

WITH Ed Schreyer, Premier of Manitoba 1969-1977, Governor-General of Canada, 1979-1984



When the RIGHT HONOURABLE EDWARD SCHREYER, a native of Beausejour, was elected to Manitoba's Legislative Assembly in 1958, he became the youngest Member ever. In 1965, he moved to Ottawa as a Member of Parliament before returning to lead the New Democratic Party to its first provincial election victory in 1969. In its two terms in office, his government merged several municipalities into the City of Winnipeg, lowered Medicare premiums and introduced public automobile insurance. Appointed Canada's Governor-General in 1979, he subsequently served as Canadian High Commissioner to Australia. Currently involved with several environmental, cultural and philanthropic groups, he also serves as Chancellor of Brandon University. In the recent federal election, he re-entered federal politics as the NDP candidate in Selkirk-Interlake, but was unsuccessful. He holds Bachelor degrees in Pedagogy and Education and Masters degrees in International Relations and Economics. Before politics, he held the position of Professor of International Relations at St. Paul's College, the University of Manitoba. He was appointed a Companion of the Order of Canada in 1979.

**Frontier Centre:** You have publicly stated your opposition to the Manitoba government's use of hydro-electric profits to subsidize the price of natural gas. Why do you oppose this policy?

**Edward Schreyer:** Because it is so fundamentally wrong to use the revenue from a renewable energy source to cross-subsidize the use of a depleting, non-renewable fuel. The great challenge of the next twenty years will be how we can possibly reduce our use of oil and gas, not just because they are depleting energy sources, but because they are sources of CO<sup>2</sup> emissions. So to go ahead and subsidize in this way is, to me, 180 degrees wrong.

**FC:** Do you think the inspiration for this policy was political? Is there any economic justification for it?

**ES:** I can't answer the first part of your question because I don't know what the rationale might have been, except for helping lower-income people who faced a surge in natural gas prices. But the way to handle, it seems to me, would be with an income-tested sort of support or rebate, rather than making it across-the-board and ending up with a subsidy that encourages the use of natural gas, which is really the last thing we want to do.

**FC:** In light of that decision, do you think it wise that Manitoba Hydro purchased Centra Gas? Should we be placing all our energy eggs all in one basket? Don't the two utilities have competing goals?

**ES:** That is an excellent question for the Frontier Centre. If you have any solicitude for the notion of the effectiveness of competition, for whatever reason or combinations of reasons, then it cannot be a good thing to witness a course of events in which intermodal competition is reduced. The notion of an electrical company buying out a natural gas company is to my mind a reduction in intermodal competition. I would much sooner see intermodal competition, if there is to be competition, than to see artificially introduced competition within a given field.

What happened in the case of Centra Gas is that Manitoba Hydro, maybe because it has been cash-rich in recent years, acted like a lot of large companies when they get cash-rich. They start making acquisitions, sometimes in their own fields, sometimes in fields outside their own ken, and then get into trouble. In some cases they make

acquisitions which aren't particularly advisable. I say, not unkindly but quite bluntly, that when they bought Centra Gas it was for very specific reasons at that time, we are talking 1998/99. It was an ailing company, ailing because of monies it had lost in hedging and in the derivatives market. It was ailing, so Hydro came in and paid an acquisition price which I submit didn't acknowledge the fact that it was ailing at all. In fact, they paid them good money as though it were a company in the soundest of financial circumstances which wasn't the case.

At the time there were solemn assurances and guarantees given that there would be no cross-subsidization, statements that made the deal barely palatable. Those assurances were given by Manitoba Hydro, by the government of the day and by the Public Utilities Board. Then, lo and behold, six years later those solemn assurances seemed to become vague background noises and almost forgotten.

**FC:** In a speech this year, the man in charge of Manitoba Hydro's marketing and sales bemoaned the delays imposed on the utility for the licensing of new generating capacity. What do you recommend we do to speed up the process?

**ES:** We should use common sense. It is ironic, but when Manitoba introduced in law the need for environmental impact assessments, way back in 1970, I believe it was the first jurisdiction in Canada to do so. This gives you a good example of the swing of the pendulum. At the time, the only sort of impetus for doing something like that was a fledging young organization in Toronto called Pollution Probe. Pollution Probe was pointing out quite rightly that we were often undertaking large public works projects without even a *pro forma* environmental assessment.

