

The California Peripheral Canal: who backed it, who fought it

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Powerful pro- and anti- canal alliances formed in this battle over water

The battle over Proposition 9, the Peripheral Canal referendum, is over. But who actually won and lost the fight is not so clear.

Proposition 9 on the June 8, 1982, ballot would have allowed the construction of a canal and other water facilities to divert water from northern California rivers around the Sacramento-San Joaquin Delta into the California State Water Project feeding southern California. Numerous interest groups were involved in financing the campaigns on both sides of the issue.

The major participants included large farming interests and multinational oil corporations as well as large southern-based industrial firms, utility companies, financial institutions, retail businesses, and food processing organizations. Even recreation-based enterprises such as Walt Disney, Sea World, Pacific Drive-In Theaters, Travelodge, Atlas Hotels, and Vagabond Hotels took part.

Analysis of the contributions that these and other groups made suggests not only what interests are presently strong enough to influence public decision-making, but also what new interests are emerging that may determine the direction of the future developments of California water resources. We believe that research of this sort is essential for public understanding and informal participation in trends affecting their lives. A primary source of data for this study was reports filed within specific time intervals with the Division of Political Reform Office of the Secretary of State of California. Key-informant interviews, an examination of major newspaper clipping files, and a review of over 700 publications related to the social aspects of this issue were also made.

The groups involved in the battle can be divided into two general interest areas, agricultural and nonagricultural. Even this distinction has its grey areas, since many large companies own both farms and housing developments and industries.

Agricultural interests

The number one industry in California — agriculture — is dependent on

water and uses 85 percent of all water supplies in the state. Both the Central Valley Project and the State Water Project were developed to transport water south and ease this dependence. The San Joaquin Valley region of Kern County is particularly dependent on imported state water. Increased overdraft of groundwater in recent years has led to this need.

Farmers in the San Joaquin Valley as a whole mine nearly 1.5 million acre-feet (489 billion gallons) each year. Groundwater accounts for 40 percent of the water used by agriculture during dry years in this area. In the drought of 1977, it accounted for up to 80 percent of the water used (according to *California Water Atlas*, California State Office of Planning and Research, Sacramento, 1978). Since the 1920s, land has sunk as much as 28 feet in selected places, although this, as an extreme example, would not be typical (*California's Groundwater*, Bulletin 118, State Department of Water Resources, Sacramento, 1975).

In 1981, 62.4 percent of State Water Project deliveries were made to San Joaquin water districts. The Peripheral Canal, a 43-mile, 500-foot-wide unlined channel, would have increased the capacity of the water project system and improved the quality of the water delivered. It is not surprising, therefore, that most Kern County farmers supported development of such a canal.

Other agricultural interests, such as the J. G. Boswell Company and the Salyer Land Company, two of California's largest farming corporations, opposed the canal. Major farm organizations, such as the Farm Bureau Federation, the Grange, and the Cattlemen's Association, also declared publicly that they opposed the canal early in the campaign. These actions created dissension within these organizations and within agriculture in general, and raised questions about the real interests of agriculture.

The disagreement did not prevent an opening of pocketbooks, however. Half of the 17 largest California farm operators contributed from \$5,000 to approximately \$1,000,000 to the Peripheral Canal campaign. These donations

accounted for the majority of funds spent in the battle over Proposition 9. The dissension within agriculture resulted from a multiplicity of causes, all interrelated and interactive. But five issues emerge as the major reasons for these splits.

Proposition 9 included provisions for the protection of water quality in the Delta and prevention of further state development of North Coast rivers. According to statements reported by the press, some large agricultural interests, such as the J. G. Boswell Company and the Salyer Land Company, felt that these provisions were too restrictive. They donated large amounts of money to the anti-canal campaign, not because they were anti-canal but because they were against these environmental controls.

