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FROM RENTIERSHIP TO CONTINENTAL MODERNIZATION: SHIFTING
POLICY PARADIGMS OF STATE INTERVENTION IN HYDRO IN MANITOBA,
1922-1977

by

ALEXANDER JOHN NETHERTON, M.A.

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of

Doctor of Philosophy
Department of Political Science

Carleton University

Ottawa, Ontario

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Nuclear	0552
Packaging	0549
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FROM RENTIERSHIP TO CONTINENTAL MODERNIZATION:
SHIFTING POLICY PARADIGMS OF STATE INTERVENTION
IN HYDRO IN MANITOBA, 1922-1977

submitted by

Alexander Netherton, B.A. (Hons.), M.A.

in partial fulfilment of the requirements
for the degree of Doctor of Philosophy

Chair, Department of Political Science

Thesis Supervisor

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Abstract

This thesis examines state intervention as a "policy paradigm" which defines the problem, solutions, methods and participants within the policy process. It uses hydro policy in Manitoba as a case study, analysing it to account for intra and inter-paradigm shifts in policy practices.

Three policy paradigms are defined during the 1922-1977 period. From 1928 to 1953 the Bracken "farmer's government" institutionalized a "rentier-redistributive" paradigm. The rentier-redistributive policy paradigm was a failure largely because the utilities abandoned the responsibility to invest in hydro capacity. The second paradigm (1953-1962), therefore, constituted a complete restructuring of roles and relationships in the hydro sector whereby the provincial government assumed the mandate to invest in hydro capacity. This is termed the "progressive-infrastructure" paradigm. Although successful in its own terms, this policy paradigm was too cautious and risk adverse to become the vehicle for the province to develop large-scale northern hydro resources. Third, the "provincial continental modernization" paradigm, 1962-77, used state investment in hydro projects as the central element in a post Liberal-Progressive modernization project.

The thesis concludes that the concept of policy paradigm is robust. At the same time the policy paradigms are fluid and constantly in a process of intra-paradigm shift. Second, governments avoid acting on anomalies, despite policy experiments and contestation, until the anomalies have political manifestations which are impossible to ignore or there is a partisan advantage to be gained by dealing with them. The first paradigm settled into early stagnation. It took a prolonged energy shortage and the equivalent of a capital strike to engender change. The second paradigm did not suffer anomalies; its objectives, for the most part, were simply too narrow for an ambitious

modernization project. The political manifestations of the third paradigm's anomalies were significant and could not be ignored.

Second, the existence of experimentation and contestation over different ideas was the norm, not the exception. Substantial contestation only occurred with the fragmentation of authority, usually represented by the definition of a new paradigm. In other words, state intervention shifted only after new roles were defined or decisions given an important measure of political, administrative or economic validation. The nature of contestation changed between the period of non-partisanship and the rise of competitive partisan politics in Manitoba. The latter was associated with the increasing centralization of power within the hands of one utility and the provincial executive. This has insulated the workings of the policy paradigm from effective public pressure and narrowed the channels by which either policies or the paradigm could be changed. Change at present centres upon elections, the judiciary and intergovernmental relations.

Generally, the analysis supports the proposition that state intervention was not necessarily functional to capitalist development or to the interests of different classes. Nor did state intervention primarily reflect the effects of existing state structures. The relationship of the paradigm to capitalist development was a product of the diagnosis of the nature and needs of the economy, considerations on how hydro utilities could further their own interests in relation to social, political and economic objectives, the capacity of governments to act, and considerations of the political effects of intervention. The policy paradigms attempted to build a wide cross-section of support amongst politically organized socioeconomic interests. The dynamics of coalition building, therefore, weakened the power of any one socioeconomic interest to define directly a policy paradigm. Business and finance, for example, often exerted influence in terms of a constraint rather than in terms of an instrumental or creative force defining policy

paradigms. Nevertheless, at different times particular groups and alliances gained privileged or disadvantaged positions within the policy paradigm.

Acknowledgments

The research and writing of this thesis has been mixed with different sets of personal and professional responsibilities as the author has moved from coast to coast and back in a nomadic life-style shared by many junior academics during this decade. These obstacles of circumstance have been countered by continued support and encouragement from other quarters. First and foremost I would like to acknowledge the many levels of support given to me by Brigitte Attali-Netherton. This includes not only the things Brigitte has done to help with the writing, but also the things she has forgone while I have been tethered to it. Dorothy and Russell Netherton have always extended support and encouragement as have Richard and, especially, Robert Netherton.

Many thanks to the members of my thesis committee, Professors Jane Jenson, Maureen Molot and Barbara Jenkins for their endeavors.

Several academic institutions supported the research. These include: the Carleton University Northern Scientific Research Committee, the Carleton University Department of Political Science, the SSHRC, the University of Prince Edward Island, Acadia University and Simon Fraser University.

I would like to acknowledge the assistance from the staff of the Public Archives of Manitoba, particularly Peter Bower, and also Marc Eliesen, Chairperson, Ms. Rhona Lapierre, Corporate Librarian, and Mr. John Funnell, Q.C., the Director of Legal Services of Manitoba Hydro-Electric Board. Valuable assistance was also provided by the Department of Finance of the Government of Manitoba and the Right Honourable Edward Schreyer.

I can only acknowledge a few of the numerous individuals who contributed to the research effort: Lawless Luton, Mike Whittington, H.V. Nelles, Alan Barber, Johan Deprez, Chris Kotecki, Richard Cooper and especially Zenon Gawron. Thanks to all.

Table of Contents

Abstract	ii
Acknowledgments.....	v
Table of Contents	vi
List of Tables	vii
List of Illustrations	viii
List of Acronyms	xi
 CHAPTER 1 HYDRO AND STATE INTERVENTION: POLICY PARADIGMS AND PARADIGM SHIFT	
Introduction	1
Hydro and The Staples Approach of the Old Political Economy.....	4
The New Canadian Political Economy. The State and Dependent Development.....	9
Neo-Institutionalism	15
Hydro and Neo-Institutionalism.....	22
Defining and Explaining Change: Policy Paradigms and Paradigm Shifts... ..	25
Paradigms and Periodization.....	29
The Historical Scope: Hydro Policy Paradigms in Manitoba.....	33
Conclusion	37
End Notes	42
 CHAPTER 2 FROM MONOPOLY URBAN ELECTRIFICATION TO THE RENTIER-REDISTRIBUTIVE POLICY PARADIGM	
Introduction	51
From Monopoly to Competitive Electrification Policy Paradigms.....	54
New Problems and Strategic Choices.....	62
Hydro and the Progressive Image of the Provincial State	71
Hydro Policy Contestation.....	89
Conclusions.....	92
End Notes	97
 CHAPTER 3 THE RENTIER-REDISTRIBUTIVE PARADIGM UNDER STRESS, 1930-45.....	
Introduction	111
Hydro Policy During the Depression and War.....	116
The New Progressivism as a Response to the Fiscal and Economic Crisis	129
Municipal Energy Policy and Fiscal Politics	133
The Ascendancy of Non-Partisanship and the New Progressivism, 1932-1942	139

Class Conflict and Institutional Self-Interest: The Rise and Fall of the "Firesale Coalition"	145
Conclusions.....	154
End Notes	160
 CHAPTER 4 FROM ANOMALIES TO FRAGMENTATION: THE EXHAUSTION OF THE RENTIER-REDISTRIBUTIVE POLICY PARADIGM AND THE DEFINITION OF ALTERNATIVES.....	
Introduction	178
From Paradigm Exhaustion and Fragmentation to the Proposed Provincial Infrastructural Policy Paradigm.....	183
The Implementation of Plan C: Two Steps Forwards and One Back.....	193
Paradigm Shift: Old Conventions and the New Progressivism	195
Muted Contestation: Progress and Inertia	203
Conclusions.....	217
End Notes	223
 CHAPTER 5 THE EMERGENCE OF THE PROGRESSIVE INFRASTRUCTURAL POLICY PARADIGM.....	
Introduction	236
The Emergence of Progressive Infrastructural Policy Paradigm, 1951-55.....	240
The New Paradigm and the New Progressivism	257
Class Contestation: Winnipeg	265
Post-Coalition Contestation and Implementation: The Province	271
Conclusions.....	280
End Notes	284
 CHAPTER 6 THE SHIFT TO THE PROVINCIAL CONTINENTAL MODERNIZATION HYDRO POLICY PARADIGM.....	
Introduction	293
The Emergence of the Provincial Continental Modernization Policy Paradigm	297
Hydro and Conservative Modernization: Contradictory Tensions and Structural Limitations	316
Contestation over the Hydro Policy Paradigm.....	324
Conclusions.....	335
End Notes	338
 CHAPTER 7 HYDRO AND THE EXHAUSTION OF SOCIAL DEMOCRATIC CONTINENTAL MODERNIZATION, 1969-77	
Introduction	350
The Emergence of a Hydro as a Continental Staple.....	352
Policy Constraints and Assumptions	365

Hydro and the Contestation between Social Democratic Modernization and Neoconservatism	378
Conclusion	405
End Notes	408
CHAPTER 8 CONCLUSIONS.....	422
Comparing Paradigms and Explaining Paradigm Shift	422
Hydro Policy Paradigms and Theories of State Intervention	446
BIBLIOGRAPHY	463
Secondary Literature	463
Media	478
Theses and Unpublished Materials	478
Archival Collections	481
Government Documents	495
Interviews	500
APPENDIX A: Historical Tables (Organized by Chapter).....	500

List of Tables

Table 1.1. The Process of Paradigm Shift	29
Table 1.2. A Chronology of Successive Policy Paradigms.....	33
Table 2.1. Inter and Intra Paradigmatic Shift, 1911-1928.....	54
Table 3.1. Intra-paradigm Shift, 1928-45.....	115
Table 3.2. Support and Opposition for Alternative WEC Policies	146
Table 3.3. Summary of Winnipeg Redistributive Policy and Coalition Alternatives, 1938-45.....	152
Table 4.1. Paradigmatic Shift, 1945-48.....	183
Table 4.2. Alternatives Presented by Report of the Manitoba Water Power Commission.....	192
Table 5.1. Summary of Negotiations between WEC Shareholders and Representatives of the Manitoba Government, 1951.....	245
Table 5.2. Summary of MHEB Negotiations With the City of Winnipeg, 1951-52 ...	247
Table 5.3. Post-Referendum Reorganization Alternatives	250
Table 5.5. Summary of Final WEC-MHEB Negotiations	256
Table 5.7. The Capacity of Northern And Southern Integrated Systems, c1960	263
Table 6.1. Phase One: The Churchill-Nelson River Hydro Development	306
Table 6.4. Summary of Grand Rapids Effects on Cree Communities	314
Table 7.1. 1970 Task Force Forecasts of Capacity Additions.....	359
Table 7.2. Export Contracts, 1977.....	362
Table 7.3. Interconnections	364
Table 7.4. Manitoba Hydro Financing, 1969-77.....	371
Table 7.5. Illustrative Distribution of Cost Increases.....	372
Table 7.6. NDP and Conservative Paradigmatic Alternatives	403

List of Illustrations

Figure 1.1. An Organizational Model of Policy Change	20
Figure 2.1. Allocation of Hydro Resources on the Winnipeg River, 1902-1921	57
Figure 2.2. The Resource Outlook of Winnipeg Utilities in 1922	59
Figure 2.3. A 1922 Projection on the Timing of the Allocation of the Slave Falls and Seven Sisters Hydro Sites	60
Figure 2.4. Hydro Resources Allocated, Capacity and Firm Peak Demand, 1902-1929	66
Figure 2.5. A 1928 Projection of the Need to Allocate New Hydro Resources	66
Figure 2.6. A 1929 Projection of Hydro Development Under the Rentier-Redistributive Policy Paradigm, 1929-1939	71
Figure 3.1. Peak Demand of Three Major Utilities, 1930-1945	116
Figure 3.2. Firm Peak Demand as a Per Cent of Capacity, 1930-1945	117
Figure 3.3. Selected Financial Indicators of Major Utilities	118
Figure 3.4. Estimated and Actual Water Power Rentals, 1930-45	121
Figure 3.5. A 1939 Projection of Utility Capacity Utilization, 1939-49	125
Figure 3.6. A 1945 Projection of Utility Capacity Utilization, 1946-1956	128
Figure 3.7. Relief Expenditures by Source of Funds, 1931-1942	129
Figure 3.8. Provincial Government Expenditures, Excluding Relief, 1930-1945	130
Figure 4.1. A 1948 Projection of Capacity Needs, 1948-58	184
Figure 4.2. Utilization of Existing Hydro Resources, 1945-50	188
Figure 4.3. Selected Financial Indicators of 3 Major Utilities, 1945-50	203
Figure 6.1. 1962 Energy Supply Alternatives	299
Figure 6.2. Perceptions of Manitoba's Hydro Resources, 1958-69	306
Figure 6.3. Resources Allocated, Capacity and Firm Peak Demand, 1958-69	311
Figure 6.4. Extraprovincial Electricity Trade, 1958-69	312
Figure 6.5. Components of Investment Expressed as Percentage of Total Investment, 1958-69	322
Figure 7.1. Task Force Projections and Actual Firm Peak Demand, 1970-81	355
Figure 7.2. Task Force Projections Relative to the Actual Capacity Investment Schedule of the Schreyer Government	360
Figure 7.3. Capacity Allocated, Developed and Firm Peak Demand, 1969-77	360
Figure 7.4. Extraprovincial Trade Relationships, 1969-1977	364
Figure 7.5. Domestic and External Markets, 1969-77	365
Figure 7.6. Manitoba Hydro Revenues (per cent), 1969-1977	365
Figure 7.7. Distribution of Hydro-Related Debt, 1969-77	370
Figure 7.8. Average Annual Interest Rate on Manitoba Hydro Bonds, 1954-77	370
Figure 7.9. Hydro-Related Debt By Currency, 1963-77	373
Figure 7.10. Summary Comparison of Actual and Projected Annual Growth in Firm Peak Demand, 1969-77	374
Figure 7.11. Components of Investment Expressed as Percentage of Total Investment, 1969-77	389

List of Acronyms

ACCPWP	Advisory Committee on the Coordination of Post-War Planning
AECL	Atomic Energy of Canada Limited
ALCOA	Aluminum Company of America
CCF	Cooperative Commonwealth Federation
cfs	cubic feet per second
CH	City of Winnipeg Hydro-Electric System, or City Hydro
Coalition	This refers to the non-partisan coalition governments dominated by the Liberal-Progressives.
CPU	Committee on Public Utilities, Winnipeg City Council. This was committee of the Winnipeg City Council which developed municipal policy with respect to public utilities.
CRD	Churchill River Diversion
CWA	City of Winnipeg Archives
HVDC	High Voltage Direct Current. This refers to the specialized technology used to transmit electricity from the Nelson River to the provincial grid.
ICC	Independent Citizens' Committee
IDB	Industrial Development Board
ILP	Independent Labour Party
KV	Kilovolts
KW	Kilowatts
LWR	Lake Winnipeg Regulation
Lib-Prog.	Liberal-Progressives. This term refers to the first UFM government and its various antecedents which ruled Manitoba alone and as the dominant partner in legislative coalitions from 1922-58.
MAPP	Mid-Continent Area Power Pool
MEEC	Manitoba Electrification Enquiry Commission
MHCL	Manitoba Hydro Corporate Library
MHEB	Manitoba Hydro Electric Board, 1948-62. In 1962 the MHEB also takes the corporate name of Manitoba Hydro.
MNR	Manitoba Department of Mines and Natural Resources
MPC	Manitoba Power Commission
MPUB	Municipal and Public Utility Board
MTS	Manitoba Telephone System
MW	Megawatts, 1,000 Kilowatts of power
NBEP	New Brunswick Electric Power Corporation
NFC	Northern Flood Committee
NPBPC	Northwest Power Bond Holders Protective Committee
NPC	Northwest Power Company, WEC subsidiary which undertook the Seven Sisters investments
NRPB	Nelson River Planning Board
Power Corp.	Canadian Power Corporation. This was the largest Canadian utility holding company during the period under study and was controlled by A.J. Nesbitt and P.A. Thomson of Nesbitt, Thomson, Ltd.
PAM	Public Archives of Manitoba
PWPC	Post-War Planning Committee
PWRC	Post-War Reconstruction Committee
SPC	Saskatchewan Power Corporation
SRTC	Suburban Rapid Transit Company
UFM	United Farmers of Manitoba

WEC	Winnipeg Electric Railway Company and subsidiaries. After 1924, the company was named Winnipeg Electric Company. Its subsidiaries were the Manitoba Power Company, the Northwest Power Company, the Suburban Rapid Transit Company and the Winnipeg, Selkirk & Lake Winnipeg Railway.
WSLWRC	Winnipeg, Selkirk & Lake Winnipeg Railway Company

CHAPTER 1

HYDRO AND STATE INTERVENTION: POLICY PARADIGMS AND PARADIGM SHIFT

Introduction

The changing nature of state intervention has produced an intellectual agenda rich with divergent and contesting theories which attempt to explain the role of the state in capitalist societies. In Canada, the revival of the political economy tradition has witnessed the use of divergent approaches to come to grips with the particular form of national development. This thesis is an extension of these trends. It uses the case study of one policy field as a means to define and explain changing modes of state intervention and their political bases across time. Three questions are thereby raised: how does one conceptualize and describe the policies to be defined; how are they to be linked to patterns of state intervention; and, finally, how to account for these changes across time?

This thesis draws upon a framework developed by Peter A. Hall which uses the concept of "policy paradigm" to define and describe the hydro-electric energy policies in Manitoba.¹ Briefly, the concept of policy paradigm (which is elaborated in detail below) encompasses a definition of the policy problems to be addressed and includes the underlying assumptions which make a particular pattern of state intervention a solution to those problems. A paradigm includes, therefore, the important and sometimes unstated assumptions which link patterns of state intervention to real world activities and outcomes. This policy logic is also linked to the administrative biases and capacity of the state, wider assumptions concerning state intervention, and the goals and objectives of political parties and organized interests. This definition and the linkages are made through an examination of the political discourse of the policy area.

The thesis defines successive policy paradigms and then analyses the processes of intra- and most importantly, inter-paradigm shift. Paradigms are differentiated by their definition of policy problems, objectives and proposed solutions. Of central importance to the explanation of paradigm shift is the concept of anomalies. Anomalies are defined as policy problems which cannot be resolved within the framework of the existing paradigm, and problems which, therefore, eventually give way to the rise to paradigm conflict and perhaps a paradigm shift. Lastly, paradigm shift is not presented as a smooth and rational process. Rather, it is argued that policy paradigms are complex sets of ideas which rest upon a basis of political support from political parties and organized interests. Politically, the implicit effects of policy paradigms become part of the calculus of support and opposition among competing political forces. In order to shift from one paradigm to another, either the existing power structure has to absorb a new paradigm or a new coalition of support needs to unite around a new paradigm and successfully challenge the former. Conflict among proponents of different paradigmatic ideas is termed contestation.

Using a policy study to examine patterns of state intervention poses a major challenge because theoretical frameworks purporting to explain state intervention have presented several difficulties for political science. Such theories posit that systematic relations exist between state and society. These theoretical relationships and methodological attributes have produced serious debate and challenge. There has been a lack of theoretical elaboration of the institutional characteristics of the state in dominant conventions of political economy and, also, within the societal or functional conceptualizations of the state within contemporary neo-Marxism. To address these problems "neo-institutionalism" attempts to construct frameworks of analysis which highlight the importance of the organizational form of relationships among state, economic, social and political actors as well as the autonomous role of politics in shaping

state intervention. The policy paradigm framework used in this thesis is an extension of neo-institutionalism which centres on studying a policy field across time.

Research on Canadian hydro, as the following review of selected literature illustrates, has followed a path similar to that of state theories. Indeed, the review indicates that the politics of state intervention in hydro have not been a central concern of Canadian political economy and that the dominant interpretative frameworks for understanding state intervention have not addressed the particular needs of such a study. The review will indicate that the neo-institutional approach is a viable alternative to previous theories of the state for the particular research problem at hand. It then provides a discussion of "neo-institutionalism" and elaborates, in greater detail, the analytical framework used in the subsequent study.

Manitoba provides a worthwhile case for the study of hydro policy paradigms across time. Manitoba is unique among the prairie provinces in that it contains the rivers that drain a large proportion of the plains east of the Rocky Mountains and north of the Mississippi watershed. It also contains waters that drain west from border regions of Ontario.² Hydro has always been an integral part of modern Manitoba politics. Manitoba's history is also exceptional among the prairie provinces in that Winnipeg--a transportation, distribution, manufacturing and commercial centre--added a political, economic and social diversity that was absent in the two more westerly provinces. This diversity, as we shall see, produced different claims and uses for the province's hydro resources. Moreover, in recent times Manitoba has been in the lead in the export of hydro-electricity to continental markets.

There is a good sampling of specific research on particular hydro issues and in particular periods, such as the turn of the century contestation between private monopoly and the urban public power movement; but there is no synthesis of research which

integrates the prewar or postwar periods.³ Generally, Manitoba is one province which lacks a plethora of synthetic historical analyses on the dynamics of its political economy or state intervention.⁴ This thesis fills an important gap in the literature.

Hydro and The Staples Approach of the Old Political Economy

Resource or staples exploitation was a central focus of the old Canadian political economy. The central questions underlining the staples approach bore directly upon accounts of Canadian development. Within these terms the staples approach has been dichotomized between the influences of W.E. Mackintosh, who felt assured that the staples export strategy coupled with the internationalization of trade and investment would lead to mature economic development, and of Harold Innis, who was more sceptical of the ability of a staples economy to break from its weak and unstable economic structure.⁵

Politics never appeared to be a determining factor in this approach, nor was the state a focus of analysis. Rather, as Gregory Albo and Jane Jenson illustrate, the staples tradition saw the political agenda determined by trading in staples within the context of the international system. The role of the state had been to provide all of the activities functionally necessary to develop the wheat economy and to integrate the national market.⁶ Hence the image emerges of a highly interventionist state, but the state itself was essentially an epiphenomenon to more powerful forces: geography, technology and international demand.⁷

Political studies of state intervention within the staples political economy held widely divergent views of the relationship of political power to state intervention. For Vernon Fowke, even the process of constitution building was part and parcel of development within the confines of the "National Policy."⁸ For H.G.H. Aitken this was part of a process of defensive expansionism in relation to the United States.⁹

"Hinterlanders" saw the role of the state in terms of legitimating a set of unequal economic

relationships which disadvantaged the grain producing areas of the export-led wheat economy. Here Fowke argued that staples producers were not policy makers, but rather policy takers, historically subordinate to other interests, from those of empire to those of the financial, manufacturing and transportation interests that shaped the "National Policy."¹⁰ Hence the hinterlanders opened up a general form of analysis where the study of any staple had to be placed in a wider context of state intervention, economic strategy and political power.¹¹

Economists established frameworks of analysis and case studies that were much more critical both of the ability of the Canadian economy to sustain economic growth and of the forms of state intervention that had guided economic development. Mel Watkins' elaboration of a staples model of economic growth relevant to a resource exporting nation emphasized the constraints facing the export economy. The key concerns of this model were to establish the economic linkages (backwards, forwards and final demand) between the staple and the domestic economy.¹² Development and state intervention, therefore, would centre on ensuring that the linkages were established.

The single synthetic historical study of hydro within the staples framework illustrated the strengths and weaknesses of the approach. John Dales examined the relationship of hydro to industrial development in Quebec from its formative period until the Second World War.¹³ Hydro did not conform to the pattern of the classical staples. It was not produced primarily for export. Rather it was an essential element in the production of other staples such as pulp and paper and directly served local industrial and domestic markets.

In keeping with his focus on state intervention within Canadian development Dales chose a provincial jurisdiction which appeared to abandon serious efforts to regulate the hydro industry. The role of the Quebec government in hydro development ranged from

resource conservation to utility regulation. The purpose of resource conservation was to increase the efficiency of utility generation capacity. The provincial government constructed water regulatory dams and reservoirs which greatly increased the dependable flow of water and thus greatly increased the efficiency and energy output of the generation capacity of utilities on river system. Regulation, on the other hand, served primarily to protect the private monopolies from attacks from political opposition. Dales was not interested in pursuing the reasons why these conditions existed.¹⁴ Rather, he had defined a case in which intervention was very passive. Therefore he could study the impact of unfettered monopoly upon industrialization, economic development and the technical modernization of society.

Dales viewed excess capacity to be the economic dynamic that shaped the behaviour of early utilities. The development of hydro capacity left utilities with expensive surplus capacity. Hence their problem was to find revenues to pay large overhead financial costs. One solution was for the utilities to develop sizeable industrial markets to utilize that capacity. This sparked the rise of electrical utilities as major agents of industrialization. The manipulation of rate structures, or a "cheap power" policy, was one, but not the exclusive, tool used to accomplish this task. Other policies included industrial promotion and even, in one case, the pursuit a *dirigiste* economic strategy. A second solution was to use legal, market and organizational power to limit problems of excess capacity (control the pace of investment) and to ensure that losses in one market were compensated by surpluses in another.

Dales' study pointed to several important features of hydro as a staple which are relevant to any study across time. First, the central activities of utilities in economic development, whether passive or active, were placed in the context of an entrepreneurial strategy intended to balance capacity to utilization. Hence, neither the examination of rates

nor of resources nor of generation capacity in isolation would provide an understanding of the industry. Rather attention should focus on how the utilities sought to balance the relationship between markets and capacity. Equally important, Dales' study identified the structure of the utility industry (monopolies or competitive utilities) as determinants of utility behaviour.

Contrasting Political Sociologies of Hydro and the State

While the staples tradition raised questions which it could not answer concerning the pattern of state intervention in hydro, other theoretical approaches have turned from a simple to a complex and critical political sociology of hydro. During the 1960s the separation of the political from the economic within the theoretical frameworks of contemporary political science also removed the influence of economics from the sort of questions that were to be asked in the study of state intervention.¹⁵ State activities were no longer conceptualized in terms of functions derived from the exigencies of the staples trade. Instead, the state became an arena not directly or systematically tied to the form of economy or society in which it operated. There was a debate between dominant pluralist and elite studies.¹⁶ The former tempted to reduce the definition and characterization of state structures to the sociological group which dominated them. For example, an early descriptive history of the Ontario public power movement is entitled The People's Power, which reflects the popular assumption that public provision of electricity was good.¹⁷ Conversely, Philip Smith's BRINCO: The Story of Churchill Falls, chronicles the successes of the core of private entrepreneurs who were the nucleus involved in the completion of the Churchill Falls hydro project.¹⁸ In contrast, Albert Breton, an economist, described the nationalization of Hydro utilities in Quebec as an expression of middle class economic nationalism.¹⁹ In the 1970s research had to address why provincial governments and utilities were apparently immune from popular pressures. Kenneth Rea, for example,

emphasized that the hydro policy process was confined to a select few and there were few opportunities for those affected or in opposition to energy policy decisions to substantially alter decisions.²⁰ New participants would have to beg, borrow, rent or develop their own technical capacity to enter the decision-making process. Even then, Rea was cautious of the possibility of the reconciliation of opposing interests. On the one hand he suggests that the Canadian state could develop the institutions to model and allocate resources, but on the other hand he suggests that this form of technocratic rationality, particularly at a macro level, could not legitimate state activities.²¹

The literature on Canadian hydro simply reflected the fact that pluralist assumptions could not account for the inequalities of political power or the unequal structure of competition within capitalist democracies. Indeed, theoretical debate found the pluralists divided not only along the lines of a debate with elite theorists,²² but also because assessments of liberal democracy such as Charles Lindblom's Politics and Markets outlined the privileged position of business within the democratic decision making processes of polyarchy and, as such, took a position similar to the instrumentalism advanced by Marxist Ralph Miliband.²³

The more critical and pointed nature of the pluralist/instrumentalist literature is reflected in H.V. Nelles study of state intervention during a period of resource-led industrialization in Ontario.²⁴ Nelles' The Politics of Development shatters the myth of the "Tory touch" which held that state intervention represented the Tory collective values as opposed to the values of Liberal individualism.²⁵ Nelles does not elaborate a theory of the state, but the richly textured history forcefully illustrates that Ontario's early resource-based industrial strategy, including the establishment of a publicly owned hydro commission, were rooted in regional and intra-class struggles between what the author terms the petite and the financial bourgeoisie. Nelles portrays a complex history in which

the governments of the day, supported by powerful social movements and particular ideologies, allowed corporate interests to shape patterns of state intervention and then hid this privatization of the state behind the cloak of collective goals. For Nelles, this form of state intervention was not functional or predetermined, but rather the product of political choice.²⁶

If the elaboration of a critical political sociology laid the simplest pluralist assumptions to rest, it did not really address or theorize questions concerning the role of the state in capitalist development. Rather, these studies emphasized that state intervention was not neutral or functional, but that it was the product of a complex set of alliances and political struggles which could not easily be understood in traditional pluralist terms, while at the same time there was no theoretical elaboration on the role and nature of the state.²⁷

The New Canadian Political Economy: The State and Dependent Development

During the 1970s there was a resurgence in the development of state theories.²⁸ This began with the seminal "instrumentalist-structuralist" debate between Ralph Miliband and Nicos Poulantzas.²⁹ Within the works of Nicos Poulantzas the theory of the state developed from a structuralist reading of its relative autonomy vis à vis fractions of capital to a more fluid role in helping to organize an unstable hegemony of fractions of the "power bloc" over subordinate classes.³⁰ The concept of the state moved from a crystallization of class relations to become an arena of class struggle. In contrast to these "class" theories of the state a separate "German debate" revolved around understanding the role of the state from the laws of capitalist economic development, the "capital logic" school, and a more diverse understanding of the state emanating from the writings of Claus Offe.³¹

The parallel process in Canada gave birth to what is commonly termed the New Canadian Political Economy (NCPE).³² The NCPE was born out of a left-nationalist

response to the rapid pace of postwar continental economic and political integration. Albo and Jenson indicate that while the old Canadian political economy sought to understand the particular nature of Canadian development, the NCPE has sought to understand the particular nature of Canadian dependency, underdevelopment or failed opportunities.³³ Hence dependency and neo-Marxist theories of the state entered into a debate on the national question, turning on different assessments of the place of Canada within the international political economy, particularly its relation to the United States.³⁴

There are several versions of Canadian dependency arguments which reflect different assessments of the position and power of different groupings of elites or class fractions within the domestic society and within the international economy. The staples-dependency arguments hold that the Canadian state lacks any real autonomy in relation to multinational capital and the exigencies of the continental staples economy. In this framework the debate is on the assessment of the possibility of a politically sponsored state-led nationalist programme fostering autonomous economic development or, in short, taking the Canadian economy out of the American orbit. Theoretical attention highlighted the relationship of the state to multinational and national capital, and research turned towards staples industries such as mining and petroleum where analyses tended to portray the federal and provincial levels of the Canadian state as unwilling instruments of multinational capital.³⁵

Wallace Clement produced a variant of dependency analysis where Canada is regarded as a junior partner rather than an appendage of the American political economy. Within this "Canada as an intermediary" framework the Canadian financial elite sought a secure niche within the continental political economy by seeking an alliance with multinational capital rather than a weaker Canadian national manufacturing elite.³⁶ This

alliance, and its protection by the Canadian government, more deeply entrenches the power and position of multinational capital in Canada.

In contrast Jorge Niosi represented an "internationalist" perspective which argued that Canadian capitalism is not as dependent as the nationalists suggest. Rather his synthesis of an internationalist position suggested that the indigenous Canadian bourgeoisie had an autonomous national basis of accumulation, and that multinational capital was not more politically powerful than the national bourgeoisie.³⁷ The logical outcome of this different assessment of the relative power of the indigenous capitalist class was to argue that both the national and provincial governments had more relative autonomy vis-à-vis foreign capital and the exigencies of branch plant and resource industrialization than that imagined by the nationalists. Niosi emphasized that governments maintain the role of fostering economic development as well as consolidating the position of the regional and national bourgeoisie. Alliances between provincial governments and multinational capital were not one sided, and the former used these relationships to foster the interests of the regional bourgeoisie.

The debate between the nationalists and internationalists has had an important meaning for the study of hydro policy. At issue is the relationship of hydro policies to underlying patterns of dependency or autonomous development. Yet, there has not been a great deal of original research to assess either the nationalist or the internationalist positions. Rather, there have simply been shreds of partial assumptions. Kari Levitt, for example, viewed hydro not as a policy field but, rather, by the late 1960s, as a remaining vestige of indigenous entrepreneurship in a political economy increasingly dominated by foreign ownership and a rentier business class.³⁸ This would suggest that increasing public utility ownership would counterbalance continental integration.

Studies of the role of the nationalization of hydro utilities in the modernization of Quebec only partly support Levitt's thesis. Different analyses agree that hydro nationalization was important to the Quebec Quiet Revolution, that there was a complex coalition of interests supporting the initiative and that the business class was divided on the issue. There have been varying attempts to piece together the nationalization coalition. Only Carole Jobin attempts to argue that multinational (monopoly) capital benefitted from the move.³⁹ Kenneth McRoberts put forward a new middle class hypothesis.⁴⁰ William Coleman outlined a more complex coalition amongst some business interests, labour and the old middle class. Yet he also acknowledged that nationalization split the original modernization coalition and that successful continental integration was the objective of the modernization strategy.⁴¹ Niosi saw public ownership, particularly of hydro, as serving indigenous capitalist development and as acting as an important instrument in regional economic development. Clearly there is no agreement within the NCPE on the nature and meaning of hydro nationalization and its relation to dependent development.

For Garth Stevenson, hydro has been as integral to twentieth century industrialization as railways were to the establishment of the wheat economy and national market. Yet hydro was primarily a policy tool controlled by provincial jurisdictions, and the public ownership of hydro, along the model set out by Ontario at the turn of the century, has ensured that it has contributed to continental dependency and uneven economic development.⁴² The nationalists regard the nationalization initiatives and continentalization of hydro-electricity markets beginning in the 1960s as patterns of state intervention which extend patterns of economic and political dependency in a mechanistic analysis which has centred upon decisions of key political, administrative and economic elites.⁴³ Recent research by Karl Froschaur continues this trend in an ambitious study of

northern hydro investment in five provinces as a strategy of import substitution industrialization.⁴⁴

The nationalist argument was directly tested by John Richards and Larry Pratt in their analysis of the resource strategies of the provinces of Alberta and Saskatchewan. Although the study probed state intervention in the petroleum and mineral sectors, it has provided a crucial model for this thesis. Prairie Capitalism: Power and Influence in the New West outlined the politics of a change in the role of the state in resource intervention from that of a *rentier* resource strategy to different forms of *entrepreneurial* strategies.⁴⁵ By rentier the authors indicated that provincial governments allocated resource rights to private capital. As a result the state played a passive and risk adverse role in resource industrialization. The state as entrepreneur intervened to ensure the profitability of resource industries as well as the public sector's capacity to gain economic rents from them. The conditions of change from rentier to entrepreneurial roles of the provincial states were the international commodity boom, the articulation of different entrepreneurial resource strategies within provincial administrative and political elites, seeming policy failure of rentier strategies, and the rise to power of political parties supported by new coalitions of support. These factors helped improve the bargaining power of provincial governments in relation to resource capital. The strategies differed with the particular constellation of resources and political factors in each province.⁴⁶ In both cases, however, federalism, particularly in the form of jurisdictional battles between federal and provincial governments, was a major obstacle to implementation of the entrepreneurial resource strategies.

Richards and Pratt, therefore, challenged the interpretations of relative autonomy held by the staples-dependency literature and the dominant images of the federal state held by nationalists. As in the case of Nelles, the provincial state emerged as a major centre for

the formation of regional development strategies. While it could also enter into alliances with multinational capital, the relationship was clearly not instrumental. Rather there was scope for much bargaining and attempts to meet the interests of a complex set of actors. In the end, the authors emphasized the ideas of politicians and bureaucrats in the formation of these development strategies. Although the sophistication of their analyses directly questioned assumptions within the nationalist-staples dependency literature concerning both the politics of state intervention and the relative autonomy in terms of relations between the state local and multinational capital, it should also be emphasized that the study's concentration on resources, economic rents and linkages places it firmly within the staples-dependency tradition.

The mixture of dependency and class theoretical traditions within the NCPE produced tensions which were not easily resolved. Leo Panitch, for example, pointed out that the dependency tradition had been associated with an oversimplification of the influences on the Canadian state and had blinded analyses to the significance of the differences between the forms of state and society in Canada and dependent third world states.⁴⁷ Hence Canada as a relatively rich, industrialized, liberal democratic dependency with a fully developed welfare state faced different political problems. To resolve these tensions Panitch suggested that the analysis turn to using a relational view of power in which the Canadian bourgeoisie use the continental relationship to counterbalance pressures from subordinate classes. This fuller, more relational view of the Canadian state in the continental social formation was to resolve the fundamental tensions between dependency and class analysis.

The class-theoretical resolution, however, foundered upon the unstable functional foundations of much of the first generation of state theories. What has been termed "neo-institutionalism" began with a fundamental rejection of the functional assumptions held by

state theories--whether they be that the state serves particular interests (functions to reproduce classes) or that the state functions to reproduce capitalism. For neo-institutionalists, the relationship of state intervention to economic growth and class power needed to be researched, defined and assessed, not simply assumed.

Neo-Institutionalism

While neo-institutionalism encompasses a broad range of theoretical initiatives, there are some important common points of definition. First, this is not "grand theory." These approaches do not purport to offer a general or universal "theory of the state." Hence, theoretical relationships are not cast at a systemic level of abstraction. Rather, the level of abstraction is dropped to "an instance of an institutional type" where, for example, "capital" is defined in terms of "corporations," "labour" in terms of "trade unions" and the "state" in terms of its specific institutional form.⁴⁸ Nevertheless, the state, as an institution, is the centre of analysis.

For Theda Skocpol this represents a return to a Weberian view of states in which they are regarded as compulsory institutions claiming sovereignty and control over a given territory and population--a definition which highlights the legal, administrative and coercive properties of states as organizations.⁴⁹ Rather than conceptualizing a common definition of the state, state structures themselves are located in particular patterns of international ideological, economic, political and military relationships. Nation states are placed in the context where they become the major institution of mediation between domestic and international forces.⁵⁰ The state is viewed as a whole, in contrast to pluralist approaches which focus on distinct parts or fragments of the state.⁵¹ Theda Skocpol recognizes that this returns to debates questioning the definition and rationality of the "public interest."⁵² Nevertheless, the state is the only institution in society that has a society-wide or national outlook. It represents, therefore, the single organizational voice

for that point of view, regardless of the limitations and particular societal or ideological influences that have shaped it.

Neo-institutional approaches eschew the functional assumptions held by earlier state theories. Rather, the link between state and society is seen as a connection between different organizations. Hence, the last and perhaps the most contentious point of definition is the degree to which neo-institutional approaches conceptualize states as autonomous actors in their own right.⁵³ Here there is a continuum.

The *state-centric* approach seeks to give analytical priority to the state in analyses whose underlining intent is to assess the degree and form of autonomy exercised by the state defined as individuals with public authority for societal interests. The approach is state-centric in the sense that it explains the autonomy exercised by the state in terms of its internal characteristics, primarily the degree of internal cohesion and degree of insulation from societal pressure.⁵⁴ The state-centric approach has little utility for the study at hand because it posits no particular relation between state and society and, as such, is of little value for a study which seeks to understand the change in state intervention across time.⁵⁵

The *state-structure* approach concentrates more on the relationship of the state to a wider political environment. This approach shares with the state-centric approach an assumption that the state, as an organization, is important in shaping policy outcomes, and even the pattern of politics. The difference between the two approaches lies in their conceptualization of state autonomy and state-society relations. For state-centric analysis the explanation of autonomy is found within the internal characteristics of the state. For the state-structure approach, the explanation is found in the particular relationship between state and society. This includes what Skocpol terms the "Tocquevillian" notions of the role of the state--its role in shaping the pattern of politics; central concepts of national political cultures and ideologies; interest group formation; forms of social

movements; and political parties.⁵⁶ Hence the lines between state and society are blurred and state autonomy is contingent on other political forces.

Skocpol, for example, defines the determinants of state capacity in terms of full sovereignty, financial and fiscal resources, stable administrative and military control, and an administration which is both loyal and skilled.⁵⁷ On one level these are all important indicators of the autonomous power of states, and on another level these capacities are also derived from particular historical, social and economic contexts. Hence the capacity for states to pursue autonomous courses of action can change across time.

The state structure approach is most clearly outlined by Theda Skocpol and Margaret Weir who delineate a model of the policy process that does not begin with either "socially rooted demands" or "authoritative intellectual developments," but rather with "state structures and policy legacies."⁵⁸ These, in turn, interact with "policy-relevant intellectual innovations," the "activities of politicians and officials" and "politically expressed demands of social groups" to produce policies.⁵⁹ The conceptual priority given to the state is reflected by commencing both with state structures and policy legacies. These become the point of departure for an analysis that directly focuses on the role of officials and politicians in policy innovation. The view of the policy process which emanates from this perspective highlights the role of state officials, working within state structures with particular capacities, in an ongoing process of adapting policy which is likened to a learning process. Policy is adapted to ongoing reality in the context of administrative and political rationality, with the former perhaps more important. In a real sense, therefore, the model does much more than "bring the state back in" to analyses. The state is assumed *a priori* to be the most important organization in society. Analyses can really only probe the extent of the effects of structures. State structures are also sensitive to other ideas and political forces. New policy ideas, for example, can originate outside of

the state, although they do have to intermingle with established policy legacies. For Margaret Weir the necessity to gain sociopolitical support for policy provides the direct limitation on state officials.⁶⁰

The *political-organizational* approach views the state in the context of its relationship to societal and political institutions. While the state is an independent organization, its capacity to exercise policy autonomy in an increasingly interdependent world depends on the particular social coalition of support which it can command.⁶¹ Indeed, the increased scope of intervention is associated with increasing interdependence, and therefore loss of autonomy. Hence, the organizational approach departs from the state-structure approach in that it widens the scope of analysis to include not only the state, but the organization of functional groups such as business and labour as well.⁶² Organizational approaches examine the way organization affects the perceptions of interest of societal and political interests and the facility with which those interests are pressed upon the state. Attention is paid to the formal and informal relationships that structure state-society relations, because this is the arena that determines the balance of social forces at any one time.

Emphasis is placed on the political process of gaining and maintaining coalitions of support for patterns of state intervention, the structure of state-society relations and the independent and creative force of the political system. Peter Gourevitch links coalitions to an historical theory of change. He argues that state intervention rests on these coalitions and that these coalitions seldom shift, and then only marginally. Nevertheless, basic patterns of state intervention change with those shifts.⁶³ Furthermore, he argues that coalitions change in response to crises in the international economy.⁶⁴

How do coalitions emerge and change? For neo-institutionalists coalitions do not emerge simply as a result of functional or economic relationships. Rather coalitions are

formed by a process of political entrepreneurship. Hence each political coalition is different. This attention to the "political" is an important hallmark of the organizational approach. Peter A. Hall faults others for positing a dualism between state and society and places the political system as a separate arena in which parties compete for electoral support. As such, the political system has a different set of characteristics from the state itself. The differentiation of the dynamics of state structures and political structures is important to drawing out the emphasis on the political. For Hall, politicians and administrators have different sets of incentives and concerns within an interdependent policy process. The figure below illustrates a model of policy change developed by Hall which distinguishes the political, administrative and professional (or economic) validation of a new policy.⁶⁵

The professional (or economic) validation of a policy refers to its ability to offer solutions to essential policy problems as defined by a wider professional or intellectual community. The administrative validation refers to the capacity of a state to implement a policy. Political viability refers to the ability of a policy to gain a sufficient measure of political support.

Hall emphasizes political validation because politicians more than officials are in a struggle for advantage which translates, in part, into a constant struggle to find solutions to old problems. Politicians examine policy ideas with concerns for political consequences, particularly for the process of coalition building discussed above. Ideas are disseminated through that process. Public administrators have a broad role establishing the administrative and sometimes technical viability of a policy, but it is the politicians in the last resort who make the attempts at policy experimentation. Fundamentally, politicians are placed in an organizational position where they have to sell ideas in order to survive.

Figure 1.1. An Organizational Model of Policy Change

Behind policy doctrines are moral positions on the distribution of wealth in society, of the direction of society as a whole, of the rightful place of government intervention in markets and social relations. Politicians and the political system are the centres for deciding these questions. In response to those who base a case for a state-structure approach on the observation that there are multiple examples of the difference between the stated intentions of politicians and their subsequent behaviour, Hall states that this simply proves the point that politicians are in a constant process of attempting solutions. Their failure to do so points to the powerful constraints placed upon them.⁶⁶

All neo-institutional analyses see the importance of ideas, ideology or political culture, whether expressed in terms of state preferences, policy legacies, "Tocquevillian" role of the state or political ideology. Yet the relationship of ideas to organizational power and the political process of coalition building are more difficult to situate. A state structure approach, for example, would locate the power of ideas within major institutions of the state and political system. Yet ideas do not originate in institutions, nor can one hold that

certain ideas are primarily held by particular organizations. Hall stresses that the meaning of ideas in a given society depends upon how they are situated within the political discourse of that society.⁶⁷ Jane Jenson indicates that discourse is part of a wider political struggle concerning the concepts of political process and the role of the state. Jenson writes:

To clarify the way in which unequal power is both constructed and resisted it is helpful to use the concept of the universe of political discourse. This concept is defined as the universe of socially constructed meaning resulting from political struggle. Within this universe the parameters of political action are established by the process of limiting the set of actors accorded the status of legitimate participants; the range of issues considered within the realm of political debate; the policy alternatives considered feasible for implementation; and finally, the alliance of strategies available for achieving change.⁶⁸

The attention to discourse and discursive political struggle within this organizational approach links the study of any one policy field to wider questions concerning the role and nature of the state.⁶⁹ Particular policies may be associated with a variety of ideas and ideologies and contain within them associated positions on what is possible and desirable for governments to do. At a policy level, for example, Jenson indicated that the form and timing of state intervention among states facing similar problems and policy agendas may diverge considerably.⁷⁰ Hall indicated that one particular policy idea had significantly different political meaning in different political systems.⁷¹ Only specific contextual analysis reveals how ideas are interpreted and placed within political discourse.

The three approaches reviewed here are different variations of neo-institutional analysis. The organizational approach has been shown to be more comprehensive than state-centric or state-structure approaches. The argument can be summarized as follows. Each nation has its particular set of social, political and economic interests and actors, a particular political discourse and particular sets of state structures. State-centric analyses

focus on the internal characteristics of the state to explain different patterns of autonomy. Since the primary research questions of the thesis seek to understand hydro-electric policies in relation to dominant ideas of economic development and to political forces, this approach is of little utility. State-structure approaches broadly view the state in relation to the range of variables mentioned above. But in the context of a policy study the underlying question of analysis is to show to what extent the state influences outcomes or patterns of other variables. Since state-structure analysis also acknowledges the importance of underlying coalitions of support for policy innovations, the differences between it and an organizational approach are quite subtle. Simply stated, the state-structure approach places greater emphasis on the role of state capacity to shape policy, forge coalitions and pattern politics. Organizational analyses are more "political." They regard the state as one set of institutions in relation to others in the political and social system. Hence, they provide a wider range of variables and entertain a greater scope of contingency to explain the variance between comparative cases. In the most extreme case they indicate that state capacities themselves are the product of political choice.

Hydro and Neo-Institutionalism

Recent research on Canadian hydro implicitly shares assumptions found in neo-institutional analyses. Historians such as H.V. Nelles and Christopher Armstrong have undertaken a series of historical comparative studies which address why there were different patterns of state intervention between Canadian provinces and between Canada and the United States. These studies cover the period from the last decade of the nineteenth century to 1945, when the dominant political problem facing the policy agenda was to foster and control the terms of electrification of the economy and society.⁷²

The comparative studies between Canadian cities and provinces have highlighted the sociology and ideology of the opposing political forces (public power movements and

utility capital) and the way in which these political struggles have intermingled with utilities, state structures and technological forces to produce particular "cultures of power" in each jurisdiction.⁷³ In generalizing a Canadian pattern of state intervention which relied more generally upon municipal state ownership than did urban utilities in the United States, the two authors have emphasized state structures, in particular the capacity of Canadian governments to finance hydro investments and to expropriate, when necessary, the resource rights of private capital.⁷⁴

Research on more contemporary hydro issues has focused primarily upon provincial public utilities as state structures. Literature on state ownership excluding utilities, such as Jeanne Kirk Laux and Maureen Appel Molot's State Capitalism: Public Enterprise in Canada, parallels Krasner's concept of the state as problem solver. State enterprise, for Laux and Molot, mediates between internal and external forces, compensates for the structural weaknesses of the Canadian economy, and is responsive to the exigencies of federalism.⁷⁵ Generally, the authors view state ownership in a structural position where it continually seeks to legitimize itself even in the eyes of ideologically hostile political constituencies.

State-structure explanations of hydro have also echoed the theme that public ownership can help achieve public policy goals. With regard to the second wave of nationalization of Quebec utilities, for example, André Blais and Phillipe Faucher attack Jobin's class analysis by indicating that the first partial nationalization (during WWII) turned out to be a form of public subsidization of private utilities. The drive for the second nationalization (1960s) originated within the state-structure which wished to end the subsidization, was proposed by René Lévesque to the modernizing Liberal Government and then resisted understandably by existing utility capital.⁷⁶ P. Sauriol, in a text prefaced

by Lévesque, also highlighted the fiscal and financial advantages of state as opposed to private enterprise.⁷⁷

Much contemporary research is highly critical of utilities as state structures. Robert Young's study of the New Brunswick Electric Power Corporation (NBEPC) reveals that the utility rose in influence and autonomy vis-à-vis the provincial government by means of dominating a planning process which established the objectives of energy policy and the alternative courses of action needed to achieve them.⁷⁸ Young's analysis indicates how the utility exploited its pivotal position within the planning process to ensure that new policy was modified so that it did not conflict with institutional imperatives for growth and stability. Rea has emphasized how technological discourse restricts effective participation in the policy process, sometimes masks self-interested behaviour and can be used to legitimize decisions which would otherwise not be legitimized by political convention.⁷⁹

Phillipe Faucher and Johanne Bergeron's study of Hydro Quebec understands state enterprise as an organization poised between the state on one hand and the market on the other. Since it cannot be reduced to either, the authors examine it as an organization that seeks to minimize the constraints and limitations of its location between the two. This leaves it three objectives: first, to foster its growth; second, to gain institutional stability and; third, to seek institutional autonomy.

While literature from new social movements at the turn of the century tended to support the idea of public monopolies,⁸⁰ contemporary literature from new social movements tends to go in the opposite direction. Institutional differentiation, including forms of privatization and a more powerfully structured system of public accountability are key objectives for current political movements.⁸¹ Provincial monopolies are considered to be economically and environmentally wasteful. These arguments are supported by

economists who view state owned electrical utilities as prone to over-investment and oversupply of electricity, and prone not to be innovative.⁸²

Yet these analyses also raise many questions. In particular they do not address systematically the relationship of public utilities to the governments and political parties of the day. Utilities have an incentive to harmonize their organizational objectives with those of the government in power. But whose objectives dominate this relationship? Certainly the Young and Faucher and Bergeron studies suggest that the rise of certain energy strategies tend to justify particular courses of action and a privileged role for public utilities as opposed to provincial political executives or parties. Yet these analyses do not systematically address the role of politics in shaping the energy policy that legitimates the particular activities of the state sector. To focus exclusively upon the activities of elites within state structures provides too narrow a focus for a study which wants to understand the changes in state intervention across time. To place state intervention in a wider context we turn to the examination of hydro policy as a paradigm.

Defining and Explaining Change: Policy Paradigms and Paradigm Shifts

The analysis to be undertaken could be conceived on a number of different levels, from a particular hydro policy, a particular decision, or a pattern of state intervention. This problem is resolved by defining policy in terms of a paradigm which integrates the underlying policy logic with particular policy decisions and objectives, means of state intervention, and wider assumptions concerning state intervention which affect the policy area. Hence the concept of "policy paradigm" is utilized to consider policy analysis as well as give the thesis a conceptual definition of what is being explained across time.

Peter A. Hall draws upon Charles Anderson to define the concept of policy paradigm in the following way:

... every field of policy-making is characterized by a relatively coherent system of ideas and standards that defines the broad goals at which policy-makers are striving, the nature of the problems or puzzles that they have to solve to get there, and the kind of instruments that can be used to attain these goals. Like a gestalt, this framework is influential precisely because so much of it is taken for granted and unamenable to scrutiny as a whole. Indeed, it is embedded in the very discourse through which policy-makers conduct their work.⁸³

Hall draws upon a substantial body of research to indicate that paradigmatic discourse exists in all policy-making. He then differentiates between "normal policy making" and the process of "paradigm shift." For the former the habitual solutions and policy instruments identified by established paradigmatic discourse are sufficient to solve the policy problems as they arise.⁸⁴ Within a well defined and efficacious policy paradigm, therefore, the existing state structures and officials lead in the formation and adjustment of policy. Across time, however, new problems or policy objectives arise which are neither comprehensible nor accounted for under the terms of the existing paradigm. From this basis the Hall model suggests that there will be a succession of policy failures.

Paradigm shift begins when state officials experiment with new solutions to address the problems. Policy problems, at this point, have turned into anomalies which cannot be resolved within the existing paradigm. Policy experiments invite interest in new paradigms, and as a result, the more the state officials experiment, the more the established paradigm loses its legitimacy. The cumulative effect is that central policy authorities become discredited, and there is a conflict over future course of action.⁸⁵ Authority is therefore fragmented. A wider number of participants enter the policy process to deliberate on a paradigm alternatives.

Adjectives such as "dominant," "existing," "established," or "institutionalized" in reference to policy paradigms do not imply universal support by all significant political interests and actors. A paradigm is dominant or institutionalized because political authorities and state officials with sufficient power have accepted or implemented it. Other

state officials, politicians and the leadership of organized interests may support different and conflicting paradigms, but are without the power or influence to implement their alternatives. The process of fragmentation invites paradigmatic alternatives and the people who support them to enter the debate on what is to be done about persistent policy failures and the apparent inability of the established policy paradigm to remedy them.

Peter A. Hall does not directly address the origin of paradigmatic ideas. In the case of macroeconomic policy, ideas spring from an existing policy debate institutionalized within the universities, think tanks, state structures, and organized interests. In that sense, politicians and state officials choose amongst existing alternatives. Other policy fields do not have such highly institutionalized processes of paradigm definition and as a result there is substantial differentiation on the degree of complexity and theoretical refinement of paradigms across policy fields.⁸⁶ Hence, the process of paradigm definition is contingent. Nevertheless, during the process of fragmentation policy makers are open to the ideas, analyses and paradigmatic thinking originating from "policy experts."⁸⁷

What constitutes a new paradigm? According to the scientific metaphor, paradigm change stems from anomalies, the policy problems not anticipated or resolved within the existing policy paradigm. The solution to those problems, therefore, entails a complete reworking of existing arrangements. Given that a paradigm is a device for explanation, the solution to anomalies will take place within a new policy discourse, with different definitions of major policy problems and goals, policy linkages, assumptions linking state intervention to real world events, and different structures of implementation.

Paradigm shift is not considered to be a smooth process nor an assured end. As in the metaphor of scientific paradigms, the "disjunctive" nature of the process stems from the fact that paradigm shift is a political, not a technical, process. Hall indicates that the process of fragmentation leads the policy debate into the wider political arena where it

becomes an integral part of the ongoing process of contestation over political power. Paradigm change may come when a new coalition is aligned behind a policy alternative. But it is not assured that any such coalition will emerge, or if it does, whether it will have sufficient political power to institutionalize effectively a new policy paradigm. Hall cites Jenson to indicate that instability may be a fairly permanent policy response.⁸⁸ Hall distinguishes between a process of contestation and institutionalization. The former precedes and is a necessary condition for the latter.

Another reason for the indeterminacy of contestation is that the new policy paradigm will gain political meaning in a broader discursive struggle.⁸⁹ As has been illustrated above from Jenson, this discursive struggle concerns ideological conventions of state intervention, the boundaries of the public and private, the recognition of who are legitimate participants in making political decisions; it is embedded within a calculus of winners and losers stemming from policy alternatives. Just as an established policy paradigm may not be supported universally, the dominant political discourse may not be held by all participants. Hence policy paradigms may take on new meanings within the process of contestation.

Finally, it is not difficult to suggest that the contingency of paradigm shift also stems from the character of the policy paradigm itself. Policy authorities working within a well developed policy discourse may be fairly autonomous from ongoing contestation and political struggle because the paradigmatic models they offer appear to have a highly developed theoretical capacity to understand real world events and to predict the consequences of different courses of action. Politicians can easily evaluate policy goals, make relevant policy linkages, evaluate the capacity of the state to implement the paradigm, and work within the calculus of winners and losers so important for coalition building. Success in establishing an alternative paradigm would depend simply upon

gaining a sufficiently powerful coalition of support. Conversely, alternative paradigms which lack theoretical exposition, apparent comprehension and predictive powers make it difficult for politicians to construe them in the process of coalition building. In all situations politicians may alter fundamentally the terms of a policy paradigm in the process of forming a coalition of support.

Should a new policy paradigm be institutionalized the cycle would repeat itself as summarized in Table 1.1 below.

Table 1.1. The Process of Paradigm Shift

The Process of Paradigm Shift	
<i>I Paradigm Stability</i>	Policy is run under normal operating procedures of a stable institutionalized paradigm.
<i>II Accumulation of Anomalies</i>	This is a period of policy failure because of "real-world events" that are neither anticipated nor comprehensible in terms of the prevailing paradigm.
<i>III Experimentation</i>	Policy experiments are initiated to deal with anomalies. The new initiatives undermine the authority of the prevailing paradigm and give rise to interest in contending paradigms.
<i>IV Fragmentation of Authority</i>	The cumulative effects of previous stages lead to a situation where the principal authorities over policy making become discredited and conflict over alternative courses of action widen, a process which also brings a new range of actors into the policy debate.
<i>V Contestation</i>	Conflict over policy alternatives spreads from the state to the wider political arena, and this contestation over policy paradigms becomes associated with a wider contest for political power. The period of contestation can be long because of the lack or weakness of viable alternative paradigms or because the coalition behind an alternative paradigm does not have the political strength to institutionalize changes
<i>VI Institutionalization of a New Paradigm</i>	A new coalition of support crystalizes around an alternative paradigm and then gains the political power to successfully institutionalize it.
Source: Peter A. Hall, "Policy Paradigms, Social Learning and the State" (Cambridge: Harvard University Center for European Studies, 1988) 10-12.	

Paradigms and Periodization

Models, at best, serve only as analytical guides to real world events which are somewhat more complex. While it is easier to define each stage as a distinct and discrete process, in reality the boundaries are hazy and transitions from one state to another long. Nevertheless, there is good reason to suggest that this conceptual schema is a resilient way

to understand changes in state intervention across time. Within comparative political economy Peter Gourevitch has identified three periods when five nation states shifted domestic economic policy in response to international economic crises: the late 19th century, the 1930-45 period and the post 1973 economic crisis.⁹⁰ Once these shifts had been made, state intervention remained fairly constant across time. There is a significant literature which informally speaks in terms of time-bound paradigms, such as that respecting Keynesian economic policies and their decline.⁹¹ Jenson explicitly builds upon the concept of a societal paradigm to develop the concept of "permeable fordism."⁹² She also reveals implicit acceptance of macro level change associated with current intellectual debates marked by names such as "Keynesian--post-Keynesian," "Fordism--post-Fordism," "Marxism--post-Marxism," and "modernity--post-modernism."⁹³

Stephen Krasner, a neo-institutionalist working within the field of international relations, has also added an historical dynamic to the structuring pattern of state intervention. Krasner has developed the concept of "path dependent" development stemming from an analysis of the state as a sovereign institution which makes critical decisions which structure courses (or paths) of action (or future possibilities) across time.⁹⁴ Important to his concept is the idea that while institutions may be the product of political struggle in time 't', they may structure political conflict in time 't+1'. For Krasner this historical capacity of states to structure events depends upon their vertical embeddedness within society, as well as their horizontal linkages to other structures. Nevertheless all institutions have this historical capacity, and for this reason institutions cannot be understood ahistorically or in isolation.

Thomas Hughes' historical/comparative study of electrification uses a similar concept.⁹⁵ Hughes explores the comparative development of utilities as a process of electrification stemming from the birth of the industry in the late nineteenth century to the

mid twentieth century. Electrification refers to the spread of electricity as an integrated technological system marked by the particular problem that the dynamics which governed the supply of electricity are not directly related to those which govern its end uses.⁹⁶ After the initial technological challenges, electrical systems ran into two interrelated difficulties. First, they were industries which needed large sums of capital to grow. Second, they also needed to grow by having small electrical systems integrate to form larger regional electrical systems. Growth and integration, therefore, addressed the inherently unstable nature of electrical systems.

Electrical systems did not shape themselves. Rather, they were shaped in a political struggle for the control over the technology. During the period of electrification, utilities were the most powerful but not the exclusive force shaping the development of technological systems. Early political struggles over control shaped the technological systems into different "cultures of power." Cultures of power refers to the values and relationships embedded within the institutions which define the technological system. Hughes argues that these cultures of power congealed early in the development of electrical systems, and then remained in place for the period under consideration.

Hughes' periodization is also reflected in research on Canadian hydro. The historical monographs of John Dales, H.V. Nelles and Christopher Armstrong take the period from the origins of hydro investments to the end of the Second World War as a whole. They are fundamentally interested in the relationship between hydro and the process of industrialization. Dales' concentration on excess capacity states, in other terms, the particular problems of instability faced by early hydro-fuelled electrical utilities and the novel range of solutions used to address them. Both Nelles and Armstrong underscore the importance of politics in shaping the development of the industry. Keith Flemming addresses Ontario rural electrification, a process that commenced later than urban

electrification because of market weakness, and that was characterized by different political coalitions and conflicts and unique institutional arrangements.⁹⁷ As discussed above, Nelles and Armstrong use Hughes' concept of culture of power outcomes of the struggle between urban utility monopolies and urban public power movements.⁹⁸ The concept has also helped to explain why there was variation of public ownership of utilities in Canada and also a greater propensity in Canada than the United States to bring urban utilities under municipal state ownership (and in the case of Ontario, provincial public ownership).

There same degree of coherence cannot be attributed to hydro literature on the second half of the twentieth century. During the 1950s, staple analysis represented hydro as a necessary infrastructural development undertaken by the state.⁹⁹ Young's analysis, however, illustrates that policy during the same period reflected the conflict and tensions behind an allegedly efficient energy policy [paradigm] and the self-interest of state officials, politicians and organized interests.¹⁰⁰ From the 1960s on, the literature reviewed above examined hydro as an integral part of either continental modernization or dependent development.¹⁰¹ The former position places hydro in a broader political context. The latter tends towards a more circumscribed political analysis of state intervention. The literature on hydro during this period begins to reflect the conscious critique of state ownership from neo-institutional perspectives and from new social movements. Hence research on Canadian hydro has both implicitly and explicitly regarded state intervention in hydro as a time-bound bundle of ideas, political struggles and state structures. This thesis differs only to the extent that these paradigms are defined and their change across time is made the centre of study.

The Historical Scope: Hydro Policy Paradigms in Manitoba

The thesis necessarily has a broad historical scope. In attempting to understand the post-WWII role of the state in hydro, problems that arose in the thirties must be discussed. Those, in turn, were related to key decisions taken during the 1920s. Very quickly this decision tree brought the analysis back to the 1910s in order to understand the significance of postwar changes.¹⁰² This thesis identifies a succession of policy paradigms and then analyses the rise and fall of three policy paradigms during the period between 1928 and 1977. The chronology is outlined in the summary Table 1.2 below.

Table 1.2. A Chronology of Successive Policy Paradigms

Paradigm/Duration	Objectives
monopoly urban electrification 1901-1906	- To spread electrification by means of awarding resources and franchises to an urban utility monopoly.
competitive urban electrification 1906-1928	- To spread and control electrification by means of awarding hydro resources to competing public and private utilities. - The competition was checked by resource conservation and regulatory policies.
rentier-redistributive 1928-1953	- To spread resource industrialization and rural electrification by means of bargaining with utilities over the terms of long-term leases over hydro resources.
progressive infrastructural 1953-1962	- To finance needed hydro capacity to meet ongoing demand. - To gain the most efficient use out of water and financial resources. - To maintain the historic cheap power policy
provincial continental modernization 1962-1977	- To develop northern hydro resources in relationship to continental markets and/or continental industrialization. - To maintain the historic cheap power policy and the equalization of rates.
neoliberal-continentalism 1977-	- To plan hydro investment in relation to current market conditions as opposed to modernization objectives. - To secure long-term continental markets for hydro.
Note: The chronology uses the first major decision during the process of contestation which committed the state to a new policy paradigm to date the beginning of a policy paradigm.	

What emerges first from this chronology is the image of rapidly changing forms of state intervention in the early period of electrification. The urban monopoly electrification paradigm reflected the genesis of the hydro-electric sector within the framework of an integrated urban gas and transportation utility, the Winnipeg Electric Company (WEC).

The monopoly practices of WEC provided the major anomalies for the paradigm, and after intense contestation between WEC and an urban public power movement, the WEC monopoly was broken by attack from a municipally owned utility, the City of Winnipeg Hydro-Electric System, or "City Hydro." Contestation between the two opposing forces produced the competitive urban electrification policy paradigm. As the name implies, the competitive nature of the paradigm used the political and economic antagonism between rival utilities as the motor to facilitate rapid and low-cost electrification. New problems and questions emerged, including an apparently unstoppable demand for investment in generation capacity which outstripped the resources of the two major utilities, the failure of the existing paradigm to provide for effective rural electrification, and the speculative pressure on governments to provide incentives for the investment in surplus hydro generation capacity to be used as a tool to promote resource industrialization.

To resolve the anomalies of the competitive urban electrification paradigm, the Manitoba government faced a choice between using state ownership to develop new capacity and foster electrification or institutionalizing a rentier relationship with utilities to accomplish its goals. The later choice prevailed. The rentier-redistributive policy paradigm is the first under detailed examination in the following chapter. Within the paradigm the role of the state turned to leasing hydro resources to utilities under long-term leases in return for the payment of royalties (water power rentals) and the provision of an inexpensive supply of energy for the provincial utility charged with rural electrification, the Manitoba Power Commission (MPC). The paradigm assumed that the utilities would compete for the rights to resources and to invest immediately in hydro capacity. It also assumed that surplus hydro capacity would induce resource industrialization. Also, an explicit public goal of the policy paradigm was to avoid the financial risks of large-scale resource investment.

The compounded crises of the 1930-45 period placed great strains on the rentier-redistributive policy paradigm. By 1945 older problems had not been settled and new problems began to emerge. For different reasons both City Hydro and the Winnipeg Electric Company refused to invest in new capacity, and the division of the industry into non-integrated competing utilities was recognized to be an efficiency loss that ought to be remedied. But all policy experiments to do so had failed. Moreover, the separation of the utilities into different urban and rural market areas worked increasingly to disadvantage rural consumers of electricity. The rentier-redistributive paradigm had collapsed.

To address the problems of capital shortage, integration and equalization, the provincial government faced a choice between subsidizing the existing utilities or completely restructuring the utility sector under a scheme popularly termed "Plan C." Under Plan C the province would take over all assets of WEC and the hydro capacity of City Hydro, shoulder the responsibility of investing in all new capacity, and supply the needed energy to the MPC and City Hydro.

After years of contestation among the Liberal-Progressive administration, the City of Winnipeg and the political allies of existing utilities, the "progressive infrastructural policy paradigm," a modified version of Plan C, replaced the thoroughly exhausted rentierism.

The progressive infrastructural policy paradigm gave priority to fiscal integrity, equalization of costs between city and province, and economy, efficiency and conservation in the management and use of hydro resources. It ensured that the pace of investment maintained the historic cheap-power policy, and that the new utility, the Manitoba Hydro-Electric Board (MHEB), unlike WEC before it, was not to be crippled by the problem of excess capacity. In practice the MHEB implemented an energy strategy that favoured incremental investments in coal capacity rather than undertaking larger and more

expensive hydro projects. Therefore, Manitoba's relatively vast hydro resources would not be exploited save when market and financial conditions were favourable--sometime in the future. The progressive infrastructural policy paradigm symbolized, therefore, the caution and risk aversion that had characterized the whole of the Liberal-Progressive period.

At face value, this paradigm had few anomalies, particularly since it was designed to resolve the historic problems which had emerged in the policy field. And this, in a nutshell, was the basic problem of the policy paradigm. By the 1960s Manitoba politics were dominated by a modernization project initiated by Premier Roblin's Conservative Government which had taken power in the 1958 elections. Under these new circumstances, the cautious and risk adverse policy paradigm was unsuitable for the policy goals of the provincial modernizers of the Conservative Party.

The "provincial continental modernization policy paradigm" was established as a vehicle for the development of the northern hydro resources as part of Manitoba's post-Liberal-Progressive form of "quiet revolution." Implemented over a period of 15 years by both Conservative and NDP governments, the modernization paradigm unified the provincial market and made hydro investment the centre of provincial economic strategy. All of the historically strategic infrastructure projects necessary to turn the lower Nelson River into a long-term energy corridor were put in place and three of the largest megaprojects were started. As in the 1920s, the policy paradigm anticipated that investment in massive amounts of surplus energy capacity would induce energy intensive industrial development or, failing that, allow Manitoba to sell surplus power to neighbouring utilities.

The design and implementation of all features of this policy paradigm engendered political conflict and contestation between the modernizers and those who were its victims or who rejected the modernization plan. In response the institutional structures governing

hydro became more centralized and insulated from popular, legal and legislative accountability. By the mid-1970s the provincial continental modernization paradigm began to collapse under the weight of consistent policy failures concerning the design and administration of megaprojects, the mitigation of environmental and social impacts, unresolved claims by Aboriginal peoples, the variability of resource availability and a deteriorating financial structural. The constellation of interests that had supported the modernization paradigm then turned to support a more market-disciplined policy paradigm which was defined in large part by a neoconservative critique of the whole modernization programme.

Conclusion

This introduction has indicated that the literature on Canadian hydro has reflected the strengths and weaknesses of dominant approaches to understanding state intervention within Canadian political economy. It has argued that the neo-institutional approach best serves the purpose of studying state intervention in hydro across time. The staples literature stressed the economic and technical features of hydro, but the staples approach said little of the role of politics and state intervention in shaping development. The staples approach had three ways of accommodating politics: first to assume that state intervention was neutral and functioned to promote economic development; second to assume that state intervention was influenced by dominant political and economic interests over those of the staple producers; and third, to ignore the political questions of why the state intervenes in particular patterns and to concentrate, instead, on understanding the consequences of those interventions. Since the basic problem addressed by the staples approach was to account for a particular pattern of development rather than a particular pattern of state intervention, the third approach tended to dominate implicitly and

explicitly. Accordingly, any consideration of hydro as a staple has to be accompanied by a theory of politics.

Studies of hydro within political sociology have an opposite imbalance. Approaches such as pluralism and elite analyses lacked theoretical linkages between state intervention in the economy and power within the political system. Moreover, they tended to reduce or define state structures in terms of sociological or political groups. Nevertheless, sociological analyses have indicated that hydro politics could not be understood within pluralist assumptions, and the best of this literature implicitly or explicitly reunites political sociology with complex macro theories of modernization or neo-Marxism.

The New Canadian Political Economy returned to questions of understanding the particular pattern of post-war Canadian development, understood as a history of the failure to nurture a successful autonomous national pattern of development. Analyses undertook to understand the particular pattern of dependency which had accompanied post-war continentalization. For the most part these analyses centred on the relationship between the state and different fractions of capital. There are two debates which emerge from this literature. The first debate is between nationalists and internationalists. The dominant interpretation is a nationalist critique which argued that a nationalist path of development was smothered by a mixture of state intervention and alliances amongst fractions of the Canadian bourgeoisie and multinational, primarily American, capital. State intervention, in this context, works to further articulate a form of continental integration which reinforces patterns of dependency. In contrast are different forms of an internationalist position which argued that the state, particularly at the provincial level, can use an alliance with multinational capital to further regional economic development and the interests of a regional bourgeoisie. For the most part research on hydro within the new political economy has been within the nationalist framework. Historical studies of state

intervention at the provincial level, on the other hand, tend to support the internationalist position.

The second debate reviewed was between nationalist/dependency and those seeking a more relational class analysis of state intervention and continental integration. The class critique of the dependency framework pointed to the fact that the Canadian economic and social structure was manifestly different from that of third world dependencies. Moreover, since Canada was a working liberal democracy with a developed welfare state it could not accurately be argued that historical development stemmed simply from the relation between different factions of the capitalist class and the state.

The class-theoretical solution to the problems of dependency assumptions, however, foundered upon its functional assumptions: that the state necessarily functioned to serve class interests or the interests of capitalist accumulation. This cannot be assumed. Rather it has to be proven, and such theories do not have accurate means to evaluate functional relationships. Neo-Marxist state theories had also conceptualized the state primarily in terms of class relations, just as pluralist literature defined the state in terms of the sociological groups that dominated or captured state institutions. Even the relative autonomy of the state was based upon defining autonomous actions in the context of class relations or the functions necessary to administer the capitalist economy.

The neo-institutional literature cited above attempts to correct the sociological narrowness and the functionalism of previous theory by defining the state and state autonomy in terms of institutional capacity and seeks to understand the relationship of the state as a structure which patterns politics, even across time. Much recent research on Canadian hydro politics echoes these themes in analyses that are highly critical of the performance of Canadian utilities and that link these difficulties to the concentration and

centralization of power within state-owned utilities and their insulation from popular and parliamentary accountability.

Within the organizational approach discussed above state intervention also rests upon social coalitions of support. Those coalitions, in turn, are built by politicians in the process of partisan competition. Ideas are important to this process. Policies, for example are successful when the economic and technical assumptions behind them are viable, when the state officials have the will and administrative capacity to carry them out, when policies meet the goals of parties in power and are tied to a political discourse that can unite different socio-economic interests into a durable coalition of support. Neo-institutional analyses usually employ an historical comparative method. The present study of state intervention in a policy field across time needed a focus of analysis. This was provided by the definition of the concept of policy paradigm and by centring the study on analysing paradigm shifts across time. The periodization and definition of policy paradigms in this thesis are highly influenced by historical literature, contemporary comparative political economy and the delineation of relationships uncovered in the research process. The three principal paradigms under study are the rentier-redistributive (1928-1953), the progressive infrastructural (1953-1962) and the provincial continental modernization (1962-1977).

The overall utility of the policy paradigm framework for this thesis can only be gauged by consideration of the original research question: how does one define and explain changing modes of state intervention in hydro across time? Here we have a framework which seeks to understand state intervention in terms of a policy paradigm and to reveal the forms of politics needed to support and change it. The thesis defines the major hydro policy paradigms and analyses the ways that they have shifted across time. It describes the hydro policy paradigms in terms of their linkages to dominant conventions of

state intervention and, overall, provides a means for understanding and analysing the change and continuity of state intervention in the policy field across time.

The organization of the thesis follows the chronological process of paradigm shift. Chapter Two supplies the historical background to the emergence of the rentier-redistributive policy paradigm. Chapter Three addresses the problem of continuity despite significant pressures for change. After all, the rentier-redistributive policy paradigm was designed under the assumptions which pertained to the economic and political circumstances of the late 1920s and, therefore, was under a great deal of strain during the exigencies of depression and war. It was a period of continued experimentation, conflict and increasing fragmentation. Chapter Four traces the complete exhaustion and collapse of the rentier-redistributive policy paradigm, the resulting fragmentation of ideas and authority, and the purposeful attempts of the provincial government to fashion a new policy paradigm. Chapter Five analyses the process of contestation which brought forth the provincial-infrastructure policy paradigm. Chapters Six and Seven analyse the rise and fall of the continental modernization paradigm, one that was initially embraced by all parties and organized interests, but that turned into a bitter source of division in Manitoba politics. Chapter Eight provides the conclusions: reflections on the model of paradigm and paradigm shift as applied to the case study, and some reflections on what the thesis contributes to debates on the nature of state intervention.

End Notes

¹ Peter A. Hall, "Conclusion: The Politics of Keynesian Ideas," in Peter A. Hall, ed., The Political Power of Economic Ideas: Keynesianism across Nations (Princeton: Princeton University Press, 1989) 361-391; Peter A. Hall, "Policy Paradigms, Social Learning and the State" (Cambridge: Harvard University Centre for European Studies, 1988); Peter A. Hall, "Policy Paradigms, Experts and the State," in Brooks and Gagnon, eds., Social Scientists, Policy and the State (New York: Praeger, 1990) 53-78; Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Great Britain," Comparative Politics (April 1993) : 275-297.

² C. H. Attwood, Manitoba Economic Survey Board, Water Resources of Manitoba (Winnipeg: King's Printer, 1938).

³ The major focus of analysis had been on early municipal ownership in the context of comparative work on public power movements and state intervention. This literature is reviewed below. More contemporary research has focused on the politics or economics of northern hydro megaprojects. This is reviewed in Chapters Six and Seven. This leaves a forty-year gap in the research. Additionally, none of the literature on Manitoba hydro-electric policy attempts an historical synthesis for the postwar period.

⁴ The general absence of literature on Manitoba is first discussed in Garth Stevenson, "The Political Economy Tradition and Canadian Federalism," Studies in Political Economy 6 (Autumn, 1981) : 129-130. This stands in contrast to the considerable research and analysis that has been done on the central provinces of Ontario and Quebec, and on the provinces of Alberta and Saskatchewan. For literature on Quebec see the recent review by William Coleman, "The Political Economy of Quebec," in Wallace Clement and Glen Williams, eds., The New Canadian Political Economy (Montreal: McGill-Queen's University Press, 1989) 160-179. Work on Ontario, particularly that of H.V. Nelles and Christopher Armstrong is cited in Janine Brodie, "The Political Economy of Regionalism," Clement and Williams, eds. The New Canadian Political Economy 138-159. Brodie also surveys both the historical literature and contemporary trends in the prairie provinces. Aside from work done on the Progressives (1920s), there is no substantial Manitoba research cited. Rather, attention is focused on Saskatchewan and Alberta. The most recent work which focuses upon the role of the state, John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McClelland and Stewart, 1979), is examined in the text below. For Manitoba, the recent collection, Jim Silver and Jeremy Hull, eds., The Political Economy of Manitoba (Regina: Canadian Plains Research Centre, 1990), begins to address a wide gap in existing research, although this far ranging collection does not specifically address itself to the state or to the question of hydro development in an historical context. One modest contribution is contained in Alex Netherton, "Manitoba: The Shifting Points of Politics: A Neo-Institutional Analysis," in Keith Brownsey and Michael Howlett, eds., The Provincial State: Politics in Canada's Provinces and Territories (Toronto: Copp Clark, 1992) 175-206.

⁵ This debate is summarized in Glen Williams, Not For Export: Towards a Political Economy of Canada's Arrested Industrialization (Toronto: McClelland and Stewart, 1983, Updated Version, 1986) Chapter Seven.

⁶ Gregory Albo and Jane Jenson, "The Relative Autonomy of the State: A Contested Concept," in Clement and Williams, eds., The New Canadian Political Economy 184.

⁷ Albo and Jenson "Relative Autonomy" 183-187.

⁸ Vernon C. Fowke, "The National Policy--Old and New," Canadian Journal of Economics and Political Science XXXI.4 (November 1949) : 627-42.

⁹ H.G.H. Aitken, "Defensive Expansionism: The State and Economic Growth in Canada," in W.T. Easterbrook and M. Watkins, eds., Approaches to Canadian Economic History (Toronto: McClelland and Stewart, 1967).

¹⁰ See Paul Phillips, "The Hinterland Perspective: The Political Economy of Vernon Fowke," Canadian Journal Political and Social Theory (Spring 1988).

¹¹ Brodie "Regionalism."

¹² Mel Watkins, "A Staples Theory of Economic Growth," in W.T. Easterbrook and M.H. Watkins, eds., Approaches to Canadian Economic History (Toronto: McClelland and Stewart, 1967).

¹³ John Dales, Hydroelectricity and Industrialization--Quebec, 1898-1940 (Cambridge: Cambridge University Press, 1957).

¹⁴ It was inferred that utilities used the rate structure to buy off potential opposition from farmers and business. Only a vague cultural diffusion theory was offered to explain why utility capital had such a privileged relationship with the provincial state. Dales Hydroelectricity and Industrialization 44-48, 96, 180.

¹⁵ For a critique of the separation of the political from the economic see C.B. Macpherson, "After Strange Gods," in T.N. Guinsburg and G.L. Reuber, eds. Perspectives on the Social Sciences in Canada (Toronto: University of Toronto Press, 1974) 61-71.

¹⁶ Robert Alford, "Paradigms of Relations Between State and Society," in Leon Lindberg et al., eds., Stress and Contradiction in Modern Capitalism (Lexington: Lexington Press, 1976) 145-160.

¹⁷ Merrill Denison, The People's Power: A History of Ontario Hydro (Toronto: McClelland and Stewart, 1960).

¹⁸ Philip Smith, BRINCO: The Story of Churchill Falls (Toronto: McClelland and Stewart, 1975).

¹⁹ Albert Breton, "The Economics of Nationalism," Journal of Political Economy 72 (August 1964).

²⁰ See, for example, Kenneth Rea, The Political Economy of Northern Development, Science Council of Canada Background Study No. 36 (Ottawa: Information Canada, 1976) 16-24, 27-28, 75-78, 107-124, 148-158; Lindsay G. Smith, "Public Participation at the Normative Level: Electrical Power Planning in Ontario" (Ph.D. Thesis, University of Waterloo, 1984).

²¹ Rea Northern Development 152-158.

²² Leslie Pal, State, Class and Bureaucracy: Canadian Unemployment Insurance and Public Policy (Montreal: McGill-Queen's University Press, 1988) 9.

²³ Charles Lindblom, Politics and Markets: The World's Political-Economic Systems (New York: Basic Books, 1977) Part V, 161-233; and John F. Manley, "Neo-Pluralism: A Class Analysis of Pluralism I and Pluralism II," American Political Science Review 77 (June 1983) : 368-383.

²⁴ H. V. Nelles, The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1840-1941 (Toronto: Macmillan, 1974).

²⁵ See the concluding discussion on "The Image of the State" in Nelles Politics of Development 489-495.

²⁶ Nelles Politics of Development 495. His concluding sentence to the history: "The failure to bring the regulatory and service functions of the state into the framework of democratic accountability was the failure of parties and politicians to pursue the logic of responsible government into the industrial age."

²⁷ It certainly is the case that Nelles' The Politics of Development is consciously informed and influenced by then contemporary theories of the state emanating from neo-Marxist literature (489-495). Nevertheless, this is a much different than stating that the history systematically develops a theoretical analysis of changing state intervention during the process of resource industrialization.

²⁸ These theoretical initiatives responded to unique political and intellectual circumstances. In a fundamental sense the project of developing a political theory of the state represented an ambitious new theoretical challenge for western Marxism. Neo-Marxism had new sets of questions stemming from distinct political projects: a reassessment of the stability of capitalism and of liberal democracy under postwar Keynesian welfare state policies, the failure of social democracy in power to transform national societies, and a political realignment within Eurocommunism. See Ralph Miliband, Marxism and Politics (London: Oxford University Press, 1977) 1-15. Syntheses of this literature can be found in Bob Jessop, The Capitalist State: Marxist Theories and Methods (Oxford: Martin Robertson, 1982); Martin Carnoy, The State and Political Theory (Princeton: Princeton University Press, 1984).

²⁹ Nicos Poulantzas, "The Problem of the Capitalist State," in Robin Blackburn, ed., Ideology in Social Science (Glasgow: Fontana, 1972) 238-53; Ralph Miliband, "Reply to Nicos Poulantzas," in Blackburn (1972) 253-262; Ralph Miliband, "Poulantzas and the Capitalist State," New Left Review 82 (1973) : 83-92; and Nicos Poulantzas, "The Capitalist State: Reply to Miliband and Laclau," New Left Review 95 (1976) : 63-83.

³⁰ Different syntheses of Poulantzas' development of state theory are contained in Bob Jessop The Capitalist State 142-210; and Martin Carnoy The State 128-152.

³¹ See Jessop The Capitalist State 78-141; and also a collection of essays from the 1970s and early 1980s, Claus Offe, Contradictions of the Welfare State, ed. John Keane (Cambridge: MIT Press, 1984).

³² Daniel Drache, "Rediscovering Canadian Political Economy," in Wallace Clement and Daniel Drache, eds., A Practical Guide to Canadian Political Economy (Toronto: James Lorimer, 1978) 1-53.

³³ Albo and Jenson "Relative Autonomy" 188-190.

³⁴ A summary of these debates can be found in Glen Williams, "Canada in the International Political Economy," in Clement and Williams, eds., The New Canadian Political Economy (1989).

³⁵ One of the best illustrations of this argument is the conclusion, "Energy and Dependence," to Larry Pratt, The Tar Sands: Syncrude and the Politics of Oil (Edmonton: Hurtig, 1976) 139-187.

³⁶ The classification comes from Williams "Canada" 126-128; Wallace Clement, Continental Corporate Power: Economic Linkages Between Canada and the United States (Toronto: Macmillan, 1977) 289-302. See also Wallace Clement, "The Corporate Elite, the Capitalist Class and the Canadian State," in Wallace Clement, ed., Class, Power and Property: Essays on Canadian Society (Toronto: Methuen, 1983) 85-106.

³⁷ See Jorge Niosi, Canadian Capitalism: A Study of Power in the Canadian Business Establishment, trans. Robert Chodos (Toronto: James Lorimer, 1981) 98, 148-156; and Jorge Niosi, "The Canadian Bourgeoisie: Toward a Synthetical Approach," Canadian Journal of Political and Social Theory 7.6 (Fall 1983): 134-139.

³⁸ Kari Levitt, Silent Surrender: The Multinational Corporation in Canada (Toronto: Macmillan, 1970) 120-121.

³⁹ Carole Jobin, Les enjeux économiques de la nationalisation de l'électricité (Montreal: A. St. Martin, 1978).

⁴⁰ Kenneth McRoberts and Dale Posgate, Quebec: Social Change and Political Crisis, Revised Edition (Toronto: McClelland and Stewart, 1980) 15-17, 94-101.

⁴¹ William D. Coleman, The Independence Movement in Quebec, 1945-1980 (Toronto: University of Toronto Press, 1984) 4-20.

⁴² Garth Stevenson, Unfulfilled Union: Canadian Federalism and National Unity, Revised Edition (Toronto: Gage, 1982) 75-76, 107-110, 114, 141.

⁴³ See, for example, Donald Waterfield, Continental Waterboy: The Columbia River Controversy (Toronto: Clarke, Irwin, 1970); and Melissa Clark-Jones, A Staples State: Canadian Industrial Staples During the Cold War (Toronto: University of Toronto Press, 1987).

⁴⁴ Karl Froschaur, "Provincial Hydro Expansions: Required to Serve Industrial Development in Canada and Continental Integration," (Ph.D. Thesis, Ottawa: Carleton University, 1992).

⁴⁵ John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McClelland and Stewart, 1979).

⁴⁶ In Saskatchewan a Fabian style NDP administration used public ownership of potash to stabilize the resource sector, thus to create a healthy diversification of the agricultural economy and, also, through the collection of rents, to provide a means of financing the development of welfare state initiatives. In Alberta, a revived Conservative Party embarked upon an entrepreneurial strategy that ensured that the province gain the regulatory control to collect rents and the capacity to finance, through public infrastructure and

parapublic institutions, the industrial diversification of the province. The Saskatchewan stabilization and redistribution policy was based upon public ownership and supported by the populist coalition behind the NDP. In Alberta, the financial and (forward linkage) diversification strategy was supported by the "arriviste" bourgeoisie and new urban middle class that had emerged with the postwar oil boom.

⁴⁷ Leo Panitch, "Dependency and Class in the New Political Economy," Studies in Political Economy 6 (Autumn 1981) : 7-33.

⁴⁸ Robert R. Alford and Roger Friedland, Powers of Theory: Capitalism, the State, and Democracy (London: Cambridge University Press, 1985) 21.

⁴⁹ Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter Evans, Dietrich Rueschemeyer and Theda Skocpol, eds., Bringing the State Back In (London: Cambridge University Press, 1985) 7-9.

⁵⁰ Skocpol "Bringing the State Back" 8.

⁵¹ Stephen Krasner "Review Article: Approaches to the State. Alternative Conceptions and Historical Dynamics," Comparative Politics 16 (January 1984) : 222-224.

⁵² Skocpol "Bringing the State Back" 14-15.

⁵³ Krasner, "Approaches to the State" 224; Eric A. Nordlinger, On the Autonomy of the Democratic State (Cambridge: Harvard University Press, 1981) particularly 1-41; Nordlinger, "The Return to the State Critiques," The American Political Science Review 82.3 (September 1988) : 881.

⁵⁴ Eric Nordlinger summarizes his position in "Return to the State Critiques" 881, 883.

⁵⁵ The state-centric approach improves upon other bureaucratic decision-making approaches because it establishes important typologies for understanding the forms of autonomy of state action and provides a basis for further research. Nevertheless, Theda Skocpol points out that awarding the state elites absolute political autonomy to pursue their policy preferences is simply an extension of a pluralist hypothesis emphasizing creative political leadership. See Skocpol "Bringing the State Back" 31.

⁵⁶ Skocpol "Bringing the State Back" 21-24.

⁵⁷ Skocpol "Bringing the State Back" 15-17.

⁵⁸ Margaret Weir and Theda Skocpol, "State Structures and the Possibility of "Keynesian" Responses to the Great Depression in Sweden, Britain, and the United States," in Evans, Rueschemeyer and Skocpol Bringing the State Back In 107-163. Their analysis is counter intuitive in the sense that it begins by dismissing commonsense explanations. Keynesian responses to the depression were not linked to the severity of the economic problems in the three nations. The United States experienced the most grave collapse of economic activity, but its attempts at Keynesian policy responses were eventually thwarted by political opposition. Nor were policy responses linked exclusively to the size and power of organized working class parties. The ruling Labour Party in Great Britain, for example, clung to classical doctrines of public finance, even at great political cost. Moreover, the independent power of ideas is not necessarily

the cause of policy. The Swedish Social Democrats, in alliance with agrarian parties, worked out a form of public-sector deficit spending on public works and agricultural price supports without tremendous intellectual justification. And Keynes, the celebrated Cambridge economist, received an unsympathetic response to his ideas within the British treasury. So much for the usual suspects: economic deprivation, class power, and ideas.

⁵⁹ Weir and Skocpol "State Structures" 117-118.

⁶⁰ "Administrative-political processes help account for the political relevance of Keynesian ideas. However, without the confirmation of sociopolitical forces, innovation would be short-lived. Such coalitional factors played a critical role in the political viability of Keynesianism in Britain and the United States." Margaret Weir, "Ideas and Politics: The Acceptance of Keynesianism in Britain and the United States," in Peter A. Hall, ed., The Political Power of Economic Ideas (1989) 73.

⁶¹ Peter Gourevitch, Politics in Hard Times: Comparative Responses to International Economic Crises (Ithaca: Cornell University Press, 1986) 229-231.

⁶² Gourevitch Politics in Hard Times 55-56; Peter A. Hall, Governing the Economy: The Politics of State Intervention in Britain and France (New York: Oxford University Press, 1986) 233.

⁶³ Gourevitch Politics in Hard Times 222-240.

⁶⁴ Gourevitch Politics in Hard Times 1 writes: "In prosperous times it is easy to forget about the importance of power in the making of policy. Social systems appear stable, and the economy works with sufficient regularity that its rules can be modeled as if they functioned without social referent. In difficult economic times this comfortable illusion disintegrates. Patterns unravel, economic models come into conflict, and policy prescriptions diverge. Prosperity blurs a truth that hard times makes clearer: the choices made among conflicting policy proposals emerge out of politics. The victorious interpretation will be the one whose adherents have the power to translate their opinion into the force of law."

⁶⁵ Peter A. Hall "The Politics of Keynesian Ideas" 361-391, particularly 371.

⁶⁶ Hall Governing the Economy 274.

⁶⁷ Hall "The Politics of Keynesian Ideas" 383-386. Hall is also clearly influenced by Jenson's work on representation and discursive political struggle.

⁶⁸ Jane Jenson, "Gender and Reproduction: Or, Babies and the State," Studies in Political Economy 20 (Summer 1986) : 25-26.

⁶⁹ Jane Jenson, "All the World's a Stage: Ideas about Political Time and Space," Studies in Political Economy 35 (Summer 1991).

⁷⁰ This problem was explored by Jane Jenson "Gender and Reproduction" in analyses of early maternity and protective legislation in France and Britain. Differences could not be explained by either functional theories of the state or by similar functional feminist analyses. Both states became concerned about high incidences of infant mortality, a problem that gained political salience in states concerned about military

recruitment and population as a measure of national power. Yet the policies adopted diverged significantly. The British initiated policies to separate women from the work force and establish the prototype of welfare state policies in conjunction with a family wage system. In France, the state sought to integrate both roles of mother and worker with paid maternity leaves and child care facilities in the work place.

⁷¹ Hall "The Politics of Keynesian Ideas" 383-386. In the same volume Weir indicates that Keynesian policy initiatives in the United States were retarded partially because they were considered by opponents to be associated with moves towards greater state intervention in regulating the economy and greater state commitments towards welfare spending. On the other hand, Keynesian policies were readily adopted in Great Britain after 1947 as an economic policy that would be less interventionist than that of the postwar Labour "planning" doctrine. Weir "Ideas and Politics" 74-84.

⁷² Christopher Armstrong, The Politics of Federalism: Ontario's Relations with the Federal Government, 1896-1940, Toronto: University of Toronto Press, 1981; Christopher Armstrong and H.V. Nelles, "Getting Your Way in Nova Scotia: Tweaking Halifax, 1909-1917," Acadiensis 5 (1976) : 105-131; Christopher Armstrong and H.V. Nelles, "Competition vs. Convenience: Federal Administration of Bow River Waterpower, 1906-13," in Henry C. Klassen, ed. The Canadian West, Calgary: Comprint Publishing, 1977; Christopher Armstrong and H.V. Nelles, "Contrasting Development of the Hydro Electric Industry in the Montreal and Toronto Regions, 1900-1930," Journal of Canadian Studies, 18.1 (Spring 1983) 5-27; Christopher Armstrong and H.V. Nelles, Monopoly's Moment: The Organization and Regulation of Canadian Utilities, 1830-1930 (Philadelphia: Temple University Press, 1986); H.V. Nelles, "Public Ownership of Utilities in Manitoba and Ontario, 1906-1930," Canadian Historical Review 7..4 (December 1976) : 461-484.

⁷³ Armstrong and Nelles Monopoly's Moment. The argument regarding 'cultures of power' was first stated by Thomas P. Hughes, Networks of Power: Electrification in Western Society, 1898-1930 (Baltimore, John Hopkins University Press, 1983) 5-15.

⁷⁴ Armstrong and Nelles Monopoly's Moment.

⁷⁵ Jeanne Kirk Laux and Maureen Appel Molot, State Capitalism: Public Enterprise in Canada (Ithaca and London: Cornell University Press, 1988) Chapter 2.

⁷⁶ André Blais and Phillippe Faucher, "Review of Jobin, Les enjeux économiques," Canadian Journal of Political Science 12 (December 1979) : 809-815.

⁷⁷ See P. Sauriol, The Nationalization of Electric Power, Preface by René Lévesque (Montreal: Harvest House, 1962).

⁷⁸ R.A. Young, "Planning for Power: The New Brunswick Electric Power Company," Acadiensis XII.1 (Autumn/Automne 1982) : 73-99.

⁷⁹ Rea Northern Development 27-28, 75-78, 150-158.

⁸⁰ This is well chronicaled in Armstrong and Nelles Monopoly's Moment.

⁸¹ Rea Northern Development advocated corporatist planning structures with affected political constituencies. Lindsay G. Smith, "Public Participation at the Normative Level: Electrical Power Planning in Ontario." (Ph.D. Thesis, University of Waterloo, 1984) advocated wider parliamentary and extraparlimentary participation, accountability and control of Ontario Hydro. Energy Probe advocated breaking the Ontario Hydro monopoly into competing nuclear and hydro utilities. Lawrence Solomon, Breaking Up Ontario Hydro's Monopoly (Toronto: Energy Probe Research Foundation, 1982).

⁸² Adrian Vining, "Provincial Hydro Utilities," in Allan Tupper and G. Bruce Doern, eds. Public Corporation and Public Policy in Canada (Montreal: Institute for Research on Public Policy, 1981) 149-188.

⁸³ Hall "Policy Paradigms, Social Learning and the State" 8. Also see the discussion in Hall "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Great Britain" 279.

⁸⁴ Hall "Policy Paradigms, Social Learning and the State" 9; Hall "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Great Britain" 279-280.

⁸⁵ Hall "Policy Paradigms, Social Learning and the State" 9; Hall "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Great Britain" 280-281.

⁸⁶ Hall "Policy Paradigms, Experts and the State" 60.

⁸⁷ Hall "Policy Paradigms, Experts and the State" 68.

⁸⁸ Jane Jenson, "Representation in Crisis: The Roots of Canada's Permeable Fordism," Canadian Journal of Political Science 23.4 (June/juin 1989) : 239-258.

⁸⁹ See also Jane Jenson, "The Roots of Canada's Permeable Fordism," Canadian Journal of Political Science 23.4 (December 1990) : 653-683, especially 675-683.

⁹⁰ The argument is summarized in Peter Gourevitch, "Keynesian Politics: The Political Sources of Economic Policy Choices," in Hall, ed., The Political Power of Economic Ideas (1989) 88-91.

⁹¹ See, for example, Hall, ed., The Political Power of Economic Ideas.

⁹² Jane Jenson, "'Different' but not 'exceptional': Canada's permeable fordism," Canadian Review of Sociology and Anthropology 26.1 (1989) : 69-94..

⁹³ Jane Jenson, "All the World's a Stage: Ideas about Political Time and Space," Studies in Political Economy 35 (Summer 1991).

⁹⁴ Stephen Krasner, "Sovereignty: An Institutional Perspective," Comparative Political Studies 21.1 (April 1988) : 71-77.

⁹⁵ Thomas P. Hughes, Networks of Power: Electrification in Western Society, 1888-1930 (Baltimore: John Hopkins University Press, 1983) 5-15

⁹⁶ Hughes Networks of Power 5-15. Hughes also uses the concept of reverse salients to refer to unresolvable technical problems in the development of electrical systems. In this reverse salients are analogous to the concept of anomaly used in this thesis.

⁹⁷ Keith Flemming. "The Uniform Rate and Rural Electrification Issue in Ontario Politics 1919-1923." Canadian Historical Review 64.4 (December 1983) : 494-518; Keith Flemming. Power at Cost: Ontario Hydro and Rural Electrification, 1911-1958 (Montreal-Kingston: McGill-Queen's University Press, 1991).

⁹⁸ Armstrong and Nelles Monopoly's Moment.

⁹⁹ See the discussion of staples political economy above. Albo and Jenson "Relative Autonomy" 184.

¹⁰⁰ Young "Planning for Power."

¹⁰¹ These are discussed above. See McRoberts and Posgate, Quebec: Social Change and Political Crisis. Revised Edition 15-17, 94-101; Coleman The Independence Movement 4-20.

¹⁰² This was not a conscious decision to write a history as such. Certainly there is a trade-off between an in-depth study of one particular period and a broad-brush study that encompasses most of the century. Nevertheless, as John English, an historian, points out, the study of state intervention has been neglected in Canadian history and the new Canadian political economy has characteristically filled this gap with historical analyses of state intervention informed by contemporary theories. See John English. "The Second Time Around: Political Scientists Writing History." in Carl Berger, ed., Contemporary Approaches to Canadian History (Toronto: Copp Clark Pitman, 1987) 245-257. Also see the note on methodology by Wallace Clement and Glen Williams in "Introduction," in Clement and Williams, eds., The New Canadian Political Economy 6-7, 10-11.

CHAPTER 2

FROM MONOPOLY URBAN ELECTRIFICATION TO THE RENTIER-REDISTRIBUTIVE POLICY PARADIGM

Introduction

This chapter traces the succession of policy paradigms which emerged during the province's early stage of electrification and then describes and explains the shift to the "rentier-redistributive" policy paradigm under Premier John Bracken's United Farmers of Manitoba (UFM) government during the 1920s. After an early stage of "monopoly urban electrification" the "competitive urban electrification" paradigm was established in 1906. The latter was "competitive" in that it purposely relied upon struggle between antagonistic public and private utilities in a growing and dynamic market to solve the set of problems it faced in the policy field. The two central competitors (and political antagonists) were the City of Winnipeg's municipal hydro utility, City Hydro, and the Winnipeg Electric Company (WEC), a large integrated urban transportation and hydro utility.¹ Also, the Manitoba Power Commission (MPC), a form of provincial state ownership organized as a bulk supplier to rural municipal utilities, represented the first attempt at rural electrification.

One of the legacies of the competitive policy paradigm in Manitoba was the continued contestation over the questions of ownership and control of the urban utilities. During the twenties hydro policy problems became too complex to be addressed simply by competition from existing utilities. No longer would governments consider alienating resources in perpetuity to resource capital. Rather, planning envisaged the use of a rentier relationship with utilities in conjunction with a conservation policy. Competition weakened

rather than supported the struggling MPC. Hydro policy also became associated with the mediating efforts of the provincial government to promote resource industrialization.

