The question of the survival of organizations is an important aspect of organizational theory. What are the reasons that some organizations survive and others don’t? It will be argued here that the survival of organizations is a function of their interaction with the political, social and economic environment under different conditions of knowledge and power. This argument will be made with reference to the insurance and mining industries in British Columbia during the period of New Democratic Party government, 1972-1975. The mining industry successfully opposed government regulation against its interests while the right of private insurance companies to underwrite their own automobile insurance policies was eliminated by the NDP government.

The mining industry emerged triumphant in its confrontation with the NDP government since the latter’s mineral policy proved to be largely ineffective. When the NDP came to power in 1972, it was clearly committed to a significant change in the structure of the province’s resource-based economy. It had three broad objectives regarding natural resources: the first was to effect a significant redistribution of the province’s income through increased taxation of resource corporations; the second was the promotion of growth based on the diversification of the economy away from its reliance on the export of primary products; finally, the NDP’s economic strategy envisioned a broad regulatory structure designed to protect the public interest against the detrimental effects of unrestrained resource development. The implementation of this approach in the mining industry was especially challenging since that sector was one which exported the natural resources in a relatively unprocessed form, and it

*I would like to express my thanks to David Elkins, Jack Knott, Donald Crone, John Mika and the members of the B.C. Project as a whole for their help.*
had traditionally enjoyed preferential tax treatment on both the federal and provincial levels.

The confrontation that developed between the NDP government and the mining industry brought into sharp focus the remarkable power of the large mining companies as an interest group. The NDP’s taxation policy, as embodied in the Mineral Royalties Act, was found to be politically untenable almost as soon as it was passed in the legislature. Similarly, the regulatory policies embodied in the Mineral Act amendments were unsuccessful in producing any lasting change in the method by which access to mineral resources is controlled in British Columbia. Finally the NDP government was unsuccessful in creating any major diversification of the mining industry. The industrial structure of the NDP left differed little from the one it inherited.

The insurance industry, on the other hand, was not successful in its confrontation with the government. The NDP government passed two bills in 1973: the Insurance Corporation of British Columbia Act and the Automobile Insurance Act, both detrimental to the insurance industry’s interests. The ICBC Act permitted a crown corporation to (a) enter the insurance field to underwrite any non-auto class of insurance (such as fire, casualty, marine, etc.) on a competitive and profit basis, and (b) administer, as the exclusive agent of the crown, a compulsory, non-profit universal automobile insurance plan. The Automobile Insurance Act established a universal compulsory plan providing basic automobile insurance under which every person had to first obtain a driver’s certificate of insurance before that person could obtain a driver’s licence from the motor vehicle branch. The certificates of insurance were to be available only from the Insurance Corporation of British Columbia as the sole administrator of the plan. The sector was to be completely socialized.

These bills meant that the private insurance companies would no longer be able to underwrite their own auto insurance policies. Thus they reacted by waging a vigorous campaign against the bills; they even challenged the constitutional validity of the two acts. Despite this opposition, the NDP government went ahead with the formation of the Insurance Corporation of B.C., and the B.C. Supreme Court judgment upheld the government’s right to have excluded private insurance companies from competing with the Insurance Corporation of B.C.

As the above brief description shows, the mining and insurance indus-

---

tries reached quite different results in their confrontation with the NDP government. Why was this the case? Why did the mining industry survive intact while the insurance industry was faced with an organization, i.e., ICBC, that took over the underwriting of auto insurance? As mentioned earlier, I argue that the survival of an organization is a function of its interaction with the environment under different conditions of knowledge and power. If this hypothesis is accepted, then the mining industry survived because of its relatively more powerful position in its interaction with the environment than the insurance industry. An examination of the case studies does indeed confirm this hypothesis.

Before going into a detailed examination of the case studies, however, let me briefly review the three main theoretical perspectives on organizations in terms of how they deal with the concepts “survival” and “environment.” A discussion of the “resource dependence model” will follow which, in my view, answers the question of organizational survival most satisfactorily and from which the main argument of this study is derived.

**Theoretical Perspectives on Organizational Survival**

Theories on organizations have been articulated from three different perspectives: the rational, natural and open systems. Although these perspectives are sometimes difficult to differentiate from each other and have overlapping characteristics, it is possible to separate them in order to examine their treatment of the concepts “survival” and “environment.”

The rational system perspective is interested in the internal structure of organizations instead of their environment, where this structure is conceived as a tool deliberately designed for the efficient realization of ends. The efficient realization of ends requires the specificity of goals and the formalization of rules and norms. The specification of positions, role definitions, procedural rules and regulations, value and factual inputs to guide decision-making all function to channel behaviour in the service of predetermined goals. These goals and the value premises that determine them are accepted as given. Since the value premises derive from the social, political and economic environment of an organization, the environment is also accepted as given and is not examined. How does change in organizations occur from this perspective?

Change is a function of the structure of organizations, from those that exhibit lower levels of formalization and goal specificity to those with higher levels of formalization and goal specificity. In other words, change takes place in the direction of greater bureaucratization. Presumably,
those organizations at the lower level of bureaucratization would have less chance of surviving. There is, however, no explanation of change once an organization is highly bureaucratized. In short, it would be difficult to explain an organization’s chances of survival as a function of its interaction with the environment using the rational system perspective since change is a function of structure and not the environment.

Faced with the above problem, natural systems theorists have turned to the environment to explain organizational change. According to those theorists, the specific output goals of organizations are often undermined or distorted by energies devoted to the pursuit of system goals, chief among which is the desire to survive as a system. All schools within the natural system framework presume the existence of certain needs to be met if the system is to survive, and all direct attention to discovering the mechanisms by which these needs are satisfied. Two of these mechanisms are adaptation and pattern-maintenance as formulated by Talcott Parsons. Thus the survival of an organization depends on its adaptation to the environment. The environment, on the other hand, is seen as either hostile (the institutional school) or legitimizing (Parsons). The institutional school perceives the environment primarily as an enemy, as a source of pressures and problems. If an organization is to survive, it has to capitulate to its environment. Parsons, on the other hand, does not differentiate the environment as a separate social, political and economic force. He sees the organizations as a subsystem of the larger social system and shows how subordinate social units such as organizations can be classified according to their societal function. For example, economic organizations such as firms are said to serve the adaptive needs of the larger society. “What” he observes, “from the point of view of the organization is its specified goal is, from the point of view of the larger system of which it is a differentiated part or subsystem, a specialized or differentiated function.” Because of this functional linkage, the place of the subsystem is legitimated, and it may expect to receive societal approval and resources in accordance with the value placed in the society on the particular functions it performs.

