

Regulating Fuels in the Depression: The Coal and Petroleum Control Board of British Columbia

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Ever since the Hudson's Bay Company governed Vancouver Island there has been a close relationship between government and business in British Columbia; or so it has seemed to the province's historians. Indeed, it has been argued that the "business civilization" that developed in the company province was founded on the "equation of the public good with private enterprise."¹ Recent, more detailed work has tended to confirm this general impression. Even political leaders who were rhetorically opposed to government operating primarily in the interests of large corporations had to make concessions to the demands of businessmen, particularly in the resource sector, in order to finance social programs.² To the extent that it has emphasized the close connections that existed between business and government, British Columbia's historiography has been in tune with that of the rest of Canada. While they may disagree about its desirability and consequences, Canadian historians do agree that state intervention has been a crucial factor in the country's economic development. As Michael Bliss has observed: "The one non-contentious statement that can be made about government involvement in Canadian economic life is that we have had a lot of it."³

Nor, it would appear, was this close relationship between business and government disturbed by the economic and social upheavals of the 1930s. Apparently economic disaster did not produce fundamental change dur-

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¹ Martin Robin, *The Rush for Spoils: The Company Province 1871-1933* (Toronto: McClelland & Stewart, 1972), pp. 12 and 14.

² This argument is made, in the case of T. D. Pattullo's dealings with the forestry companies when he was Minister of Lands in the 1920s, by Stephen Gray, "Forest Policy and Administration in British Columbia, 1912-1928," MA thesis, Simon Fraser University, 1982.

³ Michael Bliss, "'Rich by Nature, Poor by Policy': The State and Economic Life in Canada," in R. Kenneth Carty and W. Peter Ward (eds.), *Entering the Eighties: Canada in Crisis* (Toronto: Oxford University Press, 1980), p. 79.

ing the depression decade as interventionist governments continued to be controlled by, or at the very least, acted in the interests of big business. H. V. Nelles has shown in his analysis of the relations between the state and business in the Ontario resource sector that the process whereby the provincial government became the client of industry culminated in the 1930s. The stresses and strains of the depression merely produced a confirmation rather than a serious questioning of an old relationship.⁴ Another study, which purports to be national in scope, has asserted that during the thirties the minimal efforts made by governments to effect limited social and economic reform were always either initiated or approved by the business community.⁵ But Alvin Finkel's book, like most of the literature on the politics of the depression, deals with a Canada that ends at the Rocky Mountains.

In British Columbia there was a regional variation on the national theme. Between 1933 and 1941 the province's Liberal government was more activist than most administrations in Canada, and British Columbia's businessmen were not always united in their view of state intervention in the marketplace. These two factors may well have been related, for, as Tom Traves has pointed out in his work on *The State and Enterprise* in the 1920s, when businessmen were divided the politicians had more room to manoeuvre.⁶ The province of British Columbia was the first in Canada to make a sustained effort to regulate the activities of the multinational oil companies. This attempt arose out of a desire to protect the local coal industry from unfair competition, and so it was initially supported by many businessmen. Even oil men were willing to accept minimal regulation of the distribution system when it was in their interest to reduce costly competition within the petroleum industry. But when the British Columbia government moved to regulate petroleum prices it was stridently opposed by an oil industry that was faced with increased production and contracting markets in the United States and wanted to keep British Columbia as a largely unregulated market. The oil companies were able to mobilize business opposition and, in the end, subvert the government's attempt to impose control. Nevertheless the British Columbia government was willing to investigate and regulate the petro-

⁴ H. V. Nelles, *The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849-1941* (Toronto: Macmillan of Canada, 1974), pp. 462-63.

⁵ Alvin Finkel, *Business and Social Reform in the Thirties* (Toronto: James Lorimer and Company, 1979), pp. 1-9 and 167-76.

⁶ Tom Traves, *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* (Toronto: University of Toronto Press, 1979), p. 9.

leum industry in the province as part of a vigorous approach to the problems of the depression that was often unacceptable to big business.

The initial response to the depression by the politicians in power in British Columbia was certainly to move further in the direction of business government. Simon Fraser Tolmie's conservative administration even went as far as to allow a committee of business leaders to examine government financial management and advise on ways to reduce expenditure.⁷ But late in 1933 the Conservatives were replaced by a new government that appeared to be full of reformist enthusiasm. While the Liberals did not intend to make radical changes to the economic order, they did at least want to rearrange the given. As the new Premier, Thomas Dufferin Pattullo, was fond of saying, his aim was not so much to change the game as to redistribute the chips. When they met the Legislature for the first time, the Liberals dealt a new hand by passing a number of bills designed to provide some immediate relief to those suffering from the worst effects of the depression.

A lasting cure, however, required a more thorough diagnosis, so included in the flurry of new legislation was an act providing for the establishment of an Economic Council that was to gather information on the province's economy and its problems and to make policy recommendations to government.⁸ By setting up the Economic Council, Pattullo was fulfilling an election promise that was based on his longstanding view that government action should, whenever possible, be informed by the advice of experts. He appointed as chairman of the new council a man who was to play a crucial role in advising the Liberal government on economic matters during the depression. Pattullo had tried unsuccessfully to persuade Professor W. A. Carrothers from the Department of Economics at the University of British Columbia to run as a Liberal candidate in the 1933 election. While Carrothers did not want to leave the university for the uncertainties of political life, Pattullo was clearly impressed with the credentials and ability of this genial Irishman. Carrothers had received a BA from the University of Manitoba in 1916 and a PhD in economics from the University of Edinburgh in 1921. After post-graduate work at the London School of Economics and lecturing in

⁷ Robert Edmund Groves, "Business Government: Party Politics and the British Columbia Business Community, 1928-1933," MA thesis, University of British Columbia, 1976.

⁸ "An Act to Provide for the Investigation of Matters of Economic Importance, and for the Creation of an Economic Council," British Columbia, *Statutes of the Province of British Columbia . . . 1934* (Victoria: Charles F. Banfield, 1934) 18th Parl., 1st Sess., Chap. 19.

political economy at Edinburgh, Carrothers returned to Canada to take up an appointment at the University of Saskatchewan. He moved to British Columbia in 1930 and, in 1934, accepted Pattullo's urging to become chairman of the Economic Council. Carrothers subsequently wrote scores of reports and memoranda for the provincial government and also published on a number of aspects of British Columbia's economy and society.⁹ Under its able chairman, the Economic Council examined a host of questions: from the potential for marketing the pelts of angora rabbits to the state of the province's major resource industries.