During the latter half of the decade a speculative resource boom intensified competition for the control of hydro resources, heightened economic expectations and pressured the governments of Manitoba and Canada to make a set of strategic hydro decisions either to institutionalize a rentier relationship with existing utilities or to pursue hydro development by means of provincial state ownership.

The UFM and an urban public power movement were formally committed to public ownership and development of hydro resources. Yet the Bracken government decided to institutionalize a rentier paradigm by awarding the largest accessible hydro site, Seven Sisters, to WEC. Given the limited choices, the explanation for the shift is found within the resolution of the tension between ideas and conventions of state intervention held by the new political forces which had emerged in the post-war period. The following account of the shift indicates that it was more closely in tune with the political and ideological conventions associated with the image of the state which the United Farmers were institutionalizing. Indeed, to have pursued public ownership would have contravened much of what Bracken stood for. Also, the rentier elements of the paradigm also more clearly spoke to the interests of Winnipeg business which supported the UFM's "business-like" government.

The rentier-redistributive paradigm was not an extension of the status quo. The policy abandoned conservation, or the orderly and sequential release of hydro sites. Instead the province's two largest accessible hydro sites were released at the same time. Certainly, the Bracken decisions gave WEC a preeminent role in hydro development, and thus disappointed the support for "public power," but the City of Winnipeg did get the Slave Falls site. More important was the fact that no sites were alienated as private

property. Utilities were obligated to pay royalties, in the form of Water Power Rentals, for the water used to generate electricity. The UFM policy was to use these royalties to subsidize the expansion of rural electrification. In order to gain Seven Sisters WEC agreed to give the MPC a low cost supply of energy. Hence, rural Manitoba was to be the beneficiary of redistribution.

The paradigm shift was not produced by prolonged contestation in provincial politics. Certainly, the hydro policy was a continual source of contestation between competing classes in Winnipeg municipal politics. But in the 1920s the public power advocates were on the defensive. Instead, the political problem outlined below was one of how the Bracken government would sell an unpopular decision. Contestation over the shift in Manitoba politics revolved around allegations of old style partisan corruption, not around the stifling of public enterprise. Yet the linkage between the paradigm shift and partisan corruption was never made. Rather, the dominant legacy and policy discourse became one of pragmatism. The rentier relationship allowed the UFM to claim public ownership was not eliminated, it was simply delayed. At the same time the rentier-redistributive paradigm carried a set of optimistic assumptions which boiled down to projecting the late 1920s boom on to the future.

Table 2.1 outlines some of the significant institutional relationships during the 1906-1928 period.

Table 2.1. Inter and Intra Paradigmatic Shift, 1911-1928

Paradigmatic Alternative	Capacity	Winnipeg Distribution	Rural Distribution	Redistributive Policy	Planning Agenda
Monopoly Urban Electrification -1906	WEC - Pinnawa	WEC	rural municipal utilities.	nil	nil
Competitive Urban Electrification (1906-1928)	WEC - Pinnawa Manitoba Power (WEC) Great Falls City Hydro - Pointe du Bois	- Two separate, unintegrated and competing distribution systems, WEC and CH.	-Cooperative structure, MPC and rural municipal utilities. (1919)	nil	Conservation - orderly, sequential development
Rentier-Redistributive (1928-)	- Rentier: WEC and City Hydro (CH) until 1962, then provincial public ownership.	- Two separate, unintegrated and competing distribution systems, WEC and CH.	-Cooperative structure, MPC and rural municipal utilities.	- Water Power Rentals subsidize MPC expansion. - Cheap energy for the MPC from WEC	- Purposeful inducement of excess capacity for resource industrialization.

From Monopoly to Competitive Electrification Policy Paradigms

From the turn of the century until 1928 the underlining objectives of the utilities, governments and political forces active in the policy field were to spread and control the process of electrification. Electricity held the promise of economic and social modernization. As a result political concerns centred upon gaining investment in hydro capacity and then on ensuring that its cost did not present barriers to access and use of the new technology. While monopoly pricing practices would ostensibly slow the spread of electrical markets, lower rates would alternatively foster the growth of electrical markets. Yet the enormous investment in the infrastructure needed to transform hydro into generation capacity and to distribute electricity to consumers worked as an effective barrier to all but the most financially powerful of institutions: established utility monopolies, institutions which had notorious reputations for extracting monopoly rents from urban services.² In Manitoba the control of the process rested in the hands of one integrated urban utility, the Winnipeg Electric Railway Company (WEC) and its various

subsidiaries. WEC was the holding company for a pyramid of local electric railways, gas and lighting companies which formed an urban transportation monopoly for Winnipeg and its suburbs. Originally WEC was controlled by William Mackenzie, the Toronto utility and railway magnate. During the 1920s control was taken by A. J. Nesbitt and P.A. Thomson, of Nesbitt, Thomson Ltd, the Montreal brokerage firm and holding company which headed the pyramid of utility holdings called the Canadian Power Corporation.³

The initial struggle to control the process of electrification produced a novel situation. WEC constructed a small dam and ancillary transmission facilities on the Winnipeg River north of the City of Winnipeg and enjoyed a few years of monopoly over the provision of electrical services in Winnipeg. The monopoly pricing policy of WEC brought the utility into conflict with a Winnipeg-based, business-led, public power movement which succeeded during 1906 in establishing the City of Winnipeg Hydro-Electric System, popularly termed City Hydro, with hydro capacity on the Winnipeg River. City Hydro attempted to drive WEC out of the electrical services sector in Winnipeg but was unable to do so.⁴ The term "competitive," therefore, refers to a policy paradigm which was driven by struggle between a large older private utility and a relatively new form of municipal state ownership.

The Governments of Manitoba and Canada, as Nelles indicates, intervened to transform the zero-sum antagonistic struggle into a form of stable competition. The provincial government facilitated rate agreements which saw drastic reduction in the cost of electricity and at the same time protected the private utility from "unfair" price competition from state ownership. This policy of protective regulation was also institutionalized when the Manitoba government established a regulatory authority, a one person Public Utilities Commission, to oversee relations within the utility sector.⁵ The regulation of the competition was aided by growing market segmentation. The Winnipeg

City Council directed City Hydro, despite the utility's objections, to maintain extremely low domestic rates. The utility then responded by aggressively promoting domestic electrification, gaining 80 per cent of the market during the 1920s.⁶ WEC was therefore left to concentrate on business and industrial markets.

Originally, the struggle to control hydro was an urban struggle. But of growing importance during the 1920s was the attempt to use hydro investment as a means of seeding the growth of other resource industries centred on the Laurentian shield north of Winnipeg. Until 1930 the Dominion government maintained ownership and jurisdiction over crown lands and resources in all three prairie provinces. Consequently, the Dominion government, particularly the Department of the Interior, maintained responsibility for the allocation and conservation of hydro resources. Early leases were gained by WEC for Pinnawa and City Hydro for Pointe du Bois. In 1914 the Department of the Interior awarded the rights to another site on the river, Great Falls, to a third investment group, one that had difficulty gaining financial backing for the project. In 1919 WEC bought out this third utility's interests and established its own subsidiary, the Manitoba Power Company, to develop the new site. Additionally, in an attempt to foster the development of the new industry, the Dominion government awarded the bulk of the rights to hydro energy from one major site on the Winnipeg River, Pine Falls, to a pulp and paper company, Manitoba Paper Company, with timber berth rights.⁷ Hydro was, therefore, serving both the needs of urban Winnipeg and helping to foster resource industrialization.

Figure 2.1 summarizes the capacity allocation decisions of the Dominion government. By 1921 the four sites allocated, each to a different utility, comprised nearly sixty per cent of the hydro-electric potential of the Winnipeg River. City Hydro had dominated the hydro sector for over ten years because of its greater capacity on the Winnipeg River. When WEC purchased the rights to Great Falls, however, the tables were

turned. Competition had been reduced again to the two major protagonists within the competitive paradigm. In 1921 the awarding of the bulk of Pine Falls's energy to Manitoba Paper also further complicated the competition and relationship among utilities.

Figure 2.1. Allocation of Hydro Resources on the Winnipeg River, 1902-1921

Governments were the only institution that looked at the management of hydro resources as a whole. At first, the Dominion government simply gave hydro rights away in perpetuity. Then, in 1911 the Department of the Interior surveyed the river with an eye towards developing a plan for "the maximum conservation of the river's power resources," a policy that sought to ensure that the river would be developed to its maximum energy potential.⁸ The concept of resource conservation was, by logical deduction, equated to the most efficient use of scarce investment capital. Part of the conservation effort was directed towards establishing a storage system which would eventually double the hydro potential of the River system. Storage was to be provided at Lake of the Woods and Lac Seul,

Ontario. The cost of these schemes would also be borne by the hydro utilities as they used the water.

The most contentious part of Dominion policy, however, concerned the allocation and distribution of hydro resources among competing utilities. H.V. Nelles indicates that during 1916-1919 Ottawa developed a policy that conformed to the parameters of the competitive policy paradigm because it planned to reserve sites for each of the two major competing utilities. Seven Sisters, the largest site on the Winnipeg River, was reserved for WEC, while Slave Falls, the next major site, was reserved for City Hydro.⁹ The obvious reason to reserve Seven Sisters for WEC was that the site was legally and physically linked to Pinnawa. Seven Sisters could not be developed to its full potential without abandoning WEC's first small site.¹⁰ Slave Falls was also physically linked to City Hydro's Pointe du Bois site, and in 1921 a Dominion order-in-council reserved Slave Falls for the City of Winnipeg.¹¹

Figure 2.2 illustrates the effects of the Dominion Water Power Survey on the hydro industry in 1921. Since hydro-electric energy cannot be stored, except in the form of water, each utility must have sufficient generation capacity to meet the maximum amount of energy it has pledged to deliver, or "firm peak demand." The closer a utility's firm peak demand comes to its level of capacity the more efficient is its use of resources and capital. For the purpose of illustration it is assumed that a utility would be at "full capacity" when it used 80 to 100 per cent of its hydro capacity.¹² The figure uses the 1916-1921 average rates of growth of firm peak demand for each utility to project when the utilities would run out of hydro resources. The projection indicates that each utility would have sufficient resources throughout the 1920s. With Slave Falls, City Hydro would have sufficient resources until the mid-1930s and with the Seven Sisters site WEC would have abundant energy well into the 1940s.

Figure 2.2. The Resource Outlook of Winnipeg Utilities in 1922

One of the underlying policy objectives of the new Dominion planning was to attract and protect hydro capital in order to promote stable growth. It therefore envisaged that hydro capacity would only be released sequentially in a manner that would allow the cost of its development to be absorbed by existing markets.¹³ Such a policy would avoid destructive competition or situations of excess capacity that would result in financial ruin of utilities. Consequently, the timing of resource allocation was as important as its distribution. Figure 2.3, again using a 1916-1921 trend, projects when either of the utilities would need one of the sites which had been reserved for it. Figure 2.3 indicates that City Hydro would be short of capacity during the 1928-1929 period, although WEC would have sufficient excess capacity well into the future. Hence one could expect a decision in

the late twenties on whether City Hydro ought to purchase firm power from WEC or begin the process of developing Slave Falls for itself.

Figure 2.3. A 1922 Projection on the Timing of the Allocation of the Slave Falls and Seven Sisters Hydro Sites

If the City of Winnipeg were to develop Slave Falls, then the terms under which it did so would be quite different from those under which it gained Pointe du Bois. During the 1920s the terms under which hydro resources were to be awarded to utilities under the Dominion Water Power Regulations changed from the alienation of water resource rights as a form of private property that could be held in perpetuity to reflect the concept of hydro as a publicly owned resource which could be leased to utilities under specific conditions and for stipulated periods of time. Though Nelles does not use the term, the Dominion conservation policy was associated with a "rentier" relationship between the

government and hydro utilities. Under the rentier relationship the crown retained ownership of the hydro resources but leased out the hydro sites for thirty year periods. In return, the hydro utilities paid royalties in the form of Water Power Rentals, calculated in relation to the amount of energy produced, which could not rise to a level which threatened the profitability of the utility.¹⁴ The timing, distribution and terms of hydro leases then became the critical issues of the conservation policy. There is no evidence that the provincial government did not share the objectives and thinking of the Dominion government on protecting the rights of hydro capital and on fostering the stable growth of the industry. Hence it is reasonable to conclude that the next round of hydro capacity allocation decisions would institutionalize a rentier relationship between the state and utilities.

The provincial government also had unique responsibilities and objectives with respect to the spread of electrification in rural Manitoba where the market was too weak to attract urban utility capital. In 1919 the Manitoba government established a small rural power distribution cooperative, the Manitoba Power Commission (MPC), popularly termed the "Provincial Hydro." The MPC was designed to be a rural cooperative which would buy energy from City Hydro and then sell it to the numerous municipalities in the agricultural areas outside of Winnipeg. But the MPC had a great deal of difficulty getting off the ground. Its initial transmission system to Portage La Prairie was destroyed by storms, causing a series of expensive repairs.¹⁵ Additionally, the largest community outside of Winnipeg in the agricultural southwest of the province, Brandon, had experimented with its own mixture of hydro and coal generation facilities.¹⁶ The energy needs of the small communities were light and adequately met by small municipally-owned or franchised generators, a formula that avoided any long-term financial obligations and which also offered municipalities a source of revenues.¹⁷ Also, electrical power was not

important to the production of grains. First steam and then internal combustion were important to wheat production. Electrical motors were important labour saving devices in the storage of wheat.¹⁸ On the whole, farms were fairly energy self sufficient and there was little demand for the connection of farms to central station electricity. Hence, the MPC was sandwiched between initial high costs of investment and low market revenues to amortize its debt.

Lastly, Nelles' historical comparison between City Hydro and Ontario Hydro infers that the protective regulation of the Manitoba government essentially killed the competitive dynamics between WEC and City Hydro. This inference is built upon examining the behaviour of the management of the two utilities with regard to rate structures and market competition. It is important to emphasize that in early hydro industries price or rates alone were not the centre of competitive activity. Rather, as John Dales illustrates in his historical study of the hydro industry in Quebec, rates helped to influence the relationship between market revenues and the financial costs of investing in hydro capacity.¹⁹ They could be used to foster electrification in an attempt to utilize excess capacity or they could be used to extract monopoly rents in the absence of excess capacity or competition.²⁰ The unique feature of the Manitoba competitive hydro paradigm was that the low hydro rates, stemming from the 1911 agreement, provided a direct impetus to extend and deepen the domestic market.²¹ Competition would emerge, as is indicated below, not in price, but in the form of market segmentation and competition for control of hydro capacity on the Winnipeg River. There WEC, City Hydro and other resource capital would compete for control over the province's hydro resources and eventually shape the menu of policy choices available to the government of Manitoba in the late 1920s.

New Problems and Strategic Choices

During the 1920s the energy policy agenda quickly outdated the competitive urban electrification paradigm. Changing state capacities, new policy problems and old policy failures were quickly forcing the Manitoba government into strategic choices concerning the implementation of a new paradigm. The rapid growth of electrical markets, the competition between utilities and speculative pressure on hydro resources were all forcing the Manitoba government into a decision on the allocation of hydro resources which would change the balance of power within the hydro sector. At the same time, despite the urban successes, the rural electrification policy was a continual failure.

First, the capacity of provincial government to shape hydro policy was strengthened. The 1922 electoral victory of the United Farmers of Manitoba was an historical divide. Not only was this the first time a farmers' party took control over the provincial government (which is discussed below) but it was also the height of the Progressives power in Ottawa. Mackenzie King's Liberal government was in the midst of attempting to woo the Progressives into the Liberal fold and therefore pledged the transfer of ownership and control of natural resources to the three prairie provinces.²² Though it would take the entire decade to finalize an agreement, the policy commitment changed the relationship between the two governments. The provincial government gained informal powers in all major natural resource decisions, particularly hydro. Ottawa simply could not contradict provincial policy preferences.

Second, the rapid growth of electrification and industrialization altered the relations between the two major utilities. WEC's prospects changed profoundly. The utility benefited not only from the return of business prosperity in Winnipeg, but also from the establishment of new energy intensive resource industries. The Manitoba Paper Company, for example, faced a choice of either producing electricity at Pine Falls for its own use or

buying energy from WEC. Manitoba Paper decided to use the Pine Falls rights as bargaining leverage to extract good terms from WEC and also attempted (unsuccessfully) to translate its timber related hydro rights into the ability to produce power for commercial markets.²³ WEC ended up as the only supplier to the emerging pulp and paper markets near Winnipeg.

Part of WEC's success was that it emerged also as a supplier of energy to City Hydro. Both WEC and City Hydro competed for the domestic markets in the Greater Winnipeg Region (Winnipeg and surrounding suburbs). City Hydro dominated the most lucrative Winnipeg market, and WEC used its transportation utilities to gain electrical franchises in the surrounding smaller suburban markets.²⁴ City Hydro's average annual rate of growth in firm peak demand jumped from 9 per cent to 12 per cent over the 1922-1927 period. City Hydro was under great stress. By mid-decade the City of Winnipeg was forced to choose between investing in new capacity at Slave Falls or buying energy from the WEC's Great Falls subsidiary, the Manitoba Power Company, under the umbrella of a long-term firm supply contract. The City of Winnipeg chose the latter.

The result of these changes was that WEC, which had been short of capacity and nearly driven out of a serious role in the hydro sector during its struggle with City Hydro, emerged in the 1920s as the leading hydro supply utility of the province. WEC supplied a growing Winnipeg business market buoyed by the return of prosperity, the emerging industrial resource or staples industries, and an energy-short municipally owned City Hydro whose energy needs had been tied to the dramatic growth of the urban domestic markets for electricity. City Hydro had almost no reserve capacity and could meet an expanding market only through relying upon WEC as a source of supply.

Third, the rural electrification policy continued to be a failure. In the 1920s rural electrification concerned the small municipal markets served by municipal utilities and the

MPC. The idea behind the MPC was to replace the small scale private franchises and municipal power systems and extend electrification to rural communities and, eventually, to begin farm electrification. Yet its initial problems left the planned transmission system only half complete and the whole project in doubt when the transmission system was again badly damaged by storms in 1922. Indeed, during 1921-24 the utility wracked up an enormous \$225,000 deficit.²⁵ The Bracken government thus faced a choice amongst three alternatives: taking all the necessary steps towards having the MPC finish its original project (an idea that emerged from the MPC itself), selling off the MPC as a bad experiment, or a financial reorganization which would maintain the MPC as it was, even though the transmission system was not complete.

In 1923 the Bracken government began an appraisal of the MPC's assets and half-heartedly responded to purchase offers from representatives of British investors through the Canadian British Corporation.²⁶ In 1924 it took the interim financial solution of writing off much of the MPC's overhanging debt to the province, thus reducing annual interest charges to a point where the small system could stay solvent.²⁷ Yet there was no effort to bring about any substantive changes in the organization and mandate of the MPC. Further modest expansion would wait until the last two years of the decade. In the interim, the vacuum left by the MPC's difficulties in rural Manitoba was picked up by private firms which established small municipal utilities under franchise.²⁸

The MPC problems were compounded by its loss of a secure source of energy. Since its formation the provincial hydro had relied upon a 10 year contract with City Hydro for its supply of energy. But City Hydro gave notice that it would not renew that contract, due to be renegotiated in 1929, because the municipal utility itself had run short of energy and had to buy firm power from WEC.²⁹ Hence the Bracken government was

placed in the position where it had to gain a new supply contract for the already ailing provincial hydro.

Four, the cumulative effect of rapid electrification was to place pressure on the Manitoba government to release more capacity on the Winnipeg River, even though, the hydro sector as a whole, was not near full capacity. This was not an even process. Figure 2.4 indicates that the decade began with a supply shortage. Nevertheless, all the allocated hydro sites, except Pine Falls, had been fully developed by 1928. As the new hydro capacity came on line the proportion of firm peak demand to total capacity declined to the point where by 1928, taken as a whole, the industry had 35 per cent excess capacity. Clearly, growing markets were needed to support the investment.

Figure 2.4.
Hydro Resources Allocated, Capacity and Firm Peak Demand, 1902-1929

From where did the pressure emerge? Figure 2.5 illustrates that pressure came from the phenomenal rate of electrification and resource industrialization. In 1928, WEC, still had 50 per cent reserve capacity, the worst position in its history. Yet its 1922-1927 average annual rate of growth was 16.5 per cent per year. Projecting its need for new capacity at that rate meant it would have to have a new hydro site developed by mid 1930. The similar annual average growth rate for City Hydro, already short of capacity was 12.1 per cent. Given these trends the only real questions to be decided were what resources would be allocated to what utility, and when.

Figure 2.5. A 1928 Projection of the Need to Allocate New Hydro Resources

The conservation policy of the Dominion Government emphasised orderly sequential development. This policy would have suggested that City Hydro be the next utility to gain new capacity. Since Slave Falls was already committed to the City a competition developed to claim the remaining sites on the river. Seven Sisters remained the only major energy site not officially committed to a particular utility and its attractiveness as the one site with 27 per cent of the Winnipeg River's hydro-electric energy potential made it a drawing point for resource capital.

Finally, the last new policy problem was speculative bidding for hydro and pulp and paper rights. Indeed, this speculative bidding provoked a critical sequence of events. In 1925 the Chicago based Seaman-Backus pulp and paper interests applied for hydro rights to the Seven Sisters site, and, to protect its position, WEC also applied for a license to the site.³⁰ Bracken's UFM government, fearful that private interests would tie up all the power

on the Winnipeg River, petitioned Ottawa to have the decision delayed and the site reserved for the province.³¹ Winnipeg City Council passed a resolution calling for municipal development of the site, but eventually did not carry through with an application.³² By 1927 only WEC and the province of Manitoba remained serious competitors for the Seven Sisters site. The Minister of the Interior hoped that Winnipeg Electric and Bracken would come to an agreement between themselves.³³

The Menu and the Choice

What were the UFM government alternatives? First, the province could have followed the policy of orderly sequential development and released the Slave Falls site to the City of Winnipeg, as outlined above. This would not ensure that the MPC gained a source of energy unless the provincial government indicated that the City would have to renegotiate its contract with the MPC as a condition of the lease. The loss of the City Hydro market would have given WEC some more time and energy but not new resources for its growing market. Given the rate of growth of the industry, however, it is unlikely that developing the Slave Falls site would have given the City long-term excess power to sell to WEC. Hence further capacity decisions would be needed in the short-term. Still the Slave Falls was the only option that would have strengthened the hands of City Hydro.

A second, hypothetical, short-term option would have been to ensure that the Pine Falls site was developed. Though Pine Falls remained allocated and undeveloped, it was unlikely that the WEC could gain use of the site. The discussion above has indicated that Manitoba Paper held the lion's share of the rights to the Pine Falls site, the company was confined to developing the hydro for its mill and that the company used hydro rights primarily as a bargaining tool to get a favourable supply contract from WEC. Hence there were legal and economic barriers holding Pine Falls in reserve, and this option was not seriously discussed.

Third, the UFM could have developed the Seven Sisters site under provincial state ownership. Indeed, Nelles suggests that the Bracken government's most preferred alternative was to delay and buy time until the province was ready to develop Seven Sisters itself, but that pressure from the Dominion government forced the Premier to make a Seven Sisters decision.³⁴ Moreover, that decision would boil down to accepting the rentier strategy that had emerged in Dominion water power planning or to immediately develop the site by means of provincial state ownership.

Bracken relied upon expert advice to settle the issue. The problem with state ownership was, as Dr. Hogg, Chief Engineer for the Ontario Hydro-Electric Commission and consultant to Premier Bracken, pointed out, that the MPC had much too small a market to justify such an initially large capital investment.³⁵ Again, the MPC would have to sell its excess capacity, bringing it into competition with the existing utilities. Moreover, since the Pinnawa and Seven Sisters channels were interconnected, the full development of the Seven Sisters would entail compensating WEC for its lost energy. Altogether, this was an expensive proposition. But what Hogg did not indicate, however, was that if the provincial government developed the site also with the purpose of supplying WEC and City Hydro, then the relative economics of the investment would have been much better. Nevertheless, it was much too large a project for the MPC alone.

The fourth alternative was for the Bracken government to implement the rentier strategy which had emerged within the Dominion government over the decade. This would entail allowing the site to go to WEC, under a long-term lease, and also under terms which allowed the province to find a solution to the MPC's energy needs. Eventually this was Bracken's decision. WEC gained Seven Sisters on the condition that the company provide a very well priced supply contract to meet the foreseeable long-term energy needs of the MPC.³⁶ Moreover, WEC agreed to give up its perpetual rights to the Pinnawa site

and channel in return for a deduction in the total water power rentals paid on the Seven Sisters site.

The UFM government's decision to let Seven Sisters to WEC produced a rapid showdown between WEC's supporters and the public power movement which wanted the city to develop Seven Sisters. This was eventually defeated by close votes in City Council. Instead the City Council went ahead with an application to develop Slave Falls, and Bracken concurred on condition that unused capacity be dedicated to the province, if needed.³⁷

WEC and City Hydro gained thirty-year leases (eventually to expire in 1962) and were to pay water power rentals. At that time the sites would return to the province. This rentier policy allowed Bracken to claim that public ownership had been postponed, not abandoned and that the deal gained by the government offered more pragmatic benefits than immediate public ownership.³⁸ These water power rentals were to go into a special fund which would pay half of the financial costs of extending the MPC transmission system.³⁹ The supply contract and redistributive rentier strategy were novel shifts and represented real gains for rural electrification. Immediately, the province established a commission to set out a blueprint for MPC expansion and committed itself to a record level expansion for 1929.⁴⁰ WEC gained an empire, City Hydro independence, and the MPC gained the means to push forward with rural electrification. The province appeared to have achieved its policy objectives without spending a dime. Yet, as is discussed below, there was considerable political disappointment over the fact that the Bracken government did not bring Seven Sisters under public ownership. Premier Bracken was to summarize the difficulties with the decision in the phrase: "Good business but poor politics--can't be both."⁴¹

The Slave Falls and Seven Sisters decisions coincided with the finalization of the transfer of natural resources from the Dominion to the Manitoba government. Thus the provincial interest was not simply related directly to rural electrification, it was also related to the responsibility for providing an overall resource management policy for the Winnipeg River. The Bracken energy decisions departed dramatically from any consideration of orderly sequential development. Releasing the two large hydro sites at one time ensured that over 90 per cent of the hydro resources of the river had been allocated. Yet in 1928 only 40 per cent of the river had been developed, and of that only 70 per cent of capacity was fully utilized. Indeed, the rentier-redistributive paradigm only makes sense if one assumes that the phenomenal rate of electrification would continue throughout the next decade.

There is evidence to indicate that Bracken assumed the whole of the Winnipeg River would be developed by the mid-1930s. The Seven Sisters agreement stated that the site ought to be fully completed within five years.⁴² Bracken also thought that the Manitoba government could force the Manitoba Paper Company into developing the Pine Falls hydro site by 1935.⁴³ Figure 2.6 illustrates that those assumptions were consistent, assuming that the 1920s boom in electricity demand would continue in the next decade.

Figure 2.6. A 1929 Projection of Hydro Development Under the Rentier-Redistributive Policy Paradigm, 1929-1939

Bracken had pegged rural electrification on the abundant water power rentals to be gained by the full development of the river and, by inference, the continued resource industrialization of the province. This assumption had legitimized a major abandonment of any pretence of orderly sequential hydro development. Such an abandonment of caution is termed speculation. Only the future would tell if such a gamble would pay off.

Hydro and the Progressive Image of the Provincial State

W.L. Morton emphasizes the definition of the 1922 election of the UFM government, popularly known as the Progressives, as a critical divide in Manitoba history. The Progressives, under different names, defined and eventually became defined by the 1920s farmers' revolt.⁴⁴ Hence it is reasonable to assume that they would attempt to shape the province's political conventions and patterns of state intervention in their image. The

explanation for the establishment of the passive rentier-redistributive paradigm, therefore, has to address the associated paradigmatic assumptions held by the Manitoba UFM government and its underlying patterns of social support. Similarly, H.V. Nelles' analysis of the establishment of Ontario Hydro associated the public power movement with the idea of "power at cost," a magnetic idea to the small manufacturers who were attempting to shape provincial state intervention to meet their needs.⁴⁵

The Bracken energy decisions have attracted considerable research attention because they contravened the UFM desire for provincial public ownership of utilities. Indeed, the Seven Sisters and other hydro decisions taken by Bracken during the late 1920s created controversies and political tensions which affected hydro policy deliberations for the next quarter century. Historians have addressed this problem not in terms of analysing the changes within a policy paradigm, but rather in terms of seeking to explain choices between public and private ownership. For example, H.V. Nelles identifies several key variables which explain why Ontario Hydro grew to become a provincial monopoly by 1929 while City Hydro in Winnipeg lost its bid to displace WEC.⁴⁶ These include different ideologies and social bases for the public power movements, the different provincial regulatory policies towards the utilities, the presence or absence of class-based political discourse, and federalism, particularly the Dominion Water Powers Branch hostility to public ownership, which he holds was subtly embedded in the rentier resource policy. Similar Ontario-Quebec comparisons identify other variables, such as the capacity of municipal governments to regulate utilities (a reflection primarily of their territorial jurisdiction), municipal-provincial relations, and the character of the provincial financial class which invested in utilities.⁴⁷ Bracken's political biographer, John Kendle, adds to the Seven Sisters explanation by concentrating on the lack of legal capacity of the provincial government to expropriate WEC property.⁴⁸ This sort of "public policy" study, therefore,

emphasizes both the political sociology of competing groups in municipal, provincial and federal levels, and the relative capacity of the states each attempted to influence.

The explication offered here for the change within the competitive policy paradigm builds upon these accounts. First, the Progressive image of the state included an important principle of decentralization. The Bracken government left a good part of the decision-making over energy in the hands of municipal governments, producing a structural policy interdependence which limited the province's policy alternatives. Second, the Progressive governments embraced a fiscal strategy which eschewed debt and taxation as means to place limits on the role of government. This fiscal strategy was more in tune with the rentier policy paradigm than with any other alternative. Third, the passive fiscal policy was enforced with a passive economic development strategy. Fourth, the Bracken policy process was reactive. By the late 1920s WEC had become the idol of Winnipeg business, a juggernaut representing the aspirations of that community. The Bracken government was therefore really presented with the alternative of stopping WEC's ascent or joining it. The quick embrace of the rentier strategy with the redistributive policy provided a convenient means for the UFM government to avoid the political pain of stopping WEC and at the same time went a long way towards meeting provincial policy objectives. In this sense the policy alternatives were shaped as much by domestic political pressures and objectives and by a belief that the 1920s boom would continue in the future as by planning within the Dominion Department of the Interior. Nevertheless, in the immediate aftermath of the 1928 Seven Sisters decision, the Bracken government faced the political problem of selling the rentier relationship with WEC as a solution superior to public ownership to rural Progressives who had long shared the ideology of the public power movement.

The Progressive Image of Provincial Political Society

The Progressive hydro policy paradigm reflected a curious segmentation of political responsibilities among the provincial government, Winnipeg and rural Manitoba. Each had different markets, different utilities and fundamentally different relationships with the provincial government. Indeed, the City of Winnipeg intervened more directly within the hydro sector than the provincial government. Why? The institutional differentiation of the policy paradigm reflected then current assumptions concerning the nature of provincial political society, informal understandings which structured the role of municipal and provincial governments. To begin, the UFM political conventions addressed the rural-urban cleavage in Manitoba political society by establishing a new relationship between the City of Winnipeg and the Province.⁴⁹ For the Progressives Manitoba was not a province-wide society as much as a province composed of municipalities. One of the roles of the provincial government, therefore, was to respect and maintain that autonomy.

Not all municipalities were the same. Winnipeg, of course was the most powerful and autonomous municipality. Brandon was also a centre in its own right. Most of Manitoba, however, was composed of hundreds of small rural municipalities which were the heart of the agricultural society. Certainly there was a great deal of difference among regions, particularly from the more wealthy and established farming communities in the southwest of the province, the older Franco-Manitoban communities, and the small immigrant communities attempting to scratch out a living on the marginal agricultural lands north of Winnipeg and the Interlake. Nevertheless, these farming areas all comprised "the province" and Manitoba as a whole was divided between Winnipeg and "the province."

The large non-agricultural area of the province commencing with the Canadian shield just north of Winnipeg comprised a unique, but not politically powerful, region. The

majority population of native peoples was engaged in the extraction of surface staples and they were left in a sort of political underworld where all key economic and political issues that would concern and affect them were channelled to the offices of the Dominion government.⁵⁰ Denied participation in provincial and federal political life and without any meaningful role in either agriculture or industrial development, native peoples were simply not recognized as subjects and active agents within either national or provincial politics. What became important, however, were the industrial resource and transportation communities such as Pine Falls, the Port of Churchill and Flin Flon that emerged from the new staples industrialization. Given the lack of local political organization the north of the province became an area of provincial government concern.

If Manitoba was to be a society of equal municipalities shepherded by a provincial government, then Winnipeg was more equal than the others. The city's economic and fiscal capacity granted it a preeminent position in the province, and one that was jealously guarded by the city council and for the most part respected by the provincial government.⁵¹ Winnipeg's autonomy in hydro affairs had been informally institutionalized by the province's protective regulation policy within the formative competitive policy paradigm. Regulation, such as it was, simply legitimized utility decisions which affected either level of government and mediated between the two utilities on issues such as market organization, which needed municipal or provincial legislative changes. So weak was the provincial capacity to regulate that the Public Utilities Commission (PUC) and its successor, the Municipal and Public Utility Board (MPUB), that it never developed the technical expertise to challenge or review utility decisions.⁵² Nor did the regulators intend to.⁵³ The two Winnipeg-based utilities were of the opinion that they were not under the jurisdiction of provincial regulators.⁵⁴ Moreover, the Municipal and Public Utilities Commissioner was not even sure that he really had the authority to regulate the MPC or

municipal utilities.⁵⁵ Protective regulation had been an instrument by which the province could safely withdraw from active regulation.

If the Winnipeg City Council could substantially structure the province's hydro policy alternatives, then the converse is true of rural municipalities. There was simply no single organization to represent rural Manitoba outside of the provincial government and the UFM. The Public Utilities Board was an intermunicipal body, and despite the cooperative structure of the MPC, there was not a broad municipally based public power movement as in Ontario.⁵⁶ Rather, only the UFM could articulate and represent rural energy interests. The MPC was organized and maintained as a cooperative awarding local municipal councils all the important decisions regarding rates and marketing. This, we have seen, made the MPC a weak utility. The financial reorganization lifted debt obligations but did nothing to address the ability of the utility to expand and gain the market necessary to sustain its financial obligations. The MPC did not even reach Brandon, the one major agricultural centre in western Manitoba. As a result the City of Brandon had to arrange a private franchise for the 1920s.⁵⁷

Certainly, the WEC supply contract and the water power rentals subsidy gave a boost for the expansion of the MPC into rural Manitoba. Nevertheless, the UFM hydro policy paradigm also reflected the Progressive conventions of local autonomy and responsibility. The costs of constructing distribution facilities from the MPC main transmission system to the local communities was still the responsibility of each rural municipality, village or hamlet. Hence, municipalities would have to measure the expected returns from electrification against the start-up costs. Moreover, the rentier paradigm still left the MPC as a middleman, without control over capacity or marketing. In this sense the Progressive image of political society made good politics but bad economics. It hindered the process of rural electrification.

The Primacy of Fiscal Policy

The mixture of liberalism and progressivism within the Bracken UFM governments was based upon the formation of "business-like" government which referred to the application of a business conventions to the management of public affairs. Within these governments fiscal policy emerged as the most important policy instrument used to respond to the compounded crises which brought the UFM to power. Indeed, fiscal policy became a major defining point of the Progressive image of the state, and fiscal concerns provide the most ready explanation for the decision to undertake a rentier as opposed to a public ownership solution to secure a supply of energy for rural electrification.

The essential fiscal problem facing the Progressives was that the level of public expenditure commitments built up during the wheat boom and war constituted a greater level of commitment than could be reasonably digested in the post-WWI period. The rate of growth of the Manitoba economy, particularly during the post-war depression, could not produce the fiscal revenues needed to fulfil commitments of the provincial government. Premier T.C. Norris' Liberal government, 1917-1922, was a reform administration generous with public money and had had not adjusted its expenditures to meet the changed circumstances that faced the Manitoba after the war and strike.⁵⁸ The province was heavily in debt and its fiscal position was also marred by the financial collapse of government-owned grain elevators.⁵⁹ Business-like government, therefore, implied that public affairs would be managed in a business-like fashion as opposed to management by corrupt partisan self-interest. At the same time, however, the UFM fiscal policy would have to meet the particular interests of agriculturalists, the UFM's political constituency.

While the concept of business-like government had wide influence over much of Manitoba politics, important to this discussion is that it implied that the fiscal policy would

then have to be administered according to fairly well defined and politically transparent principles. First, it implied that government would have to live within its means--an orthodox fiscal policy addressed quite literally to balancing provincial accounts each year; thus it set important limits on the economic activities of the provincial government. Fiscal orthodoxy was translated into a "pay as you go" policy.⁶⁰ Accordingly, Bracken took steps to cut back expenditures in order to make the provincial government live within its fiscal means.⁶¹ The size of the provincial government was reduced, and all major spending initiatives were curtailed. For example, total annual capital expenditures in 1921 were \$13.1 million, but under the United Farmers they had been reduced to less than \$1.75 million per year by 1926 and, indeed, stood at \$11.1 million for the entire 1926-29 period.⁶² The Bank of Canada was to summarize that "Manitoba was in the forefront of Canadian provinces in increasing taxation and decreasing controllable expenditures."⁶³

Second, the fiscal policy also attempted to deal with the volatility of the province's economic structure, not by undertaking countercyclical spending and taxation, but by managing public finances so that the government could maintain the "pay as you go" policy regardless of cyclical trends. Hence, Bracken's government, even though dedicated to placing budgetary surplus as a primary objective of government, also established for the first time a provincial sinking fund to manage debt payment and attempted to provide public institutions with a more secure fiscal and financial position.⁶⁴ It was a fiscal policy to reflect, not counter, the instability of an agricultural export economy. In that context, fiscal capacity was the major definition of the limit and possibilities of what governments could and could not do.

Coming to terms with Manitoba's fiscal position also necessitated increasing taxes, despite the shrinking intervention of the provincial government within the economy. By the mid twenties Manitobans paid the highest provincial taxes in the country.⁶⁵ Land taxes

were regressive and an impediment to economic growth. Therefore, despite some protest, taxes were shifted to income.⁶⁶ This meant, of course, that Winnipeg became the greatest source of provincial revenue. Farmers would pay later, when agriculture had improved and they had incomes.

This fiscal policy was also extended to municipalities. Hence the decentralization of provincial political society, referred to above, was also based upon a paternalism enforced by regulating municipal finances. For example the Public Utilities Commissioner was transformed into a Municipal and Public Utilities Commission whose first and foremost mandate was to ensure that municipalities managed their debt.⁶⁷

The liberal orthodoxy of the Bracken government's fiscal policy reflected a fear of debt and taxation and yet it also incorporated an image of the state which spoke directly to farmers and the relatively new agricultural society. The redistributive elements of the fiscal policy are an important example. Bracken's policy towards the MPC and rural electrification also provide clear examples of the primacy of fiscal considerations in the Progressive image of the state. Fearful of debt and its consequences on taxation and public credit, the rentier energy strategy awarded important subsidies for the rural cooperative but at the same time avoided risks.

Progressive Forms of State Intervention in Economic Development

The National Progressives had entered politics with a "New National Policy," a social, moral and economic critique of the tariff and other forms of market protection, not the replacement of markets or capitalism with alternative forms of economic and social organization.⁶⁸ As a political movement, therefore, it had to advance programmes to bolster the position of farmers and to do so within a broadly liberal ideology of state intervention. The UFM, therefore, shared the rejection of existing structures of economic and political power such as monopolies and practices of the existing party system, and

mobilized the support of farmers to address the agricultural depression which had intensified when the federal government abandoned the war-time Wheat Board. Although the UFM represented the least "radical" of the farmers' movements, it had the same problem; to advance the interests of farmers within an ideology of state intervention which was clearly liberal.

To state the problem another way, if the UFM possessed a laissez-faire philosophy of state intervention then it would have simply been a vehicle to legitimize the power of the transportation, credit and marketing agencies which dominated prairie economic life. On the other hand, if the UFM advanced a *dirigiste* strategy of intervention, particularly in the form of public enterprise, they would have contradicted the essentially liberal philosophy of the relationship of state to economy. Accordingly, the Manitoba Progressives adhered to fairly novel forms of state intervention within this liberal framework which spoke to the specific policy needs of the province. The particular marriage of Progressivism with classical liberalism produced a pattern of state intervention that eschewed monopolies, yet sought only to intervene indirectly in markets, that avoided state entrepreneurship, but celebrated cooperative efforts and an administration composed of quasi-public, essentially private organizations.

The Progressives held the wheat export economy to be the economic base of Manitoba. It was the direct *raison d'être* for much of the province, and indirectly the source of Winnipeg's commercial, industrial and transportation economy. The Progressives did not attack the fundamentals of the capitalist market economy. Rather, they attacked its corrupted organization. Injustices were attributed to the unfair bargaining position of different groups. A major part of the Manitoba government's economic strategy was, therefore, to enhance the position of small farmers and the developing agricultural frontier through various credit schemes such as a provincial savings office, the

extension of farm improvement loans and rural credit societies.⁶⁹ These were policies intended to improve the position of agricultural producers within the international market, not attempts to replace that market. Similarly, the Bracken government, alone among the three prairie provinces, vetoed a Dominion initiative to reinstate a wheat marketing board to replace the powerful private grain exchange, favouring instead the establishment of cooperative wheat pools as to be a competitive force within the market.⁷⁰

The Manitoba government had historically intervened to bolster the transportation and communication infrastructure of rural Manitoba. The Manitoba Telephone System (MTS), for example, was the largest investment made by the province in provincial utilities⁷¹. The MTS provided a province-wide service, and the effect of this was to place the government continually in a position to determine to what extent Winnipeg consumers would subsidize rural communications.⁷² In contrast, the organization of the electrical utility industry ensured that the MPC could not engender the same continuous distributional conflict. If rural electrification had been considered integral to the wheat export economy then surely the UFM government would have moved quickly to accelerate the process. But the neglect of the MPC for most of the decade reflects the contrary assumption.⁷³ During the 1920s the provincial government froze all expenditures on utilities but invested heavily in establishing a road network. The rentier hydro energy policy paradigm conformed to these priorities. Rural Manitoba would gain the benefits of electrification, but the financial priorities of the Manitoba government would not be affected.

Though "wheat was king" the 1920s witnessed an important emphasis on economic diversification in Manitoba. The immediate push for diversification came from the post-war depression and unemployment in Winnipeg. Long-term reasons for an emphasis on economic diversification were equally significant. The General Strike had eroded the City

of Winnipeg's confidence and made external capital cautious on investment decisions. The opening up of the Panama Canal diminished Winnipeg's significance as a rail transportation and distribution centre for Western Canada. Not only was it less expensive to ship much of the annual wheat crop through Vancouver, other prairie cities, although smaller, had developed to the point where they could provide services which once came only from Winnipeg.⁷⁴

Policy attention turned to industrial promotion--not only for Winnipeg, but also towards establishing new resource industries on the Laurentian shield. Hydro resources and hydro utilities were an integral part of this industrial promotion. Bracken's most important industrial policy for Winnipeg was to support the Board of Trade's efforts to organize representatives of business, labour, and community associations into an Industrial Development Board (IDB).⁷⁵ The IDB objective was to reduce unemployment by promoting industrial investment.⁷⁶ Organizationally the IDB remained independent, although funded by the province, the City of Winnipeg and local business. Of the latter WEC was a leading force within the IDB and also its largest corporate sponsor.⁷⁷ There is no evidence to suggest that either the IDB or the provincial government entertained a *dirigiste* economic strategy. Nor is there any evidence to suggest that WEC itself practised a *dirigiste* industrial strategy similar to that of the Shawinigan group in Quebec which actively seeded energy-intensive industrialization as a means of fostering markets for its surplus capacity.⁷⁸ Rather, the IDB confined itself to industrial surveys, information gathering and promotional activities; there was no other provincial development organization.⁷⁹

The future of the WEC had become tied to industrialization, particularly resource industrialization. City Hydro was clearly winning the competition over the domestic energy markets. While the transit services of the utility were important for seeking

municipal and suburban markets, they were not really great money-makers. Technological change--the automobile--had made urban electric railway monopolies aging dinosaurs.⁸⁰ WEC's long-term survival, therefore, would depend upon its concentration in hydro production for industrial markets. Mining and pulp and paper were the new investment frontiers and both industries were intimately linked with hydro development.

Promotion was also a key part of the Premier's role in economic development. During the twenties Bracken worked in the roles of promoter and broker among the Dominion government, external capital and local business to promote northern resource development. Manitoba gained the first pulp and paper mill in the prairie provinces at Pine Falls, the first permanent mining centre at Flin Flon, and the long-sought rail linkage to Hudson's Bay. These were major accomplishments, but they were purchased at a price. In order to draw external capital the UFM government found that it had to give away long-term resource rights in the form of timber berths and hydro rights, as well as underwrite railway bonds.⁸¹ In this sense the role of the provincial government in northern Manitoba, particularly with regard to the new staples, including hydro, provided a different policy arena from the treatment of competition and monopolies, agriculture and industry within the rest of the province. In Winnipeg, for example, the objectives of the competitive policy paradigm had been to rely upon competition to provide inexpensive electrification. Within the rentier policy paradigm, on the other hand, the interests of resource, utility and governments coincided over promoting resource development. The paradigm assumed resource capital would become the motor of hydro development and then rural electrification. The provincial government took the role of promoter, landlord and redistributor.

Social Coalitions and the Progressive Image of the State

The Progressive image of state and society associated with Premier Bracken's UFM government was a political success. Bracken gained a majority in the 1927 provincial election, an accomplishment attributed to the apparent ability of the Progressives to meet their goal, the return of prosperity, and to the lack of alternatives appreciably powerful or distinct from what the Progressives offered.⁸² At the same time the farmers' movement itself was undergoing a fundamental change which left the whole Progressive edifice in question. The Bracken energy decisions, particularly those relating to Seven Sisters, threatened to split the coalition of support which kept the UFM government in power.

Since political coalitions are made, not given, it is important to indicate briefly the political discourse used to cement the coalition behind the UFM government. The Bracken government adhered to the convention of "non-partisanship" which rejected not only the old corrupt "partyism" of the Liberals and Conservatives, but also the doctrines of class politics associated with the more radical elements of the Progressives, the ILP and various left parties.⁸³ This was a powerful political convention which affected the political strategy and discourse of the UFM's competition. The National Liberal Party pushed its provincial counterpart to seek an alliance with the Progressives, a political solution which was taking place on the national level. A formal alliance did not materialize, but the informal close connections between the UFM government and the Liberal Party effectively blurred the distinctiveness of the Liberals and weakened their political power. The Conservative Party, on the other hand, clung tenaciously to a partisan discourse and was an effective opposition to the UFM. Yet, Kendle indicates that the Conservatives did not offer a radically different paradigm of state intervention.⁸⁴ Their ideas of state intervention differed to the extent that the party was more oriented towards an orthodox fiscal strategy and much less influenced by Progressivism.

The ILP also had ideological antecedents in the non-partisanship and direct democracy movements.⁸⁵ But the ILP was caught in a bind. In Winnipeg it stood as a populist/labour party in opposition to the business-dominated Independent Citizen's Committee (ICC). The Citizen's Committee ostensibly rejected party affiliation, which meant only that it rejected the collectivism and solidarity offered by the ILP. The ILP, outside of the post-strike farmer-business alliance, centred its activities in Winnipeg and Brandon and regarded the Bracken government as its main political opponent.⁸⁶ The ILP was not in a position to forge a farmer-labour alliance. Although in the pre-strike period elements of the Progressives had contemplated a worker-farmer alliance, the response of farmers to the strike was negative.⁸⁷ The strike caused a schism which effectively isolated the ILP as an urban party. Manitoba politics were segmented by the dominance of the class-based discourse in Winnipeg and UFM non-partisanship in provincial politics.

In summary, the Progressive image of state and society gained political support during the 1920s, and the UFM appeared to be the only organization capable of holding the farmer-business coalition that underpinned it. The Liberals were too closely associated with the UFM to be an independent agent. The Conservatives were not "Progressive" enough to form an alternative business-farmer coalition, and the possibility of a farmer-worker coalition had been reduced by the isolation of the ILP within Winnipeg.

Winnipeg business had regained a great deal of the confidence lost in the post-war depression, but it was a client community, particularly in financial matters, to Montreal and Toronto, the centres of the older national policy and leading investors in the new resource industries.⁸⁸ Winnipeg business had three competing vehicles for political representation within provincial politics--the UFM, the Liberals and the Conservatives. Nevertheless, they still needed support from rural Manitoba to have a voice in governing

the province. The UFM discourse of "business-like" government provided the means to cement a farmer-business coalition.⁸⁹

Though the UFM had defined the farmer's political agenda and brought about the 1922 electoral victory, the organization did not take an active part in government and, indeed, steadily withdrew from political life. David Laycock argues that there was little in Manitoba Progressive rhetoric to mobilize farmers.⁹⁰ Gerald Panting suggests that with the return of prosperity the Manitoba farmers' movement reverted to a traditional political conservatism that began to define farming as a business as opposed to a way of life.⁹¹ The rise of the cooperatives and wheat pools produced a more complex sociology of interests than during the previous decade.⁹² An alternative discourse defining farmers more narrowly as an economic class and advocating class organization as a union competed with the broad political approach adopted in 1922. The UFM had lost its coherence as a broad social movement. In 1928 the UFM withdrew from any role in provincial politics, leaving John Bracken's government to look for another organizational affiliation and identity. Bracken renamed his legislative group the Progressives. It was during the period when the UFM began to debate its political future that Premier Bracken made his energy decisions, particularly those concerning Seven Sisters.

Hydro Utilities and Class Politics in Winnipeg

Winnipeg and suburban city councils had an extraordinary influence on hydro policy. Utility franchises for transit and electrical services were a perennial fact of municipal politics. Also, the Public Utilities Committee of the Winnipeg City Council represented to City Hydro the equivalent of the Power Corporation to WEC. This committee controlled the financial plans, the allocation of expenditures and revenues and the general direction of City Hydro.

The emergence of a class-based political discourse in Winnipeg, as H.V. Nelles indicates, fundamentally changed the nature of municipal hydro politics and, in his view, ensured the dominance of WEC.⁹³ Before the general strike the Winnipeg public power movement was business-led and its ideology of public power was not rooted in a fundamental critique of capitalism or in a desire to pursue a socialist project. According to Nelles, the ideology was pragmatic and more concerned about insuring competition and low prices, or in other words the fair workings of a capitalist market, than in pursuing a public monopoly.

After the general strike the idea of public power became integral to the overriding class discourse of municipal politics. Hence the two utilities represented competing class projects. WEC was closely allied with the business community, and City Hydro was defended by the Independent Labour Party (ILP) and supported by a broad populist constituency. During the 1920s the ILP was on the defensive, and this backs Nelles' argument that the emergence of class as the most important political cleavage in Winnipeg worked to stifle public ownership of hydro resources. While holding Nelles' essential argument, this following analysis indicates that the issue was not so straightforward.

During the post-WWI depression the utilities were in curious positions. Initially, City Hydro was financially strong but politically weak and WEC, on the other hand, was financially weak but politically strong. The WEC was in need of external financial and technological support. Though it had secured the rights to the Great Falls site, the company could not float a stock issue in order to gain the financing to build the hydro facilities.⁹⁴ WEC's previous owners and source of financial power, the Mackenzie-Mann interests, were no longer an active force in the company. Additionally, its electric railways had lost their traditional monopoly to other technologies, and the company would, therefore, need public regulation and support to maintain profitability.⁹⁵

WEC's hydro-related financial and technical difficulties were resolved by the Nesbitt, Thomson (Power Corporation) connection. As the largest Canadian utilities pyramid holding company Nesbitt, Thomson specialized in providing financial, technical and management services to the companies it controlled.⁹⁶ For WEC, Nesbitt, Thomson became the conduit to financial capital in New York and London. WEC was also reorganized as a pyramid holding company over its electric railway and the Manitoba Power Company, its Great Falls subsidiary. By 1928 Nesbitt, Thomson had held 40 per cent of WEC stock, giving it a controlling interest in the company.⁹⁷ In short by 1928 WEC had reached the zenith of its financial power.

WEC also ensured that its interests were well represented in municipal politics and the provincial legislature. Within Winnipeg the class divisions of the urban political life were reinforced by the schedule of biannual elections hotly contested by the ILP and the Citizens' Committee (under various names). At issue was the control of the Winnipeg City Council Public Utilities Committee.⁹⁸ This committee recommended all policy on utility policy and franchises, and therefore was of tremendous importance for both utilities and their allies. Of equal importance for the antagonists were provisions of the Winnipeg City Charter which ensured that there would be a rate-payers' referendum before the City undertook any major debts--a provision which ensured that any municipal borrowing for hydro development would be submitted to the rate-payers for approval.

During the 1920s WEC was very successful in regard to hydro. There were four major municipal decisions which structured the success of WEC and the policy options facing the Bracken government. First, the decision in 1926 by Winnipeg City Council to have City Hydro enter into a long-term supply contract with WEC rather than develop Slave Falls ensured that WEC would predominate during the 1920s because it was the only utility with excess capacity. Second, the decision in 1927 to make an application to

develop Seven Sisters and then withdraw from the process placed greater pressure on Bracken to make a decision on the site and narrowed provincial alternatives to a choice between the MPC and WEC. Third, in May, 1928 the Winnipeg City Council legitimized the Bracken-WEC deal by twice voting to defeat a motion that City Hydro as opposed to WEC should develop Seven Sisters. Fourth, the decision to start with Slave Falls at the same time that WEC started Seven Sisters was a breach of the policy of orderly sequential development. Surely, the timing of the Slave Falls project was an accommodation to supporters of City Hydro. But, in the end, the City of Winnipeg removed City Hydro as a major contender for Seven Sisters or the role of the leading hydro utility for the province. Winnipeg had structured the choice to be between WEC and the MPC. Furthermore, by signalling that City Hydro would no longer supply the MPC with energy, the City of Winnipeg had inevitably linked the future of the MPC with the Seven Sisters decision.

Hydro Policy Contestation

The implications of the argument presented thus far are that by 1928 the Bracken government was in a policy dilemma. Its Progressive base maintained a strong ideological belief in the public ownership of utilities, part of a deeply seated anti-monopoly ideology fundamental to Manitoba political thought.⁹⁹ During the 1920s, however, WEC, not City Hydro, became an integral part of the province's economic development strategy. Moreover, as pressure mounted to make a decision on the allocation of the Seven Sisters hydro site, the City of Winnipeg took City Hydro out of the competition. Bracken had to choose between provincial public ownership (the MPC) and WEC. To grant the site to the MPC would have pleased rural Progressives, the ILP and the remnants of the public power movement. But it would also have jeopardized the security which the Bracken government had fought so hard to attain for Manitoba public finances and would have contravened the essentially rentier role it had assumed in economic development. To cede

the site to WEC, on the other hand, would have invited political backlash not only from Winnipeg, but more importantly from the rural constituency that placed Bracken in power.

Placing the Seven Sisters decision in the context of the 1920s resource boom rephrases the choice Bracken faced. The real question facing the UFM government was whether or not it would halt the WEC juggernaut. Economically and politically WEC was a rising star. Its common shares, for example, had risen from a high and low of \$64 and \$40.50 in 1926 to \$123 and \$98 in 1928.¹⁰⁰ Furthermore, there was a close and symbiotic relationship between WEC and the provincial and federal governments. WEC played an integral part in the provincial economic diversification strategy. The first UFM Treasurer resigned to become one of the company's officers. Much of WEC's power and the pressure for a Seven Sisters decision stemmed from the 1920s resource boom. The rate of economic growth and diversification was intoxicating--and Bracken, like much of Manitoba, simply lost perspective. In early 1922, for example, we have seen that it appeared that a Seven Sisters decision would not be needed until the late 1930s. In 1928, though WEC had ample excess capacity to meet normal rates of growth, its 16 per cent rate of growth of firm energy demand necessitated a quick decision. At no other time had resource capital become so influential in shaping provincial economic strategy.

The way in which Premier Bracken dealt with the decision has been analysed by both Kendle and Nelles.¹⁰¹ Briefly, the Seven Sisters decision was made by the Premier, ratified by cabinet, and then released to a surprised political community. The decision-making process was equally secretive. The Dominion government was forcing Bracken into a decision and hoping that he would settle on a version of their hydro allocation plans. Bracken confidentially sought legal advice on whether the province could expropriate the Pinnawa power installations and rights from WEC and also confidentially sought advice from Dr. T.H. Hogg, Chief Engineer of the Ontario Hydro-Electric Power Commission,

on the viability of provincial public ownership. The Premier was informed that the province did not have the legal power to expropriate WEC's Pinnawa lands or hydro rights.¹⁰² Hogg evaluated the prospect of provincial public ownership on the basis of the needs of the MPC. Here he came to the obvious conclusion that the site was too expensive to develop for the needs of the MPC, particularly given the necessity of taking over WEC's Pinnawa facilities.¹⁰³ The provincial government would be better off, in his view, to secure a well-priced supply contract from WEC for rural electrification in return for getting the site. Armed with this knowledge, the Premier pursued a bargaining strategy which accomplished exactly those objectives. The Dominion rentier strategy had been placed on top of the existing competitive paradigm. Additionally, rural Manitoba was to be the target of hydro-related redistribution.

Upon the announcement of the Seven Sisters decision, the Premier was accused of corruption by the leader of the Conservative Party, Colonel F.G. Taylor. Essentially, an accusation was floated that the Seven Sisters site was purchased by WEC through special contributions to the UFM's 1927 election campaign. The corruption charges nearly derailed the decision. The City of Winnipeg, as indicated above, almost reversed its position on City Hydro's claim to Seven Sisters. As well, Progressive MPs called upon Prime Minister Mackenzie King to reverse the decision--an initiative that was only thwarted, according to Nelles, by Bracken's linking of the decision to the powers vested in the provincial government due to the impending transfer of natural resources and the future of the Liberal-Progressive alliance in the province.¹⁰⁴ In time Bracken was cleared of corruption allegations, although during the process it surfaced that several cabinet ministers and MLAs had purchased shares of WEC and, predictably, the President, A.W. McLimont, refused to open the company's books to the inquiry and had general lapses of memory when questioned about political affairs.¹⁰⁵ Subsequent historical analyses have

never seriously reintroduced corruption as a motivation for the Seven Sisters decision. Hence the attempt by Taylor to link the Seven Sisters decision to the older traditions of partisan corruption failed.

Though WEC had become the flagship of Winnipeg business, the effect of the Seven Sisters decision was to increase direct control of it by Power Corporation.¹⁰⁶ A.J. Nesbitt clashed with McLimont over the wisdom of the latter's financial policies, particularly with respect to real estate. What appears to be the major issue was that McLimont was less concerned with hydro financing and somewhat too caught up in the speculation of the late 1920s boom. Nesbitt, on the other hand, was clearly not content with WEC management nor with the fact that his warnings were not heeded by the local directors. He resolved the issue by imposing an ultimatum and then followed through by taking control of the company's finances, installing his own President, Edward Anderson, and then attempting to get the company out of a money-losing real estate deal. McLimont "became ill" during the Seven Sisters inquiry and took an early retirement. Power Corporation, through a special finance committee of the Board of Directors, assumed full and direct control of all financial activities of the company.

Did the Seven Sisters decision contribute to the withdrawal of the UFM from active politics? The evidence presented so far would hardly point to that conclusion. Certainly the Progressives and the ILP ideology stressed that utilities, as "natural monopolies," ought to be owned by the public. But the description of WEC as a monopoly, though integral to political discourse, was hardly a correct assessment. City Hydro remained a competitive force in the hydro industry. In truth WEC was the dominant utility in terms of its command over Winnipeg River hydro resources and its financial connection with Power Corporation. But it did not have the power to control either production or prices. It could not, therefore, be considered a hydro monopoly. The older "natural monopoly"

argument and discourse, when applied to WEC, really did not hold. The bargain struck between WEC and Bracken for a 15 year renewable supply contract for 30,000 horse power of electricity appeared to ensure in 1928 all the energy that the MPC would need well into the future. In accordance with the new policy the Manitoba government embarked upon a record level of investment in the expansion of the MPC during 1929.

Conclusions

This chapter has described the succession of early policy paradigms which governed hydro policy in the first decades of the century and then analysed the shift from the "competitive urban electrification" to the "rentier-redistributive" policy paradigm in the late 1920s. This was an important shift because the rentier-redistributive paradigm would dominate the policy field for the next quarter century.

The goals of the competitive policy paradigm were to spread the process of electrification as quickly and inexpensively as possible and yet to control the exclusive club of monopolies who dominated the industry. Within this paradigm WEC and City Hydro competed for capacity, markets and political support. To this was added a small, marginal and not very successful provincial utility mandated to bring the benefits of electrification to rural Manitoba. The Manitoba government, concerned about the effects of monopoly upon prices, assumed that competition would do the trick--and therefore was able to withdraw from active regulation of the industry. The Dominion of Canada, as owner of natural resources on the prairie provinces during the National Policy had at first given away hydro sites in perpetuity, but then gradually worked out a conservation and hydro allocation policy which included reserving hydro sites for both WEC and City Hydro. Yet competition also masked the fact that rival urban private and public utilities were antagonistic class projects seeking to control the process of electrification.

There were important policy experiments and innovations during the 1920s which precipitated a change in paradigms. During the 1920s the Dominion government designed a new set of regulations which envisaged that the state remain the owner of hydro resources. Those resources, on the other hand, could be leased to utilities for periods of up to 30 years on certain conditions. The rentier relationship, therefore, was an alternative to both the status quo and to provincial state ownership. Moreover, since the Mackenzie King government had accepted the principle of transferring ownership of natural resources to the prairie provinces, the Bracken UFM government would be the agent to acquiesce to the timing and terms of allocating hydro sites to utilities.

There were also significant policy failures and new problems that had to be addressed. The MPC's start at rural electrification turned out to be a failure. Its rural transmission grid integrated few municipalities, excluded the City of Brandon, had an awkward organizational structure, and was saddled with an unmanageable debt. Moreover, the MPC been victimized by the competition between WEC and City Hydro when the latter refused to continue supplying it with energy. Hence, one of the most pressing new policy problems was to gain a secure and inexpensive supply of energy for the MPC.

There was also market pressure to release new capacity, and thus change the balance of power between the antagonistic utilities. Moreover, that pressure did not come from growing urban markets, but rather from resource capital operating on the Laurentian Shield north of Winnipeg. As a result the policy paradigm had to account for the new needs of staples or resource industries and define the role of hydro in facilitating resource industrialization. These pressures came to a head over competition to gain the rights to Seven Sisters, the largest hydro site on the Winnipeg River.

How did the first UFM government deal with these problems? Essentially Bracken institutionalized a rentier-redistributive paradigm as opposed to pursuing state ownership. The key decision came in the context of driving a controversial and historically strategic bargain with WEC in which the utility gained a long term lease to Seven Sisters and the provincial government gained, on top of water power rentals, a long-term renewable cheap supply contract for the MPC. Moreover, WEC was bound to complete the investment in the short term. At the same time the City of Winnipeg exercised its rights to develop the second largest site on the River, Slave Falls. The terms of the Slave Falls lease did not reflect the same industrialization and rural electrification objectives, save that the Bracken government reserved the right to purchase surplus energy from the site for the MPC if needed.

Bracken was left with a choice between relying upon the MPC or WEC to develop hydro capacity. In analysing why Bracken moved towards WEC this chapter has emphasized that the UFM government was attempting to institutionalize a fiscal policy which maintained an orthodox position on the necessity of balancing budgets, eschewed debt and taxation, redistributed the burden of tax from land to income, and devised ways of dealing with the provincial government's large accumulated debt. The UFM government was also implementing a passive rentier economic strategy that relied on quasi-public organizations and preferred cooperatives over state ownership. This "business-like" Progressive government attempted to meet the interests of both agricultural producers and business. It was successful. To have placed the Seven Sisters site under public ownership would, therefore, have produced costs and a risk which were antithetical to the image of the state developed by the UFM over the decade. Moreover, it would have necessitated thwarting the trajectory of the City's most powerful company. Bracken chose not to take risks and not to thwart WEC. While the Seven Sisters decision was an ideological

disappointment to UFM advocates of public power, it offered substantial redistribution to subsidize rural electrification and thus appeared to address the real goals of Bracken's constituents.

Why was Slave Falls released at one time? This chapter has argued that the Bracken UFM government did not make all of the decisions which comprised the policy paradigm. Within Manitoba, the political conventions of the time respected the autonomy of the City of Winnipeg. Indeed, Winnipeg took its own municipal utility out of the competition for Seven Sisters and decided to exercise an historical right to develop Slave Falls. These municipal decisions stemmed from the political struggle between two rival utilities and class projects. Advocates of public power were marginalized in the post-1919 class-based municipal political structures and therefore looked to the capacity allocation decisions as a means to address historical grievances. These decisions balanced the relationship between WEC and City Hydro.

Finally, the 1928 energy decisions, taken on the eve of transfer of natural resources to the province, stood in contrast to the 1920s conservation policy which advocated the release of hydro sites in an orderly and sequential manner. Both WEC and City Hydro gained sites on which they set to work immediately. Why? Sites were allocated to serve the specific energy needs of each utility rather than through an examination of the needs of the hydro sector as a whole. This was a consequence of the divisions that emerged from carving up hydro capacity and markets among competing utilities. It was also the product of the late 1920s boom when, for a brief period, it looked as though hydro demand would double every five years. The rentier-redistributive policy paradigm hitched the rural electrification cart to the success of WEC and the further development of the pulp and paper industry.

The speculative assumption turned out to be extremely weak. The redistribution anticipated by the rentier strategy hardly met the bill. The next chapter examines the response of the Manitoba government to many pressures to change the policy paradigm in the face of the economic depression that gripped the province during the 1930s. Rural electrification was stopped in its tracks and WEC faced financial collapse. The three pillars of the rentier policy paradigm, WEC, City Hydro and the MPC, went through important metamorphoses. It would take fifteen years for the province to adjust to the new situation.

End Notes

¹ Christopher Armstrong and H.V. Nelles. Monopoly's Moment: The Organization and Regulation of Canadian Utilities, 1830-1930 (Philadelphia: Temple University Press, 1986) 94-96, 115-120.

² Armstrong and Nelles Monopoly's Moment.

³ Armstrong and Nelles Monopoly's Moment 94-96, 115-120.

⁴ H.V. Nelles. "Public Ownership of Utilities in Manitoba and Ontario, 1906-1930," Canadian Historical Review 7.4 (December 1976) : 467-469.

⁵ Nelles "Public Ownership of Utilities" 470.

⁶ Alan George Gardiner. "The Electric Power Industry of Manitoba: an Economic Analysis." (M.A. Thesis. Winnipeg: University of Manitoba, 1963) 92-96.

⁷ PAM, Manitoba, Mines and Natural Resources, Deputy Minister's Office, RG 17 B1, Water Resources Files (hereafter MRDMNR DMO WRF) Box 109, file 36.2.2(A), Policy--Water Power, 1945-1948. Interdepartmental Memorandum from B.B. Hogarth, Chief Engineer, to J.G. Cowan, Assistant Deputy Minister, Subject, Pine Falls Power Site. March 20, 1947, pp. 1, 5.

⁸ PAM, Manitoba, Records of the Premier's Office (hereafter PAM MRPO Bracken) Range 43 GR 43, Box 28, file 352, Memorandum: The Right Honourable The Prime Minister. Re the matter of the Seven Sisters on the Winnipeg River in Manitoba, Ottawa, June 26, 1928, pp. 1-2.

⁹ Nelles "Public Ownership of Utilities" 473-477.

¹⁰ The Winnipeg River divides into two channels in the vicinity of Seven Sisters. On one channel WEC had built its original Pinnawa dam. The second, Seven Sisters channel, had much more hydro potential, but to develop its full potential would necessitate closing of the Pinnawa channel, and thus compensating WEC for its lost revenues. Dr. T.H. Hogg, "Report on the Winnipeg River," in Reports Relating to Development of Seven Sisters Power Site on the Winnipeg River and Agreement for Supply of Power to Provincial Hydro-Electric System (Winnipeg: Province of Manitoba, 1928) 78-80; John Kendle, John Bracken: A Political Biography (Toronto: University of Toronto Press, 1979) 72.

¹¹ PAM MRPO Bracken Range 43 GR 43, Box 28, file 352, Memorandum: The Right Honourable The Prime Minister. Re the matter of the Seven Sisters on the Winnipeg River in Manitoba, Ottawa, June 26, 1928, p. 6.

¹² The actual figure would depend upon what was needed for reserves (10%-15%), and the amount of coal thermal standby capacity, the technical features of the system, as well as the extent to which water flows were above or below normal. Early literature does not give "reserve" margins, and the technical features of each electricity system differed. Additionally, each utility faced a different demand curve. In the contemporary period, the Manitoba Hydro Electric Board uses 12% as a reserve margin.

¹³ PAM MRPO Bracken Range 43 GR 43, Box 28, file 352, Memorandum: The Right Honourable The Prime Minister. Re the matter of the Seven Sisters on the Winnipeg River in Manitoba, Ottawa, June 26, 1928, p. 1; also see Nelles "Public Ownership of Utilities" 475.

¹⁴ The general contours of the regulations concerning water power rentals are described in PAM MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Inter-Departmental Memorandum from B.B. Hogarth, Chief Engineer, to Mr. D. M. Stephens, Deputy Minister, subject: Water Power Rentals, April 4, 1950. Also, for a general discussion see R.T. Jefferey, Report on the Distribution of Electric Power in the Province of Manitoba (Winnipeg: Manitoba Power Commission, 1930) 128-148. The specific terms are outlined on page 131: Pinnawa--no rentals, Point du Bois--50 cents on each horsepower over 20,000 h.p., Great Falls--50 cents/ h.p. on all output. The formula was "total kilowatt hours generated per annum divided by the maximum load of the year in kilowatts and by 8760". The number 8760 represents the number of hours in the year. The problem in estimating expected rental revenues was anticipating the load, or degree, to which the capacity was used.

¹⁵ H. Carl Goldenberg, Report of the Government Commercial Enterprises Survey (Winnipeg: King's Printer, 1940) 65-66.

¹⁶ C.H. Attwood, The Water Resources of Manitoba, Winnipeg: Economic Survey Board (June 1938) 109-110.

¹⁷ There is no statistical information available on the structure and development of this small scale rural municipal utility sector, save one estimate of its maximum total capacity, 6000 KW, reached in 1930. See Manitoba Hydro, Annual Report (1958) 39.

¹⁸ D.G. Ross, "History of the Electrical Industry in Manitoba," Transactions (1964) : 51.

¹⁹ John Dales, Hydroelectricity and Industrialization--Quebec, 1898-1940 (Cambridge: Harvard University Press, 1957).

²⁰ Dales Hydroelectricity and Industrialization provided examples of both. The Shawinigan Water and Power Company provided the example of the firm that launched a *dirigiste* industrial strategy to create markets for its hydro capacity (pp. 67-100). The Montreal Light, Heat and Power Company created an urban distribution monopoly with the corresponding rate structures which retarded the development of the Saint Lawrence hydro and industrial development (pp. 101-123). Generally, Dales held that the private hydro utilities' attempt to solve problems of excess capacity helped to foster the industrialization of Quebec, but also retarded the general rate of growth because the high rates charged for domestic markets worked as a tax on incomes and also retarded the technological modernization associated with electrification (pp. 179-180).

²¹ The rates were actually so low that City Hydro officials attempted to have them revised upwards, claiming that the 3.5 cents per kilowatt hour did not include transmission costs from the Winnipeg River to Winnipeg. In the end the City Council did not buy the excuse and forced the municipal utility to live within the parameters of low rates for domestic light and heating. See Gardiner The Electric Power Industry of Manitoba 92-96.

²² Morton Manitoba 396.

²³ PAM. MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(A), Policy--Water Power, 1945-1948. This sequence of events is revealed in the following: Memorandum from Hogarth to Cowan, March 20, 1947; Travers Sweetman, Council for Manitoba Paper, to the Honorable Charles Stewart, Minister of the Interior, RE: Pine Falls Power Company, (23 March 1926); also R.A. Gibson, Esq., Assistant Deputy Minister, Department of the Interior, RE Notice of Motion Re Pine Falls by Mr. A.A. Heaps, M.P (25 February 1929) : 5.

²⁴ Paul Phillips, "Power Politics: Municipal Affairs and Seymour James Farmer, 1909-1924," in A. R. McCormack and Ian Macpherson, eds., Cities in the West: Papers of the Western Canada Urban History Conference--University of Winnipeg, October 1974 (Ottawa: National Museums of Canada, 1975) 159-180.

²⁵ Goldenberg Government Commercial Enterprises 99B.

²⁶ Goldenberg Government Commercial Enterprises 66. The Canadian British Corporation appears to be a conduit in which British investors were looking for investment opportunities in Canada which would be subsidized or protected by British trade legislation. The details of negotiations are contained in PAM Records of the Provincial Treasurer (hereafter PAM RPT) ACC G114 Box 4, C.B. Watts, Canadian Representative of the Canadian British Corporation, to Hon. T.M. Black, Provincial Treasurer, January 23, 1924, W.R. Clubb, Minister of Public Works, to Black, January 29, 1924, Black to Watts, February 2, 1924, The Winnipeg Tribune, March 5, 1924, Black to Watts, March 7, 1924.

²⁷ Goldenberg Government Commercial Enterprises 66-67, 89-90.

²⁸ S.J. Farmer, The Power Trust or Public Ownership? (Speech Delivered in the Manitoba Legislature, February 2, 1928) 13.

²⁹ The contract entailed the purchase of up to 30,000 horse power at \$17.50 per horse power for from 9-11 years commencing on September 1, 1928. Manitoba Power Company, Annual Report (1926) 1 and William Ivens, "A Prismatic Picture of Hydro-Electric Power Development in Manitoba: Past Present Future" (Winnipeg: Manitoba Hydro Library, 1955) 20.

³⁰ Kendle John Bracken 54, 71.

³¹ Kendle John Bracken 71, 74, also Nelles "Public Ownership of Utilities" 475.

³² Nelles "Public Ownership of Utilities" 480.

³³ According to Kendle the federal interest was to see that the eventual development of Seven Sisters would take full advantage of the river's hydro capacity. Therefore, whoever developed the site would have eventually to buy out WEC's Pinnawa lease. Kendle John Bracken 72.

³⁴ Nelles "Public Ownership of Utilities" 475-476.

³⁵ Nelles "Public Ownership of Utilities" 476.

³⁶ Hogg "Report on the Winnipeg River" 89; also see R.T. Jefferey Report on the Distribution of Electrical Power 112-117 for a more detailed discussion of the favourable elements of the contract, particularly compared to the standard form of agreements used by the Ontario Hydro Electric Commission. The process is well described by Kendle John Bracken 72-79.

³⁷ Though the decision to reserve Slave Falls for the City of Winnipeg had been made by the Dominion government much earlier, Bracken could shape the terms of the rentier relationship between the Dominion and the City. The terms of the licence contained these provisions pertaining to a provincial claim on Slave Falls energy, and these claims eventually became important in the immediate post-war period. See PAM. MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Hogarth to McDiarmid, April 9, 1948, p. 2. Also, see the discussion of the collapse of the hydro policy paradigm in Chapter Four.

³⁸ Morton Manitoba Revised Edition 402 emphasizes the Progressive argument for the rentier policy. He states: That the decision was a wise one and a proper one, in the short run at least, there is little doubt. The province was still heavily in debt, and encumbered with a number of costly provincial enterprises. The heavy borrowing which the building of the plant and transmission lines...would have been a major addition to the provincial debt, even if incurred for productive purposes. The bargain driven with the Winnipeg Electric Company was a shrewd one, in view of that company's need for more power. The needs of the Manitoba Power Commission, still largely confined to supplying light and power to rural towns because of the reluctance of farmers to incur the initial charges of electrical installation, were taken care of for many years at rates which were then most moderate."

Kendle John Bracken 79 sums up the situation: "What appears incontrovertible is that the WEC was quite prepared to accept fairly hard terms to gain control over 50 per cent of the power of the river for thirty years. This raises the question as to whether or not it was a bargain in the public interest. On balance the answer still appears to be yes, given that the province would have been unable to take over except at enormous costs which would have meant extra taxes--an anathema to all parties--and because control of the site could return to the province in thirty years."

³⁹ The fund, however, would only cover half the MPC's annual capital expenditure for expansion and was not to be used for establishing local distribution systems. The latter were still a municipal responsibility, and they would also, therefore, share the financial responsibility of extending electrification. Nevertheless, this subsidy, in conjunction with the supply contract, represented an important improvement to the utility's shaky financial status. See Goldenberg Government Commercial Enterprises 47 and Jefferey Report on the Distribution of Electrical Power 128-148.

⁴⁰ Jefferey Report on the Distribution of Electrical Power.

⁴¹ Kendle begins his analysis of the Seven Sisters decision with this quote from speech notes. See his John Bracken 68.

⁴² The importance of the expectations was simply that the MPC needed to be assured of a supply of energy when the City supply contract expired. By 1929 the provincial government was worried that the MPC would run out of power and that they had no way of forcing WEC to hurry the Seven Sisters construction

along. WEC took the position, however, that the contract provided no enforcement provisions for the five year clause and that City Hydro would supply the MPC with Power until Seven Sisters was ready. This is contained in PAM Records of the Department of Justice (hereafter PAM MRDJ) GR 950 Box 117 (loose in Box A), untitled file re Hydro Electric Power, Edward Anderson to Honourable W.J. Major, K.C. November 13, 1929, Confidential. Anderson's letter contained: R.D. Guy, K.C. Solicitor for WEC, to Edward Anderson, President and General Manager. RE Manitoba Government and Northwestern Power Contract.

⁴³ The provincial Department of Justice feared that the terms of the agreement between the Manitoba Paper Company and the Dominion Government limited the province's ability to force the company to develop the site until 1935 and therefore wanted to rush through legislation to award the province the ability to do so. Bracken, on the other hand, thought that the province, through control of the allocation of timber berths, had leverage to ensure that the company invested in the hydro sites. Bracken also wanted to reserve the surplus power at Pine Falls and McArthur Falls for the province. The clarity of the province's ability to achieve these objectives was clouded by the ambiguous constitutional position of hydro and the terms of the Natural Resources Agreement. The province debated on whether it was better to deal with these issues by means of a resolution or by means of an act of the legislature. Eventually Bracken decided to support an act, if necessary, as long as it was brief. These deliberations took place in two conferences. See PAM MRDJ GR 950 Box 117 (loose in Box C), untitled file re Hydro Electric Power, Memorandum: Re Pine Falls--McArthur Falls, Minutes of Conference in the office of Premier Bracken between Premier Bracken, A.B. Hudson, and Mr. Allen, March 5, 1929; and Memorandum: Re Conference with Mr. Hudson and Premier Bracken Re Pine Falls--McArthur Falls, March 6, 1929.

⁴⁴ Until 1927 Bracken's government was called a United Farmers of Manitoba (UFM) government. After 1928 it was called a Progressive government. From the 1930s onward it was called a Liberal-Progressive Party. It ruled in various coalitions or non-partisan governments until 1945. From 1945 to 1958 (when it lost power to the Provincial Conservatives) it held majority power. By the early 1950s it was more clearly a Liberal as opposed to a Progressive party. By the early 1960s the party dropped the Progressive label at the same time that it had disappeared as a significant political force. See Alex Netherton, "The Shifting Points of Manitoba Politics: A Neo-Institutional Analysis," in Keith Brownsey and Michael Howlett eds., The Provincial State: Politics in Canada's Provinces and Territories (Toronto: Copp Clark, 1992).

⁴⁵ H.V. Nelles, The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1840-1941 (Toronto: Macmillan, 1974) 248-255.

⁴⁶ Nelles "Public Ownership of Utilities."

⁴⁷ Christopher Armstrong and H.V. Nelles, "Contrasting Development of the Hydro Electric Industry in the Montreal and Toronto Regions, 1900-1930," Journal of Canadian Studies 18 (1983) : 5-27.

⁴⁸ Kendle John Bracken 73-74

⁴⁹ This is an important, but unstated, assumption of politics during the Liberal-Progressive period. The assumption is hardly stated directly for understandable reasons discussed in Chapter One; that most political histories centre on parties or individuals, and very few on the state itself. Nevertheless, the habit of defining "the province," as rural Manitoba farming communities outside of Winnipeg and "the City" as

Winnipeg, is common. Kendle, for example indicates that the provincially owned rural distribution utility was the "Provincial Hydro (technically known as the Manitoba Power Commission)." John Bracken 70.

Historical accounts further attribute a different rural-farming culture to the "province," one sometimes also defined by the ethnic composition of the community's immigrant population, and one, particularly in the southwest of the province, that was more in tune with Liberal-Progressive values and political discourse. See Kendle's discussion of "Brackenism" in his John Bracken 50-51. Morton also uses many of the same assumptions in his historical analysis of Manitoba society. Manitoba Revised Edition 407-421

Morton also regards the political ideology of the Liberal-Progressives as consistent during the whole of the 1922-1958 period. Hence it is reflective of the new era of Manitoba politics discussed in this chapter, but then becomes a drag to the development of the province when the smaller communities disappear in post-1945 modernization and urbanization. Morton Manitoba Revised Edition 462-463, 476-478. In this sense, as is discussed below, the UFM government and its successors build the bridges between rural Manitoba, or "the Province," and Winnipeg, or "the City."

A detailed and direct expression of the relationship of the provincial government comes from archival records, particularly the following memo from W.R. Cottingham, the Chairman of the Municipal and Public Utilities Board, to Honourable William Morton. The memo to William Morton, a new Minister is important because in it the commissioner reflects upon his activities over a twenty year period regulating the fiscal policies of municipal governments. In it he indicates that the primary objective of the regulation had been to have the municipalities deal with the financial losses they encountered during the post-war depression, and then live within their fiscal means and how his regulatory mandate is limited by the fiscal autonomy of Winnipeg. Cottingham's memo also reveals to the Minister the differences and ambiguities between the legislated intent of the Commission and its own interpretation of its role. The memo is particularly instructive given the great weight provincial administrators played in provincial politics during the period under question. See PAM, Manitoba--Public Utilities--Minister's Office (hereafter PAM M PU) RG 11, A 1, 1923-1955, Box 1, General File, W.R. Cottingham, Chairman of the Municipal and Public Utilities Board, to Honourable William Morton, Municipal Commissioner, January 27, 1943.

⁵⁰ For a description and explanation of native political dependency in northern Manitoba see John Loxley, "The Great Northern Plan," Studies in Political Economy 6 (Autumn 1981): 154-163. For one analysis of the political implications of this form of political history, see J. Anthony Long, "Revitalization in Canadian Native Indian Societies," Canadian Journal of Political Science (24.4) December 1990): 751-773.

⁵¹ PAM M PU RG 11, A 1, 1923-1955, Box 1, W.R. Cottingham to Morton, January 27, 1943. The Cottingham (p. 4) states: In the case of City Hydro the Winnipeg Council has always been jealous of interference by any agency of the Provincial Government in the operations of this utility and we have avoided interfering in what, after all, are disputes about questions of administrative policy, most of which can be determined within the City Council itself. ... After all, a line between what is 'regulation' designed for the benefit of consumer or the public, and what is the 'management' of such enterprises is indefinite and the Board certainly should not interfere in the management; its powers, such as they may be, should be limited to regulating, arbitrating or otherwise interfering only where something can be done in the interests of the consuming public which in the end pays in charges, fares, etc., the cost of all."

⁵² W.R. Cottingham to Morton, January 27, 1943, Ibid.

⁵³ W.R. Cottingham to Morton, January 27, 1943, Ibid.

⁵⁴ PAM MRDJ GR 542 Box 180, file: Manitoba Power Commission, 1924-1944, W.R. Cottingham to Hon. W.J. Major, Attorney General, February 4, 1929, p. 2.

⁵⁵ PAM MRDJ GR 542 Box 180, file: Manitoba Power Commission, 1924-1944, W.R. Cottingham to Hon. W.J. Major, Attorney General, February 4, 1929; Memorandum for Mr. Allen: Re Municipal and Public Utility Board and Provincial Hydro (no author), February 26, 1929.

⁵⁶ Nelles "Public Ownership of Utilities."

⁵⁷ PAM, Manitoba, Records of the Department of Finance (hereafter PAM MRDF) G114 Box 4, Hydro file, E. Lowary, Manitoba Telephone System, Memo for Mr Black, March 31, 1924.

⁵⁸ Morton Manitoba Revised Edition 373-375.

⁵⁹ Kendle John Bracken 26-27, 108.

⁶⁰ Morton Manitoba Revised Edition 381; Kendle John Bracken 39.

⁶¹ Kendle John Bracken 39-40, Morton Manitoba Revised Edition 378, 384. Kendle John Bracken 47 illustrates the way in which Bracken sold the importance of fiscal limitation and his fiscal policy: "In his speeches [for the 1923 by-elections] Bracken usually surveyed the deficit situation in the province and reminded his audiences that wheat production had not increased in the past fifteen years. So expenditures had outrun revenue. There was no need, he said, to blame anyone: all were responsible. The important thing was to get together to solve the difficulty. Some might ask 'why cut expenditures?' 'why balance the budget?' This, said Bracken, was necessary in order to protect the credit of the province: 'How could people demand lower taxation until such time as the government could pay its way?' As for income tax, he agreed that all taxes were very disagreeable, 'but surely it was agreed that it was only fair for those who had money to pay more than those who had not?'"

⁶² Bank of Canada, Report on the Financial Position of the Province of Manitoba, in Manitoba, Manitoba's Case, Appendix B: Analysis of Manitoba's Treasury Problem (Winnipeg: King's Printer, 1937) 81.

⁶³ Bank of Canada Report on the Financial Position 78-79.

⁶⁴ Bank of Canada Report on the Financial Position 78, 79-80.

⁶⁵ Bank of Canada Report on the Financial Position 78.

⁶⁶ Manitobans' income was taxed on average 8% more than that of citizens of other provinces. Bank of Canada Report on the Financial Position 78. The shift of taxation from land to income was also very important politically. See Kendle John Bracken 42; Morton Manitoba Revised Edition 382.

⁶⁷ This is discussed in PAM M PU RG 11, A 1, 1923-1955, Box 1, General File, W.R. Cottingham, Chairman of the Municipal and Public Utilities Board, to Honourable William Morton, Municipal Commissioner, January, 27, 1943, discussed above.

⁶⁸ David Laycock, Populism and Democratic Thought in the Canadian Prairies, 1910-1945 (Toronto: University of Toronto Press, 1990) 30-33.

⁶⁹ The importance of these activities for the provincial debt is described in R. McN. Pearson, Provincial Finance in Manitoba (Winnipeg: Economic Survey Board, Province of Manitoba, 1938) 15-17. See also Morton Manitoba Revised Edition 386-391.

⁷⁰ Prairie farmers had benefited from the war time control of prices and marketing and, therefore, were alarmed when the wheat board was disbanded in the postwar period. Power again shifted to the Winnipeg private grain exchange, a traditional *bête noire* of wheat producers. In the early twenties the Dominion government, in an attempt to accommodate western Progressives, took steps to establish a new wheat marketing board. Given constitutional complexities, however, the Dominion government needed the prairie legislatures to pass resolutions awarding it the constitutional powers necessary to establish the board. All prairie legislatures save Bracken Manitoba did so, and the Manitoba hesitancy effectively vetoed the initiative. Bracken eventually thought that cooperatives were a better solution and put his government's support in that direction. Cooperatives, as a solution to the problems of grain marketing, did take power away from the private grain exchange, even though as a form of intervention they were not as powerful as a publicly owned monopoly. Cooperatives did, however, demand less intervention on the part of governments. State action was confined to provincial guarantees on financing and smoothing relations between the cooperatives and established private exchange. See Morton Manitoba Revised Edition 384-385.

⁷¹ Goldenberg Government Commercial Enterprises. See the chapter on the Manitoba Telephone System.

⁷² Goldenberg Government Commercial Enterprises. See the chapter on the Manitoba Telephone System.

⁷³ Electrification appeared important to only insofar as it would facilitate crop diversification (mixed farming), as a means of saving domestic labour and as an agent to facilitate the commercial development of small communities. This is discussed in Chapter Four. See Emerson P. Schmidt, Chairman, A Farm Electrification Programme: Report of Manitoba Electrification Enquiry Commission 1942 (Winnipeg: King's Printer, 1943).

⁷⁴ Gerald Friesen, The Canadian Prairies: A History (Calgary: University of Calgary Press, 1984) 274-280.

⁷⁵ The initiative for the Industrial Development Board grew from the following organizations: The Building Trades Council, Industrial Development Committee of the Winnipeg City Council, and the Senior and Young Men's Section of the Winnipeg Board of Trade. These agencies thought agriculture was too narrow a base for provincial development. Their proposal linked the unemployment problem with the staples relationship between Winnipeg and outside interests. See PAM, Records of the Industrial Development Board of Greater Manitoba (hereafter PAM RIDB) MG 10 A21 Box 1, 1951-1974, Minutes of Meetings Which Culminated in the Establishment of The Industrial Development Board of Manitoba.

December 24th 1924 to July 31, 1925. The Outline of the Proposed Plan For Industrial Development.
February 5, 1925.

⁷⁶ PAM RIDB MG 10 A21 Box 1, 1951-1974. The Outline of the Proposed Plan For Industrial Development, February 5, 1925, pp. 1; "Unemployment is a direct result of lack of Industrial Development. Lack of Industrial Development is closely connected with our present conditions, by which we allow labour in outside points to make our raw products into finished articles. Lack of Industrial Development is also due to the apparent unwillingness upon the part of many of our citizens to buy goods made in their own or neighboring communities."

⁷⁷ See: PAM RIDB MG 10 A21 Box 1, 1951-1974. Industrial Development Board, Annual Report, 1926-1929 (Winnipeg: Industrial Development Board, 1926-1929).

⁷⁸ The one exception for WEC was the decision to invest in a glass producing plant to supplement the company's older gas utility. See the October 17, 1928, discussion in MHCL WEC, Minutes of Meetings of Board of Directors (1919-1952) 91-93.

⁷⁹ Indeed, legislation was enacted in the mid thirties to establish a provincial Department of Industry but the department remained a small branch of the new Department of Mines and Natural Resources until 1948. A Department of Labour was not established until 1938. See Chapter Four.

⁸⁰ See the discussion in the following chapter.

⁸¹ Kendle John Bracken 52-63.

⁸² Morton Manitoba Revised Edition 400-402.

⁸³ Kendle John Bracken 39-40

⁸⁴ Kendle John Bracken 39, writes: "In all the emotional rhetoric from opposition groups and the strident declamations of the Tribune, not one hint of an alternative method of resolving Manitoba's economic ills was ever aired. Fawcett Taylor, the Conservative leader, and his two provincial experts, John Haig and Sanford Evans, were always the most critical of Bracken. But they accused the premier of extravagance. Their main point was that if the Conservatives were in office they would be more frugal. At no point was it argued that the government should deliberately overspend and deficit finance. Not only was this an unknown economic doctrine at the time, but anything hinting at additional expenditures or deliberately unbalanced budgets would have been an anathema to the public. Even the Conservatives were well aware of that."

⁸⁵ Allen Mills, "Single Tax, Socialism and the Independent Labour Party of Manitoba: The Political Ideas of F.J. Dixon and J.S. Farmer," Labour/Le Travailleur 5(Spring 1980) : 33-56.

⁸⁶ Nelson Wiseman, Social Democracy in Manitoba (Winnipeg: University of Manitoba Press, 1983) 10-13.

⁸⁷ Wiseman Social Democracy 10-13. Morton Manitoba Revised Edition 360-62, 372; Gerald E. Panting, "A Study of the United Farmers of Manitoba to 1938: An Agricultural Association During a

Period of Transition" (M. A. Thesis, Winnipeg: University of Manitoba, 1954) : chapter 3, ad passim, 208.

⁸⁸ See Paul Phillips, "Manitoba in the Agrarian Period," in Jim Silver and Jeremy Hull, eds., The Political Economy of Manitoba (Regina: Canadian Plains Research Center, 1990) 16-17.

⁸⁹ Morton Manitoba 378-379; Panting "A Study of the United Farmers" 206.

⁹⁰ Laycock Populism and Democratic Thought 43-46, 51.

⁹¹ Panting "A Study of the United Farmers" 208.

⁹² Panting "A Study of the United Farmers" 177-179.

⁹³ Nelles "Public Ownership of Utilities" 466, 478-479.

⁹⁴ The Winnipeg Electric Railway Company could not float a new (1919) issue of preferred shares that it hoped would clear up its war-time indebtedness and then allow it to push on with the Great Falls Site. In 1920 Nesbitt, Thomson Ltd (Power Corporation) picked up the stock on the following conditions: that no new preferred stock be issued without 2/3 of the existing preferred stockholders permission (Power Corporation) and that the common stock be increased to allow Power Corporation greater equity. This was the beginning of the Power Corporation takeover. From 1920, on Nesbitt, Thomson arranged all WEC financing. The takeover is chronicled in Manitoba Hydro Corporate Library (hereafter MHCL), Winnipeg Electric (Railway) Company (WEC). "Minutes of Special General Meeting of the Shareholders of Winnipeg Electric Railway Company, December 4, 1920." Winnipeg Electric Company. Shareholders' Minute Books (Winnipeg:1920) 95-96.

⁹⁵ WEC's electrical railway difficulties become important barriers to the company's attempts to adjust to depression exigencies, and are discussed in Chapter Three.

⁹⁶ A general description of the major American utility pyramids is given in Forrest McDonald, Insull (Chicago: University of Chicago Press, 1962) 228-249. These companies, according to McDonald, made money in financing (holding bonds at par value) as much or more than in stock capitalization. For a description of the role of Power Corporation, see Christopher Armstrong and H.V. Nelles Monopoly's Moment 300. After the Alexander Mackenzie interests lost control of WEC Nesbitt, Thomson (Power Corporation) gained control--with Midwest Utilities, one of Insull's three major utility pyramids, and New York money as major minority interests. In this sense WEC was ideally placed to take advantage of technical innovation and financial power.

⁹⁷ The extent of Power Corporation's control is revealed in a series of letters in which A.J. Nesbitt strongly objects to McLimont's management of the company and threatens to sell out to "the Americans" unless changes are made (October 9, 1928), MHCL WEC, Minutes of Meetings of Board of Directors (Winnipeg, 1928) 91-93.

⁹⁸ Phillips "Power Politics."

⁹⁹ This is a continuing theme of this study's analysis of the Liberal-Progressive period. H.V. Nelles "Public Ownership of Utilities" 464-466 indicates that the business-led public power movement sought to break a private monopoly and establish competition, and was then satisfied by the competition's associated price reductions.

¹⁰⁰ "Winnipeg Electric Common Stock Earnings," Financial Post (March 30, 1935) : 20.

¹⁰¹ Nelles "Public Ownership of Utilities" 475-476 ; Kendle: John Bracken 72-79.

¹⁰² Kendle John Bracken 72-74.

¹⁰³ Hogg "Report on the Winnipeg River" 85-89; Kendle John Bracken 79

¹⁰⁴ Nelles "Public Ownership of Utilities" 481-483.

¹⁰⁵ Nelles "Public Ownership of Utilities" 477; Kendle John Bracken 85-103.

¹⁰⁶ The conflict began when A.J. Nesbitt strongly objected to McLimont's management of the company and threatened to sell out to "the Americans" unless changes were made (October 9, 1928). Though one could interpret the dispute as a cover to retire a successful but political dangerous executive (because of the Seven Sisters scandal), the author concludes the dispute was genuine. McLimont was investing heavily in an expensive real estate development (a new head office which was subsequently not profitable) before the financing of Seven Sisters had been completed. Nesbitt was furious about the timing and poor terms of the deal; and when McLimont did not heed Nesbitt's advice to stop the transaction, the Board divided between local directors, New York and Insull interests supporting McLimont on the one hand, and A.J. Nesbitt and Power Corporation delegates on the other (October 9, October 17, October 19). Eventually the situation was resolved when A.J. Nesbitt formed a financial committee to control all of WEC's finances (October 19) and by McLimont's absence, because of illness, from Board of Directors Meetings until his contract was bought out and the company's lawyer, Edward Anderson, became President and General Manager (December 28, 1928, January 9, 1929). This represented a clear division on the nature and the direction of the company rather than any cover-up to get rid of McLimont because of the president's political vulnerability. At issue was Power Corporation's emphasis on resources and sound financing in contrast to McLimont and the local directors' interest in taking general advantage of late 1920s speculative boom within the Winnipeg urban economy. MHCL WEC, Minutes of Meetings of Board of Directors (1928-29) 91-102.

CHAPTER 3

THE RENTIER-REDISTRIBUTIVE PARADIGM UNDER STRESS, 1930-45

Introduction

This chapter addresses the ways in which political forces in Manitoba attempted to change the rentier-redistributive paradigm in response to the profound crises that wracked the provincial political economy during the 1930-1945 period. The word "attempted" is used because the chapter outlines a period of paradigm continuity despite pressures for change in the form of continual policy experimentation and some forms of contestation. Certainly there was a significant intra-paradigm change. The optimistic assumption concerning the ability of hydro capacity to engender resource industrialization was dashed, water power rentals turned out to be a weak form of redistribution and rural electrification was delayed and took a much different form than that envisaged in the 1920s. Despite these obvious policy failures, the relationship between the Winnipeg hydro utilities and the state and the relationship amongst the utilities, save in rural Manitoba, were not changed. The rentier relationship held firm.

The retrenchment of the utilities raised significant pressures to shift the policy paradigm. Most policy failures and the possibility of paradigm shift stemmed from WEC's excess capacity. The utility could not gain markets for its new Seven Sisters capacity and faced financial collapse during the 1932-35 period. City Hydro did not suffer from the same structural economic problem. Rather, City Hydro used its new Slave Falls capacity to displace the energy it purchased from WEC since the mid 1920s and, as result, the utility became increasingly powerful financially as the decade proceeded.

The reversal of fortunes between the two utilities raised a series of policy options. WEC ownership and management wanted to cut a deal with their financiers to reorganize

and stay in business even though the company would be burdened by an extraordinary level of debt. WEC also pushed a series of measures (the shedding of its transit system, the sale of some assets to rationalize distribution systems, the sale in cheap surplus power, and the establishment of a power pool) which would have changed the policy paradigm so that both utilities, especially WEC, could take advantage of greater efficiencies. Also, the left on Winnipeg City Council, in alliance with WEC's financiers, attempted to seize the opportunity to take over its weakened competitor at a "firesale" price and thus establish a municipal public monopoly in hydro affairs. The firesale initiative failed, as did WEC's ideas to rationalize urban utilities. What emerged from these policy initiatives was a form of financial reorganization which was not accompanied by any policies which would have made the hydro paradigm more efficient on the whole.

Still, the failure of the firesale initiative left room for significant intra-paradigm change. The City of Winnipeg faced choices concerning whether it should continue investing incrementally in Slave Falls capacity or whether it should purchase cheap surplus energy from WEC, whether it should use its surplus revenues for future hydro investments or whether they should be used for redistribution and, if so, what form of redistribution. In the end City Hydro institutionalized a form of autarchy by making incremental investments in Slave Falls rather than purchasing WEC's excess capacity. The City of Winnipeg also took the municipal utility's annual surplus to subsidize the municipal coffers rather than amassing any form of long-term capacity to undertake future energy investments.

The depression placed the rural utilities and the MPC in financial difficulty. In order to address the situation, the MPC absorbed all the customers of the myriad of failing municipal distribution utilities, including that of the City of Brandon. The cooperative organization of the rural electrical utility sector ended. In its wake the MPC emerged as a centralized distribution utility, a change which protected its financial position and also

ensured that the "provincial hydro" became one of the leading economic institutions in rural Manitoba.

If the response to the depression was to continue with a form of the rentier paradigm, the war period offered another opportunity to examine and change the 1930s crisis solutions. War-related economic opportunities reopened the question of whether investment in surplus hydro capacity should be used to foster industrialization and economic diversification or whether the dominant policy perspective should be to conserve resources and avoid such investment risks. In 1945, after some debate, there was a rejection of the idea that hydro megaprojects could foster resource industrialization. Thus conservation and the avoidance of investment risk replaced the promotion and speculative risk of the 1920s hydro policy.

During the process of post-war planning the Liberal-Progressives also raised the question of implementing the programme of rural and farm electrification which had been contemplated since the 1920s. The new organizational form of the MPC gave the Liberal-Progressives a centralized policy instrument with which to deliver a systematic programme of rural and farm electrification. Yet water power rentals had proved inadequate to accomplish this task. The Liberal-Progressives redefined farm electrification in terms of a long-term self-financing investment important to the economic and social modernization of rural Manitoba. Nevertheless, it was a programme which would need both public and private subsidies to get off the ground. Agreement was never reached, for reasons discussed below, on the level of private subsidy necessary to implement farm electrification. Nevertheless, the Manitoba government did commit itself to the rapid, massive and systematic electrification all of the agricultural areas of the province in the immediate post-war period.