In short, the natural systems perspective views organizations as either passively affected by their environment or as parts of a larger whole, i.e., the environment, to which they have functional linkages. This view, then, cannot explain survival as a function of the interaction of the organiza-

---


3 Ibid., p. 96.
tion and the environment because survival is seen as a matter of adapta­
tion to the environment rather than as an "interaction" with the environ­
ment. According to this view, those organizations that no longer suit the
needs of society would be eliminated through the process of "natural
selection."

The traditional theories on interest groups can be placed within the
natural systems perspective. Interest groups are perceived to perform
certain functions demanded by society. They are further assumed to
counterbalance each other, thus ensuring that the result will not be un-
duly favourable to one of them or unjustly harmful to the rest of society.
The environment, from this perspective, is not conceived to be separate
from interest group activity. For example, Bentley, one of the main
theorists on interest groups, defines group interests in terms of their con-
lict with one another and thereby excludes the idea of an interest of
society as a whole. He is then able to say that the resultant of the group
pressures is the one and only determinant of the course of government
policy: "Pressure, as we shall use it, is always a group phenomenon; it
indicates the push and resistance between groups. The balance of group
pressures is the existing state of society."4 Interest groups are seen as
necessary and pervasive links in the process of communication that binds
government and people. The political role of interest groups is to recon-
cile and synthesize demands within their own sector for presentation to
governmental elites with the hope of obtaining legislative sanction and
financial support. The survival of interest groups is then dependent on
how well they employ their political resources, how well they adapt to
and manipulate their environment.

The open systems perspective, the third theoretical perspective on
organizations I will consider, represents the first attempt to study the
"interdependence" of the organization and the environment. It stresses
the reciprocal ties that bind and interrelate the organization with those
elements that surround and penetrate it. Thus the environment is per-
ceived to be separate from the organization. "Interdependence" does not
necessarily imply equal relations but also takes into account the existence
of asymmetrical relations. However, these asymmetrical relations may
change so that neither the organization nor the environment is the deter-
ninant of the other's fate at all times. In other words, both the organiza-
tion and the environment are assumed to have some autonomy.

4 Mancur Olson Jr., The Logic of Collective Action (Cambridge, Mass.: Harvard
University Press, 1965), p. 120.
The environment is the wide social, political and economic context in which organizations find themselves. For the purposes of this study, the main actors in the mining and insurance industries' environment will be defined as the British Columbia government and the British Columbia public. Governments in general help determine the overall context of organizational action, defining what actions are legal and which transactions will be supported by law, while publics in democratic systems have an important influence on organizational action.

The environment may also be perceived either as the source of knowledge/information or of stocks of resources. Analysts viewing environments as information sources emphasize the dimension of certainty-uncertainty while those viewing the environment as resource pools emphasize the dimension of power-dependence. In this study, I have adapted the second perspective due to the nature of the question I have posed. The question of survival involves power relationships. An organization might be able to reduce uncertainty in its environment but still not be able to survive. Furthermore, we can subsume the first perspective under the second for our purposes because access to knowledge which reduces uncertainty also serves to increase the power of those who possess the knowledge.

Why does the question of organizational survival involve power relationships? Put differently, why is organizational survival a function of the interaction of the organization and the environment under different conditions of power? The argument can be made in the following manner. Organizations are assumed to desire survival. It must be pointed out, however, that survival here is not used as it is used by natural system theorists. In other words, survival does not involve the fulfilment of certain functions which might conflict with specific output goals. Survival, in the question posed, is assumed to require conscious strategies and the presence of decision-makers who survey the situation, who are confronted with alternatives as well as constraints and who select a course of action. If organizations want to survive, they must secure resources from the environment. (As mentioned above, the environment is characterized as a stock of resources.) It is assumed that organizations are not self-sufficient. If the scarce resources that an organization needs to survive are controlled by the environment and if that organization has no substitute for those resources, then a power relationship has been established. Within this relationship, the survival chances of the dependent party, i.e., the organization, would be low if the powerful party decides to withhold the resources that the organization values.
How do we define power? According to Emerson, the power to control or influence the other resides in control over the things he or she values, which may range all the way from oil resources to ego-support, depending on the relation in question. In short, power resides implicitly in the other's dependency. Thus, B's dependence on A is a function of (1) the importance B places on the goals mediated by A, and (2) the availability of these goals to B outside the A-B relationship. Supposing A is a supplier organization, its power would vary as a function of the importance of the resources it supplies to B and the extent to which alternative suppliers are available.

According to the above definition of power, we see that power is a property of a social relation. Put differently, power resides implicitly in the interdependence of an organization and the environment. Interdependence, however, does not necessarily mean equality of power. The existence of asymmetrical relationships is assumed since, by definition, to have power, a dependency relationship must be established. Interdependence, in the context of organization-environment interaction, means both sides hold power in some areas and not others; thus they are mutually dependent on each other.

James Caporaso has pointed out that a full specification of the structural existence of dependence would include (1) the magnitude of B's interest in or desire for a good X; (2) the extent of control of X by another actor A; and (3) the ability of B to substitute for X or A. In terms of organizational survival, then, we can hypothesize that the more dependent is less likely to survive in its interaction with the environment simply because it has less power than the environment. Thus, survival would become difficult under conditions of dependence on the environment. In most cases, this dependence can be assumed to be mutual on both sides so that bargaining can occur to reach a mutually satisfactory compromise. However, the kind of situation we are interested in is when the survival of an organization is threatened within an asymmetrical power relationship.