Soon after it began work the Council's attention was drawn to Vancouver Island's ailing coal industry. The Economic Council had been established under the Ministry of Labour, and the Minister, George Pearson, responding to pressure from business interests in his Nanaimo constituency to appoint a Royal Commission to investigate the coal industry, referred the matter to Carrothers.¹⁰ Obviously the coal mining industry was not in the same condition as it had been in 1914 when the provincial government called upon W. E. Burns to investigate the complaints of consumers that coal prices were too high and that the supply was insufficient to meet the demand.¹¹ By the 1920s the fuel that had fired Canada's industrial growth before the First World War was beset by a host of difficulties.¹² Mine operators on Vancouver Island faced growing competition within a constricting market, and both production and income were declining. These problems were, of course, only exacerbated by the depression of the 1930s. Mine owners complained of low prices and lack of demand and, as table 1 indicates, coal production continued to fall through most of the decade. Even wartime demand did not bring production back to 1929 levels which were not achieved again until the 1970s.

⁹ For the details of Carrothers' career see the *Victoria Colonist*, 30 August 1951. W. A. Carrothers' publications include, "The Barter Terms of Trade between British Columbia and Eastern Canada," *Canadian Journal of Economics and Political Science*, 1 (1935), 568-77; "Forest Industries of British Columbia," in A. R. M. Lower (ed.), *The North American Assault on the Canadian Forest* (Toronto: University of Toronto Press, 1941); and Charles H. Young, Helen R. Y. Reid and W. A. Carrothers, *The Japanese-Canadians* (Toronto: University of Toronto Press, 1938).

¹⁰ Pearson to M. S. Ironside, 14 March 1934, Coal and Petroleum Control Board Papers, GR 178 (hereafter GR 178), Box 16, Provincial Archives of British Columbia (hereafter PABC).

¹¹ British Columbia, Legislative Assembly, *Report of Royal Commission Re Coal in British Columbia* (Victoria: William H. Cullin, 1914), p. 6 and *passim*.

¹² For a comment on the general situation see John N. McDougall, *Fuels and the National Policy* (Toronto: Butterworths, 1982), pp. 35-37.

TABLE 1
*Output of Coal from British Columbia Mines, 1929-1940*¹³

<i>Year</i>	<i>Dollar Value</i>	<i>Short Tons</i>
1929	10,160,789	2,490,378
1930	8,421,572	2,083,818
1931	7,150,996	1,876,406
1932	6,392,801	1,681,490
1933	5,306,287	1,382,272
1934	5,351,108	1,485,969
1935	5,043,510	1,331,287
1936	5,493,425	1,489,171
1937	5,856,578	1,598,843
1938	5,237,027	1,440,286
1939	6,536,096	1,537,905
1940	6,888,800	1,620,894

The coal companies of Vancouver Island were suffering from the generally depressed economic conditions of the early 1930s, but their sales were also dropping off because of the aggressive marketing of a new fuel. The locally produced bituminous and lignite coal was being rejected by consumers in favour of imported fuel oil that came largely from the United States. The situation in British Columbia was part of a global contest between oil and competing forms of energy. The oil companies were anxious to offload surplus production from the United States, and they adopted every means at their disposal to eliminate competitors and control markets. When the Economic Council interviewed Colonel Charles W. Villiers, the general manager of Canadian Collieries (Dunsmuir) Limited, it was told that the coal producers were being put out of business by fuel oil. Villiers claimed that, because many large companies in British Columbia were controlled by American interests, they were more inclined to purchase fuel oil from United States oil companies than

¹³ British Columbia, *Report of the Coal and Petroleum Control Board for the Year Ended 31st December 1940* (Victoria: 1941), p. 14. A breakdown of production by region on p. 13 of the same report indicates that, while there were local fluctuations from year to year, there was a general pattern of decline in all coal-producing areas of the province through the 1930s. For British Columbia coal production through to 1976 see F. H. Leacy (ed.), *Historical Statistics of Canada*, second edition (Ottawa: Statistics Canada, 1938), p. Q 1-5.

to use British Columbia coal. He conceded that the world coal industry was partly to blame for its own problems since it had been "asleep and let the oil men get in," but Villiers warned the Council that if the Vancouver Island coal mines were not protected from oil they would grind to a halt. His suggestion was that the government place a two cent a gallon tax on fuel oil.¹⁴

The Economic Council was already considering the economic implications of taxing fuel oil but recognized that such a tax would affect not only the producers of coal but also the consumers of oil.¹⁵ Further investigation elicited objections to the idea from the oil refiners and distributors as well as from their major customers. A representative of the Canadian Pacific Railway argued that oil had many advantages over coal and that the move from one to the other was a world-wide development that was indicative of "the march of progress." It would, therefore, be a retrograde step for one province to tax fuel oil in order to protect a declining, and perhaps inefficient, coal industry. The Canadian National Railway claimed that any tax on fuel oil would have to be pretty stiff before there would be any question of it changing to coal and, even then, the railway would not use much coal from Vancouver Island. Finally, a spokesman for the Union Steamship Company said that his company simply could not convert to coal. He also observed that, while no fuel oil was now produced in Canada, exploration was being carried out in both British Columbia and southern Alberta, and if production were to begin in either of these areas, a tax would then limit sales of a local rather than a foreign product.¹⁶

The Economic Council was not concerned with the political implications of taxing fuel oil, nor did it consider the measure as a potential source of government revenue. It was only interested in the impact that such a tax would have on the coal and petroleum industries. Yet, even within the limits of its investigation, the Council had merely gathered together a collection of opinions. The Council had not held formal hearings and had not had time to investigate the complex question in any detail. It had simply uncovered a problem that required further investigation.

¹⁴ Minutes of meeting of Economic Council, 20 June 1934, pp. 12-24, GR 178, Box 16, PABC.

¹⁵ Carrothers to R. V. Stuart, Secretary-Manager, B.C. Loggers Association, 9 June 1934, GR 178, Box 16, PABC.

¹⁶ Minutes of meeting of Economic Council, 21 and 22 August 1934, p. 42, GR 178, Box 16, PABC.

Pattullo therefore decided, probably on Carrothers' advice, to appoint a commission under the Public Inquiries Act to look into the matter more fully. By an Order in Council of 29 November 1934, Mr. Justice M. A. Macdonald, a former Liberal Attorney-General, was appointed the sole commissioner of the Coal and Petroleum Products Commission. Macdonald was instructed to inquire into the methods and cost of production and distribution in both coal and oil industries as well as the profits made by the corporations and individuals involved in each enterprise. Upon that basis he was asked to assess the comparative value of oil and coal as sources of energy, the contribution of each to the economy of the province and, finally, whether or not the prices charged for coal and petroleum products were "unjust or unreasonable."¹⁷

The new commissioner immediately began to assemble a staff, appoint expert advisors and gather evidence. C. H. O'Halloran, a Victoria lawyer who had twice campaigned unsuccessfully as a Liberal candidate for the Legislature, was made chief counsel to the Commission. Carrothers was to advise on economic matters and Price Waterhouse and Company were hired to investigate the finances and accounting methods of the oil and coal companies. When necessary the commissioner took advice on the technical aspects of production and marketing both from the industries themselves and from independent experts, particularly from the University of British Columbia. The Commission began in early 1935 by sending detailed questionnaires to those involved in both industries, and they were followed up by extensive hearings held across the province. Investigating two major resource industries proved to be complicated and time-consuming. Early in the proceedings Pattullo was concerned that the Commission might cost more than the results would warrant, and later Macdonald felt it necessary to defend himself against press criticism that his work was taking too long.¹⁸ The Commission's reports were submitted to government over a two-year period: volume one on the petroleum industry appeared in October 1936, volume two on the coal industry in September 1937, and the third and final volume comparing the two industries was published in December 1938.