Why so much effort to eventually redefine the rentier-redistributive policy paradigm? First, the state in Manitoba underwent a profound metamorphosis as governments responded to compounded fiscal and economic crises. This was resolved as governments became committed to different forms of renewed or "New Progressivism," represented, to a large extent, by the constitutional and fiscal policy recommendations of the Rowell-Sirois Report. Hence, fiscal and financial constraints, unemployment relief financing and the health of the wheat economy emerged as the most important determinants of provincial government policy. Changes to the hydro policy paradigm became subservient to the emerging fiscal and constitutional strategy. In these new circumstances the rentierism become an instrument of regulation which ensured that the utilities solved their own financial difficulties without state subsidies or *dirigiste* intervention.

Second, none of the central actors within the policy paradigm (the MPC and Progressives, City Hydro and its ILP/populist constituency, and WEC and the ICC/business constituency) could muster a political coalition powerful enough to attain their objectives. Forces of the left and right in Winnipeg could not attain sufficient power to implement their objectives. Marginal changes emanated from the changing balance of power within the Liberal-Progressive dominated Legislature.

Third, after the failure of WEC rationalization initiatives and the City's firesale initiatives, the City of Winnipeg implemented a relationship with City Hydro which was remarkable for its symmetry to the relationship between WEC and its new owners and creditors. Those who controlled the Manitoba hydro utilities implemented risk adverse investment strategies and were primarily concerned with tapping the companies for financial and fiscal resources. There was no new definition of the role of hydro in the economic development of the province. Indeed, the utilities themselves dropped the

linkage. Hence, the ongoing political struggle between WEC and City Hydro, and their respective allies, became a distributional conflict between different groups over the control of the hydro sector rather than a contest between different paradigmatic ideas on the role of hydro in the development of the province or city.

Table 3.1 outlines key institutional definitions of the 1930-45 intra-paradigm shift.

Table 3.1. Intra-paradigm Shift. 1928-45

Paradigmatic Alternative	Capacity	Winnipeg Distribution	Rural Distribution	Redistributive Policy	Economic Policy
Rentier-Redistributive (1928-1935)	<ul style="list-style-type: none"> - Rentier: WEC and City Hydro (CH) until 1962, then provincial public ownership. - Anticipated next step: Dauphin River Project. 	<ul style="list-style-type: none"> - Two separate, unintegrated and competing distribution systems, WEC and CH. 	<ul style="list-style-type: none"> - Cooperative structure, MPC and rural municipal utilities. 	<ul style="list-style-type: none"> - Water power Rentals subsidize MPC expansion. 	<ul style="list-style-type: none"> - purposeful inducement of excess capacity for resource industrialization.
Rentier-Redistributive Policy Paradigm, (1945)	<ul style="list-style-type: none"> - Rentier: WEC and City Hydro (CH) until 1962, then provincial public ownership. - Anticipated next steps: Complete Manitoba portion of Winnipeg River, then Ontario portion and Dauphin River 	<ul style="list-style-type: none"> - Two separate, unintegrated and competing distribution systems, WEC and CH. 	<ul style="list-style-type: none"> - Monopoly structure - Rural municipal systems progressively eliminated. - MPC emerges as centralized distribution utility for all rural Manitoba. 	<ul style="list-style-type: none"> - Water power rentals to MPC. - MPC rate reductions. - Provincial subsidization of rural and farm electrification. - Annual subsidies from CH to City. 	<ul style="list-style-type: none"> - purposeful avoidance of excess capacity. - utility investment to be responsive to assured market trends - MNR assumes planning role. - MNR begins renewed Winnipeg River conservation works.

Hydro Policy During the Depression and War

The intra-paradigm shift and tensions during the 1930-1945 period can be traced to responses to the contingencies of depression and war.¹ Figure 3.1 reveals the extent to

which energy markets collapsed. During the 1930-38 period the average rate of growth of firm peak demand for WEC was 2.5 per cent, while the corresponding figure for City Hydro was 1.4 per cent. The 1922-1928 trend, discussed in the last chapter, had hovered around 16 per cent and 12 per cent, respectively. Only the MPC maintained a significant rate of growth, averaging about 16 per cent during the 15 year period and emerging in 1945 as the major rural distribution utility. The war years witnessed a return of growth in business related electricity markets. WEC averaged 7 per cent, but City Hydro only 2 per cent.

Figure 3.1. Peak Demand of Three Major Utilities. 1930-1945

Figure 3.2 indicates that the differential effect of falling energy demand on each utility can be gauged by examining a measure of capacity utilization: the relationship between Firm Peak Demand and Capacity. Neither of the two Winnipeg utilities was easily able to swallow the additions to capacity that followed the first Slave Falls and Seven Sisters investments. But City Hydro, short of capacity during the 1920s, emerged with a fairly healthy balance between firm peak demand and capacity during the 1930s. WEC, on

the other hand, fell victim to the 1920s speculation. The company began the depression with 60 per cent firm capacity utilization, but when the first Seven Sisters units were completed in 1931 the rate of utilization sank to 50 per cent and stayed at that level until 1938. In short, the company did not have the market revenue to pay for the Seven Sisters investments. There was improvement during the war years with the return of economic activity. Only during the last year of the war, however, did WEC approach full capacity utilization.

Figure 3.2. Firm Peak Demand as a Per Cent of Capacity, 1930-1945

Figure 3.3 indicates the extent to which each of the utilities was strained by the combination of declining market revenues and excess capacity. In particular Figure 3.3 reveals the WEC's (Winnipeg Electric and its subsidiaries) rapid financial decline. The collapse of electricity markets meant that the company had no new source of revenues to pay for the Seven Sisters investment nor revenues to compensate for the decline of traffic

on its electric railways. When Seven Sisters related bond payments became due in 1932 WEC began a financial spiral which was reflected in a series of annual losses that escalated to \$1.5 million in 1935 when the company had close to \$19 million worth of defaulted securities.² During 1932-35 it worked out a financial reorganization which was ratified the following year. WEC's financial position did not begin to improve until 1939 when energy and transportation markets began to resume growth. The overall seriousness of the debt problem is also revealed by the fact that no dividends were paid on its stock between 1932 and 1944.

Neither City Hydro nor the Manitoba Power Commission had the same problems of excess capacity. Between 1930-35 the MPC ran either very small deficits or surpluses. Essentially, the utility survived despite a collapse of rural municipal utilities and finally reached a point of financial security in 1937. City Hydro also continued to run a deficit during the 1932-36 period owing to the reduced energy demand, internal financing of investment and the cost of the Manitoba Power contract negotiated during the 1920s. Although these deficits would become politically important, as indicated below, they in fact were not measures of economic weakness. Unlike its rival City Hydro did not default on bond obligations. Indeed, as we shall see below, municipal energy policy turned to finding a use for the utility's increasing financial strength.

Figure 3.3. Selected Financial Indicators of Major Utilities

Business as Usual

How did the Winnipeg and Manitoba governments respond to these problems? Here one can define three distinct stages to the history in the hydro policy paradigm during the depression and war. The first was a "business as usual" period when the initial economic problems were considered to be a temporary phenomenon. For example, when the depression hit rural Manitoba the MPC was in the midst of implementing several policy initiatives which had stemmed from the 1928 rentier-redistributive policy paradigm. Record levels of investment saw the transmission system extended to Brandon where the provincial utility bought the municipally chartered electrical utility.³ This expansion greatly increased the MPC's base load and ensured its position as the major distributor for rural Manitoba. Additionally, both WEC and City Hydro continued work on the first stages of the Seven Sisters and Slave Falls projects.

The Bracken government was so convinced of the validity of its major economic policy that it proposed to study the implementation of an additional hydro megaproject as a means of fighting the depression.⁴ Bracken, as Premier and Treasurer, held that

unemployment in the depression was caused by the crisis in international agriculture. The Premier thought that Manitoba's economy was unbalanced by its over concentration on agriculture and that to offset this problem the provincial government ought to continue developing hydro as a means to foster resource industrialization. In 1931 he presented the Dauphin River hydro project, an undertaking twice the size of Seven Sisters, as a possible solution. The Dauphin project would have utilized the flow of water from Lake Winnipegosis to Lake Manitoba and would have offered energy for rural electrification and industrialization, long-term construction employment and flood benefits to the depression beaten western sector of the province. It was the epitome of the resource industrialization strategy which had informed the hydro policy paradigm during the last decade. Yet, the 1920s industrial policies became less and less relevant as the depression wore on, and by 1932 Premier Bracken had dropped all mention of the idea for the duration of the depression.

Crisis-Related Paradigm Shift

The second stage of response to the depression witnessed the governments and utilities coming to grips with depression-related problems. At first the Manitoba Government undertook a series of protective measures whose objective was to provide a framework under which the utilities themselves could work out their own problems. Both WEC and the Manitoba Power Commission were given forms of protection to help stabilize their revenues and finances. In the case of WEC the company's original plans were to address the secular decline of the transit systems, but when it became obvious that its problems were much more profound, the provincial government extended legal protection and cooperation to the Power Corporation in its complex financial reorganization plans. (See Appendix 3.) These measures did not contradict the basic thrust

of the rentier policy paradigm. Indeed, they were substitutes for the subsidization of utilities.

For example, the collapse of agricultural incomes brought on a major fiscal crisis for rural municipalities. Very quickly the MPC found it could not collect from the municipal utilities it serviced and, as in the early 1920s, the provincial utility began to run large deficits. Additionally, the MPC had undergone internal reorganization and reform. Its internal staff had been reorganized to give the utility greater management autonomy and its leadership had been changed from a single commissioner to a three person hierarchy headed by a Chair, who was also the General Manager of the organization, with two assistants, Herbert Cottingham, the former Parks Commissioner of the City of Winnipeg, and J.W. Sanger, Chief Engineer of City Hydro.⁵ By the mid 1930s Cottingham had become the chair and worked closely with Bracken to implement a series of reforms.⁶

The new leadership of the MPC copied the City Hydro model of development. Contracts with the rural municipal utilities were cancelled and, instead, the MPC sold energy directly to customers.⁷ Rates were progressively lowered to foster consumption. Research and promotional efforts were directed towards developing new uses for electricity in rural life. The results of this new policy were immediate and tangible. Despite the depression the MPC had record levels of expansion, averaging a 16 per cent annual growth in firm peak demand throughout the 1930-45 period. This expansion was limited only by the amount of capital needed for extension of transmission facilities. Here the continuing water power rentals were a major benefit and, indeed, probably saved the utility from financial disaster in the first years of the depression. Figure 3.4 illustrates that the level of subsidy was tied to levels of electrical production and, therefore, stagnated with the fall in electrical markets and the curtailment of investment. Water power rentals would not be sufficient to subsidize a wide ranging rural electrification programme. The

MPC had stabilized its financial position and changed its position in rural Manitoba. But it did not allow the provincial hydro to move significantly on the rural and farm electrification programme it had promised at the close of the 1920s.

Figure 3.4. Estimated and Actual Water Power Rentals, 1930-45

WEC's financial problems provided the greatest pressure to change the policy paradigm. By the end of the 1920s the company had already begun to seek tax relief and protection for its transportation franchises, which were in a secular decline. During the 1920s WEC strongly but unsuccessfully objected to the continued municipal 5 per cent gross earnings tax which had been levered out of the company when it first gained its 35-year franchise in the late 19th century.⁸ The 1929 level of traffic on the transportation utilities did not meet the 1920 levels.⁹ This was then also exacerbated by the depression which caused traffic to decline steadily, reaching 61 per cent of the 1929 level in 1934.¹⁰ However, the City of Winnipeg continually refused to grant WEC any tax relief. Hence the company took its case to the Municipal and Public Utilities Board (MPUB) and to the provincial legislature. In 1934 the provincial government responded by introducing legislation which would allow the City and suburban governments of the Greater Winnipeg

region to buy the transit system for a low sum and transform it into a regional municipal corporation.¹¹ However, it soon became apparent that the company's difficulties could not be resolved by a reworking of the regulatory and tax policies governing the electric railways. The failure of the Seven Sisters gambit was forcing WEC into bankruptcy.

WEC could not survive the collapse of both its transportation and hydro utilities. WEC's financial resources had been stretched by financing the Seven Sisters subsidiary, Northwestern Power (NPC). NPC could not make the payments on its mortgage bonds and was forced to close because of lack of markets. WEC's urban transportation subsidiaries were also unable to meet bond payments. Beginning in 1931 WEC began to examine reorganization as each of its constituent elements sought ways of protecting its equity in the face of the utility complex's mounting debt.

The financial collapse of WEC, in conjunction with the financial strength of City Hydro, raised three ideas for paradigmatic shift. First, Power Corporation attempted to reorganize the utility complex according to the direction taken after Nesbitt, Thomson took control over the company in 1929.¹² Accordingly, Power Corporation wanted to sell the transit system to thus rid itself of the urban electric railway utility. WEC could also sell its Winnipeg distribution system and concentrate on becoming a hydro producer and distributor to suburban markets. These were also efficiency moves. The transit was simply a money loser and the subject of a legacy of political animosity. Since the 1911 truce between the two utilities the City of Winnipeg had two parallel and competing electrical distribution systems. Placing both of these systems under a municipal or inter-municipal monopoly would eliminate duplication, encourage integration and produce, in the long run, a more efficient set of utilities. Moreover, if WEC's political enemies were right, the creation of a public transit monopoly would redistribute monopoly rents to either the users

or to the City treasury. The same could be said for the efficiency gains to be derived from the elimination of duplication within the distribution of electricity.

A second set of ideas represented a much more profound inter-paradigm shift. WEC's creditors, worried about recouping losses, proposed that the City of Winnipeg purchase all of the company's assets in a sort of "firesale." City Hydro under this alternative would become the leading hydro utility in Manitoba, with a monopoly over hydro production and command of the Winnipeg River, and a monopoly supplier to the resource industry, Winnipeg region market and Manitoba Power Commission.

For reasons discussed below, neither the rationalization nor the firesale alternatives was implemented. Rather, by 1935 WEC underwent a financial reorganization¹³ in which all of WEC's subsidiaries were amalgamated into WEC and the latter reissued its shares. WEC's bondholders emerged with 50 per cent ownership of its new capital stock and control over the board of directors. Power Corporation had lost control and the minority Manitoba interest in the utility complex was greatly diluted. From 1935 on, the company's principal goal would be to repay its depression-related debts before it could either make new capital investments or pay dividends. Hence, the company undertook no new investments during the 1932-1945 period.

After the 1935 reorganization a third set of ideas for intra-paradigm change surfaced from the termination of the Manitoba Power supply contract under which WEC had been supplying power to City Hydro since the 1920s. City Hydro wanted to replace the contract with incremental additions to Slave Falls capacity while WEC wanted to get some economic use from its excess capacity. WEC offered to sell its excess capacity to the City of Winnipeg at prices below those which would be incurred if City Hydro were to continue with its incremental additions to the Slave Falls power site. WEC also offered to establish a power pool. Within the proposed power pool each utility could draw upon the

excess capacity of the other at prices and under conditions which were mutually satisfactory. Indeed the prices WEC offered in the 1930s were about 35 per cent of the price for energy under the existing supply contract between Manitoba Power and City Hydro which was to expire in 1937.

Neither of these alternatives would have represented a shift from one paradigm to the next. The idea of integration, however, recognized that there were benefits to be gained by system integration which could be distributed between both parties. In this sense the integration alternative recognized the economic weakness of the rentier paradigm. Autarchy, on the other hand, offered no financial or efficiency gains, and really stood as a means for City Hydro to become an isolated and internally controlled system. In short, it simply strengthened the hands of City Hydro's leadership. The political choice taken was to institutionalize an autarchic pattern of development for City Hydro.

Finally, the decision not to invest in WEC assets in conjunction with increasingly full capacity utilization left City Hydro with increasing financial strength measured by large yearly surpluses. (See Figure 3.3 above.) The Public Utilities Committee of City Council continually debated the fate of these surpluses. There were two sets of ideas discussed. First, the funds could have been used for energy related investments, either directly by restarting the WEC purchase initiative or indirectly by continuing to accelerate payment of City Hydro's long-term debt so that it could finance new capacity investments easily from retained earnings. Debt avoidance was essentially a Progressive idea of public ownership, and the fact that this view was strongly held by the leadership of the municipal utility suggests the dominance of Progressive ideology throughout Manitoba.¹⁴

A second set of ideas concerned using the hydro surpluses for different redistributive alternatives. Hydro surpluses could have been distributed directly to consumers by means of rate reductions (an initiative that appealed to the ILP because it would also put further

pressure on WEC). Alternatively, the surpluses could have been directly transferred to the City Treasury (as a substitute for increased general taxation) and used to help manage the depression-related fiscal crisis. Eventually it was the latter option, termed "hydro raids" by the ILP, that prevailed as a policy response, largely, as is indicated below, because there was no consensus on the other measures.

By 1939, as Figure 3.5 illustrates, it appeared as if the hydro policy paradigm had reached a stasis that would continue well into the 1950s. This left two unresolved problems. First, the unresolved politics of takeover and reorganization had implicitly discredited the policy paradigm. Rationalization of the utility structure was an important policy objective which was not accomplished during the 1930s. New policy debate, as discussed below, began to view the fragmented and competitive organization of the hydro sector as a source of inefficiency and waste. Second, the MPC, despite its growth, still had not become an effective agent of rural electrification. Certainly, the provincial hydro grew to be a relatively powerful utility when it filled the void left by the older municipal systems, but it still confined itself to serving major towns and villages. Farm electrification was not even addressed. The Bracken government attempted to deal with this problem in 1939 by proposing a barter agreement with Nazi Germany under which Manitoba would export its surplus agricultural produce in return for surplus German electrical equipment.¹⁵ Unfavourable public opinion and the outbreak of hostilities quashed the idea.

Figure 3.5. A 1939 Projection of Utility Capacity Utilization. 1939-49

Policy Failures and Post-war Planning

The Second World War provided a third period when the energy policy paradigm established during the 1930s could be changed and solidified for the post-war reconstruction period. In addition to the issues of the institutional organization of the utility sector and rural electrification, the war also reopened the question of what role hydro resources ought to play in the process of industrial development. These issues were addressed not only in "normal" policy processes, but also within the context of a process of post-war planning. To a large extent it was a planning and policy process which would attempt to resolve some of the most difficult political problems faced during the last decade, or at least attempt to show that they would not be repeated in the immediate post-war period. Within the context of post-war planning hydro-electric energy policy was placed within a debate over shaping a new role for the provincial government.

Early in the war Premier Bracken attempted to link establishing a more efficient utility structure to farm electrification. Accordingly he established the Manitoba Electrification Enquiry Commission (MEEC) to work out a plan in which WEC and City Hydro would rationalize their respective roles in the hydro sector and then finance rural and farm electrification from the savings to be gained from having a more efficient utility structure.¹⁶ In the end, however, the MEEC was unable to come up with a plan to rationalize the utility sector. Nevertheless, it outlined a plan to bring electricity to all of the province's 50,000 farms as soon as possible after the war.

The Electrification Enquiry defined farm electrification as an important step towards the modernization and diversification of agriculture, as well as the modernization of social life and the domestic economy. It was also defined as a self-sustaining investment which would need massive public support to get going. That support was in three forms: private land and labour donated by farmers who would work together in a kind of "New Deal" community self-help organization, support from private business which would subsidize the project by giving up the rights to accumulate profits on the sale of electrical appliances because they would be sold at cost to farmers at subsidized rates of interest and, lastly, large scale low cost long-term loans to build the transmission and distribution systems.¹⁷

The third post-war planning problem concerned the role hydro investment would play in economic development. Here there were two conflicting sets of ideas. First, the codification of the depression policy really boiled down to ensuring, as a first priority, that no utility would be stuck with excess capacity. With this view went a belief that energy markets were essentially stagnant and that investment in hydro capacity as a means to foster industrialization would surely end up again in the folly of the 1928 Seven Sisters and Slave Falls fiascos. Accordingly conservation and efficiency ought to be the prevailing policy objectives. Against this trend was the idea that hydro remained an important tool

for industrialization and that the province itself ought to begin the process of hydro investment by commencing the Dauphin River project.

If the risk-adverse conservation strategy assumed low long-term growth in energy demand, the public capacity-investment industrialization strategy assumed the opposite. As Figure 3.6 indicates, the former strategy reflected the trends experienced by City Hydro during the war years. Hence it could easily live within the status quo of the rentier policy paradigm. Figure 3.6 also reveals, however, that the latter strategy reflected the same experience of WEC. If the WEC's experience were to prevail, the province would have to establish a completely new energy supply by the early 1950s. This would include the allocation of hydro resources to one of the utilities, rapid investment in new capacity and most likely a form of energy integration among the two. Post-war planning, therefore, raised the opportunity of defining a new hydro policy paradigm to meet the changed circumstances of the post-war period.

Figure 3.6. A 1945 Projection of Utility Capacity Utilization, 1946-1956

Those responsible for post-war planning would have to base their decisions on an assessment of which of the two trends would continue--the stagnation of the 1930-1938 period or the relatively more buoyant 1935-1945 period. They would also have to decide if the utilities should use excess capacity as a means to foster economic development or whether they should continue to practice the conservative investment strategies learned by the bitter experience of the 1930s.

Towards the end of the war an advisory committee, the Advisory Committee on the Coordination of Post-War Planning (ACCPWP), oversaw the writing and coordination of the provincial post-war plan. This committee reluctantly accepted the farm electrification strategy but rejected any role for the provincial state linking hydro investment to either farm electrification or industrialization.¹⁸ The only innovation appeared to be an acknowledgement of the symbolic importance of the province's hydro resources and a

mandating of the staff of the Water Resources Branch of the Manitoba Department of Mines and Natural Resources (DMNR) to hold the responsibility for hydro-policy planning in the post-war period. Since this was the role taken on by the provincial government with the transfer of natural resources, the net effect of the new energy strategy was a return to 1928--save for the establishment of an active farm electrification programme. Why so much effort to come back to the beginning? It is to that question that we now turn.

The New Progressivism as a Response to the Fiscal and Economic Crisis

During the 1930s all levels of government in Manitoba faced a fiscal crisis stemming from depression exigencies, particularly those arising from the need to finance unemployment relief. As a result fiscal politics and policies rose to an extraordinary level of importance in determining what governments could or could not do. Not surprisingly the economic and resource policies of the provincial government became subservient to fiscal constraints. In the case of Manitoba the Liberal-Progressives redefined the Progressive image of state and society to meet the new circumstances.¹⁹ The adherence to a redefined or renewed Progressivism, then, explains why the Bracken government did not entertain a provincial public ownership policy in light of WEC's financial problems and why the choice of public ownership was essentially left in the hands of the municipal government.

A brief sketch of Manitoba's fiscal situation will illustrate the point. The immediate fiscal crisis centred on the problem of financing large expenditures on unemployment relief and public works. Jurisdictional responsibility for relief had not been settled or resolved during the 1920s.²⁰ The question of relief, then, became inextricably entwined with intergovernmental fiscal relations. Indeed, the depression was marked by a distributional fiscal struggle between municipal, provincial and federal governments. In this struggle the

provincial government's relief expenditures increased throughout the decade both absolutely and relatively to those of the municipalities. This is illustrated in the Figure 3.7 below.

Figure 3.7. Relief Expenditures by Source of Funds, 1931-1942

The fiscal crisis transformed the nature of the provincial state. Relief financing became the primary purpose of fiscal policy. Public debt rapidly became the largest component of public expenditure. Attention turned to guarding the credit rating of the province. Accordingly, expenditures on other activities declined in proportion to the increase of the annual debt expenses, as illustrated in the Figure 3.8 below. This was particularly evident in the 1934-37 period when the public debt expenses and relief costs reached their highest levels and the proportion of non-relief and debt expenses for social and economic activities reached historic lows. To conclude that the provincial government did not have the fiscal capacity to purchase a utility that was not in a position to become self-financing is an understatement.

Figure 3.8. Provincial Government Expenditures, Excluding Relief, 1930-1945

The figure's categories are from the following Provincial Account Departmental Expenditure classification: *Economic Policy*: Agriculture and Immigration, Mines and Natural Resources, Public Works, Railway Commissioner, Provincial Lands, *Social Policy*: Education, Health and Public Welfare, Old Age Pensions and Pensions for the Blind, Labour, *Government*: Legislation, Executive Council, Treasury, Attorney General, Municipal Commissioner, *Debt*: Public Debt.

The underlining assumption of the management of Manitoba's fiscal crisis was that public accounts had to be balanced. This was an enforced fiscal orthodoxy. In 1932 the Dominion government saved the Manitoba government from defaulting on bonds on the condition that the provincial budget be balanced or the provincial finances controlled by Ottawa.²¹ As a result, the Manitoba government finished off the depression with a balanced budget, extraordinary levels of taxation, a mounting load of debt resulting from relief expenditure financing, and a proportionately shrinking role within the economy. Hence public expenditures fell to a level surpassed only by those of the province of Saskatchewan and the level of taxation increased to become among the highest in the Dominion.²²

The Liberal-Progressives initially thought the depression-related fiscal crisis would be temporary and that the province would recover with a few years of good crops and prices.²³ During 1933-35, however, the fiscal policy began to concentrate on the problem

of depression-related debt and taxation. The Provincial Treasurer began to maintain that the government's overall position could only be tenable with a further reduction of expenditures, in order to make room for debt repayment.²⁴ By 1936 the fiscal thinking had changed to indicate that the province would also need substantial federal increases in the level of fiscal aid for relief financing and a change in agricultural conditions in order to reach a financially viable position.²⁵ This assessment was supported by a Bank of Canada study of the province's finances.²⁶ It was then given greater political legitimacy when Prime Minister Mackenzie King appointed a Royal Commission on Dominion-Provincial Financial Relations (the Rowell-Sirois Commission).²⁷

In 1937 the Liberal-Progressives defined their new long-term policy perspective on the role of the provincial state in Manitoba's Case, the province's submission to the Rowell Sirois Commission.²⁸ The Liberal-Progressives joined a growing political movement which argued that the 1867 constitution had become inadequate because the division of powers gave the provinces the largest responsibility for social policy while at the same time it giving the Dominion government the largest share of fiscal resources.²⁹ The essential argument was simple: jurisdictional responsibility ought to be put in harmony with fiscal capacity. The Dominion government ought to take up responsibility for social policy and also undertake a series of initiatives to support the fiscal position of provincial governments. When the 1940 report of the Commission effectively adopted the same argument, the Liberal-Progressives focused their political efforts on the implementation of the policies and constitutional reform proposals embodied in that report.

The War experience provided an opportunity for the province of Manitoba to alter substantially its fiscal strategy and the relationship of the hydro policy paradigm to its economic and fiscal strategy. After all, as the figures above have indicated, both Manitoba's fiscal position and the energy markets had bounced back from their depression

lows. Moreover, the war opened up three new avenues from which to reevaluate the depression-related fiscal and economic strategy. First, there were substantial changes in fiscal relations. The Dominion government provided centralized fiscal control over the Canadian economy and as a result Manitoba's fiscal position started to improve. This was quickly followed by the constitutional change in which Ottawa took responsibility for unemployment relief costs through the establishment of an unemployment insurance scheme. This raised the possibility of the provincial government's gaining the capacity to invest in hydro if it so desired. Second, the war effort also raised the question of whether excess hydro capacity would be useful for engendering war-related industrial diversification. Third, the Manitoba political agenda became dominated by issues of post-war planning. This general process provided a framework where the provincial government could firm up or alter the script it had set during the depression years.

Aside from the rural electrification project (which the Manitoba government hoped would be funded by Ottawa), Manitoba post-war planning simply reflected the Progressivism of the 1930s. When John Bracken stepped down from the premiership to become the leader of the Conservative Party in December 1942, he was replaced by Stuart Garson, the Provincial Treasurer since 1937. Premier Garson's position was that there would be no changes in the overall fiscal strategy of the provincial government until the end of the war when the proposals of the Rowell-Sirois Commission would be implemented.³⁰ Garson, who also remained Provincial Treasurer, resolved that any commitment by a province towards ensuring full employment was fiscally reckless. Given the uncertainty over federal-provincial fiscal relations the Manitoba government would continue to commit as much money as possible to expenditure restraint and debt reduction.³¹ Then Garson began to create substantial post-war reserves from unspent

provincial funds rather than begin any new financial commitments.³² It would still be a "pay as you go" government.

Municipal Energy Policy and Fiscal Politics

The fiscal crisis also exacerbated tensions between the City of Winnipeg and the provincial government over their share of relief financing. This was not unrelated to conflict over the distribution of taxation within Winnipeg. On two occasions the City of Winnipeg studied its finances to come to grips with its financial problems. On both occasions the analyses pointed towards forms of tax reform. The reports also indicated that City Hydro, which appeared to have financial problems because it ran substantial deficits during the 1932-1936 period (as indicated in Figure 3.3), was actually in a position of growing financial strength. A first report in 1935 recommended substantial rate reductions--indicating that the utility's revenues exceeded its projected debt obligations.³³ The same report advocated a lessening of the burden of business and property taxes and that the City of Winnipeg should make up the difference by gaining a significant proportion of revenues from provincial tax sources such as income tax. Considering the fiscal crisis of the provincial government, it was hardly likely that such decentralization of revenues would receive policy attention. The implication for municipal politicians, however, was that City Hydro had extra resources which could contribute to the public treasury.

In 1937 the fiscal conflict between the two levels of government centred on the City's claim that it could not contribute the level of funds for relief demanded by the provincial government. Both parties funded a general inquiry into Winnipeg municipal finances headed by Dr. Carl Goldenberg, an accountant who had worked on the Rowell-Sirois Commission. Goldenberg concluded that the City was in much better financial health than had been claimed by its leadership and, in particular, those who managed

municipal finances. At issue was what had become a standard municipal fiscal policy, to accelerate the sinking fund payments towards the City's long-term debt. Lessening these payments would have shifted the City's financial policy to make more fiscal room for relief expenditure financing. City Council eventually rejected changes in its debt management policies because of the uncertainty over relief financing.³⁴ Both Winnipeg and the province, therefore, maintained fiscal strategies that sought to repay depression-related debt as soon as possible.

The Goldenberg report on Winnipeg finances also indicated that City Hydro would actually pay off its long-term funded debt within a decade.³⁵ This newly defined financial health stemmed from the larger than necessary levels of depreciation and contributions to sinking funds. It was from these bases that City Hydro faced its policy alternatives: continuation with accelerated repayment of its long-term debt, energy investments (including the purchase of WEC), or redistribution of its annual surpluses by either rate reductions or transfers to the provincial treasury. If the energy policy of the City of Winnipeg was to conform to the City's fiscal policy, one could expect one of two outcomes: a continuation of the accelerated debt repayment or transfers to the municipal coffers. This conformity speaks to eventual results, but does not explain why the municipal government embarked on successive initiatives to take over WEC, nor why these initiatives failed.

Hydro and the Economic Policy

This new Progressive critique built on the overall framework developed by Bracken in the post-1922 period, insofar as it maintained the same liberal economic ideology. Hence the Bracken government did not embrace any form of Keynesian economic philosophy in which the province would manipulate its fiscal policies to foster full employment. Rather, the Liberal-Progressives still held agriculture to be the key to

Manitoba's economy; thus only open international markets, free from state interference, would allow Manitoban products to gain a secure economic position.³⁶

The new economic, fiscal and constitutional strategy reinforced the apparent economic and administrative viability of the rentier-redistributive hydro policy paradigm. On the one hand it acknowledged that the provincial government did not have the fiscal capacity to invest in resources. Indeed, continuing weak international markets for agriculture and the continuing high levels of unemployment meant that the provincial public sector would be chronically weak. New public debt would continually be addressed to relief expenditures. Equally important, the 1920s resource or staples industries (such as minerals, forests, and hydro) quickly lost their promised ability to lead provincial economic diversification. Much of the diversification attained by the late-1920s resource boom was not resilient enough to weather the depression and the government increasingly undertook what W.L. Morton understood as a stewardship management role.³⁷ A pessimistic assumption concerning the future of industrial staples was also held by the City of Winnipeg. For example, when the City began negotiations to buy WEC's assets it arrived at a value \$23 million less than that of WEC. Part of the explanation for this large difference is that the City did not assume that the province's largest industrial market for electrical energy, the pulp and paper industry, would resume.³⁸

Provincial resource policy was no longer defined in terms of a discourse of resource industrialization. Rather, it was defined in terms of gaining revenues and saving expenditures, conserving resources (particularly water), drought management and facilitating those in need to gain a subsistence livelihood from renewable resources, such as fur and fish.³⁹ The Manitoba government began to implement incrementally a hydro-related conservation strategy. For example, Lac Seul and Lake of the Woods acted as the storage reservoirs for the Winnipeg River. The Manitoba government applied to have the

water storage capacity of these Lakes substantially increased, thus increasing the dependable energy that could be gained from the hydro capacity of utilities.⁴⁰ Conservation allowed the more efficient use capacity, and this reduced investment requirements.

Provincial ownership of and jurisdiction over resources, particularly hydro, became defined by their relation to the fiscal crisis rather than to their contribution to economic development. For example, Prime Minister Bennett surprised the prairie provinces by indicating that the terms of resource transfer did not clearly award the provinces ownership and control over water and hydro resources.⁴¹ The issue was not resolved during Bennett's term of office. Rather, after a prolonged period of intergovernmental diplomacy the Mackenzie King government resolved the conflict through an order in council awarding the prairie provinces hydro rights. The order in council was subsequently matched by concurrent legislature in the prairie legislatures. Throughout the whole period Manitoba, alone among the prairie governments, remained thoroughly apathetic. Correspondence reveals that J.S. McDiarmid, the long standing Minister responsible for Mines and Natural Resources, simply equated ownership with the power to collect water rentals.⁴² Finally, pressure from the federal Minister of the Interior brought Manitoba into line with the other prairie provinces.⁴³

The war reopened the question of the role hydro resources ought to play in the economic development strategy of the province. The choice facing the government and utilities was whether they ought to invest in excess capacity which could be used to foster industrialization or whether they ought to stick by the lessons of the 1930s--and avoid excess capacity at all costs. This was also a question which was posed by the war economy early in the war when the utilities decided that it was not worth investing in new

capacity despite the fact that poor water conditions on the Winnipeg River forced the two utilities to collaborate in order to supply energy to the revived pulp and paper industry.⁴⁴

By 1942 popular attention focused disappointment on the failure of Manitoba to gain a larger or even proportional share of war industries.⁴⁵ The provincial government broke its depression inertia and laissez-faire role to promote war industrialization.⁴⁶ The strategy really boiled down to a return to the traditional promotional activities except that attention centred on Ottawa and the utilities also played a major role. McDiarmid, the Mines and Natural Resources Minister, did his best to keep the myth of hydro abundance alive by promising to "continue to hammer home the fact to the authorities at Ottawa that there is a larger volume of hydro-electric power here available for new industry than anywhere else in the Dominion, and that it should be put to use."⁴⁷ But such bravado was to no avail and did not adequately reveal a major stumbling block to war-time industrialization--the conservative and risk-adverse strategies of the hydro utilities. Neither would invest in new hydro capacity for wartime industrialization.⁴⁸ Rather, they were content to remain at full capacity and implicitly viewed increased war-time demand as a temporary phenomenon.

In contrast, Herbert Cottingham, head of the MPC, used the war effort to expand his utility and to advocate a major exponent of a rural industrial diversification strategy. The province became the sight of six new Commonwealth Air Training bases, as well as two regular army training camps. These installations were situated in rural Manitoba and Cottingham took an entrepreneurial role in ensuring that the MPC distribution grid was strengthened and extended so that his utility could service the military installations.⁴⁹ Cottingham wrote Bracken to the effect that the MPC expansion had been "phenomenal."⁵⁰ Indeed, the MPC chairman became worried about adequate energy supplies. Alarmed by the prospects of an aluminum refinery coming to the province,

Cottingham wrote Stuart Garson, Treasurer and the Minister responsible for the MPC, to indicate that should a large plant locate in Manitoba, the MPC would have difficulty in meeting its obligations to the military.⁵¹ Ironically the caution of the two Winnipeg utilities began to act as a constraint on the MPC.

There had been attempts in the post-war planning process to reestablish the link between hydro and economic development, but these had foundered. Garson himself had investigated the prospects of developing the Dauphin River project to export energy to neighbouring American states, but was advised that the hydro-generated electricity could not compete with local coal-thermal-generated electricity in the Midwest market.⁵² MNR also resurrected the Dauphin River project as a means of fostering industrial development, promoting economic growth, and supplying the future needs of rural Manitoba. MNR took the position that the failure of the province to industrialize during the war was the result of having too little hydro capacity available when needed.⁵³ The idea of developing capacity industrialization or rural electrification--and indeed the suggestion that the utilities had somehow retarded the economic development of the province by not investing in war-time industrialization--was strongly rejected by J.W. Sanger, who had replaced Glassco as Manager of City Hydro. Sanger linked the growth of demand for electrical energy primarily to the urban domestic market and rejected any link between hydro and industrialization. Hence, City Hydro ensured that the cautious and risk-adverse policies adopted during the 1930s would be embedded in the hydro policy paradigm for the immediate post-war period.⁵⁴ There was no official linkage between rural electrification and the Dauphin River project nor between hydro development and industrial policy. Rather, the unofficial goal was to avoid encountering any problems of excess capacity. Hydro investment was again left to the two competing utilities within the rentier-redistributive policy paradigm and the Winnipeg River was to be developed before other

hydro resources. The government would restrict its direct activities to conservation projects.⁵⁵ The province should undertake the process of planning the sequence of hydro projects (such as the Dauphin River project) which would be developed as market conditions warranted in the future.⁵⁶ Through this responsibility, as we shall see in the next chapter, MNR became the most dynamic centre of hydro policy after the war.

In sum, the Manitoba fiscal crisis and apparent failure of resources to promote industrial diversification worked together to break the link between hydro investment and economic growth. The role of the new Progressivism as a means to address the fiscal crisis of the Manitoba government may provide a good explanation for the adherence to a rentier-redistributive as opposed to public ownership hydro policy paradigm, but it does not answer the question of why the City of Winnipeg initiated the takeover of WEC and why municipal energy policy became dominated by redistributive issues after the failure of the takeover initiative.

The Ascendancy of Non-Partisanship and the New Progressivism, 1932-1942

The political ascendancy of Bracken's new Progressivism was accompanied by the rise of non-partisanship in provincial politics. Together they marked the legitimization of the more limited role for the provincial state which had emerged in response to the depression and the political strategy adopted to redress the situation. It was within this new reading of the role and capabilities of the Manitoba government that the rentier-redistributive hydro paradigm made more apparent sense because it was administratively viable.

The political convention of "non-partisanship" became the vehicle for the Liberal-Progressives to draw together various elements of organized politics at the provincial level into active support for the new Progressivism. This was not an automatic process. Accordingly, the policy orientation of the Manitoba government shifted with each coalition.

From 1928 to 1931 the Liberal Party and Bracken's Progressive group had become more closely interconnected. By 1936 the two parties had fused. Under the coalition the Liberals gained three cabinet positions. J.S. McDiarmid, a Liberal and Winnipeg business notable, became the Minister of Natural Resources.

The response of the Liberal-Progressive government to the collapse of WEC and the rural municipal distribution utilities reflected a desire to have the utilities themselves take care of their difficulties without direct provincial intervention. Premier Bracken maintained responsibility for the MPC. The organizational changes following the collapse of the rural municipalities provided contradictory trends for the Progressives. The centralization and growth of the MPC could be translated into greater economic efficiency, thus falling hydro rates, which would allow the utility to cultivate a broad base of support in rural Manitoba. Yet the inability of the MPC to spread its distribution network to small villages and farms remained as a major obstacle only partially offset by the military related extensions. During this whole period Cottingham and Bracken kept close contact.⁵⁷ But the MPC chairman was given a free hand.⁵⁸ Cottingham was tremendously ambitious, optimistic and energetic and, for the 1930-45 period, the objectives of the MPC coincided with those of rural municipalities, consumers and the political interests of the provincial government.

In 1928 the rentier-redistributive paradigm had linked the interests of the Progressives to WEC and the resource industrialization policy. Yet the Manitoba government could do little to help WEC. It did, however, protect WEC from legal action by bondholders, thus eliminating the possibility that the company would be sold off in parts or entirely to unknown interests. The Liberal-Progressives hoped to see the City of Winnipeg purchase the transit subsidiaries and the company work out a reorganization with its creditors. When the City of Winnipeg decided in 1934 and 1935 to reject the provincial plans for partial purchase and instead attempted to purchase all of the company,

the Bracken government did not divide on the issue. Rather, it set up an all-party non-partisan committee composed of leaders of the Liberals, Progressives and CCF to aid in the process.⁵⁹ Non-partisanship effectively worked to depoliticize the issue--as far as provincial politics went. The question of purchase was formally left to the City of Winnipeg. On the other hand the province worked closely with the WEC management to facilitate a corporate reorganization.⁶⁰

Following the near loss of power in 1936, the Liberal-Progressive coalition depended upon Social Credit for its political survival. This coalition began to articulate systematically the "new Progressivism" discussed above. The 1936-42 period is considered the zenith of non-partisanship because it culminated in the 1940 all-party non-partisan coalition government, complete acceptance of the arguments presented within Manitoba's Case and the Rowell-Sirois Report, and a major political ratification of the new Progressivism marked by the overwhelming political victory gained by the dominant coalition partners in 1941.

Social Credit support was purchased by a Liberal-Progressive commitment to establish an Economic Development Board which would examine the prospects for economic development.⁶¹ Within rural Manitoba the slow rate of expansion of the basic transmission grid and the differentials between electricity rates in Winnipeg and rural Manitoba provided important limitations to the process of rural electrification and economic development. During 1939 the issue of expansion was addressed, symbolically at least, by the ill-fated barter proposal. When the outbreak of war cancelled expansion plans Bracken and the MPC defended the completion of the transmission network throughout Manitoba as a priority for post-war reconstruction. Indeed Bracken began the process of post-war planning before the 1941 election.⁶² This, however, was not a promise to bring electricity to farms.

In 1940 the Bracken Government formed an all-party coalition. The Manitoba Electrification Enquiry Commission mandate was a means of integrating CCF hydro policy objectives in the context of the older Liberal-Progressive farm electrification commitment. The ILP/CCF had long been a supporter of City Hydro and its bid to take over WEC, as well as a supporter of rural electrification--so the party's participation in the non-partisan coalition was partially purchased on condition that the Bracken government begin to amalgamate the two utilities.⁶³ The MEEC, however, could neither recommend nor bring about public ownership of WEC assets, nor find a way in which a more efficient organization of the utility sector could produce gains that could be transferred to rural Manitoba.

The non-partisan coalition did not last long enough to produce rewards for all constituents. When it became obvious that the coalition had become a means for the Liberal-Progressives to contain and stifle the CCF, Farmer took his party out. The coalition would not support Farmer's CCF labour policies and, in fact, was openly hostile to the party.⁶⁴ Nevertheless, during the 1932-1942 period the Bracken coalition governments were able to unite all leading political forces within the province behind the new Progressivism, a policy which effectively eliminated any substantial provincial initiatives to shift the rentier-redistributive hydro policy paradigm.

The CCF break with the non-partisan coalition government polarized Manitoba politics between the Liberal-Progressives and Conservatives (who had fused during the war years) and the CCF. Indeed, the CCF became more popular and, as part of the national movement, rose to become a threat to established parties. Stuart Garson, the new Progressive Premier who replaced Bracken, realized the political problem as soon as he came to power.⁶⁵ Garson used a consultative and consensus building process, represented by the Advisory Committee on the Coordination of Post-War Planning (ACCPWP), to

ensure that Progressive planning could broker established interests and at the same time marginalize the CCF.

Non-partisanship had given way to an intense struggle between the Liberal-Progressive and Conservative "Coalition Government" and the CCF. Both focused on post-war planning. In this competition the Progressive concept of the state, so profoundly limited by fiscal constraints and non-partisan politics, did not speak to the realities of the ideological and political competition with the CCF. Rural electrification was used to address the substantial problems of relative rural deprivation and to renew the traditional basis of Progressive support. Garson soon found that the massive rural electrification programme had its ideological roots within the American New Deal rather than ILP or CCF socialism. Thus the Premier soon dropped the rhetoric of fiscal limitations and aggressively identified his government with the programme.⁶⁶ Indeed, the constraints of the provincial government's fiscal position took second place to new constraints: the continued reluctance of Winnipeg business representatives on the ACCPWP to accept the principle of subsidized appliance sales to rural Manitoba and war-related economic and regulatory constraints on the availability of appliances and equipment.⁶⁷ Moreover, while the ACCPWP and its sub-committees were debating the issue the Premier was lobbying Ottawa for money and equipment in order to begin the first "pilot projects."⁶⁸

Other factors appear to have changed the Premier's position. First, federal post-war planning widened in scope. Social and economic thinking in Ottawa began to match the needs of Manitoba's development priorities. Federal reconstruction planning favoured rural electrification.⁶⁹ At the very least this indicated the Manitoba government had some legitimate claim to federal financial support.⁷⁰ Hence the programme was not in obvious conflict with the Progressive centralization and debt avoidance strategy.⁷¹

Why would not the Garson government, in search of post-war projects, adopt the energy strategy developed within MNR about the need to develop capacity for industrial development and to form a post-Winnipeg River hydro policy paradigm? The answer, in short, was that this form of paradigm shift was in fact antagonistic to the perceived interests of Winnipeg business--and that WEC played a large role in articulating that interest. The major concern of Winnipeg business, as represented by the Industrial Development Board (IDB), was the excessively high level of taxation and debt.⁷² No one expected a post-war boom. Indeed, post-war planning was premised upon the attempt to avoid the kind of post-war depression that had been so harmful nationally and locally during the 1919-24 period. The IDB, therefore, was thoroughly aligned with the Coalition commitment to centralized redistributive federalism, debt reduction and holding the line on provincial taxation and expenditures. The apparent new economic role was the development of a promotional role for the provincial government by means of the effective, as opposed to symbolic, establishment of a Department of Industry. In this sense the province was adopting roles once under the purview of the IDB. To say that Keynes had not influenced the Liberal-Progressive Manitoba post-war settlement is an understatement.

When Garson called the 1945 provincial election, the rural electrification "test programs" were already underway. During the campaign the premier promised to complete the project within seven years, three years sooner than planned by the MEEC.⁷³ Since 1943 Douglas Campbell, the Liberal-Progressive Minister of Agriculture, had been the Minister responsible for the MPC. Campbell and Garson claimed the Coalition offered more to rural Manitoba than the CCF offered to rural Saskatchewan.⁷⁴ The CCF had already reached the zenith of its national strength, and its campaign emphasized the extension of welfare state reforms. It was also, however, emphasizing an even more

interventionist energy policy which included not only rural electrification but also public development of hydro resources.⁷⁵ But Garson's strategy was successful. Winnipeg editorial opinion pictured the dilemma of the CCF in terms of the party's asking people to vote for it because it would do everything the coalition government promised.⁷⁶ Though the coalition parties had succeeded in selling "New Progressivism plus rural electrification" as a provincial post-war settlement, electoral success was widely aided by significant overrepresentation of the rural electorate. Indeed, the CCF actually took the largest percentage of the popular vote of any party, but was marginalized within the Legislative Assembly.⁷⁷

Class Conflict and Institutional Self-Interest: The Rise and Fall of the "Firesale Coalition"

The rise of the new Progressivism does not, at face value, indicate why WEC and the City of Winnipeg continuously negotiated the public takeover of the company's assets nor why, in the end, these initiatives failed. This broad question is best addressed in a disaggregated form because there were three distinct series of initiatives. The first phase was initiated by WEC and was based on the premise that there were rational tradeoffs to be made for each party. A second phase, 1934-1936, was premised upon the growth of a "firesale" coalition that wanted to pick up all of WEC at bargain prices--an alternative that was only presented because of the company's financial and political problems. A third phase, during 1942, returned to the question of rational tradeoffs.

The political problem was that the political and institutional forces involved in the policy process were at once antagonistic and fairly evenly balanced. To be successful any paradigmatic shift would have to gain widespread support amongst diverse political forces. Table 3.2 illustrates there were only two proposals that could gain widespread support--a firesale of WEC assets and a complete reorganization of the company which

left, for the most part, the relationship between WEC and the Manitoba government undisturbed.

Table 3.2. Support and Opposition for Alternative WEC Policies

Policy Option Coalition Partner	Transit Purchase and Protective Regulation	Firesale Purchase (City's Value)	Running Concern Purchase (WEC's Value)	Energy Integration (Energy Sales/ Power Pool)	Complete Reorganiza- tion (Distribution and Transit)
Power Corp/WEC	1	-1	1	1	1
Northwest Power bondholders (NPBPC)		1	-1		
City Hydro		1	1 or -1	-1	
ILP/CCF (Winnipeg Left)	-1	1	1 or -1	-1	
ICC (Winnipeg Right)	-1	1			1
Lib-Prog Gov't	1				1
Total	0	3	2 or -2	-1	3
Key: (1) = direct expressions of support, (-1) = direct expressions of opposition, (1 or -1) = mixed. Source: Free Press, 1934-1936.					

The historical legacy of WEC was that of a politically corrupt and self-interested monopoly controlled by an outside "power trust" and challenged by the City Hydro, the ILP/CCF and a populist urban constituency. This legacy had generated much too much animosity for the City of Winnipeg to consider policy alternatives which would be beneficial to both utilities and the province as a whole. During 1930-32, for example, WEC continued its attempts to sell or substantially change the terms of its transit franchise. Realizing it had no sympathy at City Hall the WEC Board thought that the City might be interested in purchasing the railways if the company also offered its Winnipeg electrical distribution system, a negotiation strategy calculated to gain the support of John Glassco and City Hydro.⁷⁸ Yet older class and popular antagonisms prevailed. The City Council responded by asking WEC to set a price for all its assets.⁷⁹ There would be no relief from the 5 per cent Gross Earnings tax, no changes in the franchise, and the City would not purchase the utility piecemeal. Faced with a blank wall, WEC then changed its lobbying strategy. From 1932 on it took its case to the provincial government. The

relationships between WEC and the City of Winnipeg did not improve during the entire period under review.

Through 1933 conditions were set for a firesale of WEC's assets. A.J. Nesbitt had worked out a reorganization plan premised on a rescheduling of bond payments, and the avoidance of any watering down of WEC capital through either the sale of hydro assets or dilution of the capital stock assets (selling assets). The Northwest Power Bondholders would gain a small share of common stock, but the company would not undergo a complete financial reorganization. Power Corporation would be putting some water in its wine, but still retain control.⁸⁰ However, in May the WEC Board indicated that it could not live within the terms of the reorganization plan.⁸¹ Business conditions had not improved and the negotiations with the City proved fruitless. The company was definitely insolvent. The relationship between the Power Corporation dominated the WEC Board and the NPBPC started to sour.

A.J. Nesbitt, in an obvious attempt to extricate Power Corporation from the mess, sent a representative to Winnipeg to float the idea of a lease-sale of WEC to the City of Winnipeg. The City, with a monopoly in hydro distribution, was to finance the purchase by means of increased rates. This initial attempt to dump the whole company in order to avoid losing control to bondholders won Power Corporation no political friends. The idea of creating a public monopoly to sweat the new financial commitments out of consumers by price hikes was hotly opposed by the Free Press and the ILP/CCF.⁸² Both WEC and Power Corporation had to back away from the idea.⁸³

Nevertheless, the City of Winnipeg was not slow to realize that the changed circumstances raised the possibility of getting either the utility or its energy at firesale prices. John Glassco outlined an energy strategy for City Hydro which was predicated upon an early cancellation of the WEC supply contract and a subsequent decision of

whether the City would invest in new energy for about \$6 per horsepower or purchase the excess energy from WEC at a better price.⁸⁴ WEC was being manoeuvred into a decision to sell either its assets or its energy dirt cheap. In February, 1934 the City of Winnipeg made a secret offer to buy all of WEC for \$32 million, a figure that can be used as a benchmark for the firesale price.⁸⁵

The City offer drove a wedge between WEC and the NPBPC. The latter, which had not been able to gain any payment for the Seven Sister's investment, accused the WEC Board of bargaining in bad faith and threatened legal action.⁸⁶ The NPBPC wanted control of the company--with the obvious intent to sell assets to recoup its losses. Power Corporation refused to give up control, and during 1933-35 both Power Corporation-WEC and the NPBPC in conjunction with representatives of the other major WEC financiers competed with each other in sale and reorganization proposals.⁸⁷ Also, in March, 1934 the Liberal-Progressive government came out with the first definition of its transit reorganization policy defined by the MPUB.⁸⁸ Two possibilities had emerged--a firesale of WEC assets or a partial reorganization where the transit system would be placed under municipal or provincial public ownership.

The Winnipeg City Council and WEC responded differently to the provincial policy.⁸⁹ The City objected to provincial interference in what was considered a municipal affair and refused to consider purchasing part of WEC. It was still sticking to the all-or-nothing position. WEC, on the other hand, objected to several parts of the legislation, but fully endorsed the thrust of the provincial initiative. WEC, then under serious pressure from the NPBPC, wrote Bracken to the effect that all or parts of the company were for sale--according to different forms of valuation, all of which would take account of the earning potential of the company's assets.⁹⁰ This is termed the "running concern" as opposed to the "firesale" alternative.

Since partial reorganization had been ruled out, there remained two alternatives for public ownership, plus the possibility of reorganization. To a certain extent the "running concern" sale initiative was simply a means of delaying so that the WEC could work out another reorganization proposal more attractive than the firesale alternative to its creditors. WEC had been long convinced that the City could not bargain in good faith-- and the company used the time to formulate and sell the second and eventually successful reorganization plan, one premised upon the NPBPC and related financial groupings' taking control of WEC. As negotiations with the City proceeded the consensus of the WEC Board was that the negotiations had begun to get in the way of eventual reorganization objectives. The City would not offer a reasonable price, and the negotiation process relieved the pressure on the City to consider tax relief and franchise reform. Accordingly the Board instructed the President to cease negotiations at his discretion.⁹¹

The political forces in Winnipeg could only unite around a firesale coalition. The ILP/CCF and Communists had taken control of the City Council on a democratization and municipal public ownership platform in which public housing and milk and bread delivery were important policy commitments.⁹² Given the financial problems of the City, the purchase of WEC could only be affordable at the firesale price. A higher cost would have engendered political opposition and crowded out other ILP/CCF objectives.⁹³ Publicly, the City was talking about spending \$35-\$40 million for a company with a book value of \$80 million.⁹⁴ Gaining WEC for \$35 million was a deal that no one in the province could afford to refuse. It was only raised to the level of a policy probability because the ILP/CCF could align themselves with the NPBPC. This firesale option had all-party support. The only major interests directly opposed to the firesale coalition were the owners, particularly Nesbitt and Thomson, who understandably wanted to maintain their (Power Corporation's) controlling share of the company's stock. As long as Power Corporation as

opposed to the bondholders represented by the NPBPC was in control of WEC the City would have to gain agreement from Nesbitt and Thomson on the terms of any such firesale. But Power Corporation's hold was tenuous and therefore the bondholders (NPBPC) could play the firesale coalition off against Power Corporation in order to force a deal.

Since the City had no immediate use for WEC's excess capacity and energy it really had little to lose in pushing the firesale option. The City valued WEC's assets at \$32 million and made an offer of that amount to which WEC responded with a \$55 million counter offer which was not considered seriously by the City.⁹⁵ The City Council again attempted to force the issue in relation to City Hydro's decision on whether to purchase energy from WEC or continue incremental investments in the Slave Falls site. Clearly desperate for markets, WEC offered to establish a power pool and even went so far as to offer its energy for 10 per cent less than the City's costs of production. City Hydro, however, worked to kill the deal because its leadership was emphatically wary of any dependence upon WEC for energy--and denigrated any merits of system integration.⁹⁶ The City took this advice and gave WEC the same \$32 million all or nothing offer instead of making any decision on purchasing the company's excess assets.⁹⁷

After the company had reorganized in 1935, however, there was no real need to beg at City Hall. The Power Corporation-WEC management considered that the reorganization was, given the circumstances, a major accomplishment. Additionally, WEC's prospects were not as poor as supposed in City Hall because the pulp and paper mill at Pine Falls reopened under new ownership.⁹⁸ WEC's revenue picture also picked up during the war to the point where it began to pay dividends on its greatly expanded common stock. The firesale strategy contributed to the enduring legacy of non cooperation and antagonism between WEC and City Hall. The bondholders'

representatives on the new WEC board were much more interested in regaining their lost money than in serving the modernization of Winnipeg. Hence transit utility investment was linked to tax concessions from the City, a position which isolated the local directors and management.⁹⁹ The WEC Board continued a capital strike on the transit system which made it increasingly obsolete and inefficient.

During 1939-40 WEC and the City had another opportunity to reform the transit franchise and electrical distribution systems. Essentially, City Hydro's continued financial strength permitted the utility to attempt to gain support for purchasing the WEC distribution system in Greater Winnipeg.¹⁰⁰ WEC, ostensibly, was to use the proceeds of the sale to develop more of the Slave Falls capacity. Perhaps the City also thought it could gain price leverage on WEC because the latter was in the midst of renegotiating the transit franchise. At any rate the initiative ran into political opposition and was delayed until the conclusion of a new transit franchise. However, the WEC Board was dissatisfied with the terms of the new franchise negotiated by the local management and the City. So nothing changed.¹⁰¹ During the MEEC process the WEC Board supported Bracken's request that the company negotiate sale of assets with City Hydro in the commission, but the Board did not once seriously discuss a strategy or review negotiations.¹⁰² The only written evidence of the negotiations is from the MEEC chairman, who wrote Bracken to the effect that the company's asking price made the issue a dead letter.¹⁰³

The firesale coalition also backfired on City Hydro and the ILP/CCF. The premise of the coalition had been a mixture of the class, populist and institutional competition and enmity endemic to the logic of successive policy paradigms since 1911. Yet when the firesale coalition "all or nothing" tactics failed, City Hydro and ILP interests diverged on the question of what to do with City Hydro's increasingly large annual surplus. The ILP/CCF wanted hydro surpluses to be redistributed to consumers by means of rate

reductions--a policy based on the philosophy that municipal public ownership should not produce profits or surplus (power at cost) and the knowledge that the effect of rate reductions would hurt WEC. The ICC took the position that City Hydro could turn an annual surplus or profit and that the City had every right to claim those surpluses (the "hydro raids") as substitutes for increased taxation or, in other words, to meet the depression-related municipal fiscal crisis.¹⁰⁴ In relation to this partisan class conflict, City Hydro continually rejected rate reductions and consistently pushed to keep as much of the annual surplus as possible to accelerate debt repayment. Indeed, Glassco was eventually to indicate that he wanted to have all of the long-term debt of the utility paid off during the reconstruction period so that the utility could finance all new investments through retained earnings or on a self-financing basis.¹⁰⁵ Table 3.3 indicates the hydro raids were the least unpopular of the three options. As a result the annual hydro surpluses were divided each year between transfers to the Civic Treasury and accelerated debt repayment. For the ILP the annual "hydro raids" represented an unfair tax on City Hydro, relative to WEC, and therefore was a symbol of the class basis of the municipal state.¹⁰⁶

Table 3.3. Summary of Winnipeg Redistributive Policy and Coalition Alternatives, 1938-45

Policy Option/ Coalition Interest	Rate Reductions	" Hydro Raids" (Fiscal Transfers)	Accelerated Debt Payment
ILP/CCF (Winnipeg Left)	1	-1	-1
ICC (Winnipeg Right)	-1	1	-1
WEC	-1		
City Hydro	-1	-1	1
Total	-2	-1	-1
Key: (1) = direct expressions of support. (-1) = direct expressions of opposition, (1 or -1) = mixed.			

Why would City Hydro, nominally in alliance with the ILP/CCF, fully adopt an essentially Progressive "pay as you go" financial policy? (After all, even private utilities financed investment through a mixture of stock capitalization and long-term bonded debt.) This is best explained by the utility's desire to gain institutional autonomy from hostile

interests on the City Council and, more importantly, from the leadership of the municipal ratepayers' associations. The latter had begun to regard City Hydro and the ILP/CCF as hostile to Winnipeg business. There were a number of issues which began to create a schism between business and the municipal utility.

One of the most potent issues was that municipal state ownership was eroding the market base of the Winnipeg merchants. City Hydro began to openly promote an appliance discount policy in which electrical appliances were sold at a new downtown showroom at prices well below that which private merchants could afford to sell them.¹⁰⁷ Discounted appliance sales were a standard technique used to promote electrification--and thus worth the cost of subsidy for City Hydro. During the 1930s, however, the promotion of this strategy was regarded as a form of warfare against merchants. City Hydro, with the backing of the ILP, continued the policy despite protest and an attempt to use the courts to stop the practice. It is also for this reason that Winnipeg business could not fully endorse the Electrification Enquiry's plan of farm electrification. Half the eventual cost of electrification would be appliances, and the idea to have them all sold by the provincial government at cost simply robbed Winnipeg business of the rural market. Merchants were defending their turf.

Second, the decision to invest incrementally in Slave Falls as opposed to buying WEC's surplus energy engendered outrage from ratepayers' groups, many headed by local business people, who argued that there was no reason to invest in a new plant when public finances were in such a crisis and ample cheap energy was available for City Hydro. As City Hydro and City Council remained resolute in their adoption of autarchy, this argument then questioned whether City Hydro had the legal right to undertake capacity investment without a vote from the City's ratepayers.¹⁰⁸ Basically, the City Charter stipulated that the City could not borrow over \$500 thousand without a ratepayers' vote.

City Hydro could only get around the City Charter because of support on City Council and by relying on bank overdrafts and its large annual revenues. Finally, opponents accused City Hydro leadership of corruption, nepotism and incompetence, charges which were found groundless in subsequent inquiry.¹⁰⁹

Given the context of continual contestation, the "pay as you go" financial policy so integral to the Progressive image of the state then became a means for City Hydro to gain some autonomy from political enemies, even if that autonomy was purchased by adopting a policy which symbolized a limited and defensive concept of municipal public ownership.

Conclusions

Economic crises may provide the opportunity for policy change and innovation, but, as the analysis of the paradigm continuity during the 1930-45 period indicates, crises may not be accompanied by political forces capable of bringing such changes about. The new economic conditions placed great pressures on the state to change the rentier-redistributive policy paradigm. What emerged from the crisis, however, was a version of the established policy paradigm. Save for rural Manitoba, public ownership was not extended to the utility sector. Indeed, the rentierism relationship made even more sense than in 1928 because it saved the Manitoba government from internalizing the financial costs of failure of the Seven Sisters investment. The Liberal-Progressives still maintained farm electrification through redistribution was the key element of their hydro policy. Certainly it was delayed and water power rentals were not adequate to the task. On the other hand the farm electrification programme was the most sweeping of its kind in Canada. What had changed profoundly, however, was the relationship of hydro policy to the older objectives of economic diversification and resource industrialization. The rentier-redistributive paradigm which emerged after 1945 assumed that economic stasis would continue in the foreseeable future.

As the optimistic and speculative assumptions that underpinned the government and utility investment decisions in the late 1920s disappeared, policy failures stemmed from the classic staples problem of excess capacity. In this period of adjustment the important linkages to economic and fiscal policy changed. Hydro lost its key role in shaping provincial economic development. Instead, it became part and parcel of a resource strategy subservient to the provincial fiscal policy, itself part and parcel of depression-related crisis management. Eventually this spoke to the importance of the non-partisan coalition support for the reforms of the Rowell-Sirois Commission. Hence the domestic crises and New Progressivism were linked to changing the structure of Manitoba's external dependency.

Though the New Progressivism and its political conventions dominated provincial politics, it was not entirely successful in accomplishing its intended efficiency or redistributive objectives. The Bracken government did not succeed in having the City purchase WEC's transit or electrical distribution systems. Thus, the hydro sector kept its institutional link with electrical railways--a throwback to the turn of the century genesis of the electrical utilities, but hardly an institutional definition that spoke to the realities of the 1930-45 period. Relatedly, WEC and City Hydro maintained separate distribution systems, thus continuing the competitive autarchy which had developed out of the failed attempt of the turn-of-the-century municipal public power movement to drive WEC out of Winnipeg. The turn-of-the-century status quo was impervious to provincial efforts to change it, even though the institutional arrangements hardly held long-term promise for either urban utility.

Secondly, the Bracken government was also unable to accomplish rural and farm electrification during the 1928-42 period. As the MPC emerged as a monopoly force in rural Manitoba this gap became increasingly important. Indeed, the MPC emerged as the

unofficial arm of the Liberal-Progressives, and Bracken was fortunate indeed to have the ever energetic and optimistic Cottingham shaping rural electrification. Cottingham's ability to capitalize on the war effort launched the MPC into the position where it could embrace the farm electrification programme outlined by the MEEC for the post-war period. And it was with obvious electoral motives that Premier Garson switched from attempting to put cold water on the project to giving it the "go ahead" long before the fiscal resources needed to accomplish it were assured.

There were also important alternatives rejected during the same period. First, the financial collapse of WEC raised the possibility of creating a leading role for City Hydro as a monopoly distributor of electricity in Winnipeg and as the utility with a command of the province's hydro capacity. This possibility, however, was dashed by an underlying unwillingness of Power Corporation to leave the field, despite pressure from its creditors, and the single mindedness of the firesale coalition. One of the reasons this coalition failed was that it did not elaborate a hydro policy paradigm which was superior to the status quo. Though the superiority of public ownership may have been simply an assumption, the evidence supports the conclusion that the ILP/CCF and City Hydro coalition approached the WEC negotiations with such deeply held enmity that they could not see mutual benefits arising from small modifications or from system integration. Moreover, the "take it or leave it" bargaining strategy misread the position of WEC.

The implications of the reorganization of WEC, as opposed to its purchase or partial purchase, were subtle but important. While Power Corporation may have been the *bête noire* of City Hydro and the urban left, it still represented a fairly dynamic fragment of resource capital whose objectives were to make money in the resource sector. Blocked in rationalization and forced to "reorganize" by hostile financial interests, Power Corporation lost control of WEC. The new WEC Board had no particular interest in resource

industrialization and no particular interest in further negotiations with City Hall. Rather, it was simply concerned with accelerated debt repayment. As a consequence WEC continued its capital strike on the transit system and also avoided expenditures on all non-essential items. It was, in this sense, the private counterpart to the provincial government, which placed all of its energies into repayment of the relief-financing debt.

Nor, as we have seen, did the firesale coalition benefit. The ILP/CCF viewed the energy policy paradigm primarily in redistributive terms, but failed in its bid to adopt rate reductions that would further hurt WEC and award benefits to consumers. And City Hydro, battle worn from continuous conflict with merchants and urban ratepayers, adopted an exaggerated risk-adverse and conservative financial strategy. Municipal public ownership ended up epitomizing rather than countering the New Progressivism supported by the business and farmer parties.

The second set of ideas rejected by both the Winnipeg City Council and the Non-Partisan Coalition government were those pertaining to the linkage between hydro policy and industrialization or economic diversification. Winnipeg utilities and their associated political forces had been so intensely focused upon survival that they had completely abandoned their older roles as central economic agencies. Well before the Second World War WEC had been locked into a pattern of translating extra revenues into debt repayment rather than economic experimentation, and City Hydro's failed firesale gambit resulted in using its financial strength to address the City's general fiscal needs rather than any particular energy or economic investment. Neither utility regarded war industrialization possibilities as meaningful enough to change these patterns. And City Hydro ensured that the separation between hydro and industrial policies was a policy principle embedded in the post-war planning. As a result the rentier-redistributive policy

paradigm would be completely unprepared to deal with prolonged economic growth, should it occur.

Finally, one of the reasons for a profound lack of change during the 1930-45 period is that the critique of the status quo and the sources of policy innovation and experimentation were either not credible or were developed in small institutions outside of the centre of hydro policy coalitions. For example, in its descent Power Corporation attempted to float a number of reorganization proposals which were obviously oriented towards relieving the company's financial difficulties, and at the same time offered substantial efficiency gains to its traditional rival. None of these policy initiatives and experiments was successful. Rather City Hydro became committed to an autarchic path of development and its financial strength became increasingly tied to the fiscal policy of the municipal government.

Herbert Cottingham, the head of the MPC, articulated a rural industrialization platform as a part of the discourse of rural populism which the utility chief used to mobilize and organize rural political elites. There is no evidence, however, that Bracken, Garson, or Douglas Campbell, the Liberal-Progressive Minister of Agriculture, took this policy seriously. Similarly, when the Water Powers Branch of MNR essentially accused the Winnipeg utilities of thwarting the industrialization of the province by failing to respond to wartime opportunities, they were marginalized. Nevertheless, the stage was set for a long battle. The central protagonists of the rentier-redistributive policy paradigm could easily outmanoeuvre MNR and smother the critique in the process of post-war planning. Yet the major paradigmatic challenge had been set--not between WEC and City Hydro over the question of ownership, but rather between MNR and the two Winnipeg utilities on the role of hydro in provincial economic development. That conflict, as we

shall see below, would surface early in the post-war period and dominate hydro politics for the next decade.

End Notes

¹ For a general description of the depression experience on the Canadian prairie provinces see Gerald Friesen, The Canadian Prairies: A History (Toronto: University of Toronto Press, 1984) 382-417.

² There are no complete financial statistics representing the general position of the ensemble of WEC subsidiaries. Rather, each subsidiary kept an independent set of accounts and maintained different financial relations with the WEC, the head of the pyramid. WEC's financial surplus (deficit) is composed by adding the amount of interest outstanding on defaulted bond obligations from the hydro and transit utilities, other contingent financial responsibilities, and the annual surplus reported by WEC and its only operating hydro subsidiary, the Manitoba Power Company. Given the absence of any overall statistical account of the collapse of the WEC empire, this figure gives a fairly accurate description of the financial position. Another way to describe the problem is that WEC did not have the revenues to pay the interest on \$18,786,000 worth of debt. See "Corporation Bond Defaults 1930-1934," Financial Post, January 5, 1935, p. 4.

³ Manitoba, Department of the Treasury, Budget Speech of Hon. John Bracken, Provincial Treasurer of Manitoba, Friday, February 20, 1931 (Winnipeg: King's Printer, 1931) 7-8.

⁴ Manitoba, Treasury Budget Speech 1931 18-19.

⁵ H. Carl Goldenberg, Report of the Government Commercial Enterprises Survey (Winnipeg: King's Printer, 1940) 68.

⁶ Goldenberg Government Commercial Enterprises 75.

⁷ Goldenberg Government Commercial Enterprises 69.

⁸ Paul Phillips, "'Power Politics': Municipal Affairs and Seymour James Farmer, 1909-1924," in A. R. McCormack and Ian Macpherson, eds., Cities in the West: Papers of the Western Canada Urban History Conference--University of Winnipeg, October 1974 (Ottawa: National Museums of Canada, 1975) 159-180.

⁹ Winnipeg Electric Company, Annual Report, 1929 (Winnipeg, 1930) 2.

¹⁰ Winnipeg Electric Company, Annual Report, 1934 (Winnipeg, 1935) 1-2.

¹¹ See Appendix WEC-Government Relations: Urban Transportation, 1929-1934.

¹² See the discussion in Chapter Two.

¹³ See Appendix: The Financial Collapse and Reorganization of WEC, 1932-35.

¹⁴ City of Winnipeg Archives (hereafter CWA), File 2595 (1) Sub-Committee on Hydro Rates of the Public Utilities Committee, 1939-1950. See J. G. Glassco, Manager of City Hydro, to Alderman Coulter, Chairman of Sub-Committee, December 8, 1939; J. G. Glassco, Manager of City Hydro, to Chairman and Members, Sub-Committee on Reduction of Hydro Rates, June 28, 1944. Sanger, who succeeded Glassco as General Manager, also came to same conclusion concerning the question of rate reductions. See J. W.

Sanger, to Chairman and Members of the Sub-Committee on the Reduction of Hydro Rates, October 27, 1944.

¹⁵ "Bracken to Call Special Session," Free Press, June 22, 1939; "Bracken Seeks Barter Deal Despite Protests: Says Ottawa Objection Won't Halt Plan to send Produce to Germany," Tribune, July 13, 1939; "Barter Deal Terms," Free Press, July 17, 1939; Bracken Still Hopes for Barter," Free Press, July 20, 1939; "No Barter Deal Says Council," Free Press, July 25, 1939; "City Council Opposes Bracken Barter Deal," Tribune, July 25, 1939; "Bracken Responds to City Council," Free Press, July 27, 1939; "Brandon Hopes: Bracken Denies Plan is Pro-German," Free Press, August 1, 1939; "Bracken's Nazi Deal," Brandon Sun, August 3, 1939; "Discuss Manitoba's Barter Project," Free Press, August 8, 1939; "Major Praises Trade Deal," Free Press, August 9, 1939; "These Barter Deals," Free Press, August 11, 1939; "Barter Deal Not Necessary," The Financial Times, August 18, 1939.

¹⁶ "Province Names Commission to Study Power System: Wider Use, Lower Cost to Farms Is Government's Aim," Winnipeg Tribune, June 13, 1942; "Post-War Plans Begun By Province," Winnipeg Free Press, June 15, 1942. The Commission was composed of an independent commissioner, E.P. Schmidt, an expert on utility valuation and economics, and representatives of the three major Manitoba utilities. The terms of reference are contained in Emerson P. Schmidt, Chairman, A Farm Electrification Programme: Report of Manitoba Electrification Enquiry Commission 1942 (Winnipeg: King's Printer, 1943) v.

¹⁷ Schmidt A Farm Electrification Programme. The key Chapters are on financing and subsidizing the extensions (101-131) on using the U.S. Rural Electrification Agency techniques to finance and reduce the costs of appliances and operation of the system (161-174).

¹⁸ PAM, Manitoba, Records of the Advisory Committee on Coordination of Post-War Planning (hereafter PAM MRACCPWP), RG 20 B7, Box 3, W. J. Parker, Chairman, Final Report of the Advisory Committee on Co-ordination of Post-War Planning (January 21, 1946) 97-100.

¹⁹ The discussion of the Progressive image of state and provincial political society in Chapter Two emphasized the institutionalization of "business-like" government which placed sound management, fiscal integrity, and a "pay as you go" cyclical fiscal policy as key contours on state activity. It also was characterized by decentralization and respect for municipal political autonomy (within fiscal limits), an anti-stasis and preference for cooperative and quasi-public instruments of public policy, and a preference for non-partisanship in political life.

²⁰ The Dominion government provided support for veterans, but generally shared with the Progressives the notion that responsibility for relief was a local matter. In contrast municipalities and the provincial government quickly took the position that unemployment was a national responsibility because Winnipeg was the centre of the seasonal western labour market, a staging ground for immigrants, and a focal point for activities relating to the whole western region. See Michael R. Goeres, "Disorder, Dependency and Fiscal Responsibility: Unemployment Relief in Winnipeg, 1907-1942" (M.A. Thesis, Winnipeg: University of Manitoba, 1981) 53-59, 114-132.

²¹ The atrophication of the provincial state was enforced by dependency on Dominion funds. Ottawa's aid was reluctantly given in the form of various cost-sharing agreements. When, in 1932, the provincial government, threatened to default on a loan obligation, the Dominion intervened to guarantee bonds and

provide some fiscal aid. Nevertheless, the Bennett Conservative government held the view that the prairie governments were failing to meet their responsibilities. Accordingly, federal aid and credit were awarded on the condition that should the provincial deficit exceed \$1 million during any given year the Dominion government would appoint a comptroller to oversee the province's finances. See Morton Manitoba Revised Edition 424-426.

²² Bank of Canada, Report on the Financial Position of the Province of Manitoba, in Manitoba, Manitoba's Case, Appendix B: Analysis of Manitoba's Treasury Problem (Winnipeg: King's Printer, 1937) 90.

²³ By 1933 the Manitoba Government realized that the situation could no longer be considered temporary. See Manitoba, Department of the Treasury, Budget Speech of Hon. E.A. McPherson, Provincial Treasurer of Manitoba, Monday, March 27, 1933 (Winnipeg: King's Printer, 1933) 5-7.

²⁴ Manitoba, Department of the Treasury, Budget Speech of Hon. E.A. McPherson, Provincial Treasurer of Manitoba, Wednesday, March 13, 1935 (Winnipeg: King's Printer, 1935) 15-16.

²⁵ Manitoba, Department of the Treasury, Budget Speech of Hon. E.A. McPherson, Provincial Treasurer of Manitoba, Monday, March 16, 1936 (Winnipeg: King's Printer, 1936) 21-25.

²⁶ Bank of Canada (1937) 93 states: "The fact that Manitoba finds itself in the position described in this report indicates certain fundamental strains and weaknesses. And it seems to be the case that revenues are not adequate, or are not sufficiently elastic, to enable the province to bear the burdens which modern practices of government and the force of the depression have placed upon it. Manitoba does not stand alone in this respect. Other sections of the country are facing problems which may differ in degree from those of Manitoba but are not, in other respects dissimilar."

²⁷ Manitoba, Department of the Treasury, Budget Speech of Hon. Stuart S. Garson, Provincial Treasurer of Manitoba, Friday, April 2, 1937 (Winnipeg: King's Printer, 1937) 38-39.

²⁸ Manitoba, Manitoba's Case: A Submission Presented to the Royal Commission on Dominion-Provincial Relations by the Government of the Province of Manitoba (Winnipeg: King's Printer, 1937).

²⁹ For a summary of the fiscal and constitutional argument see Manitoba, Treasury Budget Speech 1937 15-38; Manitoba, Treasury Budget Speech 1938 25-34.

³⁰ Manitoba, Department of the Treasury, Budget Speech of Hon. Stuart S. Garson, Provincial Treasurer of Manitoba, Friday, March 5, 1943 (Winnipeg: King's Printer, 1943) 25-37.

³¹ Manitoba, Department of the Treasury, Budget Speech of Hon. Stuart S. Garson, Provincial Treasurer of Manitoba, Friday, March 13, 1942 (Winnipeg: King's Printer, 1942) 21-28.

³² Manitoba, Department of the Treasury, Budget Speech of Hon. Stuart S. Garson, Provincial Treasurer of Manitoba, Friday, March 16, 1945 (Winnipeg: King's Printer, 1945) 27-28.

³³ "City Makes Ends Meet," Free Press, May 2, 1934, p. 14; "Outstanding Expert to Probe Winnipeg's Financial Structure," Free Press, May 9, 1934, p. 1; "Running Winnipeg," editorial, Free Press, May 10,

1934, pp. 14; "An Important Decision," editorial, Free Press, July 28, 1934, p. 18; "Mr Bradshaw's Report," editorial, Free Press, August 11, 1934, p. 11.

³⁴ "What About Goldenberg Report?" Free Press, November 10, 1939;

³⁵ "What the Utilities Pay," Free Press, March 25, 1939; "The Goldenberg Report: Position of The Hydro," Free Press, May 30, 1939; "Raids on City Hydro' Attacked by ILP," Tribune, November 11, 1939; "Bardal Defends Use of Hydro Surplus In City's Need," Free Press, November 22, 1939; "Hydro Contribution Action Postponed," Free Press, December 11, 1939.

³⁶ Manitoba, Department of the Treasury, Budget Speech of Hon. Stuart S. Garson, Provincial Treasurer of Manitoba, Monday, February 2, 1938 (Winnipeg: King's Printer, 1938) 28-29, 37-51.

³⁷ Morton's definition of stewardship is that of an active manager of renewable resources as opposed to a caretaker. Stewardship was not in any sense a replacement of capitalist development with any form of socialism or collective development. (1967); 435-437. J.S. McDiarmid, the Minister of Mines and Natural Resources (MNR) had to counter rumours that Manitoba had "shallow fields" in order to preserve the belief that the frontier offered good future development prospects. See PAM, Manitoba, Records of the Department of Mines and Natural Resources, Deputy Minister's Office, General Files (hereafter MRDMNR DMO GF), 1930-1955, RG 17 B1, Box 7, File 33.1.3E, "Notes prepared for speech by Minister of Mines and Natural Resources Bureau, Winnipeg, Board of Trade--February, 29," Natural Resources and Business, 1939: 3.

³⁸ Another reason, according to WEC's analysis, was that the company paid lower wages than City Hydro and did not provide a pension fund. See MHCL WEC Minutes of Meetings of Board of Directors (April 29, 1935) 17.

³⁹ The importance of resources as a means of subsistence and an alternative to relief can be gauged by the following speech notes prepared for McDiarmid in 1939. The Minister is referring to a water project which stabilizes the muskrat habitat. "When we consider the total number of families that will be affected, it will be seen that by this method we will remove twelve to fifteen hundred people from the threat of relief -- making them no longer a charge upon your business by equipping them to contribute substantially to the commercial life of the Province. By this one project alone we have created between three and four hundred permanent jobs. The breeding stock which is the guarantee of future jobs will be systematically protected and conserved." PAM, MRDMNR DMO GF, RG 17 B1, Box 7, file 33.1.3E, Notes prepared for speech by Minister to Mines and Natural Resources Planning Bureau, Winnipeg Board of Trade, February 29, 1939, Natural Resources and Business, p.5.

⁴⁰ The increase of storage was a federal relief project increasing the storage capacity of existing reservoirs at Lac Seul rather than a change in the international regulation of Lake of the Woods. See Manitoba, C.H. Attwood, Annual Report of the Water Power and Water Rights Branch for the Fiscal Year Ending April 30th, 1934 (Winnipeg: Department of Mines and Natural Resources, 1934) 120-123.

⁴¹ PAM, MRDMNR DMO GF, RG 17 B1, Box 6, file 33.1.1, Transfer of Natural Resources, 1930-1948, C.J. McGavin, Esq., Chief Engineer, Water Rights Branch, Department of Natural Resources, Regina, to C.H. Attwood, Deputy Minister, Department of Mines and Natural Resources, Winnipeg, June 13, 1935

⁴² PAM, MRDMNR DMO GF, RG 17 B1, Box 6, file 33.1.1, *ibid.*, C.H. Attwood to C.J. McGavin, June, 20th, 1935; J.S. McDiarmid to W.R. Chant, Minister in Charge of Water Resources, Edmonton, December, 31, 1936; J.S. McDiarmid to W. F. Kerr, Minister of Natural Resources, Regina, November 4, 1936; J.S. McDiarmid to W. J. Major, Attorney-General, November 4, 1937; T.A. Crerar, Ottawa, to J.S. McDiarmid, January 11, 1938; J.S. McDiarmid to T.A. Crerar, January 21, 1938; J.S. McDiarmid to W.J. Major, January 21, 1938; D.J. Allen, Assistant Deputy Minister, Winnipeg, to J.S. McDiarmid, January 5, 1938; Manitoba, PC 228/38, February 26, 1938; Canada, PC 457, March 5, 1938; J.S. McDiarmid to C.W. Jackson, March 10, 1938; C.H. Attwood, Deputy Minister, to C.J. McGavin, Esq., Chief Engineer, Water Rights Branch, Department of Natural Resources, Regina, Saskatchewan, June, 20th, 1935; J.S. McDiarmid, Minister of Mines and Natural Resources, to The Honourable W.N. Chant, Minister in Charge of Water Resources, Edmonton, Alberta, December 31st, 1936.

⁴³ PAM, MRDMNR DMO GF, RG 17 B1, Box 6, file 33.1.1, *ibid.*, T.A. Crerar, Ottawa, to J.S. McDiarmid, January 11, 1938; J.S. McDiarmid to T.A. Crerar, January 21, 1938; J.S. McDiarmid to W.J. Major, January 21, 1938; D.J. Allen, Assistant Deputy Minister, Winnipeg, to J.S. McDiarmid, January 5, 1938.

⁴⁴ For an indication of the early refusal to invest see "Hydro Expansion Held Not Justified," Free Press, August 13, 1940. For the narrative of the exceptional collaboration see "Low Water Leaves Power Problem on City Doorstep," Tribune, August 27, 1940; "New Power Agreement," Editorial, Free Press, August 28, 1940; "Winnipeg River is Lowest on Record: Plant's Dump Power Grows Scarce," Tribune, August 30, 1940; "Steps Taken to Relieve Power Pinch," Free Press, August 30, 1940; "Hydro Power Sale Continued," Free Press, September 11, 1940; "Reports on Sale of Dump Power," Tribune, September 24, 1940; "Pact of Made For Power Sale," Tribune, October 8, 1940; "Approve Power Sale to W.E. Company," Free Press, October 9, 1940.

⁴⁵ "Cottingham Suggests a National Economic Policy For Dominion," Portage Graphic, July 4, 1942; "Crerar Answers Brandon Plea For War Work," Tribune, April 21, 1942; "Howe Will Look Into Brandon War Job Plea," Tribune, April 18, 1941; "Council Seeks Work For Men and Machines," Tribune, April 22, 1942; "Idle Machinery: Ottawa Charged With Neglecting To Make Full Use of Manitoba," Free Press, April 30, 1942; "Morale Destroyer: Idle War Plants In City Scored," Tribune, April 30, 1942; "Manitoba's Idle Machines," Editorial, Tribune, May 19, 1942, "Small Shops Still Looking for Work From Contracts: Bits and Pieces Program Has Failed to Supply Need," Brandon Sun, May 29, 1942; "Ask War Work For Manitoba," Tribune, May 29, 1942; "Says Bits and Pieces Programme Failure," Free Press, May 29, 1942; "Pooling Suggested To Increase Small Shops' War Work," Tribune, July 21, 1942; "Meindl States City Is Lagging in War Work," Free Press, July 22, 1942; "Still Fumbling," Editorial, Tribune, September 19, 1942.

⁴⁶ See "\$100,000,000 War Industry Plant Looming For Manitoba," Free Press, April 21, 1942; "New War Plant," Editorial, Free Press, April 22, 1942, "Industrial Board Grant," Tribune, May 12, 1942; "Queen May Go East Seeking War Orders," Free Press, July 15, 1942; "McDiarmid Gives Sales Talk at Ottawa: Manitoba Can Take More War Work," Free Press, August 1, 1942; "[McDiarmid] Says Manitoba Will Get More War Contracts," Portage Graphic, August 6, 1942; "City Shops May Make Tank Parts," Free

Press, August 6, 1942; "Mayor To Ask For War Work," Free Press, July 29, 1942; "Mayor to Take Printers' Plea To Ottawa," Free Press, August 7, 1942; "Order For Tank Parts May Be Obtained By Local Machine Shops," Tribune, August 6, 1942; "War Work For Manitoba," Editorial, Tribune, August 19, 1942; "Local Shops to Produce Tank Parts," Free Press, August 26, 1942. Also, the private coordination of promotional efforts can be gauged from Cottingham's description of an attempt to gain a trial dehydration plant. Essentially, Cottingham heard a rumour while in Ottawa that the Department of Agriculture was going to build a trial dehydration plant. Cottingham saw the officials in question only to find out that Manitoba was not being seriously considered. Upon leaving the city Bracken informed J.M. Turner, Member for Springfield, of these developments. Turner met with other Manitoba MPs who held a caucus "and decided to make a united approach to both our Ministers...." The outcome of the efforts was not recorded in the documents. PAM, Manitoba, Records of the Premier's Office (hereafter PAM MRPO Bracken), Range 43 GR 43, Box 11, file 83, Power Commission, Cottingham to Garson, c.c. Bracken, J.M. Turner to Cottingham, Private and Confidential, June 11, 1942.

⁴⁷ "Says Manitoba Will Get More War Contracts," Portage Graphic, August 6, 1942.

⁴⁸ For example, in April 1942 the Dominion Government Power Comptroller and City Hydro General Manager met to discuss the Aluminum Company of America's (ALCOA) interest in building a refinery in Manitoba. Glassco refused to supply the energy needs of the aluminum refiners. The ALCOA plant would have necessitated expanding both the City Hydro Slave Falls and the Winnipeg Electric Seven Sisters sites or, in short, would have taken all of the surplus power in the province. Construction would have taken at least two years. Despite these opportunities, Glassco turned down the idea, indicating it was economically unsound because the plant would probably close down after the war. See: "Big Drain on Power Bar to Alcoa Plant," Tribune, [April 26], 1942; "Problem of Power: Glassco States Hydro Position On Aluminum Plant Proposal," Free Press, April 29, 1942.

⁴⁹ This can best be revealed by the servicing of the new air base at Dauphin. This community was some distance north of the established MPC power grid. The military had, therefore, planned to place its own diesel generation equipment at the new installation. Cottingham, on the other hand, proposed the military help the MPC extend its grid to the new location in a deal that saw shared financing with the Dominion, the use of the MPC as a building contractor, and the return of the line to the ownership of the province after the war. A similar proposal saw the Canadian military financing a new major transmission line across the province. The military demand had necessitated the new line because the older MPC system had been stretched to its limits. See PAM MRPO Bracken, Range 43 GR 43, Box 11, file 83, Power Commission, Cottingham to Bracken, August 24, 1942; "Propose New Power Network," Tribune, May 10, 1941; "Hydro Extension Talks Under Way," [Free Press], May 10, 1941; "Work Being Rushed on Dauphin Flying School," Free Press, May 14, 1941; "Power Commission to Build New Line," Free Press, April 18, 1942; "Power Line For Airfields," Tribune, May 22, 1942; "66,000 Volt Wood Pole Line To Be Built," Free Press, May 22, 1942. Cottingham's successful attempt to gain wartime priority to supply materials for the new line are described in PAM MRPO Bracken, Range 43 GR 43, Box 11, file 83, Power Commission, Cottingham to Bracken, April 7, 1942.

⁵⁰ The strength of Cottingham's commitment to rural industrialization is well stated in correspondence between Cottingham and Premier Bracken. See, in particular, PAM MRPO Bracken, Range 43 GR 43, Box 11, file 83, Power Commission, Cottingham to Garson, c.c. Bracken, March 7, 1942.

⁵¹ The expansion of energy demand had been so great that the MPC was going to have to contract an additional 10,000 h.p. over the original 30,000 h.p. in the 1928 contract from Winnipeg Electric before the end of the war. See PAM MRPO Bracken, Range 43 GR 43, Box 11, file 83, Power Commission, Cottingham to Garson, c.c. Bracken, April 24, 1942.

⁵² PAM Manitoba, Records of the Premier's Office--Campbell (hereafter PAM MRPO Campbell), G 74, file 83, Post-War Problems, Misc. nd, "Interview with Professors Ryerson and M[?] with regard to the feasibility of selling 350,000 h.p. of electrical energy from the Dauphin River power scheme in Minnesota..." nd.

⁵³ PAM, MRDMNR DMO GF, RG 17 B1, Box 10, file 36.4.1B, Water Resources. Water Resources Branch Post-War Planning Projects, Preliminary Report No. 2. August 31, 1943, p.1, states:

"If additional power had been developed prior to the war, there would undoubtedly have been many new industries established in Manitoba. Past experience elsewhere has demonstrated that it is good business judgment to develop cheap power in advance of industrial power developments. Industry locates where power and good water are available, but seldom waits until the power is developed."

⁵⁴ In a confidential letter to the Executive Secretary of the ACCPWP, he set down the parameters of the post-war hydro policy.

"I think we must all agree that the additional 250,000 H.P. still to be developed on the Winnipeg River in Manitoba, together with a further 200,000 H.P. available on the Winnipeg River either at Lamprey Falls or Boundary Falls [in Ontario]--and all this additional power within a radius of 110 miles from Winnipeg--requires that we should be a little cautious in suggesting that the Government of Manitoba might seriously consider going ahead with the Dauphin River power development, in the immediate future.

"Although the uncertainty of being able to obtain a sufficient supply of cheap power might handicap industrial development it does not necessarily follow that an excess development of power will be a magnet attracting industry. Cheap power and the assurance of being able to attain it are what industry requires. The greater the amount of idle excess capacity the higher ultimately must be the electric power rates. This is self-evident.

"The reference to Eastern Canada being an example of the advantage of over-production cannot be supported by a specific case, except in the emergency of war production. The favourable thing to be said about surplus power is that it stimulates effort to find some use for it. Past efforts and success in this direction have been confined to the domestic field, as for instance in electric water heating and electric cooking.

See PAM, MRACCPWP, RG 20 B 7 Box 1, File 600, Rural Electrification, 1945, Confidential, Comments on Post-War Reconstruction Committee's Interim Report, Sanger to Boyd, July 16, 1945.

⁵⁵ Parker Final Report 97-100.

⁵⁶ Parker Final Report 100.

⁵⁷ Goldenberg Government Commercial Enterprises 75. Goldenberg described the formal relationship between Bracken, the designated Minister responsible for the Manitoba Power Commission, and the Chairman, Herbert Cottingham, as follows: "He is the intermediary between the government and the Commission; he receives the recommendations of the Commission and its requests to the government; he

meets with the chairman to receive reports on the operations of the Commission; and he receives a detailed monthly report on the finances and on all phases of the operations of the system, with comparative information for the preceding year."

⁵⁸ There is no record in the correspondence of either a substantial policy difference between Bracken and the MPC chairman, nor any indication that the Premier sought to place any policy constraints on him or the MPC.

⁵⁹ "Bracken, Evans, Queen Appointed Committee to Seek Further Solution," Free Press, June 7, 1934, pp. 1, 2.

⁶⁰ In the first instance the provincial initiative to facilitate the sale of the transit system and place it under the authority of the Municipal and Public Utilities Board represent major steps in helping WEC break its impasse at City Hall. When the situation was not easily resolved the Manitoba government continually extended legal protection to WEC and its subsidiaries from court action by its creditors (giving the company some bargaining leverage), passed legislation regulating the terms of taxi competition with mass transit, and then passed the legislation changing WEC's corporate and capital structure to meet the needs of the reorganization plan. This was not done without some direct pressure or influence from WEC representatives. Indeed, J.B. Coyne was paid \$12,000 for his services in procuring the legislation. See MHCL WEC Minutes of Meetings of Board of Directors (April 4, 1935).

⁶¹ Morton Manitoba Revised Edition 427.

⁶² "War Effort is Key In Throne Speech," Winnipeg Tribune, February 20, 1940; "Bracken Stresses Post-War Problem," Winnipeg Tribune, November 27, 1940; "Preparedness Public Works Planned For Post-War Needs", Free Press, December 1, 1940.

⁶³ Wiseman Social Democracy 30.

⁶⁴ Nelson Wiseman, "The CCF and the Manitoba 'Non-Partisan' Government of 1940," Canadian Historical Review, 54:2 (June 1973) : 180-188.

⁶⁵ Still accustomed to being the Provincial Treasurer, he wrote Emerson Schmidt, the MEEC chairman, whose report was just ready for publication, concerning his fears that the CCF would run with it even though it was hardly affordable for the province. He wanted to delay the publication until he had time to write a preface to the report (which he had not read) indicating how farmers might, over time, contribute to the process. Garson was apparently impressed by the success of the authoritative social participation contained in the Soviet planning process--and wanted to cast the Farm Electrification Programme in the same manner. Schmidt wrote back tactfully and indirectly advising Garson not to kill the idea by reference to fiscal constraints and offered ideas on how to sell the idea (and Garson himself) to the populist farming and Winnipeg business communities. Garson, a lawyer, privately conceded that he was not a farmer, knew nothing about practical farming and had even lost money investing in farms. Eventually the responsibility for selling the programme was delegated to Garson's Minister of Agriculture, Douglas Campbell. See: PAM, MRPO Garson, Range 43 ACC GR 43, Box 18, file 83, Post-War Manitoba Electrification Enquiry Commission, Schmidt to Garson, January 16, 1943; Garson to Schmidt, Personal and Confidential, January 20, 1943, Schmidt to Garson, January 26, 1943.

⁶⁶ Garson and others soon realized that the MEEC report was an important ideological document which ought to be widely circulated and discussed in farm circles. The Minister of Education eventually went so far as to suggest that it be included as a part of the provincial high school curriculum, though he thought that more "academically minded" members of the teaching profession would object. The efforts of the Premier to publicize the report are chronicled in PAM, MRPO Garson, Range 43 ACC GR 43, Box 18, file 83. Post-War Manitoba Electrification Enquiry Commission, Schmidt to Garson, January 26, 1943; Schmidt to Garson, February 9, 1943; W.D. Fallis, Assistant to the General Manager, MPC, to Garson, February 11, 1943; Fallis to Garson, February 15, 1943; Garson to Schultz, February 17, 1943; Schultz to Garson, February 19, 1943; Garson to Schultz, February 23, 1943; Garson to Welch, Turnbull, Marcoux, Willis, McLenaghan, McDiarmid, Campbell, Schultz, Morton, February 25, 1943. McDiarmid to Garson, February 27, 1943; Schultz to Garson, March 1, 1943; Morton to Garson, March 1, 1943; Schmidt to Garson, April 1, 1943; Garson to Schmidt, April 6, 1943; Garson to Clyde T. Ellis, Executive Manager, National Rural Electrical Cooperative Ass'n (U.S.A.), April 6, 1943; Willis to Garson, May 31, 1943; Fallis to Garson, enclosed Allyn A. Walters, Information Division, United States Department of Agriculture Rural Electrification Administration, to Cottingham, February 22, 1943; Garson to Schmidt, March 27, 1943; Cottingham to Garson, May 26, 1943.

⁶⁷ PAM, MRACCPWP, RG 20 B 7 Box 1, File 600, Rural Electrification, 1945. See The Manitoba Power Commission Progress Report on Rural Electrification Following the M.E.E.C. Report, October 30, 1944; Minutes of Meetings of Sub-Committee on Rural Electrification (and enclosures) held November 9, 1944, November 23, 1944 and December 13, 1944; Boyd to Sanger, Confidential Notes for Mr. Sanger's Use: Meeting of Advisory Committee on Resolution no. 2 Presented by Rural Electrification Sub-Committee, December 21, 1943. Boyd to Sanger, January 27, 1945, cc. Garson to Donald Gordon, Chairman, War Time Prices and Trade Board, January 25, 1945; Minutes of Meeting, February 21, 1945; Sanger to Chairman and Members, Advisory Committee on Coordination of Post-War Planning, February 25, 1945. See also: PAM, MRACCPWP, RG 20 B 7 Box 1, file 200, Minutes of Joint Meeting, RE, Post-War Reconstruction Committee Report, September 19, 1945.

⁶⁸ See supra. Garson to Prime Minister; also "Speedup Urged In Rural Electrification: Garson Flies To Ottawa on Local Problems," Tribune, January 18, 1945.

⁶⁹ PAM, RG 20, I37, Box 1, File 601, Minutes of Sub-Committee (6), Memorandum, References to Rural Electrification in Other Reconstruction Reports, no date, no author.

⁷⁰ By 1944 it appeared that most provinces were interested in some form of rural electrification programme as a post-war reconstruction project, although the Manitoba plan stood out as the most ambitious.

⁷¹ Garson's views are cited and discussed in Post-War Reconstruction Committee of the Government of Manitoba, Interim Report, Prepared for the Consideration of The Advisory Committee on Co-ordination of Post-War Planning, May, 1945, Legislative Building, Winnipeg, Manitoba. PAM, RG 20, B 7, Box 3. See also "Manitoba Presents Well Built Postwar Development Scheme," Financial Times, December 14, 1945

⁷² PAM, MRACCPWP, RG 20 B 7 Box 1, File 400, Minutes, Report and Correspondence of the Joint Meeting of Subcommittee (4) Industrial Reconversion and Employment with the Executive Committee of the Industrial Development Board, 1944-1945, Report of the Joint Meeting of Sub Committee (4)

Reconversion and Employment with the Executive Committee of the Industrial Development Board, Held in Room 232 Legislative Building, Winnipeg, January 25, 1945, Executive Committee Meeting, Confidential, January 25, 1945.

⁷³ "Province Speeds Rural Power Plan," Winnipeg Tribune, September 7, 1945; "Electrification For Every Farmer In 7 Years Is Aim," Free Press, September 7, 1945.

⁷⁴ PAM, Manitoba, Records of the Manitoba Power Commission, Newspaper Clippings relative to Winnipeg Electric Company and Winnipeg Electric Railway Company, 1909-1947; newspaper clippings relative to natural gas explosions, 1957-1959, press releases, 1945-1946; report on the Manitoba Power Commission, 1923, (hereafter MRMPC NC), 1909-1958; Coalition Advertisement, "Yes, Let's Look at Saskatchewan..," placed in rural weeklies, October 5, 1945.

⁷⁵ Wiseman Social Democracy 40. The overall thrust of CCF platform in 1945, however, was the development of welfare state programmes. Wiseman Social Democracy 76

⁷⁶ MPC Clipping Files. No 21. "The CCF Election Campaign," no date.

⁷⁷ The CCF gained 10 of the 55 seats in the Legislative Assembly with 34.1 per cent of the popular vote! The Liberal-Progressives gained 25 seats with 33.2 per cent of the popular vote and the Conservatives gained 15 seats with 18.2 per cent of the popular vote. See the table, "Provincial Election Results in Manitoba," in James A. McAllister, The Government of Edward Schreyer: Democratic Socialism in Canada (Kingston and Montreal: McGill-Queen's University Press, 1984) 111.

⁷⁸ MHCL WEC Minutes of Meetings of Board of Directors (March 19, 1931, September 9, 1931).

⁷⁹ MHCL WEC Minutes of Meetings of Board of Directors (December 3, 1931, March 18, 1932).

⁸⁰ MHCL WEC Minutes of Meetings of Board of Directors (February 8, 1933, February 27, 1933, March 9, 1933, March 27, 1933, April 11, 1933).

⁸¹ MHCL WEC Minutes of Meetings of Board of Directors (April 24, 1933, May 2, 1933).

