
PRESTON MANNING
Executive Director and Founder,
Manning Centre for Building Democracy

Date and place of birth (if available): June 10, 1942; Edmonton

Date and place of interview: October 21, 2011, Preston Manning's Office

Name of interviewer: Peter McKenzie-Brown

Name of videographer: Peter Tombrowski

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

Consent form signed: Yes

Initials of Interviewer: PMB

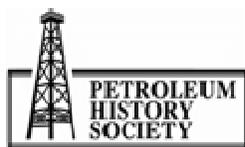
Last name of subject: MANNING

PMB: So Preston, I'd like to begin with a question about building democracy. Yesterday was the day that Colonel Gaddafi was killed in Libya. Libya's going to have some considerable challenges to meet as it builds its own democracy. Will they call you into help?

MANNING: I don't think so, but our focus is on trying to raise the knowledge and skill levels of participants in Canadian democracy, and try to get the political people a little bit better prepared for when they do get to office. But it's encouraging in the Middle East, this Arab spring, with all the problems it brings along. A number of brutal dictators have been brought to an end and you can do nothing but wish the rank and file of people in Egypt and Libya and other countries success in what they're trying to do.

PMB: Do you have a sense that democracy is flourishing in Canada or not?

MANNING: Well, participation is declining which is one of the big worries. People don't see participating in elections, or joining parties as being a priority, particularly younger people, so there's this democracy deficit that has to be concern to all the political parties and all the Parliaments of Canada and all the legislative assemblies.



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PMB: Now I'm going to shift back a few, well a number of decades. Your father was perhaps the most successful, well certainly one of the great politicians in Canada, of the 20th century. He was the Premier of Alberta from, was it 1945 to '68?

MANNING: '43 to '68, yeah-yeah...

PMB: '43 to '68, yeah.

MANNING: Long run at it.

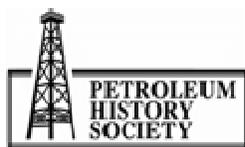
PMB: But he was also one of the very great proponents of the oil sands in the earliest years, and that is really is where I would like to begin this conversation. So would you begin by, please, giving me a brief biography of your dad?

MANNING: Well he was born and raised on a homestead in Saskatchewan; his dad broke some original prairie sod around Rosetown. And he and his brother had an interest in modern technology, which in those days was radio and they ordered one of those crystal sets, the early radio crystal sets from a Montgomery Ward Catalogue and erected this arial on this homestead home. One of the first radio broadcasts they picked up was William Aberhart, who was a high school principal here in Calgary, but also a Christian layman who had pioneered Christian radio broadcasting. He had this radio program and my dad was impressed by him, and made a personal commitment of his life to Christ by listening to this and when Aberhart started a school for ministers, my father was, I think, the first student or one of the first students to enroll in it.

This was a bible institute on 8th Avenue here in Calgary. And so he came over and studied for the Christian Ministry and became kind of an administrative assistant to Aberhart. And then when the Depression hit, Aberhart had a soup kitchen in conjunction with this school on 8th Avenue where the fellas that were riding the rails used to jump off the trains to get away from the CPR police, they would show up at Aberhart's soup kitchen. And he started to see in these line-ups these young people that he'd sent off to be lawyers and doctors and teachers and it just sent him around the bend, that there had to be some solution to the Depression, and so he picked up this social credit idea that was circulating at that time in England and started to talk about it on his radio program, half of it was now religious, the other half was, what's the answer to the problems of the Depression. And of course, out of that came some study groups who ended up deciding to run candidates in the 1935 Provincial Election in Alberta, on this social credit idea.

PMB: The social credit idea originated with a Brit by the name of Douglas....

MANNING: Yeah, Major Douglas. The idea, it was sort of a "Poor Man's Keynesian Economics." When the economy is flat, if the government primed the pump by expanding credit, you could get the engine going again. And Aberhart was not in favour of these study groups going into politics. He saw himself as an educator but they ran candidates. Anyway, my father ran as one of these first candidates, he got himself elected as, well...



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PMB: How old was he?

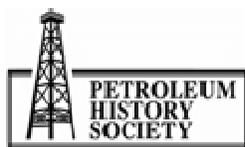
MANNING: I think he was 26 or something like that. He ended up being the youngest cabinet minister in the British Empire at that time and of course, in the 1935 election, Albertans threw every last member of the government out of the house and put in these new people. My father said the only thing that you had to be able to assure the electorate in 1935 was that you'd never set foot in the legislature before, and that was enough to qualify you. So he ended up then in the government because Aberhart was called upon to run himself and become the Premier. And then when Aberhart died in 1943, my father succeeded him and was Premier right up until he retired in 1968.

PMB: Okay and we'll talk now a little bit about his relationship with the oil sands and the work that he did. One of the things that I find really fascinating is his relationship with J. Howard Pew. Now just to put this in context, I was looking for J. Howard Pew on Wikipedia a few months ago and I found his entry and there was no reference of any kind to the oil sands or his involvement in the oil business. It was all about his Christian ministry, so I went in and I added the stuff about the oil sands and his involvement there. But you know his life, although he was one of the most successful business people in the United States, he really seemed to see himself as primarily a Christian, or is that true?

MANNING: No I don't think that is true. I think his faith was all intertwined with who he was and what he did but he was an enormously, not just successful, but effective businessman in the U.S. The Pew Family, as I recall, were particularly big in the ship building industry during the Second World War, built a number of the ships that ended up being in the convoys on the Atlantic. I think, although I met Pew on several occasions, I think he was one of the very early proponents of continental energy security, partly because of the war situation. He saw how vulnerable North America was when submarines could destroy tanker traffic and I think he attached a lot of importance to continental energy security, which may have been one of the reasons that attracted to him to oil sands. Of course today the oil sands and continental energy security are inseparably locked up, but this would have been in the 50s. Just going back to my father's involvement though in the government before Pew, as you know the Alberta Research Council was the first provincial research body of its kind in Canada, I think established 1921, and that's where Karl Clark worked and developed the hot water extraction process, patented it, I think, in 1929. And when the Depression hit, the UFA government, and it would have been the same no matter who is the government.

PMB: That's the United Farmers of Alberta.