In paragraph one of his instructions Macdonald was asked to investigate the coal industry and in volume two of his report he concluded that

¹⁷ British Columbia, Coal and Petroleum Products Commission, *Report of the Commissioner the Honourable Mr. Justice M. A. Macdonald Relating to the Petroleum Industry, Volume I* (Victoria: Charles F. Banfield, 1937), p. v.

¹⁸ Pattullo to Gordon Sloan, 8 April 1935, and Macdonald to Pattullo, 19 April 1937, Pattullo Papers, vol. 66, file 18, PABC.

the price of coal to the consumer was unreasonably high. He advocated reductions of up to \$4.49 per short ton in the price of lump coal sold to domestic consumers in Vancouver and of up to \$4.74 per short ton to householders in Victoria. Prices to domestic users outside Vancouver and Victoria, he argued, ought to be based on the Vancouver price plus the cost of any extra freight. Even larger price reductions were said to be possible for industrial users when coal was delivered in bulk without the usual retail services.¹⁹ Macdonald claimed that these price reductions could be effected if the coal industry reorganized itself in a number of areas.

The commissioner's report was particularly critical of the financial structure and accounting methods of Canadian Collieries (Dunsmuir) Limited, and it also recommended changes in the techniques of mining coal on Vancouver Island. Macdonald found that Canadian Collieries had been over-capitalized from its inception. When it was incorporated in 1910 the company's original capitalization included a large proportion of watered stock, and in the same year it purchased James Dunsmuir's mining interests on Vancouver Island at a price that the Commission estimated was more than twice the commercial value of the assets. Subsequent reorganizations of the company's finances and the establishment of numerous subsidiary companies holding substantial interests in the parent had not altered the basic fact that Canadian Collieries was over-capitalized. On the contrary, the problem had become worse since too much of the company's capital remained in the form of bonds rather than shares. This unwieldy capital structure ensured that the price of coal would be unreasonably high.²⁰ Yet, in spite of the prices that it charged, Canadian Collieries initially stated before the Commission that it was selling coal at a loss. It soon became clear, however, that the company's claim was predicated on the use of inventive accounting procedures. Macdonald described its balance sheets "as embodying not statements of fact, but rather expressions of opinion."²¹ In particular the coal company added unnecessarily to its costs of production by assessing excessive amounts for depreciation and depletion.²² Moving from financial to

¹⁹ British Columbia, Coal and Petroleum Products Commission, *Report of the Commissioner the Honourable Mr. Justice M. A. Macdonald Relating to the Coal Industry, Volume II* (Victoria: Charles F. Banfield, 1937), pp. xii-xiii and 296-98.

²⁰ British Columbia, *Coal and Petroleum Products Commission*, II, 310-19 and, for a summary of these findings, xiii-xvi.

²¹ *Ibid.*, II, 303.

²² *Ibid.*, II, 315-17.

technical matters, the commissioner concluded that the costs of production, and therefore the prices charged to the consumer, could be further reduced by modernizing mining operations on Vancouver Island. More mechanization in the mines would reduce production costs and increase sales, which could mean lower prices as well as a higher level of employment.²³

The Commission also held that the distribution of coal from the mine to the domestic consumer was inefficient and therefore unnecessarily expensive. Macdonald found that the "present system of marketing and distribution of coal is wasteful and uneconomical and has become more so during the last ten years."²⁴ He recommended a drastic reduction in the number of dealers in Vancouver and Victoria and the establishment of fewer, centralized distribution centres. Because coal distribution was a matter of great public concern, Macdonald felt that it should be placed under government regulation. Finally he noted that unnecessary expense was also incurred by sacking coal for household delivery. Domestic consumers should, therefore, be encouraged to modify their basements to facilitate bulk delivery.²⁵

All of these recommendations were aimed at reducing the price of coal, making it more attractive to the consumer and thus more competitive with fuel oil as a source of energy. It was hoped that the lower price would be offset by higher consumption so that shareholders in coal companies would still receive a fair return on their investment and no workers in the mines would have to be laid off. Clearly the commissioner saw much room for improvement in the coal industry, particularly on Vancouver Island, but he reserved his harshest and most thoroughgoing criticism for the oil companies operating in British Columbia.

When the Commission's report was published there were four companies that operated fuel oil refineries in British Columbia: Imperial Oil at Ioco, Standard Oil in Vancouver, Shell Oil at Shellburn near Burnaby, and Home Oil in North Vancouver. Union Oil also had a refinery, but it was used only to blend lubricating oils. Although Union Oil accounted for 59.12 percent of retail sales in British Columbia, it purchased its gas and oil from Imperial after it had been processed.²⁶ All of these companies, with the exception of Home Oil, were either controlled in the United States or had major interests there. Imperial Oil was a subsidiary

²³ *Ibid.*, II, 322-23.

²⁴ *Ibid.*, II, 309.

²⁵ *Ibid.*, II, 309-10.

²⁶ *Ibid.*, I, xi, xiii and 256.

of Standard Oil of New Jersey, while Standard Oil in British Columbia was a wholly owned subsidiary of Standard Oil in California. The two American parent companies were always careful to work to each other's advantage. A third of the seven sisters, Shell Oil, was a British-Dutch firm but a major player in the North American market. Shell also had a substantial interest in Union Oil. All of the crude oil refined by these companies in British Columbia was imported, and all except a very small percentage came from California.²⁷ Thus, in the words of the Macdonald Commission report, the oil companies operating in British Columbia were "in effect sales agencies of California corporations."²⁸ Furthermore the oil industry, unlike the coal industry, was completely integrated. The oil companies controlled production and marketing from the arrival of crude oil in the province to the sale of the final product to the consumer. The retail price of petroleum products was effectively determined by Imperial Oil, which set the price that was then followed by the other companies. Macdonald took the view that it was "not in the public interest that products of vital necessity should be controlled as to price and supply in this manner."²⁹

For the oil companies, the British Columbia market was a profitable extension of their California operations. Within California the companies made their largest profits on the production of crude while, after refining, gasoline produced the principal revenue and therefore received the most attention from producers.³⁰ In this context British Columbia was a dumping ground for the fuel oil that was not so much in demand in California. Although the Pacific coast was a largely independent production and marketing area,³¹ the California oil companies were subject to the problems faced by the continental industry in the 1930s. Overproduction had been a major concern for United States oil men since the mid twenties. In the early 1930s the problem was made even worse by shrinking markets caused by the depression and continued increases in production, particularly following the rich new discoveries in East Texas in 1931.³² By 1932 the oil industry was in a state of crisis and the com-

²⁷ *Ibid.*, I, 162.