⁸² University of Manitoba, M. J. W. Dafoe to Clifford Sifton, Esq., February 10, 1933. Clifford Sifton concurred with Dafoe's analysis. See Sifton to Dafoe, February 13, 1933; Dafoe to Sifton, February 16, 1933; Dafoe to Sifton, February 16, 1933.

⁸³ MHCL WEC Minutes of Meetings of Board of Directors (April 11, 1933, April 24, 1933, May 2, 1933).

⁸⁴ Since WEC was selling energy to the City at about \$15 per horsepower, this was a significant, but not unexpected change.

⁸⁵ "Tramway Co. Purchase Price: Secret Negotiations by Special Committee on Transportation Revealed," Free Press, November 15, 1935, p. 3, 24.

⁸⁶ MHCL WEC Minutes of Meetings of Board of Directors (April 17, 1934).

⁸⁷ Although details are sketchy, it appears that after the failure of the first reorganization proposal the NPBPC took the initiative by establishing a sub-committee with representatives of the bondholders of all of the other WEC subsidiaries. This sub-committee began initiatives to sell all WEC assets. WEC, on the other hand, continued its own negotiations with the province and City of Winnipeg, and also began to establish another reorganization plan which was received sympathetically by some NPBPC officials--provided the bondholders got control of the new company. See MHCL WEC Minutes of Meetings of Board of Directors (May 9, 1934, May 21, 1934, May 23, 1934). By August 1, 1934 relations between WEC and the NPBPC had soured to the point where the latter was again threatening legal action to gain control of the company and the former had concluded that the NPBPC was too cumbersome and internally divided to be able to cut a reorganization deal. Eventually steps were taken to coordinate the twin parallel negotiations and the outlines of a new reorganization proposal were agreed upon. See MHCL WEC Minutes of Meetings of Board of Directors (August 1, 1934, September 19, 1934).

⁸⁸ "The Street Railway Problem," Editorial, Free Press, March 2, 1934.

⁸⁹ "Any Intervention by Legislature Opposed by Winnipeg Council," Free Press, March 13, 1934, pp. 1, 8; "The Street Railway Issue," Editorial, Free Press, March 13, 1934, p. 13; "Under the Dome," Free Press, March 29, 1934, p. 15; "Under the Dome," Free Press, March 30, 1934, p. 11; "The Only Satisfactory Solution," Free Press, April 2, 1934, p. 13; "Under the Dome," Free Press, April 3, 1934, p. 14; "Views of Suburbs on Transportation Bill Show Much Variance," Free Press, April 4, 1934, p. 1.

⁹⁰ "Tram Company President Offers Compromise Plan on Transportation Bill," Free Press, April 5, 1934, pp. 1, 5; Anderson to Bracken, April 12, 1934, in MHCL WEC Minutes of Meetings of Board of Directors (May 23, 1934).

⁹¹ The decision arose out of a demand by J.W. Sanger, on behalf of the City, to audit WEC's books. The WEC Board was suspicious of the City's motivations and decided to supply the City with specific information as requested, but not to open the company's books to the City Council. The WEC Board concluded that the City had sufficient information with which to make an offer. When there was no apparent response from the City negotiators the WEC Board concluded that the City was not bargaining in good faith. All principal Board members took the same view. See MHCL WEC Minutes of Meetings of Board of Directors (January 5, 1935, February 25, 1935).

⁹² "New Ideas at City Hall," Editorial, Free Press, January 19, 1935, p. 19.

⁹³ "City and Company Negotiate," Free Press, April 13, 1934; "The Bylaw to Purchase," Free Press, August 11, 1934; "New Ideas at City Hall," Editorial, Free Press, January 19, 1935, p. 19.

⁹⁴ "Deal on Trams: Council Paves Way for Submitting Question of Purchase to Ratepayers," Free Press, August 14, 1934, p. 7.

⁹⁵ "Tramway Co. Purchase Price: Secret Negotiations by Special Committee on Transportation Revealed," Free Press, November 15, 1935, pp. 3, 24.

⁹⁶ Records of the negotiations are contained in CWA, U 929 (12) Committee on Public Utilities, Slave Falls, 1933; CWA, U 787 Committee on Public Utilities, Minutes of Sub-Committee on Electrical Power Situation, July, 1935-January, 1936; CWA, U 929 (13) Committee on Public Utilities, Slave Falls, October, 1935-January, 1936; and in MHCL WEC Minutes of Meetings of Board of Directors (September 30, 1935; October, 28, 1935; November 25, 1935; December 30, 1935).

The City's bargaining strategy--to cancel the expensive Manitoba Power Company supply contract and then choose between inexpensive marginal additions to Slave Falls or inexpensive energy from WEC--was set out by Glassco and acted upon by the City. See CWA U 929 12. WEC then followed suit by offering different combinations of sale and contract alternatives. It is clear from the correspondence that the City representatives, particularly as advised by J.W. Sanger, were officially cool and privately hostile to the WEC sale initiatives. The most revealing aspect of the City's position is contained in a confidential report prepared by Sanger for a sub-committee of the Committee on Public Utilities. This report indicated that price was not the real issue in considering the WEC sale alternatives. Rather, Sanger represented City Hydro's fears of the political effects of long term dependence on WEC for power--regardless of price. Interconnection with WEC was assumed to lead to economic and political dependence. Hence, despite the fact that WEC had an abundant surplus capacity that could be sold at ridiculously low prices, the leadership of the municipal utility saw no advantage in picking up a low cost supply of power, even in the short term, for fear of long-term consequences. See CWA, U 787 Sanger to Glassco, November 28, 1935. This report was then revised (cleansed of barbs and fears) and adopted by the Committee on Public Utilities CWA, U 929 (13) December 13, 1935 and January 6, 1936. Anderson made last minute efforts to sweeten WEC's proposals, but the matter was resolved against them January 17, 1935. See also "Can a Bargain be Stuck?," Free Press, November 18, 1935, p. 14; "Company's Offer not Acceptable, Simpkin States," Free Press, December 31, 1935; "Decision on Power Deal is Delayed," Free Press, January 11, 1936, pp. 1, 13.

⁹⁷ "City Votes to Continue Tram Purchase Dealings," Free Press, March 10, 1936, p.1, 5. MHCL WEC Minutes of Meetings of Board of Directors (April 8, 1936).

⁹⁸ MHCL WEC Minutes of Meetings of Board of Directors (September 30, 1935; October, 28, 1935; November 25, 1935; July 27, 1936).

⁹⁹ MHCL WEC Minutes of Meetings of Board of Directors (November 25, 1935; December 30, 1935); September 28, 1936; February 1, 1937).

¹⁰⁰ "Big Winnipeg Electric Deal Hinted," Free Press, December 4, 1940; "Power Problem: Finishing Seven Sisters' Plant, Winnipeg Electric Company Aim," Free Press, December 5, 1940; "A Hydro Monopoly," Editorial, Free Press, December 5, 1940; "Hydro Is Ready To Make Offer For W.E. Service," Tribune, December 5, 1940; "Electrical Distribution In Winnipeg," Editorial, Tribune, December 5, 1940; "W.E. Purchase Proposal Is Tabled," Tribune, December 10, 1940; "Hydro Purchase Laid Over," Free Press, December 11, 1940; "[Suburban] Council Seeks Representation At Power Merger," Tribune, December 11, 1940; "Hydro Given Okay to Negotiate For Lighting System," Tribune, December 24, 1940. CWA, U 2658 Committee on Public Utilities, Negotiations with Winnipeg Electric Company, December, 1940-January, 1941.

¹⁰¹ CWA. U 2658. Glassco to Chairman and Members. Committee on Public Utilities, January 9, 1941; Clerk of the Committee to Glassco, January 14, 1941; MHCL WEC Minutes of Meetings of Board of Directors (February 10, 1941; May 5, 1941; July 7, 1941).

¹⁰² PAM, MRPO Garson, Range 43 ACC GR 43. Box 18, file 83, Post-War Manitoba Electrification Enquiry Commission, nd. Correspondence with Dr. Emerson P. Schmidt. Schmidt to Bracken, July 28, 1942; Schmidt to Bracken, August 26, 1942. The only recorded discussion of the MEEC by WEC Board was simply a decision to comply positively to Bracken's request to negotiate. MHCL WEC Minutes of Meetings of Board of Directors (August 31, 1942).

¹⁰³ PAM, MRPO Garson, Range 43 ACC GR 43. Box 18, file 83, Post-War Manitoba Electrification Enquiry Commission, nd. Correspondence with Dr. Emerson P. Schmidt, Schmidt to Bracken, September 22, 1942.

¹⁰⁴ The 1939 debate was brought about by the increase in the cost of electricity stemming from war time taxation. The left was in favour of decreasing rates by doubling the rate of discount for rapid payment of outstanding accounts. Glassco advised against such a move. The WEC Board hoped City Council would come to its senses. Labour also opposed the move--at least until the depression wage cuts had been restored. See CWA File 2595 (1) Sub-Committee on Hydro Rates of the Public Utilities Committee, 1939-1950. Minutes of Meeting of Sub-Committee on Hydro Rates (December 5, 1939; December 11, 1939, December 18, 1939; January 8, 1940) and MHCL WEC Minutes of Meetings of Board of Directors (September 29, 1939). See also the following articles mentioned above: "What the Utilities Pay," Free Press, March 25, 1939; "The Goldenberg Report: Position of The Hydro," Free Press, May 30, 1939; "Raids on City Hydro' Attacked by ILP," Tribune, November 11, 1939; "Bardal Defends Use of Hydro Surplus In City's Need," Free Press, November 22, 1939; "Hydro Contribution Action Postponed," Free Press, December 11, 1939."

In 1944 the issue again returned with competing initiatives: to cut the base rate from 3.5¢/kwh to 3.0¢/kwh, to forego payment of one month's bill out of 12, and to absorb the 8% sales tax on electricity. Rate reductions were again opposed by Glassco who argued that it made no sense to cut rates until the City established a firm policy on the proportionate amount of surplus to be taken from the hydro system each year. In October, 1944, Sanger, who succeeded Glassco as General Manager, argued that City Hydro ought to set up a Rate Stabilization Fund, composed of 50% of the annual surplus, as a means of anticipating post-war inflation. The Sub-Committee eventually supported Sanger's reserve idea in conjunction with rate reductions. City Council, on the other hand, did not agree with the Committee on Public Utilities or its Sub-Committee on Hydro rates. Hence the status quo prevailed. See: File 2595 (1) Minutes of Meeting of Sub-Committee on Hydro Rates (February 19, 1944; February 26, 1944; May 8, 1944; May 13, 1944; June 12, 1944; June 15, 1944; June 22, 1944; July 25, 1944; August 1, 1944; September 26, 1944; October 14, 1944; October 29, 1944; October 30, 1944; December 18, 1939; January 8, 1945).

¹⁰⁵ CWA File 2595 (1), J. G. Glassco, Manager of City Hydro, to Alderman Coulter, Chairman of Sub-Committee, December 8, 1939, J. G. Glassco, Manager of City Hydro, to Chairman and Members, Sub-Committee on Reduction of Hydro Rates, June 28, 1944. Sanger, who succeeded Glassco as General Manager, also came to the same conclusion concerning the question of rate reductions. See J. W. Sanger, to Chairman and Members of the Sub-Committee on the Reduction of Hydro Rates, October 27, 1944.

¹⁰⁶ See William Ivens, "A Prismatic Picture of Hydro-Electric Power Development in Manitoba: Past Present Future" (Winnipeg: Manitoba Hydro Library, 1955) 20-21, and the interventions of Alderman Simpkin in CWA File 2595 (1), Minority Report, December 18, 1939; defeated amendments by Alderman Penner, January 8, 1940; Minority Report of Alderman Simpkin, May 13, 1944.

¹⁰⁷ "Injunction Against Showroom Lease for Hydro to be Sought," Tribune, January 31, 1935; "Retailers Say Competition of Hydro is Unfair," Tribune, February 1, 1935; "Injunction to Halt Hydro Lease Asked by H.B. Scott," Tribune, February 1, 1935; "Merchants to Ask Queen to Delay Action," Free Press, February 2, 1935; "Delegation of Retailers Sees Mayor Queen," Tribune, February 4, 1935; "Glassco Defends Opening of Showroom as Good Business," Tribune, February 4, 1935; "Committee Will Not Hold Up Hydro Lease," Tribune, February 5, 1935; "States Council's Action on Hydro Lease was Legal," Free Press, February 5, 1935; "Scott Replies to Hydro Manager's Statement," Tribune, February 5, 1935; "Charges Fly in Fight on Hydro Lease," Free Press, February 5, 1935; "Hydro Under Fire, Editorial," Tribune, February 5, 1935; "Controversy Over Hydro Lease is Further Advanced," Free Press, February 5, 1935; "Hydro Injunction Application is Argued Before Court Today," Free Press, February 6, 1935; "Trades Body Endorses City on Hydro Deal," Free Press, February 6, 1935; "Hydro's Sale of Appliances," Editorial, Free Press, February 7, 1935; "Application for Injunction to Stop New City Hydro Lease is Dismissed," Free Press, February 7, 1935; "Retail Merchants Group to Present Its Case to Next Meeting of Council," Free Press, February 8, 1935; "Hydro Lease Bylaw is Over its First Hurdle," Free Press, February 12, 1935; "Running Winnipeg," Editorial, Free Press, February 13, 1935; "Hydro Lease Passed With Few Changes," Tribune, February 14, 1935; "Bylaw Authorizing Hydro Lease of Space in Boyd Building Approved," Tribune, February 18, 1935.

¹⁰⁸ There were three successive attacks on City Hydro. First, the publisher of the *Wilton's Review* openly accused City Hydro and its manager of incompetence, nepotism and corruption. These allegations were investigated by a special committee of the Winnipeg City Council and found groundless. Accordingly the City Solicitor cautioned the publisher against publishing libelous material. See: CWA, U 2243 Committee on Public Utilities, Minutes of Sub-Committee on Charges of J.W. Wilton re Affairs of the Hydro, July-October, 1935.

Second, business and rate payers associations were also critical of the decision to invest in Slave Falls additions as opposed to purchase from WEC. See CWA U787, E.C. Gilliat, Managing Secretary of the Winnipeg Board of Trade, to His Worship the Mayor and Members of Council, City of Winnipeg, January 9, 1935; D.M. Elcheshen, Secretary-Treasurer, Winnipeg Taxpayers Executive, to Bentley, Clerk of Council, January 13, 1936; Gilliat to Alderman Simpkin, Chairman, Sub-Committee on Power Question, January 14, 1935; Bentley to Gilliat, January 15, 1935; Gilliat to His Worship, Mayor Queen, and the Members of the City Council, January 17, 1935. A third round of opposition stemmed from later investments. See: CWA U929 (14) John F. Parker, President of Home and Property Owners' Association to the Mayor and Members of the Winnipeg City Council, June 12, 1937, Parker to the Mayor et al., June 25, 1937, Bentley to Parker, June 13, 1937; Parker to His Worship et al., July 15, 1937; C.F. Greene, Directing Secretary, to Alderman Dan McLean, June 30, 1937; Submission of the Home and Property Owners' Association, August 3, 1937; Parker to His Worship et al., August 23, 1937; Glassco to Chairman and Members, Committee on Public Utilities, August 30, 1937; Clerk of the Committee to M.J. Proudhomme, City Solicitor, August 31, 1937; Chairman, Committee on Finance, City Treasurer, to the Home and Property Owners' Association; September 23, 1937.

¹⁰⁹ Ibid.

CHAPTER 4

FROM ANOMALIES TO FRAGMENTATION: THE EXHAUSTION OF THE RENTIER-REDISTRIBUTIVE POLICY PARADIGM AND THE DEFINITION OF ALTERNATIVES

Introduction

In the immediate post-war period the Government of Manitoba faced a difficult set of hydro problems. Despite an acknowledged abundance of hydro resources, the province was confronted with an immediate and chronic shortage of hydro-electric capacity. On the surface the energy shortage could be attributed to the unexpected buoyancy of the post-war economy, but underneath this energy "crisis" was the exhaustion of the longstanding rentier-redistributive policy paradigm. This chapter chronicles the exhaustion of the established paradigm and then focuses on the processes of fragmentation where a new policy paradigm was defined, where the new ideas were given political meaning within the muted form of political contestation, and where the tentative steps were taken towards institutionalizing the new paradigm. The word "tentative" is used because by the end of 1949 it was not clear whether the policy initiatives of the Garson government constituted first steps towards a new paradigm or a policy experimentation that would eventually lead to a path of development which the provincial government wanted to avoid. The new policy paradigm had commenced a long and protracted process of contestation. The chapter addresses why the provincial government could not reach its goals.

The scope of the changes discussed in this chapter are well illustrated when one considers that since 1911 the province had relied upon the two competing utilities, WEC and City Hydro, to develop hydro capacity for the province. The provincial government avoided direct participation in hydro investment and, instead, entered into a rentier relationship with the utilities in which it rented out resource rights for long periods of time

in return for basic royalties, called water power rentals. Relations between the two rival Winnipeg utilities were regulated primarily by an historic rate agreement. The rentier policy tied the development and production of hydro-electricity to rural electrification by means of the redistribution of water power rentals and the long-term supply contract between WEC and the MPC. (Since 1937 the City of Winnipeg had also used portions of the annual financial surplus generated by City Hydro to supplement the municipal treasury.) The basic assumption of the rentier relationship was that the province would give the utilities legal rights to resources and in return the utilities would invest in hydro capacity and oversee the meeting of the energy needs of the province. This policy had been reaffirmed by Eracken and then by Garson during the process of post-war planning. But by 1947 it appeared completely unworkable.

The basic anomaly facing the Manitoba government was that it could not offer clear cut leases to hydro sites, and the utilities had abandoned all interest in investing in new capacity. Moreover, various attempts to rationalize the Winnipeg utility structure since the 1930s had underscored the fact that the institutional arrangements were inefficient. In the post-war period it also appeared that the MPC would carry a disproportionate share of the costs of any new hydro investment. The older rentier redistributive policy paradigm no longer worked.

When it became apparent that the two Winnipeg utilities held incomplete, incompatible and contradictory ideas on how to resolve the hydro problems, the provincial government established a process for defining a new paradigm that was insulated from the institutions that dominated the rentier-redistributive policy paradigm. This was an important form of fragmentation of authority because it allowed a new policy discourse to emerge. For the first time the province examined its hydro resources as an integrated whole and proposed a method which would provide the most economical and efficient use

of hydro resources, and which would also ensure that the costs of electrical energy would be equitably distributed between consumers in rural Manitoba and the City of Winnipeg. Since the existing utilities and industrial structure were both unwilling and incapable of investing in needed capacity and in managing resources in an efficient and equitable manner, the policy objective of the new paradigm envisaged that the province would take over the assets of the WEC and the capacity of City Hydro in order to establish a provincially owned utility which could finance a programme of hydro investment on a self-sustaining basis, and which could manage all hydro resources in an efficient manner. Moreover, the plan called for a complete rationalization of the distribution utilities whereby City Hydro would be converted into a large inter-municipal distribution utility for the Greater Winnipeg Region, as would the transportation and gas utilities of WEC. To indicate that the new paradigm envisaged by the provincial government called for a massive reordering of the hydro sector is an understatement. This was a political and constitutional project that would destroy the major institutions and conventions of the longstanding rentier-redistributive policy paradigm. The new policy paradigm could be termed "provincial infrastructural" in that it would centralize all hydro-related investment and management decisions within a provincially owned and controlled agency. It was "infrastructural" because, as is discussed below, it focused upon providing necessary energy to meet existing demand, not upon using excess capacity to foster industrial diversification.

Though the Garson government fought to sell and implement the proposed new policy, neither it nor the subsequent Campbell Government could fully implement this broad paradigmatic change. Garson was able to amend the province's constitution to gain the power to alter resource rights to force the reorganization of the utilities. He had established a mechanism to negotiate the takeovers, but at the eleventh hour, his successor

gave in to opposition and failed to act on the new powers. Though the province had proposed a complete takeover of the utilities, it merely entered into the hydro business by investing in a dam for which it had no assured market or method of financing. This chapter ends with the hydro policy in a state of limbo: the passive rentier-redistributive strategy ended when the province entered the field of hydro development, but a new paradigm had not been institutionalized.

Why would the same government that had reaffirmed the passive rentier-redistributive paradigm as an integral part of the province's post-war settlement find itself in the position of attempting to establish a provincial public monopoly three years later? And why would it fail to achieve this objective? First and foremost, provincial public ownership became a possibility because the established policy paradigm developed anomalies which could not be resolved within the confines of the existing paradigm or by means of minor policy experimentation. Second, the leadership of the provincial Department of Mines and Natural Resources (MNR) developed a broad planning and intelligence-gathering role and a coherent and novel set of paradigmatic ideas which became increasingly relevant as the older policy paradigm became exhausted. The new paradigm was defined by MNR leadership in conjunction with Dr. Hogg, the former Chairperson of the Ontario Hydro-Electric Commission. Third, the provincial political leadership, represented by Premier Stuart Garson, was committed to the institutionalization of the "New Progressivism" and, therefore, would not have his government undertake responsibilities unless it had the fiscal capacity to fulfil them. The premier valued the protection of his government's fiscal integrity over the long-term political conventions that had underpinned the rentier relationship between the provincial government and the Winnipeg utilities. Consequently, Premier Garson aligned the Liberal-Progressives with the MNR and the concept of a provincial monopoly of hydro

development. On this basis the Garson government set out a set of strategic objectives as well as a political strategy for obtaining them.

Yet the process of paradigm shift faltered. The provincial government did not have the capacity to pursue the project on its own. The MNR/Liberal-Progressive alliance needed a broader basis of political support to accomplish the task, and its potential alliance partners, the central actors of the older policy paradigm, attempted to extract concessions for their acquiescence to provincial public ownership which were too high for the Garson government to accept. Outside of the immediate policy arena the takeover initiative was associated with wider political conflicts between City and Province. In this political environment the Liberal-Progressive government, then headed by Douglas Campbell, attempted to avoid open political confrontation on the hydro question. As a result the hydro question was left in limbo. A summary of institutional changes is contained in Table 4.1 below.

Table 4.1. Paradigmatic Shift, 1945-48

Paradigmatic Alternative	Capacity	Winnipeg Distribution	Rural Distribution	Redistributive Policy	Planning Agenda
Rentier-Redistributive Policy Paradigm (1945)	<ul style="list-style-type: none"> - Rentier: WEC and City Hydro (CH) until 1962, then provincial public ownership. - Next steps: Complete Manitoba portion of Winnipeg River, then Ontario portion and Dauphin River 	<ul style="list-style-type: none"> - Two separate, unintegrated and competing distribution systems. WEC and CH. 	<ul style="list-style-type: none"> - Monopoly structure - Rural municipal systems progressively eliminated. - MPC emerges as centralized distribution utility for all rural Manitoba. 	<ul style="list-style-type: none"> - Water Power Rentals to MPC. - MPC rate reductions. - Provincial subsidization of rural and farm electrification. - Annual subsidies from CH to City. 	<ul style="list-style-type: none"> - Purposeful avoidance of excess capacity. Utility investment to be responsive to assured market trends. - MNR assumes planning role. - MNR begins renewed Winnipeg River conservation works.

Status Quo with Province as Major New Hydro Investor—a De facto Plan A (1948)	None of the existing utilities would invest in hydro capacity. Nor would they agree to terms of a reorganization of the industry. Hence the Province emerges as a fourth utility dedicated to supplying needed energy. Conservation also becomes a major element of post-war energy policy.	a) Unchanged from above. b) The provincial hydro investment is a subsidy to WEC and CH.	This is regarded as a temporary step to the establishment of a provincial public monopoly.
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From Paradigm Exhaustion and Fragmentation to the Proposed Provincial Infrastructural Policy Paradigm

During the process of post-war planning the conflicting views of energy policy between the City of Winnipeg, under the leadership of City Hydro, and officials within the provincial Department of Mines and Natural Resources (MNR) had been resolved by adherence to the views of the former. This was a curious circumstance whereby municipal officials wrote the provincial energy policy in the face of opposition from provincial administrators.

The City of Winnipeg leadership, through its depression experience, had become as cautious and risk averse as the Liberal-Progressives. Hence, the City wanted to stress conservation and other policies which ensured that there would never again be a hydro sector paralysed and burdened by the problems of excess capacity. Municipal officials, therefore, emphasized the importance of water storage and the role of the last remaining sites on the Winnipeg River, in Manitoba and also in Ontario, as sources of energy for the immediate post-war period. In contrast to MNR officials, J.W. Sanger, chief of City Hydro, emphasized that at all costs the province ought to avoid investing in excess capacity.¹ These were the lessons learned by City officials as they attempted to manage within the stagnant energy market of the 1930s.

As it turned out, this could not have been worse advice for the province to follow in the completely changed post-war energy policy environment. Indeed, the feared post-war

depression did not materialize. Instead, the post-war boom witnessed buoyant energy markets. As Figure 4.1 indicates those current trends forecast that the province faced a major energy supply crisis.

Figure 4.1. A 1948 Projection of Capacity Needs, 1948-58

Don Stephens, MNR Deputy Minister, and officials of the Water Resources Branch were cognizant that the province was heading down the wrong road, and cognizant, as well, that MNR was not a major participant in energy policy decisions.² For MNR to become involved would have been for it to break the political conventions of the older policy paradigm and of Liberal-Progressive politics. What Stephens did, however, was to begin to assemble information for McDiarmid, Minister of MNR, about the power crisis facing the province without making recommendations.³

As the province looked to allocating additional hydro capacity to the utilities it faced its first major anomaly. It could not give unencumbered leases to McArthur Falls and Pine

Falls, the two remaining sites on the Winnipeg River.⁴ McArthur Falls was located downstream from the Seven Sisters site, and Pine Falls downstream from the Great Falls site. The significance of these relationships was simply that WEC controlled the water flow and thus energy output of downstream plants. Consequently, the position of these sites made them economically unattractive for all but WEC. If they were to be developed by another utility, then the government would be forced into establishing a means for both utilities to share fairly and benefit from the water resources. Stephens' recommended solution was the institutionalization of a control agency which would coordinate the water management of all the sites on the river, including those of City Hydro.⁵ Coordinated water management, or hydraulic integration, would, he thought, substantially increase the efficiency of water use and, thus, increase the river's energy potential.

Relatedly, the provincial claim to the largest undeveloped site, Pine Falls, was not clear because the bulk of the site's firm energy had been reserved for the use of the Manitoba Paper Company, as discussed in Chapter Two. Manitoba Paper, subsequently taken over by Abitibi, still held the legal rights to the bulk of the site's firm energy. MNR attention turned to ways to have the site developed for general use either by a provincial agency or one of the existing utilities. In either case whoever developed the site would have to respect Abitibi's reserve on the site's firm power.⁶ The province, upon the advice of J.W. Sanger, decided to persuade Abitibi to sign a supply contract with WEC for any additional energy it might need and thus lease Pine Falls to WEC until the expiration of its other leases in 1962.⁷ WEC, of course, was aware that it was the only utility that could make economic use of the site and hoped to gain rights to develop it as a means of ensuring that the Manitoba Power Commission, which had outgrown the original Seven Sisters contract, would have a new source of energy.⁸ Yet the province was in no position to have Abitibi voluntarily give up its long term resource rights.⁹

A second anomaly stemmed from the more distant question of the integration of new hydro-electric energy into the three separate distribution systems.¹⁰ Since the early 1940s each of the three distributing utilities had specific market zones. Market segmentation protected the position of the Manitoba Power Commission, as well as the position of WEC in the suburbs (where costs were higher). But Winnipeg was the most lucrative market because of its population density and low cost structure. Coalition governments had committed themselves to equalizing power costs between different parts of the province.¹¹ Yet the existing plants on the Winnipeg River were entering an economic stage where their capital obligations had been greatly reduced. Since the financial costs of capacity investment were the largest element of hydro-electric energy costs, the older plants had reached the stage where they could produce relatively inexpensive electrical energy. New capacity investments would have much greater costs. The province had to find a way to ensure that the added expense of new high cost energy would be shared between the systems. Otherwise, one set of consumers would be taking advantage of the older, less expensive hydro, and the other would bear the higher costs of the new. This problem would be magnified after the Winnipeg River was fully developed. The proposed Dauphin River project was much larger than anything on the Winnipeg River. This, too, would have to be integrated. How would the province ensure that rural Manitoba would not be left with the high cost energy while both City utilities maintained their hold upon the older, less expensive energy supply?

These two anomalies suggested that further hydro development would entail novel provincial policy experimentation in order to meet specific policy objectives in both the marketing and production of electricity, but they did not in themselves spell the end of the rentier policy paradigm. Indeed, it depended on whether either City Hydro or WEC would

be interested in developing Pine Falls according to the lease conditions offered by the province.¹² The collapse occurred only when the utilities refused to invest.

During 1947, as Figure 4.2 illustrates, City Hydro faced an immediate shortage of electrical capacity; and given current trends, WEC would also be out of energy by the early 1950s. There were four possible solutions to induce investment in capacity: (1) a reworking of the rentier relationship between the utilities and the provincial government, (2) the purchase of WEC by the City of Winnipeg--to create a large municipal monopoly charged with the responsibility of providing the province with energy, (3) the establishment of a provincial utility to preform the same role and (4) the initiation of provincial investment in new capacity, leaving the ownership structure of the existing utilities intact.

Don Stephens, the Deputy Minister of MNR, worked with departmental officials to reestablish terms of the rentier-redistributive paradigm. He concentrated upon reworking the original terms of the Pine Falls lease to make the site more attractive to the utilities and upon designing alternative coordination and management mechanisms for the different sites on the Winnipeg River. For these purposes MNR also consulted Dr. T.H. Hogg, then head of the Ontario Hydro Electric Power Commission, on how it should handle the Manitoba Paper Company Pine Falls reserve.¹³ The City of Winnipeg attempted to resolve its energy problems through another (unsuccessful) attempt to purchase WEC--an initiative which sparked resentment and opposition from within MNR where C.H. Attwood, Head of the Water Powers Branch, advised McDiarmid that the province should enter the field--or at least that it structure the terms and mandate of a municipal hydro monopoly.¹⁴

Figure 4.2. Utilization of Existing Hydro Resources, 1945-50

Two sets of negotiations confirmed the end of the rentier-redistributive policy paradigm. First, both utilities refused an offer by MNR to develop Pine Falls on the basis of a "cost plus" or guaranteed rate of return lease. Winnipeg officials wanted the Manitoba government to develop Pine Falls and implement the conservation strategy it had elaborated in the process of post-war planning. Winnipeg did not articulate any preferences concerning the choice of alternative hydro integration or energy pooling mechanisms, but suggested that provincial public ownership would accomplish those objectives and that the province should consider its activities in light of what it wanted to occur in 1962 when all the Winnipeg River hydro leases, except for the City's Pointe du Bois lease (which was awarded in perpetuity), expired.¹⁵ In essence this argument was that the province should decide immediately if it wanted to bring the hydro sector under public ownership in 1962, and if so, that it should not let out any new leases. As an alternative

the province should commence hydro development itself. WEC also indicated that it was not interested in any further hydro development.¹⁶ The company informally indicated that all the hydro installations on the Winnipeg River ought to be brought under one management--and that should be the provincial government.¹⁷ Subsequently Sanger asked the Premier of Manitoba to establish an authoritative energy plan that would ensure that Winnipeg gain an adequate supply of energy. The ball was clearly in the province's court.

The refusal of the utilities to invest and the City's request for intervention significantly changed the division of responsibilities between the two governments.¹⁸ Hydro increasingly became primarily a provincial concern. Indeed, the Garson government was forced into a position where it would have to move--and fairly quickly.¹⁹ The premier asked Hogg to head an independent inquiry into Manitoba's power problems.²⁰ Unlike the MEEC and ACCPWP processes, existing utilities did not have a formal role in these proceedings. This was an important decision because it meant that the role of defining a paradigmatic alternative to break the logjam would rest upon Hogg and the provincial government.

The second set of negotiations concerned the recommendations of the Hogg inquiry. Hogg, who worked closely with Stephens and MNR officials, became frustrated by the lack of forthrightness of the two utilities concerning their future plans. Finally Hogg and Stephens arranged a conference between themselves and representatives of the City, WEC, and the Premier. Premier Garson threatened the utilities with provincial public ownership unless they began to cooperate.²¹

WEC welcomed the opportunity to sell its assets, a policy which it had purported since the early 1930s. Alternatively, the company would be willing to invest provided it gained a new 50-year monopoly for hydro sites on the Winnipeg River (a revision of the rentier relationship which was hardly credible given the historical legacy of WEC as an

urban monopoly). Underneath these alternatives was WEC's Seven Sisters fiasco. WEC would not invest unless the Manitoba government provided further guarantees of long term profitability. In the meantime, WEC could profit from operating at full capacity while only undertaking marginal additions to the Seven Sisters capacity. Since the City of Winnipeg had failed after repeated attempts to purchase the company, it would be up to the province to try.

The City of Winnipeg, on the other hand, had a less coherent position than WEC relative to the idea of establishing a provincial monopoly in hydro development. The City would not invest in a site which it would have to surrender in 1962. But it had asked the province to bear all of the financial and political responsibility for developing new hydro capacity without providing either a means by which its financial position could be secured or any means by which hydraulic integration and rate equalization could be achieved. Perhaps realizing that the demand for provincial subsidization was unworkable and that the provincial threat was real, the City then proposed what is termed here the "Provincial-Rentier" paradigm" in which the provincial government use increased water power rentals to finance and protect its Pine Falls and subsequent hydro investments.²² The revised offer was carefully studied by MNR and the Liberal-Progressives, but rejected on MNR advice that the water power rentals would have to be raised too high and that the proposal did not address provincial objectives for rate equalization and resource conservation.²³ Finally, in a half-hearted attempt to forestall the recommendation for provincial public ownership of all utilities, the City itself proposed to develop the last two sites on the Winnipeg River—an initiative which was hardly to be considered seriously by the provincial government, considering that the rejection of the status quo by WEC and the City of Winnipeg had precipitated the Hogg Inquiry.²⁴ Table 4.2 shows that Hogg did indeed outline four alternatives and strongly recommended provincial public ownership.

Hogg's recommendations were designed to point out the superiority of provincial public ownership (Plan C) over the proposals of the City of Winnipeg for the provincial subsidization of existing utilities (Plan A) or awarding WEC a long term monopoly over Manitoba's water resources (Plan B). Nevertheless, a compromise whereby the province would enter into the industry to invest in electrical capacity and then safeguard its own position and meet other pooling and coordination objectives by means of a power pool (Plan D) was offered as a temporary compromise which would hold until the leases of hydro sites on the Winnipeg River could be reclaimed by the province in 1962. In addition Hogg recommended that the government of Manitoba gain the legal power to change the terms of the older Dominion government water power reserve given to Manitoba Power.²⁵ Abitibi, WEC and City Hydro derived much of their influence from the fact that the terms of their pre-1930 resource rights were grandfathered by the Natural Resources Transfer Agreements and, thus, could only be changed by mutual consent. What Hogg recommended, therefore, were constitutional changes to ensure that the government of Manitoba could exercise leverage on resource capital and that it completely reshape its role and that of other institutions within the hydro electric policy paradigm.

Table 4.2. Alternatives Presented by Report of the Manitoba Water Power Commission

Alternatives	Definition	Paradigmatic Assessment
Plan A Province to Invest in Hydro Capacity for Existing Utilities	Plan A is the status quo augmented by the establishment of a provincially owned utility to invest in new hydro capacity (similar to City Hydro Proposals).	Dr. Hogg saw Plan A as the worst of all possible outcomes because it would not take further conservation efforts and would place the provincial government in a precarious financial position.
Plan B Redefinition of the Rentier Paradigm	Plan B is similar to what WEC had proposed in that the province would offer terms to existing utilities that would ensure that they would continue to shoulder the responsibility for future hydro development.	Dr. Hogg recommended against extending the water power licences for sites already developed on the Winnipeg River and also recommended against alienation of hydro resource rights for new sites.
Plan C Reorganization and Provincial Public Ownership	Plan C is the provincial public monopoly alternative. It includes the adaptation of the Ontario Hydro Model where a) the province would purchase all of the hydro capacity of both WEC and CH. b) the province would shoulder all responsibility for investment in electrical generation capacity, and c) the City of Winnipeg would take over the urban distribution system in Winnipeg and suburban municipalities, as well as the natural gas and transit services for the same Greater Winnipeg Region.	Plan C is Dr. Hogg's principal recommendation. If there were compelling economic and technical factors which would induce the creation of a monopoly in hydro affairs, then that monopoly should be owned and controlled by the province. Hogg also recommended that the province explore the coordination and conservation strategy suggested by City Hydro on the Ontario reach of the Winnipeg River. The greatest part of the rationale for the necessity of Plan C stems from Hogg's findings that the province faced an impending energy crisis, that neither MNR nor the existing utilities had seriously planned ahead to anticipate future energy needs and that those needs would be financially larger than could be handled under the existing institutional relationships.
Plan D Plan A With a Power Pool Amongst WEC, City Hydro, and the MPC	Plan D would have the province of Manitoba invest in new hydro capacity and then pool the costs and share the resulting energy among existing utilities by means of a Power Pool which would oversee the buying and selling of all hydro energy at the same price.	Dr. Hogg thought Plan D was a second best solution, but one that might fill a temporary gap between 1948 and the expiration of CH and WEC hydro licences in 1962 should the Government of Manitoba not be able to implement Plan C.
Source: Dr. T.H. Hogg, <u>Report of the Manitoba Water Power Commission, 1948</u> (Winnipeg: King's Printer, 1948):34-40.		

The Implementation of Plan C: Two Steps Forwards and One Back

Throughout 1948 the Garson government worked to legitimize and implement the Hogg recommendations, but it gained only a partial success.²⁶ There were two major accomplishments. First, the Premier was able to gain the equivalent of an amendment to the Canadian constitution which gave the Manitoba Legislature the jurisdictional authority to change unilaterally the terms of the resource rights (including the power of expropriation) secured by the utilities and resource capital under the long duration of Dominion control over natural resources in the prairie provinces. This was a precondition for developing Pine Falls for provincial purposes as well as a new power which changed the bargaining position of the province relative to the utilities under the old rentier paradigm. The catch, however, was that the provincial government had to agree with the City of Winnipeg that the new powers of expropriation would not be used against the latter's hydro facilities. Hence, Plan C could only be implemented under terms agreed upon by the City of Winnipeg.

The second major accomplishment was to create an intergovernmental institution, the Joint Water Power Committee (JWPC) and a mutually agreed upon process, as a basis to negotiate the paradigm shift. The City of Winnipeg was able to maintain its veto over policy changes, and at the same time gain the institutional basis from which to discuss and evaluate the proposed changes. In the short term it became clear, however, that the City agenda was to use the JWPC to avoid the implementation of Plan C and in particular to come to some accommodation where it could keep its Winnipeg River hydro capacity.²⁷ Hence, the provincial government faced a decision as to whether it should proceed with Pine Falls before or after an agreement on Plan C. In the end the Coalition Cabinet chose the latter.²⁸ Though the Campbell government indicated that Pine Falls energy would be maintained for two priorities, the pulp and paper industry and the Manitoba Power

Commission, the effect of the decision was that the province lost its bargaining leverage with the City and the process of paradigmatic shift bogged down. During 1949, negotiations centred on a two-staged Plan C where WEC was taken over but the City would keep its hydro installations until 1955 or 1962. In the meantime a power pool, as in Hogg's Plan D, would mediate government relations between City Hydro and the provincial utilities.²⁹ But these informal understandings bogged down on all of the important details of outlining such a complicated set of relationships. During 1950 the City again approached the province to continue the JWPC negotiations because City Hydro was in need of new capacity and could only afford incremental additions to its existing stream plants. Then the two came to a confidential informal agreement on the two-stage Plan C.

The provincial government, then led by Douglas Campbell, one of the original "Liberals" of the Liberal-Progressives, approached Power Corporation officials Nesbitt and McDougall concerning a sale price. Campbell found that Nesbitt was sticking to the provisions of the original water power regulations which entitled it to "replacement cost less depreciation" should the province wish to take over its assets before the 1962 expiration of its Seven Sisters lease.³⁰ This was much larger sum than the \$54 million price asked by the company during the reorganization period. When the premier officially approached the WEC Board concerning a price during the fall of 1950 he was asked to make an offer. While the company's records indicate that the Board was really not sure of the seriousness of the provincial initiative, it is equally clear from historical evidence presented in the next chapter that the Liberal-Progressives considered the company's starting position on the valuation of assets much too expensive and completely unacceptable. Indeed, negotiations based upon that method of valuation ended.

The end result of these two sets of negotiations was that the province had gained informal agreements in principle for Plan C from the two utilities, but there was no agreement on costs and no formal political commitments. Stated in other terms, the province was stuck in a de facto Plan A position, something Hogg had recommended it avoid. Moreover, the process by which it had attempted to change the hydro policy paradigm--voluntary consent by all parties--had proved inadequate to the task. As Hogg had warned, the province now found itself with the worst of all alternatives.

Paradigm Shift: Old Conventions and the New Progressivism

The policy alternatives facing the Garson government because of the exhaustion of the established policy paradigm raised the tensions between the conventions of municipal autonomy and fiscal responsibility within the Liberal-Progressive image of the state. In a contest between the two, the Garson and, later, Campbell governments held the latter most important. In this sense, shifting the responsibility to invest in hydro capacity from private and municipal utilities to the provincial government was a logical extension of the "New Progressivism" defined by Bracken and Garson in the context of the Rowell Sirois Commission and the Manitoba post-war settlement. The new Progressivism, discussed in Chapter Three, emphasized that governmental responsibilities ought to be matched by the fiscal capacity to fulfil them. While this idea emerged in regard to the inability of municipalities and provincial governments to fulfil obligations towards unemployment relief during the depression, the same general principle was shaping the hydro policy paradigm. Neither WEC nor the City of Winnipeg had the inclination or capacity to invest in hydro electric generation facilities needed by the province because of historical experiences, fiscal and financial limitations, political barriers, and commitments to risk aversion rather than entrepreneurship. Therefore the responsibility for those activities would then go to the level of government greater capacity.

In the immediate post-war period the City of Winnipeg found itself facing a fiscal crisis stemming from static revenues and increasing costs. This in turn heightened the fiscal tensions between Winnipeg and the province. Carl Goldenberg was again called upon by Mayor Garnet Coulter to present a plea to the provincial government for added tax revenues and fiscal subsidies--to which Premier Garson acquiesced.³¹ Garson attributed the fiscal squeeze to the continued uncertainty in Dominion-Provincial fiscal relations; and although incremental changes were continually made, it was obvious to the Mayor and Premier that the fiscal relations and policy responsibilities of the two levels of government had to be reworked, particularly as they reflected continued financial responsibility of municipalities for the welfare state policies such as pensions, education and health.³² Though Premier Campbell celebrated the virtues of holding the line on fiscal transfers to municipalities, his administration eventually established an inquiry into municipal-provincial relations.³³ Had the Liberal-Progressive governments made municipal transfers or services a fiscal priority then perhaps the constraints on City Hydro would have been less powerful. But the provincial fiscal policy remained consistent: avoid increased taxation, pursue increased federal redistribution, and make the repayment of relief related "dead weight" debt a priority. New capital expenditures were financed from annual budgetary surpluses on a "pay as you go" basis, save for utilities, such as the MPC, which used market revenues to float their investments on a "self-sustaining" basis.³⁴ Morton notes this was a needlessly "debt depressive" policy.³⁵ Its rigidity placed the Liberal-Progressives in the role of reacting and holding the (fiscal) line against changes that would deter from the priorities of debt avoidance and repayment. Certainly it was not particularly popular fiscal policy. But it was defended by all the major ministers within the Coalition cabinet--and particularly by McDiarmid who, after nearly two decades as Minister of Mines and Natural Resources and Minister of Industry and Commerce, came

to personify the Liberal-Progressive economic ideology.³⁶ Given that McDiarmid was the senior economic minister of the Coalition government, it would have been extremely difficult if his policies departed from the established canons of Liberal-Progressive ideology.

Given these constraints, the Winnipeg City Council decided to continue using the annual City Hydro surplus as a subsidy to the beleaguered municipal treasury. There were several strategic implications of this policy. First, it entrenched the financial conservativeness of the management of City Hydro because the only means by which they could avoid handing over surpluses to the municipal coffers was to disguise them in the form of increased reserve and contingency funds.³⁷ Second, the continued hydro raids dispelled any hope of the old public power movement that City Hydro would again rise to become a leading utility in the province. Rather, the debate within municipal politics continued to be a dispute over whether the council should lower hydro rates or continue to amass surpluses.³⁸ The distributive debate on hydro rates stemmed from the early anti-monopoly politics and continued in the context of the post-1919 class discourse of civic politics. It had little relevance in the post-1945 period when lack of investment rather than high rates was the major problem.

WEC was never seriously considered as an alternative vehicle to invest in hydro capacity. Both the company and the province were leery of repeating the Seven Sisters fiasco. Moreover, the situation was much more complicated because of the continued antagonism between WEC and elements of the City Council stemming from the City's response to WEC's financial difficulties. In effect WEC wanted to remove City Hydro from the hydro development scene altogether before it committed itself to invest. Moreover, the basis under which the original rentier strategy was established was predicated upon the relative fiscal weakness and lack of administrative capacity of the

provincial government. By 1948 the provincial government was an organization with greater capacity, and post-war economic conditions favoured its continued strength. Giving WEC a monopoly was not a real alternative. The collapse of rentierism obliged the provincial government to take responsibility to provide hydro capacity for the province.

New economic circumstances were also prompting the provincial government to take the responsibility for investing in hydro capacity. The hydro strategy of the City of Winnipeg was based, at root, on the old assumption that the energy demand was or ought to be relatively static. The agricultural export economy used little electrical energy and therefore was best served by the traditional cheap power policy. It was assumed that the major growth in energy demand continued to be the "domestic market"--lighting, water heating, cooking and electrical appliances used in the home.³⁹ This was also the market that was being cultivated by the massive provincial rural electrification programme, and as a result the City initially attempted to place the blame on energy shortages on this programme.⁴⁰ The implication of this thinking was that new hydro capacity was the responsibility of the province, the level of government responsible for the MPC. As far as the City was concerned Plan C could be postponed for the decade, if not indefinitely.⁴¹

MNR and the embryonic Department of Industry and Commerce (IC), on the other hand, thought that hydro was important to resource industrialization and manufacturing. This was in fact a more accurate perception because the growth in electrical demand came from Winnipeg and the return of the pulp and paper industry.⁴² Abitibi's Pine Falls mill, for example, comprised half of the provincial industrial market. Despite pronouncements concerning the post-war economic boom and new efforts at industrial promotion, IC and MNR officials knew that the energy shortage was so chronic and acute that the provincial economy did not have the electrical capacity to meet the needs of any major new industry should one want to invest in the province.⁴³ The years of neglect, followed by an apparent

boom had left the province without the infrastructure needed for industrial development. Given these contours the provincial government found itself in the position of reluctantly attempting to fill the void left by the Winnipeg City Council and the two established utilities.

If there was no significant paradigmatic debate over the fact that the provincial government ought to take responsibility for hydro investment, there was significant debate and contestation on just how that should be done. The rentier-redistributive paradigm had left Manitoba in a curious situation where the two major hydro utilities remained physically unconnected and institutionally separated despite the fact that they shared the same resource base and markets. The provincial government could not enter the field of hydro development as another insulated force. Rather it would have to seek new functional relationships with the existing utilities. Hence the major paradigmatic choices came from attempts to "reorganize" the hydro sector.

The critical political decision as to whether to renegotiate the rentier relationship or to go ahead with a form of provincial public ownership came in the context of the provincial assessment of the City of Winnipeg's "Provincial Rentier Strategy" defined above. MNR consulted with Hogg to ascertain whether the provincial interest could be accommodated by this proposal.⁴⁴ MNR concluded that the province's financial position could have been secured by increasing water power rentals--although to a substantially higher level than indicated by Winnipeg. Perhaps knowing that this was an attractive alternative for the Coalition cabinet, Stephens emphasized to his Minister the inadequacies of the proposal.⁴⁵ It did not offer any means of hydraulic integration on the Winnipeg River nor protect the MPC rural consumers from shouldering the brunt of the cost of developing new electrical energy. And it did not anticipate a rapid pace of future investment in hydro capacity. For Hogg and MNR, however, this was not sufficient. A

provincial public utility with a monopoly in hydro investment and production could perform all of the conservation advocated by the City of Winnipeg and have the financial capacity to finance the hydro megaprojects that lay beyond the Winnipeg River. The proposal therefore was more forward looking than that offered by City Hydro, met MNR energy policy objectives and also conformed to the fiscal policy so important to Liberal-Progressive conventions on state intervention.

The case built up by MNR officials and Dr. Hogg for a provincial publicly owned monopoly was novel because it was based upon policy language that celebrated technical and economic efficiency for the province as a whole as the central criteria of energy policy.⁴⁶ A public monopoly became important as a means to foster the hydraulic integration of the river--thus ensuring a conservation policy which would award the province up to 15 per cent more energy from existing capacity. It would also be a means to pool the costs of new expensive energy with the older less expensive energy so neither the City nor the Province would be burdened with a disproportionate load of the former. Furthermore, it would provide an institution with a revenue base large enough to finance new capacity on a self-sustaining basis, and thus could speak with authority for the province in intergovernmental energy negotiations.

The political implications of this new policy discourse and paradigm were to be far reaching. While the rentier energy paradigm had embraced different institutions and forms of intervention to address different policy objectives for Winnipeg and rural Manitoba, the new policy discourse rendered those distinctions meaningless.⁴⁷ The rentier-redistributive paradigm had maintained the historical competition between WEC and City Hydro as a principal mechanism which had kept prices low and fostered electrification. The Hogg report argued that monopoly was more efficient than competition and that the major problem facing Manitoba energy policy was not price, but rather investment. Indeed,

Stephens was to hold that without alternative sources of supply there could be no meaningful competition, despite the plethora of different distribution utilities.⁴⁸ While the older policy paradigm respected the central importance of the fiscal and political autonomy of the City of Winnipeg and Winnipeg businesses' lead in setting provincial economic policy, the new policy language and paradigm did not even consider these factors as important. Indeed, the political implication of this new paradigm was the avoidance of any need to justify provincial intervention in a policy field that historically had been within the purview of the City of Winnipeg. Once the provincial government accepted technical and economic efficiency and energy pooling and financial strength as benchmarks to evaluate energy policy alternatives, the logic of the situation pointed towards Plan C, the most politically costly of the alternatives.⁴⁹

The new policy paradigm represented by Plan C was not acceptable to the City of Winnipeg nor to the political forces which did not want the energy policy alternatives that were defined by the new discourse. The City of Winnipeg, therefore, after attempting to have the province underwrite a municipal monopoly, turned to amending Plan C in fundamental ways. City Hydro's Pointe du Bois and Slave Falls generation facilities remained among the most important symbols of Winnipeg's power and a continuing fiscal treasure. Hence the City of Winnipeg focused upon an alternative which would have it keep these assets and create a permanent power pool between the new Manitoba Hydro Electric Board, City Hydro and the Manitoba Power Commission. The City's idea of a power pool differed from that of Plan D in that it was permanent, not temporary, and in that the City continually attempted to minimize the cost of energy that it would purchase from the MHEB. Also, in order to ensure that the provincial government did not redistribute from hydro revenues, the City drove home the no-diversions policy. The cost

of electricity would be borne by consumers, and neither government would interfere with either subsidies or redistribution.

Plan C also asked the City of Winnipeg not only to change assets and roles, but also to shift fundamentally the basis of municipal public ownership. City Hydro, for example, would have shifted from a completely integrated utility which served the City proper to an interurban distribution utility which served Winnipeg and all of the surrounding municipalities in the Greater Winnipeg Region. The same would occur for the transit and natural gas utilities. During 1948-1950 the latter two were generally considered unprofitable enterprises, the transit system because of its neglect and need of modernization, and the natural gas system because it was considered an old service unable to make money.⁵⁰ Winnipeg politicians were leery of any policy which would enforce a form of redistribution from the City to these municipalities.

This fiscal tension between the two governments on the hydro question was exacerbated by the decision to proceed with Pine Falls before agreement on concrete reorganization proposals. Since the provincial initiative was supposedly oriented to serving its own direct responsibilities (the MPC and the pulp and paper industry) before other needs, both City Hydro and WEC began temporary additions to other capacity. WEC was still in a position to increase its Seven Sisters hydro capacity, but the City of Winnipeg had to increase its relatively expensive coal/thermal capacity. As Pine Falls neared completion it became obvious that the only thing it needed was firm markets. The only feasible option was to connect the dam with the WEC system (which also supplied the MPC). However, WEC was not interested in purchasing MHEB power, except on an "economy basis" because it still had much less expensive energy of its own. As a result the installation was doomed to stand idle while above average water levels in the Winnipeg River system dispelled any imminent growth in demand for Pine Falls energy. In consequence, the

province was increasingly shouldering the costs of the hydro development without a means of recovering costs.

Stephens advised McDiarmid that the province ought to have a share of the City Hydro annual surpluses because the province, not the City, was investing in new capacity.⁵¹ Indeed, as the following Figure 4.3 indicates, WEC shareholders and City Council were each taking close to a million dollars annually in either after tax dividends or hydro raids. On top of this, WEC had a massive accumulated surplus which would fund the incremental additions to Seven Sisters. Given these asymmetrical financial relationships, something would have to shift.

Figure 4.3. Selected Financial Indicators of 3 Major Utilities, 1945-50

Muted Contestation: Progress and Inertia

The exhaustion and fragmentation of the rentier-redistributive policy paradigm did not give way to an intense and open process of contestation. Instead, the contestation was muted and the process bogged down into apparent inertia at an early stage. This is best explained by considering the particular political circumstances in which the debate and changes occurred. Adherence to Liberal-Progressive political conventions placed the

Manitoba government in an awkward position where it could only implement parts of the paradigm shifts that could be agreed on by all principals. Yet the participants could not agree on the terms of the paradigm shift. As a consequence the whole process stalled.

The Party System

The hydro policy initiatives did not originate within the party system. Nevertheless, the political parties placed limits or constraints on policy objectives and processes. On the surface it appeared that there was no possible opposition to the new paradigm. Liberal-Progressive political conventions still thoroughly dominated Manitoba politics. Garson led the Coalition government and Errick Willis, the Conservative Leader, had been a long-term member of the provincial cabinet. The CCF, under S.J. Farmer, had adopted a policy of provincial public ownership during the Seven Sisters controversy and had not wavered from that position. Farmer resigned in 1947 after having completely outrun the Liberal-Progressives, even topping J.S. McDiarmid, in Winnipeg during the 1945 elections. His successor, Ed Hansford, was essentially a municipal politician at home in the non-partisan tradition of provincial politics.⁵² Effective legislative political opposition did not exist. On the other hand, the underpinning of Liberal-Progressive politics was an alliance between the City of Winnipeg business leadership and the agrarian leadership in rural Manitoba. Winnipeg would have to agree to any sort of utility reorganization--particularly the ascendancy of any form of provincial public monopoly in hydro production.

The Liberal-Progressive/Conservative Coalition government produced a policy which attempted to please all. At first the government was non-committal and sought critiques and alternatives to the Hogg report.⁵³ By August, 1948, Garson presented the position that his government agreed on the long term merits of a reorganization along the lines of Plan C and had acquiesced to the wishes of the City of Winnipeg that the implementation of such a shift would occur only with City Council's voluntary agreement.

To ensure that there was an incentive for success, Garson also confirmed that his government would heed Hogg's advice that no provincial hydro investment would occur unless there was agreement on utility reorganization.⁵⁴ Additionally, all parties supported the changes of the terms of the Natural Resources Transfer Act which substantively changed the province's bargaining position *vis-à-vis* Abitibi, WEC and City Hydro. The Coalition policy was sufficiently vague to cover all possibilities. If the City continued its opposition to Plan C, then the government could support another option for which it could get agreement. Since the major policy initiative was the establishment of confidential intergovernmental negotiations, the process was insulated from partisan legislative pressures and political discourse. Though the Coalition cabinet and municipal politicians participated on the JWPC, it was really an exercise of politics as administration. Contestation would come when any agreement reached by the committee became subject to open political review. But with coalition politics, the CCF remained the only opposition.

After the 1949 election in which the CCF was too weak to seriously challenge the Campbell government, the relations between Liberal-Progressives and Conservatives began to deteriorate.⁵⁵ Two Conservative legislative groups emerged. One was affiliated with the provincial party leader, Errick Willis, and the national party leader and former Premier John Bracken; it favoured continued coalition and was, in an ideological sense, not different from the provincial Liberal-Progressives. The second was the anti-coalition group, informally led by Duff Roblin, from Winnipeg South, who rejected the conventions of non-partisanship and coalition because they were antidemocratic and had worked, over the long run, to stifle the Conservative Party.⁵⁶ Nevertheless, this did not change the alignment and political contours placed on the debate by the provincial political parties. Campbell's rural liberalism was well known and could trace its lineage to the first Liberal-

Progressive governments. Hence his government would only implement paradigm changes that could be agreed upon by all parties. Willis remained the Conservative leader and continued to support the Campbell hydro strategy. The CCF remained a constant supporter of public ownership.

Political parties played a decreasing role in hydro affairs after the passage of Bill 109 and the establishment of the Joint Water Power Committee. Bill 101, establishing the MHEB, as a legal fiction to develop Pine Falls sparked precious little debate, except concern about procrastination, unjustified fears that the Bill gave the MHEB powers to expropriate WEC or City Hydro, and provisions (soon dropped) insulating it from judicial review.⁵⁷ There was no significant debate on the nature of the policy alternatives or the provincial-municipal negotiations. Rather, the opposition political parties centred their attention on MNR's first foray into hydro development at Pine Falls. Here they attacked the form of contracts, costs and labour policy.⁵⁸ While the opposition parties conducted an ideological and partisan attack on the Pine Falls development, the same parties paid little attention to the substantive issues of paradigm shift, a reflection of the fundamental marginalization of the political parties from the early stages of policy formation. The other side of the vague policy that cemented parliamentary unity was the whole set of issues that divided the City, Province and WEC on the hydro question. Hence non-partisanship and intergovernmental relations could insulate the Legislature from conflict, but it did not make the conflict go away. Rather it took other channels.

The Inquiry Process and the Ascendancy of Plan C

The political conventions of the Coalition government had worked over time to preserve the status quo in hydro policy, not to promote significant change; and this structural tendency towards inertia is what the Liberal-Progressive leadership had to resist in order to define and implement a new policy paradigm. Premier Garson implicitly

recognized these difficulties early in the process by his decision to hold a very prestigious independent inquiry to make recommendations. This constituted a critical break with the traditional process whereby hydro policy had been made. The Manitoba Electrification Enquiry Commission (MEEC) and the Advisory Committee on the Coordination of Post-War Planning (ACCPWP) processes, for example, conformed to traditional conventions in that all parties were consulted in order to gain a consensus. The problem with having the utilities themselves decide upon matters of energy policy, as Emerson Schmidt indicated in his MEEC recommendations, was that they could not agree on any fundamental sort of reorganization.⁵⁹ The independent inquiry was intended to encourage change. This left the City on the outside of the process.

During the inquiry process, however, Hogg, the utilities and the government had strategically important negotiations. Each of the utilities had a different perspective. The government's own utility, the Manitoba Power Commission, did not have the autonomous political profile given it by the effervescent Cottingham during the interwar period. The MPC's major preoccupation was the rural electrification programme, for which the Liberal-Progressives, and particularly Douglas Campbell, took political credit.⁶⁰ The MPC's energy needs had long outpaced the infamous Seven Sisters supply contract, but WEC, in what was obviously a conscious move to maintain good political relationships with the Manitoba government, continued to supply the MPC's extra needs at excellent prices on an ad hoc basis, although, as we shall see below, WEC also continued to use this policy as a source of leverage.⁶¹ The MPC was to play an ambiguous role in the whole affair; its only real need was a secure source of energy.

WEC shareholders and management were cognizant of the weaknesses of the utility structure and realized that they were no longer in a position to become the dominant utility in the province. This is why WEC officials had originally suggested to Stephens that

the province take over their plants. They wanted out. The Seven Sisters fiasco had left a bitter legacy. WEC's principal shareholders were still attempting to gain a return from the Seven Sisters investment and still playing hardball with the City of Winnipeg over the transit system.⁶² Given this legacy why would WEC want to undertake a second historical investment? Unlike City Hydro, WEC was in no hurry for change. Once it had decided that it would not invest in further hydro capacity, its expanding revenue could be used to supplement dividends instead of funding capital investment.⁶³ It would take until the mid-decade for the utility to develop and load Seven Sisters to full capacity.

MNR Water Power Branch officials would increasingly become a central force in the whole reorganization process in consequence of their post-war mandate to be the central energy planner of the province. MNR's initial position was one of attempting to reconstitute the older paradigm. While C.H. Attwood, the director of the Water Power Branch, was a proponent of provincial public ownership of hydro and the role of hydro in fostering industrial development, other engineering staff thought the cost would not make it worthwhile.⁶⁴ Until December 1947, Don Stephens, the Deputy Minister, remained uncommitted. Then he began to strongly recommend to McDiarmid that provincial public ownership was the only long term solution to the hydro question.⁶⁵ Stephens, an engineer by training, tended to share Hogg's overall view concerning the most functional solution to the province's hydro problems.⁶⁶ The two emerged as close allies, and since, as we shall see below, Hogg was considered to be the major arbitrator to assess competing policy alternatives, Stephens was placed in a highly powerful position. Morton used the term "stewardship" to describe the important role played by key administrators, and particularly Don Stephens, in maintaining public direction in the planning and conservation of natural resource development for the province under the absence of political leadership from the

Liberal-Progressives.⁶⁷ This role was well illustrated in the political struggle that commenced with the publication of the Report of the Manitoba Water Power Commission.

The new hydro policy discourse placed the City of Winnipeg and City Hydro on the defensive because it did not acknowledge the importance of equity and historical policy context when outlining policy alternatives. In this sense it is not surprising that City Council and City Hydro resisted Plan C. This could have easily been the stumbling block for the whole process. Given this situation it is important to understand why the City of Winnipeg could not stop Plan C.

Essentially, WEC and MNR eliminated the ability of the City of Winnipeg to question the legitimacy of Hogg's analysis and recommendations.⁶⁸ In the fall of 1947 WEC notified McDiarmid that it could not guarantee that it had sufficient energy to meet all the increased needs of the MPC. Hence the MNR was again in search of a secure source of energy for the rural electrification programme. Therefore, in January McDiarmid notified the City of Winnipeg that MNR was exercising a provision of the Slave Falls lease which gave it a claim on excess energy for the MPC. The City, in turn, wrote back to say that it had no excess energy and, therefore, it could not supply the MPC.

After the Report of the Manitoba Water Power Commission had been tabled in the legislature McDiarmid indicated that the Government had not yet accepted the Report's analysis or recommendations and invited others to comment on the analysis and recommendation. Hogg had indicated that the City of Winnipeg was in a grave energy position because City Hydro did not have the capacity to meet its existing peak demand under low water conditions, let alone future demand. Sanger responded defiantly by indicating that City Hydro could meet its peak requirements and have energy to spare--even in low water conditions.⁶⁹ Clearly Sanger was attempting to defend the City's analysis of the energy situation and downplay the severity of the energy crisis in order to

destroy the case for quick implementation of Plan C. Since the province was experiencing above average water conditions, the implication of this statement was also that City Hydro had energy to spare. MNR and Hogg confidentially reexamined their calculations only to come to their original conclusion.⁷⁰ McDiarmid then called Sanger's bluff by giving official notice that the province was exercising its contractual rights to the reserve of firm power as provided by the terms of the Slave Falls licence. The City responded that it did not have sufficient surplus energy to supply the MPC.⁷¹ Hogg's analysis of the policy problem was not undermined. The acknowledged energy crisis remained the primary justification for provincial intervention.

Constitutional Changes

After the Hogg report the Garson government moved to negotiate changes to the Natural Resources Transfer Act and then present them without warning to a surprised provincial political community.⁷² Garson and McDiarmid justified the scope of the new constitutional powers contained in Bill 109 on three related grounds, all of which pertained to the impending energy supply crisis. The first appealed to federalism and argued that the legislation gave Manitoba the same powers as the older established provinces to deal with the hydro problems. To deny this argument, therefore, was to legitimize an inferior constitutional status for Manitoba in Confederation. The second argument echoed the progressive position that the wide scope of powers was needed because of the severity and importance of the power crisis. The third was a process argument meant to defuse fears from utilities and resource capital. It stated that though the province was committed to implementing Plan C or a suitable alternative by means of voluntary agreement; it would need special powers to resolve the problems if negotiations failed.⁷³ No third party rights would be changed unless specific legislation, based on the new powers, were implemented. Hence City Hydro was safe from a sneak attack.

These arguments swayed an initially hostile and defensive Winnipeg City Council, which gave its support to the legislation confident that the expropriation provisions did not directly affect City Hydro.⁷⁴ These were powers that would put the government on an equal footing with the utilities and which should have been awarded to Manitoba in 1929. The constitutional change was also presented as a means for the province to clear the Abitibi claim so that the province could commence preparation of Pine Falls for whatever utility would like to develop it.⁷⁵

Garson defused opposition by indicating that the timing and lack of any advance warning concerning the constitutional initiative was due to the exigencies of federalism rather than conscious choice. Essentially, identical legislation had to pass the Manitoba Legislature and the Parliament of Canada. Instead of passing a resolution in the House of Commons, the Liberal Government had decided to pass an Order in Council. It was then necessary for the Manitoba Legislature to pass identical legislation before the changes could be presented to the Canadian Senate. Undoubtedly this was also a cover to deny opponents time to mount opposition, because at the same time the Premier indicated that any actual expropriation could only occur under the particular legislation, which the government was not about to introduce.⁷⁶ The Coalition's electoral majority, the support of the CCF and the ability of the Garson government to placate Winnipeg opposition then ensured that Bill 109 was passed.⁷⁷ The fate of Manitoba's constitutional change and the utility reorganization then fell in the hands of the Senate of Canada.

Initially, Garson used the same crisis justification as a strategy for dealing with the Senate of Canada.⁷⁸ Yet, the Premier knew well that WEC's bargaining position was based on the terms of the original Dominion Water Power Regulations, regulations which the Manitoba government could not change. The constitutional amendments would give the Manitoba government the power to change previous contracts, and thus WEC's position

would be undermined and the takeover price would decline. For this reason the Premier was fearful that Nesbitt, Thomson had sufficient influence in the Senate of Canada to thwart the initiative.⁷⁹ These fears were well grounded. The two Manitoba Senators, one Liberal, one Conservative, objected to the resolution and an amendment was proposed.⁸⁰ Since the constitutional project depended upon concurrent legislation being passed by the Parliament of Canada and the Manitoba legislature, any amendment, no matter how insignificant, would have killed the initiative.

There was also some indication that the City of Winnipeg would make representation to the Senate to stop the legislation.⁸¹ During May the province started to assuage the City's fears. Through Stephens, the government began an informal bargaining process with Sanger and the City. The object was to come to a mutually satisfactory framework for the formal negotiations necessary to implement the Hogg Report.⁸² Although the province was successful in keeping the agenda focused on the implementation of Hogg's major recommendations, it was also clear that the City was pinning down the province to maintaining the process outlined by McDiarmid so that the province could not use these new powers against City Hydro. It was also clear from the outset that while the City accepted much of the Hogg Report and would defer to expert opinion, members of council really wanted to find a way in which it could keep its Winnipeg River hydro plants--at least for the immediate future.⁸³

Getting the Senate to award the Manitoba government powers to expropriate private capital presented a political dilemma for Garson.⁸⁴ If he stated that his government would not use the powers, then opponents could block the resolution on the grounds that it was not necessary. On the other hand if the Government of Manitoba indicated it wanted to expropriate WEC, then certain Senators could easily be expected to rise to the defence of Power Corporation. The same defence could occur for the City of Winnipeg,

and a City of Winnipeg/Power Corporation alliance could have killed the whole initiative.⁸⁵ After consulting with Stephens, leading cabinet members and advisors, Garson finally decided to use a strategy of sectionalism. He argued that the province faced an energy crisis not entirely of its own making and that it wanted all the powers that other provinces, such as Ontario, possessed in coming to grips with it.⁸⁶ This in effect changed the alternatives of the Senate from defending the rights of resource capital to denying Manitoba, as a prairie province, equal status with the other eight provinces. This argument was further bolstered by the fact that WEC did not make representations against the legislation when it passed the Manitoba Legislature.⁸⁷ Garson had wanted the City of Winnipeg to back his case, but the City would not support legislation that could be used to confiscate its assets or limit its resource rights relative to the provincial government. The issue was resolved by Sanger. He sent two telegrams to Stephens in Ottawa; one informed him of the City's inability to support the legislation and the other advised him of the City's recognition of the hydro-electric supply crisis.⁸⁸ The former would be of no use in the Senate. The latter was. Eventually K-11 was passed unamended.

The K-11 diplomacy revealed the essential weakness of the provincial strategy. Garson needed the active support of the City to implement the Hogg Report. The City's immediate interest, on the other hand, was simply to gain a secure source of energy at a reasonable cost. The province had linked the latter to the implementation of Plan C. The City had not made the same linkage. The City had helped the province gain the Natural Resources Transfer Agreement Amendments, but at a price. The powers could be used against all other interests, but not against the City. Rather, the City's claims to the Winnipeg River resources could only be changed by mutual agreement. So it was two steps forward--and one back. Garson had not gained the political power forcefully and quickly enough to reorganize the utilities.

The JWPC Deadlock and the Entrenchment of Inertia

The inertia that marked the hydro policy process after the frenzy of activity during 1948 has its roots in several areas. In a straightforward sense the continued above average water conditions, the provincial decision to commence Pine Falls and the City decision to augment its coal/thermal capacity obviated the needed for the most sensational of crisis management regimes and took pressure off the utilities to make an immediate adjustment.⁸⁹ Underneath this was a series of more substantial reasons for lack of movement.

First, the Garson government had established an implementation strategy, continued by Campbell, which centred upon a series of bilateral negotiations between Winnipeg and the province, WEC and the province, and the suburban municipalities and the province.⁹⁰ This strategy was premised on attaining an agreement with the City of Winnipeg before any substantial changes occurred. Later, Winnipeg gained a veto through the negotiations establishing the JWPC process.⁹¹

The effect of this process, as summarized in Table 4.3, was that the JWPC process worked to legitimize Hogg's analysis and recommendations but did nothing to bring the parties to a formal agreement. Indeed, Hogg personally eliminated different City proposals. For example, within the JWPC process the City went from proposing a provincially financed monopoly for City Hydro to recommending a two-stage Plan C in which City Hydro could keep its hydro capacity. Although Campbell desperately attempted to have the committee come to a formal agreement--even resorting to threats of expropriation--the City of Winnipeg refused.⁹² That refusal was not based on any reluctance to accept the two-stage Plan C policy, but on the accurate observation that the whole JWPC process had been one in which the City of Winnipeg changed and modified its energy policy initiatives in light of the logic and reasoning of Hogg. This deadlock was

reached during the spring of 1949 and stayed until the summer of 1950. Following the failure of Garson's attempt to get agreement on utility reorganization WEC made an offer to Garson that entailed WEC developing Pine Falls as an agent of the province. The provincial commitment to development Pine Falls had left it with a de facto Plan A solution. The WEC alternative was simply a temporary version of Plan B, and was therefore, politely refused by Garson.⁹³ The province did not reach Plan C. Plan B was unacceptable. It had reached, therefore, a de facto Plan A.

Stephens would confidentially lament to McDiarmid that the whole failing of the Hogg report was that it did not consider the energy policy objectives and interests of the City of Winnipeg.⁹⁴ For these reasons Bill 101, which legally created the MHEB, empowered it to develop Pine Falls and gave it the legal powers to do so, was in many ways a fiction.⁹⁵ The Board never established a new or separate identity. Rather, it became another hat worn by McDiarmid, although Stephens and MNR's Water Powers Branch became the de facto provincial hydro development agency.⁹⁶

A second effect of the Garson implementation strategy was to mute or stifle what would normally be exceedingly important political conflicts. In the political void created by the consensus amongst political parties, the Winnipeg Free Press, championed the traditional policy paradigm. The Free Press editorial line, then stood behind the ideas of the turn of the century public power movement and particularly its elements of municipal public ownership and competition.⁹⁷ Indeed, the Free Press emerged as the only source of contestation (as opposed to simple opposition) to the paradigm outlined in the Hogg report. In an extensive series of editorials and analyses the paper made the following points: that the faults Hogg found with Alternatives A and D were not valid; that Plan C represented an unwarranted monopoly; and that whatever solution was eventually agreed upon, the City ought to keep its Winnipeg River hydro capacity.⁹⁸ Sanger began to echo

the same tune by indicating that incremental addition to City Hydro's coal-thermal capacity, a conservation strategy (as outlined by Hogg), and the development of the Ontario portions of the Winnipeg River for Manitoba markets would forestall the necessity for implementing Plan C for at least a decade.⁹⁹ This strategy was based upon Sanger's rather wishful assumption that growth of demand would be 3 per cent per year, a trend which would forestall any immediate need for reorganization of the Winnipeg utilities.¹⁰⁰

Stephens went to great lengths to convince McDiarmid of the logical fallacy of the competition argument and the dangers of inertia to the province's economic development.¹⁰¹ In brief, he attempted to indicate that there was in fact no competition in Winnipeg because neither utility had excess capacity which it could offer customers and neither utility was interested in developing that capacity. Moreover, the rate structure was developed to solve the historical problems of excess capacity. Therefore, the "cheap power" policy of the two utilities was simply making the economic problems of the industry more severe. Since the newer energy needed by the expanding economy would be more expensive, neither utility was interested in either financing or attempting to market it. If the policy objectives of the City were to have an abundant supply of inexpensive hydro-electric power and to gain the greatest efficiency from its distribution system, then maintaining the pretence of self-serving competition was not the answer. Rather, for Stephens, the answer was Plan C. Accordingly, Stephens attempted to convince the Liberal-Progressive cabinet and caucus of the necessity of passing legislation allowing for the implementation of Plan C during the early winter of 1949.¹⁰²

The attempt was not successful. The Campbell government was not going to force the issue. The shift of the policy paradigm would have to occur by means of cooperation and consensus. There was no real demonstrated popular need to shift from Plan A. Plan A, on the other hand, was untenable for the Campbell government. It was carrying all of the

financial costs of the hydro development, but as yet had no market for its energy. Yet the Winnipeg River continued to have record water levels--thus removing the threat of an energy supply crisis. Thus there was no need to shift from Plan A. The City-Province stalemate continued from 1948 to 1950 and was matched by the stalemate reached between WEC and the province. In both cases the province would have to increase its bargaining leverage to break the inertia. Unwilling to force the issue and break the inertia, the Campbell government simply let the stalemate continue.

Conclusions

Why did the Garson and Campbell Governments try to abandon the rentier policy paradigm to pursue a statist alternative--the provincial infrastructural policy paradigm--and why was the attempt not successful? First and foremost, the rentier policy paradigm was exhausted. The traditional role of the provincial government had been to provide the conditions necessary for private capital or the City of Winnipeg to invest in hydro resources. But the legal position of the provincial government was such that it could not do this, nor could it count on private capital on its own to clear the way for investment. Rather, the utilities wanted better terms from the province before investing. WEC had indicated that it wanted control over all of the province's hydro resources before it would invest beyond Seven Sisters. The City of Winnipeg had simply demanded that the province enter into the field of hydro development. Neither was offering the province any return for taking these initiatives. City Hydro was ambivalent concerning the provincial desire to equalize the costs of hydro to all Manitobans, and WEC offered no 1948 equivalent to the celebrated MPC supply contract. The situation was analogous to a capital strike or, more precisely, a tenants' strike for better terms from the landlord. All the major players wanted to change the rules of the game.

The Bracken energy policy left all key responsibilities to the two rival utilities and class projects that originated within the City. Twenty years later these utilities had not been able to overcome the inertia and limited vision associated with the old competitive struggle. This situation was eloquent testimony both to the weakness and the limited vision of both social democratic and business-dominated political leadership within Winnipeg. New ideas did not come from the City, but from MNR and Hogg. Plan C, in effect, simply proposed that the province would do what the two existing utilities could not.

MNR, under Stephens' direction, was cautiously establishing a stewardship role in maintaining public direction in the planning and conservation of natural resource development for the province, given the absence of political leadership provided from the Liberal-Progressives. This role was well illustrated in the political struggle over the conclusions of the Manitoba Water Power Commission. Indeed, the language, policy analysis and recommendations of the Hogg report were novel in that they established that the technical and economic efficiency of the industry as a whole would become the key criteria for the evaluation of energy policy alternatives. Though the original Seven Sisters decision had also been presented in the language of efficiency, the analysis was confined to one particularly complicated site on the Winnipeg River. Chapter Two indicated that the hydro policy paradigm was in reality governed by the political assumptions of the early Liberal-Progressives--assumptions that were not conducive to either the efficient use of resources or the most economical method of organizing the hydro-electric sector as a whole. Plan C, on the other hand, asked the Manitoba government to use economy and efficiency as the central criteria for the organization of the hydro sector. Moreover, it was quite clear that the terms "economy and efficiency" were not politically innocent. These terms implied the establishment of one integrated central utility to manage hydro

investment, conservation and production. Only the provincial government had the jurisdiction and authority to carry out such a mandate. In this sense "economy and efficiency" for the province as a whole left no room for the particularistic economic claims of the City of Winnipeg or Winnipeg Electric.

The paradigm exhaustion and the proposal to replace it with a form of provincial public monopoly in hydro investment reflect secular changes in the relations between the City and Province. These changes can, in turn, be seen as a reflection of the logic of the New Progressivism. And here was the major political difficulty for the provincial government. One of the important legacies of the Liberal-Progressive political tradition was a respect for the autonomy of the City of Winnipeg. The first "farmers' government" had been built upon an alliance between the UFM and the Winnipeg establishment. Important informal understandings accrued around that alliance. We have seen that for the most part the term "provincial" pertained to matters concerning rural Manitoba. Hydro development and industrial policy were left primarily in the hands of the City. The municipal request for provincial intervention in hydro development shattered previous understandings concerning the role and responsibilities between the two governments. It opened up the Pandora's box of tensions and understandings between the City and province that had been settled by older political conventions and a passive role for the provincial government.

The City of Winnipeg could not ask for provincial intervention and yet at the same time hold onto all of the older political conventions which awarded it a privileged place in the determination of the provincial hydro policy. Indeed, not only was the City caught in an increasingly difficult fiscal situation which ruled out its future role as a hydro investor, but it also held onto an older, almost static assumptions concerning the growth of the

demand for electricity and its role in economic development--assumptions which became increasingly outdated as the prosperity of the post-war years continued.

The Liberal-Progressive ideology and fiscal policy left a mixed lesson for the role of the provincial government. Until 1948, Liberal-Progressive ideology had justified a passive role of the provincial state in hydro development, a role that was reflected in the endurance of Bracken's rentier hydro policy. Underneath this passivity, however, was not so much a celebration of private as opposed to public control of resources as an acknowledgment of the financial and fiscal weakness of the public sector. By the thirties this had translated into a doctrine of seeking to match public responsibilities to fiscal capacity, a fiscal principle that had informed all provincial government interventions and, indeed, was becoming the prism through which Manitoba governments saw the political world. When the City of Winnipeg signalled that it wanted provincial intervention in hydro development, it is hardly surprising that the provincial government interpreted this as a request to undertake new responsibilities within its dominant ideological paradigm.

The Liberal-Progressive/MNR coalition surrounding Plan C threatened all resource and utilities interests in Manitoba. It is again hardly surprising that the City of Winnipeg put up such a determined and successful self-defence. This was accomplished early in the reform process when the new constitutional power gained by the province was conditioned by the political power gained by the City of Winnipeg in the JWPC process. The JWPC process reflected a codification of the older political conventions; the province could not act unilaterally, and the City would have the opportunity to construct a counterproposal to the Hogg recommendation. These conflicts would grow over the next few years. In 1949 open political warfare between the two jurisdictions was saved by the last minute provincial decision to proceed with the Pine Falls development without an agreement on utility reorganization. In early 1950 the province faced a choice between

forcing the expropriation of City Hydro property or informally accepting a two-stage Plan C proposal. It chose the latter. Later, it faced a choice between purchasing WEC at a prohibitive price or shelving the project. It chose the latter. But this was just postponing the inevitable. The Campbell government was aware that the status quo, a de facto Plan A, was the worst of the alternatives outlined by Hogg.

Two other variables affected the nature of the outcome of the first political struggle over Plan C. The political meaning of the Plan changed with the ending of the Coalition government and non-partisan political conventions. First, the determined and aggressive political leadership of Garson cemented the MNR/Liberal-Progressive alliance over Plan C and pushed for its implementation. This quickly and irreversibly changed the political conventions held concerning the relationship between state, utilities and resource capital within Manitoba. The formation of Plan C, as well as initial steps for its implementation, were political projects. Garson had pushed the City and WEC as far as he could. Significant conflict was confined, for the time being, within accommodations to be made within the JWPC and in confidential negotiations with WEC. To a certain extent the existence of a cabinet-dominated Coalition government provided the necessary preconditions to the Garson initiatives. At root, change occurred because Garson would not accept the consequences of the continued passivity and weakness of the Manitoba government. But political conditions changed after the breakup of the coalition in 1950. Lines of division between advocates of Plan C and advocates of other alternatives had been drawn. These were primarily intergovernmental conflicts which reflected the urban-rural cleavage within the province. Moreover, the conflicts could not easily be settled within the conventions and institutions of Liberal-Progressive politics. The Garson reforms, therefore, had just set the stage for a wider political conflict over Plan C, and one that would be associated with the other growing tensions between City and Province and a

growing partisan definition of provincial politics. This political conflict is discussed in the next chapter. Quite remarkably, the Garson and then Campbell governments had been able to keep a lid on these problems during the immediate post-war period. The 1948-50 period was really one of shadow boxing.

Hypothetical historical questions are perhaps no more than intellectual fantasies. But one cannot help but conclude the chapter with a suggestion that if Premier Garson had not resigned the whole process of provincial public ownership would have been much different. Unlike McDiarmid and Campbell, Garson appeared less committed to established Liberal-Progressive political parameters respecting the autonomy of civic institutions or the privileged place of utility and resource capital. The decision to proceed with Pine Falls without a commitment to implement Plan C was taken only after the announcement of his intended resignation. His strategy had been to exploit the energy crisis to its limit and only make commitments for provincial development of resources if the City agreed to Plan C. Quite clearly the abandonment of this policy delayed the process. It would also, given the changing political parameters, award a great many more resources to the enemies of the proposed plan. Also, Plan C could not be accomplished by the consensual non-partisan policy process celebrated by Liberal-Progressive politics. Indeed, the conclusion to be drawn is that the Liberal-Progressive conventions of consensus and non-partisan politics were, in reality, as exhausted as the older rentier policy paradigm. The rules of the political game would have to change in order to implement the new paradigm. This is well illustrated in the next chapter.

End Notes

¹ PAM, Manitoba, Mines and Natural Resources, Deputy Minister's Office, RG 17 B1, Water Resources Files, (hereafter MRDMNR DMO WRF) RG 17 B1, Box 109, file 36.2.2(A), Policy--Water Power, 1945-1948, D.M. Stephens, Memorandum to File, re Water Power Policy re Pine Falls, Confidential, October 5, 1945, p. 5.

² MNR's position and conflict with the risk-adverse and cautious investment policies of the existing utilities is discussed in Chapter Three above. Essentially none of MNR's substantive ideas were adopted in the process of post-war planning. See the discussion on post-war planning.

³ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(A), Policy--Water Power, 1945-1948, D.M. Stephens, Memorandum to File, Confidential, December 27, 1945.

⁴ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(A), Policy--Water Power, 1945-1948, J. R. Rettie, Engineer, to D.M. Stephens, Deputy Minister, re Water Power Resources, January 14, 1946, pp. 1-2.

⁵ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), D.M. Stephens, Memorandum to File, re Water Power Problems, Confidential, June 14, 1947, pp. 5-7.

⁶ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), C.H. Attwood, Director of Water Resources, to D.M. Stephens, Deputy Minister, re Water Power Resources, December 31, 1945, p. 4; J. R. Rettie, Engineer, to D.M. Stephens, Deputy Minister, re Water Power Resources, January 14, 1946, p. 2; C.H. Attwood, Director of Water Resources, to Hon. J. S. McDiarmid, January 16, 1947, re Hydro-Electric Development, Winnipeg River in Manitoba, pp. 3-4.

⁷ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), D.M. Stephens, Memorandum to File, re Water Power Policy re Pine Falls, Confidential, October 5, 1945, pp. 3-4; C.H. Attwood, Director of Water Resources, to D.M. Stephens, Deputy Minister, re Water Power Resources, December 31, 1945, p. 4.

⁸ PAM, Manitoba, Records of the Premier's Office, Campbell (hereafter MRPO Campbell), G 159, file, unnumbered "MB Natural Resources Act," nd, E. V. Caton, Chief Engineer, to W.H. Carter, President, Winnipeg Electric Company Departmental Correspondence, December 23, 1946.

⁹ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens to McDiarmid re Manitoba Paper Company Agreement, Confidential, May 21, 1947. Stephens, Confidential, Memorandum to File re Interview between Dr. T. H. Hogg and Mr. D. M. Stephens, May 10, 1947.

¹⁰ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), C.H. Attwood, Director of Water Resources, to Hon. J. S. McDiarmid, Minister, cc. Don Stephens, May 13, 1946.

¹¹ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), C.H. Attwood, Director of Water Resources, to Hon. J. S. McDiarmid, Minister, cc. Don Stephens, May 13, 1946.

¹² PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Memorandum to File re Water Power Policy, Confidential, June 8, 1947, p. 2.

¹³ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Memorandum to File re Manitoba Paper Company Agreements re Water Power Sections, re Minutes of Meeting with Sanger, General Manager, Briggs, Chief Engineer, and Stephens, Confidential, June 2, 1947. Stephens to Dr. T. H. Hogg, Confidential, June 6, 1947, Hogg to McDiarmid, June 10, 1947.

¹⁴ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), C.H. Attwood, Director of Water Resources, to Hon. J. S. McDiarmid, Minister, cc. Don Stephens, May 13, 1946.

¹⁵ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Memorandum to File re Manitoba Paper Company Agreements re Water Power Sections, re Minutes of Meeting with Sanger, General Manager, Briggs, Chief Engineer, and Stephens, Confidential, June 2, 1947.

¹⁶ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Memorandum to File re Manitoba Paper Company Agreements re Water Power Sections, re Minutes of Meeting With Carter, President and General Manager, E.V. Caton, R.D. Guy Stephens and Cowan, June 2, 1947.

¹⁷ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Memorandum to File re Minutes of Meeting With Carter, June 2, 1947.

¹⁸ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Sanger to Garson, Notes: Power Situation--Province of Manitoba, May 20, 1947.

¹⁹ Sanger's request led to a centralization of hydro policy making within the office of the premier. The original strategy meeting in which the hydro policy problems were reviewed and the subsequent policy outlined was in the office of the premier, with Campbell, McDiarmid, and Stephens in attendance on May 22, just days after Sanger's request. See PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), D.M. Stephens, Memorandum to File re Water Power Problems, Confidential, June 14, 1947. Though the Manitoba government was unsure about who would develop Pine Falls, and under what conditions, it was committed to ensuring that the new lease would end in 1962, thus allowing the province to exercise its recapture provisions (p. 7). The government of Manitoba, at that point, also knew that the method of valuation of utility assets, even given the 30 year recapture provisions of the original Slave Falls and Seven Sisters water power licences, was too expensive. Although the problem was legally complicated, the gist of it was that the old regulations were influenced by a doctrine of replacement cost minus depreciation, a valuation which would make it impossible for the province to recapture equitably the hydro sites. Hence the method of valuation would have to be changed. no author, Notes re matters of consideration in the event of recapture of a power development at the end of thirty years, nd.

²⁰ McDiarmid emphasized that the decision to hold an inquiry and the selection of Commissioner were done with the support and participation of J.W. Sanger, the General Manager of City Hydro. PAM MRPO Campbell, G 233, file 23, Winnipeg Power Discussions, Misc, 1952; Hon. J.S. McDiarmid, Statement to the Manitoba Legislature re Bill 107, April 14, 1948.

²¹ Until October, 1947, Hogg and MNR officials thought that there was a good likelihood that the City of Winnipeg would take over WEC--a solution that was found to be more economically sound than the

prospect of monopoly provincial ownership. Both the continuation of the status quo and the entry of a third utility on the River were seen as poor alternatives because they could not provide for the most efficient use of hydro resources. According to Stephens, the Premier and cabinet had not at that point made up their minds as to their preferred alternative. Garson was more interested in coal thermal development than assembling a utility that could develop remote hydro. See PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Rettie to Hogg, encl. Memorandum re Future of Manitoba Power Industry (Draft), October 31, 1947; Hogg to Rettie, November 4, 1947; Stephens, Memorandum to File, re Manitoba Water Power Commission, November 7, 1947.

²² PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A). Sanger to Garson, January 12, 1948. Garson liked the idea of taking care of the MPC needs with Pine Falls and asked that the appropriate steps be taken to ensure that the province have the legislative authority to develop the site. See Garson to McDiarmid, Campbell and Stephens, January 12, 1948.

²³ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Sanger had estimated that the province's financial position could be protected by doubling the level of water power rentals. MNR, in consultation with Hogg, held that the water power rentals would have to be increased five times. See Rettie to Stephens, Memorandum re Premier Garson's letter of January 12, 1948 quoting Mr. Sanger's estimates re Pine Falls site, January 21, 1948. Stephens then assembled a general critique of the proposal for a ministerial briefing in which he emphasized that the City offer did not allow the province to reach its objectives concerning the coordinated development and efficient management of Winnipeg River hydro resources. Stephens to McDiarmid, re Water Power Policy, re Premier Garson's letter of January 12, 1948, re: Proposal from J.W. Sanger, February 6, 1948.

²⁴ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Sanger to McDiarmid, cc. C.H. Attwood, February 26, 1948; McDiarmid to Sanger, cc. Garson, Campbell, and Attwood, March 8, 1948.

²⁵ Dr. T.H. Hogg, Report of the Manitoba Water Power Commission, 1948 (Winnipeg: King's Printer, 1948) 46.

²⁶ See Appendix JWPC Negotiations, 1948-49: From "Plan C " to a "De facto Plan A."

²⁷ See Appendix JWPC Negotiations, 1948-49: From "Plan C " to a "De facto Plan A."

²⁸ Detailed discussion of that meeting and its implications one year later are contained within PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens, Notes Used by Mr. Stephens re Discussion on Water Power Matters--Meeting of Cabinet Council, March 29, 1949.

²⁹ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(E), Joint Water Power Committee--Minutes--Terms of Reference--Notes--Committee Report, 1948-1950. The proposal is contained in the Stephens and Sanger, Draft Report of the Joint Water Power Committee (March 25, 1949), Confidential, but failed to get through the April 2, 1949 Meeting. See Minutes of Meeting of Joint Water Power Committee Held in Council Chambers, Legislative Building, at 10.00 a.m. Saturday, April 2, 1945.

³⁰ See Appendix Summary of Negotiations Between WEC and Manitoba Government, 1948-1950.

³¹ See "Simonite Says Province Shirking Responsibilities," Winnipeg Free Press, April 3, 1948, p. 3; "Brown Analyzes City's Finances: Debt Position is Good, Expenses on Increase," Winnipeg Free Press, April 6, 1948, p. 8; "Goldenberg Brief Asks \$2 Million From Province for City Budget," Winnipeg Free Press, May 20, 1948, pp. 1, 13; "The Case for New Revenues: The Goldenberg Brief," Winnipeg Free Press, May 20, 1948, p. 18; "Goldenberg Amplifies City Brief," Winnipeg Free Press, May 26, 1948, pp. 1, 6; "Province Gives Winnipeg \$550,000: New Deal Would Give Municipalities \$1,200,000," Winnipeg Free Press, June 19, 1948, pp. 1, 8.

³² Internally Garson pointed out that Manitoba's unique problem was the dominance of the provincial economy by Winnipeg. Any additional provincial taxation or subsidization for the municipality of Winnipeg would have to come from Winnipeg itself, the province's principal source of taxation. Such funds would then have to be shared with the rest of Manitoba municipalities. Hence Winnipeg would have been better off in a fiscal sense if it raised its own taxes. See "The Goldenberg Report: Mr. Garson Replies," Winnipeg Free Press, June 19, 1948, p. 19; K.M.M., "Monday Night Club," Winnipeg Free Press, June 29, 1948. Externally, Garson emphasized that the province was but a middleman between Ottawa and the municipalities, a role which made all policy initiatives in provincial-municipal fiscal relations tentative at best. The implication of the argument was that the province's cautious budgetary policy would be extended to municipalities until larger issues of financial responsibility were resolved. See Hon. Stuart S. Garson, Provincial Treasurer, Budget Speech, Friday, April 9, 1948 (Winnipeg: King's Printer, 1948) 5-8; Hon. J.C. Dryden, Provincial Treasurer, Budget Speech, Monday, March 28, 1949 (Winnipeg: King's Printer, 1949) 4-7.

³³ Hon. D.L. Campbell, Provincial Treasurer, Budget Speech, Monday, April 4, 1950 (Winnipeg: King's Printer, 1950) 4-8; Hon. D.L. Campbell, Provincial Treasurer, Budget Speech, Wednesday, March 21, 1951 (Winnipeg: King's Printer, 1951) 4-8; .

³⁴ Dorothy Jane Snidal. "A Financial History of Manitoba From 1950-1965," (M.A. Thesis, Winnipeg: University of Manitoba, 1967) 30-56.

³⁵ Morton Manitoba Revised Edition 461-462.

³⁶ PAM, MRDMNR DMO GF, RG 17 B1, Box 7, file 33.1.3E, F, G, Speeches, Articles, etc., Stephens. "Draft Notes Prepared for Minister--Session 1949," February 21, 1949. Garson's defence is contained in Provincial Treasurer Budget Speech 1948 9-13.

³⁷ The effects of the surplus policy are brilliantly analysed in the following editorial, "City Hydro Surplus," Winnipeg Free Press, May 6, 1948, p. 17.

³⁸ The continued debate is contained within CWA, U 2595 (1) Committee on Public Utilities, Minutes of Sub-Committee on Hydro Rates, 1939-50. In September 1946, Sanger, Manager of City Hydro, along with the City Treasurer and City Engineer lobbied the Committee on Public Utilities to adopt a policy that would immediately limit the hydro raids to 1/3 of the annual surplus. The raids were to be eventually eliminated and the financial surplus would be transferred into a Stabilization Reserve and then used for investment in capital projects. This policy was accepted by the Committee on Public Utilities and then passed by Council in October 1946. Nevertheless, the City never abided by its own policy. Sanger et al. to the Chairman and Members, Sub-Committee on Utility Rates, Committee on Public Utilities, September

3. 1946; Victor B Anderson, et al, to Chairman and Members, Committee on Public Utilities, September 5, 1946, Minutes of City Council, October 21, 1946, pp. 819-823.

In April, 1947, the Committee on Public Utilities struck a committee to investigate lowering hydro rates. The Report of the Sub-Committee on Proposed Reduction of Hydro Rates, August 18, 1947, advocated a decrease in rates. After some debate the matter was held over until the tabling of the Hogg Report. Resolution of Council, November 3, 1947.

In 1950 the matter was raised again, with business associations and the Winnipeg and District Trades and Labour Council both wanting, for different reasons, rate reduction. However, upon advice from J.W. Sanger the idea of rate reductions were dropped. Although over 1/3 of City Hydro's revenues were above annual expenses, the annual hydro raids had ensured that the utility was operating "at cost." Consequently, the utility was without any means to finance new hydro-electric capacity, which would cost ten times as much as the older Winnipeg River investments. As a result, City Hydro convinced the sub-committee to hold the line on rates and avoid hydro raids. See A.A. Bodykewich, Secretary, Winnipeg Taxpayer's Association, Resolution Respecting the City's Hydro Surplus, March 27, 1950; Robert Holmes, President, and Victor B. Anderson, Secretary-Treasurer, Winnipeg and District Trades and Labour Council, to His Worship Mayor Garnet Coulter, Members of City Council, March 31, 1950, and Report of the Sub-Committee of the Committee on Public Utilities, July 3, 1950.

³⁹ This was discussed in the context of the role of hydro in war-related industrialization. See "Big Drain on Power Bar to Alcoa Plant," Tribune [April 26, 1942]; "Problem of Power: Glassco States Hydro Position On Aluminum Plant Proposal," Free Press, April 29, 1942. (This has also been discussed in the context of post-war planning in Chapter Three.) The most explicit statements of City Hydro's view are contained within PAM, MRACCPWP, RG 20 B 7 Box 1, File 600, Rural Electrification, 1945, Confidential, Comments on Post-War Reconstruction Committee's Interim Report, Sanger to Boyd, July 16, 1945.

⁴⁰ PAM MRPO Campbell, G 233, file 23, Winnipeg Power Discussions, Misc. 1952; "Statement Made in the Legislature by Honourable Stuart Garson, April 12, 1948." See also the Editorial in Winnipeg Tribune, April 9, 1948.

⁴¹ "The Hogg Report: City Council's Position," Winnipeg Free Press, April 29, 1948, p. 21. Sanger had not, in June 1948, fully accepted Hogg's analysis or recommendations. See PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Sanger to Stephens, Confidential, June 1, 1948, encl. Notes: re. Water Power Situation in Manitoba, May 27, 1948; Stephens, Notes: re Agenda for Formal Discussions re Water Power Matters (City and Province), May 27, 1948.

⁴² Hogg Report of the Manitoba Water Power Commission 7, 11-15. Garson had to defend this point, See PAM MRPO Campbell, G 233, file 23, Winnipeg Power Discussions, Misc. 1952; "Statement Made in the Manitoba Legislature By Hon. Stuart Garson," April 12, 1948.

⁴³ Rex Grose, Director, Department of Industry and Commerce, to Stephens, Review of the Donald Report, Confidential, nd. [c.1948].

⁴⁴ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A). The proposal was contained in Sanger to Garson, January 12, 1948. Garson liked the idea of taking care of the MPC needs with Pine Falls and asked that the appropriate steps be taken to ensure that the province have the necessary legislative authority to develop the site; Garson to McDiarmid, Campbell and Stephens, January 12, 1948.

MNR, in consultation with Hogg, disagreed with Sanger's figures. Rettie to Stephens, Memorandum re Premier Garson's letter of January 12, 1948 quoting Mr. Sanger's estimates re Pine Falls site, January 21, 1948. Stephens then assembled a general critique of the proposal for a ministerial Briefing in which he emphasized that the City offer did not allow the province to reach its objectives concerning the coordinated development and efficient management of Winnipeg River resources. Nor did it allow for the integration of new and old power in the future. See Stephens to McDiarmid, re Water Power Policy, re Premier Garson's letter of January 12, 1948, re: Proposal from J.W. Sanger, February 6, 1948.

⁴⁵ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens to McDiarmid, re Water Power Policy, re Premier Garson's letter of January 12, 1948, re: Proposal from J.W. Sanger, February 6, 1948.

⁴⁶ In Chapter Two we saw that Hogg used a similar analysis in the Seven Sister's decision. Yet that was confined to a decision concerning one hydro site--not the province as a whole. The Hogg report was the first attempt to lay down systematic principles for an energy policy for the province as a whole, and the various origins of those principles lay in the shared functional technical and economic thinking of Hogg and Stephens.

⁴⁷ Hogg's 1928 analysis of the need for provincial hydro development accepted the market segmentation of the agricultural areas of the province, to be served by the MPC, from the urban/manufacturing areas to be served by the two Winnipeg utilities. See T.H. Hogg, "Report on the Winnipeg River," 1928.: This and the following chapter indicate how, after 1948 the leadership and supporters of the older institutions put forth a political defence.

⁴⁸ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid, Memorandum re Water Power Matters, December 19, 1949, pp. 13-14.

⁴⁹ Hogg Report of the Manitoba Water Power Commission 31-34, 36-38. See also Appendix Dr. Hogg's Principles of Water Power Management.

⁵⁰ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid, Memorandum re Water Power Matters, December 19, 1949, pp. 14-17.

⁵¹ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid, Memorandum re Water Power Matters, December 19, 1949, pp. 14-16.

⁵² Lloyd Stinson, Political Warriors: Recollections of a Social Democrat (Winnipeg: Queenston House, 1975) 111-112.

⁵³ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Statement of Minister to the Legislature, re Water Power Matters, April 14, 1948, pp. 11-12.

⁵⁴ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Garson to Coulter, July 8, 1948.

⁵⁵ Nelson Wiseman, Social Democracy in Manitoba: A History of the CCF/NDP (Winnipeg: University of Manitoba Press, 1983) 64-66, 69.

⁵⁶ Duff Roblin's early anti-Coalition, pro-democracy position and alliances are revealed in "Opposition Proud of Record South Conservatives Told," Winnipeg Free Press, March 24, 1948, p. 11; "Coalition Victory," Editorial, Winnipeg Free Press, Nov. 3, 1948, p. 17; "Progressive-Conservative Session Opens: Coalition Government Future Looms As Issue," Winnipeg Free Press, June 10, 1948, pp. 1, 6; "Two-Day Convention is Concluded, Progressive-Conservatives Criticize Provincial Distribution of Taxation Revenues," Winnipeg Free Press, June 12, 1948, pp. 1, 7; "Coalition Survival Issue: Ottawa Interest Keen in Progressive-Conservative Decision," Winnipeg Free Press, June 12, 1948, pp. 1, 7.