MANNING: United Farmers of Alberta, yeah, who governed Alberta from 1921 to 1935, but they couldn't continue to fund the research council. So it went, the University of Alberta kind of rescued it, or I guess the government said can you guys take care of...and they sustained Clark and his work from 1935 to sometime in the early 50s, but when the social credit government came in, like they were aware of all this, Aberhart was a big proponent, even in the Depression of trying to keep funding universities. In fact, he was willing to risk the life of his government on that, so indirectly by



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the government continuing to fund, at a pretty modest level, the University of Alberta, one of the few scientific projects in Alberta that managed to keep afloat during the Depression was the Alberta Research Council, now under the University of Alberta, and Karl Clark's work. So goodness knows what would have happened if that had all been abandoned in the Depression, fortunately it wasn't so that the technology was available when there finally came a day when J. Howard Pew felt they could build a commercial plant.

PMB: Very interesting. I believe that J. Howard Pew started Sun Oil, just after the First World War.

MANNING: Yes, it had a long history.

PMB: And of course, at that time, there had been the one war, suddenly oil was an essential commodity and he realized it, and so from that time I suppose he would have been concerned about continental energy supply.

MANNING: I think that's one place where my father and Pew hit it off. Father used to be amazed, that he felt Ottawa was one of the few national capitals in the world that didn't regard petroleum as a strategic resource. My father passed away in 1996, but even in the early 90s he maintained the last federal minister who had a strategic view of petroleum and how it fit into the economy and the defence of North America was C.D. Howe, which was a long time back.

PMB: He retired in '54 or something, didn't he?

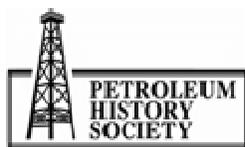
MANNING: That's right, yeah-yeah.

PMB: Okay so I'd like pursue this and I don't want to spend a lot of time with this. J. Howard Pew was a huge force in the history of the Canadian Oil Sands. But so much of it seems to have been driven by the friendship between your father and himself. Could you tell us a little bit about that?

MANNING: Well the story I heard, and you've got to remember, this is a long time back now, my memory is probably hazy, but I think...

PMB: I believe you would have been ten or twelve years old or something when they developed their friendship.

MANNING: Well I first went to Fort McMurray in 1962 when the government had decided to proceed with the project. But before that, or just slightly before that, J. Howard Pew and Clarence Thayer, who was his chief engineer and Pew was in his late 70s or maybe even his early 80s, I forget, and Thayer wasn't much younger. These two old guys wandered into my father's office and said we can build a commercially viable oil sands plant where no one had succeeded before, and there had been all kinds of attempts and pilot projects and schemes, none of which had come to fruition. And I guess my father was impressed enough with them to carry on the discussion, which eventually got into all the due diligence on the engineering and the legal aspects. What Pew needed from the Alberta Government besides all the permits and things of that kind, in those days of course, this is



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the early 60s, Alberta couldn't sell all its conventional oil, so if you produced synthetic crude from this plant, where was the market?

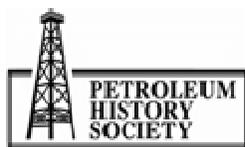
The Alberta Government would have to cut back, prorate some of the conventional production in order to make a place for synthetic crude, which was very politically unpopular because you were cutting back. So in the end of the day, after all of the due diligence, as I understood it, on the engineering side and on the legal side, and the technical side, it came down to whether father and the government believed that these guys could actually build this 40,000 barrel a day plant and Pew and his group had to believe that these political people in Alberta would actually carve out a piece of the market, without which the plant was not financeable. And they had a number of meetings as I understood it, and then eventually, I think they flew around in a helicopter one last time over the Athabasca and stopped somewhere.

Well father looked Pew in the eye, and said we believe you can build a plant where nobody's done it before, a 40,000 barrel a day plant, and we're prepared to give you a lease and a permit. And Pew looked him in the eye and said, and we believe that you will honour the commitment to create a market for this, without which, we cannot finance the plant. And they shook hands on it, and that's what sealed the deal. And I tell this story in business schools because certainly on these kinds of decisions, there's all kinds of due diligence that has to be done, and must be done, but at the end of the day it's amazing how many some of these big projects come down to a couple of individuals and basically whether they trust each other or not, and that was the other dimension to that relationship. If they didn't trust each other then that wouldn't have gone ahead.

PMB: But they did more than trust each other, they became very good friends. In Brian Brennan's book he talks about them going up to Lake Louise for the summer with each other.

MANNING: Yeah, I think that's one part, I think Brian's book is the best biography of my father by far, but I think that's one area that's a little bit, not quite accurate. I think he mentions them going on holidays together; my folks never went on holidays with anybody, other than the family. And the holiday consisted for years including all during that period, because I vaguely remember it, of two weeks and they would go to Qualicum Beach on Vancouver Island that was the place. And there were oil guys at Qualicum Beach but they were holdovers from the Turner Valley days, Jim Lowery, Bobby Brown, Homer Wylde, that group. I think his relationship with Pew was first and foremost business to government and government to business and the one time they might have met, they occasionally might have met in the mountains. When the plant, when construction got under way, J. Howard Pew used to rent the Point Cabin at Jasper Park Lodge, the Point Cabin was a very special cabin there.

And he would live there during the construction time and fly over to McMurray from there and he and my father met on a number of the details, if not in the Premier's Office in Edmonton, at the Point Cabin in Jasper. But I think their relationship was basically business to government, government to business, but the other factor that did influence it, particularly the trust factor was they had both had a spiritual interest in commitment. Pew was an old Presbyterian and my dad was a



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Baptist. I think they used to maybe argue about predestination versus free will. I think my father used to kid too about whether if you believed in predestination that the plant was predestined to be built and then why did he need the permission of the Alberta Government? That was a factor I think in their relationship, but I think it developed a little bit later on after they got to know each other.

PMB: Now, once again, my last comment on Brian Brennan's book. He argued, he made a little bit of a criticism of your father. He asked the question, was it appropriate for Sun Oil to give, I think the amount was ten-thousand a year, toward his radio ministry, toward your father's radio ministry. And Brian's...nobody has really answered the question. Was it appropriate, was this maybe a conflict? What's your thinking about that?