6 Ibid.
The Mining and Insurance Industries Under NDP Government

The Case Studies

I would now like to show why the mining industry in British Columbia was successful in its confrontation with the NDP government while the insurance industry was not, using the third theoretical perspective on organizations, the open systems perspective. This question cannot be answered using the rational or natural systems perspectives. The former, as we have seen, does not consider change outside the structure of organizations, while the latter confines itself to examining the interest groups and the resources and tactics they use.

When we take a look at the resources and political tactics employed by the mining and insurance industries, a number of similarities become apparent. The different results they produced in spite of such similarities indicate that the explanation cannot be provided without considering the environment as a separate entity that interacts with and influences organizations. What follows is a description of the resources employed and the political tactics put to use by both mining and insurance industries to oppose government regulation to illustrate the similarities.

Mining industry:

The two interest groups associated with the mining industry are the Mining Association of B.C., a branch of the Canadian Mining Association, and the B.C. and Yukon Chamber of Mines. The former group consists of the major mining companies active in the province, while the latter is somewhat larger in that it includes prospectors and smaller exploration companies. The reaction of members of these groups to the Mineral Royalties Act was both immediate and forceful. Numerous speeches were made by mining executives; shareholders' meetings served as forums to focus anti-government sentiments; letters were sent to employees warning them of an uncertain future (interestingly enough, the minister of Mines and Petroleum Resources, Leo Nimsick, who had previously worked for a mining company, received a letter urging him to write to the minister! ), and a steady stream of press releases and interviews emanated from both the Mining Association of B.C. and the B.C. and Yukon Chamber of Mines.

The small segment of the population which derives its livelihood from the mining industry includes a high proportion of professional and business people. These people are far more likely to be politically active than

---

the population as a whole, and their opinions are often given prominence in the local media. Furthermore, the mining industry was able to enlist the support of the business community, specifically groups such as the Vancouver Board of Trade along with the province's legal fraternity and its investment community. For example, on 26 February 1974 H. P. Bell-Irving, the Vancouver Board of Trade's president, wrote a well-publicized letter to Premier Barrett requesting a "complete re-examination of Bill 31 (The Mineral Royalties Act) and extensive modification if this is to be found in the best interest of the people of B.C." This reappraisal was called for, in the opinion of the Board, because the inherent risks of mining required "a fair and friendly legislative climate" and because the government's estimates of revenue from Bill 31 differed widely from those provided by the industry. The Board's demands were echoed a month later when the British Columbia Employers Council, another major business interest group in the province, called for a legislative committee to rewrite Bill 31 completely.

The efforts of the two interest groups of the mining industry can be illustrated by the following examples. By a fortunate coincidence the annual meeting of the Mining Association of B.C. had been scheduled for 23 February 1974, only four days after the Mineral Royalties Act had been brought down. These meetings had in the past been rather exclusive affairs conducted largely behind closed doors, but in 1974 the annual meeting provided an ideal forum to keep up the intense rhetorical onslaught on the government. J. W. Tough, the association's president, gave a major speech to the gathering criticizing the NDP for its "simplistic solutions" and "uncritical devotion to catch phrases and slogans." Tough's attack was repeated by Charles R. Elliot, president of the Mining Association of Canada, who urged the B.C. Association to press home its attack with even greater vigour:

There is no quarrelling with government if it is simply carrying out a clear mandate from the public to assume functions traditionally performed by the public sector. However, I do not believe that any Canadian government has such a mandate, as that claimed by the B.C. government, and it is therefore important that our industry continue to make its views, its hopes and its aspirations known. Let us not lose by default.

10 Ibid., pp. 229-49.
11 Ibid., p. 230.
12 Ibid.
13 Ibid., p. 212.
The efforts of the two formal interest groups were supplemented by individual companies. Spring is a time when many companies hold shareholders' meetings to present their annual report, and the mining companies took full advantage of these gatherings. No such shareholders' meeting in early 1974 was complete without a lengthy and vehement attack on Bill 31 and its ill effects on the company's future performance. For example, Lornex Mines, with sales of $96 million and net earning of almost $32 million for 1973, announced to its shareholders that the Mineral Royalties Act would "have the direct and immediate effect on Lornex of reducing its earning substantially and curtailing its rate of debt repayment significantly." President J. Norman Hyland of Granduc Mines told his annual meeting that Bill 31 threatened the company's future survival. J. D. Little of the Mining Association and Ed Scholz of the Chamber of Mines used their positions as directors of Gibraltar Mines to turn the company's annual meeting into a protest gathering. As well as using their annual meetings to organize opposition, many of the province's major mining companies submitted their own written briefs to the government, wrote letters to their MLAs and tried with varying degrees of success to mobilize their employees.

The public statements of the mining companies did not, by and large, threaten any immediate cessation of production. Mineral prices had reached their highest levels ever and profits were still high. The major threat was rather directed at mineral deposits which had been established by major firms but not yet brought to the production stage. The first major announcement came when a firm called Canadian Langyear Ltd., a diamond drilling contractor, advised the cabinet and the media that its $900,000 contract on the Stikine Copper property could not go ahead if Bill 31 was passed (diamond drilling is a process by which potential mineral deposits are delineated in detail and hopefully established as viable producing mines). Langyear was acting on the advice of the Hudson Bay's Mining and Smelting Company, a large Canadian mining conglomerate which was exploring the property under an agreement with Cominco and the U.S. giant, Kennecott Copper. One major American-owned company, Newmont, which operated the Granduc and Similkameen Mines, threatened that, if the bill went ahead, it would cease all its exploration and development activity in B.C. These and many similar statements were continuously issued in the form of dramatic announcements.

