

A.G.L. McNaughton

393 Fernbank Road
Rockcliffe Park
Ottawa, Canada
SH9-7002

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The Hon. Paul Martin, P. C.
Secretary of State for External Affairs, Canada,
House of Commons,
Ottawa.

Dear Mr. Martin:

Thank you for your letter of 10 Sept. 1963 in reply to mine of 22 August 63. I will endeavour to answer the points you raise paragraph by paragraph in sequence.

Re your Para 2. I note your reference to the three particular objections to the Treaty of 17 Jan 1961, which I had mentioned in the Brief I presented to you on 18 July 63.

I am glad you agree I have answered your queries on the first, namely the proper selection of the treaty projects. Also, I hope you agree with the considerations I have advanced in regard to the second point relating to the control of the Canadian storages. I note you say I have indirectly replied, by which I understand you refer to my article in the Canadian Institute of International Affairs Journal, Spring 1963 issue, of which I sent you a copy some weeks ago.

In this I think I have given an exposition of the defects in the current draft treaty, which in my view, it is imperative should be corrected. I conclude from the last paragraph of your letter that some at least of these points have met with your acceptance, but as I think you know, I do not think a protocol can correct the basic faults.

In regard to the third point, which is my comparison of the costs and benefits of the Canadian storage to the United States for flood control, you have stated that I have omitted to reply. I will therefore do so now. The statement in my Brief of 18 July 63 reads, "for flood control, \$64 million is the payment for a service which would cost the U.S. \$700 million".

The figure given by the U. S. Secretary of the Interior to the U. S. Senate Committee (8 March 61) (Page 26) is \$710 million. While this figure does include the cost of some additional services in the U. S., the simple fact is that the U. S. must make the whole of this investment before the flood control protection can become available. Moreover, the Canadian storages are unique in that they are the only available sites in the basin which lie across the line of flow of floods originating upstream on the Columbia and therefore provide a service which can never be fully duplicated in the U. S.

Your suggestion that in an assessment of relative advantages received, the \$64 million payment to Canada should be increased by a share of our power benefits, in my view relates to another transaction and is not relevant to the flood control comparison I have made, which, as stated, represents a very modest expression of the immense benefits which the U. S. receives and which are drastically undervalued in the \$64 million arrangement proposed.