers and cattle-raisers in the Cariboo region, enabling livestock to be 'finished' in the Cariboo instead of having to be shipped to Vancouver for 'finishing'.⁵¹ More important as a long-term consideration, however, was the prospective spread of the pulp and paper industry in the north-central Interior. Interest had been growing since the Second World War in the pulp-producing potential of the vast softwood

⁴⁹It was felt that this would facilitate the export of Interior lumber overseas, taking advantage of the newly-reopened Panama Canal service. J.A. Kennedy, General Manager of the P.G.E. to Premier Johnson, August 29, 1949. Premiers' Papers, PABC, GR 1222, Box 208, File 4.

⁵⁰Statement, 1949, pp.8-10. Linking the P.G.E. with Vancouver was also seen as a means of increasing population growth in the Interior, which was felt necessary to make the railroad profitable. See Minutes, P.G.E. Board of Directors Meeting, Dec. 13, 1947, Premiers' Papers, PABC, GR 1222, Box 208, File 5.

⁵¹Statement, p.9.

timber reserves of the Prince George-Quesnel-Williams Lake area, development of which would be promoted by better railway service. The B.C. Power Commission was simultaneously planning to build a \$5 million hydro-electric power project near Quesnel to stimulate development of a pulp mill in that city, which the government predicted,

...would not only give backbone to the economy of that area by the employment of some 700 men, but also would provide increased freight for the Pacific Great Eastern Railway, not only from its own plant, but from inbound freight to meet the needs of the people dependent on that industry as well as secondary industries that would follow in its wake.⁵²

Thus, the new P.G.E. program and the related projects promised to make the railroad profitable and achieve the Coalition government's goal of promoting industrial growth and settlement in the central Interior and northern hinterlands.⁵³ All four undertakings -- the rail extension, lumber assembly plant, highway connection, and power development -- were launched on February 12, 1949, as part of an unprecedented \$90 million spending program, and north-central B.C. was expected to undergo enormous expansion over the next several years. Unfortunately, however, much of the optimism was premature, and many facets of the Coalition's developmental program failed to be realized prior to the government's fall from power. The

⁵² ibid.

⁵³ It should be noted that there was a political motive as well. The Coalition had promised these developments a year previously during the Cariboo by-election. See Speech by Byron Johnson, Cariboo By-Election, Feb. 1948, Premiers' Papers, PABC, GR 1222, Box 259, File 1.

Quesnel hydro project, for example, never got past the study stage, and was later discovered to be costlier than imagined as well as a potential danger to salmon runs on the Quesnel River.⁵⁴ The Social Credit administration investigated the undertaking, but it was later abandoned, as ~~was~~ the proposed pulp mill, for which Quesnel had to wait another fifteen years.

The Squamish Lumber-assembly plant and road connection with Vancouver met with similar delays, and proved a great thorn in the side of the Johnson administration. The decision to keep Squamish as the southern terminus of the P.G.E. was widely criticized by Vancouver's business interests who wanted direct rail access to the trade of the Interior, and also by the railway's management, who dropped their earlier support of a road and now insisted that the southern rail link was essential to make the P.G.E. profitable.⁵⁵ The government as a result dropped the highway project in 1950 in favour of direct rail access, then subsequently reversed policy prior to the 1952 election by proposing once more to build the highway first because of financial considerations. This second abrupt change of policy within two years caused considerable confusion and raised fears the road project might preclude eventual

⁵⁴Vancouver Province, Aug. 29, 1953, p.4. For correspondence and studies concerning the Quesnel River Basin Hydro-electric power development see Commercial Fisheries Branch, PABC, GR 1378, Box 5, Files 1-6.

⁵⁵Sessional Clipping Book, 1950, Part II, Prov., Feb. 17; J.A. Kennedy to Premier Johnson, Feb. 10, 1950, Premiers' Papers, PABC, GR 1222, Box 227, File 3.

construction of a rail link, for it had not yet been determined whether both could be built over the water level route along Howe Sound. A Legislative Committee accordingly suggested postponing the road plan until further studies could be made, and Premier Johnson accepted that recommendation.⁵⁶

The confusion and uncertainty regarding the feasibility of a highway, rail link, or both, was indicative of the hasty manner and poor planning behind the Johnson administration's plans to expand the P.G.E. in 1949. Its undoubted eagerness to do something about the troublesome railroad caused it to embark on the Prince George extension without the degree of preparation and prior planning that had characterized the Hart plan. No new economic surveys or traffic forecast studies were undertaken prior to commencing the Prince George link; the scheme was based merely on faith in the P.G.E.'s function as a 'development tool' and the assumption that sufficient traffic would inevitably develop once the extension was completed. In that respect, the Prince George extension was more in tune with later P.G.E. expansion programs.

Such over-confident assumptions were a potentially dangerous approach to railway-building. However, when the Johnson administration adopted it in 1949, there was ample evidence that the railway would win a larger volume of forest-industry traffic once it reached Prince George;

⁵⁶Sessional Clipping Book, 1952, Part II, Prov., March 12, 14, 19.

indeed, the P.G.E. to some extent was following sawmill development, rather than preceding it into that centre. Even though the Quesnel pulp mill and other projects were not realized for some time, the Prince George extension proved worthwhile in its own right and almost at once. As predicted, the extension greatly assisted the growth of the forest industry in the Prince George district, while the railway benefitted considerably from the industrial development occurring in that region. Arguably, the region's development might have occurred regardless of the P.G.E.; nevertheless, completion of the extension in 1952 speeded economic growth in the Prince George area.³⁷

The Johnson administration's handling of the Prince George expansion program was similar in many ways to the Bennett government's subsequent undertaking of the Peace River extension in 1954.³⁸ The greater reliance on the P.G.E.'s role as a 'development tool' was evidence that the Coalition government's approach to railway-building was becoming bolder and more inclined to consider unilateral action for completing the P.G.E. The Prince George extension was essentially the first instalment of a policy whose ultimate objective was the Peace River country. The government, in justifying the extension, claimed that

...the best reason of all for building a link to Prince George lies in the Government's determination to see completed a railroad to Dawson Creek in the

³⁷B.C. Report of the Royal Commission on the British Columbia Railway, Victoria, 1978, Vol. 2, Chap. 3, p.160.

³⁸See below, Chapter V.

Peace River country on the other side of the Rocky mountains. The 60-mile (sic) step from Quesnel northward is just one of several which must be taken to tap the immense production area between Dawson Creek and Fort St. John, and along the valleys of the Pine and East Pine, the Halfway, and a score of other rivers.⁵⁹

Viewed in that light, the Bennett government's later expansion to the Peace River district, regarded in Sacred lore as a bold new initiative and a major turning point in the railway's development, was not all that revolutionary. The Social Credit government's subsequent completion of the Peace River project, in terms of style and approach, was in many ways the logical extension of the Johnson administration's overall railway policy. Premier Bennett often boasted that nothing was done about the P.G.E. until his government came along,⁶⁰ but such statements are clearly contradicted by the evidence of the Coalition's ample efforts between 1945 and 1952 to resolve the P.G.E. problem.

What can be said about the P.G.E. may also be said about the Coalition's northern transportation policies generally. The attention the Hart and Johnson administrations paid to northern rail and highway expansion did much to encourage companies to move into the North and helped sustain the northern development drive of the war and

⁵⁹Department of Railways, Proposed Extensions, p. 15.

⁶⁰Sessional Clipping Book, 1959, Part II, Sun, March 10. In interviews with David Mitchell in 1977-78, Bennett erroneously stated on at least three occasions that his government had built the Quesnel to Prince George railway extension, an indication of how much value he placed on his own role in developing the P.G.E. See transcripts, W.A.C. Bennett interviewed by David Mitchell, June 16, 1977, PABC, 1675-21, Track 2, p. 8; June 18, 1977, PABC, 1675-23, Track 2, pp. 1-2; February 11, 1978, PABC, 1675-36, Track 2, p. 14.

2



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post-war years. By seizing the opportunities presented during the war and not allowing matters to drift, the Coalition left a legacy of transportation initiatives in northern B.C. which the Social Credit government inherited and expanded in subsequent years. While the Bennett government, coming to power just shortly before the completion of the P.G.E. to Prince George, reaped the benefits from the Coalition's policies, there is no doubt that the former government helped pave the way for the Socred's later successes.

Chapter III

Northern Resource Expansion Under the Coalition - 1945-1952

Transportation development was only one side of the Coalition government's overall endeavour to sustain and expand the northern development drive of the war and post-war years. Laws and regulations were also required that allowed companies to take up new northern resource opportunities under conditions that were fair to the public interest as well as the developer's benefit. The provincial government, as proprietor of the province's natural resources, held a responsibility to ensure that expansion occurred in orderly and beneficial fashion, and that new resource developments were managed and regulated in the public interest. Resource regulation, like transportation policy, besides was considered a legitimate and desirable means of encouraging new industrial activity. Providing incentives to private enterprise - mainly through favourable resource allocation policies - formed the second major component in the Coalition government's industrial promotion campaign for northern B.C. in the post-Second World War period.

For already-established industries like forestry and mining, post-war northern expansion mainly entailed extending and adapting existing regulations and practices to conditions in the developing hinterland regions. As later

sections will show, the basic administrative framework for those industries required little alteration other than the inevitable expansion of duties and activities to cope with the increasing business. The situation was slightly different in the case of the petroleum industry, however, as this was still in a nascent stage of development before 1945. British Columbia's fossil fuel potential, principally in northeastern B.C., had been known for decades, but no real markets had arisen to warrant developing those reserves.¹ During the war, however, several private oil firms approached the provincial government for permission to explore in the Peace River district (closed to this industry since the 1930's) and the Coalition was prompted to formulate extensive legislation to govern the anticipated expansion of petroleum activity in the post-war period.²

¹For the historical background of petroleum exploration in B.C. see Natural Resources Conference, 1952, pp.299-302.

²Initially, the province proposed an arrangement whereby the federal government would develop the Peace River reserves for use in the war effort. According to that plan, Ottawa would develop the reserves free of royalties, taxes, etc., until one year after the war, when they would revert to the province. That arrangement fell through, however, following which the Coalition turned to private development. See Victoria Colonist, April 3, 1942, p.1; Sessional Clipping Book, 1943, Part II, Prov., Feb. 10. For the original correspondence concerning this offer to the Dominion and the many requests of private oil companies to develop the Peace River oil fields see Premiers' Papers, PABC, GR 1222, Box 42, Files 6, 7.

Administering the Petroleum Industry

A central issue confronting the Hart administration in 1943 was whether petroleum development should be carried out by private enterprise or remain entirely in the hands of the provincial government. The idea of public ownership and development of energy resources such as petroleum and hydro had gained considerable support during the war years, and the policy was advocated by important elements within Hart's Liberal party as well as by the C.C.F. Opposition. Prior to the Second World War, British Columbia had appeared headed towards public ownership in the petroleum sector. Twice before the province had directly undertaken exploration for oil deposits - in 1918-23, when a first drilling program was conducted north of Hudson's Hope without success, and in 1938 when a second program was begun at Commotion Creek in the Pine Pass, which was still in progress when the Coalition government was formed. When that venture (which cost the province some \$670,000) produced inadequate results, the new administration decided against conducting any further expensive drilling programs, and instead took measures to open the Peace River area to private petroleum companies.³

³Statement of Government Policy, 1943, pp.15-6; Victoria Colonist, May 10, 1942, p.2.

The new direction in petroleum policy in part reflected the Conservative Party's influence in the Coalition,⁴ but it also was in keeping with the approach the government adopted towards all developmental issues in the post-war period. The Coalition consistently pursued expansionary economic activity as a joint public and private undertaking, feeling that public ownership and development of resources was too costly and risky for the province,⁵ and would result in excluding needed private investment, thereby retarding industrial progress. Even had petroleum been found in sizeable quantities at Commotion Creek, the government still would have been unable to go into retail selling of oil in competition with established companies, for such a program would have necessitated heavy capital investment on pipelines, refineries, storage facilities, gasoline stations, etc., which the government was unwilling to undertake. A better policy, Premier Hart explained, was to

...make arrangements with the oil companies who have the equipment and organization for distribution, and that such arrangements should be on a royalty basis under strict regulations, so as to develop production in order that the companies could not obtain leases and then hold the property out of production. This would mean that the companies would undertake the expenditure in connection with development-work, and in the event that oil was not discovered the Province would suffer no loss, or in case oil was discovered the Province would be a partner in the undertaking to the extent of the royalties arranged.⁵

⁴Martin Robin, Pillars of Profit, p.70.

⁵Statement, 1943, p.19.

These objectives were encompassed in a new Petroleum and Natural Gas Act drafted in 1944, which established three sorts of tenure: permits for prospecting, licences to conduct drilling operations, and leases to produce oil or natural gas. The Act fixed charges and regulations that were purposely liberal, designed primarily to encourage exploration and early production. Permit fees were set at \$250 per year, plus a rental charge of 5 cents per acre (10 cents per acre for a second year, and 20 cents for a third). The rent could be rebated, however, if development work to the value of more than 5 cents per acre was carried out, or if the operator acquired a drilling licence within the permit area and commenced drilling during the first year. A similar arrangement applied to the licensees, for whom the rental was 50 cents per acre. Once again, the licence holder was entitled to a refund if the drilling was commenced within six months. The government was obviously holding out incentives to encourage companies to undertake development work and increase the prospect of early discoveries. Leases incorporated similar provisions to prevent companies from obtaining properties on proven finds then holding them out of production. The fee for a lease was set at \$25, the rental charge \$1 per acre per annum, and a royalty of 12 1/2 per cent of the gross value of oil at the wellhead was established.

'B.C., Statutes, "An Act Respecting Petroleum and Natural Gas", 1944, Chap. 40, p.147.

These regulations were rewritten and refined in 1947 and amended a second time in 1950, but the basic system and incentives for encouraging exploration and development activity remained largely unchanged.⁷ The allowable acreages of both licences and leases were expanded in 1950 at the companies' request, and a royalty was set on natural gas (left undefined in 1944) of 15% of its gross value at the wellhead. Another feature was the establishment of Crown reserves of equal acreage alongside each new commercial discovery, creating a 'checkerboard' system similar to that already in effect in Alberta.⁸ Much of the British Columbia legislation, in fact, was modelled on that of Alberta and California, so the Coalition's approach was by no means unusual or inconsistent. Indeed, the policy merely continued the long-standing attitude, well established for forestry and mining, that resource development should be carried out by private enterprise, but controlled and regulated so as to protect the public interest.

Exploration for oil and natural gas in the Peace River district proved highly successful, though it was several years before that outcome was apparent. The lifting of the government reserve, combined with rising demand for petroleum, and the expansion of the industry in nearby

⁷The Act did not come into effect until 1947, when the reserve was finally lifted. *Ibid.*, 1947, Chap. 70, pp.359-72; 1950, Chap. 56, pp.185-91. For a description of oil and gas prospecting regulations and procedures as they stood in 1952 see Natural Resources Conference, 1952, pp.306-11.

⁸Sessional Clipping Book, 1950, Part IV, Times, March 22.

Alberta, encouraged petroleum companies to enter northeastern B.C. in force during the late 1940's. By 1952, some 42 companies and 58 individuals had obtained permits in the area, and 31 wells had been drilled. The drilling activity was by four firms (Pacific Petroleum Ltd., Phillips Petroleum Ltd., Act Oils Ltd., and the B.C. Oil and Gas Development Syndicate) and most of the early discoveries were natural gas wells, the first of which was brought in near Pouce Coupe in 1948. The most important strikes, made by Pacific Petroleum near Fort St. John in 1951-52, resulted in the discovery of a sizeable natural gas field and foreshadowed the enormous expansion of the petroleum and natural gas industries in the Peace River district during the next two decades.⁹

The Coalition government's role in promoting oil and natural gas activity exemplified its contribution to post-war northern development generally. The Hart and Johnson administrations must be credited with organizing and directing the early expansion of the industry in northeastern B.C., even though the most important stage of development was only realized after the Coalition's fall from power. The Coalition started the ball rolling in terms of exploration and discovery, but significant production did not occur until the mid-1950's after a gas pipeline was constructed to Lower Mainland and American markets.¹⁰ That

⁹Natural Resources Conference, 1952, pp.303-4.

¹⁰See below, Chapter VI.

event, nonetheless, was the logical result of the Coalition's policy of promoting private development of the Peace River petroleum fields; in fact, the Johnson administration began planning and preparing the right-of-way for a pipeline as early as 1951, and publicly supported Westcoast's application before the federal Board of Transport Commissioners a year later.¹¹ The oft-quoted later statement of Frank McMahon (President of Pacific Petroleum and of Westcoast Transmission, the eventual pipeline-builder) that his firms were unable to invest in northeastern B.C. "until Premier Bennett came along", was entirely erroneous in view of the record, and wholly forgetful of the substantial efforts and accomplishments made by the preceding administration.¹²

Moreover, the extent of activity in progress when the Coalition left office was by no means negligible, and should be seen as an important milestone in the history of post-war northern expansion. The discovery of significant natural gas reserves was one of the most exciting events to occur in northern B.C. during the period, and did much to encourage the Coalition government (and later the Socreds) to pursue a

¹¹ Sessional Clipping Book, 1951, Part III, Sun, April 17; Press Release, June 11, 1952, Premier Papers, PABC, GR 1222, Box 239, File 4.

¹² Ronald B. Worley, The Wonderful World of W.A.C. Bennett, McClelland and Stewart Ltd., Toronto/Montreal, 1971, p. 151. Bennett made a similar remark in 1977 when he suggested to David Mitchell that "there was no gas discovered before Social Credit"...because the Coalition's "policies were wrong before us." Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 18, 1977, PABC, 1675-23, Track 2, p.5.

vision of northward economic development. By the late 1940's that vision was enhanced by evidences of growth in the other resource sectors as well. For similar developments were occurring in the forestry and mining industries that seemed to give credence to the Coalition's purpose of encouraging increased industrialization on the northern frontier.

Northern Mining Expansion Under the Coalition

Expansion in the mining sector was stimulated (like the petroleum industry) by the rising world demand for mineral products which began during the war and continued throughout the Coalition period. The hostilities increased the need for base metals, which boosted the value of mineral production in the province to a record high of \$78,479,719 in 1941.¹² Wartime demand for such strategic metals as tungsten and mercury also inspired exploration and production, and one such property in northern B.C. - the Pinchi Lake mercury mine - was developed and operated from 1944 to 1946, when war contracts expired. During that time, over 4,000,000 pounds of mercury were produced, providing the most important wartime source of that metal in the British Commonwealth.¹³

Mining production declined after 1941 chiefly because of labour shortages. Gold mining especially suffered

¹²Department of Mines, Report, 1941, p.A13.

¹³Natural Resources Conference, 1955, p.26.

difficulty in obtaining required workers, equipment, and supplies, largely because of the higher priority given to producing other metals.¹⁵ With the end of the war, however, the return of the labour force and high metal prices (particularly for lead, silver, copper, and zinc) caused the industry to recover rapidly. Only coal and gold remained at depressed levels, and the latter sector continued to suffer from the increasing costs of materials, high wages, and shortages of labour.¹⁶ Nevertheless, prospecting, development, and rehabilitation of mines and plants were pursued actively in most parts of the industry after 1945, while production was resumed at several mines that had been shut down during the war.¹⁷ Apart from a slight decline in 1949, the total value of production continued to climb throughout the Coalition period, and established a new record of \$175,659,591 in 1951, after the onset of the Korean War brought further demands for the province's minerals.¹⁸

While most of the increased mining production of the post-war period was derived from output in the south of the province (particularly the highly-developed base metal districts of southeastern B.C.), the high metal prices also stimulated considerable exploration and developmental

¹⁵Department of Mines, Report, 1948, p.A8.

¹⁶Ibid.

¹⁷Ibid., 1945, p.A15.

¹⁸Ibid., 1955, p.A17. See below, Appendix III.

activity in northern mining regions. Established mines - like the Cariboo Gold Quartz and Island Mountain gold mines near Wells, and the Silbak Premier mine near Stewart - continued operating throughout the Coalition period, and some of the mines shut down during, or prior to, the war (such as the Silver Standard mine near Hazelton, the Taku River gold mine west of Atlin, and the Torbrit Silver mine near Alice Arm) were reopened and expanded. Two new operations - the Big Bull and Tulsequah Chief properties in the Taku River region - were developed and carried into production by the Consolidated Mining and Smelting Company between 1946 and 1951. The most important event in the northern mining industry during the period, however, was the discovery and development of the Cassiar Asbestos mine in the district southwest of Watson Lake, the Alaska Highway point. The Cassiar mine, with reserves estimated to last over twenty years, promised to become an important long-term producer and hence provide a stable contribution to the region's overall future prosperity.¹⁹

Expansion of the mining industry was made possible mainly by economic circumstances, but the government at the same time assisted development as part of its reconstruction program aimed at getting industry back on its feet.²⁰

Concern was expressed during the war that new mine

¹⁹Department of Mines, Reports, 1945-52.

²⁰For the importance the Coalition placed on mining as a means of post-war rehabilitation see Radio Address, Honourable E.C. Carson, Minister of Mines, March 14, 1945, pp.4-5, Premiers' Papers, PABC, GR 1222, Box 51, File 10.

development had not kept pace with increased production (owing to labour shortages), so the Coalition was prepared to encourage greater exploration in the post-war period.²¹ One way to achieve that objective was by continuing the War-time Prospectors Grub-Stake Act, enacted in 1943, which had authorized grub-staking prospectors to assist in the search for strategic metals during the war. The Act was broadened to include non-strategic minerals in 1944 and then was kept in force as a means of promoting exploration and providing employment for returning veterans.²² A course in prospecting also was offered in 1946 to ex-servicemen under the rehabilitation program of the Department of Veterans' Affairs.²³ The response to the prospecting course was not very large, however, and although grub-staked prospectors did make numerous potentially-valuable discoveries in northern British Columbia, none of these evolved into producing mines.²⁴

The Prospectors Grub-stake Act was the only legislation introduced specifically to encourage exploration in the post-war period. The province's mining tax was set at 4% of profits in 1948 (replacing a former 2% tax on ore mined, which had been declared ultra vires),²⁵ but otherwise there

²¹Sessional Clipping Book, 1944, Part I, Prov., Feb. 11.

²²Department of Mines, Report, 1945, p.A54.

²³Ibid., 1946, p.A47.

²⁴Ibid., 1952, p.A55.

²⁵Sessional Clipping Book, 1948, Part II, Prov., April 21.

were few changes in administration or regulation. After all, the machinery and rules for assisting mining development were already in place. What was required, instead, was a significant increase in money and attention devoted to the performance of well-established promotional practices. The Department of Mines expanded its traditional functions of informing the industry of new discoveries, conducting and publishing the results of geological investigations of mineral deposits that were of economic interest, recording all mineral claims, providing assaying and mineral identification services, and assisting in constructing and maintaining access roads into mining properties.²⁶ Such assistance helped promote mining exploration and development throughout the North (though northern B.C. was not given any special preference over other areas), and the growth of mining activity there reinforced the Coalition government's impression that northern B.C. was a district with immense industrial importance.

The Forest Industry

The rapid growth of forestry operations on the northern frontier during the war and post-war years had much the same effect on the government's outlook. As with mining, forestry activity in northern B.C. grew as part of the general spread

²⁶For a discussion of these functions see Natural Resources Conference, 1953, pp. 78-80.

of the industry throughout the province. Output expanded considerably during the war to satisfy the lumber needs of Britain, Canada, and later the United States, and high demand continued for the province's timber products well into the post-war period, sustained mainly by the large-scale construction booms in the United States and Eastern Canada.²⁷ Before the war, Great Britain had been the province's leading export market, but the situation altered dramatically after 1942; exports to the U.S. climbed steadily, while those to the United Kingdom declined as a result of competition from Baltic and Russian producers, coupled with Britain's financial difficulties.²⁸

The growth of Eastern Canadian and American lumber markets during the post-war period proved especially beneficial to sawmilling in the southern and northern Interior regions of B.C., which were well situated with respect to those inland markets. Largely as a result, lumber production in the Interior forest districts increased 2 1/2 times between 1947 and 1957, while that of the Coast expanded by less than 40%.²⁹ In the north-central Interior, a rapid upsurge of sawmilling activity continued throughout the late 1940's and into the 1950's, as the number of active mills registered in the Prince George Forest District

²⁷G.W. Taylor, Timber: History of the Forest Industry in B.C., J.J. Douglas, Vancouver, 1975, p.151.

²⁸John F. Deutsch et al., Economics of Primary Production in B.C., University of British Columbia, 1959, Part II, pp.8-10.

²⁹Ibid., p.13.

between 1939 and 1956 increased from 43 to 687.³⁰

The majority of these units were small portable sawmills employing from three to eight men, which were "set up on or near a timber sale, trucking rough green or air-dried lumber from this 'bush-mill' to a central yard on the railroad for further finishing and shipment."³¹ As cutting moved into more remote areas, these portable mills became widely dispersed throughout the region, the process being aided by the development of better logging trucks.³² Most activity centred around the communities of Williams Lake, Quesnel, and Prince George (contiguous to the P.G.E. railway line) where several planing mills were established to finish the rough lumber received from the surrounding bush mills. By 1950, there were thirteen planing mills in Prince George alone.³³ New operations also were started in the Peace River country, the Summit Lake region, and the area west of Prince George in the vicinity of Vanderhoof and Fort Fraser.³⁴

³⁰Doreen Katherine Mullins, "Changes in Location and Structure in the Forest Industry of North Central B.C., 1909-1966", unpublished M.A. thesis, U.B.C., 1967, p.30.

³¹G.S. Nagle, "Economics and Public Policy in the Forestry Sector of British Columbia", unpublished Ph.D. thesis, Yale, 1970, p.54.

³²J.C. Lawrence, "Markets and Capital; A History of the Lumber Industry of British Columbia, 1778-1952", unpublished M.A. thesis, U.B.C., 1957; p.150; Mullins, "Changes in Location", p.33.

³³Natural Resources Conference, 1950, p.169.

³⁴Mullins, "Changes in Location", p.32.

Such dramatic expansion of sawmilling in north-central B.C. did much to raise the potential of that region in the eyes of the Coalition government, and encouraged efforts to assist the area's growth by increased expenditures on highway improvement, development of access roads, and the rehabilitation and expansion of the P.G.E. railway.³⁵ Similar public assistance also was provided in the district along the C.N.R. line towards Prince Rupert, where substantial sawmill development also was taking place. In addition, the increase of forestry operations on the northern frontier revived interest in pulp manufacturing, a process hitherto confined exclusively to the south Coast. Pulp-making operations were proposed in both the Prince Rupert and Prince George areas, though the latter scheme (as noted in the preceding chapter) proved unattainable for the time being.³⁶

Increased demand for British Columbia's forest products in the post-war period also encouraged efforts to reorganize the industry on a sounder basis. During the 1930's, widespread concern had arisen over the rapid depletion and generally unrestrained exploitation of the forests, and government and industry began to realize that more rational utilization of forest reserves was essential to continued prosperity. A forest resources inventory of 1937 indicated that the Coast forests were being drastically over-cut in

³⁵See above, Chapter II.

³⁶Ibid.

relation to the rate of replacement, and made it apparent that a change in policy was needed to protect the public's long-term interest in the forests. The rapid acceleration of timber-cutting during the early 1940's inflamed the situation further, and led Premier Hart in June 1943 to order a comprehensive survey of all phases of the industry.²⁷ The government appointed Chief Justice Gordon Sloan as a one-man Royal Commission, whose report in 1945 was to have a major impact on the direction and organization of the forest industry in British Columbia.²⁸

The scope of the Sloan inquiry was very broad, but its main function was to establish a better planned and regulated forest management policy based on the concept of sustained yield, in which the forest is regarded as a perpetually renewable asset like any other vegetable crop.²⁹ To achieve this goal, the Sloan Report recommended as the first item of priority increased fire protection, and gave top consideration to reforestation of denuded areas, regulation of logging methods to prevent destructive exploitation and ensure full regeneration of cut-over lands, more intensified research and practice of silvicultural methods, and increased facilities and funds for forestry

²⁷Victoria Times, June 22, 1943, p.1.

²⁸Increased cuts during the war also led to the establishment in 1946 of a similar Royal Commission in Ontario, an indication of the widespread concern for the future of the forest industry in Canada during this period.

²⁹B.C., Royal Commission on Forestry, 1945, Report of the Commissioner, Hon. Gordon Sloan, Victoria, 1945, p.128.

research.⁴⁰

These recommendations were largely put into practice in the immediate post-war years. The end of hostilities brought the gradual return of personnel, materials, and equipment, and the Forest Service began expanding in areas such as silvicultural research, aerial surveys, mapping, forest inventory, and fire-control planning.⁴¹ This trend towards improved forest management greatly increased administrative activities throughout the province, and considerable attention was given to providing better service in the relatively remote northern territories. Forest Service officials anticipated a great increase of post-war activity there, and were well aware of the lack of sufficient administration and management. Regulation of over-cutting was not so urgent in the Interior as on the Coast, but hinterland forest regions required better protection from fire and insect damage. The severe fire damage the Fort George Forest District suffered in the summer of 1943 well illustrated the need for better protective services and promoted greater use of air transportation for that work.⁴² A contract was negotiated with a commercial airline in 1946 to provide aircraft for fire protection, two of which were to be located in Prince George.⁴³ The Forest Service,

⁴⁰Ibid.

⁴¹Forest Service Report, 1945, p.9; 1946, p.8.

⁴²Ibid., 1944, p.5.

⁴³Ibid., 1947, p.39.

responding to the rapid acceleration of activity and need for management since the end of the war, also conducted forest surveys and mapping in the Prince George and Prince Rupert districts in 1949.⁴⁴

The most far-reaching and important recommendation of the Sloan Report, however, was that new forms of tenure and taxation be instituted "to encourage private forestry and to remove causes compelling liquidation."⁴⁵ As Sloan recalled ten years later, "he concluded that the traditional "system of temporary tenures, whereby timber lands reverted to the Crown when logged, did not offer any inducement to the operators to do more than cut off their mature timber...and then move to other areas, without regard to the productivity of the land and its capacity to produce a continuous crop of timber."⁴⁶ What was required instead, he said, was a new form of tenure "permitting the operator to retain possession in perpetuity of the land now held under temporary forms of alienation, upon condition that he maintain these lands continuously productive and regulate the cut therefrom on a sustained-yield basis."⁴⁷ Sloan felt, however, that none of the province's forestry firms had sufficient reserves of timber to produce on a sustained yield basis; hence, he

⁴⁴Ibid., 1950, p.13.

⁴⁵B.C., Royal Commission on Forestry, 1955-57, Report of the Commissioner, Hon. Gordon Sloan, Victoria, 1957, Vol. I, p.41. This volume of the 1957 report (pp.39-44) contains the best summary of Sloan's 1945 recommendations.

⁴⁶Ibid., p.39.

⁴⁷Ibid., pp.41-2.

recommended creating large 'forest management areas' in which Crown timber would be allocated to a company to be used in conjunction with its private timber holdings. This would ensure that the company would have enough timber available to maintain economic production during the period necessary for reforestation of the logged lands.**

These 'forest management areas', or Forest Management Licences (F.M.L.'s), as they were officially called, were established with both social and economic functions in mind. In one respect, they were devices to facilitate and encourage the practice of sustained yield forestry on privately-held tenures, but they also shifted the cost of forest management of Crown lands within the licensed areas to the corporations concerned. The licensee was required to undertake full forest management within the enlarged limit according to a working plan submitted to and approved by the B.C. Forest Service, which included "clearing logged areas, bringing areas of deficient growth into full production, planting trees and building access roads for fire protection purposes."** At the same time the companies' interests were being served by guaranteeing the continuity of wood supply necessary for long-range planning and investing in costly integrated conversion plants. Forest Management Licences were thus designed to attract capital and encourage

**Ibid., p.42.

**Institute of Chartered Accountants of British Columbia, A Review of British Columbia Logging and Mining Taxes, Vancouver, 1969, p.1-6.

development of new industry in underdeveloped regions, and also to support mills in perpetuity, providing continuity of employment and stability for communities dependent on those mills.⁵⁰

In addition, the Sloan Report recommended the creation of sustained yield units called Public Working Circles (P.W.C.'s) on the Crown lands that remained outside the Forest Management Licences. The B.C. Forest Service was wholly responsible for their management, and for ensuring that timber cut within the Circles was adequately balanced by new growth. The Forest Service would calculate the annual allowable harvest within each P.W.C., then allocate the timber through public auction. The intention was to make the timber of the Public Working Circles available to small-scale operators who could not undertake the responsibilities of forest management, and thereby accommodate both large and small firms under the new system.⁵¹ In practice, however, the small operators were not altogether pleased with the arrangement, especially along the heavily-used south Coast where little room remained for P.W.C.'s, the region being largely held under pre-existing tenures, most of which were now organized into Forest Management Licences. The large multi-national firms acquired the best Crown forests in the district, which they could now

⁵⁰Sloan Report, 1957, Vol. I, p.43.

⁵¹Roderick Haig-Brown, The Living Land: An Account of the Natural Resources of British Columbia, Macmillan Co. of Canada, Toronto, 1961, pp.57-8.

hold in perpetuity as F.M.L.'s, forcing the small independent loggers either to move elsewhere or contract their services to the larger firms, neither option being particularly desirable.⁵²

As the small independent operators had traditionally been the backbone of the forest industry in B.C., there was considerable public indignation over their being squeezed out under the new forest management system. The government agreed, acknowledging that a healthy balance between large and small operations would be the most desirable set-up. Nonetheless, Coalition government policy, like that of the Socreds later, tended to favour the larger enterprises, because they believed that these could better adapt to changing economic and technological conditions and simultaneously assume the burden of management required for sustained yield forestry.⁵³ Small operations were not deliberately discouraged or opposed, but they simply were not given the same opportunities as the large integrated companies. Hence the new system failed to provide adequately for their needs, and consolidation of timber rights and manufacturing in the hands of a few large enterprises became the dominant trend, with serious repercussions for the overall health and vigour of the province's number-one resource industry.⁵⁴

⁵²Sessional Clipping Book, 1948, Part IV, Col., March 26.

⁵³Ibid., April 2, 10; Ibid., 1949, Part III, Prov., Feb. 29.

⁵⁴This point is discussed more thoroughly below, Chapters VI, VIII.

The harmful effect on small operations was the serious shortcoming of the forest management licensing system, but the licences did prove highly successful in achieving the primary objective of improved forest management. As the recent Pearse Royal Commission on Forestry (1976) has noted:

They have been an effective instrument for bringing under management many otherwise unregulated Crown-granted lands and old temporary tenures, as well as extensive tracts of Crown forest. The proprietary interest that licensees have developed in these lands, the incentives the system has provided, and the priority given them by the Forest Service have produced the highest standard of forest management in the province - a standard that in many cases is high by international comparisons as well.¹¹

In this regard, at least, the new direction in forest policy was a credible attempt to meet the urgent needs and problems of forestry in the post-war period. Of course, in many ways it was the Coalition's only viable option; as Chief Forester C.D. Orchard pointed out, the policy selected was simply the best available, and critics failed to come up with any better alternatives. Complete private ownership, in which all forest lands were released to private enterprise, would not have guaranteed proper forestry practices. Full public ownership, on the other hand, would have entailed huge capital investments, plus an enormous staff of trained foresters, engineers, loggers, etc., which was simply too expensive and impractical. The government chose the remaining option of combining the best features of both

¹¹Timber Rights and Forest Policy: Report of the Royal Commission on Forest Resources, Peter H. Pearse, Commissioner, Victoria, 1976, Vol. I, pp.86-7.

public and private enterprise.⁵⁶ Forest Management Licences, like the measures for regulation of the petroleum industry, exemplified once again the Coalition government's belief that resource utilization and development could best be carried out in the form of a joint public and private partnership to protect the public interest, in this case for conservation of the forests.

The new framework for the industry that evolved from the Sloan Report had an important place in expanding the forest products industry of northern B.C. The introduction of the Forest Management Licences and Public Working Circles coincided with the immense expansion of the industry along the northern frontier, so that the advance into that region was organized largely in accordance with the new methods of resource allocation. The first Forest Management Licence was granted in 1948, and a total of 13 had been issued by 1952 when the Coalition fell from power. The majority of these, of course, were located on the south Coast, but two of the earliest - F.M.L. # 1 in the Prince Rupert District, and F.M.L. # 5 in the vicinity of Quesnel - were granted for operations in northern B.C. The Social Credit administration left the policy unchanged, so the Forest Service's work of

⁵⁶Sessional Clipping Book, 1948, Part IV, Col., March 20. C.D. Orchard evidently contributed a great deal to the formulation of this policy. As early as 1942 he recommended the establishment of working circles that would "involve the pooling of private and Crown forest lands" so that "private interest can be made to coincide with public interest and that private interest can be substituted for penalties and coercion". Memorandum to the Honourable Minister of Lands by C.D. Orchard, August 27, 1942, pp.14-15, Premiers' Papers, PABC, GR 1222, Box 41, File 2.

perusing and approving applications continued without interruption. By 1956, a total of twenty-three licences were awarded, and another seventeen licence areas were reserved pending approval of the applicants' plans. Nine of those seventeen were located in the North.⁵⁷ Similarly, twelve of the twenty-three Public Working Circles introduced by 1956 - Smithers, Babine, Stuart Lake, Crooked River, Purden Lake, Willow River, Naver, Cottonwood, Westlake, Narcosli, Quesnel Lake, and Williams Lake - were located in the northern Interior.⁵⁸

Of the two forms of tenure, the Public Working Circles were the most significant for an expanding forest industry in previously underdeveloped northern territories, through assuring continuous supplies of raw materials for local sawmills. Forest Management Licences, however, were the more important for promoting new large-scale development; in northern B.C. and other frontier areas they became effective instruments for opening up vast, underdeveloped forested tracts to corporations intending to erect new forestry complexes, particularly for manufacturing pulp and paper. B.C.'s pulp and paper production, stimulated by increased consumption in the U.S. and other world markets, expanded tremendously in the post-war period, and the industry figured prominently in the Coalition's plans for promoting industrialization in the hinterlands. Besides promoting

⁵⁷Sloan Report, 1957, Vol. I, pp.102-12.

⁵⁸Ibid., pp.126-7.

better timber utilization through increased conversion of previously-discarded small logs and waste materials for pulp, construction of new pulp plants was an ideal means of attracting settlement to outlying regions.⁵⁹ With that strategy in mind, the Coalition government facilitated expansion of the pulp and paper industry by designating Forest Management Licences for such plants, and developing hydro-electric power sources, most notably on northern Vancouver Island, for their benefit.⁶⁰

That the first Forest Management Licence was granted to support a pulp mill in northwestern B.C. was not surprising considering that E.T. Kenny, the Minister of Lands and Forests, represented the area's Skeena riding. Kenny, one of the most enthusiastic advocates of northern development in the Coalition cabinet, was well aware of the Northwest's potential for a pulp mill facility.⁶¹ When the huge Celanese Corporation of America expressed interest in locating a subsidiary operation on the northwest Coast, the government was ready and eager to entertain that company's plans. A Forest Management Licence (F.M.L. # 1) was issued in May 1950 to the Columbia Cellulose Co., Celanese's subsidiary, and was followed by construction of a large sulphate mill at Watson Island, a few miles from Prince Rupert, which

⁵⁹Sessional Clipping Book, 1949, Part II, Sun, Feb. 24.

⁶⁰Ibid., Feb. 12.

⁶¹Kenny had been consulting with groups interested in locating a pulp mill in the Skeena area since 1946. E.T. Kenny Papers, PABC, Add.Mss. 304, Box 1, File 3.

commenced operations in 1951. The mill was designed to produce 80,000 tons per year of unbleached pulp, which another subsidiary, Canadian Chemicals in Edmonton, would process into yarn and ship to Celanese's textile mills in the United States. The Forest Management Licence itself "included 17 blocks of timber in the Skeena and Nass Valley watersheds estimated to contain 762.1 million cubic feet of mature timber on 405,680 acres of productive forest land."⁶²

The Watson Island site was selected because of its central location with respect to the timber resources, its convenient power and water to operate the mill, as well as the excellent pier constructed by the U.S. Army during the Second World War.⁶³ The war had done much to stimulate the economy of the Prince Rupert area, and the provincial government in awarding the management licence envisaged that the massive development would create further prosperity and help sustain the region's economic development drive.⁶⁴ The program was partly successful in those respects. Columbia Cellulose was the first large-scale forestry operation in northwestern B.C., and soon became the largest single employer in the Prince Rupert area and a vital factor in the regional economy. With the location nearby of the pulp mill,

⁶²Canadian Cellulose Company Ltd., Northern Operations, "Submission to the Royal Commission on Forest Resources", Prince Rupert, 1975, Brief #44C, Royal Commission on Forestry, 1975, PABC, GR 347, Vol. 3, File 3, p.3; See also Taylor, Timber, p.166.

⁶³Glady's Blyth, History of Port Edward, 1907-1970, np, Port Edward, B.C., 1970, p.57.

⁶⁴Statement, 1949, p.17.

the city of Prince Rupert, which had benefitted from U.S. army operations during the war, continued to expand during the post-war period.⁶⁵ The town of Terrace also grew substantially after ColCel opened the headquarters of its Northern Woods Division in that community in 1952, its population jumping from 800 to almost 2,000 in the two years between 1951 and 1953.⁶⁶

Eventually, though, these economic gains were more than offset by the long-term disadvantages of the ColCel arrangement. The Columbia Cellulose operation proved economically and financially unstable, and periodic hardships resulted for the two principal communities.⁶⁷ ColCel's later history, in fact, was to demonstrate another harmful effect of the forest management licensing system: instead of promoting community stability (as Sloan hoped) the licences at times had the opposite effect. Granting a monopoly of forest lands to a single company within a licence area made the communities within that area highly dependent on the company for their livelihoods and economic well-being. So long as the company prospered and took a strong, conscientious interest in the welfare and the needs of the local population, that situation was fine; but when

⁶⁵R.G. Large, Prince Rupert, a Gateway to Alaska, Mitchell Press, Vancouver, 1960, p.71.

⁶⁶Nadine Asante, The History of Terrace, Terrace Public Library Association, Terrace, 1972, pp.32-6; Victoria Colonist, June 7, 1951, p.10.

⁶⁷This point is discussed more thoroughly below, Chapter VIII.

the company failed to do so, the communities and peoples of the region were invariably bound to suffer through their dependence.⁶³ Such a consequence was completely unforeseen in 1951, however, and the Columbia Cellulose operation was warmly welcomed as a much needed boost to the regional economy. Indeed, the entire Northwest region was expected to grow tremendously and become more diversified over the next several years not merely from forestry development but from other new industries as well.

The Alcan Project

Aluminum refining was by far the most important new industry scheduled for the Northwest in the post-war period, and plans for it were already well underway at the time ColCel received its Forest Management Licence. The Aluminum Company of Canada (Alcan) in 1951 began construction of a smelter and townsite at the head of the Douglas Channel, some 40 miles south of Terrace near the mouth of the Kitimat River. The Alcan development (generally referred to as the Kitimat-Kemano project) involved construction of one of the largest hydro-electric power facilities ever undertaken by private enterprise. Three years of extensive surveys and negotiations with the provincial government were required before the final decision to proceed was taken. Throughout those negotiations, the Coalition displayed tremendous

⁶³Ibid.

eagerness and determination to see that the project reached fulfillment, the episode being a further indication of the government's keen interest in seeing large-scale industry move into northern B.C.

The provincial government's dealings with Alcan typified once again the close alliance of private and public enterprise which the Coalition pursued in order to encourage the province's post-war industrial and economic expansion. For a time during the Second World War it had appeared that the Hart government might opt for public ownership in the hydro sector. The Premier, noting a definite trend towards public ownership of utilities throughout the country, told the Legislature in 1944 he personally favoured such a move.⁶⁹ But when the B.C. Power Commission was created in the following year, the many proponents of public power were disappointed by an apparent government retreat. The new public agency, established primarily to promote rural electrification, was empowered to absorb many of the smaller local utility companies, but larger firms like B.C. Electric and West Kootenay Power and Light were to remain in private hands.⁷⁰ The compromise was not simply a concession to free enterprise; it reflected as well the government's strategy for using hydro as a means of industrial promotion. Though the government lacked the resources and funds to undertake maximum development of provincial hydro sites, especially in

⁶⁹Sessional Clipping Book, 1944, Part I, Prov., Feb. 7.

⁷⁰Ibid., 1945, Part I, News-Her., March 29.

outlying regions, it hoped to use those resources to attract companies interested in developing hydro power for industrial purposes - like aluminum refining - to establish themselves at or near the sites.

The idea of establishing an aluminum industry in B.C. long predated the Coalition government.⁷ For over a decade the abundant hydro-electric power potentials of the high-level lakes situated behind B.C.'s coastal mountain ranges had been recognized as ideally suited for the aluminum industry, which requires tremendous quantities of low-cost energy in its refining process. Cheap power was especially important to the Aluminum Company of Canada, since more than 85% of its production was sold in world markets (largely in the U.S.), where the company had to overcome protective tariffs and higher freight costs than its domestic competitors. Easy access to ocean-going transport was thus another prime incentive of such sites. The majority of raw materials and the main ore (bauxite) were imported from outside, mainly from the Caribbean, while most of Alcan's production was shipped to foreign markets in the form of aluminum ingots. B.C.'s northern coastal setting, with its low-cost-power potential and numerous harbour sites, offered nearly all the advantages required for

⁷ According to George Melrose, Deputy Minister of Lands and Forests, the vision of attracting the aluminum industry to B.C. originated in the late 1920's with J.C. MacDonald, a former Comptroller of Water Rights. Geo. P. Melrose, Memorandum to Mr. P.E. Richards, Executive Assistant to the Premier Re: Aluminum Company of Canada Development. Premiers' Papers, PABC, GR 1222, Box 81, File 5.

establishment of an aluminum refining installation.⁷²

The B.C. Department of Lands and Forests had conducted preliminary surveys of coastal power sites in 1928-31, and again between 1937 and 1939. The provincial government first approached Alcan in 1941 and invited it to examine the possibilities of locating in B.C., but Alcan refused to entertain expansion plans because of the war. The idea was held in abeyance for several years until a second approach was made in the spring of 1948. Alcan by then was considering a major expansion program to meet the increased market demands of the post-war period. Following preliminary examination of the government's hydro surveys, the company agreed to send out its own survey parties that summer to investigate more thoroughly B.C.'s west coast power sites.⁷³

Three possible sites were considered and surveyed extensively by Alcan throughout the summers of 1948 and 1949. The first involved damming the headwaters of the Chilco River and establishing the power site and refinery at the head of Bute Inlet, about 100 miles north of Vancouver. The second possibility was to utilize the waters of Eutsuk and Tetachuk Lakes (about 150 miles farther north), with the aluminum plant at the head of the Dean Channel. The third scheme involved the damming of Tahtsa and Ootsa Lakes at the headwaters of the Nechako River, with the proposed power site on the Kemano River and the smelter located at Kitimat

⁷²Aluminum Company of Canada, Kitimat-Kemano - Five years of Operation, 1954-1959, Vancouver, 1959, p.47.

⁷³Ibid.

at the head of Gardner Canal, 100 miles south of Prince Rupert. Alcan's engineers later discovered that the two more northerly schemes could be combined into a single undertaking, as eventually was done in the Kemano-Kitimat project.⁷⁴

While Alcan's investigations continued, another two major firms expressed interest in B.C.'s aluminum potential. Early in 1949 E.T. Kenny revealed that discussions had also been held with the Reynolds Metals Co. of West Virginia, and the Aluminum Company of America (Alcoa). Reynolds (whose plans were never realized) like Alcan sought to utilize one of B.C.'s coastal power sites, and for a time the government was optimistic that both Alcan and Reynolds would build smelters in B.C., though it preferred Alcan over the American firm.⁷⁵ Alcoa's plans also were received with less enthusiasm. Its proposal was to dam the Yukon River to back up the waters of Atlin Lake, Lower Atlin Lake, Tagish Lake, and Lake Bennett, then drill a tunnel from Lake Bennett across the B.C.-Alaska border to deliver water to a power site near Skagway, Alaska.⁷⁶ The provincial government disliked that scheme on the grounds that while it would exploit B.C.'s northern resources its refinery would bring no benefits to the province. Moreover, the scheme might

⁷⁴Lawrence G. Ecroyd, "Progress Report on the Alcan Project", Western Business and Industry, Vol. 27, # 4, April 1953, p.47.

⁷⁵Vancouver Province, Jan. 13, 1949, p.22; Jan. 14, 1949, p.32.

⁷⁶Ibid., Feb. 3, 1949, p.23.

jeopardize Alcan's plans to locate in B.C. should it prove that only one West Coast aluminum project would be economically feasible. Alcoa's plans increased the B.C. government's urgency to reach a deal with Alcan, a feeling intensified by the knowledge that Alcan was studying a Philippines location should the B.C. project fall through.⁷⁷

To speed negotiations, a bill was passed in the spring of 1949 authorizing the government to enter into agreement with any firm interested in locating in B.C. This Industrial Development Act gave the cabinet broad powers to dispose of land and hydro power resources as it saw fit, and made such agreement binding on future governments. That provision was considered necessary to reassure Alcan that its investments would be protected should the C.C.F. party, which had long advocated full public ownership of provincial power resources, ever attain power. The Coalition cabinet - whether or not at the company's request was unclear⁷⁸ - obviously felt the clause was necessary to better pave the way for an agreement. As Attorney-General Gordon S. Wismer bluntly expressed it, "...in view of the threat of the C.C.F. gaining power in B.C., no company would invest millions of dollars here unless there was assurance in the statutes that they would not be confiscated or discriminated against."⁷⁹

⁷⁷Vancouver Sun, March 10, 1949, p.15.

⁷⁸Sessional Clipping Book, 1949, Part III, Prov., March 24.

⁷⁹Vancouver Sun, April 19, 1949, p.13.

Such charges (though useful for the upcoming election), were unfair to the C.C.F., since its official position was less sinister than the Coalition liked to suggest. Its policy, indeed, spoke of possible takeovers, but with full compensation and protection of the users' interests. They maintained:

that should development proceed it be on the understanding that, over a period of time, based on the quantity of metal produced, the ownership of power plants would revert to the crown on an honest compensation basis, with a full guarantee to the investing companies of their requirements of electric power. In this way only will the province be guaranteed directive power in the development of its resources for the establishment of new industries and maintenance, under public control, of our greatest non-depleting resource - that is, water power.⁸⁰

From a resource-use standpoint, the C.C.F. approach was more respectful of the long-term public interest, but the Coalition either saw no need to restrict the company's future control over the resource, or felt unable to do so in view of the urgency of the situation and the threat of Alcan moving elsewhere. As E.T. Kenny pointed out, "They are not going to twiddle their thumbs while we argue."⁸¹

The Opposition naturally opposed the government's eagerness to appease Alcan, fearing that any agreement it made might involve permanent alienation of extensive resources. Its anxiety was shared by other concerned parties as well. The most vocal objections were from representatives of the fisheries industry, who feared the hydro development

⁸⁰Sessional Clipping Book, 1949, Part II, Sun, March 1.

⁸¹Ibid., Part III, Prov., March 24.

might damage the important salmon spawning runs in the Fraser River, especially in the Chilco River system whose waters provided spawning grounds for a major portion of the Fraser River sockeye run. Because of the importance of that fishery, Federal Fisheries Minister R.W. Mayhew announced in August 1949 that his department would fight any decision to use the Chilco River.¹² That threat helped convince the company to choose the Nechako system which offered greater power potential and better townsite facilities as well. The Nechako watershed contained no spawning grounds, though the chain of lakes within the project area did supply some volume of water to the salmon spawning area farther along in the Fraser, Francois, and Stuart Lakes regions. Those spawning grounds had become increasingly important in recent years so there was some concern over the possible damage if the proposed dam meant insufficient water would reach the Fraser, or the reduced volume might create shallowness that would cause a rise in water temperature downstream.¹³ But everything considered, the salmon question was far less acute and easier to reconcile than was the case with the Chilco; hence much of the opposition to the Alcan deal was dissipated when the more northerly site was selected.

The selection of the Nechako system, however, did create another kind of opposition, for the project involved flooding some of the homes within the watershed, about 68

¹²Vancouver Sun, Aug. 12, 1949, p.1.

¹³Ecroyd, "Progress Report", p.46; Vancouver Province, Nov. 2, 1949, p.3.

families in all, settled mainly along the shores of Ootsa Lake. Their bitter objections were supported by other residents who feared possible damage to wildlife, sport fishing, and to the area's scenic beauty. In general, though, their objections carried little weight -- the attitude was that projects of such a nature inevitably involve some environmental damage and individual sacrifice, but potential benefits to the economy and to the province far outweighed the hardships imposed on the few.⁵⁵ Since a poll conducted by Elliot-Haynes Limited showed that no fewer than 93.9% of B.C.'s voters favoured the Alcan project, the Coalition government felt fully justified in overriding the limited opposition sources.⁵⁵ Both the government and the company promised, however, to avoid environmental damage as much as possible, and that the dispossessed families would receive generous compensation.⁵⁶

The promise of compensation to those directly affected by the project justified overruling local opposition. Major R.C. Farrow, the Comptroller of Water Rights, when reviewing Alcan's application for a water licence also dismissed the objections voiced by fisheries and wildlife interests on the grounds that the benefits of the aluminum industry far outweighed possible fishing and game losses. The Dominion Department of Fisheries, represented by Dr. Pritchard and

⁵⁵Ecroyd, "Progress Report", p.46.

⁵⁵McNeeley DuBose to E.T. Kenny, November 28, 1949, E.T. Kenny Papers, PABC, Add.Mss. 304, Box 1, File 5.

⁵⁶Vancouver Province, July 29, 1949, p.36.

supported by the Salmon Cannery Operating Committee, the United Fishermen and Allied Workers Union, and the B.C. Game Commission, did not oppose the project outright, but insisted more time was needed to make adequate preparations to minimize potential damage, and asked for postponement of the licence until further studies could be made of the potential impact of the hydro project. The company's position, however, was that a licence was required at once before it could proceed to further investment, and Major Farrow agreed that the application should not be held up in view of the great importance of the project to the province.⁸⁷ He felt that adequate time remained for efforts to prevent excessive damage, since the start of actual construction was still two years away, and included a condition in the award that fisheries and game authorities be kept fully informed of Alcan's plans. Alcan received its water licence for the Nechako and connecting Napika river

⁸⁷Farrow was reflecting government opinion in adopting this attitude. The government favoured the Nechako plan over the Chilco because the salmon problem was less acute, but it would not let the project be delayed for the sake of the fishery. Two years later, for example, when the federal Department of Fisheries unsuccessfully tried to get Alcan to alter its plans so that the salmon runs would receive better protection, the government, in the words of E.T. Kenny, found it "rather exasperating after all the work that has been done to find the Federal Fisheries obstructing"... and hoped that Ottawa, "knowing the full importance and impact of such an industry will devise ways and means for successfully overcoming the fanciful objections of the Fisheries Department." Kenny to E.T. Appleyaith, Esq., M.P., 8th February, 1951, E.T. Kenny Papers, PABC, Add.Mss. 304, Box 1, File 5.

systems on December 16, 1949.⁸⁸

The water licence paved the way for Alcan to continue its studies and negotiations with the province, and an agreement was finally reached and presented to the Legislature on March 2, 1951.⁸⁹ Under its terms Alcan was committed to start construction by June 1, 1953 and have a plant with capacity of 400,000 horsepower in operation by 1963, and at least 750,000 h.p. by 1983. In return for the water rights, a carefully-worked out system of royalty payments on a sliding-scale based on the price of aluminum was established.⁹⁰ Based on the existing price of aluminum of 18 cents per pound, it was estimated the company would be paying 30 cents per h.p. per year, and that once capacity reached the full 750,000 h.p., the province would receive annual royalties totalling \$225,000. The company was obligated to pay the same rates as other hydro firms, such as the B.C. Electric Co., on any excess power produced and sold to other industries. Alcan also agreed to pay an annual rental of at least 10 cents an acre for the Crown lands flooded by the power project, based once again on a formula

⁸⁸Vancouver Sun, December 16, 1949, pp. 1-2.

⁸⁹For the original see Agreement Between The Government of the Province of British Columbia and the Aluminum Company of Canada Ltd. Dated 29th December, 1950. E.T. Kenny Papers, PABC, Add.Mss. 304, Box 1, File 11.

⁹⁰The company agreed to pay an annual rate of one and two-thirds the average price per pound received for aluminum produced at the smelter in the previous year for each unit of horsepower used, with a minimum rate of 25 cents per h.p. Sessional Clipping Book, 1951, Part III, Sun, March 2; Part IV, Col., March 2.

related to the price of aluminum.¹¹ In addition, the company was obliged to pay land and school taxes on its land, municipal taxes on company property, and all franchise, income, and corporation taxes. The land and school taxes, however, applied only to the unimproved value of land in Industrial Townships (those areas where the power facilities were located) and the company did not have to pay anything on such improvements as dams, tunnels, and transmission lines.¹²

The terms of the agreement demonstrated the government's anxiety to ensure that the project was carried out. The concessions on unimproved land were made because Alcan did not have to pay such taxes in Quebec and had insisted "that they could not come to B.C. if they had to stand the full impact of taxes on improvements as well as land." The government had already agreed to keep taxes as low as possible, and it stood firm only in refusing Alcan's request not to have to pay rent on the first block of 200,000 horsepower.¹³ Otherwise, the company had received virtually everything it had asked for, including the earlier assurances that the power would not be taken away from them by future governments. The C.C.F. and other groups opposed to the agreement argued that it failed to protect the public

¹¹The rent was 12 cents per acre at the existing price. Ibid.

¹²Sessional Clipping Book, 1951, Part I, Prov., March 5.

¹³Geo. P. Melrose, Memorandum to Mr. P.E. Richards Re: Aluminum Company of Canada Development, Premiers' Papers, PABC, GR #222, Box 81, File 5. pp.7-8.

interest adequately because the water rights had been alienated too cheaply and without proper consideration of the future. The fact that Alcan was given water rights up to 1,600,000 horsepower capacity, when its plans called for use of only half that amount, appeared to support the latter charges. The agreement was also attacked because it gave Alcan exclusive mineral and oil rights within the area (to avoid nuisance staking, the government claimed) and no compensation was required for the timber that would be destroyed by flooding.⁹⁴

The government defended the various concessions on the grounds of the great indirect benefits the province expected to derive from the massive development. If Alcan was to compete with the heavily-subsidized American firms, low power royalties were essential; the government felt it had to make a reasonable deal to attract the company.⁹⁵ It defended the grant of excess power capacity as needed for other industries that would locate in future in the region, and predicted the aluminum smelter would be only the first stage of a massive industrial complex centring around the new townsite of Kitimat. Pulp mills, a fertilizer plant, chemical and metallurgical industries, were mentioned as possible developments cheap power could be expected to attract, and the addition of new industry would raise Kitimat's population to as high as 50,000 over the next

⁹⁴Sessional Clipping Book, 1951, Part I, Prov., March 15.

⁹⁵Ibid., March 31.

twenty years.⁹⁶ In short, the entire scenario fitted perfectly with the Coalition's post-war aim of encouraging industry and population to locate outside heavily-congested urban areas. That Alcan had selected northwestern B.C. for its undertaking was an added bonus to government members such as E.T. Kenney and R.C. Steele, M.L.A. for Omineca, who wanted the North to play a major role in fulfillment of that strategy. The Alcan project was expected to assist regional development through construction of new roads from Vanderhoof, Burns Lake, and Houston to the damsite and reservoir, which would open new areas and their timber resources. The neighbouring communities also were predicted to benefit as supply centres for the construction activity to the south of them. Road and rail links between Kitimat and Terrace were required, and the new industrial townsite was predicted to become a valuable market for agricultural produce from the region's Bulkley and Nechako Valleys.⁹⁷

Whether the Coalition government could have obtained a better deal from Alcan at the time must remain a matter of speculation. Its overriding enthusiasm to have the smelter located in B.C. and apparent close collaboration with the company at every stage of the negotiations, enabled Alcan to secure what, in retrospect, must be regarded as a generous arrangement. The favourable terms were justified and defended at the time on the grounds of the anticipated

⁹⁶Vancouver Sun, July 16, 1949, p.2.

⁹⁷Sessional Clipping Book, 1951, Part III, Sun, March 6.

long-range benefits; unfortunately, those benefits were somewhat less than expected. The predicted rush of additional industry to northwestern B.C. in the wake of the development never occurred (two decades elapsed before a pulp mill was finally constructed at Kitimat), and Kitimat's population by 1957 had reached a high of only 13,800. In that year, indeed, Alcan was forced to cut back production due to poor markets, resulting in the loss of 20,000 jobs and the abandonment of many homes.¹⁸ In addition, while communities like Vanderhoof and Burns Lake adjoining the dam project did prosper for a short time from the construction activity, many residents eventually grew bitter over the environmental damage the project caused. As feared, the salmon runs downstream dwindled significantly following the dam's completion, and despite numerous reassurances by government and the company that the flooded areas would be logged off before water levels rose,¹⁹ such measures were largely ignored, leaving a mess of half-submerged rotting trees along the edges of the reservoir that created hazards for boating and sport fishing. Robert Sommers, Social Credit's Lands and Forests Minister, aptly described the scene in 1953 as

...a multitude of weathered and gaunt skeletons of once magnificent forest that clothed the beautiful lake shores. On the waters of the lakes will float stinking, slimy masses of dead and decaying vegetation...a most fitting and lasting monument to

¹⁸Vancouver Sun, Aug, 10, 1973, p.11.

¹⁹Sessional Clipping Book, 1951, Part I, Prov., April 7.

the memory of the Liberal Party.¹⁰⁰

That Alcan was permitted to flood lands inside Tweedsmuir Park, an established recreational preserve, was indicative of the lax attitude towards conservation and environmental values typical of the period. The Coalition showed strong concern for conservation of resources in the traditional sense of maximizing long-term benefits from resource utilization and minimizing waste and inefficiency. Its forestry reforms (sustained yield management) and preference for a hydro project that would avoid fisheries damage as much as possible, were the best examples of that concern. But in both cases the entire emphasis was on protecting the economic assets. The non-material values, on the other hand, were given little weight in resource planning and - as the Alcan project demonstrated - were heavily discounted whenever they conflicted with economic aims. Priority was given to the hydro development on the premise that the overall benefits to the economy would outweigh any costs in recreation, wildlife, or aesthetic beauty. In terms of multiple-resource use the approach was wholly unsatisfactory, since only the primary use was considered, and little effort was made to accommodate secondary uses (recreation, sports fishing, etc.). The destruction by Alcan demonstrated the need in such instances for better planning that considered all the conflicting values, and to design the projects so as to produce the largest benefit from the

¹⁰⁰Vancouver Province, March 10, 1953, p.15.

complex of resource uses including the non-economic ones.¹⁰¹ Such ideas were beginning to be heard in specialist circles (for example, in meetings of the B.C. Natural Resources Conferences), but they generally were slow to take hold publicly or to have an effect on government policy. The Alcan project was only the first of a series of similarly unfortunate events that would occur over the next two decades.