15 Ibid., p. 222.
16 Ibid., p. 225.
The mining industry also had extensive access to media. The province’s press gave the topic of mineral royalties extensive coverage. According to R. W. Payne, of the approximately ninety-five news stories carried by the Vancouver Province between the introduction and final passage of Bill 31, twelve dealt primarily with government actions or pronouncements, six with various industry-government meetings, nine with legislative debates and sixty-seven with various forms of critical reactions to the bill.\textsuperscript{17} The major analyses presented by both the Vancouver Sun and the Province on both the business and editorial pages were, without exception, critical of the Mineral Royalties Act.\textsuperscript{18} Despite the preponderance of favourable coverage, the mining industry was not content to leave the expression of its concern entirely to news editors and reporters. Shortly after the introduction of Bill 31, an extensive industry campaign involving newspapers, radio and television began to unfold. The initial step was taken by Placer Development, one of the largest mine operators, in the Province on 14 March 1974 and the Vancouver Sun on 20 March 1974. The ad in the Province featured a very large picture of a miner on one side of the page next to a large headline asking: “Will he be the last of a vanishing breed?” The text went on to outline some of the industry’s criticisms of the Mineral Royalties Act, and warned that “... all jobs connected with mining in B.C. will be in danger if the provincial government passes its legislation ...” The ad closed with a request in large type, to “Write your MLA today; Ask for a ‘second look’ at Bill 31.”\textsuperscript{19} Placer’s ad in the Vancouver Sun was similar, with the same endangered miner and the headline: “Today he has a job, tomorrow?”\textsuperscript{20}

At the same time, the Mining Association of B.C. began placing its own ads. One placed in the Vancouver Sun on 16 March 1974 contained the following headline in bold three-quarter inch type: “Bill 31 is supposed to give British Columbians a bigger share of our mineral resources. In fact it will wipe out jobs, payrolls ... even whole communities.” The text of this ad warned of the closure of mines “either now or in the not too distant future” and urged the reader to “write your MLA before the mines start closing.”\textsuperscript{21}

By April 1974 the mining industry had decided to pool its monetary and organizational resources in a joint advertising campaign. A mining

\textsuperscript{17} Ibid., p. 239.
\textsuperscript{18} Ibid., p. 290.
\textsuperscript{19} Ibid., p. 241.
\textsuperscript{20} Ibid.
\textsuperscript{21} Ibid., p. 242.
emergency fund, sponsored jointly by the Mining Association and the B.C. and Yukon Chamber of Mines, was established to finance the effort.\textsuperscript{22} Henceforth, ads were placed under the name of “The Mining Industry of B.C.,” but their tone and content were virtually identical to the earlier ones. One of the first of these joint efforts appeared on 25 April 1974 under the large headline: “Mining jobs are already disappearing . . . and Bill 31 hasn’t even passed yet.” Although the ad did not provide any concrete substantiation of this dramatic claim, it concluded that “the plain fact is that the fear of Bill 31 is killing mine exploration and all business that depend on it.”\textsuperscript{23} This extensive mining industry campaign was to continue well after the defeat of the NDP government in December 1975.

The mining industry also attempted to influence the political process directly. Before the mineral royalties legislation was passed, the Mining Association of B.C. sent a telegram to Premier Barrett himself asking that the legislation be given to a select committee of the legislature for detailed study. Barrett did not answer the telegram but passed the request on to the Mines minister, Leo Nimsick, who, two weeks later, issued the following reply:

I have no doubt there is some concern in regard to this Bill, but I do not understand your request that I go to a select standing committee when I have had discussions with the association and companies many times prior to the Bill going in. . . . I have also had discussions with the industry since the Bill was presented. The principle of the Bill is quite simple and to my mind can be better debated on the floor of house rather than go to a committee. . . .\textsuperscript{24}

Furthermore, the mining industry mobilized MLAs from all three opposition parties. The Liberal Party was one of the most vocal and active sources of industry support. Gordon Gibson, Liberal Party MLA from North Vancouver, was particularly disturbed by Bill 31 and kept up a steady stream of criticism from the first day the measure was introduced. Gibson was adamantly opposed to the idea of mineral royalties in principle. Thus, as R. W. Payne comments, the subject of mineral royalties played a prominent role in the activities of the Liberal Party during the spring of 1974 with members of the B.C. and Yukon Chamber of Mines and Liberal MLAs taking a major part in each other’s meetings.\textsuperscript{25}

\textsuperscript{22} Ibid., p. 239.
\textsuperscript{23} Ibid., p. 242.
\textsuperscript{24} Ibid., p. 213.
\textsuperscript{25} Ibid., p. 237.
Even before Bill 31 came up for debate in May 1974, the opposition parties lost no opportunity to attack the government for its handling of the mining industry. During the second reading debate on Bill 31, fourteen of the seventeen opposition members made speeches attacking the bill. Conservative leader Scott Wallace’s comment that “this Bill exemplifies the gulf between our side of the house and the socialist side" effectively summarized the position of the Liberal, Conservative and Social Credit parties.

Insurance industry:

The lobbying and public relations arm of the insurance industry during the 1972-75 period was the Insurance Bureau of Canada (IBC). In British Columbia, the B.C. branch of the organization fought a forceful campaign against NDP legislation in its area of concern.

The IBC, an organization of the major general insurance companies in the Canadian market, was formed in 1964 to provide a channel of communication within the fire and casualty insurance industry. As the IBC publication First Annual Facts indicates, the industry also maintained contact with government and other bodies through the Bureau. Original membership consisted of two organizations, the Canadian Underwriters’ Association and the Independent Insurance Conference, and also a number of companies not represented by these two bodies. Many other companies joined the IBC in the years after its formation until it represented the vast majority of general line insurers operating in Canada. In the fall of 1968, the Insurance Bureau of Canada and the All Canada Insurance Federation, an organization of insurance companies dealing principally with industry legal and public relations problems, merged into one.

As in the case of the mining industry, the small segment of the population which derives its livelihood from insurance also includes a high proportion of professional and business people. These people are far more likely to be politically active than the population as a whole, and their opinions are given prominence in the media.

