

The CHAIRMAN: Excuse me. If the witness agrees it would be helpful would he say yes? He has been nodding his head.

Mr. DAVIS: In other words, those conclusions which were carried out by this international board, without regard to political facts of life, do not necessarily have any bearing on the conclusions which this committee might reach, and indeed they tend to mislead.

Mr. HIGGINS: Yes. Well, this is a reflection of the fact that the High Arrow dam does not produce significant benefits in Canada per se.

Mr. DAVIS: It does not regulate water passing over much territory.

Mr. HIGGINS: Yes; it just regulates water passing over the Murphy creek dam. However, I think it is significant that any merit which High Arrow may have for the United States entirely depends upon some agreement with the United States for the return of the benefit deriving in that country from High Arrow. I think this is significant because this is one way of solving a problem; there may be other ways.

I think a very significant question which the committee needs to ask itself is, is the flooding of the Arrow valley the only way to solve this problem?

Mr. BYRNE: The other way is to flood more of the east Kootenay than High Arrow.

Mr. HIGGINS: If I may pursue that logic to its ultimate conclusion, perhaps the best solution is not to flood anywhere. This is an argument for rejecting the treaty.

Mr. BYRNE: That may well be, but we are picking one.

Mr. DAVIS: To conclude my questioning, in fact the High Arrow creates benefits, small in Canada and larger in the United States; but as a result of the treaty, there is a credit of a physical amount of production in the United States of hundreds of thousands of kilowatts with which High Arrow is credited. So far as entitlement is concerned, this is as good as if it were produced in Canada.

Mr. HIGGINS: As a result of the treaty and protocol there is a claim of a certain number of dollars from the United States plus a residual claim on an unknown amount of power 30 years hence.

Mr. DAVIS: Then there is a claim on kilowatt hours and dollars in lieu of same.

Mr. HIGGINS: There is a claim on dollars which I calculated on the basis of 2.7 mills per kilowatt hour U.S. and \$5.50 U.S. per kilowatt of capacity for our share of these benefits, as stated on page 99 of the blue book. I would say there is very little difference. They may compare favourably with the costs of electrical output from a publicly financed modern large capacity thermal plant.

Mr. DAVIS: I just want to reiterate this sentence:

The net result of including High Arrow is that unit costs of incremental power outputs are increased in Canada and decreased in the United States.

Mr. HIGGINS: Yes.

Mr. DAVIS: It is not proved that this will be so, assuming a treaty.

Mr. HIGGINS: What it says is that if High Arrow is going to be built, the costs accrue in Canada and the benefits accrue in the United States.

Mr. DAVIS: It is merely a statement of the physical fact, and is not really a relevant judgment in respect of whether the treaty is good or not.

Mr. HIGGINS: No; this is not stated as a ground for condemning any method of development. It is just simply a useful fact which I think has a bearing.