Goodness knows, there was a need for it. You may recall a night in the 1960s, when the Cuyahoga River running through Cleveland was so polluted it caught fire. The air of London, England, was so besmogged that people on some winter days were dying by the thousands. The Rhine River in Germany was literally an open sewer. In Winnipeg, Headingley Jail, the University Manitoba and the Municipality of North Kildonan were discharging raw sewage directly into the Red River. All these things cried

out for some kind of environmental review and remedial action.

So we began to do that, and for a long time it was done in good conscience. However, the pendulum swings. Thirty years later, forget that. Environmental impact assessments are sometimes being used to prolong the approval process by two years, three years, four years and more. At some point, you can't help but come to the conclusion that the general public interest is being jerked around.

**FC: Our office once received the contents of a rate application by Manitoba Hydro to the Public Utilities Board and the row of binders stretched four feet. How can any enterprise turn a profit when it is saddled with that kind of dead-weight cost, all the lawyers, all the engineers and consultants that pick away at its flanks?**

**ES:** Your question is so to the point that I would say it is *res ipse loquitur*, the matter speaks for itself and answers itself. It is not a sustainable nor a desirable trend.

**FC: The environmental hearing process is hamstrung by a very insidious idea, the precautionary principle. Economic development is a process of change. How can anything change without some negative consequences? Is it foolish to seek zero negative impacts? Do we need more balance in our approach to such matters?**

**ES:** That is a hard question to deal with. I hope you would agree that there is a need for systematic environmental assessment, to avoid the more egregious and outrageous excesses. On the other hand, I think that you can niggle your way into self-paralysis by blocking every project. It is one thing to block a hydro development if it involves the damming of a river through which millions of andronymous fish migrate, like ocean-going salmon. On the other hand, it is outrageous to block a hydro project creating renewable energy, with its capacity to obviate millions of CO<sup>2</sup> every year, because it may involve the temporary dislocation of muskrat or moose, even though in no way does it diminish their numbers let alone threaten extinction. Yet those arguments have been used. I can show you chapter-and-verse where they argued, forecast, and predicted that hydro development would increase the diminution of the northern fishery and the Lake Winnipeg Fishery. In fact, at most there was a ten-to-twelve-year impact, after which the resiliency of nature brought it back to its original circumstances.

**FC: Do you think that the Wuskwatim and Conawapa dams should already be up and running?**

**ES:** To me, one of the saddest paragraphs, if not chapters, in Canadian energy history was the decision by Ontario Hydro to not go ahead with its memorandum of understanding with Manitoba Hydro for the development of Conawapa in the 1990s. I am not blaming Manitoba; we didn't cancel out, Ontario did. But what could have been a win-win for both provinces turned into a lose-lose. Manitoba is worse off because it didn't go ahead. In effect, we lost a decade and a half. Ontario is certainly a loser, because needed new generation is going to have to be put in place now by whatever other means, unless they sign up for Conawapa now, fifteen years later, at a considerably

higher cost. In the meantime—see the irony of it—they have been buying coal-generated power from Ohio whenever they run short. Ohio is upwind from Southern Ontario.

**FC: The Manitoba Hydro executive mentioned above also expressed great frustration with the hearing and approval process faced by the utility for new transmission lines. They can't ship any new power from Wuskwatim or Conawapa without new lines, and we can't exploit the Ontario market or ship more south without them. What is your response to the transmission problem?**

**ES:** It is a combination of misunderstandings plus a game of power politics. Every community in the north has the right, if they see fit, to object to a line coming within practical or visible distance. How they could say, however, that they object to it coming through their community if the line is thirty or forty miles away? That's where governments acting in the general public interest have to simply get on with their job, which is to govern.

**FC: Manitoba Hydro pays farmers to run transmission lines through. They've had no impact on the environment and the power made farming operations much more efficient. It's a win-win situation.**

**ES:** Sure. In fact, if you go back far enough, farmers would donate their land to the electric utility if it brought power their way.

**FC: Former Premier Douglas Campbell took a lot of flak for his rural electrification project, but didn't it pay off in the end?**

**ES:** Sure it did. What really bugs me is that there are all kinds of scientific and common-sense ways to challenge the demonstrably poor model of hydro development. So why do we use poor ones? I think, for instance, of the contention that it silts up the waterway and therefore makes what seems to be renewable energy into a nonrenewable. This is outrageous nonsense. It may be true in some parts of the world, where rivers running through a sedimentary basin cause siltation, at least at the first of a series of dams. But in the case of the Winnipeg River, there isn't a single power house, even those that have been there eighty years, that has any measurable silt.

