

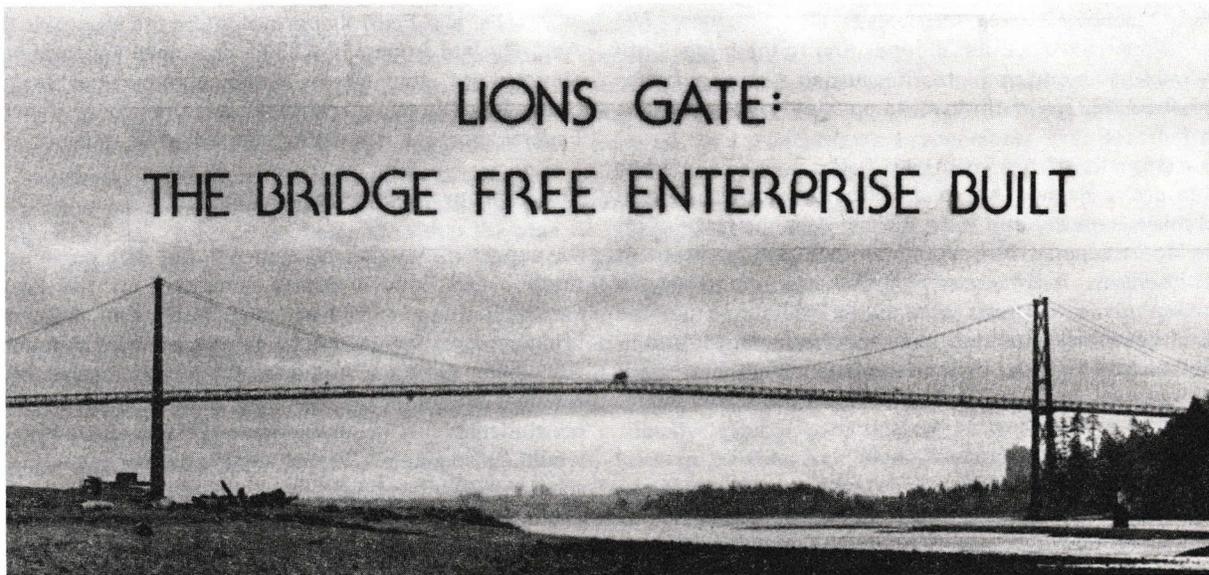
The Libertarian

Published by The Libertarian Foundation, 909 Thurlow Street
Vancouver • British Columbia • Canada • Telephone 688-2308



Volume 2, Number 2

May 1979



by Marco den Ouden

For four decades, visitors to Vancouver, B.C. have enjoyed the graceful beauty and majesty of the Lions Gate Bridge spanning the First Narrows of Burrard Inlet from Stanley Park to the north shore communities of North and West Vancouver. May 29 marks the 40th anniversary of its official opening.

While the bridge is renowned throughout the world as a scenic attraction and a marvel of engineering (it was the longest suspension bridge in the British Empire at its completion), few realize that it was conceived, designed, financed and built entirely by private individuals. Government contributed nothing to it. Nothing, that is, but obstructions.

The concept of a bridge across the First Narrows had been envisioned as early as 1890. But it wasn't seriously considered until the 1920's. Two companies obtained provincial charters permitting the building of a bridge. But other approvals were also required. Due to an organized opposition, these approvals were not forthcoming.

Typical of the objections raised was that of the Vancouver Merchants Exchange and the Shipping Federation of British Columbia in a 1927 brief to the federal government. The brief argued that a bridge would obstruct shipping and necessitate the building of new harbour facilities in English Bay at great expense "in order that a group of foreign capitalists should be permitted to come to the city of their own accord to build a high, light traffic toll bridge across this water as a money-making scheme for their own profit". This xenophobic attack on foreign investment and the profit motive anticipated much of today's nationalistic hysteria about "American domination". (Indeed, Premier Bill Bennett raised a great hue and cry against just as dastardly a foe, the dreaded Easterners!) It seems profits for foreigners are dirty. Profit for Canadians, though, is akin to apple pie and motherhood. (As long as the profits aren't too great!)

(continued on page 2)

BOYTINCK BEATS CENSUS RAP

Walter Boytinck, Vice-President of HALT (Human Action to Limit Taxes) and a director of the Libertarian Foundation, was acquitted in B.C. Provincial Court on May 1 of a charge of failing to file his 1976 census form.