A second slow-to-be-learned lesson of the Alcan story was that the oft-expected spin-off benefits of hydro-electric projects and other similar large-scale developments could not be accepted as a matter of faith. Most developmental programs of the post-war decades were launched on the assumption that large-scale industry and population would quickly flock to the North, but more often than not the results were less than were anticipated. The Alcan deal was a prime example: the surplus of electricity it created did not attract additional industry, simply because other economic factors and considerations were not right at the time.¹⁰² Yet despite this failure, the belief that a surplus of cheap power by itself would attract industry persisted throughout the post-war period. That belief did not always prove wrong, but the provincial government's over-reliance on it tended to keep it from doing enough realistic planning and forecasting of results

¹⁰¹ Natural Resources Conference, 1953, p.115.

¹⁰² Haig-Brown, Living Land, p.115.

to avoid repeating the Alcan folly.

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The inability of the Alcan development to attract extensive industry to northwestern B.C. was evidence, to be sure, that the Coalition often achieved only limited success from its efforts to develop the North in the immediate post-war years. The vain attempts to bring about the long-sought Peace River rail connection and to promote pulp mill construction in the Prince George/Quesnel area were other instances where the government's policies did not always obtain their desired results. Nonetheless, the inability to accomplish the full range of its objectives for northern B.C. should not detract from the conclusion that the Hart and Johnson administrations undertook and accomplished much more for post-war northern expansion than has generally been acknowledged. The Social Credit government, which took over in 1952, has usually been credited with turning British Columbian's eyes northward,¹⁰³ but clearly considerable attention and interest was already focussed on the North when the Socreds assumed control. The anticipation of growth in the Prince Rupert-Kitimat region, like that of the Peace River and Prince George districts, was no doubt premature, but the strong optimism regarding all three development areas indicated how the vision of

¹⁰³See Paddy Sherman, Bennett, McClelland and Stewart Ltd., Toronto, 1966, p.231; Mitchell, W.A.C., p.353.

post-war northern expansion had mushroomed by 1952. The Bennett government, as will be seen, added a bolder, more dedicated approach to northern development affairs, but fundamentally, its initial aims involved taking over the dreams and policy-objectives of the Hart and Johnson administrations. The Social Credit period in many ways represented the natural continuance of the vision of northward expansion handed down from the Coalition government.

PART II

THE EARLY BENNETT YEARS:
ROUNDING OUT THE
IMMEDIATE POST-WAR BOOM

Chapter IV

Social Credit and the Development of Northern British Columbia

The Social Credit Party was relatively new to the province's political scene when it came to power in British Columbia in August 1952. Owing to its inexperience and lack of a well-defined political tradition, there was little way of predicting which direction the new government would proceed on issues of northern resource development. Within a short time, however, the Socreds proved themselves highly dedicated to opening the northern hinterlands to resource expansion, and that purpose remained a major ingredient of Social Credit policy throughout its long administration. During the two decades after 1952, the government of Premier W.A.C. Bennett adopted the northern policies of the preceding administration, added its own massive programs and undertakings to encourage further northward expansion, and ultimately extended British Columbia's northern quest to its greatest accomplishments in the post-Second World War period. The Socreds were unquestionably the most active of the three post-war administrations in northern development affairs, and the nature and style of their stewardship had by far the greatest impact on the manner in which the process of northern development unfolded.

The purpose of this chapter is to examine the factors that fueled Social Credit's preoccupation with northern development between 1952 and 1972, and to suggest how, and to what extent, they inspired and influenced the making of government policy. One study of Premier Bennett has noted that the Socreds had an "instinctive drive to open up the North," and illustrated it with Phil Gaglardi's well-known (but mis-quoted) statement: "God put the coal there for our use, so let's dig it up." Often, it was true, the Bennett government appeared to follow nothing more than a basic instinct to promote economic activity wherever and whenever possible, a 'development for development's sake' attitude that favoured short-term material gain and raw growth above all other considerations. At the same time, however, the Social Credit administration's outlook on the North was shaped by several underlying beliefs and motivations that had a significant bearing on its northern development strategy.

¹David C. Humphreys and Roger Keen, Conversations with W.A.C. Bennett, Methuen, Toronto, 1980, p.91; also Martin Robin, Pillars of Profit, p.189. Gaglardi's statement was quite different: "Every time I see a man go underground I thank God for surface mining. Why do you think God stuck that stuff on the rock above if he didn't want us to enjoy and utilize it." Sessional Clipping Book, 1969, Part II, Sun, Jan. 30.

Early Influences and Approach

At the outset, it should be noted that there were two distinct periods of Social Credit involvement with northern expansion. The Bennett administration's 'big push' to develop the North began in 1957 (see below, Part III), but until then the Socreds were heavily engaged in completing policies and programs required to 'round out' the immediate post-war developmental boom. The Socreds were speedily drawn to that area of government concern, in part perhaps because of contemporary political and economic circumstances. Since the Social Credit party received strong support from northern ridings, the new government had a special interest in meeting the needs and aspirations of those constituencies. Following the 1952 election, the Socreds controlled three out of six seats in northern B.C. (Fort George, Omineca, and Peace River) and they added another four in the 1956 election.² Their dominance in the North, which continued throughout the 1950's and 1960's, was a constant inspiration for the Bennett government to pursue policies of northern expansion, though precisely how far political expediency affected its northern development

²The Peace River riding was divided in two in 1955, the Socreds retaining both the South Peace and North Peace River seats. The other three seats added in 1956 were Skeena, Prince Rupert, and Atlin, the last reverting to the C.C.F. in 1960.

strategy is difficult to measure.³ Many Social Credit programs were strongly biased in favour of the North, and the Bennett government was always quick to exploit their political advantages to the full.⁴ Indeed, part of the explanation for the longevity of the Social Credit administration was its ability to exploit politically the prosperity created by the great northern development boom of the 1950's and 1960's.

Furthermore, the Socreds assumed control in Victoria just when a great developmental boom was dawning in northern B.C. That the new government became heavily involved in northern affairs was not really surprising considering the recent acceleration of resource activity in the North, with Alcan's aluminum project, the ColCel pulp mill, and the P.G.E.'s Prince George extension all in the limelight. The expansionary economic conditions continued year after year

³Both Ray Williston and Ken Kiernan feel that economic considerations far outweighed political ones in the making of Social Credit northern development strategy, and Williston also points out that northern members like himself and Cyril Shelford (M.L.A. Omineca) were mainly concerned with helping their constituencies rather than pursuing narrow political motives. Personal interviews, Aug. 8, 1984, Aug. 10, 1984.

⁴Bennett insisted that the Peace River riding be divided in 1955, even though only 7,000 voters resided there. Similarly, his Redistribution Bill in 1966 retained seven northern ridings, instead of only the five recommended by the Angus Royal Commission. Such moves were defended on the grounds of the great population increases Bennett predicted for northern B.C., which the Premier no doubt sincerely expected. The Opposition, however, saw them as acts of blatant self-interest, insurance policies to elect Socred members. The North, indeed, was vastly over-represented throughout the 1950's and 60's. Sessional Clipping Book, 1955, Part II, Times, March 25; 1966, Part II, Times, Feb. 16, March 2.

under the Socreds until they became accepted as extending indefinitely. Government revenues swelled to even higher levels than before, making the Socreds better equipped than any previous administration to direct huge expenditures towards large-scale development programs. If anything, the northern vision of expansion the Coalition had pursued since the Second World War was more readily attainable by 1952, and offered a strong inducement for the new government to adopt a northern development platform soon after taking office.

The main difference distinguishing the early Bennett era from the preceding Coalition period was the Socreds' injection of a greater degree of zeal and determination into the cause of developing northern B.C. As for its basic strategy and actual development policies, Social Credit's approach differed little from those of its predecessor during the first four years, when Bennett's main efforts were directed towards completing the tasks left behind by the Coalition. Like the preceding administration, the Social Credit government encouraged hinterland settlement and development through highway construction, adopted the P.G.E. as a 'development tool' for stimulating northward expansion, and encouraged private enterprise to expand into the northern regions of the province. However, the Socreds' style and general approach were far bolder, and were undertaken with greater faith and enthusiasm than had previously been the case, and their commitment to northern development was much stronger than that of the Coalition.

The Bennett Style

Social Credit's bold attitude towards northern development was largely a result of the personal vision and style of the party's leader and premier, W.A.C. Bennett. Bennett was an ardent believer in actions over words, which he justified by his particular interpretation of the democratic process:

True direct democracy is that the elected must govern and not be governed by the electors. Unless the elected govern, you have a dictatorship. If the electors govern, you have anarchy. In other words, people in a democratic way select people to do a job. Then they must have authority to do a job and they must boldly do that job, and they must not ask questions and have royal commissions all the time. They should take responsibility and bold action. Then when election time comes, the people should kick them out if they are not doing the job. In other words, the elected must govern.⁵

This was the foundation of Bennett's 'government that gets things done' approach to public business, which he translated into forthright, energetic pursuit of policy goals. Aggressive, forward-looking policies were a major reason why the Socreds were so successful in carrying out their developmental objectives, but that bold approach, often applied in northern development matters, also had intrinsic shortcomings. The emphasis on speedy action and quick results tended to detract from careful planning and prudent implementation of important programs. That tendency

⁵Sherman, Bennett, p. ix.

(as will be seen) often produced less desirable or² advantageous results than might have been the case had a more cautious approach been followed.

Combined with this urge for action was Bennett's willingness to take political risks and to gamble his and his party's fortunes on the outcome of major government decisions. The Premier, as more than one contemporary observer noted, was "a born political gambler" who entered office with a history of taking calculated risks that largely paid off.⁶ For example, his bold decision to leave the Coalition and Conservative party in 1951 proved highly rewarding for his career, as did his further gamble in joining the fledgeling, weakly-led Social Credit party nine months later. In so doing he avoided the Coalition's break-up and rapid decline in popularity, and soon rode his new party's unexpected success to the premiership in 1952.⁷ The success of these and later bold manoeuvres tended to fuel Bennett's penchant for taking risks, and during the remainder of his career he would often play similar high stake games to achieve his objectives. Bennett's gambling personality was another reason why the Socreds so often failed to take appropriate care before embarking on important developmental projects.⁸ Moreover, once the government's prestige had been 'put on the line' on a

⁶Sessional Clipping Book, 1962, Part II, Sun, March 14.

⁷For a review of this period of Bennett's career see Mitchell, W.A.C., pp.65-174.

⁸See below, Chapter V.

particular program, pressure to achieve politically acceptable results usually inhibited any backing down or changing of direction, even when the policies being followed were seen to be heading towards unexpected or undesirable outcomes. Instead, the Bennett government tended to obscure such outcomes with misleading propaganda and exaggerated claims, as was the case with the 1954 P.G.E. expansion program.⁹

Premier Bennett also possessed a well-known dislike for experts and academics, which further led him to reject any independent evaluations or prior planning of government policy and programs. He preferred his own intuition for making decisions, and this non-analytical approach usually translated into an extremely unorthodox handling of business and economic affairs. Such unorthodoxy and personal control allowed Bennett to 'plunge' ahead where more traditional politicians would have hesitated, but they also helped fuel the tremendous risks that often accompanied his bold actions. Premier Bennett's supporters have often acknowledged the remarkable success of his intuitive judgements, and indeed he proved his critics and the so-called experts to be completely wrong on several occasions.¹⁰ But the Premier's intuition was by no means infallible, and there also were times, as will be seen, when taking the advice of others might well have avoided some

⁹See below, Chapter V.

¹⁰For example see Mitchell, W.A.C., p.271.

disastrous mistakes.

The greater zeal and determination the Socreds brought to northern development reflected Premier Bennett's tremendous faith and vision for the future of northern British Columbia. Bennett's 'where there's a will there's a way' approach to northern development was not unlike other Canadian leaders of the period, for example Newfoundland's Joey Smallwood; but whereas Smallwood's main concern was to develop Labrador for the benefit of his province, Bennett's vision was broader and more far-reaching. His views on northern development were provincially-oriented to be sure (B.C.'s interests always came first), but they fitted a larger conception of Canada's future as a 'northern' nation and his belief that B.C. should play a leading role in that future. Throughout his premiership, Bennett consistently expressed a strong conviction that B.C.'s destiny lay in development of the North, a vision that included the territories beyond the 60th parallel as well as the province's own northlands. Such a view was not uncommon in British Columbia in the expansionary post-Second World War period, and it was shared by many of Bennett's political contemporaries. Other Socred ministers, notably Ray Williston and Ken Kiernan, were strong proponents of northern development, and it appears the entire cabinet and party caucus supported that objective.''

 ''Throughout Social Credit's 20-year reign there was little public criticism from cabinet or caucus members over northern development policy, only periodic complaints that the government was not doing enough for its northern constituencies.

Yet without doubt Premier Bennett was the driving force behind the Socreds' efforts to develop the North. Bennett adopted the vision of northern provincial expansion with especially strong enthusiasm, and pressed the cause with greater persistence and faith than any B.C. politician since Duff Pattullo. That bold imperialist vision, in turn, played a paramount role in the Bennett regime's formulating of northern development policies throughout its twenty years in power. Owing to the strength of the Premier's convictions, plus his tight, personal control over public business, Bennett's views on the North lay behind many of the policies and programs pursued by his government during the two decades after 1952.¹³

Bennett's Views on Northern Development

Why Bennett was so keen a spokesman for the North and its development can partly be explained by his background before 1952. After leaving New Brunswick in 1917, Bennett settled in what essentially was north-minded country: first in Edmonton (until 1927), then in Westlock, Alberta, some

¹¹ (cont'd)

¹² According to all testimony, Bennett's decisions on northern development were his own and there were no particular behind-the-scenes advisors who influenced policy in that direction. Personal interviews with Ray Williston, Ken Kiernan, and Robert Bonner, Aug. 8, 1984; Aug. 10, 1984; Aug. 13, 1984.

fifty miles north of Edmonton.¹³ There, Bennett entered the hardware business and, according to Ray Williston, became familiar with the North through business connections that extended throughout northern Alberta, British Columbia's Peace River district, and as far west as Prince George.¹⁴ Then in 1930 he moved to Kelowna, where his later experiences as a hinterland politician (M.L.A. for South Okanagan) no doubt shaped some of his attitudes regarding the need to develop British Columbia's outback regions. Indeed, Bennett was something of a booster in Kelowna, forever promoting the business opportunities of the Okanagan, as he would for the province as a whole during his premiership.¹⁵ Moreover, as a Conservative/Coalition M.L.A. during the war (before he switched to Social Credit), Bennett served on the Post-war Rehabilitation Council that had recommended vigorous expansionary policies for the post-war period, including large-scale development of the North and extension of the P.G.E. railway to the Peace River district and beyond. One suggestion is that Bennett derived many of his political ideas which were later put into practice from working on that committee; if so, his views on northern development may well have been formulated at the

¹³See Sherman, Bennett, pp.1-36; The most recent biography of Premier Bennett claims he acquired a life-long bond with the North - especially the Peace River country - while staying briefly there with his father before settling in Edmonton. Mitchell, W.A.C., p.24.

¹⁴Personal interview with Ray Williston, Aug. 8, 1984.

¹⁵Mitchell, W.A.C., p.45.

same time.¹⁶ On two later occasions he spoke out strongly in favour of northern policies: first, in 1944 during the debate over construction of the Hart Highway, which he felt was 25 years overdue; and again in 1950, when the Johnson administration proposed to complete the Squamish to North Vancouver P.G.E. line. The future Premier opposed that step (which he himself later adopted) on the grounds that the Peace River extension should be built first.¹⁷

These stands suggest that Bennett already was a strong supporter of northern development when he became Premier, but they were only a small indication of what was to come. His expressions of interest and enthusiasm for the North were displayed more frequently during his first few years in office, and figured prominently in many of his speeches and conversations. A good example was his 1958 tour of the P.G.E. line from North Vancouver to Prince George, when he reportedly "bubbled like a glass of champagne" throughout the journey. Along the way, where most observers would see little more than "a cowshed and a couple of sad-looking shacks surrounded by slush and snow", Bennett would point excitedly and describe what

...may be one of our great new cities of the 'North'. Can't you see the wide main street, with its three lanes of traffic, the neon signs, the big stores...the flat-topped buildings with their helicopter moorings? It's all there in the future -- the future of the great North.

¹⁶Ibid., p.43.

¹⁷Sessional Clipping Book, 1944, Part III, Col., March 12; 1950, Part II, Prov., March 3.

One member of the Premier's party was heard to complain: "I've had enough. All the way up I've heard nothing but the glories of the great North. We get it for breakfast, lunch, and tea."¹⁸ Such outward demonstrations of Bennett's enthusiasm for the North were not uncommon, and they show why he so strongly supported any schemes or proposals that would further the development of that region.

The nature and range of Bennett's views and aspirations with respect to northern development also began to become more apparent during this early period. The extent of his ambitions were first demonstrated in December 1952, when he and Alberta's Premier Manning announced (following a meeting in Edmonton) that they had agreed on the 'desirability' of extending their provinces' northern boundaries to the 65th parallel.¹⁹ That proposal closely resembled Pattullo's plans for annexing the Yukon back in 1937, and Bennett repeated it several times throughout his career, expounding a grand design that in its ultimate form envisaged extending the province's boundaries to the Arctic Ocean to include the Yukon plus the Northwest Territories to 120 W.²⁰ That vision, in turn, was a phase of Bennett's well-known, controversial proposal for a regionalized, 5-province Canada, each of the five jurisdictions (B.C., the Prairies, Ontario, Quebec, and the Maritimes) with boundaries

¹⁸Victoria Times, March 28, 1958, p.9.

¹⁹Vancouver Sun, Dec. 22, 1952, pp.1-2,

²⁰For example see Vancouver Province, April 27, 1956, p.1; Vancouver Sun, Dec. 8, 1956, p.10.

extending from the southern to the northernmost edges of the country.²¹

Bennett's plea to redraw the political boundaries of Canada was no doubt serious, but the extent to which his drive for northern development was motivated by political expansionism is difficult to determine. It has been suggested that Bennett's northern development policies had the ultimate aim of the eventual enlargement of B.C.'s northern boundaries,²² but whether or not that was so must remain a matter of speculation. His proposals to annex the Yukon and Northwest Territories were never vigorously pursued, and they always drew stiff opposition from residents of those regions.²³ Bennett claimed, moreover, that he sought the extension of provincial boundaries in order to ensure rapid northern development (rather than the reverse),²⁴ because he felt that "the way to develop Canada is to the north", and it was the whole country's duty to

²¹Sessional Clipping Book, 1969, Part III, Times, Jan. 23.

²²Ruppenthal and Keast, A Railway Derailed, p. 19.

²³For example see Vancouver Province, April 28, 1956, p.27; Victoria Times, Aug. 6, 1959, p.5.

²⁴Ray Williston, Ken Kiernan, and Robert Bonner all believe that Bennett's main aim was to enhance northern economic development, which he felt could be attained more quickly and efficiently if the entire North was under provincial control. Williston also feels that Bennett's desire to extend the P.G.E. railway to the Yukon was a factor in his annexation proposal, because he did not want the railway to come under federal jurisdiction. Personal interviews, Aug. 8, 1984, Aug. 10, 1984, Aug. 13, 1984.

pursue that goal as quickly and effectively as possible.²⁵ He sincerely believed those territories would develop faster under British Columbia's jurisdiction, but provincial control was not his overriding concern. "We want to see development up there", he told the press in 1953, "whether part of B.C. or not."²⁶

Another debatable aspect of Bennett's views on northern development was his suggestion that it was necessary to counter the possible advance of the Soviet Union in that region.²⁷ On several occasions he voiced his concern that the Russians were rapidly outpacing Canada and the U.S. in developing their northern territories, and that more should be done by the two countries to protect their northern national interests. When addressing the B.C.-Alaska-Yukon conference in 1961, for example, Bennett challenged both Prime Minister Diefenbaker and President Kennedy to do something about their 'northern vision' and 'new frontier policy' respectively:

Last week the Russian ambassador told me in a very clear way that in the part of Russia opposite us, Russia is spending 40 per cent of its capital expenditures. We in the U.S. and Canada cannot sit idly by and see that great economic development take place without matching it with more than good

²⁵Vancouver Province, Nov. 27, 1968, p.1; see also Worley, Wonderful World, p.285.

²⁶Victoria Colonist, March 21, 1953, p.13.

²⁷One writer has strongly emphasized this motive in his interpretation of northern development. See Ken Bernsohn, Cutting up the North: The History of the Forest Industry in the Northern Interior, Hancock House Publishers Ltd., North Vancouver/Blaine, Wash., 1981, pp.82-3.

words.²⁸

Or, as he stated more recently:

What part of the continent is so important that has the northern areas we have on the west coast? British Columbia, the Yukon, Alaska. North of that are our great friends the Russians, so we'd better be prepared.²⁹

Again, it is difficult to know whether such statements represented a serious concern over the Russian threat, or whether Bennett was merely invoking anti-Communism and national patriotism to gain support for his pet northern development projects. It appears, though, that the latter motive predominated, for as Ray Williston has confessed:

If the truth were known, we used it as a lever. We weren't that concerned with it ourselves, but we knew that the feeling was abroad...and we were willing to parlay it into grants if we could get them.³⁰

If the political and strategic implications of Bennett's northern views were somewhat fuzzy, there was no doubt as to their economic significance. Premier Bennett was essentially an economic imperialist, whose overriding concern was to extend B.C.'s commercial and economic interests northward. He believed, simply, that development of the North was both inevitable and desirable, and that British Columbia's economic destiny lay in that direction. He regarded the territory beyond B.C.'s northern borders as the province's proper sphere of interest, and was determined

²⁸Victoria Times, June 22, 1961, p.6.; also Worley, Wonderful World, p.232.

²⁹Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 18, 1977, PABC, 1675-23, Track 2, pp.4-5.

³⁰ Personal interview, Aug. 8, 1984.

to see his province share in the future development forecast for that region. His views, in that regard, were basically a bolder, more far-reaching statement of the ambitions and anxieties that had been kindled during the Coalition period, when the Alaska Highway and associated northern projects had reawakened the lure of the great North in British Columbians. Like the Coalition politicians, Bennett kept a keen eye on any external events or developments that might affect the province's northern interests, and was always ready to do what he could to ensure that B.C. benefitted from such developments. But the Bennett government (again like the Coalition, only more so) was also prepared to take the lead itself in promoting new economic activity on the northern frontier. Bennett committed his government to maximum development of B.C.'s northern natural resources,³¹ and undertook that task with unprecedented zeal and determination.

In essence, then, the Socreds' plans for northern development involved two complementary goals. The first was to develop northern British Columbia as part of the general aim of hinterland expansion. As Ray Williston notes, the government felt it was

necessary to expand the developed area of British Columbia away from the Lower Mainland and in so doing into the North...the area we thought had the best opportunities for expansion, for the employment of people, for the provision of additional revenues for government, was the North.³²

³¹Victoria Times, May 6, 1960, p.17.

³²Personal interview, Aug. 8, 1984.

But in addition, there was the complementary imperialistic motive of preparing British Columbia for an economic advance into territories lying beyond its northern borders. While the immediate goal of the Socreds' policies was to develop the resource wealth of northern B.C. for the benefit of the province, the ultimate objective was to ensure that British Columbia shared commercially and economically in the great developments predicted for the entire Canadian Northwest. Northern industrial expansion, in that sense, aimed at developing northern B.C. as a kind of 'beachhead' from which the province could then extend its economic influence, and perhaps political control, northward to include the entire Yukon and Western Northwest Territories.

Strategy and Policies

The strategy adopted by the Social Credit government for attaining this vision of northern expansion was never clearly articulated. Bennett later claimed he had a master plan for developing British Columbia when he came to office (a plan he kept secret),³³ but as will be seen, Bennett for the most part shaped his northern policies and programs in response to changing events and opportunities. And despite his further claim of originality,³⁴ Bennett's strategy

³³Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 16, 1977, PABC, 1675-21, Track 1, p.8.

³⁴Ibid., p.14.

rested on three key ingredients that were basically copies or adaptations of long-standing goals and methods of northern development. The first was the traditional policy of building new transportation services in the North to provide better access to the resources of that region. The second component was hydro-electric power development, which afterwards surpassed transportation for a time (1958-64) as the chief preoccupation of government in northern B.C. And lastly, in conjunction with these two kinds of infrastructural development, the Socreds continuously strove to encourage private industry to move into the North and undertake the development of the region's abundant forestry, mineral, and fossil fuel resources. As Ray Williston explained these three objectives:

We knew the resources were there and the role of government was thought to be the provision of access, in the way of roads, rail, and even airport facilities, and the provision of energy. And then the strategy was to encourage private enterprise to get in and do the actual development work on its own and make policies which encouraged that development to take place....³⁵

As already noted, the Socreds' involvement with these concerns in the early years was much like that of the Coalition. But by the late 1950's, the Bennett government, following completion of the programs it inherited, broke new ground by tackling developmental objectives that significantly altered the complexion of northern expansion from previous years. The Socreds assumed a form of state capitalism during this period that saw the provincial

³⁵Personal interview, Aug. 8, 1984.

government more actively involved in promoting industrialization than ever before.³⁶ This trend towards 'forced growth' was evident throughout Canada in the late 1950's and 1960's,³⁷ but nowhere was it more prominent than in the Bennett government's policies and programs for developing northern B.C.

Of the three elements, the Socreds' programs for northern transportation development most truly reflected Bennett's ultimate ambitions. In his mind, expansion of transportation facilities on the northern frontier would both promote northern resource activity, as well as prepare the province for a greater role in the economic development of the Yukon and Northwest Territories. Bennett's policy was to keep new developments in those regions within easy reach of the province's transportation system so as to be in a better position to bargain for a share of the resulting trade moving south.³⁸ It is important to note, however, that the Premier assigned that task almost exclusively to the P.G.E. railway. For while the Bennett government was committed to extending all forms of communication into the North (as Williston's statement suggests) and became heavily involved in highway construction as a means of encouraging hinterland settlement, that activity was pursued mostly in the central and south-eastern regions of the province which

³⁶Martin Robin, Pillars of Profit, pp. 244, 257.

³⁷See Philip Mathias, Forced Growth, James Lewis & Samuel, Publishers, Toronto, 1971.

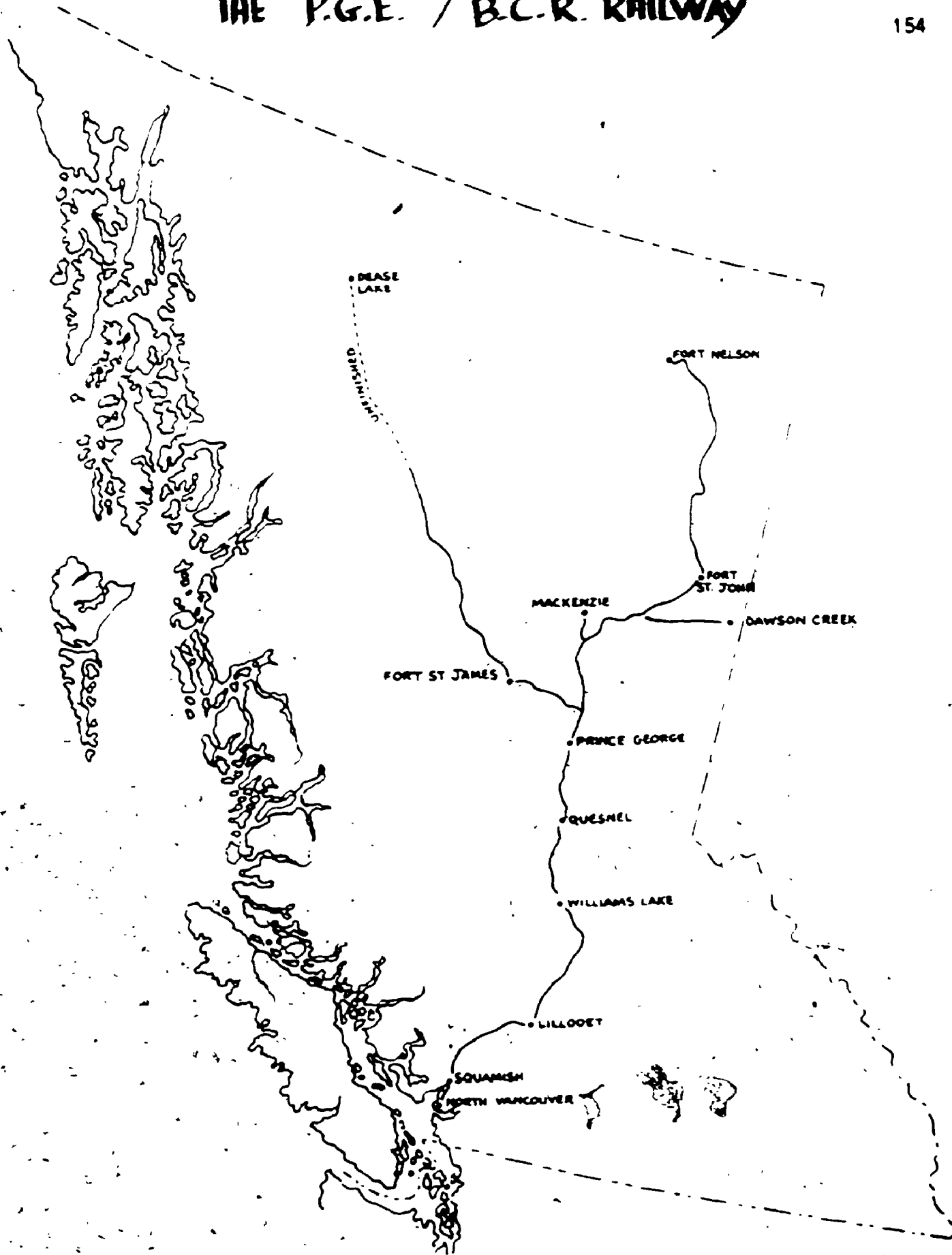
³⁸Vancouver Sun, Dec. 8, 1956, p. 10; See below, Chapter IX.

were already traversed by railway lines. In the northern Interior, the Socreds reconstructed Highway 16 (the Yellowhead Highway) between Prince George and Prince Rupert, upgraded and paved the Hart Highway, and extended Highway 16 east from Prince George to to the Alberta border.³⁹ Those additions and improvements to the northern highway system were important, but when it came to opening up virgin territory for resource development purposes, road-building (apart from the Stewart-Cassiar road, discussed in Chapter VI) ultimately took a back seat to railway-building in the government's developmental strategy.

The reasons for this heavy emphasis on railway-building will be examined in Chapter IX, but essentially the Socreds, like their predecessors, became ardent advocates of railway expansion as an indispensable means of promoting new industrial activity, and they displayed tremendous faith and confidence in the P.G.E.'s value as a 'development tool'. The railway was regarded as essential for developing and expanding B.C.'s northern economic frontier and also for capturing any future trade from the territories beyond the 60th parallel. Under Bennett's patronage, the P.G.E. was extended farther and farther into the northern wilderness -- to the southern Peace River district in the 1950's, then onwards towards Fort Nelson and Dease Lake in the late 1960's and early 1970's. In total, the length of the

³⁹B.C., Transportation and Highways, Public Information Office, "A Century of Road Development and Administration in British Columbia", unpublished manuscript, PABC, GR 1460, Box 1, File 1, p.22.

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provincial railway was more than doubled under Social Credit rule, largely in the hope of fulfilling Bennett's ambitious dreams of northern development.

Hence, while Bennett pursued goals for the P.G.E. not unlike those of the preceding administration, northern transportation policy in general was transformed slightly but significantly under the Socreds. The Bennett government by the mid-1960's viewed railway-building as the primary, initial means of opening up new territory in northern B.C., in contrast to the Coalition's earlier approach that looked to construction of first road then rail services into the Peace River district. This strong priority given to railway-building not only distinguished the Bennett government from its predecessors, but also from most other provincial governments of the period, which tended to pay more attention to highway construction in their northern territories.⁴⁰ Moreover, while many new railways were built in northern Canada after World War II, the majority (the Quebec, North Shore and Labrador Railway, the Great Slave Lake Railway, and the northward extensions of existing lines in northern Ontario, Manitoba, and Quebec) were built to meet proven traffic resulting from new resource developments. B.C.'s Social Credit government adopted instead an older philosophy of building railways to meet broad developmental purposes, which apart from its

⁴⁰See R.J. Rea, The Political Economy of Northern Development, Science Council of Canada, Ottawa, 1976, pp.91-107.

application for construction of the Alberta Resources Railway in the late 1960's, had largely been abandoned in Canada by 1945.

The alteration of northern transportation policy under Social Credit during the 1960's was preceded by an even more striking change in the province's approach to hydro-electric power development. The Socreds, the same as the Coalition government, regarded the province's hydro potential as an ideal means for attracting new industrial activity, and initially they encouraged heavy energy-using industries like aluminum refining to develop remote northern hydro sites.⁴¹ By the late 1950's, however, the Socreds' hydro strategy began to alter significantly as transmission technology evolved the capability of transporting huge amounts of electricity from the Peace River and other northern hydro sites to the consumer markets of southern B.C. The Bennett government adopted the Peace River project as a central plank of its power policy because it was capable of supplying B.C.'s consumer needs, but more important, because it promised to promote large-scale industrial activity in the North besides. As will be seen, that realization put the Peace River project in competition with more southerly power sites, notably the Columbia River project, as the Bennett government resolved on having the northern hydro site built to fulfill its dreams of northern expansion. Those dreams no longer entailed simply developing individual industrial

⁴¹See below, Chapter VI.

sites like Kitimat, but rather of spreading industrialization throughout the region and encouraging higher forms of resource use.⁴²

To fulfill these northern objectives, the Bennett government also was forced to abandon the Coalition government's policy of encouraging both private and public power development, and firmly accepted the latter. As K.J. Rea notes, this shift was not uncommon in Canada during this period. Like B.C., most provinces before the 1940's sought to promote industrialization by granting individual mining and pulp and paper companies water-power concessions at low cost, but in the post-war period there was a tendency to substitute public for private development of hydro power resources on the Ontario Hydro model.⁴³ Unlike Ontario, however, the switch to public power was not made in response to popular demand or in recognition of the cost advantages of government ownership, but rather as a move required to fulfill the Bennett government's policy objectives for northern B.C.⁴⁴ Similarly, the impact of modern long distance transmission technology in B.C. was the same as elsewhere, making feasible the development of northern hydro sites for export to southern markets. In B.C., however, that possibility was pursued vigorously to fulfill expectations of northern development rather than to meet southern demands

⁴²See below, Chapter VII.

⁴³Rea, Political Economy of Northern Development, pp.107-8.

⁴⁴See below, Chapter VII.

which could be met by more southerly power sites. By the early 1960's, as will be seen, the idea of using southern, particularly U.S. markets to subsidize and make possible the development of northern power sites had become a central component of the Social Credit strategy of northern expansion.

Social Credit's approach to the third main area of northern development activity - natural resources exploitation - also eventually differed from the pattern established by the Coalition, and from the policies adopted by other provinces. Under the Coalition, a strong preference for co-operation with the Canadian government and for the promotion of Canadian firms prevailed, as both the Hart P.G.E. expansion program and the Alcan project demonstrated. The Coalition also encouraged foreign investment (e.g. Columbia Cellulose) and the Socreds were by no means unnationalistic or unwilling to work with Ottawa, particularly in their quest to expand the provincial railway.⁴³ But the Bennett government eventually adopted a strong provincialist stance and looked more and more to foreign interests as the key to developing northern resources. Foreign capital and (even more important) foreign markets became essential for spurring rapid growth and prosperity. Without foreign markets, Bennett maintained, British Columbians could not fully develop their natural resources (the domestic market being too small), nor enjoy

⁴³See below, Chapter's V and IX.

the great prosperity warranted by their resource heritage. He told a B.C. International Trade Fair in 1967:

We in British Columbia are rich in resources...To buy the goods we need, to enjoy the standard of living we desire, we must have freedom to develop those resources and sell the surpluses on the markets of the world.⁶

By the late 1950's, the idea of utilizing foreign markets to subsidize and hasten development in remote areas had become another key ingredient of the Bennett government's strategy for northern expansion. In that decade, the Socreds looked primarily to American markets and capital for development of northern resources, but by the 1960's the search had spread to include European and Japanese interests as well.

In that regard, too, B.C.'s Social Credit government was similar to other provincial administrations, many of which became heavily involved in chasing foreign investment during the 1950's and 1960's. But in this competition for foreign capital B.C. enjoyed the advantage of being a 'have' province, blessed with bountiful natural resources, and knowledge of that advantage strongly influenced the Socreds' approach to economic development. As Mitchell's recent study has noted, Premier Bennett

...promoted a particular type of economy which emphasized the province's traditional and natural strength: resource development....Bennett strongly felt that the province should concentrate on its obvious comparative advantages over lesser-endowed regions.⁷

And unlike governments in those lesser-endowed regions

⁶Vancouver Sun, May 4, 1961, p.28.

⁷Mitchell, W.A.C., p.257.

(Newfoundland, Manitoba, and Saskatchewan, for examples), B.C.'s Socreds saw no need to offer generous financial inducements or tax incentives to companies wishing to locate there. Opening the provincial treasury to foreign companies, as Joey Smallwood, Duff Roblin, and other provincial leaders were prone to do, simply was unacceptable to Premier Bennett. The Socreds, as will be seen, were eager for development and generous in their disposition of resource rights, but they abandoned the attitude that B.C. needed to offer the type of tax concessions that Alcan had received in order to attract investment. Such concessions were unnecessary for a 'have' province like British Columbia, Bennett believed, and in that regard, at least, the Social Credit administration showed a stronger regard for the value of B.C.'s resources than the Coalition had done.

A similar attitude prevailed with regard to promoting secondary manufactures and of diversifying the province's economic base. Unlike Newfoundland and the Prairie provinces, British Columbia was not concerned with the problem of diversifying the economy away from a single resource staple. B.C. already possessed an economy based on several resource staples, and the aim of northern development primarily was to spread that type of economy more evenly throughout the entire province, and thereby lessen the economic concentration on the Lower Mainland. But at the same time, there was a strong desire to diversify the economy vertically by promoting as high a level of resource processing as possible and eventually to have secondary

manufacturing industries established in the province.⁴⁸ That goal, however, was never directly pursued. As with resource industries generally, the Bennett government refused to offer direct subsidies or generous financial inducements to manufacturing companies as Saskatchewan and some of the Maritime provinces were doing at that time. Subsidies were wrong, Bennett maintained, because they drained the taxpayers' purse and created industries that were not viable on their own.⁴⁹ The Bennett government, as will be seen, was willing to offer incentives to companies to process resources to higher levels, usually through a reduction of the tax paid on profits, but it would not directly subsidize their costs of development.⁵⁰

Largely because of this stance, combined with their ideological commitment to free enterprise, the Socreds basically assumed the role of a rentier government when it came to handling the province's resource wealth. While by no means passive or inactive in promoting resource expansion, the Bennett government's entrepreneurial role was confined primarily to the provision of infrastructure. Otherwise, it was content to concentrate on creating what Bennett liked to

⁴⁸Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-9, Track 2, p.2; Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 16, 1977, PABC, 1675-21, Track 2, p.3.

⁴⁹Victoria Colonist, Sept. 17, 1965, p.5.

⁵⁰See below, Chapter VI.

call the "right climate of industrial expansion"⁵¹ (i.e., the political, social, and economic conditions attractive to free enterprise), while simultaneously promoting confidence in the province and encouraging foreign capital and corporations to enter B.C. and develop its resources for export.

As a result of this approach, of course, B.C.'s economy became heavily dependent on raw material or semi-processed exports during the 1950's and 60's, in contrast to the little that was achieved by way of promoting secondary manufacturing or in diversifying the province's economic base. But Bennett and his colleagues, in contrast with the growing body of nationalistic opinion of the day, had no fears that such a situation would lead to external control.⁵² The Premier ridiculed "the false idea that foreigners are acquiring our resources" and asserted that "because 95 per cent of all B.C.'s resources are held by the Crown", the government still maintained effective control over the resources and how they are utilized.⁵³ Thus, the Bennett government's policy was to allocate resources through leasing systems rather than outright grants, which was believed to provide ample protection in law over their

⁵¹Victoria Colonist, Sept. 17, 1965, p.5.

⁵²Vancouver Sun, Nov. 16, 1954, p.8. Personal interviews with Ray Williston, Ken Kiernan, and Robert Bonner, Aug. 8, 1984, Aug. 10, 1984, Aug. 13, 1984.

⁵³Vancouver Sun, Nov. 16, 1954, p.8; Victoria Colonist, May 29, 1965, p.2.

control.⁵⁴

In addition, there was little concern among Socred leaders that B.C.'s export-orientated economy would relegate the province to hinterland status. In fact, Premier Bennett and his colleagues believed the opposite -- they held what one writer has called a Mackintoshite view of the world (reflecting the ideas of W.A. Mackintosh, the staples theorist)⁵⁵ in that they believed export-led growth ultimately would bring industrial maturity to the province. As will be seen, it was largely for that reason that secondary processing of resources was not pursued consistently and more strenuously during this period. There were several major obstacles to establishment of secondary industry in B.C., not least of which was the absence of a large domestic market, but Bennett believed this would come eventually:

- our population was growing faster than anyplace in Canada - and eventually we would have a population where we could really finance a secondary industry. Within a provincial government, where you hayn't the power of tariffs, there's no way you could build up a secondary industry to meet this world competition. So you had to let it come naturally.⁵⁶

In essence, then, the Bennett government adopted a staples approach to developing the B.C. economy, but it is important to keep in mind that, whatever the outcome of that

⁵⁴Personal interview with Ken Kiernan, Aug. 10, 1984.

⁵⁵See above, Introduction; Clement and Drache, Practical Guide to Canadian Political Economy, p.44.

⁵⁶W.A.C. Bennett interviewed by David Mitchell, June 16, 1977, PABC, 1675-21, Track 2, pp.3-4.

approach, the ultimate goal was the creation of a highly-industrialized province. As the following chapters will show, though Bennett's northern development policies and programs aimed at achieving that goal, they fell far short of the results expected of them.

Chapter V

Bennett and the P.G.E. - The 1954 Peace River Expansion Program

The Pacific Great Eastern Railway acquired a new and brighter image during the 1950's largely from the government's success in dealing with the time-worn and immensely difficult task of pushing the railway into the Peace River district. Between 1954 and 1958, the Bennett government extended the P.G.E. north to Fort St. John and Dawson Creek, and also completed in 1956 the equally-troublesome southern link, between Squamish and North Vancouver. In addition, the entire railway network was thoroughly upgraded and modernized during the mid-1950's, and the P.G.E. for the first time became capable of performing many of the functions so long expected of it. The railway that 'began nowhere and ended nowhere' was transformed into a complete, more rationalized operation, and was able to assume a more useful and important role in the economic life of the provincial community.

These developments greatly altered the British Columbia public's perception and appreciation of the provincial railway, especially Social Credit supporters who were understandably proud of their party's accomplishment. What was once described as a 'laughing-stock' railway became the 'jewel' of the Bennett administration -- "the economic gem

of our dynamic society", as the Premier liked to call it.¹ Newton Steacy, the Minister of Agriculture, portrayed the revitalization of the P.G.E. during the 1950's as

...a terrific, fascinating story of a cinderella now a princess in actual life, through the faith, the foresight, the initiative, the driving power of a government that gets things done.²

While few might heap such glowing praise, there is no doubt that by the end of the decade many British Columbians believed the Social Credit government indeed had reversed the railway's fortunes, and had finally laid to rest the P.G.E.'s inglorious and somewhat discreditable past.

Since the 1977 Royal Commission inquiry into the affairs of the provincial railway, however, it has become evident that these contemporary views of the success of the 1954 P.G.E. expansion program were greatly exaggerated. As will be seen, several factors combined to provide an overly-optimistic impression of the railway's financial performance and of its importance in promoting new economic development in northern B.C. Yet, despite only qualified financial and economic success, the expansion of the P.G.E. railway to the Peace River district in the mid-1950's was an extremely significant development in provincial history, for it provided valuable non-economic benefits and had a considerable influence on subsequent Social Credit developmental thinking. The program's success, in the eyes of Bennett and his supporters at least, greatly enhanced

¹Sessional Clipping Book, 1965, Part I, Prov., Feb. 6.

²Ibid., 1959, Part II, Sun, Feb. 3.

their appreciation of the railway's value and helped determine that the P.G.E. would continue to occupy a position of primacy in Socred northern development strategy.

* * * * *

The Social Credit government's plans for the P.G.E. were far from settled or even clearly formulated when the new administration took office in 1952. The Socreds' handling of the P.G.E. question during the mid-1950's was a good illustration indeed how favourable circumstances helped encourage the new government to continue its predecessor's role of promoting northward economic expansion. The Socreds assumed control in Victoria shortly before the extension from Quesnel to Prince George was completed in November, 1952, amid strong indications that the program had been a tremendous success. Forest industry operations were expanding rapidly in the central Interior, and the P.G.E.'s traffic situation had improved substantially in recent years, until the railway almost was able to pay its operating expenses. Moreover, it was widely believed in keeping with the recent discovery of sizeable natural gas reserves in the Fort St. John area that the Peace River district also would soon undergo spectacular development. Hence the decision to construct the next stage from Prince George to the Peace River in order to secure even more traffic and revenue for the P.G.E. was a logical continuation of the Johnson administration's railway program

initiated in 1949.

Current circumstances, however, were not the only inducement for the new government to embark immediately upon a railway expansion program. Premier Bennett held his own strong views on the importance of the railway to provincial development, and thus contributed his personal enthusiasm to the plan for completing the P.G.E. On March 24, 1954, he told the Provincial Legislature that

...of all the interests I have in public life, none is a greater challenge. No money in this province could pay me for the satisfaction I would feel if this railway were changed from a joke and put on a sound financial basis.

Bennett's dedication undoubtedly was reinforced by his realization that resolution of the P.G.E. problem would constitute a triumphant accomplishment dear to the hearts of British Columbians. The Hart and Johnson administrations, by reviving the plan for completing the P.G.E. and generating hopes that the railway would soon be a profitable concern and a valuable instrument for stimulating economic development, had created a public issue that would not easily disappear. Something had to be done to satisfy the public's expectations; hence, Bennett confidently prepared to finish what previous governments had failed to do, and gain the political credit for doing it.

Bennett's success in this endeavour appears to have left a lasting impression on the new Premier and gave the P.G.E. a special place in Bennett's heart. Afterwards,

 'Sessional Clipping Book, 1954, Part I, Prov., March 25.

Bennett always maintained a strong interest in the railway and its operations, though why he was so deeply fascinated by the P.G.E. remains a mystery even to one of his closest political colleagues.⁵ Bennett obviously had high hopes for the railway when he entered office, and this early political success in dealing with the long-standing P.G.E. problem seems to have intensified his enthusiasm for the railway's role in economic development. As Martin Robin later noted, "Above all the grand achievements of his regime, Bennett valued the completion and extension of the P.G.E., the railway that had effected the demise of several of his political predecessors."⁶ This view is also supported by Joseph Broadbent, General Manager of the railway during the Bennett era, who feels that "there had been so much criticism of previous governments and previous extensions of the railway...that he (Bennett) wanted to make it work. I think that was his real interest in the railway."⁶

- Bennett's First Approach

That Premier Bennett had entered office without a new strategy was demonstrated by his initial approach to the P.G.E. question in 1953. His first step was to try once more

⁵See Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-17, Track 1, p.9.

⁶Martin Robin, Pillars of Profit, p.278.

⁶Personal interview, Aug. 10, 1984.

to interest Ottawa and the national transcontinental railways in a joint investment program of incorporating the P.G.E. into the national railway system and extending it to the Peace River district. Disregarding reports that the railroad had shown a profit for the first time in 1952, Bennett argued that neither the extension to Prince George, nor the southern link to Vancouver, could transform the P.G.E. into a profitable concern.⁷ The only solution, he felt, was to extend the railway to the Peace River district to enable it to tap the potential resource traffic of that region. Such an undertaking, he believed, should not be solely a provincial responsibility; it was equally, if not more, "the responsibility of the national government which gets the lion's share of revenue from such developments".⁸

These arguments had been used many times before, and Bennett soon discovered that the federal government had no greater sympathy with them than in the past. Prime Minister Louis St. Laurent rejected Bennett's request for financial aid when Bennett visited Ottawa in the fall of 1953, while the national railways once again refused to become involved with a joint undertaking. The Canadian National Railway's

⁷A surplus was reported for the P.G.E. during the final year of the Johnson administration, but Bennett later claimed that those figures did not include losses sustained from the barge service out of Squamish. According to Bennett's book-keeping, the entire operation (including the barge service) did not show a surplus until 1954. The surplus in that year was often pointed to as justification for his government's decision to expand the railway to the Peace River that year, but was hardly relevant since the extensions had yet to be completed.

⁸Sessional Clipping Book, 1953, Part IV, Prov., Sept. 22.

president, Donald Gordon, who had earlier shown some interest, advised the Premier that the Peace River district was already adequately served by the Northern Alberta Railways' line to Dawson Creek which could be extended in short stages to tap additional traffic, and that the future traffic did not justify their investing in another line across the mountains.⁹ The C.N.R.'s position, in other words, had not changed since Premier Byron Johnson's last approach in 1948.

The failure to interest Ottawa and the national railways in a Peace River undertaking strongly affected Bennett's views on the P.G.E. in two important ways. The federal attitude convinced the Premier that a bolder, more independent approach was necessary if the P.G.E. was ever to reach the Peace River district. That conclusion had been apparent to many since the Hart plan failed in 1947 (if not earlier), but Bennett reached it only after his rebuff by Ottawa in 1953. From his experience he concluded that the interests of the C.N.R. and C.P.R. - perhaps also of the federal government as the owner of the C.N.R. - were different from those of the province, and he decided that B.C. on its own should complete the P.G.E. to the Peace River regardless of Ottawa's refusal to aid the project.¹⁰ Soon afterwards, during the 1954 legislative session, the government introduced a bill authorizing the railway to

⁹Ibid., 1954, Part I, Prov., March 25.

¹⁰Ibid.

borrow \$30,000,000 to extend the line to Dawson Creek and Fort St. John, and also complete the southern link from Squamish to North Vancouver.

The federal government's refusal also convinced Bennett that he would need a change of strategy to obtain monetary aid from the East. His decision that the province should construct the extensions independently did not mean that Ottawa's co-operation should not be sought; the Premier believed, on the contrary, that taking the initiative and starting construction would eventually force the federal government to lend its assistance. Hence the government asked the Legislature for only half of the estimated \$60,000,000 required for construction; Ottawa was expected to make up the difference, and Bennett continued to seek a federal subsidy for the new lines long after the extensions were completed.¹¹ That tactic also was unsuccessful, but Bennett never abandoned his belief that the best way to deal with Ottawa was through firm actions that showed the province meant business. He used that approach repeatedly throughout his career, not merely with regard to the P.G.E., but with several other important programs where the federal government was involved as well.¹²

The failure of the St. Laurent government to support the 1954 Socred development plan appears to have had a

¹¹Ibid., 1954, Part III, Col., April 7; 1955, Part II, Times, Feb. 4; 1957, Part II, Prov., March 20; 1961, Part II, Times, Feb. 11.

¹²See below, Chapters VII and IX.

considerable influence on Bennett's subsequent northern development planning. It was the first break in federal-provincial co-operation under Social Credit, and from that experience Bennett seems to have concluded that the federal government could not be trusted to undertake a bold northern vision.¹³ This disenchantment with Ottawa, combined with subsequent successful provincial initiatives, sparked the beginnings of an increased provincialism that was to characterize the Bennett government's developmental drive for the remainder of its term in office. Afterwards, the Bennett government grew more determined to go it alone and to formulate an industrial strategy based on individual provincial initiatives which, in many instances, were contrary to the federal government's view of how development in British Columbia should proceed. That was especially so with regard to the Peace River power project, which caused a serious breach in federal-provincial relations during the late 50's and early 60's.¹⁴

But it is important to note that these provincial initiatives were not intended to eliminate completely a role for the federal government in northern expansion. Ottawa's co-operation and assistance was welcomed, provided it could be attained on provincial terms. In the case of the 1954 P.G.E. extensions, the aim of the initiative was to demonstrate that the St. Laurent government had been wrong

¹³See Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 18, 1977, PABC, 1675-23, Track 2, p.4.

¹⁴See below, Chapter VII.

in its assessment of the value of northern railway expansion, and once demonstrated, it was hoped that Ottawa would be more willing to participate in further railway-building and provide retroactive aid for the extensions already built. As will be seen, the belief that the federal government had finally come to recognize the value of northern railway expansion was a major inducement for the government to embark on further railway-building adventures in the mid-1960's.

Justification for the Program

Bennett's main justification for launching the Peace River extensions in 1954 was to promote northern development and to ensure that the benefits from future economic growth in northeastern B.C. remained within the province. Such objectives, of course, were no different from those traditionally associated with the P.G.E. reaching the Peace River district. The extensions were needed, Bennett told the Legislature, to spur development in the Peace River area and contiguous territories, make the railroad a profitable concern, and protect the province's interest in the economic growth of the entire Canadian Northwest. Since the P.G.E. would offer the Peace River district a shorter route to the coast, both to Vancouver and Prince Rupert, the extensions would assist the province to tap the future wealth of northeastern B.C., Alberta's Peace River district, and the

whole Mackenzie basin as well. It was his government's responsibility, the Premier said, to ensure that the future trade of that vast area was channeled through British Columbia to the west coast.¹⁵

In addition to serving economic imperialism, the Social Credit government's argument for 'going it alone' in 1954 was that extension to the Peace River Country would ultimately provide enough increased traffic to make the whole railroad profitable. In his speech in the Legislature outlining the government's plans, Bennett painted a rosy picture of northeastern B.C.'s vast developmental potential, and he provided glowing estimates of the traffic to be won by extending the line to Dawson Creek and Fort St. John. The Fort St. John branch would tap a wheat growing area not yet served by rail, generating some 300,000 tons of grain traffic per annum over the P.G.E. Other traffic included 200,000 tons of forest products (and perhaps 500,000 tons once the area was put on a sustained yield basis), plus at least 300,000 tons of coal from the Pine Pass area to be marketed in Prince Rupert and Vancouver. Furthermore, he continued,

It is expected that a similar amount of other minerals such as asbestos and base metal concentrates may be handled at Fort St. John through trucking connections with Cassiar, Watson Lake, and other areas tributary to the Alaska Highway.¹⁶

Based on these projections, Bennett concluded that while the

¹⁵Sessional Clipping Book, 1954, Part I, Prov., March 25.

¹⁶Ibid.

Peace River extensions alone would not be able to pay their full capital charges, the added traffic on the system as a whole would provide a fully-distributed operating revenue of \$2,750,000.¹⁷

Turning to the southern extension, the Premier pointed out that the rapid escalation of traffic on the P.G.E. over the past nine years already had made the ship and barge system out of Squamish highly inadequate and expensive. With the anticipated increase in future traffic, a Squamish to North Vancouver rail link would greatly reduce costs and save a predicted \$300,000 per annum by 1956, and over \$1,000,000 per annum once the Peace River extensions were completed.¹⁸

The data Bennett used to support his expansion program was gathered from earlier surveys of northeastern B.C., particularly those conducted during the past two decades. It was first used by the government in the federal-provincial negotiations of 1953, then summarized and incorporated into a Department of Trade and Industry report, completed in 1954. This report, in the words of Joseph Broadbent who helped prepare it, was "more or less just a rehash of all the studies that had been done or completed before and brought into one volume."¹⁹ No new resource surveys or traffic studies were conducted in northern B.C. for its

¹⁷Ibid.

¹⁸Ibid.

¹⁹Personal interview, Aug. 10, 1984.

preparation, which took approximately two years, and the statistics for the Peace River extensions were adapted mainly from the Coalition's 1947 report.²⁰ The new report, however, did provide updated information concerning the southern link from Squamish to North Vancouver, and made a strong case for starting the southern extension immediately. The tug-and-barge system out of Squamish would have to be abandoned shortly at any rate, the report argued, and "capital would have to be expended on one type of link or the other in the immediate future" because the existing tug was due for replacement, "per diem" car rental charges were constantly mounting (due to delay at the slips and rate increases), and mail express and freight traffic into Prince George was being lost to the C.N.R. and trucking companies "because of the time element and/or high cost of the steamship connection."²¹ But it cited no similar pressing need to begin a Peace River connection. It concluded that the Peace River project was "more or less economic" providing low interest capital was available, but that the northern lines would not be able to pay their full capital charges without at least some federal aid.²² On the other hand, the report indicated (as Bennett later stressed), that

²⁰Ibid; B.C., Bureau of Economics and Statistics, Department of Trade and Industry, "Report on Extensions of the Pacific Great Eastern Railway", Victoria, Feb. 12, 1954, Exhibit # 1001-40, Royal Commission on the B.C.R., PABC, GR 500, Box 16, File 17, p.2.

²¹Department of Trade and Industry, "Report on Extensions", p.2.

²²Ibid., pp.2, 17-19, 23.

the northern extensions would provide profitable movements of traffic over the line as a whole, even though they themselves would not be immediately profitable.²³

The prospect of an overall financial improvement resulting from the Peace River connection undoubtedly strengthened the government's determination to proceed with that part of the program. But it is important to note that the report's predictions were riddled with questionable assumptions that reflected its limited preparation. The predicted extensive coal traffic, for example, was very dubious (as Arthur Laing, the Liberal leader, pointed out) considering that the coal industry currently was suffering from poor markets, and would remain depressed for the foreseeable future.²⁴ The Department of Trade and Industry's report had reduced the figure on coal traffic from the 1947 report's estimate by 40%, from 750,000 tons to 300,000 tons (a reduction it felt may have been too drastic),²⁵ but there was still good reason to question whether even that amount of coal traffic could be realized. As for the mineral traffic assumed as emanating from the Alaska Highway region (estimated at some 400,000 tons per year) the report provided no information as to which mines (developed or undeveloped) would supply that traffic, or indeed whether utilizing the P.G.E. would be feasible for mining operations

²³Ibid., pp.20-2.

²⁴Sessional Clipping Book, 1954, Part II, Sun, April 7.

²⁵Department of Trade and Industry, "Report on Extensions", p.12.

located in that area. For instance, the Cassiar mine (the one functioning operation in the area) preferred a road from Cassiar to Stewart as the best means for shipping its asbestos to tidewater.²⁶

All in all, the planning undertaken for the 1954 P.G.E. expansion program was more comprehensive than the Socreds would be prone to adopt in later years, but it still suffered from deficiencies typical of all their railway-building ventures.²⁷ Unlike the Hart government, the Bennett administration was more inclined to embark on railway-building projects without first conducting independent surveys of the resources and traffic that would be developed through railway access. Its traffic projections generally were based on existing studies and inventories, and usually were made without consulting industry representatives or attempting to ascertain whether the anticipated traffic would indeed be forthcoming once the extensions were built. In the case of the 1954 expansion, for example, potential shippers like Cassiar Asbestos and the companies that were interested in establishing a pulp mill at Prince George figured in the government's calculations, but there is no evidence that the Department of Trade and Industry contacted these firms to verify their

²⁶Victoria Colonist, Jan. 20, 1954, p. 18; See below, Chapter VI.

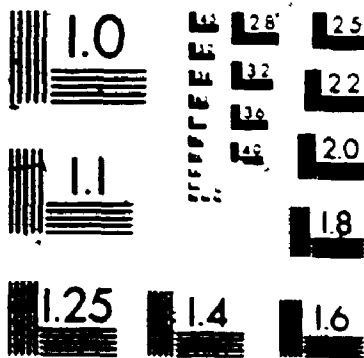
²⁷This point is discussed more thoroughly in Chapter IX.

projections.²⁰ As would always be the case, the planning of new railway lines in northern B.C. under Social Credit involved only an assessment of the resources that were available, and relied heavily on the assumption that those resources would automatically be developed into rail traffic once the extensions were complete. This was an inherently risky approach to railway-building (as already mentioned in connection with the Coalition's Prince George extension), relying on faith and intuition to excess, and one that would eventually prove disastrous for the P.G.E.

Although few people at the time questioned the government's traffic projections once they were revealed, initially they were kept hidden from public view, causing concern that Bennett was acting hastily in a manner reminiscent of the Johnson administration's in 1949. The C.C.F. and Liberal parties, unaware of the government's preparations, argued that its plans, especially those concerning the southern rail link to North Vancouver, should be studied first by a legislative committee. The doubts over that project, which had plagued former efforts to complete the P.G.E.'s south end, still had not been resolved to their satisfaction. Gordon Gibson and other Opposition members, for instance, believed that a highway was economically preferable. But the Socreds with their legislative majority overrode the Opposition's demands even before the government

²⁰According to Broadbent, only governmental departments were consulted to verify the resource statistics. Personal interview, Aug. 10, 1984.

3



MICROCOPY RESOLUTION TEST CHART
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STANDARD REFERENCE MATERIAL 1010a
(ANSI and ISO TEST CHART No. 2)

presented any data supporting the rail program.²⁹ In fact, the tenders for slashing and clearing were called, and the location surveys were started, even before the Legislature had approved the borrowing.³⁰

The Vancouver Board of Trade (traditionally a strong supporter of P.G.E. expansion) also advised the government not to embark on the Peace River extensions without previously studying all of the factors involved. In a brief the Board submitted to the Legislature, it questioned "the advisability of expending huge sums to build and maintain a railroad whose known freight potential consists of commodities moved under extremely low freight tariffs."³¹ As it pointed out, both coal and grain freight would have to be carried at very low rates, in the case of grain at something approaching the Crowsnest Pass Agreement freight rates which the Board suspected were too low to be profitable.³²

²⁹Sessional Clipping Book, 1954, Part I, Prov., March 5, 13, 16.