The insurance industry was also able to enlist the support of the business community by identifying its particular set of difficulties with the

26 Ibid., p. 239.
28 Ibid., p. 5.
general problems likely to be faced by the community in a situation where "socialism" confronted "free enterprise." The Financial Post reported on 29 September 1973: "Industry observers agree that much more is at stake here than just the insurance business in B.C. . . . [T]he B.C. case will determine how far a provincial government can thrust itself into private enterprise." Representative of various insurance companies made numerous speeches at various chambers of commerce meetings in B.C. where they generally received a favourable reaction from the business community. For example, John Atkinson of the Allstate Insurance Company told a meeting of the Burnaby Chamber of Commerce that the government's insurance plan was a "political rip-off." "The word to describe this kind of political action is confiscation," Atkinson declared, "and that is one that all Canadians should soberly reflect on."30

Another illustration of the support of the B.C. business community is provided by Burnaby lawyer and businessman Arnold Hean's speech to the Vancouver Kiwanis Club. Hean, who was at the time a director of the B.C. and Canadian Chambers of Commerce, announced that the NDP presented a danger to the life of B.C. and had to go. He cited the land bill, auto insurance takeover, the new powers to be assumed in the proposed mineral act, and petroleum levies as examples of danger to "free enterprise" and concluded that anyone could see how "a philosophy which has been totally foreign to Canada has slipped in through the back door."31

The insurance industry's lobbying and public relations groups waged a forceful campaign. As soon as government plans affecting insurance companies were announced, the B.C. branch of the Insurance Bureau of Canada announced that every household in the province would receive a pamphlet explaining its opposition to government auto insurance.32 Albert Warrick, chairman of the B.C. Advisory Committee of the IBC and vice-president of Uniguard Mutual Insurance Co., also announced that the pamphlet would show the problems of government-run insurance schemes in Manitoba and Saskatchewan and have a space so that people who felt they were against government-run auto insurance could sign their names and forward them to the IBC office in Vancouver. According to Mr. Warrick, the insurance industry employed "about 2,700 people in B.C.

30 Vancouver Sun, 14 February 1973, p. 8.
31 Vancouver Province, 9 March 1973, p. 18.
and approximately 60 per cent would lose their jobs as a direct result of government auto insurance." In a newspaper interview, he emphasized the importance of the insurance industry to B.C.'s economy: "[A]pproximately $135 million worth of auto insurance was underwritten in B.C. during 1971." He pointed out that a number of insurance companies in B.C. would be eventually forced to close down.\footnote{ibid.}

Mr. Warrick's announcement was followed by numerous speeches, press releases and interviews by IBC members. For example, Manly Price, manager of the Zurich Insurance Company, called the government insurance plan "a licence to steal" because it would not be subject to government regulation:

They [the government] are obviously going to operate it [the insurance corporation] by order in council, which means decisions will be made for which the people do not know the reasons. The bill gives the corporation the broadest powers to operate without public participation. It will be bureaucratic, autocratic and monolithic. It may operate according to politicians' desires and needs and not to the people's.\footnote{Vancouver Province, 20 February 1973, p. 20.}

Another insurance executive, David Prentice of the Canadian Indemnity Co., lamented "the beginning of real socialism" and denounced the government plan as a monopoly with limitless power.\footnote{Ibid., p. 20.}

The main objective of the B.C. Branch of the IBC was to persuade the government that the car owners would be better insured if the companies were permitted to remain in business and compete with a government scheme. Thus, besides the press releases and interviews, a paid advertising campaign was launched with the preceding as the main theme. The $100,000 required to run this campaign came from contributions from insurance firms. The following ad was run in various newspapers:

Wouldn't you rather have the freedom to decide for yourself what car insurance you want? Even if you never used it, wouldn't you like the opportunity to say you are switching insurers because you don't like the service? Isn't that what freedom of choice is all about? How much choice do you think a government monopoly in auto insurance would give you? We want you to think about it. Really think about it.\footnote{Victoria Times, 2 January 1973, p. 3.}
Another ad emphasized the following:

If the government is going to offer you better car insurance, do they need a monopoly? After all, if they were going to give you better coverage, better rates and better service, wouldn't people be standing in line to buy government insurance? With private companies competing, wouldn't that encourage the government to keep on its toes? We want you to think about it. Really think about it.37

As the wording of the above ads indicate, the insurance industry sought to influence the public by pointing out the advantages of “free enterprise” and condemning the government plan for not serving the interests of the public.

When these tactics produced no result, the IBC resorted to other means. It attempted to withhold information from the government by not publishing B.C. insurance statistics in the Green Book. (The Green Book is the Automobile Statistical Exhibit which includes yearly detailed figures for all automobile insurance companies.) This meant that the government would have had to perform the task of processing the raw data from each individual company which operated in B.C. to determine insurance rates.38 Furthermore, the insurance companies tried to force the Insurance Corporation of B.C. to assume service prematurely by withdrawal of and reneging on their responsibility to policy holders even though they were required by the Insurance Act either to continue servicing them or to make arrangements for some other firm to do so.39 A number of insurance companies, such as Allstate Insurance, Canadian Home Insurance of Montreal, Home Insurance Co. of New York, Co-op Insurance Services Ltd. of Regina and Global General Insurance, announced that they were closing their B.C. operations.40

The B.C. Branch of IBC also enlisted the support of opposition MLAs who condemned the NDP's insurance legislation as “dictatorial and the forerunner of even more interference by the state with private enterprise.”41 The legislation was denounced by all three opposition parties. For example, the Social Credit Party promised to phase ICBC out if

37 Victoria Times, 6 January 1973, p. 3.
39 Ibid.
40 Vancouver Sun, 17 May 1973, pp. 1, 2.
possible or at least let insurance companies compete should it win the next election.\footnote{Victoria \textit{Colonist}, 17 September 1974, p. 32.}

Finally, the Insurance Bureau of Canada, representing about 95 percent of the insurance companies in B.C., launched a court suit against the government on the grounds that the legislation regarding insurance was unconstitutional because (a) it infringed on the jurisdiction of the Parliament of Canada to legislate in the field of criminal law and competition; (b) it illegally destroyed the status and capacity of federally incorporated companies to carry on the business of auto insurance in B.C.; and (c) it was based on legislation that must be stricken down by the courts for infringing on the exclusive authority and jurisdiction of Parliament to pass laws regulating trade and commerce.\footnote{Vancouver \textit{Sun}, 24 August 1973, p. 1, and Victoria \textit{Colonist}, 24 August 1973, p. 1.} However, the judgment of Mr. Justice Aikins in the Supreme Court of B.C. upheld in all respects the constitutional validity of ICBC and the Automobile Insurance Acts.

