

Private Bills

point that there should be some general way with which matters of this kind could be dealt much more expeditiously, much more efficiently, than the rather long, cumbersome procedure of a bill coming from the other place, going through a committee, coming back for a third reading and so on. I feel that the people behind this bill have used the correct procedure. I cannot subscribe to the almost defamatory remarks against the legal profession enunciated by the hon. member for Timiskaming (Mr. Peters). I merely rise not to hold up the bill but to make clear that we support the principle and are glad to endorse the bill. We hope it will go to the committee for fast passage. However, we could not let it pass without emphasizing our general objection. I realize you have been most indulgent, Mr. Speaker, but we do object to the general procedure being adopted for the passage of measures of this type.

Motion agreed to, bill read the second time and referred to the Standing Committee on Miscellaneous Private Bills.

INTERPROVINCIAL PIPE LINE COMPANY

Mr. Ian Grant Wahn (St. Paul's) moved the second reading of Bill No. S-10, respecting Interprovincial Pipe Line Company.

He said: Mr. Speaker, in view of the remarks made earlier about legalistic jargon and the desirability of having short bills, I am sure the bill before the house will now receive unanimous approval. I am also sure that members of the house would like me to be equally brief in view of the short period of time which remains during this hour and also in view of the fact this bill has already been debated in the house on two previous occasions.

I will confine myself, Mr. Speaker, simply to saying that the purpose of the bill is as set out in the explanatory notes, to divide each of the 40 million authorized shares of the par value of \$5 each in the capital stock of the company into five shares of the par value of \$1 each with a total authorized capital of \$200 million, which remains unchanged. I also emphasize that the reasons for this stock split are as set out in the explanatory notes and there is no other purpose. The reasons for the stock split proposed are legitimate.

In recent years a number of studies have been made of the reasons for stock splits. If I could take a few moments I should like to refer to two studies. One is entitled, "A study of Stock Splits in the Post-War Years", published in the *Analysts' Journal*. The second is

entitled, "Characteristics and Procedures of Common Stock Splits", published in the *Harvard Business Review*. I should like to quote briefly from these studies.

The legitimate purpose of a stock split is to reduce the market price of the shares to a level more attractive to the investment public. There appears to be an optimal level of market price—perhaps in the range of \$25 and \$50 or thereabouts—which avoids on the one hand the stigma of a 'low-priced, ergo, speculative issue, and, on the other, the practical drawback of high-priced shares.

The second quotation is as follows:

—the exchange (New York Stock Exchange) is officially committed to a policy of keeping individual common stocks at what it considers desirable price levels. In this case, desirable means low or medium priced. The object is to make for orderly trading and to help attract small investors . . . What the Exchange regards as 'the most favourable price level' is in the \$18-\$25 range.

The present market price of Interprovincial stock is approximately \$86 and a five for one stock split will reduce the price to this desirable range. The purpose is not to permit the owners of the stock to unload stock which is highly priced on the unsophisticated investor. The purpose of the split is not to permit the present holders of the stock to make a very large speculative profit. The purposes of the split are as set out in the explanatory notes.

To these brief remarks, Mr. Speaker, I would simply add that this is a Canadian company, the great majority of its shares are owned in Canada and the directors and officers are all Canadian residents and Canadian citizens. I hope that the house will give the bill second reading and refer it to the appropriate committee. At that time any further questions can be answered in much greater detail.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I am not sure what I expected from the mover of this bill but I listened with great interest to him. I should like to ask a couple of questions which he may or may not answer. Is he aware, for instance, that this company has already gone through this process on two separate occasions? When the stock was very high they reduced the price but it immediately went up again. They split the stock again to reduce the price but again it went back to the \$90 range. When he says the shareholders do not want to unload the stock on an unsuspecting public, this is hogwash. It is not hogwash because that is not a good reason but it is hogwash because I know it has already happened twice.