
DONALD McDONALD

Date and place of birth (if available):

Date and place of interview:

Name of interviewer: Robert Bott

Name of videographer:

Full names (spelled out) of all others present: N/A

Consent form signed: Yes No

Initials of Interviewer: BB

Last name of subject: MCDONALD

MCDONALD: I was not interested in it, but Pierre said if you want to be in cabinet, you're going to do that job, so I did, and at the end of the two years, the incumbent, and now it escapes me who it was, stood down in National Defence and it was, yeah, the man who went over to become ambassador in Europe, so I was in National Defence for about a year and a half and then who had ever been in Energy, Mines and Resources left and I went back to Pierre and said, I'd like to go to Energy, Mines and Resources, so he went along with that and that's how I got into that particular task. And the first month or so of the job there wasn't much to it and then a set of events which I was not responsible for, this was the worldwide fights over oil and so and on, because of the hostilities in the near east, what had been a, kind of a busy, but not very exciting job, all of sudden became the main issue and of course the big issue that occurred was with Alberta Oil as far as the National Government was concerned, was how to make sure that we continue to be able to supply oil and gas to all parts of Canada.

The issue so far as Alberta was concerned is that they should have...they should be able to go to world prices and call their own shots. For a period of a decade or longer, really going back to the Royal Commission of the Tory times, they had set the price of oil which was about \$2.00 a barrel more than what the world price was, so for a decade they got the very favourite and then as soon as the prices went, the Premier said, no-no, we're entitled to have to have the highest possible prices, and we took the view that we were not going play that, so we had these fights over a period of a better part of a year and eventually, as you know, the price was stepped up over a period of a state maybe about three years, but this is how it came about and each one was negotiated usually at the either a general meetings of provincial governments, for from time to time, by the Prime Minister dealing with Lougheed, and I guess he probably would have had to deal with Saskatchewan at that time.



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BB: That was Alan Blakeney.

MCDONALD: Would have been Blakeney I guess, yeah.

BB: When did you, as you took over that portfolio, were you already sort of, in a general way, aware of the oil sands and there was the one project that GCOS was operating?

MCDONALD: I would have to say, really not. Really, I didn't know, I guess I knew it was there. Thinking back, I can remember just after the end of the war, a news thing that broke, that there were possibilities from the oil fields in the high north and my father, of course, would know something about the high north and he said, yes, that's right and so that was the first exposure to it and then nothing much, pretty much, happened as you know for decades after that.

BB: In your first year in the EMR portfolio, you had your staff working on that policy document that came out in the spring of '73; that was the one Hopper was involved, and as I remember, it caused quite a stir, especially the mention of a National Petroleum Company.

MCDONALD: Yeah. You know, I've forgotten the actual document and the times but that sounds, that's fair description of it, yeah.

BB: And at that point there was starting to be some mention of a possibility of expanding the oil sands rapidly.

MCDONALD: I'll tell you, there may have discussion of that but the event which really occurred and happened was when Atlantic Richfield withdrew from the deal that was then in the way of Syncrude deal, so that's really when there was serious concern all around as to what we should about this. And that of course led almost immediately to the Winnipeg meeting, in which we settled this as to how this should be handled.

BB: And that was February '75?

MCDONALD: That sounds about right, yeah.

BB: Yeah. What do you recall about the actors there, there was yourself, John Chrétien, and the officials, and then there was Lougheed and Dickie.

MCDONALD: There was myself and my staff, Jack...

BB: Jack Austin.

MCDONALD: ...Austin, in particular and for whatever reason, Chrétien went to the Prime Minister and asked to be headed to the group, although he didn't know a damn thing about the petroleum issue and you know, this was a guy who was already running for Prime Minister and if there was anything happening anywhere in the country, he would turn up, so he turned up at that thing.



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BB: He was President of the Treasury Board though?

