

THE UNIVERSITY OF MANITOBA

A SOCIOLOGICAL EXAMINATION  
OF THE DEVELOPMENT OF THE ELECTRICAL  
UTILITY IN MANITOBA

by

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## A B S T R A C T

The primary purpose of this thesis is the study of the process of developmental change as it is manifested in the electrical utilities industry in Manitoba. Toward this end, a socio-historical account of the institutional development of that industry is traced from 1875 to 1974. Subsequently, having identified the Manitoba Legislative Assembly session of 1912 as critical to that development, a conflict perspective is employed drawing from the works of Moore, Simmel, Coser and others in the interpretation of relevant events which occurred during that session. The major issue of the conflict was seen to be between proponents of private ownership and the advocates of public ownership. The relative import of various social interests in this conflict over time was documented and systematically analyzed in their effects upon the ultimate action taken by the assembly. The results of the analysis indicated that conflict appears to be a major factor in the developmental change process in the electrical industry in Manitoba.

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## LIST OF FIGURES

- Figure 1    Development of the Concentration and  
Ownership Structures in the Electrical  
Industry in Manitoba 1873 - 1974 ..... 60
- Figure 2    Development of the Ownership Structure  
of the Electrical Industry in Manitoba -  
Its Causes and Consequences ..... 66

## LIST OF TABLES

Table 1	Ownership Structure of Electrical Utilities in U.S. & Canada .....	3
Table 2	Trend in Cost of Domestic Service in Winnipeg .....	37
Table 3	Comparison of Hydro Prices under Private & Public Ownership .....	38
Table 4	Chronology of Hydro/Thermal Generating Station Development in Manitoba .....	71
Table 5	The Historical Development of the Electrical Industry in Manitoba 1873-1974 .....	72

# CONTENTS

## Chapter

	ABSTRACT	
	ACKNOWLEDGMENTS	
	LIST OF FIGURES	
	LIST OF TABLES	
I	INTRODUCTION .....	1
II	THEORETICAL FRAMEWORK .....	7
III	THE HISTORICAL DEVELOPMENT OF THE ELECTRICAL INDUSTRY IN MANITOBA .....	29
	The Formative Years .....	29
	Formation of the Private Monopoly .....	33
	Winnipeg City's Struggle to Change Her Charter .....	35
	Development of Winnipeg Hydro ....	40
	Debates over Power Rates .....	42
	Rural Electrification .....	45
	Further Development of WERCo ....	47
	Manitoba Hydro .....	50
	Winnipeg Hydro Becomes a Public Monopoly .....	52
	Development of Manitoba Hydro ....	53
IV	ORGANIZATIONAL DEVELOPMENT OF THE ELECTRICAL INDUSTRY IN MANITOBA .....	59
	Concentration Structure .....	61
	Ownership Structure .....	62
	Types of firm ownership .....	62
	(a) Private Companies .....	63
	(b) Public Companies .....	63
	(c) Mixed Companies .....	65
	Types of Industry Ownership .....	65
	Mixed Industry .....	67
	Development .....	68

Chapter

V	CONFLICT ANALYSIS OF THE 1912 STRUGGLE .....	75
	The Legislative Session of 1912 .....	76
	The Seven Reese Bills .....	76
	Functions of Conflict in Consolidating Groups and Identifying Their Boundaries .....	83
	Urban-Rural Conflicts .....	86
	Analysis: Functions of Conflict in Consolidating Groups and Identifying Their Boundaries .....	88
	Preserving the Larger Group: Safety Valve Institutions .....	90
	Legislature in Session 1912 .....	90
	Privy Council Decision .....	98
	Litigation of 1906 and Decision .....	103
	Analysis: Functions of Conflict in Preserving the Larger Group and the Significance of Safety-Valve Institutions .....	106
	Ideology and Conflict: Objectification of Goals .....	110
	Analysis: Ideology and Conflict: Objectification of Goals .....	130
	Conflict Establishes and Maintains Balance of Power .....	134
	Analysis: Conflict Establishes and Maintains Balance of Power .....	152
	Impact and Function of Conflict in Group Structures and Conflict Binds Antagonists .....	156
	Analysis: Impact and Function of Conflict in Group Structures .....	161
	Analysis: Conflict Binds Antagonists ...	162
	Summary: .....	164
VI	SUMMARY .....	171
	Limitations .....	174
	Further Research Required .....	176
	Conclusions and Implications .....	177
	APPENDIX A .....	181
	Some Speculations and Interpretations of the 1912 Struggle .....	181
	The Aftermath .....	190
	BIBLIOGRAPHY .....	195