³⁰The government's justification for this action was the need to get started before the fire season forced work to a standstill. Ibid., March 5. Building the rail link first was arguably a mistake, because it made the eventual construction of a highway to Squamish much more costly and expensive. Ibid., 1960, Part II, Prov., March 9; See also Gordon Gibson, Bull of the Woods, Douglas & McIntyre, Vancouver, 1980, p.234.

³¹Sessional Clipping Book, 1954, Part I, Prov., March 23.

³²Indeed, the Department of Trade and Industry's report indicated that both coal and grain traffic (if moved at Crowsnest Pass rates) would be less than profitable, Department of Trade and Industry, "Report on Extensions", pp.19,21-2.

The Bennett government successfully defused these critics when it revealed the extent of its preparations to the Legislature on March 25. The expansion program was no longer considered the outright gamble it was thought to be initially; still, it was clear the government was taking a calculated risk that involved the potential danger of once again pouring vast public sums into a bad investment. The government was prepared to face that risk, and in that respect the 1954 P.G.E. expansion presents a good demonstration of Premier Bennett's typically bold style and approach on developmental affairs. It was also a prime example of the great faith and conviction the Social Credit government devoted to northern development policies, and a demonstration of its strong optimism over the future industrial importance of northeastern B.C. The Department of Trade and Industry's report had concluded that the northern extensions could only be justified if there was reasonable expectation that the long-term development of the Peace River district would ultimately make them profitable, or, alternatively, if the non-economic benefits were worth the permanent subsidy required to maintain them.³³ There were, of course, numerous non-economic benefits to be gained from the expansion program, but clearly the government did not believe that the rail line would require permanent subsidization and based its decision to proceed on the belief that industrial development in the North would

³³Ibid., p.25.

eventually provide enough traffic to make the program a financial and economic success. So strong was that conviction, that Premier Bennett declared he was staking his political future and that of his party on the faith that the proposed \$50,000,000 northern extension and the \$10,000,000 southern extension would eventually transform the P.G.E. into a profitable enterprise and enable it to repay the fifty years' worth of debts owed the province, calculated in 1954 at \$152,720,338.³⁴

Results of the Program

Ultimately, very few of the government's predictions with regard to the Peace River expansion proved correct, and the program (as mentioned at the outset) achieved only qualified financial and economic success. That outcome, though, was far from detrimental to Bennett or his party. The Premier's gamble paid off handsomely from a political standpoint, for the general public, long fed up with the P.G.E. problem, was gratified that something had finally been done about it. The program had largely been necessary in any event, for the extensions were needed to fill "the gaps in the network" and to complete the P.G.E. system in its originally planned form.³⁵ It was generally agreed that the railway should be finished, and there had never been a

³⁴Sessional Clipping Book, 1954, Part I, Prov., March 25.

³⁵Ruppenthal and Keast, A Railway Derailed, p.119.

better time financially for the province to complete that task. The long-standing and long-promised demands of northeastern residents also had to be satisfied, and the Bennett government's approach was arguably defensible in that it saved time and spending money on a project that had to be completed regardless of its economic merits. The extensions, moreover, successfully fulfilled their intended social and patriotic functions by further integrating northeastern B.C. with the remainder of the province and helping to counterbalance the economic influence and pull of Alberta in that region. For those reasons alone, the Peace River expansion was undoubtedly a worthy and justifiable undertaking, and most British Columbians were understandably proud of their government's accomplishment. That sentiment was extremely important, not merely for the boost it gave Bennett's party, but also because of its influence on later events. The Peace River expansion program was one of Bennett's first major political achievements, and it greatly strengthened his determination to use the P.G.E. to pursue further northern development aims.

By the time Premier Bennett was ready to embark on new P.G.E. ventures in the mid-1960's, however, an impression had arisen that the 1954 undertaking had paid off handsomely in economic as well as social and political terms. As suggested earlier, there is now reason to question whether the economic results of Peace River extensions were as great as was portrayed by the government and the railway's management during the late 1950's and 60's. The Royal

Commission appointed in 1977 to examine the railway's affairs revealed that the P.G.E. (by then renamed the British Columbia Railway) was in far worse financial and economic condition than had publicly been revealed. The Commission's report showed clearly for the first time that many of the assumptions traditionally associated with the railway's role in economic development had been little better than myths. One such myth was the long-held view that the Peace River extensions were largely responsible for improving the P.G.E.'s fortunes and transforming the railway into a viable economic concern. The Commission's report indicated, instead, that those northern branches had brought only marginal returns over the years, and that the B.C.R.'s only profitable operations were the central sections of the railway farther south. These findings contrasted sharply with the accepted view of the importance of the Peace River extensions in provincial development, and show a need to re-evaluate the P.G.E. expansion program of the 1950's.

The Royal Commission report indicated that completion of the Fort St. John and Dawson Creek extensions provided some new traffic for the P.G.E., but nothing approaching the scale anticipated. For example, as the Vancouver Board of Trade had feared, grain traffic proved quite unrewarding, largely because the railway had to accept non-compensatory rates. To compete with the Northern Alberta Railways, the P.G.E. adopted the very low Crowsnest Pass export rates on

grain in 1958.³⁶ Over the years, moreover, and in spite of escalating costs, the rate structure was retained and the railway faced substantial losses on all grain it shipped.³⁷ The Chetwynd to Dawson Creek portion of the Peace River extension, which handled mostly grain traffic, became one of the most unprofitable sections of the entire system. Expectations of attracting a large share of the grain business from Alberta's Peace River district were never realized, and the major portion of that traffic continued to be carried over the Northern Alberta Railways (mercifully, considering the low rates), with little traffic being interchanged between the N.A.R. and P.G.E. at Dawson Creek.³⁸

The northern branch of the Peace River extension to Fort St. John proved more beneficial, largely owing to expansion of the natural gas industry in northeastern B.C. during the late 1950's. The railway's influence was marginal, since natural gas was transported to markets by pipeline, but the establishment of refining facilities near Fort St. John did bring significant new traffic to the

³⁶The 1977 Royal Commission failed to determine whether or not those rates were remunerative at the time. Report of the Royal Commission on the B.C.R., Vol II, Chap. III, p.174; Vol. III, Chap. VI, p.47.

³⁷The Crowsnest rates were kept low by the federal government in the interests of western grain shippers. The P.G.E. had to retain the same structure to be competitive, even though the national railways received federal subsidies to partially compensate for their losses, while the P.G.E. received no similar subsidies from the province. Ibid., Vol. III, Chap. VI, p.47.

³⁸Ibid., pp.27-8, 46-7; Vol. II, Chap. III, pp.174-5.

P.G.E. in the form of petroleum by-products. These, oddly enough, were never mentioned by Bennett when he presented his traffic forecasts to the Legislature. Nevertheless, the anticipated development of large-scale petroleum and natural gas industries in the Peace River district undoubtedly was a factor in the government's decision, because it promised to provide traffic for the P.G.E. and because it would generate increased revenues that could help pay the costs of the extension program.³⁹ The P.G.E. also derived heavier forestry traffic due to the expansion of sawmilling operations near Fort St. John and at Chetwynd during the late 1950's. The Chetwynd to Fort St. John branch, thanks to its lumber and petroleum shipments, was thus more valuable than the Dawson Creek link, but not even that section of the Peace River extension operated at a profit in subsequent years.⁴⁰

The Royal Commission only examined the performance of the northern extensions in the mid-1970's, however, in a period when resource traffic had declined due to a downturn in economic activity. The Commission never studied their economic value in the 1950's and 60's, and without sufficient evidence it is difficult to determine exactly to

³⁹Victoria Colonist, June 19, 1954, p.1. The Department of Trade and Industry's report went only so far as to predict that increased oil and natural gas exploration and discovery in the Peace River district would at least provide additional high revenue "merchandise" traffic. Department of Trade and Industry, "Report on Extensions", p.2.

⁴⁰Report of the Royal Commission on the B.C.R., Vol II, Chap. III, pp.172-3; Vol. III, Chap. VI, pp.28-9.

what extent the new lines contributed to the railway's overall profitability in the years immediately following their completion. Freight traffic on the P.G.E. as a whole rose steadily from 1.5 million tons in 1959, to 2.3 million in 1963, 2.7 million in 1965, and 4.1 million in 1968.⁴¹ But while the Peace River connections provided some of that added traffic, the greater portion, according to the Royal Commission, originated along the central sections of the P.G.E. reflecting the rapidly expanding forest products industry of the Prince George-Quesnel-Williams Lake region during the 1950's and 1960's.⁴² Joseph Broadbent rightfully points out that the northern extensions were an important ingredient of that forest industry expansion, because they fed lumber and later pulp mill products from the area north of Summit Lake into the Prince George section of the line.⁴³ But just how profitable the northern extensions were in the short term and the extent to which they contributed to the railway's improved traffic picture after 1958 remains a matter of speculation.⁴⁴

⁴¹B.C., Financial and Economic Review, Victoria, 1959, 1963, 1965, 1968.

⁴²Report of the Royal Commission on the B.C.R., Vol. II, Chap. III, p.201. A perusal of the railway's annual reports also suggests that most of the new traffic arose from that source, though exact statistics are not given. P.G.E. Railway, Annual Reports, 1959-68.

⁴³Personal interview, Aug. 10, 1984.

⁴⁴Neither the present-day B.C. Railway nor the provincial archives has sufficient records dating back to the 1950's and early 60's to make this evaluation, and apparently the statistics kept by the P.G.E. at that time did not provide any financial break-down or comparison between the northern and southern sections of the railway. Interview with Walter

It appears that neither the government nor the railway ever examined the financial and economic performance of the Peace River extensions. Bennett and the Socreds usually pointed to increased carloadings as proof of the government's wisdom in extending the railway in 1954, a propaganda tactic that tended to obscure whether or not the extensions had indeed provided their anticipated returns. During a period of general prosperity, and with the evident industrial progress taking place along the P.G.E.'s route, there was little reason to question the government's claims.

From the evidence that is available, however, it is possible to draw some reasonable conclusions about the overall economic results of the 1954 Peace River expansion program. The Royal Commission's conclusion that the lines north of Chetwynd were unprofitable and Broadbent's claim that they provided considerable forest industry traffic from the region north of Summit Lake are by no means contradictory. It can be argued that the northern extensions did serve their purpose of opening up and attracting forest industry business north of Prince George and west of the Rocky Mountains, but north and east of Chetwynd the economic merits of the 1954 expansion program were not as substantial and certainly not as long-lasting as the government had predicted when it first launched the program. This being the case, it would appear that the government greatly exaggerated the railway's importance in promoting new

** (cont'd) Young, Manager of Marketing and Sales, British Columbia Railway, Dec. 13, 1985.

economic development in northeastern B.C., and in so doing created a false impression of the need and desirability of expanding the railway even farther into the northern wilderness.

A similar conclusion can be drawn with respect to the railway's overall financial improvement. Bennett had promised that the extension would transform the P.G.E. into a profitable concern, but government boasting over the steady increase of business on the P.G.E. tended to mask the fact that its financial picture improved only marginally after 1954. The Bennett government that year eased the railway's plight by writing off \$90,898,506 of the P.G.E.'s accumulated debt that represented uncollectable back interest owed to the province. That left a book debt of \$59,222,873 (representing the government's actual past capital expenditures on the railway) on which the financial success of its operations would hereafter be judged. By being freed of the pyramided interest debt, the railway would have to pay only on actual investments made, and so would be in a better position to pay its own way, which would give its management more incentive to try to do so.⁴⁵

⁴⁵Mitchell states that B.C.'s business community was horrified over the government removing the debt burden in this fashion. W.A.C., pp.208-09. There is no evidence of this, however, and the move was by no means original nor without precedent. The C.N.R.'s debt had earlier been reduced in the same fashion, and Premier Johnson at one time had considered a similar measure for the P.G.E. In fact, it was recommended by the P.G.E.'s accountants - Buttar and Chiene - as early as 1943. Sessional Clipping Book, 1954, Part IV, Times, March 26; Vancouver News-Herald, March 26, 1954, p.4. Memorandum to the Premier from the Assistant Deputy Minister of Finance, July 12, 1943, Premiers' Papers, PABC, GR 1222, Box 164, File 14.

In effect, the P.G.E. was given a new start, plus additional funds for expansion, on the promise that it would now become self-supporting and a prosperous concern.

Even then the P.G.E.'s subsequent financial performance still remained unclear because of the government's method of reporting on operations. In essence, Premier Bennett (in his capacity as President of the P.G.E.) managed the provincial railway like a private company whose affairs were often screened from the public gaze.⁴⁶ The Opposition complained bitterly against that situation, especially since the P.G.E., like the other Crown corporations, was empowered to issue bonds which thereafter became contingent liabilities of the provincial government as guarantor. Though the province was ultimately responsible for the P.G.E.'s debt, the new arrangement allowed little room for public scrutiny into, or control over, the railway's financial affairs. The government often asked the Legislature to approve additional borrowing powers for the P.G.E., but provided only sketchy details as to how the money was being spent.⁴⁷

The repeated refusals to open the railway's books to full public scrutiny led to suspicions that the government juggled the accounts each year so as to show a profit. Operating surpluses were announced annually from 1954 to 1957 (\$265,000, \$769,000, \$1,300,000, and \$1,241,788

⁴⁶This was typical of the Bennett government's handling of all Crown corporations. Sessional Clipping Book, 1959, Part II, Sun, March 10.

⁴⁷Ibid., Part I, Prov., Feb. 28, March 10.

respectively) but spending on northern construction was not included, nor was enough information supplied to enable a picture of the P.G.E.'s true financial performance to be examined.⁴⁹ Then suddenly in 1959 a new accounting procedure was adopted that appeared to confirm the Opposition's accusations of 'creative book-keeping'. The railway's report to the Legislature for 1958 showed a net profit, but unlike previous years, that figure did not include deductions for depreciation, while the costs of 'track relaying and deficiency maintenance' also were not charged to operating expenses as in the past. Under the old system, the railroad would have had to report a loss of \$635,494, instead of a profit of \$496,476.⁵⁰

Assisted by these 'reforms', the Bennett government in the late 1950's was able to repeatedly proclaim that its expansion policy had successfully transformed the P.G.E. into a paying proposition - one that Bennett stated in 1959 "will never again have to be a burden" on the B.C. taxpayer⁵⁰ - but to offer little hard evidence to support those claims. When the government became a little more open regarding the P.G.E.'s accounts in the early 1960's, the information began to reveal that Bennett's previous boasts had been unwarranted. The accounts for 1960, the first year the Peace River extensions figured in the railway's regular

⁴⁹Vancouver Province, Feb. 26, 1958, p.1.

⁵⁰Sessional Chipping Book, 1959, Part II, Sun, Feb. 21.

⁵⁰Ibid.

accounts, showed a deficit of \$2,904,786, including interest and depreciation which were now charged once more. Under this form of book-keeping further losses were reported during the next six years (\$1,810,101 for 1961; \$1,433,210 for 1962; \$222,370 for 1963; \$535,288 for 1964; \$1,744,969 for 1965; and \$560,585 for 1966) until a profit of \$595,322 was finally achieved in 1967.⁵¹ More profits were reported each year after that: \$669,949 for 1968; \$764,131 for 1969; \$896,923 for 1970; \$989,589 for 1971; and \$992,499 for 1972) until 1973, when the railway suffered a net loss of \$3,302,344 owing to strikes and boxcar shortages experienced during that year.⁵²

By this time the N.D.P. were in charge, and a comprehensive review of the railway's financial affairs was underway. B.C.'s Comptroller-General, J.V. Minty, investigated the company's accounting policies in March, 1973, and was highly critical of the railway's overall financial management.⁵³ Soon afterwards, the government commissioned Price Waterhouse and Co. to do a further review, and their report also identified the need for

⁵¹Ibid., 1963, Part I, Times, Feb. 8; 1964, Part I, Col., Feb. 8; 1965, Part I, Prov., Feb. 6; 1966, Part I, Col., Feb. 12; 1967, Part I, Prov., Feb. 8; 1968, Part I, Prov., Feb. 10. See P.G.E. Railway, Annual Reports, 1960-67.

⁵²P.G.E. Railway, Annual Reports, 1968-73.

⁵³B.C., Office of the Comptroller General, "British Columbia Railway: review of effectiveness of the financial systems", April 5, 1973, Exhibit # 264B, Royal Commission on the B.C.R., PABC, GR 500, Box 10, File 1f.

improvements.⁵⁴ As a result of these investigations, significant changes were made in the company's accounting methods during 1974, and its financial reporting was changed to conform with the regulations of the Canadian Transport Commission. Past financial statements, it was found, had never properly recorded depreciation charges in accordance with those regulations, and thus had concealed the railway's true financial position. The P.G.E.'s accounts were restated retroactively to 1957, and now showed that the railway had been losing money every year and had accumulated a deficit of \$38,187,000 for the period 1957-69, compared to the \$4,369,000 deficit originally reported.⁵⁵

Whether the Social Credit government ever deliberately manipulated the P.G.E.'s books or not is a matter of speculation.⁵⁶

⁵⁴Price Waterhouse and Company, "A Review of Financial Reporting and Control Practices of the British Columbia Railway", Aug. 1973, Exhibit 264K, Royal Commission on the B.C.R., PABC, GR 500, Box 10, File 12.

⁵⁵See B.C. Railway. Annual Report, 1974. Also Vancouver Province, June 7, 1975, pp. 1, 8.

⁵⁶Joseph Broadbent maintains that Bennett never directly interfered with the railway's financial affairs and that there was nothing improper about the P.G.E.'s accounting methods during his term as general manager. Personal interview, August 10, 1984. Bennett in 1975 also denied any interference and later blamed the P.G.E.'s auditors for failing to change their method of calculating depreciation in accordance with the standards used by C.N. and C.P. Vancouver Province, June 12, 1975, p. 13; Transcripts, W.A.C. Bennett interviewed by David Mitchell, Feb. 11, 1978, PABC, 1675-36, Track 2, p. 18. Both the Minty and Price Waterhouse reports similarly suggest that the P.G.E., after adopting in 1956 the Uniform Classification of Accounts prescribed by the Canadian Transport Commission, failed to calculate depreciation in accordance with that system, but provided no reason or indication as to why that was so. B.C., Office of the Comptroller General, "B.C.R.: review of effectiveness of

but it is now clear that the reports issued during the Bennett period did not reflect the true financial state of the railway and that by the late 1960's the P.G.E. had not become the great money-maker that Bennett had so often predicted it would become. Even using Bennett's own published figures, the rather slow financial improvement of the railway during the course of the decade contrasted sharply with the Premier's repeated claims that his railway expansion program had proved a tremendous financial success. Bennett had been able to continue his boasting because the railway always appeared to be edging out of the red. The appearance of financial improvement, together with increasing traffic and operating surpluses during the 1960's, enabled Bennett to continue to hold out the hope that someday the railway would achieve a genuine profit. Finally, the apparent shift of P.G.E. operations to the black in 1967 swept aside any remaining fears that the government's earlier gamble in expanding the railway had been a mistake. The improved fortunes after 1966 were the result of many other factors, but the transformation of the P.G.E. into a 'profitable' concern was justification to Bennett and the Socreds for the bold manner in which the 1954 expansion program was undertaken, and an example for further railroad-building adventures.

36 (cont'd) the financial systems", Section 1; Price Waterhouse and Co., "A Review of Financial Reporting and Control Practices", p. 14.

Of course, Bennett's contention that the P.G.E. had become a roaring financial success and was no longer a burden on the provincial taxpayer was not universally accepted. On occasion, as in 1961 when the government was forced to advance another \$5 million out of government revenues to the P.G.E., there were mutterings that Bennett's "brightest jewel" required "a little rubbing up, the best polish...being a few more millions out of taxes."⁵⁷ But the Opposition, after rebuking Bennett for having misled the public in the past, was forced nonetheless to support the new subsidization on the grounds that the P.G.E. was performing essential work in the economic development of northern B.C.⁵⁸ Unfortunately, however, no one really understood exactly what its role was, nor (as one astute reporter wondered) was the question "where will all this financial devotion to the P.G.E. end" ever raised.⁵⁹ Without a complete picture of the internal workings and business performance of the P.G.E., public money could be poured into the railway beyond what might be justified by its real value to the provincial economy. This, as will be seen, was to eventually occur with the construction programs of the late 1960's, which were far more costly than the Peace River

⁵⁷Sessional Clipping Book, 1961, Part IV, Sun, March 11.

⁵⁸Bennett, of course, never acknowledged that he was subsidizing the P.G.E. The advance was referred to as a 'loan', to be repaid as soon as the federal government came through with the grant Bennett had vainly been seeking for seven years. Ibid., Part II, Times, March 11.

⁵⁹Ibid., Part IV, Sun, March 11.

extensions, and far less worthy of the tremendous public expense they entailed.

The Legacy of the Peace River Extensions

It is not hard to see, then, why the misleading interpretation of the profitability of the Peace River extensions persisted for so many years, and why, as a result, the next programs of expansion undertaken in the late 1960's were so sadly over-optimistic. The prosperity of the period, the rapid growth of industrial activity in the areas where the P.G.E. served, the obscurity that surrounded the P.G.E.'s operations, the misleading financial reports, and partisan Soviet propaganda, all caused the actual benefits derived from the 1954 expansion program to be exaggerated. True, the extension of rail service to Fort St. John and Dawson Creek coincided with the rapid industrial expansion in the Peace River district in the mid and late 1950's, but was the railway the major, essential spur to that development?⁶⁰ Investigation of the course of development in that region would undoubtedly have revealed that it was not the indispensable ingredient that the government professed, and that it had been only marginally successful in realizing anticipated business and economic returns. But no such review was deemed necessary; instead,

⁶⁰For example, see Bennett's reference to the railway in Sessional Clipping Book, 1964, Part II, Times, Feb. 7.

the long-standing beliefs in the P.G.E.'s role as a 'development tool', and that new railway lines would automatically trigger profitable resource traffic were reinforced, and became, in turn, the basis for future northern railway expansion adventures.

Addressing the B.C. Natural Resources Conference in 1959, Joseph Broadbent, the chief architect of both the 1950's and 1960's expansion programs, demonstrated how unshakeable the 'development tool' philosophy was. Naturally, he readily equated the recent growth of the Peace River region with the arrival of the P.G.E., and then turned to discuss the "unlimited potential" of mineral and other resources to be made available from further extensions.⁵¹ Other members present at the conference questioned whether the P.G.E. was really so completely responsible for Peace River development, particularly of the oil and natural gas industries, and charged that Broadbent's references to the mineral possibilities of northern B.C. were overly optimistic and highly misleading.⁵² Yet it was precisely such optimistic and unsubstantiated beliefs in the resource wealth of northern B.C. that were the basis for the later expansion undertakings of the 1960's.

A major political or financial disaster resulting from the 1954 expansion program undoubtedly would have been sufficient reason to take a 'second look' at the rationale

⁵¹ Natural Resources Conference, 1959, p.103.

⁵² Ibid., pp.102, 130.

behind that program and of the railway's perceived role in northern development. Instead, just the opposite occurred: the political benefits of the program, and its apparent, though largely imaginary, economic success, reinforced Bennett's strong faith in the rightness of bold expansionist undertakings and encouraged him to tackle even more grandiose, hazardous new northern adventures. From the beginning Bennett had stressed that Fort St. John was by no means the end of the line, and even before the Peace River extensions were completed he was telling British Columbians that his government's dream was to see the P.G.E. ultimately extend farther to link with the Yukon, Alaska, and the Great Slave Lake region of the Northwest Territories.⁶³ Bennett never lost sight of that dream, and nothing resulting from the Peace River expansion program was likely to alter his firm convictions on the role of the P.G.E. as an instrument for economic expansion on the northern frontier. That reinforced belief was ultimately to become the most unfortunate legacy of the 1954 P.G.E. expansion program. Had the Bennett government been content with the success achieved by its railway policy as it stood at the end of the 1950's, the eventual adverse sequel to the 1954 expansion program would never have come about, and its role in provincial development would probably be regarded more favourably today. What should have been the laying to rest of an age-old task and the accomplishment of a major

⁶³Vancouver Sun, Dec. 8, 1956, p.10.

provincial goal, however, became the precedent and justification for further, more questionable railway-building gambles.

Chapter VI

Northern Resource Expansion in the 1950's

The rail extension to the Peace River was just one example of the Social Credit government's keen pursuit of a northern development vision during its first few years in office. The young administration displayed strong interest in all issues of northern development, and its transportation program generally was accompanied by efforts to promote activity in several northern resource sectors. As with transportation policy, the Bennett government's early resource management and development affairs involved mainly continuing or extending promotional strategies and practices inherited from the Coalition. Only in the later part of the 1950's did the Socreds embark on policies and programs that were distinctively their own, pursuing northern development dreams and objectives that were different and far more ambitious than those of earlier years.

Two reasons stand out for the strong similarities between Coalition and Social Credit resource policies in the years following the 1952 election. As indicated previously, many of the Coalition's efforts to promote resource activity in northern B.C. were just beginning to bear fruit when the Socreds assumed power in Victoria. Wholesale changes or alterations were therefore deemed unnecessary, and the new government became concerned primarily with completing or

fine-tuning its predecessor's initiatives. Moreover, Social Credit's ideological outlook was very similar to that of the Coalition, particularly on the key issue of public versus private enterprise. Both shared the belief that the best policy was to encourage private enterprise to develop the province's natural resources, with the government intervening only to the extent required to uphold the public's interest. Hence, the Bennett government had little difficulty adopting most of Coalition's resource policies and developmental strategies outright, with only minor modifications.

The Natural Gas Industry

The best example of continuity was in the field of natural gas development. When the Socreds took over in 1952, northeastern B.C. was quickly gaining recognition as a good natural gas region following recent discoveries in the Fort St. John vicinity. The previous government's initiative in opening the region to private exploration for petroleum and natural gas had proved successful from the standpoint of discovery, with sixteen natural gas wells completed by the end of 1952, ten of them since 1951.¹ Encouraged by these results, the new Social Credit administration retained the same developmental strategy, but added its own legislative and administrative improvements. Responsibility for

¹Department of Mines, Report, 1957, p.99.

administering the Petroleum and Natural Gas Act, for instance, was given to the Department of Mines in 1953, then in the following year a new Act replaced that introduced by the Coalition in 1947. The 1954 Act eliminated the issuance of licences to conduct drilling operations under the old legislation, and retained only two forms of tenure -- permits for exploration work, including exploratory drilling; and leases to produce oil or natural gas. The financial incentives offered in the 1947 Act to encourage developmental work leading to early production also were removed, and were replaced by the stipulation that permit holders must carry out work of a specified value each year (10 cents per acre in the first year, rising to 60 cents per acre in the fourth) or pay additional fees in lieu of such work. In addition, the minimum acreage allowed for permits was increased to stop speculators from acquiring small permits solely for the purpose of making deals with major companies. The new legislation also levied a rising scale of fees on lands not being developed that made it cheaper for the permittee to work his property rather than hold it for speculative gain.² While the 1954 Act employed slightly different tactics than had its predecessor, it did not change the basic object of stimulating private exploration and drilling activity, and turning discoveries into producing wells as quickly as possible.³

²Sessional Clipping Book, 1954, Part II, Sun, March 16.

³B.C., Statutes, "An Act Respecting Petroleum and Natural Gas", Victoria, 1954, Chap. 31, pp. 137-59.

Under these arrangements the pace of discoveries in northeastern B.C. continued to accelerate, which had been the case throughout the first few years of Social Credit rule. An additional seventeen gas wells were completed in 1953, with another fifteen in 1954, bringing the cumulative total to forty-eight gas wells capable of production.* Despite the promising discovery rate, however, only two of those forty-eight wells were actually in production supplying the local Fort St. John market. For the remaining wells and future ones to be used to full capacity, a pipeline was required that would carry the gas to the populated markets of southern British Columbia and northwestern United States. The eventual need for a pipeline had been recognized during the Coalition period, but the required quantity of reserves to justify a pipeline were not discovered before 1951-52. Hence it fell to the new Social Credit administration to oversee that next, crucial stage of development and carry out the policy of opening the Northeast to full-scale private petroleum development.

In the year Bennett became Premier, Westcoast Transmission Co. Ltd. (a pipeline firm incorporated by Frank McMahon, President of Pacific Petroleums Ltd.) began negotiating for rights to build a 30-inch, 650-mile natural gas pipeline from the Peace River country across interior B.C. to Vancouver, with branch lines to the U.S. Pacific Northwest. The negotiations, requiring approval from

*Department of Mines, Report, 1957, p.99.

different levels of government on both sides of the border, were highly complicated and took over two years to complete. The first rounds were won in 1952 when Westcoast was granted permission from the Alberta government to export northern Alberta gas westward into B.C., and Ottawa subsequently granted the licences to export natural gas from Canada. Negotiations bogged down in June, 1954, however, when the Federal Power Commission in Washington rejected Westcoast's bid and awarded the permit to serve the U.S.'s Pacific Northwest markets to the Pacific Northwest Pipeline Corporation of Houston, Texas. That decision threatened to destroy the Westcoast plan, since a pipeline through B.C. was uneconomic without the Oregon and Washington State markets. McMahon and associates persisted, however, and following six months of further negotiations a deal was worked out whereby Westcoast would build its pipeline to the U.S.-Canada border and sell gas on a long-term contract to the Pacific Northwest Corp. The price paid for the gas was not a good one, barely enough to cover costs, but Westcoast needed the contract to get the pipeline built and was in no position to bargain with the American firm.⁵ The cheap price would sadly affect the economics of the pipeline and cause

⁵Because the Pacific Northwest Corporation held the franchise to sell gas in the crucial Pacific Northwest region, it had Westcoast over a barrel and could dictate terms. This, one suspects, was probably the purpose behind the U.S. Federal Power Commission's decision to award the rights to the American firm in the first place, since the latter did not have sufficient reserves of its own to serve the Northwest market. See Earle Gray, Wildcatters: The Story of Pacific Petroleum and Westcoast Transmission, McClelland and Stewart Ltd., Toronto, 1982, pp.172, 177-8.

Westcoast endless controversy in the years ahead; nevertheless, it paved the way for approval by the U.S. Federal Power Commission in December 1954, and in October of the following year, construction began on the \$162 million project which took two years to complete.⁶

The Bennett government endorsed and supported the Westcoast pipeline through every stage of the negotiations, recognizing it was the best means of promoting full-scale development of the province's natural gas industry. So keen was Bennett's interest that when it appeared the Federal Power Commission might withhold approval, he hinted the B.C. government might join Westcoast in building the pipeline.⁷ His strong support of the Westcoast proposal was only natural, for the pipeline would promote industrial expansion in the Peace River district, provide increased employment opportunities during and after construction, and generate a very large revenue to bolster his government's financial resources. Equally important, the Westcoast project upheld the province's interest by assuring that Peace River gas was developed and piped to the Lower Mainland for use by British Columbia consumers, as against rival proposals that sought to transport gas from either southern Alberta or the southwestern United States to serve the Pacific Northwest market.⁸ While those projects would have met B.C. consumer's

⁶Vancouver Province, Oct. 8, 1957, p.99.

⁷Ibid., April 11, 1956, p.17.

⁸Vancouver Sun, Sept. 1, 1954, p.2; Earle Gray, Wildcatters, pp.100-01.

needs (via a spur line from Seattle) they also would have deprived the province of the construction and the developmental benefits of an all-B.C. route.

The Westcoast Transmission pipeline, as predicted, provided the stimulus that transformed the Peace River district into a major gas producing region. News of its approval touched off a flurry of drilling activity in the late 1950's, and with an assured outlet and market more and more new discoveries were able to go into production. Between 1955 and 1957, while the pipeline was being constructed, the number of wells drilled in the region nearly doubled, from 157 to 308. From those, 130 wells were capable of production, an increase of 74 since 1955. Following completion of the pipeline in October 1957, 46 of those 130 potential producers were put into production by the end of that year, as compared with only 3 in 1956. At the end of the following year, the number had risen to 69 out of a total of 148 potential producers, and proven reserves for the B.C. Peace River region were established at 1.9 trillion cubic feet of raw gas.⁹

The rapid increase of exploratory and developmental activity also promoted the oil industry, though petroleum development proved much slower than natural gas. The first oil well was completed in only 1955, and by 1958 there were only 39 completed oil wells as compared with 152 gas wells. Larger oil discoveries resulted towards the end of the

⁹Department of Mines, Report, 1957, p.99; 1958, p.116.

decade from the accelerated search for natural gas, but as with natural gas, full-scale petroleum development was hindered by insufficient markets. An oil refinery began operating at Dawson Creek for local use early in 1956, producing asphalt to pave the southern part of the Alaska Highway, but that limited market could not support the already available capacity, so only 28 oil wells were in production in 1958.¹⁰ The situation prompted discussion of parallelling the gas pipeline with another for oil, and in 1954 Premier Bennett began urging Westcoast and other companies to undertake this project.¹¹ For the time being, however, the Premier was unsuccessful, as building the facility was a riskier economic proposition than was the gas pipeline, and six more years would elapse before this next advance occurred.¹² Nevertheless, the prospect for oil production in the Peace River region appeared highly promising by the end of the 1950's.

The gas pipeline project also included processing facilities in the Fort St. John district, which created important new employment opportunities in that traditionally agricultural region. By 1957, an extensive gas-gathering system had been installed in the Fort St. John field, and Plains Western Gas Company was operating a small absorption plant to remove hydrogen sulphide and other impurities from

¹⁰Ibid., 1958, pp.108-9.

¹¹Sherman, Bennett, p.181.

¹²See below, Chapter VIII.

the gas. In addition, a large refining complex, comprising a scrubbing plant jointly owned by Westcoast Transmission and Pacific Petroleum Ltd.; a refinery jointly owned by Pacific Petroleum and the Phillips Petroleum Co.; and a sulphur plant owned by Jefferson Lake Sulphur Co., was completed at Taylor, just south of Fort St. John. These installations were located in part by knowledge that the P.G.E. railway would soon be constructed to Fort St. John, according to Joseph Broadbent.¹³ To haul away the bulky petroleum by-products such as sulphur, butane, and propane, a railway was essential, so once the Fort St. John extension was completed those products became a major source of freight for the P.G.E. Afterwards, the Premier and Ralph Chetwynd claimed their government had anticipated this development when it had first embarked on the railway expansion program, and that knowledge of Westcoast's plans greatly speeded the decision to extend the P.G.E. to the Peace River district.¹⁴ At the time there was no guarantee that the pipeline would be approved, but Bennett's tremendous enthusiasm for the Westcoast project obviously went a long way to encourage the government's railway-building gamble.

Support of the Westcoast undertaking was thus a very successful means of fulfilling the government's chief economic objectives for northeastern B.C. Together, the gas pipeline and the P.G.E. railway went far to enlarge and

¹³Natural Resources Conference, 1959, p.130.

¹⁴Vancouver Sun, Nov. 26, 1955, p.22; Victoria Times, Dec. 14, 1954, pp.1-3.

diversify the economy of the Peace River district, and the government's simultaneous pursuit of both projects showed its strong faith in the developmental potential of that region. But again, certain aspects of the Westcoast story proved controversial and ultimately damaged the project's image. For example, Bennett's close association with Frank McMahon was criticized by the Opposition as a case of political favouritism. Bennett's strong endorsement of the Westcoast project, however, was more likely a reflection of his eagerness to see development take place in northern B.C., and his judgement that the McMahon undertaking was the soundest way of realizing that goal. McMahon was simply the type of person who could get the job done; and Bennett was interested in him primarily on that account. Indeed, Bennett's support of McMahon was only one of several examples of the Social Credit government's tendency to befriend and encourage 'nouveaux entrepreneurs', men with vision and initiative who shared the same values, confidence and economic beliefs as the Premier and his Social Credit colleagues. These 'nouveaux entrepreneurs' at times performed an important function for the Bennett administration, undertaking projects the government desired when the traditional companies refused to do so, as was the case when McMahon later constructed an oil pipeline to the Peace River District.¹³

¹³See below, Chapter VIII. Edwin R. Black has interpreted the Bennett government's tendency to befriend 'nouveaux entrepreneurs' as being part of a deliberate effort to dilute the economic control of the large, established corporations in B.C. Another aspect of that policy,

More justifiable were the complaints that the export price paid for gas under the Westcoast pipeline agreement made it a bad deal for the province, especially for the consumers of southern B.C. Westcoast had agreed to sell the Pacific Northwest Corporation 300 million cubic feet of gas per day under a twenty-year contract at a price - 22 cents per thousand cu. ft. - that was one-third cheaper than the price Westcoast charged the B.C. Electric Company for gas distributed in Vancouver. Those figures suggested that B.C.'s consumers were subsidizing the sale of northeastern gas to the United States at bargain prices, which charges were investigated by a federally-appointed Royal Commission on Energy (the Borden Commission) in 1958. The Commission failed to determine conclusively if B.C.'s consumers were being short-changed,¹⁶ but it was clear that Westcoast had received an extremely poor price for its gas. For that

¹⁵(cont'd) according to Black, was to attract new companies and capital from around the world, the Wenner-Gren deal (examined in the next chapter) being the best example of that effort. Edwin R. Black, "The Politics of Exploitation", p.36. There is no evidence, however, that this policy was deliberate. In fact, the Bennett government appears to have looked to 'nouveaux entrepreneurs' and outside interests mainly because of a reluctance on the part of the established companies to undertake the government's developmental goals, as was the case with the Wenner-Gren program. See below, Chapter VII.

¹⁶The Commission hired Stone and Webster Canada Ltd. to investigate these charges and their report indicated that Westcoast's operating profits were derived "solely from the Canadian consumer and no profit was being made by Westcoast in carrying out the terms of its contract with Pacific Northwest." Westcoast's consultants, however, presented evidence contrary to those conclusions, and the Commission declined to pursue the matter any further. Canada, Royal Commission on Energy, First Report, Ottawa, October, 1958, p.23; Earle Gray, Wildcatters, pp.224-29.

reason, the Westcoast deal was denounced with some justification as being a wasteful giveaway of Canadian resources, and it gave rise to demands for stronger regulation and closer supervision of future export agreements.¹⁷

Despite Westcoast's inequitable prices, and the poor deal it had made for B.C.'s gas, the Social Credit government showed little remorse for its part in the controversy. Bennett from the start believed the arrangement was a good one, because it was based on what he considered "sound economics",¹⁸ that is, for the mutual benefit of both Canada and the United States. The Premier believed that a continentalist economic strategy (seeking co-operation with the U.S. and access to the larger American market) was essential for the rapid and full-scale development of the province's resource industries. Short-term price disadvantages were merely necessary evils to be endured in pursuit of those ultimate, priority goals. The Bennett government defended its policy by claiming that the sale of cheap natural gas to the U.S. was more than offset by the long-term benefits of industrial development and prosperity which the pipeline generated, for fundamentally it contributed immensely to the economy of northeastern B.C.

¹⁷Royal Commission on Energy, First Report, pp.13-24. The Commission also discovered that the promoters most closely associated with the project had made huge stock profits out of all proportion to the investment risks involved. Ibid., p.20.

¹⁸Vancouver Sun, Nov. 26, 1955, p.22.

(and indirectly to the prosperity of the whole province) through promoting exploration, drilling, oil and gas well servicing, natural gas processing, pipeline maintenance, as well as large construction industries associated with those phases of petroleum production.

Bennett's views, in essence, were the opposite of those economic nationalists who later criticized the arrangement. They considered the deal as a betrayal of Canadian resources for the benefit of another country; whereas to Bennett the argument was more a matter of using the American market to subsidize B.C.'s developmental needs -- especially those in the remote, northern half of the province.¹⁹ That was a fixed attitude in Bennett that would resurface some three years later in connection with the Peace River power project. The Premier, to be sure, saw no reason to change his opinions as a result of the Westcoast controversy. Public criticism never amounted to much since the price of natural gas to B.C. users, though perhaps high by American standards, was competitive in B.C. with other, less convenient fuels.²⁰ Besides, the Lower Mainland market, forecast at below 100 million cu. ft. a day, was insufficient by itself to support the pipeline. Without the larger exports to the U.S., Vancouver might not have received any natural gas at all, at least not for several years. More than likely, however, had the Westcoast project

¹⁹Vancouver Province, May 20, 1961, p.14.

²⁰Natural Resources Conference, 1956, pp.536-7.

fallen through, the Lower Mainland market would have been supplied by Alberta gas (or by U.S. gas supplemented with Alberta reserves)²¹ via a branch-line from Seattle or some other point south of the border. That solution might well have been cheaper for B.C.'s southern consumers, but it would have retarded northern development, which Bennett considered an unacceptable prospect. His support of the Westcoast pipeline project rather than the short-term interests of Vancouver consumers in that sense strongly reflected the government's considerable bias in favour of the North -- an indication that northern development no longer was subordinated to southern needs and interests as in the past, but was now an object of government attention in its own right.

Mining

The completion of railway and pipeline construction programs in northeastern B.C. went far to establish the Socreds as the new champions of northern development, and they strongly reinforced the Bennett government's faith in the future of that industrial region. Government efforts to promote industrial expansion in most other northern districts, however, were far less spectacular or auspicious.

²¹The Pacific Northwest Corporation, before making its deal with Westcoast, had planned to obtain its supplementary supplies for the Pacific Northwest market from Pincher Creek, Alberta, Earle Gray, Wildcatters, p.172.

This was especially the case in the metal-mining industry, where exploration and development activity declined generally during the decade as a result of adverse economic circumstances. Base metal prices decreased sharply with the end of the Korean War in 1953, and then, following a moderate recovery in mid-decade, fell even more abruptly in 1957-58. Consequently, the majority of the mines that were opened or reopened during the late 1940's and early 1950's were forced to close. The Silbak Premier mine, Torbrit Silver mines, Silver Standard, Big Bull and Tulsequah Chief mines were all casualties of this period, and their closings sharply reduced the mineral outputs of most northern mining districts. The exception was the Liard Mining Division, where the value of production soared from \$204,444 in 1952 to \$21,757,894 in 1960, principally due to natural gas expansion, but partly also to the growth of the Cassiar Asbestos mine, the only continuous, stable new producer throughout the decade of the 1950's, the one bright spot in an otherwise depressed northern B.C. industry.²²

Faced with the slumping metal-mining industry the Social Credit government largely failed to provide measures that might rectify the situation. The grub-staking program initiated by the Coalition was retained, but little new legislation was passed to facilitate mineral exploration or mining development. The Socreds' first move, in fact, was to increase the tax on primary mining profits from four to ten

²²Department of Mines, Reports, 1952-60.

per cent, a measure attacked as restricting rather than fostering mining expansion. The province had a right to tax up to a maximum of ten per cent under a Federal-provincial agreement of 1948, but the Coalition government, afraid of over-burdening an industry just recovering from wartime setbacks, had opted for the four per cent tax instead.²³ The mining situation had improved substantially by 1953, however, so the new administration felt confident the industry could, and should, bear the higher tax. The burden on smaller companies was eased by raising from \$5,000 to \$25,000 the income exempted from the tax, while the increase was softened for the big firms in that it could be deducted from taxable income when calculating their federal taxes. The government's assumption that the increase would not over-burden mining companies unduly proved correct, and after briefly complaining, the industry appeared fully able to live with the higher tax rate.²⁴ For the most part, the shifting fortunes of the mining industry during the 1950's reflected the economic dictates of fluctuating metal prices and markets, rather than the taxing policies of the government.

The Bennett government's firm stand against the mining companies in 1953 was assisted largely by economic

²³See above, Chapter III; also Raymond William Payne, "Corporate Power and Economic Policy Making in British Columbia, 1972-75, The Case of the Mining Industry", unpublished M.A. thesis, Simon Fraser University, 1979, pp.84-6.

²⁴Ibid., p.86; Sessional Clipping Book, 1953, Part II, Times, Oct. 8.

circumstances, which began to improve substantially for the industry once again during the course of that year. Just how important that factor had been was demonstrated later in the decade, when mining activity entered a period of more serious decline. In 1957, in a year when metal prices tumbled drastically, the Socreds introduced important legislative reforms that once again raised the ire of B.C.'s mining community. This time, however, the industry largely succeeded in forcing the government to back down, with serious effects for the future of mining development during the remaining years of Socred rule. While this episode itself had little to do with mining development in northern B.C. during the 1950's, it was an important factor shaping the way in which the industry would evolve in the North when expansionary activity resumed in the following decade.

Although the general aim of the 1957 reforms was simply to increase mining activity, they were designed to do so in a manner that afforded the government greater control over the production and utilization of mineral resources. For example, the traditional system of Crown mining claims granted in perpetuity was abandoned in favour of a leasing plan similar to what already applied to placer mining, coal mining, and fossil fuels. Under the old grant system, claims could be left dormant indefinitely by paying a minimum of only 25 cents per acre annually; while under the new system, claims could be leased initially for just five years (renewable upon review), and converted to a twenty-one year lease only if the property became a producing mine. Hence,

the arrangement, like petroleum permits, was designed to prevent companies from holding mineral properties without working them, and to encourage early development of their ore bodies.²⁵

This measure was taken on the initiative of Mines Minister W.K. Kiernan, who decided on the need for new legislation after reading the Paley Report's outline of the long-term strategic mineral requirements of the United States. The Paley Report convinced Kiernan that under B.C.'s existing legislation, "there was a real danger that British Columbia would be relegated to the position of the potential supplier of raw materials to primarily the U.S. economy somewhere along about 1990".²⁶ Kiernan hoped that by removing the Crown grant system, the government would acquire more control over the use of the ore bodies and ensure that they would be developed as soon as economically feasible.

The lease system was also intended to give the government greater regulatory power over the export of mined ores, a right that was previously left with the owner of the outright grants. The government, in particular, hoped to restrict further shipments of unprocessed iron ore to Japan and promote a domestic basic iron and steel industry

²⁵Sessional Clipping Book, 1957, Part I, Times, March 1.

²⁶Transcripts, W.K. Kiernan, interviewed by Derek Reimer, Sept. 26, 1977, PABC, 2665-9, Track 2, p.5. In a later interview with the author Kiernan made a similar statement, but set the date for Canada's dependency in the year 2020. Personal interview, Aug. 10, 1984.

utilizing the province's coastal iron reserves.²⁷ This was also the intent of two other pieces of legislation passed that year -- the Mineral Property Taxation Act, and the Iron Bounty Act. The first of these provided for a property tax of up to 10% on the assessed value of ore on all Crown granted mineral lands, but the tax (set at 50 cents per mined ton) was to apply solely to iron ore. Further, it would be effectively negated by the Iron Bounty Act if the ore was smelted or refined within the province.²⁸

The thrust of the new legislation - to increase production and stimulate more secondary manufacture - were both highly worthy objectives; but unfortunately, its implementation was badly timed and aroused great controversy. The legislation was extremely unpopular among B.C.'s mining interests, and a sharp drop in production during 1957-58 provided ample ammunition for opposition to the new measures. Though falling metal prices were the principal reason for the decline, industry representatives were quick to blame government interference, arguing that the new arrangements had, and would, continue to curb much-needed investment. Their pressures were strong enough to force the government to yield, and the leasing legislation was watered down substantially. The five-year initial lease feature was removed altogether, and the twenty-one year production lease was made virtually

²⁷Sessional Clipping Book, 1957, Part II, Prov., Feb. 14; Part V, News-Her., March 1.

²⁸Payne, "Corporate Power", p.91.

automatic, its renewal being guaranteed providing the company performed \$100 worth of work per year on its property. These changes greatly reduced the pressure on holders to put their properties into production, a major aim of the 1957 legislation.²⁹

The effort to stimulate iron and steel manufacture proved equally unrewarding. The Mineral Property Taxation Act was challenged in the courts and was ruled ultra vires of the province by the Supreme Court of Canada in 1960. While ostensibly a property tax, the Act was found to constitute an embargo on the export of iron ore, and hence would be an invasion of the federal government's authority to regulate trade and commerce.³⁰ After that decision, the Social Credit government largely gave up efforts to stimulate the secondary manufacture of mineral resources. As a result, during the ensuing decade, when mining activity expanded tremendously to meet increasing Japanese demand, the greater proportion of B.C.'s ores continued to be shipped abroad in relatively unprocessed forms.³¹

The Bennett government has often been criticized for failing to diversify the province's economic base during its

²⁹Sessional Clipping Book, 1958, Part II, Times, March 8; Part IV, Sun, March 8. Ken Kiernan maintains that the government changed the legislation because the companies' complaints were justified, and that the changes did not substantially alter the overall aim of the legislation, which was to give the government greater control over the industry through the introduction of a leasing system. Personal interview, Aug. 10, 1984.

³⁰Payne, "Corporate Power", pp.94-5.

³¹Ibid., p.106.

twenty years in power, but the history of its efforts to reform the mining industry in 1957 provides some explanation why that was the case. The Socreds came to power during a period of increasing fears over the future of B.C.'s limited quantities of iron ore. The Coalition government had attempted during the war to encourage companies to develop a steel plant in British Columbia, but their efforts had been thwarted by the steel companies' reluctance to expand to the west coast.³² The project was put on hold, while over the next six years local mining companies discovered a lucrative market for B.C.'s coastal iron reserves in Japan, prompting concern that those reserves would soon be depleted to the extent of prohibiting the establishment of a local industry in the future.

Upon coming to power, the Bennett government displayed an immediate interest in trying to deal with this problem. Bennett himself was "greatly concerned", because he felt that "the establishment of iron and steel industry is of the utmost importance", and hoped to persuade the federal government to stop the further exports of iron ore from B.C.³³ But nothing was immediately achieved in the way of restricting exports, and over the next four years, according to Ken Kiernan, enough iron ore concentrates "to keep two one hundred-ton electric furnaces in operation for twenty

³²Unpublished report on the Establishment of an Iron and Steel Industry in British Columbia, 1943, John Fortune Walker Papers, PABC, Add. Mss. 213, pp. 63-4.

³³Draft Telegram, W.A.C. Bennett to the Hon. P.A. Gaglardi, 1952, Premiers' Papers, PABC, GR 1222, Box 91, File 6.

years" were shipped abroad.³⁴ Hence, in 1956 Kiernan wrote to C.D. Howe, the federal Minister of Trade and Commerce, renewing an earlier Coalition request that the federal government restrict the export of ore in excess of one million tons of proven recoverable ore in any single deposit, or to not more than half in any deposit.³⁵

Kiernan's request was quickly rejected by Howe, however, on the grounds that, according to Clause 3 of the Export and Import Permits Act, he could only restrict commodities if there was a shortage for Canadian needs. Since there was no shortage of iron ore in B.C. and no demand for it at that time, iron ore could not be considered in that category.³⁶ This rejection undoubtedly induced the Bennett government to proceed with the Mineral Property Taxation Act, which was later declared to be ultra vires.³⁷

Contrary to popular criticism, then, the Soviets obviously were not opposed to increasing secondary manufacture, and they did not willingly choose to ignore the problem, at least in this early period. But they did find it very difficult to effect measures promoting secondary

³⁴Hon. W.K. Kiernan to C.D. Howe, Minister of Trade and Commerce, July 6, 1956, B.C. Department of Mines, PABC, GR 1095, Box 1, File 14.

³⁵Ibid.

³⁶C.D. Howe to W.K. Kiernan, July 11, 1956, B.C. Department of Mines, PABC, GR 1095, Box 1, File 14.

³⁷Kiernan could not recall the letter to C.D. Howe, so the author cannot be sure to what extent this rejection actually influenced the making of the 1957 reforms. Personal interview, Aug. 10, 1984.

processing of mineral resources for several reasons. In this instance, the government's efforts were thwarted by the division between federal and provincial powers, and also by strong industry opposition. As one study has noted, the companies were able to throw the blame for the decline in mining activity during 1957-58 on the government, which, being highly committed to the pursuit of economic development and continued prosperity, simply "could not afford to become associated with...economic decline or even the appearance of it"³⁸. The mining companies succeeded in creating that impression, and made the government more reluctant to interfere with the industry in future -- "Experience had shown that the road to mining reform was fraught with political hazards".³⁹ It became safer in future for the Socreds to adopt a laissez-faire attitude and bask in the short-term prosperity that raw material exports afforded.

But while the Bennett government's overriding devotion to raw economic growth was undoubtedly one reason why no prolonged effort to diversify the province's narrow economic base was persisted in during these years, a more important reason perhaps was that iron and steel and other secondary mineral manufacturing was simply uneconomical. Even with the subsidy offered, B.C.'s iron ore reserves were never large enough, as Ken Kiernan has pointed out, to convince the

³⁸Ibid., p.107.

³⁹Ibid., p.106.

companies to build a smelter which they felt would have to be too small to be profitable.⁴⁰ The evidence suggests that both the Coalition and the Social Credit governments at the time believed such a mill could be made profitable, but whether that was the case or not was never adequately proved. Both governments relied on private enterprise to come forward with plans for a smelter, and were never inclined to study the project as a government enterprise or to offer wholesale subsidies that would entail government involvement in the planning and design of the mill.⁴¹ Without sufficient interest from private enterprise, then, it is not surprising that the Bennett government became less inclined to promote secondary processing of mineral resources in later years, particularly, as will be seen, when environmental complications also appeared to curtail interest in constructing a major smelter in B.C.⁴²

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It should be noted that new legislative arrangements were not the only means by which the Social Credit government sought to encourage greater mining activity in northern B.C. during the 1950's. The government also made a strong effort to improve the northwestern region's

⁴⁰Personal interview, Aug. 10, 1984.

⁴¹Ibid.

⁴²See below, Chapter VIII.

accessibility, exemplified by the commencement in 1954 of a large-scale mining development road connecting the new community of Cassiar with Stewart on the coast. Its purposes were to enable asbestos fibre from the newly-established Cassiar Asbestos mine to be shipped to tidewater, and to open a relatively remote region known to be geologically favourable for mining development. Building a road into the territory east of the Alaska Panhandle had been discussed for some years; in fact, the Coalition government had begun a five year survey of the area between Hazelton and Atlin in 1948-49 in connection with plans for a possible second Alaska Highway.¹ Though the data from those surveys was used to locate the new road, it is highly unlikely that the Social Credit government would have undertaken the project at all had it not been for the large, successful Cassiar Asbestos operation. The majority of the mines that were developed and put into operation in northern B.C. during the late 1940's and early 1950's were intermittent producers, and many were shut down by 1959. The Cassiar mine, in contrast, was a long-term operation, which promised to provide greater stability to the region's economy. Production at the mine began in 1952, and the firm carried out continuous developmental work over the next six years, expanding its plant in several stages and constructing a modern company town nearby. By 1958, the value of output had reached \$8,203,384 - from a mere \$23,000 in 1952 - and the

¹Natural Resources Conference, 1954, p.114.

mine was well on its way to becoming the first long-term producer of the post-war period in northern B.C.⁴⁴

The early history of the Cassiar mine, however, underlined the problems inadequate transportation posed for the development of the industry in the region. The mine was hampered severely during its early years by high transportation costs. The fibre had to be trucked over the Alaska Highway to Whitehorse, trans-shipped by the White Pass and Yukon Railway to Skagway, then shipped to Vancouver en route to its ultimate destinations abroad.⁴⁵ That procedure was so expensive that only higher grades of fibre were worth shipping, and the lower grades were stockpiled awaiting a more economical mode of transport. The Cassiar company therefore badly needed a road constructed to Stewart, which would provide direct and cheaper access to tidewater. However, while there was nothing wrong with assisting the mine because of its importance for the regional economy, the company's need was not sufficient economic justification in itself for undertaking such a large, costly project chiefly to benefit a single company. Moreover, the government eventually committed the whole of its share from the federal government's Roads to Resources program to finance construction of this one project, instead of distributing the federal allotment among a number of projects. While the government made much mention of the

⁴⁴Department of Mines, Reports, 1952-8.

⁴⁵K.J. Rea, Political Economy of Northern Development, p.67.

road's potential value in stimulating forestry and mining, there was no guarantee that the road would produce the widespread resource activity in northwestern B.C. the Socreds expected. As with so many of its other programs in northern B.C., the Bennett government was gambling that the Stewart-Cassiar road would eventually pay for itself by opening up previously remote, inaccessible regions to industrial expansion.

The prospect of the road being completed into a relatively unexplored, but highly promising mining region did provide some encouragement to an otherwise depressed industry in northern B.C., and it stimulated increased exploration interest in the area. But the Stewart-Cassiar road failed, in general, to live up to the expectations held out for it (at least in the short-term). It also proved a great thorn in the side of the Social Credit government, besides, by becoming the source of a minor political scandal. In 1956 it was revealed that the company hired during the past two years for the construction - Wade and Wells Ltd., of Castlegar - hailed from the same home town as Robert Sommers, the Lands and Forests Minister, and that the firm's principal directors were close acquaintances of that controversial cabinet member.⁴⁶ The Castlegar firm, moreover, had been selected (no tenders were called) over another company that had already been working on the road

⁴⁶Sessional Clipping Book, 1956, Part II, Prov., Jan. 31, Feb. 10. Since the road was classified as a mining assistance road it fell under Sommers' jurisdiction, rather than the Department of Highways.

from Cassiar to the Alaska Highway, and which had all the necessary equipment on the site. Yet Wade and Wells' contract obligated the government to pay 2/3 of the freight charges for shipping their equipment into the region.⁴⁷ A Legislative Committee investigated these charges in 1956, and revealed even more evidence of patronage and mismanagement, but nothing ever became of the affair.⁴⁸ The Socreds, however, adopted a more responsible approach to the undertaking in that year, calling for tenders and conducting proper engineering surveys. But the construction continued to prove more difficult and expensive than anticipated. Originally scheduled for completion in 1961, the work continued slowly and sporadically throughout the 1960's, until the road finally was finished early in the following decade.⁴⁹ It was many years, accordingly, before the road was able to serve some of the functions expected of it, and for as many years, the state of the project remained a

⁴⁷ Ibid., Part III, Times, Feb. 21.

⁴⁸ The investigation also revealed that Sommers' 1953 election campaign manager had been hired as time-keeper for the project, with the campaign manager's wife employed as cook. Also there were numerous charges of food wastages, poor engineering, lax construction, and high cost over-runs. The legislative session of 1956 ended before the probe was completed, however, and all Opposition efforts to renew the investigation the following year were swiftly squelched by the Social Credit majority. Sessional Clipping Book, 1956, Part III, Times, Feb. 29, March 1, March 3; 1957, Part I, Times, March 14.

⁴⁹ The Stewart-Cassiar undertaking highlighted many of the difficulties involved with constructing transportation facilities in northwestern B.C., which the Socreds seemed to forget when they embarked on an ambitious railway-building program over similar terrain in the same region a decade later. See below, Chapter IX.

strong, tangible grievance among local residents, who saw its unfinished state as symbolizing the B.C. government's traditional neglect of northwestern B.C. and the needs of its inhabitants.

All in all then, the Social Credit government's handling of mining affairs and its efforts to stimulate mineral development in northern B.C. during the 1950's were only marginally successful. The industry fared poorly during these years, and not until the following decade did mining activity in northern B.C. assume a prominent position in the regional economy. Yet even during the 1960's (as Chapter VIII will demonstrate) expansion of northern mining occurred primarily as a result of economic and technological factors, with government assistance playing only a secondary role. Mining, unlike forestry, hydro, and fossil fuel development, never seemed to attract the same high degree of government attention during the 1950's and 1960's, and its assistance to the industry was confined almost entirely to the traditional, ongoing promotional practices of the provincial Department of Mines.

The Forest Industry

The forest industry, unlike mining, underwent rapid expansion that continued throughout most of the 1950's, but forestry too experienced a similar downturn late in the decade. The boom conditions of the Coalition period

persisted until 1957, when a decline in lumber prices ushered in a temporary recession. The total value of wood production for the entire province, following a record year in 1951, climbed steadily from \$496,506,550 in 1952 to a new peak of \$631,699,592 in 1955, followed by a slight drop to \$628,586,963 in 1956.⁵⁰ A further 14% decrease occurred over the next two years, following which the situation began to improve in the latter part of 1958, and another new record of \$637,715,000 was achieved in 1959.⁵¹

Accelerated pulp and paper production largely accounted for this increased value, its manufacture being confined to the Vancouver Forest District (except for Columbia Cellulose at Prince Rupert). The rapid advance of sawmilling activity into the less-developed southern and northern Interior regions (discussed in Chapter III) continued into the early Social Credit years, until timber cut in the Interior accounted for 44% of the provincial total by 1958, as compared with only 19% in 1945.⁵² In northern B.C., the cut rose from 89,811,294 cubic feet in 1952 to 117,448,509 cu. ft. in 1956 for the Prince George Forest District, and from 71,673,581 cu. ft. to 105,670,425 cu. ft. in the Prince Rupert Forest District. Both districts experienced a falling off during the recession of 1957-58, the cut for the Prince Rupert District falling back to 89,597,293 cu. ft. in 1957,

⁵⁰Forest Service Reports, 1952-6.

⁵¹Ibid., 1957, p.44; 1958, p.39; 1959, p.41.

⁵²Ibid., 1958, p.39.

then to 81,193,477 in 1958. In the Prince George District, the cut dropped to 112,301,395 cu. ft. in 1957, then began to rise steadily -- to 114,985,963 cu. ft. in 1958, and to 146,028,018 cu. ft. in 1959. The latter year also witnessed a resumption of expansionary trends in the Prince Rupert District -- a return to 1957 levels with a cut of 89,965,100 cu. ft.⁵³

As with mining, the Social Credit government instituted few changes as long as the forest industry boom continued, and the same development program handed down by the Coalition was kept in place. The major innovation was the Logging Tax Act, introduced in 1953, which imposed a 10% tax on net income derived from logging operations in excess of \$25,000. The Act was intended to secure a greater contribution to provincial revenues from the forest industry to help offset the swelling costs of administering the resource. It too, was greeted with bitter opposition by the industry, but the logging tax did not seem to impose any excessive burden on the forest industry, nor to hinder expansionary trends. In fact, much of the levy was offset by Ottawa allowing it as a deduction for federal tax purposes (the same as the mining tax), reducing the federal tax payable by around 47% of the amount paid to Victoria.⁵⁴

⁵³Ibid., 1952-9. See below, Appendices XIII and XIV.

⁵⁴Sloan Report, 1957, Vol. II, p.443; Institute of Chartered Accountants of B.C., Review of Logging and Mining Taxes, p.1-13.

