soundness with a minimum of subsidy or even elimination of the need of subsidy. By "subsidy" I refer to all its forms; those borne by the taxpayer, directly or indirectly; those borne by the producers through lower prices for their products, and those borne by consumers through higher prices.

The first step in such a reappraisal should be acceptance by this government, by this parliament and by the Canadian public of the fact that an all-Canadian gas pipe line policy confined to Canadian routes and Canadian markets is not economically feasible. To carry out such a policy would impose a heavy burden upon taxpayers, producers and consumers, with the extent of the burden on the last two groups being determined by the portions levied upon taxpayers generally. It is a fact that none of us is a magician. We cannot merely by waving a flag, even the flag of Canada, make economic facts disappear; nor can we make them disappear by simply ignoring their existence.

I recall that last summer the Prime Minister of Canada (Mr. St. Laurent) visited Alberta and spoke about his government's decision in support of a strictly all-Canadian gas pipe line. He used these words:

> Eastern Canada is entitled to the benefits of cheap Alberta gas.

His use of the words "cheap gas", which I trust he would now put in the category of other words he recently was quoted as using in the Far East, naturally left a widespread impression in Canada that an all-Canadian line was economic, and that Alberta gas would actually be cheap in the east. Both impressions are erroneous.

I am confident that the Prime Minister spoke in good faith on the basis of information given him, as did others who spoke on the subject last spring and summer. The basis of his statement was perhaps the case presented by the old Trans-Canada Pipe Line Company, which was ably pressed by their press agents in eastern Canada for a lengthy period. The sound economics of that case were based, first, on a market build-up in eastern Canada on a substantially faster rate than such authorities as eastern utility companies thought possible; with a price to the utilities ranging from 55 cents to 57 cents per thousand cubic feet. Second, the sale of more than half of the gas transported to eastern Canadian industries at a price of 45 cents per thousand cubic feet, a price at least 25 per cent higher than other authorities believed the maximum competitive price to be. Third, purchase of the gas in Alberta at a price netting the producer about one-third less than the price proposed for the Winnipeg-Minneapolis plan.

I might add that representatives of the old Trans-Canada company, during questioning before the Alberta oil and gas conservation board a year ago, testified that the price to Alberta producers could be raised to a level at least equal to that offered by the proposed Winnipeg-Minneapolis line if the Canadian government granted concessions. As you doubtless know, the conservation board concluded that a case for the economic soundness of the project, on terms favourable to Alberta, had not been made. The Alberta government, after receipt of the board's conclusions which showed a large gas surplus available for export, directed the merger of the old Trans-Canada and Western companies.

It was last spring too that the Canadian Gas Association, made up of distributors of natural and artificial gas across Canada, passed a resolution urging the Canadian government to make a thorough economic study before finally setting a national gas policy. That association noted that it feared that the suggested all-Canadian pipe line would require payment of substantial subsidies.

Just over a year ago another study was made of the all-Canadian project on behalf of Western Pipe Lines by an internationally known engineering and economic firm, Stone and Webster. Let me quote certain of their conclusions:

> In early years, only a relatively small volume of sales could be guaranteed by firm long-term contracts with distributing utilities. This condition alone renders the large scale sale of securities impossible.
>
> We have nevertheless projected the operations of the pipe line for five years on an assumed financial plan and with the maximum level of revenues believed to be attainable. This projection indicates a lack of earning power in the fifth and prior years to support the financial program.
>
> We made a further test to determine the minimum revenues that would be required for any bare hope of financial feasibility. Competitive conditions preclude the collection of such revenues.

The report finally states:

> The most favourable of conditions have been assumed throughout our study. Less favourable conditions would result in an even poorer economic picture.

This is not the only information available as to the economic soundness or lack thereof of a strictly all-Canadian route and market pipe line. The objective comparative study of pipe line routes and market combinations made a year ago by Stanford University and the University of Western Ontario rated the strictly all-Canadian project the least economic of half a dozen alternatives.

The Bechtel Corporation, one of the world's great pipe line, engineering and construction