CHAPTER I  
INTRODUCTION

In the early 1900's the question of private or public ownership of the electrical utilities was a matter of urgent debate in North America. In the 1930's<sup>1</sup> a United States Federal Trade Commission conducted an extensive investigation based on utility records, and committee reports. It found conclusive evidence that from approximately 1919 on, the electrical and gas utilities in the United States had carried on a vigorous propaganda campaign whose primary objective was the total disparagement of all forms of public ownership and operation of utilities. The Commission revealed that this was probably the largest peacetime propaganda campaign ever conducted in the United States by the proponents of private ownership of the utilities. Evidence for this was not drawn from conflicting testimonies, but from the minutes and documents of the privately owned utilities themselves. The Commission found that the records revealed that the campaign was carefully planned by the owners and executive heads of the private utilities. On the other hand, the defenders of the principle of public ownership claimed, for their part, that utilities were a so-called "natural monopoly".

1. J.V. Garland et al., The Reference Shelf, The Crisis in the Electric Utilities, Vol. 10, No. 10, The H.W. Wilson Co., N.Y., 1936, p. 25.

The dispute over the nature of such so-called natural monopoly utilities has remained a central issue since that time. As a result, the ownership and control of the electrical industry on the North American continent today remains, after lengthy conflict, partly private and partly public. (See Table 1).

A similar struggle took place in Manitoba. In 1895 the Provincial Government granted the City of Winnipeg the right to build and operate an electric utility, but limited its investment to \$75,000.00. This sum was too small to allow the city to enter effectively into the electrical utility industry, as we will demonstrate when we discuss the operation in detail.

Over the years many electric utility companies had been incorporated in Manitoba. By 1904 the Winnipeg Electric Street Railway Company, through amalgamations and purchases over the previous twenty years, had emerged as the sole producer and distributor of electricity in its major market, the City of Winnipeg. However, a small group of public ownership proponents actively campaigned for the public ownership of an electric utility in Winnipeg. In 1906 such a publicly-owned utility, Winnipeg Hydro, was incorporated by the Provincial Government. In 1911 it produced its first hydro power and began distributing it within the city in competition with the privately owned utility.

TABLE 1  
OWNERSHIP STRUCTURE OF ELECTRICAL  
UTILITIES IN U.S. & CANADA

	1964*		1970**		1971***	
	U.S.	Can.	U.S.	Can.	U.S.	Can.
<u>Private</u>						
Non-Operating Holding Companies	10	4	12	2	12	2
Wholesale Generating Companies			22	4	25	5
Service Companies			9	2	11	1
Investor-Owned Companies	327	23	244	15	274	13
<u>Public &amp; Mixed Ownership</u>						
Municipal Systems	1805	425	1775	408	1769	410
Rural Electric Co-operative	939	1	932		923	
Public Power Districts	65		65		58	
Irrigation Districts	8		7		7	
U.S. Government	24		26		40	
State or Province-Owned Systems	12	7	12	8	9	9
County-Owned Systems	2		1		1	
Mutual Systems	8		5		2	

SOURCE: \*Electric World Directory of Electric Utilities, 1964, 73rd ed., McGraw-Hill, Inc. N.Y. 1964.

\*\* Ibid., 1970-71, 79th ed., McGraw-Hill, Inc. N.Y. 1970.

\*\*\* Ibid., 1971-72, 80th ed., McGraw-Hill, Inc. N.Y. 1971.