The principal preoccupation of the Bennett government's forest policy during the 1950's was to continue the previous policy of granting Forest Management Licences to approved applicants and organizing unalienated Crown forests into Public Working Circles. None of the ten new Forest Management Licences the Forest Service awarded between 1952 and 1956 were for forested areas in northern B.C., but considerable effort was made to designate and implement P.W.C. management plans there to keep pace with the rapid expansion of forestry activity in the north coastal and northern Interior regions. When Social Credit took office, only a single P.W.C. had been put into operation in northern British Columbia (Naver, in the Prince George District), but by 1956 there were twelve. An additional ten units, renamed Public Sustained Yield Units (P.S.Y.U.'s) in 1956, were created over the next two years. By 1958, there were 12 P.W.C.'s and 14 P.S.Y.U.'s all told in northern B.C., and most of the underdeveloped Crown forest lands of the region had been organized into the P.W.C./P.S.Y.U. framework.⁵⁵

The implementation of sustained yield practices within Public Working Circles remained in an unsatisfactory state, however, in the North and throughout the province generally. This inadequacy was revealed by a second Royal Commission chaired by Gordon Sloan, appointed in 1955 to study the progress of forestry management during the decade since his

⁵⁵Forest Service Reports, 1952-8.

first (1945) report.⁵⁶ Sloan discovered that adequate management plans to ensure sustained yield forestry had yet to be introduced in the majority of the P.W.C.'s. The main explanation for the failure was simply the Forest Service's lack of staff and finances to undertake the large amounts of administrative and technical work involved.⁵⁷ The same condition prevailed in other facets of forest administration such as research, inventory, fire protection, insect and disease control, silvicultural practice, and reforestation, all of which were vital in implementing effective sustained yield management.⁵⁸ Increased amounts of work had been done in all those fields since 1945, and a significant beginning had been made towards alleviating the ill-effects of forest management policies that had been apparent at the time of the first Sloan Report. But the degree of success still was far from satisfactory, particularly in view of the tremendous escalation of activity over the intervening decade. The Forest Service during that period simply had not been given sufficient means to deal with the increased burdens of forest management and had not been able to keep pace with the rapid expansion of the industry.

The Sloan Report also revealed the tremendous competition for Timber Sales that had developed in the

⁵⁶ Appointment of this second Royal Commission was one of the recommendations of the first Sloan Report. Sloan Report, 1957, Vol. I, p. 1.

⁵⁷ Ibid., pp. 64-5, 135.

⁵⁸ Ibid., Vol. II, pp. 344-5.

north-central Interior (and other parts of the province), an issue that would have a major influence on government forest policy in that region. The Forest Service's solution to competition was to adopt informally a practice that favoured the established operators, and gave them priority in highly-competitive areas. The original purpose of the practice was to ease the transition to sustained yield management in newly-created, but already over-committed, Public Sustained Yield Units. The established operators in such units were awarded new, reduced cutting rights proportional to what they had held in the unit prior to its regulation, which in total were within the allowable annual harvest. The arrangement, however, soon became more than transitional as the Forest Service began to make on-going volumes of timber equal to an operator's 'quota' available whenever his existing licences expired. Moreover, the quota system remained in effect even when allowable cuts were revised upwards in the following decade, and eventually it was extended to those units that were not being cut up to the allowable harvest limit.⁵⁹

The effect of this policy (which Sloan had opposed)⁶⁰ was to preserve and perpetuate the timber rights of operators under the Timber Sale licensing system, which by statute was supposed to entail competition for those rights through public auction and for limited terms only. The

⁵⁹Pearse, Timber Rights and Forest Policy, Vol I, pp. 71-2.

⁶⁰Sloan Report, 1957, Vol. I, p. 191.

distinct advantages quota holders held under this system were further strengthened by measures introduced in the 1960's, which restricted competition for Timber Sales even more, and reinforced a practice that effectively kept new operators from entering the field.⁶¹ In other words, the same feature that was often criticized about Forest Management Licences -- that they promoted monopolization of timber rights among a few, larger operations -- also began to appear with respect to the Public Sustained Yield Units as a result of the widespread use of the quota system.

The long-standing complaints against Forest Management Licences were frequently expressed at the Sloan hearings, and they indicated how little had been done since 1945 to ease the plight of the independent operator. The creation of powerful monopolies at the expense of small-scale logging and sawmilling operations had never been officially endorsed, but government policy over the past decade had shown a definite bias towards the large, integrated firms. Large-scale and vertically-integrated plants were desired, Sloan acknowledged,

...because of their relative stability, the enormous investment required for their establishment, their continuous prosecution of research and development of new and better uses of wood, their ability to offer continuous, profitable employment, the support of communities, and their direct and indirect contributions to the Provincial tax structure.⁶²

For those reasons, and also because of their ability and

⁶¹See below Chapter VIII.

⁶²Sloan Report, 1957, Vol. I, p.94.

willingness to assume the costs of forest management, Sloan recommended that pulp and paper plants and other large conversion units be given first priority in awarding Forest Management Licences. But at the same time he also shared the concerns of small-scale operators and stressed that more effort should be made to provide sufficient timber for their needs. What was required, Sloan felt, was an equitable arrangement that would guarantee sufficient wood supplies to the Forest Management Licences while at the same time protect the independent logging industry by providing adequate timber through working circles and percentages of the cut within the F.M.L.'s.⁶³ Sloan had recommended much the same in 1945, but it was evident from the complaints raised before the 1956 Commission that the P.W.C./F.M.L. system had not yet started to achieve this favourable balance.

The Commission's examination of the licensing system also revealed that there were no uniform rules or guiding principles in the awarding of Forest Management Licences. Each application simply was judged 'on its merits', but there was no consistent definition what that 'merit' entailed. No adequate provision for competition among applicants existed, or for opposing interests to present their views, or to appeal a licence award.⁶⁴ The Minister of Lands and Forests (in consultation with the Cabinet) held

⁶³Ibid., p.90.

⁶⁴Ibid., p.91.

the ultimate responsibility of deciding who would be awarded a licence and often the decisions appeared to have been made in arbitrary, inconsistent fashion. Such practices were hardly in the best interests of the forest industry and could easily lead to abuses. Indeed, many charges of possible favouritism and outright impropriety in the issuing of licences were aired before the Commission, which were confirmed by a highly publicized scandal involving Robert Sommers, the Minister of Lands and Forests, who eventually was convicted of receiving bribes in connection with the award of a F.M.L. on Vancouver Island to B.C. Forest Products Ltd.⁶³ The Sommers affair sharply highlighted the shortcomings of the forest management licensing policy and demonstrated the need for more government care and responsibility in the granting of Crown forests under the F.M.L. system.

Unfortunately, perhaps because of its sensitivity to the Sommers scandal, the Social Credit government tended to push forestry issues into the background, and it failed to address adequately many of the deficiencies of forest management policy detailed in the Sloan Report. Legislation was introduced in 1958 that implemented some of Sloan's recommendations: as examples, advisory forest committees or councils through which appeals could be made were provided for, and the term of the licences was restricted to 21

⁶³For a review of the Sommers affair, see Martin Robin, Pillars of Profit, pp.198-204; also Mitchell, W.A.C., Chapter VII.

years.⁶⁶ The name Forest Management Licence, which had acquired an unfavourable connotation since the Sommers affair, was changed to Tree Farm Licence (T.F.L.), but the system of awarding contracts continued largely as before. Indeed, there was considerable truth to N.D.P. leader Robert Strachan's claim that the name change was merely "an attempt to deodorize forest management licences without removing the cause of the smell, which is monopolistic control of forest resources."⁶⁷ The T.F.L.'s continued to be the preserve of a few of the province's larger firms, and despite the introduction of 'contractor clauses' in 1959, whereby each T.F.L. designated a portion of its harvest to independent contractors,⁶⁸ forest policy in general continued to hold the small operation in disfavour. In fact, with the introduction of new tenure and harvesting arrangements in the 1960's (discussed in Chapter VIII), concentration of timber-holdings and manufacturing capacity among fewer firms would become an even more prominent feature than before.

Many of the other problems highlighted by the Sloan Report, especially of the Forest Service's inability to keep pace with basic and essential forestry practices, also failed to be rectified in the coming years. The Sommers

⁶⁶Forest Service Report, 1958, p.11; Sessional Clipping Book, 1958, Part I, Col., March 1.

⁶⁷Sessional Clipping Book, 1958, Part IV, Sun, March 12.

⁶⁸Some licences designated 30% of their harvests (from 'Schedule B' - i.e., former Crown - lands only), while the majority designated 50%. Pearse, Timber Rights and Forest Policy, Vol. I, p.329.

scandal and the economic slump of 1957-58 brought short-lived attention to those problems, but once activity and productivity picked up again near the end of the decade, a tendency to carry on as before largely prevailed. Hence the review of forestry affairs conducted by Sloan in 1956 made only a small dent on public policy, and the deficiencies of the past were allowed to continue, forecasting even more acute problems in the not-too-distant future.

Hydro-electric Power Development

Hydro-electric power development, as already mentioned, became the major focus of government attention in northern B.C. during the late 1950's and early 1960's, but before that time hydro policy took a back seat to transportation and other resource expansion activities. During its first four years in office, however, the Social Credit administration entertained two unsuccessful proposals for developing hydro resources in northwestern B.C. similar to Alcan's Kitimat project, which provided a preview to the later, more concerted government efforts to encourage activity in that field. The first of these was the scheme proposed initially in 1948 by the Aluminum Company of America.⁶⁹ After four years of surveys, Alcoa announced in August 1952 that it was ready to proceed with the estimated

⁶⁹See above, Chapter III.

\$400 million project, if the U.S. and Canadian governments approved.⁷⁰ Alcoa's plans, however, faced stiff competition from a proposal of Frobisher, Ltd., to utilize the same water resources for an all-Canadian project. Frobisher and its parent company, Ventures, Ltd. (a holding company comprising several Canadian mining firms) planned to divert the waters of the Yukon into B.C.'s Taku River Valley and generate power for a large electro-metallurgical plant at Tulsequah, near the head of Taku Inlet.⁷¹

The Alcoa project was regarded with some anxiety by Canadians (particularly British Columbians) over the possibility that it might threaten the development or future expansion of Alcan's Kitimat works. Alcan had stated that Alcoa's aluminum would undersell Canadian aluminum in the U.S. because of the American tariff. Besides, the Canadian government and the public were strongly opposed to exporting power that might otherwise be used to develop and refine the area's mineral wealth within Canada.⁷² Premier Bennett did not support Ottawa's firm rejection of the plan, telling the press that Alcoa was not a "red flag" to his government, and that it would "cooperate with whichever company can best do the job."⁷³ Yet in private, he too was opposed to the export of power, and feeling that the Frobisher-Ventures plan was

⁷⁰Vancouver Sun, Aug. 25, 1952, p.11.

⁷¹Vancouver Province, Dec. 29, 1953, p.1.

⁷²Victoria Colonist, Jan. 3, 1953, p.1; Jan. 20, 1953, p.4.

⁷³Vancouver Sun, Dec. 12, 1953, p.18.

too small in its original form (calling for generation of 100,000 h.p.) he attempted in the spring of 1954 to encourage the two firms to join together to undertake a single, larger development. His stipulation that any plants would have to be located within Canada, however, caused Alcoa to balk at that arrangement. The company shelved its proposed project for three years, then dropped it altogether in March 1957.⁷⁴

After the failure to conclude an agreement with Alcoa, Bennett next encouraged the Frobisher-Ventures group to negotiate with other mining companies interested in securing large blocks of power.⁷⁵ The outcome was an announcement in August, 1954, that the Reynolds Aluminum Company would join with the Canadian firm in financing a \$270,000,000 project involving development of 120,000 horsepower by 1957, a full 880,000 by 1962, with the eventual development of some 5,000,000 h.p. over the next 20 years. The plans called for the building of a second aluminum plant in the province which would utilize a third of the power, and a metallurgical complex to utilize the remaining power to produce nickel, cobalt, iron and steel, ferromanganese, silico-manganese, and zinc from ores mined either in the region or imported from Southwest Africa, the Pacific Islands, or other locations around the world. The attendant

⁷⁴Victoria Colonist, March 18, 1954, p.4; Vancouver Province, Aug. 11, 1954, p.3; Vancouver Sun, Feb. 25, 1955, p.9; March 2, 1957, p.14.

⁷⁵Vancouver Sun, May 18, 1954, p.2.

community would be located near the head of Taku Inlet and was envisaged as having an eventual population of 20,000.⁷⁶

The Frobisher-Ventures project's promise of potential benefits to British Columbians made it popular in the area concerned and throughout the province. The metallurgical refinery was expected to stimulate mining activity in British Columbia and the Yukon, and Vancouver businesses hoped to prosper as being the main source of supplies for the undertaking.⁷⁷ Moreover, the development would go a long way towards opening the Northwest and establishing it as a region of industrial importance. Ultimately, though, the plan proved little more than a pipe-dream and never materialized. After a further year of studies, Frobisher in November 1955 announced its decision to shelve the \$270,000,000 Taku River project for the time being in favour of a smaller \$50,000,000 project utilizing the waters of the Nass River farther south.⁷⁸ This change of plans supposedly was made because of international complications associated with using the Yukon River,⁷⁹ but Frobisher apparently also lacked adequate financing or contracts for the surplus power envisaged in the Taku River development after the Reynolds

⁷⁶Ibid., Aug. 2, 1954, p.1.

⁷⁷Ibid., Aug. 19, 1954, p.13.

⁷⁸Vancouver Province, Nov. 25, 1955, p.46.

⁷⁹Ottawa had recently passed an act declaring that the use of all international rivers for power generation must be subject to federal approval. According to Bennett, the act made it possible for the U.S. to raise the question of downstream benefits. Ibid., Nov. 28, 1955, p.20.

company had backed out of the arrangement.⁸⁰ That probably was the main reason for the change of plans in 1955, for even the smaller Ngss project eventually had to be abandoned for lack of markets.⁸¹

The Frobisher-Ventures affair demonstrated how prepared the Bennett government was to encourage development of the province's hydro resources by private groups, and it set a precedent on how such arrangements were to be handled in future. Like the earlier agreement with Alcan, the arrangement with Frobisher offered the same advantages of having outside capital develop the water resources of a remote area, which the government felt it could not afford to do and which otherwise would remain dormant for many years to come. The Socreds, however, had been highly critical of the Alcan project when they first entered office, so Bennett took pains to differentiate his hydro policy from that of the Coalition. Bennett insisted that the Frobisher-Ventures group, in contrast to the Alcan deal, would receive no tax concessions, would have to pay full rates on the water it used, and be required to clear the areas that would be flooded.⁸² In addition, Frobisher was required to post a \$2.5 million 'good faith' bond, which would automatically be forfeited if the company failed to carry out sufficient developmental work. This was a

⁸⁰Ibid., Dec. 15, 1955, p.6.

⁸¹Vancouver Sun, Jan. 14, 1958, p.7.

⁸²Vancouver Province, Aug. 2, 1954, p.1.

favourite tactic Bennett used in such arrangements as a means of protecting the public interest against strictly promotional deals.¹³

On the surface, the conditions proposed by Bennett reflected greater faith in the attractiveness and value of B.C.'s northern hydro resources than the Coalition had displayed, but as will be seen, the Socreds' record would prove no more virtuous than the Alcan arrangement. Moreover, despite Bennett's repeated statements contrasting the approaches of the two governments, the Socreds resembled their predecessors in that the negotiations were conducted behind closed doors and agreement was reached on the details without any prior legislative scrutiny. As with the Alcan deal, British Columbians had to depend on Bennett's reassurances that the province would not be committed to an improvident arrangement. Naturally, there was some public concern on that score, in view of the close collaboration between the government and Frobisher, and the government's evident eagerness to promote utilization of the province's hydro resources as quickly as possible. Indeed, a similar arrangement of 1955 with the Kaiser Aluminum Company for developing the hydro resources of the Arrow Lakes in southeastern B.C. convinced many that the Social Credit government could not always be counted upon to be

¹³The conditions governing forfeiture of the bond, however, did not mean that Frobisher had to go ahead with the development. The \$2.5 million eventually was returned to Frobisher on the grounds that it had conducted extensive surveys in accordance with the agreement.

circumspect when concluding agreements that supposedly were in the best public interest."¹

The public's response to these events foreshadowed a major controversy that was about to erupt over the Social Credit government's general style and approach to northern development affairs. While most British Columbians applauded the government's successes to date, there was a growing undercurrent of uneasiness over the Socreds' seemingly hasty and overzealous determination to promote northern industrial activity. The government's lack of openness, its general disregard for planning, and its continuous involvement in scandals and controversies like the Sommers affair, the Kaiser award, and the fiasco over the Stewart-Cassiar road, helped reinforce an impression that the Socreds perhaps were not to be fully trusted in the handling of sensitive developmental business. This feeling as yet was weak and unsubstantiated, but as the next chapter will show, it would soon gain both in strength and conviction during the latter part of the decade when the Social Credit government became more actively, and controversially, involved in promoting the development of B.C.'s northern natural resources.

¹"The Kaiser interests proposed to build a small dam at the outlet of the Arrow Lakes, in return for which B.C. would get 20% of the extra power generated downstream. Since Ottawa was planning an arrangement with the U.S. government for development of the entire river envisaging a return to B.C. of approximately 50% of the downstream benefits, Bennett's agreement was considered by many to be a bad deal. The arrangement prompted Ottawa to pass the International Rivers Improvement Bill, subjecting the agreement to federal approval -- the same act that supposedly killed Probisher's Taku River project (see footnote 86). Paddy Sherman, Bennett, pp.211-14.

PART III

THE BIG PUSH:
NORTHERN INDUSTRIAL EXPANSION
UNDER SOCIAL CREDIT -
1957-72

Chapter VII

The Wenner-Gren and Peace River Power Development Programs

The Social Credit government gained significant acclaim during its first four years in office for its dedication to opening up the resource wealth of northern British Columbia to industrial development. By completing the P.G.E. to the Peace River district and promoting construction of the natural gas pipeline, the Socreds, in the eyes of many British Columbians had done more to encourage northern industrial expansion during that short period than had any previous provincial administration. Yet by 1956 it was evident that this was only the beginning of a far-reaching vision of northern development. Despite a decade of rapid growth, much of the resource wealth of northern British Columbia still lay dormant, and the full potential of the region was far from being realized. The extent of petroleum wealth in the Peace River district still was undetermined, vast pulpwood stands in the northern Interior, stood uncut, potentially rich mining areas remained inaccessible and unexplored, and the immense hydro-electric power possibilities of many of B.C.'s northern rivers had not yet been tapped and utilized for industrial expansion. Hence, even before the P.G.E. tracks reached Dawson Creek and Fort St. John, the development-minded provincial government was ready to forge ahead with new programs for industrial

expansion in the North.

The new era of northern expansion that started in the late 1950's and lasted over a decade differed from the earlier period in a number of important particulars. During their first few years in power, the Socreds' main concern was to complete the various programs inherited from the Coalition, primarily extending transportation links to the Peace River district. Now the government began to look to a different area of potential development farther west -- the Rocky Mountain Trench of north-central B.C., which stretched from north of Prince George to the Yukon border. The resources of the Trench were believed to be immense, but little was known of the territory apart from preliminary investigations of timber and hydro-electric power potential, plus studies of the region as a possible transportation route to Alaska.¹

A second departure was a gradual shift of attention to hydro-electric power development as the main focus of government concern. The failed Frobisher and Alcoa projects only whetted the Socreds' appetite for northern hydro development, and left them sympathetic to any further proposals of that nature. One site in particular - the Peace River - became the subject of increasing interest in the mid-1950's, and was part and parcel of the government's

¹The Department of Industrial Development, Trade, and Commerce investigated northern transportation needs in 1956, and concluded that the Trench was the best possible route for a new railway to Alaska. See Heaver, "Transportation Projects", p.123.

plans for developing the Rocky Mountain Trench. Both of the Peace River's two main headwaters - the Finlay and Parsnip Rivers - flowed out of the Trench, and the prospect of harnessing their power potential, combined with the aim of developing other resources in the Trench region, soon would lead to Social Credit's most original and grandiose northern venture to date -- the Wenner-Gren/Rocky Mountain Trench development program. While that program was unsuccessful and became in many respects a black mark on the government's record, it inspired the hydro strategy that was to dominate northern development affairs for over half a decade. This strategy, as will be seen, differed substantially from earlier hydro policy, and was expected to produce a higher level of industrialization in northern B.C. than had hitherto been achieved.

The Wenner-Gren Program

Official word of the new northern initiative came on February 12, 1957, when Ray Williston, the Lands and Forests Minister, informed the Legislature that a 'memorandum of intention' had been signed with the Wenner-Gren Foundation, a syndicate owned by the Swedish millionaire Axel Wenner-Gren. Wenner-Gren had amassed a vast fortune over the years from manufacturing and selling the Electrolux vacuum cleaner and the Servel refrigerator, and by this time controlled a huge industrial empire that included pulp and

paper mills in Sweden, canneries in the Bahamas, haciendas in Mexico, and mines in South America.² The Swedish group (like Frobisher) had deposited \$500,000 with the province as evidence of its good faith, and had agreed to undertake an ambitious program of transportation and resource development studies centred in the Rocky Mountain Trench region, an area defined as

...the watershed of the Peace River and tributaries above Hudson Hope and the watershed of the Kitchika River and its tributaries, save and except thereout that portion of the watershed of the Parsnip River and its tributaries upstream from and including the watersheds of Lignite and Mischinsinlik Creeks.³

Under the terms of the memorandum, the principals were to build a 400-mile railway starting from a point adjacent to the P.G.E. line at the southern end of the Trench and proceeding northward to the Yukon border, the surveys to commence in 1957 and be finished by 1958, and construction to begin not later than the second quarter of 1960. A specially-incorporated company, the Alweg (B.C.) Railway Co., would handle the railway development. A second company, the Wenner-Gren B.C. Development Co. Ltd., would conduct a two-year, \$5,000,000 investigation of the forestry, mineral, and hydro resources of the region to be traversed by the railway. Subsequently five different firms were appointed to carry out these surveys: British Thompson-Houston Ltd., of London (hydro survey); Lundberg Explorations Ltd., of

²Vancouver Sun, Feb. 13, 1957, p.3.

³Sessional Clipping Book, 1957, Part II, Prov., Feb. 13; The memorandum is also reprinted in the Vancouver Province, Feb. 13, 1957, p.10.

Toronto (mineral survey); Alweg Co., of Sweden (railway); Rankin Co., of Toronto (pulp and paper); and Hedlunds Travaru A.B., of Sweden (forestry).⁴ If development of those resources proved feasible, the principals would exercise options on land and timber rights set aside by the province for a pulp mill or mills, with annual capacities of at least 100,000 tons of pulp each, and also agree to furnish schools, hospitals, and technical college facilities for any settlements that would result from the proposed development. The provincial government, in return, agreed

...to cause a reserve to be placed on the lands and timber comprised in the proposed area of development, with the intent that right to certain of the lands and timber shall be granted to the principals or companies contemplated hereunder, upon appropriate applications being made therefor under the relevant statutes, subject, however, to the furnishing of satisfactory plans and undertakings for the development of the resources referred to in this memorandum.⁵

The Legislature that day also was informed that discussions and preliminary investigations had been going on for 2 1/2 years, since a conversation originating at a London cocktail party between B.C.'s agent-general in London, W.A. McAdam, and Bernard Gore, a director of the Wenner-Gren Foundation. McAdam had aroused Gore's interest in the developmental potential of northern British Columbia, and Gore's firm began to study maps and data available on the area. After settling on the Rocky Mountain Trench region as the most attractive for potential development, Gore and

⁴Sessional Clipping Book, 1957, Part I, Times, Feb. 13.

⁵Ibid., Part II, Prov., Feb. 13.

Birger Strid, another leading associate of the Swedish organization, flew out to British Columbia to finalize the arrangement with the provincial government. The 'memorandum of intention' had been signed on November 16, 1956, but was not revealed to the public for almost four months, until the February, 1957, announcement.

Disclosure of the government's agreement with Wenner-Gren sparked an immediate and extremely furious controversy, and the scheme has generally been criticized as highly improvident on the part of the province of British Columbia. Whatever merits the program may have possessed were largely negated by fears of the public that the Bennett government had once again rushed too hastily into a dubious adventure. It is not too difficult to see why the government so readily adopted the Wenner-Gren proposals, although the Premier's motives have sometimes been misinterpreted. It has been suggested, for example, that Bennett endorsed the program partly to divert attention from the Sommers scandal and from the economic slowdown that hit the province in 1956-57.⁶ To be sure, that sort of political consideration may have had some effect, for the government mistakenly believed the Wenner-Gren announcement would create a great splash of favourable publicity.⁷ But at the same time, the potential industrial achievements of the scheme were enough

⁶Martin Robin, Pillars of Profit, p.208.

⁷Ray Williston, however, can recall no direct political motivation behind the decision to endorse the Wenner-Gren plan, as Martin Robin suggests. Personal interview, Aug. 8, 1984.

to make the development-minded Premier eager to support a deal of that nature. The vision of a great industrial empire arising from the wilderness of northern B.C. was just the thing to captivate Bennett's enthusiasm. The government already was keenly interested in developing the Rocky Mountain Trench, and now the arrangement with Wenner-Gren would provide the capital and personnel needed to survey the region and determine the most desirable means of utilizing its resource wealth. While there was no guarantee that development would be forthcoming (for the agreement was not binding if surveys did not find sufficient resources to warrant development), the prospects appeared very promising, and the province seemed to have nothing to lose. Should the Wenner-Gren company default on its commitments the provincial government still held the \$500,000 deposit. The arrangement, at least in form and terms of strategy, was little different from the one concluded two years earlier with the Frobisher-Ventures group, and was entirely in keeping with Bennett's approach of encouraging private development of natural resources in remote areas of the province.

The Wenner-Gren scheme also offered to achieve, in a roundabout way, Bennett's aim of extending the province's railway system to the Yukon, perhaps even to Alaska. The immediate plans called for construction of a high-speed monorail railway to the Yukon border if feasible (if not, a

conventional railway would be built).⁸ The group also indicated that they would endeavour to secure connecting links with the Yukon and Alaska railway networks. Since the Alaska International Rail and Highway Commission was currently studying the feasibility of rail links with the South,⁹ the chances of achieving such a link appeared quite good. Since using the P.G.E. for this task was impractical at that time, a private railroad scheme tying into the P.G.E. offered the next best solution towards fulfilling Bennett's vision of northern development.¹⁰ As Mr. Williston pointed out to the Legislature:

...a glance at the map of the northern half of our province will kindle the imagination as to the tremendous production potential in timber and minerals that only awaits economical high-speed transportation facilities to move those commodities to the markets of the world. Beyond our provincial boundaries are the products of the adjacent areas of Alaska, Yukon, and the Northwest Territories. All of B.C. stands to gain if an integrated system is devised and the Pacific Great Eastern Railway would move to the forefront of the long-haul, bulk freight carriers throughout the world.¹¹

⁸The monorail type of railway was a pet project of Wenner-Gren's, who at the time was also involved with their construction in Germany and Brazil. Sessional Clipping Book, 1957, Part I, Times, Feb. 13.

⁹See P.R. Johannson, "A Study in Regional Strategy: The Alaska-British Columbia-Yukon Conferences", B.C. Studies, # 28, Winter 1975-76. pp. 33-4.

¹⁰Bennett later confirmed this reasoning when he told David Mitchell: "...we had no time to build a railroad through to Alaska...our railroad program was complete at that stage. We hadn't yet gone for the further development north...if that road had been built through to Alaska, the freight would have had to go over the P.G.E. anyway". Transcripts, W.A.C. Bennett interviewed by David Mitchell, February 11, 1978, PABC, 1675-36, Track 2, pp.14-17.

¹¹Sessional Clipping Book, 1957, Part I, Times, Feb. 13.

Premier Bennett must have been entirely convinced that the arrangement was highly favourable for the province, for he was obviously taken aback that the plan was received so coolly by many British Columbians. As expected, strong support was voiced in the North, especially in Prince George which stood to benefit as a major supply centre for the proposed development.¹² But in other parts of the province the reaction was generally skeptical, or downright hostile to the entire arrangement. One reason was the fantastic scope of the proposed project -- forty thousand square miles of territory, almost one-tenth of the entire land area of the province. That alone made the proposal too vast to be accepted without question or reservation. Added to this was the suspicious reticence of the sponsoring organization. Despite all the colourful talk of the proposed monorail¹³ and of the great northern industrial empire it would develop, the Wenner-Gren group would not, or could not, specify until after the surveys were completed how much money it proposed to invest, or what industries it would

¹²The Prince George Citizen published an extra edition to announce the plan, which reportedly received an enthusiastic reception from city residents on downtown streets. Prince George Citizen, Feb. 14, 1957, p.3.

¹³Williston described the monorail to the Legislature as "Something new and revolutionary in rail transportation...Cars run on broad single wheels which rest on a beam-like track which is mounted on pillars. High speeds are practical, even as much as 180 to 200 miles per hour. Relatively steep grades are no obstacle. Maintenance is negligible." Despite such a glowing description, Bennett, 2 1/2 years later, said he was not surprised the monorail plan had been abandoned in favour of a conventional railway, since the press had been mostly responsible for glamourizing it. Vancouver Province, Sept. 9, 1959, p.7.

establish.¹⁴ The railway clause in the memorandum ominously gave only a commencement date for construction, and no further performance or finishing dates, leaving too large a loophole for delay or non-performance. The Swedish interests were not legally bound to complete the railway if the resource surveys failed to show adequate results to warrant the huge investment. Those considerations aroused concern that the ambitious project was merely a promotional deal, which was intensified when Bill Fletcher, business editor for the Vancouver Sun, revealed that Wenner-Gren had been involved in similar undertakings elsewhere and had not always fulfilled his commitments.¹⁵ The industrialist's past record, along with the speculative character of the proposed program, inspired suspicions that the plan was only another of Wenner-Gren's unrealistic ventures.

A second typical reaction, expressed by the Opposition and various industrial interests, was opposite to the first -- that the Wenner-Gren scheme was yet another of the many juicy 'resource giveaways' that had marked the province's past history, and would be followed by huge and priceless concessions once the surveys were completed and development proceeded with. Naturally, both government and developer denied these allegations and pointed out that the

¹⁴Vancouver Sun, Feb. 13, 1957, p.8.


¹⁵Just five years earlier a Wenner-Gren program to develop the Southern Rhodesian wilderness by means of a monorail system had been quickly abandoned, as had similar projects in Mexico and other countries. Vancouver Sun, Feb. 19, 1957, p.15.

arrangement was not a formal agreement, but only a 'memorandum of intention' that obligated the company to push on with the surveys and other planning work, and did not bind the government in any way. When the time came, the government assured the public, the Wenner-Gren organization would have to compete on equal terms with other companies for development rights, as well as pay for the right-of-way on which the railway would be built.'

This defence may have been technically correct - the memorandum granted the Wenner-Gren group exclusive rights only to the railway construction. But at the same time the group had already received special consideration that in effect gave it an inside track to vast resources which included 3 billion cu. ft. of timber, up to 1 million horsepower of hydro potential, and possible rich mineral wealth whose amount and value was yet undetermined.' The reserve clause in the agreement, in fact, did indicate that when the time for development came, the Swedish interests would at the very least have first refusal for the timber rights. Suspicions that further concessions were in the offing were awakened when it was revealed that the group also had been awarded a water reserve on the Peace, Parsnip, and Finlay Rivers, and that the land reserve included a ban on mineral prospecting in the Trench. Mining authorities complained, with good reason, that the reserve in effect

¹⁶Ibid., Feb. 14, 1957, p.1.

¹⁷Ibid., Feb. 16, 1957, pp.1,2.



offered the mineral rights exclusively to Wenner-Gren, by preventing other companies from exploring the area. Thomas Elliot, manager of the B.C. and Yukon Chamber of Mines in Vancouver, bitterly criticized the government for being overzealous in its attempts to develop the province, and for giving away too much.¹⁸ The government responded by reducing the restriction on prospecting to the territory immediately adjoining the proposed route of the railway, roughly fifteen per cent of the original 40,000 square mile land reserve.¹⁹ The sole reason for the ban, it was explained, had been to prevent people from staking nuisance claims in the part of the reserve that might eventually have to be flooded for power development. While the move relieved some of the fears, it did not reduce the widespread feeling that the original reserve clause had been intended to allow Wenner-Gren to enter the area "under an umbrella" (as Leo Nimsick, C.C.F.-Cranbrook, put it) to protect the Swedish group from outside competition.²⁰

¹⁸Ibid., Feb. 13, 1957, p.2; Victoria Times, Feb. 13, 1957, p.1.

¹⁹Vancouver Province, Feb. 15, pp.1,3.

²⁰Victoria Times, Feb. 15, 1957, p.11. Williston has since reiterated that the reserve clause was intended to prevent nuisance-staking, but also to keep others away until Wenner-Gren's proposal was in, and the entire development package could be judged. This being the case and given the promise of first refusal rights outlined in the memorandum, the Opposition was not unjustified in suspecting that the reserve clause was intended to eliminate competition while Wenner-Gren staked out the best options. Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-9, Book 2, pp.16,17.

The government's protests that it had made no special deals that would lead to the formation of a Wenner-Gren company empire in the North did little to offset the criticisms of Bennett's northern policy. Few people believed (and the reserve clause fueled their cynicism) that the Swedish industrialist expected to receive nothing in return for his investment. Nor were they prepared to accept company claims at face value that all profits would go to scientific research. Wenner-Gren, it was true, had earned a reputation in recent years for philanthropy -- Bennett described him as a Carnegie or a Rockefeller, more interested at his advanced age in leaving behind a monument rather than gaining more wealth.²¹ But the Swedish millionaire also had a questionable past associated with his activities during the Second World War when he had sold munitions to both sides for personal gain and eventually was blacklisted by the Allies for his dealings with the Axis powers. He also had been a close friend of Hermann Goering, and had acted as his mediator in a vain attempt to negotiate peace with Britain in early 1940.²² Given his tainted past, and his poor record for completing developmental projects, many British Columbians agreed with the Liberal M.L.A. George Gregory's assessment:

I am not prepared to accept the proposition that he has become a philanthropist whose interest in B.C.'s northland stems from any unselfish motives...I do not like Wenner-Gren himself or what he stands for

²¹Ibid., Feb. 18, p.1.

²²Ibid., Feb. 13, 1957, p.1.

and I have serious doubts as to whether or not this project is truly in the best interests of B.C.²³

The Opposition's suspicion that some sort of shady deal had been struck between the government and the Wenner-Gren organization was strengthened when it was revealed that Einer Gunderson, party stalwart and currently vice-president of the P.G.E. railway, had been made a director of the Wenner-Gren B.C. Development Company. Predictably, the C.C.F. charged that the new position conflicted with Gunderson's responsibilities as a director of the government-owned railway, and demanded he resign one or both of these directorships. In reality, as the Premier pointed out, no conflict of interest was involved, since the Wenner-Gren railway planned to link with and operate as an adjunct of the P.G.E.²⁴ The new road was seen as "an additional source of freight" for the P.G.E.²⁵ and Gunderson, by overseeing both railway boards, would be in a position to ensure the P.G.E.'s interests were fully represented in any decisions the privately-owned railroad made. The Opposition's real objection was not over the ostensible conflict of interest, but over the fact that once again Gunderson appeared to have benefitted from political

²³Vancouver Province, Feb. 15, 1957, p.3.

²⁴Vancouver Sun, Feb. 14, 1957, p.1; The Wenner-Gren railway, Bennett later explained, "would have been a good adjunct to the advance of the P.G.E...It wouldn't have hurt the P.G.E.; it would have helped it. Transcripts, W.A.C. Bennett interviewed by David Mitchell, Feb. 11, 1978, PABC, 1675-36, Track 2, p.17.

²⁵Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-17, Track 1, p.8.

favouritism. Gunderson was always a prime target for such charges, because over the previous four years the former Minister of Finance and personal friend of the Premier had secured a number of directorships in private companies and government agencies.²⁶ His involvement with the Wenner-Gren affair only intensified the Opposition's suspicions of collusion between the government and the Wenner-Gren group.

Bennett chided the Opposition for their attacks on the Wenner-Gren arrangement, accusing them of "looking for something that isn't there" and pointing out that there was no real "evidence to show it is not in the future interests of the province."²⁷ Indeed, on the surface at least, nothing had been finalized, and as the Victoria Colonist pointed out, the government could "scarcely be prejudged, not fairly at any rate, as ready to fail in its protection of the public interest" before the time for development actually arrived.²⁸ The Swedish interests obviously expected something in return for their investment, but nothing of great magnitude had yet been handed them, and the program held immense possibilities for the province if the government supervised the undertakings wisely. The strategy behind the Wenner-Gren pact could also be defended as a legitimate approach to the problems of developing the Rocky Mountain Trench. A movement for better developmental

²⁶Ibid.

²⁷Ibid.; Victoria Times, Feb. 18, 1957, p.1.

²⁸Victoria Colonist, Feb. 21, 1957, p.4.

planning along multi-resource lines was currently in vogue, and the Wenner-Gren program appeared to have selected such an approach. Thus one noted economist praised the program as a good example of regional resource planning in that it attempted to evaluate all the resources of a given region and determine their best uses in advance of actual development.²⁹ The Vancouver Province took a similar line, noting that the area was too large and too remote to be tackled on a piecemeal basis with limited public funds, and required a comprehensive scheme of simultaneous, co-ordinated multi-resource development instead.³⁰

Even in its approach to multi-resource planning, however, the Wenner-Gren arrangement was open to criticism. Opposition critics argued that the government should have conducted the surveys itself, and only then should have invited outside capital to compete for different parts of the development; or alternatively, if the government was reluctant to finance its own surveys due to the risks involved (as it claimed), it could have contracted out the rights to investigate and develop the various resources to several companies, rather than awarding sole rights to a single foreign firm. Bennett asserted, perhaps truthfully, that the Wenner-Gren organization was the only group prepared to undertake the commitment, and he would welcome

²⁹Anthony Scott, "Resourcefulness and Responsibility", Canadian Journal of Economics and Political Science, Vol. XXIV, 1958, p.213.

³⁰Vancouver Province, Feb. 14, 1957, p.4.

and encourage other companies to participate when the time for development arrived.¹¹ To be sure, it is highly likely the government hoped and expected that the Wenner-Gren group's activities would attract other outside investment to the region. But in retrospect, Bennett was perhaps imprudent in putting all the eggs in one basket at the outset, especially in view of Wenner-Gren's poor reputation. The Opposition's view that Wenner-Gren's background did not "make him the sort of corporate citizen that we wanted in the province of British Columbia"¹² obviously was shared by many, and the public's distaste for the principal largely undermined the government's new northern development policy before it had even been launched. Rather than being rewarded with enthusiasm and support, the government found itself having to defend its less-than-popular association with the Swedish group, a problem, as will be seen, that would continue to plague Bennett's efforts to make something viable out of the Wenner-Gren arrangement over the next three years.

Ray Williston believes that the Opposition, backed by the Lower Mainland press, greatly misinterpreted and misrepresented the contents of the 'memorandum of intention'

¹¹Ray Williston has recently reiterated that no local companies were interested in investing in the region, though there appears to have been no real effort to explore that possibility. Personal Interview, Aug. 8, 1984.

¹²Transcripts, Robert M. Strachan interviewed by Derek Reimer, April 26, 1978, PABC, 528-4, Track 2, p.3.

with Wenner-Gren,³³ and one supportive writer has recently argued that the government's opponents "ignored the fact that the memorandum of intent was simply a letter of assurance which might lead to a more concrete agreement for development of the North".³⁴ In retrospect, it appears that the Opposition did exaggerate some of the implications of the Wenner-Gren arrangement, and they certainly made political capital out of attacking it. But these assertions fail to appreciate that the Opposition did have some legitimate and understandable concerns about what the Wenner-Gren arrangement might ultimately entail. The C.C.F. were in favour of northern development, but not in favour of promotional ventures or policies leading to monopolistic control.³⁵ As Robert Strachan later put it:

when you read the memorandum of intent, it was really going to make the Wenner-Gren people a nation within a nation and they were going to be the czars of this massive land empire... They were going to build schools, and the hospitals and the colleges and this and that and all the rest of it.³⁶

This may not have been the government's intention, but based on the wording of the memorandum there was no way of knowing it at the time, and the Opposition critics cannot well be blamed for voicing their fears and suspicions.

³³Personal Interview, Aug. 8, 1984.

³⁴Mitchell, W.A.C., p.287.

³⁵See "C.C.F. Policy for B.C.", Robert Martin Strachan Papers, PABC, Add.Mss. 1291, Vol. 5, File 9, p.10.

³⁶Transcripts, Robert M. Strachan interviewed by Derek Reimer, April 26, 1978, PABC, 528-4, Track 2, p.3.

It is also hard not to conclude that the Bennett government was largely responsible for the criticism and the bad press. The government had certainly shown poor judgement by not spelling out its policy more fully; had it done so, it might well have headed off some of the initial fears that the announcement provoked. The government had certainly not foreseen that the Wenner-Gren program would be received as negatively as it was and had not made preparations to explain it to the public's satisfaction.³⁷ Besides, as Bennett's earlier dealings with the Frobisher group had shown, the action was quite in keeping with his usual style of handling major resource development issues. Neither the Legislature, nor even Bennett's Sacred backbenchers, had been consulted before the agreement was made -- arguably not a judicious way of making a decision entailing the development of so large and important a part of B.C.'s natural resources, and certainly not an approach that was designed to dispel suspicions and misunderstanding.³⁸ As Ray Williston pointed out, it is not uncommon for the public to have to accept on faith that its government will act wisely in allocating natural resources; however, the Bennett

³⁷Ray Williston admits, for example, that the government did not research Wenner-Gren's background or credentials prior to signing the memorandum, and did not anticipate the negative criticism that arose. Personal interview, Aug. 8, 1984.

³⁸Even Attorney-General Robert Bonner admitted he was "as skeptical as any member of the opposition when I first read the proposal". As the Vancouver Sun observed: "If he had doubts, the government can't blame others for being suspicious." Vancouver Sun, Feb. 16, 1957, p.4.

government, having been involved in so many recent scandals had clearly not yet earned that public trust. Indeed, the whole affair demonstrated that the Bennett government's zealous efforts to promote immediate and widespread development were slightly out of touch with public sensitivities. An opinion poll conducted in Vancouver indicated that the public was prepared to accept the proposal provided it was handled discreetly with respect to the public interest, and large sections of B.C.'s land or resources were not given away.³⁹ But public confidence obviously had not been won simply by government reassurances that all was well; a secretive arrangement with a foreign firm of questionable repute, involving one-tenth of the province, was not the public's idea of how the province's resource development business should be properly conducted.

From a Multi- to a Single-resource Development Strategy

Regardless of the cool reception to the Wenner-Gren scheme, the Bennett government would let nothing interfere with its new northern development program. Following an extended evening session on February 14, a C.C.F. non-confidence motion was easily defeated, 37-11, and the press and the public adopted a 'wait and see' attitude. Optimists hoped for great developments, pessimists maintained the program would come to nothing, while cynics

³⁹Sessional Clipping Book, 1957, Part IV, Col., Feb. 19.

expected to hear at any moment that further resource concessions had been granted to Wenner-Gren. Most observers believed that an overall multi-resource developmental plan would be worked out and would be proceeded with once the surveys were completed and a final report was handed to the government. That approach did not come to pass, however, for within one year the Wenner-Gren group became almost exclusively concerned with the hydro-electric power possibilities of the Rocky Mountain Trench, along with the railway which it was committed to commence. Little at all was heard regarding the forest and mineral surveys. However, the British Thompson-Houston Co.'s survey of water resources credited the Peace River with a hydro power potential of approximately 4 million horsepower, rather than the earlier estimates of 1 million. That finding quickly altered the focus of the developmental plans. Hydro-electric power development had not received much attention when the 'memorandum of intention' was signed, either because the Swedish interests did not realize the scale of the power possibilities, or because they had deliberately played down the hydro aspect.⁴⁰ Whatever the reason, in the autumn of 1957 power development of the Peace River emerged as the

⁴⁰Sherman contends that the developers initially were concerned only that sufficient electricity was available to operate the railway and the proposed mills. Sherman Bennett, p.216. Williston supports this view, and Gunderson also believes that they were interested only in enough power to supply their forestry plants. Personal interview with Ray Williston, Aug. 8, 1984; Transcripts, Einar M. Gunderson interviewed by David Mitchell, May 16, 1977, PABC, 2639-3, Track 1, p.6.

principal interest of the Wenner-Gren group.

The new emphasis on hydro development completely overwhelmed the supposed multi-resource planning merits of the original Wenner-Gren proposal. Before the other resource surveys were completed, the provincial government quickly signed a second agreement with Wenner-Gren on October 7, 1957, that prepared the way for a new company (subsequently incorporated as the Peace River Power Development Co.) to undertake the proposed power development. The following day, at a special press conference staged minutes after the official opening of the Westcoast gas pipeline, Bennett announced the plan. Terming it "the most momentous announcement I have ever made", Bennett informed reporters that the initial Wenner-Gren surveys had indicated "the feasibility of establishing in the Rocky Mountain Trench the greatest hydro-electric project in the world." Its power output would equal that of the Grand Coulee and Hoover dams combined, and British Columbia would be transformed into "one of the great industrial centres of the world."¹ A dam, or dams would be constructed on the Peace between Finlay Forks and the Alberta border at sites to be determined by further surveys, impounding a water reservoir in the Trench along the Parsnip and Finlay Rivers approximately 260 miles long and 10 to 15 miles wide, and forming one of the largest man-made lakes in the world. Approximately 4 million horsepower of electric energy would be generated at a cost

¹ Vancouver Sun Oct. 9, 1957, p.1; Vancouver Province, Oct. 9, 1957, p.1.

low enough to be deliverable to Vancouver and other points on the southern coast at rates below those already being charged. The entire development was expected to cost somewhere between \$400 and \$600 million, of which the company had so far agreed to spend a further \$75 million on surveys and drilling over the next year and to submit a completed developmental plan by the end of 1959.

Premier Bennett felt that the findings of the hydro surveys had strongly justified his government's decision to authorize exploration rights in the Trench. The Premier's more optimistic supporters certainly applauded the new development. The Vancouver Province, dismissing the technical difficulties not yet cleared up as secondary questions, praised the plan as the first step towards fulfilling the dream of a Canadian Ruhr in B.C.'s northland, and reminded its readers that the Westcoast pipeline at one time had also been attacked as a visionary project.² The city of Prince George and other northern communities also were enthused by the proposed power development, for they stood to benefit from the construction activity and the cheap electricity the project would supply.³ Provincial

²Vancouver Province, Oct. 10, 1957, p.6; The editorial referred to the announcement, made during the Westcoast ceremonies, as a "a splendid piece of timing which may or may not have been coincidence."

³Prince George Citizen, Oct. 9, 1957, pp.1,4. According to the agreement, power would be made available on a first-call basis in the north-east and north-central regions of the province, and northern areas were not to be charged extra so as to equalize transmission costs to other regions.
Vancouver Province, Oct. 9, 1957, p.2.

fisheries interests also welcomed the announcement, for the utilization of the Peace appeared to eliminate any need to develop the power resources of the salmon-bearing Fraser River system in the foreseeable future.⁴⁴

The Peace River hydro program, though, did little to dispel the many widely-held misgivings over the government's involvement with the Wenner-Gren interests. The cynics' attitudes were best expressed by Opposition leader Robert Strachan's conclusion that the new agreement demonstrated that Wenner-Gren ultimately would be given whatever he wanted.⁴⁵ Nor were the pessimists persuaded: Bennett had stated that the new agreement was legally binding unless engineering surveys showed it was technically impossible to implement, but as the Vancouver Sun noted, the wording of the agreement left the undertaking optional to the principals, not obligatory as the Premier contended.⁴⁶ Nothing yet was final, and the public could not wholeheartedly support a scheme when so many questions remained unanswered and several complex problems still had to be worked out.

Many experts, for example, questioned the assumption that transmitting the power 500 miles or more could bring cheaper electricity to the Lower Mainland. Bennett's answer

⁴⁴Vancouver Sun, Oct. 9, 1957, p.3. Shortly afterwards, Bennett told a group of Steveston fisherman that his government would never build a dam on the Fraser. Vancouver Province, March 28, 1958, p.21.

⁴⁵Vancouver Sun, Oct. 9, 1957, p.4.

⁴⁶Ibid., Oct. 10, 1957, p.4.

was that drastically-reduced transmission costs could be attained through recent advances "that aren't even in the books yet",⁴⁷ but produced no figures to back his claim. In fact, the costs could not be accurately known before the additional surveys were finished, yet the question of price was crucial for determining the economic feasibility of the project. Uses for the quantity of Peace River electricity envisaged in the Wenner-Gren plans could not possibly be found unless the surplus could be sold to the B.C. Power Commission for use elsewhere in the province, and more importantly, to the B.C. Electric Company which held a monopoly over the supply of electricity to the Lower Mainland. Neither company could be expected to buy Peace power for its customers unless it was cheaper than power from alternative sources, which few observers were prepared to believe, notwithstanding Bennett's unsubstantiated assurances.

The front-running alternative for supplying B.C.'s future power needs at this time was the planned development of the Columbia River in south-eastern B.C. The federal government had been working with the United States since 1944 (through the International Joint Commission) on a plan to develop the Columbia's power potential for the benefit of both American and British Columbia consumers. Agreement as to the best means of developing the river had yet to be reached, but several plans were under investigation, all of

⁴⁷Ibid., Oct. 9, 1957, p.2.

which entailed constructing storage dams in British Columbia in return for which the province would receive flood control benefits, plus a share of the extra power (downstream benefits) that would be generated in the United States as a result of the added storage capacity.⁸⁹ Those potential benefits, along with the Columbia's relative nearness to existing markets, made developing that river as an international program B.C.'s likeliest cheapest source of future hydro power -- apart from the Fraser, which was ruled out due to the importance of the salmon fishery. Prior to the announcement of the Peace project, it had been assumed that British Columbia would be needing the electricity from the Columbia in the near future to avert a rapidly approaching power famine on the Lower Mainland.⁹⁰ Bennett's announcement, however, declared that power from the Peace could be delivered to Vancouver at a price one-third cheaper than from the proposed Mica Dam on the Columbia, which was highly questionable since neither the prices of Columbia nor Peace River power had yet been accurately determined.⁹¹

⁸⁹For a short history of the Columbia River Treaty see Larratt Higgins, "The Alienation of Canadian Resources: the case of the Columbia River Treaty", in Ian Lumsden, ed., Close the 49th Parallel, etc., The Americanization of Canada, University of Toronto Press, Toronto, 1970, pp.223-240. For a more comprehensive analysis see Neil Swainson, Conflict over the Columbia: The Canadian Background to an Historic Treaty, The Institute of Public Administration of Canada, Montreal, 1979.

⁹⁰Vancouver Sun, June 6, 1959, p.2; June 9, 1958, pp.1,3.

⁹¹Upon hearing Bennett's statement, one expert commented, "That's very interesting. Now, does anybody know what the cost of producing electricity at Mica Creek would be?" Vancouver Sun, Oct. 9, 1957, p.2.

Nevertheless, the Peace project was claimed as competing with the Columbia for the Lower Mainland market, so its approval completely altered the entire picture with respect to the proposed Canada-U.S. agreement. Indeed, as Ray Williston noted in 1960, "when the history of the last few years is written, no one will be able to argue that the Peace River power potential has not had great influence on the international negotiations concerning the Columbia River."³¹

The Bennett government's decision to endorse the Peace River project was in fact a serious challenge to the federal government's Columbia River policy, and it raised much tension between Victoria and Ottawa during the coming years. Bennett defended his government's decision on the Peace on the basis that Ottawa and Washington had been dilly-dallying for years over the Columbia development, so Peace power would be needed to meet a critical power shortage expected during the period between 1962 and 1967. In other words, the Peace River project was insurance that "development of B.C. won't be held back while the U.S. and Ottawa hold pink teas."³² Sanctioning the Peace alternative, however, did not mean that the Columbia project would be shelved -- "It is not one against the other; it is both", the Premier later stated.³³ Both sources eventually would be

³¹ Sessional Clipping Book, 1960, Part III, Times, Feb. 4.

³² Vancouver Sun, Oct. 9, 1957, p.1, quoting Bennett.

³³ Vancouver Province, Nov. 22, 1958, p.2.

needed, but the government felt the approaching power famine could only be met by developing the Peace, for it did not face the delays international negotiations imposed.

Developing the Columbia, Ray Williston subsequently informed the Legislature, offered "no assurance of any quantity of power by 1967."³⁴

The government also contended that the Peace power project was a useful bargaining lever in the forthcoming Columbia negotiations, with the United States. According to Bennett, the Americans had been in a very strong bargaining position because they were confident B.C. had no option but to develop the Columbia to meet its own power needs.³⁵ The possibility of securing Peace power, however, removed the urgency of developing the Columbia as far as the province's requirements were concerned. Now the Americans would be more anxious than ever to reach agreement on the Columbia and hence more considerate of the province's wishes. Indeed, after the Peace project was introduced, Premier Bennett began taking a tougher attitude on the Columbia. In 1957 he had talked of permitting private American interests to build a dam on the Columbia near Revelstoke in return for giving the province 20% of the downstream benefits.³⁶ Early in

³⁴Sessional Clipping Book, 1959, Part II, Sun, Jan. 28.

³⁵This American attitude was detected by B.C.'s delegation to the preliminary talks on the Columbia River treaty, held between Canada and the U.S. in May 1957. Swainson, Conflict over the Columbia, pp.72-4.

³⁶The Victoria Times viewed the plan as another Kaiser deal. Feb. 8, 1957, p.4.

1958, however, he reassured the Legislature that B.C. would demand 50% (or better) of the downstream benefits. He even indicated elsewhere that he was abandoning the idea of an American-built dam, and moving towards a joint federal-provincial financial arrangement for construction of the Columbia as an international project.⁵⁷

Bennett's defence of the Peace River power project, however, did little to deflect criticism. The government had done more than inject an alternative power site into the complicated negotiations for developing the Columbia River's hydro potential -- it had committed the province to allow the Wenner-Gren interests to develop the power resources of the Peace if that was technically feasible. In effect, critics argued, Bennett actually was catering only to the interests of the Wenner-Gren organization. The government also was ignoring other solutions to the impending power shortage, the most obvious being the immediate development of the Clearwater River, a tributary of the Thompson River, which the B.C. Power Commission had recently pronounced feasible. Its report had indicated that 1,500,000 horsepower could be developed on the Clearwater (which enters the Thompson about 100 miles north of Kamloops) free of international red tape, few repercussions to salmon spawning, plus added benefits of providing flood control on the Fraser (the Thompson being a tributary of the Fraser) and thereby qualifying for federal assistance. By backing

⁵⁷Ibid., Feb. 28, 1958, p.4.

the Peace project the government had blocked an eminently sensible, practical solution to any anticipated power shortage while the diplomatic differences over the Columbia were being resolved.⁵⁸

Williston later explained that it was uncertain whether the Clearwater alternative would be eligible for subsidy under the federal-provincial flood-control agreement.⁵⁹ Unquestionably, though, the government had given little consideration to the Clearwater option because of its overriding preference for the Peace River development which it considered vital to fulfilling the vision of northern industrial expansion.⁶⁰ Bennett wanted the Peace project not primarily because he believed it was needed to avert a power shortage, as he claimed at the time, but because it promised to provide electrical power in the North in amounts and at rates low enough to attract pulp and paper and other large-scale industrial enterprises there. Hastening economic development of the north-central Interior had been the purpose behind the government's arrangement with Wenner-Gren, and the Premier was probably little concerned over the Swedish group's apparent interest in developing

⁵⁸Sessional Clipping Book, 1959, Part II, Sun, Feb. 4.

⁵⁹Ibid., 1960, Part I, Col., Feb. 4.

⁶⁰According to Williston, the government also believed there would never be any reasonably-priced electricity in B.C. unless some fairly large units were installed, and that developing smaller units like the Clearwater would not have provided the same efficiency or economy. The government also disliked the Clearwater alternative because of the fisheries question, which would mean federal involvement or control. Personal interview, August 8, 1984.

only the power resources of the study-area. He wanted the North developed, and believed the power project in itself would go a long way towards fulfilling that goal. The other enterprises originally envisaged in the scheme would naturally follow once the power development received the go-ahead.⁶¹

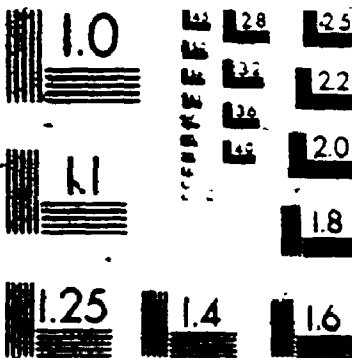
The man chiefly responsible for this change of strategy was Ralph Chantrill, the engineer in charge of the Wenner-Gren hydro surveys, who had discovered that the Peace contained greater power potential than the government had realized and, equally important, was aware that its power could be moved over long distances because of improved high-voltage transmission technology. Those realizations had transformed the Wenner-Gren scheme from a hypothetical multi-resource development proposal to a strategy based on the certainty of the North's power potential. "As the availability of power in the North became evident", Williston explains, "we jumped on it with everything we had to get it developed."⁶²

The new strategy was similar to that adopted in connection with the Alcan development at Kitimat, in that it assumed a surplus of electricity would automatically attract new industry to the region. But it also differed significantly from earlier northern hydro schemes. Projects

⁶¹ Victoria Colonist, Nov. 2, 1958, p.8.

⁶² Personal interview, Aug. 8, 1984. See also, Transcripts, Ray Williston interviewed by Derek Reiser, Oct. 7, 1975, PABC, 1375-9, Track 2, p.10.

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MICROCOPY RESOLUTION TEST CHART
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like Alcan's and Frobisher's had sought to create localized industrial centres, whereas the Peace River program envisaged developing a huge pool of surplus power that would be available for industrial expansion throughout the North. The strategy was a gamble, since there was no assurance that a power surplus by itself would generate industrial activity. That assumption had been challenged by the slow growth of secondary industries at Kitimat,⁶³ but Bennett preferred to look instead at the industrial expansion that had followed construction of the Grand Coulee and Bonneville dams in the Pacific Northwest in the 1930's. Those projects had been highly successful in attracting new industry to the American Pacific Northwest, and Bennett was hoping for similar results from creating a power surplus in northern B.C. and throughout the province generally.⁶⁴

In view of this crucial role for developing the North, the Peace became Bennett's pet project, and he often gave the impression of caring little, if at all, for the Columbia River development. For that reason the Premier faced constant criticism from the Lower Mainland and Victoria presses that suspected the government ultimately might force high-price Peace power upon them for the sake of his northern development policy. Bennett rejected the accusation, maintaining that his government wanted power

⁶³This was pointed out at the time by at least one concerned commentator. See Roderick Haig-Brown, The Living Land, p. 115.

⁶⁴Sessional Clipping Book, 1962, Part III, Prov., Feb. 28.

from both rivers, and that developing the Columbia was equally attractive for the thrust it would give to the Kootenay region of southeastern B.C. The government was committed to promoting maximum economic development in all parts of the province, and the Premier believed B.C. ultimately would need every bit of power it could get. But while this was undoubtedly true, the government was hiding from the public its belief that the Peace River project would have to come first. Only with a prior start on the Peace could Bennett's northern development plans be realized. As Ray Williston later explained:

...the Columbia was going and the Peace was going. But if you started with the Columbia then the Peace would...we thought at that time, the Peace would be delayed by at least 20 years and the development of the north would be delayed by 20 years...the Columbia was going to go anyway because of the Americans' position -- but if you started with the Columbia you were only going to get one of them.⁶⁵

Hence, the government adopted a policy of going slow on the Columbia until the Peace was started. Williston was instructed to negotiate with the federal government on the basis of the Columbia proceeding, but, as he later admitted, he was not to push the decision-making process until he had "received firm commitment that Peace River power was

⁶⁵Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-11, Track 1, p.12; In another interview Williston asserts that the only strategy statement he had from Bennett was "Remember Mr. Minister, you have to start the Peace before you start the Columbia, because if you don't start the Peace before the Columbia, the Peace is going to be delayed 20 years and northern development is going to be delayed 20 years." Personal interview, Aug. 8, 1984.

actually going to go ahead."⁶⁶ This policy, of course, was not disclosed, but the B.C. press rightly suspected Bennett preferred delaying matters on the Columbia in order to make the Peace workable. In their view, Bennett was making little effort to help resolve the Columbia problem and hasten an agreement. As the Victoria Times noted, this was "implicit in their every speech, as they repeatedly emphasized the difficulties of the Columbia project, while down-playing those respecting the Peace."⁶⁷ In fact, despite the Premier's constant blasting of Ottawa for failing to reach agreement on the Columbia, the impression remained

...that Mr. Bennett dragged his feet on the Columbia. He didn't push it nearly as hard as he might. For years he played around with it, squabbling with Ottawa about a small private deal he was trying to swing with the Kaiser interests at Castlegar...The excuse now is that Ottawa isn't moving fast enough on the major project at Mica Creek. Negotiations with the U.S. about downstream benefits are proceeding. Yet how has Mr. Bennett pressed for action? Chiefly by criticizing during election campaigns.⁶⁸

These accusations continued throughout 1958-59 as Bennett repeatedly avoided clarifying his government's priorities. As Ray Williston has noted, however, the Bennett government was not alone in stalling on the Columbia -- the new Diefenbaker administration in Ottawa also was slow to move towards negotiations with the U.S., and this effectively played into Bennett's hands. Bennett, as Williston put it,

⁶⁶Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-11, Track 2, p.2.

⁶⁷Victoria Times, Feb. 6., 1960, p.4.

⁶⁸Vancouver Sun, Nov. 28, 1958, p.4.

"didn't really put the needle under them (the federal government) to get going, although the Premier engaged in political repartee for their lack of action. He didn't do anything to speed it up either -- that was part of the game."⁶⁹

The Bennett government's reticence was not the only reason why it was difficult at the time to obtain a clear picture of the power question. The situation remained confused because the questions surrounding the Peace River project still were not resolved at the end of 1959, and remained just as puzzling as they had been when the project was first announced.⁷⁰ For example, the Peace River Power Development Company had failed utterly to reach agreements with the B.C. Power Commission and the B.C. Electric Company for the purchase of Peace power, and still had no market whatever for power from that source. B.C. Electric, the key potential customer, already had arranged to secure its needs from thermal generation until the early 1970's, and it was not inclined to sign a long-term contract with the Peace River Power Development Co. for large quantities of electricity, especially at an unjustifiably expensive price (roughly six mills per kilowatt-hour).⁷¹

⁶⁹Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-14, Track 2; p.6. The reasons for the Diefenbaker government's cautious approach to the Columbia talks are discussed in Swainson, Conflict over the Columbia, pp.79-82.

⁷⁰Vancouver Sun, June 8, 1959, pp.1,2.