²⁸ *Ibid.*, I, xiv.

²⁹ *Ibid.*

³⁰ Joe S. Bain, *The Economics of the Pacific Coast Petroleum Industry* (Berkeley and Los Angeles: University of California Press, 1944-1947), part I, 160 and part III, 8.

³¹ *Ibid.*, part I, 210.

³² Gerald D. Nash, *United States Oil Policy, 1890-1964* (Pittsburgh: University of Pittsburgh Press, 1968), pp. 95-106.

panies were willing to accept a degree of government regulation. The industry would not agree to price control, but efforts under the New Deal to limit production and regulate marketing culminated in the Connally "Hot Oil" Act of 1935 that prohibited the interstate shipment of oil produced in violation of quotas.³³ While these regulations were not entirely successful, against this background of increased control in the United States the oil companies were anxious to retain British Columbia as an unregulated market on which to dispose surplus oil that, under the Connally Act, could not be moved across the eastern California border.

Within British Columbia it was clear that the industry's priority was the production of fuel oil to compete with local coal, rather than gasoline which faced no competition. In 1934 heavy fuel oil comprised 75.55 percent of the volume of all petroleum products sold in the province,³⁴ and, as table 2 shows, fuel oil deliveries generally increased through the second half of the decade.

TABLE 2

*Fuel Oil Deliveries in British Columbia (and Yukon) 1930-1940*³⁵

<i>Year</i>	<i>Fuel Oil Delivered Imperial Gallons</i>	<i>Year</i>	<i>Fuel Oil Delivered Imperial Gallons</i>
1931	149,643,746	1936	165,845,482
1932	151,052,941	1937	179,732,679
1933	131,679,916	1938	158,010,227
1934	136,414,952	1939	175,501,667
1935	148,936,794	1940	179,120,088

The companies imported those types of crude most suited to fuel oil production, and the refineries were geared towards the same end. Since the main objective was fuel oil, most petroleum products in British Columbia were produced by the straight-run distillation method. As the Macdonald Commission's report correctly observed, the newer technology of cracking was a much more efficient way of producing gasoline. The cracking process subjects the crude oil to high heat and pressure, breaking

³³ *Ibid.*, pp. 146-51.

³⁴ British Columbia, *Coal and Petroleum Products Commission*, I, 256.

³⁵ Canada, Department of Mines and Resources, *Petroleum Fuels in Canada Deliveries for Consumption Calendar Years 1927-1940* (Ottawa: King's Printer, 1942), pp. 10-11. Throughout the 1930s British Columbia received a fairly constant one-third of all fuel oil deliveries in Canada.

down the hydrocarbon molecules into fragments, some of which form gasoline. Cracking produces a larger proportion of gasoline with a higher octane number than straight-run distillation. But Imperial Oil was the only company that ran a cracking plant, and a mere 6.27 percent of all the gas produced in British Columbia in 1934 was "cracked."³⁶ Such basic facts about the petroleum industry were easy enough to establish. Unravelling the tangled finances of the oil companies in order to determine the relationship between prices and the costs of production was another matter.

The Commission's investigators recognized from the outset that the accounting methods used by the oil companies would make it very difficult to determine the actual costs of production.³⁷ They began their inquiry into refining costs at Hi-Way Refineries in New Westminster because it was a small operation without a cracking plant that produced gasoline, stove and diesel oil, and heavy fuel oil. It was quickly discovered that this company, like all of the other oil companies, used the sales realization method of establishing costs of production. Furthermore this accounting procedure had been installed by Price Waterhouse, who, it turned out, were the accountants for Imperial, Union and Home Oil as well as for the Commission.³⁸ Not surprisingly the accounting firm felt that the oil companies' bookkeeping methods were perfectly satisfactory, but commissioner Macdonald disagreed. As Carrothers had already pointed out to him, the "method used by the companies is not a method of cost accounting at all, but rather a method of attributing cost."³⁹ The commissioner was obliged to take advice from another accounting firm and had to dig deeper into the finances of the American-based oil companies.⁴⁰

At the heart of the accounting problem was the question of how to determine the relative cost of a number of products when they resulted from a common production process. The oil companies' solution was the sales realization method of assigning costs of production to individual products. When a single refining run produced a number of products

³⁶ *Ibid.*, I, 148, table 34 and 255-56. On refining and the development of refining processes in Canada see G. A. Purdy, *Petroleum: Prehistoric to Petrochemicals* (Vancouver, Toronto, Montreal: Copp Clark, 1957), pp. 125-201.

³⁷ Coal and Petroleum Products Commission, transcripts, 6 February 1935, p. 22, Buckham Papers, Add. MS 436, PABC.

³⁸ O'Halloran to Carrothers, 25 April 1935, GR 178, Box 16, PABC.

³⁹ Carrothers to O'Halloran, 9 January 1935, GR 178, Box 16, PABC.

⁴⁰ Macdonald, confidential report to the Prime Minister and Provincial Cabinet, 21 October 1936, Pattullo Papers, vol. 66, file 18, PABC.

from the same barrel of crude, instead of calculating the actual cost of producing each item, proportional costs were based on the sales of each product that were later realized. The oil companies claimed that it was impossible to determine the actual costs, and they admitted that the attributed costs fluctuated with prices which in turn were based on market competition rather than on the cost of production. The companies were also loath to give the Commission a breakdown of the separate costs of imported crude and of refining and distribution, or, for that matter, of the British Columbia segment of their operations.⁴¹ Having built a market structure within which costs were determined by price, the oil companies were able, on paper, to manipulate their "costs" and therefore their profits. The whole edifice was rejected as unsatisfactory by the Commission, which then had to begin the complicated and time-consuming process of determining for itself the actual costs incurred by the oil companies.

One of the consequences of the accounting system used by the oil companies was that they could avoid revealing exorbitant profits by funnelling money into a wasteful distribution system. The Commission's report argued that the 2,023 retail gasoline outlets in the province were about five times more than were necessary.⁴² An investigation of land records later revealed that Imperial Oil had purchased a large number of corner lots, particularly, but not only, in Vancouver, and had not built service stations on them. In Macdonald's opinion these purchases were made purely to eliminate competition, and he objected to the fact that British Columbia's motorists were "purchasing a lot of real estate for the oil companies."⁴³ A later investigation of the industry in California found that the oil companies there had also invested too heavily in retail outlets in an effort to control competition.⁴⁴ Not only was the service station an uneconomical method of distributing gasoline, but the Macdonald Commission also found that it was an effective method of price fixing. The oil companies owned, controlled, or leased under a 100 percent agreement

⁴¹ British Columbia, Coal and Petroleum Products Commission, I, 9-13 and 256-57; O'Halloran to Carrothers, 26 March 1936, GR 178, Box 16, PABC.