Note: The figures published for the utilities are those given for the previous year, but shown as for the current year.

The breaking of what had been a monopoly provoked many conflicts between the private and the public utility. The struggle continued until 1953 when the private company was purchased by the provincially owned Manitoba Hydro. By 1961, after approximately forty years of conflict, the two public utilities that we have today emerged as Winnipeg Hydro and Manitoba Hydro.

In this study the issue of private vs public ownership is discussed, not in order to demonstrate the merits of either system, but simply to present the developmental-change-process as it occurred in the electrical utility industry in Manitoba, and to discover how the transformation took place. We will use a conflict perspective in interpreting the relevant events. To do this we have compiled a socio-historical account of the institutional development of the industry in Manitoba between the years 1875 and 1974. Our study has shown us that the Manitoba Legislative Assembly Session of 1912 was the critical point in the history of this developmental change process.

In order to examine and analyze this change process logically, the theoretical framework for a conflict perspective is given in Chapter II, where the functionality of conflict, as it applies to conflict between groups, is stated as it is laid out by Lewis A. Coser.

In Chapter III, the macro-history of the electrical industry in Manitoba is traced from its inception to 1974. The critical session of 1912 is placed in its historical setting and the reader is given a prismatic picture of the whole development of the industry in Manitoba.

Chapter IV gives the organizational development of the industry in Manitoba. Its purpose is, firstly, to show how the transformation from totally private ownership through oligopoly to a private monopoly was carried out and, secondly, to describe, with their causes and consequences, the transitional stages from private monopoly through part private and part public ownership to an ultimate total public monopoly.

Chapter V contains a micro-examination of the 1912 Legislature Session that appears to have been the decisive factor in the developmental change process of the industry. The struggle between the various antagonists is analyzed here in terms of the conflict perspective already presented.

The final chapter, after a summary of the main arguments and events, discusses some of the limitations, conclusions and implications, both in its theoretical and practical aspects. The appendix gives some speculations and interpretations of the 1912 struggle.

The long history of the electrical industry in Manitoba has seen both production and ownership structure completely transformed. In approximately forty years concentration and production, from being merely competitive, changed firstly to an oligopoly, then to a monopoly. Ownership structure moved from being totally private to totally public. It was the 1912 session of the Manitoba Legislature that appears to have been the decisive factor in this developmental change process.

CHAPTER II  
THEORETICAL FRAMEWORK

That social systems change is evident from history, but how they change is a subject of discussion and debate among social theorists.

Wilbert E. Moore in his book Order and Change, defines social change as

the significant alteration of social structures (that is, of patterns of social action and interaction), including consequences and manifestations of such structures embodied in norms (rules of conduct), values, and cultural products and symbols.<sup>1</sup>

In his book, Social Change,<sup>2</sup> he states that change is general and inherent in social systems. He does not view social change as a purely modern phenomenon, but as something normal. It takes place more rapidly today than previously, it has causes and occurs in sequential chains. The latter view is suggested by Coser's propositional arrangements outlined, but not substantiated by empirical evidence in his book, The Functions of Social Conflict.<sup>3</sup>

Moore claims that there is a persistence of patterns which gives both order and constancy to recurrent events and that a social system requires its units to be actors or role-players, whose interaction is governed by norms. He holds that

1. Wilbert E. Moore, Order and Change, Essays in Comparative Sociology, John Wiley & Sons, Inc., New York, 1967, p.3.
2. Wilbert E. Moore, Social Change, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1963.
3. Lewis A. Coser, The Functions of Social Conflict, The Free Press, New York, 1956.

many earlier social theories were merely theories of change. They attempted to explain the present by viewing the past. The father of sociology, Comte, saw civilization beginning with a theological base, moving through a metaphysical period until it ultimately reached a positivistic stage when society could be understood scientifically.<sup>4</sup>

After the publication of Darwin's theories on biological evolution, the idea that the scientific understanding of society first began with the concept of social evolution, was invoked in order to account for changes in societies. Lewis Henry Morgan,<sup>5</sup> Edward B. Tyler<sup>6</sup> and Herbert Spencer,<sup>7</sup> were all social evolutionists. Their evidence, however, is relatively modern in terms of evolutionary change. Even archaeology has not produced prehistoric evidence of any significance that will explain social change.