The preceding comparison of the mining and insurance industries' attempts to oppose government legislation against their interests illustrates the similarities of resources and political tactics they employed. What then are the reasons for the different results they achieved? The resource dependence model within the open systems perspective on organizations offers, as I have already suggested, the best prospect of getting an answer to this question.

The sources of power in a power-dependence relationship for actor A can be listed as following: (1) the magnitude of actor B's interest in or desire for a good X; (2) the extent of control of X by actor A; (3) the ability of actor B to substitute for X or actor A; (4) the above three, I would like to add the ability to rally public opinion to its side and to show that good X is for the "public good" as an important factor in a democratic system.

The power resources in the case of the mining industry resided in the industry itself. In the case of the insurance industry, however, the power resources resided with the NDP government. The survival of the former was not, in consequence, threatened, while that of the latter was. Let us amplify this line of argument.

Mining industry:

The mining industry had access to all four sources of power that have been listed. First, the government needed the good will of the mining
industry because entire towns in British Columbia like Trail, Prince George, Merritt and Stewart Lake depend upon mining. Thus, the possible loss of jobs and the possible danger to the health of the B.C. economy as a result of government regulation could have been too costly to the NDP government.

For instance, the Mining Association of B.C. claims that mining supports a total of 5 percent of the population, and the B.C. and Yukon Chamber of Mines goes as far as to say that each job in mining generates seven additional jobs in supporting industries. Although, in the words of one economist, "there is no respectable analytical foundation for such a claim," the distribution of mining-dependent industries is nonetheless significant. Engineers and other professionals connected with the industry, the stockbrokers and financial institutions of Vancouver, the business communities and the small exploration companies of the regional centers all have a direct stake in the profitability of the large mining companies. Entire towns are also dependent on mining to support many of their sales and service industries. Thus, when the industry's campaign dramatized its contention that mining was threatened in B.C., that a significant loss of jobs was inevitable and that the entire provincial economy was in danger, it was bound to get attention from the government, in the form of a reconsideration of the latter's legislation. It is important to remember that because of its regional distribution, the mining industry is an important factor in at least ten of the province's fifty-five ridings. In short, the opportunity costs to the government of acting against the interests of the mining industry were high.

The economic significance of the industry and the claims that it advanced regarding the adverse effects of government legislation were made more credible by the turn of world events in the early 1970s. The rapid increase in world oil prices precipitated a major world recession which severely damaged B.C.'s resource-based economy. The effect on mining was particularly pronounced as copper prices on the London Metal Exchange fell from record levels of around $1.30 per pound in early 1974 to around $.55 per pound in the fall of the year. Stockpiles of copper concentrate began to pile up as Japanese smelters and the mining companies were forced to find new markets or cut back production. By December 1974 over 1,000 mine workers had lost their jobs as three mines closed down and others streamlined their operations to cut costs. While

these events represented bad economic news for B.C.’s major mining companies, they were able to use them to great advantage in their on-going political battle with the NDP.

The mining industry also successfully equated its interests with the public interest. Here is one of many statements made by mining association members:

By one legislative stroke, the B.C. government has made a minimum of a billion tons of ore waste. . . . It is understood that ore is material that can be mined at a profit. The end result of this legislation will be tremendous unemployment and a drop in the well-being of the people of B.C. . . . It will cut down on the life of the industry in a startling way.45

The above argument could be successfully made because, as M. W. Bucovetsky points out, localized industries, especially those concentrated in sparsely settled political divisions like the mining industry, can mobilize regional opinion beyond even the purely economic interest of the region.46 Bucovetsky argues that the secret behind the political influence of the mining and petroleum industries in Canada is their success in identifying their own prosperity with the prestige of particular regions, generally the less developed regions.

Furthermore, mining is associated with the “Frontier Ethos,” with “rugged individualism” where men, working alone and under difficult conditions, build a future for themselves. The mining industry’s campaign focused on individual workers, explorers and small exploration companies whose interests were being undermined by the government in the name of protecting the “public interest.”

The mining industry was, as well, able to use its control over its own activities to prevent the government from finding an alternative to the services it provided. The mining industry is controlled by a few large, vertically integrated companies who maintain a monopoly over mining. This meant that knowledge concerning such things as the precise economic state of producing mines, the value of discovered mineral deposits and the viability of new projects is more often than not the exclusive preserve of the companies themselves. Since the government rejected the possibility of any major direct participation in either mineral exploration or through a crown mining corporation, it had no choice but to continue depending on the mining industry. Governments in B.C. have, in fact,

traditionally relied on the mining companies to carry out their publicly defined mandate. The mandate of the mines department of B.C. was formulated almost exclusively in terms of encouraging mining development as rapidly as possible. Private developers were viewed as the only agencies capable of achieving this goal. Thus the Department of Mines and Petroleum Resources had been almost entirely a service, not a policy making branch. The personnel assumed the goals and values of those whom they were supposed to regulate.

In short, the absence of a competing organization that defended the NDP legislation or that assumed the responsibility of entering the industry left the government in a weak position. The NDP government was able to enlist the active support of only one major organization, the United Steel Workers of America, a U.S. based mining union with rather close ties to the party. The leadership of the union tried to focus the sentiment of the rank and file unionists against the tactics employed by the mining industry and attempted to wage a public relations and media campaign to counter that of the industry. However, they lacked both the monetary and organizational resources to compete in this way.

