

COLUMBIA RIVER TREATY

Great benefits to Canada and the United States from the development of the Columbia River are expected to result from the agreement announced on January 22 by the governments of British Columbia, Canada and the United States.

U.S. PAYMENTS

The United States will pay to Canada: (a) for downstream benefits - \$274.8 million for the Canadian entitlement to its half share of the increased power generation in the United States, which is being sold for 30 years; (b) for flood control - \$12 million on completion of the Duncan project in 1968, \$56.3 million on completion of the Arrow project in 1969 and \$1.3 million on completion of the Mica project in 1973.

These payments would have a total value to Canada of \$501 million by 1973, when the three dams are completed. On a similar basis, the total construction costs of the dams, including full compensation for all persons affected, will total \$448 million in 1973. Surplus revenues of \$53 million will, therefore, be available for application against the cost of the Mica generators. As a result, the payments will cover all the capital costs of the three treaty dams to be built in British Columbia and about half the capital cost of the generators for Canadian use at the Mica dam, the largest of the three projects.

These payments will enable a 1,800,000-kilowatt installation at Mica to produce 6.6 billion kw hours of energy annually for less than 1.5 mills a kilowatt hour. The corresponding cost under development without the treaty would be approximately 4 mills a kilowatt hour. The savings at Mica at full production will therefore be about \$16 million a year, up to and including the year 2003. The cost of Mica energy without the treaty development might well rule out any development either at that site or downstream in Canada. (The installation at Mica will be twice that of Canadian generators at the St. Lawrence River Barnhart plant).

CANADIAN PAYMENTS

In return for the payments that produce these benefits, British Columbia will construct the three large storage dams at Duncan Lake, Arrow Lakes and Mica Creek. These will provide increased power generation and flood control in the Columbia River basin in Canada and the United States.

The arrangements ensure that the storage projects in Canada will be fully paid for as soon as they are constructed, instead of in 50 to 100 years, the normal amortization period for such projects.

Construction of the treaty projects on this basis, with all costs paid for, will make possible very great economic advantages to Canada and British Columbia, which, without the treaty, could only be attained at much higher cost, if at all. These advantages make possible:

- (a) The installation of over 4 million kilowatts at points in the Columbia River basin in Canada capable of producing annually about 20 billion kilowatt hours of energy for Canada

at an "at-site" cost of approximately 2 mills a kilowatt hour. (This installed capacity is nearly one and a half times the total present hydro-electric installation in British Columbia and about one-fifth of the total for all of Canada.

- (b) The prevention of floods in settled areas on the Kootenay and Columbia rivers.
- (c) The continued production, at the end of the 30-year sales contract, of downstream benefits in the United States with a potential value to British Columbia of \$5 to \$10 million a year for the life of the treaty, and possibly thereafter.
- (d) Additional payments of up to \$8 million by the United States for extra flood control if it is required during the treaty period (as well as special flood-control compensation for any emergency requirements of the United States during and after the life of the treaty).

The construction of the Libby Reservoir by the United States will make possible the annual additional generation of more than 200,000 kilowatt years of low-cost energy in Canada essential for the continued development of the Kootenays. These benefits do not have to be shared. The Libby dam will also provide additional flood control in the industrial and farming areas of the West Kootenays.

LABOUR EMPLOYED

A peak labour force of about 3,000 men and an average of some 1,350 will be employed on the dams alone during the nine-year construction period of the treaty storage projects. Expenditures by this labour force and by industries across Canada on the production of materials and equipment for the dams will create a great many more jobs. Following the construction at Duncan, Arrow and Mica, there will be a continuing building programme for a further ten to 15 years for other large dams on the Columbia River.

Canada will benefit from the increase in foreign-exchange resources derived directly from the payment by the United States of \$319 million in U.S. funds, of which \$254 million will be paid in 1964.

BENEFITS TO U.S.

The United States will also obtain major benefits from the treaty. It will secure substantial flood protection and a very large increase in the power produced at plants on the Columbia River in the United States. Half this increased power is the United States' own entitlement under the treaty, and the other half is the Canadian share now to be bought by the United States for 30 years.

The accord between the governments of Canada and British Columbia, prerequisite to and implicit in the achievement of these agreements, is an example of co-operative federalism at work. It is founded on the common determination of both governments to secure maximum benefits to the national and provincial interests. This objective has now been met.

The agreements between Canada and the United States are based on the discussions between the late President John F. Kennedy and Prime Minister