⁷¹At the time, figures generally quoted were six mills for Peace power and four mills for Columbia. Neither estimate could be proved, however, and many experts still believed

B.C. Electric also realized that if it bought the Peace power the popular Columbia project might collapse, or be indefinitely delayed; or if the Columbia went ahead, it would make cheaper power available than the Peace could supply and the company would be left with an improvident contract. The Peace River Power Development Company had also failed to secure approval to export the power to the U.S. because both federal and provincial governments were opposed to power exports, and besides, American sources were not interested in Peace power at the high price predicted.⁷² Nor was there any sign that industry was anxious to flock to northern B.C. to take advantage of the cheap on-site power the project would make available.⁷³

Thus, when William C. Mainwaring, President of the Peace River Power Development Co., submitted his company's report to the Provincial Comptroller of Water Rights on December 30, 1959,⁷⁴ he still could not report any guaranteed markets for Peace power. And without those markets, the company would be unable to raise the necessary financing,

⁷¹(cont'd) that the Peace figure of six mills was far too low. Ibid., p.1.

⁷²Ibid., p.2.

⁷³Ibid., p.1. At the time, pulp markets were poor and nobody in the industry would venture to predict when the situation might improve. The government's policy was somewhat of a gamble in this respect, relying more on faith than on sophisticated economic forecasts.

⁷⁴See Peace River Power Development Company Ltd., Report on the Peace River Hydro-Electric Project, 9 Volumes, prepared by B.C. and B.B. Power Consultants Limited, Vancouver, 1959.

most of which was expected to come from Britain.⁷⁵ In fact, Mainwaring hinted that the proposed project - which now called for the construction of a \$600 million dam at Portage Mountain, near Hudson's Hope, and eventual power production of more than 5 million horsepower - might have to be abandoned as financially and economically unfeasible. Since Bennett was adamant that the company was legally committed to proceed, an obvious rift developed in early 1960 between the two parties.⁷⁶

Meanwhile, the other major component of the Wenner-Gren northern development program also was in danger of collapsing. The railway surveys were completed in 1959, and the government reassured the public that construction would be begun within the June 30, 1960, deadline. The prospect seemed even more certain on May 13, 1960, when the Premier announced that four internationally reputable firms would join with the Wenner-Gren interests in building the line.⁷⁷ Eleven days later the Pacific Northern Railway was incorporated, and an application to build a 697-mile railroad from Summit Lake, thirty miles north of Prince George, to Teslin Lake, on the Yukon border, was filed with Lyle Wicks, the Minister of Commercial Transport. According

⁷⁵Vancouver Sun, June 8, 1959, p.2.

⁷⁶Sessional Clipping Book, 1960, Part III, Times, Feb. 27.

⁷⁷These four firms were A.V. Roe Co. (Canada) Ltd.; Associated Electrical Industries Ltd. of London; Cleveland Bridge and Engineering Company Ltd. of Darlington, England; and Perini Ltd., Toronto. Victoria Colonist, May 14, 1960, p.1.

to the plan, the railway would not follow the Rocky Mountain Trench (as originally intended), because of the flooding associated with the Peace River power project. Instead, a more westerly route via Fort St. James and Takla Lake was selected, and rumours had it that permission also was being sought to carry the line through the Yukon to Alaska.⁷⁸

But the Pacific Northern Railway was confronting problems similar to those the Peace River power project faced. First, there was some confusion as to the authorization procedure -- the Public Utilities Commission (P.U.C.) claimed the railway first had to obtain its certificate of public convenience and necessity, while the company maintained that it was under the jurisdiction of the Railways Act. The government preferred that view, realizing the delays that seeking P.U.C. approval could entail.⁷⁹ A P.U.C. hearing would have forced the railway to produce detailed financial plans before authorizing it to proceed, which the company was in no position to do. Despite Bennett's assurances, the company apparently had not yet undertaken an economic evaluation of the project and had

⁷⁸Heaver, in "Transportation Projects", points out that the application may never have been made. p.127. The proposed route change led the city of Prince Rupert to seek a stopwork injunction against the P.N.R., since the new route ran almost parallel to the Canadian National Railway's existing line for part of the distance. The city, instead, contended the line should start at Hazelton and run due north to the Yukon border. Victoria Times, June 30, 1960, p.1.

⁷⁹The company maintained that P.U.C. authority applied only to railways which owned and operated equipment to carry passengers and freight. The P.N.R. did not yet fall into that category. Ibid., June 18, 1960, p.18.

failed to secure adequate financing.⁸⁰ The Pacific Northern Railway was by no means as ready to proceed as Bennett made it out to be; but with a general election planned for the fall, the Premier was determined to maintain an appearance of success for the time being.

The P.N.R., accordingly, was authorized to start work officially on June 29, 1960, with assurances that approval of the P.U.C. would be sought at some later date. On that day Bennett, Gore, Gunderson, Williston, and a group of public relations men met in a dusty clearing at Summit Lake to act out the opening ceremonies. Jubilantly Bennett informed the small gathering that "The railway which starts construction today is the longest railway of the century. Construction is right on schedule. It will not stop until it is built right to the Yukon."⁸¹ The charade, however, was simply window-dressing⁸² to conceal the fact from the voters that a major part of the Wenner-Gren program was about to collapse.⁸² Nine hundred job seekers who had invaded Prince George in search of employment on the P.N.R. were told that no work was available, and two weeks after the September 12th election (which the Socreds easily won) the so-called

⁸⁰Vancouver Province, March 1, 1960, p.1; Heaver, "Transportation Projects", p.127.

⁸¹Sherman, Bennett, p.234.

⁸²Bennett as late as 1978 denied that the opening ceremonies had anything to do with the upcoming election, but Williston has admitted it was basically a charade and that the company was not yet ready to proceed. Transcripts, W.A.C. Bennett interviewed by David Mitchell, Feb. 11, 1978, PABC, 1675-36, Track 2, p.16; Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-10, Track 1, p.10.

'construction' of the Pacific Northern Railway was stopped when the P.U.C. and the railway carried the question of jurisdiction over the line to the courts.⁸³ The Bennett government later tried to force action by legislation exempting the P.N.R. from P.U.C. control; nevertheless, work on it never was resumed. In 1962, after the company had forfeited its insignificant \$15,000 performance bond, it was announced that the project was all but dead.⁸⁴

Abandonment of the Pacific Northern Railway project - the most definite commitment of the original agreement - eliminated yet another important facet of the Wenner-Gren developmental plan that the provincial government had so readily endorsed just four years before. The collapse of the railway project was a serious blow to Bennett's northern development policy, and it enabled his critics to charge that he had been taken in by the Wenner-Gren interests. In terms of performance this was perhaps the case, but as Ray Williston has emphasized, the Wenner-Gren interests undertook everything that was reasonably expected of them. They lived up to their basic obligations by carrying out the surveys and, other than stock-earnings perhaps, received little in return for their investment. Ultimately, the government suffered little from its involvement with Wenner-Gren and in fact benefitted from the hydro surveys

⁸³Victoria Times, June 30, 1960, p.1; Sessional Clipping Book, 1961, Part II, Times, March 30.

⁸⁴Sessional Clipping Book, 1961, Part III, Col., March 25; 1962, Part I, Prov., March 24.

that had inspired its new plans for industrial expansion in the North.

Still, this outcome does not erase completely the conclusion that the government had had not been careful enough when it hastily endorsed Wenner-Gren's plans. That the arrangement had been somewhat improvident and potentially dangerous, in fact, was best demonstrated by the Pacific Northern Railway scheme. Judging by its dubious economic viability and the difficulties in raising financing, the possibility that the province might once again (as with the P.G.E.) have been "forced to take over the ruins of a bankrupt private promotion, at heavy cost to the taxpayers" certainly existed.¹⁵ It was precisely to avoid such dangers that the Coalition government had carefully scrutinized all applications for railway charters, to eliminate those that lacked financing and were of a purely promotional nature.¹⁶ That the Socreds were willing to incur such risks demonstrated clearly the differences in attitude and style between those two governments.

Achievement of the Two-River Policy

The failure of the Pacific Northern Railway scheme, perhaps owing to the government's hiding the situation from the voters, did not harm Bennett in the 1960 election. As

¹⁵Sessional Clipping Book, 1960, Part III, Times, March 5.

¹⁶See above, Chapter II.

Paddy Sherman has noted, "the pending collapse of the Wenner-Gren dream of empire did not become a specific issue in this campaign for the simple reason that nobody knew just how bad things were."⁷ The same could be said of the government's two-river hydro policy, which also was facing serious difficulties at the time of that election campaign.

On the surface, it appeared by 1960 that the government's basic premise - that Peace power was needed because of delays in reaching agreement on the Columbia - was rapidly becoming undermined. Reports from Ottawa suggested that U.S. and Canadian negotiators were near agreement during the summer of 1960, and later that year a draft treaty was completed.⁸ While the news did not appear to upset Premier Bennett, who had maintained all along that the province would pursue development of both rivers simultaneously, the majority felt British Columbia would be swamped by a huge power surplus if the two projects proceeded together. The Provincial Water Comptroller, Arthur F. Paget, strengthened that opinion after reviewing the Peace River Power Development Company's report. He warned that the amount of energy generated by the Peace River project could be marketed in B.C. by 1976 only if "no other major resource development, either hydro or thermal, absorbs part of the market."⁹ That conclusion contradicted Bennett's

⁷ Sherman, Bennett, p.234.

⁸ Victoria Times, Sept. 1, 1960, p.4.

⁹ Sherman, Bennett, p.227.

claim that power from both the Peace and the Columbia would be needed by 1975, but the Premier remained unrepentant. To assertions that simultaneous development of both power sources had been shown to be unnecessary, he merely responded:

The opposite is true...If the Peace dies today, the Columbia will die tomorrow. The Peace is the only reason why after all these years of talk there has been some real action on the Columbia. The Peace is an empire crying out for development. Its hydro, coal, gas, and oil make it the greatest potential energy resource area in North America.⁹⁰

Still, Bennett's expressed tactic of using the Peace as a bargaining lever to speed up the Columbia negotiations had worked too well,⁹¹ for he had actually counted on delay on the Columbia to make the Peace immediately viable. Now he would have to improvise if his goal of a two-river development was to be achieved.

How Bennett intended to resolve the controversy remained a mystery until after the 1960 election campaign. The Social Credit Party appealed to voters in both sections of the province which stood to gain most from the developments, so its best policy was to be ambiguous but reassuring.⁹² The government's hydro policy was kept largely

⁹⁰Vancouver Province, April 1, 1960, pp.1,2; Victoria Times, April 5, 1960, p.13.

⁹¹Though, in actuality, it appears the Peace project had little influence in speeding up the Columbia talks. Swainson cites the slow-down in the Canadian economy as the main reason for the federal government's more active pursuit of a Columbia River treaty in 1959-60. Swainson, Conflict over the Columbia, p.116.

⁹²Vancouver Province, April 1, 1960, p.2.

hidden from public view, but what was revealed were two sharply opposing outlooks on the power debate. All three Opposition parties made the Columbia project their first priority on the grounds that it was the cheaper source of power. They would support construction of the Peace only if studies showed it was needed immediately; otherwise, they felt it should be developed sometime in the future in its proper sequence.³³ They envisaged slow, orderly development of the most economical sources of power (i.e., those closest to markets in the South) as the need arose, whereas the government aimed at maximum development of the province's power sources as quickly as possible -- to stimulate further economic development, not merely to meet energy needs already in place, and equally important, to spur development in the North as well as the South. The crux of the matter, as already mentioned, was that if the Columbia were developed ahead of the Peace, it could delay the latter project for years, and, in turn, delay the fulfillment of Bennett's northern vision of industrial expansion.

Closely tied with these contrasted views on hydro policy was the continuing debate over public versus private power development. The Opposition parties favoured public development of the Peace River (assuming it was necessary) because they believed that public power was the cheapest

³³Vancouver Sun, Aug. 27, 1960, p.3; Victoria Times, Sept. 6, 1960, p.1.

form.' Development of the Peace River by public authority, they argued, would provide power at cost to the consumers, without the additional charges represented by federal corporation taxes, or profits and stock dividends to shareholders, and besides, the government could borrow the money for the development more cheaply than could a private firm.' For those reasons, the C.C.F had advocated complete government ownership of existing power supplies and future developments for years. The Liberals and Conservatives, who did not favour full public ownership (or the concomitant takeover of the huge B.C. Electric corporation), believed that so important a project as the Peace, that affected the future needs of a vast majority of B.C.'s consumers, should be developed, as the Columbia was to be developed, as cheaply as possible by public authority.

The Socreds rarely stated their power policy in well-defined terms, but early in 1960 Bennett had informed the Legislature that he favoured a 'combination' of public and private power.' The government, in effect, still adhered to the policy the Coalition had adopted in 1945, when it established the B.C. Power Commission but decided against its becoming a power monopoly.' Projects in more remote areas, like the Wenner-Gren scheme, were still to be

 'Vancouver Sun, Aug. 17, 1960, p.3.

'Vancouver Sun, June 10, 1959, pp.1,3.

'Victoria Times, March 1, 1960, p.3.

'See above, Chapter III.

undertaken by private enterprise under government regulation. The main reason given for allowing the Wenner-Gren interests rather than the B.C. Power Commission to develop the Peace was the government's reluctance to borrow the \$800,000,000 the two major power developments would require.' As the Columbia project was already scheduled for development by the B.C. Power Commission, developing the Peace as a public work would simply stretch the government's borrowing power too far.

Such financial concerns were always important to Bennett,' but as his critics pointed out, the government effectively was giving the Wenner-Gren promoters the right to sell power at immense profits. Indeed, it was the private profit-making aspect of the Wenner-Gren arrangement that largely fueled the indignation over Bennett's favouring of the Peace project over the Columbia. His strong enthusiasm for the northern hydro project and the government's obvious close relationship with the Peace River Power Development Co. brought repeated charges that Bennett was more concerned with assisting the Wenner-Gren promoters than ensuring that British Columbians received the cheapest power available. In fact, it was suspected that Bennett's businessman outlook may have biased him towards the Wenner-Gren project, and have accounted for his "matchless admiration for the private

'Victoria Times March 1, 1960, p.3.

'Williston confirms that the financing of both river developments was seen as a "colossal undertaking" to be avoided if possible. Personal interview, Aug. 8, 1984.

profit-making potentialities of the Peace", in contrast with his constant downplaying of the Columbia development.¹⁰⁰

In that respect, the Opposition parties did not really understand Bennett's motives at the time, though this was understandable considering the secrecy surrounding government policy. Development of the North, rather than assisting the Wenner-Gren interests was Bennett's main concern; in fact, the Wenner-Gren group by this time had been largely superseded by British interests on the board of the Peace River Power Development Company and represented only a minority shareholding position.¹⁰¹ This was not well realized at the time, however, and the Social Credit government's association with the Wenner-Gren group remained as unpopular during the 1960 election campaign as it had been throughout the previous two years. The suspicion that Bennett aimed to hold back the Columbia project for the sake of developing the Peace also continued to be widely expressed. That view seemed confirmed when Bennett hastily rejected an Ottawa offer of financial aid for the Columbia project in December 1960, and subsequently avoided meeting with Davie Fulton, the Federal Minister of Justice and the chief Canadian negotiator at the Columbia talks, to straighten out the disagreement.¹⁰² Instead, the Premier assigned the newly-appointed British Columbia Energy Board

¹⁰⁰Vancouver Sun, Nov. 28, 1958, p.4.

¹⁰¹Mitchell, W.A.C., pp.289-90; Sherman, Bennett, p.222.

¹⁰²Sherman, Bennett, pp.239-41; Vancouver Province, Dec. 10, 1960, pp.1,4.

to study both projects and determine the cost of power from each, a commendable move in principle, but under the circumstances one that gave the appearance of being a further delaying action, especially in view of Bennett's earlier objections against holding investigations into the matter.¹⁰³

At this juncture Ottawa committed an incomprehensible blunder. The Diefenbaker government, anxious to reach an agreement on the Columbia before the Eisenhower administration left office, signed a draft treaty with the U.S. without first having secured definite approval from the province that would have to implement most of its terms.¹⁰⁴ That initiative was a godsend to Bennett: the agreement with the United States could not be ratified without B.C.'s consent, so the Premier was able to extort whatever concessions he wished for saving the federal government the embarrassment of backing out of the treaty. In effect, Bennett had been handed control of the situation, and the lever to settle the issue in the way he preferred. As Vancouver publisher Howard T. Mitchell later said: "Seldom in Canadian history has a Canadian Prime Minister placed his neck in a headlock by a provincial Premier as Mr.

Diefenbaker appears to have done to Premier Bennett's

¹⁰³Vancouver Province, Dec. 30, pp. 1, 2; Sessional Clipping Book, 1961, Part II, Times, Feb. 4.

¹⁰⁴Swainson examines in detail the intergovernmental exchanges leading up to the signing of the treaty and shows how the federal government mistakenly came to believe it had Victoria's approval to proceed. Swainson, Conflict over the Columbia, pp. 181-5.

obvious strategic advantage."¹⁰³

Bennett's price soon became apparent. Rather than B.C.'s share of the downstream power benefits being returned to the province as per the treaty, the Premier insisted on selling the power in the U.S. on a long-term contract for a lump-sum, at a price of 5 mills per kilowatt hour or better. The income from this sale, he calculated, could be used to construct the three Columbia River dams required on the Canadian side of the border under the treaty. Peace River power would then have to be developed to meet the future needs of B.C.'s consumers. By exporting the Columbia system's electricity to the United States, B.C. would no longer have an over-abundance of power beyond its needs, and the main obstacle against Bennett's 'two-river policy' would be removed. Both rivers could be developed, the Columbia to sell its power surplus to the U.S., and the Peace to supply the growing needs of the power-hungry markets of B.C.'s Lower Mainland.

With that outcome in mind, Bennett now made his plans to remove the last obstacle blocking the Peace River power development program -- to take over the B.C. Electric Company and convert it into a Crown corporation. On August 19, 1961, with dramatic suddenness, Bill No. 5, The Power Development Act, was introduced at a special session of the Legislature, providing for the takeover of B.C. Electric and transforming it into a Crown agency (the B.C. Hydro and

¹⁰³Worley, Wonderful World, p.231.

Power Authority) entrusted with developing the Peace River power project.¹⁰⁶ B.C. Power Corporation, owner of all the common shares in B.C. Electric, was offered \$111 million, the paid-up value of the shares; or alternatively, a price of \$38 per share, the going price before the Premier had warned of the takeover in February 1961. The new Crown corporation also was authorized to assume control of the Peace River Power Development Company, which was to be compensated for the money it had spent on studies and surveys.¹⁰⁷

The expropriation of B.C. Electric aroused bitterness throughout the business world and embroiled the government in a prolonged court action which eventually resulted in the price paid to the B.C. Power Corporation being raised to \$197 million.¹⁰⁸ The step, though, was a masterful one by Bennett for achieving his 'two-river policy'. The takeover guaranteed that his pet Peace project would now be sure of the Lower Mainland power market that had previously eluded it, whatever the outcome of the Columbia dispute. The switch to development by a public agency meant it would be exempted from federal corporation taxes, which also meant the Peace

¹⁰⁶Sessional Clipping Book, 1961-Special Session, All Accounts, Aug. 2, 3, 4.

¹⁰⁷As Mitchell has noted, the take-over of the Peace River Power Development Company demonstrated that the government was not controlled by the Wenner-Gren organization. More accurately, however, it showed that Bennett was more interested in northern development than in assisting the private firm. Mitchell, W.A.C., p.307.

¹⁰⁸Sherman, Bennett, p.276.

power could be produced more cheaply than by a private company. A report prepared for the government by the B.C. Energy Board, tabled at the same time as Bill No. 5, indicated that the publicly-owned Peace River project would produce power at virtually the same cost as Columbia power.¹⁰⁹ The figures were loaded in favour of the Peace project, since they did not include on the revenue side of the Columbia project the \$64,000,000 in flood control benefits nor any financial aid from Ottawa.¹¹⁰ Still, the report sufficed to give Bennett the justification he needed to proceed with the Peace River development.

By the time tenders were called for the diversion of the Peace in late 1961, Premier Bennett held the upper hand in the dispute with Ottawa over the ratification of the Columbia River Treaty. With arrangements having been made to meet B.C.'s power requirements by the Peace project, the federal and the United States governments found that they would have to agree to Bennett's request that the Columbia downstream benefits be sold south of the border if they

¹⁰⁹B.C. Energy Board, Report on the Columbia and Peace Power Projects, Victoria, 1961, p.5; Mitchell contends that the B.C. Energy Board Report refutes those critics who argued that Peace River power was too expensive: Mitchell, W.A.C., p.306. For the most part, however, those critics based their assessment on the assumption that the Peace would be a private undertaking. The Energy Board report thus confirmed their views by demonstrating the cost advantages of developing the Peace as a public project, and refuted the Bennett government's former contention that the Peace could be developed as cheaply as the Columbia as a private undertaking.

¹¹⁰Sessional Clipping Book, 1961-Special Session, Col., Aug. 2.

wished to proceed with the Columbia development. The B.C. Energy Board's report took the position that simultaneous development of both the Peace and the Columbia would be uneconomic unless a very large remunerative market for the additional power was found outside the province, and that the most logical course would be to sell the Columbia downstream benefits in the United States since they were located closest to that market and required little added transmission costs.¹¹¹ Two more years of bitter relations between Victoria and Ottawa elapsed before a new federal government finally surrendered to Bennett's demands on July 8, 1963. The Pearson Liberal government abandoned the traditional federal opposition to the export of hydro power and finally permitted B.C. to negotiate the sale of its downstream benefits to the U.S. The arrangements were worked out over the next five months and the rewritten Columbia River Treaty was eventually signed in Washington on January 22, 1964.¹¹²

Thus, Premier Bennett, through a striking combination of strong will, amazingly good luck, stubborn negotiation, and arbitrary political manoeuvring, achieved his goal of the two-river development that had seemed impossible four years earlier. His policy, however, was being realized in a far different form than he had set out to achieve. For two years, the Premier had insisted that Peace power could be

¹¹¹B.C. Energy Board, Report, p.6.

¹¹²Sherman, Bennett, p.265.

produced as a private undertaking and that the electricity from both rivers could be marketed entirely within B.C. Yet the decisions to take over B.C. Electric and sell the downstream benefits in the U.S., in effect, were admissions that his power policy had been based all along on faulty premises. At the outset he had no intention of expropriating B.C. Electric, and had done so only because of that company's reluctance to move on the Peace;¹¹³ while the decision to export Columbia power ran counter to the government's long-standing policy that B.C.'s power sources should be used to stimulate development and meet future industrial demands within the province. Faced with the hard reality that both projects could not be built simultaneously unless a large part of the resulting power was exported, the Premier was forced to improvise to permit the two developments to proceed, and did so at the expense of some of his prior convictions.

The expropriations of B.C. Electric and the Peace River Power Development Company were striking reversals of

¹¹³Transcripts, W.A.C. Bennett interviewed by David Mitchell, Feb. 11, 1978, PABC, 1375-36, Track 1, pp.11-2; Williston contends that B.C. Electric was taken over because it held a strangle-hold on the Columbia as well as the Peace, refusing to take any more of the downstream benefits than it could use, and that it was William C. Mainwaring, President of the Peace River Power Development Company, who first suggested the move. Personal interview, Aug. 8, 1984; See also Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-11, Track 2, p.4. In that interview Williston confirms that there was no thought of taking over B.C. Electric at the outset, and Bennett himself has stated that "it was the last thing I wanted to do." Transcripts, W.A.C. Bennett interviewed by Jack Webster, Oct. 22, 1976, PABC, 1675-6, p.11.

Bennett's earlier policy, but it was a move the Premier could easily live with. The concept of hydro as a public utility requiring government support and direction on the model of Ontario Hydro was becoming widely accepted across Canada during this period, and it was common knowledge that Bennett had favoured public power briefly prior to becoming Premier. The public power movement, in fact, had been greatly strengthened on the West Coast by the public's resentment of the private profit-making aspects of the Wenner-Gren scheme. Unlike the CCF, however, which advocated public power because it was thought to be cheaper, the Socreds had come to recognize its advantages mainly as a form of governmental assistance to economic development.¹¹⁴ The takeovers were easily justified on the grounds that the government, by becoming more actively involved in hydro development for private industrial use, was actually assisting rather than strangling free enterprise.

Expediency was the primary reason for Bennett's plunge into public ownership, however; like the sale of the downstream benefits, it was just one of several moves the Premier had to make to achieve development of both the Peace and the Columbia River systems. Despite a later myth that Bennett envisaged the two-river policy long before Wenner-Gren appeared on the scene, this was clearly not the

¹¹⁴Phil Gaglardi has stated that the reason for the takeovers was to obtain cheaper electricity, but clearly this was not the government's primary motive. Transcripts, Philip A. Gaglardi interviewed by David Mitchell and Costia Nikitiuk, Aug. 16, 1978, PABC, 1644-7, Track 1, p.5.

case."¹⁵ No such strategy was planned from the beginning and one evolved only in response to changing circumstances. As Ray Williston later put it: "We just gradually worked into the two-river policy."¹⁶ Because of this approach, as Bennett's critics often noted, the government throughout the affair did not have a carefully-formulated power policy so much as a power objective - the development of both hydro sources as quickly as possible - which the Premier had been intent on achieving by whatever means. In the process, the question of whether the 'two-river policy' was necessary, or whether it would be more beneficial to the province than the staggered development of B.C.'s power sources, was never adequately investigated.

Nobody could predict for certain, even when the debate was drawing to a close in 1964, what would be the eventual outcome of the province's chosen course of action. Even with

¹⁵This myth is expounded in both David C. Humphreys and Roger Keepe's Conversations with W.A.C. Bennett, pp.106-08 and David Mitchell's W.A.C., pp.255-6. It derives from a story Bennett told those authors of how he met an old trapper on top of a small hill overlooking the Peace River Valley and told that trapper of his vision of northern development. While the incident itself might be true, it is unlikely that it occurred prior to the Wenner-Gren interests coming along as both those books suggest. Bennett claimed that it did in his interview with David Mitchell, but in an earlier interview with Jack Webster, then with C.J.Q.R. Vancouver, Bennett placed the same incident as occurring after the Peace project had been surveyed. Transcripts, W.A.C. Bennett interviewed by David Mitchell, Feb. 11, 1978, PABC, 1675-36, Track 2, p.1; Transcripts, W.A.C. Bennett interviewed by Jack Webster, Oct. 22, 1976, PABC, 1675-6, p.6.

¹⁶Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-11, Track 2, p.4; Personal interview, Aug. 8, 1984.

Columbia power being exported, there still remained some question whether industrial demand for energy within the province would increase rapidly enough to absorb the capacity being constructed along the Peace.¹¹⁷ Thus Attorney-General Robert Bonner lectured the Legislature in 1962 on the importance of having "faith that the markets will develop", rather than demanding economic proof or justification that those markets would be available.¹¹⁸ Bennett, a year later, boasted that his power policy "would be judged 10 years from now, and he was confident the verdict will be he had the best government there ever was."¹¹⁹ But there was no concrete assurance that the government's policy of faith and optimism would prove justified, nor conversely, any way of accurately assessing the claims of the critics. These observed that far from being attracted to B.C., new industry would locate in the U.S. Pacific Northwest to take advantage of the cheap Columbia power made possible in part by the sale of the downstream benefits. British Columbia, on the other hand, would have more power than it could immediately use, and B.C.'s consumers at the same time would be saddled with

¹¹⁷Williston has admitted that the government felt it could sell any surplus power from the Peace to the U.S. if the need arose, though of course this could not be publicly revealed at the time. Personal interview, Aug. 8, 1984.

¹¹⁸Sessional Clipping Book, 1962, Prov., Part III, Feb. 27. Bonner has since confirmed that the strategy was based largely on faith. Personal interview, Aug. 13, 1984.

¹¹⁹Ibid., 1963, Part I, Times, Feb. 28.

expensive Peace River power.¹²⁰

Ultimately, neither side was fully vindicated by the outcome. The critics' dire warnings of an unusable surplus proved unfounded, as energy demands in the 1960's rose faster than anyone had anticipated. Bennett interpreted this development as justification of his 'two-river policy',¹²¹ but his government's own projections also were overwhelmed by the rapid increase in domestic energy needs. Even as the Peace project was nearing completion in 1967, new generating capacity was being urgently sought to avert a projected brown-out by 1973-75.¹²² It must be asked, therefore, whether the increased energy demands of the 1960's showed that the government was far-sighted in pushing ahead and developing the Peace power site when it did, or short-sighted in alienating a huge block of power to the U.S. for a 30-year period in order to do so -- power that the province has needed long before that term has expired.

Several other unfortunate consequences resulting from the sale of the downstream benefits to the U.S. must also be considered when assessing Bennett's handling of the power question during these years. The Premier, for example, decided for financial reasons¹²³

¹²⁰Ibid., 1962, Part IV, Col., March 22.

¹²¹Ibid., 1965, Part II, Sun, Feb. 11; 1968, Part IV, Times, Feb. 9.

¹²²Ibid., 1964, Part IV, Prov., March 18.

¹²³Government finances at the time were already over-extended on the P.G.E., the Peace River project, and the takeover of B.C. Electric, and Bennett did not want to borrow on the money market for the Columbia as well.

to request that the downstream benefits be paid in a lump sum and in cash, a move that was to have many serious and adverse repercussions. By 1972, the Bennett government was forced to admit it had badly miscalculated construction costs on the Columbia development, which had escalated by \$158 million because of inflation. The original \$354 million received from the U.S., including interest, had been expected to pay for the three Columbia dams, plus half the cost of installing generators at Mica Creek (the only one of the three dams designed to produce power for B.C.). Already, however, it was being estimated that the U.S. funds had fallen short of paying for the Columbia development by some \$111 million.¹²⁴ Faced with the escalating costs of constructing the two hydro projects, Bennett allowed B.C. Hydro to borrow heavily from various government trust funds (to avoid paying higher interest rates), so British Columbia's school boards, municipalities, and regional districts were unable to borrow enough from the same sources to meet their essential needs.¹²⁵ And despite Bennett's repeated promises that the two developments would provide B.C. with greatly reduced hydro rates for many years to come, B.C. Hydro in 1970 was forced to increase its rates by some 15% to meet the costs of rising inflation, to a point

¹²³ (cont'd) Vancouver Province, Feb. 23, 1974, pp. 1, 15.

¹²⁴ Sessional Clipping Book, 1972, Part II, Sun, March 17.

¹²⁵ Sessional Clipping Book, 1967, Part II, Sun, Feb. 10; Part III, Col., Feb. 7; 1968, Part I, Prov., Feb. 1, 2; 1971, Part I, Times, Feb. 24; Part II, Prov., Feb. 27.

where the B.C. rate was the fourth highest among the nineteen major metropolitan areas in Canada.¹²⁶

A thorough cost-benefit analysis of the effects of the Columbia River Treaty has yet to be produced, but it would appear that ultimately B.C. did not receive maximum advantages from that particular development.¹²⁷ And in part, this would have to be attributed to the way Bennett transformed the project to fit the Peace scheme into the overall power development picture. Bennett's decision to sell the downstream benefits was made primarily so that the Peace River project could be undertaken immediately, and not have to wait its turn among the several sources of power

¹²⁶Ibid., 1970, Part III, Prov., Jan. 23, 27; also Pat McGeer, Politics in Paradise, Martin Associates, Toronto, 1972, p.62.

¹²⁷It should be noted, as Bennett, Williston, and other government supporters have done, that it is highly unlikely the government could have received a better price for the Columbia downstream benefits. Mitchell, W.A.C., pp.325-6; Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-14, Track 2, p.1. This does not eliminate, however, the possibility that a more advantageous outcome might have been achieved by bringing the benefits back to Canada. It also has often been noted in defence of the treaty that B.C. sold only half of its entitlement to the downstream benefits under the sixty-year treaty. Its entitlement to the second-thirty years of benefits has yet to be disposed of and, given rising energy costs, those benefits might ultimately make the treaty extremely profitable for British Columbia. Mitchell, W.A.C., p.326; also Transcripts, W.A.C. Bennett interviewed by David Mitchell, Feb. 11, 1978, 1675-36, Track 2, p.3. Still, that possible benefit was unexpected, as Ray Williston admits, and in no way demonstrates the wisdom of government policy at the time. Personal interview, Aug. 8, 1984 (Williston admits the government did not expect the benefits of the second half of the treaty to be worth very much). Moreover, however advantageous the second half of the treaty might prove to be, it still does not detract from the conclusion that a better arrangement might well have been made for the first thirty years.

available for development in the late 1950's. Development of the North was the main objective, and it is important to note in this connection (as few of the treaty's critics do) that the shortcomings of the Columbia River Treaty were at least partially offset by the advantages gained from early development of the Peace. For the project did indeed help speed industrial expansion in that region. Encouraged by the assurance of cheap electric power, new mines and pulp mills were opened in the northern and central Interior during the mid and late 1960's which might otherwise have been delayed until the following decade, or even longer as the government had feared. Other factors must also be given credit, such as high metal prices, bouyant pulp markets, special government resource allocation and other incentive policies,¹²⁸ but it is highly unlikely that the developments of the 1960's could have proceeded as rapidly as they did if only more expensive forms of energy were available. Whether the advantages of this accelerated growth outweighed the shortcomings of selling Columbia downstream benefits remains unanswered. But there can be no doubt that the Social Credit government's strategy on the power development question of the late 1950's, like the Westcoast pipeline promotion, showed that Bennett was the first Premier in British Columbia's history to pursue knowingly and willingly policies designed to sacrifice the immediate interests of the settled South for the sake of providing benefits to the undeveloped North.

¹²⁸These factors are examined in greater detail in Chapter VIII.

Several negative side-effects must also be considered in assessing the Peace River undertaking's overall value to provincial development. Construction of the Bennett Dam (as it was later named) caused a very considerable amount of environmental damage which was largely unanticipated and ignored. The only concession to environmental factors at the time was to ensure that the reservoir was properly cleared of timber before flooding so as to avoid a repetition of the mess created in the Nechako Reservoir by the Alcan dam. Bennett from the beginning promised that steps would be taken to remove the timber, and in 1962 the B.C. Forest Service began auctioning timber within the flood basin of the dam.¹²⁹ That job, however, was carried out only until the dam was ready: the Bennett government refused to hold off flooding until the whole reservoir was cleared, and left considerable amounts of timber standing when the flood waters began to rise.¹³⁰ A program for removing those trees using giant shear-like machines was later implemented, but despite Bennett's contention that the Peace River was transformed from a "narrow, dirty little river..." into "a beautiful lake" and "a great place for people to have

¹²⁹B.C. Forest Service, Report, 1964, p.29.

¹³⁰According to Ray Williston, this was part of a planned process of cutting the timber as the waters rose, and using the water to lift the logs so they could be towed to the mills for processing. This was done to avoid the cost of providing access to the cutting areas over land. Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7,8, 1975, PABC, 1375-15, Track 2, p.5.

holidays...".¹³¹ the reservoir remained a considerable mess and was cited as a black mark on the government's environmental record.¹³² Even today, the reservoir remains littered with debris and is virtually useless for recreational purposes.¹³³

Downstream from the dam great disruption also occurred from the impounding of the river while the reservoir became filled. The town of Peace River, Alberta, for instance, filed a \$80,000 lawsuit against B.C. Hydro because the downstream level of the Peace River was lowered to such an extent that the community's water-intake system was damaged and its natural gas, water and sewer systems had to be relocated.¹³⁴ Lowered water levels also were reported as far away as the Great Slave Lake area of the Northwest Territories, notably in the Lake Athabasca region, with consequent damage to vegetation, wildlife, and to industries such as commercial fishing, trapping, and river shipping.¹³⁵

¹³¹ Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 16, 1977, PABC, 1675-21, Track 1, p.5.

¹³² Sessional Clipping Book, 1969, Part I, Prov., Feb. 1, 5.

¹³³ See comments by Vern Ciccone in the Prince George Citizen, May 3, 1985, p.18A.

¹³⁴ Edmonton Journal, Feb. 12, 1974.

¹³⁵ Jim Lotz, Northern Realities, New Press, Toronto, 1970, p.91; Sessional Clipping Book, 1971, Part IV, Sun, March 20. Williston claims that the drying up of the Athabaska delta caused only short-term damage due to a temporary regional dry cycle in the initial year of filling. Nevertheless, the damage the dam caused is considered as a prime example of the devastating potential of large-scale hydro-electric power projects. See Bruce Mitchell and W.R. Sewell, Canadian Resource Policies: Problems and Prospects, Methuen, Toronto, 1981, pp.32,62,168.

These unforeseen repercussions were a piece with the grossly inadequate planning that characterized the Peace project. Apportioning the blame for the oversight might bear in mind the relative absence of concern for, or understanding of, environmental problems at the time. Still, the government's lack of consideration for the environmental side-effects of the dam helped arouse considerable conservationist protests in northern B.C. and elsewhere, and inspired a movement to argue that small-scale, orderly development of the resources of the North was better than the 'big development' or 'megaproject' approach the Bennett government favoured.

The Bennett government's handling of the Peace River/Columbia affair also placed it squarely at odds with a growing movement for better developmental planning that was beginning to sweep the nation during the late 1950's and early 1960's. The movement for planned development in British Columbia, indeed, was largely inspired by opposition to Bennett's arbitrary and constantly-improvising approach to the crucial power development question. Many critics at the time (the Vancouver Sun, for example, in a special series during the spring of 1959 devoted to the power question) argued that some sort of planning authority was needed to examine comprehensively the complex, unanswered questions surrounding the Peace River/Columbia controversy, and devise an overall plan for future power development.¹³⁶

¹³⁶Vancouver Sun, June 11, 1959, p.1.

The Bennett administration, of course, rejected that approach from the time that it first endorsed the Wenner-Gren scheme without knowing whether the project was economically feasible or what the price of Peace power would be, down to late 1960 when it finally appointed the B.C. Energy Board to study the question, which ultimately did little more than 'rubber stamp' the government's new policy objectives. Instead, the Bennett regime persisted in its 'government knows best' attitude, refusing to provide adequate information to the Legislature or an opportunity to debate one of the most important decisions of the period. It is impossible to know whether the government's miscalculations with respect to its power policy might have been minimized or entirely avoided had the government adopted better planning and approached the power question more openly in the late 1950's and early 1960's. Indeed, as Ray Williston has contended, the two-river policy might never have been accomplished had the Bennett government adopted an extensive planning approach.¹³⁷ Nonetheless, it can be said that the Peace River/Columbia affair, perhaps better than any other episode of the period, shows that major resource use questions in B.C. at this time were resolved more through faith and intuition than by careful research and planning. How beneficial this policy of faith and intuition proved will be examined more closely in the following two chapters.

¹³⁷Personal interview, Aug. 8, 1984.

Chapter VIII

Northern Resource Expansion in the 1960's

The Peace River dam was intended to generate a second, more advanced stage of industrial expansion in northern British Columbia. The first stage - providing better access to northern resources and stimulating interest in developing them - had largely been accomplished by 1958 and had resulted in greater resource use activities, but mostly only in rudimentary forms. The Bennett government's dream ultimately was to promote higher levels of industrialization (pulp and paper manufacture, metal refining, etc.) for which it believed an abundant supply of relatively inexpensive energy was essential. Hence the government forged ahead as quickly as possible with its northern hydro program, a strategy that on the surface appeared highly successful. Resource development activity accelerated at a tremendous pace throughout the new decade, and it was characterized by growth in practically all northern resource sectors -- in contrast with the 1950's when sawmilling and natural gas production had been the principal contributors to economic expansion. The addition of pulp and paper, petroleum production, and new mining operations provided a greater degree of economic opportunity and diversity than the region had hitherto experienced.

The Bennett government, naturally, saw these developments as proof that the Peace River project had fulfilled the promises expected of it. Natural resource development "is like a snow-ball rolling downhill", Ray Williston explained in 1968, "something has to start the action", and "the initial snow-ball roller in British Columbia is B.C. Hydro." However, as was suggested earlier, a number of other considerations also figured in the northern expansion process that must be examined to permit a proper evaluation of the Bennett government's northern development strategy. Was electrical energy really the 'catalyst' in northern industrial activity, as the Socreds professed, or was it only one of several necessary factors (and perhaps a relatively insignificant one) that joined together to fuel the development process? This chapter will examine northern resource expansion during the 1960's to determine how and to what extent other factors besides hydro assisted and affected the developmental process.

The Forest Products Industry

In general, the greatest advances occurred in the forestry sector, which continued the trends of the late 1950's. Following a short recession of 1957-58, boom conditions returned and new records were established each year for the next seven, the value of provincial production

'Sessional Clipping Book, 1968, Times, Part IV, Feb. 14.

advancing from \$637,715,000 in 1959 to \$1,037,000,000 in 1966.² In the following year, production declined by 1.8%, a setback due to heavy fires and a prolonged I.W.A. strike, both mainly confined to the south of the province.³ In the North, forest activity increased steadily throughout the 1960's, and the region contributed substantially to the overall growth of the industry. Thus in the Prince George Forest District the annual cut rose from 149,678,297 cu. ft. in 1960 to 375,152,916 cu. ft. in 1970, and an increase from 129,720,308 cu. ft. to 279,278,575 cu. ft. was achieved in the Prince Rupert Forest District.⁴

The growth of a northern pulp mill economy was the most important development of the period, though lumber production also made a large contribution. Before 1960, all of B.C.'s pulp mills had been located on the Coast, the only plant operating in northern B.C. being Columbia Cellulose at Prince Rupert. Over the next ten years, however, there was a significant shift from coastal to inland sites, with the majority of the new mills being constructed in the northern Interior. Three of them were built at Prince George, Prince Rupert received a second, and five others were planned or were under construction by 1970 at Quesnel, Mackenzie (two mills), Houston, and Kitimat. The principal factor behind this movement was the enormous increase in world markets for

²B.C. Forest Service, Reports, 1959-67.

³Ibid., 1967, p.33.

⁴Ibid. 1960-67. See below, Appendices XIII and XIV.

pulp, particularly for kraft (sulphate) pulp, the demand for which rose steadily over the decade at a rate of 8% per annum (as calculated in 1966).⁵ Since the traditional pulp-producing areas along the southern Coast were already utilized to the full, the increased demand for kraft pulp encouraged companies to establish the new operations closer to the available unused wood supplies, the most promising of which lay in the Interior or on the north Coast.⁶

This northward and inland shift of pulp mill operations was assisted by important changes in provincial forest policy, and was a central component of the government's overall industrial strategy for the North. The primary purpose behind providing cheap power to the North was pulp mill development, which contributed to an emerging policy of achieving better utilization of the valuable wood reserves of the region. This point was rarely raised during the Peace River/Columbia power debate,⁷ but there was a legitimate and pressing need to hasten pulp manufacture in the northern and central Interior regions during the late 1950's and early 1960's. The sawmilling industry at that time was capable of -----

⁵B.C. Hydro and Power Authority, The Pulp and Paper Industry in B.C., Vancouver, 1966, pp.1, 16.

⁶Ibid., p.13; B.C., Department of Industrial Development, Trade and Commerce, The British Columbia Pulp and Paper Industry, Victoria, 1970, p.8.

⁷Improved forest utilization does not appear to have figured directly in the government's decision to push the Peace project. According to Williston, it was just one element of what was considered an overall need for greater industrial development in northern B.C., and the realization that pulp mills would contribute to better forest use "just hatched as we were moving along". Personal interview, Aug. 8, 1984.

using only the better stands of timber, so that a large portion of the timber being logged either was left on the ground or was burned as waste.⁸ The Forest Service hoped to reduce that loss,⁹ and viewed the unutilized timber as a source of raw material for new pulp mills. A concerted effort thus was pursued to encourage pulp companies to locate in those regions, the first step of which, of course, was to provide the cheap electricity from the Peace River hydro project.

The second step, enticing potential pulp producers with assured supplies of raw material, required the creation in 1961 of a new form of tenure called Pulpwood Harvesting Areas (P.H.A.'s). P.H.A. agreements allowed pulp mill companies - in return for constructing their mills - to utilize all of the small-wood material not suitable for sawmilling within their licensed Areas; which comprised a combination of several Public Sustained Yield Units.¹⁰ This tenure was designed specifically for the Interior, where the allowable harvest in most P.S.Y.U.'s already was committed (by 1961 standards of utilization) to sawmilling companies. All seven of the P.H.A.'s created over the next five years were located in the Interior, five of them in the northern

⁸Pearse, Timber Rights and Forest Policy, Vol. I, pp. 71-2.

⁹Sessional Clipping Book, 1960, Part II, Prov., Feb. 25; Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-18, Track 2, p.10.

¹⁰Forest Service, Report, 1961, p.11; Pearse, Timber Rights and Forest Policy, Vol. I, pp.105-7; Bernsohn, Cutting up the North, p.96.

Interior. The P.H.A. experiment, in fact, was the first time in North America that a pulp mill economy was successfully superimposed on an existing sawlog economy. To develop this revolutionary new concept, Williston was forced to go outside the Forest Service for advice, and commissioned the Prince George Board of Trade to study the idea of establishing a pulp mill in the region using residual chips, which was carried out by a local consulting agency -- the Industrial Forest Service. From that study, which cost the government a mere \$200, the concept of the first Pulpwood Harvesting Area agreement derived, the details of which were later worked out between the government and Canfor (Canadian Forest Products Ltd.), owners of the Port Mellon pulp mill, near Vancouver, which was the first company to recognize the potential of the new concept.¹¹

The first Pulpwood Harvesting Area (P.H.A. # 1) was established in the Prince George Forest District¹² and comprised the Big Valley, Carp, Crooked River, Naver, Nechako, Parsnip, Stuart Lake, Westlake, and Willow River

¹¹Williston says he first approached MacMillan Bloedel with the idea, but that company turned him down. Personal interview, Aug. 8, 1984. An account of the evolution of the P.H.A. concept can also be found in "Submission by Prince George Pulp and Paper Ltd. and Intercontinental Pulp Co. Ltd.", Prince George, B.C., Aug. 8, 1975, Brief #124, Royal Commission on Forestry, 1975, PABC, GR 347, Box 7, File 4, pp.4-10.

¹²According to Williston, the P.H.A. system was started in Prince George so that he alone would suffer the political consequences if it failed. Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-19, Track 1, p.2.

Public Sustained Yield Units.¹³ It was awarded on November 22, 1962, to Canadian Forest Products Ltd. to support construction of an \$86 million pulp mill located at Prince George. The Prince George Pulp and Paper Mill - a joint venture between Canfor and the Reed Paper group of England - was officially completed in August 1966, with an initial rated capacity of 260,000 tons per year of kraft pulp and 130,000 tons per year of kraft paper. The pulp was sold on world markets in the U.S., Europe, and Japan, while the kraft paper was consumed or marketed by the Reed group.¹⁴

The second Pulpwood Harvesting Area in the northern Interior (# 3), also granted to support a pulp mill located at Prince George, was awarded on October 30, 1964 to Northwood Pulp Ltd., and incorporated the Bowron, Longworth, Monkman, Purden, and Robson P.S.Y.U.'s. This operation was a joint venture between Noranda Mines Ltd. (the owner of Northwood Mills Ltd., operating three sawmills in the B.C. Interior), and the Mead Corporation of Dayton, Ohio, a major U.S. pulp and paper producer. The \$54.5 million Northwood mill was brought into production in July 1966, with a rated annual capacity of 220,000 tons. Half the mill's output was assigned to the Mead Corporation for its own operations, while the remainder was sold on world markets.¹⁵

¹³Forest Service, Report, 1962, p.27.

¹⁴B.C. Hydro, Pulp and Paper Industry, p.47.

¹⁵Ibid., p.42; D.I.D.T.C., B.C. Pulp and Paper Industry, p.50.

The province's fourth Pulpwood Harvesting Area included the Babine, Burns Lake, Morice, and Smithers P.S.Y.U.'s, an area of some six million acres, with Houston, midway between Prince George and Prince Rupert, as the central point.¹⁶ P.H.A. # 4 was formally assigned on July 14, 1965, to Bulkley Valley Pulp and Timber Ltd. (later called Bulkley Valley Forest Industries Ltd.), a joint project between Bowaters Canadian Corporation (a subsidiary of the world-wide Bowater Paper Corporation) and the Bathurst Paper Co. of Montreal. Each firm controlled 46% of the operation, the remaining 8% being retained by local interests. The company planned an integrated processing complex at Houston which eventually was to include a sawmill, a plywood mill, and a pulp and paper plant with an annual capacity of 420,000 tons. Unfortunately the sawmill alone was completed by 1970, and the company failed to meet its commitment to have a pulp mill in operation by the end of 1973.¹⁷

The Bulkley Valley experience was the one instance of a Pulpwood Harvesting Area in northern B.C. failing to bring construction of the proposed pulp mill. The two remaining P.H.A.'s created for the region were more successful.

Pulpwood Harvesting Area # 5, which included the Cottonwood, Narcosli, and Quesnel Lake Public Sustained Yield Units, was formally granted in 1966 to the Cariboo Pulp and Paper Co. Ltd., a joint operation between Weldwood

¹⁶Forest Service, Report, 1965, p.26.

¹⁷D.I.D.T.C., B.C. Pulp and Paper Industry, p.50; Bulkley Valley's difficulties are examined more fully below.

of Canada Ltd. and two Japanese firms, Daishowa Paper Manufacturing Co. Ltd. and Marubeni-Iida Co. Ltd. Construction of an \$85 million bleached kraft pulp mill at Quesnel, with a capacity of 750 tons per day, began in 1967 and was completed in 1972.¹⁸ P.H.A. # 7, which included the Peace and Takla Public Sustained Yield Units, was granted in 1966 to Intercontinental Pulp Co. Ltd., jointly owned by the two owners of Prince George Pulp and Paper and a third partner, Feldmule A.G. of Dusseldorf, West Germany, the largest manufacturer of paper and paperboard in the European Common Market. The award was to support construction of a third pulp mill at Prince George, located on a 640 acre site adjacent to the Prince George Pulp and Paper mill. The \$65 million Intercontinental mill was completed and began producing in May, 1968, with a designated capacity of ~~210,000~~ tons of kraft pulp per year.¹⁹

The P.H.A. tenure arrangement undoubtedly was highly successful in promoting large-scale pulp mill development in the northern Interior. Companies interested in locating there evidently found its guaranteed long-term supply of pulp material attractive. Indeed, the amount of timber designated often could comfortably support mills two or three times the capacity of those initially planned. This built-in allowance for future expansion was another appealing feature. The Bennett government evidently felt

¹⁸Ibid., p.59.

¹⁹Ibid., p.38; B.C. Hydro. Pulp and Paper Industry, p.49.

such security of wood supply was needed to attract investment capital. As Ray Williston has pointed out, P.H.A.'s were fundamentally "paper documents for the financial people", who would not finance a pulp mill unless they could "see where their wood supply was coming from". The agreements gave the companies an assured supply of wood so they could receive their financing, even though the government hoped and expected that the mills would utilize mainly residual chips produced by local sawmills.²⁰ Noting that all five mills were joint ventures involving foreign firms, it has been suggested that the government required that all applicants have a guaranteed market as well as financing before it issued them P.H.A. awards, the feeling being that greater stability would be assured by linking the contracts to 'captive' foreign markets.²¹ According to Williston, however, there was no deliberate plan to link the mills to foreign markets, and sufficient financing was the sole criterion for receiving a P.H.A. award.²²

Pulpwood Harvesting Areas, as already mentioned, were designed for regions already fully committed to

²⁰Personal interview, Aug. 8, 1984. According to one recipient (Canfor), a reserve of standing timber was also considered important to prevent the pulp mill from being at the mercy of the "ups and downs" of the local lumber economy and its wood supply. "Submission by Prince George Pulp and Intercontinental Pulp", Royal Commission on Forestry, 1975, p.7.

²¹Bernsohn, Cutting up the North, p.98; George Shorten Nagle, "Economics and Public Policy in the Forestry Sector of B.C.", unpublished Ph.D. thesis, Yale University, 1970, p.88.

²²Personal interview, Aug. 8, 1984.

logging/sawmilling operations, and were considered unnecessary in underdeveloped areas where no 'overlay' problem was involved.²³ However, the government also sought to promote new pulp mills in such areas, for which timber was allocated under different forms of tenure. Two new Tree Farm Licences were granted on the north Coast, for example, both being extensions of old or previously-designated licences. One was Tree Farm Licence # 40, granted on February 5, 1965, to Skeena Kraft Ltd., jointly owned by Columbia Cellulose and Svenska Cellulose A.B., Sweden's largest manufacturer of forest products. The licence area, which was located in the Nass River region, was awarded to support construction of an \$80 million kraft mill alongside ColCel's older sulphide pulp mill on Watson Island, near Prince Rupert. The new mill was completed in 1967 with a rated capacity of approximately 290,000 tons per year.²⁴

The second Tree Farm Licence, # 41, was awarded in 1965 to Eurocan Pulp and Paper Ltd., a firm controlled by three Finnish companies, Enso-Gutzeit Osakeyhtio, Kymin Oy-Kymene A.B., and Tampella A.B. The licence, located in the Kitimat region, was granted to support construction of a \$145 million pulp, paper, plywood, and lumber complex at Emsley Cove, near Kitimat. The Bennett government had sought in vain to secure construction of a pulp mill for Kitimat since the early 1950's; a licence had been reserved in 1954 for

²³Nagle, "Economics of Public Policy", p.68.

²⁴D.I.D.T.C., B.C. Pulp and Paper Industry, p.50.

the Kitimat Pulp and Paper Co., a joint venture between Alcan and the Powell River Company, but had been halted after three years and the licence had been cancelled in 1958.²⁵ A second Tree Farm Licence was reserved for the MacMillan Bloedel and Powell River Co. in 1964, but that too was turned down a year later on the grounds that there was insufficient timber for the grant to be economical.²⁶ Later, Eurocan applied successfully for the same licence, its bid winning out over another by Crown Zellerbach. Eurocan had a 915 tons per day pulp mill (producing kraft pulp, sack kraft paper, and linerboard) and a 150 million board feet per year sawmill in operation by 1970.

Yet another form of tenure also was used to promote pulp mill development in northern B.C. during the 1960's. The B.C. Forest Service inaugurated a program in 1962 of cruising and auctioning Timber Sales within the flood basin of the proposed Peace River dam. After 48 such sales had been granted, the program was abruptly halted in 1964 to make two special sales for pulp mill development within the Finlay Public Sustained Yield Unit.²⁷ These special sales, later known as Timber Sale Harvesting Licences, were granted to Alexandra Forest Industries Ltd. and to Cattermole Timber Ltd. in June 1965. Both companies had applied for Tree Farm

²⁵Kitimat Northern Sentinel, Nov. 25, 1954, p.1; Eurocan Pulp and Paper Co. Ltd., Proposal to the Hon. R.G. Williston concerning the utilization of Timber Reserves in the Kitimat Area of the Prince Rupert Forest District, August, 1965.

²⁶Kitimat Northern Sentinel, April 29, 1965.

²⁷Forest Service, Report, 1964, p.29.

Licences but received the new tenure instead, perhaps an indication of the increasing political unpopularity of the T.F.L's.²⁸ The new arrangement gave Alexandra Forest Industries cutting rights of 60 million cubic feet per year, and Cattermole 40 million cubic feet per year, each for a 21 year term, capable of renewal after that period. In return, Alexandra was required to erect a pulp mill of 400 tons per day capacity, and Cattermole a 300 t.p.d. mill.²⁹

Alexandra Forest Industries had originally been founded by the Wenner-Gren organization to develop the forest resources of the area once the Peace River dam reservoir was formed. Since the Wenner-Gren group lacked the necessary expertise to build an integrated forest products operation, it approached B.C. Forest Products Ltd. to participate in their plans.³⁰ B.C. Forest Products bought out the other shareholders, including the Wenner-Gren people, to take full control of the development in 1966. In that year the first stage of a \$9 million integrated complex was completed with the opening of a 60 million bd. ft. per year sawmill at Mackenzie, situated near the south end of the reservoir, approximately 125 miles north of Prince George. Mackenzie

²⁸Sue Baptie, First Growth, The Story of British Columbia Forest Products Ltd., Vancouver, 1975, p.231. According to Williston the government, acting upon the recommendation of the 1956 Sloan Commission, stopped issuing new Tree Farm Licences in the late 1950's. The licences issued to ColCel and Eurocan in the 1960's, as has been seen, were extensions of old or previously-designated awards. Personal interview, Aug. 8, 1984.

²⁹Baptie, First Growth, p.232.

³⁰Ibid., p.227.

was a new community, incorporated in 1965, to house and service the workers of the forestry operation, and B.C. Forest Products did much of the planning and construction of the townsite.¹¹ The town grew rapidly over the next seven years as B.C. Forest Products gradually expanded its sawmill capacity to 150 million bd. ft. per year, added a second 80 million bd. ft. per year stud mill, and opened a 500 tons per day bleached kraft pulp mill in 1972.¹²

The province's efforts to promote pulp mill development through various tenure arrangements thus proved highly successful for much of northern B.C. In a period while market conditions were favourable for expansion, the Bennett government achieved its goal of encouraging companies to locate in the underdeveloped North where vast pulpwood resources remained to be utilized. The resulting pulp mill explosion of the 1960's and early 1970's helped bolster the region's economic position and provided new opportunities for commercial and industrial growth. The communities in which pulp plants were erected benefitted in varying degrees from additional employment in mills and wood operations, experienced large population increases, and became centres of attraction for manufacturers and suppliers of capital goods, equipment, and the ancillary services required to support the pulp and paper-making industry. Certain industries benefitted directly from the development of new

¹¹Ibid., pp.237-45.

¹²Regional District of Fraser-Fort George, District of Mackenzie, Mackenzie B.C., 1973, p.5.

pulp mills in the North as well. The chemical industry, for example, expanded rapidly to meet increased demand for chemicals used in pulp manufacture. B.C. Chemicals Ltd., owned jointly by Prince George Pulp and Paper, Northwood Pulp Ltd., Intercontinental Pulp, and by Dryden Chemicals Ltd., began supplying the three Prince George mills with sodium chlorate in 1967.³³

The transportation sector also was strongly affected, especially the P.G.E. railway which served the plants at Prince George, Mackenzie, and Quesnel. The mills in those three communities depended greatly on the provincial railway for transporting raw materials (chips, chemicals) and finished products, and the P.G.E.'s traffic was considerably increased through servicing them.³⁴ The new traffic, in fact, was largely responsible for the railway's tremendous expansion of business in the mid and late 1960's.³⁵ The P.G.E., in turn, encouraged this traffic by guaranteeing that an adequate supply of economically-priced wood chips would be available for the local pulp mills. It ordered 109 high-side chip cars in 1965, and established a rate structure on chips that made it more profitable for Interior sawmills to sell their chips locally, instead of shipping them to coastal plants where they would normally receive a

³³D.I.D.T.C., B.C. Pulp and Paper Industry, p.20.

³⁴Ibid., p.17.

³⁵See above, Chapter V.

higher price.³⁶ This rate structure was not very profitable for the railway, but it was felt justified to encourage pulp production, which had a greater freight potential than chips and the ability to pay a good freight rate. The money lost on transporting chips, it was thought, would be compensated for by "hauling the pulp from the pulp mills that were built along the line of the P.G.E. railway."³⁷

The most far-reaching repercussions of northern pulp mill development, however, were for the forest industry itself. The pulp mills had a tremendous impact on the sawmilling industry, especially in the north-central Interior where P.H.A. agreements predominated. Holders of those agreements, in fact, have rarely needed to secure their own roundwood but have relied almost entirely on the chips produced by local sawmills. That result had been a prime objective of the government's policy all along -- to foster more efficient, economical use of the region's wood reserves. It had been hoped that

...by providing a market for residuals, sawmilling companies would be encouraged to install the log barking and chipping equipment necessary to produce wood chips as lumber by-products, and thus reduce the pulp mills' dependence on roundwood. The government encouraged this by offering incentives to sawmillers in the form of reduced stumpage charges and increased "quota" if they would adapt their mills to "close utilization" standards and chip recovery.³⁸

³⁶B.C. Hydro, Pulp and Paper Industry, p.21; Mullins, "Changes in Location", pp.72-3.

³⁷Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-17, Track 1, p.9.

³⁸Pearse, Timber Rights and Forest Policy, Vol. 1, p.106.

"Close utilization" was a policy, introduced gradually throughout B.C. during the 1960's, of lowering tree harvesting standards to make better use of small, previously-wasted logs. Minimum stump diameters permitted for cutting were reduced from 12 inches (at breast height) to 7 inches in the Interior, and from 14 inches to 9 inches on the Coast. In addition, all trees were to be utilized down to a 1 ft. stump and a 4 inch top.³⁹ These changes were made possible by advances in sawmilling technology that made it more profitable than before to saw small-diametered timber. New inventories were compiled to close utilization standards, and the extra timber now permitted for harvesting in each P.S.Y.U. was given to established licensees, or 'quota' holders, whose mills were equipped to handle it. Quotas were raised across the board, in the Interior by one-third, and on the Coast by one-half.⁴⁰ Any surplus volumes not directly allocated were dispensed through a new form of tenure called 'Third Band Timber Sales'. These sales were available to operators who could show need for the additional timber and who had the small-wood facilities to utilize it.⁴¹

The response to these incentives was both swift and extensive, with sawmills adopting the new technology far

³⁹B.C. Forest Products, Yearbook, 1967, p.B2; B.C. Department of Industrial Development, Trade and Commerce, The Sawmilling Industry of B.C., Victoria, 1972, p.14..

⁴⁰Pearse, Timber Rights and Forest Policy, Vol. 1, p.30.

⁴¹Ibid.

faster than anyone had predicted. The B.C. Forest Service reported in 1965 that the number of barkers and chippers used by sawmills throughout the province had increased by 70% over the previous year,¹² and more than 30 barking/chipping units were installed in the northern Interior between 1965 and 1967.¹³ As Pearse notes:

In a very few years the Interior sawmilling sector was transformed into larger, fewer, and more sophisticated mills with barkers and chippers producing pulp chips as an adjunct to dimension lumber. Logging to "close utilization" standards, they could now recover and manufacture all the timber that was economically usable for either lumber or pulp production, not only in the kinds of stands they had previously been harvesting, but also in the extensive tracts of small Interior timber hitherto considered unsuitable for sawmilling.¹⁴

All in all, then, the government's promotion of pulp mills proved very successful in reducing wastage and fostering more complete utilization of the region's timber resources. Greater and more efficient product diversification was finally achieved, the small logs and former waste materials being utilized for pulp, and the larger logs for lumber. The arrangement greatly benefitted the sawmilling industry of the northern Interior, since local mills could now sell their previously-wasted wood chips to the nearby pulp mills. These sales provided a new source of income for the otherwise exclusively lumber operations, and a means of survival in times when lumber

¹²Forest Service Report, 1965, p.35.

