the market. When the company was originally incorporated pressure was applied to have it made not only a transmission line for Imperial Oil but also a common carrier subject to the regulations of the board of transport. As it stands, the company could easily secure new capitalization from Imperial Oil reserves. Its bonds carry an interest rate of about $3\frac{1}{2}$ per cent at a time when money cannot be procured even at 7 per cent or 8 per cent. Its bonds are mostly owed to Imperial Oil and leaving aside its unissued stock it is largely a captive company of Imperial Oil. It would be very imprudent to write off $3\frac{1}{2}$ per cent bonds when only one-third of the operation is covered by stock.

• (6:20 p.m.)

I believe that in 1956 or 1957 when the company was incorporated, its treasury stock was selling at $50 a share. The dividends now are well over $3.50. In fact, the balance sheet for 1963 indicates that at that time the stock was paying $3.50 per share. This $3.50 per share was applied to the original stock which has been split ten times. So an original $50 investment now brings in annually in excess of $35. I do not care how stupid the Board of Transport Commissioners is. It could not allow stock that brings in a revenue of $35 a share on a $50 investment. It could not allow this even to the Canadian government. It would think this was rather an exorbitant profit.

What does the company want to do? It wants to split its stock again. Certainly this will reduce the stock to a reasonable price. A person who holds a considerable amount of stock told me it is quite true that you get $35 on your $50 original investment but if you reinvest the dividends you do not get $35 on them. While this is perfectly true, I believe he will find that in a matter of two or three years, if the stock is split, it will reach the level it has already climbed to twice and will produce a fairly reasonable dividend in addition to the dividends on his original shares, which will produce a cumulative dividend on the original $50 investment far in excess of $35. I forecast it may even double, so he may get his $50 back and still have the original $50 investment.

This is an excellent company but I cannot see that it is justified in coming before us with what it considers to be a good proposal when it is asking the Canadian public to allow it to split its stock on the pretext that this will broaden the base at a time when it has 35 million shares in its treasury. It could immediately broaden the base by releasing 5 million shares on the market. That would broaden the base and reduce the price of the stock until it came down to the level they want or they had put the amount of stock on the market that they wish.

I believe the sponsor of this bill has a responsibility to point out many things which have not been pointed out. He has had a close connection with the oil industry for a long period of time. He is well aware of the operation of these companies and well aware of how stock splits operate. You can have as much stock as you want at individual prices but if there are no offerings obviously there can be no purchases unless the price jumps up so high that somebody will make an offer.

Just by cutting down the price you do not necessarily broaden the base. I would imagine that if I had the original shares I would find—I am sure the board of directors so recommended to the shareholders—that the shareholders will be allowed to buy a certain number of shares at a predetermined price if the stock split takes place. I am sure there is an arrangement to take some stock out of escrow or else we would only have an exercise in financing.

I think this company is a good bona fide operation and has very sound stock, but I believe the Canadian people are being cheated when it is said that the purpose of this stock split is to bring the price of the stock down to allow an expanded base. This is not true. It cannot be expanded beyond the amount of stock that is available. While I have not looked at the *Financial Post* in the last few days I would imagine that a normal day on the stock market does not produce a very large turnover in the stock. I would presume this will not change much when the stock is split, if it is split.

I believe the sponsor of the bill should come before parliament and really give us a factual statement why there is not a clause that would eliminate what I would call unnecessary surplus stock. There is no question that this company wants more money for expanded capitalization but they have not asked for that and I do not think it is necessary. I believe they are quite capable of retiring their debt and are quite capable of making a profit in their operation. The way to increase the base, if they wish to do so, is to allow more stock to go on the market. I suggest that if they doubled the amount of stock now available it would not only reduce the price of the stock by 50 per cent but would