⁴² British Columbia, Coal and Petroleum Products Commission, I, 259.

⁴³ Macdonald to Carrothers, 1 December 1938, GR 178, Box 14, PABC; British Columbia, Coal and Petroleum Products Commission, *Report of the Commissioner the Honourable Mr. Justice M. A. Macdonald Relating to Paragraph 3 of the Terms of the Commission, Volume III* (Victoria: Charles F. Banfield, 1938), p. viii.

⁴⁴ Bain, *Economics of the Pacific Petroleum Industry*, part II, 350 and part III, 16 and 95.

operation, 93 percent of the retail outlets in the province. It was extremely difficult for an independent operator to survive under these circumstances of almost total control by the large oil companies. Many of those making representations before the Commission said that the extravagant distribution system in the oil industry should be curbed, and the unanimous view was that regulation would not be effective unless it was implemented by government.⁴⁵

Given this critique of the oil industry, the commissioner naturally concluded that the consumer was being charged too much for gasoline. But even more important was the "outstanding fact established in this Inquiry" that the oil companies were using the profits garnered from excessive gas prices to subsidize the cost of producing fuel oil which was sold at a loss and thereby competed unfairly with coal.⁴⁶ The British Columbia motorist was, in effect, financing the United States oil companies' attack on the provincial coal industry. Petroleum prices were too high in Vancouver, and the price spread between the lower mainland and the interior was also unreasonable, so the commissioner advocated drastic reductions. Even with the existing wasteful marketing methods he felt that the price of gasoline in Vancouver could be reduced from 29 cents a gallon (the price being charged on 22 November 1935) to 23 or 24 cents a gallon. But if the distribution system were rationalized more substantial reductions would be possible. Based on 1934 conditions, the price in Vancouver could be reduced to 18 cents a gallon and the price in the interior should be no more than the Vancouver price plus the cost of freight per gallon. The recommended prices for the various parts of the province included reductions of up to 18.30 cents per gallon and ranged from a low of 18 cents per gallon in Vancouver to a high of 26.32 cents in Fernie.⁴⁷

While the industry charged too much for gasoline, it was selling oil below cost. So the Commission's report recommended that the price of fuel oil be raised to cover its costs of production. The commissioner calculated that fuel oil was being sold at an average price that was at least 1.5 cents below the real cost of production. He maintained that it was the price of fuel oil that largely explained why it was able to undercut coal and why British Columbia consumed more fuel oil than any other province. In spite of its relatively small population of 750,000, British Columbia consumed 36.2 percent of all the fuel oil used in Canada in

⁴⁵ British Columbia, Coal and Petroleum Products Commission, I, 258-59.

⁴⁶ *Ibid.*, I, 255.

⁴⁷ *Ibid.*, I, 261-62.

1934. In fact, the commissioner's figures showed that there were only twelve countries in the world that consumed more fuel oil than the province of British Columbia, and most of these were producing nations. Within the province, the railway companies took about one half of the total consumption to run their trains and vessels, and 92.93 percent of all fuel oil used in locomotives in Canada was consumed by railways in British Columbia.⁴⁸ The commissioner's view that the price rather than the quality of the fuel accounted for the high level of consumption was confirmed when he examined the comparative value of coal and fuel oil as sources of energy. Volume three of the report argued that coal was not a decadent fuel as many suggested and that, if both fuels were sold at prices that were related to actual costs, coal would have a decided advantage over fuel oil in many sectors of the provincial economy.⁴⁹

In the final volume of its report the Coal and Petroleum Products Commission also came out very strongly in favour of government regulation of fuel marketing. Whereas local coal should have had an advantage over heavy fuel oil on the British Columbia market, the oil companies' ability to control prices threatened the destruction of the coal industry.⁵⁰ It was therefore necessary to force the oil companies to bring prices into line with actual costs and to encourage them to rationalize their distribution system, and the commissioner, like many of the witnesses he had listened to, thought that these measures could only be effected by government. It was preferable, concluded Macdonald, for the British Columbia government, and not the California oil companies, to control the marketing of fuel in the province.

Even before he had presented the first volume of his report, the commissioner had pressed the provincial government to pass legislation regulating the marketing of fuels. Having already decided that British Columbians were paying too much for gasoline, Macdonald had urged Pattullo to enact controls as early as January 1936. But Pattullo, influenced by the more cautious Carrothers, preferred to wait until the Commission produced more detailed findings and made more specific recommendations. He asked Macdonald to submit his report as soon as possible.⁵¹ By December 1937 two volumes of the Commission's report were in the

⁴⁸ *Ibid.*, I, 3-4, 264-65. Of a total consumption of 164,061,123 gallons of fuel oil in British Columbia in 1934 the railway companies accounted for 79,758,043 gallons or 48.61 percent.

⁴⁹ *Ibid.*, III, xv, 170 and 187-89.

⁵⁰ *Ibid.*, III, 170-71.

⁵¹ Macdonald to Pattullo, 3 January 1936, and Pattullo to Macdonald, 3 January 1936, Pattullo Papers, vol. 66, file 18, PABC.

hands of the government, the recommendations were clear enough, and Pattullo was ready to act. He therefore introduced legislation to establish a Coal and Petroleum Control Board.⁵²

By late 1937 the Pattullo government had been re-elected for a second term, the economic situation had eased somewhat, there was less pressure on the government, and much of the reformist steam of the first years of the Liberal administration had dissipated. A number of major initiatives such as health insurance were on hold pending the outcome of the Rowell-Sirois Commission on Dominion Provincial relations. The second Pattullo government turned its attention to other areas such as the development of the north, the search for oil in the Peace River country, and the acquisition of the Yukon. But this thrust also brought the provincial government up against federal interests. Regulating the fuel companies, on the other hand, was an area that seemed to be clearly within provincial jurisdiction, and thus Pattullo felt that he could act without interference from other levels of government. Controlling oil prices was also, by the late 1930s, the only item left from the reform agenda of Pattullo's first months as Premier. These then were the immediate political considerations behind the decision to regulate the oil companies, but Pattullo also had a longstanding personal commitment to government regulation of public utilities. This was not a view that he had developed in response to the depression. As a local politician in Prince Rupert, more than twenty years earlier, he had taken steps to ensure public control over the telephone and water systems of the frontier town. Now he argued that petroleum products had become so important to the people and the economy of the province that it was in the public interest for the public to have some control over what he felt amounted to a public utility. Later in 1938 Pattullo was to introduce legislation to establish a commission to supervise all public utilities.⁵³ In the meantime, he began the process of regulating fuels by setting up the Coal and Petroleum Control Board and appointing Carrothers as its chairman.