⁵⁷ "Campbell Says Power Talks Progress: No Legislation on WEC Now; 'Expropriation If Necessary,'" Winnipeg Free Press, April 9, 1949, pp. 1, 9; "Under the Dome," Winnipeg Free Press, April 9, 1949, p. 17; CCF'ers Demand Resignation of Manitoba Coalition Gov't," Winnipeg Free Press, April 18, 1949, p. 1; "Ready for Final Reading: Committee Amends Power Bill to Allow Board to be Sued," Winnipeg Free Press, April 23, 1949, p. 1; "Under the Dome," Winnipeg Free Press, April 22, 1949, p. 19; "The Power Bill," Editorial, Winnipeg Free Press, April 22, 1949, p. 19; "Power Bill Gets Final Approval," Winnipeg Free Press, April 23, 1949, pp. 1, 12.

PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens to Campbell, Notes re Anticipated Question on Orders of the Day re Water Power Matters--re Progress of Discussions Between Representatives of the Province and Representatives of the City of Winnipeg, February 10, 1949; Remarks of Premier Douglas Campbell in the Manitoba Legislature, April 8, 1949, Notes Prepared for the Premier, October 25, 1949; PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens, Notes RE Mr. Hansford's Speech at Russell, Manitoba as quoted in the Winnipeg Free Press, Wednesday Morning, November 2, 1949. Stephens to Campbell, Notes re Power, April 6, 1950.

PAM MRPO Campbell, G 233, file 23, Winnipeg Power Discussions, Misc, 1952; "Statement Made By Premier Douglas Campbell in the Manitoba Legislature on March 11, 1949"; PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens, Notes for Minister's Speech re Power Session, April 8, 1949; Stephens, Notes prepared for Minister re Power Bill, April 12, 1949; Stephens, Notes for Minister re Bill 101, April 19, 1949; Stephens, Notes prepared for Minister re Bill 101, April 20, 1949; Notes prepared for Minister, Law Amendments Committee, April 22, 1949.

⁵⁸ "Campbell Welcomes Probe of Pine Falls Power Project," Winnipeg Free Press, February 18, 1950, pp. 1, 6; PAM MRPO Campbell, G 233, file 23, Winnipeg Power Discussions, Misc, 1952, "Report on Power Delivered By Premier Douglas Campbell in Manitoba Legislature," April 6, 1950; PAM, MRDMNR DMO GF, RG 17 B1, Box 7, file 33.1.3F, Speeches, Articles, etc., Stephens, Notes re Pine Falls Power Development, November 13, 1949; MRPO Campbell, G 233, file 23, "Remarks of Premier Douglas Campbell, Monday, November 7, 1949, Station CKRC - 8:00-8:15 P.M. Pine Falls Contracts - 'The Facts'"; "Report on Power Delivered by Premier Douglas Campbell in Manitoba Legislature, April 6, 1950,"

⁵⁹ Emerson P. Schmidt, Report of the Manitoba Electrification Enquiry Commission 1942 (Winnipeg: King's Printer, 1943) 6.

⁶⁰ Morton Manitoba Revised Edition 456-457; Stinson Political Warriors 134-135. PAM MRPO Campbell, G 186, file 18, Rural Electrification on the Prairie Provinces, nd, W. D. Fallis, General Manager, Manitoba Power Commission, to Campbell, October 16, 1950, cc. "Rural Electrification in Manitoba, Saskatchewan, and Alberta: How Far Has it Proceeded? How Many Farms Have Electricity? What is the Outlook for Further Development: The Results of a Survey Conducted Midsummer of 1950 by The Merchandising and Research Division of the Country Guide, Winnipeg, Canada, Canada's Largest Monthly Rural Magazine, August 1950."

⁶¹ This was part of the informal bargain struck in 1945 which left hydro development in the hands of the utilities--and the MPC again in command of an inexpensive source of electricity. The source of the leverage is contained in the legal interpretation of the Seven Sisters contract which indicates that the company did not have to give the MPC any energy over that stipulated in the original contract. Hence the WEC had the power to divert the extra energy needed by the MPC elsewhere if it so desired. PAM Records of the Provincial Treasurer, Caton, Chief Engineer, to Carter, December 23, 1946.

⁶² "Secret Ballot Favours Board's Decision: Organized W.E.C. Employees Accept Recommendation for 11-Cent Boost," Winnipeg Free Press, June 3, 1948, p. 1; "Statement from Carter: Company Ready to Raise Wages if Fares Adjusted," Winnipeg Free Press, June 3, 1948, pp. 1, 10; "Union Answers W.E. Statement on Earlier Offer," Winnipeg Free Press, June 3, 1948, pp. 1, 10; "Crisis is Reached in W.E. Wage-Fare Boost Dispute," Winnipeg Free Press, June 10, 1948, pp. 1, 6; "Company Asks Prompt Wage-Fare Boost Plea: Carter Explains Company Stand," Winnipeg Free Press, June 11, 1948, p. 1; K.M.M. "Monday Night Club," Winnipeg Free Press, June 15, 1948, p. 15; "Higher Fares and W.E. Co. Employees," Editorial, Winnipeg Free Press, November 9, 1949, p. 21; "Power for Schools," Editorial, Winnipeg Free Press, February 20, 1950, p. 17.

⁶³ Stephens, 1949 PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid, Memorandum re Water Power Matters, December 19, 1949, pp. 9-11.

⁶⁴ J.R. Rettie, the MNR Projects Engineer, for example, thought it would be less expensive and less difficult for the City of Winnipeg to purchase WEC. See: PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), J.R. Rettie, to Dr. T.H. Hogg, October 31, 1947, Memorandum RE The Future of the Manitoba Power Industry, Draft, pp. 5-11.

⁶⁵ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Notes re Suggested Water Power Rationalization Act, December 15, 1947.

⁶⁶ Stephens graduated with a B.Sc. (C.E.) from the University of Manitoba in 1931 and then continued post graduate studies in hydraulics and economics. From 1933-1938 he was employed as an engineer in the Department of Mines and Resources. He became the Deputy Minister in 1938. MHCL, Curriculum Vitae, Stephens Vertical File, 1961.

⁶⁷ Morton Manitoba Revised Edition 458-460.

⁶⁸ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), C.H. Attwood to Stephens, re Manitoba Power Commission, October, 5, 1947; McDiarmid to His Worship Mayor Garnet Coulter, cc J.W. Sanger, January 16, 1948; G.L. Gardner, Acting City Clerk, to McDiarmid, cc. Garson, February 11, 1948. The case was presented in a series of letters which were drafted and circulated, but not signed. McDiarmid to Coulter, cc J.W. Sanger, (draft) April 22, 1948; Garson to Sanger (draft), April 21, 1948; file 36.2.2(B) Sanger to Stephens, Personal and Confidential, April 23, 1948.

⁶⁹ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Sanger to Hogg, cc. Premier Stuart Garson, April 12, 1948.

⁷⁰ Rettie to Stephens, Notes re Mr. J. W. Sanger's letter to Dr. Hogg dated April 12, 1948 in connection with Report of the Manitoba Power Commission, April 19, 1948. Rettie to Hogg, Confidential, April 23, 1948.

⁷¹ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Gardner, Acting City Clerk, to McDiarmid, cc. Garson, February 11, 1948.

⁷² PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Garson to Right Honourable J.L. Ilsley, K.C., March 30, 1948. The rest of the correspondence is listed in the memo Filed in Vault, Order-in-Council P.C. 1719, April 17, 1948, Memorandum of Agreement Between the Government of Canada and the Government of Manitoba, April 19, 1948, Order-in-Council 695/48 authorizing Minister of Mines and Natural Resources to execute above agreement, April 21, 1948; Letter to Mr. S.W. Jackson, Director, Administration and Personnel, Department of Mines and Resources, Ottawa, April 28, 1948. See also: "Reply to Hogg Report: City to Resist Moves Which Threaten Hydro," Winnipeg Free Press, April 9, 1948, p. 1; "Passed by Committee: City Clarifies Stand on Hydro Question," Winnipeg Free Press, April 22, 1948, p. 1; "City Council Protest: Charges Provincial-Ottawa Talks May Cost City Hydro Site Leases," Winnipeg Free Press, April 22, p. 12; "The Hogg Report: City Council's Position," Winnipeg Free Press, April 29, 1948, p. 21; "Expropriation Value Discussed: Sanger Suggests Compensation Requirements for Power Plants," Winnipeg Free Press, May 1, 1948, p. 32.

⁷³ PAM, MRDMNR DMO WRF RG 17 B1, Box 109, file 36.2.2(A), Stephens, Notes Drafted in Premier's Office (re Question from Honourable Minister from Winnipeg, Mr. Gray), April 16, 1948, Stephens, Notes For Minister, Session 1948, April 16, 1948; Notes Prepared For Minister, Session 1948, Redrafted Question, April 14, 1948; Stephens, Notes re Second Reading Bill to Ratify Certain Agreement Between Dominion of Canada and Province of Manitoba, April 19, 1948; Stephens, Notes For Minister: Power Statement, Law Amendments Committee, April 22, 1948, pp. 4-5.

⁷⁴ "Under the Dome," Winnipeg Free Press, April 23, 1948, p. 17.

⁷⁵ Bill 109 was instrumental in solving the Abitibi claim. See PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, McDiarmid to D.W. Ambridge, President, Abitibi Power and Paper Co. Ltd, January 14, 1949, Stephens, Memorandum to File, re Manitoba Paper Company, February 1, 1949.

⁷⁶ K.M.M., "The Hogg Report: The Province," Editorial, Winnipeg Free Press, May 5, 1948, p. 17.

⁷⁷ "Under the Dome," Winnipeg Free Press, April 23, 1948, p. 17.

⁷⁸ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(A), Garson to Right Honourable J.L. Ilsley, Minister of Justice, May 30, 1948.

⁷⁹ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Garson to Stephens. Notes of Conference in Mr. Garson's Office, June 22, 1948. Present: Mr. Garson, Mr. McDiarmid, Mr. Stephens, Mr. Allen. June 24, 1948.

⁸⁰ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, no author. Memorandum for Honourable James McLenaghan, K.C., Attorney-General of Manitoba re Bill K11--An Act to Amend the Manitoba Natural Resources Act. June 19, 1948. See also "Haig, Crerar Doubtful: Winnipeg Senators Eye Hydro Expansion Plans," Winnipeg Free Press, June 4, 1948, p. 4; and "Garson to Ottawa for Power Sites Bill Discussions," Winnipeg Free Press, June 4, 1948, p. 4.

⁸¹ The City position is summarized by J.W. Sanger, in "The Power Situation in Manitoba," Free Press, April 30, 1949; and "City Not Sending Delegation to Ottawa Protesting Bill 109," Winnipeg Free Press, April 23, 1948, p. 1.

⁸² Stephens, Notes re General Principles re Water Power Situation in Manitoba. cc Garson and Sanger, May 28, 1949, Sanger to Stephens, June 1, 1949, encl. Sanger, Notes re Water Power Situation in Manitoba. and, Stephens, Notes re General Principles re Water Power Situation in Manitoba.

⁸³ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Mayor Garnet Coulter to Premier Douglas Campbell, Personal, March 17, 1949.

⁸⁴ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Garson to Stephens, Notes of Conference in Mr. Garson's Office, June 22, 1948. Present: Mr. Garson, Mr. McDiarmid, Mr. Stephens, Mr. Allen. June 24, 1948.

⁸⁵ John Allen, Special Assistant, to McDiarmid, Memorandum for Honourable J.S. McDiarmid, Minister of Mines and Natural Resources, re Power Matters, April 23, 1948; April 26, 1948,

⁸⁶ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Garson to Stephens, Notes of Conference in Mr. Garson's Office, June 22, 1948. Present: Mr. Garson, Mr. McDiarmid, Mr. Stephens, Mr. Allen. June 24, 1948. See also Garson to Hon. T.A. Crerar, June 15, 1948; Garson to Hon. J. T. Haig, June 15, 1948.

⁸⁷ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Garson to J.T. Haig, June 15, 1948; Garson to Crerar, June 15, 1948.

⁸⁸ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens to Garson, June 22, 1948.

⁸⁹ Stephens was to comment later that negotiations on the JWPC bogged down after the provincial decision to develop Pine Falls. Don Stephens, Notes: re Chronology of Various Developments Having To

Do with the Organization of the Power Industry in Manitoba, Vertical File, Manitoba Hydro Corporate Library, March 14, 1962.

⁹⁰ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens, Memorandum #1 Suggested Check List re Proposed Water Power Negotiations, May 14, 1949, Stephens, Memorandum #2 re Proposed Water Power Negotiations - Attempt to Reach Agreement With Certain Matters, Principles, etc., May 14, 1949, Garson to Stephens, May 25, 1949, na, Conference in Premier's Office - May 27, 1949; Stephens to Vogel, Secretary to the Premier, May 28, 1949.

⁹¹ The province was represented by the Premier and different members of an ad hoc cabinet "power committee" usually consisting of J.S. McDiarmid, Minister of MNR, J.O. McLenaghan, the Attorney General, William Morton, the Minister for Public Utilities (responsible for Municipal and Public Utilities Board) and the Provincial Treasurer, J.C. Dryden. Also, Don Stephens, the Deputy Minister of MNR, attended all meetings and was, for all practical purposes, the leading negotiator for the province. The City was represented by Garnet Coulter, the Mayor, members of the City Council Public Utilities Committee and also by J.S. Sanger, General Manager of City Hydro and his Assistant General Manager, H. L. Briggs. Sanger also played the leading role for the City negotiators. To expedite the negotiations Sanger and Stephens formed a technical advisory committee that would conduct the appropriate research and provide the appropriate support for the politicians. PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(E), Joint Water Power Committee-Minutes-Terms of Reference-Notes-Committee Report, 1948-1950, Minutes of Meeting of Joint Water Power Committee, August, 30, 1948.

Don Stephens, the Deputy Minister, emerged as the real centre of the Manitoba government's hydro policy. Stephens was the principal negotiator on the JWPC and technical advisor to cabinet and caucus. Stephens also became the unofficial head of the MHEB who managed the Pine Falls development. Stephens and Sanger, on the City side, were mandated to write a draft report outlining the implementation of an agreement to be reached by the politicians. PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(E), Joint Water Power Committee-Minutes-Terms of Reference-Notes-Committee Report, 1948-1950, Minutes of Meeting of Joint Water Power Committee, September, 14, 1948.

⁹² PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(E), Joint Water Power Committee-Minutes-Terms of Reference-Notes-Committee Report, 1948-1950, Stephens to Campbell, McDiarmid, McLenaghan, Morton and Dryden, Memorandum re Water Power Matters, Confidential, February 12, 1949. Stephens to Campbell, McDiarmid, McLenaghan, Morton and Dryden, Memorandum re Meeting of Joint Water Power Committee with Respect to Water Power Matters, Confidential, February 14, 1949; Minutes of Meeting of Joint Water Power Committee held in the Council Chamber, Legislative Building, at 10:a.m., Saturday April 2, 1949; file 36.2.2(E), Stephens, Notes prepared for Premier for Joint Water Power Meeting held on February 6, 1950; file 36.2.2(B), Mayor Coulter to Premier Campbell, Personal, May 17, 1949.

⁹³ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Memorandum of an interview with Premier Garson by Mr. R.D. Guy, K.C., and Mr. W.H. Carter, held in the Premier's office, Friday, November 12, 1948, between 10:00 and 11:00 a.m.

⁹⁴ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid, Memorandum re Water Power Matters, December 19, 1949, pp. 10-12

⁹⁵ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Notes used by Mr. Stephens re Discussion of Water Power Matters - Caucus Meeting, March 30, 1949. 10:45 a.m. to 12:30 noon, Stephens, Legislation--re Power, March 11, 1949; Stephens, Notes for Minister's Speech re Power Session. April 8, 1949, April 7, 1949; Stephens, Notes Prepared for Minister re Bill 101. April 19, 1949, April 18, 1949; Stephens, Notes Prepared for Minister, re Bill 101. April 20, 1949, April 10, 1949; Stephens, Notes Prepared for Minister (Law Amendments Committee). April 22, 1949.

⁹⁶ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Notes used by Mr. Stephens re Discussion of Water Power Matters--Caucus Meeting, March 30, 1949. 10:45 a.m. to 12:30 noon, Stephens, Legislation--re Power, March 11, 1949; Stephens, Notes for Minister's Speech re Power Session. April 8, 1949, April 7, 1949; Stephens, Notes Prepared for Minister re Bill 101. April 19, 1949, April 18, 1949; Stephens, Notes Prepared for Minister, re Bill 101. April 20, 1949, April 10, 1949; Stephens, Notes Prepared for Minister. (Law Amendments Committee), April 22, 1949.

⁹⁷ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid, Memorandum re Water Power Matters. December 19, 1949, pp. 13.

⁹⁸ K.M.M., "The Hogg Report: Manitoba's Power Problems." Editorial, Winnipeg Free Press. March 31, 1948, p. 17; F.B.W., "John Glassco." Obituary, Winnipeg Free Press, April 12, 1941, p. 15; K.M.M., "The Hogg Report: The Winnipeg River." Editorial, Winnipeg Free Press. April 14, 1948, p. 19; K.M.M., "The Hogg Report: Other Power Resources." Editorial, Winnipeg Free Press. April 15, 1948, p. 19; K.M.M., "The Hogg Report: Cost of New Power." Editorial, Winnipeg Free Press. April 16, 1948, p. 17; K.M.M., "The Hogg Report: Central Control is Advocated." Editorial, Winnipeg Free Press. April 19, 1948, p. 15; K.M.M., "The Hogg Report: A Power Monopoly." Editorial, Winnipeg Free Press. April 21, 1948, p. 15; K.M.M., "The Hogg Report: Short-Term Position." Editorial, Winnipeg Free Press. May 17, 1948, p. 15; K.M.M., "The Hogg Report: Alternative Proposals." Editorial, Winnipeg Free Press. May 26, 1948, p. 17; K.M.M., "The Hogg Report: Alternative Plan 'B.'" Editorial, Winnipeg Free Press. May 27, 1948, p. 21; K.M.M., "The Hogg Report: There is Time to Plan." Editorial, Winnipeg Free Press. November 3, 1948, p. 17; K.M.M., "The Hogg Report: Developing Dauphin River," Editorial, Winnipeg Free Press. November 9, 1948, p. 13; "The Power Bill," Editorial, Winnipeg Free Press. April 18, 1949, p. 15; "City Must Maintain its Position: The Power Negotiations." Editorial, Winnipeg Free Press. April 25, 1949, p. 17; "A Bogus Argument." Editorial, Winnipeg Free Press. March 27, 1950.

⁹⁹ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, The Supply of Power for the City of Winnipeg. Address by J.W. Sanger, General Manager of the City of Winnipeg Hydro Electric System, to the Kiwanis Club of Winnipeg on Tuesday, June 28, 1949, pp. 11-13, 15.

¹⁰⁰ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, The Supply of Power for the City of Winnipeg. Address by J.W. Sanger, General Manager of the City of Winnipeg Hydro Electric System, to the Kiwanis Club of Winnipeg on Tuesday, June 28, 1949, p. 10.

¹⁰¹ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(D), Joint Water Power Committee--Prov. Gov't. Views-Minutes-Draft Report, 1948-1950, Stephens to McDiarmid. Memorandum re Water Power Matters, December 19, 1949, pp. 13-14.

¹⁰² PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens. Notes: Legislation--re Power, March 11, 1949; Notes Used by Mr. Stephens re Discussion on Water Power Matters--Caucus meeting, March 30, 1949; Notes Used by Mr. Stephens re Discussion on Water Power Matters--Meeting of Provincial members on Joint Water Power Board, March 28, 1949; Notes Used by Mr. Stephens re Discussion on Water Power Matters--Meeting of Cabinet Council, March 29, 1949.

CHAPTER 5

THE EMERGENCE OF THE PROGRESSIVE INFRASTRUCTURAL POLICY PARADIGM

Introduction

The muted political struggle that characterized the process of paradigm fragmentation and the tentative steps taken towards the implementation of the new ideas were followed by a complex battle over the form of the actual paradigm that would replace the old. Here, the province's established political forces were given an opportunity to define politically, to challenge and to shape and change the proposals that stemmed from Dr. Hogg, MNR administrators and the Liberal-Progressive leadership. Chapter Four discussed the first phase of contestation which led to a stalemate. This chapter analyses the processes of contestation and implementation which defined the new policy paradigm that structured hydro politics for the decade. The new policy paradigm is termed "Progressive infrastructural" as opposed to "Provincial infrastructural" (the original Plan C idea) because opponents to the plan were able to force a compromise on the provincial state which ensured that two of the institutions of the former paradigm, City Hydro and the MPC would maintain important controls over the new Manitoba Hydro-Electric Board (MHEB). The MHEB was as much a centralized provincial agency as a new form of compromise between City and Province; it thus reflected the rural-urban cleavage which had dominated provincial politics since 1922.

The relationship between contestation and paradigm shift discussed in this chapter is easily revealed when one considers that in 1948 the Coalition government promised that it would seek the consent of all concerned parties before it implemented changes. But that promise produced poor results. Though the province had gained the constitutional authority to alter resource rights and had reached an informal understanding with the City

on a "modified Plan C," it had not been able to translate that understanding into a formal agreement. Similarly, WEC had agreed in principle with public ownership, but its asking price made the Plan C initiative unattractive. Consequently, the province committed itself to develop needed hydro capacity before any important changes occurred, that is a *de facto* Plan A, or the worst of all the alternatives outlined by Dr. Hogg's Report of the Manitoba Water Power Commission.

This chapter begins with the Campbell Government's attempt to cut the Gordian knot by giving the Manitoba Hydro Electric Board the political mandate and institutional capacity, including powers of expropriation, to develop hydro, pool the energy of existing utilities, and implement a reorganization of the industry. Subsequently, WEC and the MHEB did come to an informal understanding, and the MHEB made a formal offer to the City of Winnipeg which would implement the full Plan C, not the modified Plan C negotiated under the auspices of the Joint Water Power Committee (JWPC). The city council approved the offer on the condition that it gain popular approval in a municipal referendum. Plan C, however, failed to gain electoral approval.

The curious problem facing the Campbell government after the referendum was that the opponents of Plan C supported mutually exclusive and unworkable alternatives. The Campbell government responded by publicly discrediting the alternatives which surfaced during the referendum. It then had the MHEB incrementally implement a "go it alone" strategy (Alternative G) whereby it purchased WEC without a general agreement from the City and then proceeded to rationalize its utility assets over time. By 1955 the final reorganization of the hydro sector resembled the City of Winnipeg's modified Plan C proposals. Yet it departed from those proposals in that the City was left with a much smaller role in the provision of services. WEC retained the natural gas distribution

franchise and the MPC took over WEC's distribution system within the suburban municipalities of the Greater Winnipeg region.

Why was the apparently best idea politically unacceptable? Why did it take four years to return to a second best solution? Campbell's attempt to break the Gordian knot propelled the process of paradigm shift from muted to open contestation where the Plan C proposal took on new political meanings. In part, this was a continuation of the City-Province conflict discussed in the previous chapter where Plan C was seen as a power grab on the part of the province. Hence the City was reluctant to give over ownership of hydro resources and the control of utilities. Plan C was also given new partisan and ideological definitions. Plan C and its alternative, the Plan D (power pooling scheme which avoided expropriation and takeovers), came to represent the alternatives of the Left and Right within Winnipeg municipal politics and increasingly assumed a class and ideological definition within provincial politics.

The continuing decay of coalition government sparked the rise of partisanship between non-social democratic political groupings. In particular, the provincial Conservative Party was beginning to fragment into pro and anti-coalition groups. The former remained dominant, but the latter began to exercise considerable influence because they represented an attempt to make a critical break with the image of the state and politics entrenched throughout the Liberal-Progressive period by establishing a more pro-business government. Dissident Conservatives, therefore, began a loose alliance with the Free Press which pursued an anti-Plan C campaign and extolled the virtues of Plan D, the alternative which would have avoided expropriation or takeovers. Opposition to Plan C was also opposition to the changing relationship between state and capital engendered by the process of paradigm shift. As the provincial government slowly abandoned its policy of protective regulation to take up the threat of expropriation, the struggle over Plan C

became defined as an ideological crusade to defend the rights of capital and private property in relation to an aggressive provincial state.

In the class-based discourse of Winnipeg municipal politics Plan C could mobilize less support than Plan D. The former was eventually halfheartedly supported by the municipal government, the CCF and its allies, as well as elements of a divided business community. The Free Press campaign, on the other hand, effectively demobilized the Plan C support, and rekindled remnants of the older public power movement around a platform of saving City Hydro from a centralized form of anti-democratic, bureaucratic public ownership which was not really necessary. Plan C was soundly defeated in a municipal referendum. Though the "reasonable compromise" between the goals of the province and the opponents to Plan C would have been to implement Plan D, this alternative was in reality a non-starter. The municipal policy of autarchy and the decades of antagonism between WEC and City Hydro (and their respective political allies) had ensured that the utilities remained as separate systems and that WEC explicitly expressed an unwillingness to integrate within any power pool or water management scheme.

The last and eventually successful political definition of the paradigm articulated by Hogg and MNR returned to the questions of efficiency and viability. Plan G (a distant relative to Plan C) was proposed as a solution that was more efficient and economical than either a return to the capitalist organization of the hydro sector (Plan B) or the completely unworkable Plan D. When these discursive relationships became clear the provincial takeover strategy fell into place.

In many ways this was a curious contestation. On one hand the Campbell government was in conflict with old Liberal-Progressive institutions and ideas in an attempt to institutionalize the New Progressivism. In this context, a provincial public monopoly in hydro production was the most economical and efficient of all alternatives.

Aside from the internal conflict amongst Liberal-Progressive institutions, however, was the emergence of a new ideological and partisan definition of hydro policy and the role of the state in economic development. Though the Campbell government was eventually victorious, this victory was in many ways the "last hurrah" of the Liberal-Progressives. Indeed, as we shall see in the next chapter, the new Progressive Conservatives, equipped with a modernization ideology, would substantively change the whole basis of provincial energy policy.

The Emergence of Progressive Infrastructural Policy Paradigm, 1951-55.

Following the JWPC negotiations the process of utility reorganization passed through two distinct phases. The first was an intense period of contestation wherein the Manitoba Government attempted to force a reorganization along the terms of the informal agreement reached within the JWPC process. This boiled down to an attempt by the Hydro Electric Board, under Don Stephens, to seek agreement on the terms of implementing Plan C--a political project that ended up in complete defeat. By April 1952, Plan C, and all that it represented, appeared to be politically discredited.

The second phase of paradigm shift, therefore, was to ask the City of Winnipeg and Winnipeg Electric Company to come up with alternative policies to address the province's energy problems. This was, in a sense, a process of competitive bidding. By the summer of 1952 these proposals were aired, but they were in an obvious sense politically incompatible. It would be up to the provincial government to decide. The third phase of the shift concerned the implementation of a modified version of the modified Plan C proposal negotiated within the JWPC process rather than a proposal for a power pool which included WEC. This "alternative G" was implemented incrementally over a two year period.

Bill 78: The Rise and Fall of Plan C:

By the spring of 1951 the Campbell government was under extraordinary pressure to resolve the "power problems" for which, after two years of negotiations and substantial investment, it had no answer. Though Pine Falls was nearing completion, the province faced another decision regarding the development of McArthur Falls, the smallest and last site on the Winnipeg River. As in the 1948 Pine Falls decision, the Campbell government faced a dilemma. If it decided to develop the site without any further reorganization of the hydro sector, then it would have made a transition from a period of experimentation to the implementation of Plan A. If it decided to force a utility reorganization before investment, then it could expect to implement the modified Plan C agreement worked out within the context of the Joint Water Power Committee. The Campbell government made an uncharacteristically bold decision to force the reorganization of the hydro sector.

This strategy was based upon two legislative initiatives reflecting a City-Province Accord. First, from the province, Bill 78 awarded the MHEB sweeping powers to develop energy needs of the province, to set up a power pool to buy and sell energy from the existing utilities, to ration the distribution of electrical energy should the province face power shortages, and to implement the reorganization of the hydro sector.¹ The MHEB was designed to be a central authority independent of regulatory and direct legislative control. For example, Bill 78's real punch was a set of expropriation provisions that gave the MHEB powers to expropriate WEC at a value that represented the original investment minus depreciation.² Nor would there be an appeal to courts or arbitration. Similarly, the prices for which the MHEB bought and sold energy from the distribution utilities was to be determined by the MHEB. The legislation left the MHEB independent of judicial review and outside the jurisdiction of the Municipal and Public Utilities Board Act. The

legal protection for WEC's (and also that of City Hydro's) preeminent claim to Winnipeg River hydro resources under the older rentier strategy disappeared.

The effective centralization of authority in the MHEB was matched by a certain vagueness with respect to the actual form of reorganization intended by the Campbell government. On one hand, it was to be financially independent of the provincial government and generally adhere to the "no diversions" policy. Hence the legislation reflected all of the significant economic and fiscal concerns raised during the JWPC process.³ Though Bill 78 did not directly indicate which alternative for reorganization the MHEB should take, both Campbell and C. Rhodes Smith, Minister of Education and, with J.S. McDiarmid, Minister of Mines and Natural Resources (MNR), one of the two senior Liberal cabinet Ministers from Winnipeg, defended the legislation in terms of the "modified Plan C" as an acceptable compromise to the original Plan C, and a far better solution than Plan D.⁴ The legislated mandate of the MHEB, to "provide for the continuance of a supply of power adequate for the needs of the province, and to promote economy and efficiency in the generation, distribution, and supply of power"⁵ would, as Premier Campbell pointed out, preclude the establishment of a private power pool that would support profit-making in the production of power because this would not be as economic and efficient to the province as power produced by public ownership.⁶

At the same time the power pool provisions and operating mandate of the MHEB also conformed to what would be needed under Hogg's Plan D. Hence ministers could state that the government wanted Plan C, but if that did not work out, the legislation also provided for the implementation of Plan D. Moreover, since the legislation devolved these responsibilities to the new utility, the government itself was not directly accountable for the outcome.

The second element of the reorganization strategy centred on the Winnipeg City Council. The agreement reached with City representatives in the JWPC process was translated into City Council's efforts to draft legislation, to be passed in the same session of the provincial legislature, which would change the City Charter by allowing for the establishment of the intermunicipal transit and gas distribution corporations.⁷ The new corporations necessitated significant changes. The City would sell its assets to the province and then buy assets which were to be placed within the new intermunicipal public utilities. Had this bylaw passed, then the effective legislative majority in favour of Plan C would have ensured a smooth process of paradigmatic change. But, in apparent surprise to all concerned, the division on the vote rejected the draft legislation on the pretext that it would involve a large outlay of money and, therefore, had to be put to the citizens in a referendum.⁸ Underneath the vote, however, was a division on the hydro question between those on the left which supported Plan C and the right who favoured the status quo or Plan D. The Campbell reorganization, therefore, had the props kicked out from underneath it at the very beginning. Its success now depended on whether the MHEB could come to agreement with WEC and present proposals to the City of Winnipeg which would gain popular approval.

In May 1951 the MHEB was given an organizational structure. McDiarmid lost direct responsibility for the MHEB to Campbell, who formally maintained the overall political responsibility for setting hydro policy.⁹ In fact, however, R.D. Turner, the Provincial Treasurer, became the central political strategist for provincial initiatives. Stephens became the Chairman of the Board and Chief Executive Officer of the MHEB and continued to be the single most important source of policy advice and the definition of policy alternatives for the government. The first board was representative of the older Liberal-Progressive, Winnipeg-rural Manitoba coalition. It included representatives of the

other public utilities (Sanger, the General Manager of City Hydro, and William Fallis, the General Manager of the MPC) and two representatives of Winnipeg business (Donald Thompson, a lawyer active in several local businesses, and Allan Watson, a leader of the financial community and Vice-President of the Canadian Chamber of Commerce).

Stephens began with the reorganization initiative before commencing on McArthur Falls. The MHEB started negotiations with WEC and the City of Winnipeg at the same time. The threat of expropriation no doubt provided the inducement for WEC to abandon its "replacement value minus depreciation" bargaining strategy.¹⁰ A summary of the WEC negotiations during 1951 is presented in Table 5.1. It reveals that WEC quickly decided to make a deal to sell for about \$58 million before political constraints interfered. Nevertheless, shareholders were infuriated by the expropriation provisions and put on the public facade of being cheated because they could not get the reproduction cost less depreciation, \$96 million, or earning capacity, \$77 million, for company assets.¹¹

Table 5.1. Summary of Negotiations between WEC Shareholders and Representatives of the Manitoba Government, 1951

Date/Manitoba	Price/Issue	Resolution
<i>April 1951</i>	Bill 78 Passed	WEC seeks interview with premier
<i>April 1951</i> (MHEB) Don Stephens, MNR, and D.A. Thompson, Q.C. (WEC) Deacon and Findlay	(MHEB) WEC shareholders argue for \$50 per share, suggest that they might sell for \$45.	-negotiations to continue
<i>May 1951</i> (Manitoba) Premier Campbell, J.S. Anderson, Deputy Provincial Treasurer, Don Stephens. (WEC) J.A. Nesbitt, J. Preston, D. M. Deacon, C.G. Hoyt	(MHEB) WEC holds \$45@share as rock bottom price. This would bring a total price of \$58,824,505 (see <i>Note</i> <i>A</i>). (WEC) waiting for firm offer.	-method of valuation to change to "reasonable earnings" Each prepares an independent valuation, Millar, Macdonald for the MHEB and Duff & Phelps, Chicago, for WEC. -no definite price mentioned -reports finished by July 25, 51.
<i>June-August 1951</i> (MHEB) Don Stephens, Chairman of the MHEB (WEC) J. Preston, "the shareholders group"	(WEC) -no apparent progress (MHEB)--negotiations lead to an informal understanding concerning an offer of \$42.50 per share.	- MHEB to make an offer to the City of Winnipeg (based on \$42.50/share and City valuations of WEC assets) - if accepted, formal offer will be made to WEC.
<i>September 1951</i> (MHEB) Don Stephens, Members of the MHEB. (WEC) WEC Board.	City of Winnipeg. wants full access to WEC books to check valuation.	City accountants (Clarkson and Gordon) given full cooperation but not full access.
<i>November - December 1951</i> MHEB. Treasurer, Cabinet	MHEB seeks approval of takeover and seeks financial plan; cabinet thinks financing (\$18-24 million) will be difficult	-approval given to MHEB offer to WEC - commences a financial plan
Note: A. This figure is compiled by adding the value of common shares, \$25,424,505 (\$64,989 @ \$45), plus preferred shares, \$5,000,000 (50000 @ \$100), with the funded debt \$28,400,000 of the company. Source: PAM MRPT, Stephens to Turner, January 12, 1953; PAM MRPT, "No. 36," December 11, 1951. Winnipeg Electric Company. Minutes of Board of Directors Meetings. 1951.		

There was a substantial shift in the price of the takeover. The initial meeting between representatives of WEC, the MHEB and the Manitoba cabinet ended with a debate concerning a \$58 million purchase price, fully \$12 million less than the previous summer. WEC and the MHEB shareholders came to their informal understandings by mid-summer, a time frame which allowed the MHEB in turn to assemble the necessary proposals with the City of Winnipeg. Yet there was no formal offer or agreement.

Eventually, the Winnipeg City Council responded to Bill 78 by asking the MHEB to come up with a specific proposal that could be presented to it for consideration. This essentially stopped the rapid momentum of the Campbell reorganization initiative. Through a process of negotiations the MHEB and City officials then abandoned the idea of the two-stage or modified Plan C. Instead, the MHEB offered a complete Plan C reorganization. Table 5.2 indicates, the MHEB proposal was submitted to City Council in late August with the request that there be no undue delay in response because the proposal depended upon a tentative agreement with WEC ownership. This, in effect, was a demand to decide the proposal by October municipal elections or by a referendum which could accompany the elections. The City Council, however, stalled. No plans materialized to have a referendum before or with the elections. Stephens and the cabinet realized that the City Council's hesitation decreased the likelihood that the plan would succeed. Both sought alternative strategies.

Table 5.2. Summary of MHEB Negotiations With the City of Winnipeg. 1951-52

Date/MHEB/City	Substantive Issues	Resolution
<i>Spring 1951</i> (MHEB) Stephens, MNR. (Wpg) City Council.	City of Winnipeg plans the reorganization of regional utilities, as in Plan C.	The City prepares draft legislation to be passed in legislature with Bill 78 and circulates draft to regional municipalities.
<i>March 1951</i> (Manitoba) Campbell. (Wpg) Mayors of suburban municipalities.	Municipalities have concerns re hydro, transit and gas reorganization.	Campbell organizes meetings between MHEB and municipalities to ally concerns.
<i>April 1951</i> (MHEB) Stephens, MNR. (Wpg) Winnipeg City Council.	Stephens outlines the plans for reorganization and listens to concerns re fears of losing level of services.	The concerns are to be addressed in the reorganization legislation.
<i>April</i>	City Council considers whether to endorse the modified Plan C to be implemented by Bill 78 by passing the draft intermunicipal legislation or in effect to sanction Plan D as an interim measure by forcing the issue to be resolved by a referendum.	City Council votes to place issue before referendum and forms special committee to oversee the process of submitting proposals to a referendum. Bill 78 is passed, but Campbell withdraws intermunicipal legislation.
<i>June 1951</i> (Manitoba) Stephens, MHEB, Campbell. (Wpg) City Power Committee.	There are various meetings with City, Premier and MHEB regarding the planned reorganization.	Finally the City asks the MHEB to outline concrete proposals which it can evaluate.
<i>August 1951</i> (MHEB) Don Stephens. Members of the MHEB. (Wpg) City Power Committee, City Council.	Debate turns to the valuation of WEC assets and the financial analysis of utility reorganization in Greater Winnipeg area.	The MHEB presents a concrete Plan C proposal, based on a tentative deal with WEC, to City of Winnipeg for consideration and asks for quick reply.
<i>Nov 51</i> (MHEB) Stephens. (Wpg) City negotiators, accountants.	valuation of WEC and City assets.	
<i>Dec 51</i> (MHEB) Stephens, MHEB. (Wpg) City negotiators, City Power Committee, City Council.	City accountants finished report on Board proposals, last minute negotiations.	-taken to Council for consideration -City Council approves proposals subject to referendum, January 16. '52
Source: PAM MRDMNR DMO WRF, RG B17 B1, Box 109, file 26.2.2(F). Chronological Records of Power Matters, MHEB to Campbell, Untitled Chronology. July 17, 1952, updated, c.1955, Manitoba Hydro, Stephens Vertical File, "Notes re Chronology of Various Developments Having to do with the Organization of the Power Industry in Manitoba," March 14, 1962; PAM MRPT, "Comparative Observations on Alternative Courses of Action in Lieu of Plan C." October 15, 1951.		

The Coalition cabinet was torn between Hogg's Plan C and Plan D.¹² Plan C had engendered much opposition and the government was not in a position to implement it unilaterally. Plan D was preferable, but strongly rejected by Stephens and the MHEB. Plans A and B were unacceptable to the government. Turner proposed an "Alternative G," or "go it alone" strategy, whereby the MHEB would take over WEC's assets, as a politically safe proposition which would meet the government's immediate energy objectives (pooling of high and low cost power and the provision of an organization strong enough to finance new electrical capacity). Since the MHEB's Plan C offer was likely to be rejected by City Council, the government should not act until it became necessary to do so. This political strategy, "Alternative S" stood for "stand pat" and do nothing immediately. The Liberal-Progressive Coalition would not enter into the municipal political struggle over Plan C, which they knew would lose. "Alternative S" would do the least political damage, particularly since the MHEB, not the provincial government, was the central force in the reorganization.

In November Stephens submitted a plan to cabinet which outlined reasons why, if Plan C were defeated, the MHEB should immediately start the go-it-alone strategy.¹³ Crucial to Stephens argument was his view, as indicated above, that Plan D was unworkable. The go-it-alone strategy would provide an important first step in utility organization and place the MHEB, according to Stephens' hypothetical budget--on a independent base. WEC's transportation and gas utilities could be divided into subsidiaries to which the City would have first claim of purchase. By late 1951 Stephens had gained financial approval for the stock purchase of WEC and, by implication, the support for Plan G should the occasion arise.¹⁴

In January 1952, the City of Winnipeg agreed to a full implementation of Plan C with the caveat that the issue be put to a referendum. The referendum was also to be the

first in the City's history in which the franchise would be extended from ratepayers to all citizens. The MHEB case was aided by the fact that the city's independent valuation of the proposal, while critical on some of the property valuations, clearly indicated that the new hydro distribution utility would generate about the same degree of surplus as did City Hydro.¹⁵ Nevertheless, the MHEB proposal failed to gain ratification.

The Legitimization of the "Go-it-Alone Strategy"

Campbell's response to the referendum was to concede that Plan C was dead and then ask the municipal government for policy recommendations.¹⁶ This was indeed a clever political strategy. If the provincial government could not gain support for a solution to the hydro problem based upon Plan C, then the province, in turn, could assess the proposals that came from the city. In this process the fundamentally different objectives of WEC and the municipal government would become self evident, and alternative G therefore would fill the void left by other unworkable alternatives. Moreover, only a public assessment and exposure of the anomalies of other alternatives would negate the effects of the referendum and legitimate the provincial initiative. This was the course of action adopted by the Campbell government during the summer of 1952, although in characteristic fashion the initiatives were slow, cautious and hesitant.¹⁷

The key to the Campbell government's strategy was the process of competitive bidding where the province would be in the position to assess the differing proposals of WEC and the City of Winnipeg. The correspondence and alternatives were made public. Table 5.3 indicates that neither utility had travelled far from the positions it held in 1947.

Table 5.3. Post-Referendum Reorganization Alternatives

Plan	Details
WEC's New Version of Plan B (a):	a) The repeal of all of Bill 78. b) 50-80 year leases on all of the hydro sites on the Winnipeg River. c) Guarantees that the powers of expropriation would not be used against WEC during the life of the leases unless assets were assessed on the basis of a "fair" value. d) WEC would make no commitment when it would begin northern Hydro development. Rather it would probably invest in coal-thermal capacity before northern hydro. e) The province regulate rates to protect the company from unfair competition from City Hydro. f) The province protect WEC's financial position by forgoing royalties should the company fall on hard times.
Plan R -The City of Winnipeg's New Version of Plan D (b)	a) The province to develop all new hydro capacity, b) A power pool be set up to distribute energy to WEC, City Hydro and the MPC, c) Participating utilities only pay for the energy they use--not the full costs of developing the capacity nor the carrying charges of excess capacity, d) The City of Winnipeg nominate one of the three members of the Manitoba Hydro Electric Board.
Alternative G - The MHEB Confidential "Go it Alone" Strategy (c)	a) Capital costs of new capacity over the next 10 years, including Pine Falls, would exceed \$173 million. Neither WEC nor City Hydro have plans to undertake these investments. b) The MHEB could purchase WEC for approximately \$37 million and then establish an organization that could finance the decade's capacity investments on a self-sustaining basis. c) The MHEB would also be in a position to pursue the Winnipeg River conservation strategy advocated by City Hydro.
Source (a): PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Carter to Campbell, June 3, 1952. Source (b): PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Coulter to Campbell, June 12, 1952, cc. H.L. Briggs to Chairman and Members, Power Subcommittee, Committee on Public Utilities, <u>Memorandum Re Electric Power</u> , Supply, May 30, 1950, Committee on Public Utilities, <u>Report Re Electric Power Policy--File U.3385</u> , June 5, 1952. "Majority and Minority Reports: Civic Power Proposals," <u>Winnipeg Free Press</u> , June 7, 1952. Source (c): PAM MRPT, no author, No. 20, November 23, 1951.	

The terms of WEC's new Plan B were similar to those presented to the infamous December 1947 meeting with Garson. Indeed they appear to be the terms and conditions that WEC should have obtained with the 1928 Seven Sisters decision, not the conditions which spoke to the energy policy problems in 1952. The City of Winnipeg had to select one of three alternatives established by a special committee of City Council.¹⁸

There did not emerge any consensus within the Coalition cabinet on the legislative response to the referendum or alternative proposals. Cabinet and the Liberal-Progressive

caucus were divided and fearful of the political consequences of making a decision. Again the strategy came from Turner, who proposed that the government repeal the expropriation provisions of Bill 78 and accept the responsibility for further hydro development subject to finding ways in which its financial position could be protected, table legislation that would authorize the MHEB to commence the investment at McArthur Falls (the last site on the Winnipeg River), and then appoint a general committee of the whole House to consider the WEC and City Council proposals.¹⁹ At that point, under questioning from government members, the inconsistencies and contradictions of the WEC Plan B and City Hydro Plan D could be exposed. The Treasurer planned to have the proceedings of the Special Session recorded (a first for the Manitoba Legislature) and then to close the session with the intention of weighing alternatives and plotting a course of action accordingly.²⁰ The session would take care of the immediate energy crisis, confirm that the MHEB would continue to exercise the government's responsibility for hydro development, and do nothing to alienate any significant constituencies. The City and WEC plans would destroy themselves, thus leaving the Province free to make a decision.

The Special Session unfolded very much according to Turner's plan in that it revealed the deadlock and exhaustion of the existing paradigm and exposed the crisis that it had produced and the sheer incompatibility of the two proposals. First, City Hydro's post-referendum reorganization proposal, Plan R, was a new version of Dr. Hogg's Plan D. (Refer to Table 5.4). Plan R apportioned the costs of energy from the power pool according to the proportion of each utility's purchase to the total energy deficit of all the distribution utilities. Yet City Hydro did not need new energy and intended to remain self sufficient at least until 1954 and possibly to 1956. Hence it was a proposal that did nothing to help finance the province's new energy capacity. Nor was it a proposal which

would solve the short-term problem of securing the Pine Falls investment. Therefore, given the particular formulae used to calculate the distribution of costs and the entrenchment of the "no diversions" policy, the full burden of the cost of Pine Falls would fall on the shoulders of WEC and the MPC.²¹ Similarly, the Plan called for a degree of hydraulic integration with the full knowledge that this would affect the position of each utility within the power pool, and would indeed probably worsen WEC's power shortage. Hence the discussion focused upon compulsory participation. Upon review, therefore, the City's Plan R appeared to be a reflection of the older institutional antagonism between City Hydro and WEC. WEC certainly interpreted the plan in those terms.

Carter emphasized that the Plan asked WEC to pay all of the higher costs of new energy--but to sell it at the old prices. This particular circumstance arose because the legal interpretation of the MPC's Seven Sisters supply contract was that WEC had to supply the MPC with 30,000 horse power at the 1928 price and then meet all further needs of the utility at prices to be negotiated between the two parties or at prices determined by arbitration. By the early 1950s these clauses became extremely important because the MPC General Manager, William Fallis, interpreted them to mean that WEC had to sell the MPC all of its energy needs at the price of old power (about \$16 per horse power) as opposed to the price of new power offered by the MHEB (about \$32 per horse power).²² Hence any step into the City's Plan R would have eaten away at the utility's profit margin, and for this reason President Carter was particularly vehement that WEC would not participate and, indeed, would rather curtail services to established customers than buy from the MHEB.²³ Should WEC have to shoulder all the costs of Pine Falls (about \$2 million per year) then it would be placed in a position of bankruptcy.²⁴ Although the company could apply to the Municipal and Public Utilities Board for a rate increase, it was the competition for market share between WEC and City Hydro that set the rates charged

by the utilities. Hence this would be an opportunity for the latter to make a short-term windfall or to take WEC's market share.

The idea of a voluntary or compulsory power pool among the existing utilities was therefore dispelled. Each step in a power pool would, as far as WEC was concerned, eat away at its profits. Similarly, the idea of coordinating the water management of the Winnipeg River was killed because water was an essential part of the property value of utility assets. If a central authority could allocate the water use of different utilities, it would in essence be continually changing the value of each company's assets. In the case of the Winnipeg River WEC would become the real loser.

WEC's Plan B constituted the only known alternative to either Plan D or Plan R. Here the company was put under intense pressure to clarify the provisions concerning regulatory changes intended to guarantee it a fair rate of return from any new investments. It backed down in several areas from the original position outlined by Carter. First, it did not want a life-long guarantee that the province would not take over the plants. But it wanted a long-term commitment, Bill 78's expropriation provisions repealed, and fair terms of expropriation should the occasion arise.²⁵ It was put under a great deal of pressure to justify its demands for protective regulation and responded that the regulation did not give the company profits. WEC indicated that the regulations simply established the possible minimum and maximum returns available to investors, and at root were oriented towards avoiding another Seven Sisters fiasco.²⁶ Management presented these demands as the conditions its "Eastern" interests stated were necessary to raise the financing necessary to make the hydro investments.²⁷ In other words Power Corporation and those that had taken control of WEC in the 1935 reorganization were not about to lose money on another Manitoba investment.

It became evident during the proceedings that the existing policy paradigm had completely broken down. Each utility was primarily concerned about meeting its markets needs for the immediate short term. The province had only avoided blackouts because of exceptionally high levels of water in the Winnipeg River system. The two major utilities were turning new industrial customers away, despite the fact that Pine Falls capacity was unused.²⁸ No one would invest in new capacity without a settlement of basic issues.

The choice between public or private hydro development came down to one of cost versus ideology. Here the former was on the defensive. The problem was that the private company could not finance hydro development as cheaply as a public corporation which had neither to give dividends nor pay taxes. A private company would need nearly a third more income than a public company to do the same job. The logical choice was Plan C. It had been rejected by such a small minority of the provincial public. Would a private version of Plan C be acceptable? Towards the end of the hearings E.V. Caton, longtime Chief Engineer and member of WEC's Board again summarized his company's view.

Mr. Caton: I think Plan D is better than this...[the City Plan R]. We don't like either of them. I think, Gentlemen, whatever plan you are making now is only temporary. Some time some one authority has got to control all the plants on the river. I don't know when. Temporizing with it won't stop it. I think Scheme D is like taking a patent medicine for cancer and hoping you will get better.

Mr. Hryhorczuk: You mean under free enterprise?

Mr. Caton: We offer you free enterprise.

Mr. Hryhorczuk: You said that eventually they will have to be under one control.

Mr. Caton: It ought to be under free enterprise, but I am afraid that it won't be.²⁹

The Special Session of the Legislative Assembly had accomplished all its political and policy objectives. The role of the provincial government in hydro had been legitimated, the MHEB gained the enabling legislation for McArthur Falls, the offensive

provisions of Bill 78 were removed, and the alternatives to Plan C had been discredited. It did not, however, sanction the "go-it-alone" strategy, although this was clearly the unstated intent of the session.

The Takeover of WEC and the Reorganization of Manitoba Utilities

The political success of the Special Session paved the way for continued MHEB-WEC shareholder negotiations to effect the stock purchase. By October the MHEB was in a position to make an offer which was finally ratified by WEC ownership, bondholders and the Manitoba Legislature in January 1953.³⁰ The agreement was really a watered-down version of the modified Plan C proposal originally worked out within the JWPC process. The changes from the modified Plan C reflected WEC's increased bargaining power and the schism that had developed between Winnipeg and the Campbell government over the referendum.

As the following table indicates, WEC gained three concessions from the provincial government not entertained in previous negotiations and proposals. Perhaps the most important is that the division of the company's non-electrical assets into subsidiary companies was accompanied by the retention of the natural gas utility by WEC common stockholders and the franchise of the utility was extended to all of Manitoba.³¹ The accommodations to bondholders and preferred shareholders really centred on their successful attempt to retain their financial security and improve the terms of their financial claims on former WEC assets.

Table 5.5. Summary of Final WEC-MHEB Negotiations

Date/Negotiators/Issues	Resolution
<i>April -October 1952</i> Stephens negotiates with Preston and the stockholders group. The Board offer is made in October and apparently supported by shareholders and the WEC Board.	Negotiations continue concerning an offer to purchase WEC Common stocks. There are slight modifications from previous offer (\$42.50 per share). a) Assessments are updated. b) Power Corporation seeks to broaden the mandate of and gain the rights to the natural gas subsidiary. c) preferred stockholders seek a guaranteed of rate of return until their stock is purchased.
<i>Dec 1952</i> - Anderson, Deputy Provincial Treasurer negotiates with WEC bondholders.	Bondholders refuse to agree to changes in property deeds unless provision is made for a more rapid redemption of bond payments. The MHEB agrees and the MHEB offer revised and extended. (Successful)
<i>January 1953</i> - Offer accepted.	WEC is divided into three companies: 1) WEC - in control of the electrical generation, transmission and distribution assets, 2) The Greater Winnipeg Transit Company in control of all of the transit operations, 3) The Winnipeg and Central Gas Company in control of all of WEC's natural gas production, transportation and distribution assets and also equipped with a broad province-wide franchise to distribute natural gas.
Source: PAM MRPT Memorandum Outlining Essential Features of Plan for Acquisition by Manitoba Government of the Electrical Assets of Winnipeg Electric Company, September 18, 1952; Copies of Documents Relating to the Offer of the Manitoba Hydro-Electric Board to the Holders of Common Shares of the Winnipeg Electric Company, October 28, 1952 to December 29, 1952, Manitoba Provincial Treasurer, January 13, 1953, Stephens, Notes Re Stephens' Telephone Call to Preston, October 31, 1952; PAM MRPO Campbell, G 233, file U, Winnipeg Power Discussions, 1953. Turner to Campbell, December 5, 1952; Winnipeg Electric Company, "Statement for Bondholders Meeting-- December 8, 1952. Memorandum of Modified Proposals to Bondholders. December 4, 1952 (re-draft).	

The MHEB maintained the strategy of specializing in hydro production and transmission. It planned to sell the newly formed transit subsidiaries, WEC's head office and real estate holdings, and the electrical distribution networks in Winnipeg and the suburban municipalities. In 1955 a Property Sale Agreement finalized a specialization not contemplated in earlier proposals.³² The MPC gained all of the suburban distribution networks and therefore finally, access to the mass domestic markets it had always wanted to stabilize its expensive rural markets. The City of Winnipeg kept its hydro facilities and bought WEC's duplicate distribution network within the City. Finally, the "Power Agreements" established the terms of the power pool called the "Southern Integrated

System" between the three utilities.³³ The power pool rates reflected the City's idea of purchasing power consumed rather than the MHEB idea of purchasing at rates that reflected a pooling of all costs.

The New Paradigm and the New Progressivism

The eventual outcome of utility reorganization was closer to Hogg's Plan C than the alternatives advocated by the Campbell government's opponents. In this sense, the result represented a victory for the Campbell government in implementing a form of the "New Progressivism", even though in many ways this victory was the last hurrah for the Liberal-Progressives. To substantiate the case that the partial takeover of the industry was a reflection of the continuity of progressivism rather than the bold reflection of a new philosophy of state intervention the analysis points to how the new utility structure resolved City-Province conflicts, to the disciplined investment strategy of the MHEB which gave priority to financial efficiency over other considerations, and to the degree to which the activities of the utilities conformed to the fiscal and economic policies of the Campbell governments.

The new electrical utility structure was a compromise among the objectives of socio-economic interests, utilities, City and Province. The MNR/MHEB objective was to integrate the Winnipeg River Plants. The provincial government's objectives were to establish an organization large enough to finance new capacity investments on a self-sustaining basis, to use all resources efficiently and to pool the cost of energy so that the MPC or rural Manitoba did not bear a disproportionate share of the newer, more expensive electricity. The opposition to Plan C wanted to ensure that City Hydro kept its capacity and to maintain competition in the distribution of electricity. To a large extent, however, the compromises were made by the City of Winnipeg, not the MHEB or the provincial government. Indeed, in order that the City could keep its hydro capacity and the

MPC gain the benefits of low cost power, the MPC took all of WEC's suburban markets outside of the City of Winnipeg. Hence, the MPC gained a market large enough to ensure its rural customers could attain the benefits of economies of scale. While City Hydro did double its market share within the City of Winnipeg through the purchase of WEC's distribution system, it did not expand beyond the city boundary. Moreover, the Power Agreement ensured that the MHEB would be the major and sole supplier of new energy to City Hydro and the MPC. Therefore, the retention of City Hydro's own capacity and the competition at the retail end of the electrical market became less and less significant over time. Essentially, the City of Winnipeg could not make the change from municipal to intermunicipal state ownership. As a result, provincial public ownership filled the vacuum. Save for purchasing the City's 25 per cent of Winnipeg River Hydro capacity, the MHEB attained all its other objectives. And the terms of the original agreement ensured that the province could purchase the site in 1962 should it decide that was desirable.

Since the province of Manitoba possessed an abundance of hydro resources, the basic problem facing the energy policy paradigm was the lack of investment. The province faced an immediate and chronic energy shortage. Both of the two politically acceptable alternatives, Plans C and D, envisaged that a new form of provincial public ownership would take responsibility for investing in all new hydro capacity. It was also clear that those that had considered the energy investment strategy emphasized the role of conservation as well as investment. Conservation, in this sense, implied reducing the amount of new capacity needed to fulfil a continually buoyant growth in the demand for electrical energy. This was the whole point of the continued Winnipeg River development and conservation strategy advanced by the City of Winnipeg, Hogg, MNR and the MHEB. Stated in other terms, the intent of the policy was to supply the basic infrastructure needed by the province for the continuation of economic growth. Supplying basic infrastructure,

in this sense, diverged significantly from the older 1920s idea of developing hydro to induce industrialization. That speculative policy had caused the ruin of the WEC. In the 1950s the question was primarily one of keeping up. Stephens speeches, such as "Can We Keep Our Lights Burning," for example, justified the takeover of WEC in terms of building an organization to develop needed energy.³⁴

The second element of the 1950s energy policy was the continuation of a "cheap power policy." This was entrenched in several aspects of the organizational mandate. First, the "no diversions policy" ensured that the consumers of hydro electric energy would eventually bear all of the expenses. Neither government could take surpluses from the utilities and all subsidies, except for the MPC water rental transfers, were to be recovered from the utilities. Second, under the terms of the power pool between the MHEB, City Hydro and the MPC the distribution utilities paid only for the power they purchased and all of the MHEB's annual costs were supposed to be met by annual revenues. Excess capacity, therefore, would have destroyed the financial contours of the MHEB mandate. For these reasons, after finishing the Pine Falls and McArthur Falls projects, the MHEB planned and built coal/thermal installations--one in the agricultural south-west of the province, and one at Selkirk north of Winnipeg.³⁵

This was a curious circumstance. Although the whole hydro reorganization had been based upon finding an organization that could finance and get the most efficient use out of the province's hydro resources, the resulting pattern of investment centred on load-building coal-thermal investments, an energy policy which Hogg rejected.³⁶ Stated in other terms, the *raison d'être* of the 1950s utility reorganization and energy policy was to prepare for and postpone the cost of the next generation of hydro investments. Indeed, the MHEB investment strategy was placed within the context of the Liberal-Progressive "pay as you go" fiscal policy.³⁷ The issue was not exclusively one of avoiding the higher costs

of hydro investment. Stephens had found tremendous conservation benefits because the more coal-thermal capacity the MHEB possessed the more efficient the utility could gain from the Winnipeg River hydro resources.³⁸ Indeed, the efficiency argument continually provided the reason for the MHEB to keep postponing its first entry into hydro megaprojects.

Energy planning had changed since the Hogg Report. Hogg's analysis assumed that utilities were not investing in new capacity because none of the utilities within the fragmented hydro structure could take the risks of tapping the next stage of larger and more expensive hydro projects. Hence the reorganization was intended to be accompanied by a rapid commencement of hydro investment in a strategy which would see the MHEB integrate the hydro potential of the older power corridor, the Winnipeg River system, with that of the Saskatchewan River and, later the Nelson River system. Instead, the utility reorganization was accompanied by a coal-thermal investment strategy oriented to conserving financial resources.

As the MHEB stalled on its next resource investments, its investment choices also changed. The multipurpose Dauphin River project had been replaced in the early 1950s by a more powerful and single purpose hydro-electric project on the Saskatchewan River near Grand Rapids. Grand Rapids was to be one of the largest hydro projects designed during the decade and to was cost approximately \$100 million, a sum equivalent to all of the existing assets of the MHEB and a sum greater than the whole of the MPC's rural electrification investment.³⁹ The Nelson and Churchill Rivers were considered the energy sources to be tapped following the Saskatchewan River. But this was also changing. Stephens was a member of the Atomic Energy of Canada Limited (AECL) Board of Directors and very much interested in commercial nuclear electricity. But commercial nuclear energy, like the remote Nelson and Churchill River projects, was still considered

too expensive for Manitoba needs.⁴⁰ Hence the energy investment alternatives after Grand Rapids were not certain.

The energy strategy returned to its focus on northern hydro, although in a characteristically cautious manner, in the latter part of the decade through a contract between the International Nickel Company (INCO) and the MHEB. INCO had discovered massive nickel resources at Moak Lake and began constructing a mine, smelter and community at the present town of Thompson in northern Manitoba.⁴¹ Instead of opting to build its own hydro-electrical facilities, as had been the tradition in the past, the company began negotiations with the Manitoba government regarding hydro sites. The company contracted the MHEB to build a new hydro complex for it. INCO chose the nearest large power source, Kelsey, on the Nelson River.⁴²

INCO and the Manitoba government had negotiated an extraordinary deal.⁴³ The site would be owned by the MHEB, though the company would have the final word in the design and construction of the facility. Kelsey had a potential capacity of 300 MW, but the majority firm power of the first stage of development (@150 MW) would be dedicated to INCO's needs. INCO financed the project by lending \$20 million to the Manitoba government at 2 per cent interest on the condition that the Manitoba government would immediately authorize the MHEB to advance the rest of the capital (\$40 million) needed for the first stage of development. The low-cost financing served both parties' interest. INCO got a secure twenty year, low cost (maximum 4.5 mills) source of energy.⁴⁴ The MHEB gained, as Stephens' notes on the contract state, sufficient revenues to fully recover all costs over a twenty year period and funds to "colonize the country."⁴⁵ It was to be the MHEB's first step north.

The Kelsey project, however, did not fit into the terms of the power pooling agreement of the Southern Integrated System. Under the 1955 Power Agreement the

distribution utilities paid only for the power they purchased. Kelsey's large overhead costs and the project's dedicated industrial market made it an exceptional form of investment. Hence the MHEB created a "Northern Integrated System" which separated the Kelsey-INCO agreements from the Southern Integrated System and ensured the latter, therefore, were not responsible to share the costs of financing the northern hydro project.

To emphasize that the Progressive infrastructural policy paradigm concentrated on reorganization, consolidation and minimizing the capacity investments should not lead one to think that this policy resembled in any fashion the investment patterns of the previous two decades. Table 5.7 indicates that the MHEB was moving along an exponential curve of future investment. Indeed, if one takes the fully completed WEC and City Hydro hydro capacity as a benchmark (467 MW), then the MHEB started new projects totalling 84 per cent of the benchmark (387 MW) by 1958. The Kelsey capacity comprised an additional 40 per cent of that benchmark. Grand Rapids represented more than 100 per cent of City Hydro and WEC facilities combined. Hence the scale of these investments prompted the financially cautious and risk-adverse Campbell government to delay and spread costs. Nevertheless, the utility was investing at a phenomenal rate.

Table 5.7. The Capacity of Northern And Southern Integrated Systems, c1960

<u>Capacity</u>	<u>Utility</u>	<u>Existing Capacity</u>	<u>New Capacity Under Construction</u>	<u>Planned Capacity Investment</u>
<u>Winnipeg River Hydro</u>		all units are in MW		
Seven Sisters	(WEC)	150		
Great Falls	(WEC)	132		
Pointe du Bois	(Wpg)	072		
Slave Falls	(Wpg)	068		
Pine Falls	(MHEB)		82	
McArthur Falls	(MHEB)		56	
Sub Total		422	138	
<u>Thermal Capacity</u>				
Amy Street	(Wpg)	45		
Brandon			120	
Selkirk	(MHEB)		124	
Sub Total		45	224	
<u>Northern Hydro</u>				
Grand Rapids	(MHEB)			472
Kelsey	(MHEB)		192	
Sub Total				472
Total Capacity Southern System		467	382	472
Total Capacity Northern System			192	
Total Capacity		467	575	472
Source: G.E. Tritschler, Chairman, <u>Final Report of the Commission of Inquiry into Manitoba Hydro</u> , (Winnipeg: Queen's Printer, December, 1979) : 32-33, Tables II.1 and II.2. Note: The capacity ratings are "normal winter capability." Capacity ratings also reflect the state of the power plant during the early sixties, rather than 1958. Planned capacity ratings are taken from actual ratings after development.				

The cheap-power policy and risk adverse investment strategy were linked to the continuing Liberal-Progressive view of Manitoba as an agricultural resource exporting economy. In this context, according to Dorothy Snidal, the objective of the energy policy, like the fiscal policy, was to keep the cost of inputs as low as possible. Thus, the final cost of Manitoba products in external markets would not be interfered with.⁴⁶ This is not to say that the Campbell government did not pay lip service to other forms of economic development and continue its traditional industrial promotion activities. But it did concentrate upon utility investments, telephones, electrification, and electrical capacity investments, all of which reflected the modernization projects defined by the rural and

agricultural image of Manitoba held by the Liberal-Progressives.⁴⁷ It did not, however, establish the infrastructure for a continental resource industrialization. Indeed, during post-referendum negotiations with WEC the Campbell government gave a provincial franchise for natural gas distribution to WEC rather than promote the distribution of natural gas as a public service. Even the Campbell government's road-building programme was financed from annual budgetary surpluses, the "pay as you go" method that been established by Bracken in 1922. Although Stephens and the MHEB had indicated from time to time that new capacity investment would entail increasing electricity rates, the Campbell government did not authorize any rate increases and the rate structures remained pinned to their 1911 origins.⁴⁸

The fiscal and economic strategy of the Liberal-Progressives was an anachronism by the late 1950s. The New Progressivism had been created to tackle the problems of soaring public debt, high taxation, economic and fiscal uncertainty. By the mid-1950s, however, Progressivism had run its course. The Government of Manitoba had one of the lowest per capital debts amongst Canadian provinces; and since taxes had not been raised during the 1947-56 period, the province also one of the lowest rates of taxation.⁴⁹ The communications and electrification projects had modernized rural Manitoba, but the post-war boom did not completely mask the decline of the provincial economy relative to the national average. Adhering to the traditional policies, therefore, took on a new political meaning. The Liberal-Progressives became defined by their resistance to change and were regarded as a hindrance to the development of the province. While the fiscal and economic policies of the Liberal-Progressives could establish a non-partisan consensus on their economic and fiscal strategies during the 1920s, 1930s and 1940s, the same could not be said for the 1950s. Instead of principled non-intervention, the social and economic difficulties facing the province demanded new forms of intervention.

It is within this context of social and economic change that the contestation over Plan C occurred. Indeed, the whole reorganization strategy which met policy objectives in the early 1950s became increasingly obsolete by the end of the decade.

Class Contestation: Winnipeg

The Campbell government's reorganization initiative foundered in Winnipeg because it rekindled the older rural-urban cleavage that had organized provincial politics since 1922 and because it could not gain support from the right within the class-based urban political discourse. Plan C provided a poor means of establishing a new equilibrium between City and Province in hydro affairs, and it could not gain allies on the political right, the Liberal-Progressives' natural partners. Opposition to the Plan emanated outside of the established party system. It took for the most part an informal organizational form and was led and united by the Free Press' continuous anti-Plan C campaign. This was a curious twist because the Free Press was clearly a "Liberal Party" paper which was normally a close ideological ally to the Liberal-Progressives. On the other hand, the Tribune took the government position, although not with the same degree of effort that surrounded the anti-Plan C campaign.

The anti-Plan C campaign mounted by the Free Press was in fact a Cold War ideological campaign to arrest state ownership, particularly a state-owned monopoly, and to preserve a role for private capital in the hydro sector. Hence the editorial line of the paper concentrated, for the most part, on defending the rights of private ownership, promoting the alleged merits of power pooling (Plan D) and discrediting the analysis and recommendations that constructed the case for Plan C. Of critical importance, therefore, was the allegation that Plan C would actually cost consumers and taxpayers money, either for increased hydro rates or lost tax revenue.⁵⁰ The Tribune was critical of the government's haziness regarding its policy choices, was more sympathetic to the case for

Plan C, and did not see the establishment of a provincially owned hydro utility as either an infringement of the rights of private property or an affront to private enterprise.⁵¹

It was of critical importance for the Free Press to associate the CCF and Plan C with anti-democratic attitudes. This was not a hard task. The Campbell government, for example, had delegated the extremely difficult task of utility reorganization to the MHEB, which was, essentially, an independent bureaucratic authority. Moreover, centralization of power within the MHEB through awarding it great powers to buy and sell energy for the existing utilities, coupled with the lack of political, administrative and judicial controls, was easily interpreted in authoritarian terms.⁵² Morton has indicated that the great weakness of Progressive politics was that it reduced politics to administration. Certainly there was no clearer example than the role of the MHEB as outlined in Bill 78.⁵³

Both Winnipeg papers disliked the secrecy of municipal deliberations on Plan C. But from the tabling of Bill 78 until the fall municipal elections the Free Press hammered home the point that the CCF would have supported legislation which would have implemented Plan C without a ratepayers' referendum on the expenditures involved.⁵⁴ This ensured that Plan C could not be implemented through enabling legislation which would have delegated the complex task to a subcommittee of the City Council, just as the Campbell government's Bill 78 had delegated the primary responsibility to the MHEB.

The actual definition of Plan C as an anticapitalist (socialist) policy presented a somewhat problematic undertaking for the Free Press. Certainly, the threat of expropriation and the authoritarian process outlined in the legislation provided a great deal of ammunition for the Free Press propaganda machinery. But the business community itself was split in its support and opposition to Plan C and Bill 78. Certainly, financial circles reacted in shock to the threat of unilateral expropriation and attempted to link limitations on Manitoba's credit, so important to the rural electrification programme, to the

expropriation provisions.⁵⁵ Campbell was immediately in touch with concerned bondholders of WEC to reassure them that the conflict between the Manitoba government and WEC shareholders would not in any way affect the rights of bondholders.⁵⁶ Since these threats and negotiations were not made public, it is probable that all informed parties saw Bill 78's expropriation provisions as one of several acts of leverage used by the Campbell government to get the company to sell at the desired price.

The provincial energy initiatives were advanced as solutions to an impending energy crisis. Understandably, two local business associations, the Chamber of Commerce and Canadian Manufacturing Association, wanted the Campbell government to act immediately.⁵⁷ Both deplored the principle of expropriation and, particularly, the terms of Bill 78. Yet each differed on the policy alternative the government should adopt. The Manufacturing Association echoed the Free Press editorial line that the alleged efficiency gains from Plan C would be offset by the lack of competition, while the Chamber approved Plan C and wished the Council would implement it without going to a referendum.⁵⁸ The implication of the Manufacturing Association's position was that the province out to continue hydro investment without a reorganization, while the implication of the Chamber's position was more ambiguous. It is reasonable to assume that the Chamber wanted the province and WEC negotiate a settlement and at the same time the Chamber recognized that the method of valuation embedded in the original agreement was disadvantageous to the provincial government, the position taken by the Liberal-Progressives.

The split within the business community continued after the defeat of Plan C in the Winnipeg Referendum. Again, both groups wanted the government to act immediately to deal with the impending power shortage. The Manufacturing Association advocated a form of Plan D power pooling, while the Chamber advocated a form of Plan B.⁵⁹ When

the Chamber finally agreed that the provincial government would have to repeal the expropriation clauses of Bill 78, the Free Press indicated that at last the Chamber had regained its sanity by realizing that its task was to defend free enterprise.⁶⁰

The success of the opposition to Plan C depended upon uniting elements of the older urban populist public power movement who wanted to save City Hydro from take over by the province with the ideological opponents to public ownership. This alliance could only have occurred when the City and MHEB decided to negotiate an agreement for a full Plan C rather than the two-stage Plan C negotiated within the JWPC process. The two-stage proposal would have allowed the MHEB and proponents of Plan C to play the competing sides of municipal politics off against one another. But the two-stage proposal, particularly under the terms of the power pooling arrangements within Bill 78, appeared unacceptable to both WEC and City Hydro and was disliked by the MHEB.⁶¹ Eventual municipal support for the initiative came with the acceptance of the logic of Hogg's analysis.⁶² This political position thus created the opportunity for the mobilization of the unity of two normally antagonistic constituencies.

The Free Press opposition had argued that the modified Plan C was, in reality, a version of Plan D. The real option, therefore, was to leave the ownership of the utilities intact and concentrate on establishing Plan D.⁶³ It was clear from the tone of the argument, however, that the Plan D supporters did not think the policy an interim measure towards the goal of provincial ownership, but a permanent and healthy policy. Hence the real political alternatives centred on Plans C and D.

The MHEB's strategy was to discredit the viability of Plan D. Stephens' address to the Winnipeg City Council emphasized six reasons why Plan C was recommended as opposed to Plan D.⁶⁴ Plan C was agreed to be technically and administratively superior to Plan D. Stephens indicated that the most important reason for its adoption was that Plan C

would allow the creation of an organization that would be able to finance capacity investment on a self-sustaining basis. Plan D would establish an agency that ran annual deficits which would have to be continually covered by other utilities. It was a temporary measure and would therefore provide participating utilities disincentives to invest. Lastly, the benefits of utility reorganization under Plan C would be distributed only to power consumers, while under Plan D they would also be distributed to WEC shareholders.

The difficulty for the MHEB, as Stephens had realized since 1949, was that Plan C was not a project that could mobilize a great deal of support. Moreover, it also depended upon an alliance between traditional foes: the CCF, MHEB and Coalition government parties. For reasons discussed below, the Liberal-Progressives did not enter the political struggle for the project within Winnipeg. This left the MHEB and its allies within the City on their own. Plan C was an easy political target for the Free Press because it entailed the City's losing its Winnipeg River hydro and placed the control of energy prices in the hands of a provincial government increasingly unpopular in urban circles. Moreover, the changes were, according to the established editorial line, unnecessary if the provincial government only had the good sense to implement Plan D.⁶⁵

By the time the MHEB made its offer to the City of Winnipeg concerning the purchase of City Hydro assets and the reorganization of urban utilities it was clear that proponents of Plan C were on the defensive. Despite the fact that the proposal had the support of the whole City Council, the Chamber of Commerce, trade unions and both utilities, as well as all political parties in the Manitoba Legislature, the Free Press argued it was "pure socialism" (November 15, and again lobbied successfully for a referendum.⁶⁶ The Free Press referendum campaign kept up the usual themes, as well as portrayed the information campaign conducted by the City Council as a propaganda exercise, and the result was that Plan C was defeated in the municipal referendum where a local "Citizen's

Committee" representative of the older public power movement organized an effective anti-Plan C campaign.⁶⁷

The eventual referendum outcome, however, did not represent a clear-cut decision on hydro-electric policy. While Plan C was defeated by a 2 to 1 margin, only 34 per cent of the eligible electorate voted.⁶⁸ There were two distinct interpretations of the referendum vote. The first, following the Free Press campaign, was to understand the vote as the rejection of Plan C and the analysis contained in the Report of the Manitoba Water Power Commission. This interpretation was pressed home by the Free Press, which went on to interpret the vote as the legitimization of either Plan D or Plan B.⁶⁹ It was also the official interpretation of the Premier, who conceded that Plan C was dead. It was on this basis that both WEC and City Hydro were asked to come up with alternatives to Plan C. The civic government went through the process of policy review only to reaffirm a version of Hogg's Plan D, and the WEC went through a similar formal process only to return to a version of Plan B which would set up and protect a private hydro monopoly in Manitoba for the next half century. Clearly, these were incompatible proposals, and the final decision would rest with the province.

The second interpretation was that the referendum vote represented a popular disapproval of the provincial government in Winnipeg and was no reflection whatsoever upon the energy policy proposal.⁷⁰ This was the official editorial position of the Tribune and also the unofficial position of the Manitoba Hydro Electric Board and the provincial cabinet. The implication of this position was that the referendum vote was an obstacle around which to navigate. The Campbell government had sanctioned the go-it-alone strategy on the contingency that the referendum would not support the MHEB's Plan C proposal. The second interpretation of the referendum was given more credibility by the fact that majority of the City Councillors who supported Plan C were reelected in the

following civic election. Also, as we shall see below, the real alternative to Plan C, Plan D, was not a credible choice. Accordingly, final choices were left to the provincial government. After the referendum the eventual reorganization proposals were not sent to the public for popular approval.

Post-Coalition Contestation and Implementation: The Province

Plan C had gained the support of all major political parties within the Coalition governments led by Premiers Garson and Campbell. But when the Coalition split apart shortly after the 1949 election, Plan C took on a new political meaning. In this new post-Coalition context the failure of the City of Winnipeg to pass the parallel draft legislation to complement Bill 78 sparked open contestation. In the new partisan context the Liberal-Progressives proceeded with extreme caution and attempted to unite the traditional pillars of provincial political society under their particular form of utility reorganization.

The beginnings of provincial partisanship and the contestation over Bill 78 established a novel set of political alliances. This was complicated by the fact that the end of the coalition government was not simply a matter of changing inter-party alliances. It was also a matter of changing internal party relations and of questioning the political conventions and institutions that had dominated provincial politics since 1922. In essence, there were two sets of political forces after coalition politics: those former coalition parties which, while not in coalition, still abided by the Liberal-Progressive ideology and political conventions, and those political forces which had rejected them.

The Conservatives were split. Their withdrawal from the coalition had been based upon poor post-war electoral performance rather than ideological or policy conflict.⁷¹ Willis, as Leader of the Opposition, was still the same coalitionist who had sat in the provincial cabinet for a decade, and he continued his support of the Campbell energy policy. The Conservatives did poorly in the 1953 election, and the following year Willis'

leadership was successfully challenged by a relative new-comer, Duff Roblin.⁷² Roblin was first elected as an anti-coalitionist in 1949. According to Morton, this succession was the single greatest step in reestablishing competitive partisan democracy and public debate in Manitoba political life.⁷³ Roblin pressed for a reorganization of political power in terms of a more equitable distribution of seats between city and province.

Although the CCF had traditionally been an anti-Liberal-Progressive and anti-Campbell party, it was in fact very much a creature of the division between city and province within Liberal-Progressive political conventions. The party was primarily a Winnipeg party and unable to break out of its urban and northern strongholds.⁷⁴ The party was further weakened by internal conflict centring on the expulsion of radicals discredited by their association with communism. Such was the Cold-War context of the 1950s.⁷⁵ The bulk of the provincial caucus were municipal politicians.⁷⁶ The major concern was not economic or fiscal policy, but the resistance of the Campbell government to the implementation of a post-war welfare state.⁷⁷ CCF politicians were both surprised by the Conservative party support for many of the same concerns and resentful that Roblin was to be the harbinger of change within provincial politics.⁷⁸

The newly emerging partisan definition of provincial politics affected the utility reorganization by giving added weight to the importance of the reform of municipal-provincial relations and the growing importance of business as a means of addressing the relative decline of Manitoba in the post-war period. Campbell had craftily designed Bill 78 so that the government could accommodate either Plan C or Plan D. Moreover, since the MHEB took the responsibility for reorganization, the Liberal-Progressives could distance themselves from responsibility for the eventual outcome. While Willis still supported the thrust of the Campbell policy, Duff Roblin championed the virtues of Plan D because it

maintained a strategic role for private enterprise and became an outspoken critic of Plan C, particularly the centralization of bureaucratic authority in the hands of Don Stephens.

The CCF supported Plan C as they had supported provincial public ownership of hydro resources since the Seven Sister's debate. The support was more active for the takeover of WEC than the purchase of City Hydro hydro capacity. During 1948-50 the CCF resisted the implementation of Plan C. After 1952 the party turned to support the eventual implementation of the takeover plan, but was unable to deliver the vote during the referendum.⁷⁹ The CCF did not, however, offer any alternative economic or resource policy that would accompany the mandate of the new utility. And aside from the City of Winnipeg referendum, most of the hydro contestation and negotiations took place within the context of confidential negotiations between actors outside the party system, and both parties played no great role in shaping outcomes.

As the provincial government became an active agent in the process of hydro development, opposition parties carved out a partisan critique on the way in which the MHEB conducted the process of resource investment. The Conservatives focused on the cost of the Pine Falls project, particularly on the tender contracts used by the MHEB, while the CCF directed its major attacks on the industrial relations and employment aspects of the project.⁸⁰ The Campbell Liberal-Progressives remained the most powerful political party and did not waver from their historical political and economic ideology. From the very beginning the Liberal-Progressive support for Plan C had been the product of accepting the logic of the Hogg analysis. It was also clear that the Liberal-Progressives found Plan C the least politically favourable of the alternatives and would have liked to implement a version of Plan D instead. After the breakup of the coalition and the contestation over Bill 78, the Campbell government had been put in the position of representing an anti-business policy. Moreover, the logic of provincial public ownership

within Winnipeg still resounded of the dominance of rural Manitoba over Winnipeg, a political relationship which was increasingly resented.

The Liberal-Progressives responded by stalling. During July of 1951, while Stephens was negotiating with WEC and the City of Winnipeg, the Liberal-Progressives, in a widely publicized caucus meeting, decided to postpone the purchase of WEC for at least one year. The official reason was a perception that the provincial government could not finance the takeover that year.⁸¹ Stephens and the MHEB were left out on a limb and the eventual referendum defeat a more likely possibility.

Was the perception of financial limitation the major reason for stepping back from Plan C or was it simply a pretext to get the Campbell government out of a fix? It is more probable that the Liberal-Progressives decided that the rapid adoption of Plan C would lead to the loss of political support and perhaps the immediate collapse of the coalition while there was little obvious cost to delay. The financial limitation excuse is only probable if the Liberal-Progressives thought the limitations threatened the completion of rural electrification. The unofficial logic of coalition government had been to exclude the CCF from power and the relative success of Manitoba, as compared to Saskatchewan, in rural electrification ensured that the CCF would gain no new inroads in the traditional Liberal-Progressive territory. Indeed, rural electrification was the one major reform that ensured full non-partisan support and that, at the same time, brought rural Manitoba solidly within Campbell's political fold.⁸² The Campbell government did not have the same set of political relationships surrounding Plan C. The Conservatives were splitting between anti-coalition, anti Plan C forces led by Roblin, and the older coalitionists led by Willis who supported Plan C. The only sure ally for Plan C was the CCF, an alliance possibility that contradicted the *raison d'être* of the Campbell government.⁸³ For its authors and defenders, Plan C represented the best long-term solution for the development of

provincial hydro resources, and a solution that promised greater economy and efficiency than the existing rentier-redistributive paradigm--not the extension of any social democratic project.

Stephens and the MHEB had little popular following. The segmentation of Manitoba politics between City and Province had also differentiated hydro investment from the modernization that accompanied electrification at the turn of the century and that was transforming rural Manitoba in the immediate post-war period.⁸⁴ The Free Press and anti-coalitionists increasingly painted the MHEB as an unwanted bureaucratic authority undisciplined by political control. Its sole function was to develop new energy capacity, but in post-war Manitoba large-scale hydro development raised concerns about cost rather than imagination about economic spin-offs. WEC and City Hydro, on the other hand, each had long been associated with successful urban electrification and modernization, and each had generated a considerable amount of support and sympathy for having weathered the depression. In this context there was tremendous public support for both utilities, particularly in face of the threat of provincial expropriation. Plan C was not a popular political project.

Why the continued support for a version of Plan C? First, the acceptance of the logic of the Hogg report made the other alternatives appear weak. Plan D, as indicated above, would leave the provincial government with greater fiscal and financial risks and would certainly counter the Campbell government's fiscal policy. This would be even more true after 1952-53 when the ageing McDiarmid was retiring. His major cabinet replacement, R. Turner, Minister of Industry and Commerce and Provincial Treasurer, was a strong believer in the traditional Liberal-Progressive pay-as-you-go fiscal policy and not likely to support any large scale investment programme not adequately secured by self-financing revenues.⁸⁵

Second, the government's most important source of expertise in the policy field, Don Stephens, strongly rejected Plan D. Stephens wanted to build an organization which could invest in needed new capacity on a self-sustaining basis. Stephens also indicated that the major thrusts of the Hogg Report, integration of hydro resources (a conservation--efficiency objective) and the equalization of the cost of energy between City and Province (a redistributive objective), could not be carried out as easily under Plan D.

The third explanation for the unworkability of Plan D was simply that WEC wanted out and would not cooperate in implementing such a paradigm. There were several factors behind WEC's refusal to cooperate--the most obvious being the Seven Sisters fiasco, the bitter residue left after the City's refusal to help the company during the 1930s and the continuing antagonism between the company and the Winnipeg Left. Self interest and autarchy had been cemented within the urban utilities. Underneath this historical conflict was an acceptance of the logic of Plan C. WEC had no desire for further investment, and the terms it produced for such investment were patently unacceptable. The debate was about the terms of exit. Hence the company management and Board of Directors complained bitterly about the terms of Bill 78, but not about the fact that WEC assets would be placed under public ownership.⁸⁶ In this sense the referendum defeat was really an embarrassment for the company's major stockholders, and negotiations were resumed informally concerning the go-it-alone strategy. The Tribune underlined the irony of the political debate by noting that the Free Press was promoting free enterprise by advancing the idea that the company stay in business against its will--a sort of slave enterprise alternative.⁸⁷

WEC did not assume that the utilities on the Winnipeg River could maintain their separate ownership structures and meet most provincial policy objectives by means of a power pool. During the Special Session on hydro both WEC and City Hydro were to

reveal that power pooling and agreements on water usage would change the capital value of the hydro capacity on the river. Since the value of hydro facilities depended upon the amount of water they could use, such a management scheme would be constantly changing the value of the different assets on the River. WEC's command over the existing hydro sites ensured that any such management regime would devalue its assets.⁸⁸ Integration could be achieved by Plan C.

Generally, the provincial investment at Pine Falls was not secure because WEC controlled the water supply to the site and the only way for Pine Falls energy to be marketed was through WEC transmission facilities. This created what Turner confidentially referred to as a war of nerves between the government and WEC.⁸⁹ It won the first battles. WEC undertook a management contract to run Pine Falls and agreed to buy Pine Falls output as economy or dump power. But that was the government's problem. The provincial government had invested over \$20 million in a hydro facility to ameliorate a chronic energy shortage, but that facility was not becoming part of the province's energy supply. Nor was it becoming self-financing. WEC management were actually resentful of Stephens' audacity in asking for firm power prices for Pine Falls output. At the special hydro session WEC management took the position that for years they had to sell much of the output from Seven Sisters as dump power because no one would purchase it--so the MHEB could do the same.⁹⁰ To back up its position the company served notice that it would no longer be supplying the growing energy needs of the MPC.⁹¹ Thus the Manitoba government faced a choice between setting up its own autarchic utility or of purchasing WEC.

Lastly, the implementation of a version of Plan C also signalled a changing relationship between the provincial state and external capital. Power Corporation would no longer provide the energy needed for provincial economic development. Indeed, after

the financial reorganization Power Corporation shared control of WEC with its major bondholders: Canadian and American banks, trust and assurance companies. The latter were not interested in speculative resource investment. They were interested in WEC as a safe investment producing a predictable rate of return. Shortly after the tabling of the Hogg Report the company turned towards increasing its share dividends and engineering an agreement with the MHEB.⁹² No serious attention was paid either to hydro planning or to transit modernization. Although WEC was playing less and less of a role in the Manitoba economy, it was still associated with Winnipeg business, its management was still in leadership positions within business and political circles, and the company therefore had a great deal of prestige in provincial society. Nevertheless, by 1952 Manitobans owned less than five per cent of the company's stock.⁹³ It was, for practical purposes, a reluctant absentee landlord.

This leads to the most curious of the rationales for the takeover of WEC. As the Manitoba government was about to finalize the takeover offer with the shareholders Turner wrote to the editors of the Free Press and Tribune to explain the government's position.⁹⁴ Briefly, Turner indicated that after the referendum the government considered three alternatives to solve the power problem, defined in 1952 primarily in financial terms. The alternatives were to establish a special consumer tax to finance new hydro development, to institute a form of Plan D power pooling, or to purchase WEC. The government and MHEB wanted to implement a version of Plan D, particularly because it avoided the expense of takeover. Nevertheless, it could not do so. Although the provincial government had the power to establish a voluntary power pool, its legal advisors had indicated that any attempt to establish a compulsory power pool would be *ultra vires*. As a result, the Manitoba government had no choice but to take over the company because

the latter simply refused to go along with the pooling arrangements. Slave ownership, therefore, was not a real alternative.

Why did it take so long for the Campbell government to come to a position which had been contained in the JWPC negotiations in February 1949? Coalitions are not given, rather they are made by the entrepreneurial activities of politicians. Campbell's particular style of decision-making and coalition building was incredibly slow and cautious. Rather than provide a leadership role, the last of the Liberal-Progressive premiers wanted things to fall into place so that decisions could be based upon a perceived common understanding. During the critical 1948-51 period of contestation, Campbell never took the lead, never committed his government, and never directly took responsibility for actions. In part this reflects the Liberal-Progressive ambiguity over Plan C. It also reflects the lack of any particular policy goal, aside from rural electrification, on the part of the Premier. Unlike his predecessor, Stuart Garson, Douglas Campbell would have much rather reacted to events than shaped them. In the end the older fiscal and political conventions proved to be much too limited vehicles to guide the provincial government.

Indeed, the whole prolonged period of uncertainty had exacerbated all of the problems within the policy field. During the Special Session of Legislature the City of Winnipeg revealed that it managed the energy shortage by refused to supply new customers. The utility leadership drew an analogous relationship to existing customers as shareholders of the utility. Hence the utility would not take on new customers at the risk of shortchanging its shareholders.⁹⁵ Nor would WEC supply new industrial customers from Pine Falls power; and, indeed, the two urban utilities had continued to ward off new economic development because of scarcity.⁹⁶ Nor, again, would the MPC buy from Pine Falls as long as it could gain less expensive energy from WEC.⁹⁷ In other words the

system had almost completely broken down by the time that the Campbell government finally acted.

The continuing partisan definition of hydro-electric policy throughout the 1950s diminished the opportunities to expand the provincial role in providing basic services. When Nesbitt, Thomson gained the right to finance and expand the natural gas franchise only the CCF complained. Both the Campbell government and the Conservatives were content to have the gas utility remain in private hands. The opportunity for public ownership rose again, however, when the new natural gas franchise ran into financial problems. The company had invested heavily in a distribution system and then ran into difficulties when the Trans Canada pipeline was delayed in reaching Winnipeg.⁹⁸ Campbell again failed to respond to demands to have it placed under provincial ownership. And when the Conservatives gained a plurality of seats in the 1958 elections, Campbell attempted to stay in power by asking the provincial CCF to join a coalition in return for placing the natural gas utility under public ownership. Lloyd Stinson, leader of the CCF, reluctantly declined.⁹⁹ There would be no repeat of the early coalition fiasco for the CCF. Political power shifted from the long incumbent Campbell Liberal-Progressives to Duff Roblin and the modern Progressive-Conservatives.

Conclusions

This analysis of the processes of paradigm contestation and institutionalization during the post-war reconstruction period began by acknowledging that fundamental anomalies of the rentier-redistributive policy paradigm stemmed from a chronic energy shortage and the lack of capital investment to address it, as well as a set of organizational inefficiencies and inequities. The 1948 Report of the Manitoba Water Power Commission structured the debate and subsequent political struggles by advocating the contentious proposal for provincial public ownership known as Plan C. What this really amounted to

was the argument that the most efficient and equitable use of money and resources could be gained by placing all of the existing hydro capacity under the umbrella of one organization.

The fundamental political problem with this proposal was that it ran counter to the ideology and inclination of the two major parties which had historically formed the building blocks of the provincial coalition governments, as well as to the interests of the City of Winnipeg. Plan C, after all, was an economic and technical solution which ignored claims to equity and political control. Of course, it appealed to the MNR and utility technocrats and to successive finance ministers--those individuals who could readily appreciate the technical and financial efficiency of Plan C as a measure of the New Progressivism. But beyond those small circles, the idea of a provincial public monopoly in hydro investment had little broad appeal and, conversely, could engender much political opposition, as the continuous Free Press anti-Plan C campaign attested. The political "compromise" was represented by the two-stage modification of Plan C whereby the provincial government would buy WEC and take responsibility for all new hydro investment and the City of Winnipeg would keep its hydro capacity and enter into a pooling arrangement with the MPC to buy power from the new provincial utility.

The rather tortuous path taken to implement a form of the modified Plan C reflects the difficulties the Liberal-Progressives had in reestablishing the older political alliances in new circumstances. Bill 78 was ambiguous enough to allow for either Plan C or Plan D. The terms of the latter were so repugnant to the utilities that WEC, City Hydro, the City Council and MNR were all agreed on a form of Plan C. Yet Plan C and Bill 78, in the context of the class-based political discourse within Winnipeg, were interpreted as highly authoritarian steps towards an unnecessary form of state-owned monopoly. In this situation the political will of the Liberal-Progressives evaporated. The old remnants of the

public power movement, united by the ideological campaign led by the Free Press, easily defeated Plan C.

In the immediate post referendum period the foolishness of the municipal referendum result had become apparent to all concerned. WEC, like parts of the business community, was displeased about the expropriation terms of Bill 78, but not interested in participating in any power pooling. The terms of the Seven Sisters contract and the terms of the proposed pooling arrangements all worked to erode the company's new found profitability. Moreover the WEC management knew full well that the company could not invest in new hydro capacity as inexpensively as could the provincial government. The City of Winnipeg reaffirmed its refusal to accept responsibility to invest in new electrical capacities. In the final analysis the City of Winnipeg, in keeping its two Winnipeg River plants, lost some of the opportunities contained in the Plan C proposals--including the expansion of City Hydro into an intermunicipal institution serving all of the Greater Winnipeg Region. It also lost the opportunity to establish a public monopoly for the emerging gas company.

By 1955 it appeared as if all of the Liberal-Progressive energy policy objectives had been accomplished. Farm electrification, which represented a public investment larger than the purchase of WEC, was all but complete. The provincial government, through the Manitoba Hydro-Electric Board, had assumed the responsibility for supplying the province with electrical energy under terms which reflected a accommodation between City and Province. Provincial public ownership was justified in the pragmatic discourse of efficiency. The MHEB could gain greater efficiency in resource use and could invest in capacity at a lower cost than private capital. Although the new Manitoba Hydro-Electric Board embraced a cautious and conservation-oriented investment programme, rather than the hydro megaproject strategy outlined by Hogg, it still rapidly became one of the largest

investors in the province--and was able to finance its expansion within the parameters of the self-sustaining debt fiscal policy. These were no small accomplishments.

At the same time farm electrification and the reorganization of the hydro sector represented the "last hurrahs" of the farmers in politics. The Liberal-Progressive ideology and images of the state could not be stretched to incorporate the policies and forms of intervention needed in a more complex urban society. The party would dwindle in strength and influence as its ideology and image of the state increasingly failed to meet the demands of a more complex and urban post-war society and would fall forever from the stage of politics as the last of the hydro poles brought all of the conveniences of the city to the country and as the old bench marks of energy policy, the MPC, Winnipeg Electric and City Hydro finally and reluctantly were subsumed under the umbrella of the new Manitoba Hydro-Electric Power Board.

In a similar fashion the reorganization of the utility took place within a framework of negotiations between "city" and "province"--a framework which emphasized the older Liberal-Progressive accommodation between Winnipeg business and the rural farmers. The City of Winnipeg would not again display such inordinate power and influence over the provincial government in electrical energy matters. Indeed, the very fact that the whole INCO investment had to be handled in institutions outside those created through the long reorganization process illustrates the fast pace of change in the energy policy environment. Northern resource industrialization could not be handled in the institutions built to accommodate the older city-province and urban class cleavages. The experiment of the "Northern Integrated System" stood as a harbinger of things to come. In the next chapter we shall see that northern hydro development and an associated continental resource economic development strategy moved from the periphery to the centre of energy policy paradigm.

End Notes

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¹⁰ PAM MRPT Turner, Memorandum Re Government Position In Power Reorganization, October 4, 1952, p. 6.

¹¹ MHCL, WEC. Shareholders Minute Book (May 7, 1951): 229-230; PAM MRPO Campbell, G219, file 23, Winnipeg Power Discussions, "Notes of Mr. Issac Pitblado's Submission to the Law Amendments Committee." See also "Province Seeking Bargain," Winnipeg Tribune, April 14, 1951, pp. 1, 7; "Winnipeg Electric Wants \$70 Million For its Assets," Winnipeg Free Press, April 17, 1951, pp. 1, 8.

¹² PAM MRPT, Turner, Confidential: Comparative Observations on Alternative Courses of Action in Lieu of Plan C, October 15, 1951.

¹³ PAM MRPT, no author, No. 20, November 23, 1951.

¹⁴ PAM MRPT, no author, No. 36, December 11, 1951. Document No 36 is the financial plan oriented towards a December, 1951 offer to WEC.

¹⁵ Given the fact that hydro surpluses were bound to decline because of the expected higher costs of new electrical capacity, the MHEB proposal sought to have the City gain interest from its share of the new intermunicipal corporation. The interest on that capital would be approximately \$1 million per year, or equivalent to the annual hydro raids. PAM MRDF G114 Box 4, Hydro file, Wm. Mackie, Chairman, Power Committee, Summary of Report of Clarkson, Gordon & Co. to the City of Winnipeg on the Proposals of the Manitoba Hydro-Electric Board for the Reorganization of the Hydro Electric Power Industry in Manitoba, nd.

¹⁶ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), H. L. Briggs, General Manager City of Winnipeg Hydro-Electric System, to McDiarmid, April 17, 1952; McDiarmid to Briggs, May 12, 1952; Campbell to Mayor Coulter, May 15, 1952; Campbell to W.H. Carter, President, Winnipeg Electric Company, May 15, 1952.

¹⁷ See Appendix: Summary of the "Alternative G" Decisions

¹⁸ The first was a version of Plan B where the city would invest in the hydro capacity of a large northern site, a strategy that would be initially costly but which would also give the City access to a secure long-term energy supply. The second alternative was the version of Plan D in which the province assumed the responsibility of developing all new hydro capacity and then sold it to WEC, City Hydro and the MPC. The third alternative suggested the City develop the McArthur Falls site for its own immediate needs. This was regarded as an interim measure that might have to be taken should one of the other two alternatives not materialize. See PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Coulter to Campbell, June 12, 1952, cc. H.L. Briggs to Chairman and Members, Power Subcommittee, Committee on Public Utilities, Memorandum Re Electric Power, Supply, May 30, 1950, Committee on Public Utilities, Report Re Electric Power Policy--File U.3385, June 5, 1952. "Majority and Minority Reports: Civic Power Proposals," Winnipeg Free Press, June 7, 1952.

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²⁶ PAM MRPO Campbell, G 220, file, Special Session, 1952, Legislative Assembly of Manitoba, Fifth Session, Twenty-Third Legislature, Committee of the Whole, Proceedings, July 24, 1952, pp. 141-158.

²⁷ PAM MRPO Campbell, G 220, file, Special Session, 1952, Legislative Assembly of Manitoba, Fifth Session, Twenty-Third Legislature, Committee of the Whole, Proceedings, July 24, 1952, p. 158.

²⁸ PAM MRPO Campbell, G 220, file, Special Session, 1952, Legislative Assembly of Manitoba, Fifth Session, Twenty-Third Legislature, Committee of the Whole, Proceedings, July 24, 1952, pp. 64, 255.

²⁹ PAM MRPO Campbell, G 220, file, Special Session, 1952, Legislative Assembly of Manitoba, Fifth Session, Twenty-Third Legislature, Committee of the Whole, Proceedings, July 24, 1952, pp. 246-247.

³⁰ The offer was made on October 6, 1952 and the necessary 75% of shareholders had accepted the offer by December 1952. However, the takeover was delayed because the bondholders objected to some of the provisions. PAM MRPT Copies of Documents Relating to the Offer of the Manitoba Hydro-Electric Board to the Holders of Common Shares of the Winnipeg Electric Company, October 28, 1952 to December 29, 1952, Manitoba Provincial Treasurer, January 13, 1953.

³¹ PAM MRPT Copies of Documents Relating to the Offer, Carter to the holders of Common Shares, October, 28, 1952.

³² See Appendix: The Establishment of the Southern Integrated System

³³ Ibid.

³⁴ The following speeches are in MHCL, Stephens Vertical File, D.M. Stephens, "Can We keep Our Lights Burning, " Address to the Lions Club of Manitoba, November 22, 1951; D.M. Stephens, "Manitoba's Power Possibilities and Problems, Address to Prairie Roadbuilder's Convention held in Winnipeg, January 14, 1952; D.M. Stephens, Address Given By Mr. D.M. Stephens, Chairman and General Manager, The Manitoba Hydro Electric Board, to Manitoba Hydro Electric Association on Thursday, March 6, 1952; D.M. Stephens, Address given by D.M. Stephens, Chairman and General Manager, The the Manitoba Hydro Electric Board, to the Flin Flon Chamber of Commerce, at Flin Flon, January 30, 1953; D.M. Stephens, Notes re Address to Men's Club--The Manitoba Hydro-Electric Board and Winnipeg Electric Company--St. Charles Hotel, December 1, 1953; D.M. Stephens, "Planning for Manitoba's Power Needs, " Address to Manitoba Chamber of Commerce, Dauphin, Manitoba, November 4, 1954; D.M. Stephens, Address by D.M. Stephens, Chairman and General Manager, The Manitoba

Hydro-Electric Board, at the Institute of Power Engineers' Conference, September 21st, 1956, Royal Alexandra Hotel, Winnipeg, Manitoba; D.M. Stephens, Address by Mr. D.M. Stephens, Chairman and General Manager, The Manitoba Hydro-Electric Board, at a Luncheon Meeting of the Kiwanis Club at the Royal Alexandra Hotel, Winnipeg, November 6th, 1956; D.M. Stephens, "Some Recent Developments In Manitoba's Electrical Power Industry, " Address to the Winnipeg Rotary Club, October 16, 1957.