In the 1900's some scholars, like Albian W. Small, suggested that the hopeless search for origins should be abandoned, since social culture can only be understood within its own concept. The early functionalists, A.R. Radcliffe-Brown,<sup>8</sup> and Bronislaw Malinowski,<sup>9</sup>

4. Wilbert E. Moore, Social Change. pp. 6,7.  
 5. Henry Morgan, Ancient Society, N.Y.: Holt, 1877.  
 6. Edward B. Tyler, Primitive Culture, 3rd American ed. N.Y.: Holt 1889.  
 7. Herbert Spencer, First Principles, N.Y.: Appleton, 1890.  
 8. A.R. Radcliffe-Brown, Structure and Function in Primitive Society, London: Cohen, 1952.  
 9. B. Malinowski, "Culture", Encyclopedia of the Social Sciences, N.Y.: Macmillan, 1930. Vol. 4 in 1930 ed.; Vol.2 in 1937 ed.

developed a basic doctrine that a society or culture can only be explained in relation to the total social system. R.K. Merton,<sup>10</sup> challenged, amended and extended these functionalistic assumptions. The functionalist idea of the integration of social systems was criticized by Pitirim Sorokin<sup>11</sup> as "functional teleology". He claimed that social systems show discordant elements and as such are not necessarily "eufunctional", that is, helpful or advantageous in the survival of the system. They can be "dysfunctional" in the system. In functionalism the notion of static, integrated social systems prevails, but implicit as the idea of survival is, selectivity does occur, dysfunctional patterns drop away and functional ones persist. Thus an apparent static theory becomes a dynamic one. Functionalism has now been extended to identify the functional requirements of a social system.

Coser affirms the idea that conflict is functional in bringing about change in society. This is not to be taken as a singular theory of change.<sup>12</sup> Similarly, one must not seek for a single cause or direction of change. Change may be slow or quick, nonviolent or violent, spasmodic or continuous, orderly or erratic.

10. R.K. Merton, "Manifest & Latent Functions", Social Theory and Social Structure, rev. ed., Glencoe, Ill.: The Free Press, 1957, Chap. 1.

11. For reference to Sorokin's criticism, see Marion J. Levy, Jr., The Structure of Society, Princeton: Princeton University Press, 1955, pp. 52-53.

12. For a classic critique of monistic theories, see Pitirim A. Sorokin, Contemporary Sociological Theories, N.Y.: Harper 1928.

Moore states that where strain and conflict exist in a social system an attempt will be made to solve the problem, and that conflict thus provokes an attempt at a solution which is change. Seeking a solution will necessitate alleviation of tensions and compromises. Groups in conflict also tend to increase their internal cohesion.<sup>13</sup> This represents but one aspect of conflict in a variety of elements in social changes.

Like R.K.Merton, Ralph Dahrendorf in his book, Class and Class Conflict in Industrial Society,<sup>14</sup> regards "theories of the middle range" as the immediate task of sociological research. He tries to explain the theory of social classes and class conflict, which, of course, brings in the essence of Marx's theories of class, by analysing post-capitalist industrial society. He sees social structures as not only changing, but creating some of the elements of change within themselves. Some of these forces in conflict may cause a modification of existing norms and institutions. He shows how the change process takes place within groups which he had discussed theoretically and empirically.

13. Wilbert E. Moore, Social Change, p.65

14. Ralph Dahrendorf, Class and Class Conflict in Industrial Society, Stanford University Press, Stanford, California, 1959.

Dahrendorf studies social conflict problems as they affect total societies as well as problems of change, conflict and coercion in social structures. In Part Two of his book he deals with conflict analysis in the political post-capitalist society.