MCDONALD: President of the Treasury Board; that was the reason that we were going to spend money. One of the amusing things is that the final deal was made right at the end of the all, and it had been sketched out on a piece of one of those boards, the paper big sheets on, so one of the company heads had to explain it to Chrétien, and you couldn't do on the thing, so he Chrétien got down on their knees and anyway, he did the sheet for them there and I forget what Mooney said, but it was a very funny thing at the time. Ask Mooney if he can remember what he said, remind him the fact that two of them, whoever the corporate boss was, one of the...and they were good guys, those corporate boss, who it was and what his comment was when he saw the two of them on their knees.

Anyway, that was it, but I think kind of the interesting, kind of drama in it, is that we all got together in Winnipeg and Bill Davis stepped forward and said that, he mentioned I think a figure that they were prepared to go with, and the Alberta Premier said in the rudest possible way, if that's all you've got to say Premier, than I go out and re-think your thinking on this one. You know, politicians are rude but the Premier of Alberta was exceptional in that respect and Bill, who had been a classmate of mine, I didn't know him well, but we'd be in a big class of about 200 with Bill Davis, but he was well known and liked, and he paused for a moment, and I thought oh shit here it goes, and in the very evenness tone, he said, very well Mr. Premier, we'll consider what you've said and we'll step outside and please keep us in touch with the conclusions you arrive at. And he had Darcy with him at the time, who also was a very good fellow, and so the two of them stepped out, but I thought it was...it's a class act of the Bill Davis that I always remembered, if it had been me, the meeting would have been all over because I would have described how little I thought of him, but Bill handled it very, very smoothly.

BB: He was good at that.

MCDONALD: I must say that looking back on his career, I've got the greatest respect for Bill, and of course he was a Tory running in Ontario, as I was, but there was never anything, we hardly had anything to do with each other, we really didn't know each other before this, but it worked out very well.

BB: Now that was Darcy McGee.

MCDONALD: McKeough, and it's tough to spell, M-small "C"-K-E-O-U-G-H.

BB: McKeough, right.

MCDONALD: Who, incidentally, is also a first class guy. One of the remarkable things is that it was McKeough's father-in-law that I defeated in 1962, Dave Walker, in order to become a member of Parliament, and it was symptomatic, both of the Walkers and McKeoughs that after that, we never had and to this day, we never had the best of relationships. So you know, politics doesn't have to be all hard-nosed.



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BB: Strange bedfellows. Now the federal involvement, did that mark a thaw, you know, things had been very prickly with Alberta, was that the beginning of a thaw?

MCDONALD: I think it's fair to say that, because we were coming up with a serious package of money so this thing could go ahead and I think that certainly some of the hostilities have certainly fallen off on both side. We weren't angels either but this was kind of a settling of how it should be handled and so on, and I think after this particular negotiation, it was easier after that as I recall. The other thing that may have made it easier for everybody is that I changed to another portfolio to become responsible for wage and price control so they didn't have to deal with me.

BB: Another hot seat.

MCDONALD: My colleague from Toronto took over the job at that time, Gillespie. He really dotted the last P's and T's with the Syncrude thing.

BB: Going back to the meetings, they went on for quite awhile, and of course, Shell walked out a one point.

MCDONALD: Yeah, they... basically the meeting were between the officials and the corporations, I don't think we had another ministerial meeting that I can recall, it was done, it was Hopper and the Deputy Minister who connect for me. Yeah, in fairness to Bill from Shell, Bill... anyway, in fairness to him, I had called him and asked him to come to the meeting and of course, he was with Shell and all the words came from across the water and Bill said I'll come along if it's helpful, but I'm not sure what I can commit to, so in fairness to Bill, after he came back and he said, look I can't come forward with the money and everybody understood that and he stepped down.

BB: Well they wanted a price guarantee as I recall.

MCDONALD: Yeah, that's right. And whatever it was, it was something we couldn't go for and they stepped down.

BB: Now Jack Austin's an interesting actor throughout your period. A lot of the role that had formerly been the National Energy Board and Policy sort of moved over to EMR staff under his guidance, in retrospect, do you have any thoughts on that?