³⁵ PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), The Manitoba Power Industry, Part III: Summary of Engineering Estimates of Capital Costs of Proposed Future Power Sources, June 30, 1952, pp. 23-25.

³⁶ Hogg had considered that coal-thermal investments were stop gap measures useful for load building purposes. In Manitoba's case he recommended that they not be relied upon and instead that the province begin one of the large scale remote hydro projects. Hogg (1948): 24-25.

³⁷ The following correspondence indicates the extent to which Turner attempted to place all of the province's projected capital spending within the pay-as-you-go fiscal policy parameters. Though Stephens could not give Turner precise calculations, given the nature of energy demand, the result of the exercise was to have the MHEB commit itself to large scale coal-thermal investments until 1959. See PAM MRPO Campbell, G 241, file, Manitoba Hydro Electric Board, 1954. Turner to Campbell, January 8, 1954; Secretary to the Premier to Stephens, January 9, 1954; Stephens to Campbell, January 15, 1954; Stephens to Turner, January 22, 1954, encl. Forecast of Financial Requirements for Projects of a Lasting Nature, January 15, 1954. The Liberal-Progressive interest in the coal-thermal strategy simply stemmed from the fact that it provided the least long-term capital costs. See PAM MRPO Campbell, G 280, file, Manitoba Hydro Electric Board, nd, The Manitoba Hydro-Electric Board, Memorandum to the Chairman and Members of the Select Standing Committee on Public Utilities and Natural Resources, February 24, 1956.

³⁸ MHCL, Stephens Vertical File, Statement Made by Mr. D.M. Stephens, Chairman and General Manager, The Manitoba Hydro Electric Board, before the Select Standing Committee on Public Utilities and Natural Resources at a meeting held in Room 200, Legislative Building, Winnipeg, at 10 a.m., Tuesday, February 14, 1956, pp. 3, 6-8.

³⁹ MHCL, Stephens Vertical File, Statement Made by Mr. D.M. Stephens, Chairman and General Manager, The Manitoba Hydro Electric Board, before the Select Standing Committee on Public Utilities and Natural Resources at a meeting held in Room 200, Legislative Building, Winnipeg, at 10 a.m., Tuesday, February 14, 1956, p. 5. MHEB, Annual Report for the year ending March 31, 1956, pp. 14-15.

⁴⁰ Stephens had sent a MHEB engineer, D.S. Simons, to assess AECL research on commercial atomic reactors during 1956. It was this research which eliminated nuclear energy from the Manitoba electrical energy planning for the decade. See PAM MRPO Campbell, G 280, file, Manitoba Hydro Electric Board, nd, Stephens to Campbell, Personal and Confidential, March 1, 1956, encl., D.S. Simons, Confidential Report on Activities with the Nuclear Power Branch of Atomic Energy of Canada, Limited for the period January 17, 1956 to February 16, 1956; Campbell to Stephens, Confidential, March 5, 1956; Stephens to Campbell, Personal and Confidential, April 6, 1956, encl., D.S. Simons, Confidential Report on Activities with the Nuclear Power Branch of Atomic Energy of Canada, Limited for the period February 17, 1956 to March 16, 1956; Campbell to Stephens, Confidential, March 5, 1956.

⁴¹ Morton Manitoba Revised Edition 481-482.

⁴² Original documents called the site "Grand Rapid," but this should not be confused with the "Grand Rapids" project on the Saskatchewan River. Manitoba, Department of Mines and Natural Resources, Water Powers Branch, Brief Statement of Water Power Resources, January, 1957, p. 2. D.M. Stephens, "Some Recent Developments in Manitoba's Electrical Power Industry," Address given by Mr. D.M. Stephens, Chairman and General Manager, The Manitoba Hydro-Electric Board, at a Luncheon Meeting of Winnipeg Rotary Club, on October 16th, 1957, held in the Royal Alexandra Hotel.

⁴³ The agreement, which was negotiated by Stuart Anderson, the Deputy Provincial Treasurer, was formally offered and accepted in the following correspondence. PAM MRPO Campbell, G 308, file, Inco, 1957, R.D. Parker, Vice-President and General Manager, The International Nickel Company, December 1, 1956; Stephens to Parker, December 3, 1956; Henry S. Wingate, President of INCO, to Stephens, December 4, 1956; Stephens to Wingate, December 4, 1956.

⁴⁴ The energy provisions are articles 4-16 of the contract. See Parker to Stephens, December 1, 1956.

⁴⁵ See Parker to Stephens, December 1, 1956, notes on the back of page 2.

⁴⁶ Dorothy Jane Snidal, "A Financial History of Manitoba From 1950-1965" (M.A. Thesis, Winnipeg: University of Manitoba, 1967) 77-81.

⁴⁷ Snidal "A Financial History of Manitoba" 117-120.

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⁴⁹ Snidal "A Financial History of Manitoba" 77-81.

⁵⁰ "Cheap Power," Winnipeg Free Press, February 8, 1951; "A Bogus Argument," Winnipeg Free Press, February 27, 1951; "Needless Costly Policy," Winnipeg Free Press, March 5, 1951; "Boosting Power Costs," Winnipeg Free Press, March 19, 1951; "Strange Inconsistency," Winnipeg Free Press, May 5, 1951; "Power at Low Cost," Winnipeg Free Press, June 8, 1951; "Power at Low Cost: British Columbia's Method," Winnipeg Free Press, June 8, 1951; "Power at Low Cost: Operations of B.C. Electric," Winnipeg Free Press, June 9, 1951; "Power at Low Cost: Renting vs Buying Power Plants," Winnipeg Free Press, June 11, 1951; "Power at Low Cost: Cost of Expropriation," Winnipeg Free Press, June 12, 1951; "Power Supply," Winnipeg Free Press, July 20, 1951.

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⁵³ Morton Manitoba Revised Edition 463-465.

⁵⁴ "City Hydro May Get Axe Soon," Winnipeg Free Press, April 16, 1951; "Intolerable Secrecy," Winnipeg Free Press, April 17, 1951; "Unworthy Excuses," Winnipeg Free Press, April 19, 1951; "Power Referendum," Winnipeg Tribune, April 30, 1951; "Disregarding the Citizens," Winnipeg Free Press, May 12, 1951; "Power and the City Council," Winnipeg Free Press, May 16, 1951; "The Power Board," Winnipeg Free Press, May 21, 1951.

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⁹³ See Appendix: Distribution of WEC Share Ownership by Jurisdiction, January 1953.

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CHAPTER 6

THE SHIFT TO THE PROVINCIAL CONTINENTAL MODERNIZATION HYDRO POLICY PARADIGM

Introduction

The 1958 elections ushered in a period of change in Manitoba largely because the political conventions and image of the state which had crystallized under the long tenure of the Liberal-Progressives had given way to a more dynamic process of modernization which was led initially by the Roblin Progressive Conservative government. The implementation of welfare state reforms and the active pursuit of resource related industrialization were key objectives of the Conservative modernization project. Indeed, the former depended upon the latter. Moreover, in contrast to the previous regime, the provincial state became the dynamic catalyst attempting to jump start the province out of its historical inertia.

This chapter examines how hydro policy became an integral part of the Conservatives' modernization project. The cautious and efficient Liberal-Progressive infrastructural energy policy paradigm gave way to the pursuit of large megaprojects, first Grand Rapids and then the Churchill-Nelson hydro project--an undertaking which became the central symbol of the economic strategy within the modernization programme. These steps constituted a new "provincial continental modernization" policy paradigm, and would define the contours of Manitoba energy policies for the next three decades. Indeed, the essential idea of the new paradigm was to turn the lower Nelson River into a power corridor which would supply the energy needs of Manitoba well into the next century.

The new policy paradigm was based upon a mix of new and old assumptions. From the Liberal-Progressives the Roblin government inherited the accepted canon: that it uphold the traditional "cheap" (power at cost) power policy; that hydro policy be based

upon the most efficient use of (financial) resources; and that the costs of energy investments be borne by consumers of electricity. What Roblin added was the assumption that northern hydro presented the most economical next stage of energy development. From this emerged three unstated but important assumptions; that Manitoba northern hydro-electricity would have to find a niche within extraprovincial markets in order for the megaprojects to be economically viable, that the alternative of importing energy until such time as there was an assurance that the domestic market could digest the new energy was eliminated, and that the MHEB (named Manitoba Hydro in 1962) possessed the only legitimate claims over northern water resources. Any other claims and resource uses were not calculated or recognized in the physical design or economic evaluation of hydro projects.

From these three defining points initial steps were taken to implement the provincial continental modernization paradigm which is defined in this chapter. These included institutional changes to create a large integrated provincial utility not bound by the former interutility agreements; the establishment of mechanisms to remove Aboriginal communities from lands and resources used for hydro purposes; the construction of the Grand Rapids project on the Saskatchewan River, the elaboration of a federal-provincial planning process and agreements which resulted in the commencement of the first Lower Nelson River megaproject, Kettle Rapids; and initial steps towards making the Nelson River a major power corridor. The construction of such a power corridor necessitated the financing and construction of long-distance transmission facilities, massive river diversions and water control works. When it came time to begin the crucial step of river diversion, however, the whole project became the subject of a great deal of contestation from political parties and popular social groups. Opposition centred upon the third unstated assumption of the hydro strategy. In 1969 this opposition became an integral part of the

provincial election campaign. When the Conservatives lost power to the NDP during the June elections, the whole energy policy paradigm was left in limbo.

What was the cause of the paradigm shift, what shaped the definition of the paradigm and why was it the centre of such intense contestation only after it had been half-established? The following analysis indicates that the process of paradigm shift did not occur because of anomalies internal to the established paradigm. The shift occurred because the Progressive infrastructural paradigm was not capable of undertaking the large-scale and historical hydro investments, because it symbolized the cautious and limited role of the state which was associated with the Liberal-Progressive period, and because new political forces within Manitoba attempted to use hydro policy as a central element in provincial modernization. As well, the shift from a domestic to a continental export strategy was associated with changes exogenous to Manitoba politics such as conflict over the Columbia River Treaty in British Columbia and a general reshaping of Canadian federal policy which broke the former national market barriers for Canadian hydro and other resources. The first part of the following analysis describes how the definition of the policy paradigm emerged from this mixture of domestic and exogenous factors.

What shaped the particular form of the new policy paradigm? First, the particular form of river diversions and water projects is best understood in the context of how the Conservatives attempted to resolve the tensions between attempting to make massive additions to hydro capacity while at the same time maintaining the cheap power policy of the Liberal-Progressives. This placed Manitoba Hydro in search of additional revenues and ways to get the most energy from the money and resources available. This, in turn took the form of a "high diversion" project which became the focus of intense contestation.

Second, the modernization programme of the Roblin Conservatives was premised on a future oriented fiscal policy. By the late 1960s a fiscal backlash had developed and

Roblin's successor, Walter Weir, shifted the modernization programme to give priority to promoting economic development and to halting the expansion of welfare state initiatives. But the attempt to use fiscal limitations as a justification to turn back the clock was not politically saleable and in the end the Manitoba Hydro project became an important symbol of an increasingly unpopular modernization strategy.

Third, the modernization programme was premised on a "modernization above classes" in that most class and social categories would gain substantially from reformed provincial institutions and state-led economic growth. But by the late 1960s it was apparent that the Conservative economic modernization had privileged certain groups, such as multinational capital, and identified others, particularly native peoples, as necessary casualties of the modernization process. And it was to their defence that an anti-Manitoba Hydro high level diversion coalition began to mobilize. When this coalition became aligned with those who were resisting the Weir government's attempt to shift the basis of the provincial modernization, the process of paradigm shift became an integral part of the broader contest for political power. Contestation surrounding the 1969 election provided the first instance in the post-war period when political parties questioned the social cost of pursuing economic growth.

Fourth, the ideological and social basis of the Conservative modernization process was accompanied by particular institutional processes in which issues of social and environmental impact were not recognized and in which those dissenting from aspects of the policy paradigm did not have the rights of participation. The major institutional interests that participated in the hydro decision-making process, the Manitoba and federal governments and Manitoba Hydro, were all committed to pursuing the project. As a result they were caught within particular political, economic and financial contours that gave incentives to pursue, in a single-minded fashion, the energy value of northern resources to

the neglect of all other concerns. In this sense the attempt by the Roblin and Weir governments to construct northern megaprojects and induce resource-related industrialization was conducted in a highly authoritarian fashion. This process, termed "forced growth"¹ in the following analysis, became a central issue during the final phase of hydro contestation in the spring of 1969.

The Emergence of the Provincial Continental Modernization Policy Paradigm

The Roblin government was not hard pressed to make strategic energy decisions. During its first years in office, for example, the Roblin government continued with the established policy paradigm by deciding to delay Grand Rapids by importing energy from Saskatchewan and building coal-thermal plants. These decisions were justified on the grounds that they were less costly than the hydro megaproject.² As a result, the new administration gained time to develop its own hydro strategy. By January 1960, the Roblin administration made its first major decision--to develop Grand Rapids. This was accompanied by the amalgamation of the Manitoba Power Commission into the Manitoba Hydro-Electric Board (which took an alternative corporate name of Manitoba Hydro) the following year. City Hydro's position within the utility structure did not change in that the City still possessed its two Winnipeg River installations and still bought power in bulk from the MHEB. What had changed, however, was the significance of City Hydro in provincial hydro affairs. City Hydro had become a relatively static institution while the MPC was in the midst of financing its expansion in the growing Winnipeg suburbs, rural Manitoba and the northern periphery. As in the case of the earlier reorganization, one of the objectives was to build a more financially powerful organization which could meet the financing needs of both utilities.³ In this sense the organizational change was a reflection of the analysis and recommendations of the Hogg Report.

Grand Rapids was among the largest of resource megaprojects constructed in Canada during the early 1960s. The size of the Grand Rapids project (an energy equivalent to the whole of the Winnipeg River energy corridor) ensured that it would also give the MHEB and government some breathing space to make another set of strategic decisions. Figure 6.1 indicates that the 1960s Grand Rapids decision had the effect of focusing attention on the decisions that would have to be taken to fulfill the demand in the 1967-70 period. In 1962 the utility expected energy shortages to begin in 1968, a timeframe which meant that capacity decisions would have to be made by before January 1966.⁴ Hydro policy then became embroiled in a process of determining an economic vision of what the Conservative government wanted the future to become.

The Manitoba government faced two distinct choices. First, the coal-thermal alternative provided the least expensive energy programme to finance because capacity could be added incrementally according to need. There were several different thermal alternatives, but the rationale of each, save that of nuclear energy, centred upon an investment conservation strategy. The incremental coal-thermal strategy therefore represented a continuity of the infrastructural cheap power policy of the Campbell government. The one exception was nuclear-thermal energy. The large initial costs of the technology, the shorter life duration of the physical plant, the higher fuel and insurance costs made the nuclear option, in an economic sense, comparable, but slightly more expensive than hydro megaprojects. For this reason energy planning assumed that nuclear commitments would only be made after economically comparable hydro potential had been exploited.⁵

Alternatively, the government could continue with a hydro-based energy. As in the coal alternative there were a wide range of possibilities. An efficiency policy would allow the MHEB to gain more out of its existing capacity--a rebuilding of the Winnipeg River

hydro plants and completing the hydro installations at Kelsey and Grand Rapids.⁶ The northern rivers were regarded as the energy sources of the future and the Churchill and Nelson Rivers offered the largest hydro potential. Early hydro planning envisaged a number of distinct sites on both rivers. The Nelson offered 12 sites ranging from 119 MW to 886 MW and the Churchill offered 10 sites ranging in capacity from 42MW to 216MW.⁷ But to develop them for energy purposes required two additional elements not found in the coal strategy. First, an efficient means would have to be found to transmit the energy from the Nelson energy corridor to the southern grid. Second, tapping the energy potential of the hydro resources would involve finding some way to store water and control the river flows on a very large scale. This was crucial because the water flows in the northern water basins were extremely cyclical. Reservoirs were to become enormous "batteries," therefore, which would allow energy to be produced throughout the time periods of low water flows.⁸ The Churchill-Nelson River system contained two bodies of water-- Lake Winnipeg and South Indian Lake--which could be converted into reservoirs to store energy and control the flow of the Nelson. To do so, however, would entail massive hydraulic engineering.

Figure 6.1. 1962 Energy Supply Alternatives

By 1962 the Roblin government had decided to embark upon the Nelson River hydro strategy; a rather remarkable commitment considering that there had been no concrete planning regarding the most efficient means of exploiting the northern hydro or whether, indeed, the northern hydro was as yet an economically viable resource. This decision represented a strategic break with the Liberal-Progressive infrastructural policy paradigm which was based on a discourse of economy and efficiency, assumed that governments did not make capacity investment decisions until a clearly defined least cost alternative existed and there was sufficient demand to float that investment. Why the break, given that there were no apparent anomalies within the established paradigm?

The infrastructural policy paradigm symbolized the disciplined restraint of the Liberal-Progressive period. Roblin regarded the Campbell government as "lost years," and was committed to the use of the state as a catalyst and partner in economic development.⁹ The Conservatives were making up for lost time. Roblin represented to Manitoba what the first Lesage government represented to Quebec.¹⁰ This was an "unblocking" after the years of Liberal-Progressive self imposed restraint. Hydro became central to the definition

of the modernization process. The 1962 hydro commitment began the definition of a new paradigm. It was taken in the context of contestation (the 1962 election) and shifted the hydro discourse from economy and efficiency to that of modernization. The politics of that shift are discussed below. Needless to say, after the decision was taken to harness Nelson River hydro, planning dominated the next stage of the development of the hydro paradigm. Indeed, the paradigm was in a state of flux throughout the 1960s.

Northern Hydro and the Proposed National Grid

The traditional discourse on northern hydro resources defined them as staples--an abundant natural resource which was not economically viable because of the expense and technical difficulty associated with capacity investment, transmission, and the lack the assured markets.¹¹ As the Manitoba government committed itself to the economic utilization of northern hydro for electrical generation, it had selected a project which it did not have the financial, administrative or jurisdictional capacity to accomplish alone. For those reasons federalism and the central government played an increasingly important role in the definition of an economically viable hydro strategy over the decade.

Planning for the Nelson River hydro strategy went through several distinct stages. The first stage was characterized by the tension between the idea that northern resources ought to be developed for the continental economy and that the federal government would take the lead in developing Manitoba's hydro resources for national markets under the framework of a national grid. First, Prime Minister John Diefenbaker's celebrated "northern vision" associated northern resource industrialization for continental markets (matched by American concerns to gain a politically secure supply of industrial staples) as a defining point of federal economic strategy.¹² Also, between 1957 and 1962 the federal government proposed to establish a national energy grid to handle energy trade amongst Canadian provinces.

Don Stephens had become a central player in the articulation of federal strategy because he sat as a member on the International Joint Commission involved in the Columbia River Treaty negotiations. Within federal circles he pushed the idea of a national energy grid as an effective vehicle of national integration which would solve various technical problems facing provincial utilities, become a means for the federal government to find a market for the surplus power in British Columbia (a major thorn in the then ongoing treaty negotiations) and also serve as a means for Manitoba's Nelson hydro to supply the energy needs of industrial Ontario.¹³

These signals from the federal government had originally pricked the curiosity of the Campbell government.¹⁴ Just before its defeat the Liberal-Progressive government attempted to have the federal government plan and finance and market the project as part of a national energy grid.¹⁵ The first Roblin government continued to pursue this idea.¹⁶ Underneath this proposal was the chronic capacity shortage of the province of Ontario which made it dependent upon importing energy from interconnected U.S. and Quebec utilities.¹⁷ The idea of the Roblin Government was that Nelson River hydro-electric energy would become a structural element of the southern Ontario energy supply.¹⁸ The grid was an important aspect of the plan because northern hydro would provide much more energy than could be absorbed economically by the provincial market alone. The traditional concern over the financial limitations within the established policy paradigm naturally led to a desire to have the federal government finance the projects. This was also an attempt to replicate the INCO contract whereby the major consumer also provided the bulk of the short term financing needs to construct the hydro project. Manitoba would hold ownership of the plant which would have dedicated markets and assured financing. Yet no such miracle solution materialized.

The idea of a national market for electricity stood as an anachronism to the unfolding of a continental market for all other resources. Indeed, the idea of a protected national market was born out of the struggles over the control and use of hydro capacity in Ontario in the first half of the century. The Ontario public power movement and subsequently the Ontario Hydro-Electric Commission were in a struggle with resource capital, sometimes in alliance with the federal government, over control of Niagara Falls and the other relatively scarce hydro resources on the boundary waters surrounding the province of Ontario.¹⁹ There was never any clear cut constitutional resolution of these issues.²⁰ Yet some clear understandings emerged. Federal trade policy retained as its primary goal the discouragement of the long term exports of firm power--even if the policy was shot full of exceptions.²¹ Yet the Canadian market was never organized in "national" terms. Rather it was composed of a series of provincial markets. Aside from the question of international trade regulation, the control over hydro rested firmly within the hands of provincial governments. The national energy grid initiative, therefore, could only be successful if the idea of export discouragement continued to make sense and if it could not threaten the effective provincial control over the production and marketing of hydro-electrical energy within and between provinces.

The national grid initiative could not fit the bill. A national power grid implied locking provincial utilities into long term firm contracts which would be managed by a central authority and as such was hardly an idea that would gain approval among the resource rich Canadian provinces unless, as David Cass-Beggs, the Chairman of the Saskatchewan Power Corporation (SPC) argued, the grid was run as an interprovincial public corporation.²² Yet Cass-Beggs never stated why the central government would establish an interprovincial organization which contained as a primary objective the isolation of itself from federal control. Moreover, it was not clear that provincial

administrations would hand control over electrical grids (including rate structures) to an extraprovincial authority even if one that was not controlled by Ottawa. Electrical energy policy, including trade, rate structures and capacity decisions, were much too important to the economic strategy of the major Canadian provinces to be left to outsiders.²³ Hence the idea spoke more to the reliance of the poorer prairie provinces on federal aid to develop northern resources than to the needs of the rest of the provinces.

Relatedly, the economic underpinnings of the idea of a national grid made little sense. Ontario was already import dependent. The rest of the hydro sector also faced the tensions between the older defensive nationalism and the increasing continentalization of the economy. The most celebrated and studied illustration of the collapse of the national market concept was represented by the changes associated with the Columbia River Treaty. The Columbia River was another boundary river which needed a joint method of regulation in order to develop it for hydro generation capacity, water regulation and flood protection purposes. Negotiations were extraordinarily complex. Nevertheless, the Social Credit government of British Columbia rejected the idea of developing hydro capacity on the Canadian part of the watershed for purposes of a national grid, as one might have expected from a restatement of the Niagara Falls case where the two national governments decided to share the hydro potential of a jointly owned waterfall. Instead, the government of British Columbia turned its Columbia watershed into a storage reservoir for U.S. downstream capacity in return for a form of royalty called "water power benefits," and then the provincial government also gained the political power to produce electricity for export on other watersheds.²⁴ In a confrontation between nationalism and continentalism, the latter won.

Nelson Hydro: Megaprojects for Continental Markets?

The second phase of the megaproject strategy was defined by the elaboration of a concrete planning process and a tentative technical and economic strategy for hydro development along provincial and continental lines. The federal government dropped the traditional nationalist policy in the wake of conflict over the negotiations of the Columbia River Treaty.²⁵ Its new 1963 "national power policy" indicated that Ottawa would look favourably on the idea of committing large blocks of firm power to export markets on the rationale that they would be ready for Canadian use when domestic markets materialized.²⁶ Surplus capacity from northern hydro, therefore, could play a load-building role and thus create revenues, instead of becoming a financial drag on the provincial utility. Export markets would take the place of incremental additions to coal capacity as a stop-gap measure to be used until sufficient markets could be generated to pay for hydro investment. Eventually this would be termed a "prebuild strategy." It also opened the door for more efficient trade and allocation of resources amongst North American utility systems or, in other words, the continentalization of electrical energy production and distribution.

Ottawa, too became an active partner in planning and designing the northern hydro system. From 1961 to 1967 the federal government participated with the government of Manitoba in a planning group, the Nelson River Planning Board (NRPB). In 1966 the NRPB outlined a northern hydro strategy. Within this planning process the definition of resources and the design of the northern megaprojects underwent important changes. First the concept of northern hydro resources went from a conceptualization of over a dozen isolated sites spread throughout each of the Nelson and Churchill Rivers to the idea that the latter could be diverted into the former, thus creating one large power corridor. This "Churchill River Diversion" (CRD) took different forms throughout the period.

By 1966 the planning board had settled on a "Phase One" strategy which established the minimum steps needed to develop the Nelson River hydro-electric power for use in southern Manitoba. This included the construction of the necessary infrastructure for the subsequent incremental development of the other five megaprojects. The four elements of the strategy are described in the table below.

Table 6.1. Phase One: The Churchill-Nelson River Hydro Development

Sequence	Project
Phase One	The construction of a hydro dam at Kettle Rapids. Kettle was not the largest site, but it had the largest natural storage reservoir and thus would be an economical investment to commence while details of river diversion were settled.
Phase One	The construction of a long distance high voltage D.C. transmission system from the lower Nelson to the southern grid.
Phase One	The regulation of the water levels on Lake Winnipeg (L.W.R.) to control the winter flow into the Nelson River.
Phase One	The diversion of the Churchill River (CRD) into the Nelson River. Although the details of this diversion were not settled, it appeared as if the Churchill would be diverted at South Indian Lake and then passed through two small rivers, the Rat and the Burntwood, to the Nelson.
Phase Two:	The development of the remaining Nelson River megaprojects: Longspruce, Limestone, Upper and Lower Gull and Gillam.
Source: Manitoba Hydro Annual Report 1966/67.	

The Manitoba and Canadian governments began to implement Phase One of the Nelson River Hydro strategy immediately upon completing the interim plan. The government of Canada, through the Atomic Energy Company of Canada Limited (AECL), committed itself to building and financing the long distance transmission line.²⁹ Manitoba would operate the line and repay the federal government over a 45 year period. With this generous subsidy in place the Manitoba government then committed itself to building immediately the Kettle Rapids project. This was a major commitment. Kettle had an ultimate capacity twice the size of Grand Rapids. However the CRD and LWR would have to be in place to gain the maximum economic use from the site. By 1968 half of the Phase I projects were implemented. Yet the remaining elements--the development of continental export markets, and the water diversion and regulation aspects of the plan--the

elements which were necessary to make the whole scheme economically viable were yet to be put in place.

Export Market Failure: Tensions Between Stand Alone Projects within a Continental Paradigm

During the 1960s the planned relationship of Nelson River capacity to extraprovincial markets remained hazy and often appeared contradictory. Given the necessity of market revenues to float such huge additions to capacity, these were important tensions which shaped the eventual definition of the paradigm. Initially, Manitoba Hydro planning had assumed national market limitations and thus did not count on export markets. Officially, Manitoba Hydro viewed the exports as an add on feature which would improve the project's economic viability. Manitoba Hydro planners had concluded that development of the Nelson would be marginally less expensive than a coal-themal option and that its economic position would improve with the development of export markets. Should the utility develop the whole of the Churchill-Nelson hydro potential for the provincial market in a mixed hydro and coal generation strategy, it would be saddled with expensive excess capacity until the turn of the century. Nevertheless, total costs, even with lack of export markets, were less than the coal option.³⁰ Energy costs would then be reduced by approximately 1/3 if Manitoba started the Nelson early (before 1970) and exported 2,000 MW of firm power during the period.³¹ The NRPB echoed these conclusions.³² The Nelson, therefore, had emerged originally as a marginal "stand alone" project, but one which was clearly superior to a coal-themal option in terms of alleged economic spin-offs and the possible development of export markets.

To argue that this effectively was an export rationale, one has to simply place these figures in perspective. Manitoba Hydro had approximately 1,000 MW of hydro capacity at the time the project was being planned, with a possible 2,000 MW "export add on." When

the initial Phase I commitments were being made Don Stephens envisaged the 6,000 MW from Nelson megaprojects to be equally divided between Manitoba, adjacent provinces (Ontario and Saskatchewan) and U.S. markets.³³ Equally important, the thinking within Manitoba Hydro began subtly to assume autarchy in the production of electricity. This assumption was masked by the attention given to speeding up the Nelson projects (which would produce temporary excess capacity) rather than developing an alternative or fail-safe policy which would have lined up incremental imports and a series of coal-themal investments to stave off the Nelson projects until sufficient markets had been developed.³⁴

Despite the increasing importance of exports to the general definition of the policy paradigm, the reality was that Manitoba had not settled on or implemented a continental export strategy. Indeed, hydro-generated electricity was in a poor market position in the 1960s because it did not have a clear cost advantage over coal for the production of electricity. Studies undertaken by the provincial government underscored the fact that petroleum and natural gas were to be the growth fuels of the future.³⁵ Manitoba's comparative strength in hydro electric power, therefore, was offset by the proximity of the province to sources of inexpensive coal, natural gas and petroleum and by the relative distance between the hydro resources and most probable export markets. This structural position left the Manitoba government with few options. It could attempt to provide the conditions necessary to make northern hydro viable (the development of export markets, the cultivation of the domestic market, energy intensive industrialization and gaining financial subsidies), or to continue with the established infrastructural policy paradigm (which simply sought to make the most economical use of existing resources). The former was integral to the process of continental modernization, while the latter was not.

The Manitoba government's policy consultants suggested that the best Manitoba Hydro could hope for was a continuation of its traditional conservation strategy oriented

towards keeping investment and rates low. Hence, the utility could import energy to build up a load for the large Nelson plants and use exports to utilize capacity until needed in Manitoba.³⁶ The Committee on Manitoba's Economic Future, discussed below, advised the government not to sell Nelson energy at prices below that sold in the province.³⁷ A second large economic policy review completed during the last year of the Conservative governments--the Commission on Targets for Economic Development--again pushed the idea of a national grid based upon the idea of sale of off-peak energy where the point of reference for export pricing was the export market, not the domestic market.

With respect to the continental relationship the report suggested finding seasonal diversity exchanges. This was an important innovation. The Manitoba electricity energy market was "winter peaking," or in other words, had its annual firm peak demand during December (the coldest and darkest period of the year). Since electricity cannot be stored in large quantities, except in the form of water, this implies that the utility would have excess capacity during the rest of the year. The diversity exchange idea built upon this difference to propose that Manitoba Hydro's seasonal excess capacity be sold to a summer peaking utility south of the border.³⁸ Hence the export thinking began to explore gaining a secure market niche which would benefit different areas of the continent. According to the specialization logic, Manitoba Hydro's best trading partners were utilities in the southern United States, not the adjacent Canadian provinces.

Where did this leave the export strategy? Ontario Hydro had decided to solve its energy deficit by means of its commitment to develop nuclear energy. This was a decision that was supported by the federal government, which had seeded the nuclear reactor technology. Without large-scale exports the first Phase One megaproject, Kettle Rapids, could supply all of the province's energy needs until 1977 provided that the CRD was implemented by 1972.³⁹ This meant that the utility would have surplus energy for export

between 1972-1978. Accordingly, it began to establish an export strategy that would help pay for the costs of the capacity until the Manitoba market grew large enough to absorb it. In 1968 Manitoba Hydro signed a letter of intent with Ontario Hydro to export a variable amount of excess capacity, during the 1972-78 period, to the northwestern part of the province.⁴⁰ This was not the major export relationship desired originally by Manitoba planners which would have connected Nelson energy to Toronto markets. But it did signal the beginnings of a small-scale "load building" contract which could help Manitoba Hydro digest the early costs of a Nelson megaproject.

Negotiations were also under way to increase the transmission capacity between Manitoba's traditional trading partners and to build a transmission system between Manitoba Hydro and three utilities within the large Mid-Continent Area Power Pool (MAPP) which integrated the U.S. utilities within the northern Midwest region. Manitoba Hydro began to do specific design work on the sites on the Nelson and the CRD. By early 1969 Manitoba Hydro had decided that the costs of long distance transmission were making the U.S. export component uneconomic, and therefore dropped it so that the U.S.-Manitoba transmission facilities would only handle secondary or economy energy transactions. Neither Manitoba Hydro nor the Manitoba government had begun serious negotiations with U.S. utilities regarding interconnections or export contracts.⁴¹

As a result of these factors, the Nelson River hydro-electricity capacity, which the Manitoba government was committed to developing, was to be financed primarily from the provincial market.⁴² Small-scale export relationships had been secured for the adjacent Northwest Ontario electricity grid, Saskatchewan and the United States. But no long term continental prebuild or diversity export strategy had been established. Since export contracts had not been concluded, the transmission interconnections between potential trading partners had not been built. Indeed, it had taken from 1955 to 1967 to complete

and integrate the province-wide grid. This internal grid had only small links with Ontario and Saskatchewan. Hence the continental aspects of the energy policy paradigm, despite the massive commitments to implement Phase I of the Nelson River hydro development, were not clearly laid out.

Figure 6.3 summarizes the implementation, as opposed to planning, of the emerging continental hydro policy paradigm during the decade of Conservative government. It indicates that Grand Rapids was not commenced until its demand was assured. Incremental additions to coal capacity and imports from Ontario then filled the gap. When Grand Rapids was finished part of its surplus capacity was exported to Ontario. By the mid-1960s Manitoba Hydro was ready to begin a new project. Instead of pushing the capacity to the limits--as in the infrastructural policy of the Liberal-Progressives--the Conservatives immediately began to construct Kettle Rapids, an energy source which would ensure the utility had enough energy until the early 1970s.

Figure 6.3. Resources Allocated. Capacity and Firm Peak Demand, 1958-69

Figure 6.4 indicates that despite the debate concerning exports, Manitoba was in fact import dependent during much of the decade. The use of imports stemmed from a

policy of using trade as a part of a conservation strategy which delayed capital expenditures until there was sufficient domestic demand to float the Grand Rapids capacity. The conservation strategy was not autarchic in that it used imports as a substitute for domestic capacity, and it was not part of the new continentalism because extraprovincial market relationships were used simply as an effective tool for managing the domestic market. There was no attempt to develop long term markets for Manitoba energy.

Figure 6.4. Extraprovincial Electricity Trade. 1958-69

Despite the failure to implement an export strategy, Manitoba Hydro and the Manitoba government could always go back to the original position, that Phase One could be a stand alone project. Moreover, the utility could, as is discussed below, fudge the issue by subscribing to the belief that the development of excess capacity would foster energy intensive industrialization. Yet the remaining Phase One projects--the water diversion and regulation aspects of the plan--the elements which had the greatest environmental impact and which were necessary to make the whole scheme economically viable, were the subject of the contestation which culminated in the 1969 election discussed below.

The High Level Division and Confrontation Over Social and Environmental Impacts

After the completion of the NRPB report the Nelson River hydro strategy underwent a third important change. Essentially the Planning Board had envisaged that the power potential of the Nelson could be augmented by both the LWR and CRD projects. With water controls on Lake Winnipeg, the Planning Board contemplated diverting up to 36,000 cubic feet per second (cfs) through the Rat and Burntwood Rivers to the Nelson. Manitoba Hydro, on the other hand, developed the idea that the regulation of Lake Winnipeg could be dropped if the utility simply diverted more water from the Churchill into the Nelson. Accordingly the Manitoba Hydro "high level diversion" simply proposed diverting as much water as was technically possible from the Churchill River into the Nelson at South Indian Lake on the assumption all the increased water flow could eventually be translated into greater generation capacity. Moreover, South Indian Lake would then be converted into a gigantic storage reservoir which could be used to control Nelson River water flows and thus obviate the expense of Lake Winnipeg Regulation for a decade, if not forever. The radical simplicity of the plan--simply putting all of the Churchill into the Nelson--appeared to be the most efficient, economical, and single minded use of northern hydro resources.

Manitoba Hydro was convinced of the merits of the "high level diversion" and began to plan accordingly. Yet these plans engendered a great deal of contestation. Ostensibly, the contestation focused upon the paradigmatic assumption that Manitoba Hydro had the only legitimate claim over northern water resources. This assumption stemmed from the consideration of hydro as a staple, and was not questioned by key policy actors when Manitoba Hydro approached the Grand Rapids project. Indeed, the inability of Manitoba Hydro and the Conservative government to resolve conflicts between Aboriginal land

rights and the resource needs of Manitoba Hydro began to surface as a major policy failure.

Some background is necessary. The Grand Rapids project included the establishment of a large control reservoir because the project was premised upon the storage of the large summer water flows for discharge in the drier winter period. There were several Cree communities which would be directly affected by the project. Manitoba Hydro, therefore, needed a means of dealing with problems of relocation. To facilitate this process, the government of Manitoba entered into an intergovernmental committee, the Special Grand Rapids Forebay Committee, composed of representatives of the governments of Canada and Manitoba, to oversee "negotiations" between the Manitoba government and the affected Cree communities.⁴³ These were not negotiations in any meaningful sense since the Cree were never informed of their legal rights nor did they participate on the Forebay Committee.⁴⁴ The Cree people were offered new lands and the ability to enjoy modern services--such as electrification, all weather roads, new housing and community facilities--in return for the lands and access to resources and traditional livelihoods that would be lost with the construction of the megaproject.⁴⁵ However, the Grand Rapids relocation solution was not successful. Indeed, the loss of traditional resources and the passing of the subsistence economy was not accompanied by successful modernization, but rather by the economic, political and social marginalization of the Grand Rapids Cree.⁴⁶ Hence, when Manitoba Hydro and the Conservative government approached a similar issue concerning the social and environmental impacts of the Churchill River Diversion, the primary question appeared to be the degree to which they could change the pattern established at Grand Rapids.

Table 6.4. Summary of Grand Rapids Effects on Cree Communities

Community	Summary of Project Effects
Chemawawin Band	-Complete relocation to new community of Easterville
Moose Lake Band	-Partial relocation, land and resource losses
The Pas Band	-Loss of land and access to resources
Grand Rapids Band	-Negative sociological impacts associated with the traditional community becoming the centre of construction activities.
Source: E.E. Hobbs and Associates, Ltd., Special Forebay Committee Research Study: The Grand Rapids Hydro Development and the Construction of the Cree. "Final Report," Ottawa: February 5, 1986, p. 98.	

The Manitoba government still maintained that it had preeminent claim over hydro resources and only changed its policy to ensure affected native peoples were more active bargaining agents in their compensation process. In order to facilitate the negotiation of a compensation package and avoid the mistakes of Grand Rapids, the Manitoba government offered to pay for the community to seek legal representation.⁴⁷

Nevertheless, the precarious economic position of the Nelson River projects provided incentives for Manitoba Hydro to think exclusively in economic terms. The radical simplicity of the high level CRD was that the utility could gain more energy from its initial investment dollars. Incredible as it may seem in hindsight, the project was planned without any consideration of downstream effects of river diversions or of the economic costs of the project on the inhabitants of northern Manitoba.⁴⁸ Nor had any northern or Aboriginal communities been consulted or in any way participated in the hydro planning process. In this context the offer of legal representation fell flat.

To the Manitoba government's surprise the South Indian Lake community decided to stop the project rather than accept a compensation package. In a very short time this conflict spread to open contestation between Manitoba Hydro, the provincial government, Progressive Conservative Party and the business community, on one hand, and the two opposition parties, churches, environmentalists and academics on the other. Conflict over South Indian Lake and the Churchill River Diversion paralysed the Manitoba legislature

during the spring of 1969. Premier Weir decided to break the deadlock by calling a provincial election..

What emerged from the succession of decisions taken by the Conservative Party over the decade was a metamorphosis of the original policy paradigm in which megaprojects were not selected because they offered the most economical and efficient source of energy but because they were taken as ends in themselves. Public policy became oriented towards making the continental hydro strategy economically viable. As the decade proceeded, however, it became apparent that the Nelson River projects would result in higher-cost energy, that hydro energy did not have a secure niche in extraprovincial markets and that the myth that the MHEB had the only legitimate claims to hydro resources could only be maintained by a thinly disguised official racism that denied Cree Indians legal and democratic rights and which at the same time ignored the regional environmental effects of the projects.

If one adds together the lack of a defined method of financing the projects, the "more for less" diversion strategy and the lack of any systematic examination of indirect costs, it is not unreasonable to conclude that Manitoba Hydro had abandoned the professionalism and discourse of economy and efficiency which had dominated utility planning under the infrastructural policy paradigm. Don Stephens in one of his last speeches on the subject spoke uncharacteristically about the Nelson River as a challenge to be met "because it was there."⁴⁹ This was hardly the discourse which had justified the post-war energy policy paradigm on the grounds of economy and efficiency. The idea of the Nelson had ended up driving the policy paradigm instead of the opposite. The megaprojects were increasingly dependent upon state aid in order to become viable. The stage had been set for the contestation discussed below.

Hydro and Conservative Modernization: Contradictory Tensions and Structural Limitations

The northern hydro policy paradigm grew from the dramatic change in Manitoba politics after the fall of the Liberal-Progressives. The Liberal-Progressive idea of modernization was bounded by the ideas contained within the new Progressivism which had emerged during the 1930s. In the post-war period this had been translated into the establishment of public infrastructure on a self-sustaining, if not "pay as you go" basis. Yet the fiscal and economic concepts of modernization within the New Progressivism were much too narrow to meet the more complex post-war political agenda. When the Roblin Conservatives took power they began a programme oriented towards a balanced welfare state reform and resource industrialization.⁵⁰ Important to this programme was the rejection of the self imposed fiscal and ideological constraints on the activities of the provincial government. The converse became the norm. The attendant problems of urbanization, the rationalization of agriculture and post-war reconstruction in Europe and Japan were changing the parameters of the provincial political economy. Hence, the older pillars of export agriculture and local manufacturing could no longer sustain rural society and urban employment and, thus, new demands were placed upon the state to fashion a new course of economic and political development.⁵¹ Although Manitoba had by no means fallen back into a depression, its post-war growth did not match national levels. Regional disparities and emigration plagued the province. Roblin regarded the Campbell government as "lost years," and was committed to the use of the state as a catalyst and partner in economic development.⁵² The Conservatives were making up for lost time. Roblin represented to Manitoba what the first Lesage government represented to Quebec.⁵³ His was a modernizing regime. This was an "unblocking" after the years of Liberal-Progressive self-imposed restraint.

The Nelson River projects were born of this political modernization. The sheer size of the northern megaprojects ensured that they would have a long historical life and, therefore, could not be evaluated under the short-term perspective of the lineage of Progressive images of the state. Grand Rapids, for example, had the capacity of nearly the whole of the Winnipeg River. The full Nelson project could supply energy for Manitoba well into the next century. Kettle Rapids, the first megaproject from the Nelson Phase I development would create hydro capacity almost equal to that of the Winnipeg River and Grand Rapids together. These sorts of public investments could not be undertaken within the narrow pay as you go confines of Liberal-Progressive fiscal policy. Rather, they could only be approached in terms of investing in the future. Premier Roblin, who was also Minister of Finance, denote the change in terms of going from a "pay as you go" to a "pay as you use" policy.⁵⁴

Dorothy Snidal's study of the fiscal policies of the two governments illustrates how the Liberal-Progressives did not directly utilize the state as a catalyst in economic development.⁵⁵ A consequence of this policy was that government both spent and taxed as little as it could. This, in a sense, underscored the "stewardship role," which minimized direct economic intervention. This fiscal strategy underlined the technical, economic and policy criteria of the infrastructural energy policy paradigm. Scarce public capital would only be borrowed and spent when there was both a demonstrated need and demonstrated way to pay it back. The Roblin government, on the other hand, based its fiscal strategy on the assumption that the state ought to take a leading role in shaping and facilitating the process of economic development.⁵⁶ The essential assumption was that a high level of public investment would translate into an accelerated rate of economic growth, and that growth would translate into revenues that would allow the state easily to finance the public investments.⁵⁷

The Roblin fiscal policy for the modernization programme relieved government from proving at the outset that the investments could be self-financing. Rather, the onus was on the state to indicate that the political conditions were in place to bring forth the desired economic growth and then to assume that this would translate into greater fiscal capacity. This change from the "pay as you go" to the "pay as you use" fiscal strategy was not simply a marginal difference from the previous Manitoba governments. The level of public investment in infrastructure was no longer tied to annual revenue surpluses, but rather was financed from public borrowings. Public debt related to those expenditures rose by a factor of five during Roblin's first five years in office.⁵⁸

The Conservative modernization project did not possess, at the outset, a global economic strategy which would provide the needed and expected economic growth to provide the employment, economic diversification and fiscal resources to pay for the modernization programme. Rather, there were a number of benchmarks which defined the strategy as it evolved. The modernization of agriculture remained an important element of the Conservative economic strategy, but in contrast to the Liberal-Progressives the Conservatives did not assume that "wheat was king". Rather, the Roblin Conservative government immediately established new central agencies to promote and seed the growth of manufacturing and resource industries.⁵⁹ A new cabinet committee, the Manitoba Development Authority, was to direct a Manitoba Development Fund (MDF) and to oversee all economic policy. Economic development became the single most important public goal and a motive underlying much economic intervention. Other organizational changes within the provincial administration reflected the new policy agenda.

A second initiative concerned an attempt to gain the support and participation of Manitoba business in the modernization process. The Roblin government commenced a non-partisan planning process in which business and political notables would form a

committee to write a new script for the role of the state in economic development.⁶⁰ This Committee on Manitoba's Economic Future (COMEF) outlined a new activist role for the provincial government to promote and facilitate the modernization of the economy. Hence a whole new set of initiatives were expected from the provincial government.⁶¹ The COMEF process did not give the Manitoba government *carte blanche*. While it sanctioned a modernization strategy and sought financial support from the MDF, it also wanted to maintain the traditional low-wage, low-taxation economy.⁶²

The COMEF was cautious on the Nelson River projects, particularly in comparison to Manitoba Hydro. Early thinking within the utility expected the province's energy demand to outpace the national level over the decade because of optimism concerning future rates of population growth and the relatively "undeveloped" nature of Manitoba's natural resources.⁶³ COMEF energy consultants, however, disagreed with this sort of analysis and insisted that Manitoba was actually a "mature economy" which would experience declining rates of energy consumption.⁶⁴ Thus, the hydro megaproject strategy did not speak directly to established small-scale Manitoba manufacturing. Indeed the Manitoba government was advised that hydro-electricity was progressively less important as a determinant in the location of manufacturing investment.⁶⁵ The COMEF's view of the Nelson megaprojects, therefore, was conditioned by fear of the problem of excess capacity. As in the days of the Liberal-Progressive infrastructural paradigm, in the committee's eyes external markets would have to be found to make the project viable.⁶⁶ The COMEF was also sceptical of the ability of hydro to induce resource industrialization. Its consultants advised the Manitoba government to offer discount prices to energy intensive industry as a means of developing the markets needed to finance safely the hydro projects, but the Committee dismissed this proposal.⁶⁷

Manitoba business, as defined by the Committee's policy prescription, was more cautious than the Roblin government. In December 1962, while the COMEF was in process the Roblin government fought an election campaign on a platform dominated by the promise to develop the hydro potential of the Nelson River. This election, discussed below, placed continental hydro strategy as the centrepiece of the Conservative modernization programme. The energy policy paradigm underwent a metamorphosis to become a paradigm centred on ways of making the Churchill-Nelson River projects viable.

By the mid decade the economic strategy had changed significantly to focus upon using financial subsidies to induce multinational resource capital to locate in Manitoba and produce for the continental market.⁶⁸ This was also an extension of post-war federal economic strategy which promoted investment in industrial staples as the cornerstone of national economic policy.⁶⁹ The apex of this strategy was reached when the Manitoba government apparently seeded the development of Churchill Forest Industries, an integrated pulp and paper complex at The Pas in Northern Manitoba, using the same methods.⁷⁰ For Manitoba Hydro, the strategy centred on large-scale resource industrialization with INCO as the obvious precedent.⁷¹ Stephens emphasized the contribution of hydro to the continued development of the mining and mineral refining markets.⁷² His assistant General Manager, K. Kristjanson, emphasized the role of the project in reflecting faith and confidence in the industrial growth of the province. In these terms the Nelson was a continuation of the traditional cheap power and electrification policies from which the province had benefitted historically.⁷³

By 1967 the assumptions behind the Conservative modernization project began to show cracks. The new economic growth had not produced sufficient tax revenue to support the increased public debt. There were increasing pressures to increase levels of taxation. But taxation, and particularly consumer taxes, had been symbols of the suffering

caused by the depression fiscal crisis.⁷⁴ The Roblin administration attempted to hold off tax increases for as long as possible. Nevertheless, it was forced to introduce a comprehensive sales tax in 1967--and even, one year later, to raise hydro rates (by 5 per cent) for the first time since 1911.⁷⁵ After 1967 the modernization programme could only be maintained through increased taxation.

The Progressive Conservative Party, headed by Walter Weir after Roblin resigned in 1967, began to shift the modernization paradigm. Instead of the balanced welfare state and industrialization promised by Roblin, Weir's Conservative party offered a modernization paradigm more closely affiliated with the conventions of the Liberal-Progressives, save that it emphasized the role of the provincial government in promoting economic growth. The most tangible result was a refusal to support any new welfare state initiatives, particularly federal medicare.⁷⁶ This mixture of rejecting development of the welfare state on the grounds that it was too costly and of pursuing large-scale resource industrialization by means of public investment and financial subsidies was the contradictory hallmark of his short tenure in power.⁷⁷

The follow up to the COMEF process was called the Targets for Economic Development (TED) Commission. It was established in 1967 to extend the COMEF into the next decade. It differed in the sense that the Commission was headed by the directors of the central agencies established to carry out the modernization programme, the Minister of the Department of Industry and Commerce, Sydney Spivak, and Rex Grose, the head of the Manitoba Development Fund, although, like the previous exercise it relied upon the voluntary participation of business and community notables.⁷⁸ TED was bullish on the Nelson River projects and recommended using discount hydro rates to induce industrialization, particularly amongst the select set of energy intensive industries such as uranium processing and light metals.⁷⁹ TED hoped the hydro projects would be useful in

attracting energy intensive industries and in bolstering the province's light metals sector that had been organized around the aviation industry. This particular stage of the Conservative economic strategy was, as Chorney points out, no longer primarily oriented towards small business. Rather it was oriented towards using large-scale public subsidies and other carrots to entice the investment of multinational capital.⁸⁰ The era of what Philip Mathias termed "forced growth" had arrived in Manitoba.⁸¹ The Nelson River project was intended to play a large part in that strategy. Hence, the lines between the hydro policy paradigm and the economic strategy of the Conservative governments became increasingly blurred.

The scale of the 1960s hydro projects ensured that hydro related public investment remained a defining point of the modernization. Indeed, as the following figure illustrates, utility investment reached 30 per cent of total investment during the peak of the Grand Rapids and Kettle Rapids construction. Therefore, while resource industrialization (a forward linkage economic strategy) may have been important for the hydro policy paradigm, the backwards and final demand linkages of the millions of dollars of hydro investment were an important part of the Conservative economic policy.

Figure 6.5. Components of Investment Expressed as Percentage of Total Investment, 1958-69

The 1969 election, therefore, took place within a different structure of choices than did the 1958 election which brought the Conservatives to power. In 1969 the Conservatives and the Liberals stood for a form of "forced growth" economic policy, a rejection of welfare state reforms and a return to traditional Liberal-Progressive fiscal policy.⁸² In this context the NDP, which had been completely overshadowed by the Roblin modernization programme, now stood as the only party to carry on the modernization as originally designed.⁸³

The outcome of the 1969 election revealed that the two traditional pillars of Manitoba politics, Winnipeg business and agricultural Manitoba, were no longer the exclusive social forces to be reckoned with in provincial politics. Morton indicates that the Roblin modernization programme had been constrained by political opposition to its fiscal policy and lack of support from a narrow-minded Winnipeg establishment, particularly its business leadership.⁸⁴ Snidal shows that the reliance upon public debt as opposed to increases in taxation to finance the modernization programme reflected the fear of taxation held by the agricultural community.⁸⁵ Hence, as the programme ran into its structural limits the Weir policy simply was an attempt to establish a new majority coalition amongst

the traditional pillars of the Manitoba political economy. But this was not sufficient. Tom Peterson argues that the 1960s witnessed the rise of class as the major electoral cleavage within provincial politics, and in 1969 these social forces aligned themselves with the NDP.⁸⁶ As we shall see below contestation over hydro policy was an integral part of the political shifts which defined and defeated the Conservative party's "forced growth" modernization programme. But it was not clear what the election victory meant for the hydro policy paradigm.

Contestation over the Hydro Policy Paradigm.

The Roblin energy policy did not present any paradigmatic shifts during the 1958-62 period. The timing of the Grand Rapids decision and the amalgamation of the MPC and MHEB into Manitoba Hydro were initiatives that really conformed to the Hogg's 1948 analysis of the Manitoba utility sector. Grand Rapids was already scheduled to be the next capacity investment. By 1960 there was only a debate on the timing of the investment. While the Liberal-Progressives had been experts at avoiding financial commitments, the logic of the Hogg analysis was to use provincial public ownership to make investments that would be otherwise uneconomic if left to market forces.⁸⁷

The utility amalgamation ended the long history of the MPC, one of the most powerful symbols of the Liberal-Progressives in rural Manitoba. Given the paradigmatic assumptions of the policy field, however, there was really little substantive reason to preserve the separate institutional identities of the MHEB and the MPC, especially if amalgamation would produce a more efficient and financially powerful institution.⁸⁸ Campbell attempted to defend the separation of the two institutions in the sense of preserving friendly competition.⁸⁹ The organizational changes were not accompanied by a change of leadership. Stephens retained his position as Chairman of the Board, and W.D.

Fallis, General Manager of the MPC, became the General Manager of the new Manitoba Hydro.

The utility legislation also ended the official "non partisanship" of the Liberal-Progressives with more direct and formally institutionalized controls of the utility by the majority party, reflecting the emergence of hydro as a central agency within the Conservative modernization process. Hence, the real focus of political attention tended to be on the relationship between the new Manitoba Hydro, the provincial cabinet and the Legislature. The legislation allowed the government to nominate an MLA to the board, and thus extended the direct reach of the party in power to the Hydro board and made the Minister responsible for the administration of the Hydro Act, rather than for the utility's actions per se. The utility, on the other hand, was made accountable to the Standing Committee on Public Utilities (SCPU) of the Manitoba Legislature. Both the Liberal-Progressives, renamed Liberals, and the CCF objected to the new organizational structures. Under the Liberal-Progressive infrastructural policy paradigm the MHEB had remained independent of any political representation, and the Minister had been responsible to the Legislature for the actions of the utility. Opposition parties argued that partisan representation on the Board reintroduced an element of "politics" into the hydro question, and the SCPU weakened the convention of ministerial responsibility.⁹⁰ Yet there were no changes following these objections.

The December 1962 election placed the continental hydro policy paradigm at the centre of the Conservative modernization project. Roblin justified the election in terms of a need to gain approval to pursue the Nelson River hydro projects and promised, as well, to continue the general reform process.⁹¹ The motives behind the election timing had little to do with hydro--the western economy was in a slump and the national Progressive Conservatives, headed by John Diefenbaker, were in political difficulties.⁹² Hence Roblin

was securing his independence and mandate before the collapse of the Progressive Conservatives in Ottawa and using an ambitious project to symbolize his new economic strategy.

Opposition political parties could not provide a challenge to the Conservative version of the new modernization discourse, particularly as it referred to hydro. The Liberals were a discredited force. On the one hand they attempted to take some credit for the idea of Nelson River and at the same time to make the idea meaningless by indicating that the project was still years ahead. Gildas Molgat, the new Liberal Leader replacing Douglas Campbell, attempted to run a platform which placed the individual first and stressed the slogan "people over power dams," which promoted education and employment generating activities before the pursuit of ambitious hydro projects.⁹³ But the traditional market orientation of the party and its acceptance of severe fiscal constraints ensured that the individual first campaign would be more of the cautious and limited government that had been politically discredited in 1958. Roblin justified the hydro strategy in terms of its contribution to the general economic development of the province.⁹⁴ Even the continual criticism of the Roblin fiscal and economic strategy by the Free Press could not budge the electoral outcome.⁹⁵

Similarly, the NDP campaign did not take the project seriously as the central element of the election campaign and really did not have a definable economic strategy.⁹⁶ The party had been in internal turmoil related to the change from the CCF to NDP, a situation that was compounded by the electoral defeat of Lloyd Stinson in 1959.⁹⁷ Influence from the Saskatchewan NDP had been pushing the party to pursue a strategy of taxing the highly profitable resource industries, INCO in particular, and using these revenues to finance welfare state reforms.⁹⁸ In the end the Manitoba NDP opted simply for its welfare state reform package without defining an alternative energy or economic

strategy.⁹⁹ Both opposition parties were soundly defeated. The shift in the hydro policy paradigm became a symbol of the shift within the role of the provincial state under the Conservatives. There was no turning back.

After 1962 the hydro policy paradigm was marked by contestation over new policy problems which had originated in the process of implementing the megaproject strategy. The first problem concerned allegations of inefficiency, incompetence and waste of scarce public funds in the construction of Grand Rapids. The second concerned the flooding and displacement of native peoples which were integral to the hydro strategy. The political contestation over these issues was important primarily because it reflected the fact that the modernization promised by the Progressive Conservatives was not a modernization above classes. Instead, it was a modernization process which benefitted some, excluded some, and penalized others.

Controversy over Grand Rapids water haulage contracts provided the most persistent Liberal critique of Manitoba hydro before 1969. The significance of water haulage to the Grand Rapids project stemmed from the geographic isolation of the site. The dam was to be built in an area without all-weather road connections with Winnipeg. Hence transporting the necessary freight by water to the tip of Lake Winnipeg was a logical solution to the project needs. There were a number of policy alternatives open to the utility for consideration: to establish a local cooperative from the many existing small water transportation companies operating on Lake Winnipeg, to leave the contract in the hands of one large company, or to wait for a federal-provincial cost shared agreement to finance the construction of a road to the site so that trucking companies could do the job.¹⁰⁰ The MHEB decided not to wait for the road to be built nor to organize a consortium among existing lake transportation companies. Rather the contract for the whole project was given to one (the lowest) bidder, an American transportation firm.

Stephens was convinced that the smaller Manitoba companies did not have the capacity to do the job and had made an early strategic decision not to foster the establishment of a consortium.¹⁰¹ Having a large and established firm to do the job would ensure the water arrived reliably on time and at a price would be less expensive than road haulage.

The road to the Grand Rapids site was eventually completed, begging the question, as far as local truckers were concerned, as to why they did not get the contract. Moreover, a Manitoba employee of the water haulage company alleged that the contract awarded his employer windfall profits.¹⁰² The Liberals claimed that the MHEB was inefficient and incompetent and that the private outside company had made windfall profits from the water haulage contract.¹⁰³

The weight and persistence of the legislative allegations forced the Conservative government to conduct a legislative inquiry and then, when the allegations were expanded, to allude that alleged windfall profits were associated with corrupt relations between cabinet officials, Manitoba Hydro management and the private carrier. Stephens and the Manitoba Hydro Board asked for and gained a judicial inquiry.¹⁰⁴ However, the charges of corruption dwindled when the Liberals' star witnesses withdrew allegations and refused to testify and the Liberal Party refused to participate fully in the inquiry process.¹⁰⁵ The inquiry, headed by Justice George Eric Tritschler, cleared the government and Manitoba Hydro and, in turn, attacked the moral credibility of the Liberal Party for pressing allegations it knew to be groundless.¹⁰⁶ The Liberals charged that the substance of their allegations was that the company made windfall profits and since the inquiry did not open the company's books, the allegations had not been properly addressed.¹⁰⁷ The whole incident was simply an attempt to drive a wedge between the provincial small business, the Conservatives and Manitoba Hydro because it illustrated that small business, the erstwhile target group for the Conservative economic strategy, was in fact not included or

considered to have the capacity to be a central player in the hydro project. But since the charges of both inefficiency and corruption were essentially groundless, the major victim was the Liberal Party, not Stephens, Hydro or the Conservatives. Indeed, the collapse of the Liberal case against Manitoba Hydro occurred at the same time that the federal and provincial governments were finalizing the Nelson River agreements.

Political contestation again changed when the NRPB came out with a tentative Phase I plan for Nelson River development. The implementation of the project was dependent upon some form of federal support. The Liberal Party, which had always claimed the credit for the idea of the Nelson hydro projects, sought to get political recognition for their lobbying efforts to gain a federal aid package.¹⁰⁸ The final federal decision to have the AECL build and finance the HVDC transmission system was generally well supported, but there were major divergences between each of the parties. The federal Liberal government masked its support in terms of its possible contribution to a national energy grid.¹⁰⁹ The provincial Liberals echoed the older nationalist policy and, therefore, differed from the Conservatives in that the party wanted Nelson River Power to be used in Canada as opposed to finding the export niches desired by Roblin and Stephens.¹¹⁰ Molgat, in a giant leap from the party's usual economy and efficiency concerns, also thought that the possibilities of an inland seaway from Hudson's Bay to Lake Winnipeg could accompany the power projects.¹¹¹ The NDP maintained a sceptical position arguing in effect that not enough information was available to assess the decision to go ahead with the Nelson: it was a "pig in a poke."¹¹² Nevertheless, Phase I of the Nelson project represented the largest resource investment in the history of the province. The economic spin-offs from the construction stage and the promise of export markets to bolster the financial position of the "stand alone" project and the lure of energy intensive industrialization all made the project eminently saleable.¹¹³ The Conservative

modernization programme continued to be able to command support in the election which soon followed.¹¹⁴

By 1968, however, the political discourse on the hydro policy paradigm had changed dramatically as popular opposition surfaced over the question of the fate of the Indian community of South Indian Lake. The issue was politically important because of its relationship to the shift in the pattern of state intervention begun by Weir in 1967. Official thinking on the relationship of aboriginal peoples to hydro development was derivative of the main social problem faced by Manitoba--how to integrate a surplus agricultural work force into a growing industrial economy.¹¹⁵ In the case of the aboriginal peoples the integration problem was considered more complicated. Official thinking reflected the assumptions that the traditional reservation system and traditional economy were without a future. They were inefficient and provided incentives for welfare dependence and disincentives to work and train. Moreover, the northern aboriginal peoples were without the skills and attitudes necessary to participate in industrial society.¹¹⁶ The real question, therefore, was how to change the system. Official thinking saw future northern economic development in terms of resource industrialization and aboriginals in terms of a potential labour force.

The choices facing public policy, therefore, revolved around how to have aboriginal people participate in economic development. One pole of thinking would have the government initiate a comprehensive programme fostering migration to industrial labour markets, undertake training and local employment initiatives, foster the development of cooperatives, and improve the infrastructure and efficiency of the northern renewable, as well as nonrenewable, resource economy. This would reinforce the traditional reserves as centres where native peoples would gain the necessary skills to participate in both industrial and nonindustrial economies.¹¹⁷ The other pole of thinking was to destroy the

reserve system and force the native peoples into the industrial labour force.¹¹⁸ At no point were native peoples, as owners of resources, considered to be agents free to pursue their own economic choices or to be able to influence, on purely local considerations, the design of hydro strategies. While offering the rhetoric that compensation and relocation programmes were being implemented, the Conservative government and Manitoba Hydro in fact took the latter approach whereby traditional lands and communities were simply taken and relocated in a slipshod and careless manner.¹¹⁹ Compensation promises were not kept and, in an overall sense, the relocation did not help the communities to successfully integrate within the emerging northern industrial society. Though this process was initially hidden by the lack of any visible role by the affected native peoples in the case of Grand Rapids, the same was not supposed to occur with respect to South Indian Lake. The Roblin and Weir governments attempted alternative approaches.

The Roblin government attempted to first gain professional legitimization for the hydro plan. In particular, MNR and Manitoba Hydro funded an independent assessment of the project by a collection of academics, headed by the Vice-President of the University of Manitoba, Dr. H.E. Duckworth.¹²⁰ The Duckworth Report strongly recommended that Manitoba Hydro seek alternatives which avoided the diversion of the Churchill River and flooding of South Indian Lake and, if that were not possible, to design an alternative which would minimize flooding.¹²¹ Stephens rejected a suggestion by Roblin that Manitoba Hydro pursue alternatives to the idea on the grounds that the conclusions were based upon poor methodology and negative attitudes which were not congruent with the optimal use of provincial resources.¹²² It was also obvious that there were no grounds for ideological compromise between proponents of the radical high-level diversion, such as Stephens and the MHEB, and the authors of the Duckworth Report. The Roblin government sided with the MHEB. The project would not be changed. Rather, the native

peoples would be compensated.¹²³ To distance the government from that conflict, however, the Roblin government established a Water Commission with authority to recommend water levels to be held on Lake Winnipeg in conjunction with the Nelson hydro projects.¹²⁴ Ostensibly, the conflicting claims to water resources would be settled by public arbitration.

Would the Weir government be able to use the Water Board to legitimize its more for less energy strategy at the expense of South Indian Lake? Inevitably not. The commencement of Water Board Hearings provided the forum by which opposition could publicize and politicize the case against the high-level river diversion. Through a process of contagion the project sparked a great deal of popular opposition and South Indian Lake became a symbol of a larger argument that discredited the single-minded pursuit of economic growth, an argument which was sparked by the authors of the confidential Duckworth Report, or "the professors" as they were popularly called, who publicized their concerns and used the hearings to challenge Manitoba Hydro.¹²⁵ Part of the difficulty facing the Conservatives and Manitoba Hydro was that the whole decade had been dominated by the political commitment to develop the Nelson River. As a result, Manitoba Hydro and the Conservative leadership were not prepared to answer direct questions as to the particular justification of the diversion, how much energy was needed when and what were the alternatives to be considered.¹²⁶ In truth Manitoba Hydro had not considered any other alternatives. The Conservative economic policy was defined by the Churchill-Nelson hydro megaprojects and it was simply assumed that the community of South Indian Lake would be sacrificed on that altar of modernization.

Paradigmatic conflict over the Churchill River Diversion became entangled with contestation for control of political power because it spread to take on the form of a partisan struggle. In a recognition of the political nature of question, the chairman of the

Churchill River Diversion hearings concluded the CRD application hearings and refused to make a recommendation to the government.¹²⁷ At the same time, the community of South Indian Lake switched their objectives from seeking information to stopping the project.¹²⁸ Notice was given that the community was going to take Manitoba Hydro to court to get an injunction stopping the project. After a period of vacillation the government of Manitoba introduced Bill 15, legislation awarding Manitoba Hydro the licence to for the high level diversion without going back to Water Board hearings.¹²⁹ This was a preemptive strike which would destroy the legal basis of the case against Manitoba Hydro. Since Bill 15 also curtailed the rights of political parties to review the hydro strategy the people of South Indian Lake then gained an important set of allies as the opposition political parties joined the fray against the Bill. This legislation was the subject of an intense legislative conflict, and died on the order papers during May 1969, when the premier called a surprise provincial election.¹³⁰ The conflict over the high-level diversion also became part and parcel of contestation over the Conservative government's attempt to shift the modernization process back to the limited social policy of the Liberal-Progressive period.

What did the 1969 NDP election victory imply for shifts in the hydro policy paradigm? As might be expected, there was a great deal of uncertainty. If the modernization interpretation is correct, then both the logic of the election and of the NDP policy position would be to attempt to redefine the modernization process so that it could again engender a broad base of political support. Though the high level diversion had grown to symbolize the new social divisions and inequalities that emerged from the Weir government's Conservative "forced growth," it was not clear that the hydro paradigm as whole lacked political support. Indeed, the major political error of the Conservatives appeared to be to break the modernization process, particularly as it affected social

policy, a decision which fostered political division along class lines. According to this logic the NDP's concern with social policy and the extension of welfare state services made it speak more readily to the needs of an increasingly urban political community.

If the Conservatives did not lose the election because of the hydro policy, a policy of opposing the hydro strategy was not successful either. The Liberals were the only party to take a position against the hydro strategy. Certainly, the credibility of the Liberal attempt to align with the victims of modernization and their allies was hampered by the fact that for most of the decade the party had competed with the Conservatives to gain morsels of political credit for the project. Nevertheless, the Liberals were decimated at the polls.

The NDP called for a full inquiry into the process of hydro development and consequently maintained a neutral position. In part this was more a critique of process--a rejection of the closed, authoritarian and coercive manner in which the Conservatives had handled the hydro question--than a rejection of the content. At the same time the party had long been associated with defence of the Grand Rapids Cree. So its version of modernization would have to come to grips with the obvious victims of the hydro strategy.

If the Schreyer NDP government was to continue redefine the modernization process so that it could unite a broad base of political support, it was very likely that it would have to come up with another energy strategy which would have similar economic importance. The NDP, like the Roblin Conservatives, was receptive to the use of state ownership to foster economic development. There was a booming demand for energy which necessitated decisions on capacity investment. Harold Chorney and Phillip Hansen argue that megaprojects really defined what is termed the modernization process in this chapter.¹³¹ Certainly the high-level diversion was a political liability for any government. The reign of megaprojects and the continental hydro policy as the symbol of Manitoba

modernization appeared to be over, although it was not clear what it would be replaced with. The NDP was presented with a major policy problem. Continental modernization had developed significant policy failures with respect to regional social and environmental affairs, but it was not clear what policy alternatives the NDP faced, nor what was its room for manoeuvre. For these reasons the 1969 elections left the paradigm in limbo.

Conclusions

This chapter has indicated that the Conservative Party, under Premier Roblin, restructured the role of the provincial state to promote economic and social modernization. In this process the continental hydro policy paradigm originated as a tool to further the Conservative modernization objectives rather than from anomalies central to the older policy paradigm. Nevertheless, the shift from one paradigm to another was far from smooth. The major problem for the Conservative modernizers was that the paradigm had been politically validated before it gained an administrative and economic validation. Over the course of the decade the economic and institutional definition of the paradigm changed continually. At first it was proposed as a federal project associated with the idea of establishing a national power grid that would allow northern Manitoba hydro-electric energy to become a structural part of industrial Ontario's energy supply. Then it became a provincial project supported and aided by the federal government which offered energy to all extraprovincial markets and especially considered securing long-term export markets with utilities in the adjacent regions of the United States. At the same time the hydro strategy was part of a policy of inducing resource and energy intensive industrialization. By 1969 an apparently viable "stand alone" continental strategy had emerged.

Over the course of the decade the metamorphosis of the hydro policy paradigm broke all the older conventions governing hydro policy. The MPC disappeared into the new Manitoba Hydro. The older southern integrated system concept disappeared into the

province-wide integrated system. The concept of an independent, non-partisan utility gave way to viewing hydro development as a costly multidimensional process which demanded that the Premier and cabinet coordinate efforts not only of Manitoba Hydro and interested economic departments in Manitoba, but also different levels of state within Manitoba. The concept of orderly sequential and efficient use of resources gave way to finding ways to make the large-scale northern hydro projects viable. Hydro had moved from an electrical energy policy paradigm to become the forefront of the province's economic strategy.

Hydro had not reached such heady days of importance since the 1920s speculative boom. The new policy paradigm was also an integral part of the rebirth of partisan politics after the long hegemony of Liberal-Progressive non-partisanship. For the Conservatives, a decade of continued hydro investment and the promise of hydro-generated resource industrialization was able to capture a broad basis of political support. The active public investment policy was also associated with a broad modernization of the government structures and social services. The new role of the state eschewed the Liberal-Progressive "pay as you go" fiscal policy and, instead, promised that future economic growth would provide the fiscal resources needed to pay for the modernization.

While the shifts to the new hydro paradigm and the modernization programme were politically successful for the Conservatives, they did spark opposition and contestation. The Liberals defended their former ideas and fundamentally rejected the new fiscal strategy. The concept of the hydro policy paradigm was not originally contested. But, both the New Democrats and the Liberals opposed institutional changes which amalgamated the two provincial utilities and placed them under more direct political control. The Liberals doggedly pursued charges of corruption concerning the Grand Rapids water haulage contracts and, as such, emerged as the party to represent small business interests which resented being excluded from benefitting from hydro investments. The NDP was

sympathetic to the needs of the Aboriginal peoples dislocated by the Grand Rapids project and, through its ideology, was also more critical of the privileged place of multinational capital within the modernization process.

As the decade proceeded, however, the implementation of the northern megaprojects gave rise to a more complex set of unresolved problems within the emerging policy paradigm. These problems were again intertwined with the dynamics of the Conservative modernization programme. Neither extraprovincial markets nor interconnections had materialized, so the exact nature of the continental relationship had not been determined. Similarly, Manitoba's hydro resources had not as yet attracted energy intensive industrialization. The relocation of Aboriginal people had proved to be a failure and their exact relationship to hydro development had yet to be determined. The modernization programme itself began to produce fiscal and economic strains.

The political response to these changes engendered strategic political choices on the course of modernization in Manitoba. Premier Weir's Conservative government decided to arrest the modernization process by rejecting national welfare state programmes and by returning to a fiscal policy more closely related to the older Progressivism, and also closely related to the Liberal Party. The Conservative Party's commitment to economic modernization, including the implementation of the Nelson River projects, however, remained consistent. The Manitoba Hydro "high level" diversion and the authoritarian method used by the Conservative government to contain opposition sparked open contestation, for the first time, on the social and environmental costs of economic modernization. Contestation over the issue of flooding and river diversions linked the hydro policy paradigm to the changes in the modernization programme initiated by the Weir government. The people of South Indian Lake found, for a short time, that they had allies in both opposition political parties in their fight to avoid the Churchill River

diversion, and they had become symbols in a political debate concerning the legitimate social costs of promoting economic growth. The 1969 elections ended the 1960s consensus on hydro policy paradigm. Hence it was to be expected that the hydro policy would change under an NDP government, although it was impossible to understand what those changes would be.

End Notes

¹ The term "forced growth" was first coined by Philip Mathias in his critique of 1960s provincial government regional development policies which attempted to induce industrialization by means of awarding generous financial incentives to multinational corporations or the deliberate seeding of industries by more *dirigiste* methods. Most such efforts led to failure. See his Forced Growth (Toronto: J. Lewis and Samuel, 1971).

² These decisions were based upon considerations of the least costly sequence of capacity investment. See Manitoba Corporate Library (hereafter MHCL), Manitoba Hydro-Electric Board, System Planning Department, 1963 Capacity Study, July 1959.

³ MHCL, Manitoba Hydro-Electric Board, Economics and Finance Department, "The Future of the Manitoba Electric Utility Industry" (August, 1959): 67-86.

⁴ MHCL, Manitoba Hydro, System Planning Department, Professor E. Kuiper, Manitoba System Development, Interim Report No 1 Method of Analysis (Winnipeg: May, 1962) 2-3.

⁵ MHCL, Manitoba Hydro Manitoba System Development, Interim Report No 1 5-6.

⁶ MHCL, Manitoba Hydro Manitoba System Development, Interim Report No 1 28-29.

⁷ MHCL, Manitoba Hydro Manitoba System Development, Interim Report No 1 10-12; Manitoba Hydro, Annual Report (Winnipeg: July 25, 1962) 9.

⁸ MHCL, Manitoba Hydro Manitoba System Development, Interim Report No 1 17-19.

⁹ See for example John Daffoe, "Duff Sets Economic Program: New Consultative Board Heads List of Seven Proposals," Winnipeg Free Press, November 24, 1962, pp. 1, 7.

¹⁰ David Francis, "Optimism Rampant in Manitoba: Merchants, Housewives Cab Drivers Share the New Spirit of Enthusiasm," Financial Post, April 6, 1960, pp. 50-51.

¹¹ Kenneth Rea, The Political Economy of Northern Development, Science Council of Canada Background Study No. 36 (Ottawa: Information Canada, 1976) 1-16.

¹² Clark-Jones A Staple State 9-21; see also Peter Newman, Renegade in Power: The Diefenbaker Years (Toronto: McClelland and Stewart, 1973).

¹³ Neil A. Swainson, Conflict Over the Columbia: The Canadian Background to an Historic Treaty (Toronto: Gage, 1979) 210-211.

¹⁴ "Power Grid," Editorial, Winnipeg Tribune, March 19, 1957; "Our Northern Rivers," Editorial, Winnipeg Tribune, April 4, 1957; Campbell "Opening Statement" 60.

¹⁵ "Opening Statement delivered by The Honourable Douglas Campbell, Premier of Manitoba, at the Dominion-Provincial Conference, November 25, 1957," Appendix, Honourable Charles E. Greenlay.

Provincial Treasurer, Budget Speech, Wednesday, March 26, 1958 (Winnipeg: Queen's Printer, 1958) 60-63.

¹⁶ "Part of Planned Continental Grid," Winnipeg Tribune, April 12, 1963; "Canadian Experts Ready to Discuss Hydro Plan," Winnipeg Tribune, February 20, 1962; "Roblin Plans to Export Hydro Power," Winnipeg Tribune, February 23, 1962, pp. 1,7; "Nelson Power," Editorial, Winnipeg Tribune, February 29, 1962.

¹⁷ Marc J. Roberts and Jeremy S. Bluhm, The Choices of Power: Utilities Face the Environmental Challenge (Cambridge: Harvard University Press, 1981) 75, 175-176..

¹⁸ "Roblin Pushes Power Project: Premier in Toronto to Discuss Development of Nelson Sites," Winnipeg Tribune, May 3, 1962.

¹⁹ See Christopher Armstrong, The Politics of Federalism: Ontario's Relations with the Federal Government, 1896-1940 (Toronto: University of Toronto Press, 1981).

²⁰ Indeed, the were not settled until hydro was placed in the 1982 Constitution Act.

²¹ Swainson Conflict Over the Columbia 31-32.

²² PAM, Manitoba, Records of the Department of Industry and Commerce (hereafter PAM MRDIC), Committee on Economic Future (hereafter COMEF), RG 6, D 1, Box 4, Vol. XIII, Background Studies, John Davis and David Ross, The Outlook for Energy in Manitoba, 1960-75, prepared for the Committee on Economic Future (Vancouver, July, 1962) 117-120; David Cass-Beggs, "How Might One Administer a Canadian Power Grid," Canadian Public Administration, (September 1964).

²³ Garth Stevenson, Unfulfilled Union: Canadian Federalism and National Unity, Revised Edition (Toronto: Gage, 1982) 109-110.

²⁴ Swainson Conflict Over the Columbia 313-315.

²⁵ Swainson Conflict Over the Columbia 316-317.

²⁶ "Statement of National Power Policy" by Honourable Mitchell Sharp, Minister of Trade and Commerce, October 8, 1963, cited in Canada/United States (1978) 136.

²⁷ The concepts of controlling all of the water in the Nelson watershed and diverting water from the Churchill were explored in 1963. See MHCL, G.E. Crippen & Associates, Interim Report on Nelson River Development (Vancouver, December, 1963) summary, 1-1 to 1-3. The equivalent of the low level diversion listed in Table 6.3 would entail 2,912 MW of power.

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- ³² George Eric Tritschler, Chairman, Final Report of the Commission of Inquiry into Manitoba Hydro (Winnipeg: Queen's Printer, December, 1979) 36, 67.
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- ³⁴ This was to be the subject of latter criticism and controversy. See: Tritschler Final Report 91-93.
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- ³⁶ PAM MRDIC COMEF Background Studies, Davis and Ross The Outlook for Energy 117-120.
- ³⁷ PAM MRDIC COMEF Background Studies, Davis and Ross The Outlook for Energy 91-93.
- ³⁸ R.E. Grose, Chairman, Manitoba to 1980: Report of the Commission on Targets for Economic Development (Winnipeg: The Commission, March, 1969) 126.
- ³⁹ Tritschler Final Report 71.
- ⁴⁰ "Ontario to Buy Manitoba Power," Winnipeg Tribune, March 7, 1968.
- ⁴¹ See Appendix "The Development of Interconnections, 1955-1969."
- ⁴² "Hydro Cuts Power Plan; Export Scheme Tossed Out." Winnipeg Tribune, February 11, 1969, pp. 1, 2.
- ⁴³ E.E. Hobbs and Associates Ltd. Special Forebay Committee Research Study, "The Grand Rapids Hydro Development and the Devastation of the Cree: Final Report" (Ottawa: 1986) 47-49; James B. Waldram, As Long as the River Runs: Hydroelectric Development and Native Communities in Western Canada (Winnipeg: University of Manitoba Press, 1988) 85-88.
- ⁴⁴ Waldram As Long as the River Runs 90-91, 94.
- ⁴⁵ Waldram As Long as the River Runs 103-105.
- ⁴⁶ Hobbs "The Grand Rapids Hydro Development" 98-124. The social and economic deterioration of the Chemawawin Band was also aided by the fact that the Band did not receive the lands which were promised to them. Indeed, during the whole decade they were only allotted under 700 of the 1150 acres

promised to them by the by a letter of intent from the Manitoba government. See Waldram As Long as the River Runs 109-111.

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⁴⁸ See MHCL, G.E. Crippen Interim Report III-2.

⁴⁹ MHCL SVF, Don Stephens, "The Challenge of the Nelson," Address to the District Supervisors Conference, Winnipeg, April 29-May 6, 1966, p. 9.

⁵⁰ Duff Roblin, Premier and Provincial Treasurer, Budget Speech and Economic Review (July 28, 1959) 19-22; Duart Farquharson, "In 11 Human Points: The Politics of Human Betterment," Winnipeg Free Press, November 27, 1962, p. 19.

⁵¹ COMEF Manitoba 1962-1975 III-I-1 to I-8.

⁵² See for example John Dafoe, "Duff Sets Economic Program: New Consultative Board Heads List of Seven Proposals," Winnipeg Free Press, November 24, 1962, pp. 1, 7.

⁵³ David Francis, "Optimism Rampant in Manitoba: Merchants, Housewives Cab Drivers Share the New Spirit of Enthusiasm," Financial Post, April 6, 1960, pp. 50-51.

⁵⁴ Manitoba, Provincial Treasurer, Budget Address 1955 14-16, and Budget Address 1961 32-37.

⁵⁵ Dorothy Jane Snidal, "A Financial History of Manitoba From 1950-1965," (M.A. Thesis, Winnipeg: University of Manitoba, 1967) 34-40, 57-120; Harold Chorney, "The Political Economy of Provincial Economic Development Policy: A Case Study of Manitoba," (Winnipeg: University of Manitoba, 1970) 35-41.

⁵⁶ Snidal "A Financial History" 122-125; Chorney "The Political Economy" 41-44.

⁵⁷ Snidal "A Financial History" 130-134; Duff Roblin Budget Speech 1959 27-30.

⁵⁸ Snidal "A Financial History" 122-125; 171-176.

⁵⁹ In their first year in office the Conservatives set up a permanent subcommittee of cabinet, the Manitoba Development Authority, responsible for economic growth. The Roblin Government also established the Manitoba Development Fund, completely reorganized the Department of Agriculture to give it the mandate to pursue water control projects, established a regional development branch for the Department of Industry and Commerce, and established the utilities, Manitoba Telephone, Manitoba Power Commission and Manitoba Hydro-Electric Board, as major investors. See Duff Roblin Budget Speech 11-19.

⁶⁰ "Manitoba," in John Saywell, ed., Canadian Annual Review of Politics and Public Affairs for 1961 (Toronto: University of Toronto Press, 1961) 59.

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- ⁶¹ Thomas Peterson, "Manitoba," Canadian Annual Review for 1963, p. 129.
- ⁶² COMEF Manitoba 1962-1975 I-1 to I-7.
- ⁶³ MHCL, Manitoba Hydro Manitoba System Development, Interim Report No 1 1-2.
- ⁶⁴ PAM MRDIC COMEF Background Studies, Davis and Ross The Outlook for Energy 72-75.
- ⁶⁵ PAM MRDIC COMEF Background Studies, Davis and Ross The Outlook for Energy 76-88.
- ⁶⁶ COMEF Manitoba 1962-1975 X-7 to X-14.
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- ⁶⁸ Chorney "The Political Economy" 59-79.
- ⁶⁹ Melissa Clark-Jones, A Staple State: Canadian Industrial Resources in Cold War (Toronto: University of Toronto Press, 1987) . 4-12.
- ⁷⁰ Chorney "The Political Economy" 99-119.
- ⁷¹ MHCL, Authur D. Little, Inc, "An Assessment of the Impact of Nelson River Electrical Power on Industrial Development in Manitoba," Report to Department of Industry and Commerce, Government of Manitoba (Winnipeg, Manitoba, June, 1966) 12-13, 27-61.
- ⁷² Don Stephens, "Power From the Nelson," Address to the Annual Meeting of the Morden and District Chamber of Commerce, January 23, 1968, pp. 14-16.
- ⁷³ MHCL SVF, K. Kristjanson, "Economic Impact of the Nelson River on Manitoba and Manitoba Hydro," Address to the 1966 District Supervisors Conference, April 29 and May 6, 1966.
- ⁷⁴ The following Free Press article summarizes the taxation aspects of the depression fiscal crisis. E.M.S., "Shrouded in Bitter Memory: Last Sales Tax," Editorial, Winnipeg Free Press, Feb. 17, 1966.
- ⁷⁵ Manitoba Hydro, Annual Report 1968 5.
- ⁷⁶ Manitoba, Provincial Treasurer Budget Address 1968 5-8; Budget Address 1969 21, 56.
- ⁷⁷ Thomas Peterson, "Manitoba," in John Saywell, ed., Canadian Annual Review for 1968 (Toronto: University of Toronto Press, 1968) 163-165.
- ⁷⁸ It was established in 1967 to extend the COMEF into the next decade. It differed in the sense the Commission was headed by the directors of the central agencies established to carry out the modernization

programme, the Minister of the Department of Industry and Commerce, Sydney Spivak, and Rex Grose, the head of the Manitoba Development Fund, although it did as the previous exercise, also rely upon the voluntary participation of business and community notables.

⁷⁹ Grose Manitoba to 1980 127-128; 234-237.

⁸⁰ Chorney "The Political Economy" 80-87

⁸¹ Philip Mathias, Forced Growth (Toronto: J. Lewis and Samuel, 1971).

⁸² Thomas Peterson, "Manitoba," in John Saywell, ed., Canadian Annual Review for 1967 1968 (Toronto: University of Toronto Press, 1967) 155; (1968) 167-168.

⁸³ Wiseman Social Democracy 117-124.

⁸⁴ Morton Manitoba Revised Edition 500-502.

⁸⁵ Snidal "A Financial History" 185-187.

⁸⁶ Thomas Peterson, "Manitoba: Ethnic and Class Politics," in Martin Robin, ed., Canadian Provincial Politics (Scarborough: Prentice Hall, 1978).

⁸⁷ "Editorial," Winnipeg Tribune, August 27, 1959; R.W. Queen-Hughes, "Slide Rules Not the Last Word," Winnipeg Tribune, May 28, 1964; R.W. Queen-Hughes, "The Pioneers Would Have Cheered," Winnipeg Tribune, Feb. 17, 1966.

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⁹⁷ Wiseman Social Democracy 88-105, 107-108.

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⁹⁹ The similarity between NDP and Conservative campaign programs led the Free Press to cover the NDP with the same brush. See: "A Serious Affair: NDP Launches a Campaign," Winnipeg Free Press, November 19, 1962; p. 23; "A Taxing Program," Winnipeg Free Press, November 20, 1962; p. 19; "Mr. Paulley's Pie in the Sky," Winnipeg Free Press, November 22, 1962; p. 27.; "The High Cost of the NDP," Winnipeg Free Press, December 5, 1962; p.44.; "NDP Hallucination," Winnipeg Free Press, December 6, 1962; p.47.

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¹¹⁶ PAM MRDIC COMEF, RG 6, D 1, Box 4, Vol XV, Background Studies. COMEF Confidential Document, Stuart Jamieson and Harry Hawthorn, "The Role of Native Peoples in Industrial Development in Northern Manitoba" (Vancouver: University of British Columbia, September, 1962) 1-7.

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¹¹⁹ Ibid. See also: Steve Melnyk, "Campaigning Tories Dust off '59 Relocation Report," Winnipeg Tribune, May 24, 1959.

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¹²¹ Tritschler Final Report 74.

¹²² Tritschler Final Report 74-75, 199-200.

¹²³ Tritschler Final Report 200.

¹²⁴ Thomas Peterson, "Manitoba," Canadian Annual Review of Politics and Public Affairs for 1967 (Toronto: University of Toronto Press, 1967) 149.

¹²⁵ Waldram As Long as the River Runs 125. See also Chuck Thompson, "Enns Says Decision Was Made in December," Winnipeg Tribune January 21, 1969; Barry Mullin, "Molgat, Paulley Against Government Move," Winnipeg Tribune January 21, 1969; Mac Keillor, "At Hydro Hearing Flooding Hit on All Sides: University Professors Lambaste Diversion," Winnipeg Free Press, January 28, 1969, pp. 1, 16; Bob Culbert, "Alternatives Not Studied Adequately, Expert Says," Winnipeg Free Press, January 28, 1969, pp. 1, 16; "Enns Delays Issue of Hydro Flooding Permit," Winnipeg Tribune January 28, 1969, pp. 1, 2; "Hydro Men Tell Their Side," Winnipeg Tribune January 28, 1969, p. 1.

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¹²⁹ Tritschler Final Report 75-76.

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CHAPTER 7

HYDRO AND THE EXHAUSTION OF SOCIAL DEMOCRATIC CONTINENTAL MODERNIZATION, 1969-77

Introduction

The Schreyer government came and went in the midst of contestation over the provincial continental modernization policy paradigm. The incoming NDP government was faced with all the difficulties inherent in the high-level Churchill River diversion (CRD) conflict. By 1977 the NDP government had itself implemented its own version of the continental energy policy paradigm, a programme of action which was fraught with conflict from beginning to end. Indeed, as in 1969, hydro contestation became an integral part of the struggle over the direction of state intervention in Manitoba.

The NDP version of the provincial continental modernization hydro paradigm differed in key respects from that of the previous Conservative government. First, the design of the projects was changed in order to minimize the expected environmental impact. While the former government had decided to jettison the idea of Lake Winnipeg Regulation (LWR) in favour of the radical simplicity of the "high-level" CRD, the Schreyer government returned to the original Phase One concept of a less dramatic "medium-level" CRD in conjunction with the LWR project. The changes in project design were intended to resolve the social and environmental problems at issue during the 1969 election. Second, the NDP government decided to accelerate substantially the pace of investment in the lower Nelson River megaprojects. Third, it began the construction of interconnections with other utilities and gained export licences to sell surplus capacity and energy in the United States.

Why the continued contestation? The NDP policy paradigm was marred by continued policy failures centring on two fundamental anomalies. First, the hydro

megaprojects had not been preceded by a resolution of major environmental problems or an accommodation with affected aboriginal peoples. Indeed, for reasons discussed below these problems grew worse. Second, the continental hydro policy paradigm's anomalies spread to centre on its economic underpinnings. Too much capacity had been built for existing markets, and the cost of constructing and financing them spiralled. As a result, the utility and government had to manage the classic staples problem of excess capacity by breaking the historical "cheap power" policy through rapidly increasing rates and then by seeking export markets for excess Nelson River energy. What had begun as an energy strategy geared towards meeting domestic energy needs and fostering provincial industrial diversification emerged, in these changed circumstances, as a form of dependent continental resource integration.

Why did the NDP continue with so much of the substance of the inherited policy paradigm--an initiative that critics of the administration indicate conflicted with the NDP's overall social democratic project?¹ Why could the NDP government not ameliorate the regional environmental and social problems associated with the hydro strategy? Why was it unable to shift the hydro paradigm as the economic conditions underlying the modernization economic strategy collapsed? These are the questions addressed in this chapter.

Four interrelated explanations are offered: first, the NDP government's ability to shift the inherited policy paradigm was subject to severe constraints stemming from strategic decisions taken by former governments which had already established a Nelson River power corridor and an impending energy deficit which the high-level diversion was supposed to remedy. Moreover, the 1960s investments had all assumed a future CRD or an equivalent means of managing water. Second, the key assumptions which underlined the policy calculus (in both the decision to proceed with the megaprojects on the basis of

design modifications and the decision to proceed with massive additions to capacity after 1973) failed to hold. Third, the NDP did not break from the ideological definition of the role of hydro in provincial economic modernization so important to the preceding Conservative administrations. Fourth, the NDP continued with a policy process well insulated from the influence of organized interests and popular pressures. As a result, all else remaining the same, a shift in the policy paradigm could only come from electoral competition.

Over the course of the NDP's term in power, political discourse and political alliances over the hydro question and on the overall economic strategy changed. Hydro megaprojects no longer symbolized a modernization process that would unite the major political forces of the province, or the provincial and federal governments. Rather, there was a discursive struggle between a neoconservatism (highly influenced by traditional Liberal-Progressive political conventions) and the earlier social democratic version of the modernization ideology. When the NDP lost power in 1977 to the Conservative party, it was clear that the role of Hydro in shaping provincial economic modernization had ended.

The Emergence of a Hydro as a Continental Staple

The policy problem facing the new NDP government was simple and profound. Manitoba faced energy deficits beginning in 1973-74 and the major means by which that energy was to be supplied--the high-level Churchill River Diversion (CRD)-- had been politically discredited. To address the problem the provincial government followed through on a campaign promise to review the diversion decision. During the summer of 1969, Schreyer formed a cabinet committee to review the hydro question. Also, a committee of the legislature was formed with a mandate to seek the views of the residents of northern communities towards hydro development.² Manitoba Hydro engaged consultants to reconceptualize its CRD options and the government appointed David

Cass-Beggs, an engineer, head of Saskatchewan Power Corporation (SPC), and long-term CCF/NDP activist, as a special advisor to the government in hydro matters.

Cass-Beggs became the primary agent through which the NDP evaluated the Weir government's hydro plans. Cass-Beggs' preliminary evaluation turned back to the original proposals of the Nelson River Planning Board. Instead of opting for a "high-level" diversion of the Churchill River, he proposed a "medium-level" diversion causing less flooding and diverting less water. Cass-Beggs' "medium-level" CRD would be accompanied by Lake Winnipeg regulation (LWR) to provide a reservoir to control water flows for the lower Nelson power plants. Critical to this plan were a series of assumptions: the beliefs that the smaller diversion of the Churchill River would not force the resettlement of the community of South Indian Lake, that the LWR was a simpler project which could be built more rapidly than the CRD, and, that the reversal of the sequence of development would ensure that Manitoba Hydro would gain sufficient time to mitigate the environmental problems associated with the CRD. It is no wonder that the Schreyer government looked at the Cass-Beggs plan with "positive relief."³ In September 1969, Schreyer formally instructed Manitoba Hydro to drop the high-level diversion, to outline proposals for meeting the province's short-term energy needs and to examine the energy development plans outlined by Cass-Beggs. From February to September 1970, Cass-Beggs commanded an internal Manitoba Hydro Task Force that worked to detail the energy strategy.

The reversal of the order and nature of the water control and diversion aspects of the Churchill-Nelson hydro strategy were the significant policy innovations contained within the Task Force's final draft. There were several justifications for these recommendations. In contrast to earlier planning exercises the "medium-level" diversion, when coupled with Lake Winnipeg Regulation, was deemed to be the most economical

combination of alternatives when capital costs and the value of resources lost were also taken into consideration.⁴ Moreover, the original high-level diversion assumed that the Churchill River would have a much higher dependable flow (50,000 cfs as opposed to 30,000 cfs) which could be diverted. The Task Force report questioned this assumption, pointing out that the flow of the Churchill in Manitoba depended upon the water management policies of the Saskatchewan government.⁵ Hence, the high-level diversion stood on a shaky economic foundation. Still, Manitoba Hydro's consultant had recommended a "medium-level diversion" (854') which was somewhat higher than that proposed by the Task Force (850'). The Task Force had selected the form of diversion which was designed to be economical and would not cause the flooding or relocation of South Indian Lake.⁶ If the Task Force assumptions were correct the NDP government would have its cake and eat it too. The Churchill River Diversion could proceed, and the community of South Indian Lake could be preserved.

Reversing the order of development by placing Lake Winnipeg Regulation (LWR) ahead of the CRD would, as is discussed below, become a highly contested policy innovation. The rationale for the reversal was that it would allow Manitoba Hydro the lead time to investigate, design and prepare more thoroughly for the CRD.⁷ Economically, however, proceeding first with the LWR was difficult to justify. The NRPB concluded that Lake Winnipeg Regulation could be delayed until the end of the decade, if not longer. Subsequently, in the context of the high-level diversion the project had less importance because South Indian Lake became the control reservoir for the whole system. Even having rejected the high-level diversion, consultants advised that a "medium-level" CRD precede the LWR. After all, the LWR could only make the hydro capacity within the existing river flow more manageable, while a river diversion could add to the hydro potential of the river as a whole.

In the context of the Cass-Beggs plan, however, the control of Lake Winnipeg became a stepping stone to help bridge the anticipated energy shortage until the CRD was completed. The LWR would increase the energy potential of the upper Nelson. Hence, additional capacity at the Kelsey plant, in conjunction with the LWR, could take care of the anticipated 1974 energy deficiency.⁸ Because of the knowledge that the LWR was not justified economically by power benefits alone, the report recommended that water power rentals be increased to pay for it.⁹ The Task Force's major concern when defining the water control benefits was the cyclical flooding that occurs from above average water flows.¹⁰

Finally, the Task Force assumed that Manitoba Hydro growth in annual peak demand would be 10 per cent each year, as opposed to the 6 per cent forecast used by Manitoba Hydro itself.¹¹ Figure 7.1 indicates that the 10 per cent forecast implied a rise in demand fully 1000 MW above the 6 per cent estimate used normally by Hydro, and a level of demand that was substantially above actual outcomes. In order to gain the capacity to meet this level of demand, Manitoba Hydro had to embark upon a crash programme of capacity investment. In this compressed time frame the sequence and timing of the LWR and CRD did not make much difference. Both would be needed as the lower Nelson megaprojects were developed.¹²

Figure 7.1. Task Force Projections and Actual Firm Peak Demand, 1970-81

Though the Task Force set out the new concepts for Manitoba's long-term energy development, they were no more than preliminary sketches. This would not necessarily have been problematic except that the Task Force recommendations were also presented as a short-term solution for the 1974 energy gap which would occur between the completion of the LWR and the CRD. The NDP or Manitoba Hydro could have insisted that more time was needed to finalize new project designs and to prepare for the investments. Time, therefore, would have been bought by relying upon incremental additions to the province's coal-thermal capacity interconnections and imports to meet the anticipated energy deficit until the diversion, storage and capacity plans were better defined. But no such initiatives were undertaken.¹³ Nor were the export contracts to Ontario Hydro cancelled.¹⁴ Hence, it is important to indicate that the Task Force's technical innovations were justified as reasonable solutions given the constraints of an impending energy shortage. During the 1969 review and 1970 Task Force Manitoba Hydro had not undertaken any substantial environmental analysis on the effect of the project, and indeed, still held that analyses of the social and environmental effects of such projects was the responsibility of the government.¹⁵ When the Manitoba Hydro Board and

the NDP government accepted the Task Force recommendations in the fall of 1970 the actual energy programme was in fact still at a very crude level of detail and design.

During the 1970-77 period the Schreyer government implemented a diversion and regulation scheme based upon the Cass-Beggs Task Force Report. In hindsight it is easy to point out that the weakness of the policy was that it attempted to do too much in too short a time. As a result the merits of the design innovations were lost by unanticipated problems, design revisions and cost overruns. For example, the LWR was commenced almost immediately, but was then subject to major design revisions while under construction. The most significant design revision was to change the site of the major diversion channel and to add some generation capacity to the control structure at Jenpeg. The energy production associated with the control structure would then yield the LWR much more economic returns from the project. The problem, however, was that so many substantial problems were encountered in the small (168 MW) Jenpeg site that when finally completed, 2.5 years behind schedule, it stood as the most expensive capacity ever built by the utility.¹⁶ When the Schreyer Government left office in 1977 it had not yet been completed. Jenpeg had become a symbol of the weakness of the hydro strategy instead of a symbol of its economic strength.

The CRD followed the same pattern. Despite having some leeway for design and preparation, Manitoba Hydro was still at a very preliminary understanding of the intricacies of the river diversion when it was finally committed itself to construction.¹⁷ Design modification, infighting within Hydro on optimum operating and licensing levels, and failure to examine downstream effects of the project ensured continued cost overruns and concern over an expanded set of mitigation problems.¹⁸ Moreover, the construction delays kept the utility in an energy tight position, particularly during 1976-77 when Manitoba experienced a severe drought. Indeed, the utility was so hard pressed for more

energy that it contemplated increasing the flow of the diversion to 50 per cent of its intended flow despite the fact that this would cause \$2.6 million in direct property damage and result in uncalculated indirect compensation charges being levelled against the utility.¹⁹

The failure to address environmental implications dashed all hopes of the NDP to present its version of the CRD as a compromise that would have mitigated, by design, the worst regional environmental and sociological impacts of the northern hydro strategy. Contrary to intended policy, South Indian Lake would undergo serious environmental damage and part of the community would have to be moved and consolidated.²⁰ Moreover downstream communities would also need extensive efforts to mitigate environmental impacts.²¹ Relations, as discussed below, between the NDP government and the affected Cree communities deteriorated into a bitter conflict. Clearly the key problems concerning the CRD were not solved within the Task Force process or subsequent pre-construction period of hydro planning. In short, neither the NDP government nor MHEB, during the 1969-77 period, anticipated or understood the environmental implications of the hydro strategy before it was implemented. The continual policy failures experienced in the attempts to ameliorate these concerns made environmental and social impacts a fundamental anomaly to the hydro policy paradigm.

