

Trans-Canada Pipe Lines

the royal commission will judge. It is out of the campaign, although we do not intend that it should be kept out of the campaign when that campaign comes. Could it be, as we suggested, that the Conservative party criticism of one group of promoters was merely because they favoured another group headed by a gentleman named Mr. McMahon? Mr. McMahon is undoubtedly associated with another group of powerful United States oil and gas companies. His operations in West-coast Transmission do not differ from the operation of Messrs. Tanner and Coates in Trans-Canada Pipe Lines. Tanner and Coates got options below the cost of their sales to Canadian investors and made hundreds of thousands of dollars. So did Mr. McMahon.

Perhaps I should make a distinction. Tanner and Coates made hundreds of thousands of dollars and McMahon made millions. He did better than Messrs. Tanner and Coates. Before I say anything about that, let us take a look at the profits that have been made by Trans-Canada Pipe Lines promoters because this parliament put up the money to build the first leg of the line from Alberta to Winnipeg and pledged our money to build the northern Ontario leg. How did they fare? Well, of course, in July when stock prices were very much higher than today, the capital gains they would have made between February and September upon any of the stock that they sold on the open market would have been higher than the gains they would make if they held their options and marketed them yesterday at the comparatively low present market price on December 9. Trans-Canada stock yesterday was worth \$22.50, and in July it was worth over \$31.

Now, I am going to take a look at the operation. Supposing that these gentlemen kept all their options until yesterday when they might have unloaded them. Mr. Tanner, and his United States colleague Mr. Coates could, of course, have made a real killing even yesterday. Mr. Tanner was given 60,000 options at \$8 and if he had sold them yesterday at \$22.50 he could have made a gain of \$870,000. Mr. Coates had 50,000 which he was allowed to get at \$8, and his capital gain yesterday would have been \$725,000. Other options, also at \$8, were given to directors, 25,000 of them, and their capital gain would be \$360,000. On the stock issued to the public in February of 3,760,000 shares, for which the public paid not \$8 but \$10, the capital gain would be \$47 million, at least that is what a quick calculation seems to give.

Amongst the companies holding shares recorded as of May, 1956, the original shareholders, we find Hudson's Bay Oil and Gas

Company Limited, a company with a good Canadian name but a very large amount of United States interest and control in it. They got 327,789 shares, at \$8 per share and their capital gain at yesterday's prices would be \$4,750,000. Then, there is Canadian Gulf Oil Company, with 327,790 shares, and their capital gain would be the same, \$4,750,000. Then Tennessee Gas Transmission had the same number of shares and therefore the same capital gain, \$4,750,000. The Canadian Delhi Oil Company had 497,000 shares and their capital gain would be \$7,200,000. Other original shareholders held shares amounting to 447,774 and their capital gain would be \$4,700,000. The gains of these companies together would be \$26,150,000. Taking all these shares together, the capital gains would have amounted in total, at yesterday's prices, to \$75,105,000.

Let me repeat that many of these shares changed hands at very much higher prices than yesterday's prices and therefore, in reality, the capital gains probably were much higher than those I have outlined. Now these gains, of course, are free from taxes and illustrate why we have said over and over again that our government should introduce an amendment to provide for a capital gains tax to recover something, at least, for the people of Canada. A month ago the *Hamilton Spectator* carried a very interesting article regarding one of the original shareholders in Trans-Canada. I would like to read the newspaper report which is dated October 16, 1957:

When the royal commission on energy gets down to studying stock options, it will hear some interesting evidence on how million dollar profits are made.

Just a week ago, hearings before the U.S. federal power commission in Washington established that Tennessee Gas Transmission Company, one of the principal shareholders in the Trans-Canada Pipelines, recouped most of its investment in Trans-Canada by selling off a chunk of its Trans-Canada stock.

I believe it was sold to Home Oil, but I am not sure of that.

The evidence showed that Tennessee had made more than \$2 million profit on 100,000 shares of Trans-Canada which it bought at the pre-issue price of \$8 and sold last July at \$31.71.

This profit was almost sufficient to pay the original cost of Tennessee's entire investment in Trans-Canada, given as 327,790 shares of common stock bought for \$2,625,213.

The Washington hearing also referred to 38,563 shares granted under option to unnamed persons. The witness for Tennessee did not know to whom this option was granted or the price at which it could be exercised.

That is an article from the *Hamilton Spectator* dated October 16 of this year. I have looked at Mr. Coates and Mr. Tanner for a moment and some of their associates, so let us look at Mr. McMahon for a moment.