Some farmers in the Sacramento/San Joaquin Delta benefit from the cost-free, fresh water that now flows by their land. A Peripheral Canal would have removed most of this water, which also would have been controlled by a state agency. Delta farmers feared that this would increase salinity problems, should a disproportionate amount of water be shipped south instead of being used to flush the Delta. Proponents of the canal, such as the California Department of Water Resources, claimed that the canal would allow for a more efficient flushing action through controlled outlets.

Some landowners opposed the Peripheral Canal because the planned route divided their land. The canal would have crossed secondary highways at five points and light-duty or unimproved roads at approximately 35 points. Farmers would have had some difficulty in transporting large equipment to points of crossing, which were tentatively placed at five-mile intervals.

Much of the disagreement became a tug-of-war between Kern County and northern California farming interests for future water supplies. Kern County farmers wanted water both to supplement their decreasing groundwater supply and to develop new farmlands. Some northern agricultural interests not only did not want this water taken away from them, but also did not like the

TABLE 1. Contributions of \$1,000 or more for or against the Peripheral Canal by economic sector*

Sector	For†		Against†	
	Percent donors	Percent donated	Percent donors	Percent donated
Manufacturing/industrial	41.1% (74)	14.9% (374)	4.1% (3)	0.5% (14)
Farming	12.2 (22)	17.4 (436)	58.9 (43)	94.3 (2,686)
Land development/ real estate	11.7 (21)	19.7 (493)	19.2 (14)	2.4 (67)
Utilities	6.1 (11)	5.2 (131)	2.7 (2)	0.1 (3)
Oil/natural resources	7.8 (14)	35.6 (891)	0	0
Banks/financial institutions	7.2 (13)	2.7 (67)	12.3 (9)	2.7 (77)
Food processing	5.0 (9)	1.8 (46)	0	0
Retail	3.3 (6)	1.6 (40)	2.7 (2)	0.1 (2)
Entertainment	5.6 (10)	1.0 (25)	0	0
TOTAL	100.0% (180)	99.9% (2,503)	99.9% (73)	100.1% (2,849)

*Compiled from reports filed with the Division of Political Reform, Office of the Secretary of State of the State of California. Contributions of \$1,000 or more were counted to estimate the relative importance of each sector in this campaign. Total percentages do not always equal exactly 100 percent because of rounding.

†The number of donors and amount of money spent (in thousands of dollars) are given in raw numbers as shown within the brackets.

TABLE 2. Donors by size of contribution for and against the Peripheral Canal*

Size of contributions† \$	Percentage (and number) of donors	
	For	Against
100-500	67.5% (492)	80.9% (1,014)
501-1,000	11.0 (80)	10.4 (131)
1,001-5,000	12.9 (94)	7.4 (93)
5,001-10,000	2.9 (21)	0.6 (7)
10,001-20,000	2.3 (17)	0.2 (2)
20,001-30,000	1.4 (10)	0.2 (2)
30,001-40,000	0.7 (5)	0.1 (1)
40,001-50,000	0.4 (3)	0.0 (0)
Over 50,000	1.0 (7)	0.3 (4)
TOTAL	100.1% (729)	100.1% (1,254)

*Information was taken from records on political action committees and major donors by the Division of Political Reform in the Office of the Secretary of State, State of California. Figures were corrected for inflation due to cross contributions between political action committees. Nonmonetary contributions were also added according to their estimated value in dollars.

†Only contributions over \$100 are reported, since the Political Reform Act of 1974 does not require smaller amounts to be itemized.

provision that prohibited development of North Coast rivers as suppliers of water.

The division in agriculture exemplified the north/south division in the state. This can be illustrated by the split within farming organizations, such as the Farm Bureau Federation and the Grange. The small amount of money these groups donated to either side may be attributed to this split. A 1982 poll by the Field Institute also showed that the public tended to perceive this issue depending on where they lived. The south supported the canal. The north did not. Farmers merely reflected the greater public feeling.

Nonagricultural interests

Nonagricultural interest groups involved in the Proposition 9 campaign included conservationists, recreationists, urban-based industries, industries engaged in extraction of natural resources, government bureaucracies, and labor unions.

