Northern Ontario Pipe Line Corporation

less than 51 per cent of the total number of voting shares to be outstanding after public financing.

The group of sponsoring companies I have described has, under this latest agreement, rights to something less than two million common shares. It is to this total that the percentage distribution I have given applies. When public financing is undertaken, two things will follow from this agreement. First, under option arrangements which form part of the agreement, Canadian Delhi and the western group can increase their holdings from 24½ per cent each to 27½ per cent each of the founders' shares, while Tennessee, Canadian Gulf and Hudson's Bay reduce their holdings of such shares from 17 per cent to 15 per cent each. Second, an additional issue of something over four million shares is to be sold on the open market, under conditions which will make available to Canadians not less than 51 per cent of the total of about six million common shares.

This offer has, to my surprise, been met with criticism, even derision, on the ground that it provides no guarantee that Canadians will buy the stock. Of course there is no such guarantee. Short of public ownership which, for reasons I shall discuss later, appears to be a second best approach to this matter, I know of no means by which control by Canadians could be guaranteed.

We have always welcomed United States capital to share in the development of the resources of this country. It may be, as some of our leading bankers have suggested in recent weeks, that Canadians shy away from venturing their own capital in the development of their own resources. One can think of cases in which, having supplied a large share of the initial capital for a resource development project, Canadians have sold their equities at the first opportunity of profit, with the result that those equities have moved into the hands of United States citizens.

If there is some uneasiness in this country about the extent and nature of United States investment in Canada, this is the wrong place to focus it. Trans-Canada is no doubt imperfect, as are we all, but its willingness to share its venture with Canadians is not in question. Considering that the inspiration has come, and much of the technical knowledge and skill must come, and much of the loan capital probably will come from the United States, the extent of participation to be offered to Canadians requires no apology from Trans-Canada. Rather it offers to other industries which have equally strong connections beyond our borders, and which for some reason have not been subjected to this same criticism, a model which they might well study.

I return now to the position of the government in relation to the pipe-line project. Most of the pipe-line construction proposals put forward from time to time were based on the premise that the natural market for Alberta gas is in the nearby United States. The requirement that Canadian markets so far as possible be first provided for is a requirement of national policy. If any disability were placed upon the development of the gas industry by this national policy, it would be proper that this disability be if possible counterbalanced. The developments which I have outlined made it clear that private enterprise alone faced serious difficulty in financing a pipe line stretching across the sparsely populated areas of northern Ontario, a line from which relatively low returns on investment must be expected during the period of building up the central Canadian market. Some kind and degree of public intervention appeared necessary and proper.

Once again, as in the days of railway building, the difficult and sparsely populated pre-Cambrian shield appeared to present an almost insuperable barrier to economic transportation between western and central Canada. Once again, this special problem of Canadian geography has called forth a unique solution. The government is convinced that the solution now offered has a better chance of working than has any alternative solution that has yet been suggested.

First, let me comment on these other proposed solutions. The one about which I have heard most is generally called the exchange plan. Its essential argument is that Canadian gas should flow into United States markets where it can best compete, and Canadian markets be served by United States gas. This has the attraction of appearing to be the most economical arrangement. What it lacks is precisely one fundamental point on which Canadian gas policy must be based. Gas and electricity, unlike oil, are committed permanently, once they are committed at all. No Canadian government can properly commit gas to export until Canadian requirements are provided for. No government of the United States can properly commit United States gas to a Canadian market until the needs of United States citizens within economic range of that gas have been provided for. So long as Canada remains a sovereign nation, these are the facts of life for every energy resource of which a continuous supply is essential to the nation's well-being.

Our friends to the south are no more anxious to infringe on our sovereignty than