While not denying the importance of the document, Carrothers anticipated that Macdonald's report would stir up controversy, not only in the

⁵² "An Act to provide for the Regulation and Control within the Province of the Coal and Petroleum Industries," British Columbia, *Statutes of the Province of British Columbia . . . 1937* (Victoria: Charles F. Banfield, 1937), 19th Parl., 1st Sess., Chap. 8.

⁵³ "An Act to provide for the Regulation of Public Utilities," British Columbia, *Statutes of the Province of British Columbia . . . 1938* (Victoria: Charles F. Banfield, 1938), 19th Parl., 2nd Sess., Chap. 47.

business community, but also politically.⁵⁴ He did not doubt the need to reduce gasoline prices and to regulate distribution, but he thought that the government should be quite sure of its ground before imposing controls. He believed that there was a sound case to be made against the fuel companies, but that it was not strengthened by extravagant criticism. Carrothers disagreed with a number of the points made in the first two volumes of the Commission's report. He took issue particularly with the calculations upon which the commissioner had based his criticism of Canadian Collieries' assessment of depreciation.⁵⁵ There was an increasingly acrimonious exchange of letters between Carrothers and Macdonald. The commissioner, who still had to complete his report, was worried by suggestions in the press that his advice would be ignored by the government and was concerned that Carrothers was using his influence to persuade the cabinet to reject regulation.⁵⁶ Macdonald had become rather defensive, but Carrothers, as chairman of the Control Board, was certainly trying to distance himself from the Commission to which he was still nominally an advisor. Partly because of his initial reservations about the validity of some aspects of the commissioner's work, Carrothers considered it necessary to carry out his own research.

Carrothers' investigation of the oil industry was much more systematic than his examination of the coal industry because he saw a much greater need to control the externally based businesses than the local ones. So the oil companies in particular were subjected to another round of questionnaires and another series of hearings, this time before the Control Board. Carrothers gathered information on the capital structure of the companies, the price of imported crude, the costs of production and the price and price spread of the final products. The Board also conducted hearings on the question of fixing gasoline prices. While there had been some changes in the industry since 1934, the base year for most of the Macdonald commission's information, in 1938 the Control Board found no fundamental fault with the conclusions reached by the Commission. Certainly Carrothers agreed with Macdonald's basic contention that fuel oil was being sold at a loss and that the shortfall was being made up through unduly high prices for gasoline.⁵⁷ By the summer of 1938 Car-

⁵⁴ Carrothers to J. Gordon Ross, 23 November 1937, GR 178, Box 16, PABC.

⁵⁵ Carrothers to Pearson and enclosure, 15 September 1937 and Carrothers to Pattullo, 17 November 1937, GR 178, Box 16, PABC.

⁵⁶ Macdonald to Pattullo, 2 March 1938, Pattullo Papers, vol. 66, file 18, PABC; and Macdonald to Carrothers, 20 April 1938, GR 178, Box 16a, PABC.

⁵⁷ Carrothers to J. W. deB. Farris, 11 October 1938, GR 178, Box 6; and Carrothers to Pattullo, 4 February 1941, GR 178, Box 8, PABC.

rothers was confident enough of his position to begin formulating regulations to control the fuel industry.

The first step was to institute a system whereby anyone running a business in the coal or petroleum sector would require a licence.⁵⁸ Each separate operation had to be licensed and every license-holder had to submit monthly returns to the Board on the amount of coal or petroleum that he sold. Many of the early meetings of the Board dealt largely with applications for licences and the effort to set objective standards for evaluating them. Few existing businesses were denied licences, but applications to start new outlets were refused in areas where the Board considered that there were already enough gas stations to meet demand and provide a living income for the operators.⁵⁹ There were some objections from local politicians when a constituent was denied a licence or when a person who was considered to be inappropriate was given one, but there is no evidence to suggest that the Board's decisions on licences were subject to local patronage. R. R. Burns, the Liberal member for Rossland-Trail, complained to Pattullo that "a disloyal Douk" had been given a petroleum licence in Robson and, when Carrothers' decision was not reversed, Burns grumbled about the "autocratic" power of the one-man Board.⁶⁰ The oil companies, on the other hand, did not object to this regulation. Many of them supported the effort to reduce wasteful expenditure in the distribution system. As elsewhere in Canada, state regulation of the marketplace was acceptable to businessmen if it controlled destructive competition and as long as it offered no real check to enterprise and profit making.⁶¹ The introduction of licences was, however, only a preliminary to regulating prices, and when the Board turned its attention to that part of its mandate the reaction of the oil companies was very different.

At its meeting on 20 October 1938 the Control Board passed the first of a number of regulations to establish a maximum price for gasoline sold to motorists in all parts of British Columbia. The province was divided into fifteen zones and a price was fixed for each area, ranging from a low of 24 cents per gallon around Vancouver to a high of 36

⁵⁸ Minutes of meeting of Coal and Petroleum Control Board, 27 June 1938, GR 178, Box 4; and Carrothers to Pattullo, 24 June 1938, GR 178, Box 6, PABC.

⁵⁹ Carrothers to John Hart, 21 July 1938, GR 178, Box 6; and Carrothers to H. W. Hamilton, Director of Hi Way Oil, 7 July 1938, GR 178, Box 14, PABC.

⁶⁰ R. R. Burns to Pattullo, 21 February and 9 March 1940, Pattullo Papers, vol. 72, file 5, PABC.

⁶¹ Cf. Traves, pp. 10-11.

cents in Fort St. James.⁶² A year later the per gallon price was further reduced to 19 cents in Vancouver with corresponding reductions throughout the rest of the province.⁶³ The Board also promulgated clear specifications for each grade of gasoline and, in 1940, began a program of regular scientific analysis of gas being sold at service stations to ensure that it met these standards. Professor W. E. Seyer, from the Chemistry Department at the University of British Columbia, was retained by the Board to carry out the tests.⁶⁴ The Board further insisted that the various grades and prices be clearly posted at each gas station.

The oil companies could agree to some government regulation of the means of distribution, but they still wanted to retain British Columbia as an expanding market that was unregulated in terms of price. Table 3 shows that regulation had little effect on the upward curve of consumption in the late 1930s. Yet the growth in sales, even if it could have been

TABLE 3
*Consumption of Gasoline in British Columbia, 1932-1941*⁶⁵

<i>Year</i>	<i>Gallons (000 omitted)</i>	<i>Year</i>	<i>Gallons (000 omitted)</i>
1932	39,458	1937	54,775
1933	38,707	1938	57,135
1934	42,338	1939	59,824
1935	43,410	1940	65,211
1936	48,723	1941	70,995

foreseen, would not compensate for the reduction in price. Clearly the regulation of price would affect oil company income, and when state intervention threatened to reduce profits in one sector and redistribute

⁶² Minutes of Meeting of Coal and Petroleum Control Board, 20 October 1938, GR 178, Box 4, PABC; British Columbia, *Report of the Coal and Petroleum Control Board for the Year ended 31st December, 1938* (Victoria: Charles F. Banfield, 1939), pp. 18-20.