Environmental groups, particularly those in northern California, had the largest number of people actively involved in this conflict. The Sierra Club, Friends of the Earth, the Mono Lake Committee, and the Environmental Defense Fund publicly opposed building the canal, despite attached legislation to protect the wild and scenic rivers of the north and the San Francisco Bay. Ac-

ording to these groups, adding environmental safeguards to a project that is itself environmentally unsound is a mistake. A minority of the environmentalists supported the proposition, because they assumed it was the best environmental deal they were going to get.

Over 1,000 public and private agencies administer the water resources of California. These include both federal and state agencies and also municipal water departments operated by such governments of general jurisdiction as cities and counties. Special districts that conduct water utility operations are also involved. The largest of these is the Metropolitan Water District of Southern California (MWD), which serves half of California's population in six counties that cover 5,100 square miles.

The Metropolitan Water District was central in organizing support for the Peripheral Canal. It was particularly active in using political strategists and lobbyists in this campaign and also was instrumental in starting the major pro-canal organization, "Californians for Water." This group includes such members as the Irvine Company, Bixby Land Company (whose president is a director of MWD), Mission Viejo Company (whose president is a former MWD director), Newhall Land and Farming Company, Pacific Mutual Insurance, Union Oil Company, Pacific Lighting

Company, and Fluor, Inc. (according to G. Baker, "Powerful Groups Battle Over Peripheral Canal Bill," *Sacramento Bee*, March 18, 1981). These companies make up a large proportion of the major donors who supported the Peripheral Canal campaign.

The California Department of Water Resources and the California Department of Fish and Game were other government agencies active in supporting the canal. In contrast, the U.S Fish and Wildlife Service, the federal counterpart of the California Department of Fish and Game, officially opposed the Peripheral Canal. Its reasons paralleled those of the Sierra Club, which was wary of the potential for siphoning off too much water and improper operation of the canal.

Extractive industries actively supported the canal. These companies frequently require large amounts of inexpensive water to operate efficiently. Oil companies in the San Joaquin Valley need to generate large amounts of steam to use the particular type of crude oil available in that area.

The overlap between strictly agricultural and nonagricultural interests makes it difficult to estimate the relative importance of purely urban-based interest groups. The Newhall Land and Farming Company, for example, has about 40,000 residential acres on the outskirts of Los Angeles and farms an

equal amount in the San Joaquin and Sacramento valleys. Similarly, the Irvine Company is subdividing about 77,000 acres of farmland in Orange County. It is difficult to determine if such companies took a particular stand on the canal because of their urban or their rural investments.

Economic sectors

For a rough indicator of the relative importance of the economic sectors in this controversy, we tabulated the number and types of businesses that donated at least \$1,000 to the campaign for or against the Peripheral Canal as well as the total amount of money they spent (table 1).

Opponents charged that the primary beneficiaries would be large oil companies with large agricultural holdings in areas that would obtain most of the water sent through the canal. These companies were among the largest donors, contributing over 35 percent of the total sum of contributions over \$1,000, but manufacturing and industrial companies were also important canal proponents. They were the most numerous contributors of \$1,000 or more, representing over 40 percent of the canal proponents — 10 times the number of opponents in the same sector.

Retail, entertainment, and recreation sectors tended to support the canal. Food processing businesses, such as Mission Viejo Company, Colony Foods, Inc., Coca Cola, Pepsi Cola, and Royal Crown Beverage Company, also may have supported the canal in the belief that it would encourage growth in the south.

Real estate and land development firms were almost evenly split on this issue, depending on whether they were in northern or southern California. Those who favored the canal contributed over seven times the amount of money spent by those who opposed it.

Farming interests accounted for over 94 percent of the total contributions against the canal in the \$1,000-or-above range. Almost 60 percent of the donors giving more than \$1,000 to the campaign were engaged in farming. This compares with only about 12 percent in the same category supporting the canal.