The government's weak position was, finally, owing to its failure to articulate any overall goals relating mining either to the provincial economy as a whole or to the governmental decision-making process. It is possible to speculate that the NDP government, having handled insurance policy first and having won the first “war,” might have become overconfident in the second. R. W. Payne observes that elements of the party's 1972 platform were formulated in a piecemeal fashion, with only limited modification to the rather undeveloped policy and administrative structures inherited from the previous Social Credit administration. Thus, in the initial stage of deciding what was to be done regarding mining policy, the NDP lacked an overall coordinated approach except for the assumption that “the public was not getting a fair return from the mining industry.” Furthermore, given the vocal demands for new labour legislation, increases in minimum wages and old age pensions, welfare reform and an overhaul of the province's education system, any major new investment in mining had a low priority. As Payne remarks, there was reluctance on the part of some cabinet ministers to authorize the expenditure of substantial sums of money for mineral exploration given the com-

47 Payne, "Corporate Power . . .," p. 201.
48 Ibid., p. 200.
49 Ibid., p. 148.
mitment of the government to a large number of expensive new social programs.\textsuperscript{50} The economic and political constraints were reinforced by a strong "anti-mining" outlook on the part of some influential cabinet members. These members looked at mining as an activity which brought high social and environmental costs for the benefits it provided, and thus did not want to put the government into a position of actively encouraging it.\textsuperscript{51}

The development of NDP policy initiatives took the following form. In February 1973 mining and exploration in provincial parks were prohibited and new Pollution Control Board standards were announced. Later, the Department of Mines and Petroleum Resources Act separated the policy making and revenue collection aspects of the department from the traditional service aspects with the former group of functions largely under the direction of "departmental outsiders." Thus, an important role was given to the department in formulating and implementing the government's overall policies, which had hitherto functioned as a service to the mining industry. In March 1973 changes to the province's Mineral Act gave the minister wide-ranging powers to cancel a mineral lease or suspend the operations of a lessee if he was in contravention of the Mineral Act. The Mining Association expressed its disappointment that the government had ignored its suggestion for new amendments to the Mineral Act when it drafted its legislation. As J. D. Little, a director of Gibraltar Mines, expressed it, mining companies did not "accept without most serious reservations the competence of the minister, his staff or his consultants in these areas of critical decision."\textsuperscript{52}

When it came to the drafting of the mineral taxation legislation, disagreements within the government became apparent. Some ministers suggested a flat rate royalty of about 5 percent on all mineral production and urged that the province acquire a 20 percent interest in all future mineral developments, while others recommended stiffer taxation. In the end, the resource committee of the cabinet instructed the Department of Mines and Petroleum Resources to incorporate into its royalty plan a method by which the expected surplus revenue generated by extraordinarily high mineral prices could be captured in the form of taxation.\textsuperscript{53} Serious difference of opinion with the NDP cabinet delayed the introduction of mine-

\textsuperscript{50} Ibid., p. 149.
\textsuperscript{51} Ibid., p. 151.
\textsuperscript{52} Ibid., p. 162.
\textsuperscript{53} Ibid., p. 179.
ral royalties for over a year, and the Minister of Mines, Leo Nimsick, was not one of those who supported the royalties in their final form.

Payne notes that the process by which the NDP’s taxation policy was arrived at produced what can only be termed as an extremely badly drafted piece of legislation.\textsuperscript{54} The incremental royalty system seems to have been arrived at merely by adding a number of clauses to what was originally designed as a simple flat-rate royalty. Thus a scheme which was essentially an excess profits tax was grafted on to the royalty concept with disastrous results. In order to determine the incremental royalty, a number of terms like “basic value,” “gross value” and “net value” had to be defined, and in order to avoid being trapped in an inflexible system, these values had to be set by ministerial discretion. The fact that the incremental royalty was not based technically on profits meant that the minister had to have the authority to readjust these various terms as economic conditions changed. When this situation was combined with an extremely high tax rate of 50 percent of production revenue over a certain level, the actual tax rate became extremely volatile and virtually impossible to assess accurately in advance.

Insurance industry:

In the case of the insurance industry, it was the NDP government that had access to the sources of power. First, the goods provided by insurance companies (insurance policies) were not as valuable to the government as those provided by the mining industry. The number of people that might be laid off as a result of government legislation did not represent a political threat to the NDP. Compared with just under $3 billion invested in B.C.’s mining industry between 1966 and 1975, the auto insurance policies written in 1971, for example, only totalled $135 million. While the direct employment of the mining industry was about 15,540 jobs in 1974, the insurance industry only employed about 3,000 people. Secondly, the B.C. public had a number of complaints regarding private auto insurance companies and were ready to accept a government corporation that would take over what was regarded as a “public utility.” The insurance companies had been under attack for high premiums in the late 1960s. A Royal Commission was formed to investigate the industry. The Wootton Royal Commission Report, completed in July 1968, concluded: “The absence of effective competition, in addition to creating

\textsuperscript{54} \textit{Ibid.}, p. 152.
a situation which should not be tolerated, is likely to represent a considerable monetary cost to the public generally.\textsuperscript{55} In its consideration of structural factors and market power, the commission noted that during 1966 the price at which auto insurance was sold was standardized over almost 80 percent of the market. Uniformity in price appeared very much more pronounced than was the case prior to the formation of the Insurance Bureau of Canada, as many companies which formerly appeared to exercise some independent judgment on rates ceased to do so.\textsuperscript{56}

The commission suggested that “if the industry shows a disinclination to participate in the offering to the public of the new types of contracts recommended by the commission and under the conditions satisfactory to the government, or at a later date shows a disinclination to compete, then the government of B.C. should take over the sole selling of all auto insurance.”\textsuperscript{57} It also recommended the end of property and personal insurance based on fault and compulsory coverage. It was helped in making its case by the fact that the insurance companies were not identified with the well-being of British Columbia and were perceived to have little loyalty to B.C. because they were based either in eastern Canada or in the U.S. and tended to invest their premium income in New York or Toronto money markets. The widespread resentment caused by the financial control that eastern Canada exerted over B.C.’s economy added to the negative feelings towards insurance companies. In short, insurance companies were not considered as an asset to the B.C. economy.

Even under the Social Credit government the people perceived government-run insurance as being in their interest. Public reaction to insurance companies was generally negative because of high premium rates, the long time it took to settle claims, and discrimination against persons who were arbitrarily classified as undesirable risks and were therefore refused policies. The NDP’s election campaign in 1972 centred around bringing government insurance to B.C. on the grounds that the people were dissatisfied with private insurance companies. “B.C. will get a government auto insurance plan if the NDP wins the upcoming provincial elections,” NDP leader Dave Barrett said. “We will guarantee low-cost publicly-run car insurance.”\textsuperscript{58} When the NDP won the election, it considered its vic-

\textsuperscript{55} Provincial Archives of B.C., Additional Manuscript 1291, R. M. Strachan Papers, Box 18, The Wootton Royal Commission Report, p. 5. See also B.C. Commission on Automobile Insurance, GR66.7, Papers.