MANNING: Well first of all, I think where Brian got it was from an article in the Toronto Star, which was anti-Alberta, anti-oil patch, anti-social credit and anti-evangelical Christianity. So I would kind of question....

PMB: So it was a very balanced story....

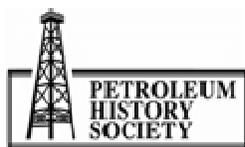
MANNING: Yeah, real balanced story, yeah! And Pew apparently did give a contribution to the broadcast, but if you know anything about the Pew Foundation in the United States, when they support a project they give hundreds of thousands of dollars, if not millions to whatever causes they support. The fact that they give ten-thousand dollars a year to this radio broadcast in Calgary, I think most of your fundraising people would say this was a token contribution to show respect to it.

PMB: And I believe at that time, Sun Oil was the, I think it might have been the 7th largest oil company in the United States or something.

MANNING: Oh yeah, and when you think of the magnitude, even the Great Canadian plant was a 70 million plus project, unlocking billions of dollars' worth of wealth and if someone's naïve enough to believe that a ten-thousand dollar charitable contribution would influence that decision, then I think that we could sell them the Fort McMurray Bridge.

PMB: Thank you very much. Your father once, after the Leduc Discovery of 1947, I believe your father took on the job of being both Premier and Energy Minister, and I believe he kept those two positions until the end of his term. Am I right about that?

MANNING: No, I don't think so. He felt the Premier should always have another portfolio just to keep the size of the cabinet down. So he held...like he was Provincial, he held almost every portfolio, he was Provincial Secretary before he became Premier, I think he was Commerce, I forget what the name of the department was, he was Attorney General for a while. He did have the... of course, originally Alberta didn't have an energy department, it had Mines and Minerals. Petroleum, up until Leduc, was a pretty small part of that, it managed a little bit of what was left from Turner Valley. And during a fair amount of this early period, Nathan Tanner would have been the Minister



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of Mines and Minerals, who ended up impressing the oil patch people so much, that when Trans Canada ended up being built, then you had two groups...

PMB: He became the chairman of Trans Canada.

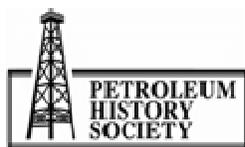
MANNING: ...they only person that the two competing groups could agree on to be the head of Trans Canada was Tanner, so he lost Tanner to Trans Canada. But he might have held that portfolio for a while but certainly not towards the end.

PMB: Okay, I was wrong about that. Can you tell me, I'm sure you had this discussion with him many times, going back as far back as you can remember, how important did he think the oil sands were?

MANNING: I think they considered it important. I say the fact that between the university and government they managed to keep Karl Clark in business during the Depression. Like in 1938 when Alberta defaulted on its indebtedness, it couldn't pay the interest. The budget of the Alberta Government was seventeen million dollars, the previous, the Liberal administration from 1905 to 1921 ran up this huge debt on railway building. I think by the Depression years, it wasn't the UFA's fault but it was up to a hundred and fifty, a hundred and sixty million dollars, this is 1935. And the Alberta Government in '38 was forced to. It couldn't carry the interest and so that's when Alberta when on the pay-as-you-go, because they couldn't borrow after they defaulted from 1938 to '51. So the first sign of their interest and commitment was trying to keep that research alive during that terrible financially constrained time for Alberta.

And then of course, after Leduc, that's when the social credit administration really came to grips with how did you develop the oil industry, how important it was, how did you convince Ottawa and the rest of the country that it was important? Because, as I say, Ottawa didn't seem to have a strategic view of petroleum, they established the regulatory regime, and part of that was the heritage from Turner Valley, the new opportunities from Leduc, and then from Red Water and Swan Hills and the fact that the oil sands were there. And while today, of course, there's meetings and rallies protesting the accelerated development of the oil sands, in the 50s there were meetings protesting the slowness of developing the oil sands, particularly at the universities and mainly from the engineering people and the scientific people, that said look you've got these huge, untapped resource, surely there's some way of figuring out how to develop it and how come you're going so slow.

So it was I think a combination of that interest plus that pressure that when Pew came along, and so there were a lot of previous attempts, pilot project proposals, that when Pew came along, with his "we think we can do it", and I think the government was skeptical, oil in the early 60s never sold at more than three dollars a barrel, but Pew and Thayer saying they thought they could do it, and given their background and their willingness to put money into it, that moved oil sands development into a new level.



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PMB: Now there were a couple of experimental projects in the 30s and these were Abasand and Bitumount; and just after the war, I believe, well maybe it was during the war the Provincial Government became involved with Bitumount, or was it after the war?

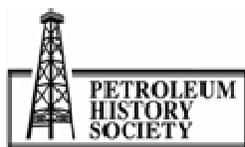
MANNING: I'm hazy on that time, but there were these, there were these continued attempts to try to do something usually through establishing pilot plants, and the government would authorize the pilot plants and would authorize taking some oil sand and trying to use it but none of these came to fruition and that's what created the scepticism up in Fort McMurray that I think I mentioned to you. My first visit to Fort McMurray was in 1962 just when the government had decided that they were going to give a permit, I used to do some political work for my father, just volunteer and he wanted those, at that time there was about 1500 people living in, I mean pretty modest conditions along the Athabasca and Clearwater River and he wanted them to know that this is going to go and you should be ready for it.

And so I went up and knocked on a few doors and faced the scepticism, "Is it, Sonny? We have heard this story a hundred times before." And there'd be press releases, and there'll be a pilot project and they'll bring in some buildings, but notice they'll always be on skids so that they can haul them back out and they were the last ones to believe. And so when the Edmonton speculators, once it became known that the project was going to go because they rushed up to try and buy up the land in Fort McMurray and these guys sold it to them at three or four times what they thought it worth because the developers ended up probably selling it at ten to fifteen times what it was worth, but there was that scepticism in the early days, partly because there had been all these attempts and talk about but they'd never come to the stage of a commercial plant.