¹³Mullins, "Changes in Location", p.65.

¹⁴Pearse, Timber Rights and Forest Policy, Vol. I, p.106.

prices were down. The set-up was not ideal: for example, because the P.H.A. holders owned exclusive right to purchase the chips produced within their jurisdictions, they were able to keep chip prices artificially low for nearly two decades.⁴⁵ Nevertheless, sawmills that adopted the new technology were better off than before, and they benefitted handsomely from the new opportunities permitted by the advent of a pulp mill economy in the North.

As the quotation from Peter Pearse suggests, however, the program greatly altered the size and structure of forest operations in northern B.C., and accelerated the trend that had begun in the late 1950's towards consolidation of the industry into fewer and larger units.⁴⁶ Economic factors such as rising labour costs were partly responsible for this trend, but it was also greatly promoted by the government's P.H.A. and small-wood utilization policies. The sophisticated equipment for processing small logs in accordance with close utilization standards required larger capital investments than previously. Many smaller or more marginal producers were unable to make that adjustment, so that closures or mergers of numerous sawmills occurred in the North and throughout the province generally during the 1960's.⁴⁷ The number of producing sawmills in British Columbia fell from 2,435 to 1,191 between 1956 and 1965, and

⁴⁵Bernsohn, Cutting up the North, p.98.

⁴⁶See above, Chapter VI.

⁴⁷Mullins, "Changes in Location", pp.114-16; D.I.D.P.C., Sawmilling Industry of B.C., pp.15-6.

by 1971 the number had been reduced still further to 637.¹⁸ The decline was just as dramatic in the northern Interior, the number of operating mills decreasing from 730 in 1955 to 450 in 1964, and by 1971 only 179 mills remained operating in the Prince Rupert and Prince George Forest Districts.¹⁹

The effect of the government's new standards thus was to reduce still further the number of small-scale, independent producers in northern B.C., and to promote greater concentration of the region's timber resources among fewer firms. Such a development, of course, had been apparent in the industry since World War II, but it reached its greatest height in the 1960's largely because of these measures. As in the preceding decade, the disappearance of the small-scale operator was viewed passively - even favourably - by the Bennett government, despite the periodic lip-service it paid to his increasingly worsening plight. Forests Minister Ray Williston - the chief architect of these policies - regarded the decline of the small mills as inevitable, since he believed that sawmills had to become larger and more technologically sophisticated to survive.

¹⁸Forest Service Report, 1965, p.34; D.I.D.T.C., Sawmilling Industry of B.C., p.16.

¹⁹Mullins "Changes in Location", p.48; D.I.D.T.C., Sawmilling Industry of B.C., p.19. For the most part, these decreases reflected the closing of the many portable bush mills that had been widely scattered throughout the region in the early 1950's (See above, Chapter III). Close utilization made those mills obsolete, as it was now more economically feasible to transport whole logs for long distances (the logs being more fully utilized than before), instead of sawing them into rough lumber at the dispersed bush mills as previously had been the case. D.I.D.T.C., Sawmilling Industry of B.C., p.16.

The trend towards larger operations, Williston believed, was "just the natural evolution of efficiencies and the ability to operate", and the only way to have stopped the consolidation process would have been to implement full government control.⁵⁰

Whether this trend was inevitable or not is a matter of speculation; the decline of the small mills was forced largely by government policy, and it is not inconceivable that a place for the small operator might have been better preserved through regulation or financial assistance. The government never explored that possibility, however, because it regarded the removal of the small firms as desirable. In Williston's view, only larger operations could continue to modernize and improve their productivity, and greater efficiency and stability would follow the removal of the smaller concerns.⁵¹ There was some justification for that view, for the small mills of the 1950's had usually been sporadic and seasonal producers, and their frequent closures had contributed to the extremely uncertain, unstable industrial climate of that time.⁵² The government did not want to perpetuate this unstable, seasonal economy based on small mills, and felt it was better for communities to have

⁵⁰Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-8, Track 1, p.14.

⁵¹Bernsohn, Cutting up the North, pp.86-8; Nagle, "Economics and Public Policy", p.63; Sessional Clipping Book, 1965, Part V., Times, Feb. 11.

⁵²Nagle, "Economics and Public Policy", p.104; Sessional Clipping Book, 1965, Part I, Prov., March 5.

one operator with 100 workers employed year round, rather than 13-14 seasonal operators, each with 25-50 people dependent upon it for employment. The latter condition, the government believed, was too unstable for the good of the community, and it was generally opposed to looking after small, inefficient plants that could not fully utilize the forest resource.⁵³

Product efficiency and community stability were both commendable objectives, but unfortunately, the methods adopted to attain them produced a number of ill-effects. The increased concentration of timber rights among fewer firms in the North, for example, made it more difficult for new operations to enter the field. The government's new policies exacerbated that long-standing difficulty by increasing the costs of starting new operations, and entrenching the quota system which (as was noted in Chapter VI) effectively restricted competition for new Timber Sale Licences. The granting of small-wood cutting rights primarily to quota holders helped strengthen that practice, as did the extension of the Timber Sale Harvesting Licence system in

⁵³Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 7, 1975, PABC, 1375-8, Track 1, pp.16-7. Edwin R. Black contends that the Bennett government only reluctantly supported the large firms because that policy conflicted with Social Credit's traditional preference for the small free enterpriser. Edwin R. Black, "The Politics of Exploitation", p.35. Obviously, however, the government was not so reluctant, and as Williston has pointed out, his policy may have sacrificed the small independent mill owners, but it nonetheless was intended to benefit the 'little guy' - i.e. the workers who would enjoy year-round employment - not to mention the small local businessmen and retailers who would prosper from a more stable economic environment. Personal interview, Aug. 8, 1984.

the late 1960's. That licence, first used in the Mackenzie pulp mill developments, enabled companies to combine their quota rights under several Timber Sales into long-term (usually 10-year) tenures, in return for assuming certain forest management responsibilities. The move reflected the Forest Service's continued inability to keep pace with rapidly expanding administrative and management obligations, the licences being designed to ease some of the Service's burden.⁵⁴ Indeed, they did go a long way towards improving forest management, but they also served the companies' purposes, for they became the chief instrument for maintaining quota positions inside Public Sustained Yield Units. Within a decade, more than 60% of the timber cut in the P.S.Y.U.'s would be harvested under this form of tenure.⁵⁵

Owning a quota became an extremely valuable asset under these conditions, and the government even permitted operators who were unwilling or unable to expand to sell their quotas outright to other firms. Such trade in quota rights (like mergers in general) was accepted as weeding out the inefficient operators -- i.e., those firms big or influential enough to secure the quotas initially, but too small to expand.⁵⁶ Again the rationale was that a more efficient and stable industry would be achieved by

⁵⁴Pearse, Timber Rights and Forest Policy, Vol. I, p.72.

⁵⁵Ibid., pp.29-30.

⁵⁶Bernsohn, Cutting up the North, p.87.

eliminating those firms incapable of expanding and adopting new techniques.

Two other measures introduced in the 1960's also helped reduce competition in Timber Sale allocations. The first was the introduction in 1960 of sealed tender bidding in over-committed areas (instead of holding open auctions as in the past), for the new rule allowed the firm that put up the sale to match the highest competing bid.⁵⁷ The same rule of sealed tender bidding was extended to fully-committed P.S.Y.U.'s in 1961, and the government in 1964 added a new requirement that each bidder pay a non-refundable bidding fee or deposit of approximately 5% of the value of the Timber Sale. The bidding fee placed a serious burden on the unsuccessful applicant and virtually eliminated all remaining competition at Timber Sale auctions.⁵⁸

In adopting these measures, the government was responding to fears of ruinous competition and of a return to the cutthroat bidding practices common in the late 1950's, which had been a major issue before the Sloan hearings in 1956.⁵⁹ The extent of such competition at that time is open to question⁶⁰

⁵⁷Sessional Clipping Book, 1960, Part II, Prov., March 18.

⁵⁸Nagle, "Economics and Public Policy", pp.59-61; Bernsohn, Cutting up the North, pp.90-1.

⁵⁹See above, Chapter VI.

⁶⁰Bernsohn maintains that in general there was little competition for Timber Sales, but when it did occur the bidding was intense. He estimates that the average number of competitive auctions annually between 1952 and 1958 was less than 6% of the total sales. Bernsohn, Cutting up the North, pp.78,88.

but the bidding in some sales had been fierce and often accompanied by collusion, bid-fixing, and blackmail. The government, naturally and rightly, wanted to prevent further ruinous bidding, but arguably the remedy was carried too far by adopting and entrenching the quota system wholesale. Many critics have argued that the reduction of competition prevents the Crown from obtaining full value for the sale of its timber.⁶¹ A thorough study of the problem has yet to be made, but it seems that the provincial government may have allowed its forest resources to be alienated too cheaply largely because of the automatic renewal of timber rights to firms under the quota system.⁶² Whether the government foresaw this or not is uncertain, but it should be noted that the outcome was wholly in keeping with Williston's objectives, which put community stability and permanence ahead of maximizing revenue. The government felt that the quota system would help to stabilize communities, with continuity rather than competition being the primary goal.⁶³

Ultimately, then, the Bennett government's efforts to promote forest industry development in northern B.C. during the 1960's, produced both desirable and undesirable results. The establishment of a pulp mill economy created greater

⁶⁰(cont'd)

⁶¹Sessional Clipping Book, 1965, Part III, Feb. 12, 19.

⁶²Martin Robin McLeod, "The Degree of Economic Concentration in the British Columbia Forest Industry", unpublished B.Sc. thesis, U.B.C., 1971, pp. 153-64.

⁶³Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 9, 1975, PABC, 1375-22, Track 1, p.9.

employment opportunities, led to population increases, and contributed to all-around prosperity. From the resource management standpoint, too, the government's policies proved highly effective in promoting more complete and efficient utilization of the region's wood reserves. But against these must be placed the serious implications of the policies of the 1960's on the overall health and vigour of the forest industry, arising from the elimination of competition and the concentrating of timber rights and productive capacity among fewer firms.

The government's forest policies during this period, moreover, had some severe and unfortunate repercussions on particular communities in the North. While the primary aim was to promote greater stability, in some instances the government allowed the process of mergers and consolidations to go too far. The result was less, rather than more stability, as communities and districts became wholly dependent on single, large-scale producers for their economic livelihoods. The best example was the failure of Bulkley Valley Forest Industries Ltd. to complete its plans for a fully integrated lumber, plywood, and pulp and paper complex located at Houston. The company undertook the first phase of that program - a \$24 million, 200 million board feet per year sawmill, completed in June 1970 - but the facility suffered numerous mechanical and production difficulties from the start. It was one of the most highly automated plants in the industry incorporating the latest in sawmilling technology, but the engineer in charge of the

project unaccountably had designed the mill to handle round logs that did not taper. The logs it received, of course, "weren't round, were tapered like all trees from fat butt to narrow top, and were, on the whole, a lot smaller than the mill design could cope with". Besides, the mill "had an inelastic production line: if a jam-up occurred at one point, the entire line would have to stop."⁶⁴ Because of these problems, production by 1972 reached only the 100 million bd. ft. level, and the mill was losing money at a rate of \$750,000 per month. The two multi-national firms that owned Bulkley Valley finally grew pessimistic over the future of the pulp industry in the Northwest and having lost \$30 million on the mill decided in February 1972 to sell it to Northwood Pulp of Prince George, which made the necessary improvements in the mill's efficiency.⁶⁵

Northwood, however, was mainly interested in ensuring an adequate supply of wood chips for its pulp mill at Prince George so it abandoned the plan to build a similar facility at Houston. The economy of the town thus became absorbed into the forest operations of the Prince George District, rather than Houston becoming an integrated manufacturing centre in its own right. The turn of events created some

⁶⁴Bernsohn, Cutting up the North, p.112.

⁶⁵Northwood's solution was to build a new large-log line for oversize logs, and a small-log line for undersized logs, thus enabling the mill to handle a greater variety of tree sizes. The original lines of the mill also were gradually modified to handle logs that tapered. Ibid., pp. 118-9; Vancouver Province, Feb. 2, 1972, pp.13-4; Feb. 3, 1972, p.16.

hardship for the community, which had expected to grow rapidly and derive numerous benefits from the pulp mill development. Houston received a \$1.2 million shopping centre, new water and sewer systems, a \$350,000 arena, new houses, apartments, and a high school, but the town's population only expanded to 2,637 by 1976 (from 699 a decade earlier) less than half the 6,000 that had been expected by 1972 when the pulp mill was planned to go into operation.⁶⁶ Hence, the town was vastly over-serviced in relation to the number of residents, and a heavy tax burden was imposed on local taxpayers, many of whom had invested in anticipation of a larger population base.⁶⁷ As Williston has pointed out, the forest economy in the Houston area is probably better now under Northwood than the unstable situation that existed before the Bulkley Valley episode;⁶⁸ nevertheless, Houston's experience was hardly representative of the orderly, stable growth that was supposed to ensue from the forestry policies of the 1960's.

The Bennett government was strongly but not altogether fairly criticized for its part in the Bulkley Valley fiasco. After all, it was not to blame for the company mismanagement

⁶⁶Vancouver Province, March 1, 1972, p.11; March 8, 1972, p.15.

⁶⁷Ministry of Economic Development, North West Report, p.199. The extra capacity later enabled Houston to cope with new developments in the post-1975 period, most notably the construction of a second sawmill (Houston Forest Products Ltd.) and the development of Equity Mining's Sam Goosly silver-copper property 23 miles to the southeast.

⁶⁸Personal interview, Aug. 8, 1984.

that was at the heart of the problem, nor was it fair to suggest, as Liberal M.L.A. Alan Williams did, that the Forest Service ought to have scrutinized the technical design of the mill more closely.⁶⁹ But there is no doubt that the Socreds permitted an unhealthy situation to arise. The government had allowed Bulkley Valley to purchase most of the sawmills and planer mills within its Pulpwood Harvesting Area,⁷⁰ along with their timber quotas, so as to gain the cutting rights necessary for a fully-integrated operation. These small operations, many of which were profitable, subsequently were shut down, leaving the future of the region's forest economy almost completely in the hands of the Bulkley Valley enterprise.⁷¹ Thus the failure of that company could not help but bring hardship to the principal community involved. Moreover, the policy of concentration also harmed other communities that had depended on a more dispersed system of forest utilization. The majority of the small mills operating around Burns Lake, for instance, were forced to close or sell out in the late 1960's as a result of the centralizing trend. The reduced

⁶⁹Sessional Clipping Book, 1972, Part I, Prov., Feb. 4.

⁷⁰This was contrary to the P.H.A.'s original purpose of creating a complementary pulp industry alongside an existing sawmilling industry without disturbing the latter's independence. The first four P.H.A. agreements stated specifically that the pulp company could not compete for timber rights applied for by sawmill companies within their jurisdictions. Bulkley Valley circumvented that restriction (as did other pulp companies) by simply buying out local sawmill companies and securing their quota positions. Pearse, Timber Rights and Forest Policy, Vol. I, p.107.

⁷¹Sessional Clipping Book, 1972, Part III, Times, Feb 8.

milling activities severely undermined Burns Lake's economic base, so that only 150 residents were employed in forest manufacturing by 1974, compared with 600 employed a decade earlier when the small mills were operating.⁷²

The Bulkley Valley episode was not the only case where the government tied the welfare and economic livelihoods of communities too closely with the fortunes of large-scale industrial enterprises. The same situation occurred with other communities in northwestern B.C., where the government's policies, which had sought to make the forest economy more efficient and stable through the construction of new pulp mills, proved quite unsuccessful. The government alone could not be blamed for this failure, but its developmental strategy bears some of the responsibility for assuming too readily the conditions required to produce a healthy, integrated forest economy invariably would follow the completion of the pulp mills. That strategy succeeded in in the Prince George area, where all six of the plants⁴ located at Quesnel, Prince George, and Mackenzie (after some start-up problems) developed into profitable operations. But it did not succeed in the Northwest, where proper conditions were absent from the outset and constructing additional mills merely compounded the already existing economic difficulties.

⁷²A.V. Gray Management Science Ltd., Socio-Economic Impact of the Burns Lake Area of the Babine Forest Products Mill, Vancouver, 1974, p.17.

The existing sawmills in northwestern B.C. simply were too few and too small to supply enough wood chips to meet the needs of the two local pulp mills, which already were suffering from low wood values and high costs of extraction -- the usual production difficulties forestry operations faced in the Northwest.⁷³ Both companies, Columbia Cellulose and Eurocan, had to use logs exclusively for their raw material, which was more costly than by-product wood chips from lumber mills would have been, and material was wasted that could have been manufactured into lumber.⁷⁴

Because of inadequate supplies of wood chips and the high cost of procuring logs, both companies faced numerous economic setbacks in the early 1970's. Columbia Cellulose, after suffering yearly losses totalling over \$14 million during its first ten years in operation (1951-61), was encouraged by a brief and unaccustomed period of profitability in the early 1960's to construct its Skeena Kraft mill in 1965.⁷⁵ The good times unfortunately disappeared soon afterwards, and forced Svenska Cellulose, ColCel's Swedish partner, to withdraw from that venture in

⁷³For discussion of these difficulties see Canadian Cellulose Co. Ltd. and Eurocan Ltd.'s briefs to the Royal Commission on Forest Resources, 1975, #44C and #56, PABC, GR 347, Vol. 3, File 3.

⁷⁴These companies have often been accused of chipping viable sawlogs, and also of over-cutting the more accessible timber near Terrace and Kitimat. Telkwa Foundation, Newsletter, Vol. 2, # 8, Oct. 1979, p.6; Vol. 3, # 1, Jan/Feb. 1980, p. 11.

⁷⁵Luckhardt, "Prince Rupert", p.17.

1968.⁷⁶ The mill was completed in 1967, and created approximately 210 new jobs,⁷⁷ but ColCel's never-ending economic problems continued to depress the city of Prince Rupert. The community suffered from periodic shutdowns, worker lay-offs, and labour-management conflicts associated with the company's instability. The town of Terrace, where ColCel's logging operations were located, also was hurt by the company's problems during the early 1970's, and considerable resentment was stirred up against the company in that community.⁷⁸

Eurocan, after its start-up in 1970, suffered similar economic difficulties to ColCel's, its large operating losses being directly related to overreliance on roundwood raw material and the high cost of transporting the logs to the mill. Fifty percent of Eurocan's logs were secured from the Interior west of Burns Lake, requiring a costly land and water transport system that involved five transshipments. Logs were carried by truck to Ootsa Lake, towed 53 miles by barge across the lake through Tahtsa Reach to the west end of Tahtsa Lake, then again on trucks 34 miles to tidewater at Kemano Bay. From there they were towed by tugs to Kitimat, then reloaded once again on trucks for the final three miles to the mill.⁷⁹ The process was expensive and far

⁷⁶Taylor, Timber, p.180.

⁷⁷B.C. Hydro, Pulp and Paper Industry of B.C., p.50.

⁷⁸Terrace Daily Herald, Dec. 3, 1971.

⁷⁹Taylor, Timber, pp.179-80.

from satisfactory, and the mill would have been far more profitable had a large, steady supply of wood chips been available.⁸⁰

Eurocan's economic problems, like ColCel's, prevented the pulp mill from functioning as expected for the Kitimat community. Kitimat had never evolved into the kind of industrial centre Alcan and the Coalition government had envisaged in the late 1940's,⁸¹ partly because of a failure to attract additional industry and an adequate supporting trade and service sector, as the town planners had expected. Extensive facilities had been installed in anticipation of an eventual population of 40,000 to 50,000 people, but the number of residents had reached only 13,800 by 1957, in which year Alcan actually was forced to cut back production. Some 2,000 jobs were lost and the population declined to as low as 8,781 in 1959.⁸²

It was those events that accentuated the importance of diversifying Kitimat's economic base, and encouraged the efforts to promote a pulp mill there in the early 1960's. The ensuing Eurocan mill, however, did not bring the desired population nor stability. By 1970, the company was employing only 850 workers rather than the 1,400 anticipated when it was being established, and Eurocan, like Alcan, suffered

⁸⁰Vancouver Province, April 23, 1973, p.21.

⁸¹See above, Chapter III.

⁸²Vancouver Sun, Aug. 20, 1973, p.11; District of Kitimat, "Housing Needs Study", 1974, Appendix F.

from a high rate of labour turnover.⁸³ After the mill's completion the population of the town climbed from 11,803 in 1971 to 13,500 in 1975, but this was mainly because Alcan stepped up its production and the concomitant expansion of the service sector.⁸⁴ The Eurocan mill did play some part in that last result, but its overall impact was far below what had been anticipated.

All in all then, it would have to be concluded that the government's aim of promoting a more stable forest economy for the benefit of northern communities enjoyed only regional success.⁸⁵ In north-central B.C., despite the shortcomings already mentioned, and some hardship to outlying communities where small mills were forced to shut down, the government achieved its goal of building a more stable, resource efficient situation. The main beneficiary of this success was the city of Prince George, which doubled its population between 1961 and 1969, and continued to grow at a rate of 4% per annum throughout the early and mid-1970's. By 1979, the number of people living in Prince George was estimated at 62,400, making it the largest city in B.C. outside of the Lower Mainland.⁸⁶ Yet west of Prince George the government's efforts to build a more stable and

⁸³Vancouver Sun, August 20, 1973, p.11; D.I.D.T.C., B.C. Pulp and Paper Industry, p.60.

⁸⁴District of Kitimat, "Housing Needs Study", 1974, Appendix F.

⁸⁵Ray Williston has agreed with this conclusion. Personal interview, Aug. 8, 1984.

⁸⁶B.C. Business Magazine, January, 1978, p.17.

efficient economy through the establishment of new pulp mills were unsuccessful and in some instances had adverse effects. Corporate and community instability continued to plague northwestern B.C., a problem that in the early 1970's would compel the N.D.P. government of Dave Barrett to devote considerable attention to improving that region's forest economy.⁸⁷

Mining and Petroleum

Expansion of the forest products industry was the most important economic trend by far in northern British Columbia during the 1960's, but significant advances also were made in the mining and petroleum sectors. Metal-mining increased dramatically throughout British Columbia in the 1960's and, like the forest industry, underwent significant technological and structural changes. The introduction of new technology in exploration, mining, and transportation of ore in a time of strong world markets caused production records to be set in each of the eight successive years from 1962 to the end of the decade. Following the short mining recession of 1957-58, annual provincial mineral production increased steadily from \$179,849,790 in 1960 to \$485,233,614 in 1970.⁸⁸ As with forestry, a large part of the mining boom

⁸⁷See below, Chapter X.

⁸⁸Department of Mines, Reports, 1960-70. See below, Appendix III.

of the 1960's reflected accelerated activity in the central and northern parts of the province. Mineral production in central and northern B.C. increased in value from below \$1 million to a high of \$42 million between 1964 and 1968, constituting nearly 15% of the provincial total in the latter year.⁸⁹

These totals included fuels as well as minerals; reflecting the continued progress in developing the oil and natural gas fields of northeastern B.C. Natural gas was easily the more important, for the surge in exploration and discoveries inspired by construction of the Westcoast Transmission pipeline in 1957 continued well into the 1960's. The number of producing gas wells in northeastern B.C. increased from 104 in 1960 (out of a total of 230 capable of production) to 282 in 1970 (out of a total of 725), while gas production from the Liard Mining District rose steadily from 80,115,399 cu. ft. in 1960 to 272,554,221 cu. ft. by the end of the decade.⁹⁰

New gas wells in the Fort St. John area were partly the reason for these production increases, but more important, the decade saw exploration spread outward. New discoveries were made farther and farther north until almost the entire Peace River-Liard district was encompassed. The fields about Fort St. John, in fact, proved far less bountiful than

⁸⁹Contact Resource Consultants Ltd., The Regional District of Fraser-Fort George: An Economic Survey, Edmonton, 1969, p.32.

⁹⁰Department of Mines, Reports, 1960-70.

Westcoast had expected in 1957, and for several years the company had to struggle to find enough gas to supply its pipeline.⁹¹ An aggressive search for new reserves resulted in the discovery in 1958 of huge gas fields in the Fort Nelson area, some 250 miles north of Fort St. John. A large gas scrubbing plant was constructed near Fort Nelson in 1964, and a 220-mile, 30-inch pipeline was built in 1965 to connect the new plant with Westcoast's main pipeline at Chetwynd.⁹² The new facilities, in turn, encouraged further gas well drilling in the district, and strongly boosted Fort Nelson's economy in the mid and late 1960's.⁹³

The search for crude oil in northeastern B.C., which had always lagged behind natural gas, was less successful. The Bennett government's explanation was the absence of a market for the region's oil; the Premier had tried in vain to induce major oil companies to construct an oil pipeline from northeastern B.C. to the Lower Mainland to feed Vancouver's refineries, currently being supplied from Alberta by the Trans-Mountain Oil Pipeline, parallelling the Jasper-Vancouver route of the C.N.R. Ever the provincial nationalist, Bennett wanted Vancouver's refineries to use B.C. oil to help unlock the latent oil wealth of the Peace River district. The oil companies, on the other hand, were reluctant to tackle the project since they doubted that

⁹¹ Earle Gray, Wildcatters, p.234.

⁹² Department of Mines, Report, 1964, p.A12.

⁹³ Fort Nelson News, Special Edition, August 1968, p.17.

enough reserves to support a pipeline existed in the Peace River region.⁹⁴ The four firms with refineries in Vancouver, however, agreed to accept any B.C. oil delivered to them at competitive prices, and the government invited proposals in January 1961 for a Peace River oil pipeline. The only application was that of Westcoast Transmission, which Bennett effectively coerced into taking on the job.⁹⁵ When it was accepted Westcoast formed a subsidiary - Western Pacific Products and Crude Oil Pipelines Ltd., (Wespac) - to construct the 505-mile, 12-inch pipeline parallelling Westcoast's gas line from Taylor to Kamloops, where it joined the Trans-Mountain line.⁹⁶

The award led to charges that Bennett once again was favouring his 'old buddy' Frank McMahon, but this time (as Paddy Sherman noted) it was more a case of Bennett using McMahon than the other way around.⁹⁷ McMahon had never been keen on the project, and Bennett pressed him into it only because other companies refused to build the pipeline the Premier wanted; the best they could offer was a hook-up with Trans-Mountain at Edson, Alberta, which Bennett rejected. He wanted the entire pipeline within B.C. so as to avoid federal regulation of the line. To use Earle Gray's words,

⁹⁴ Sherman, Bennett, pp.181-2.

⁹⁵ Bennett warned McMahon that if Westcoast refused to build the pipeline, the government would do so, and would want to use Westcoast's right-of-way as well. Gray, Wildcatters, p.257.

⁹⁶ Ibid., p.258.

⁹⁷ Sherman, Bennett, p.183.

"Bennett wanted an all-B.C. oil line to move B.C. oil, subject only to B.C. jurisdiction."⁹⁹ He also feared that if the B.C. oil was carried most of the way through the Trans-Mountain line, it might be pro-rated with the less-expensive Alberta oil and be marketed at a slower pace.¹⁰⁰ The McMahon offer met those conditions, and it also was preferred because it would run through the main Interior centres of Prince George, Quesnel, and Williams Lake.¹⁰⁰

Bennett pushed the Wespac project for the same reasons he had supported the Westcoast pipeline in the mid-1950's -- because it was the best alternative for stimulating maximum development of the Peace River oil fields and servicing the greatest number of B.C. residents and communities. The oil pipeline, like the earlier gas line, also was something of a gamble. Though the number of discovered potential oil wells rose encouragingly from 39 in 1958 to 104 by 1960,¹⁰¹ the Wespac project was still a risky venture. It was hoped that further discoveries would follow once a market was guaranteed (as it had for Westcoast Transmission), and the hope was realized when widespread drilling following completion of the line in late 1961 brought in 163 new oil wells in 1962. By the end of that year, the number of oil wells capable of production stood at 353; 330 of which were

⁹⁹Gray, Wildcatters, p.259.

⁹⁹Sherman, Bennett, p.183.

¹⁰⁰Sessional Clipping Book, 1961, Part I, Prov., Feb. 1; Part IV, Sun, Feb. 1.

¹⁰¹Department of Mines, Reports, 1958-60.

producing, and by 1970 529 wells were in production out of a total of 640.¹⁰² These discoveries were enough to make the oil pipeline a success, and by 1969 Wespac was supplying over two-thirds of the oil required by the four Vancouver refineries.¹⁰³ Bennett's extreme faith was not fully vindicated, however, since the development of oil wealth in the Peace River region proved far below what the Premier had confidently expected.

The uncovering of the greater amounts of crude oil, combined with the more valuable natural gas discoveries, helped make the Liard Mining Division one of the most important in the province during the 1960's. Expanded sulphur production, a development that was directly attributable to the rapid growth of the natural gas industry, assisted that trend. Most of B.C.'s sulphur was a by-product of natural gas processed at Taylor by Jefferson Lake Petrochemicals, whose operations had faced serious start-up problems in the late 1950's. Design flaws, combined at first with a shortage of gas, forced the plant to produce at only 2/3 anticipated capacity.¹⁰⁴ Both difficulties eventually were overcome, however, and production of sulphur at Taylor grew steadily from 37,950 tons in 1960 to 48,028 tons by the end of the decade.¹⁰⁵

¹⁰²Ibid., 1962, p.171; 1970, p.A180.

¹⁰³Gray, Wildcatters, pp.258-9.

¹⁰⁴Ibid., p.235.

¹⁰⁵Department of Mines, Reports, 1960-70.

The continued growth of asbestos production from the Cassiar mine also added to the success of the Liard Mining Division. Cassiar Asbestos expanded throughout the 1960's and set new production records each year down to 1967. The province's total asbestos output (Cassiar was the only operating mine) climbed steadily from 45,113 tons in 1961 to 92,192 tons in 1967, and in value from \$8,648,503 in 1961 to \$18,273,220 in 1967, before falling off marginally to \$16,013,827 (86,730 tons) by 1970.¹⁰⁶ As output increased, the company continued developing the surrounding townsite and periodically added new services.¹⁰⁷ Significantly, the Cassiar mine operated profitably despite the delay in completion of the long-awaited Stewart-Cassiar road, which was proceeded with slowly throughout the 1960's but still had not been finished by the end of the decade. After fifteen years, Cassiar still was forced to ship the bulk of its fibre via the White Pass and Yukon Railway, and continued to stockpile a large quantity of low grade asbestos at the mine awaiting higher market prices or lower transportation costs.¹⁰⁸

Besides Cassiar, few other major mineral producers of the 1950's continued to operate during the following decade, among them the silver, lead, zinc, and gold operations that had been the mainstay of the industry in northern B.C. since

¹⁰⁶Ibid., 1961-70.

¹⁰⁷Ibid., 1967, p.229.

¹⁰⁸B.C., Ministry of Economic Development, The North West Report, Victoria, 1977, p.62.

the Second World War. A few mines, such as Silbak Premier, Silver Standard, and Cronin Babine, operated periodically when silver, lead, and zinc prices improved, but production was marginal and the mines never regained their former status. Gold mining, in addition, continued to suffer as it had in the 1950's from the steadily worsening cost/price squeeze as the price of gold remained fixed at \$35 an ounce while mining costs rose considerably, forcing many mines to shut down. Placer production in northern B.C. dwindled almost to nothing during the 1960's, while the Cariboo Gold Quartz Aurum mine at Wells, the last remaining major lode producer, ceased operations in 1967.¹⁰⁹

The slackened production of gold, silver, lead and zinc in northern B.C. during the 1960's, however, was more than made up by accelerated development of other minerals - iron, copper, and molybdenum - which largely explained the rapid increase in metal mining during the decade. Strong world markets, especially from metal-hungry Japan, made British Columbia a key source for those metals in view of the province's convenient location. B.C.'s coastal iron deposits in particular encountered a huge demand for the first time in the late 1950's and early 1960's as a result of Japan's search for iron ore sources for its growing steel industry.¹¹⁰ Five operating mines were developed along the coast during that period, and those operations inspired the

¹⁰⁹B.C. Hydro and Power Authority, The Mining Industry of British Columbia and the Yukon, Vancouver, 1968, p.39.

¹¹⁰Ibid., p.39.

Bennett government's effort to promote a domestic iron and steel industry in the late 1950's.¹¹¹ Unfortunately, the deposits were small and some were forced to close after a short time in operation, including the only iron mine in the North at that time -- Granby Mining's Jedway Mine at Harriet Harbour, on the southern tip of the Queen Charlotte Islands. The Jedway mine started producing in October 1962 and was closed in February 1968 when the open pit was depleted. During that time, a total of 4,341,676 tons of mineral was milled, from which 2,282,835 tons of iron ore was shipped to Japan.¹¹² Iron mining resumed once again on the Queen Charlottes with the opening in mid-1967 of the Wesfrob mine (owned by Falconbridge Nickel Mines) at remote Tasu Sound on Moresby Island. The Wesfrob operation, producing 8,500 tons per day, was B.C.'s largest iron mine and was contracted to ship to Japan for the next ten years one million tons of pelletized iron and sinter feed, plus 35,000 tons of copper concentrates per annum.¹¹³

Japanese markets were also the principal reason behind the resurgence of copper mining from an all-time low in 1958 to a leading position by the mid-1960's. The province's annual production reached a record \$56 million value in 1966, and for the first time in thirty-seven years copper

¹¹¹See above, Chapter VI.

¹¹²Department of Mines, Report, 1968, p.71.

¹¹³B.C. Hydro, Mining Industry, p.36.

displaced lead or zinc at the head of the metals list.¹¹⁴ Most of this increased production derived from new mines developed in the Highland Valley region of central B.C., but several new operations also were begun in the North. The first was the Granisle Copper mine on Babine Lake, north of Smithers, which began production in late 1966. The Granisle mine, owned by the Granby Mining Company, required \$12 million to be put into operation, \$7 million of which was provided by Japanese loans. The property, which contained estimated reserves of 22 million tons of 0.53% copper, began mining at a rate of 5,500 tons per day, which was raised to 13,000 t.p.d. by a major development program in 1971-73.¹¹⁵ The mine employed approximately 300 workers, most of whom resided at a nearby company townsite.

The Granisle mine was the only northern copper producer to be put into operation in the 1960's, but several other promising prospects were explored and developed, three of which eventually reached production. Noranda's Bell Copper mine, located not far from Granby's Granisle property, commenced production in 1972 at a nominal rate of 10,000 tons per day, with reserves estimated in 1975 at 29.6 million tons of 0.494% copper. The mine employed approximately 260 workers, most of whom also resided at the

¹¹⁴Ibid., p.19.

¹¹⁵Ibid., pp.23-4; Ministry of Economic Development, North West Report, p.68.

Granisle townsite.¹¹⁶ Another major copper development, the Granduc mine, was operated by the Granduc Operating Company (a subsidiary of the Newmont Mining Corporation) and was located at Leduc Glacier, 25 miles northwest of Stewart on the coast. Development of the Granduc property began in the mid-1960's and production was expected by mid-1968, but the problems and enormous costs of bringing the mine into operation prevented start-up until 1971. The initial output was 8,000 t.p.d., but because of continuing economic difficulties production was reduced to 4,500 t.p.d. in 1975, to 3,400 t.p.d. in 1976, and the mine was finally shut down altogether in 1978 after only seven of its estimated twenty year life-span.¹¹⁷ Similar misfortune plagued the only other copper producer that opened in northern B.C. in the early 1970's -- the Consolidated Churchill Copper Magnum mine, 120 miles west of Fort Nelson. It operated sporadically from 1970 to 1975, when following a fall in world copper prices it too was forced to close.¹¹⁸

World demand for molybdenum, like that for iron and copper, also climbed steadily in the mid-1960's (at a rate of 11% per year) and again B.C.'s mining industry responded to the favourable market conditions.¹¹⁹ By 1967, four

¹¹⁶Ministry of Economic Development, North West Report, pp.68-9.

¹¹⁷Ibid., p.73:

¹¹⁸B.C., Department of Economic Development, The North East Report, Victoria, 1975, p.32.

¹¹⁹B.C. Hydro Mining Industry, p.26.

molybdenum mines were operating in the province, where there had been none prior to 1964.¹²⁰ Two of these operations were in the North, the most important being the Endako molybdenum mine located just south of Fraser Lake, owned by Placer Development. The mine was B.C.'s largest molybdenum operation in the 1960's, with estimated reserves of over 150 million tons of 0.16% molybdenite. Production commenced in 1965 at an initial rate of 10,000 tons per day, then following a \$7 million plant expansion in 1967, the rated capacity was raised above 22,000 t.p.d., with a planned minimum output of 12 million pounds per annum.¹²¹ The other major mine in the North was B.C. Molybdenum Ltd., a subsidiary of the Kennecott Copper Corporation, which began producing near Alice Arm in 1967. Reserves were estimated at 40 million tons averaging 0.23% molybdenite, with a life expectancy of some 20 years.¹²² Unlike Endako, however, the mine did not survive very long, but was closed in 1972 when the company was unable to sell its concentrates.¹²³

The searches for iron, copper, and molybdenum in response to profitable market conditions greatly boosted exploration activity in northern B.C. during the early and mid-1960's, which provided new employment and business opportunities for local residents. Some communities, like

¹²⁰Ibid.

¹²¹Ibid.

¹²²Ibid., p.28

¹²³Ministry of Economic Development, North West Report, p.68.

Smithers, benefitted handsomely from servicing that particular division of the mining industry. In total, the number of claims staked in the province in 1966 reached an all-time height of 91,703, compared with the previous records of 29,244 in 1964 and 41,882 in 1965.¹²⁵ Those increases were indicative of the propitious mining conditions, as well as a change from the traditional "prospect, then claim" practice of exploration to the more modern "stake a claim in a likely area, then prospect" outlook of today.¹²⁵

The type of mines developed in the 1960's also reflected a vital transformation in the mining industry. The traditional small tunnel mines were being succeeded by enormous low-grade open pit operations with ore reserves in the tens of millions of tons.¹²⁶ These low-grade mines, several of them ore bodies known for nearly half a century, became feasible to develop under new mechanical technology for mining, handling, and transporting large quantities of low-value materials, improved separation processes, and higher metal prices. These made it possible to utilize ores of a very low grade (too poor for tunnelling) provided they were found in large tonnages and close enough to the surface - without too much overburden to remove - to be capable of being strip mined. Because of the tremendous size of these

¹²⁵Department of Mines, Report, 1966, p.A11.

¹²⁵B.C. Hydro, Mining Industry, p.4.

¹²⁶Ibid., p.3.

deposits, they generally had a longer life-expectancy than the smaller, high-grade mines of the past. Prior to the 1960's, the Cassiar Asbestos mine was the only steady long-term producer in northern B.C., but the situation changed with the opening of the Granisle, Endako, and Bell Copper mines, which were long-term operations as well, and brought an element of stability to the traditionally highly-volatile northern mining industry.

These mines (like all mines), however, were still subject to the dictates of fluctuating metal prices and markets, a condition that tended to hamper the socio-economic development of their associated communities. Community stability was not as prominent a consideration in mining development as it was with forestry, but it did have its place. The Bennett government created legislation in the mid-1960's to guide the development of mining communities and other 'instant towns', the aim being to produce more permanent, stable, and socially cohesive settlements than the traditional 'company towns' of the past. The 'new towns' were granted municipal status, were built according to town plans, and followed housing policies that afforded better conditions and amenities than the earlier 'company towns' had done. But as one study has shown, these measures alone were insufficient to eliminate the socio-economic shortcomings of isolated communities.¹²⁷ Moreover,

¹²⁷John H. Bradbury, "Instant Towns in British Columbia: 1964 to 1972", unpublished Ph.D. thesis, Simon Fraser University, April 1977.

regardless of how well built and serviced, they still were tied mainly to single, non-renewable resource-based industries and were highly vulnerable to external market demands and fluctuating world prices. By itself this created a sense of impermanency and instability that no amount of planning or amenities could overcome.

Constructing a residential suburb of modern homes, apartments, town houses, a hospital, new schools, and a community centre were of little use or consolation to Stewart residents, for example, once their primary means of gainful employment was taken away. Stewart's Granduc mine had been expected to last some twenty years, but was forced to close in 1978 after only seven years in operation, during which time it also had been forced to make several production cutbacks and lay off hundreds of workers.¹²⁸ Such events had a severe impact on the town of Stewart whose economy was almost totally dependent on Granduc at that time. The town, which already had a long history of 'boom and bust' development, saw its population climb from approximately 400 to 1,380 between 1964 and 1977 when the mine was being developed and operated, then plummet once again in the late 1970's.¹²⁹ Another northern mining community developed in the 1960's - Granisle - enjoyed a more stable existence than did Stewart, but it too was

¹²⁸ Ministry of Economic Development, North West Report, p. 221.

¹²⁹ B.C. Harbours Board, Master Plan for The Port of Stewart, prepared by Swan Wooster Engineering Company Ltd., August 1978, p. 32.

affected by the indefinite life-expectancy of its operations. The uncertain futures of the Granisle and Bell Copper operations, combined with these companies' monopoly over housing, discouraged retail and service facilities from locating at Granisle, and their absence became a major source of dissatisfaction among the village's residents.¹³⁰

Despite these shortcomings, however, the new mines developed during the 1960's, together with the Cassiar mine, helped make the mining industry a more stable contributor to B.C.'s northern economy. The mining sector once again became an important enterprise in northern B.C., and along with the expansion of the pulp industry, helped provide a greater degree of economic diversity to the region than before. That result, however, cannot be attributed to government policy to the same extent as was the case of the forest industry. The number and sorts of governmental incentives and pressures that stimulated pulp mill construction simply were not applied in mining, so that the fortunes of the industry continued to depend largely on economic and technological circumstances, with government assistance playing a relatively limited role.

In contrast with forestry, too, the Bennett government allowed the mining industry in northern B.C. to expand in a manner quite different from its professed developmental strategy. The purpose of constructing the Peace River dam had been to promote higher levels of industrial resource

¹³⁰Ministry of Economic Development, North West Report, pp. 198-9.

use, which was realized through the development of several new pulp mills. But with mining the benefits of cheap power carried little beyond the primary extraction level. All the new mines shipped their production to Japan and other outside markets in relatively unprocessed forms. The government had periodically talked of steel mills and other metal refining processes being created by its hydro program, and believed the Japanese and other foreign interests would eventually participate in joint manufacturing ventures in B.C. similar to those secured in the pulp industry.¹³ This did not occur, however, and the Bennett government tended to adopt a passive, laissez-faire attitude towards the unprocessed raw material exports that escalated so rapidly during the latter half of the decade.

The Socreds' earlier unsuccessful attempt to encourage secondary mineral manufacturing through various legislative devices (discussed in Chapter VI) had been completely abandoned by the mid-1960's, and it was not until 1970 that the Bennett government felt compelled to make a second attempt to promote secondary processing of mineral resources. Legislation was introduced empowering the Mines Minister to designate that 50% of any ore mined be smelted within the province, the aim being to ensure an adequate supply of ore in the event of a copper smelter or other refining facility being established in B.C. The measure was expected to encourage companies to build such a facility,

¹³ Victoria Colonist, May 29, 1965, pp. 1, 2.

but once again the Bennett government was forced to back down when confronted by powerful industry opposition. The amount to be designated for refining was reduced to as low as 12 1/2% at the request of one company in particular, the Lornex Mining Corporation, which feared the measure would undermine its long-term contract to ship unprocessed copper ore to Japan.¹³²

The government's acquiescence in raw material exports during the mid-'960's, and later its inability to reverse that trend, was due to more than industry opposition, however. As the then Mines Minister Donald Brothers has pointed out, Sacred efforts to get a copper smelter established in B.C. mainly floundered on the hard reality of economics. Such a smelter would have had to compete on world markets, which the companies considered to be uneconomic, regardless of the subsidy offered.¹³³ Moreover, as both Williston and Ker Kiernan have also indicated, establishment of a large-scale copper smelter in the North or elsewhere involved grave pollution and environmental hazards.¹³⁴ It is

¹³²Sessional Clipping Book, 1970, Part III, Prov., May 15; The Lornex mine was located in the Highland Valley, near Ashcroft in Central B.C., which is where the government most expected that a smelter could be built because of the concentration of copper mines there. A smelter located there, however, would also have been expected to process the ores of northern mines.

¹³³Transcripts, Donald Brothers interviewed by Costia Nikitiuk, 1978, PABC, 3235-1, Track 1, p.1. Brothers claims he tried for four years to get a copper industry established, including offering a considerable subsidy, but failed. Ibid., 3235-3, Track 2, p.11.

¹³⁴Personal interviews, Aug. 8, 1984, Aug. 10, 1984.

no wonder, then, given these constraints, that the government became more passive during the 1960's in its attitude towards promoting secondary processing of mineral resources. With regard to northern B.C. it is also important to note that probably too few mines were discovered in that region to justify locating a smelter there. According to Williston, the statements made at the time linking the Peace project with eventual metal refining in northern B.C. reflected hope that much greater discoveries of mineral wealth would occur. In that respect at least it would have to be concluded that the Socred's gamble of providing cheap power to the North was largely a failure.¹³⁵

* * * * *

Exactly how important the Peace River power project was in "starting the ball rolling" for the many developments that occurred in northern B.C. during the 1960's remains unanswered. Nonetheless, the traditional Socred interpretation - that the developments of the 1960's proceeded directly and primarily from the government's wisdom in pushing the Peace River project - is an oversimplification that fails to account for the many other important, crucial facets of the developmental process.

¹³⁵Personal interview, Aug. 8, 1984; Ken Kiernan, in fact, feels that cheap power was not an important factor in encouraging the few mining developments that did occur in northern B.C. during the 1960's. Personal interview, Aug. 10, 1984.

Economic conditions, technological factors, and other governmental incentives were equally, if not more, important in fueling the rapid expansion of northern natural resource development during the period. Indeed, it is arguable that the process of northern development unfolded in a manner just the opposite of that claimed by the Socreds -- that the Bennett government, having gambled on developing a huge surplus of electricity, was able to make a success of its northern development policy only through further governmental actions, such as very generous allocations of timber rights to encourage pulp mill companies to locate in the northern half of the province.

The manner in which the pulp mill expansion of the early 1960's occurred in northern B.C., in fact, would seem to support that interpretation. As Williston admits, there was little interest in establishing a pulp industry in north-central B.C. when the Peace project was started in the early 1960's. And even when the first Pulpwood Harvesting Area agreement was being granted to Canadian Forest Products in 1962, Williston believed it would be five or six years before other companies became attracted to the idea, during which the wrinkles of the new system could be ironed out.¹²⁶ That the Forest Service was soon unexpectedly swamped by several other applications would suggest that the availability of rich supplies of wood on easy terms was the

¹²⁶Transcripts, Ray Williston interviewed by Derek Reiner, Oct. 8, 1975, PABC, 1375-19, Track 1, p.2,8.

key inducement.¹²⁷ No doubt cheap power was an important selling point, as Williston contends, but it is highly unlikely that the companies would have located in north-central B.C. had the government failed to create an attractive wood utilization system. Ultimately, then, the Peace project was probably not the crucial factor -- in Williston's words, it "was not the power"...but "the total system of which the power was one package..." that attracted the pulp mill companies to northern B.C.¹²⁸

Much of the credit given to the Peace River project for the developments of the 1960's of course was propaganda. Having laid so much of its prestige on the line, it was only natural for the Bennett government to make the most out of the apparent success of its hydro policy. As Williston's testimony suggests, the government no doubt was well aware of the multi-faceted nature of development and realized that major infrastructure programs, like providing transportation and hydro facilities, had to proceed hand in hand with other crucial conditions to achieve the purposes expected of them. Unfortunately, however, the Socreds rarely planned their developmental policies accordingly, particularly after the failure of the Wenner-Gren program. They tended to regard providing infrastructure as a pre-requisite to industrial development, rather than as a support structure that should be developed simultaneously, and in close harmony with new

¹²⁷The author was unable to secure access to company records to try to verify this point.

¹²⁸Personal interview, Aug. 8, 1984.

developmental opportunities as they arise. The strategy of building infrastructure ahead of actual developmental opportunities was effective so long as conditions continued to remain favourable for economic growth and the government was able to follow through with measures that encouraged full use of those services. But the same strategy, as the next chapter will show, could lead just as readily to disaster if the economic climate suddenly changed for the worse, and the hoped-for developmental opportunities failed to appear to make use of the costly infrastructure the government had provided.

Chapter 18

The Second P.G.E. Expansion Program

The decade of the 1960's, as the preceding chapter has shown, was dedicated primarily to increasing industrial activity in areas that had been made more accessible by the transportation initiatives of the late 1940's and mid-1950's. But the 1960's also brought a new initiative to expand industrialization even farther - beyond the already accessible and settled frontier regions of northern B.C. - into the vast territory stretching from the Yellowhead Highway north to the Yukon border. Like previous campaigns to open up the North, this new developmental initiative looked to providing transportation as the initial means for promoting northward economic expansion, that should be followed (although this was never realized) by developing additional northern hydro sites such as the Stikine and Liard Rivers. The aim of this initiative was to duplicate the strategy that had proved successful over the previous decade, so as to extend the process of northern development onwards into the 1970's.¹ The program to develop B.C.'s 'Far North', indeed, was almost a carbon-copy of that employed in its 'Middle North' during the 1950's and early 1960's, and the government-controlled Pacific Great Eastern Railway once

¹Sessional Clipping Book, 1970, Part III, Prov., Feb. 13.
Personal interview with Ray Williston, Aug. 8, 1984.

again was chosen as the key instrument to achieve that objective.

The P.G.E. expansion program of the 1960's, however (as suggested in Chapter 5), was far more ambitious than earlier provincial railway-building ventures. The first phase involved construction between 1963 and 1968 of a branch line from Odell, 33 miles north of Prince George, to Fort St. James, a 73 mile distance. While that extension was still in progress, a 23-mile spur line was also built in 1966 from Kennedy, 100 miles north of Prince George, to the new town of Mackenzie in the Rocky Mountain Trench, at the south end of the Peace River dam reservoir. Upon completion of the Fort St. James line, construction was commenced on a further 80-mile extension from Fort St. James to Takla Landing, and when that was completed in 1969, a mammoth 335-mile expansion from Takla Landing to Dease Lake was started. Meanwhile, construction was carried out between 1968 and 1971 concurrently on an extension of the Peace River line from Fort St. John to Fort Nelson, a distance of 250 miles. Although the Dease Lake line was never completed, the expansion program during the 1960's and early 1970's added some 800 miles of new track in total and nearly doubled the length of the P.G.E. railway as it previously existed.²

The rationale behind this massive railway-building program ranged from a simple desire to provide access to new resources in northern B.C., to dreams of extending the

²See map, Chapter IV.

province's influence northward to capture a share of the economic growth of Canada, north of the 60th parallel. Straightforward expansion to new resource areas was the principal motive for the initial expansions to the Fort St. James and Mackenzie, while later in the decade the wider political and strategic objectives of provincial imperialism dominated Victoria's decision-making in embarking on the Dease Lake and Fort Nelson lines.

The Fort St. James and Mackenzie Extensions

The object of extending rail access to new resource areas near Mackenzie and Fort St. James reflected the favourable economic climate for resource development in the 1960's. Advantageous markets and high resource prices were assisting forestry, mining, and petroleum operations in the accessible areas of northern B.C., but the vast region north of the established transportation corridors between Prince Rupert and Prince George, and west of that from Prince George to the Peace River district, remained relatively underutilized. An important consideration in planning nearly all the northern extensions was the optimistic belief that improved transportation into this region was all that was needed to open up additional rich resources capable of development. Thus the P.G.E.'s historical function as a 'development tool' stimulating industrial activity on the frontier once more came to the fore during the railway

expansion of the 1960's.

The only instance where the railway's 'development tool' role did not specifically apply was the Mackenzie extension. That branch was essentially an industrial line to serve the forestry complex already under construction at Mackenzie, 23 miles north of the P.G.E.'s main line. It was also a fairly low-risk undertaking, considering the short distance and the commitments of Alexandra Forest Industries Ltd. and Cattermole Timber Ltd. to have large integrated pulp and sawmill complexes in operation by the early 1970's. Although the P.G.E. did not obtain advance traffic guarantees, there was reasonable assurance that substantial traffic would be forthcoming.³ That expectation proved correct. By 1976 the Mackenzie branch had become one of the railway's most profitable and balanced operations. In that year 5,240 carloads (mainly woodchips and chemicals for the pulp mills) entered Mackenzie, while 9,650 carloads of forest products were taken out.⁴

The Fort St. James expansion resembled the Mackenzie extension in that it was designed to serve a promising forestry area in the vicinity of Stuart and Takla Lakes. With the extension in place, logs could be boomed down the lakes to railhead at Fort St. James for further processing

³Ruppenthal and Keast, A Railway Derailed, p.18.

⁴Report of the Royal Commission on the British Columbia Railway, Vol. 2, Chap. III, p.172.

and shipment over the P.G.E.⁵ The Fort St. James forest industry was not so advanced as when the Mackenzie extension was commenced, but the district held considerable potential and the promise of substantial traffic to justify the project.⁶ However, only a very shallow study of potential traffic was made prior to construction, so the Fort St. James extension was basically a development line.⁷ Whereas the Mackenzie spur was constructed to a resource area already under development, the Fort St. James extension was intended to spur development in an essentially undeveloped region.

The expansion of the railway to Fort St. James produced a number of positive results. Three sawmills and a small veneer plant located at Fort St. James, and the town's population grew from 1,213 in 1966 to 1,484 in 1971, and to 2,110 by 1976.⁸ The extension was also important in enabling the Fort St. James hinterland to be integrated with the rapidly growing forest products industry centred in Prince George. As a later study indicated, however, the Fort St. James forest industry probably would have developed even without the extension, though the sawmills would have

⁵Besides lumber, the extension was also expected to carry pulp wood and chips to the mills at Prince George. Vancouver Province, June 24, 1963, p.1; June 25, 1963, p.27.

⁶Ibid., June 25, 1963, p.27.

⁷Heaver, "Transportation Projects", p.146.

⁸Royal Commission of the B.C.R., Vol. 2, Chap. III. p.174.

located at Vanderhoof on the C.N.R.'s line.⁹ Hence, while the P.G.E. extension was important for the town of Fort St. James, it was not crucial for the industrial growth of the district generally. On the other hand, building the extension largely accomplished the P.G.E.'s underlying objective of drawing the region's forest industry traffic away from the C.N.R. line. Though that objective was not stated publicly, the P.G.E. evidently was seeking to develop new resource traffic ahead of the C.N.R., so as to capture a larger share of the resulting revenue. As Ray Williston later explained:

...what paid the B.C.R. in those days was the trans-provincial carriers, and you got a higher percentage from originating traffic...we tried to originate as much on B.C.R. as was possible because you get a better return if it goes to the Eastern States or wherever it goes. And of course the Canadian National railroad...wanted to control the freight from the same region without paying out to the B.C.R.¹⁰

Providing rail access to northwestern B.C. before the C.N.R. could do so was a strong motive behind all the new lines constructed in that region during the 1960's, and eventually became (as will be seen) the dominant consideration when the Fort St. James line was later extended to Dease Lake.

The Fort St. James addition never proved as profitable

⁹F.L.C. Reed and Associates, "The British Columbia Railway and its Role in Economic Development", Sept., 1977, Exhibit # 194, Royal Commission on the B.C.R., PABC, GR 500, Box 8, File 20, p.46.

¹⁰Personal interview, Aug. 8, 1984.

as the Mackenzie extension.¹¹ That outcome was masked for several years, however, because freight traffic increased significantly after each extension was completed. The number of car-loadings on the P.G.E. nearly doubled between 1966 and 1972.¹² The chief reason for these traffic increases, as noted in Chapter V, was the growing central interior pulp and paper industry along the P.G.E.'s main line, and only partly the Fort St. James and Mackenzie extensions.

Nevertheless, the improvement of business seemed to justify the expansion program and the continued use of the railway as a 'developmental tool'. That vindication, combined with a buoyant economy and favourable expectations of future resource development, inspired the railway's confidence to undertake the much more ambitious extensions later in the decade.

The Takla Landing, Fort Nelson, and Dease Lake Extensions

That the Fort St. James line was only the beginning of a much more ambitious northern railway-building program became apparent long before the extension was completed. Less than two years later, in 1965, Premier Bennett announced that the Fort St. James branch would be extended to Takla Landing upon completion, to provide access to the

¹¹Report of the Royal Commission on the B.C.R., Vol. 2, Chap. III, pp.173-4, 193.

¹²Ruppenthal and Keast, A Railway Derailed, p.21.

forest resources of the Stuart, Trembleur, and Takla Lakes region.¹² The federal fisheries department had refused to allow the use of those lakes and the adjoining river system to transport logs to Fort St. James, so the further extension to Takla Landing (as the Royal Commission later noted) was well justified and in keeping with the original motive behind the Fort St. James line.¹³ But by this time it was also becoming apparent that far more grandiose plans were in the making. A year earlier, Bennett hinted he was contemplating eventual construction of the railway to Whitehorse in the Yukon.¹⁴ Elsewhere that same year, he suggested that the Fort St. James line would continue on from Takla Landing to Stewart on the west coast, and later it was revealed that the branch would then run north from Stewart to Whitehorse.¹⁵ Meanwhile, the government announced on several occasions between 1964 and 1968 that it was contemplating concurrent extension of the northeastern branch of the P.G.E. beyond Fort St. John to Fort Nelson, Nelson Forks, and to Whitehorse where it would join with the western Stewart-to-Whitehorse line.¹⁷

¹²Vancouver Province, April 28, 1965, p.1.

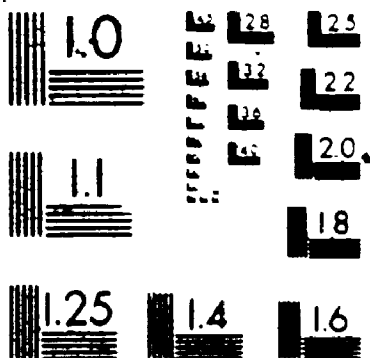
¹³Report of the Royal Commission on the B.C.R., Vol. 2, Chap. III, p.184.

¹⁴Vancouver Province, Sept. 24, 1964, p.25.

¹⁵Victoria Times, March 7, 1964, p.14. Vancouver Sun, Dec. 14, 1968, p.10.

¹⁷Vancouver Province, Sept. 24, 1964, p.25; April 28, 1965, p.1; June 29, 1968, p.27; Sept. 30, 1968, p.1; Vancouver Sun, Dec. 14, 1968, p.10.

5



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Although at the time Bennett appeared to be "drawing hypothetical rail lines all over northern British Columbia", as one observer noted,¹ in fact his many proposals were in keeping with the railway's policy of outflanking the C.N.R. The Takla Landing-Stewart extension, for example, which would parallel the C.N.R.'s line from Prince George to Prince Rupert, aimed at expanding the P.G.E.'s influence into the territory north of the C.N. route so as to capture the potential wealth of that vast hinterland for the provincial railroad. To develop those resources (mainly timber and minerals) properly, an outlet port on the northwest coast was essential -- hence the rationale for extending the line to Stewart which, unlike Prince Rupert or Kitimat, was outside C.N. control. The Stewart proposal, in effect, was another challenge to the C.N.R. for control of the future traffic of northwestern B.C.

The resources of northwestern B.C., however, were only the first objective of the plan for outmanoeuvring the C.N.R. Interest in the future economic potential of the Yukon and Northwest Territories had been growing since the early 1960's, and those areas also figured prominently in the Socreds' railway-building plans. Mining activity expanded considerably in the Yukon during the decade, as it did in northern B.C., and it was widely speculated that the territory would be of major economic importance in the

¹John Pousette, "Canadian National Northern Transcanada - Yukon Territories Railway Extension", unpublished report, Kitimat-Stikine Regional District, 1970.

1970's. The provision of transportation facilities, however, was considered an essential precondition to developing the region's resources; hence the revival of the idea of a railway linking Canada's existing rail network with the Yukon and possibly Alaska. The B.C. government had long been interested in such a link, and the conviction in Victoria that a Yukon/Alaska railway would soon be economically feasible and necessary provided additional incentive for expanding the P.G.E. in northern B.C.

The Social Credit government's interest in northern transportation links, and its belief that the Yukon should be the provincial railway's eventual destination, had hardly waned over the years. Several developments over the past decade, in fact, had helped sustain the government's enthusiasm. In 1956, an Alaska International Rail and Highway Commission was established by Congress to investigate the possibilities of improving transportation links between Alaska and the lower forty-eight states, and a consulting firm - the Battelle Memorial Institute - was commissioned to make a thorough analysis of potential resources and traffic of the regions traversed by possible rail and road projects.¹⁹ The investigations continued for over four years, and while nothing came of them, the U.S. study stimulated discussion of a possible Alaska railroad during the late 1950's and kept alive in Victoria the hope

¹⁹P.R. Johannson, "A Study in Regional Strategy: The Alaska-British Columbia-Yukon Conferences", B.C. Studies, # 28, Winter 1975-76, pp.34-5.

of possible assistance for extending the P.G.E. as the best means of securing that rail link..The Bennett government had hoped alternatively that the Pacific Northern Railway scheme of the late 1950's might achieve the province's expansionary goals under private auspices, and even after that program collapsed, Victoria continued to display keen interest in a Yukon railway during the early 1960's. The province's presentations at a series of conferences between the governments of Alaska, B.C., and the Yukon held between 1960 and 1964, highlighted that objective over all other considerations.²⁰

It is not surprising then, that the Bennett government was eager to listen when talk of a Yukon/Alaska railway resumed later that decade. The inclusion of the P.G.E. in a larger Canada/Alaska railway network had obvious advantages for British Columbia and complemented ideally the Socred's objectives for northern expansion. It would establish the long-sought commercial link with the regions north of the 60th parallel, and provide financial aid for the continued expansion of the P.G.E. railway in northern B.C. from either the U.S. or Canadian governments (or both). Those considerations, understandably, once again came to the forefront in the late 1960's when the federal government for the first time in years began displaying strong interest in northern transportation development.

²⁰Ibid., p.48. For an indication of the government's response to these external events see Ray Williston's comments in Transcripts, Royal Commission on the B.C.R., PABC, GR 500, Box 12, Vol 42, pp.5873-76.