⁶³ British Columbia, *Report of the Coal and Petroleum Control Board for the Year ended 31st December, 1939* (Victoria: Charles F. Banfield, 1940), pp. 15-16.

⁶⁴ British Columbia, *Report of the Control Board, 1938*, p. 20; Carrothers to Seyer, 12 July 1940, GR 178, Box 7, PABC.

⁶⁵ British Columbia, *Fourth Annual Report of the Coal and Petroleum Control Board for the Year Ended 31st December, 1941* (Victoria: Charles F. Banfield, 1942), p. 8.

wealth to others, economic competition was often transformed into a political contest.⁶⁶

The Control Board's price regulations created a furore in the oil industry and triggered a protracted battle between the companies and the provincial government. It was to be nearly two years before the dust settled. The oil companies' first tactic was to retain influential Liberal and legal gun for hire, J. W. deB. Farris, to try to convince the Control Board to reverse its decision.⁶⁷ But both the Board and the government were adamant and so Farris took the matter before the courts. He was able to convince Mr. Justice A. M. Manson to grant an injunction against the order of the Control Board. Although Manson had known Pattullo since their Prince Rupert days, he was disgruntled when he was excluded from the 1933 Liberal cabinet. Pattullo had never been impressed with Manson's ability, and he was particularly annoyed now that an injunction was granted against an Act of the Legislature without the government having been given a hearing.⁶⁸ At the subsequent trial Manson upheld his injunction by declaring the Act *ultra vires* in its price-fixing sections which, he argued, bore on international trade and commerce.⁶⁹ In June 1939, however, the British Columbia Court of Appeal sustained the legislation on the ground that it only regulated business within the province.⁷⁰ The Control Board then instituted its second set of gasoline prices but, in order to prevent the cuts, the oil companies took their case to the Supreme Court of Canada. That court did not hand down its judgment until late April 1940, but when it did it found in favour of the province's right to control gasoline prices. The government announced that its regulations were therefore in effect.⁷¹

Having been defeated in the courts, the oil companies now took more direct action. They first called for the Control Board to rescind its pricing regulations altogether and, when their demand was refused, the oil companies, as Pattullo put it, "went on strike."⁷² They simply refused to sell gasoline except for what they determined to be essential services. "Following a long line of precedent," Pattullo told the press, "the Oil

⁶⁶ The point is made by Traves, pp. 7-8.

⁶⁷ Carrothers to Farris, 11 October 1938, GR 178, Box 6, PABC.

⁶⁸ Pattullo, press statement, 1 November 1938, Pattullo Papers, vol. 64, file 2, PABC.

⁶⁹ *Victoria Colonist*, 10 March 1939.

⁷⁰ *Vancouver Province*, 9 June 1939.

⁷¹ For a summary of these developments see Pattullo, press statement, 1 May 1940, Pattullo Papers, vol. 64, file 2, PABC.

⁷² Pattullo, radio speech, 15 May 1940, Pattullo Papers, vol. 65, file 5, PABC.

Companies have made a grave error.” He made it clear that he would not permit the industry to become “a sort of gasoline super state” by assuming the right to determine what constituted an essential service.⁷³ The Premier wired Ottawa to request an immediate inquiry into the activities of the oil companies under the Combines Investigation Act, and he called a special session of the provincial legislature to deal with the problem. After a seven-day gas strike, the companies began discussions with Carrothers that resulted in a new set of regulations setting a price of 21 cents per gallon in Vancouver.⁷⁴ The oil companies agreed to abide by the Control Board’s rules and the supply of gasoline was restored. When the House met on 8 May 1940, Pattullo nevertheless put through legislation to authorize the Control Board to take over gas distribution in the event that the supply was cut off again, and giving the Lieutenant-Governor-in-Council the power to enter the petroleum business.⁷⁵

Pattullo’s persistence in pressing his policy at the political level prompted widening circles of opposition. Businessmen, from inside and outside the oil industry, objected both to the particular effort to control gasoline prices and, now that it had gone too far, to the general notion of government intervention. The Control Board received a litany of letters in praise of private enterprise. The manager of Vancouver Motors Limited noted that competition was the backbone of the country’s commercial system, and he told Carrothers that if he denied “any red blooded Anglo Saxon that privilege, you will have on the prod immediately.”⁷⁶ C. D. Meltabarger, the district manager in Calgary for the Texas Company of Calgary, argued that the free play of market forces within a competitive system would result in a “natural” price for gas, and that this natural price, under ideal conditions, would be a reasonable one. “It is not possible,” he continued, “under such a system to establish a high, arbitrary and artificial price.” The oil man was aware that this assertion contradicted the conclusions of the Macdonald Commission, but he waved them aside with the comment that “many, if not all of them . . . were erroneous and unsupported by provable fact.” He therefore urged

⁷³ Pattullo, press statement, 27 April 1940, Pattullo Papers, vol. 64, file 2, PABC.

⁷⁴ British Columbia, *Report of the Control Board 1940*, pp. 18-20.

⁷⁵ “An Act to amend the ‘Coal and Petroleum Products Control Act,’” and “An Act to confer upon the Lieutenant-Governor in Council certain Authority in Relation to the Petroleum Industry in British Columbia,” British Columbia, *Statutes of the Province of British Columbia . . . 1940* (Victoria: Charles F. Banfield, 1940), 19th Parl., 4th Sess.; Chaps. 1 and 3.

⁷⁶ Manager of Vancouver Motors to Carrothers, 6 September 1938, GR 178, Box 14, PABC.

the government not to “attempt a futile thing” by trying to fix gas prices.⁷⁷ Other businessmen were particularly distressed by the legislation that Pattullo put through in May 1940. S. G. Blaylock, the president of Consolidated Mining and Smelting, was concerned that the Act to enable direct government involvement in the oil business would be used by the CCF to justify a takeover of the entire industry. He told Pattullo that the gas dispute did not seem to justify such drastic legislation.⁷⁸

While there was a good deal of public support for a reduction in gasoline prices, the province’s newspapers almost unanimously assumed their predetermined position and reflected the views of business. The *Victoria Colonist*, for example, asserted that Pattullo’s efforts to control marketing showed that he was travelling the road to state socialism, an opinion that was followed up with an allusion to Nazi Germany.⁷⁹ Further afield, the *Toronto Globe and Mail* likened Pattullo’s effort to control oil prices to Duplessis’ padlock law and to Aberhart’s attempts to regulate banking, and then indiscriminately branded them all as examples of creeping government dictatorship.⁸⁰

Similar views were expressed in the legislature when the bill to enable government intervention in the oil industry was debated. The Conservatives were led in their opposition to the policy by R. L. Maitland, who described it as “a studied deliberate bid for more power” on the part of the government. In his noisy way, he bellowed words like “dictatorship” and “communism” across the floor of the House.⁸¹ Pattullo was strongly supported by the left wing of his own party, but his legislation was also opposed by some Liberals. The opponents were led by Harry Perry, the long-time member from Prince George, who vigorously attacked the bill because he thought that it was a violation of “historic Liberalism” for the government to become involved in business.⁸² Now that regulation had reached a level that was unacceptable to corporate leaders, business opposition became more united while Pattullo’s caucus was increasingly divided. The Premier’s room to manoeuvre was therefore getting very restricted.