Boytinck had argued that the 1976 census was contrary to the BNA Act, Canada's Constitution. Judge Darrall Jones, in making his judgement, noted that while the BNA Act called for a census every ten years from 1871 on, an order-in-council in 1971 allowed for a census every five years. However, he found that no specific month was set by the governor-in-council for the 1976 census. Thus he concluded that "there is no requirement in law to complete the census form, and no offense was committed. I find the accused not guilty".

Thousands of census cases are pending, including the government's appeal of the acquittal of Angela Sheremata on a similar charge in January. The Boytinck case is precedent setting and may negate all the pending charges. The Crown, therefore, will probably appeal the Jones decision.

IN THIS ISSUE:

"Oil for Troubled Waters" by Robin Gillespie

Lions Gate (from page 1)

The Canadian Pacific Railway had opposed the building of a bridge since 1926 as a threat to their shipping and because a bridge would encourage the development of West Vancouver as a luxury residential community to the detriment of CPR's Shaughnessy housing project in South Vancouver. The CPR also exerted a strong influence on one of Vancouver's daily newspapers, *The Province*. *The Province* maintained editorial opposition to the bridge until 1934. A Vancouver plebiscite turned down a bridge proposal in 1927 and the two companies holding charters waited.

This story is of one man who had a vision of building that bridge. He was Alfred J.T. Taylor, a native British Columbian, engineer and industrialist. It is the story of his battle against petty bureaucratic minds and government obstructionism. It is the story of his battle against narrow scheming private interests who didn't hesitate to use the force of government to stop a potential competitor and to further their own ends. It is an important story that needs telling because men such as Taylor are all too scarce today.

Opening Moves 1.

Taylor had considered three different projects for Vancouver; a hydro-electric plant at Indian Arm, a bridge across the First Narrows and the development of a high class residential community on the north shore. He wanted to lure British capital to invest in one or more of these projects and his good friend W.S. Eyre had already agreed to invest.

In 1930, Taylor dropped by in Ottawa to visit the Prime Minister, R.B. Bennett, to ascertain what opposition he might face from the federal government. Surprisingly, Bennett seemed enthusiastic about the idea of a bridge and British capital investment. It looked like federal opposition would be minimal.

Fortuitously, the City of West Vancouver offered to give away considerable tracts of land for the back taxes owing on them to anyone who would build a bridge. The poor access to that community had not been good for its economy and the default rate was high. In October, 1931 Taylor's newly incorporated British Pacific Properties concluded the land agreement with West Vancouver.

The two companies holding charters to build a bridge had merged in June of 1930 as the First Narrows Bridge Company. On December 4, 1931, Taylor and Eyre bought the company and its charters.

Taylor had insisted on buying the company rather than obtaining a new charter because he wanted to avoid any suggestion of graft or sharp practice. He told his wife, Mona, that someone in Ottawa had warned him to "take care. When you deal with a government, you are dealing with things that matter to a lot of people. Some men will

go to great lengths to persuade you to do things their way, or else — to break you!" 2.

To proceed with their project, Taylor now needed to obtain Provincial Government approval to build at that site and to attach the bridge to a Provincial road, permission from the municipalities to build the bridge approaches, approval of the Parks Board to build a road through Stanley Park, a Vancouver City Franchise to operate the bridge with tolls, and Federal approval under the Navigable Waters Act. By late August of 1933, Provincial approval and the approval of the North Shore communities had been obtained. The major roadblock was the City of Vancouver. Federal approval, it was thought, would be routine.

The Vancouver Plebiscite

As expected, Vancouver approval did not come so routinely. Sir Edward Beatty, president of the Canadian Pacific Railway, stirred up controversy over the proposed bridge, suggesting it should be longer than planned. Sir Alexander Gibb, a noted authority on bridge building retained by the bridge company, had studied the site and concluded that a 1200 foot span 170 feet above high water would be adequate. Taylor and his partner set a 1500 foot span and 200 foot height as minimum requirements, leaving a considerable margin over the figures recommended by their expert. In spite of this the bridge was rejected by Vancouver City Council.

On November 9, 1933, a revised proposal was presented to the Council. Taylor, his Vancouver manager John Anderson and the company's lawyer were in attendance.

The first item on the agenda was the proposed road from the Georgia Street entrance of Stanley Park to the bridge site. There was a traffic problem at the entrance and a new road and bridge would solve the problem. Further, the company had agreed to build the road at their own expense, a cost of \$400,000, thus saving the Vancouver taxpayers the cost of a road that the city would have to build anyway. A sour note came from the City Engineer who thought, no doubt, that his department was being deprived of a job that was rightfully theirs.