In the summer of 1968, the C.N.R. undertook an aerial survey of northern B.C., and in the following year Ottawa commissioned Hedlin, Menzies and Associates Ltd. to study the economic viability of five possible rail connections with the Yukon. Soon after the federal studies were authorized, the decision was made (on December 22, 1969) to extend the Takla Landing branch north to Dease Lake, rather than to Stewart as originally planned. Why this change was made is uncertain, but it appears the provincial government was worried over imminent C.N. expansion northward from Terrace or Hazelton, and was anxious to extend the P.G.E. into the area first.²¹ Construction of the line to Dease Lake would force Ottawa to negotiate with the province if it contemplated developing the Yukon by means of transportation links across northern B.C. from the C.N.R.²² The Premier later explained that the aim after completion of the project was:

...to negotiate with Ottawa, and with Washington, D.C., not with a dream in mind but with hardware in hand. An operating railway to Dease Lake would have been a bargaining position that could not have been denied, uniquely poised for the final steps into the Yukon and Alaska.²³

The decision to embark on the Dease Lake line was thus an extension of Bennett's tactic of using unilateral action

²¹Ruppenthal and Keast, A Railway Derailed, p.20.

²²Ibid., p.191. See also the testimony of Mac Norris, Transcripts, Royal Commission on the B.C.R., PABC, GR 500, Box 13, Vol. 64, p.9051.

²³W.A.C. Bennett, "Statement", Sept. 6, 1977, Exhibit # 173A, Royal Commission on the B.C.R., PABC, GR 500, Box 8, File 2, p.6.

to induce the federal government to co-operate with the province on northern railway expansion. That tactic had been unsuccessful since its inception in 1954, but renewed federal interest in northern rail development undoubtedly encouraged the belief that an agreement with Ottawa could now be reached. Two years after the Dease Lake line was started, the province renewed its quest for a co-operative arrangement that would finally recognize the P.G.E.'s long-standing claims to construction grants and operating subsidies. That arrangement (which was verbally agreed to but not yet finalized when the Socreds fell from power), would also have given the P.G.E. access through traffic interchange and/or running rights to the proposed federal Yukon railway line, as well as to the port of Prince Rupert, thereby eliminating the need to develop Stewart as a separate port for use by the provincial railway.²⁴

²⁴Whether the Stewart connection was a serious consideration or just a ploy to get the federal government interested in northwest rail expansion and port development is difficult to determine. The District of Stewart in 1977 could find no evidence of any feasibility studies having been done on a Stewart rail connection, nor any investigation of Stewart as a possible deep-sea port. See District of Stewart, "Bear River Pass Railway Feasibility Study", prepared by Stothert Group, Sept. 1976, Exhibit # 137, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 9, pp. 4,8. It is important to note in this connection that Bennett did not perceive he was following the C.N.R.'s lead when he embarked on the Dease Lake line; rather he believed the federal government had finally awakened to the need for northern rail development as a result of the province's earlier railway-building initiatives. See W.A.C. Bennett, "Statement", Royal Commission on the B.C.R., p.2. The background of B.C.'s efforts to obtain federal subsidization of the P.G.E. and the position of the province with regard to a co-operative arrangement can be found in J.S. Broadbent and A.L. Peel, "Joint Study of Railway Transport Development in the Canadian North", August 1971, Exhibit 1001-42, Royal Commission on the British Columbia Railway, PABC, GR 500,

Thus the Dease Lake extension, while essentially a continuation of the Fort St. James and Takla Lake lines, was embarked upon for fundamentally different reasons than those two earlier undertakings. The rationale for the Dease Lake connection in 1969 was mostly strategic and imperialistic. It was designed to ensure that B.C. participated in the expected federal plans of northern railway expansion and that it would capture a share of the future economic activity emanating from the Yukon and Alaska. Local economic considerations also were involved: The P.G.E.'s research department had just completed a study of the potential traffic benefits of a Dease Lake extension, which were thought to be substantial.²⁵ But from an economic standpoint there was no pressing need to begin construction of the line in late 1969, hence the main motivation was undoubtedly the federal interest in northern rail development.²⁶

The Fort Nelson extension, construction of which began the previous year, similarly was designed to forestall possible expansion of the Northern Alberta Railways (jointly

²⁴(cont'd) Box 16, File 19.

²⁵P.G.E., Research and Development Branch, "Dease Lake Extension Study", December 1969; Exhibit # 179, Royal Commission on the B.C.R., PABC, GR 500, Box 8, File 6. The highlights of this report are examined more closely below.

²⁶Bennett later claimed there was an urgency to begin the Dease Lake line in 1969 in order to avoid expected inflation. But there is little evidence of this concern at the time and; in fact, the P.G.E.'s study of the Dease Lake extension predicted that inflation was unlikely to continue at the high levels experienced in 1968/69. Ibid., p.23; W.A.C. Bennett, "Statement", Royal Commission on the B.C.R., p.3.

owned by C.N. and C.P.) northwest toward the Yukon.²² Again, other considerations were involved: Recent studies had predicted that the line would facilitate saw and pulp mill construction, as well as provide access to mineral resources thought capable of development.²³ A rail line to Fort Nelson also would facilitate forest fire protection and demonstrate B.C.'s commitment to northern development, which Victoria felt necessary to offset Alberta's influence in the northeastern part of the province.²⁴ But for the most part, the decision to construct the Fort Nelson extension, like the Dease Lake line, was strategically motivated. The overriding concern was to protect the province's interest in northern development, an objective that was strongly

²²The Hedlin, Menzies report indicated that the routes running north from Fort Nelson and from Terrace or Hazelton were the most feasible. Canada, Ministry of Transport, The Canadian Northwest Transportation Study - Final Report, prepared by Hedlin, Menzies & Associates, Ottawa, 1970, p.xii.

²³See B.C., Bureau of Economics and Statistics, "Fort Nelson Extension Feasibility Study", (undated, probably June, 1965), Exhibit 161A, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 15; Ibid., "The Peace River-Liard Region, An Economic Survey", March, 1966, Exhibit 161B, Royal Commission on the B.C.R., PABC, Box 7, File 16; P.G.E. Railway, Research and Development Department, "Preliminary Report on the Proposed Study of the Northern Extensions and their Resource Potentials: Fort St. James - Takla Lake, Fort St. John - Fort Nelson", Aug., 1966, Exhibit 161C, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 17; Ibid., "Estimate of Revenue-Freight Potential: Fort Nelson Extension", July, 1968, Exhibit 161D, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 17; For a summary of these reports and how they influenced the decision to build the Fort Nelson line see British Columbia Railway, "Fort Nelson Extension", June, 1977, Exhibit 161, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 14.

²⁴Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, Part 2, pp.13, 45.

reinforced by the imperialist vision of extending B.C.'s hegemony north of the 60th parallel.

Victoria's strategy to ensure it would not be excluded from future developments in the North was later described as a kind of "pincer movement", taking

...the shape of twin arcs from the railway's heart at Prince George, moving northeast and northwest, then converging near Lower Post. This strategy was designed to hold the territory within that loop and the territory to the north of the 60th parallel tributary to the British Columbia Railway.³⁰

But in actuality, the rationale behind the Fort Nelson extension was more aggressive than that statement suggests, for the new line was also expected to link with the Mackenzie Delta via the Liard River (and eventually via a proposed highway connection to Fort Simpson), so that the railway could penetrate commercially the territory north of the 60th parallel (as opposed to just holding it tributary to the P.G.E.). The Liard River route, by virtue of earlier breakup, enjoyed a competitive advantage over the more commonly-used route via Waterways, Alberta, and the government felt it could exploit that advantage for the benefit of the provincial railway. The town of Fort Nelson, which was to become a transshipment centre for goods moving down to the Arctic Coast, was also expected to prosper from this connection.³¹ Thus the Fort Nelson extension, like the

³⁰Ruppenthal and Keast, A Railway Derailed, p. 14.

³¹The merits of this competitive advantage were explored in two of the reports that preceded the decision to build. See B.C., Bureau of Economics and Statistics, "Fort Nelson Extension Feasibility Study", p.19; P.G.E. Railway, Research and Development Branch, "Estimate of Revenue Freight Potential - Fort Nelson Extension", p.5.

Dease Lake line, had the ultimate aim of allowing the P.G.E. to participate in the existing and future trade of the territory north of the 60th parallel. As Ray Williston later explained, it formed part of the government's overall policy of diverting the economic activity of the Mackenzie Delta region away from Alberta and into the province of British Columbia.³²

Results of the Northern Extensions

Owing in part to the wider imperialistic motives that impelled the Dease Lake and Fort Nelson projects, both were hastily launched with insufficient prior planning and with no better than a superficial knowledge of potential resources and traffic. The 'developmental tool' philosophy evident in building the Fort St. James extension dominated the planning and construction of the Dease Lake and Fort Nelson lines. The new extensions were justified on the grounds that they would generate enough resource traffic needed to make them profitable. But whereas the Fort St. James extension had been relatively low-risk considering the 73-mile distance, the Dease Lake and Fort Nelson projects required 335 and 250 miles of construction over country that

³²Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-16,, Track 2, pp.13,18; Personal interview with Ray Williston, Aug. 8, 1984; See also Ray Williston, "Presentation to the Royal Commission", Exhibit # 186, Royal Commission on the B.C.R., PABC, GR 500, Box 8, File 14, pp.6,7, and accompanying appendices.

was extremely inhospitable for railway-building. The result was disastrous. Both projects proved excessively expensive, and neither stimulated enough industrial activity to warrant their construction. That was the verdict of the Royal Commission appointed in February 1977 that investigated the affairs of the British Columbia Railway.³³ The Commission concluded that from an economic or developmental point of view, neither extension should ever have been undertaken.

The Commission learned that the two extensions had been built with very little knowledge of the physical and economic conditions involved. Insufficient pre-engineering (soil tests, locational studies, advance measurements of quantities of materials to be moved, etc.) was undertaken prior to commencing construction. One reason, it seems, was a shortage in Canada of professional engineers with railway-building experience. According to Nelson Hepburn, engineering consultant to the Commission:

The railway was thus in an extremely difficult situation when the decision to proceed with construction was given and faced with the choice of either enticing experienced engineers from the two continental railways, who both had relatively small groups of trained staff, or train their own as best they could during the progress of the work. All for a construction programme which at that time was visualized as lasting for only a few years with no evidence of on-going work. When it was realized that this renewed railway construction programme coincided with a fairly high level of highway construction activity it is evident that little help could be expected from that direction. All of this may have contributed to that fateful decision to proceed without the implied proper

³³Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, pp.205-6.

pre-engineering.³⁴

The lack of skilled location and construction engineers obviously was a hindrance, but comprehensive pre-engineering studies involving inevitable delays and expense simply did not suit the political objectives of the railway program. In keeping with the 'developmental railroad' plan, the extensions were intended to be built as cheaply as possible and to minimal standards, with improvement to follow once enough traffic was generated to pay the costs. That approach tended to militate against employing sound engineering and expensive construction methods during the first stage, with disastrous results. The Fort Nelson line, built in three years at a cost of \$47 million (even at that price the overrun was 47%), was constructed far too hastily, with numerous short-cuts that later entailed expensive maintenance to keep the road in service.

The concept of building to minimum standards was entirely unsuitable for the Fort Nelson extension. Much of the country between Fort St. John and Fort Nelson, while relatively flat, was comprised of soil that poor drainage made plastic and unstable for railway construction. During spring and summer months the rainfall would not run off but accumulated in the ground, causing the roadbed to shift and slide.³⁵ A sturdy rail line operating under such conditions

³⁴Nelson Hepburn and Dr. W. W. Hay, "British Columbia Railway - Appraisal of Engineering Aspects", Jan., 1978, Exhibit # 276, Royal Commission on the B.C.R., PABC, GR 500, Box 10, File 15. p.A5

³⁵Royal Commission on the B.C.R., Vol. 2, Chap. IV, pp.7-8.

would need high engineering and construction standards which were rarely followed. The Royal Commission, for example, discovered that:

...in keeping with the lowest-cost philosophy of construction, narrow and steep grade construction was used, making the line even more susceptible to the unstable water and soil conditions. To speed construction, track was in some sections laid directly on the subgrade, without ballast, and much of this track was subject to sinking into the base. The grade was built in some areas with inadequate compaction, frozen material was used, to save money the spacing between ties was increased, and up to 50% of the ties were untreated, having a very short serviceable life which is now nearing its end.³⁶

The result of these engineering and construction deficiencies³⁷ was that rather than needing only to improve the Fort Nelson line to better standards, extensive reconstruction was later required that entailed capital expenditures of \$3.1 million in 1972, \$4.6 million in 1973, \$5.7 million in 1974, \$6.5 million in 1975, and \$3.3 million

³⁶Ibid., p.36.

³⁷The description of engineering deficiencies presented here is basically that of the Royal Commission. An independent analysis of the engineering aspects of the Fort Nelson and Dease Lake controversies is beyond the scope of this study, but it should be noted that the Commission's conclusions in this regard were not universally accepted. Bennett, Broadbent and others associated with the original construction of the lines complained that much of the testimony presented to the Commission suggested a need for construction standards "appropriate only to an Engineer's Heaven", as the former Premier put it, and not standards sufficient for a pioneering railroad. See W.A.C. Bennett, "Statement" Royal Commission on the B.C.R., pp.7,8; Joseph Broadbent, "Submission to the Royal Commission on the British Columbia Railway", Jan. 16, 1978, Exhibit # 273, PABC, GR 500, Box 10, File 14, pp.13,20. Their criticisms, however, did not alter the Commission's conclusion (concurred with here) that the minimal engineering standards of a pioneer railway were inappropriate for these particular extensions owing to difficult soil and terrain conditions.

in 1976.³⁸ By 1976, the total capital cost of construction and reconstruction exceeded \$70 million, and another \$36 million still was required to bring the track and roadbed to acceptable branchline standards.³⁹ In addition, expensive maintenance of way outlays to keep the line serviceable also were required. Numerous track derailments and service interruptions due to the unstable roadbed occurred during the first five years of operation. In the first two years alone there were 276 derailments, and the line was out of commission for more than 24 hour periods on 22 occasions in 1972, 12 in 1973 (including one 125-day stoppage), 10 in 1974, 16 in 1975, and 14 in 1976. At times the company was forced to use nearly half its entire maintenance equipment fleet just to service the Fort Nelson line.⁴⁰

To compound the high costs caused by engineering deficiencies, the extension also failed to generate the anticipated resource traffic. As previously mentioned, the government and the railway believed that the Fort Nelson extension would profit mainly from the construction of new saw and pulp mills along its route, as well as from new mining developments the extension was expected to trigger. This traffic potential was outlined in several reports that preceded the decision to build, but in general these

³⁸Royal Commission on the B.C.R., Vol. 2, Chap. IV, pp.37-8.

³⁹Ibid., p.7.

⁴⁰Ibid., p.38.

⁴¹See above, Footnote # 28.

studies merely identified the resources of the region and estimated the types and amounts of traffic that might be available. No capital cost estimates were provided and they contained only minimal (if any) financial and economic analysis of the feasibility of a Fort Nelson line. This limited planning did not bode well for the extension's future; moreover, the traffic possibilities identified in these reports were not confirmed by the railway prior to construction. Their favourable projections, for example, assumed early construction of a 550-650 ton per day pulp mill at Fort Nelson (and/or possibly in the Fort St. John/Taylor area), but the government did not seek a commitment from any firm to build such a mill, even though several were interested.¹² That omission greatly weakened the chance of success, for whereas the earlier extensions to Fort St. James and Mackenzie had been reasonably assured of traffic moving to and from the pulp mills in existence or under construction at Prince George and Mackenzie, a similar outcome could not be guaranteed for the Fort Nelson line.

Ultimately, only lumber and veneer production at Fort Nelson actually resulted from the completion of the extension in 1971. Fort Nelson Forest Industries Ltd. constructed a sawmill, planer mill, and dry kiln in 1974, to

¹²Two firms in particular - Peace River Kraft Ltd. and Greater Peace Forest Products Ltd. - were at the time studying the possibility of establishing mills in the Fort St. John and Fort Nelson areas. See P.G.E. Railway, Research and Development Department, "Preliminary Report on the Proposed Study of the Northern Extensions and their Resource Potentials: Fort St. James - Takla Lake, Fort St. John - Fort Nelson", p. 11.

be followed by another sawmill, planer mill, and a veneer plant by Takama Forest Products Ltd. in 1976. Those two companies, plus a smaller sawmill operated by Omineca Enterprises Ltd., became the principal shippers on the Fort Nelson line, supplying some 80% of its total traffic.⁴³ No pulp mills were built, and the only mining traffic was provided by Cassiar Asbestos which began trucking about half of its production to Fort Nelson for shipment over the P.G.E. in 1971. The Cassiar mine, however, also continued to use the White Pass and Yukon Railway, and by the late 1970's was also beginning to truck its shipments to Stewart via the Stewart-Cassiar road.⁴⁴ Because the company chose to divide its traffic among the three transportation services, the mine was never a major or even reliable patron of the Fort Nelson extension. Another potential customer, the Churchill Copper Company mine, located 120 miles west of Fort Nelson, also provided traffic for a short time, but it was forced to close its low grade operations in 1975 after a drop in the world price of copper.⁴⁵

Although the railway failed to generate the expected pulp mill and mining traffic, the branch's contribution of extending lumber and veneer operations to Fort Nelson was extremely important to the local economy. Prior to the arrival of the railway forestry activity had been modest,

⁴³Royal Commission on the B.C.R., Vol. 2, Chap. IV, p.35.

⁴⁴Ibid., pp.42-3.

⁴⁵Ibid., p.24.

consisting mainly of portable sawmills. The railway encouraged bigger operations to begin, which helped transform the forest industry into the largest single employer in the Fort Nelson area by 1976. Sawmilling helped broaden the town's economic base, which previously had been overly dependent on the natural gas industry. But unfortunately, the total traffic generated by the three mills at Fort Nelson never was sufficient to justify the extension from an economic standpoint. Operating losses were reported each year, and the Commission concluded that in another five years the cost to the public would greatly exceed the earnings of all the employees in the Fort Nelson forest industry.⁶⁶ The Commission felt it had no option but recommend abandonment of the line, a proposal that naturally was bitterly opposed by the residents of Fort Nelson. They contended that while the extension had not generated enough economic development to justify construction, it had induced large and important investments, especially in the forestry sector, and loss of the railway would pose a real threat to the stability and future economic growth of the community.⁶⁷

The Fort Nelson problem illustrated the risks of the 'developmental tool' approach to railway expansion. The

⁶⁶Ibid., p.59.

⁶⁷See Fort Nelson Chamber of Commerce, "Brief", Exhibit # 154, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 13; Village of Fort Nelson, "Brief", Exhibit # 156, Ibid. The government of Premier Bill Bennett later chose to disregard the Commission's advice and retained the Fort Nelson line. The decision was essentially a political one, to appease the residents of Fort Nelson.

extension had promoted industrial development that would not have occurred had it been left to await normal economic forces, but by doing so it had created a demand for continuing support of that industry at considerable public expense. The Fort Nelson line, like all the extensions built since the Second World War, had been expected to become self-supporting in a short time, not to bring about protracted public subsidization of industry.⁴⁸ But that was precisely what occurred, due to neglecting to secure accurate cost estimates and traffic forecasts in advance. Similar minimal planning had characterized the earlier extensions to the Peace River and Fort St. James, but whereas those undertakings were arguably worthy investments even though they had failed to become profitable, the same could not be concluded of the Fort Nelson line. Its meagre social and economic returns, important for Fort Nelson but not so much for the province generally, simply had failed to justify the project's enormous costs, and were not likely to do so for many years to come. As the Royal Commission pointed out:

...we cannot conclude that the social and economic benefits derived from its existence by the community, significant though they are, justify the anticipated cost of the Extension to the public over the next five years, that is to say some \$60 million to \$70 million, and perhaps more (a minimum of \$20,000 per year per job supported), and continuing annual losses thereafter.⁴⁹

⁴⁸Joseph Broadbent, "Submission to the Royal Commission", p.9.

⁴⁹Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, pp.65-6.

* A similar situation occurred with the Dease Lake extension, which did not reach so advanced a stage because construction was halted in 1977 a long way before completion. The Royal Commission's investigations showed that the economic development expected from the finished portion of that line had failed to materialize, and that there was little chance of satisfactory traffic developing in the foreseeable future even if the extension was carried to its intended destination.⁵⁰

As already mentioned, the the P.G.E.'s research department prepared a report prior to construction which predicted rapid development of the forest industry following the Dease Lake extension, with the construction of sawmills at Takla Landing and in the Groundhog area, and a 750-ton per day pulp mill at Stikine Crossing. The study also foresaw mineral traffic originating from the Cassiar Asbestos mine and from future development of the Groundhog coalfields.⁵¹

⁵⁰Ibid., pp.134-88.

⁵¹P.G.E. Railway, Research and Development Branch, "Dease Lake Extension Study", pp.14-21. Indicative of the P.G.E.'s shallow planning was the way in which traffic from the Cassiar Asbestos mine was used to justify both the Dease Lake and Fort Nelson extensions, when it was unlikely the mine would use both routes. According to Ray Williston, traffic arrangements were worked out with Cassiar prior to construction (Personal interview, Aug. 8, 1984), but there is no evidence of this. Cassiar's brief to the Royal Commission makes no mention of previous arrangements and states that the company would use the Dease Lake line only if its rates proved competitive with alternative transport services. See Cassiar Asbestos Corporation Ltd., "Presentation", June 16, 1977, Exhibit # 126, Royal Commission on the B.C.R., PABC, GR 500, Box 7, File 6, p.4. Williston has also stated that an American firm - International Paper - had plans to build a pulp mill at

As with the Fort Nelson extension studies, however, these traffic forecasts included no capital cost estimates or detailed financial analysis, and again the railway failed to receive commitments from potential shippers prior to construction. Neither of the two developments most crucial to the extension's profitability - the pulp mill and Groundhog coal - were assured of proceeding, and ultimately neither of them did. The only development to occur north of Fort St. James by 1977 in response to the extensions was the sawmills at Takla Landing and Leo Creek. Production from those two mills (lumber and woodchips), and logs shipped south to mills in Prince George and Williams Lake, furnished the bulk of the traffic on the extension, generating about \$2 million annually in revenues, which, however, fell far short of operating costs by approximately \$2.85 million.⁵² Considering the small amount of economic activity involved, the Commission again failed to find any rational justification for the great public expense that had been invested in the project, so it wholeheartedly supported the decision in 1977 to suspend further construction.

Although it was never completed, the Dease Lake project ultimately proved even costlier than the Fort Nelson extension. The original estimate for construction from Leo

⁵¹(cont'd) Dease Lake which would have utilized the new rail line (Personal interview, Aug. 8, 1984), but that company has denied ever investigating the possibility. Letter from Elizabeth M. Russo, International Paper Company, to John R. Wedley, March 26, 1986.

⁵²Report of the Royal Commission on the B.C.R., Vol. 2, Chap. III, p.193.

Creek to Dease Lake (335 miles) was \$68.9 million when the project was approved in 1969. By the time work was suspended in 1977, track was laid 157 miles to Chipmunk Creek (still 178 miles short of Dease Lake) and the projected total cost had risen to \$360 million. Part of the explanation for the fivefold cost inflation was that the Dease Lake extension, like the Fort Nelson line, was hastily planned and launched without proper pre-engineering study, which caused large cost over-runs during construction. When the tenders were called, the railway supplied insufficient engineering data for the contractors to make accurate estimates of the amounts of earth to be moved during construction, so adjustments had to be made later to cover the discrepancy between anticipated quantities and quantities actually handled. When the contractors went to work they discovered it was impossible to complete the work on time and at a cost under the range of the original estimates.⁵³ The feeling that they had been deceived by the railway led to several lawsuits against the B.C.R., the most publicized being the MEL Paving Case, settled out of court in 1977.⁵⁴ The confusion was accentuated by B.C.R.'s practice of awarding its contracts in haste, often on the day following the receipt of bids, and usually to the lowest bidder without carefully assessing the contractor's capabilities. The lowest bids generally were received from outside the region

⁵³Ibid., Chap. IV, p.109.

⁵⁴Ibid., pp.111-4.

from companies that were less knowledgeable about the actual construction conditions than were local firms, who naturally bid higher because they were better informed of the immense difficulties involved.⁵⁵

A change of approach after the Bennett government was succeeded in August 1972 by an N.D.P. administration compounded the high cost over-runs produced by poor engineering planning. The Dease Lake extension was less than half completed when the N.D.P. took over, and already there was evidence that the new line was proving more expensive than anticipated. Thus one of the first steps of the new government was to have the project re-evaluated by Touche Ross and Company, Chartered Accountants. The Touche Ross report concluded that the extension was still both financially and economically feasible and recommended further construction, so the Barrett government decided to proceed -- a decision that proved extremely costly. The Touche Ross company had estimated the eventual construction costs at \$101.8 million and had based their financial conclusions on that figure.⁵⁶ That assessment, however, was far from accurate, since the estimate of total construction costs rose over the next four years to a staggering \$350 million.⁵⁷

⁵⁵Ibid., p.110.

⁵⁶Touche Ross and Co., "Assessment of Dease Lake Extension", January, 1973, Exhibit # 264C, Royal Commission on the B.C.R., PABC, GR 500, Box 10, File 11, p.59.

⁵⁷Report of The Royal Commission on the B.C.R., Vol. 2, Chap. IV, p.120.

Seeking the qualified advice of a professional group was a commendable procedure, and the Touche Ross findings undoubtedly misled the new government. Possibly, though, the government still acted too hastily and unwisely, since the report was prepared in just under six weeks, and it openly acknowledged that "the data used for the updated estimate has not been independently verified..."⁵⁸ A more thorough, circumspect investigation of the report's data and conclusions should have been carried out under the circumstances. The Touche Ross report also failed to emphasize the benefits of suspending construction at Sustut Junction, which it proposed as an alternative to completing the line.⁵⁹ That proposal had definite merits, as a later study showed,⁶⁰ but was never seriously considered, perhaps because it would not have fulfilled the railway's objective of reaching the Yukon which the N.D.P. wholeheartedly endorsed. As the Royal Commission pointed out, "it would have taken a most powerful negative assertion to overcome the enthusiasm to continue pursuit of the northern development dream."⁶¹ Indeed, the N.D.P. under Premier Dave Barrett, who succeeded Bennett as president of the railway,

⁵⁸Touche Ross and Co. "Assessment of Dease Lake Extension", pp.59-60.

⁵⁹Ibid., pp.72-3.

⁶⁰B.C. Railway, "Economic Report on Northern Extensions - Past, Present and Future", Feb. 28, 1975, Exhibit # 1818-1, Royal Commission on the B.C.R., PABC, GR 500, Box 20, File 19, pp.13-4.

⁶¹Report of the Royal Commission on the B.C.R., Vol. 2, Chap't IV, p.120.

proved as vigorous supporters of the northern vision of expansion as their Socred predecessors. The Barrett government continued to regard the provincial railroad as a 'development tool' whose prime function was to stimulate economic activity on the northern frontier.

Thus the Dease Lake project was proceeded with for two more years under the N.D.P., through a period when the cost over-runs rose to even greater heights than before. Rising inflation was one reason, besides which the new management began to follow higher engineering and building standards, which meant increased work and additional expense.⁶² The Dease Lake extension, like the Fort Nelson line, had originally been planned for construction to minimum standards. When the builders of the Dease Lake project began to realize by 1973 that this approach had been disastrous on the Fort Nelson extension, however, they made efforts to

⁶²Exactly who or what was responsible for the high cost over-runs on the Dease Lake extension became a subject of partisan political controversy. The Socreds argued that it resulted from this decision on the part of the N.D.P. to build the extensions to higher standards, and not from the poor pre-engineering that allegedly took place when they were in control. The N.D.P. naturally argued the opposite, while the Commission took a middle position (presented here) by concluding that the high cost over-runs resulted from a combination of those two factors, without attempting to weigh the responsibility. How accurate or not is difficult to determine, but in 1975 the B.C.R.'s engineering department reported to the Board of Directors that the cost over-runs were 35% due to design changes, relocation, etc., 25% due to material wasted by winter construction for two winters, 15% due to insufficient pre-engineering, 10% due to field staff errors during the early stages, and 15% due to 'normal' costs such as inflation. See B.C. Railway, "Economic Report on Northern Extensions -- Past, Present and Future", p.16.

avoid similar mistakes.⁶³ Their changed approach was reinforced by a study of the track and roadbed of the B.C. Railway by a group of experienced C.N. and C.P. engineers. That report, received in November 1973, pointed up the increasing difficulty of improving a minimum, or developmental standard, railway, into one capable of carrying heavy traffic. With heavier tonnage unit trains coming into increasing use, such changes would require extensive re-building of the branches. The previously-acceptable minimum standards no longer were sufficient.⁶⁴

The emergence of a greater concern for environmental protection - which the N.D.P. government was more inclined to respect than had their Socred predecessors - also meant higher construction costs. For example, the fisheries branch of Environment Canada refused to permit the railway to locate in abandoned channels of the Bear River, a highly-sensitive spawning stream, so the line had to be re-located some distance inland from the river where more materials had to be moved, meaning higher cost.⁶⁵

Apparently, many of the changes to higher construction standards were "taken in the field...virtually without

⁶³Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, p.102.

⁶⁴Ibid., pp.103-5; See R.A. Fisk and John Fox, Report on the Fixed Plant of the British Columbia Railway, Montreal, November, 12, 1975, pp.2-4.

⁶⁵Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, pp.106-7.

benefit of head office sanction and without concern for, or indeed knowledge of, the additional costs involved."⁶⁶ For that reason, perhaps, the N.D.P. never recommended that these additional expenses undermined the Touche Ross report's economic rationale for continuing with the project. By 1975, however, the government and the B.C.R.'s management began to become seriously concerned over the extension's poor financial position, and a new study, prepared by the Department of Economic Development, was felt warranted in light of the escalating costs and fluctuating market conditions. This study concluded that the expansion program had been 8-9 years premature, but still recommended completing it on the grounds that so much money had already been invested.⁶⁷ So the Barrett government continued to build, a decision that was perhaps motivated by political considerations as well. Just ten days before the provincial election of December 1975, the government called for more tenders on the uncompleted portions of the extension. When the N.D.P. were defeated in that contest, the financial mess was handed back to a second Social Credit administration headed by William Bennett, son of the former Premier.⁶⁸

Another reason that the N.D.P. continued pouring public money into the now dubious project was fear of losing a

⁶⁶Ibid., p.102.

⁶⁷See B.C., Department of Economic Development, "B.C. Rail/Northwest Development", prepared by Bob Food, May, 1975, Exhibit # 222, Royal Commission on the B.C.R., PABC, GR 500, Box 9, File 18.

⁶⁸Vancouver Sun, Nov. 12, 1977, p.A4.

forthcoming federal grant in aid of construction if the extension was abandoned.⁶⁹ The Touche Ross report's recommendations had hinged on the procurement of financial aid from Ottawa, which the New Democrats (following the initiative taken by the Socreds), began seeking shortly after they entered office. Their efforts were assisted by the federal Liberal government's reliance on N.D.P. support in the House of Commons following the 1972 elections, and were rewarded with the signing of an 'Agreement in Principle' between Ottawa and Victoria in July 1973.⁷⁰ The Agreement proposed a joint transportation development program for northern B.C., under which a number of rail lines were to be built by the two governments on a co-operative basis. Included in the group was the Dease Lake extension, to be completed in 1975. Other branches included a line from the Dease Lake extension at Klappan to Telegraph Creek, to be built in 1976; a new line to be constructed by the C.N.R. from Terrace to a junction with the Dease Lake extension near Groundhog by 1978; and a future extension of the Dease Lake line to a point at or near Lower Post, to be completed by 1980. The cost-sharing arrangements for these were set out as follows:

⁶⁹ Ibid., Nov. 9, 1977, p.A22.

⁷⁰ "Agreement in Principle - Joint Transportation Development Program: Northern British Columbia", July 23, 1973, Exhibit # 11a, Royal Commission on the B.C.R., PABC, GR 500, Box 6, File 1.

	<u>Federal Share</u>	<u>Provincial Share</u>
Fort St. James to Groundhog	25%	75%
Groundhog to Dease Lake	50%	50%
Klappan to Telegraph Creek	50%	50%
Terrace to Groundhog	75%	25%
Dease Lake to Lower Post	50%	50%

In exchange for the federal participation British Columbia agreed to direct to Prince Rupert all export traffic originating from north of the C.N. line, and give the C.N.R. advantageous running rights over B.C.R. track in that region.⁷² The B.C.R.'s board of directors bitterly opposed those provisions,⁷³ and negotiations on the final settlement were prolonged for four years. Meanwhile, construction was proceeded with, despite the high capital costs and bleak traffic outlook, in hopes of securing the federal contribution of up to \$117 million, which it was assumed would become available only if construction was

⁷¹Ibid., p.1.

⁷²Ibid., pp.3-4.

⁷³See B.C. Railway, "Report on Impact of the 'Agreement in Principle', Joint Transportation Development Program, Northern British Columbia", 1973, Exhibit # 2006(b), Royal Commission on the B.C.R., PABC, Box 20, File 29.

finished to Dease Lake.⁷⁴

That outlook persisted through two more years of costly construction, until the new Socred administration and the railway finally realized the consequences of their obligations under the federal agreement. As a letter of February 1977 to the government from J.N. Fraine, Chairman of the Board, pointed out:

To obtain \$117 million from the Federal Government, the province and/or the railway are committing themselves to minimum expenditures of \$74 million for the Meziadin Line which the British Columbia Railway does not require, \$37 million for the Telegraph Creek Line which is not required unless the mines in the area are developed, \$60 million to extend the line from Dease Lake to Lower Post for the benefit of the Canadian National Railway to move traffic to and from the Yukon. There is no foreseeable traffic for the British Columbia Railway. The total minimum commitment is \$171 million to obtain \$117 million at this time.⁷⁵

The federal government had also changed its attitude because they too had become aware of the high construction costs and the heavy operating losses forecast for the Dease Lake extension. Besides, the economic forecasts of the original developmental plan of 1972 no longer were applicable by 1977 in view of the declining amount of resource activity in the North. Hence the B.C. and federal governments were able to reach a new agreement on March 31, 1977, under which construction of the Dease Lake extension was terminated in return for a federal loan of up to \$81

⁷⁴Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, p.126.

⁷⁵Ibid., pp.126-7; Transcripts, Royal Commission on the B.C.R., PABC, GR 500, Box 11, Vol. 17, p.2247.

million repayable from profits if and when they were earned by the extension.⁷⁶

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The manner in which the Dease Lake affair was settled with the federal government, and the terms agreed to by the province, were a far cry from what Premier W.A.C. Bennett had envisaged back in 1969. As has been seen, Bennett launched the Dease Lake extension at that time primarily to ensure that B.C. would not be excluded from federal plans of northern railway development. But as the Commission noted, the province in 1977 was forced to confront Ottawa with a "financial, technical and legal nightmare in hand rather than the contemplated hardware" with which Bennett had hoped to bargain for federal co-operation and financial aid from a position of strength.⁷⁷ The railway's sad plight in 1977 stemmed largely from Bennett's mistaken belief in 1969 that the only way the province should deal with the federal government was through bold and independent action. Later, he admitted that his strategy on the Dease Lake extension had followed the plan he had previously used when he had forced Ottawa to deal with the Columbia on B.C.'s terms by

⁷⁶See Canada, Department of Transport, "Joint Transportation Development Program: Amending Agreement" and "Financial Agreement", 1977, Exhibits # 11B and # 11C, Royal Commission on the B.C.R., PABC, GR 500, Box 6, File 1.

⁷⁷Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV, p.130.

acting unilaterally on the Peace.⁷⁸ The success of that strategy inspired its re-application, even though the tactic had been unsuccessful in other instances, as when Bennett failed to secure a subsidy for the P.G.E./Peace River extensions during the 1950's.⁷⁹ The strategy proved disastrous in the case of the Dease Lake branch, for the government's desire to move boldly and quickly was a major reason for the inadequate economic and engineering planning that ultimately undermined the project.

The government's impression that it was pursuing policies that had proved successful in the past contributed to the failure of the Dease Lake extension in other ways as well. The construction of the line to minimum standards was consistent with the manner in which previous additions of the railway had been undertaken in northern B.C.,⁸⁰ but that approach was unsuitable for the Dease Lake line (and the Fort Nelson extension) because of more difficult soil and terrain conditions. In addition, the 'build cheap/improve later' strategy was no longer appropriate for the late 1960's and early 1970's, owing to inflated rebuilding and interest costs, as well as to more expensive and demanding operating requirements. The N.D.P. were astute to recognize this, but their decision to upgrade the line and build it to higher standards to reduce future maintenance costs when

⁷⁸W.A.C. Bennett, "Statement", Royal Commission on the B.C.R., p.6.

⁷⁹See above, Chapter V.

⁸⁰Personal interview with Joseph Broadbent, Aug 10, 1984.

there was little prospect (and never had been) of sufficient traffic developing to justify such large expenditures, showed equally poor judgement. The Socreds can rightly be blamed for embarking on railway projects that were inadequately planned and engineered, but the New Democrats for their part did not simply "muddle along" with a bad situation they inherited, as one of their apologists has claimed.⁸ Rather, they made important and costly decisions that largely transformed the expansion program into a financial nightmare.

Another way in which the Socreds were mistakenly influenced by prior conceptions was their belief that railway-building was indispensable for northern frontier development. The Socreds (and the N.D.P. for that matter) assigned to the P.G.E. a developmental role reminiscent of the C.P.R., but as the many transportation experts who appeared before the Commission testified, such use of the railway as a primary means of opening new territory and stimulating industrial development and settlement was largely anachronistic. It was a concept that was rooted in the 19th century and was no longer suited for the mid-20th century because of changing transportation technology. The trucking industry, for instance, had taken over many of the railroads' traditional freight carrying functions, so that railway service no longer was the most appropriate means of

⁸ Stan Persky, Son of Socred, pp. 235-36.

hauling many types of primary products."² The Bennett government, in fact, had begun its massive railway programs at a time when "most railroad systems in the western world were shrinking through closure of uneconomic lines and many of the great United States roads were facing insolvency."³ The cause for their decline during the 1950's and 60's was the emergence of trucking as a transportation mode capable of supplanting rail for the majority of purposes."⁴

Why did the Bennett government, so heavily involved with highway expansion elsewhere in the province, fail to consider road-building as possibly a more viable and cost-effective means of developing B.C.'s 'Far North'? One reason, it seems, was Bennett's love for the P.G.E., which precluded any consideration of a secondary role for the railway in his vision of northern development. Combined with this was the largely intuitive approach adopted by the Socreds towards northern development planning, which perhaps prevented them from recognizing the changing technological realities of transportation described by the Commission. The Socreds continued to believe, as their Coalition predecessors had done, that the type of bulk commodities they hoped to develop in northern B.C. could be better

²The Commission demonstrated, for example, that trucking was a potentially viable alternative for moving all of the commodities handled by the Fort Nelson extension, including lumber shipments. Report of the Royal Commission on the B.C.R., Vol. 2, Chap. IV., pp.52-60.

³Ibid., Chap. III, p.158.

⁴Ibid., p.48.

handled by rail than by truck,⁵⁵ even though expert opinion had begun to challenge that basic assumption. The government's faith in railway-building, moreover, was again reinforced by its perception of past experience. As noted at the outset, the Bennett government was attempting to duplicate in the 'Far North' the developmental process that had already occurred in north-central B.C. during the 1960's, and the P.G.E., along with the Peace River dam, was believed to have been an essential ingredient of the expansionary process that took place during those years.⁵⁶ But was the railway as crucial to the growth of industrial activity in north-central B.C. as the government believed? Obviously, many factors had combined to create that activity and there was no guarantee that the same combination would result from further railway development. The government had simply assumed it would, and had never considered whether its economic goals for the 'Far North' might be better achieved through providing alternative transportation services.

Other planning deficiencies evident in the Socred's approach to northern transportation development can also be attributed to their intuitive style. As the Royal Commission rightly concluded, neither the government nor the railway undertook sufficient prior planning or traffic forecasting

⁵⁵Personal interview with Ray Williston, Aug. 8, 1984; Transcripts, W.A.C. Bennett interviewed by David Mitchell, June 18, 1977, PABC, 1675-23, Track 2, p.2.

⁵⁶Transcripts, Ray Williston interviewed by Derek Reimer, Oct. 8, 1975, PABC, 1375-17, Track I, p.6.

before embarking on the 1960's expansion program. There were two goals for the railway's developmental program, the Commission noted -- "provision of adequate rail transport to foster development in the interior and northern regions of the province" on the one hand, and "attainment of at least a break-even financial situation" on the other. The first goal was partially realized, but "in order to attain the second goal, that of ultimate profitability, it is obvious that both reliable cost estimates and sound traffic projections would be required."⁸⁷ As already indicated, the reports prepared by the railway prior to embarking on the Fort Nelson and Dease Lake extensions were sadly deficient in those areas. The government's willingness to begin construction without better information was motivated to some extent by a perceived need to move quickly and boldly in response to federal plans. But equally important was the government's continued faith that new rail extensions would automatically generate profitable business and economic returns, which was central to the 'development tool' philosophy. That philosophy had also persisted because of a mistaken impression that it had proved successful in the past, yet the Royal Commission, after examining the P.G.E.'s role as a 'developmental tool' since the 1950's, found no evidence to support that notion. Of all the extensions undertaken since the Second World War, only two - that to Prince George in 1949 and the Mackenzie extension in 1966 -

⁸⁷Report of the Royal Commission on the B.C.R., Vol. 2, Chap. III, pp. 164-5.

could be considered economic successes. Moreover, less than one quarter of the railway's entire 1,300 miles - the section between Williams Lake and Mackenzie, feeding the C.N. line at Prince George - was judged to be economically viable.¹⁰ The extensions that had been constructed north of Mackenzie had proved a drain on the taxpayer's purse (as noted in Chapter 5), despite repeated past claims that those sections of the line were profitable additions to the entire railway system.

What the Commission's findings showed was that the basic assumption behind the Social Credit government's railway-building policy - that northern extensions would automatically generate profitable business and economic returns - was mostly a fallacy. The railway during the 1960's had indeed improved financially and had become an important element in the economic growth of the north-central Interior, but that outcome was not directly the result of the northern extensions undertaken during the 1950's. Other factors, notably the government's forestry and pulp mill development policies (examined in Chapter VIII), had been more responsible for the railway's improved fortunes in that region; nevertheless, the government persisted in its faith that the future of the North justified expansion of the P.G.E. from a business standpoint, despite the questionable success of that policy to date. There were, of course, many non-economic benefits

¹⁰Ibid., Vol. II, p.201.

to be gained from northern railway development, and there was nothing wrong in theory with the government building unprofitable rail extensions in order to promote social benefits on the northern frontier. The extensions prior to 1968 could all be justified on those grounds, even though the government had expected them to become profitable after a short time. But the same could not be said of the Fort Nelson and Dease Lake undertakings, for there is a point where the expense to the public outweighs the social returns, and those lines clearly proved to be little more than bad investments. The P.G.E./B.C.R. by the mid-1970's had become vastly over-extended in social as well as economic terms, largely because of the Bennett government's unrelenting but unsubstantiated belief in the profitability of northern railway expansion.

To be fair, several other appreciable factors helped mislead the government into embarking on those excessively expensive undertakings in 1968-69. A buoyant economy, the optimism of the period, the federal government's interest, and the imagined successes of the earlier Peace River and Fort St. James ventures, all seemed to justify the continued expansion of the railway on the northern frontier. The Dease Lake project, in fact, received almost unanimous support in the Provincial Legislature following its announcement.⁸ At the same time, however, the Bennett government itself was largely responsible for the extreme optimism that

⁸Ruppenthal and Keast, A Railway Derailed, p.20; Sessional Clipping Book, 1970, Part I, Col., Feb. 25.

characterized the Dease Lake and Fort Nelson undertakings, especially for the years of propaganda and misleading statements, and the erroneous book-keeping that falsely showed the railway as earning a profit prior to their commencement.⁹⁰ Nobody on the outside clearly understood the railway's true economic and financial position; as the Victoria Times later noted:

If people had known the actual loss figures...it probably would have been a different story. Who would have supported throwing good money after bad, if he knew the railway lost \$38 million from 1957 to 1969, and not the more acceptable \$4.4 million reported.⁹¹

Under clearer circumstances, the fact that the railway had failed to achieve solvency despite the growth of industrial activity along its route should at least have raised some concern, and been a cause for review, before further expansions were proceeded with. Had that been the case, the disastrous undertakings of the late 1960's and early 1970's might well have been avoided.

⁹⁰See above, Chapter V.

⁹¹Victoria Times, June 7, 1975, p.4.

PART IV

EPILOGUE

Chapter X

The N.D.P. Approach

The election of the New Democratic Party to power in British Columbia in August 1972 was expected to bring major changes of direction and approach to provincial northern development and resource management affairs. B.C.'s socialist party had long maintained a different philosophy and attitude to the other parties on such matters, and for over twenty-five years it had formed the chief opposition to the free enterprise approach to development of the Coalition and Social Credit governments. That approach, the N.D.P. claimed, had over-emphasized economic growth at the expense of social and environmental concerns, had catered to the interests of the large, multi-national corporations, and had secured inadequate returns to the people of British Columbia for the exploited resources. Those criticisms were expressed as strongly as ever in the 1972 election campaign, when the N.D.P., led by Dave Barrett, campaigned earnestly on a platform advocating (among other aims) higher resource taxation, greater government involvement in the resource sector, increased secondary processing, and more orderly, balanced economic growth (coupled with extra attention to social and environmental concerns), in northern B.C. and other underdeveloped parts of the province. This chapter, for reasons of comparison, will examine how successful the

New Democrats were in achieving these various objectives.

* * * * *

To begin, it is important to note that not everyone enthusiastically applauded the prospect of an N.D.P. government managing the province's northern development affairs. Uncertainty and skepticism reigned among many British Columbians, particularly fears that the New Democrats would do less for northern development than had their Socred predecessors. Premier Bennett had often labelled the C.C.F.-N.D.P. as an anti-North party that was opposed to the development of that region, and he had repeatedly warned British Columbians that the socialists would neglect the North if ever they came to power. These accusations were unfounded, since the C.C.F.-N.D.P. had always supported northern development as a fundamental provincial objective, and had differed from the Socreds only in terms of the approaches to be followed -- as in the examples of the Wenner-Gren and Peace River power development programs.¹ Nevertheless, the anti-North stigma had plagued the C.C.F.-N.D.P. over the years, as their poor electoral performance in the northern half of the province indicated. The Socreds regularly carried seven out of eight northern seats, while the C.C.F.-N.D.P. held only the predominantly native Indian riding of Atlin. Represented

¹See above, Chapter VII.

from 1948 onwards (except for 1956-60) by Frank Calder, B.C.'s only native M.L.A., the N.D.P.'s victories there reflected the personal and ethnic appeal of the candidate rather than that of the party. To make matters worse, the Socreds' dominance in the North led the C.C.F.-N.D.P. to concentrate on those policies and issues that would win them support in more vulnerable areas of the province. That tactic only enhanced their anti-North image, and set them even further behind the Socreds who were always quick to acclaim their party as being the only true champion of northern development.

The longstanding Socred hold on the North, however, began to weaken perceptibly during the late 1960's. Northern Socred M.L.A.'s openly began criticizing their government in the Legislature for not paying sufficient attention to the needs of their respective constituents.² And northerners, in contrast to their customary demands for measures that promoted greater economic growth, began expressing growing concern that their region had suffered environmental damage and had failed to derive enough social benefits from the rapid expansion of industrial activity during the previous decades.³ The Bennett administration in general had adopted

²One of these M.L.A.'s - Don Marshall, S. Peace River - actually defected from the party in 1972 to sit as an independent because of disenchantment with the government's handling of agricultural concerns in his constituency. Sessional Clipping Book, 1972, Part II, March 23.

³These social and environmental concerns have not been made a direct focus of this study, but there is considerable literature pertaining to them that has been included in the bibliography.

a passive, laissez-faire approach to social and environmental concerns, and had come to be perceived as a government that had performed well economically, but had done too little to ensure orderly social as well as industrial growth. Since the N.D.P. traditionally was more oriented towards social welfare and environmental matters, northern voters became attracted to the party, and the party in turn at last saw an opportunity of assailing the Socreds' northern power base on those issues.'

An N.D.P. provincial council meeting in July 1972 passed a series of policy resolutions with which to launch an all-out assault on the 'Seven Safe Sacred Seats in the North'. Spearheading the platform was a restatement of the party's policy on native Indians that was to be advertised extensively across northern B.C. The seven-point program included a) assisting Indians in finding land for housing; b) designing educational programs for Indian needs; c) respecting the civil rights of Indians and establishing programs to assure Indian legal aid and counselling; d) placing Indian children who became public wards in Indian foster homes wherever possible; e) strengthening the Human Rights Act to protect the rights of Indians; f) offering low interest loans to Indians for economic development purposes; g) encouraging the hiring of Indian staff members to meaningful positions in all government departments. Other policies directed to northerners included establishing a

*Personal interview with Bob Williams, Feb. 11, 1986.

provincial northern affairs department, a northern development authority, and a northern regional council to determine social and environmental needs; setting up northern studies departments in the regional colleges; providing an air ambulance service; creating large wilderness areas for public recreation; and equalizing gasoline prices between North and South.⁵ These resolutions were emphasized during a vigorous campaign in northern constituencies, in which Barrett and other N.D.P. leaders repeatedly criticized the Bennett government's failure to provide northerners with adequate social and educational facilities, and lashed out against some of the obvious failings of Socred programs, such as the Bulkley Valley Forest Industries fiasco and the environmental mess created by the Peace River dam.⁶

This political effort ultimately paid dividends in the North where the N.D.P. captured 5 of the 8 seats (Atlin, Prince Rupert, Skeena, Omineca, and Fort George),⁷ an

⁵Vancouver Sun, July 10, 1972, p.27.

⁶Vancouver Province, Feb. 28, 1972, p.2; Aug. 3, p.7; Aug. 4, p.6; Aug. 18, p.37; Vancouver Sun, Aug. 3, p.13; Aug. 18, p.21. Williams does not feel the N.D.P. concentrated on northern B.C. any more than other regions during the 1972 election, but there is certainly evidence of a more concerted effort there than in previous campaigns. Personal interview with Bob Williams, Feb. 1986.

⁷In some ridings (Fort George, Omineca) the N.D.P. cause was helped by a split in the 'free enterprise' vote, with disenchanted Socred voters turning more to the Liberal or Conservative candidates rather than the N.D.P. Nonetheless, the N.D.P. made substantial gains in the North, especially west of Prince George where the alienation towards Socred policies was most acute. Vancouver Sun, Aug. 18, 1972, p.21.

impressive achievement that perhaps strongly influenced the party's future attitude towards the region. Having for the first time made substantial inroads into a traditional Socred stronghold, it appears the party became eager to consolidate those gains by dealing with the problems and aspirations of B.C.'s northerners.⁶ Some of the development plans inherited from the Social Credit regime also required almost immediate attention, so the New Democrats were compelled to formulate policies of their own based on the Bennett government's earlier initiatives. The new government continued to carry out the Socred plans, but tended to re-structure and re-direct them in line with the N.D.P.'s differing views of resource allocation and development strategy. Hence the northern vision of development was continued under the new administration, but in a form intended to rectify past Socred mistakes while putting a distinctive N.D.P. philosophy and approach to work on developing the North.

The N.D.P. for the most part acknowledged the economic merits of the projects it inherited, but it sought greater government involvement in resource development plus a higher return to the province for the provincial resources used. The first Socred-sanctioned project the N.D.P. endeavoured to transform was the development of the Sukunka coal field

⁶The strong attention paid by the N.D.P. to the North, particularly to northwestern B.C., would seem to support this view, but Williams maintains there was no direct, conscientious effort to build an N.D.P. political base in northern B.C. Personal interview, Feb. 11, 1986.

in northeastern B.C. The project first was announced by Premier Bennett in August 1972 on the eve of the general election, when he disclosed that two major Canadian firms - Brameda Resources Ltd. and Brascan Ltd. - had agreed to a 20-year contract to mine the large Sukunka coal deposits near Chetwynd. The proposal included plans for the B.C. Railway to haul the coal to tidewater near Vancouver for shipment overseas to Europe and Great Britain. The N.D.P. Opposition had denounced the deal as a give-away at the time, charging that the royalty (25 cents a ton) was too low, so it promptly cancelled the agreement after the N.D.P. assumed office later that year. The enterprise, however, was not abandoned, for it promised numerous benefits to the province, particularly for the provincial railway which stood to earn an estimated \$250 million in freight charges, on the basis of hauling 20 million tons of coal per year over a 20-year period. In early March, 1973, Barrett announced that his government had reached an agreement in principle with Brameda Resources to sell 40% of its equity in the project to the B.C. Railway for \$7 million, which the provincial government would advance. Brascan Ltd. would then exercise its option to purchase Brameda's remaining 60% equity, leaving a 60-40 partnership of Brascan and the B.C.R. to develop the Sukunka field.⁹ Implementation hinged upon further negotiations with Brascan on such economic details as freight rates and royalties, however, (Barrett

⁹Vancouver Province, March 6, 1973, pp.1-2.

promised that the royalty would be higher than the original set by the Socreds) and the deal eventually came to nought when Brascan withdrew from the project claiming economic difficulties.¹⁰

Nevertheless, the scheme was a good illustration of the way the N.D.P. tried to adapt its philosophy of state intervention to the tasks of promoting and regulating resource development in northern B.C. and elsewhere in the province. The agreement with Brameda demonstrated its program of securing greater government participation in the resource sector -- a step that had been kept vague during and after the election campaign.¹¹ Whereas previous post-war provincial governments had built and operated public utilities and infrastructure services such as the B.C. Railway and B.C. Hydro crown corporations, the N.D.P. favoured extending public ownership to resource fields like mining and forestry so as to provide a greater level of government entrepreneurship in the development and management of those industries, as well as to gain a larger share of the revenue derived from them.¹² The crucial question was how much public ownership should be applied, and the N.D.P. being a first time government undoubtedly was aware of the political hazards of intruding too rapidly and

¹⁰Lorne J. Kavic and Garry Brian Nixon, The 1200 Days: A Shattered Dream; Dave Barrett and the N.D.P. in B.C., 1972-1975, Coquitlam, 1978-79, p.115.

¹¹Payne, "Corporate Power", p.5.

¹²Personal interview with Bob Williams, Feb. 11, 1986.

extensively in sectors of the economy which had always been left entirely to private enterprise. The Sukunka agreement demonstrated a compromise, middle-of-the-road solution -- government participation in resource industries on a partnership basis (what one writer referred to as 'participatory socialism') without going the entire distance to full government ownership and operation.¹³

'Participatory socialism' along these lines became the main thrust of the N.D.P.'s resource development policies throughout the Barrett government's three years in office. The tactic represented a distinctive N.D.P. approach to resource development and management, an approach more in tune with the party's socialistic leanings, while at the same time educating public opinion gradually to the advantages of public ownership -- "to lay to rest", as Barrett once said, "the idea that government involvement in business is destined to failure."¹⁴ To facilitate the growth of public ownership, the Revenue Act was amended in 1973 to permit the province to invest provincial funds in the capital stock of any corporation.¹⁵ Similar legislation concerning forestry and mining contained provisions providing for greater government equity and control either by joint ventures like the Sukunka project, or by

¹³See articles by Charles Wolverton, Vancouver Province, Sept. 6, 1973, p.21; Sept. 7, 1973, p.19. Williams agrees that this view is a fair representation of the N.D.P.'s approach. Personal interview, Feb. 11, 1986.

¹⁴Vancouver Sun, June 5, 1973, p.4A.

¹⁵Vancouver Province, March 6, 1973, p.7.

establishing new crown corporations to compete alongside private enterprise, a method followed in the forest industry. Such legislation suggested to some critics that the N.D.P. planned to take over those industries completely,¹⁶ but the Barrett government in fact never sought anything more than a participatory role.¹⁷ With mining, where the legislation reserving a right of greater government involvement raised wide suspicions, the Cabinet's Resources Committee had decided from the outset that full-scale public ownership of the mining industry was too costly and controversial to be worth the political risks involved.¹⁸ The N.D.P. government shied away from directly involving itself in mining apart from the aborted Sukunka project, and mainly confined its participation to the forest industry where economic and political returns were potentially more rewarding.

In the forest products industry, 'participatory socialism' also provided a means by which the government could implement desired forest policy objectives more directly, placing greater emphasis on planning than had hitherto been done. The acquisition of Ocean Falls Mills in March 1973 and the purchase of a majority interest in Columbia Cellulose in the following month were the best

¹⁶See Paul Hurmuses, Power Without Glory: The Rise and Fall of the N.D.P. Government in British Columbia, Vancouver, 1976, pp. 52, 75, 82-5.

¹⁷Personal interview with Bob Williams, Feb. 11, 1986.

¹⁸Payne, "Corporate Power", pp. 148-9.

examples of that policy.¹⁹ Crown Zellerbach was planning to shut down its paper mill at Ocean Falls and phase out the surrounding community; to head off that fate the government stepped in and bought the entire operation for \$1 million. Its principal justification was to preserve jobs, but the the acquisition also came to be perceived as a first step to rejuvenate the local economy through government planning.²⁰ Similarly, ColCel's Prince Rupert pulp mills had been losing money for some time, and the Celanese Corporation (ColCel's parent firm) had tried just two months earlier to sell its profitable Castlegar operations to the U.S.-based Weyerhaeuser Corporation. Resources Minister Robert Williams vetoed that arrangement out of fear that ColCel might abandon its northern mills once the southern operations had been disposed of.²¹ Instead, the Balfour government acquired a majority interest in both the Castlegar and Prince Rupert operations. As with Ocean Falls, the N.D.P. acted out of concern for the economic health of communities like Prince Rupert and Terrace that were heavily dependent on ColCel. But the government also soon began to consider the acquisition of the unprofitable northern mills as an important vehicle through which it could reorganize and

¹⁹In early 1974 the government also acquired Plateau Mills in Vanderhoof, and the Nelson-based Kootenay Forest Products Co. Plateau Mills, unlike the others, was a profitable operation that had simply come up for sale.

²⁰B.C., Debates of the Legislative Assembly, 2nd Session, 30th Parliament, Vol. 2, pp.1411-1417.

²¹Ibid., p.1417; Personal interview with Bob Williams, Feb. 11, 1986.

revitalize the forest economy of northwestern B.C.²²

The Columbia Cellulose purchase (renamed Canadian Cellulose - CanCel - after the takeover) was in fact only one aspect of an overall move towards planned development in northwestern B.C., a first-step in a four-part program to improve the regional forest economy and stimulate that relatively depressed area. The overall strategy was based on recommendations resulting from a series of reports prepared in 1972-73, whose purpose was to examine the ailing forest industry in the Northwest and suggest means of improvement.²³ These reports noted that the region's pulp mills (CanCel's and Eurocan) suffered from high costs owing to their heavy reliance on roundwood (over 80%) in the production process, as opposed to using wood chips which were scarce because of the small size and number of local

²²According to Williams, the government did not immediately recognize that taking over ColCel would serve this purpose, since the move had to be made before the N.D.P. could fully investigate the region's potential. Personal interview, Feb. 11, 1986.

²³Personal interview with Bob Williams, Feb. 11, 1986. The first of these reports was prepared for the Regional District of Kitimat-Stikine by F.L.C. Reed and Associates in June 1972. Its purpose was to provide a plan of action for the then Socred government, which was taken over by the N.D.P. following the August 1972 election. A second study was prepared by the B.C. Forest Service in February 1973 and a third was commissioned by the Ministry of Lands and Forests in May of that same year. F.L.C. Reed and Associates, A Program for Rationalization of the Forest and Rail Sectors in Northwest B.C., Vancouver, June, 1972; F.L.C. Reed and Associates, Sawmill Development Plan for Northwest British Columbia, Vancouver, Aug. 1973; B.C., Forest Service, A Guide to Forest Management of the Area Tributary to the Canadian National Railway and Lying between Endako and Prince Rupert, Victoria, 1973.

sawmills.²⁴ The way to improve the region's important pulp-producing industry, the reports suggested, was to increase the local sawmill capacity so as to provide a larger, more economical supply of wood chips for the Kitimat and Prince Rupert mills. Expanding sawmill capacity, particularly along the C.N.R. line between Prince Rupert and Burns Lake, thus became the second ingredient of the government's four-part plan for reorganizing the forest economy of northwestern B.C. Other elements of the plan included negotiating a reduction of freight rates on chips with the Canadian National Railways, and further railway construction to open up new cutting areas north of the C.N.R.'s main line.

The N.D.P. ultimately achieved most of these objectives, and helped rationalize and improve the forest economy of northwestern B.C. A 10-year agreement was reached between the government and the C.N.R. on July 17, 1973, calling for a gradual reduction of wood chip freight rates along C.N.'s northern main line, in return for which the provincial government guaranteed increased lumber shipments over the C.N.R. from the proposed expansion of sawmill facilities throughout northwestern B.C.²⁵ To develop the new wood harvesting capacity, the government in 1973-74 allocated further cutting rights in the region, with the first award going to Babine Forest Products Ltd. to

²⁴See above, Chapter VIII.

²⁵Vancouver Province, July 18, 1973, pp.1, 12, 13, 14. Personal interview with Bob Williams, Feb. 11, 1986.

establish a large mill near Burns Lake.²⁶ Subsequent awards were made to Bulkley Valley Forest Industries Ltd. (now owned by Northwood) and to two Smithers sawmills -- Finks, and Inland Resources Ltd. These latter companies sought mainly to improve their existing operations: Bulkley Valley to build a new small-wood mill at Houston, Pacific Inland by adding a larger log line to increase production, and Finks to expand and upgrade its operations by adding barker, planing, chipping, and dry kiln facilities.²⁷ Those developments (combined with CanCel's prior acquisition of sawmills in Terrace and Kitwanga, and the installation of new high-speed chipping rigs in those mills)²⁸ went a long way towards increasing the flow of wood chips to the pulp mills at Prince Rupert and Kitimat, improving the performances of those operations.²⁹

²⁶Timber rights for the Burns Lake mill were obtained by taking away much of the original allocation to Bulkley Valley Forest Industries Ltd. of Houston, which no longer required so much, owing to abandonment of its pulp mill project. Vancouver Province, Aug. 11, 1973, p.17.

²⁷Ibid., June 22, 1974, p.23.

²⁸That process was already underway when ColCel was taken over by the N.D.P. Terrace Daily Herald, Jan. 21, 1971, p.2.