Whereas Karl Marx had held that changes and conflict appear to be present and dominant in every society, Dahrendorf maintains that, for conflict to exist, a society must contain elements of stability, integration, functional co-ordination, and a consensus of values among its members. These assumptions are also accepted by structural-functionalists and by integration theorists like Parsons. They are useful methods of sociological analysis when certain kinds of social processes are being evaluated.

The integration theory, however, does not allow us to comprehend all societal problems, industrial strikes, for instance. It tells us that there are certain "strains" in the "system". To cope with this problem it must be replaced, by what Dahrendorf calls a coercion theory of society. In simple terms, it says: In every society the process of change and conflict is present. A coercion theory will allow us to cope more satisfactorily with the causes and consequences of a strike, where the antagonists involved are in conflict and where conflict functions as the change agent.

According to Dahrendorf the two theories should be viewed as complementary and not as alternative aspects of the structure of total societies. We have only to choose between them to explain a specific problem; both are useful tools for sociological analysis. Dahrendorf briefly states that "we cannot conceive of society unless we realize the dialectics of stability and change, integration and conflict, function and motive force, consensus and coercion".<sup>15</sup> It is nearly impossible to think of society without involving both of these theories, since conflict only occurs within the context of social structures and coherent systems.

It is interesting to find that Dahrendorf agrees with R. Dubin that the function of conflict within a social order may be seen as functional or dysfunctional and that both points of view express a value preference. However, the empirical presence of conflict is not influenced by either view. Conflict is a reality that social theorists must consider when they are constructing models of social change. Conflict should also be considered as contributing both to the change and integrative process in social systems. Lewis Coser points this out, but leans towards the "positive" or "integrative function" of conflict.

15. Ibid. p.163

Conflict may remove dissociating elements in a relationship and in so doing, help to re-establish unity. Coser's analysis of Simmel argues that we need not discard the integration theory of society because conflict is observable and cannot be ignored or wished away. Dahrendorf states that in this sense, "...conflict joins role allocation, socialization, and mobility as one of the "tolerable" processes which foster rather than endanger the stability of social systems."<sup>16</sup>

George Simmel viewed conflict as part of a dynamic force which drew some men together (groups) and drove others (groups) apart. To him change was not a disturbance of an integrated stable society; he viewed stability as a temporary balance between interacting forces; and by his definition forces can only be described in terms of change.<sup>17</sup>

Conflict is designed to resolve dualistic interests and achieve unity even if it means the annihilation of one of the antagonists. To have form, society must have some quantitative ratio of convergent and divergent elements of harmony and disharmony, of association and competition, of positive and negative factors.

16. Ibid. p.207.

17. Georg Simmel, Conflict, trans. Kurt H. Wolff, The Web of Group-Affiliations, trans. Reinhard Bendix, The Free Press, Glencoe, Illinois, 1955, p.9.

Conflict is an integrative force in the group.<sup>18</sup>

Firstly, a degree of discord, inner divergence and outer controversy are part of the elements that hold the group together. Secondly, the positive integrating role of conflict is evident in the structures of groups that have sharp boundary lines and purity. The Hindu social system rests not only in its customs, but also on mutual repulsion of the castes. Conflict prevents the social divisions and gradations from being eroded.

Antagonism, if stopped, does not necessarily imply that there will be a broader and richer social life. It could also mean the loss of the support of the group, of mutual aid, of harmony of interests, of affection and other beneficial forces. Coser points out that Simmel would reject any method that would attempt to understand societies by using models that exclude harmony and disharmony, love and hate and so on.<sup>19</sup> Simmel argues that a totally harmonious group does not exist. He also argues that the forces of conflict should not be viewed as being either negative or positive, that sociation is always an integration of both, and that both are positive ingredients which structure all relationships and give them an enduring form.<sup>20</sup>

18. Ibid. p.17

19. Lewis A. Coser, ed., Makers of Modern Social Science, Georg Simmel, Prentice-Hall, Inc., New Jersey, 1965. p.11.

20. Ibid. p.12