\textsuperscript{56} Ibid.

\textsuperscript{57} Ibid., p. 7.

\textsuperscript{58} Ibid., 26 May 1972, p. 16.
The NDP government received mail that was overwhelmingly in favor of ICBC. Newspaper editorials indicated public support for the government plan: "People have even been sending in the insurance industry's ill-conceived brochures designed to consolidate opposition to the legislation, but they have been turning the idea on its head by using the document to dramatize support for the monopoly." The government received applications from independent agents and agency firms for appointment as ICBC agents, as well as from individuals for positions on the staff, even before ICBC was formed.

The third source of power for the NDP government was the introduction of an organization which would rival the private insurance companies. The industry's campaign was thus matched by an equally forceful campaign by the Insurance Corporation of British Columbia designed to acquaint the citizens with government insurance and to point out to them the advantages of having a government auto insurance plan.

An ICBC Task Force was created to undertake the government campaign. Regarding public information and advertising, the Task Force suggested: "In its widest context, the message to be communicated is that ICBC has been created by public demand and for the public's benefit to provide motorists with more equitable coverage, streamlined claim services and efficient administration, all at the lowest possible cost." The objectives of the ICBC were outlined as the following:

General:

1. to provide essential information about the policies and goals of ICBC regarding Autoplan to the Corporation's various publics — auto owners, drivers, insurance agents, allied businesses (such as auto dealers, repair shops, etc.), corporation employees, MLAs, news media and community at large.

2. to foster favourable attitudes towards the Corporation and its Autoplan among those publics.

3. to clearly define the role of ICBC as the administrator of the program.

59 Vancouver Province, 7 March 1973, p. 7; "Too risky to attack auto insurance bill," Victoria Comment, by Peter McNelly.

60 Provincial Archives of B.C., Additional Manuscript 1291, R. M. Strachan Papers, Box 20, Memo from John Mika to R. M. Strachan.

61 Ibid., Box 18, Task Force Report on ICBC Campaign.
Specific:

1. to develop and strengthen public understanding and support of Autoplan.

2. to prepare consumers to accept with patience and understanding inconsistencies expected in the initial stages of the Plan’s operation.

3. to create public appreciation for the valuable role of insurance agents in the operation of Autoplan.

4. to satisfy the legitimate needs of the public and news media for information about Autoplan.

5. to stimulate among motorists confidence in Autoplan coverage and service.

6. to develop public understanding of the premium rates and reasons for individual differences between motorists.

7. to project a non-political image for ICBC among motorists in its administration of Autoplan.

8. to stimulate pride and confidence in ICBC among employees.\textsuperscript{62}

As the above objectives and the numerous press releases, interviews and reports that emanated from ICBC indicate, the insurance industry had to contend with a vigorous countercampaign waged by ICBC. It is possible to speculate that the fact that ICBC was put into operation came as a surprise to insurance companies who assumed that the government did not have the knowledge and expertise to put an insurance plan into operation.\textsuperscript{63}

Furthermore, the NDP government had the support of some interest groups such as the Insurance Agents Association of B.C. and the B.C. School Trustees. As Jack Hamilton, first vice-president of the IAABC, said in an interview: “We are very happy that the government has agreed to use the insurance agents of B.C. to sell and service insurance policies. We feel we know what the public wants and with a network of agents are able to service their needs whether it is in Stewart, Port Alberni or Vancouver.”\textsuperscript{64} The IAABC was favourable to the idea of being employed by the Insurance Corporation of B.C. to write ICBC’s policies. In return, the government recognized the role of insurance agents in communities, as a stable, respected element of the community.

\textsuperscript{62} Ibid.

\textsuperscript{63} John Mika, interview held at the B.C. Legislature, Victoria, B.C., August 1983.

\textsuperscript{64} Vancouver Sun, 17 February 1973, p. 8.
A second organization that approved the government legislation was the B.C. School Trustees: "The probability of government intervention in school property insurance was welcomed ... by the B.C. School Trustees Association who anticipate substantial premium reductions." A third related group, the adjusters, viewed the legislation with apparent equanimity. As the Victoria Colonist reported the adjusters' view: "Government controlled auto insurance is an accomplished fact. They have the majority in the house and there is nothing we can do about it even though we are against government control."

Finally, the NDP government had examples of successful government insurance plans in Manitoba and Saskatchewan. The Saskatchewan Government Insurance Office had been functioning for three decades, and the Manitoba Public Insurance Corporation had been established in 1971. The provinces of Ontario and Quebec were studying public insurance possibilities.

**Conclusion**

We have seen that among the different perspectives on organizations, the open systems perspective and specifically the resource dependence model within that perspective is most useful in explaining the asymmetrical relations of organizations and their environments. This model shows how the concept of power can be used to explain why some organizations survive and others don’t. As the case study of mining insurance industries illustrates, the organization-environment interactions under different conditions of power do seem to affect the survival chances of organizations.

In the case of the mining industry's interaction with the NDP government interaction, the sources of power rested more heavily with the mining industry because (1) the NDP government's interest or desire in investing or in entering the industry was low due to political and economic constraints; (2) the extent of control exercised by the mining industry over mining operations was wide; (3) the ability of the government to substitute for the private mining companies was limited; (4) the socio-economic system favoured private enterprise regarding mining, traditionally perceived as an activity involving private entrepreneurship.

In the case of the insurance industry, on the other hand, the resources of power tilted in favour of the NDP government because (1) the govern-

---


ment had a clearcut and strong intention of taking over insurance, having come to power with the promise of a government auto insurance plan; (2) the government proved capable of substituting for private insurance companies by putting ICBC into operation in a short period of time; (3) insurance was a "public utility" which justified the government takeover, especially in the light of public discontent regarding the operation of private insurance companies.

The social, political and economic context in which organizations find themselves has, in summary, a direct bearing on their capacity to survive.