A lot of bickering arose among the aldermen over the proposal. One alderman accused the Mayor (who favoured the bridge) and certain aldermen of trying to stampede through the proposal without a plebiscite. The issue remained unresolved.

The next day Taylor approached council and urged a plebiscite. He overcame any objections and amazed his audience by stating that the bridge company would pay the expense of conducting such a referendum. Council voted approval and set the date for December 13.

Beatty and some Board of Trade members tried to discredit the bridge proposal, but to no avail. Out of 24,000 voters, 17,000 voted in favour of the bridge. Now only one more formality remained, the Federal Government.

(continued on page 3)

Lions Gate (from page 2)**"Bennett's Private Blockade"**

It was expected that the Federal permission would be routinely obtained and an Order-in-Council issued by Easter 1934. But no word came from Ottawa.

Acquaintances of Taylor suggested that the company's brief had not been considered because they did not lobby in the House and did not contribute to party funds. This was out of the question to Taylor and he rehired Sir Alexander Gibbs to prepare a complete report on the desirability of the bridge for the Federal Government. The highly favorable report was tabled in May.

That summer Taylor organized a tour of Canada for prominent British industrialists who had invested or were interested in investing in the bridge and real estate projects. As a result of this successful tour, financing was assured.

The Gibbs report, meanwhile, had been discovered by the press and the government appointed a Special Committee to look at the proposal. With financing assured and the bridge appearing to be more and more a reality, Vancouver City Council, under media and public pressure, sent the City Solicitor to Ottawa to appear before the Special Committee to argue in favour of the bridge. The effects of the depression were still being felt and the bridge project offered employment for many. In August 1934, the Special Committee issued its report, completely in favour of the bridge.

Shortly thereafter, Prime Minister R.B. Bennett advised the bridge promoters that the span must be *1800 feet*! The *Vancouver Sun* called it "Bennett's Private Blockade".

Taylor was dumbfounded and wrote Ottawa suggesting that if the government insisted on an 1800 foot span, perhaps the government would pay the extra cost. His company would not do so on its own. The extra expense was totally unwarranted. Taylor requested an interview with Bennett as soon as possible.

When the interview was held, Taylor pointed out that all the government's technical advisors agreed with the company's data and approved the dimensions. Hugh Stewart, Minister of Public Works and present at the meeting, had to concede this was so.

Sir Alexander Gibbs, the noted bridge authority, had agreed that the company's specifications were more than adequate. Bennett scoffed, suggesting that "experts work for those who pay them". Taylor pointed out that Gibbs had worked for the Federal Government several times and was eminently impartial. "This may be so," replied Bennett pompously, "but all I want, Mr. Taylor, is a bridge adequate for all time, adequate for the unborn children of Canada, whose custodian I am". 3.

Exasperated, Taylor bluntly asked if the Canadian Pacific Railway had talked to him about the matter. Bennett declined comment.

Bennett then suggested that Lloyd's of London was apprehensive about the bridge. Taylor replied that the company had checked out this rumour. Lloyd's Vancouver agent had privately attacked the bridge, but Lloyd's disassociated themselves from the matter entirely.

Next Bennett dragged up the name of a shady businessman he disliked and with whom Taylor's partner W.S. Eyre had had minor dealings in 1930 and 1932.

Soon the interview was into its second hour and the frustrated Taylor asked, "To what tribunal may we apply for permission to build this bridge, sir?"

The Prime Minister leaned over the desk and thundered, "Richard B. Bennett!"

"I am here, sir," replied Taylor.

Bennett terminated the interview and Taylor later returned to his hotel to confer with John Anderson. There was nothing to do, they decided, but wait for the next election, which seemed imminent.

Endgame

1935 was a year of waiting for the bridge company. In August W.S. Eyre died. Aside from the great sorrow it brought to Taylor, it also brought problems of financing as Eyre was a major investor. At the suggestion of Frank Ross, co-owner of the Western Bridge Company and later to be Lieutenant-Governor of B.C., Taylor sought and ultimately received investment in the bridge project from Western Bridge Company and Dominion Bridge Company, both Canadian firms and both candidates to be contracted to actually build the bridge.

The election was finally called for October 23. Strong pressure had been put on Taylor and his company to contribute money to the Liberal Party, but Taylor refused saying, "No. We are tired. We have no money for this. We are not going to align ourselves with any party". 4.