MCDONALD: No, I have to say, I'm a great admirer of Jack, he... curiously, we were nearly in the same class at Harvard Law School and for whatever reason, he didn't come the year that I went, he went the succeeding year, so I hadn't actually known him, but we got to know each other afterwards, when he first came Art Liang, as a General Assistant and then he moved on from there to higher posts in the government. A man of great abilities and I think he was a very, very critical individual in dealing with that crisis and then bringing about some of the solutions that we got.

BB: But there was an economic nationalist kind of school that was quite strong in the Liberal Government at that time, the Walter Gordon.



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MCDONALD: Yeah, that's right and certainly Jack would have been very much in favour over that and of course, Bill was his guy who in due course was to take over the company and so on.

BB: Did you actually go out and visit the oil sands at some point?

MCDONALD: Yeah, and I think I was there several times. Certainly I've been there and I can't remember when in terms of ...but, yes the answer is. And of course it wasn't the neighbourhood that it became humming with business but I was there and we saw these great machines going down and so on, but I think ours became with two or three of their [...coming up?] for the first time and after that, I was back one of those times, either when I was probably, it was by then, I had gone to the private sector and would have been with one of the trips north with one of my companies.

BB: Alberta Energy Company.

MCDONALD: Alberta Energy, it would have been...

BB: They ran the power-plant.

MCDONALD: Yeah, it would have been with them, with Dave Mitchell and those guys.

BB: Well even when it was just GCOS, the scale was quite impressive.

MCDONALD: Oh yeah.

BB: Those big bucket wheels and...

MCDONALD: Nobody, I guess in most parts of the world had never seen equipment like that, its quite remarkable.

BB: The other thing that happened in 1975 provincially was that Lougheed started the big investment in research that eventually led to the in situ and the SAGD and the other things, I think as I recall, it was somewhat later when the feds started to actually get serious about research, any recollections of?

MCDONALD: No, I don't remember that.

BB: Again, in the, after you left the government, what was it '77?

MCDONALD: Actually, it was '78. February '78.

BB: '78. Well you mentioned this private sector involvement and also the Royal Commission was looking at the big economic picture, do you have any recollection what role oil sands, well did anyone envision that it would become the engine that's it's become?

MCDONALD: The master work is up there and I can't remember, if it was significant. The significant in the commission, of course, was free trade with the United States.



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BB: Which of course, played a role in making possible the market for the oil sand, but the prices were, I guess, the oil prices were so low in the mid-80's that it was kind of hard to envision where oil would go.

MCDONALD: Oh yeah.

BB: Again, when you were in London, were people curious about the High Commissioner?

MCDONALD: You mean any in relation to these issues?

BB: Yeah.

MCDONALD: Not that I can recall, no. I don't think Energy, Mines and Resources as a subject matter, was very much involvement with the High Commission.

BB: So international...

MCDONALD: There would be issues that would come up from Canada that I would be briefed on and so on, of course, I wasn't making any policy on them, I was just reporting and I very often, would get a report and go and see the respective minister and so on, relations in center view were very good, it was Thatcher's Government at that time, and but no, I don't recall energy being anything at that time.

BB: Now over the last twenty years, the oil sands have become a much bigger part of the Canadian economy, you have any thoughts on how that's changing the country?

MCDONALD: I don't think I've really got any reason to focus on that, I mean it's happening there. I don't have anything to say, nobody's asking for my opinion and so no, I haven't been following that in recent years.

BB: Going back to Winnipeg for a second, had the officials already been meeting when you politicians all arrived, or how did that unfold?

MCDONALD: I can't remember the timing of that; if there had been communications I think they would have been by the phone and so on, I don't think there would have been a meeting of officials before that. The decision that something had to be done, I think, was taken probably by the officials and we agreed on meeting in Winnipeg to do something about it, you know, it clickety-click, like this.

BB: Had Mr. Trudeau given you a mandate, or did you go back to him at some point?

MCDONALD: I'm sure the cabinet would have discussed the situation in that sense, I would have had some guidance, but it wouldn't be a specific, no figures were cited or anything like that but we're going go out there and find out what everybody was going to do and it was a genuine negotiation in the end.



