



FOR RELEASE AT 12.30 P.M., E.S.T.,
WEDNESDAY, JANUARY 22, 1964.

No. 5

COLUMBIA RIVER TREATY

Great benefits to Canada and the United States from the development of the Columbia River will result from the agreement announced today by the governments of British Columbia, Canada and the United States:

2. 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. This payment is to be made on October 1, 1964, the expected date of the exchange of ratifications.

(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 Mica in 1973.

These payments total \$69.6 million.

3. The United States payments correspond to 5.3 mills per kilowatt hour at the time the power is produced. 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

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Note: Unless otherwise noted all figures in Canadian dollars

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:

- (a) Pay all the capital costs of the three Treaty dams to be built in British Columbia; and
- (b) Pay about half the capital cost of the generators for Canadian use at the Mica dam, the largest of the three projects.

As a consequence, these payments will enable a 1,800,000 kilowatt installation at Mica to produce 6.6 billion kilowatt hours of energy annually for less than 1.5 mills per kilowatt hour. The corresponding cost under development without the Treaty would be approximately 4 mills per 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).

4. In return for the payments which 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.

5. 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.

6. 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 per kilowatt hour. (This installed capacity is nearly 1-1/2 times the total present hydro-electric installation in British Columbia and about 1/5th 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 per 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).

7. 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.

8. Among improvements through the Protocol to the Treaty are:

- (a) New procedures for Canadian participation in determining the need for any flood control requested by the United States that is additional to the flood control covered by the initial payments.
- (b) Reaffirmation in positive terms of Canada's right to make any diversions of Columbia basin water required for consumptive needs such as irrigation and municipal uses.
- (c) Clarification of Canada's right to continue in perpetuity any diversions of Kootenay River water undertaken in accordance with the Treaty.
- (d) Confirmation of Canadian control over the detailed operation of the Canadian Treaty storage for power purposes.
- (e) An increase in Canada's downstream energy benefits by 14 to 18 per cent by using a longer period of streamflow in benefit calculations.
- (f) A clear statement that the Treaty does not establish any principle or precedent that applies to any waters other than those of the Columbia River basin, and does not modify the application of the Boundary Waters Treaty to such other waters.
- (g) Elimination of the Treaty standby transmission charges for the 30-year period of the sale and thereafter if the service is not required.

The total effect of the improvements through the Protocol is to establish a better balance between essentially Canadian interests and the interests of the Columbia River basin as a whole.

9. 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 of Duncan, Arrow and Mica there will be a continuing building program for a further 10 to 15 years for other large dams on the Columbia River.

10. 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.

11. 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. One-half of 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.

12. The accord between the Government of Canada and the Government of British Columbia, prerequisite to and implicit in the achievement of today's agreements, is an example of cooperative federalism effectively at work. It is founded on the two governments' common determination to secure maximum benefit to the national and provincial interests. This objective has now been met.

13. The agreements between Canada and the United States are based on the discussions between the late President John F. Kennedy and Prime Minister L.B. Pearson in Hyannis Port in May, 1963, and reflect the spirit of that meeting. That meeting recognized the duty of both nations to bargain hard for their own national interests, while accepting the interdependence of two countries sharing a common continent.

14. The Canadian and United States governments hope to exchange Treaty ratifications by October 1, 1964. To that end, the Canadian government will bring the Treaty before the Second Session of the 26th Parliament, opening February 18, where opportunity for full examination will be afforded.

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Following is the text of a statement by the Secretary of State for External Affairs, the Honourable Paul Martin, on the signing of the Columbia River documents:

The event which has just taken place today represents the culmination of a great deal of hard work by many people stretching over 20 years. These investigations and negotiations have involved successive Governments, federal and provincial, in Canada and in the United States and all of them have made their contribution over the years to the final agreements. As the principal negotiator for the federal government during the later stages, I am glad to give full credit to those who have been responsible for the negotiations on both sides at earlier times. We have kept the best of the past achievements while adding improvements of our own.

Since last May when I was put in charge of the negotiations for Canada, I have given a great deal of attention to this subject and have regarded it as having a very high priority among my responsibilities. We have had a large number of meetings of the federal group and joint meetings with the B.C. representatives, as well as the numerous negotiating sessions and working parties with the U.S. Within the Federal Government, Canadian Ministers concerned have used all the advice available from the different Departments experienced in dealing with engineering, financial and agricultural matters and with international negotiations. We have also benefited greatly from the advice of the British Columbia authorities on many technical and local aspects. In addition, we have drawn on the services of private experts as required.

We have also derived benefit from the constructive criticisms which private Canadian citizens have made. In fact, we ourselves in the present Government were among the critics of

certain aspects of the proposed arrangements when we were in Opposition. We have been most anxious to take account of any informed comments or suggestions made to us. I myself have read the extensive correspondence which has taken place with individual Canadians, much of it favourable and some of it critical. Also, since coming into office I have met for lengthy discussions with several of the principal critics. Those discussions produced various ideas, all of which have been carefully considered and many of which are reflected in the new arrangements.

I also welcomed the opportunity last August to visit the Columbia River Basin. Even though my time there was all too short, I, along with some of my colleagues, managed to travel by air over virtually the whole length of the River and to visit many localities on the ground on both sides of the border. During that visit I learned something of the diverse views held on the subject in different parts of the region. I was particularly impressed by the general desire to have the matter settled and the uncertainty ended, in order that the people living there could plan confidently for the future.

At long last we have concluded arrangements which I am satisfied are the best that can be negotiated. I am also sure that these arrangements will be highly beneficial to Canada, will fully protect our interests and will enable work to proceed this year.