Mackenzie King and his Liberals won the election and Ian MacKenzie, the new Minister of National Defence and a Vancouver MP, had pledged to get the bridge through. But still no action was taken in Ottawa and pressure continued to be applied to Taylor to contribute to Liberal Party funds. Taylor still refused.

In early December, under curious circumstances, Taylor's lieutenant John Anderson and Liberal Party organizer Major Moody uncovered a plot to delay permission to build the Lions Gate Bridge until the bridge company had agreed to certain terms. A number of prominent individuals and MP's were involved, including the shady businessman to whom Bennett had objected so strongly.

(continued on page 4)

Lions Gate (from page 3)

Ian MacKenzie withdrew his endorsement of the bridge until he had "definite assurance that there is not the least suggestion of impropriety or special negotiations in the whole undertaking".⁵ Taylor quickly wired MacKenzie to give him the "most unequivocal assurance that the company anxiously awaiting the approval of the Order-in-Council for the First Narrows Bridge has not, neither has their sole representative in Canada, Mr. Anderson, directly or indirectly entered into any commitments whatsoever with any person, corporation or political party, and neither have they made any financial or promotional promises of any nature whatsoever".⁶

This assurance brought no results and finally Taylor arranged to visit Prime Minister King on February 27, 1936. At the interview Taylor realized his "enemies" had been there before him. It became apparent that King feared a scandal about the bridge similar to the Beauharnois Affair. When he had been Prime Minister in 1929, the opposition had embarrassed King with allegations of peculiar gifts of stock, personal loans and campaign contributions when the Beauharnois Power Company had sought permission to divert part of the flow of the St. Lawrence River.

King told Taylor that Bennett had warned him that there was "something wrong" with the bridge business, but hadn't said what. Taylor replied that it was strange that Bennett had not given impropriety as grounds for refusing the bridge company's application, but had instead cited the bogus claim of "inadequacy of span".

In early March, Taylor visited Vancouver to discover that all local opposition to the bridge had disappeared. In mid-March he enlisted the aid of Gerry McGeer, Mayor of Vancouver and a liberal MP, to push for the bridge in the House.

McGeer raised the issue in the House on March 24. When the House adjourned, McGeer sought out Bennett who admitted that there was no substance to innuendos about the bridge project as far as he knew. McGeer subsequently prepared a brief for presentation stressing that Ottawa's jurisdiction in the matter derived solely from the Navigable Waters Act, the requirements of which were satisfied by the applicant. In a letter to Lord Southborough, a major investor and friend, Taylor related how he had "actually got McGeer to the point of saying privately, what he would not hesitate to say publicly if necessary, that he would use the present incident as the chief reason for banding at least the three western provinces in open revolt against the Dominion, leading ultimately to secession . . .".⁷ Vancouver wanted that bridge!

Although a vague promise surfaced that an Order-in-Council would soon be passed, Taylor was not satisfied. He told McGeer that unless action was taken almost immediately, they would shut down their Vancouver

operation.

Convalescing in New York in early April from ill health, Taylor prepared a statement which he read to Ian MacKenzie who had called to visit him. In the statement Taylor talked of the delays and of the proposal for a full Parliamentary Inquiry. He discussed how such an inquiry would be an embarrassment to all concerned except the First Narrows Bridge Company, British Pacific Securities and their principals. He pledged a personal bond of \$50,000 to be forfeited if any dishonesty in his company was discovered.

Taylor concluded, "This is a tragic comedy in a country that is, at this time, absolutely dependent on outside capital — almost bankrupt of men who are bigger than their own selfish interests. The story of the First Narrows Bridge is not over, but to date it marks one of the most astonishing chapters of crass stupidity that modern times may read: 'How to prevent Englishmen investing their own money in Canada'."⁸

Whether it was Taylor's posting of the \$50,000 personal bond or his discussion with Ian MacKenzie of the possible repercussions to the government of a full inquiry is not known, but whatever the reason, an Order-in-Council was passed on April 29, 1936.

Vancouver's newspapers cheered the news, showering praise on Taylor and Anderson, "The Men Who Made It Possible".

Epilogue

The first sod was turned July 7, 1936, two and a half years after they had first filed application with the Federal Government. Two years and \$5,700,000 later, the bridge was completed. It opened to traffic in November 1938 and was officially opened May 29, 1939. If it hadn't been for the perseverance of Taylor and his associates, who knows when the bridge would have been built, if at all.