PMB: Now I want to go back just a little bit in time on this, and I can acknowledge you were probably nine or ten years old when this happened, but the Alberta Government, if I recall, did get involved in the Bitumount project and then considered Sidney Blair, who was one of Karl Clark's, he and Karl Clark were a little bit at odds with each other, but they were also colleagues, and of course, Sidney Blair was the father of Bob Blair who became well known in the pipeline business. So he commissioned, the Alberta Government commissioned Sidney Blair to do an economic analysis.

MANNING: Blair was the head of Canadian Bechtel at that time, that's why Blair was... and Bechtel had the expertise. And part of the tension between Clark and Sid Blair, I knew Sid Blair, I remember him, was the classic tension between the research scientist and the technologist now who is going to try to move what's going on in the lab, into a commercial venture, which is very typical, you know. The fact that they did know each other and respected each other probably eased the transition, because often that's a very difficult relationship. The scientist wanted to keep it, and who's this guy that wants to go and make money with it.

PMB: Sid Blair basically, if I recall, Sid Blair concluded that at two and a half bucks or something per barrel, this was, or whatever the price was, this project was, the oil sands were commercial. And then the Alberta Government convened two conferences, one in 1951, one in 1952 on the oil sands and after the second one there was a huge land rush. I don't know what that means in terms of



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number of leases, but there were a bunch of leases taken out on the oil sands and of course, there were very few people. One was the Champion group which later became the Great Canadian Oil Sands, and the other was with Cities Service and that became Syncrude. So that's the story as the best I can recall. I wasn't here at the time. But for that period of time, do you have any recollections of any of that?

MANNING: Not much of that period, but I kind of got knowledgeable about Blair and his continued advocacy that commercially viable project could be done around the early 60s. I was at the University of Alberta from '60 to '64, we started out in physics and Bill was an engineer and I remember him still promoting the... the idea that it was viable at two and a half, or three dollars a barrel depended on another assumption. How long and how patient were the people putting up the money, because I don't think Blair was under any illusions it would make money at that oil price in the first five years, ten years, but if you had long-term money in it that was willing to wait a long time, you know, the longer you made, then the profits would start to offset the early losses, and I think he was dead right on that, as I understand it or vaguely remember it. Suncor, Great Canadian's plant did not earn more than its cost of capital until the 26th year, which is long-term investment.

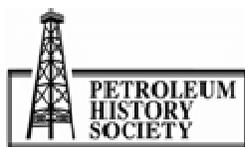
But yeah Blair was quite instrumental and he was the president of the Canadian Bechtel and of course he drew on the resources of the Bechtel Corporation in the United States that had a lot of experience in big projects, moving a lot of dirt, this would be a mining operation as much as an oil operation, and Blair was a big contributor. You know, Karl Clark, Sid Blair and then J. Howard Pew and then Clarence Thayer, those were some of the early pioneers.

PMB: Those were the good days, great pioneers. Syncrude of course, was also, as I recall it put its proposal to the ERCB the same time that Pew and Sun Oil did. I think they both put their proposals before the board in 1962, but of course Syncrude's position was that without a hundred thousand barrels a day or something, they just didn't want to put any money into it.

MANNING: Yeah and Syncrude, I remember going over to see Frank Spragins when he had that little Syncrude office over in Sherwood Park and Frank had this map on the wall, not a map, it was kind of a flowchart, that you could make almost any conceivable thing out of oil sands. He had all the ...I mean there were trace elements of other elements and minerals in that oil sand and I remember Frank had this. My naïve impression as a student was, Is this an oil operation or was it a mining operation of which oil was a part? I don't know if that was part of the Cities Service application but yeah, and the board had to decide which application had the best chance of going.

PMB: Now was their decision based on the need to pro-rate because Syncrude wanted a lot of ...?

MANNING: That was my understanding, now this is all just from sort of hearsay and me hearing conversations, but I think that was the situation back then, Alberta was struggling to sell it, it couldn't sell its gas, or until Trans Canada was built and the trunk line system was built, like Alberta went through that whole struggle, we've got this oil and gas but we can't sell it. So if you bring on



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more production, what are you going to do, you have to pro-rate. I think that was a big factor in Pew getting finance.

PMB: The GCOS. The Great Canadian Oil Sands Project, I'm sure that you had many discussions with your father about that project before it was developed, and at the time of development and of course he retired from his Premiership just after that project. The project came on in Canada's centennial year.

MANNING: Yeah, '67.

PMB: And he retired just after that.

MANNING: '68, yeah.

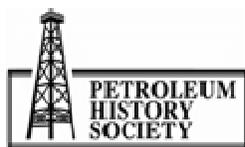
PMB: And so can you, maybe talk about that?

MANNING: Or maybe Peter, before you get on to that, just when you mentioned earlier about the earlier applications. One of the most peculiar ones was that Atlantic Richfield proposal to detonate a nuclear device. That was a little bit different technology than Karl Clark's hot water process.

PMB: And can you tell us a little bit about that please?

MANNING: Well again, my knowledge of it was just from hearsay. But apparently Atlantic Richfield had this proposal to detonate a low grade nuclear device at the base of the oil sands and the theory was that it would melt the sand and create a silicon bubble and the oil would run to the bottom in the middle of the bubble, and then you would drill down through the bubble and take out the oil. I do remember my father mentioning that and also joking about it. But the only problem was that any automobile running on that gas would glow in the dark, it wouldn't need lights. And we had a little fun with it politically, in those days Fort McMurray was part of a big northern riding that included Lac La Biche to the south, it was a huge...I think it was called Lac La Biche/Fort McMurray, and it was one of the few seats that was held by Liberals in the province and the Liberal leader at that time, was a real pleasant, nice fellow, but the government really wanted him to stay as Liberal leader because he wasn't too effective on a provincial level, but he was a real nice level, Mike McCagno.

And so I was talking about these young guys, we heard about this nuclear thing and we went to Mike and said, "The government's thinking of detonating a nuclear device in Lac La Biche." And of course he reacted with horror, and I said, "But Mike, it's a Liberal riding. What would be wrong with setting off a nuclear device?" And of course he caught on in about 30 seconds that we were pulling his leg. But it was apparently a serious proposal and I think what eventually stopped it from going any further was the test ban, the treaty banning underground nuclear testing. Then the United States and Russia was searching for some way of stopping the proliferation of nuclear devices, and one of the first steps was a ban on underground nuclear testing, which in effect, put a kybosh on the



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project. I doubt whether it ever would have got to the practitioner's stage, but that was a kind of interesting, kind of.