The water control and diversion projects were only part of the physical infrastructure needed to implement the NDP version of the continental hydro paradigm. The other major ingredients were interconnections and capacity. In regard to the latter, the NDP government departed from previous planning in two ways. As the following table indicates Manitoba Hydro planning under high and low demand assumptions envisaged following the Kettle megaproject with the development of three small hydro sites on the Burntwood River along the diversion route from South Indian Lake to the Nelson River.

approved a plan popularly called the "march down the Nelson" which sought to concentrate all efforts on the megaprojects on the lower Nelson, Kettle, Long Spruce, Upper and Lower Limestone, and Gillam Island.²² This was accompanied by the targeting of Long Spruce (after the completion of Kettle and Jenpeg) as the next site to be developed. In 1975 the Manitoba Hydro Board also gave approval to begin construction of Limestone for completion during 1983-84.²³ Unlike the diversion and regulation projects, these capacity investments proceeded without major unanticipated design modifications or cost overruns.²⁴

Table 7.1. 1970 Task Force Forecasts of Capacity Additions

Series A--6% Forecast LWR 710-714 CRD 30, 000 cfs			Series B--10% Forecast LWR 712-715, (1974) CRD 30, 000 cfs, (1975)		Actual MHEB Capacity Investment Schedule 1969-77	
Year	Project	Capacity	Project	Capacity	Project	Capacity
1969					Selkirk # 1	014 MW
					Grand Rapids #4	118 MW
1970					Brandon, #5	105 MW
					Kelsey, #6	032 MW
1971					Kettle, #1	106 MW
					Kettle, #2-3	212 MW
1973			Kelsey, #7	032 MW	Kettle, #4-7	424 MW
1974	Kettle, #5-7	318 MW	Kettle, #8-10	318MW	Kettle, #8-9	212 MW
1975	Kettle, #8	106 MW	Kettle, #11-12	212 MW	Kettle, #10-12	318 MW
1976	Kettle, #9, 10	212 MW	Wuskwatim #1-4	328 MW		
1977	Kettle, #11, 12	212 MW	Manasan, #1-4	174 MW		
1978	Kelsey, #7-10	128 MW	1st Rapids #1-4	216 MW	Jenpeg #1 L. Spruce # 1-2	021 MW 196 MW
1979	Wuskwatim #1-4	266 MW	Kelsey, #8, 9 Thermal	064 MW 150 MW	Jenpeg #2-5 L. Spruce # 3-6	84 MW 396 MW
1980	1st Rapids #1-4	173 MW	Kelsey, #10-12 L. Spruce #1-4	096 MW 320MW	Jenpeg #6 L. Spruce#7-10	021 MW 396 MW
1981	Purchase	100 MW	L. Spruce #5-9	400MW		
1982	L. Spruce #1-4	320 MW	L. Spruce #10-12 Gillam Island #1-5	240MW 332 MW		
1983	L. Spruce #5-7	240 MW	Gillam Island #6-11	498 MW	Limestone	300 MW
1973-83	Total Capacity Additions	1,965 MW	Total Capacity Additions	3,380 MW	Total Capacity Additions	2368

Note: Series A is forecast C11A and Series B is forecast B1R in the Task Force Report cited below.
Source: Manitoba Hydro Task Force, Report on Expansion of Generating Capacity in Manitoba (October 1970): Table 4.5-3, p. 121 and Table 4.5-6, p. 129; Manitoba Hydro, Annual Reports; George Eric Tritschler, Chairman, Final Report of the Commission of Inquiry into Manitoba Hydro (Winnipeg: Queen's Printer, 1980) 55.

The second change in regard to the capacity investment policy of Manitoba Hydro brought about by the NDP government was to accelerate the rate of development. This was a curious policy because the NDP and Manitoba Hydro officially held that all of their capacity investments were geared towards anticipated domestic energy needs.²⁵ In reality, however, the projects were accelerated in an informal "prebuild" strategy.²⁶ The results of that policy are indicated in the following figure which compares the post-1973 Series A (6

per cent) and Series B (10 per cent) planning scenarios of the 1970 Task Force with the actual investment schedule of the NDP government.

Figure 7.2. Task Force Projections Relative to the Actual Capacity Investment Schedule of the Schreyer Government

The figure illustrates that the NDP government began with an ambitious capacity investment schedule which exceeded the Series B 10 per cent forecast. Unlike the LWR and CRD related projects, Manitoba Hydro's construction of the Kettle, Long Spruce and Limestone sites were not marked by serious design problems or compromised to fit an unworkable schedule. Rather, the utility took a long planning and construction schedule for these projects which made them come within acceptable cost limits and performance standards. Nevertheless, when the NDP left office in 1977 it had committed Manitoba Hydro to completing the Long Spruce and Jenpeg sites and had also started construction on the next megaproject, Limestone, for a 1983 inservice date. Since provincial demand could not even support the Series A 6 per cent projections, the effect of the informal prebuild megaproject strategy was to make the utility increasingly plagued by problems of

excess capacity. This is illustrated by the following figure.

Figure 7.3. Capacity Allocated, Developed and Firm Peak Demand, 1969-77

By 1977 the utility had 30 per cent excess capacity relative to annual firm peak demand. Moreover, it had only completed the development of 50 per cent of its allocated capacity. Hence the excess capacity problems would become worse as Long Spruce and Limestone came onto line during the 1978-84 period. The problem of excess capacity made the utility dependent upon the export market to gain revenues needed to finance the expensive Nelson River infrastructure. While this conforms to one of the oldest ideas concerning the Nelson River hydro development, it was counter to the position taken by the NDP that the projects were developed for domestic, not export markets.

The NDP and Manitoba Hydro faced a number of choices concerning the export strategy. First, it could build for export either on a large or small scale, and thus electricity generated by the province's water resources would enter the continental market as a new industrial staple. Second, following the Targets for Economic Development thinking, the province could develop large scale diversity exchanges with interconnected southern utilities, a policy which would maximize the efficiency of capital investment between

utilities, a policy which would maximize the efficiency of capital investment between northern and southern systems. Third, the utility could continue within its small scale conservation and economy exchanges meant primarily to avoid the financial costs of capacity investment.

When the decision was made to concentrate on the lower Nelson megaprojects, Manitoba Hydro attempted to sell a proposal to accelerate the development of the whole Nelson River and even began to develop nuclear capacity by means of a continuous sale of 1000MW of energy to adjacent U.S. utilities for 30 years.²⁷ In the end, however, this proposal, as discussed below, was rejected. Out of the ashes of the continental export proposals came the informal prebuild strategy as well as an attempt to construct a genuine diversity exchange between Manitoba Hydro and three interconnected U.S. Mid-Continent Area-Power Pool (MAPP) utilities. (U.S. private utilities are integrated by means of large regional power pools. The MAPP is the power pool of the U.S. utilities contiguous to Manitoba.) Manitoba Hydro had also entered into an emergency agreement whereby Northern States Power (NSP) would make available up to 1,500 MW of capacity to the provincial utility in the advent of unforeseen poor water conditions.²⁸ On a yearly basis Manitoba Hydro could export energy when water conditions were above normal, and then import the same amount of energy from NSP in order to conserve water. Moreover, the essence of the diversity trade relationship was to be able to rely on NSP capacity as needed. Even so, the diversity relationship was built upon the assumption that twice as much energy would be exported from Manitoba as imported from NSP.²⁹ At the same time that the diversity exchange was being developed Manitoba Hydro's problem of excess capacity was becoming increasingly important. Hence the provincial utility went searching for markets. Ontario Hydro picked up surplus Long Spruce energy on a cost recovery

basis.³⁰ Table 7.3 indicates that Manitoba also gained export licences to export all of its surplus capacity and energy for a 12.5 year period.

Table 7.2. Export Contracts, 1977

Form of Contract	Capacity	Capacity Factor	Monthly Energy	Duration	Purchaser
Interruptible			19,500.0 GWh	12.5 yrs	NSP (MAPP)
Firm Summer Peaking Capacity	200 MW	20%	175-876.0 GWh/yr	12.5 yrs	NSP (MAPP)
Diversity	300 MW	0-20%	262.8 GWh/yr	12.5 yrs	NSP (MAPP)
Short-term Blocks of Firm Power	800 MW	100%	65% of surplus to 5000 GWh/yr	12.5 yrs	general
Storage Transfers			800.0 GWh/yr	12 yrs	general
Unscheduled Loop Flows			800.0 GWh/yr		
Note: Northern States Power is a member of the U.S. Mid-Continent Area Power Pool (MAPP). Source: Canada, National Energy Board. <u>Reasons for Decision in the Matter of an Application Under the National Energy Board Act of the Manitoba Hydro-Electric Board, July 1977</u> (Ottawa: National Energy Board, 1977).					

Clearly, therefore, a three tier export strategy had emerged. First, interconnections allowed Manitoba Hydro to take advantage of a small-scale conservation strategy where economy energy could be bought and sold between interconnected utilities on a sort of continental electricity spot market and small scale firm imports and exports could help minimize lumpy capital expenditures. Second, the diversity exchanges negotiated with NSP and other MAPP utilities represented a much larger scale continental specialization. Manitoba Hydro could export energy which would be returned when needed to augment its water reservoirs as well as enter into formal seasonal contracts to export firm power. On top of this continental rationalization and specialization, however, the utility had a massive problem of excess capacity. Hence much of the Nelson River hydro-electric energy would be dumped on continental markets as "economy energy" which would never gain prices that reflected the cost of investment, let alone a return to capital. As well the

utility gained the rights to negotiate short-term exports of 800MW to unknown U.S. utilities for twelve years--an export level that resembled the discarded prebuild strategy.

The NDP government's interconnection policy reflected the emphasis on continentalism. During the decade Manitoba Hydro strengthened its interconnections with Ontario and Saskatchewan and opened up interconnections with MAPP utilities. During 1976-77 plans were laid to build a large 1,000 MW capacity interconnection to handle north south trade. Hence the NDP policy, despite the official rejection of the continental export policy, left Manitoba Hydro with the interconnection capacity for large scale transfers to MAPP utilities. Indeed, as Table 7.3 indicates, over half of the 2250 MW of interconnection capacity installed by 1980 connected Manitoba Hydro to MAPP utilities.

Table 7.3. Interconnections

Interconnection	Voltage	Commencement Date	Inservice Date	Capacity
MHEB-OHEB ^a	115 Kv	1957	1957	
	230,000 Kv	1970	1972	
1977 Total MHEB-OHEB				250 MW
MHEB-SPC ^b	230,000 Kv		1960	80 MW
	230,000 Kv		1972	80 MW
	230,000 Kv	1977	1979	
1977 Total MHEB-SPC				160 MW
1979 Total MHEB-SPC				650 MW
MHEB-USA (MAPP)	230,000 Kv	1969	1970	175 MW
	230,000 Kv	1976	1977	175 MW
	500,000 Kv	1977	1980	1000 MW
1977 Total MHEB-USA MAPP				350 MW
1980 Total MHEB-USA MAPP				1,350 MW
Total Interconnection Capacity			1970	275 MW
Total Interconnection Capacity			1977	760 MW
Total Interconnection Capacity			1980	2250 MW
Notes: ^a Ontario Hydro; ^b Saskatchewan Power Corporation; ^c Northern States Power, Minnesota Power & Light Co., Minkota Power Cooperative, Otter Tail Power -- all members of the Mid-Continent Area Power Pool (MAPP).				
Source: Canada, National Energy Board, <u>Reasons for Decision in the Matter of an Application under the National Energy Board Act of the Manitoba Hydro-Electric Board</u> (Ottawa: National Energy Board, July 1977).				

The trading relationship which emerged is described in the following Figures. Figure 7.4 indicates that after the energy squeeze of the early part of the decade Ontario Hydro provided the major export market for Manitoba Hydro, followed closely by U.S. MAPP utilities. During 1976-77 the province of Manitoba was struck by a drought at the worst possible financial point. Rates of energy demand were falling, massive additions to energy capacity were coming on line and the CRD was not fully operational. The province's large reservoirs and excess capacity allowed Manitoba Hydro to meet its demand, but at the price of forgoing export revenue and relying extensively on imports--a strategy that strained the financial resources of the MHEB.³¹

Figure 7.4. Extraprovincial Trade Relationships, 1969-1977

As a whole, the proportion of Manitoba Hydro's total generation dedicated to external markets grew to the point where by 1974 they had reached about 24 per cent, a level greater than that consumed by the domestic market. However, the net external proportion of Manitoba's energy sales dropped below that of the domestic market because of the drought. Nevertheless, the export markets did not provide more than 16 per cent of

Manitoba Hydro's revenues. In other words, the export market was the poorest revenue producer in relation to industrial and domestic markets.

Figure 7.5. Domestic and External Markets, 1969-77

Figure 7.6. Manitoba Hydro Revenues (per cent), 1969-1977

Inevitably, the combination of higher than expected investment costs and lower than expected revenues worked to erode the basis of the province's historic "cheap power" policy. The increasing financial weakness of Manitoba was exacerbated by a bout of cost

inflation which also translated into increased interest rates. The only recourse to the deteriorating financial position of Manitoba Hydro was to increase electricity rates, in 1974, 1975, 1976 and 1977. Moreover, the utility forecast the necessity of further rate increases. These continual rate hikes opened the hydro policy to larger issues surrounding the struggle for political power between the NDP and the Conservative Party.

Policy Constraints and Assumptions

To explain why the NDP began its governance with such a minor intra-paradigm shift to the inherited policy paradigm it is important to consider the formidable set of constraints it faced. First, on a pragmatic level, Manitoba Hydro faced a capacity shortage commencing in 1973-74. While the government could find ways to ensure that this shortage did not become a crisis and to give it some time to come up with alternative plans, the basic fact of the matter is that the energy problem stemmed from the need for new capacity. To this extent the Schreyer government faced the same problem which had plagued Manitoba since 1948. The significant difference was that during the 1960s the discourse focused on the role of hydro investment as a catalyst in modernizing the economy, while the 1969 focus switched to centre on the social and environmental consequences of continuous investment, or the darker side of the modernization process. Hence the NDP would have to get new capacity and do so in a way that would accommodate these concerns.

Second, the 1969 election also represented a political defeat for the high-level Churchill River Diversion advocated by Weir and Manitoba Hydro. During the election the Conservative Party remained thoroughly committed to its high-level diversion while the Liberal Party had stood fast in its opposition to the river diversion and in defence of the community of South Indian Lake. In the pre-election legislative battles over the hydro question retiring NDP leader Russ Paulley and leadership hopeful Sid Green had

advocated subjecting the whole hydro plan to public review.³² During the campaign Schreyer had promised only to study the whole question.³³ Nevertheless the election signalled the political death of the high-level diversion. The pressure was on to find an alternative to the high-level diversion.

Third, despite the political status of the CRD, the inescapable fact of the matter was that the province, through Manitoba Hydro, was already committed to some form of river diversion.³⁴ Construction of the first megaproject on the Nelson River, Kettle Rapids, was already underway. Additionally, AECL was in the midst of constructing the high voltage transmission facilities from the Lower Nelson River to the southern electrical grid. The utility had already committed itself to exporting firm power to Ontario Hydro.³⁵ The economic logic of these initiatives was founded upon assuming that the diversion of the Churchill River into the Nelson would increase the dependable energy potential of the Lower Nelson hydro installations. The NDP energy strategy would have to account for the implementation of these strategic decisions well before the issue of Churchill River Diversion brought the whole hydro strategy under question. Later Schreyer would reveal that at no time did he assume that the provincial energy requirements could be met without some sort of river diversion.³⁶ The key questions were to lie within the actual design of alternative hydro development plans.

Fourth, the capacity of the Schreyer government to make an energy policy was limited because of the strategic policy role of Manitoba Hydro. There was no politically credible body of expertise within the province that had articulated clear alternatives to the high-level CRD, or that could be counted on to do so. Since the death of Don Stephens in 1968 Manitoba Hydro did not have a powerfully legitimate nonpartisan political identity. Rather, the leadership of Manitoba Hydro had been so thoroughly committed to the high-level diversion that the June 1969 election results could readily be interpreted as a defeat

of the provincial utility as well as the incumbent government. Moreover, Manitoba Hydro leadership was caught completely off-guard by the election. It had never considered the possibility of a cancellation of the high-level diversion and, therefore, had not considered an alternative energy strategy. Hence the Cass-Beggs review and Task Force process represented policy experiments which were important steps in forming an NDP alternative.

Fifth, the Manitoba NDP did not have a legacy of policy discourse which fundamentally departed from that which it inherited from the Roblin-Weir administrations. The historical CCF energy policy platforms had lineages within the urban public power movement, and as such had little relevance by 1969. During the 1950s and 1960s the party had become concerned more with progressive welfare state initiatives than with economic or energy strategies. This ideological thrust naturally led the NDP to become sensitive to the social and environmental anomalies of the Weir hydro plans. Yet that in itself did not define an energy policy and was not accompanied by any wholesale reevaluation of the role of the state in hydro investment or its relationships to economic development. In short, while the NDP shared with other opposition a critique of the MHEB-Weir administration's high-level diversion proposal and the process by which the Manitoba government attempted to implement its policy, the party did not have a substantive critique of the hydro energy policy paradigm as a whole.

Finally, the NDP faced a set of political constraints which discouraged any attempt to change radically the hydro policy paradigm even if it had so desired. Indeed, it was caught between two conflicting forces. On one side, the 1969 election left the NDP only a slim margin of power as a minority government in a tightly balanced legislature.³⁷ It would take a series of by-elections to produce a slim legislative majority.³⁸ This was not a power base for radical change. On the other side, the Churchill River Diversion opposition were still attempting to stop the project entirely. South Indian Lake sponsored litigation

challenging the jurisdictional authority of the Manitoba government to proceed with the CRD, and this represented a fundamental constraint facing the NDP.³⁹ The Weir government's attempt to outmanoeuvre the legal challenge through legislative approval of the high-level CRD did not resolve the issue. The NDP government, therefore, inherited a policy environment which contained organized opposition with important legal resources. These constraints best explain the Task Force recommendations concerning the order and timing of the LWR and CRD as well as, as we shall see below, the continued hard position taken by the NDP government against the hydro opposition in northern Manitoba.

The Economic and Financial Assumptions

The NDP policy paradigm was simply a version of the Roblin modernization project, and was based primarily upon the same assumptions. It was really the failure of the key economic, financial and political assumptions underpinning the provincial continental modernization hydro paradigm that caused its policy problems to become anomalies which it could not resolve. Since the early 1960s hydro planners assumed that Manitoba could have its cake and eat it too. It could invest in the hydro megaprojects and not suffer the consequences of increasing hydro rates. Instead, they had thought that the export markets and increased industrialization would eventually pay for the investments. Similarly, NDP planning had assumed that it could proceed with the hydro projects and avoid the environmental problems of the high-level diversion simply by a series of design modifications. Yet these assumptions began to unravel. Three interrelated factors weakened the assumed economic and financial structure of the continental hydro policy paradigm: the 1970s stagflation, the devaluation of the Canadian dollar relative to other western currencies, and the post-1973 energy crisis.

The first two factors ensured that the hydro megaprojects were more expensive to build and to finance. As Figure 7.7 indicates, there were four principal elements of the

debt: long-term bonds floated by Manitoba Hydro, advances from the Manitoba government (usually composed of shorter-term bonds and special loans negotiated by the Manitoba government on behalf of the utility), a special long-term loan from the Government of Canada respecting the construction of the high voltage direct current (HVDC) transmission system from the upper Nelson to the southern grid, and the debt related to the compensation of Aboriginal peoples and others for the use of land and resources. Since the Manitoba government did not reach a settlement with the aboriginal peoples, the official debt structure reflected the first three elements. Moreover, the HVDC was not listed by Manitoba Hydro as either an asset or a liability.⁴⁰ Hence the political accounting for the Hydro debt centred simply on the direct financial costs of Manitoba Hydro bonds and other advances negotiated by the Manitoba government.

Figure 7.7. Distribution of Hydro-Related Debt, 1969-77

During the 1970s all of the elements of the hydro-related debt increased. Most significant was the long-term debt of Manitoba hydro, which rocketed from about \$700 million to \$2.2 billion (excluding the HVDC agreement with the government of Canada). As indicated above, between \$400-\$600 million of that total reflected the cost overruns on

the river diversion. The cost of building the HVDC transmission link had also doubled the estimate.

Though the cost overruns became one of the most politicized aspects of the NDP hydro policy, the long-term problem facing the government and utility centred upon the fact that the megaprojects had to be financed during an inflationary period. The significance of the inflation can be gauged by the following figures. First, figure 7.8 places the rise in interest rates in an historical perspective. It indicates that the rate of interest actually declined during the Liberal-Progressive period. During the 1960s the average annual rate of interest rose 2 per cent in eleven years. During this period Manitoba Hydro took out substantially lower-cost, long-term financing in U.S. currency as a means of reducing financial costs. During the 1970s the interest rates increased 2.5 per cent in eight years. On average, therefore, the cost of Manitoba Hydro's debt was increasing.

Figure 7.8. Average Annual Interest Rate on Manitoba Hydro Bonds, 1954-77

It follows that the interest rates on bonds used to finance new projects were increasing more than the historical average. But the hydro investments were evaluated using the historically low interest rates (ranging between 4 and 6 per cent).⁴¹ Yet, as the

following table illustrates, the northern megaprojects were financed at an average annual interest rate of 8.73 per cent.

Table 7.4. Manitoba Hydro Financing, 1969-77

	Value (\$1000 CDN) ^a	Average Term of Loan (years)	Average Annual Rate of Interest	Value (\$1000 CDN) ^a	Average Term of Loan (years)	Average Annual Rate of Interest
Currency	Advances^b			Bonds		
Canadian Dollar	114,620	19	8.88%	413,000	17	8.10%
United States Dollar	128,184	17	8.73%	816,850	26	8.94%
Deutsche Mark				30,620	14	6.75%
Swiss Franc	081,627	6	8.44%	31,070	15	7.75%
Total	324,431	16	8.73%	1,291,540	19	8.22%
^a Loans in foreign currencies are valued at the Canadian equivalent at date of loan						
^b does not include the special Canada-Manitoba loan for the design and construction of the HVDC line between Gillam and the Southern Grid.						
Source: Manitoba Hydro, Annual Report, various years.						

The significance of the cost overruns and interest rate increases are summarized below. The cost overruns alone (\$500 million) increased the annual carrying charges of the hydro megaprojects by 50 per cent per year. The interest rate increases alone increased the annual financial costs 45 per cent. Financing the cost overruns at the higher interest rates increased the cost 118 per cent over the base case. Clearly cost overruns coupled with inflation eroded the financial basis of the continental hydro policy paradigm and placed the government and Manitoba Hydro in a scramble to attain the revenues to pay for the escalating financial costs.

Table 7.5. Illustrative Distribution of Cost Increases

	Cost Overruns ^b	Interest Rate Increases ^c	Cost Overruns and Interest Rate Increases ^d	Cost Overruns, Interest Rate Increases and Exchange Rate Effects ^e
Annual Carrying Costs: Base Case ^a	\$62.3 million	\$62.3 million	\$62.3 million	\$62.3 million
Test Cases	\$93.5 million	\$90.7 million	\$136 million	\$155 million
Percentage Increase over Base Case	50%	45%	118%	148%
^a Principal 1 billion, interest rate 5.5%. amortization period, 40 years; ^b Principal 1.5 billion, interest rate 5.5%. amortization period, 40 years ^c Principal 1 billion, interest rate 8.75%. amortization period, 40 years ^d Principal 1.5 billion, interest rate 8.75%. amortization period, 40 years ^e Principal 1.5 billion plus exchange rate effect, interest rate 8.75%. amortization period, 40 years plus 8% of 50% of loan. Exchange rate effect (\$60.9 million) equals 7% of 58% of the principal. This approximated the actual 1977 situation.				

The financial pressure on the policy paradigm was exacerbated by the international value of the Canadian dollar. Until 1971 the Canadian exchange rate was pegged relative to the \$U.S. During this period Manitoba Hydro could count upon long-term savings from interest rate spreads between the lending institutions in Canada and the United States. After 1971 the fixed exchange rate was abandoned, and the floating Canadian dollar added a greater degree of entrepreneurial risk when borrowing in other currencies. This is illustrated in the following figure. During the 1960s the Roblin and Weir governments turned to U.S. financing to capitalize on lower interest rates. To finance the continental hydro policy paradigm the Schreyer government also used American and European currencies. During the 1969-77 period the percentage of hydro-related debt held in Canadian dollars shrank from 88 per cent to about 42 per cent, reflecting the tendency of Manitoba Hydro and the Manitoba Government to rely upon American financial institutions to finance the continental megaprojects. (The Canadian value of foreign debts is calculated as the equivalent Canadian value at the date of the loan.) In 1972 and 1974

the exchange rate effect marginally decreased the value of the hydro-related financial liabilities. But in 1977 the Canadian dollar began to substantially decline relative to the U.S. dollar. The value of the hydro-related debt increased correspondingly. Indeed, the illustrative table emulates the 1977 experience to show the hydro financing costs were 148 per cent over the base case. Given that the majority of the Nelson River megaprojects had been financed in U.S. financial institutions, the prospects of a new long-term devaluation of the Canadian dollar further eroded the financial underpinnings of the provincial continental modernization hydro policy paradigm.

Figure 7.9. Hydro-Related Debt By Currency, 1963-77

Hydro planning had assumed that the historical or secular trend of growing demand for electricity would provide the revenues to finance new additions to capacity. All that was at issue, therefore, was the timing and sequence of project implementation. But this assumption did not hold because after 1973 the secular trend in demand began to decline. Figure 7.10 shows that the actual growth of the annual firm peak demand fell well short of the inflated Series B 10 per cent demand projections which were used to justify the Task Force proposals. After 1975 the demand also fell short of the Series A 6 per cent

projections used by Manitoba Hydro. The new secular trend of lower rates of firm peak demand, however, was not characterized by a clear-cut transition. Figure 7.10 also illustrates that the annual growth of firm peak demand was prone to wide swings. From 1969-1972 it remained well above historical averages. From 1973-1977 the rate of change seesawed in a secular decline. On the whole the trend was substantially less than that envisaged in 1970. (The 1975 highs and 1978-79 lows in the forecasts reflect the beginning and end of existing export contracts). When Manitoba Hydro applied to the National Energy Board for licences to export surplus power and energy to American utilities, it in fact used a 7 per cent projection, one that was only marginally different than the 6.5 per cent 20-year historical average which planners used in 1970.⁴² Clearly, the rate of demand had not met the assumptions that provided the basis for the Task Force proposals and the "March down the Nelson." Moreover, planning within Manitoba Hydro had not yet accepted decreasing rates of demand to be a defining point for investment strategy.

Figure 7.10. Summary Comparison of Actual and Projected Annual Growth in Firm Peak Demand, 1969-77

The declining rate of revenue growth made it more and more difficult for the Manitoba government to manage its hydro-related debt, and the traditional methods of dealing with excess capacity had, by the mid-1970s, become discredited. For example, the promotional campaigns used by Manitoba Hydro and the electrical goods industry during the 1960s had been terminated by the Schreyer government.⁴³ In part this was a recognition that increased consumption would help solve short-term revenue problems but, at the same time, contributed to the overall problem of fostering the pressure to increase capacity.⁴⁴ Ending the promotional campaign, therefore, ensured that Manitoba Hydro did not ward off its competition from imported natural gas for space heating by establishing an economically and financially unsound use for electricity.

The recognition of consumer conservation, however, coexisted with the advent of the "oil crisis" and the problems of excess capacity stemming from the "march down the Nelson." In this context the conservation ethic was sacrificed to the financial exigencies of

the provincial utility. Manitoba Hydro and the Manitoba government began to promote electricity as a "renewable" energy resource to counter the problem of overdependence upon finite or "non-renewable" petroleum resources.⁴⁵ Nevertheless, this new policy did not result in new markets, particularly in targeted areas such as urban transportation. In the end, therefore, the economic and financial anomalies of the hydro project were translated into higher-cost energy.

The implementation of the continental hydro policy paradigm ended the long tenure of the "cheap power policy." The small 5 per cent increase in rate schedules awarded Manitoba Hydro in 1968 was followed by increases in 1974 (20.6 per cent), 1975 (19.2 per cent), 1976 (19.8 per cent), and 1977 (15 per cent). The end result was to double the average cost of energy within a decade. Indeed, the cost of electricity increased by 34 per cent during the last year of the NDP government. Nor, given investment commitments, declining energy demand and the structure of the Manitoba debt, could these rate increases be considered any more than temporary solutions to an ongoing problem. For these reasons hydro became an integral part of the contestation between the NDP social democratic and Conservative images of the state discussed below.

Technical and Environmental Assumptions

During the long tenure of Don Stephens Manitoba Hydro secured its legitimacy and independence from popular and political pressures by cultivating the image of a technically, administratively and financially competent and responsible institution. Curiously, despite the controversy over the Churchill River Diversion starting in 1968, both political parties maintained the assumption that all of the plans advanced by the Manitoba Hydro and its Task Force were technically and administratively viable. In part these were politically motivated assumptions. The NDP needed to ensure its design innovations had technical legitimacy.⁴⁶ The opposition parties needed to lay the direct

political accountability for hydro decisions on the NDP rather than on Manitoba Hydro.⁴⁷ As a result the major political parties perpetuated the myth that they faced distinct alternatives for which they could gauge the economic, social and environmental consequences. The reality, on the other hand, points to an opposite conclusion: that the political parties faced ill-defined alternatives, the consequences of which were not well understood.

The first major myth was that the high-level diversion which Manitoba Hydro and the Weir Government attempted to implement was indeed a viable energy alternative. The fact of the matter was that the utility planning had not addressed any of the significant environmental consequences of such a massive river diversion; and as the decade proceeded, the Chairman of the utility confided that the high-level diversion would have induced environmental problems which the utility could not mitigate.⁴⁸ In other words the base case on which all other alternatives were to be judged was unworkable.

The second myth perpetuated by Manitoba Hydro and the NDP was that the low-level diversion would not force the flooding or relocation of the village of South Indian Lake and would not seriously damage the fishery. There were several problems with this alternative. First, it was never clearly defined. Hydro officials were split on the minimum level of flooding needed to ensure an economic diversion.⁴⁹ Second, Manitoba Hydro planners did not understand the environmental implications of water diversion. Not only would substantial parts of the community have to be relocated despite earlier promises that this would not be the case, but all of the communities downstream of the diversion would have to have mitigation works.⁵⁰ Third, it was clear that Manitoba Hydro did not have a precise idea of the effects of the diversion on the South Indian Lake fishery.⁵¹

These myths were more than simple oversights. They reflect the assumptions built into the process by which Manitoba Hydro had approached its capacity investments from

1948 onwards. Generally this was a policy model in which the utility was given a wide mandate to develop the necessary capacity. It innovated and changed its designs as the situation demanded during the construction process. Within this model the role of the provincial government emerged to protect and insulate the utility, to ensure it had the freedom to approach the process of investment in an interactive manner. Underneath this model were simplifying assumptions that defined hydro resources as a necessary economic staple, that appropriate decisions were made on economic and technical criteria, that only the province as a whole had a legitimate claim to resources and that Manitoba Hydro had the effective monopoly in evaluating and articulating the technical and economic choices within the policy field.

The problem with the post-1948 administrative model in the context of the provincial continental modernization paradigm was that the simplifying assumptions did not hold. The premise of modernization was to place imagined future states of being as the object of public policy. Throughout the 1960s the new social and environmental issue agendas and their political representatives recognized the Churchill-Nelson River projects as strategic decisions which would shape and define the northern region. By 1969 political contestation turned to focus on the regional social and environmental effects of investment on the native peoples and the northern environment. Hence the whole hydro strategy ought to have been implemented in the context of a greater systematic examination of alternatives and consequences. But contrary to the myths perpetuated by the major political parties, the fact of the matter was that neither the Manitoba government nor Manitoba Hydro possessed the technical capacity to address the implementation of the hydro investments in such a rational and systematic manner. Delays, cost overruns, hurried mitigation efforts and a series of broken promises and confrontations characterized the whole process.

Hydro and the Contestation between Social Democratic Modernization and Neoconservatism

The 1968-69 South Indian Lake conflict began a process of contestation over the Manitoba Hydro policy paradigm which did not end and, indeed, only became more entrenched over the decade. Also, as in 1969, contestation over hydro politics played an integral role in defining the paradigmatic shifts facing the Manitoba electorate. Why did hydro contestation again become an integral part of the partisan struggle for political power?

State Structures: The Insulation and Centralization of Power

The first explanation for this level of contestation centres on state structures and policy process. Simply put, the NDP maintained a defensive posture towards its hydro policy. It modified state structures to insulate the utility and government from popular pressures and muted the capacity of non-governmental political forces to modify its policy paradigm. As in the Weir Government's infamous Bill 15, the only way to change the policy paradigm was to use the Supreme Court or to change the party in power.⁵² As we shall see below, opposition used both strategies.

This insulation from popular and political pressure took several forms. First, the NDP government responded to the diversity of claims and conflicting objectives of those affected by the hydro strategy by fundamentally rejecting the concept that public policy with respect to hydro could or should be determined through public participation and, thus, by reaffirming a traditional parliamentarism.⁵³ The rationale for that decision is analysed in the discussion below. In keeping with the traditional parliamentary model, the responsibility for strategic hydro decisions would centre on the provincial government. Hence the mandate of the public participation process with respect to the megaprojects changed. In the case of Lake Winnipeg Regulation, the public hearings were to address how the regulation should be accomplished--not whether the regulation should or should

not occur; and as the NDP began to make the decisions on the Churchill River Diversion it implemented legislation that would enable the government to issue Manitoba Hydro a licence to implement the projects without going through the public hearings process.⁵⁴ With the power to make the fundamental hydro decisions centralized in the hands of cabinet, the NDP government then implemented a public participation process orientated primarily towards conveying information to particular northern communities and their residents.⁵⁵

Another form of control centred upon the mechanisms which purported to make the provincial utility accountable to the provincial legislature. The Schreyer government had initially attempted to make the board representative of all political forces in the province-- implicitly hoping that such a board would legitimize the policy programme and innovations authored by the Cass-Beggs Task Force. But this was not to be. Rather, as is discussed below, the board openly split on the issue. Subsequently, the NDP government moved to implement tighter control and more effective political insulation of Manitoba Hydro's Board of Directors. This took several forms. The NDP government stopped recruiting representatives of its political opposition on the Board. Premier Schreyer took over the hydro portfolio and entered into a close relationship with the Manitoba Hydro leadership. The government needed professional support and legitimacy for its hydro policy and the utility needed political support to implement the megaprojects. In this process Cass-Beggs became the hydro chairman and the government continued to place a member of its caucus on the Board of Directors.

The NDP also used these mechanisms to control the relationship of the crown corporation to the Manitoba Legislature and the general public. The Roblin administration had established the Manitoba Water Commission as an independent body entrusted with recommending to the provincial government the levels of water to be maintained on Lake

Winnipeg. The 1970 Task Force Report placed Manitoba Hydro in a collision course with the Water Commission, which did not favour using the lake as a storage reservoir. To resolve the political problem the Schreyer government simply dismissed the members of the commission and replaced them with Manitoba Hydro personnel.⁵⁶

The major form of political accountability took the form of periodic reports by the Manitoba Hydro Chairman to the Standing Committee on Public Utilities (SCPU) which were accompanied by question and answer sessions. The NDP maintained a majority standing on the SCPU, appointed the chair, and at times also ensured that the chairperson was the same MLA who sat on the Manitoba board.⁵⁷ Manitoba Hydro and all of the participants implementing the hydro policy paradigm were, therefore, solidly protected by a series of state structures which excluded all but the utility and government party executive from participation in the policy process.

To ensure that the defences were effective the NDP government also effectively controlled information regarding the megaprojects. The "information management" was again a defensive strategy oriented towards insulating the political opposition from evidence of the internal debate within the NDP and Manitoba Hydro over the continental hydro policy paradigm. In particular, the NDP delayed the publication of a 1973 Task Force Report on Exports which contained a serious critique and alternative basis for the hydro paradigm authored by Eric Kierans (discussed below). There were several different forms of "information management." On a fundamental level, the Hydro chairman camouflaged the internal conflict within hydro on the recommendations of the Cass-Beggs Task Force Report.⁵⁸ Rather than carrying the professional legitimacy of the utility planners, the final report contained recommendations which Manitoba Hydro's own planning staff had rejected. The utility's planning engineers were in agreement that a low-level CRD should proceed the LWR. Hence they considered the report's conclusions to be

a politically sponsored compromise not born out by the report's analysis.⁵⁹ Second, the official estimates reported by the Hydro Chairman in the SCPU were deliberately kept below the known costs.⁶⁰ Third, "information management" was used to undercut the legal resources of the Aboriginal opposition to the Churchill River Diversion. The strategy was as follows. Affected communities attempted and threatened to take the Manitoba government and Manitoba Hydro to court to gain a legal injunction stopping the CRD, as in the case of the James Bay Cree.⁶¹ To substantiate their case, South Indian Lake legal representatives needed to prove that Manitoba Hydro intended to flood the community's lands. Manitoba Hydro and the Schreyer government, on the other hand, refused to release the details of the diversion plans (which, as discussed above, were in a state of flux). The NDP then gave two conflicting signals to the affected communities. One was a legal lie intended to erode the legal basis of the litigation: that Manitoba Hydro had no plans to flood Indian lands; and if the Indian communities were to claim that it had, then they would have to prove it.⁶² Alternatively, the Minister of Natural Resources candidly reflected that the hydro projects might flood Aboriginal lands; and the Manitoba government had every right to do so if it wished.⁶³ Thus, as in the case of the previous Conservative governments, the NDP was coercing the affected Aboriginal peoples to trade their property rights for a "negotiated" compensation package.

The effective insulation and centralization of power in the hands of the cabinet and Manitoba Hydro did ensure that significant paradigmatic change could only come from three sources. First, the rapidly changing parameters of the policy paradigm, the NDP itself could have initiated significant changes. Second, opposition could have used the judiciary to constrain the Schreyer government (as in the case of James Bay where Cree Indians gained a court injunction to stop construction of the megaprojects and thus forced the Bourassa Liberal government to negotiate a land claims settlement). Third, opposition

parties could gain an electoral victory over the NDP and implement changes, provided they held distinct objectives and workable paradigmatic alternatives. Change inevitably came from electoral defeat of the NDP. Before discussing the electoral contestation between the NDP and the eventually victorious Conservative Party, it is important to indicate why the other two avenues of change did not succeed.

Hydro and NDP Continental Modernization Versus Public Entrepreneurship

The policy paradigm did not significantly shift under the Schreyer government because, despite pressures for change the NDP government purposely decided to maintain the inherited policy paradigm. The Schreyer government represented a return to the balanced modernization of the Roblin period, and this emphasis on the humanization of the process of economic development appeared as its critical break with the fusion of Liberal-Progressivism and Conservatism which had emerged under the Weir government's "forced growth" strategy.

The NDP's social democratic modernization is best expressed in the 1973 NDP ideological statement, Guidelines for the Seventies.⁶⁴ The guidelines targeted unequal access to power, social inequality, economic insecurity (particularly unemployment), regional uneven development and economic centralization and concentration as the major problems to be addressed.⁶⁵ John Loxley indicates that the document implied government policy would be guided by commitments to four principles: the maximization of the general well-being of all Manitobans (economic growth), more equitable distribution of the benefits of development, a "stay option" under which no Manitoban would be coerced for economic reasons into leaving the province or his/her place of residence (to fight rural and out of province migration), and greater public participation in government and development decisions.⁶⁶

As in such ideological statements, the meaning of the Guidelines was ambiguous. One could read into them a prescription for radical action, or as McAllister notes, they could be interpreted as a form of "Keynes plus Beveridge" social democracy adopted to prairie circumstances.⁶⁷ Unlike the planning of previous Liberal-Progressive and Progressive Conservative governments, the NDP did not deal specifically with economic plans--and as such they said little about hydro per se. The NDP programme contained no commitment to change the structure of ownership of the means of production--or to forcefully restructure society.

If the Guidelines were in fact a symbolic statement of the Manitoba NDP's social democratic image of the state, the actual contours of the NDP state intervention are perhaps more easily identified by unstated assumptions: that economic growth was assured and could be steered by state intervention, that important social policy objectives could similarly be obtained, that the post-war fiscal relations had stabilized provincial fiscal capacity and that the openness of the Manitoba economy and federal division of powers placed important limitations on provincial initiatives. Unlike post-war CCF economic ideology, the NDP did not, in 1973, foresee an impending international economic crisis; and although there remains a great debate on whether the post-war Canadian economic strategy could be termed "Keynesian," it is clear that the Canadian and Manitoba NDP shared many of the same assumptions concerning the role of the state in economic management and, as such, were not in significant disagreement with the federal economic strategy.⁶⁸ At root, therefore, the Guidelines included the optimistic assumptions concerning economic development which had characterized the Roblin regime.

With respect to the hydro policy paradigm the Schreyer government moved to curb the excesses of the high-level diversion, a position the premier described as a middle ground between those who wanted "zero growth" and those who would pursue economic

growth at any cost.⁶⁹ The NDP low-level diversion was intended to bring comparable economic benefits without generating exorbitant environmental and social costs.⁷⁰ Aside from the strategic changes in the design of the northern hydro projects, the Schreyer government's hydro policy paradigm displayed a remarkable continuity with its predecessors.

The NDP government did not attempt to shift the role of Manitoba Hydro in the economy or in the process of economic development. The rate structure and financial position of the utility were not changed despite pressure to do so. Aside from some rate reductions undertaken by the MPC during the 1930s and 1940s, the rate structure was essentially the same as that set in 1911! The Public Utilities Board had conducted a set of hearings and a complete review of the Manitoba Hydro rate structure following the 1968 5 per cent rate increase. The 1970 PUC report concluded that Manitoba Hydro would face deep financial problems unless it completely revamped its rate structure and changed its debt/equity ratio.⁷¹ Years of investment under the framework of the "cheap power policy" had ensured the utility's financial position to the point that it was headed for severe revenue shortfalls--even before the megaprojects were commenced. But instead of attempting to restructure the rate structure the NDP delayed rate changes on the pretence that the high-level diversion capital expenditures had been postponed, a decision the Premier would later regret.⁷² To underline the point the NDP also took the position that the general rate structure of Manitoba Hydro was out of the jurisdiction of the Public Utilities Board.⁷³ Hence the NDP was attempting to maintain the historic "cheap power" policy while at the same time embarking on the Nelson River projects.

Three years later the Schreyer government confronted a more powerful and sharper critique of the policy paradigm. It was related to a second overall debate on the role of the provincial government in resource industrialization which centred upon whether or not the

public sector would play an entrepreneurial role as a monopoly producer of resources for private processors with the objective of gaining a return from investment in terms of economic rents. This staples-rent strategy, related to the nationalist programme of the NDP Waffle, stood in contrast to the Keynesian growth-oriented model where public investment was intended to induce investment and provide conditions for long-term economic growth.⁷⁴ The 1973 debate stemmed from a review of Manitoba's mineral policy by the distinguished Liberal nationalist economist, Eric Kierans.⁷⁵ The Manitoba NDP had never been a supporter of the Waffle, and not surprisingly, the Schreyer government did not move to place mineral exploration and extraction (INCO) under public ownership.⁷⁶ Still, the Kierans Report initiated a reform of the mineral policy and changed the discourse on resource policy--a change that quickly spread to the question of hydro resources.

Kierans developed a similar case with respect to the role of the state in hydro in the context of an assessment of an analysis of a Manitoba Hydro proposal to develop and produce electricity for continental markets. The utility proposed to export 1000 MW to an adjacent U.S. utility, Northern States Power (NSP), over a twenty-year period. The basic idea was to continually accelerate the construction of the Nelson River hydro projects and then commence an early post-hydro nuclear option so that the export market could pay for a good proportion of capital costs. Exports would be phased out as the domestic provincial electrical energy demand grew to absorb the new capacity. This was a mammoth proposal. The 1000 MW of continuous energy was equivalent to 50 per cent of the energy capacity of the utility in 1970, and 25 per cent of the utility's capacity in 1977. To evaluate the Manitoba Hydro-NSP proposal the Manitoba government established a special task force comprised of senior planning staff, two board members and Kierans. Kierans' role was, it appears, primarily to assess the evaluation by internal staff.⁷⁷

Kierans, initially favouring the idea, found the whole proposal "doomed to failure." for three particular reasons.⁷⁸ First, Manitoba Hydro had failed to ascertain what the export price of the energy would be, and it was therefore impossible to evaluate the productivity of the \$600 million dollars the utility intended to invest. Second, the government did not have a projection of its own capital requirements stemming from its other project objectives, and, therefore, it was impossible to judge between alternative uses of public monies. Third, the overall capital requirements of the government had not been matched to a consideration of public policy priorities, and given limited credit, unchecked borrowing for hydro would exhaust the province's credit, thus reducing the NDP's ability to pursue other objectives. What this boiled down to was the conclusion that there was no attempt to link the project to the social democratic objectives articulated in Guidelines for the Seventies, no method to evaluate the use of public funds for this as opposed to other proposals, and the real danger that the project could foreclose the ability of the Manitoba NDP to reach its objectives. The Hydro proposal was, in fact, "profitless grandeur."⁷⁹

Kierans carried his critique of the proposal over to suggest fundamental shifts in the policy paradigm. First, although somewhat more strongly worded than the recommendations of the PUC, Kierans warned that the utility's rate structures needed a revision so that its financial position could be improved.⁸⁰ Beginning in 1975 Manitoba Hydro did restructure its rates; but, as discussed above, its financial position deteriorated because of cost overruns, inflation of interest rates and exchange rate effects. Second, Kierans advocated greater political control over the utility, particularly cabinet approval for large contracts. He found that the Manitoba Hydro analysis of the export proposal had assumed that the interests of Northern States Power, Manitoba Hydro and the Manitoba public were one and the same. It was clear from the economic analysis of the proposal,

however, that NSP would be the greatest beneficiary of the project during the first 13 years of the export, and that the benefits to Manitoba would only accrue during the last phase. Moreover, the idea that the proposal could be evaluated in terms of a prebuild strategy were somewhat dashed by the fact that it would be uneconomic for NSP to terminate the relationship. Kierans asked on what basis could one ask the present generation of Manitobans to subsidize NSP consumers for some indefinite benefits for future generations? The response of the Schreyer government was to kill the proposal; and the highly politicized policy paradigm, as indicated above, did become the subject of political control. Indeed, the Schreyer government even buried the Task Force Report largely because of the politically damaging contents of the Kierans addendum.⁸¹

Third, Kierans recommended that the prebuild-for-export idea be scrapped and that Manitoba enter into intergovernmental negotiations with adjacent provinces to establish the most efficient use of resources.⁸² This in essence was an appeal for a conservation strategy. The negotiation of the large diversity exchange with Northern States represented this form of conservation initiative, although played out on the U.S. export market.⁸³ Nevertheless, the steps towards conservation on a continental scale were overshadowed by the massive amounts of surplus energy and capacity which were generally dumped on the continental market when energy demand declined (Table 7.2).

Fourth, Kierans recommended that the existing pace of hydro investments be cut back.⁸⁴ This stood as the logical conclusion to Kierans' analysis of hydro investments as a form of public entrepreneurship which ought to be justified in terms of a return to capital. Overinvestment would, in this view, destroy chances of a return to public capital and threaten to exhaust the financial capacity of the provincial government. Schreyer, on the other hand, fundamentally rejected the concept of a return-related form of public entrepreneurship as applied to hydro and also denied the allegation that the hydro

investments could exhaust the province's financial credit.⁸⁵ At root the Schreyer NDP government still held onto a version of the continental modernization strategy commenced by the Roblin government. The basic policy objectives of the provincial continental modernization policy paradigm were to build the megaprojects that formed the Nelson River power corridor and to use the investment and excess capacity to foster economic development. The hydro paradigm was not intended to produce a return on the public capital invested or to capture economic rents--the basic problem addressed in the Kierans analysis. The idea of the Churchill-Nelson River hydro strategy had been to use hydro to balance what was otherwise considered to be the province's position of comparative disadvantage relative to other economies. Manitoba's hydro resources constituted one clear comparative advantage which could be used for industrial development. So while the NDP government was not going to use subsidized energy as a means of attracting industry, it was not also going to ignore a relative cost advantage enjoyed over other jurisdictions.⁸⁶

Controversy and discussion over Kierans' Report on Natural Resources also affected the discourse on hydro investments, and after 1973 Schreyer began to speak of desirable and anticipated rates of return from hydro exports--a tacit recognition that hydro exports ought to be considered as a form of public entrepreneurship.⁸⁷ To place the modernization-related hydro investments into the discourse of a rent-related or rate-of-return related public ownership, however, was to undermine the rationale and legitimacy of modernization as originally construed by Roblin. Within the modernization discourse they were projects which by definition were not currently viable, but which would be viable only after completed and their long-term effects felt throughout the economy. To have to justify the projects on a rate of return basis, therefore, would invite an attack that the hydro programme could not weather. The Kierans addendum was buried therefore not

simply because it slammed an export proposal, but because its ideas attacked the very foundation of the provincial continental modernization policy paradigm. Indeed, the addendum only surfaced again, as discussed below, in the context of the contestation which ended the modernization period.

Since the Guidelines stressed the promotion of economic growth and employment, it is hard to draw the conclusion that the NDP hydro investments stood in conflict with social democratic objectives. The MHEB invested \$1.2 billion in northern hydro development, making the hydro strategy the *de facto* leading sector in investment, with extensive provincial procurement and employment linkages.⁸⁸ Figure 7.11 indicates that after 1972 the northern megaprojects ensured that provincial utilities comprised over 30 per cent of total annual investment in the provincial economy, a slightly higher rate than in the period of Conservative modernization (as represented in Figure 6.5). The accelerated rate of public investment, therefore, shows the continuity of the Schreyer government with the Conservative modernizing governments that preceded it.

Figure 7.11. Components of Investment Expressed as Percentage of Total Investment. 1969-77

The critical weakness of this investment strategy was that there were not the domestic markets to utilize the new electrical energy capacity, a problem of excess capacity that strained the entire programme's financial and economic foundations. The essential flaw in the modernization ideology was that there was no way to decide at what point the modernizing government should stop investing or what level would be sufficient for the needs of the future society. When and how was the future Manitoba to digest the investments? Roblin's "pay as you use" public investment strategy explicitly placed the burden of public investment on future generations. As inheritors of the modernization programme, the NDP did not respond to the obvious signals that bills from such public investment would become too high and thus the strategy itself ought to be modified. Indeed, the NDP in 1975 denied that Manitoba Hydro was stretching the credit of the province. Despite the high debt to equity ratio (0.95-0.98) Manitoba Hydro pointed out that the utility's credit rating had improved over time--a statement that was meant to imply that in a global sense hydro borrowing was not a drain on the utility nor did it present the curtailment of other public sector borrowing.⁸⁹ Indeed, the Schreyer government started its third major Nelson megaproject, Limestone, at the end of 1975.

The "oil crisis" also presented an opportunity for the NDP government to shift from a "hydro" to an "energy" policy paradigm. Following the 1973 oil price hikes the Manitoba NDP became one of the voices in the ever growing chorus that was critical of the power and influence of the Seven Sisters, their ability to extract windfall rents from finite petroleum resources, and the seeming incapacity of governments to do much about it.⁹⁰ Schreyer became convinced of the argument that reliance upon finite resources was a tragic dependency which was best broken through intelligent public intervention rather than by free market forces.⁹¹ In alliance with the federal Liberal Prime Minister, Pierre Trudeau, Schreyer argued that free market forces would delay the inevitable until

adjustment would be extremely expensive in social and economic terms. Governments were uniquely placed to find alternative sources of energy and to foster the research and development necessary to find new end uses for electricity to replace the use of petroleum.⁹²

The opportunities raised by the changed policy contours also appeared to legitimate faith in the intrinsic merits of the hydro strategy that had underlain the Schreyer governments determination to implement the Cass-Beggs development strategy in the face of opposition. The new fuel replacement strategy articulated by Schreyer centred upon the technical attributes of electricity being derived from renewable resources. In this new discourse of "renewable vs. finite" resources, hydro was found to have new value. If dependence upon petroleum had been the major weakness of the post-war economic strategy for industrial society then hydro became a progressive energy resource for the future. Hydro, as opposed to coal or petroleum-generated electricity, was thought to be a less costly source of energy which would produce less environmental damage.⁹³ In these terms hydro and in the future uranium, both abundant natural resources, would form the new pillars of Canadian energy policy. They would obviate any need to continue international dependence upon imported energy and diminish economic dependence upon the international oil industry.

After 1973 the Schreyer government attempted several new policy innovations. One of the initial responses was to cultivate new domestic markets using hydro-electricity as a substitute for oil and natural gas in space heating for new construction and public buildings.⁹⁴ Offers were also made to the City of Winnipeg to convert the public transportation system to electricity--as in the days of the Winnipeg Electric Company.⁹⁵ Attempts were also made to attract new alternative technology industries to the province.⁹⁶ Schreyer attempted (unsuccessfully) to convince Ottawa that the renewable

hydro energy policy, as evidenced by the Manitoba hydro megaprojects, ought to be a candidate for further federal financial support.⁹⁷ Yet, outlining the contours of a new hydro-related energy policy paradigm was somewhat easier than implementing one. Here the NDP government ran into more difficulty. The new economic circumstances had in fact exacerbated the weakness and anomalies of the hydro policy paradigm established following the 1970 Task Force and weakened the capacity of the government to institutionalize a new one.

The obvious constraint imposed by the new reality was that the financial position of the utility began to falter. The essential problem facing the Schreyer government in the post 1973 hydro policy was that its interpretations of the meaning of the crisis tended to reinforce traditional patterns of hydro development and planning rather than new policy initiatives. In other words, there was simply an old and familiar wine in a new bottle labelled post-energy crisis hydro policy. Real paradigmatic alternatives, such as the conservation alternative and the substitution of electricity for petroleum in everyday industrial and social life would take years to develop. In the short run the real alternative energy policies spoke little to the practical problems facing the MHEB and the government. So the first expression of "energy policy" attempted to allow the government and utility to legitimate conventional ongoing activities--market expansion and investment--rather than to begin a fundamental reassessment of the hydro policy paradigm. Hence the new policy discourse did not speak to the concerns of either the environmentalists or those concerned with the fiscal and financial implications of the new continental energy policy paradigm. In the end, therefore, the continental hydro policy associated with social democratic modernization was doubly trapped when the Schreyer government had first to increase rates to makeup for the decision to delay the proposed 1969 rate increases, which were to absorb the 1960s investments and, secondly, to deal with the new problems of the

1970s: inflation, cost overruns, excess capacity and the deteriorating resource (water flow) problem. The NDP modernization, in this sense, increasingly became a political liability.

Extraparliamentary Opposition

The Schreyer government had a troubled relationship with the constellation of interests that made up the Manitoba aboriginal and environmental movements. During 1968-69 these movements had crystalized around the defence of South Indian Lake. While the Cass-Beggs strategy allowed the Schreyer government a brief cooling-off period, the fact remained that some form of CRD was still the centre of provincial hydro policy and the South Indian Lake ecology would be affected by its role in controlling the river diversion. The NDP design innovations did not appease the political interests that came to the forefront briefly during the 1969 election. They remained in steadfast opposition. Why, therefore, could neither environmentalists nor Aboriginal political organizations not significantly shift the policy paradigm? Why was the Schreyer government so intransigent towards the Aboriginal and environmental issues?

The Schreyer government held the same basic policy as its predecessors. No matter what the status of treaty related Aboriginal land rights was, the NDP government held that the province had the exclusive right to decide the parameters of hydro development.⁹⁸ Though the NDP indicated that if that principle were to be accepted and the affected communities could negotiate a compensation package with a process of mediation in place should the two sides disagree, the fact of the matter was that the government bargained in bad faith.⁹⁹ Hence, the NDP policy implicitly and explicitly denied the importance of Aboriginal peoples as a categorical group and the significance of Aboriginal land rights as a factor shaping the hydro strategy. In a similar fashion, by centralizing the decisions to regulate and award hydro licences in the hands of cabinet, the NDP had concluded that

environmental issues could not be settled by public participation.¹⁰⁰ Indeed, in 1969 the premier introduced the low-level diversion policy in terms of allowing the community of South Indian Lake to establish its own terms for entering the process of development; but by 1973 he warned of falling into the trap of "overcompensatory liberalism," a code word which implied that the parameters for that entry had already been determined.¹⁰¹ None of the affected communities had accepted the premises of the NDP policy, but like it or not, the projects were to be implemented. Schreyer had concluded that the pendulum had swung too far in the direction of environmental concerns and he believed it was his responsibility to construct the projects for the good of the province.¹⁰²

In a fundamental sense there was no room for compromise between the objectives of the groups involved. The alliance between Aboriginal communities, the Liberal Party and the environmental movement had produced a set of policy objectives that could not be met short of abandoning the project altogether. As Suzanne Berger notes, many 1970s social movements sought as their prime objective the curtailment of state intervention rather than the use of the state to further particular interests.¹⁰³ Hence, the SIL opposition wanted to stop the megaprojects, not to modify the form of dams and diversion or to gain modern services for a relocated community. The NDP government, on the other hand, desired to prioritize an economic strategy which held northern hydro development to be centrally important to the economic development of the province and a policy that would certainly have beneficial effects on the level of employment. For the Aboriginal peoples, themselves a minority in the northern region, this industrial resource strategy held few benefits.¹⁰⁴ Given their marginal political resources in electoral politics, their opposition strategy would be institutionalized by the judicial process which promised to produce a zero-sum solution. The government wanted to continue the practice of coercion and material

compensation. Hence the issue could not be resolved by conventional means of compromise and accommodation.

The NDP policy was successful in the short run for several reasons. First, the premier could manipulate the Aboriginal communities by means of a carrot and stick relationship to the hydro project. Clearly, the question of the CRD was left in the hands of Premier and cabinet, and the government was determined to implement the strategy regardless of opposition. The "information management, legal manipulations and delays were all part of a strategy to ensure that the Aboriginal peoples could not build the political power to stop the project until it was completed. Given the resources the Manitoba government could place on its side, there appeared little recourse for the Aboriginal communities but to accept this fact.

On the other hand, the carrots offered by Schreyer represented the policy tradeoffs that a vulnerable government would make to bring a strategic social group into line. After all, northern electoral support was a critical element of the party's 1969 electoral victory. The Schreyer government had to be careful not to weaken its critical bases of social support in northern Manitoba where the largest concentrations of Aboriginal peoples resided. It could only hope to work around actual and potential opposition to the CRD by establishing a whole series of initiatives for regional social and economic development in northern Manitoba: special Legislative Committee hearings, the establishment of a Department of Northern Affairs, and the establishment of federal-provincial northern economic development agreements.¹⁰⁵ These efforts would demonstrate the sincere intent of the NDP to deliver on its promises to Aboriginal peoples and northerners and would become important to holding the majority of northern ridings despite the hydro strategy.¹⁰⁶

The "carrot and stick" strategy was used to deal with the problem of South Indian Lake. A whole series of initiatives, reminiscent of the bargain of "land for modernity"

offered to the Aboriginal peoples in the Grand Rapids relocation, was constructed for the community. Hydro and the provincial government built new houses, relocated buildings, brought in all weather roads, brought in electrification, built a community centre, and initiated a process of community planning--all in an effort to have the community willingly accept the CRD and its consequences.¹⁰⁷ Hydro also promised to compensate trappers and fishermen for losses, and the premier even proposed a form of fisheries income stabilization similar in principle to an agricultural marketing board.¹⁰⁸

These attempts to bring the community along side were symbolically important, but not fully successful. The goods, services and promises did not build a consensus of support. Indeed, Waldram indicates that the flurry of politicized activity had the opposite effect, overwhelming the small community, eroding its internal cohesion, and paralysing its leadership.¹⁰⁹ And despite all, the SIL leadership still had not abandoned the "we are not moving" position.

A related reason for short-term success of Schreyer's policy was that the Manitoba Aboriginal movement did not have the cohesiveness needed to resist the provincial government. Native political organizations were funded by Ottawa on a provincial basis, and the Manitoba Indian Brotherhood was a potential force in the hydro question. Inadvertently, however, it played a passive, insignificant role. Its leadership had a strong political alliance with Schreyer and the NDP, which the premier counted upon to contain the damage from the SIL question.¹¹⁰ Also, the organization had internal divisions and thus did not emerge as a strong single representative institution for the Aboriginal peoples.¹¹¹ Without a strong form of aboriginal corporatism, the questions of representation fell to other institutions and practices.

By mid-decade the NDP found itself increasingly isolated. The "carrot and stick" and policy manipulations had purchased the government time and thus staved off the

possibility of having the project stopped by a court injunction. But the project's opposition had forged alliances with more powerful interests which could bring the NDP into line. At the same time, the NDP and Manitoba Hydro became less and less credible because they could not break through the technical morass of project design and revision to indicate exactly where the new water levels would be and what effects they thought the river diversions would have.¹¹² In short the CRD was a specter.

By 1973 other communities had become sensitive to the fact that the downstream environmental effects of the project would be extensive. Characteristically, Manitoba Hydro could not indicate with precision the extent of the environmental damage or the form of mitigative works needed to deal with the problem. Relationships between the Aboriginal peoples and Hydro soured. The Indian communities responded in 1973 by forming an informal flood committee. The federal government attempted to set up a communications system between the conflicting parties that would help regain credibility and dialogue; but, clearly, relationships had deteriorated far past that point. The Northern Flood Committee (NFC) then formalized itself as the bargaining agent for all communities affected by the CRD and applied for federal financial support.

The Schreyer government's position remained that the 1966 Canada-Manitoba Agreement on the Nelson River had signalled federal approval of the project and thus gave the province the legal right to proceed.¹¹³ It took three additional years for the Schreyer government to recognize the NFC as a bargaining agent. Schreyer alternated between regarding the NFC as a puppet of Liberal opposition or simply as self-interested obstructionists. When the NFC was finally recognized Winnipeg still wanted to go around it by negotiating compensation packages directly with each community and individual resident.¹¹⁴

From 1973 to 1977 governments and NFC were caught in an interactive conflict. When the NFC became frustrated with Hydro they threatened legal action. Then Winnipeg would complain bitterly to Ottawa about interference, and following that, DIAND would ask the NFC to go back to the negotiating table.¹¹⁵ Schreyer had wanted the issue resolved by arbitration. Underneath the legalities used by his government was a recognition that lands would be flooded and indirect damages done. But the project itself was not negotiable, and his government therefore would continue to stall until the NFC agreed to those terms. The NFC finally agreed to a the appointment of a mediator in 1976. When those efforts again proved to be slow, the NFC once more threatened legal action. In 1976 the three parties had established the principles of an agreement, and a tentative agreement was close to being signed as the province went to the polls in 1977. Schreyer refused to sign the accord on the grounds that it provided for binding arbitration for disputes on the level of compensation. Hence, the final form of the agreement and the costs of compensation and mitigation would have to be decided by negotiations with future governments.

Hydro and Electoral Contestation

The centralization and insulation of the policy process with respect to hydro, the essential continuity of the NDP hydro policy and the lack of influence of organized interests all point to the importance of political parties as the primary organizers, gate keepers and managers of policy paradigms. But the most fundamental political role of political parties was to cement political support for the paradigm. Here the NDP government was confronted by two different political logics. First, following the 1969 election the NDP attempted to form a broadly based "compromise" policy which placed the NDP position as a compromise between Liberals, who had stressed the environmental agenda and rejected the hydro strategy, and the Conservatives, who were discredited by

their heavy handed treatment of the 1968-69 high-level diversion policy. Following the 1969 NDP victory, the Conservative Party, on the other hand, worked hard to define provincial political discourse in terms of socialism vs. capitalism.

Several problems developed with the NDP political strategy. The NDP "compromise" (the low-level diversion preceded by Lake Winnipeg Regulation) proved to be a continuous political problem. It failed to gain professional legitimacy and pleased few critical interests. Controversy centred upon the role of the 1970 Task Force as a means of using science and economic analysis to legitimize what was an obvious political compromise.¹¹⁶ Indeed, the Task Force proposals had originated with David Cass-Beggs, the NDP consultant and later Chair of Manitoba Hydro, then the proposals were sold to an ambivalent NDP cabinet and finally thrust onto the Manitoba Hydro staff and Board.¹¹⁷

The sequence and relationships are important because they plagued the NDP government throughout its tenure in office. First, as part of an attempt to follow through with the traditional NDP broadening out strategy, Schreyer had appointed Douglas Campbell, the former Liberal-Progressive Premier, to the Manitoba Hydro Board. Campbell, whose last government started Lake Winnipeg Regulation investigations, immediately sensed that the Task Force recommendations only made economic sense under the highly exaggerated demand projections and that in fact the more economical sequence of development would be to proceed with a version of the CRD before contemplating the LWR.¹¹⁸ An open fight developed between Campbell and Cass-Beggs. Clearly the new Chairman was not accustomed to having his recommendations challenged by a board member.¹¹⁹ Relations deteriorated to the point where Campbell was forced to resign from the Board and then mounted an open campaign to stop Lake Winnipeg Regulation and discredit the Task Force Report.¹²⁰ This was a blow to the NDP because

Campbell, the most senior of Manitoba politicians (first elected in 1922), was a patriarchal figure and still widely respected in rural Manitoba.¹²¹

The political opposition to the Task Force Report also compromised and split the planning staff within Manitoba Hydro. The resistance was political in the sense that the 1969 election represented a political defeat for the utility's high-level diversion. Following that fiasco the utility's consultants had worked on a second CRD with less storage on South Indian Lake, a proposal just somewhat larger (in terms of flooding) than the low-level diversion which emerged from the Task Force. Equally important, however, was that the compromise sequence chosen by Cass-Beggs (over the expressed recommendations of his staff) found little professional justification. Even E.J. Durnin, Cass-Beggs' hand-picked assistant for the review process, found the economics of the high-level diversion too compelling to justify either a low-level diversion or by proceeding with the LWR first.¹²² In short, professional engineers had no methodology with which to justify forgoing the apparent economic gains, and the state of planning and expertise at Manitoba Hydro was not advanced enough to understand that it would be environmentally impossible to reap the hypothetical advantages of turning the South Indian Lake area into a gigantic reservoir and diverting all of the Churchill River into the Nelson. Manitoba Hydro would only inform the government of that conclusion in 1975.¹²³ The immediate effect of the split on the Task Force was to form two groups: those who eventually worked to accept and defend the Cass-Beggs Task Force as government policy, and those who could not do so and therefore left Manitoba Hydro.¹²⁴ Lines were drawn.

The NDP government was not a total victim in this matter because Schreyer concluded that more research and study would not help the decision-making process.¹²⁵ As a result of these difficulties the NDP and Manitoba Hydro both benefitted from the protective shell of political insulation. Manitoba Hydro needed the protection of the

government as it blundered its way through the water diversion and regulation projects. The NDP needed to insulate its hydro problems from its political opposition. The closed nature of the hydro decision-making process, however, stood in great contrast to the NDP's goal of providing more open and accessible government.

The NDP political strategy was successful to the extent that the party weathered the 1973 election without any apparent hydro-related damage. The 1969 NDP victory had taken both opposition parties by surprise and they were still fumbling for a strategy to defeat the seemingly popular Schreyer government. The Conservatives' political strategy down-played individual policies of the NDP and instead used "red scare" tactics in an attempt to portray critical electoral choices as those between capitalism and socialism.¹²⁶ At the same time, however, the Conservatives were attempting to distance themselves from the unpopular aspects of the Weir administration. In this process the party elected Sidney Spivak, who, as the Chair of the Targets for Economic Development Commission, was more closely aligned with Roblin's continental modernization than Weir's more rural conservatism.¹²⁷ In this way the electorate faced two modernization alternatives. The Conservatives were still discredited by their association with the high-level diversion. The Liberal Party had become linked to the legal attack on the hydro plans mounted by the community of South Indian Lake and was not a contender for political power. The NDP was linked with the highly contested compromise.

After 1973, the NDP could no longer count on the divisions that had formed after 1969, principally because it had to defend its record. In 1975 Spivak was replaced by Sterling Lyon, an aggressive ideologue who, like Walter Weir, represented the pre-modernization Conservatism so highly influenced by Liberal-Progressive political conventions.¹²⁸ In this sense the electorate faced not two alternative of modernization, but rather the NDP party which held onto to its form of social democratic modernization, on

one hand, and Sterling Lyon's brand of neoconservatism, on the other. Moreover, as the assumptions underlining the NDP hydro policy paradigm failed to hold, the force of the neoconservative critique became stronger.

From late 1976 to early 1977, both Liberals and Conservatives allied themselves in a general attack on the NDP hydro strategy. Douglas Campbell's struggle against the 1970 Task Force Report became the defining point for the new neoconservative critique; and the general thrust of the Campbell argument was also supported by the delayed publication of the 1973 Export Task Force Report, including Kierans' addendum.¹²⁹ Both parties aligned themselves together with disgruntled hydro expertise and, most importantly, with the Winnipeg Free Press, which ran a series of articles which presented the Conservative and Liberal Party critiques.¹³⁰ A comparison of the Conservative and NDP positions taken from the Free Press campaign is presented in the Table 7.6 below.

The purpose of the campaign was to synthesize and legitimize the critiques of the way in which the Schreyer government had handled the hydro issue since the 1969 elections. For purposes of analysis the NDP policy is defined by the name of the policy paradigm, "Provincial Continental Modernization." Table 7.6 reveals that the underlying logic was to develop northern hydro resources as a continental staple. The policy paradigm defined by the neoconservative critique is termed "Neo-liberal Continentalism" because it sought a more market-disciplined hydro strategy, much more cautious and oriented towards conservation, but which still saw a structural role for hydro resources on continental markets. Hence the Conservative Party had redefined itself as the voice of conservation and moderation, buried the memory of the high-level diversion initiative and abandoned the centrality of the Nelson River projects from its economic strategy. According to this new conservation strategy the NDP ought to have followed Campbell's advice and proceeded with a version of the CRD before Lake Winnipeg Regulation; it

should have abandoned its ill-fated attempt to develop hydro capacity in conjunction with the LWR at Jenpeg; and it should have concentrated on the hydro sites along the diversion route instead of starting two more megaprojects. The more modest conservation strategy would have implied a much smaller financial burden for the utility and government as well as the avoidance of the problem of excess capacity. Fundamentally, the political opposition did not entertain the possibility that the NDP government had been trapped by the incompetence of hydro planning, and they could not have held the utility itself responsible without lightening the political blame to be placed upon the NDP. To ensure that their cases were legitimized both opposition parties demanded an commission of inquiry into hydro affairs.

Table 7.6. NDP and Conservative Paradigmatic Alternatives

NDP	Conservatives
Paradigm: Provincial Continental Modernization	Paradigm: Neo-liberal Continentalism
Time Frame: Develop the whole of the Nelson as soon as possible. The timing and sequence of the related capacity and water diversions, therefore, are of little importance.	Time Frame: Proceed with the CRD immediately then incrementally develop Nelson capacity in relation to market need and fiscal capacity. The sequence and timing of projects are extremely important to the economic viability of the strategy.
Sequence River Diversions: Lake Winnipeg Regulation and Churchill River Diversion are built at the same time.	Sequence River Diversions: The medium Churchill River Diversion is to be followed by a Lake Winnipeg River Diversion.
Capacity Investment Decisions: Concentrate on the Lower Nelson megaprojects--Long Spruce, Limestone. Develop small-scale capacity with the Lake Winnipeg Regulation to make it relatively more economic.	Capacity Investment Decisions: Concentrate on the smaller sites on the Rat and Burntwood Rivers. Lower Nelson megaprojects are to be developed later as markets and financing permit.
Exports: 1) Develop a large-scale, long-term diversity exchange with United States utilities, 2) Offer firm power for sale to all utilities on an informal "prebuild policy" and short-term basis. 3) Continually import and export economy energy as warranted.	Exports: 1) Continue the traditional conservation strategy in interconnections, i.e. build up load with imports until investment is justified and then sell surplus power until needed for domestic use. 2) Only make large exports on the basis of long-term firm contracts.
Rates: The original position was that continental markets would allow Manitoba hydro to have its cake and eat it too (i.e., develop all of the Nelson and keep the historical cheap power policy). Later, the financial difficulties of Manitoba Hydro will necessitate a set of rapid rate increases.	Rates: The more modest investment schedule would allow the continuation of the traditional cheap power policy.
Technical and Environmental Assumptions: There are no major environmental or technical problems to be encountered in projects.	Technical and Environmental Assumptions: There are no major environmental or technical problems to be encountered in projects.
Implementation Assumptions: Manitoba has the technical, financial and managerial capacity to develop most of the Northern Hydro projects in a short time period--certainly in time to ensure that the new capacity is used to gain financing revenues from continental markets.	Implementation Assumptions: Manitoba Hydro could start the low-level diversion as soon as the NDP came to power and then it could use export revenues to finance the first of the Rat-Burntwood projects

The Schreyer government had been caught off-guard by the Free Press hydro campaign and the unification of its opponents. Going into 1977, the important elements constituting the continental hydro policy paradigm were not fully completed. The final export licences had not been granted by the National Energy Board, the international

interconnections were being ratified, the Churchill River Diversion commenced had only partial operation, neither Jenpeg nor Long Spruce was completed, and negotiations had only begun in earnest with the Northern Flood Committee. It was also a year of drought, increasing financial pressure and rate increases. In short the NDP was exceedingly vulnerable to the neoconservative attack. Schreyer appeared to be incensed by the historical revisionism, and finally responded with a defence of his government's hydro strategy. For Schreyer the defining point of the 1970s hydro strategy was the Weir government's high-level diversion scheme: all that the so-called Task Force compromise did was to return energy planning to what was envisaged by the Nelson River Planning Board in 1966.¹³¹ The premier was greatly perturbed about the attack on the hydro policy (to the point of threatening to sue the Free Press), particularly as it occurred at the same time as the Manitoba government was attempting to borrow more money on international markets.¹³² Any change in the credit rating of the province would have resulted in higher borrowing charges.

The ideological shift of the Conservative Party under Sterling Lyon proved to be electorally successful. By adopting a neoconservative position they could label as "socialism" all of the modernization ideology shared by both the NDP and the former Conservative administrations. The NDP therefore took all of the political responsibility for the public investment strategy originally initiated by Premier Roblin. Manitoba Hydro, which then held roughly two thirds of the provincial public debt, became a major symbol of the exhaustion of modernization. The 1977 victory of the Lyon Conservatives implied an end to the role of northern hydro as a investment project to modernize the provincial economy. Rather, the election would entail a commission of inquiry to institutionalize the neoconservative critique, perhaps the settlement of claims with the Northern Flood Committee, and a cessation of all megaproject investments. Attention would turn to

finding ways for the Manitoba government to digest the financial costs of the capacity in place and to finding continental markets for the northern hydro.

Conclusion

This chapter has chronicled the manner in which the first NDP government in Manitoba implemented the continental hydro paradigm. The paradigm went through significant shifts. Although originally intended to foster provincial economic modernization through industrialization, the paradigm eventually produced hydro as a staple for continental markets in a process of dependent resource integration. Also, Manitoba Hydro had thought that the utility could develop massive additions to capacity without increasing rates, but the reality was that rates were doubled. Although the NDP had hoped to resolve the major environmental problems associated with the Churchill River Diversion at South Indian Lake by having a "low-level diversion" accompanied by the regulation of Lake Winnipeg, the environmental problems associated with the project continually escalated. The NDP project designs were highly contested and the government's relations with the affected aboriginal communities deteriorated badly. Nevertheless, by 1977 the Schreyer government had turned the lower Nelson into a power corridor serviceable well into the next century.

In examining why the NDP pursued its particular policies and why the continental hydro policy paradigm appeared exhausted by 1977, several explanations were advanced. First, the NDP proceeded with a version of the Churchill River Diversion simply because there was no real choice but to do so. Strategic choices had already been made in terms of the commitment to build the Nelson River's first megaproject and the transmission facilities needed to get the energy south. The existing capacity and transmission facilities needed more water to render them economic and river diversion would be necessary. But why did the NDP attempt to do everything at once: regulate Lake Winnipeg, the CRD,

construct two additional megaprojects as well as some small scale capacity? These decisions reveal that the Schreyer government was as ambitious as the governments that proceeded it, if not more so. Certainly they reveal that the Schreyer government continued to regard these resources as part and parcel of the modernization of the province; and where one might assume that faltering economic indicators might have encouraged the government to moderate and change its strategy, the oil crisis only reaffirmed the premier's conviction on the superiority of hydro as a renewable resource.

Indeed, it was the continued consistent acceleration of the schedule of hydro megaprojects despite growing signs that the investments were beyond the scale of the financial capacity of the province or the available markets for electricity that proved to be the undoing of the policy paradigm. This acceleration exacerbated the paradigm's anomalies and did not leave the government the opportunity to resolve difficulties. In the end the province was left with a massive energy superstructure in need of markets and sources of revenue to fund the inflated long-term debt of the government and utility. Inevitably, politicians get the credit and blame for what they do, not what they do not do. The NDP legacy was to have produced a form of CRD and to have pushed hydro megaprojects. Equally important, however, was the legacy of rejecting the high-level diversion, a completely unworkable scheme which would have created environmental problems which by the utility's own later admission would have been beyond the capacity of the utility to ameliorate.

By the mid-1970s the changed economic and political contours produced an alternative paradigmatic reading of hydro policy objectives and problems. The opposition Conservatives had embraced a form of neoconservatism which no longer viewed hydro projects as a means of modernization. Rather, the neoconservatives emphasized that public investment was costly and inefficient and would bind the province to a level of debt which

threatened the future. Hence it condemned the NDP investments as a reckless waste. Moreover, neither Aboriginal peoples nor environmentalists and their allies considered hydro development a desirable form of modernization. The hydro megaprojects had neither industrialized the province nor brought it wealth. The newer neoconservative version of the continental hydro paradigm certainly promised the cessation of hydro investments, the finalization of an agreement with the Aboriginal peoples, the establishment of a commission of inquiry into Manitoba Hydro to legitimize its critique and a search for secure and profitable markets for the costly surplus energy. Clearly hydro would no longer be regarded as a means of modernizing the economy. Indeed, it had emerged as a continental staple which needed careful marketing to manage the chronic problem of excess capacity.

End Notes

¹ Nelson Wiseman, Social Democracy in Manitoba: A History of the CCF/NDP (Winnipeg: University of Manitoba Press, 1983) 143-145; John Loxley, "The Great Northern Plan," Studies in Political Economy 6 (August 1981) : 151-182; John Loxley, "Economic Planning Under Social Democracy", in Jim Silver and Jeremy Hull, eds., The Political Economy of Manitoba (Regina Canadian Plains Research Centre; 1990) 326-328; James McAllister, The Government of Edward Schreyer: Democratic Socialism in Manitoba (Kingston and Montreal: McGill-Queen's University Press, 1984) 48-49; Cy Gonick, "The Manitoba Economy Since World War II", in Silver and Hull, eds., The Political Economy of Manitoba 34.

² The South Indian Lake Committee was composed of Saul Cherniack, Minister of Hydro and Minister Responsible for the Administration of the Manitoba Hydro Electric Act, Len Evans, the Minister of Mines and Natural Resources, Sid Green, responsible for the Commission on Northern Affairs. The Roblin and Weir governments had not established a Department of Northern Affairs. The Schreyer government did establish this department, and Sid Green then became the Minister of Northern Affairs. The committee composition is found in the Honourable Edward Schreyer, "Transcript of Testimony before the Commission of Inquiry into Manitoba Hydro" (December 21, 1978) 1108-1110.

³ Schreyer "Transcript of Testimony" 1112.

⁴ Manitoba Hydro, Manitoba Hydro Task Force on Future Power Generation, Report on Expansion of Generating Capacity in Manitoba (Winnipeg: October, 1970) xii-xvi.

⁵ Manitoba Hydro Task Force Report on Expansion 135-137.

⁶ Manitoba Hydro Task Force Report on Expansion 133-134.

⁷ Manitoba Hydro Task Force Report on Expansion xvii.

⁸ Manitoba Hydro Task Force Report on Expansion 102-105.

⁹ Manitoba Hydro Task Force Report on Expansion xix.

¹⁰ Manitoba Hydro Task Force Report on Expansion xviii.

¹¹ Manitoba Hydro Task Force Report on Expansion 117.

¹² Manitoba Hydro Task Force Report on Expansion 145.

¹³ George Eric Tritschler, Chairman, Final Report of the Commission of Inquiry into Manitoba Hydro (Winnipeg: Queen's Printer, 1979) 99-102.

¹⁴ Tritschler Final Report 100.

¹⁵ Tritschler Final Report 82-84.

¹⁶ The Jenpeg fiasco is reviewed in detail in Tritschler Final Report 151-172.

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- ¹⁷ Tritschler Final Report 179, 356.
- ¹⁸ Tritschler Final Report 180-209.
- ¹⁹ Tritschler Final Report 206-208.
- ²⁰ Tritschler Final Report 202-203.
- ²¹ Tritschler Final Report 204-209.
- ²² Tritschler Final Report 40, 245.
- ²³ Tritschler Final Report 173-174, 239-249.
- ²⁴ Tritschler Final Report 177, 241-242.
- ²⁵ Tritschler Final Report 341-343.
- ²⁶ Tritschler Final Report 175; Schreyer Transcript of Testimony 1162-1165.
- ²⁷ Manitoba Hydro, Manitoba Hydro Task Force, Report on Examination of a Proposal for Long Term Exports of 1000MW to Northern States Power Company 1973, (1976 Sessional Paper No. 94) II 1-3.
- ²⁸ Canada, National Energy Board, Reasons for Decisions in the Matter of an Application under the National Energy Board Act of the Manitoba Hydro Electric Board, July, 1977 (Ottawa: National Energy Board, 1977) 14.
- ²⁹ National Energy Board Reasons for Decisions Appendices 1-17.
- ³⁰ Tritschler Final Report 176, 345-346.
- ³¹ Tritschler Final Report 383-384.
- ³² Tritschler Final Report 76.
- ³³ Schreyer "Transcript of Testimony" 1117.
- ³⁴ Manitoba Hydro Annual Report 1969 19-23.
- ³⁵ Tritschler Final Report 71, 91.
- ³⁶ Schreyer "Transcript of Testimony" 1124.
- ³⁷ McAllister The Government of Edward Schreyer 166-168.

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- ³⁸ Thomas Peterson, "Manitoba", in John Saywell, ed., Canadian Annual Review (Toronto: University of Toronto Press, 1969) 130.
- ³⁹ Schreyer "Transcript of Testimony" 1129-1130, 1143-1144, 1148-1150.
- ⁴⁰ Tritschler Final Report 404-405.
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- ⁴² National Energy Board Reasons for Decisions 11-13.
- ⁴³ Schreyer "Transcript of Testimony" 1205.
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- ⁴⁵ Premier Edward Schreyer, "Address to Canadian Electrical Week Luncheon, Thursday, February 14, 1974," in Paul Beaulieu, ed., Ed Schreyer: A Social Democrat in Power: Selected Speeches and Interviews of Premier Schreyer of Manitoba (Winnipeg: Queenston House, 1977) 101-102
- ⁴⁶ The Right Honourable Edward Schreyer, Personal interview (Winnipeg, September 4, 1988).
- ⁴⁷ Sterling Lyon, "In Bargaining With U.S.: 'Utility Has Back to Wall,'" Commentary, Winnipeg Free Press, December 31, 1976, pp. 13, 14; Charles Huband, "Cost Appraisal Urged: 200% Rate Rises Seen as Likely," Winnipeg Free Press, December 31, 1976, pp. 13, 14, 15; Charles Huband, "Hydro Bill Increases Inevitable Whoever Wins Power: Huband," Winnipeg Free Press, January 18, 1977, pp. 3, 14.
- ⁴⁸ Schreyer "Transcript of Testimony" 1138-1139; Tritschler Final Report 83.
- ⁴⁹ Tritschler Final Report 179-182.
- ⁵⁰ Tritschler Final Report 202-203, 208.
- ⁵¹ Tritschler Final Report 209, 356; R. Newbury and G. W. Malaher, "The Destruction of Manitoba's Last Great River," Nature Canada (October 1972) : 4-13.
- ⁵² These alternatives excluded extraparlimentary forms of political activity.
- ⁵³ Wally Dennison, "Key Item Deleted in Report as Critics Charge...Data Killed to Protect Gov't-Hydro Plans," Winnipeg Free Press, December 11, 1976, pp. 79, 83.
- ⁵⁴ James B. Waldram, As Long as the River Runs: Hydroelectric Development and Native Communities in Western Canada (Winnipeg: University of Manitoba Press, 1988) 132-135.
- ⁵⁵ Tritschler Final Report 212-213.

⁵⁶ Wally Dennison, "Key Item Deleted in Report as Critics Charge...Data Killed to Protect Gov't-Hydro Plans," Winnipeg Free Press, December 11, 1976, pp. 79, 83.

⁵⁷ Tritzschler Final Report 124-126.

⁵⁸ Tritzschler Final Report 103-117.

⁵⁹ Tritzschler Final Report 113-123.

⁶⁰ Tritzschler Final Report 126-127, 134-135.

⁶¹ Schreyer "Transcript of Testimony" 1182; Waldram As Long as the River Runs 136-138, 144-147.

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⁶³ Tritzschler Final Report 212.

⁶⁴ Manitoba, Guidelines for the Seventies, 3 Volumes (Winnipeg: Queen's Printer, 1973).

⁶⁵ Loxley "Economic Planning" 321.

⁶⁶ Loxley "Economic Planning" 321.

⁶⁷ McAllister The Government of Edward Schreyer 4-7.

⁶⁸ David Wolfe, "The Rise and Demise of the Keynesian Era in Canada: Economic Policy, 1930-1980," in M. Cross and Gregory Kealey, eds., Readings in Canadian Social History, Volume 5: Modern Canada 1930-1980s (Toronto: McClelland and Stewart, 1984) 46-78; McAllister The Government of Edward Schreyer 54-79, 163-172; Wiseman Social Democracy 139-146.

⁶⁹ Edward Schreyer, "Interview with the Winnipeg Tribune, July 15, 1972," in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 218.

⁷⁰ Edward Schreyer, "Statement on South Indian Lake, Manitoba Legislative Assembly, Monday, September 15, 1969," in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 86-87.

⁷¹ Manitoba, Public Utilities Board, Annual Report for the Year Ending December 31, 1970 (Manitoba 1971) 67-83.

⁷² Schreyer "Transcript of Testimony" 1204.

⁷³ Schreyer "Transcript of Testimony" 1204.

⁷⁴ John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McLelland and Stewart, 1979) 253-255, 304-328.

⁷⁵ Eric Kierans, Report on Natural Resource Policy in Manitoba (Winnipeg: Queen's Printer, 1973).

⁷⁶ McAllister The Government of Edward Schreyer 139; Wiseman Social Democracy 138-139.

⁷⁷ Tritschler Final Report 212.

⁷⁸ Eric Kierans, "Addendum--Comments by Mr. E. Kierans on Hydro Task Force," in Manitoba Hydro Report on a Proposal "Addendum" 1-2.

⁷⁹ Kierans "Addendum" 7.

⁸⁰ Kierans "Addendum" 10.

⁸¹ Schreyer "Transcript of Testimony" 1222-1224.

⁸² Kierans "Addendum" 10.

⁸³ Manitoba Hydro, "Commentary Relating to December 1973 Task Force Report on Examination of a Proposal for the Long-Term of 1,000 Megawatts to Northern States Power Co.," Addendum, Manitoba Hydro Task Force Report on Examination of a Proposal 3-4.

⁸⁴ Kierans "Addendum" 10.

⁸⁵ Schreyer "Transcript of Testimony" 1218-1222.

⁸⁶ Schreyer "Interview with Manitoba New Democrat, March, 1973," in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 94-95.

⁸⁷ Schreyer "Interview with Manitoba New Democrat" 95.

⁸⁸ This figure represents the difference in the long term debt of Manitoba Hydro between 1969 and 1977. See Manitoba Hydro, Annual Report 1969, 1977.

⁸⁹ Manitoba Hydro, "Comments on Addendum: 'Comments by Mr. E. Kierans on Hydro Task Force,'" in Manitoba Hydro Task Force Report on Examination of a Proposal 2-3.

⁹⁰ Schreyer "Interview with Manitoba New Democrat" 89-90.

⁹¹ Premier Edward Schreyer, "Address to the Canadian Electrical Week Luncheon, Thursday, February 14, 1974", in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 101-102; Premier Edward Schreyer, "Address to the International Association of Limnology, August 27, 1974", in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 103-107.

⁹² Premier Edward Schreyer, "Statement on National Energy Issues, Conference of First Ministers, Ottawa, April 9-10, 1975," in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 109-113.

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- ⁹³ Schreyer, in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 102, 108-109.
- ⁹⁴ Schreyer "Transcript of Testimony" 1205-1206.
- ⁹⁵ Schreyer Personal interview September 4, 1988.
- ⁹⁶ Schreyer Personal interview September 4, 1988.
- ⁹⁷ The correspondence is contained in PAM Manitoba, Records of the Premier's Office (Hereafter MRPO) Schreyer, Box 157, file 550. Power Resources Power Policy.
- ⁹⁸ Waldram As Long as the River Runs 154; Schreyer "Transcript of Testimony" 1176; Tritschler Final Report 217.
- ⁹⁹ Tritschler Final Report 220.
- ¹⁰⁰ Schreyer, in Beaulieu, ed., 99; Newbury and Malaher (1972) : 11.
- ¹⁰¹ Schreyer, in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 99.
- ¹⁰² Schreyer "Transcript of Testimony" 1126.
- ¹⁰³ See the argument presented by Suzanne Berger, "Politics and Anti-Politics in Western Europe in the 1970s," Daedalus 108 (Winter 1979).
- ¹⁰⁴ John Loxley, "The Great Northern Plan," Studies in Political Economy 6 (Autumn 1981) : 152-153, 158-163.
- ¹⁰⁵ Premier Edward Schreyer, "Speech at Manitoba Indian Centennial Commemoration, Lower Fort Garry, August 2, 1971," in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 124-129.
- ¹⁰⁶ McAllister The Government of Edward Schreyer 24-25.
- ¹⁰⁷ Waldram As Long as the River Runs 156-157; Schreyer "Transcript of Testimony" 1170-1174.
- ¹⁰⁸ Schreyer in Beaulieu, ed., Ed Schreyer: A Social Democrat in Power 98-99.
- ¹⁰⁹ Waldram As Long as the River Runs 144-147.
- ¹¹⁰ Schreyer "Interview September 4, 1988."
- ¹¹¹ See James Burke, Paper Tomahawks: From Red Tape to Red Power (Winnipeg: Queenston House, 1976) 77-96, 325-352.
- ¹¹² Schreyer "Transcript of Testimony" 1173.

¹¹³ Tritschler Final Report 211.

¹¹⁴ Schreyer "Transcript of Testimony" 1178-1179; Tritschler Final Report 213-216.

¹¹⁵ Waldram As Long as the River Runs 147-162; Tritschler Final Report 216-217..

¹¹⁶ Schreyer "Transcript of Testimony" 1011.

¹¹⁷ Tritschler Final Report 76-82, 85, 89-118.

¹¹⁸ Tritschler Final Report 118; Wally Dennison, "Critics Hit Schreyer as they Charge...: Hydro Switched onto \$605 Million Tragedy," Winnipeg Free Press, December 10, 1976, pp. 17, 19; Wally Dennison, "Three Months Earlier Report Said Costs Exceeded Benefits but...Lake Winnipeg Went Ahead After Three Week Study by Cass-Beggs," Winnipeg Free Press, December 10, 1976, p. 17; Wally Dennison, "Cass-Beggs--You Can't Separate Politics From Engineering: Ex-Hydro Executive Says Facts Made to Fit Conclusions," Winnipeg Free Press, December 10, 1976, p. 18.

¹¹⁹ Schreyer "Transcript of Testimony" 1168.

¹²⁰ Tritschler Final Report 118; Wally Dennison, "Critics Hit Schreyer as they Charge...: Hydro Switched onto \$605 Million Tragedy," Winnipeg Free Press, December 10, 1976, pp. 17, 19; Wally Dennison, "Three Months Earlier Report Said Costs Exceeded Benefits but...Lake Winnipeg Went Ahead After Three Week Study by Cass-Beggs," Winnipeg Free Press, December 10, 1976, p. 17; Wally Dennison, "Cass-Beggs--You Can't Separate Politics From Engineering: Ex-Hydro Executive Says Facts Made to Fit Conclusions," Winnipeg Free Press, December 10, 1976, p. 18; Wally Dennison, "Bateman and Cass-Beggs Under Fire Over Power Policies: Hydro Critics Say Statements Loaded With Flaws," Winnipeg Free Press, December 17, 1976, pp. 13, 15; Wally Dennison, "'Smallest Increases' Turn Out to Be 60%: Loss of Hydro Rate Advantage Blamed on Gov't. Power Development Plan...", Winnipeg Free Press, December 24, 1976, pp. 13, 14.

¹²¹ Schreyer "Transcript of Testimony" 1128 refers to Douglas Campbell as a father figure. His appointment to the board, replacing W. Parker the former head of the Advisory Committee on the Coordination of Post-War Planning, was important to the NDP's historic objective of broadening out its political base into rural Manitoba. Schreyer had also historically represented the interlake area and therefore looked to Campbell for personal support and legitimization. Therefore, disagreement over hydro strategy and the antagonism between Campbell and Cass-Beggs became an important ideological defeat for the NDP in rural Manitoba. Schreyer "Interview September 4, 1988."

¹²² Durin is quoted in Wally Dennison, "More Profits, Less Costs Seen From Sounder Hydro Sequence: Campbell Says Stronger Hand Missed on U.S. Power Deals," Winnipeg Free Press, December 18, 1976, p. 44.

¹²³ Tritschler Final Report 84-85.

¹²⁴ Tritschler Final Report 127-130.

¹²⁵ Schreyer "Transcript of Testimony" 1198-1202.

¹²⁶ The nature of the neo-conservatism which emerged under Sterling Lyon is discussed in Harold Chorney and Phillip Hansen, "Neo-conservatism, social democracy and 'province building': the experience of Manitoba," Canadian Review of Sociology and Anthropology 22.1 (1985) : 1-29.

¹²⁷ Thomas Peterson, "Manitoba," in Canadian Annual Review 1971 163-164; 1972 184-185.

¹²⁸ Thomas Peterson, "Manitoba," Canadian Annual Review 1973 158-162; Murray S. Donnelly, "Manitoba," in Canadian Annual Review 1975 177-179; in Canadian Annual Review 1975 237-238.

¹²⁹ Wally Dennison, "'Smallest Increases' Turn Out to Be 60%: Loss of Hydro Rate Advantage Blamed on Gov't. Power Development Plan...", Winnipeg Free Press, December 24, 1976, pp. 13, 14; Wally Dennison, "Double A Credit Rating Called Meaningless: Hydro Borrowing Too Heavy in U.S., Critics Charge," Winnipeg Free Press, December 29, 1976, p. 7; Wally Dennison, "Govt. Power Policy Like 'Charging Down a Dark Alley': Hydro Customers Being 'Cooked' Because of Errors," Commentary, Winnipeg Free Press, December 31, 1976, pp. 13, 14; Sterling Lyon, "In Bargaining With U.S.: 'Utility Has Back to Wall,'" Commentary, Winnipeg Free Press, December 31, 1976, pp. 13, 14; Charles Huband, "Cost Appraisal Urged: 200% Rate Rises Seen as Likely," Winnipeg Free Press, December 31, 1976, pp. 13, 14, 15; Premier Schreyer, "Hydro Policy Rapped," Winnipeg Free Press, February 26, 1977, p. 3; Charles Huband, "Hydro Bill Increases Inevitable Whoever Wins Power: Huband," Winnipeg Free Press, January 18, 1977, p. 3, 14.

¹³⁰ The Free Press campaign centred on the series of articles, cited in detail above, by Wally Dennison published in December 1976. Wally Dennison, "Critics Hit Schreyer as they Charge...: Hydro Switched onto \$605 Million Tragedy," December 10, 1976, pp. 17, 19; "Three Months Earlier Report Said Costs Exceeded Benefits but...Lake Winnipeg Went Ahead After Three Week Study by Cass-Beggs," December 10, 1976, p. 17; "Cass-Beggs--You Can't Separate Politics From Engineering: Ex-Hydro Executive Says Facts Made to Fit Conclusions," December 10, 1976, p. 18; "Key Item Deleted in Report as Critics Charge...Data Killed to Protect Gov't-Hydro Plans," December 11, 1976, pp. 79, 83; "Hydro Terminated Report Four Months Before Completion: Engineer Claims Bid Made to Limit Power Studies," December 15, 1976, p.61; "Bateman and Cass-Beggs Under Fire Over Power Policies: Hydro Critics Say Statements Loaded With Flaws," December 17, 1976, pp. 13, 15; "More Profits, Less Costs Seen From Sounder Hydro Sequence: Campbell Says Stronger Hand Missed on U.S. Power Deals," December 18, 1976, p. 44; "Krisjanson Says 1961-66 Findings on Power Sequence Cast Aside: Schreyer Accused of Ignoring All Previous Hydro Data," December 18, 1976, p. 27; "'Smallest Increases' Turn Out to Be 60%: Loss of Hydro Rate Advantage Blamed on Gov't. Power Development Plan...", December 24, 1976, pp. 13, 14; "Double A Credit Rating Called Meaningless: Hydro Borrowing Too Heavy in U.S., Critics Charge," December 29, 1976, p. 7.

The Dennison articles were supported by vignettes from opposition political parties and Free Press editorials. Sterling Lyon, "In Bargaining With U.S.: 'Utility Has Back to Wall,'" Commentary, Winnipeg Free Press, December 31, 1976, pp. 13, 14; Charles Huband, "Cost Appraisal Urged: 200% Rate Rises Seen as Likely," Winnipeg Free Press, December 31, 1976, pp. 13, 14, 15; Charles Huband, "Hydro Bill Increases Inevitable Whoever Wins Power: Huband," Winnipeg Free Press, January 18, 1977, p. 3, 14;

"Political Power," Editorial, December 15, 1976, p. 51; "Disappearing Rapids," Editorial, December 17, 1976, p. 33; Wally Dennison, "Govt. Power Policy Like 'Charging Down a Dark Alley': Hydro Customers Being 'Cooked' Because of Errors," Commentary, December 31, 1976, pp. 13, 14; "Case for a Commission," Editorial, January 31, 1977, p. 31; "Mr. Schreyer's Defence," Editorial, March 19, 1977, p. 49; "Manitoba Hydro Credit Rating Under Review By Moody's," Winnipeg Free Press, February 18, 1977, pp. 1, 4.

¹³¹ Debbie Lyon, "Schreyer Slams F.P. Handling of Hydro Stories," Winnipeg Free Press, December 22, 1976, pp. 1, 4; Mary Ann Fitzgerald, "Schreyer Condemns F.P. Hydro Stories," Winnipeg Free Press, January 31, 1977, p. 3; Premier Schreyer, "Premier Schreyer States Manitoba Hydro Case," Winnipeg Free Press, March 19, 1977, pp. 13, 17; Schreyer "Interview September 4, 1988."

¹³² "Premier Ponders Suing Free Press," Winnipeg Free Press, February 19, 1977, pp. 1, 4.

CHAPTER 8

CONCLUSIONS

Comparing Paradigms and Explaining Paradigm Shift

The model utilized in this study has suggested that the process of paradigm shift moved through distinct stages: from paradigm stability, to the collection of anomalies, to the processes of experimentation and the fragmentation of authority, to contestation and finally, to the institutionalization of a new paradigm. The concept of anomaly was at the centre of the process because it represented a problem or puzzle that could not be resolved within the institutionalized paradigm. Resolving these puzzles necessitated experimentation and the recognition that the problem could not be understood or solved within the dominant paradigm. This precipitated the development of an alternative paradigm and contestation over its institutionalization. To be successfully institutionalized, the policy paradigm needed political, economic and administrative validation. How has this study conformed to this model?

Paradigms: Fluid and Disjunctive Structures

The first observation to be made is that policy paradigms were defined as a sort of structural container replete with a dominant set of ideas, state structures and coalitions of support. Policy paradigms also conformed to Krasner's concept of a decision tree or path dependent development. What has made the concept of "policy paradigm" robust in this analysis is that it broadens the definition of policy to look at complete patterns as opposed to singular strategic decisions. Previous research and analysis by Kendle, Morton and Nelles, for example, focused upon the Seven Sisters decision as the pivotal point where public ownership was stifled because pragmatism outweighed ideology. The present analysis has indicated that the Seven Sisters decision was part of a set of decisions which institutionalized a rentier relationship with the Winnipeg utilities, and that the rentier

relationship was flawed because too much capacity was released on the Winnipeg River for the existing market, let alone the market conditions which emerged in the 1930s. The historical scope of the concept allows the analysis to tie the relationships created by the Bracken government in the late 1920s to a series of crises which could only be solved when those relationships were, in effect, reversed.