Differences in different economic sectors were accentuated in the two months preceding the referendum vote. Supporters of the canal from the manufacturing sector and opponents from the farming sector increased their respective numbers by about 10 percent. From March 18 to May 18, the total money contributed for and against the Peripheral Canal increased by 40 percent.

Unlike the split within farming organizations, associations such as the Cali-

fornia Chamber of Commerce, the Council for Economic and Environmental Balance, the Association of California Water Agencies, the Association of State Water Project Agencies, and the California Municipal Utilities Association all backed construction of the canal. Three major labor groups including the Teamsters favored the canal, but the AFL-CIO came out against it, stating that the creation of jobs should not be the prime criterion for their support in this issue. Most of these groups, except for the utility associations and water agencies, contributed relatively small amounts to political action committees.

More than twice the number of opponents as proponents gave donations of less than \$500 (table 2). However, as the size of the individual contributions increased, a greater proportion of contributions supported the canal. In fact, there were almost four times as many individual donors giving over \$5,000 supporting the canal as there were opposing it.

Major donors contributed more than \$100,000 each to their respective sides. Reports to the State Division of Political Reform show that, together, Getty Oil Company, Shell Oil Company, and Newhall Land and Farming Company contributed over \$750,000, or about a third of the reported \$2.5 million supporting the canal. J.G. Boswell Company and Salyer Land Company contributed over \$1.5 million or slightly under a half (45 percent) of the reported \$3.3 million in funds opposing the proposition. Although these two companies were the largest contributors in this campaign, they were aligned with the majority of contributors who gave less than \$500 each. This curious pattern would be accentuated if contributions less than \$100 were also considered; however, such information is not available, since the Political Reform Act of 1974 does not require amounts of less than \$100 to be itemized.

More canal backers made \$1,000 to \$50,000 contributions. Many of the contributors were major corporations engaged in extraction of natural resources or industrial production: TRW, Kaiser Steel Company, Litton Industries, Hughes Aircraft Company, General Dynamics, Weyerhaeuser, Union Oil Company of California, US Borax, Lockheed Corporation, Atlantic Richfield Company, Gulf Oil Corporation, Conoco, and Shell Oil. Many large corporations that supported the canal seemed to hold back from making substantial contributions early in the campaign, possibly to avoid becoming an issue. Over 20 corporations contributed more than \$5,000 each after March 17, including Litton Industries (\$25,000), Tenneco

West, Inc. (\$30,145), Gulf Oil Corporation (\$25,000), Union Pacific Corporation (\$25,000), and Kaiser Steel Corporation (\$20,000).

Conclusions

One cannot drive through most arid parts of the western United States without gaining an appreciation of the great benefits large water projects of the past have brought to people's lives. The success of these projects has helped to create new and powerful vested interests, not only in large agriculture but also in public bureaucracies. Californians, however, have also become increasingly aware of possible ecological disasters associated with some of these developments. This awareness is likely to have lasting effects on the construction and planning of water projects.

It was not the environment, however, but the cost of the proposed canal project that in the end proved to be its downfall, according to polls conducted by the Field Institute.

Various researchers have shown that the imbalance between growing populations and dwindling water resources has shifted power to urban, industrial areas. Development of new water uses, problems associated with urban population growth, and increased corporate concentration of wealth suggest the emergence of new powerful coalitions in the fight over water. Urban-based industrial corporations in southern California are the most recent examples:

On the day after the June 8 election, hints of a new and more powerful coalition of interest groups to bring more Sacramento River water to southern California began to appear. The attorney for the Salyer Land Company (one of the two principal donors opposed to the canal) stated that this was not a vote against water development, and the assistant general manager of the Metropolitan Water District (one of the principal proponents of the canal) agreed. Both stressed the need to move more water south to large farms of the southern San Joaquin Valley and for residential use in southern California.

It is too early to predict the nature of the new coalition of interests to increase the export of water south. There is bound to be more resistance, but given the financial investments and the willingness of powerful interests to spend money in the attempt, there is an excellent chance that they will succeed.

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