PMB: Now I had the privilege of talking to your father about this, in around 1986 or '87 and I asked him about this specifically, and he said that, at one stage, everything had been approved. The Federal Government approved it, the Provincial Government approved it.

MANNING: Yeah, it got to the cabinet; I know it got to the cabinet.

PMB: The American Atomic Energy Commission had agreed to provide the device, and the thing was basically ready to go.

MANNING: Well I think when they say it's been approved, it is approved to test, it still had to be tested somewhere and it was conditional on the tests working out. And then when the testing got banned, it just stopped because of one of the few conditions on going any further. Oh yeah, I know it got to the cabinet.

PMB: And when I spoke to your father about it, he specifically said that public attitudes, public opinions had really turned against atomic weaponry. So this was around the period 1960.

MANNING: Yes, yes, quite an interesting idea and probably beneficial that it didn't proceed.

PMB: Okay now the importance of Great Canadian Oil Sands.

MANNING: Yeah, and I interrupted you there. Well, I mean he... now his relationship with Great Canadian and Sun too, the government, you know approved the plant. His view was that the role of government was to create the regulatory and the legal framework for the oil industry but then to the let industry do its thing within those parameters and I don't think there was a lot of interference, certainly no political interference. He just said to Pew, okay, got the permission, you've got market, go and build the thing. And as I recall it, was finished on time. It was to take five years and it was approved in '62 and by golly it opened in '67 and I do remember the day that it opened. I went up there and the thing I remember at that time was all the airplanes at that Fort McMurray airport, the oil patch guys from all over creation wanting to take a look at this project and there were the usual speeches and that. And by then Pew must have been...

PMB: He was 88, I think.

MANNING: Oh, okay, I was going to say well into his 80s yeah, and it was quite a day, and with a lot of optimism and hope that this was a new era in oil development in Alberta.

PMB: And in its way it was.

MANNING: Oh yeah.



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PMB: It was a tremendous day...

MANNING: And Pew took a terrible beating, I mean people said, why did he do it? The man was one of the wealthiest men in the United States, he didn't need the money. And he took a terrible beating from the Sun Oil shareholders because it never earned money for a long, long time. And they'd have these shareholder meetings in Philadelphia and the old man would be sitting up there and shareholders get up and tear a strip off them for... It was ridiculed on two fronts, one is someone said you bought moose pasture, and the other said it was a white elephant and somehow they got combined, so it was accused of having white moose, which was apparently a terrible insult. And I think Pew just took it all, just took it all and said at the end of the day it's going to pay, and it's going to pay the investors but it's going to take a long time.

PMB: And the way it actually worked out, it paid other investors because Suncor, of course, became independent. And then just after it became independent then that project began to turn around.

MANNING: Yeah-yeah-yeah. No it was... and the big... apart from the plant, but everyone went up to see was the conveyer system, because they had those, this was the big bucket-wheels that were going to pick up the sand and throw it on this conveyer and take it into the plant and of course, one of the early problems was those bucket-wheels kept breaking down under the cold temperatures and then they'd tear out a chunk of tar sand that weighed two tonnes and throw it on the conveyer belt and tear the belt to pieces and they had a dickens of a time, and I think it wasn't until they kind of went back to the shovels and truck technology, which some people would say was a step backward, that the economics improved.

PMB: And of course the bucket-wheel reclaimers were originally developed for coal, which is a soft commodity, isn't it, by comparison.

MANNING: I guess that was it, yeah.

PMB: You went to the official opening in 1967. What recollections do you have?

MANNING: Well as I say, mainly of all these planes at the airport, where did all these people come from? Like there was oil people from all over the place that came to it. I remember that. I remember Mr. Pew being pretty old and for a young person, that was fairly impressive that the pioneers of innovation, you normally think are younger people who are willing to take a chance and who are going to be around to see the rewards and I remember being impressed, but that couldn't have been Pew's motivation. And then Thayer too, they were an older generation that accomplished this huge innovation.

PMB: Now I interviewed somebody, and I'm trying to remember who it was, who was around at that period and he was involved with the Suncor project and he said, one day he went into the Calgary Petroleum Club and somebody said that's one of those oil miners, went to the manager and tried to have him thrown out.



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MANNING: Well there was resentment because they had to be made room for that production and there as a lot of scepticism in Calgary. I remember Harley Hotchkiss saying, on the day that Great Canadian's permit was announced, that he was in the Petroleum Club and he and other people with an engineering background were shaking their heads about, I cannot see how that can make money at two-fifty or three dollars a barrel, and in a way they were right. It's just that Pew looked at it over 35 years, and they were looking at it over a shorter time.

PMB: I heard Pickens on the radio, what's his first name?

MANNING: Boone Pickens.

PMB: T. Boone Pickens on the radio one day, and he happened to live in Calgary at that time.

MANNING: Calgary, Mesa Petroleum, oh yeah.

PMB: He was in the Petroleum Club, and he made the comment that the project won't make money until oil hits five dollars a barrel. Well he was right!

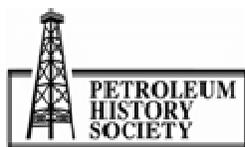
MANNING: He was right, he was right!

PMB: And then your father retired just after GCOS, Great Canadian Oil Sands, went on stream. Coincidence?

MANNING: Yeah, I don't think there was any connection between the two. I mean he was pleased to see the project come to fruition. But by the '67, '68, his main emphasis was on the Government of Alberta tabled what was called the white paper on human resources development and his thesis at that time, he was getting ready to retire because he felt that the only chance for the governing party was to renew itself. It had to renew itself from an independent office since 1935. It had to adopt some new ideas and new thinking and although he had lots of new ideas and new thinking, as long as he was the head, and he had been around forever, people wouldn't believe that there had been any change or any new thinking.