Similarly, the progressive infrastructural policy paradigm set in place so many incentives for the MHEB to utilize capital efficiently that it could never have been the paradigm which undertook hydraulic engineering of the historic scale represented by the Churchill-Nelson projects. Nor, during the course of provincial continental modernization, was there a real likelihood that the Churchill River diversion and at least some megaprojects would be abandoned. The whole paradigm was predicated upon implementing those projects. Hence the concept of paradigm has allowed the analysis to view state intervention as a whole, to define a dynamic structure of incentives and constraints, and to trace the trajectory of state intervention over time.

Second, it has become clear that policy paradigms were composed of fluid sets of relationships marked by constant intra-paradigm shift and political conflict. The competition and antagonism amongst City Hydro, WEC and their respective political allies, for example, formed a central dynamic of the hydro politics from the turn of the century to 1953. The whole process of defining and implementing the provincial continental modernization policy paradigm was marked by political conflict.

Intra-paradigm politics and shift were also traceable to unforeseen contingencies (the depression and war, the oil crisis and 1970s stagflation) which changed the economic structures to which policy makers had to respond. Others responded to new institutional developments (intergovernmental fiscal relations and policy conflict and collaboration, the legalization of Aboriginal land rights) which changed the capacity of contending forces to

influence reigning paradigms. Unanticipated changes in political forces (the rise of the ILP and firesale coalition in City Council, the various coalition arrangements made between the Liberal-Progressives and other political groupings, the rise of the NDP to power and the rise of the Northern Flood Committee) also substantially changed the trajectory of public policy, even though it conformed to the general parameters of the paradigm.

The continual intra-paradigm shift leads to the conclusion that while intra-paradigm shift was path dependent, the hydro policy paradigms did not experience long periods of "paradigm stability," as suggested in the stages outlined by Peter A. Hall. Though the rentier-redistributive paradigm under consideration lasted 20 years, it was "stable" for less than 4 years. The Progressive infrastructural policy paradigm lasted a decade, but was stable for only 5 years. The provincial continental modernization paradigm had the second longest duration, but its planning and administration were in a constant process of change and conflict. Hence the policy paradigms stood as broad frameworks within which actual policies varied considerably. Policy paradigms and their related discourses contained the dominant definition of policy problems and solutions, participants, state structures and the political arena under which substantial intra-paradigm politics took place.

Third, each of the three paradigms was "disjunctive" to one another, meaning that they represented distinct and separate ideas and forms of state intervention. The idea of using interutility competition as a means of fostering electrification (through competitive prices) was quite different from that of attempting to regulate the terms of electrification offered by utility monopolies. The whole concept of rentierism was profoundly distinct from alienating hydro rights as private property or from public ownership of utilities. The idea of the province producing electrical energy for existing distribution utilities ended the relationships which underpinned the rentier-redistributive paradigm. The idea of a public monopoly in hydro production stood in opposition to the historical anti-monopoly

ideology which had informed provincial state intervention in the economy for three decades. The concept of undertaking massive historical investments, which the province did not have the fiscal resources to finance, to engender a vague programme of industrialization stood, again, in stark contrast to the policy paradigm which celebrated short-term efficiency and a "pay as you go" fiscal policy for public investment. The complete rejection of the proposition that public investment in hydro ought to lead economic modernization was a defining point of the neoconservative critique of the modernization programme which emerged in the late 1970s. The return to a more market oriented policy paradigm isolated and defined the distinctiveness of the previous paradigm.

Anomalies and Paradigmatic Shift

The relationship of anomalies to the process of paradigm shift was complex. The hydro policy paradigms contained several objectives and several distinct sets of political and economic relationships. A policy paradigm could have a relatively successful batting average, depending upon the priorities of the government in power. Policy anomalies had to manifest themselves politically to the extent that the state could not ignore the problems at hand. Hence the state was reactive, not anticipatory in its handling of policy problems. If something was not visibly broken, the state would not move to fix it.

For example, during the first paradigm the provincial state did not use anomalies as a pretext to expand the scope of its intervention--despite obvious anomalies. In part this was due, as the model indicates, to the fact that the government of the day was constantly having to defend the decisions that defined the policy paradigm and thus was fearful of any policy commitments which would undermine the legitimacy of its defence. As well, however, there was the ideological constraint that governments needed the capacity to undertake responsibilities before they intervened. In this sense, the collapse of the WEC during the 1930s legitimized the rentier-redistributive paradigm, even though the

redistribution was limited and the promise of hydro-related industrialization buried. As a result, well into the 1950s the Manitoba government intervened in such a way as to minimize its ongoing responsibilities and commitments.

Anomalies often found political expression in financial and economic pressures. Underneath these pressures were other problems. For example, the Bracken government became involved in the debate on the relative merits of rentierism or public ownership during the 1920s because City Hydro refused to renew its supply contract with the MPC. The Manitoba government was in a position where it had to get the most inexpensive source of energy possible for the rural utility, already overburdened by start up problems. This in turn drew the province directly into the Seven Sisters debate.

The Winnipeg utilities were plagued by excess capacity soon after City Hydro and WEC finished the first stage of their new capacity investments in 1932. Despite bankruptcy, utility reorganization in rural Manitoba and civic hydro raids, the utilities still produced sufficient energy and maintained the "cheap power" policy. Yet the relative stagnation of the policy sector allowed existing anomalies to grow. Rural and farm electrification were postponed until after 1945. The continued autarchy and stagnation of the utility sector ensured that the inefficiencies in the production and distribution of electricity would become more and more significant, as would the difference between the cost of electricity between city and province. Nevertheless, the Manitoba government began serious change only when it was clear that the policy paradigm faced complete exhaustion.

Conversely, the progressive infrastructural paradigm was not marked by anomalies so severe that they manifested a complete crisis. To accommodate Kelsey, the INCO-related Nelson River project, the Campbell government simply needed a way to recover the costs of the industry-sponsored hydro investment. There was no evidence which stated

this could not be done in the tightly controlled and disciplined manner which had characterized all capacity investments during the 1950s. The fundamental anomaly was that the paradigm's set of controls and self-discipline continued the cautious and risk adverse role for the provincial state which had been the trademark of the Liberal-Progressives since 1922. The continued celebration of short-term economy and efficiency really boiled down to an expression of the old "pay as you go" philosophy of public investment. The older ideas of state intervention no longer addressed the needs of Manitoba society at large. After the property sale agreements, the MPC no longer simply represented rural Manitoba or the "province." Moreover, electrification and economic development ensured that the whole of provincial society was undergoing a process of urbanization and modernization. The political communities which formed the pillars of the progressive energy policy paradigm were disappearing. Unemployment, urbanization, migration, and a relatively poor economic performance placed new defining points on the provincial political agenda. The hydro policy paradigm was swept away by the provincial continental modernization programmes of the Conservative and NDP governments.

The provincial continental modernization policy paradigm heightened the level of expectations associated with hydro investment. Throughout the whole of the 1962-77 period, the paradigm suffered from continued environmental anomalies, from poor planning and administration and from the moral contradictions of a mean-spirited racism with respect to Aboriginal peoples. Yet it did not collapse because of those problems and, indeed, the pace of utility investment increased during the period. The Achilles heel of the paradigm was its increasing economic and financial problems. Cost overruns and changed economic conditions produced contours to which the paradigm was unable to adapt. The most politically salient manifestations of the policy paradigm's anomalies were the inflationary rate increases and the deteriorating financial position of Manitoba Hydro as it

headed into a prolonged period of excess capacity. At that point the neoconservative policy discourse viewed hydro investment as a major problem, not a paradigmatic solution.

Experimentation and Innovation

Peter A. Hall's framework outlined the process of experimentation as a means of discrediting dominant paradigms and inviting new participants into the policy paradigm. There is evidence to support this hypothesis. Paradigms were continually challenged by policy experiments intended to meet anomalies and new exigencies, and such initiatives did erode the legitimacy of dominant paradigms. But these experiments or innovative policy initiatives were rarely successful, and the direct leap from such initiatives to paradigm change was never made.

Certainly, attempts at policy experimentation or innovation did challenge the dominant policy paradigms. For example, both the utilities and governments attempted to deal with anomalies during the 1930s. WEC attempted to sell its assets and later to form a power pool. City Hydro's firesale coalition attempted to make a municipal monopoly hydro utility. The province sponsored initiatives to rationalize the utility structure, such as the different recommendations of the Municipal and Public Utilities Board, the Goldenberg inquiry into provincial commercial corporations, and the Manitoba Electrification Enquiry Commission. MNR also attempted to reevaluate the relationship of hydro to industrialization in the context of the post-war planning exercises. Even the necessity of using direct fiscal subsidies to foster farm electrification was a policy experiment which acknowledged that water power rentals were not sufficient to reach policy objectives. Yet these initiatives in themselves did not directly define or institutionalize a new policy paradigm.

Similarly, the establishment of the northern hydro system with financial accounts separate from those of the power pool which integrated the MPC and City Hydro marked the limitation of Liberal-Progressive city vs. province accounting. Yet the northern system did not spell the end of the Progressive infrastructural policy paradigm. Indeed, the MHEB under the Campbell government produced sufficient energy for consumption and industrialization and maintained the historical "cheap power policy." Other experimentation, such as it was, occurred within the context of planning for the next stages of hydro development. Campbell Liberal-Progressives considered the northern hydro projects a distant enterprise beyond the capacity of the province itself to undertake. But this planning did not end the Progressive infrastructural policy paradigm. Indeed, the hydro planning during the late 1950s caused little contestation or worry.

The experimentation within the provincial continental modernization paradigm, on the other hand, was an integral part of the continuous paradigmatic contestation over the evolving definition of its associated hydro projects. This was caused, in part, by the fact that the paradigm was in a continual state of planning during the 1962-77 period. Since the hydro megaprojects were the centre of the Conservative modernization project it was important to present them as great works that would benefit all of Manitoba. The issue of flooding, in this sense, muddied the ideological waters. The simple relocation and community modernization approach associated with Grand Rapids was an obvious failure. Yet it was not clear what would replace it. The most significant experimentation was the method used by the Roblin government to review the construction plans which had emerged by 1967. Roblin's attempt to gain an independent assessment of the Nelson River plans proved difficult. The Duckworth Report and the "professors" echoed the concerns stated within confidential COMEF reports: that native peoples stood to be the major losers in the process of resource industrialization and that to address the question of the

modernization of Aboriginal communities was a long term project. Hence, for the first time, a schism developed between the social and economic elements of the modernization strategy. Instead of attempting to reconcile the two contending visions of northern hydro development, the Roblin Government simply buried the critique and abandoned the use of the university as an evaluator of the hydro policy paradigm. There would be no official recognition of the social and environmental costs of hydro modernization. In 1968 the Weir government experimented by changing the hydro plans to centre on the infamous "high level diversion," noteworthy as the most extreme expression of "more for less" approach to hydro planning which completely disregarded environmental considerations.

The NDP Task Force process was intended to curtail the worst excesses of the previous administration's hydro strategy. But the Schreyer government could not hide its overly ambitious and contradictory objectives: to accelerate the process of northern hydro development and at the same time minimize the environmental and economic costs to the traditional economy. While the technical modifications to the policy paradigm were important, they did not mask the fact that the NDP maintained essentially the same paradigmatic assumptions towards Aboriginal peoples in the hydro policy process as the previous governments had done. So it cannot be said that these policies were undertaken to replace the existing paradigm. Only under pressure from the federal government did the NDP enter into compensation negotiations with the affected native peoples represented as a collective organization.

The Export Task Force Report, however, with the Kierans addendum, did provide a substantial critique of the policy paradigm on the grounds that it was "profitless grandeur," it bore no relation to the NDP government's goals and objectives, and, given the limited financial capacity of the provincial government, it could eventually clash with the other policy objectives of the Manitoba NDP. That report was buried for three years

and then surfaced in the context of contestation over the definition of an alternative neoconservative critique of the dominant policy paradigm. The last form of paradigmatic experimentation was the Schreyer government's attempt to have the federal government finance and promote further hydro development as a means of avoiding dependence upon finite resources (petroleum products) for energy. The renewable energy policy innovations, however, never got off the ground.

In summary, anomalies gave way to policy experimentation, and these experimentations gave rise to the interest in new policy alternatives and brought new policy participants into the paradigm. Yet the evidence indicates that experimentation did not give way to paradigm shift. Rather, governments tended to bury or distance themselves from such "paradigm threatening" initiatives either through the use of non-partisanship or, with modern party government, through direct manipulation of the policy process. Hence policy paradigms can exist for some time replete with contradictory experimentations. A new paradigm had to be defined and politically validated before inter-paradigm shift occurred.

The Fragmentation of Authority

Fragmentation refers to the process whereby the institutions and ideas of an exhausted paradigm are challenged by new ideas emanating from new institutions. Within this study, however, the long periods of institutional fragmentation, conflict and contestation make it difficult to isolate meaningfully the stage of fragmentation from that of contestation. Nevertheless, during the Liberal-Progressive period there was a stage distinct from experimentation where new paradigms were given a preliminary definition before being given a broader political meaning in discursive contestation.

During the shift from competitive urban electrification to the rentier-redistributive policy paradigm, and from the later to the Progressive infrastructural policy paradigm,

power was already highly dispersed and fragmented within the policy paradigm amongst the three major utilities and their respective political allies, the three levels of state, and among competing groups within the Manitoba legislature. The impending transfer of natural resources from the Dominion to the provincial government made the latter increasingly more important to the actual process of paradigmatic definition.

During the 1920s the competing paradigmatic ideas contained within the fragmented policy arena were defined by public and private ownership as related to competing social democratic and liberal projects. Given the fragmented and conflictual political landscape, the Liberal-Progressives attempted to institutionalize a form of non-partisanship and relied extensively on "expertise" as opposed to ideological or partisan logic. Ostensibly, the role of expertise was to make up for the weak administrative capacity of the provincial state and to ensure that public policy was governed by logic rather than partisan self-interest. Yet expertise still served the government in power and was never clearly non-partisan.

The role of justifying the Seven Sisters decision, and thus the shift to the rentier-redistributive paradigm, was left to Dr. Thomas Hogg, the Chief Engineer of the Ontario Hydro-Electric Commission. According to his logic it would have been too expensive for the province to develop the Seven Sisters site for rural electrification. Yet rural electrification could be attained by water power rentals and a cheap power contract between WEC and the MPC. The province could attain its goals, and even reclaim the hydro site after 30 years, without undertaking the risk of investment. That was the genesis of the pragmatic rentier-redistributive thinking which dominated hydro politics over the next two decades.

The succession of policy failures and experiments during the 1932-48 period left the utilities in an organizational structure frozen in time and the paradigm so beset with anomalies that it was politically exhausted. Since authority within the paradigm was

already dispersed amongst the City, Province and three utilities, the policy failures did not engender further fragmentation. Rather, the converse held true. The process of formal paradigmatic definition began when the City of Winnipeg explicitly asked the provincial government for help--both in establishing a new overall hydro plan and in terms of investing in needed hydro capacity. This simply confirmed the lessons learned in the wartime planning exercises and began a process of centralization. As a result, power to define paradigmatic alternatives centred again upon Dr. Hogg in the context of the Manitoba Water Power Commission, in alliance with Don Stephens, MNR and Premier Garson. Hogg's report then provided the basis for the new definition of hydro problems and solutions based upon a new discourse of province-wide rationality. Inevitably the report's frank, bold functional discourse had to enter a broader political discourse defined by longstanding rural-urban and class cleavages and by the particularistic interests of established institutions. In order to control the process, the Manitoba government established the Joint Water Power Committee to work out a deal which could then be "sold" politically. What ensued, on the contrary, was several years of contestation in which the hydro policy paradigm took on several different political meanings.

As indicated above, the progressive infrastructural policy paradigm did not suffer from internal anomalies, but rather from being too bound by ideological and institutional constraints. Premier Campbell's planning process opened up a curious form of "fragmentation." Both the INCO contract and the preliminary northern hydro studies confirmed that the government of Manitoba could not and would not undertake northern hydro investment on its own. Hence it searched for financial and marketing support from the Government of Canada. It was from these quarters that the new provincial continental modernization paradigm began to take shape. Economists and engineers did not plan with the political categories inherited from the national policy. Rather, economic planning

began to reflect the new continentalism, and the Manitoba hydro strategy was born out of this situation. The Government of Canada emerged as the new partner in defining the Provincial continental modernization policy paradigm.

The emergence of the post-modernization neoconservative critique follows the pattern outlined by Peter A. Hall. It was born out of prolonged opposition to the party in power, successive policy experiments and failures and contestation over the nature of state intervention. Simply stated, the form of modernization symbolized by hydro development no longer commanded the moral force to cement ruling coalitions in provincial politics. Churches, native support groups, and environmentalists combined with academic scientists and economists, professional engineers, business associations, the Free Press and both major opposition parties in their rejection of the dominant policy paradigm. All had different axes to grind, but the pivotal document which united these diffuse elements was the Kierans addendum to the Report on Examination of a Proposal for Long-Term Exports. The one goal that united the new allies was to establish a commission of inquiry to study the implementation of the continental hydro policy paradigm and substantiate the neoconservative critique.

In summary, the fragmentation of authority and the emergence of new policy participants and ideas were an integral part of the process of paradigm shift. It was a process, however, that was integrally bound up with the process of contestation. Ideas needed a basis of political support in order to be implemented.

Contestation: Ideas, State Structures and Society

Contestation involved winning political support for competing paradigmatic projects. Yet, the policy paradigms described in the thesis were not fully "stand alone" constructs. Rather, each policy paradigm was associated with a broader image of the state which dominated political life during the period under study. Hence the hydro policy

paradigms became integral parts of the political and ideological conventions which made up the Liberal-Progressive image of the state, the new Progressivism and the image of continental modernization. The particular relationship of each paradigm to these dominant images of the state was defined through the dissemination of these ideas in a broader political discourse during the process of contestation. Hydro policy paradigms also shifted with changes in dominant images of state intervention which accompanied changes in political power.

The Shift to the Rentier-Redistributive Policy Paradigm

During the Liberal-Progressive period, municipal autonomy and non-partisanship were the dominant political conventions surrounding public policy at the provincial level. Also, the ideological importance of "business-like" government placed a respect for fiscal limitations and pragmatism at the centre of the political discourse concerning state intervention which had emerged out of the farmer-business alliance. The Liberal-Progressive image of the state gained a wide measure of political success in the 1922 and 1927 elections. After that period, contestation took place outside provincial elections. Indeed, a unique pattern emerged whereby policies were established first and then sold to the electorate in subsequent elections. Though some shifts, such as the emergence of the rentier-redistributive policy paradigm, were not popular, most shifts occurred with an eye to cementing coalitions. For the most part, Liberal-Progressive political conventions worked to dampen or avoid open contestation and to continually cement support of the party's historic alliance partners.

The hydro policy discourse reflected assumptions concerning the organization and ownership of utilities, political power and the process of electrification. The turn-of-the-century, business-led public power movement sought competition as a means of checking monopoly power. The relative abundance of energy and the cheap-power policy had

helped the rapid spread of electrification within Winnipeg, although the fledgling MPC was not able to do the same for rural Manitoba. Conversely, the common wisdom was that monopoly was associated with high prices and poor service--an assumption that reflected Winnipeg's historical experience with WEC transportation and electrical services.

The political and economic problems changed during the 1920s. Politically, the competition between utilities had become one of the most important expressions of the class and populist conflict that dominated Winnipeg politics. Instead of monopoly vs. competition, the discourse was of socialism vs. capitalism. Public ownership, in the new political discourse, became associated with the goals and objectives of the Independent Labour Party and the populist constituency that supported City Hydro. WEC, on the other hand, became a leading symbol of the province's nascent business class. Contestation over the status of the Seven Sisters site brought the two competing projects in conflict. On top of this well established political discourse was a language of promotion associated with the speculative boom in Manitoba resources. Hence the discourse on hydro was no longer simply part and parcel of a distributional conflict amongst business, labour, the City and the Province. It was also about the structure of provincial economic development.

The decision of the Bracken government to forego public ownership and institutionalize a rentier relationship with WEC was predicated on an acceptance of the rentier relationship already embedded within Dominion government water power regulations and plans. It was also adopted in the context of forging an alliance amongst Winnipeg business, the United Farmers of Manitoba rural constituency and central Canadian resource capital. The decision produced significant backlash because the United Farmers of Manitoba were committed to public ownership of hydro, as was the Winnipeg public power movement. Conservative Party opposition attempted unsuccessfully to discredit rentierism by linking it to the corruption of the party system. The Liberal-

Progressives, on the other hand, were successful in linking the rentier-redistributive paradigm to a form of pragmatism which acknowledged the limited fiscal and jurisdictional capacity of the provincial state. In other words, the fiscal limitations embedded within the Liberal-Progressives ideology of state intervention were more important than the policy commitment to the public ownership of utilities.

The 1932-1948 period both vindicated and showed the profound weakness of rentier-redistributive policy paradigm. The vindication of the paradigm, given the 1930s fiscal crisis, was that the state did not have to bail out the utilities. Indeed, they still produced water power rentals and even, in the case of City Hydro, provided substantial subsidies to revenue starved municipal coffers. The profound weakness of the paradigm was simply that it had stopped working. Too much capacity had been released and developed on the Winnipeg River. As a result, the virtues of competition, promotion, investment and redistribution had been supplanted by bankruptcy, stagnation, meaningless class antagonism, inefficient autarchy and risk aversion. In the end City leadership had such a profoundly limited view of municipal state ownership that the conflict between WEC and the ILP was not so much associated with paradigmatic ideas on the role of hydro resources as it was with a distributive struggle over the control of utilities.

The long duration of the paradigm despite obvious anomalies and continual contestation was not simply the product of the relative balance of political forces. It also reflected the profound institutional fragmentation of the policy paradigm. The political class struggles in Winnipeg took the form of competition between utilities rather than the struggle over the direction of a single municipal monopoly utility. The institutional separation of WEC and City Hydro allowed for the curious combination of circumstances where one utility was bankrupt because of excess capacity linked to the collapse of the resource and industrial sectors of the province while the other continued to invest in new

capacity to meet the needs of its domestic and secondary power markets. Clearly, the policy made no economic sense. It only "made sense" once it had been assumed that each of the two utilities were antagonistic and competing political projects.

The one exception to this general pattern concerned the MPC which, due to an impending financial collapse, took over the small-scale municipal utilities in rural Manitoba. The success of the MPC during the 1932-48 period reflected the fact that there were no contradictions between the utility's growth and financial success, the acceleration of the pace and the improvement of the terms of rural electrification and the economic development of rural Manitoba. Of course, it took the tireless organizational efforts of Herbert Cottingham to convert structural possibilities into making the MPC a leading symbol of the economic aspirations of rural Manitoba. There is no evidence of any parallel entrepreneurial talent within the leadership of the Winnipeg utilities. The basic problem facing the provincial state in 1947 was not choosing among utilities and their ambitious plans to develop hydro capacity, but rather in creating a policy framework which would induce any utility, private or public, to undertake responsibility for hydro investment.

The Shift to the Progressive-Infrastructural Paradigm

The contestation between the rationalism of the Hogg Report and the ideas associated with the old policy paradigm took six years to resolve. The ambitious set of recommendations stemming from the bold conceptualization of the province as a whole contained within the Hogg report and MNR thinking contrasted directly with the political divisions of Manitoba between City and Province, Coalition and CCF. Indeed, the basic political problem was that the new paradigmatic thinking threatened the institutions and political conventions which had come to define the older Liberal-Progressive image of the state.

Though the contestation took place during the last of the Coalition governments, it was an issue which divided all of the political parties. The Liberal-Progressives were ideologically ill-suited to take over the leading utility of the City of Winnipeg and afraid also of undertaking new responsibilities which ought to be fulfilled by either WEC or the City of Winnipeg. The Conservatives were torn between their ideological adherence to the new Progressivism and their desire to become representatives of the provincial business class. The CCF could accept the basis of the case for provincial public ownership, but could not marshal a political constituency to oversee the dismantling of City Hydro.

There were four new elements to the policy paradigm which changed the terms of political discourse during the process of contestation. First, in order to break the impasse, the provincial government had to assume the powers to expropriate and unilaterally change the property and resource claims of capital, constitutional powers which were within the jurisdiction of established provinces. Hence it sought to change the terms of the Natural Resources Transfer Agreement. Neither WEC's nor Winnipeg's allies in the Canadian Senate and the Manitoba Legislature could oppose the government of Manitoba's assuming a constitutional position equal to that of other provinces, even when it was obvious that the powers were targeted against recalcitrant utilities and resource capital. Second, the Liberal-Progressives attempted to validate the Hogg Report and Plan C amongst the professional leadership of the existing utilities. Indeed, it even invited better ideas. In the end, opposition could not point to Plan C as being a technically or economically unsound idea. Hence public ownership would be legitimized by the institutionalization of a more technically, financially and economically efficient policy paradigm. Certainly there was a debate on the financial merits of purchasing WEC--especially if the expenditure did not produce more capacity. But this debate legitimated

the Hogg report and its new policy discourse because it accepted the definition of the policy problem. All it did was support one of the least desirable of Hogg's alternatives.

Third, the Liberal-Progressives had to sell Plan C as a good idea for the City of Winnipeg. Here, the paradigm faltered upon the rural-urban, Province vs. City schism. Both levels of government had learned the lessons of the new Progressivism. Premiers Garson and Campbell could not commit the provincial government to undertake the responsibility for supplying hydro capacity unless its financial interests were protected. The City of Winnipeg was continually suspicious that the provincial government was attempting to unload expensive responsibilities for transit and gas distribution throughout the whole Greater Winnipeg region while it was taking over, at the same time, the most cherished symbols of the City's independence and financial power. Hence the proposal ran into an impasse during the JWPC process. From this cleavage came the "no diversions" policy and the terms of the City/MHEB property and power agreements as means of recasting the new "City-Province" relationship.

Fourth, when the province of Manitoba introduced Bill 78, the issue of defining and protecting the new mandate of the provincial government became an attack on capital and, in response, the defence of the older rentier-redistributive policy paradigm became a cold war crusade. This was a successful crusade, even though Winnipeg business itself was divided on the merits of Plan C and the question of whether the public provision of electrical energy was in fact an intervention hostile to capitalism. The Free Press attempted to sell the idea of a power pool in which the MHEB would supply energy to WEC and City Hydro.

The defeat of Plan C in the 1952 referendum would appear to have vindicated the power pool idea and led to its institutionalization. In fact, however, the referendum vote simply reflected the skewed institutional and class logic which had paralysed the policy

paradigm since the depression. WEC was opposed to the power pool solution and refused point blank to cooperate or participate in it. "Free enterprise" did not imply "slave enterprise." The only real debate between WEC and the government of Manitoba was the price of compensation. Bill 78 and the subsequent anti-Plan C agitation, for WEC, were simply means of gaining a better price and of winning a symbolic political battle concerning the role of WEC within Winnipeg. They nearly backfired. The great challenge for the new MHEB/WEC/Liberal-Progressives alliance was the need to validate politically the "go it alone" option in face of the referendum results. The validation and legitimation of that alternative came from the Special Session of the Manitoba legislature, the first in its history to be fully recorded. The session placed on the historical record what the principals had known for some time--that all paradigmatic alternatives which assumed a cooperative working relationship between WEC and City Hydro in the context of a provincial power pool were completely unworkable and would not meet all of the policy objectives articulated by Dr. Hogg and that public as opposed to private ownership provided the most efficient and low cost way to organize the hydro industry.

The Shift to the Provincial Continental Modernization Paradigm

If paradigmatic shift during the Liberal-Progressive period had been marked first by a prolonged process of administrative and economic definition and validation and then by selling the paradigm to the general public, the reverse was the norm for the 1962-77 period. With the return to partisanship the hydro policy paradigm was first sold politically in the process of electoral contestation, and then economically and administratively defined or validated during the course of implementation. The result was continuous conflict and contestation within a highly politicized policy field.

The shift to the provincial continental modernization policy paradigm occurred during the 1962 election when the Nelson hydro projects emerged as the centre of Duff

Roblin's Conservative Party electoral programme. It was "provincial" in the sense that it relied primarily upon the provincial state to jump start a more rapid pace of capitalist industrialization. Gone were the intergovernmental and interutility constraints of the former policy paradigm. There were no more institutional divisions amongst consumers, levels of government or private and public sectors. It was "modernization" in the sense that it was part of an historic change in the nature of state intervention and in the sense that it was part of an attempt to shape future economic development. It was "continental" in that it was associated with attempts to use hydro to promote continental resource industrialization. The new policy discourse simply swept away the fiscal, market and ideological constraints of the older policy paradigm.

Underneath the paradigmatic shift were structural changes in the nature of the provincial political economy. Simply stated, the older paradigm and ideological conventions no longer made sense because of secular changes in the provincial economy and society. For the Roblin Conservatives modernization implied continental resource industrialization and welfare state reforms. Hydro became the centre of the industrial strategy. Projects were to be evaluated on the contributions they would make to a future economy. Wheat, while important, was no longer king. Manitoba was not alone in undergoing these changes. Indeed, Manitoba received the benefits of contestation elsewhere in the federal state. It was contestation over the Columbia River Treaty, for example, which opened up the continental market to provincial hydro strategies. It was the quiet revolution in Quebec which supplied a comparative example or model of state-led modernization.

During the 1962-77 period, the hydro policy paradigm, general modernization programme and electoral fortunes of the party in power were closely intertwined. The modernization programme and the hydro strategy were presented as projects which would

benefit all and implicitly cement a durable coalition of support behind the Roblin Conservatives. Initially this was the case. Opposition parties could not, at first, define a paradigmatic alternative. Over time, however, partisan cleavages emerged in relation to the modernization programme, though it would take until the late 1970s for an alternative paradigm to emerge.

Hydro contestation during the 1969 elections focused on the South Indian Lake and high level diversion. The policy discourse changed to include what were considered the costs of economic growth: environmental integrity, the destruction of Aboriginal societies and what was considered to be the fair and democratic method of making hydro policy. The contestation ended with the NDP promise to institutionalize a more open, democratic and humane version of the same continental hydro strategy. The Conservatives's hydro policy was discredited because the high level diversion symbolized all that was wrong with the "forced growth" policies. Only the Liberals stuck to a "no dams, no flooding" policy, one that implied a return to the 1950s Progressive-infrastructure policy paradigm.

Throughout the 1970s the political discourse and paradigmatic alternatives changed. First, the NDP could not deliver a "humane" version of the same policy paradigm--despite important changes in the design of hydro projects. Nor did it offer a more open and democratic policy process. Therefore the policy difference between the NDP and the former Conservative governments diminished. Nevertheless, after 1973, the NDP attempted to change the hydro discourse from modernization to that of a renewable energy policy paradigm. However, this was not successful--partially because the distinctness of the concept of a renewable energy policy paradigm was never clearly articulated. Rather, the attempted shift appeared as a new justification to seek financial aid to continue the pace of hydro investment that had characterized the whole modernization period. To a certain extent, the hydro projects were being justified for their own sake. This

was not a policy, given the historical fear of taxation and fiscal integrity, which could unite a broad spectrum of socio-economic interests. Nor did it define a social democratic post-modernization policy paradigm.

The Conservative Party, in opposition, had changed the nature of its discourse. Under Sterling Lyon it distanced itself from the Weir government's forced growth hydro strategy. Instead, the party concentrated on criticizing the NDP hydro strategy on grounds of its economic waste, administrative incompetence, projected negative impact on the fiscal position of the province, and closed and authoritarian policy process. This emerging neoconservative critique was aided by former Premier Douglas Campbell's opposition to the Cass-Beggs Task Force report, the Kierans addendum to the task force report on Manitoba Hydro's proposed export plan, an alliance between the Conservative and Liberal Parties and, finally, a comprehensive and critical press campaign against the NDP hydro strategy just before the 1977 election. That election buried the modernization discourse and marked the beginning of the implementation of a neoconservative hydro strategy.

Underneath the new discourse on state intervention was the fact that hydro strategy had ceased to be a uniting symbol of state intervention. Business groups, the press, professionals and elements of the new middle class, churches, environmentalists and others who allied themselves with Aboriginal peoples all stood in opposition to continuing the form of modernization which had characterized the post-Liberal-Progressive period. Though that period was finished, it was not clear whether the new Conservative government could or would attempt to roll back the tide to embrace the market oriented policy paradigm of the 1950s.

What separated the exhaustion of the provincial continental modernization paradigm from the exhaustion of the earlier paradigms was the fact that the fundamental contestation was as much defined by competing political claims as it was by fiscal and

economic exhaustion. Before the hydro policy agenda turned its attention to northern megaprojects, the professional and political consensus on the design and implementation of hydro dams was fairly clear. The key words in the Liberal-Progressive mandate for Manitoba Hydro were to ensure the most efficient and economical use of resources. The contestation surrounding northern megaprojects forced the Manitoba government and Manitoba Hydro to consider tradeoffs between efficiency and environmental integrity, short term economy and the importance of building for the future. Underneath the technical blunders, the economic misjudgments on the timing of hydro capacity investments, and the legal war against the claims of Aboriginal peoples were moral visions of the role of hydro resources in Manitoba society. Simply returning to a more cautious market-oriented hydro policy paradigm could not solve those problems. While it was highly unlikely, for example, that Don Stephens, the major steward of Manitoba's hydro resources, would have allowed the Manitoba Hydro Electric Board to run into such profound economic difficulties, it was also true that Stephens would have supported the infamous "high level" diversion on the grounds of its obvious technical and economic appeal, regardless of the environmental and social consequences. Contestation over the role of resources in economic development, the tradeoff between energy efficiency and environmental integrity, and the relationship of Aboriginal peoples to industrialization were not settled during the modernization period and would likely not be settled for some time.

Hydro Policy Paradigms and Theories of State Intervention

One of the central questions of Canadian political economy, old and new, is to account for the particular path of Canadian development or lack of it. What has this study contributed to that question? How did provincial state intervention, in terms of hydro policy paradigms, serve capitalist economic development in Manitoba? State officials and

political leaders have certainly attempted to use hydro policy to foster economic growth. But that particular objective has also been conditioned by what those same officials assumed to be the real needs and nature of the economy and the way hydro policy was to serve those needs. Regardless of problems and objectives, hydro policy paradigms were conditioned by state structures. They also paid continual respect to political conventions, fiscal policy and current fiscal resources as major ideological and monetary constraints on state intervention. Governments used hydro policy to enhance their electoral advantages. Yet, there is no evidence of an instrumental relationship between class and state. The Manitoba government courted mass political interests in the context of a complex coalition or constellation of support. Hence there is no simple conclusion concerning the functional role of the provincial state's hydro policy paradigms in capitalist development or the reproduction of class power.

Capacity, Rents and Linkages

In the first place, the provincial state has not been the best manager of hydro as a staple industry. The ability of the Manitoba government and utilities to balance allocated resources and capacity with firm peak demand has been poor. For the most part Manitoba utilities have been plagued by either too much or too little capacity. During the 1930s and late 1970s the excess capacity produced structural financial difficulties. In the first capacity crisis the direct financial costs were absorbed by external capital. In the second crisis the financial problems were absorbed by consumers by means of escalating rates. During the 1940s and early 1950s the paradigm suffered from a chronic shortage of energy. Only historically exceptional levels of water saved the province from blackouts. On balance, all of these crises could have been avoided or substantially mitigated by better public decisions. It can certainly not be said that state intervention was automatically healthy for the Manitoba utilities.

State intervention in hydro was much more successful in fostering the process of electrification. This was done primarily by means of the "cheap power" policy which emerged out of the competition between WEC and City Hydro in 1911. During the rentier-redistributive policy paradigm, the cheap-power policy ensured that Winnipeg and then rural Manitoba took full advantage of the Winnipeg River. It was profoundly important as a means of fostering the electrification and technical modernization of Manitoba society, first within Winnipeg and then, after 1945, in rural Manitoba. The whole thrust of the Manitoba Electrification Enquiry Commission, for example, was to ensure that farmers knew how to use electricity to modernize and diversify agriculture. The rapid and massive rural and farm electrification programme was eloquent testimony of the importance for Liberal-Progressives of the technical modernization of rural society.

During the Progressive infrastructural policy paradigm the same rate structure ensured that the cost of electricity did not impede the price of Manitoba agriculture on export markets. Yet the concern for short term financial economies inevitably induced the MHEB and the Manitoba government to shy away from expensive hydro projects. During the modernization paradigm, cheap and abundant power was considered to reflect a resource endowment that would help foster industrialization. After the 1973 oil crisis, hydro was promoted as a substitute for petroleum and natural gas. But this did not materialize in the short run. By 1975 the era of cheap power ended. The rapid dumping of surplus Nelson River energy on continental markets raised the question of whether or not Manitoba consumers were subsidizing energy consumption in other jurisdictions.

John Dales has linked hydro utilities to industrialization. Yet in none of the three paradigms did excess capacity lead to a pattern of hydro-led industrial development. Utilities entered into promotional campaigns, but they did not foster *dirigiste* economic strategies. During the 1920s, the boom in Manitoba resources followed a period in which

utilities were having difficulty finding financial interest in Manitoba resources. By the late 1920s, however, the simultaneous release of the Seven Sisters and Slave Falls sites produced a hydro sector characterized by overinvestment and excess capacity just when there was a crash in agricultural, industrial, resource and electrical markets. During the Liberal-Progressive period "heat was king". Given the specialization of markets for the two competing hydro utilities, WEC fell with the agricultural depression. At this point utilities abandoned a dynamic role in the provincial economy. Electrical consumption was highly taxed and the annual raids on City Hydro's surplus became an institutionalized relationship which shifted funds earmarked for investment into general municipal coffers. The debt repayment schedule of WEC ensured the company would not resume its leading role in the provincial economy. Utilities refused to take war-related industrialization seriously. Hence, there were missed opportunities.

The Progressive infrastructural policy paradigm was intended to address the stagnation of the two previous decades. Yet, the new policy paradigm reflected Progressive concerns over public sector finance and organization as much as concerns over an appropriate role for hydro resources in the Manitoba economy. The focus on hydro as a staple resource provided the paradigm with a functional simplicity which made it the clearest and most coherent energy policy paradigm adopted by the Manitoba government. At the same time, however, its caution and efficiency made it incapable of undertaking the large-scale investments associated with the Nelson River continental energy policy or really compensating for the years of neglect during the former policy paradigm.

The provincial continental modernization policy paradigm did not produce the industrialization hoped for by the Conservatives. Despite all efforts, the economic strategy still relied more heavily upon promotion and subsidization than *dirigiste* interventions. Nor

did it make a major economic impact as a structural replacement for imported petroleum. Manitoba hydro-electric energy did, however, find its way to continental markets in newly designed seasonal capacity exchange agreements. Certainly, the provincial economy had benefited from close to \$2 billion public investment in hydro resources. But the economic and financial framework of those investments made the surplus capacity a burden, not an incentive towards economic development.

Class, State and Hydro Paradigm

The hydro policy paradigms are more rationally understood when they are considered in relation to their major coalitions of support and opposition. For most of the century the utilities themselves have defined policy objectives and worked with political parties to cement constituencies of support. Generally the political parties have attempted to engender a broad base of support for policy paradigms. While support from the business community was important to each of the paradigms under consideration, such support was not always forthcoming. Also, historically, there is good evidence to indicate that political parties used hydro policy to cement support from subordinate classes.

The process of coalition building was most transparent between 1922-1948 when various utilities vied for support from particular classes. The relationship between the Liberal-Progressives, WEC and Nesbitt, Thomson is perhaps most revealing of the political power, solidarity and dependence of Winnipeg business. Winnipeg business did not have the financial and technical capacity to develop hydro resources on its own. Hence the participation of Power Corporation and of the U.S. based-Insull interests on its Board was, given the City's history of economic and political crises, a major accomplishment. Winnipeg business could have done little more to ensure that the company had the financial and technical expertise it needed to grow. In the post-strike period Winnipeg business, as represented by the Independent Citizens' Committee, developed a great deal

of solidarity because of the political struggle with the left in municipal politics. It was able to make City Hydro temporarily dependent upon WEC and thus secured a leading position for the utility. It became the flagship of Winnipeg business' aspirations. Given the WEC's economic position, financial and technical expertise, it appeared, as well, to be a juggernaut.

WEC's power did not last. During the depression WEC was unable to press its pleas for aid in restructuring and tax relief on Winnipeg City Council and the provincial legislature. The balance of power on the City Council had turned to the ILP and the populist constituency supporting a relatively more powerful City Hydro. WEC's long-term enemies took the opportunity to practice political revenge through the refusal to cooperate with any form of utility rationalization, the refusal to help WEC deal with the problem of excess capacity, and the continued capacity investments and practice of autarchy. This was cold comfort for WEC, which was severely weakened by its financial reorganization. Winnipeg business opposed City Hydro's expansion plans and the subsidized sale of appliances while WEC was plagued by excess capacity. Yet these were lost campaigns. However, Winnipeg business was successful in having City Hydro surpluses transferred to general revenues as opposed to being disposed of by way of rate decreases. The provincial government was much more balanced and cautious in its treatment of WEC. It was constrained by its adherence to non-partisanship, its primary concern for managing the fiscal crisis and its political concern that the redistributive link between WEC hydro investment and rural electrification had been broken.

In the immediate post-war period, Winnipeg business pressed for provincial action to remedy the impending power shortage and initially favoured Plan C until the threat of expropriation backfired in the Free Press cold war crusade against monopoly state ownership. Manitoba business was primarily small-scale and without any long-range view

of the role of hydro resources in the provincial economy. Instead, the leadership role began to centre on Stephens and the MHEB. That alliance kept to the cheap power-policy congruent with the interests of small business and export agriculture.

During the Liberal-Progressive period subordinate classes, such as labour and farmers also benefitted from the hydro policy paradigms. The low hydro rates and the rapid spread of electrification within Winnipeg were the tangible effects of the competitive policy paradigm. Often characterized as "populist constituency," support for City Hydro stemmed from the fact that it concentrated on supplying cheap power to the domestic market: home lighting, appliances, water heating and cooking. The utility was part of urban social modernization. Economically, this market niche did not suffer from the same cyclical fluctuations as business markets. Politically, the utility was supported and protected by the ILP.

City Hydro, however, did not break from an essentially defensive expression of its role within provincial economic development. The ILP and the early CCF practised a closed form of politics centring on municipal life and institutions. City Hydro maintained an active antagonism towards WEC and cemented its defences by means of autarchy. Periodic attempts to buy out WEC or to become a leading provincial utility were thwarted by the Progressive image of state ownership held by its leadership and opposition by the business representatives in City Council. This pattern was confirmed when City Hydro was not able to assemble a political coalition powerful enough to implement Plan C.

Farmers were the key constituency to the Liberal-Progressive governments. Yet it took two decades for the Manitoba government to deliver rural and farm electrification to the "province." For the first decade state ownership and electrification were not integral to the changes in the image of the provincial state implemented by the farmers' government. During the 1930s the provincial state did not have the capacity to deliver an electrification

programme. During the 1940s this was the single energy objective of the Liberal-Progressives. This was accomplished by a specialized state structure and by the brilliant entrepreneurship of Cottingham and, later, Douglas Campbell. Campbell's vision of the rural energy policy, however, was centred on farm electrification, not rural industrialization. Politically, it was oriented towards freezing the CCF and Social Credit movements out of rural Manitoba. And to this extent it was successful.

During the 1960s hydro planning was undertaken by the newly integrated Manitoba Hydro, Roblin's Conservative Party and the new central agencies of the modernization government. From the old MPC the policy paradigm still included promotional campaigns to foster the use of appliances. The continuation of the historical rate structure benefitted all consumers and decreased the meaningful differences amongst social groups in the segmented electricity markets. The hydro policy paradigm then turned from the politics of electrification to the politics of the role that hydro would play in economic development.

Hydro also became one of the tools used to induce industrialization. The government of Manitoba, in other words, wanted the province to participate in the large-scale continental resource industrialization of the post-war period. INCO served as a major model for further aspiration. To this extent the province of Manitoba did attempt to foster a dependent pattern of industrialization. The Weir "high level diversion" was the clearest expression of this policy. Nevertheless, the hydro related industrialization policy faded after the 1969 election.

Hydro planning under the Schreyer government was centred within the office of the Premier and Manitoba Hydro. The emphasis on hydro-related industrialization was dropped as the Manitoba government became consumed with the politics of development. Hydro megaprojects produced significant procurement contracts and business opportunities, but there was no systematic discussion of a backward linkage economic

strategy during the modernization investments. The investments gave a large boost to employment. But the politics of development emphasized the social impact of hydro industrialization on the environment, on competing resources and on Aboriginal peoples. These were all poorly handled by the Schreyer government.

The paradigmatic concerns of the business community appeared to be on the nature of the industrialization strategy and on the fiscal and financial costs of hydro investment. While the post-1973 policy environment opened a window for the NDP to assemble support for a new hydro based renewable energy policy, the business community became more concerned with the effects of stagflation. Indeed, conditions were not right for the establishment of a new expansive hydro paradigm because the side effects of the modernization paradigm were just beginning to be felt. The massive rate increases were generally unpopular and alienated the business community from the modernization paradigm. Indeed, business groups became outspoken supporters of the neoconservative critique emanating from the Conservative party. The new concern over the debt and the financial position of Manitoba Hydro reflected the fact that international finance, centred largely in the United States, was the new partner in the hydro policy paradigm. This community's assessment of Manitoba's credit rating, with the attendant financial penalties and rewards, became an important part of provincial politics. The modernization paradigm, therefore, ended up institutionalizing financial dependence.

The provincial continental modernization paradigm centralized power within Manitoba Hydro, the office of the Premier and other central agencies. The effective power of these organizations was increased because of legislated monopolies and the absence of broad social divisions despite the partisan contestation. It was within this context that the authoritarian racism and the environmental anomalies of the hydro strategy grew. Consequently, the effective withdrawal of business support for the modernization

paradigm, in conjunction with contestation from professionals, new social movements, and native organizations, provided an historic opportunity to rethink the purposes and premise of the paradigm which governed the use of hydro resources in Manitoba.

Hydro, State Structures and Democratic Politics

The nature of the policy process and politics of coalition-building changed significantly during the three policy paradigms under scrutiny. Despite the Liberal-Progressive desire to maintain a politics above classes, this analysis has pointed out that class interest and class conflict animated the policy paradigm during the 1922-1948 period. Moreover, the uncompromising antagonism between rival Winnipeg utilities induced a formidable reorganization.

The case for public ownership adopted by the Liberal-Progressives was simply that it was the superior economic, financial and technical solution to the province's energy problems. Indeed, J.S. McDiarmid, the longstanding Minister of Mines and Natural Resources, went so far as to ask openly for better solutions. Nevertheless, in taking the lead within the Progressive infrastructural policy paradigm, Dr. Hogg and Don Stephens defined a policy paradigm which placed technical and economic criteria above political scrutiny. This professionalization of the policy paradigm legitimized the autonomous and powerful role of the MHEB in provincial politics. The only real checks on the MHEB were the terms of the power-pool agreements and the tight fiscal contours established by the Campbell government.

When the Conservative party began the post-Liberal-Progressive modernization programme, there were three fundamental changes to the politics of hydro. First, the newly integrated Manitoba Hydro lost the controls from other utilities which were embedded in the power pooling agreements that disciplined and controlled its investment planning. Manitoba Hydro became subject to direct political control by the government in

power. Second, the fiscal and financial controls so important to the previous governments vanished. As a result, the modernization paradigm established a state structure even more powerful than that of the Liberal-Progressives. Third, the hydro paradigm was to lead rather than follow economic strategy. This only left political criteria with which to assess the performance of the policy paradigm. During the Weir government, for example, the high level diversion was accompanied by proposals to use the rate structure as means of fostering industrialization.

The implications of these changes were profound. Manitoba Hydro became the most powerful and centralized of provincial state structures. It was ruthless in its pursuit of objectives and was well insulated from political pressures. The Manitoba NDP only marginally changed the institutional structures. The task force processes were small measures of accountability and control. Substantively, however, the particular manner in which the continental hydro strategy was implemented produced a political backlash which induced the NDP and Manitoba Hydro to hide behind institutional defences. Open policy debate and paradigmatic change could only come from three sources: electoral contests, the judiciary and federal-provincial relations. All were particularly poorly placed as mechanisms for open policy deliberation.

The tensions between centralized monopolistic state structures and democratic pluralism, therefore, became increasingly evident as the traditional ideological, fiscal and institutional controls on the policy paradigm disappeared. Opponents of the provincial continental modernization paradigm could not turn back the clock. Nevertheless, the process of contestation that marked the end of the modernization period raised the opportunity to create institutional divisions and tensions that placed checks on monopoly power and provided the institutional settings for more open political debate.

Case Study and Theory Validation

Case studies are useful for theory building to the extent that their conclusions confirm or reject theories. After the detailed review of the case study presented in this thesis attention can turn to situating these conclusions in debates concerning the theories of state intervention. The first debate outlined in Chapter One was between the *nationalists* and *internationalists* in Canadian political economy. Here the analysis generally supports the internationalist position, at least as represented by the work of Richards and Pratt, with some surprising differences. The institutionalization of the rentier-redistributive paradigm, for example, was predicated on a very tough bargain in which the provincial government gained long-term benefits from its rentier relationship with Canadian resource capital. Indeed, the terms of the bargain were such that they caused the financial ruin of WEC. Nor did the provincial government change the terms of that bargain despite pressure. During the 1920s the Manitoba government was able to seed an industrial diversification unparalleled in the prairie provinces. So it cannot be said that the province was simply a passive partner in shaping rentier relationships or that it did not use its bargaining leverage to promote economic growth.

The 1930-1958 period was one in which the passive character of the provincial economic strategy *vis-à-vis* external capital appears most evident. In Manitoba this passivity was also associated with economic, social and fiscal crises, and an absence of interest on the part of external capital in provincial resources. Manitoba business emerged much less powerful from these crises, and certainly had lost the position of dominance in western Canada it had enjoyed during the "National Policy" period. During the 1930-1945 period the provincial state abandoned any meaningful role in promoting industrialization although it continued to defend and promote the interests of agriculture. From 1945 to 1958 the provincial state was not aggressive in seeking economic growth, but it was not

simply passive in its relationship with external capital. The "new progressivism" discussed in this thesis made the provincial state anxious about fiscal security. In 1948 the Manitoba government restructured its capacity to bargain with resource capital, and in 1951 it threatened to expropriate the assets of WEC. In 1958 the Liberal-Progressive government made a bargain with INCO whereby the latter financed the construction of a megaproject and also signed a contract which ensured cost recovery over a twenty year period. Again, the cautious and risk-adverse ideology of state intervention was translated into hard bargains.

Curiously, the passivity of the provincial state's approach to economic development was revealed in the modernization period. This period also distinguishes the Manitoba case from those of Saskatchewan and Alberta. The hydro megaprojects were not grounded on assured markets, and the Conservatives played with the idea of subsidizing investment by means of rate reductions in return for industrial spin-offs. Had that strategy worked, then one might interpret the Manitoba case in terms similar to the entrepreneurial strategies of other prairie provinces. But no resource-related industrialization occurred. Moreover, the Grand Rapids water haulage affair provided testimony that local business was not expressly considered to be the recipient of Manitoba Hydro contracts. The Conservative industrialization project did not come to any fruition.

The NDP continued a massive programme of energy investments without directly linking it to an economic strategy or to assured markets. Thus this programme was not based upon a rent-seeking entrepreneurial policy similar to that of the Saskatchewan NDP. While it can be argued that the hydro projects had substantial final demand linkages which translated into employment and business incomes, there was no evidence of a debate along those lines. In the end the business community opposed the hydro paradigm out of fear of fiscal consequences. On the whole, therefore, neither the nationalist nor internationalist

positions can fully explain the Manitoba case, although the latter more clearly approximates some of the historical trends. Moreover, when the analysis begins to consider a wider set of social and ideological factors, the dependency related theoretical constructs lose their power.

Neo-institutional approaches to the study of the state build upon the weaknesses of the previous generation of state theories. A second debate concerned the major tendencies within the neo-institutional literature: the *state-structure* approach of Theda Skocpol and the *organizational* approaches of Peter A. Hall and Peter Gourevitch. The former gave more *a priori* weight to the importance of state structures in ordering politics and policy, while the latter allowed for an autonomous political process distinct from administration, as well as a more complex social interdependence of state and organized interests.

The evidence of the importance of state structures is overwhelming. In particular, the analysis has pointed to the continued importance of a calculus of constraints which centred on the fiscal capacity of the state. As well, different structures served particular constituencies and represented particular political projects. Hence the organization of the utilities reflected, mediated and, at times, exacerbated the rural-urban, class and dominant-and-subject culture cleavages in Manitoba politics. Further, the thesis has highlighted the "Tocquevillian" role of the state, such as the progressive image of the provincial state held by the Liberal-Progressives which structured Manitoba politics from 1922-1958, and the ideology of modernization which was associated with the Conservative and New Democratic governments from 1958-1977.

State-structures changed over time. This, of itself, is an important observation. While some may argue that state ownership has a tendency towards overinvestment and oversupply, the historical evidence suggests that this sort of hypothesis needs substantial qualification. City Hydro, for example, did institutionalize a form of autarchy during the

1930s. Nevertheless, as a whole, one cannot conclude that the utility was subject to overinvestment. The historical record firmly draws an opposite conclusion, that it failed to invest and supply adequately. Relatedly, the argument that state ownership tends to foster its own interests as opposed to those of its client constituency loses effective force when one examines such cases as the Manitoba Power Commission, whose corporate interests also matched the social and economic interests of the area it served, as well as those of the government in power.

How does one explain the appearance and disappearance of state structures or explain their changing political meaning over time? Certainly, the answer to this question can not rest upon utilities as state structures themselves. There are many examples when policy did not reflect the interests utility leadership. For example, before Bracken came to power the MPC leadership knew that the best way to solve the utility's difficulties was to reorganize the utility sector in rural Manitoba and keep expanding its transmission facilities. Yet the Bracken government did not act on this agenda fully until the 1930s crises. City Hydro attempted to take over its rival for decades, but never was able to do so. The leadership of the municipally owned utility also eventually supported the implementation of Plan C, but ended up with something much different. Manitoba Hydro engineering staff supported the "high level" diversion, but implemented a compromise plan with which it did not agree.

The state-structure explanation is not salvaged when one takes the position that the interests of utilities were conditioned or subject to fiscal and financial capacity of the state. At face value that was true. But not all questions that the utilities faced originally were fiscal and financial in nature, although bad decisions had fiscal and financial effects. Moreover, the thesis has indicated quite clearly that the fiscal and financial constraints were the product of the ideology and political interest of Manitoba governments. Stated

another way, both the goals of the utilities and the role of financial and fiscal constraints in delineating how that goal was to be achieved were primarily political choices.

The recognition of the temporal and political nature of explanation was the point of departure in delineating the organizational approach, and the use of the concept of policy paradigm in this thesis. The organizational approach emphasizes the social bases of state intervention and the political basis by which coalitions of support are constructed. For example, the weaknesses of state-owned utilities in the 1920s could not simply be attributed to the fiscal capacity of the Manitoba government. There were also important fact that the Bracken government was built upon a farmer-business, Winnipeg-rural Manitoba coalition. The adoption of the rentier-redistributive policy paradigm allowed each of the coalition interests to meet its objectives.

The shift to the provincial infrastructural paradigm indicated that when class interest conflicted with deeply embedded ideological contours of state intervention, the latter prevailed. But there were compromises made. The form of utility reorganization and the years of contestation and procrastination over Plan C could not simply attributed to fiscal or financial constraints. Certainly, the new progressivism played its role, but only in the context of a complete policy failure and the conflicting objectives and continued conflict between the two Winnipeg utilities. The modernization paradigm awarded unprecedented power to Manitoba Hydro that was not subject to legislative or even, at times, legal accountability. Nevertheless, it was not so powerful that opposition could not bring it to a halt.

Although the organizational approach highlights the role of politics, in terms of coalition building, the political processes identified in this thesis changed over time. The Liberal-Progressives focused upon reaching a fiscal and financial means in which the province of Manitoba could adjust to the 1919 and 1929 depressions and reform the old

style partyism. Hence they approached hydro policy with a language of constraint, an appreciation of pragmatism and an eye for administration as opposed to politics. Politics were not wholly reduced to administration, as the conflict over the utility reorganization indicated. While officials such as Dr. Hogg or Don Stephens came up with ideas that defined the economic and administrative features of proposed paradigms, politicians eventually created the political coalitions which acted as the foundation of support for the state structures of new paradigms.

With the return to party competition, electrical energy policy paradigms became a tool to be used by political parties in their search for electoral advantage. For the Conservatives, developing hydro for continental markets represented a powerful form of modernization. By 1969 the Conservative view of modernization was politically exhausted. Nothing revealed this more than the division and debate caused by the high level CRD. Similarly, Cass-Beggs sold his plan for hydro development to the Hydro Board on the basis that it was a politically saleable compromise. The NDP government also believed Cass-Beggs' technical assessment. The problem for both the Conservatives and the NDP was that they could not build stable coalitions of support for the policies they preferred. The policies were too ill-defined to have explicit objectives and the political assessment of the policies changed over time.

Last, it is important to point out that the same political dynamics which launched political parties into a process of coalition building also limited their scope for policy innovation. Quite simply, the hydro paradigms had to please major interests in Manitoba political society. The modification of policy ideas during the political process, therefore, was an important aspect of paradigm definition. Parties, however, did much more than simply transport given discursive ideas. Rather, they played a key role in shaping that discourse. The Liberal-Progressive classless non-partisanship, for example, disadvantaged

the ILP, CCF and Social Credit in Manitoba politics. As a result the ability of these political forces to shape the hydro paradigms diminished. Provincial state ownership, therefore, was eventually justified in terms of efficiency rather than as an end in itself. And Manitoba farmers held a privileged place within policy discourse.

For all their apparent ideological differences, this thesis has argued that the Conservative and NDP governments during the 1958-1977 period shared a modernization ideology which highlighted the role of the provincial state in reshaping the provincial economy. Part of the common assumptions was to reject the introduction of a policy discourse which would have highlighted in any way the autonomous role of Aboriginal peoples to shape their role in the modernization process. For example, when first elected the Schreyer government attempted to project the idea that project design modifications were sufficient to constitute an expression of inclusion of native peoples as subjects and actors in the policy paradigm. But when the NDP government ran into sustained opposition, it refused to entertain any further accommodation towards Aboriginal peoples as a collectivity and refused as well to consider structuring a corporatist form of relationship between itself and a representative institution of flood communities.

The capacity of political parties to manipulate and structure policy discourse derived, in part, from their role in directing government agencies and of organizing policy paradigms. It is from political parties that the goals and meanings of policy paradigms were articulated and spread. Political parties, in power, organized their state structures around those goals. They made decisions to commit resources to address particular policy problems, to ignore others, or to promote or stifle the ideas associated with other political forces. Hence, as one looks at state intervention across time, structures by themselves lost explanative power and the importance of the political process of making coalitions around paradigmatic ideas and of organizing those paradigms became more and more evident.

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APPENDIX A: Historical Tables (Organized by Chapter)

1.1. A Sketch of the Initial Problems/Objectives of Successive Policy Paradigms

Rentier-Redistributive (1928-1953)	Progressive Infrastructural (1953-1962)	Provincial Continental Modernization (1962-1977)
<ul style="list-style-type: none"> - City Hydro was running short of capacity. The MPC had failed in pursuing rural electrification, was under financial strain and without an assured supply of energy. - Competitive bidding from resource and utility capital pressured the Manitoba government to make a decision on the allocation of hydro resources, particularly at Seven Sisters, the largest site on the Winnipeg River. - The choice was whether to institutionalize a rentier relationship with existing utilities or to develop the site under public ownership (City Hydro or the The MPC). 	<ul style="list-style-type: none"> - The provincial economy faced a chronic energy shortage because both major hydro utilities refused to invest in new capacity under terms of the rentier paradigm. - Given the existing utility structure, the higher costs of new energy would be borne disproportionately by the rural Manitoba consumers. - The provincial government did not have the jurisdictional capacity to bargain effectively with utility and resource capital or to unilaterally restructure the utility sector. 	<ul style="list-style-type: none"> - The existing policy paradigm favoured the efficient and economical use of resources and institutionalized a cautious pattern of investment which emphasized avoiding large-scale hydro investments in favour of short-term small increments to coal-thermal capacity. - Northern hydro resources could not be developed in the foreseeable future under those terms. - Attention turned to seeking ways to plan, design, finance, implementation and market northern hydro resources.
<ul style="list-style-type: none"> - The choice was to institutionalize a rentier relationship whereby long-term leases to the hydro sites were granted to WEC and City Hydro and in return the utilities would invest in capacity and pay water power rentals (royalties). Also WEC, through a special supply contract, was to provide the MPC with an inexpensive supply contract which was thought to take care of rural energy needs until the 1950s. - It was also assumed that the new capacity would foster resource industrialization. - The water power rentals were redistributed to the MPC and assumed to be sufficient to subsidize rural electrification. 	<ul style="list-style-type: none"> - The province buys WEC and establishes a utility (MHEB) with the mandate to provide new generation capacity for the province and sell energy to CH and the MPC at cost. - The policy paradigm assumed that provincial state ownership would provide a more equitable, economical and efficient means of managing resources, investing in capacity, producing and distributing electricity than private enterprise or municipal state ownership. - The "cheap power" policy was embedded in power pooling relationships which equalized the cost of energy, discouraged the production of excess capacity and protected the interests of all utilities from redistribution, save for water power rentals. 	<ul style="list-style-type: none"> - The Manitoba government embarked upon the design and construction of a series of historically strategic engineering projects intended to create a northern hydro corridor on the lower Nelson River. The scale of the plan was beyond the province's financial and market capacity. - The plan was accompanied by attempts to offset costs, such as federal subsidies, the seeding of energy intensive industrialization, and long-term export contracts. - Through a process of amalgamation and changed legislative mandates effective power was centralized in the hands of the leadership of Manitoba Hydro and the Office of the Premier.

2.2. Market-Utility Organization, 1920s

Market	Utility
Farm	- Farms remain self-sufficient and rely upon decentralized energy production.
Rural Municipal	- There is competition between independent rural municipal utilities and utilities dependent upon the MPC for energy.
Winnipeg Region Domestic	- There is competition between WEC and City Hydro because both have separate transmission facilities. - City Hydro predominates in Winnipeg and WEC dominates suburban markets.
Winnipeg Region Industrial/Commercial	- There is competition between WEC and City Hydro. City Hydro predominated during the 1910s, but WEC predominated during the 1920s.
Resource Industries	- There is competition between WEC and resource capital for control over hydro potential of the Winnipeg River and to supply resource industries with electrical energy. WEC ends as the dominant supplier in this sector.
Inter-Utility Markets	- City Hydro supplied the MPC with energy during 1919-1929. However, it was running short of capacity. - WEC began to supply part of City Hydro's needs with from its Great Falls capacity. City Hydro served notice it would not renew its supply contract to the MPC. - WEC undertakes to supply MPC needs from Seven Sisters capacity. 1928.

3.3. WEC-Government Relations: Urban Transportation, 1929-1934

Corporate Initiative	Political Response
1929 - WEC decides to address Electric Railway problems by seeking tax relief from municipal government for 5 per cent gross earnings tax and other charges, as well as by seeking a general rate increase for transit services.	The Municipal and Public Utility Board (MPUB) begins rate review.
1930 - WEC continues to seek tax relief and rate increases.	<ul style="list-style-type: none"> - The MPUB grants WEC temporary rate increases (July and October) pending hearings and full study of the rate question. - The City does not give WEC tax relief.
1931 - WEC institutes policies to ensure economies in operation. New investment is minimized, operations and salaries are cut back. - WEC again seeks rate adjustment from MPUB and continues to seek tax relief.	<ul style="list-style-type: none"> - The MPUB continues rate hearings and studies and puts new rate schedule into effect (October 1931). The Board is sympathetic to WEC's position, but has no authority to deal with tax related issues. - City of Winnipeg refuses to grant tax relief.
1932 - WEC strategy shifts to centre tax relief efforts on Provincial government. WEC states that its revenues are insufficient to maintain transportation utilities.	<ul style="list-style-type: none"> - A bill to grant tax relief to WEC is turned into a request, on the part of the province, to have the MPUB Chapter prepare a single transportation plan for Greater Winnipeg. - The MPUB is also given the authority to control and direct all public transportation until the Legislature establishes new transportation policy.
1933 - WEC's financial position deteriorates and it is obvious that it will either need a complete reorganization or be sold to governments.	- The MPUB reported to Legislature without being able to agree on a single transportation plan. The Legislature sends the transportation problem back to the MPUB with the mandate to come up with one plan and proposed legislation for the 1934 session.
1934 - Reorganization proposals formed and WEC supports Province-MPUB efforts to takeover the urban transit systems. - WEC also invites negotiations re the purchase of all its assets.	<ul style="list-style-type: none"> - The MPUB presents plan for municipal public ownership of the transit system. The Manitoba legislature then asks the MPUB to reexamine the question and prepare a new report dealing with all the properties of the company, including the electrical distribution and generation facilities. - Political opposition to the MPUB plan centres on public ownership of all WEC properties and negotiations began between Winnipeg WEC and Bondholders.
1935 WEC commences negotiations with the Northwestern Power Bondholders Protective Committee (NPBPC) towards corporate and financial reorganization. The second set is with the City of Winnipeg regarding a complete purchase of WEC.	<ul style="list-style-type: none"> - The MPUB reports that there is no necessary link between hydro resources and urban transit and, therefore, recommends public ownership of transit. - Political effort centres on both sale and reorganization alternatives. - WEC is reorganized without selling assets.
Source: WEC, <u>Annual Reports</u> , 1929-1935; William Ivens, <u>A Prismatic Picture</u> , 1955; <u>Winnipeg Free Press</u> , 1934-36.	

3.4. The Financial Collapse and Reorganization of WEC, 1932-35

<p>1932 - Northwestern Power Company (NPC) bonds are payable in U.S. currency. In January, 1932 Northwestern Power makes bond interest payments in Canadian funds. The difference between Canadian and U.S. value of interest payments is paid in terms of company 'script' due in January, 1935. NPC then shuts down due to lack of markets. The company can not meet July, 1932 and January, 1933 payments. WEC is responsible for NPC's debt, but does not have the money to make payments. Northwest, therefore, defaults on its mortgage bonds.</p>	<p>NPC Bondholders form a Protective Committee(NPBPC) Negotiations proceed between WEC, NPC and the NPBPC conclude by waiving defaults and extending the period of time for the repayment of interest while the company comes up with a plan to protect the bondholders interest. The new deadline is May 1, 1933.</p>
<p>1933 - WEC's transportation subsidiaries begin to fail. The Winnipeg, Selkirk & Lake Winnipeg Railway (WSLWRC) misses bond payments. WEC also 'postpones payment' on the interest of one of its two major sets of mortgage bonds.</p>	<p>WEC's compounded troubles make it impossible to isolate the NPC problems from the difficulties of the other subsidiaries. Protective Committees are formed for all of the bond issues and companies involved. In addition the Protective Committees have been formed to look after the interests of the preferred and common stock owners.</p>
<p>1934 - WSLWRC defaults. The majority of these bonds are held by WEC and were pledged as collateral on WEC's mortgage bonds. The Suburban Rapid Transit Company (SRTC) missed bond payments. WEC's first mortgage bonds were to fall due in January, 1935, but WEC was without any means of refinancing them. Bankruptcy is near-at-hand.</p>	<p>WEC's President and the Power Corporation members of the board of directors negotiate a reorganization plan. The significant elements are:</p> <ol style="list-style-type: none"> 1) All subsidiaries were consolidated into one company. 2) All of the old securities were transferred into two series of Mortgage bonds. 3) Payment of debt (Annual Bond) is made subject to profit levels and generally increases over time, giving the company some leeway to more poor business conditions. 4) In return for reducing fixed charges common stock the bondholders of WEC and NPC take 50 per cent of new common stock. 5) Bond holders are to control WEC board of directors for 7 years. 6) WEC can not undertake any major capital expenditures without consent of Bondholders representatives.
<p>1935 - Reorganization plan accepted by various protective companies.</p>	
<p>Source: WEC. Annual Reports. 1929-1935.</p>	

3.5. Manitoba Non-Partisan Coalition Initiatives, 1931-45

<u>Year/Coalition Initiative</u>	<u>Political Response</u>	<u>Form of Government/Party System</u>
<i>1931</i> /Bracken offers a formal coalition proposal to the Liberal Party. The offer to form a similar arrangement is left open to the Conservative Party.	The Liberals accept. They retain their party identity, and join the government caucus and cabinet. The two parties also implement an electoral non-competition pact between their respective candidates.	The 1932 elections return a majority Liberal-Progressive Coalition government.
<i>1936</i> /The 1936 election leaves the Liberal-Progressives unable to form a majority government. Bracken offers coalition arrangements to the Social Credit Party.	Social Credit provides legislative support for Bracken provided that the government begin a series of economic surveys. The Social Credit Party, however, refuses to join either Cabinet or the government caucus.	The Social Credit support provides for the continuation of the Liberal-Progressive Coalition government. It was this government that provided <u>Manitoba's Case</u> and the formalized the provincial response to depression.
<i>1940</i> /Bracken offers coalition arrangements to Conservatives and CCF. His intent is to form an all-party "non-partisan" government to help push the Manitoba agenda at the federal level, to address the crisis in agriculture and to unify around the war effort.	After internal discussion both the Conservative and CCF parties join the Coalition.	The 1941 election rewards the Coalition members--save for the CCF. 1941 is the apex of non-partisanship in Manitoba.
<i>1942</i> /Bracken resigns to become head of the National Conservative Party. Stuart Garson takes over premiership.	The CCF uses Bracken's resignation as an excuse to leave the coalition. The Coalition government, under Garson, begins to recast the Winnipeg-rural Manitoba coalition through a process of post-war planning.	The party system then is composed of two competing ideological alternatives--the allegedly "non-partisan" Coalition and the CCF.
Source: <i>1931</i> coalition: Kendle <u>John Bracken</u> 144; <i>1936</i> coalition: Kendle <u>John Bracken</u> 144; <i>1940</i> coalition: Kendle and Wiseman give similar interpretations. Both indicate the Rowell-Sirois Report, agriculture and the war effort. Kendle <u>John Bracken</u> 142-146, 175-177, Nelson Wiseman, "The CCF and the Manitoba 'Non-Partisan' Government of 1940," <u>Canadian Historical Review</u> 54.2 (June 1973): 177-178; Wiseman, <u>Social Democracy in Manitoba: A History of the CCF/NDP</u> (Winnipeg: University of Manitoba Press, 1983): 24; <i>1942</i> coalition: Wiseman "The CCF" 175 also 192-193, and Wiseman <u>Social Democracy</u> 34-36.		

3.6 Depression Related Energy Policy Initiatives

Type of Proposal	Utility Related Financial Policy Initiatives
WEC Subsidy/Tax Relief	<ul style="list-style-type: none"> - WEC makes a series of pleas for reduction of what it alleges are unfair taxes on its transit systems and for other forms of tax relief. The City of Winnipeg and Government of Manitoba consistently refuse to oblige the company. -
WEC Financial Protection/ Reorganization	<ul style="list-style-type: none"> - The Municipal and Public Utilities Board (MPUB) protects the transit systems from competition (taxis and private bus companies.) - The MPUB also changes the transit tariff schedule to help bring revenues in line with expenses and capital requirements. - The provincial government enacts legislative protection for WEC against legal action its bondholders - Legislative support and cooperation is also extended for the Power Corporation reorganization plan.
MPC Financial Protection/ Reorganization	<ul style="list-style-type: none"> - The financial structure of rural utilities collapsed. The MPC protected its financial position by breaking the contracts with rural municipal utilities. It became a direct distributor, and thus gained a free hand to collect debts.
City of Winnipeg: Hydro related redistribution alternatives (excluding WEC asset purchases)	<ul style="list-style-type: none"> - The first alternative was to save surpluses as capital to be used for post-war investment. If this were not the case then there were alternatives. - City Hydro leadership wanted to accelerate the repayment of long-term debt. This was a form of redistribution which, in the long run, would redistribute to financial institutions. - Part of the CCF wanted rate reductions. This would have redistributed to hydro consumers. Since WEC and City Hydro were in competition, the former would be obliged to go along. It was a policy, therefore, that would also hurt WEC. - The Citizen's Committee wanted to take all or a proportion of the annual hydro surpluses to the municipal treasury as a substitute for taxation. This was the choice finally taken.

3.7 Utility Reorganization/Rationalization Initiatives

	Utility Reorganization/Rationalization Initiatives
Winnipeg Interurban Transit System	- WEC would sell its electrical railways to Winnipeg. Winnipeg would establish a regional interurban transit monopoly. WEC would get out of the transit business altogether and specialize as a hydro utility.
Winnipeg Electrical Distribution Monopoly	- WEC would sell its Winnipeg electrical distribution system to the City. This would end the curious situation where the City had two duplicate and competing electrical distribution systems. WEC would specialize in hydro production.
Rural Electrical Distribution Monopoly	- When the MPC took over the rural municipal utilities it institutionalized its position as a regional monopoly. The MPC standardized rates structures for all of rural Manitoba and begins to promotional techniques which were instrumental in earlier electrification of Winnipeg.
Municipal Hydro Monopoly for all of Manitoba	- The City of Winnipeg would buy all of WEC assets and City Hydro would then become the monopoly hydro-electric energy producer for all Manitoba, monopoly distributor for Winnipeg and the bulk supplier of the MPC.
WEC: Integration Proposals	<p>- WEC offered to sell surplus power at discounted prices which would be cheaper than the cost of energy from incremental additions to City Hydro's Slave Falls site.</p> <p>- WEC also offered to establish a voluntary and open ended power pool in which its excess energy could be purchased easily and without long term commitment by City Hydro.</p>
City Hydro Autarchy	- City Hydro proposes to continue incremental capacity investments in Slave Falls rather than any sort of integration with WEC.

4.8 Alternatives to Provincial Public Ownership Advanced by WEC and City Hydro

Alternatives	Capacity	Paradigmatic Assumptions
WEC— Redefinition of the Rentier Relationship to establish a Private Monopoly or Provincial Public Monopoly	<p>- WEC would only invest in new capacity if its financial position was protected by</p> <p>a) WEC gaining control over all hydro capacity on the Winnipeg River and</p> <p>b) new 50 year leases for hydro sites.</p> <p>c) To indicate its seriousness, WEC had already informed the province that it might not be able to provide for the growing energy needs of the MPC.</p>	<p>WEC was obviously attempting to protect its position so that it would not repeat the Seven Sisters fiasco. It was really pressuring the Manitoba government into deciding between two expensive propositions :</p> <p>a) setting up WEC as a private monopoly with the financial power to serve adequately the future energy needs of the province,</p> <p>b) the creation of a provincial public monopoly through purchase of WEC assets.</p>
City Hydro (1) Status Quo Subsidized by Provincial Role as Supplier of Energy	<p>a) CH would not undertake any new hydro investment aside from the Winnipeg River.</p> <p>b) CH would willingly purchase energy some other energy produced.</p> <p>c) Winnipeg would decide between the price of new hydro energy available and the cost of producing electricity from coal.</p>	<p>This was the most contradictory of proposals. It asked the province of Manitoba to take all the risks in hydro development without any structural safeguards for the fiscal and financial position of the new hydro utility. Essentially this was a non starter.</p>
City Hydro (2) Provincial Rentier Paradigm - Provincial Investment Financed by Water Power Rentals	<p>a) The province would develop Pine Fall immediately.</p> <p>b) new energy would be used to supply needs of MPC at low cost,</p> <p>c) Water Power Rentals used to offset any losses the province might incur in developing Pine Falls, and</p> <p>d) the province to negotiate with the province of Ontario the rights to develop the Ontario portions of the Winnipeg River.</p>	<p>It proposed the continued segmentation of hydro problems between City and Province and sought to extend the CH rentier role on the Winnipeg River by having the Manitoba government help Winnipeg gain long term access to Ontario's hydro resources.</p> <p>The proposal did nothing to bring about more efficient use of Winnipeg River hydro resources, entailed a dramatic increase in Water Power Rentals and did not address the post-Winnipeg River energy needs.</p> <p>It also did not explain why the government of Ontario would allow Manitoba utilities access its hydro resources.</p>
City of Winnipeg (3) Extension of Status Quo	<p>The City of Winnipeg desires to know terms and conditions for the City to develop Pine Falls and McArthur Falls, the last two sites on the Winnipeg River.</p>	<p>This was an offer intended to forestall any recommendation for provincial public ownership from the Hogg Inquiry.</p> <p>The province responds by calling the City's bluff. The latter was not really interested in developing these sites within the context of the existing policy paradigm.</p>

4.9 Dr. Hogg's Principles of Water Power Management

Principles of New Policy Paradigm	Description
No. 1--The Maximum Use of Water Power Resources.	The administration and management of water power resources should enable them to play the largest possible part in the improvement of the social and economic conditions of the province, subject to the further four principles.
No. 2--Importance of Adequate Surplus Capacity	Surplus capacity (over and above that needed to meet firm power commitments) should be great enough to meet various natural exigencies (variations of water availability) and unexpected load growth.
No. 3--Importance of Proper Balance Between Surplus and Fully Employed Generating Capacity.	Hogg states the problem in terms of ensuring that capital is properly utilized and avoiding "two horns of the dilemma," insufficient surplus capacity would violate principle No. 2- and too much surplus capacity would cause financial stress and an increase in the costs electricity.
No. 4--Importance of Full Integration and Interconnection of Plants on a Single River System .	The most efficient use of resources (and hence the most energy) can be gained when water is managed with the objective of gaining the maximum amount of energy from the plants as a whole than from each plant individually. This is different that power pooling (sharing of energy). It entails the concept of a flexible management and allocation of water to individual plants by a central managing authority.
No. 5--Opportunities and Scope for Integration and Interconnection Between Plants on Different River Systems (in the future).	In the future electricity will be generated from more than one river system. Each river system will have its unique water flow characteristics. Interconnections between river systems would allow a more efficient use of resources and entail less capital expenditures than separate and independent development of each.
Source: Dr. T.H. Hogg, <u>Report of the Manitoba Water Power Commission, 1948</u> (Winnipeg: King's Printer, 1948) 31-34.	

4.10 Post-Hogg Policy Initiatives

Policy Problems and Alternatives	Resolution
<p>March 30, 1948 - Dr. Hogg's Report of the Manitoba Water Power Commission is tabled in the Manitoba Legislature. The major recommendation represents a complete political defeat for the City of Winnipeg and it promises to bring the province into conflict with all principals. The province has to consider ways to defuse the situation.</p>	<p>a) April, 1948 - The provincial government introduces legislation (Bill 107) to commence the preparatory engineering work at Pine Falls.</p> <p>b) April 12, 1948 - Garson reiterates that the Hogg report and subsequent debate over reorganization came not from the needs of rural Manitoba and farm electrification, but rather from the City of Winnipeg itself.</p> <p>c) April 14, 1948 - McDiarmid articulates a policy of Plan C if necessary, but not necessarily Plan C. Accordingly, the Liberal-Progressives invite all concerned to present viable alternatives to the Hogg Recommendations, and the government policy is to proceed by negotiation to seek voluntary agreement amongst WEC, the City and Province. The province had no intention of entering into the transit, natural gas or electrical distribution business within the greater Winnipeg area.</p>
<p>Spring Session, 1948 - The most immediate problem facing the Manitoba energy policy paradigm is the Manitoba Paper Company's reserve on the Pine Falls hydro site. Abitibi (Manitoba Power) refuses to give up this reserve. Its legal claims to these resources stems from the terms of the Natural Resources Transfer Agreements which stipulate that the provincial government cannot change third party rights to Manitoba resources without the voluntary consent of the interests involved.</p>	<p>a) April 17-19, 1948 - The Manitoba government works with the Federal Liberal Government to enact Federal Government Privy Council Order in Council and duplicate and resolution in the Senate of Canada (Bill K-11) allowing the province the power to expropriate, if need be, third party resource rights.</p> <p>b) April 22, 1948 - Identical legislation (Bill 109) is also passed in the Manitoba Legislature.</p> <p>c) Opposition to the provincial initiative focuses upon Bill K-11 in the Senate of Canada. The province needs the active support of the City of Winnipeg. Winnipeg agrees on the condition that the powers of expropriation are not used against the City Hydro's assets.</p> <p>d) June 22, 1948 - Bill K-11 is passed by the Senate of Canada.</p>
<p>July - August, 1948 - To follow through with the implementation of Plan C the Province and City of Winnipeg establish a Joint Water Power Committee (JWPC).</p>	<p>Both parties agree on a format and process of negotiation. Plan C will only come about as a result of the voluntary consent of the City of Winnipeg.</p>
<p>Source: PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Chronological Records of Power-Matters (2) Chronology Re Power Matters, nd; Stephens to Premier's Office, untitled chronology, July 15, 1952; Don Stephens, <u>Notes: Re Chronology of Various Developments Having to Do with the Organization of the Power Industry in Manitoba</u>, Vertical File, Manitoba Hydro Corporate Library, March 14, 1962; Don Stephens, <u>Memorandum to File: Re Power</u>, Vertical File, Manitoba Hydro Corporate Library, July 14, 1950.</p>	

4.11 JWPC Decisions and Negotiations

<p>August 30 - November 26, 1948 - The City uses the JWPC to avoid the provincial takeover of its Winnipeg River hydro facilities. The province is running out of time due to the impending (1950) energy crisis. It has a choice of whether it will</p> <p>a) continue to lever the City of Winnipeg into an acceptance of Plan C by indicating it will not commence the investment until there is an agreement on reorganization or</p> <p>b) proceed with the development of Pine Falls while continuing the parallel JWPC negotiations.</p>	<p>November 26, 1948 The province decides to proceed with Pine Falls to help resolve the most urgent short term supply problem and then come to an agreement on the long-term reorganization proposals within the City within the JWPC over time.</p> <p>April 1949 - The Province Passes Bill 101 which establishes the Manitoba Hydro Electric Board and gives it the responsibility of developing Pine Falls. The problem is that the province has lost its leverage with the City of Winnipeg. Negotiations within the JWPC bog down and end in September 1949.</p>
<p>1949 - JWPC negotiations centre on a choice between a full-blown Plan C as in the Hogg Report, favoured by the province, or various forms of a modified or two-stage Plan C in which the City would maintain ownership and control of its Winnipeg River hydro capacity.</p>	<p>September 6, 1949 marks the end of negotiations. The issue is left undecided.</p>
<p>Summer 1950 - The City of Winnipeg resumes JWPC negotiations because it faces a decision whether to develop new capacity on its own or induce the province into developing McArthur Falls.</p> <p>Sanger and Stephens reach an agreement on a two-stage Plan C proposal and recommend it to Premier Campbell and Major Coulter for consideration.</p>	<p>July 25, 1950 - JWPC negotiations--</p> <p>The City and Province reach an informal agreement on two-stage Plan C proposal, but the City of Winnipeg refuses to agree formally on terms.</p>
<p>Source: PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F). Chronological Records of Power-Matters (2) Chronology Re Power Matters, nd; Stephens to Premier's Office, untitled chronology, July 15, 1952; Don Stephens, <u>Notes: Re Chronology of Various Developments Having to Do with the Organization of the Power Industry in Manitoba</u>, Vertical File, Manitoba Hydro Corporate Library, March 14, 1962; Don Stephens, <u>Memorandum to File: Re Power</u>, Vertical File, Manitoba Hydro Corporate Library, July 14, 1950.</p>	

4.12 Summary of Negotiations Between WEC and Manitoba Government, 1948-1950

<u>Date/Manitoba</u>	<u>WEC</u>	<u>Price</u>	<u>Resolution</u>
March 30, 1948 Report of the Manitoba Water Power Commission Tabled	WEC realizes it is the centre of the take-over initiative.	Premier Garson promises not to use expropriation powers unless necessary.	WEC prepares valuation of properties at replacement cost less depreciation (Stone and Webster report, Dec. 1948)
April 1949	WEC prepares for negotiations after Bill 101 announced		Stone and Webster Report updated.
Summer 1950. Premier Campbell. J.S. McDiarmid, MNR	J.A. Nesbitt, D.H. McDougall,	Power Corporation holds \$70,000,000 as overall value. WEC is not interested in discussing any lower figures.	
October, 1950 Premier Campbell	WEC Board	Campbell formally asks the WEC Board for a price. The WEC Board responds by asking province to make an offer (WEC still not sure if Campbell is serious).	Government invited to use its own auditors to update the Stone and Webster Report. Nesbitt, McDougall and Riley (WEC) form a committee to study valuations.
Source: PAM RMPT, Stephens to Turner, January 12, 1953; MHCL, <u>Minutes of Board of Directors Meetings</u> .			

4.13 City Hydro and WEC Alternatives to Plan, 1948-49

Alternatives	Capacity	Paradigmatic Assumptions
Municipal Public Hydro Monopoly (Sept.-Nov. 1948)	The province would take over WEC and lease or sell assets to City Hydro. City Hydro would then be mandated to develop hydro energy for the province	This alternative assumed, incorrectly, that the provincial government would be content to finance hydro development without having direct control over the process.
WEC Temporary Continuation of the Status Quo (Dec. 1948)	Following the failure of Garson's first attempt to get agreement on utility reorganization, WEC made an offer to Garson that entailed WEC's developing Pine Falls as an agent of the province.	The provincial commitment to development Pine Falls had left it with a de facto Plan A solution. The WEC alternative was simply a temporary version of Plan B and was, therefore, politely refused by Garson.
City of Winnipeg Two-Stage Plan C (a) (Dec. 1948)	This plan closely resembled Dr. Hogg's "Plan D." It also included provisions for representation of the City of Winnipeg on the new provincial utility's Board of Directors.	"Plan D" actually connotated a wide mixture of possibilities and complications because the new provincial utility would have to avoid the financial pitfalls of "Plan A." The particular relationships between the provincial utility and other utilities would have to be negotiated in the context of the new "Power Pool."
The City of Winnipeg Two-Stage Plan C (b) (Feb. 1949)	This went the furthest to meet the requirements of Plan C. Although the City wanted to keep its Winnipeg River capacity until 1955, the municipal government had accepted all of the logic of Plan C. Winnipeg had also spelled out the associated fiscal and rate policy of a new provincial utility--something that the Hogg report had not addressed.	This was the best means whereby the City could protect its fiscal and equity interests in face of the establishment of a provincial Hydro monopoly. None of the City's demands contradicted the logic of provincial public ownership, although the broad principals of agreement needed to be translated into a working agreement. Winnipeg and MNR could not agree on the policies that should bind the producing and distributing utilities in the Power Allocation Board. The temporary Power Pool did not fulfill the immediate need to coordinate water management on the Winnipeg River.

City Hydro and WEC Alternatives to Plan, 1948-49, cont'd

Two-Stage Plan C (c) (Summer 1950)	a) The City of Winnipeg would keep its hydro capacity on the Winnipeg River until 1962, but in return b) rate structures within the new Provincial Board would reflect the costs of production, allow for investment and contingency reserves, and be the same for the MPC and CH, c) the same method of valuation would be used for both WEC and City Hydro Assets. d) the same no-diversions policy, as two-stage Plan C (b)	This two-stage proposal represents an important improvement over earlier concepts in that the City of Winnipeg had agreed that it should share in the true costs of producing the energy it purchases.
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4.14 JWPC Negotiations, 1948-49: From "Plan C " to a "De facto Plan A"

Proposal-Counter Proposal	Resolution
<p>July-Aug. 1948 - The Province:</p> <p>a) Premier Stuart Garson invites the City of Winnipeg to participate in a Joint Water Power Committee to bring about a reorganization of the hydro industry. The government's acceptance of Plan C is no longer conditional because no better alternatives had surfaced between March and July 1948.</p> <p>b) The Province refuses to commence development of Pine Falls until there is some agreement on reorganization.</p> <p>The City:</p> <p>The City agrees to participate on the grounds that any solution will be arrived at throughout mutual agreement.</p>	<p>The framework for negotiations are established:</p> <p>a) confidential with the Mayor and Premier controlling Press communication,</p> <p>b) consensus process,</p> <p>c) the division of negotiations between technical and political committees. MNR and City Hydro representatives dominate the former.</p>
<p>Sept. - Nov. - 1948 - The City:^A</p> <p>The City of Winnipeg uses the JWPC to derail Plan C. It proposes:</p> <p>a) A Municipal Public Monopoly option: the province buys WEC's assets and then leases or sells them to Winnipeg.</p> <p>b) The Province then helps Winnipeg finance new energy capacity.</p> <p>The Province:</p> <p>The province is taken by surprise at the ambitious counter proposal and seeks to refer the matter to Dr. Hogg.</p>	<p>a) Both parties agree to refer the matter to Hogg.</p> <p>b) Hogg rejects the proposal on the grounds that one cannot separate the financial from management or political control of the proposed new municipal utility.</p> <p>c) Hogg informs the Manitoba government that it cannot delay the Pine Falls decision any further. In November the provincial cabinet agrees. Stuart Garson resigns and the cabinet commits itself to develop Pine Falls.</p>
<p>December, 1948- The City:</p> <p>With the rejection of the Municipal Public Monopoly alternative, the City Proposes a two-stage Plan C alternative. The proposal departs from Plan C in that:</p> <p>a) the City keep its Winnipeg River Hydro capacity until 1962,</p> <p>b) the province establish a power pool (as in Plan D) as an interim solution,</p> <p>c) the City of Winnipeg be given representation on the Board of any new provincial utility.</p> <p>The Province: The Province agrees to have Hogg again evaluate the proposal.</p>	<p>Hogg rejects the proposal because it does not include any future provision for the coordination of the hydro plants on the Winnipeg River.^B</p>

JWPC Negotiations, 1948-49: From "Plan C " to a "De facto Plan A," cont'd

<p>February, 1949 - The City: The City proposes a second "two-stage Plan C" alternative which indicates:^C</p> <ul style="list-style-type: none"> a) Winnipeg would give up power plants in 1955, b) the new utility would be bound by a "no-diversions policy" in which revenues from the utility could not be diverted to the general account of the province. c) that the new utility be bound to sell power at cost. <p>The Province: The province recognized that this was as far as the process of voluntary agreement could go and was pleased to accept it as the basis of an agreement.</p>	<ul style="list-style-type: none"> a) The JWPC mandated J.W. Sanger, General Manager of City Hydro, and Don Stephens, Deputy Minister of Mines and Natural Resources, to draft a report. b) The City refuses to sign any draft report.^D c) The Province introduced Bill 101 which terminated Manitoba Paper Company's claims to Pine Falls and awarded MNR the power to set up a provincial utility, the Manitoba Hydro-Electric Board, to develop Pine Falls.
<p>Note A: PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(E), Joint Water Power Committee-- Minutes-Terms of Reference-Notes-Committee Report, 1948-1950, Minutes of Meeting of Joint Water Power Committee, December 3, 1948, <u>Appendix B</u>, Statement re Water Power Matters read to the Joint Water Power Committee on November 26, 1948, by Premier D.L. Campbell, Chairman, and <u>Appendix C</u>, <u>Résumé of Comment by Dr. T. H. Hogg regarding Alternative Proposal for Reorganization of Manitoba's Power Industry as submitted by the City under date of October 4, 1948:</u> <u>Comment made to Meeting of Joint Water Power Committee, November 26, 1948 by Dr. T.H. Hogg.</u></p> <p>Note B: PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens, to Campbell, <u>Confidential</u>. Notes prepared for Premier re Meeting Feb. 18, 1949, February 17, 1949, p. 2.</p> <p>Note C: PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Stephens, <u>Confidential</u>. Notes prepared for Premier Campbell - Meeting of January 5/49, PAM; Stephens, to Campbell, <u>Confidential</u>, <u>Notes prepared for Premier re Meeting Feb. 18, 1949</u>, February 17, 1949, pp. 3-4.</p> <p>Note D: PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(B), Policy--Water Power, 1948-1950, Minutes of Meeting of Joint Water Power Committee, February 18, 1949. p. 4.</p>	

4.15 Summary of the "Alternative G" Decisions

Date/Issue and Alternatives	Policy Initiative
<p>Summer/Fall 1951</p> <p>The MHEB and Campbell government begin to realize that they might well lose a referendum on Plan C because of widespread opposition to Bill 78. They face a choice:</p> <ol style="list-style-type: none"> continue with active support for Plan C, begin to walk away from the Plan C initiative, come up with an alternative political and paradigmatic alternative, or protect its financial position on the Pine Fall project by increasing water power rentals.^A 	<p>The Liberal-Progressives begin to back peddle on the Plan C related purchase and then turn to define confidentially the Alternative G "go-it-alone" alternative and an Alternative S "do-nothing" political strategy that would ensure the provincial government did not get embroiled within a municipal political struggle it could not win.^B</p>
<p>April 1952</p> <ul style="list-style-type: none"> - Campbell concedes the defeat of Plan C and indicates policy initiatives were then in the hands of the City. -The Mayor of Winnipeg writes Campbell seeking the right to develop McArthur Falls.^C 	<p>Campbell responds asking both utilities under what terms and conditions they would develop McArthur Falls, the Dauphin River Project, and other Northern hydro megaprojects.^D</p>
<p>May 1952</p> <p>The Campbell Government faces four alternatives:</p> <ol style="list-style-type: none"> To continue with the de facto Plan A by commencing McArthur Falls before any utility reorganization WEC officially seeks another version of Plan B in which it is protected from expropriation and Bill 78 is repealed.^E The City of Winnipeg seeks a version of Plan D in which it pays only for the energy it produces and thus is spared contributing to the costs of developing new hydro or carrying excess capacity. The City of Winnipeg also seeks the power to nominate members of the MHEB. In November 1951, the provincial cabinet gives a confidential approval in principle to "Alternative G" providing that the MHEB and Deputy Treasurer come up with an acceptable financial plan.^F 	<ul style="list-style-type: none"> - The cabinet and caucus are divided between Alternative G and Plan D. G was considered technically financially more sound, but an initiative which clearly contradicted the spirit of the referendum. Plan D appeared to make political sense, although Stephens had warned that it would turn into a political disaster in the long run. Neither WEC nor the MHEB wanted this proposal. - The Campbell government decided to air the WEC and City of Winnipeg proposals in a Special Session of the Manitoba Legislature.^G - The MHEB prepares a hydro investment schedule for cabinet use before the special session.^H
<p>July 1952</p> <p>Special Session of the Manitoba Legislature. The Campbell government faces several decisions:</p> <ol style="list-style-type: none"> to repeal Bill 78, to make a choice regarding reorganization proposals, to follow through with the indirect strategy of discrediting alternatives and proceeding with Alternative G. 	<ul style="list-style-type: none"> - The Campbell government decided to repeal only the expropriation provisions of Bill 78. - The MHEB is mandated to commence McArthur Falls. - The Plan B and Plan D alternatives are discredited. Hence the MHEB was left in a position to pursue Alternative G. - Alternative G is implemented between October 1952 and January, 1953.

Summary of the "Alternative G" Decisions. cont'd.

Notes: **A** This alternative surfaced within MNR and the MHEB. See PAM MRPO Campbell, G200, file 13, Manitoba Hydro-Electric Board, 1951, Stephens to Campbell, June 21, 1951, Stephens to J.G. Cowan, Deputy Minister, Department of Mines and Natural Resources, June 20, 1951, cc. Campbell.

B PAM MRPT, Turner, Confidential: Comparative Observations on Alternative Courses of Action in Lieu of Plan C, October 15, 1951.

C PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), H. L. Briggs, General Manager City of Winnipeg Hydro-Electric System, to McDiarmid, April 17, 1952; McDiarmid to Briggs, May 12, 1952.

D PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Campbell to Mayor Coulter, May 15, 1952; Campbell to W.H. Carter, President, Winnipeg Electric Company, May 15, 1952.

E PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Carter to Campbell, June 3, 1952.

F PAM MRPT, no author, No. 36, December 11, 1952. Document No 36 is the new financial plan oriented towards a December 1951 offer to WEC.

G PAM MRPT, Turner to Campbell, Confidential: Memo Re Power, June 27, 1952.

H PAM, MRDMNR DMO WRF, RG 17 B1, Box 109, file 36.2.2(F), Stephens to Campbell, Re General Data on Power Demand, July 14, 1952, encl. The Manitoba Power Industry, Part I Load Growth Study, 1945-51 and Part II Supply Position of the Industry, June 30, 1952.

5.16. The Establishment of the Southern Integrated System

Date/Negotiators/Issues	Resolution
1954-55/ MHEB, City Hydro, and the MPC negotiate a rationalization of utility distribution and the property is transferred on April 1, 1955.	<p>The broad principles of the Property Sale Agreement are as follows:</p> <ul style="list-style-type: none"> a) The MHEB withdraws from all retail electrical distribution except in the area surrounding its hydro capacity on the Winnipeg River. b) WEC's distribution assets in the Greater Winnipeg Region are sold to the MPC. c) WEC's distribution assets in the City of Winnipeg are sold to City Hydro. d) All systems, for the first time, are completely integrated with each other.
1954-55 MHEB, City Hydro, and the MPC negotiate the terms of the power pool that will characterize relationships in the new utility structure.	<p>The main provisions of the Power Agreement are:</p> <ul style="list-style-type: none"> a) MHEB becomes the bulk supplier of the two distribution utilities and will be responsible for all future additions to capacity needed to meet the energy needs of City Hydro and the MPC. b) MHEB will supply all of the energy needed by the Manitoba Power Commission. c) It will supply all of the energy needed by City Hydro which can not be met by its own hydro facilities. d) The cost of energy from the MHEB reflects the total annual costs of the Board, including the provision of reserves, and is distributed to each utility according to their use of energy and common facilities. e) Measures are taken to blend the costs of new and old energy.
<p>Source: Manitoba Hydro-Electric Board, <u>Second Annual Report for the Year Ended March 31, 1953</u>, pp. 12-18; Manitoba Hydro-Electric Board, <u>Annual Report for the Year Ended March 31, 1954</u>, pp. 5-6; Manitoba Hydro-Electric Board, <u>Property Sale Agreement and Power Agreement</u>, April 1, 1955.</p>	

5.17. Distribution of WEC Share Ownership by Jurisdiction, January 1953

Jurisdiction	No of Shareholders	Per Cent of (5,140) Shareholders	No of Shares	Per Cent of Total (562,744) Shares
Canada	3,827	74%	445,221.	79%
USA	977	19%	95,196	17%
England	274	5%	20,597	4%
				(100%)
Ontario	1583	31%	269,709	48%
Quebec	1,020	20%	145,180	26%
Massachusetts	216	4%	64,265	11%
New York	313	6%	16,651	3%
Manitoba	480	9%	10,893	2%
Nova Scotia	246	5%	8,381	1%
British Columbia	241	5%	4,903	>1%
		(80%)		(91%)
PAM RMPT, Stephens to Turner, January 12, 1953, "Winnipeg Electric Company Analysis of Number of Shareholders and Number of No Par Value Common Shares Held in Provinces of Canada, States of the U.S.A. and Other Countries."				

6.18. Churchill River Diversion Alternatives

	NRPB CRD Low	NRPB CRD High	Manitoba Hydro High Level CRD
Diversion and Storage Options			
Reindeer Lake on Manitoba-Saskatchewan border	18,200 cfs	18,200 cfs	18,200 cfs
South Indian Lake Storage	3-4 feet to regulate local flows	13 feet	33-35 feet
Churchill River Diversion entering Nelson River at Split Lake	22,000 cfs	36, 000 cfs	55, 000 cfs
Lake Winnipeg Regulation	@ 6 feet storage necessary to accompany low level diversion	less pressing and not investigated. LWR to be implemented 5 years after the CRD.	unnecessary for immediate future
(NRPB) - Nelson River Planning Board, MHEB - Manitoba Hydro Electric Board			
CRD - Churchill River Diversion, LWR - Lake Winnipeg Regulation			
Source: George Eric Tritschler, Chairman, <u>Final Report of the Commission of Inquiry into Manitoba Hydro</u> (Winnipeg: Queen's Printer, 1979): 37-38.			

6.19. The Development of Interconnections, 1955-69

Date	Trading Partners	Interconnection/Relationship
1960	MHEB - Saskatchewan Power (SPC)	173 mile 138 kv line between Brandon and Saskatchewan Power' Boundary Dam coal-thermal facilities near Estevan. The MHEB is to purchase 50 MW of energy from SPC to cover an anticipated 1963/64 energy deficit.
1964	Manitoba - Mid-Continent Area Power Planners (MAPP).	MAPP U.S. power pool among 22 interconnected utilities in the North Central United States. The MHEB signs a letter of understanding to become an interconnected member of MAPP.
1960	MHEB - Saskatchewan Power (SPC)	The MHEB signals intent to purchase 50 mw of firm power annually during 1969-71 period as a temporary measure until the initial Kettle Rapids capacity is on line.
1967	MHEB Northern and MHEB Southern Systems	Grand Rapids is connected to Kelsey 205 mile 230 kv line intended to supply energy to INCO's Soab Lake mine, 47 miles south of Thompson.
1968	MHEB - Ontario Hydro	Manitoba Hydro is negotiating to supply partial needs of the regional market in northwestern Ontario on the assumption that the CRD would be completed by 1972, giving the utility an available surplus.
1968	MHEB - Saskatchewan Power (SPC)	138 kv line between Brandon and Boundary Dam is upgraded to 230 kv.
Source: Manitoba Hydro. Annual Reports, various years.		