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BB: I think Minister has a little more autonomy than compared to our current...

MCDONALD: I guess that's true, I mean certainly Pierre wouldn't intervene on questions of oil and gas policy, he was happy to leave it to me and there would be other Ministers who had interests, for example, like Art Liang who came from the west coast and there were some oil and gas interests there.

BB: He was A-I-N-G wasn't he?

MCDONALD: L-I-A-N-G, is right. Yeah, Arthur Liang.

BB: Another one of your Scots.

MCDONALD: Oh yeah.

BB: Minister of Industry, Trade and Commerce, was that Gillespie at that time? Might've been.

MCDONALD: That could be. Yes, that could well be.

BB: And then Chrétien, the money, or cause he wanted to be there.

MCDONALD: Yeah, that's right, yeah.

BB: Now, I'll have to check the history but I can't remember if Petro Canada immediately got that interest, 10% interest or if that was given to them later? I think it was later.

MCDONALD: I can't remember how that fits, of course, Petro Canada was hard-going because it had to go through Parliament and I had to see that through, so I'm sure that would have been after a period of time, just because of the lapse of parliamentary time.

BB: Yeah, and Harvey Andre, was very combative.

MCDONALD: Yeah. Sorry, we with...

BB: Petro Canada.

MCDONALD: Petro Canada yeah, and no the Alberta delegation in the Parliament was hostile, and I can't think, I didn't get along with any of them, but I had been House Leader before that, and on the whole, I didn't care for any of them, and the spokesman for the Government House Leader, the leader of the opposition's right arm, was an Albertan, and the Albertans didn't like him, he was the guy from the northern part of Alberta, and there had been this fight between the Diefenbaker people and the Premier of Nova Scotia as to who would be the leader and all the Albertan guys were still angry at the support of Pearson, so they just their anger away from that to the rest of Canada and when we got a chance to give them a kick in the ass, we did.



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BB: Politics is a blood sport. I'm trying to think what other aspects that are related to the oil sands period that we should do for this project; we can chat about things in general without the tape.

MCDONALD: I'm sorry?

BB: For the tape, I'm trying to think what else we should cover that might relate to oil sands, but I think launching Syncrude in Winnipeg, or rescuing...that was...

MCDONALD: That was critical.

BB: ...the critical event.

MCDONALD: And those kind of events moved on but I don't think it was difficult at that time, I mean, other companies came on in due course, and I think that took as much as a decade for that, for other people to go up and do business there. I refer to the fact that later on I went into, it would have been probably when I was a Director of Alberta Energy and then of course, it had dramatically changed.

BB: And then it changed again dramatically in the 90's with different technologies and things.

MCDONALD: But as you say, it was interesting that we had such a combative relationship with the conservatives in the House of Commons, but later on, I had such good relationships with people like Dave Mitchell, and so on, and the other members of that board too, they were real...got along very well, so it was a political thing, rather than an Alberta versus the rest thing.

BB: The relationship with Lougheed, I guess...well he had been newly elected in '71 and wanted to establish himself and you mentioned before, in '73, '74 things were very combative, and it was basically a struggle over control and revenues.

MCDONALD: Yeah, that's right. And both he and the Premier of Saskatchewan were saying these are our assets and we're entitled to the side with the policy is and considering the fact that industry had gotten anywhere because there had been some national institutions put in place, was not something that we accepted. You know, they were saying, no-no, it's our oil, you can do what you like and say, excuse me, but those are pipelines that no thanks to you were built by the Canadians generally, what are you talking about? And that was the kind of difference of viewpoints that we had.

BB: Well there had been, all through the 50's and 60's, Alberta wanted markets for his oil.

MCDONALD: And fair enough, and we gave them the markets and what I can never understand looking back, is the oil was there, the market was there, and so on and then the Liberal Government further assisted them by putting in, they were trying to put in a gas pipeline and they voted against it? Those dumb bastards, on the Conservatives side, I mean what a bunch of phonies they were! I mean, that's always, I look with some contempt on George [mumbles], I mean it was just dishonest and I have to say, there didn't seem to be an honest man in the press gallery either, somebody saying just a



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minute now, isn't this going to be in the interest of you guys to put your gas in the eastern markets of Canada and the United States, no-no, we're going to prevent that from happening, what was wrong with that country that I was just a young fellow, but looking back at it, you know what the hell were we talking about?