But he got out of this idea, that Alberta, partly because of its pioneer history, partly because of the traumatic years of Depression, had a fixation with physical resources development, with survival basically. With the farmers it was survival and then the Depression it was survival and physical resource development, first through the soil and agriculture and then through oil and gas was the way Alberta was going to survive and prosper.

But he would start to raise the question, to what end? To what end is all this economic and physical development? Is it an end in itself or isn't there a broader purpose to improve the quality of life or the people here and the people in the country, so he got onto this, the next focus for the Alberta Government should be more on the human resources development and devoting the revenues that were going to come from, particularly from the oil patch to expanding and developing the education, social, old age security system for the Province. And that was his main preoccupation his



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last couple of years. He saw the oil sands as a contributor to that, although, still at that point it wasn't putting much revenue into confers of the Alberta Government, it was still very dependent on conventional oil and gas.

PMB: I'm going to return to Brian Brennan's biography. He had a really interesting comment in there. He said that in the late 60s, I think the time he talked about was 1967; you and a group of colleagues were just young politicians. And you became quite tuned in to political/social developments in the Province and beyond and you obviously fed a lot of that information back to your father. Well, Brian also says that at one point you were actually suggested as perhaps the successor to your dad. Now you were 26 or something years old. What was your thinking about the potential economic significance of the oil sands, you personally, Preston Manning, at the period in the 60s, did you give it any thought?

MANNING: Well, because I was aware of it and had followed it and I thought it was certainly going to be bigger part of the future than the conventional oil and gas people felt. I had no sense of how long it was going to take, or on what scale, but I think anybody that grew up in that period, the oil sands were part of the equation where if you grew up in the earlier period, it was sort of an odd extraneous thing, it wasn't really seen as part of the overall oil patch, but I was very impressed by all of that. And even the earlier figures that Karl Clark had and that Sid Blair had, and the projections of how much oil there was if you could ever figure out how to get it out, on an economical basis was pretty huge. And that part of the problem was starting to develop politically, the one that happened politically in the year after was there was a bi-election in the Lac La Biche/Fort McMurray riding which still included a big part of the south and I was the campaign manager for that by-election and it was the typical problem of the two towns in the riding, Fort McMurray in the North and Lac La Biche in the south.

PMB: And Fort McMurray only had a few thousand people in it.

MANNING: Yeah, and Lac La Biche was the bigger community but if you got a candidate from McMurray, Lac La Biche wouldn't vote for them. If you got one from Lac La Biche, McMurray wouldn't vote for them. So I was the manager of the social credit, the government party's campaign and we got a candidate from Fort McMurray, Clare Peden, who was a former mayor, one of the guys whose door I had knocked on. He was a character, one of these northern characters, he was the candidate. This is all within the social credit party from Fort McMurray and a doctor from Lac La Biche, Dr. Bouvier, was the candidate from... he became an MLA.

So we scrupulously, we took both of them, we took them both to Edmonton and introduced them to all the cabinet, we always had to be together, by the end we had a hundred pictures of them shaking hands with their arms around us, so if one of them bolted after the other got the nomination, we could say, well there were battles up until the very last.

So we had this nominating meeting and it was one of the first times they had a dual meeting, had part of the meeting in Fort McMurray and people came to the meeting and heard the speeches and



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put the ballot into this box, and then we took it down the next night to Lac La Biche, and the McMurray guys were so suspicious of this whole process, because I was the manager I kept the box, but they were afraid somebody was going to stuff the box between McMurray and Lac La Biche, so that night we drove down to Lac La Biche and then they had these two scrutinizers, two great big burly fellows and they insisted in sleeping in my hotel room, to make sure no Lac La Biche guy got in and stuffed the box.

And in the end, Dr. Bouvier won the nomination and had this by-election, and it was one of the last elections in Alberta where we had a whistle-stop. In those days, a whistle-stop campaign, in those days the old NAR Railway was still operating, it went from Edmonton up to Waterways, and still had passengers, one of those day-liners. And so we rented a day-liner from the NER and father and the candidate went through all those little communities along the NER, some of which were not accessible, but all of which were starting to get life because of what was going on in Fort McMurray and that was one of the last whistle-stop campaigns, and the government won that seat. That was after 1967, Peter Lougheed was now coming along with his group and he had a candidate in there, but the government candidate, Bouvier, won that seat, and partly on the strength of the government's record and finally getting something going in Fort McMurray and the oil sands.

PMB: I wanted to have a second part of this interview. You have been a very prominent figure in Canada for the last 20 years or 25 years You created the Reform Party and you led it for its entire period. And that's started about 1987 or thereabouts, '87, '88. Did you, the Reform Party, have any policies related to oil sands? If yes, what were they?

MANNING: Not specifically. One of our major emphases was that the west wants in. The west was a big, growing, developing, important region in the country making ever-increasing economic contribution, in which we would have included oil sands development, the energy industry itself, the whole resource contribution that was made by Western Canada and we felt that the Federal Government, Federal Parliament never gave the weight to this kind of development, to western economy that it should. So in that general sense we argued for a stronger position. Now we argued it through, we tried to get Senate reform; we didn't have more effective regional representation in the center.

We, of course, used the National Energy Program as an illustration of the bias that the Central Canada had – a program you know lifted a hundred billion dollars' worth of wealth out of the oil producing areas and transferred either to the Federal Government or the consuming provinces. The main intersection between what reform was doing and oil sands would have been on, is the west wants in and the west needs its resources and its interest to be given a higher priority than it had been in the past.

PMB: A friend of mine, Bob Taylor, I'm sure you know Bob, tells me about a recent presentation you gave. He said that you argued for an idea you called NASA 2?

MANNING: Oh yeah.



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PMB: And I think that refers to the North American Strategic Alliance or something, and it's a reference to the original moon mission. Can you explain this to me? Bob explained it. I think I understand it.

MANNING: Well this was at a forum called the Big Ideas Forum, that's put together by the main oil sands producing companies and it was partly a brainstorming session: Are there any big ideas that would advance oil sands development and take care of some of the problems it faces. So I argued that the big externality in oil sands production is environmental in Alberta, and oil sands being pounded for not giving enough attention to dealing with the environmental consequences, not just the CO₂, but the water demands, the increasing demands on the Athabasca River system. So I suggested that when the Americans wanted to get to the moon, they didn't create the "get to the moon" department of the government, which is probably what Canada would have done – one Deputy Minister thanking another Deputy Minister for coming back and 14 Assistant Deputy Ministers. They created a contracting organization, the National Aeronautics and Space Administration that basically said the objective is to get to the moon. They put a lot of money into it and then they asked, Is there anybody else out there in the public sector/private sector that can contribute ideas and technology to help us get there?