By the 50's, it was evident that another span would be necessary to handle an increasing traffic flow. In November 1954, the First Narrows Bridge Company said it was prepared to build a twin to the existing bridge at a cost of \$17,000,000 if the requisite permissions could be obtained. The Provincial Government of W.A.C. Bennett declined approval. One source commented, "If any money is to be made, it should be made for B.C. and not for private interests".⁹ No bridge was built, no money was made.

In January 1955 the government moved to purchase the bridge from its private owners. Although it was rumoured that the government would build another span, it never did.

In 1975 the government proceeded to renovate the bridge by replacing the deck with a new lighter, wider deck. At a cost of \$20,000,000 the approach was widened. The main span has not yet been completed. Wind tunnel tests showed that a new lighter center span would not be as stable as the older span.

(continued on page 5)

EDITORIAL**A Home or a Castle?**

A retired acquaintance is building a home for his wife and himself on Vancouver Island. From the amount of red tape he must first cut through, one would think that he was putting up a missile defense base instead. Everything imaginable comes under the scrutiny of some officious meddler, from the demand that the door from the garage to the house must have weatherstripping and a self-closing mechanism to a count of the number of water fixtures the house will have. Even the lumber used to build the house had to be approved, size by size, almost board by board.

These inspections of the blueprints, of the construction site, of the lumber, etc., have already added weeks to the building of this single home. These inspections have also been one long headache for the builder. And, as a final bit of irony, the taxes collected from my acquaintance help pay the salaries of the people who harass him and subject him to costly delays.

Canada's construction industry faces identical red tape every day. Zoning bylaws, height restrictions, construction standards, building codes have caused delays in housing projects, often of years. These delays show up as headaches and ulcers for the builders and as more expensive homes, offices and apartments for the public. Are the delays worth it? Are today's buildings sturdier than those of 50 years ago? We have our doubts. Governments interference with the construction industry has benefited only the government employees who do the interfering. It has hurt the rest of us.

The libertarian approach to quality control in any industry is to let the forces of the free market solve the problem. It is natural that men will want to buy homes that last a lifetime, that are inexpensive to heat and safe to live in. This desire will lead to demand by buyers of certification that their prospective home is what it appears to be. Insurance companies, for example, would not provide fire or weather damage insurance unless the homeowner could produce proof that certain standards had been met.

That and similar mechanisms will provide much more safety, comfort and variety in homes and buildings than any amount of bureaucratic meddling. AND they will provide it cheaper. A man's home will still be his castle, but it will no longer cost like one.

ANNOUNCEMENT

Nathaniel Branden will be offering his Intensive "Self-esteem and the Art of Being" again in Seattle from June 14 - 17. Anyone interested in participating in this exploration into inner space is asked to contact Pat Artz, 1258 Weiland St., 12B, Kent, Washington 98031.

Lions Gate (from page 4)

So there the Lions Gate Bridge stands today, a Vancouver landmark, beautiful to see, but inadequate for today's traffic volume. The center span is badly in need of repairing, but all that gets done is patch-up jobs. The offer of private interests to alleviate the problem in 1954 was thwarted because the government thought it should be a government enterprise.

Critics of libertarianism often ask, "But who will build the roads in a libertarian society?" The Lions Gate Bridge is living testimony to the fact that the question is spurious. Private enterprise can and will build roads, bridges, post offices, airports and any other project for which there is a demand. Private enterprise will not build white elephants like Mirabel Airport in Quebec which has been a losing proposition since it opened.

On the 40th anniversary of the official opening of the Lions Gate, let's consider returning the initiative for so-called "public" projects to private individuals. Let's again create an atmosphere where men of vision like A.J.T. Taylor have the freedom to pursue great achievements.