I have heard that argument used by people whom I otherwise hold in high regard, like some geologists. People like that shouldn't presume to talk knowledgably about hydro development, but the point is they sometimes do, not with malicious intent but in a misinformed manner. That also applies to the notion that power development somehow takes up farm land. You can go to 90% of the hydro dams in Canada, and farmland is not even in contention.

**FC: Tom Adams of Energy Probe has suggested that Manitoba Hydro adopt a market-pricing policy with a twist, that each citizen be allowed his or her historical allotment at the old price. Then whatever they decide not to consume would appear on their utility bills as a tradable credit, an asset available for sale at a market price. What is your opinion of that approach?**

**ES:** This is one case where I will reserve comment, because I want to ponder that. It sounds like it has some

sense to it, but on the other hand I am not sure. I have not met Tom Adams. I know he is with Energy Probe but I think that he should concentrate—and I am not saying this sarcastically—his analysis on Ontario Hydro, because that utility these days is hurting badly. This was the flag ship of Canadian utilities, and right now I don't think they know what quite to do. They have fragmented the industry so badly that you cannot get decisions. They have some good people in transmission and generation but with whom and how do they have an interlocking and integrating committee? The tires keep spinning and spinning and meantime they get closer and closer to crunch time.

**FC: What's your opinion of the use of tradable permits and the credit system in the Kyoto framework?**

**ES:** I don't want to attack the credits because I don't have any proof. All I have is a strong supposition that credit trading is the Achilles' heel of Kyoto, not its strength but its biggest weakness. Anyway, to me Kyoto is not the main preoccupation. I think we can live with it, I think we can live without it. It is secondary. What is primary whether or not we put in place practical, operational alternatives to carbon-sourced energy. That is what it is all about. If we don't, we can sign ten Kyoto Accords and it won't make the slightest difference.

**FC: Do you think Manitoba Hydro capital needs would be more quickly accommodated if were a private corporation and didn't have to get in line at the cabinet table?**

**ES:** No, I don't think so, in fact the opposite. I think Manitoba Hydro has done quite well, thank you. In fact, it is in some danger of being used as a milch cow. I don't think that somehow restructuring it would somehow make it more effective. I think that if we gave it running room, it would simply add to its accomplishments of the past half century or more, and that accomplishment for a province of only one million people has, I think, been fantastic.

**FC: Objections from within the utility are still heard about the decision to build a new Hydro headquarters downtown. Is this another example of its hopelessly politicized status? Would it have ever made such a decision on its own if it weren't pressured into it?**

**ES:** Not being privy to the internal decision-making, I have no way of knowing. What did leave me a bit puzzled is that with that building Manitoba Hydro will have three major offices within greater Winnipeg, if you include the converted Centra Gas office. That is no small thing.

**FC: What would Manitoba Hydro look like if all of its policies were more in line with your views? What is its potential?**

**ES:** I'll tell you what I regret. I regret that circumstances have turned out such that Manitoba Hydro has been interrupted and blocked, not by the government, but by events which have resulted in this eighteen year-hiatus, with no development of a very desirable, renewable carbon-free energy.

**FC: That's no new dams in eighteen years?**

**ES:** In all of Canada actually, so this is not a partisan observation. It is, however, of tremendous importance. By

the way, I think would be helpful to allay the fears of those who, lacking information, might tend to be anti-hydro because they think that perhaps there would be hundreds of more dams if somebody didn't object. The fact of the matter is that it wouldn't be hundreds, it wouldn't even be tens. There are only about two large and about four middle-sized dams to be built.

After that, it is all what you would call "small hydro," which is another interesting point. You will see encouragement given to "small hydro" in every brochure that any politician has anything to do with, because it seems to be the path of least resistance. No one objects to "small hydro," even literature from the United Nations, which has become increasingly intellectually dishonest on renewable energy. They poor-mouth large hydro-electric projects like you wouldn't believe. What they omit to say is that small hydro is of relevance only to small numbers of people, and that it goes no where in terms of solving the larger problems of larger numbers of people. I am not saying that we should ignore it "small hydro." There are places that you could harness it, but it will be relevant only to small numbers of people. Let's acknowledge that.