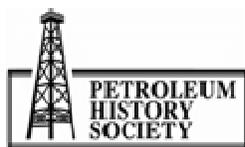
So I suggested well what if you created an agency called NASA 1, the North American Sustainability Agency, whose object is sustainable continental energy security, which would require it to address these big environmental problems connected with the oil sands? And I suggested two sources of revenue for it. One is the U.S. Defence Department and I've used this argument before around Calgary, that when an American congressman says that oil sands oil is dirty oil, I say what do you consider clean oil? Surely you don't consider that oil from the Middle East clean oil? That's bloody oil. You people are spending fifty to a hundred dollars a barrel; no one's quite sure what the number is on defence, in order to secure that supply. The great externality in Middle East oil is defence; our great externality's environmental.

If you took five to ten dollars a barrel of what you're spending on defending Middle East oil, and goodness knows how much you'll spend if Saudi Arabia ever goes sideways. Put that into a fund with us, to address these environmental externalities connected with oil sands. Wouldn't North America end up with a more secure supply, at a lower cost, all costs in? And so I presented this idea to the forum, and I do think some major effort like that to address the environmental consequences of oil sands development would be in the producer's interest, in Alberta's interest, in Canada's interests, and in North America's interest.

PMB: Okay.

MANNING: I'll give you a copy of the talk.

PMB: I would love to see it, actually. If you could email it to me, that would be great because first of all we save those kinds of document, we'll put that in your file. Bob's explanation of it was not quite the same as yours!



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MANNING: Maybe I didn't explain it clear enough, I only had about 15 minutes, so....

PMB: Role of government in oil sands development. Obviously it's been involved really from the beginning. The Alberta Government has been involved in oil sands development, going back to Karl Clark and before that the Federal Government with Sidney Ells. He was involved in the oil sands even before Karl Clark, since 1915 or 16.

MANNING: Well when Clark patented his hot water process you see that was before 1930. That was in 1929, when the natural resources of Western Canada, including Alberta, were still under federal jurisdiction.

PMB: Okay, what do you think of the role of government in oil sands development. It's been there I would suggest since the nineteen-teens, Federal Government; 1920s, the Provincial Government, and then of course around 1931, the resources were deemed to be Alberta's. So ever since then, it's mostly been Alberta. What is the role?

MANNING: Well I think first of all, because the resources are ultimately owned by the people of Alberta, they've got a stewardship role with respect to insuring that they're developed in a responsible manner from the standpoint of the owner, which is the public. And then secondly I think they have a role in creating the framework and the legal framework and the conditions under which that development occurs, including... . In the early days, they funded a lot of their research, in latter days the industries funded a lot of the research, but in the early days they funded research where the industry wasn't in a position to do it. I think the third thing though is that's where the government's role should be, representing the owners and creating the framework but utilizing the expertise and the energy and the initiative of the private sector to actually do the development and the management of the resource. I think that's basically been the philosophy in Alberta, not just in the social credit regime, but of the subsequent conservative regime and even the United Farmers before social credit.

PMB: And yet in the 1970s Peter Loughheed created AOSTRA in which the government poured, it was something in the order of one and a half billion dollars or something, into developing the oil sands technologies. Any thoughts on that?

MANNING: Well I think there is a role for governments supporting research, but I don't think you want to over rely. I think that it's important that the people that are going to do the actual development themselves, do a fair amount of research as well. And a lot of AOSTRA's work was partnerships with industry because if you get this old problem that was way back in Karl Clark's days, how do you get a good idea from a laboratory in Edmonton to the oil sands in Athabasca? And I think you want the private sector pretty heavily involved in the research end as well as the government support.

PMB: Last and this kind of continues into that idea. Progress of research and development in the oil sands: has it been rapid? Do you expect it to be more rapid?



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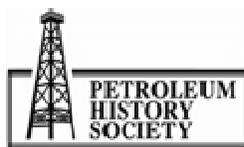
MANNING: Well I'm not that close to it, but I think it has been. They're moving, of course, into in situ recovery which is the next major approach to extracting that resource, which has required a lot of research and development and to get that far. I think the biggest challenge with the oil sands is how to cope with the environmental aspects and they've made progress on the water, I think in the early day it was six barrels of water for one bottle of synthetic crude, I think some of these newer projects are down to one and a half barrels, but I think that that's the area where a major emphasis has to be made on coping with the environmental externalities, and to the extent that that's done successfully, it gives oil sands a better access to the North American market in particular, the American market. To the extent that that's not done and not seen to be done, the big criticism of oil sands would be its environmental impact.

PMB: Any thoughts on habitat loss or CO₂ emissions?

MANNING: Well the other point I made at this great ideas conference, was that I think we're being forced towards, I think it's a good concept actually, towards so-called full cost accounting, or lifecycle accounting for the development of energy sources where you, whatever energy source you're developing, including oil sands, you make a very good thorough assessment of what are the negative environmental consequences associated with that. What would it cost to avoid them in the first place or to mitigate them in the second place and incorporate the cost of that avoidance or mitigation into the cost of the product, as a so-called full cost account? And I think the regulatory system and the political system is forcing oil sands development towards that so they have to take into account everything. What's the impact on the Athabasca Watershed? What's the impact on habitat? What's the impact on boreal forests? and try to figure out ways to avoid it or mitigate it and eventually get that cost into the product.