1. Most of the details in this account were taken from an article entitled "The Lion's Gate Bridge - The Great Canadian Bridge Game" in the June and November 1976 issues of *B.C. Historical News*. The article was based on a manuscript of Joan D. Stockdill on the life of her father, A.J.T. Taylor.
2. *B.C. Historical News*, June 1976 page 21.
3. *ibid* page 27. Further quotations in this interview from page 28.
4. *B.C. Historical News*, November 1976 page 19
5. *ibid* page 21
6. *ibid* page 21
7. *ibid* page 25
8. *ibid* page 26
9. *Vancouver Sun*, November 10, 1954

The Libertarian is a monthly newsletter advocating individual liberty and free trade. Individual issues: \$1.00, Subscription: \$10.00

Editor
Assistant Editor
Managing Editor
Typesetting
Contributor
Photography

Mike Little
Rick Bolstler
Karonne Talyer
Robin Gillespie
Mike Davison

OIL FOR TROUBLED WATERS: THE FAILURE OF CANADA'S ENERGY POLICY

by Robin Gillespie

Since Confederation, Canada's mineral resources, including fossil fuels, have been controlled, and in the vast majority of cases, owned, by Canada's governments. Those governments have made all decisions regarding what will be produced, how much, from where, how it will be shipped, to whom it will be sold and how much will be charged for it.

Some governments have been more aware than others that they have no part in the productive process and therefore ought not to interfere much with those who do. All have held the belief that they were the proper custodian of the "public's" resources. Most members of the public have also accepted the idea. Unfortunately, that has included many of those who actually had to get out there and drag those "resources" out of the ground and make them usable.

Since the early 70's we have been faced with conflicting estimates from government and private industry as to what our energy situation is. That conflict has been the only constant in those estimates. Canadians have reached a point where they do not know who to believe and are inclined to trust nobody. In this atmosphere of mistrust for both government and private industry even Canadians who do not believe that government is the proper custodian of resources may resign themselves to it because of the feeling that private industry will mismanage them just as badly. Those people will see no reason to express their outrage with the government's record of ineptitude in handling energy policy and will not bother to protest such legislation as the Energy Supplies Emergency Act.

Surely it is long past time to take another look at our system of government as custodian, and public as "owner", of Canada's natural resources. My purpose is to propose a new and yet untried system: the free market and private property.

History

It would be appropriate to take a look at the history of the energy industry in Canada, beginning at 4:00 p.m., February 13, 1947. Then, near Leduc, Alberta, Canada's modern energy industry began as Imperial Leduc No. 1 became a gusher. Since that time the oil industry has brought undreamed-of prosperity to Alberta and unexpected problems to Canada.

The government of the day in Alberta, the Social Credit administration of Ernest C. Manning, was one of those governments which believed that it should not interfere too much with those who were actually making this resource available for use. However, the Socreds also believed that this resource must be managed for the benefit of Albertans, and since it was being managed almost completely by foreign interests, they couldn't leave it completely alone. They established a system of Crown Reserves, leases, rate

of production to insure that the oil was not quickly depleted and royalties to be spent, by the government, for what it decided was the benefit of all Albertans.

The royalties were not terribly high (less than 20%) and were set by contract which was never broken by the Social Credit. The rules of conduct for the industry were laid out plainly, were not deviated from, and were not changed capriciously by the government. This was the closest thing the industry ever had to a free market in Canada, and it flourished.

By the mid 1950's it was clear that Alberta's production was more than sufficient for Canada's needs. However it was not very well placed for supplying those needs. Consumers in eastern Canada were unlikely to be willing to pay the cost of shipping that oil from Alberta when they could get it more cheaply from offshore. It was at that point that the Federal Government became deeply involved and it was then that the political mismanagement of energy really began.

- Among the results over the past two decades have been:
- the artificial (political) division of Canada into two markets, one reserved for Canadian crude and one reserved for offshore crude.
 - years of political wrangling over the route of the pipeline to carry western gas and oil to eastern markets.
 - the isolation of Montreal from all but one source of supply for its refineries and, despite ample evidence that this was a dangerous situation (the Middle East cutoffs of 1967 and 1973) federal procrastination for well over a decade before an oil pipeline from Ontario was authorized. (A gas line is still not built.)
 - the near destruction of the Alberta industry in 1974 as the Federal and Alberta governments fought over which would get how much of the money the industry produced (the oil export tax, the Turner budget).
 - political setting of an artificially low price for petroleum in Canada at a time when the government was also trying to promote conservation of our "depleting" energy resources.
 - stagnation of exploration in Alberta during a period when *world* (but not Canadian) prices were rising rapidly and exploration in all other producing areas was at unprecedented levels. The massive West Pembina field would almost certainly have been discovered and been producing years earlier but for this situation.
 - federal interference with decisions to export Alberta products including those for which there is no Canadian market, such as Lloydminster heavy oil, resulting in economic dislocations in parts of Alberta.
 - a climate of off-and-on hostility between Edmonton and Ottawa resulting in a climate of continual uncertainty for the industry.