**FC: The energy deregulation process contains a provision that if somebody can produce surplus small-scale electricity, then utilities are obliged to buy it from them and put it onto their network.**

**ES:** Sure, but that is a subtle way of subsidizing. In Germany, I watched with some considerable interest just how the Germans were wrestling with the fact that they are eighty million people without as many energy options as we have in North America. They have to do something unless they want to become increasingly dependant on Russian gas or Middle East oil or their own nuclear power, which has its partisan domestic opponents. They've passed laws which obligate electric utilities to accept wind-turbine energy at very generous prices. Call it what you like, but I regard that as a subsidy because they are paying far more for that electricity than what they earn on it. In other words, they are swallowing it.

**FC: The problem with wind power is what happens when the wind doesn't blow. If you have the capital cost for back-up generation, you are paying twice. You can't store electricity.**

**ES:** Which is very logical. If you stick to your logic, no one can shake you on it. That is the reality. Wind-turbine energy, although, can be very desirable if it is integrated with a large hydro or natural gas system. It does not work well with nuclear or coal, but it works well with hydro or natural gas. Without hydro or natural gas, wind energy is not much better than dump energy and dump energy should not fetch any where near the same price as reliable energy. That to me is a form of encouragement, nothing terrible, but let's acknowledge that it is an indirect subsidy.

**FC: Some believe that your recent foray into federal politics was undermined by the national NDP policy on gun control. Do you agree? Is the long-arm registration policy haywire?**

**ES:** Sure. In fact, I said so. I am one of those who never was a supporter of the long-arm registry and certainly was

not a supporter of the way it was being done, because it was outrageously expensive. We didn't need this report from the Auditor General to know that because all kinds of information was leaking to let us know that the whole thing was cost-wise out of control. I always felt long guns didn't need to be registered in artic, sub-artic, northern and rural Canada. You can make a case for metropolitan centres But are we not sophisticated enough to devise laws and systems that would then accordingly regulate it in metropolitan areas and leave the rural folks alone? The public perceived that Jack Layton had always talked in support of it, but they had conveniently forgotten that all Saskatchewan's NDP MPs had consistently opposed the registry.

**FC: What is your assessment of Jack Layton. Is he too urban-centred? Is the old Ed Schreyer-style coalition of urban and rural possible with him?**

**ES:** I think that he has done an incredible job as leader and so I am going to stop there. He has a certain background and I have a certain background and there is a slight difference in age and geography, too. One thing that I really gave him full marks for: He was among the more visible in saying that we have got to do something better in terms of social housing, particularly as regards the mentally ill. It was turned aside, and the suggestion made the subject of partisan media attacks. Just last week, the Ottawa and Toronto media gave front-page coverage to the Kirby report on mental health, which says that we have a massive problem in Canada with horrendously inadequate housing for the mentally ill. I have to give credit to Jack, who is ahead of his time.

**FC: Do you think that Gary Doer's government has a good shot at another term in office? Should the NDP be worried about Hugh McFayden's recent election as Tory leader?**

**ES:** I don't know. I really don't follow that closely. I think that the Doer government has provided competent administration. They have some problems, some of them ironic, such as the whole business with the Crocus Fund.

Part of it is their own doing, but part of it is far from that. But it is the way it is being handled that is perceived to be wrong.

**FC: Manitoba's population of educated young people is seriously bleeding away to more prosperous provinces. What policy changes do you think this province needs to stop this hemorrhage? Can you give us the top three things you think we ought to do?**

**ES:** Obviously we have to try and do something a little different, perhaps a better scale with respect to those commercial and resource development prospects in which we have some natural gift or advantage. I come back to the point I mentioned in today's talk about ground-loop geothermal for heating houses, about building a transmission corridor for hydro, and a road. Clearly the road is a good example in microcosm. There is no great hope for providing any kind of access to economic opportunity for the younger people on the east and north sides of the province unless there is reasonable transportation access. Without it, we are kidding ourselves. I think some of the elders of aboriginal communities realize that. These are the kinds of things we have to be a little more out in the open and aggressive about.

Beyond that, don't forget it has always been thus. I remember in the 1960s coming to Ottawa as an MP and finding there were tremendous numbers of ex-Manitobans working in the Department of Finance, the department of Transport, or working in the Coast Guard, etc. Manitoba in this sense is no different than any of the Plains states of the U.S. or Saskatchewan or eastern Alberta. I think we can minimize that. We have actually had very modest population growth through the 70s and 80s, which may not be impressive but it is certainly better than population loss.

I don't have any magic formula, except, since we do have a God-given resource in hydro-electric energy and the world is coming now to the point where it desperately needs renewable energy, we should put two and two together. It makes four and it calls out for action.