²⁹By 1975, the N.D.P. was able to claim that CanCel, under public ownership, earned a consolidated net income of \$27.5 million for that year. Kavic and Nixon, The 1200 Days, p.127. However, it appears that CanCel's improved northern operations resulted primarily from the government's restructuring of the regional forestry sector -- alterations that could have been achieved through traditional methods of promotion and regulation without the government having taken over ColCel. The real benefit of public ownership in this instance was that it permitted the province to acquire a larger return from CanCel's increased earnings, although Williams contends that the N.D.P. also introduced better management and marketing practices that helped improve the company's performance. Personal interview, Feb. 11, 1986.

These measures were practical and necessary steps for alleviating the ailing pulp industry of northwestern B.C., straightforward solutions which caused little disagreement or controversy. The same, however, could not be said of the final stage of the government's four-part plan of revitalizing the forest industry of northwestern B.C. -- expanding railway construction to open up new cutting areas. The controversy ignited by that program largely overshadowed the N.D.P.'s more positive achievements in the region. The program evolved in part from the government's need to formulate a policy to deal with the railway construction projects it inherited from the Bennett administration. As already noted, an agreement in principle was reached with the federal government on July 22, 1973, for an ambitious \$325 million northern development program that included four new railway branches -- the B.C.R. line from Fort St. James to Dease Lake already under construction; a new B.C.R. line from Klappan to Telegraph Creek; a new C.N.R. line from Terrace to a point at or near Groundhog on the Dease Lake extension; and a further extension of the B.C.R. from Dease Lake to Lower Post.³⁰ Construction of these new lines was to be jointly financed (the cost formulae and construction time-tables were worked out later), reciprocal running rights over C.N.R. and B.C.R. lines would be granted each company, and port facilities at Prince Rupert were to be improved, in line with making that city the principal outlet

³⁰See above, Chapter IX.

for the region's future resource traffic.³¹

The Northwest Development Plan (as it was informally called) was of course the product of various proposals, studies, and discussions going on for about five years, since the late 1960's, when the federal government and the C.N.R. first began to show increased interest in expanding transportation facilities in northern B.C. The New Democrats were quick to assume political credit for the program (and blame the Socreds for failing to co-operate with Ottawa, the way their government had done) but as has been seen, Bennett had tried to secure a roughly similar arrangement back in 1968 when he first embarked on the Dease Lake extension.³²

The New Democrats, in effect, took the Socreds' objectives over as their own, and carried them closer to fulfillment, but there was an important difference between the N.D.P.'s objectives and those of the preceding administration.

Whereas the Bennett government sought co-operation with Ottawa primarily as a means of gaining access to the Yukon and securing financial aid for northern railway construction, the N.D.P. was more interested in federal support to help build the infrastructure that was required to revitalize the forest economy of northwestern B.C.³³ The transportation and port development programs were expected to open up approximately 27 million acres of new territory

³¹Vancouver Province, July, 24, 1973, p.7.

³²See above, Chapter IX; Ruppenthal and Keast, A Railway Derailed, p.191.

³³Personal interview with Bob Williams, Feb. 11, 1986.

and greatly stimulate forestry operations, including construction of new sawmills north of Terrace at Nass Junction and Meziadin Lake. These new mills would utilize the timber in the upper reaches of CanCel's Tree Farm Licence, and also increase the flow of wood chips to the Prince Rupert and Kitimat pulp mills. The new rail lines also were expected to promote development of large copper deposits in the Stikine River basin near Telegraph Creek, facilitate access to the huge Groundhog coal fields, and provide an alternative route for the shipment of fibre from the Cassiar Asbestos mine. A copper smelter at Kitimat was another possibility that would help fulfill the N.D.P.'s aim of increasing secondary manufacturing in British Columbia.³⁴

Ultimately, however, this N.D.P. northern vision proved as much a pipedream as had so many schemes in the past. Despite negotiations that continued throughout the N.D.P.'s term in office, the joint federal-provincial transportation program for northwestern B.C. never got off the ground, and the program still was being discussed when the N.D.P. government sought re-election in late 1975.³⁵ By then, enthusiasm was waning in both capitals, and following the N.D.P.'s defeat at the polls the scheme was scrapped. The reasons were undoubtedly economic -- the world-wide recession of the mid-70's that had undermined the

³⁴Vancouver Sun, July 23, pp.7-8.

³⁵See above, Chapter IX.

expectations upon which the plan was based.³⁶ Declining copper prices in particular had rendered any early development of the Stikine mineral deposits very unlikely. The program also was complicated by the highly-sensitive, newly-arisen native lands claim issue: the C.F.R. extension north of Terrace proposed to run through the heart of the Nishga land claim - an area of some 40,000 square miles surrounding the Nass River - and the band had threatened to prevent the project from proceeding unless a satisfactory settlement first was reached.³⁷ Neither level of government was opposed in principle to meeting the natives' demands, but both realized that a negotiated settlement would require several years to resolve, during which time the project would have to wait.

Another factor leading the provincial government to second thoughts was the considerable opposition that had grown up among residents in northwestern B.C. (in addition to the Nishga) to the massive scale of development envisaged by the Northwest Development Plan. The program, they feared, would damage the environment, create widespread social and other problems with the sudden influx of an estimated 75,000 new residents to the region, and create more single-industry communities like Kitimat, with the attendant problems of

³⁶Bob Williams disagrees that economic circumstances killed the program. He believes it was still workable but that the new Premier - Bill Bennett - abandoned it because of his personal antipathy towards a plan that Williams himself had been responsible for promoting. Personal interview, Feb. 11, 1986.

³⁷Vancouver Sun, Sept. 30, 1974, p.15.

high labour turnover, economic instability, and dissatisfied residents.³⁸ A three-day Northwest Study Conference held in Terrace in May 1975, attended by representatives of a wide range of groups, including Indians, labour, churches, community organizations, environmentalists, and by interested individuals, demonstrated the extent of this local concern. The conference above all showed a strong desire to see local input incorporated into the developments planned for the Northwest. Besides settling the native land claims, both levels of government were specifically requested to

...commission further in-depth studies on the sociological and ecological impact of economic development, and to make these studies available to the public; sponsor public participation programs to enable local residents to understand the development plans; and ensure that adequate representation from the working classes of the northwest be included on all government boards and commissions examining northwest development.³⁹

Some of the local opponents to the Northwest Development Plan were ardent environmentalists who undoubtedly preferred to have no real development at all,⁴⁰ but the majority simply were concerned over the size and pace of the planned development. To ensure that the

³⁸Reb Yankle, "B.C.'s Northwest Question - the hordes are at the N.D.P.'s gates", Canadian Dimension, Vol. 10, # 4, September 1974, pp.12-18.

³⁹Terrace Daily Herald, June 4, 1975, p.A8.

⁴⁰Williams believes that these activists greatly exaggerated the N.D.P.'s plans beyond what was actually intended and that passions in the region were also inflamed by local Socred supporters who were determined to get rid of the N.D.P. Personal interview, Feb. 11, 1986.

program would not adversely affect them, they aimed to have development proceed only in accordance with local wishes and priorities. That goal proved elusive, however; the N.D.P.'s response to the local concerns, in fact, was to remain silent, hoping they either would go away or be more easily appeased at a later date.⁴¹ That tactic did little to enhance the government's image, and at the same time it alienated the region's pro-development forces (mainly the local politicians and businessmen) who favoured large-scale development along the lines of the N.D.P. program yet were continually frustrated in their efforts to obtain concrete information of government plans.⁴² The government eventually attempted to address local grievances: Alf Nunweiller, Minister Without Portfolio for Northern Affairs, met with regional residents on several occasions to answer questions on northwest development.⁴³ But such efforts failed to ease the tide of local discontent.

Thus the Northwest Development Plan was a major failure in the N.D.P.'s attempts to show British Columbians it could handle northern development affairs with greater skill, success, and sensitivity than Social Credit had done. Not only did its program fail to materialize, but the government

⁴¹Kavic and Nixon, The 1200 Days, p.71.

⁴²Vancouver Province, Oct. 23, 1974, p.31; Victoria Colonist, March 4, 1975, p.18.

⁴³See B.C., Department of Northern Affairs, Questions and Answers on Development in Northwest British Columbia, Compliments of Alf Nunweiller, Minister for Northern Affairs, Victoria, May 1975.

also alienated a huge sector of public opinion that had hoped for a new, improved approach to planning such undertakings following the 1972 election. Instead, the program convinced many that the New Democrats were no better than their predecessors at addressing the particular needs and aspirations of B.C.'s northerners. Public skepticism continued, regardless how often the government tried to reassure residents that the projects would be proceeded with in a manner conducive with their best interests. The reason was that the N.D.P., like the Socreds, made no real effort to be open or to secure local participation in the planning process.⁴⁴ As a result, concerned citizens in the Northwest once more grew bitter because vital decisions affecting their communities and environment were being made behind closed doors in Victoria and Ottawa. Since the N.D.P. had strongly criticized the previous Social Credit administration for fostering a type of colonialism in northern B.C.,⁴⁵ it ought to have anticipated such a development; instead, once in power it did essentially the same thing in its handling of the Northwest Development Plan.

Besides failing to treat local concerns with openness and sensitivity, the N.D.P. was unable to satisfy native grievances in northern B.C., which had been another of its

⁴⁴Williams agrees that the N.D.P. did not bring in local participation to the extent it might have, but feels it would been difficult to do so at any rate. Personal interview, Feb. 11, 1986.

⁴⁵Vancouver Sun, Aug. 3, 1972, p.13.

key policy planks. Only a few of the pre-election proposals were implemented, though the government did achieve some positive results. A good example was the Burns Lake sawmill development, which went a long way to improve economic and social conditions of Indians living in or near that community. When the bids for a sawmill at Burns Lake were called (part of the government's program for expanding sawmill capacity along the C.N.R. line), one was received from the B.C. Association of Non-Status Indians which sought to establish a mill wholly-owned and operated by local Indians. That bid was rejected because the government considered the natives lacked sufficient entrepreneurial skills, but negotiations with Resources Minister Bob Williams eventually did lead to an agreement involving part-native ownership. The Burns Lake Native Development Corporation - comprising the Burns Lake local of the B.C. Association of Non-Status Indians and four bands of status Indians in the area - was awarded an 8% interest in the proposed Babine Forest Products Mill, a consortium whose other members included Weldwood (44%); Eurocan (24%), and CanCel (24%). In addition, the B.L.N.D.C. were given representation on the board of directors and a provincial government \$500,000 loan against its share of the profits in order to set up native training programs in forestry and logging. The loan was also used to fund such local ventures as a native construction company, salmon fishery, a farm co-operative, and a native logging truck firm. A second organization - the Burns Lake Community Development

Association - was formed to initiate social programs relating to the whole community such as child care, adult education, drug and alcohol counselling, and various technical and vocational training programs.⁶⁶

The Burns Lake project was highly successful: it reduced unemployment in the Burns Lake area, improved the economic status of local natives,⁶⁷ and it was an achievement of which the N.D.P. could be proud. One authority referred to it as "perhaps the most significant and successful social program undertaken by the N.D.P.", a shining example of "local initiative aided and abetted by government."⁶⁸ Yet the project seemed to do little to boost N.D.P. popularity in the North or elsewhere in the province, possibly because of the government's failure to publicize its successful venture.⁶⁹

⁶⁶Jim Stirling, "New mill no cure - but it is a beginning", B.C. Lumberman, October, 1975, pp.50-1.

⁶⁷In October 1975, corporation officials estimated native employment in the Babine Forest Products mill at 40-45% of the total. Ibid., p.51. By 1980, the figure was closer to 65-70%. Interview with Nancy Plasway, President of the Burns Lake Native Development Corporation, October 22, 1980.

⁶⁸Ravic and Nixon, The 1200 Days, pp.70, 256.

⁶⁹Ibid. According to other sources the N.D.P. suffered in the region due to a lingering native resentment over the initial refusal to allow complete (or at least more substantial) native control over the development. Yankel, "B.C.'s Northwest Question", pp.17-8; Stan Persky, Son of Socred, Vancouver, 1979, p.32. Williams, however, disagrees that local natives were dissatisfied with the arrangement and believes the N.D.P. lost support because of a racist-inspired backlash on the part of area's white population. Personal interview, Feb. 11, 1986.

The Burns Lake project was not the only effort to improve native economic and social conditions in northern B.C.: two other examples were funding a native fishing and cannery co-op at Port Simpson (which proved financially unsound) and authorizing native-language education at Nass River area schools.⁵⁰ But such efforts, sincere as they were, did little to offset the government's inability to deal with the issue that stood paramount in the minds of B.C.'s Indians. For most northern native organizations, especially the Nishga, settlement of their land claims dwarfed every other issue of importance. The N.D.P. refused to take any initiative on this matter, on the grounds that it was a federal responsibility and hence up to Ottawa to take the lead in negotiations.⁵¹ The N.D.P.'s seeming unsympathetic stance caused considerable unhappiness among B.C.'s natives that eventually cost the government much Indian support in the 1975 election.⁵² Native antipathy towards the N.D.P. was further inflamed by the firing in 1973 of Frank Calder, long-time native M.L.A. for Atlin who had been appointed Minister Without Portfolio for Indian Affairs soon after the 1972 election. Less than a year later

⁵⁰Persky, Son of Socred, p.31.

⁵¹According to one source, Robert Williams was the Minister most opposed to dealing with the land claims question. Kavic and Nixon, The 1200 Days, p.41. This may well have been the case, since Williams believed that the best way to improve native welfare was to work with them on specific programs like the Burns Lake project, rather than settling native land claims, which in essence became the government's policy. Personal interview, Feb. 11, 1986.

⁵²Vancouver Sun, Sept. 4, 1975, p.17.

Barrett abruptly dismissed Calder from the cabinet. No official reason was given, but later it was revealed that Calder had been picked up early one morning by the Victoria police while intoxicated. The impression remained, however, that Calder had been released in part because he had been pressing too strenuously for settlement of the land claims issue.⁵³

Resolution of native problems and grievances was not the sole area where the N.D.P. failed to live up to its pre-election promises. Another one was its determination to tackle social and environmental concerns in northern B.C. and elsewhere in the province. While the Barrett government did show more sympathy towards environmental and social issues than the Socreds had done, its overall performance left something to be desired. As already noted, the N.D.P. had promised to create a northern regional council to determine social and environmental needs, but that approach was abandoned in favour of broadening the activities of the Environment and Land Use Committee (E.L.U.C.), an arm of the cabinet responsible for determining land use needs throughout the province.⁵⁴ An E.L.U.C. support staff (the

Secretariat) was also created, whose function in part was to

⁵³Calder eventually switched parties and recaptured the Atlin riding in 1975 under the Social Credit banner. Ibid., November 6, 1975, p.1.

⁵⁴For a discussion of the evolution and workings of the Environment and Land Use Committee see Christianna Stachelrodt Crook, Environment and Land Use Policies and Practices of the Province of British Columbia, British Columbia Institute for Economic Policy Analysis, Victoria, 1975, Vol. I, pp.156-192.

ensure that any new developments in northern B.C. and elsewhere were undertaken with social and environmental concerns in mind, a policy that was followed during preparation of the aborted Northwest Development Plan.⁵⁵ But all in all, the practical results of this approach were negligible during the N.D.P.'s three-year term in office. Meanwhile, there was little direct attempt to deal with social and environmental problems that already existed in the North. Social concerns continued to a problem in northern B.C. under the N.D.P.⁵⁶ and the Barrett government, like its predecessor, for the most part adopted a laissez-faire attitude towards the North's social concerns. Similarly, the New Democrats were no more effective in cracking down on pollution than the Socreds, despite earlier promises of stern corrective measures (such as a pollution tax) against the province's major offenders. In fact CanCel, the N.D.P.'s pride and joy, continued to be one of the worst offenders, dumping some 80 million gallons of effluent per day into nearby waters, and the government in 1974 largely turned its back on a proposal to clean up that particular

⁵⁵Ibid., pp.163-64. The Secretariat served other important functions as well. It enabled the government to introduce more expertise in the planning process, something that had been lacking during the Bennett period, and became a body through which northern resource planning could be co-ordinated, eliminating the need to create a ministry of northern affairs as originally promised. Personal interview with Bob Williams, Feb. 11, 1986.

⁵⁶Ravic and Nixon, The 1200 Days, pp.195-6.

operation.⁵⁷

The N.D.P.'s campaign to obtain a higher return from resource development and utilization in northern B.C. and throughout the province generally, one of its most vocal pre-election themes, also proved largely illusory. The N.D.P. came to power with well-stated views on the need to increase resource taxation in B.C., to force the wealthy resource-based corporations to make a larger contribution to the province's expanding social service sector -- but it failed to secure such a redistribution. Under the N.D.P., royalties were increased on oil, coal, and natural gas, and a highly-controversial new royalty was placed on previously exempted minerals. But the Barrett government collected only slightly more combined resources taxes overall (from just under 15% to about 16%, and dropping to 12.5% in 1975 when reduced activity cut into the return) than had been the case under the previous administration.⁵⁸

Limited as its actions in the resources field were, however, the N.D.P. incurred the wrath of free-enterprisers, demonstrating the difficulty of effecting changes that were easy to advocate while in Opposition. The best example was the uproar over the 1974 Mineral Royalties Act, which imposed an immediate 2 1/2% royalty on all metals,

⁵⁷The plan of a noted biochemist was to convert CanCel's effluent into methane gas and hog fuel, a process the company claimed was uneconomic. The plan received only marginal evaluation by CanCel, however, and the government showed hardly any interest whatsoever. Ibid., p.123.

⁵⁸Ibid., p.84.

additional royalties on a sliding scale of up to 5% in subsequent years (based on the five-year average), and a special 50% surtax or 'super royalty' on prices more than 20% over the average of the previous five years.⁵⁹ This measure was designed to rectify the situation of the late 60's and early 70's, when sharply rising metal prices had given the mining industry huge profits but only small returns to the provincial treasury by way of revenue. Despite the evident need for and fairness of an excess profits tax, the mining industry bitterly opposed that aspect of the legislation on the grounds that it would sap incentive to make new investments, and result in severe cutbacks of exploration and new mine development. Their arguments, assisted by a slump in mining activity, ambiguity in the legislation (which made it unclear how severe the tax might ultimately be) and the N.D.P.'s seeming insensitivity to the companies' concerns, won widespread public support.⁶⁰ As one study notes:

It was a classic case of poor timing and even poorer public relations. A year earlier, with copper prices that had doubled to 85¢/lb., the Act would have been at least grudgingly accepted by the public, if less so by the mining industry. Now, with the government's inadequate advance and follow-up public relations, it would be seen as an act of economic folly injurious to an industry that was showing a weakening of activity even as the legislation was being debated -- a situation that was to prevail throughout the remainder of the N.D.P.'s term of

⁵⁹Ibid., p.112.

⁶⁰For a thorough review of the N.D.P.'s mining legislation and the reaction to it see Payne, "Corporate Power", pp.192-343.

office.⁶¹

The royalty controversy created the impression that the N.D.P. had severely crippled the mining industry and contributed in no small way to the party's defeat in the 1975 election. The N.D.P., as the Socreds had earlier, discovered the political hazards of bending the resource companies to the will of government in a province where economic growth and prosperity had become so closely tied with those very same corporate interests.

Finally, it should be noted that the N.D.P.'s other major pre-election vow - to increase secondary processing - also proved difficult to achieve in practice. The New Democrats were not as inclined as the Socreds to rely on faith that secondary manufacturing would evolve naturally and inevitably. To a greater extent than the Socreds the N.D.P. explored the possibility of establishing steel and copper plants in B.C., and eventually assisted development of the province's first post-war copper smelter at Afton Mines in the Highland Valley. The Afton smelter was relatively small, however, designed only to process ore from that particular operation, and "did not really represent a major step towards secondary processing of British Columbia's copper resources."⁶² Plans for a larger, 'world-scale' plant (recommended by the government-appointed

⁶¹Kavic and Nixon, The 1200 Days, p.114.

⁶²Payne, "Corporate Power", p.333.

B.C. Copper Task Force)⁶³ were never realized, while those for a smelter at Kitimat died along with the N.D.P.'s controversial Northwest Development Plan. The government also studied the feasibility of locating a steel mill either at Kitimat or Prince George, but found that such a mill would have severe negative impacts on both those communities. Reports prepared in 1975 in co-operation with the Japanese firm of Nippon Kohen Kaisha selected Prince George as the better of the two sites, but noted the proposed mill would put additional strains on that community's already inadequate social and educational facilities. The reports therefore recommended "a smaller scale, diversified development", as opposed to the large steel mill contemplated by the N.D.P. The idea had to be abandoned in the following year at any rate, when the Japanese firm, citing poor markets and high labour costs, withdrew from the scheme.⁶⁴

All in all, then, the promised new direction in northern development affairs, and for resource management practices generally, failed to materialize during the N.D.P.'s three-year term in office. By 1975, the Barrett government's vision of a new era in provincial government involvement in northern B.C. - an era featuring greater concern for the environment, social problems, native issues, and for the particular needs and aspirations of B.C.'s

⁶³B.C., Report of the British Columbia Copper Task Force, Victoria, 1975, p.9.

⁶⁴Vancouver Sun, April 5, 1978, p.B13.

northerners - had all but completely faded. Its attempts to introduce more planning and establish greater government entrepreneurship enjoyed some success, particularly in addressing the problems of northwestern B.C. But to the most part the Barrett administration failed to do what it set out to accomplish in 1972, and as a result, it faced the disappointment and incurred the wrath of B.C.'s northerners in the 1975 election -- to lose 4 of its 5 seats, all but the Prince Rupert riding. The N.D.P.'s northern vision to a degree was too grandiose to succeed, and the party's relatively short term in power in a period of economic depression afforded it insufficient opportunity to introduce and carry out the new policies they had conceived. Still, as its handling of the Northwest Development Plan showed, the Barrett government's philosophy and approach may have differed from those of the Socreds, but its style was just as ill-suited as its predecessor's to tackle the now-sensitive issues of northern development in the 1970's smoothly and effectively.

Chapter XI

Summary and Conclusions

The preceding chapters have demonstrated how extremely influential provincial governments were in encouraging and shaping new industrial activity in northern B.C. in the post-Second World War period. During an era of strong demand for B.C.'s northern resources, when new technology had become available to facilitate their exploitation, all three post-war administrations made concerted and mostly successful efforts to direct investment and development activity into the region north of the 53rd parallel. The promotion and establishment of new mines, sawmills, pulp and paper plants, petroleum and natural gas facilities, better transportation services, and huge hydro-electric power projects dramatically transformed the North and significantly molded its current socio-economic conditions and character. New communities, enterprises, sources of income, increases of population, and higher standards of living for most northern residents were provided, and the entire province benefitted tremendously as a result of hinterland expansion.

The roles of the three governments in facilitating this developmental process has been apparent throughout the study, but it remains to summarize and draw conclusions concerning how and why they promoted northern development,

and of the appropriateness and effectiveness of their developmental efforts. The attention the three governments paid to developing northern B.C. was stimulated by both external and internal influences. Within B.C., a strong demand for economic growth (which had slowed during the inter-war years) and a general consensus that economic activity and settlement should be spread more evenly across the province, combined to produce a drive for hinterland expansion that began in the later war and immediate post-war years. Northern B.C. figured prominently in that drive, because of awakened interest in and knowledge of the resources of that region (which had long been thought to hold immense potential) and lingering dissatisfaction over the strong presence of Alberta in the northeastern part of the province.

These internal factors were in turn reinforced by continuing favourable markets, high resource prices, improvements in resource development technology, strategic-defence considerations, and the renewed interest of Canadians in the North generally during the war and Cold War years. Such external influences provided added stimulus and helped to sustain B.C.'s northern ambitions which, as has been seen, looked beyond the province's borders and aimed ultimately at extending economic influence and trading ties to the federal territories north of the 60th parallel. That goal had been part of B.C.'s northern dream prior to 1945, and its significance in the post-Second World War period had by no means diminished. Periodic events,

developments, and the activities of corporations and other governments in the territories continually reinforced the belief that the entire Canadian Northwest was on the verge of a great economic future, and that British Columbia should play a large role in organizing and benefitting from that experience.

Northern expansion thus had two fundamental objectives -- to develop the northern parts of the province for the benefit of the provincial economy, and by so doing to ready the province for further expansionism beyond its borders. In this latter regard, B.C.'s outlook differed from most other provinces whose governments' ambitions were confined primarily to their particular northern territories.) Only Alberta among the other provinces possessed the same opportunity and ambition to tap the regions lying north of its own boundaries, and B.C.'s northern expansionism was spurred in part by the continuing long-time rivalry between those two western provinces.

Indeed, it was the fear of losing to Alberta the benefits of northern economic activity, intensified by the events of the Second World War, that was shown in Chapter I to have been a prime stimulus behind the Coalition government's involvement with northern development in the later war and early post-war years. That government's involvement was thereafter sustained by a desire for post-war reconstruction and an economic climate favourable for northern resource exploitation, and the opportunity that those conditions presented to complete projects that had

earlier been suspended. The Coalition period in that regard was a time for 'catching up' - to renew and complete northern development objectives that had originated in an earlier period of northern expansionism prior to World War I.

The principal factors and motivations that drew the Coalition into the northern development process also inspired the Social Credit administration that succeeded it. The Socreds were by far the government most responsible for promoting and shaping northern British Columbia's development during this period, but this study suggests a need to view their role in light of the considerable continuity between Bennett's regime and those that preceded it. The basic elements of the Bennett government's development strategy - the need for improved highways, hinterland development to spread economic activity more evenly across the province, expansion of the P.G.E. railway to develop northern B.C. and link with an eventual Canada/Alaska railway network, tapping commercially the territories north of the 60th parallel, reducing Alberta's influence in northeastern B.C., and developing large-scale hydro electric power to spur industrial manufacturing and higher forms of resource use - all these were ideas that had long been in circulation and had come to the forefront of political and economic affairs during the Coalition period. To understand the Social Credit government's initial approach to northern development, it is important to keep in mind that Bennett himself was originally a Coalition

politician, whose views on northern development were shaped to some extent by his experiences with that administration. Bennett's dissatisfaction with the Coalition, moreover, stemmed partly from a feeling that it was not moving fast enough on developmental matters, so his early years in power were devoted to accelerating and completing many of the policies and programs that had been planned or launched prior to his taking office.

The principal contribution of the Social Credit administration in the early years was not new ideas and original policies, but rather the bolder style and more determined approach that it brought to northern development affairs. That greater zeal and determination eventually led (after a four-year period of completing projects it inherited) to the formulation of new policies and programs designed to force or accelerate economic activity in northern B.C. The Socreds' 'big push' to develop the North focussed primarily on north-central B.C. in the 1950's and early 60's, then the same strategy was extended to the 'Far North' in the late 60's and early 70's. In general, the Socreds' enthusiasm and determination to develop northern B.C. reflected the strong hinterland bias of that administration, but at the same time, the Social Credit government possessed a distinctive 'northern bent' that was largely a reflection of the personal views and vision of Premier W.A.C. Bennett. In Bennett's view, northern development was more than an extension of the Socreds' general policy of hinterland expansion -- it had a special

purpose of readying B.C. for eventual participation in the economic development of the entire Canadian Northwest. For that reason, some Socred policies in the North deviated from those followed elsewhere in the province (the heavy emphasis on railway-building, for example, and the desire for co-operation with Ottawa in that regard) and can only be explained sufficiently as a manifestation of Bennett's determination to extend B.C.'s economic influence into the federal territories north of the 60th parallel.

Bennett, of course, was not the only Social Credit leader who possessed a strong vision of northern development. Other members of the cabinet and party caucus shared his views; still, the Premier was without doubt the driving force behind the Socreds' efforts to develop the North. Though the evidence remains inconclusive, it appears that Bennett made many of the important decisions on northern development alone or in consultation with only a few key government leaders -- the endorsement of the Wenner-Gren plan, for example, and the decision to pursue a two-river policy.¹ Bennett appears to have held a tight rein over policy matters, but certain cabinet ministers enjoyed considerable freedom to shape specific government programs, as Ray Williston evidently did with the forestry reforms of

¹See above, Chapter VII. Another example was the decision to launch the second P.G.E. expansion program, which appears to have been made by the railway's Board of Directors rather than the cabinet. See above, Chapter IX.

the 1960's.²

As mentioned in Chapter IV, there is no evidence that any particular behind-the-scene advisors influenced northern development policy during the Bennett era, but the extent of bureaucratic influences on decision-making is not altogether clear. Documents suggest that during the Coalition period some senior bureaucrats, notably J.M. Stewart (Deputy Minister of Railways), C.D. Orchard (Chief Forester), and J.F. Walker (Deputy Minister of Mines), were consulted and probably influenced policy decisions, but similar records are as yet unavailable for the Bennett government. It should be noted, however, that at least two of those officials (Orchard and Walker) remained with the Bennett government until 1957-58,³ perhaps contributing to the continuity between those two regimes. Their departure in 1957-58 may also help explain the changes in Socred policy that began at that time, and other evidence - for example, Williston's decision to go outside the Forest Service for advice on the creation of Pulpwood Harvesting Area Agreements - suggests that during the later Bennett years bureaucratic influences may not have been as strong as they had been previously.

Though the Bennett government eventually adopted different policies from those of the Coalition, the basic strategy of promoting northern economic development remained the same. That strategy involved two distinct forms of

²See above, Chapter VIII.

³See below, Appendices IX and X.

governmental promotion. The first was to provide the infrastructure upon which new industrial activity could grow, while the second was to formulate resource regulation and management policies that would encourage companies to take up new resource development opportunities in the region. The same basic strategy was followed under the N.D.P., but that government was less inclined to rely on free enterprise and sought greater government involvement in the resource sector through crown corporations and joint equity arrangements. In contrast, the Coalition and Social Credit governments, though they pursued northern development as a joint public and private undertaking, were basically rentier governments when it came to managing the natural resource sector. They believed that resource development should be carried out by private enterprise, but controlled and regulated so as to protect the public interest. The N.D.P., on the other hand, sought a greater entrepreneurial role for its administration through direct participation in the key resource industries.

The N.D.P. also made a greater (though largely unsuccessful) effort to plan and undertake infrastructure programs in conjunction with resource development needs. In contrast, the Coalition and Social Credit administrations followed a largely unplanned, ad hoc approach to providing infrastructure.* The Bennett government in particular was

*The exception was the strong attention paid by the Coalition to planning its proposed P.G.E./Peace River extensions in 1945-47 (the Hart plan), a highly commendable approach to railway-building in light of later developments. See above, Chapter II.

always prepared to undertake costly investments in infrastructure without any serious attempt to devise or follow a rationally thought out, well co-ordinated development plan. Instead of planning new infrastructure in conjunction with developmental opportunities as they arose, the Socreds tended to regard such facilities as essential prerequisites for development that had to come first. They accepted as articles of faith, without question, that railway-building was an indispensable means of promoting new economic development, and believed implicitly that plentiful, inexpensive hydro-electric power automatically would attract new industry to the region.

The Social Credit government, however, did not rely on providing infrastructure alone. As noted in Chapter VIII, the Bennett government recognized that development was multi-faceted and that infrastructure was only one part of the overall package. Thus programs like the Peace River power project were followed by governmental efforts and incentives (eg. Pulpwood Harvesting Area agreements) to encourage companies to make use of the infrastructure the government had provided. Still, this 'step-by-step' approach was not without risk, for the Socreds rarely investigated market conditions or the needs of industry to ensure in advance a favourable response to their programs before proceeding with them. Such an approach relied heavily on faith -- not on faith that infrastructure alone would generate development perhaps, but faith that all the crucial conditions required to fulfill the entire development

package would materialize to produce the desired result. As

Ray Williston has said:

We believed that if we provided the communication and the energy...and had enough faith that the demand for the product was out there, that free enterprise would enter the void and do the job. That fundamentally was the strategy we used and it worked.⁵

But as has been seen, the strategy did not prove as successful in the 'Far North' during the 1970's as it had in north-central B.C. during the '60's. The programs designed to promote development in that region - the Dease Lake and Fort Nelson railway extensions - were hastily planned and launched on the assumption of continuing economic growth, but were unable to attract sufficient business once the favourable economic situation passed. The province then found itself with costly infrastructure that was not supplying an adequate return on investment and was unlikely to do so for many years to come.⁶ Though that outcome did not become apparent until after the W.A.C. Bennett government had fallen from power, it nonetheless demonstrated the fragile basis upon which the Socred strategy for northern economic expansion had depended. In essence, theirs was a 'fair-weather' approach to developmental planning, that could only succeed if long-term favourable economic conditions remained in place.

This 'fair-weather' approach was encouraged by the optimism of the age, the faith in never-ending progress, and

⁵Personal interview, Aug. 8, 1984

⁶See above, Chapter IX.

by the fact that these construction projects often required long lead-times, which promoted the feeling that there would be plenty of time to correct any ill-effects. But above all, it was the intuitive, non-academic, and often gambling style of Premier Bennett that contributed most to this anti-planning approach.⁷ As noted in Chapter IV, Premier Bennett's supporters have often acknowledged the remarkable success of his intuitive approach to developmental affairs, but for many of the programs studied here his faith and intuition proved only partly successful at best. Bennett's bold, intuitive approach had the advantage of enabling his government to achieve quick results and political success, and undoubtedly the North's development was speeded up because of it. But it was also potentially a dangerous, and sometimes a harmful way to tackle major developmental programs, as the Fort Nelson and Dease Lake railway extensions demonstrated.⁸ Whether more developmental planning would have produced better overall results during this period cannot be proven, but there is no question that more studious decision-making could have avoided some costly mistakes.

⁷It appears that as time progressed the Bennett government became more convinced of its intuitive prowess and in so doing became more neglectful of the need for planning. More careful preparation was afforded the first P.G.E. expansion program in 1954, for example, compared to the later expansions of the 1960's. See above, Chapters V and IX.

⁸Bennett was not only a victim of his own intuition in these cases, but also of his own propaganda and misleading statements which wrongly portrayed northern railway development to be potentially more lucrative than it really was. See above, Chapters V and IX.

The second major component of the governments' northern development strategy - resource regulation and management policies - had its anti-planning features as well. Like most provincial governments, B.C.'s three post-war administrations did not make any special administrative arrangements for managing the province's northland, and relied on the regular resource departments and agencies to extend their operations into the region. The N.D.P., as has been seen, did promise to establish a ministry of northern affairs in the 1972 election campaign, but subsequently failed to do so. A Minister without Portfolio for the North was appointed (as was done in Alberta), but B.C., unlike Newfoundland, Saskatchewan, and Manitoba, has never had a cabinet minister with full responsibility for northern affairs.

This reliance on the regular resource departments contributed to some extent to a lack of co-ordination in the formulation of northern development policy.⁹ Each ministry pursued its activities separately and (apart from the original Wenner-Gren scheme and the Northwest Development Plan) a direct, integrated planning approach was never attempted. Nor was much attention given to planning as a means of mitigating the potential ill-effects of resource development. The optimistic view that once resource development activity was stimulated 'all else will follow in

⁹Except in the case of the N.D.P., perhaps, who tried to co-ordinate northern development policy through the Environment and Land Use Committee. See above, Chapter X.

its rightful and desirable place' permeated this aspect of governmental promotion, particularly during the Bennett period. The Bennett government adopted an approach to northern resource development not unlike those followed in most other provinces during this period (Manitoba, Alberta, Ontario, and Newfoundland, for examples). Its primary purpose was to foster the economic utilization of northern resources, on the assumption that such development automatically benefitted the inhabitants of the region and the province generally. But that assumption did not always prove correct, as was demonstrated by the failure of the government's forest policies in northwestern B.C. during the 1960's. There, the Bennett government assumed too readily that the conditions required to produce a healthy, integrated forest economy - and concomitant community stability - invariably would follow the establishment of new pulp mills, which simply did not occur in the Prince Rupert-Kitimat region.¹⁰

Similarly, the Bennett government's failure to address the potential non-economic costs of its developmental policies and programs permitted to some extent the numerous social and environmental problems that arose in northern B.C. in the late 60's and early 70's (mentioned in Chapter X). While the Social Credit government was not unaware of such costs, it mainly followed a laissez-faire outlook, believing that social improvement eventually would follow

¹⁰See above, Chapter VIII.

after economic growth was in place. Again, however, this did not always prove the case, suggesting that a different approach - the integration of social development considerations into programs of economic expansion - might have been a better course to have followed. The N.D.P., to be sure (much like the C.C.F. in Saskatchewan), advocated greater planning of resource development to determine and head off adverse economic, social, or environmental repercussions, but the Barrett government (as demonstrated in Chapter X) barely implemented that approach during its three years in office. All in all, it would have to be concluded that all the governments tended to concentrate too heavily on the promotional side, and too little on regulating resource utilization in the public interest.

* * * * *

As mentioned in the Introduction, this study of B.C.'s northern development provides a basis for testing several concepts or theories traditionally associated with Canadian economic development. Of these concepts (namely the staples theory, metropolitanism, the colonialism or dependency theory, and province-building), metropolitanism, or the metropolitan-hinterland theory, has most often been used to interpret B.C.'s northern expansion, particularly for the province's initial northern development drive prior to World War I. Vancouver's metropolitan expansion was indeed a prominent factor in that earlier drive, but the relevance of

the concept to the post-1945 period of northern development has yet to be adequately assessed. From the results of this study, it would appear that while government efforts to develop the North after World War II had much in common with that earlier era, there were some important differences that make it clear that metropolitanism in the classical sense does not sufficiently explain the course of northern development after World War II.

The first of these was the reduced role of metropolitan Vancouver in organizing and leading the assault on the northern frontier. It is true that Vancouver grew tremendously during this period from the spin-offs of northern hinterland expansion. It became a major financial, trading, and service centre, and the head office location (within B.C.) of the majority of northern-based resource companies. The Lower Mainland also received an abundance of service facilities that were largely financed by resource revenues generated in the North. But despite these close metropolitan-hinterland ties, Vancouver did not perform as strong a role as before World War I in promoting northern development, at least in the early Bennett years when the assault on the northern frontier was greatly accelerated. The strong alliance between the provincial government and Vancouver's business community of Sir Richard McBride's day no longer existed in the mid-1950's, as was demonstrated by the Vancouver Board of Trade's opposition to the Socreds' 1954 P.G.E. expansion program; and also, perhaps, by the strong criticism of the Lower Mainland press against the

Wenner-Gren scheme.¹¹ The Vancouver Board of Trade and the Lower Mainland's business community eventually became enthusiastic supporters of northern development by the 1960's,¹² but only after the government had taken the initiative in promoting new economic development on the northern frontier. B.C.'s northern development, for part of this period at least, was undertaken not by a government inspired by metropolitan influences and concerns (as had been the case before), but rather by a party of hinterland politicians whose primary aim was to promote development outside the Lower Mainland for the benefit of non-metropolitan regions.

The Social Credit government's strong bias towards the interests of the hinterland was a second key feature that distinguished this period of northern expansion from the earlier pre-World War I drive. Because the Lower Mainland derived so many benefits from northern resource development, an impression has emerged, particularly among northern residents, that northern needs were generally subordinated to those of the South during this period. But if Vancouver indeed came to dominate its hinterland, that certainly was not the intention of government policy, especially under the Socreds. Though the Bennett government foresaw and expected that Vancouver would grow from hinterland expansion, the

¹¹See above, Chapters V and VII.

¹²See, for examples, the reports on northern development published by the Vancouver Board of Trade in 1960 and 1965. Vancouver Board of Trade, Report on Northern B.C. Resource Development, Vancouver, 1960; Ibid., Vancouver, 1965.

focus of its policies (like those of the Coalition before it) undeniably was aimed at redressing the imbalance between the metropolitan urban areas and their hinterlands. In fact, government policy during this period largely by-passed the immediate interests of Vancouver by promoting hinterland expansion independently of, and even at the expense of, the urban South.

This northern bias was best demonstrated by the Socreds' hydro-electric policy, which went so far as to sacrifice southern interests in order to promote northern needs. This point is often overlooked: for example, one study, noting that Peace River power was used primarily to meet the Lower Mainland's demand for electricity, has argued that the northern hydro site represents an example of metropolitan exploitation because it was developed primarily to satisfy southern metropolitan needs.¹³ But that interpretation fails to consider the historical circumstances under which the decision to build the Peace River dam was made. The Bennett government's strategy throughout the entire Peace River/Columbia controversy (as shown in Chapter VII) was one that held northern purposes and interests uppermost in mind. To fulfill that strategy, moreover, the government actually compelled the metropolitan South to utilize Peace River power to promote northern development, when cheaper electricity could have been

¹³J.W. Wilson, "Electric Power Development in British Columbia: A Case of Metropolitan Dominance", in L.J. Evenden ed., Vancouver: Western Metropolis, University of Victoria, Victoria, 1978, p.90.

secured from more southerly power sites. The same bias was reflected in the Bennett government's support of the Westcoast pipeline project, which also sacrificed southern consumer interests in order to promote development of a northern natural gas industry.¹⁴

Even the P.G.E./B.C.R. railway, the traditional instrument for extending Vancouver's influence into the North, no longer clearly served that purpose. Because Bennett's designs for the railway were not unlike those traditionally associated with the P.G.E.'s role in provincial development, one study has suggested that they included the same metropolitan-hinterland function that inspired the railway's creation.¹⁵ To outward appearance, this was certainly the case: first the Soereds completed the long-sought rail link between metropolitan Vancouver and its northern frontier, and then they extended the railway to embrace a still wider hinterland. These post-1945 extensions, however, were undertaken for significantly different reasons than the metropolitan-inspired expansionism of the early 1900's. The Lower Mainland's trade and business interests were no longer the driving force behind the government's railway-building plans, and Bennett viewed railway expansion primarily as a means of promoting 'northern' development - i.e., development of the northern hinterland for its own sake - rather than for the commercial

¹⁴See above, Chapter VI.

¹⁵Ruppenthal and Reast, A Railway Derailed, pp.22-3.

benefit of the metropolitan South as depicted in a standard metropolitan-hinterland relationship. The Lower Mainland, to be sure, was expected to benefit from further railway expansion on the northern frontier, but that purpose no longer held the overriding importance it had when the P.G.E. was founded.

Even in its operations (as the 1977 Royal Commission noted), the P.G.E. did not really become the all-important metropolitan-hinterland trade link between Vancouver and its northern frontier that was originally intended.¹⁶ In fact, the P.G.E.'s chief function in the North became that of a feeder line to the C.N.R. at Prince George, shipping lumber and other products to Eastern Canadian and U.S. points rather than to Vancouver. The Bennett and Barrett governments' contemplated shift of railway operations towards the Port of Prince Rupert in the late 60's and early 70's, indeed, was tacit recognition that the focus of the P.G.E. railway, and the export market orientation of northern B.C., no longer were on the city of Vancouver.

This orientation of northern B.C.'s development towards markets external to the province is a third consideration that reinforces the conclusion that metropolitanism in the classical sense does not sufficiently explain the process of northern development during this period. Instead, it would appear that the wider interpretation of the metropolitan-hinterland concept that views the entire

¹⁶Report of the Royal Commission on the B.C.R., Vol. I, Chap. I, p.24.

province as a large resource hinterland, adopted by dependency theorists such as Philip Resnick and Martin Robin, is more appropriate for this era of economic expansion. The governments' general approach to northern natural resource promotion, which relied heavily on outside markets as the key to spurring rapid growth and prosperity, also seems to support the Resnick and Robin interpretations. As has been seen, both the Coalition and Social Credit governments, particularly the latter, relied heavily on foreign interests and capital to speed and promote development of northern resources, and the N.D.P. did little to alter that approach despite its differing philosophy.

The dependency theorists' contention that the post-war governments squandered the benefits of resource development to foreign companies for insufficient returns, and in the process failed to diversify the province's economic base, also would appear valid, though the evidence presented here is far from conclusive. Whether B.C. received a fair share of economic rent from northern resource development is a question requiring more comprehensive examination, but it appears that the return was less-than-optimal. Mining industry profits reached excessive levels in the late 1960's, as noted in Chapter X, and government forestry policy during the same period was not designed to maximize the public's return from a rapidly expanding industry in north-central B.C. As Chapter VIII indicated, the government may have allowed its forest resources in that region (and throughout the province generally) to be alienated too

cheaply due to lack of competition under the quota system and other adverse forestry management practices.

The failure to diversify is perhaps more obvious, especially in the mining industry where most of northern B.C.'s ores were committed under long-term contracts to serve the higher processing requirements of foreign industrial nations like Japan. Even in the forest industry, where a higher level of processing was achieved, the product in most cases was only partially upgraded into pulp, with manufacture into paper and paper products being carried out abroad by the participating foreign interests or other foreign customers.

Dependency theorists like Robin and Resnick, however, though their views are valid on balance, overlook a number of considerations. The governments of the post-war period by no means simply ignored, nor were wholly neglectful, of the need for economic diversification, and they did succeed to a degree in encouraging utilization of natural resources beyond the extractive level. In the forest industry, for example, a higher level of processing was achieved through the establishment of pulp plants; while in the mining industry the Bennett government did make some efforts (and the N.D.P. even more determined ones) that were largely thwarted by company opposition. In addition, as noted in Chapters VI, VIII, and X, establishment of secondary manufacturing in B.C. would have been difficult at any rate, for there were formidable economic, social, and environmental obstacles to overcome. Even the N.D.P.,

despite its greater resolve to diversify the economy, found that task to be extremely difficult. Hence, while there is some truth to the contention that the Bennett government's overriding devotion to short-term economic growth inhibited attempts to diversify the province's economic base, that view fails to examine the larger picture with regard to the secondary manufacturing question.

The left-wing view that the Bennett government's approach was little more than a 'sell-out' of provincial resources to foreign companies for short-term gain also fails to consider that the Socred leaders saw their actions quite differently. As noted in Chapter IV, while the Bennett government adopted a staples approach to developing the provincial economy, it also possessed a Mackintosh-like faith that staple-led growth would lead naturally and progressively to industrial maturity. That attitude alone largely explains why the secondary processing of resources was not pursued consistently and more vigorously during this period. The Bennett government believed the Japanese and other foreign interests eventually would invest in metal refining and other secondary processing facilities in B.C. for economic reasons, though there clearly was no need for them to do so, and little the provincial government could do to force the issue. This was clearly demonstrated when the Socreds were forced to abandon their efforts to encourage secondary processing of mineral resources in the late 1950's, and again in 1970, in the face of strong industry

opposition.¹⁷ That outcome would appear to demonstrate the fallacy of Bennett's Mackintosh-like faith, and supports instead the dependency theorist' views of the ill-effects of foreign ownership and control. Nevertheless, the fact that the Bennett government failed to achieve its objective of promoting greater secondary manufacturing in B.C. should not detract from the conclusion that the Socreds believed they were pursuing a credible approach, if not the only approach possible, towards the building of a highly-industrialized state.

This evidence suggests that something more than the dependency view is required to interpret the Bennett government's approach to provincial development during this period. The Social Credit administration, though primarily a rentier government, was by no means inactive or completely passive in its aim of promoting economic development, and therefore was very much engaged in a form of 'province-building' during the 1950's and 60's. The Bennett government's province-building goal was to develop the provincial economy to its highest possible level and in so doing to assert B.C.'s natural strength within Confederation. Its strategy emphasized B.C.'s comparative advantages in resource wealth, combined with the Socreds' ideological preference for free enterprise and an optimistic belief that resources and markets were inexhaustible. The Socreds did not engage in provincial entrepreneurship to the

¹⁷ See above, Chapters VI and VIII.

extent considered essential for successful province-building by some writers - notably John Richards and Larry Pratt. But there can be no denying that the Bennett government still adopted an aggressive, state capitalist approach to development, especially by its efforts to provide infrastructure, that would seem to fit the definition of province-building established by earlier writers like Edwin R. Black and Alan C. Cairns.¹⁸ Indeed, as one recent study has noted, the manner in which Premier Bennett used provincial authority over water power (not to mention his nationalization of B.C. Electric) to compel the federal government to back down and permit a settlement of the Peace River/Columbia controversy on provincial terms was a striking demonstration of the strength of his government's province-building endeavours.¹⁹

The strong provincialist stance adopted by the Bennett government throughout much of its 20-year term of office, and the relatively minor role of the federal governments in assisting northern development, also supports the province-building interpretation. Federal-provincial co-operation over northern development was feasible only at the beginning and towards the close of the period, and in the final analysis Ottawa contributed little towards the province's northern economic growth. Simple lack of interest was one explanation, but sometimes the federal government

¹⁸See above, Introduction.

¹⁹Norman J. Ruff, "British Columbia and Canadian Federalism", pp. 298-99.

could not agree with B.C.'s objectives even when it was willing to co-operate, as in the case of the 1954 P.G.E. expansion program.²⁰ Even during the Federal Conservative administration of John Diefenbaker, whose outlook on the importance of Canada's North was very similar to Bennett's, close co-operation between the two levels of government was precluded by their long-running dispute over the Peace River/Columbia power development question.²¹ The Social Credit government did not ask for, nor show any signs of wanting federal aid or participation in that affair, preferring to retain complete freedom of action and control over development of the province's hydro resources. But in other matters, particularly the P.G.E./B.C.R. railway expansion, the Bennett government repeatedly strove for co-operation and financial assistance from Ottawa. Bennett appears to have realized that his ambitions for the railway, especially of its penetrating the Yukon, could only be achieved with federal government support. Still, it is unlikely that Bennett would have sacrificed any important provincial interest to secure federal assistance, and the extent to which he was able to carry out his railway

²⁰See above, Chapter V.

²¹Prior to the Peace River/Columbia affair, however, the Bennett government did enjoy good relations with the Diefenbaker administration. For example, it had asked for and received assistance to build the Stewart-Cassiar road, establishing a precedent for what would later become the federal government's Roads-to-Resources program. See John Garner, "Draft Paper on Roads to Resources Program", Federal-Provincial Relations Division, Department of Finance, Ottawa, Oct. 15, 1962, Public Archives Canada, RG 19, Vol. 4480, File 9435-09.

expansion plans without Ottawa's co-operation was a further demonstration of the strength of his government's province-building capabilities.

The Coalition, too, though by no means as aggressive as the Bennett regime, presided over activities (such as increasing investment in rail and highway development as a stimulus to economic expansion) that could be interpreted as acts of province-building. And certainly the N.D.P. also engaged in a form of province-building, for it was the Barrett regime that attempted to develop the type of provincial entrepreneurship recommended by Richards and Pratt. As noted in the Introduction, those two authors argue that a strong entrepreneurial role is required to enable a provincial government, under certain conditions, to alter the relationship between foreign industry and the state in favour of the latter.²² The Barrett government attempted such a reversal in the early 70's with its mineral and other resource use legislation, but failed generally to redefine industry-government relations in B.C. One reason for that failure was that the conditions under which the N.D.P. might have succeeded - continuing favourable economic growth - disappeared almost at the moment the legislation was introduced. The government's bargaining power was thereby weakened, as B.C.'s corporations were successfully able to portray the N.D.P.'s legislation as a threat to the

²²See above, Introduction.

province's economic well-being.²³

Arguably, the late 1960's would have been a better period for the province to have tried to reassert its control over the major corporations, but the Social Credit government at that time clearly lacked the will and necessary attitude to accomplish such a feat, believing that the relationship between government and industry would alter eventually and naturally at any rate. Ultimately, neither the Bennett government's Mackintoshite approach nor the N.D.P.'s more aggressive entrepreneurial role proved capable of achieving the type of economy those two administrations hoped to build. That outcome would appear to demonstrate (as one study suggests) that province-building in British Columbia has been restricted by the nature of its economic elites, whose horizons and loyalties extend beyond provincial boundaries.²⁴ But it also demonstrates once again that the dependency theorists' views of the ill-effects of foreign ownership and control are not without foundation. The provincial governments during this period, regardless of the strength of their province-building endeavours, were to a large extent mere puppets to world economic conditions.

²³See above, Chapter X.

²⁴Norman J. Ruff, "British Columbia and Federalism", pp. 275, 284. The extent to which local elites supported the provincial government's economic ambitions throughout the period - a question crucial for determining the validity of the province-building concept - could not be settled definitely in this study, owing to the author's limited access to company records. It might be noted, though, that the most successful period of provincial growth occurred in the 1960's when the major companies were firmly allied with the Bennett regime.

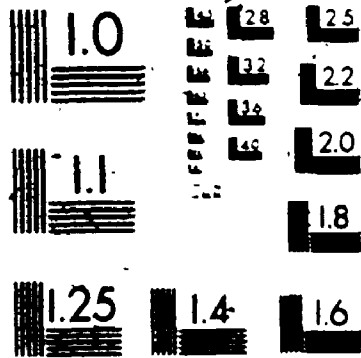
The success of their attempts to expand the provincial economy depended largely on outside markets, prices, and technologies, and in that regard, at least, the dependency view that northern B.C. (and the province as a whole) developed during this period as a hinterland dependent on external metropolitan forces, and became locked into a pattern of underdevelopment because of it, is a suitable description of the pattern and features of the industrial development that occurred.

It would appear, therefore, that while province-building is the more appropriate concept for interpreting the governments' general approaches to provincial development, the dependency theory remains valid for describing the outcome of this 30-year period of economic expansion.

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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
(ANSI and ISO TEST CHART No. 2)

APPENDICES

Appendix I: Population Growth in B.C. and Northern

B.C. - 1941-76.

	<u>B.C.</u>	<u>Northern B.C.</u>	<u>% of Total</u>
1941:	817,816	44,663	5.5%
1951:	1,165,210	65,269	5.6%
1956:	1,398,464	101,159	7.2%
1961:	1,629,082	122,362	7.5%
1966:	1,873,674	167,051	8.9%
1971:	2,184,621	196,500	9.0%
1976:	2,466,608	220,000	8.9%

Appendix II: Population Growth in Northern B.C. by
Census Subdivisions - 1941-71.

	<u>1941</u>	<u>1951</u>	<u>1961</u>	<u>1971</u>
Bulkley				
-Nechako:	7,880	12,075	17,437	27,145
Fraser				
-Ft. George:	7,882	14,801	31,726	64,264
Kitimat				
-Stikine:	7,983	9,669	23,031	37,326
Peace River				
-Liard:	8,444	14,625	31,352	43,996
Skeena:	11,381	13,295	17,592	22,299
Stikine:	1,093	804	1,224	1,470

Appendix III: Total Value of Mineral Production in
B.C. (including fuels) - 1945-75.

	£	£	£
1945:	62,026,901	1956: 188,853,652	1966: 335,780,005
1946:	72,549,790	1957: 170,992,829	1967: 383,382,498
1947:	112,583,082	1958: 144,953,549	1968: 405,028,488
1948:	145,184,247	1959: 147,651,217	1969: 464,388,749
1949:	133,226,430	1960: 177,365,333	1970: 488,640,036
1950:	139,995,418	1961: 179,807,321	1971: 527,963,145
1951:	176,867,916	1962: 229,371,484	1972: 636,217,776
1952:	171,365,687	1963: 255,863,587	1973: 1,109,388,641
1953:	152,841,695	1964: 267,139,168	1974: 1,264,233,206
1954:	152,894,663	1965: 280,652,348	1975: 1,364,049,199
1955:	173,853,652		

Appendix IV: Value of Mineral Production in Northern
Mining Divisions (including fuels) - 1945-75.

	£	£	£
1945:	2,317,514	1956: 19,514,786	1966: 110,216,274
1946:	2,053,000	1957: 29,936,651	1967: 141,935,350
1947:	3,340,772	1958: 17,421,681	1968: 155,652,232
1948:	3,960,391	1959: 18,789,697	1969: 194,509,385
1949:	5,619,929	1960: 24,386,310	1970: 192,618,495
1950:	8,843,736	1961: 26,627,048	1971: 204,339,458
1951:	8,096,452	1962: 43,587,613	1972: 236,443,621
1952:	9,883,900	1963: 52,163,757	1973: 418,517,403
1953:	13,733,975	1964: 55,111,091	1974: 506,508,005
1954:	15,466,983	1965: 79,676,698	1975: 561,658,016
1955:	15,317,425		

Appendix V: Value of Mineral Production in Northern
B.C. - Percentage of Provincial Total for Selected Years.

	<u>B.C.</u>	Northern <u>B.C.</u>	% of <u>Total</u>
1945:	62,026,901	2,317,514	3.7%
1950:	139,995,418	8,843,736	6.3%
1955:	173,853,652	15,317,425	8.8%
1960:	177,365,333	24,386,310	13.7%
1965:	280,652,348	79,676,698	28.4%
1970:	488,640,036	192,618,495	39.4%
1975:	1,364,049,199	561,658,016	41.2%

Appendix VI: Value of Fuel Production in Northern B.C.
- Percentage of Total Northern B.C. Mineral Production
for Selected Years.

	<u>Total</u> <u>Northern B.C.</u>	<u>Fuels</u>	% of <u>Total</u>
1955:	2,317,514	18,130	0.8%
1960:	24,386,310	8,632,993	35.4%
1965:	79,676,698	43,833,897	55.0%
1970:	192,618,495	90,741,190	47.1%
1975:	561,658,016	316,157,182	56.3%

Appendix VII: Value of Natural Gas Production in Northern B.C. - 1955-75.

	£		£
1955:	18,130	1966:	17,339,587
1956:	20,193	1967:	21,667,136
1957:	366,867	1968:	24,531,445
1958:	3,368,327	1969:	27,897,585
1959:	3,928,839	1970:	29,804,411
1960:	7,101,949	1971:	31,946,372
1961:	8,818,891	1972:	41,616,824
1962:	10,226,323	1973:	46,688,912
1963:	10,719,298	1974:	28,018,726
1964:	12,192,816	1975:	214,733,528
1965:	14,493,255		

Appendix VIII: Value of Petroleum Production in Northern B.C. - 1956-75.

	£		£
1956:	299,612	1966:	36,667,308
1957:	763,721	1967:	45,108,775
1958:	1,009,609	1968:	50,452,700
1959:	1,573,227	1969:	58,620,011
1960:	1,531,044	1970:	60,936,779
1961:	1,900,401	1971:	67,052,924
1962:	17,617,056	1972:	63,771,606
1963:	25,470,361	1973:	68,936,302
1964:	24,047,837	1974:	104,827,952
1965:	29,340,642	1975:	101,423,654

Appendix IX: Ministers and Deputy Ministers
Responsible for Mining - 1945-75.

Cabinet Ministers

R.C. MacDonald	1945-51
J.H. Cates	1951-52
R.E. Sommers	1952-55
W.K. Kiernan	1955-63
Donald Brothers	1963-68
Frank Richter	1968-72
Leo T. Nimsick	1972-75

Deputy Ministers

John F. Walker	1945-57
P.J. Mulcahy	1957-66
K.B. Blakey	1966-72
James T. Fyles	1972-73
J.E. McMynn	1973-75

Appendix X: Ministers and Deputy Ministers
Responsible for Forestry - 1945-75.

Cabinet Ministers

E.T. Kenny	1945-52
R.E. Sommers	1952-56
R.G. Williston	1956-72
R.A. Williams	1972-75

Deputy Ministers

C.D. Orchard	1945-58
R.G. McKee	1958-65
F.S. McKinnon	1965-69
J.S. Stokes	1969-75

Appendix XI: Total Annual Cut for British
Columbia - 1945-72.

	<u>f.b.m.</u>		<u>cu. ft.</u>
1945:	3,081,235,491	1959:	1,049,145,125
1946:	3,193,665,132	1960:	1,199,842,862
1947:	4,187,816,199	1961:	1,167,051,121
1948:	4,293,465,019	1962:	1,342,936,377
1949:	4,049,682,327	1963:	1,473,423,371
1950:	4,560,080,124	1964:	1,514,595,176
1951:	4,696,346,812	1965:	1,533,112,794
	(cu. ft.)	1966:	1,602,437,448
1952:	847,279,450	1967:	1,572,598,592
1953:	906,014,396	1968:	1,702,454,852
1954:	939,276,535	1969:	1,890,052,232
1955:	1,033,979,733	1970:	1,932,628,437
1956:	1,068,733,441	1971:	1,997,081,172
1957:	958,946,296	1972:	1,963,747,008
1958:	908,484,634		

Appendix XII: Total Annual Cut for Northern B.C.

Forest Districts - Percentage of Provincial Total

for Selected Years.

	<u>B.C.</u>	Northern	% of
	(f.b.m.)	<u>B.C.</u>	<u>Total</u>
	(f.b.m.)	(f.b.m.)	
1945:	3,081,235,491	390,073,138	12.7%
1950:	4,560,080,124	607,317,170	13.3%
	(cu. ft.)	(cu. ft.)	
1955:	1,033,979,733	199,548,403	19.3%
1960:	1,199,842,862	279,398,605	23.3%
1965:	1,533,112,794	390,587,936	25.5%
1970:	1,932,628,437	654,431,491	33.9%

Appendix XIII: Total Annual Cut for the Prince
George Forest District - 1945-72.

	<u>f.b.m.</u>	<u>cu. ft.</u>	<u>cu. ft.</u>
1945:	145,480,381	1954: 77,571,060	1964: 202,744,491
1946:	184,813,649	1955: 105,975,549	1965: 210,516,282
1947:	234,806,453	1956: 117,448,509	1966: 220,125,845
1948:	297,219,261	1957: 112,301,395	1967: 238,080,946
1949:	263,403,404	1958: 114,985,963	1968: 274,080,612
1950:	321,294,753	1959: 146,028,018	1969: 333,228,284
1951:	429,956,253	1960: 149,678,297	1970: 375,152,916
	(cu. ft.)		
		1961: 146,139,126	1971: 406,980,880
1952:	89,811,294	1962: 162,139,873	1972: 407,512,133
1953:	90,756,093	1963: 187,692,498	

Appendix XIV: Total Annual Cut for the Prince
Rupert Forest District - 1945-72

	<u>f.b.m.</u>		<u>cu. ft.</u>		<u>cu. ft.</u>
1945:	244,592,757	1954:	85,136,732	1964:	168,025,764
1946:	187,436,513	1955:	93,572,854	1965:	180,071,654
1947:	271,706,927	1956:	105,670,425	1966:	206,084,968
1948:	275,481,161	1957:	89,597,293	1967:	219,161,360
1949:	273,709,712	1958:	81,193,477	1968:	232,307,354
1950:	286,022,417	1959:	89,965,100	1969:	266,591,551
1951:	409,954,901	1960:	129,720,308	1970:	279,278,575
	(cu. ft.)	1961:	130,753,782	1971:	284,296,380
1952:	74,673,581	1962:	151,197,822	1972:	271,058,910
1953:	87,297,924	1963:	175,357,744		

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