(continued on page 7)

**Oil for Troubled Waters:
The Failure of Canada's Energy Policy**

(continued from page 6)

— political wrangles for years between Edmonton, Ottawa and Washington which are still holding up the construction of the Alaska oil pipeline to the lower 48 states. Much of the dispute centred on the politically sensitive question of what the diameter of the pipe would be. (The consideration was not how it could be designed so that it could be built in the most economical manner but rather over how it could be designed so that the pipe for the Canadian segment would have to be made in Canada.)

This is not a very impressive record for the "trustees" of "our" resources. It could not be any other way. By its nature government will make decisions based on political factors. Such decisions will very often be right when made in government's proper fields of activity. They will almost invariably be wrong, or at best far too late, when they are made in fields where government does not belong. No private company would waste years arguing over the size of the pipe for a pipeline solely to ensure that it could be built in a certain factory. It would be losing revenue for every minute the line was delayed. Governments are financially uninvolved with such consequences or are gambling with someone else's money (yours and mine). Therefore these losses are of no interest. What is of interest is the number of votes to be gained or lost if the pipe is made here or there.

We have come to the logical end of this road in Canada. We have arrived at a situation predicted nearly six years ago and ignored by the Federal Government until now. In 1973, John G. Maclean, Chief Executive of Continental Oil said: "We must develop a contingency plan to deal with a major prolonged disruption of oil exports from the Middle East. Suppose, for example, that in the late 1970's one or two of the largest exporting countries . . . should shut off oil exports for a year or two . . . What could we do and what would we do?" Nothing, save for extending the oil pipeline from Sarnia to Montreal, was done until now. Suddenly Iran has dried up and eastern Canada is facing shortages.

Now the mad scramble has begun, but this time the moves the Federal Government is making are not only threats to the oil industry; they are threats to the freedom of every Canadian.

In February, Exxon began diverting some 25,000 bbl/day of Venezuelan crude bound for Imperial Oil (its Canadian subsidiary) to the U.S. Other oil companies were in a similar situation and swap arrangements were worked out whereby more Alberta production than normal would be shipped to the U.S. in exchange for stepped up American shipments to eastern Canada. This appeared to be an eminently simple and practical solution. 2. However

the Federal Government, looking at the situation politically, did not see it that way.

The Cabinet made a lot of noise about foreign interference in Canada's economy, and the National Energy Board, backed up by Energy Minister Alastair Gillespie, ordered Imperial to start buying directly from Venezuela and threatened to block any further swap arrangements if Imperial didn't comply. Jack Armstrong, President of Imperial, said that present arrangements were satisfactory (indeed more so than buying directly would be) and would not be changed.

The threat to block the swaps is a very dangerous move for a "protector" of the public. As Jeff Carruthers noted in the Toronto Globe and Mail February 16, ". . . the threat to block future Imperial swaps could end up hurting eastern consumers as much as it hurts Imperial, especially if other eastern oil companies do not or cannot pick up the slack. . ."

Finally, after a good deal of blustering over Imperial's refusal to comply, PetroCan, the energy equivalent of the Post Office, was ordered to assume Exxon's contract at expiry. Shortly after that, the government rammed Bill C - 42, The Energy Supplies Emergency Act 1979, through Parliament.

That bill is the totalitarian end of the energy road. It sets up the Energy Supplies Allocation Board: whenever Cabinet decides that petroleum supply is "disordered" (whatever may be meant by that) it may empower the Board to literally take over the entire energy industry. The Board would "supersede the National Energy Board, the Transport Commission, the provinces, municipalities, private contracts. It could force pipeline companies to build pipelines . . . run the railroads, take over trucks . . . invade every energy field in Canada including your kitchen. 3. " If the Federal Government controls the supply of most of eastern Canada's petroleum and controls the allocation of all energy in Canada, then it can certainly have effective control over the lives of all its citizens. This creates a frighteningly modern context to Thomas Jefferson's remark that "A power over a man's sustenance amounts to a power over his will."

The Libertarian Solution

Like the Libertarian solution to most economic problems, the solution to this one rests on the definition and recognition of property rights. In Canada there is virtually no private property in mineral resources. 4. Since 1879 Canadian land sales have not included mineral rights. Today those rights are owned by the provincial governments. (Supposedly they are owned by the citizens. If you believe that, I will be glad to sell you my share of Alberta's resources.)