Now the one thing I would add and I think oil sands producers should make this point every time: If you're going to apply full cost accounting to us, you have to apply it to every other energy source. So you're going to get mad at the oil sands producers for tearing up a couple hundred square kilometres of boreal forest, fine, the hydro people have flooded forest areas of the extent of Lake Ontario, so if you've got a tax or a levy on oil sands producers for what they've done, where's the reservoir tax for the hydro guys, where's the radiation tax for the nuclear guys? Sure they don't produce a lot of CO₂, but they produce one of the most deadly poisons known to man, that is extremely costly to try to mitigate. Where's the levy on the solar people and the wind people? Because none of these energy sources is environmentally neutral, so I say, be as sensitive as you can on the environmental file with respect to the oil sands development, but whatever standard you're going to apply there accounting-wise, apply it to all energy sources. And it may still mean that hydro is greener than petroleum, but the difference will not be between zero and a thousand, or between night and day. It will be between six hundred and eight hundred, say.

And if we don't do that, I don't see how you can efficiently allocate capital among the development of those energy sources. It would be like if you had one financial accounting system for the miners, and one for the farmers, and one for the manufacturers. Well, how would you ever evaluate their performance or allocate capital among them? You need a standard system.



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PMB: Very good. Last general question: how do you expect the oil sands industry to develop? Say anything you want here.

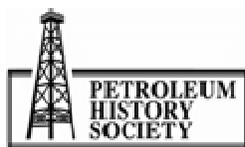
MANNING: I think if you accelerated every conceivable conservation, energy conservation project that we know of in North America, if you accelerated all the development of alternative energy sources, all of which I am in favour of, your demand for petroleum is still going to be huge, in the worldwide demand you might get it down from a hundred million barrels a day, to eighty million barrels a day, but there's still going to be a huge demand for petroleum. Particularly in this transition period, if we're transitioning to some other form of energy. And so the oil sands are going to be needed and they're going to be needed for continental energy security, and the obligation on us is to develop that resource, as responsibly, and I mean, environmentally and socially responsibly, not just financially, in a financially responsible manner, and I see that development continuing and expanding.

PMB: Preston, I was actually brought up in the States and I came up here a long time ago. But I recall when I first came here, it was around 1970, there was a lot of attitude in Canada that the resources are ours. I think it was President Nixon at that time who was proposing a continental energy policy, and of course the Canadians were putting out these placards that said "Nixon drinks Canada Dry" and that kind of thing. So is there a conflict on this idea of having a continental energy policy? What if there isn't enough oil for Canada and we're still obliged, I think we are under the Free Trade Agreement, to send energy down to the States. Can you kind of put that into context?

MANNING: Well I think the regulatory regimes, both the National Energy Board and the Energy Resources Conservation Board here, set up in such a way as to ensure there is always a supply for Canada, that the exports won't trump meeting Canada's need. I think that's important and I do think that's in place. I mean it just makes common sense. You're going to put your own needs ahead of anybody else's, and anybody who thinks that nobody is prepared to do that is dreaming. Secondly, in particular with the Free Trade Agreement and globalization, the North American economy is becoming more and more an integrated economy, whether we like it or not, and to do deny that would be foolish. And then thirdly, the United States is our biggest customer. If it doesn't have energy to do the things it's doing, its role as a customer will decline. I once raised, in a meeting with Mr. Cheney and some of his officials, this idea of continental energy security and Canada's contribution to it and then putting more money into the...

PMB: Dick Cheney is the former Vice President of the United States.

MANNING: Yeah, this is when he was Vice President. And I got onto this business of what are you people spending to defend the Middle East oil? And his energy person there said, one of the points he made in trying to discuss what the number would be was that even if the United States did not import a single barrel from the Middle East, they would still make major defence expenditures to secure oil supplies in the Middle East because their biggest customers were dependent on it in Europe. So I think that same concept applies to Canada. If its biggest customer needs energy in order to produce the things it produces and buys the things it buys from Canada, we've got self-



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interest in supplying that need. So I think there is a future for the oil sands. I do think that coming to grips with the environmental consequences is the biggest externality that has to be dealt with, so we have to come up with new ideas, just like Karl Clark and Blair and Pew came up with an innovative idea to extract the resource. We need that kind of thinking and that kind of innovation to cope with the environmental consequences.

PMB: I'll ask a question which might be related to this: the Excel Pipeline into the United States. The new expansion is being met with a lot of criticism and demonstrations and so on right now, and at the same time of course, the oil industry is hoping to build an export pipeline to the west coast. Now how would these lines fit into the issue of continental energy strategy?

MANNING: I would think the more you can avoid or mitigate the environmental consequences of these projects, which is what the opponents focus on, the more you will deal with the fears and lessen the resistance. The more that you deny that there is a problem, or just try to fix it with advertisements in the Washington Post, I don't think that's really coming to grips with it. I think we should acknowledge there's environmental impact. Every economic process uses ecological goods and services. The plants in Fort McMurray take water from the Athabasca River, they don't get a bill from the "Athabasca River Corporation", but they are using that resource and there's outputs that are harmful to the environment.

The more we can take care of those, recognize and take care of them, avoid them and mitigate them, the more you will reduce the argument that these things shouldn't be done. I say to our American friends, particularly the environmental groups and the protestors, if you want to send a signal to Canada that this oil is not wanted, reduce your demand. Canada's responding to your demand. You can have protests, but after the protest you drive to the service station and fill up your car. That signal is coming through here a lot louder and clearer than your protest.

PMB: Or you might fly to Washington to protest!

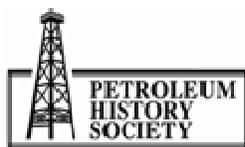
MANNING: Yes, to protest!

PMB: Last question goes to you; is there anything we've missed, anything you would like to comment on?

MANNING: No. I think it's important for people to know the story and I think this is a good project that you're engaged in. Often in Canada and in Alberta because it's such a young province, we don't record and value and celebrate our history – the mistakes as well as the accomplishments, because often you learn more from your mistakes than you do your accomplishments. To try and interview, while there are still people around that remember some of these early days particularly in the oil patch, I think that's a good thing, to the advantage of the Province and the industry.

PMB: Thank you. It's been a pleasure.

END OF INTERVIEW



Sponsors of The Oil Sands Oral History Project include the Alberta Historical Resources Foundation, Athabasca Oil Sands Corp., Canadian Natural Resources Limited, Canadian Oil Sands Limited, Connacher Oil and Gas Limited, Imperial Oil Limited, MEG Energy Corp., Nexen Inc., Suncor Energy and Syncrude Canada.