⁷⁷ Meltabarger to Carrothers, 26 September 1938, GR 178, Box 14, PABC.

⁷⁸ Blaylock to Pattullo, 9 May 1940, Pattullo Papers, vol. 66, file 18, PABC.

⁷⁹ *Victoria Colonist*, 30 October 1938.

⁸⁰ *Toronto Globe and Mail*, 23 January 1939.

⁸¹ R. L. Maitland, speech, 16 May 1940, Maitland Papers, Add MSS 11, vol. 1, file 8, PABC.

⁸² *Vancouver Sun*, 10 May 1940.

Pattullo, as he often did in tight political situations, pressed on regardless. He reiterated his own commitment to free enterprise and reassured people that, contrary to the claims of his critics, the government did not intend to control all industry in the province. The issue was now the control of oil rather than the protection of coal, and Pattullo made it clear that when business became so powerful as to behave as a law unto itself then the government must protect the people's interest. During the long period of litigation the price of gas had not been reduced according to the Control Board's regulations, and Pattullo therefore argued that the people of the province had already been "improperly obliged to pay" \$2,300,000 to the oil companies.⁸³ The ensuing gasoline strike and the disruptions that it caused only confirmed the degree to which gas had become a public utility and therefore should be controlled. For Pattullo it was not so much a matter of free enterprise versus government intervention as a question of whether the government or the oil companies would exercise control. While the government had no immediate intention of going into the oil business, the enabling legislation was necessary, quite apart from the dispute with the oil companies, because of the government's drilling program in the Peace River country. Pattullo hoped that this exploration program would be successful so that British Columbia would become a producing area rather than merely a market for offshore oil. Then, as he put it, the province "will not be dependent upon foreign gasoline in the hands of insolent companies."⁸⁴ On a more general level, he argued, as he had often done during the thirties, that since social and economic conditions were becoming more and more complex there was a growing need for increased government intervention.⁸⁵

Government regulation of fuels in British Columbia had, however, become a highly charged political issue as big business mobilized to defeat the Liberals. By the time that Pattullo had established the will and the right of his government to control oil prices he had only a little over a year left as Premier. In December 1941 he was replaced by the more conservative John Hart, who led a coalition government. As far as Pattullo was concerned, the primary reason for his political demise was his effort to control the price of gasoline. He wrote to Mackenzie King to explain that "not only did our action alienate powerful oil interests, but

⁸³ Pattullo, press statement, 1 May 1940, Pattullo Papers, vol. 64, file 2, PABC.

⁸⁴ Pattullo to J. L. Ralston, 1 May 1940, Pattullo Papers, vol. 72, file 5, PABC.

⁸⁵ For Pattullo's arguments see *ibid.*, and Pattullo, radio address, 15 May 1940, Pattullo Papers, vol. 65, file 5, PABC.

also allied financial interests which are opposed to that kind of legislation."⁸⁶ Certainly as soon as Pattullo was gone the regulatory apparatus that he had set up was rendered ineffective. Under Hart's premiership the Control Board was more receptive to oil company arguments for price increases. Much to Pattullo's annoyance, Hart also allowed private interests to take over the government's exploration program in the Peace River area. Having become much less effective, the Coal and Petroleum Control Board was finally dismantled in 1951, and with it disappeared the last vestige of Pattullo's effort to regulate the oil companies.

The vigorous efforts of the Pattullo government to control gas prices in the late 1930s indicate that sweeping generalizations about the relationship between government and business in Canada during the depression will only serve to conceal the complexities of the situation. Certainly conclusions cannot be based solely on the policies of the federal government, and there is scope for examining the question in provinces other than Ontario. John Richards and Larry Pratt have drawn our attention to the need to look at the role of other provincial states in the resource sector.⁸⁷ As yet, no detailed analysis had been made of the Pattullo government's response to the depression, but it was clearly more activist than most governments in Canada during the thirties. The Liberal government's attack on the oil companies in British Columbia did not produce radical changes, for none were intended. Pattullo was patently not motivated by ideology, and his ultimate objective was the preservation of capitalism. Nevertheless, while there was no "wide frontal attack" on big business, Pattullo's efforts did go further than mere "marginal skirmishing."⁸⁸

As was often the case when the state intervened in the marketplace in Canada, the Pattullo government's attempt to control the sale of fuel in the depression arose partly out of a desire to protect a local industry from foreign competition. Indeed, Pattullo's policies initially confirmed the longstanding relationship between the government of British Columbia and the coal mining interests of Vancouver Island. As long as government action was confined to investigation or imposing minimal regulation, big business did not raise any loud objections. But when the government moved to regulate prices, and therefore profits, the protests from most

⁸⁶ Pattullo to W. L. Mackenzie King, 22 December 1941, Pattullo Papers, vol. 58, file 2, PABC.

⁸⁷ John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto: McClelland & Stewart, 1979), p. 4.

⁸⁸ Martin Robin, *Pillars of Profit: The Company Province 1934-1972* (Toronto: McClelland & Stewart, 1973), p. 41.

sectors of the business community were immediate and vociferous. As the rhetorical volume was turned up, the issue became a political one and, at that level, Pattullo was finally defeated. The power of the multinational oil companies meant that Pattullo was, in the end, no more successful than the New Dealers in the United States in imposing price control. This scenario, played out in British Columbia in the 1930s, was to be frequently re-enacted in Canada, and in other parts of the world, after the Second World War.

In the context of the depression the Pattullo government had uncovered and then tackled head-on a problem that other jurisdictions, much more powerful than the province of British Columbia in the 1930s, would be unable to solve. British Columbia came to the issue early because, under Pattullo, the relationship between the state and enterprise was not quite the same as in the rest of the country. The last Liberal government in the westernmost province was less the client of big business and more vigorous in its response to the depression than most Canadian governments during that discordant decade. The virulence, and finally the success, of the opposition to Pattullo's effort to control the oil industry indicated that, in his attempt to reduce gas prices, he had gone far beyond the desire of many businessmen to be regulated by government.