(continued on page 8)

**Oil for Troubled Waters:
The Failure of Canada's Energy Policy**
(continued from page 7)

As with all other types of property, mineral desposits in land should be privately owned. However the problem of property rights in this case has an extra twist, which has caused problems in the United States, where mineral rights are widely privately owned. Almost everywhere, surface property was divided on the basis of agricultural, residential or industrial use long before the underlying oil pools were discovered. The formations are often spread under many pieces of surface property. The result of this in the U.S. has been the classic scenes in Texas or Oklahoma of rows and rows of wells up and down both sides of property lines. Different drillers negotiated different entrance fees and royalties with different farmers and rushed in to try to pump as much as possible before someone else got it. It is now recognized that there is a "maximum efficient rate" at which to pump out a given pool. If it is pumped out faster than this, much oil which would otherwise be recovered will be lost due to lack of pressure. The situation described above will easily produce this result.

In Canada the solution to this problem has been to allocate portions of fields to various producers and to set production quotas for each well. These quotes are supposed to be based on the "maximum efficient rate" but they tend, as we might expect, to be based more on political considerations. An article in the *Globe and Mail Report on Business*, April 18, 1979 told of the problems Alberta producers are having meeting recent production quotas. The article cites industry sources as saying that *recent sharp fluctuations* in Alberta Energy Resources Conservation Board monthly quotas "have played havoc with plans to sustain high volume at the wellheads." Maximum efficient rates do not, of course, fluctuate sharply from month to month.

What is necessary to solve this problem is to recognize that mineral rights could be sold separately from the rest of the property. This would allow a company or consortium to buy a whole pool while leaving surface property owners intact. They could then drill at the best place and pump at the best rate to allow maximum recovery. U.S. courts have consistently blocked such attempts by oil producers.

To this foundation of property rights in oil pools we add a superstructure of government non-interference: no production quotas, no sheltered markets, no export regulation, no fixed prices, no tariffs, no income taxes, no subsidies, no interference with pipeline construction or other forms of transportation, no laws to force unwilling property owners to allow exploration or productions on their land. In short, we are talking about a free market.

What might we expect to see in such a market place? We could expect lively competition between oil, heavy oil, tar sands, shale oil, natural gas, coal, hydro-electric

power and nuclear, along with solar and wind energy as well as a host of other newly developed sources of energy. We could probably expect each of them to find some niche, either geographical or technological, that it was uniquely suited to fill. We could almost certainly expect to see the petrochemical industry compete for a larger and larger share of oil production as demand for plastic grows.

We might expect to see western Canadian petroleum (from Alberta and Saskatchewan) supplying much of western North America but meeting stiff competition in some areas from Mexican oil. Texas, Louisiana and possibly South America might be supplying eastern North America. Alaska oil might find its way to the Yukon, British Columbia, western Russia or Japan. We might even find out whether there really is any oil and gas in the Arctic Islands.

We could certainly expect to see tough competition between pipelines, railroads and possibly other means of transportation and we certainly would not expect to see decisions to construct a refinery, pipeline, or anything else, held up for years while governments bickered over the diameter of the pipe or where the products might be sold.

Effective conservation measures would be taken; no one takes better care of something than its owner. Producers would be encouraged to manage their stocks so as not to waste them and to devote them to the most profitable, which is to say the most productive, uses.

Consumers would, from time to time, face rising prices in one source of energy or another as its stock dwindled — this is a far more effective conservation measure than rationing — or as other users bid the price up because they believe they have a more profitable/productive use for it. Such a situation would create a boom in the production of substitutes as entrepreneurs rushed in to take advantage of the profits available to those who could undersell the initial product.

All in all the prospects are extremely exciting, as is often the case whenever one looks at the free market. The prospects are certainly more exciting than those we face at present. Canada's energy industry is controlled, throttled, slowly dying. Let's stop killing ourselves. Let's learn to respect private property and the free market and really begin to live.

1. There has been oil production in Alberta since the 1920's and at Sarnia, Ontario since the last century. This production was so small as to be irrelevant for the purpose of this article.
2. This was done with great success during the 1967 and 1973 Arab oil embargos — a fact which the Federal Government seems to have forgotten in its haste to use the situation as part of its election platform.
3. *Toronto Globe and Mail Editorial*, March 10, 1979. In subsequent letters to the paper, Energy Minister Gillespie confirmed all of this while trying to put a pleasant face on it.
4. Before 1879 there were some freeholds, and they still exist. They amount to very little, most of it in Ontario and the Maritimes (although there is some in the prairies).