BB: Well you had David Crane, he was your main defender, the Toronto Star economics writer.

MCDONALD: The voice of freedom, as we call it.

BB: Black and white and read all over?

MCDONALD: Yeah, blue all over! Anyway, that was a viewpoint that I had certainly, and the interesting thing is, of course, my mother was a westerner.

BB: Where was she from?

MCDONALD: She was in Winnipeg, and my grandfather and his brothers had a publishing company in Winnipeg called Stovel Press.

BB: Oh okay, I've run into that.

MCDONALD: That's my middle name. And in my mother's generation, it operated, actually you'll see there's a little paper up in North of Hamilton, called the Confederate, a little local paper, which was founded by my great grandfather, called the New Mount Forest Confederate, it was founded by great grandfather in 1867 and so they ran the paper for basically his lifetime, but when the railway opened in...what was that, about '85, '86, '87? Great grandfather picked up the family and they all went out to Winnipeg and ran the Stovel press, which ran for two generations and then just after the war, they divided the company. Actually, they sold it...who was a big money man here, he was in whiskey business here...

BB: Not Tyron Walker?

MCDONALD: No.

BB: Seagram? Goodam?

MCDONALD: No, it wasn't whiskey people necessarily, although they were in the beer business, he was the big money man down there at the time, anyway, but my family sold and of course, so of relatives are still there, but, so there was a background there at that time and my cousins in Winnipeg always had a different viewpoint than we did as we grew up, but when I was just beginning to be aware of these things, it would have been in late 30's and then into the 40's and of course, they'd been through a very tough time in Winnipeg, and so far as I was concerned then, I didn't know anything about the oil industry, the industry that really mattered was at grain trade and my mother would say



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that hardly any Winnipeg took place at a Winnipeg cocktail party without somebody talking about what was happening that day in the grain trade, it was that important. Of course, it changed.

BB: And you mentioned your dad was a forester, so different natural resources.

MCDONALD: Yeah, and he's of course, from St. John, New Brunswick. So it was a totally different family background.

BB: So did you grow up in Ottawa or here?

MCDONALD: We grew up in Ottawa, he was actually... I've got a whole bunch of my Stepchildren are involved with St. Effects and my father, from St. John, New Brunswick, before the first war, spent his first year at St. Effects, Catholic family, then he decided that he wanted to change, then he shifted over to UNB and took the three year course and became a forester. His career was just about to burst forward, that was the in spring of 1914 and then he joined the Federal Forest Service, and he and a lot of the other young guys in the Federal Forest Service were inducted into the Canadian Forestry Corp. and then sent over to Europe, to Britain, to cut the big trees, they knew how to do it and so on.

BB: To Scotland?

MCDONALD: To Scotland. My father went over with that group and then after some time doing that, he joined the, what was it called, the Royal Flying Corp. and I think in his second or third combat flight he was shot down and spent out the rest of the war in prison camp, and of course by then, all of his, except for one of his brothers, all the rest were all over the world and they all thought the D.A. was dead and the journal in [mumbled], Ottawa, [rigging? ringing?] obituary of, and then he came back of course, got to read his own obituary and I think, you don't have to tell this one but I always like that I wrote my own [address?], I said well what was it like? He wouldn't talk about being in Germany as a prisoner, but he said the great thing that happened was that things were so bad in 1918, that the Brits sent a ship around to Rügen, the Island in Germany where they were all prisoners, which took them up to Denmark, then back to Britain, so all these young guys had been in prison for...and they moved into a motel in London, and they all their pay and allowances had stacked up and he said, my father didn't tell me this, but one of the other old guys said, we ran a party for three or four days until we ran out of money and then we went and reported to our units after that.

BB: I think we've probably covered most of it.

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