

interests. The point I want to emphasize to you today, is that foreign capital need not fear such questioning, for we will remain an open country seeking positive, not negative, answers to these questions.

CANADA AHEAD OF THE GAME

In the North, the Government has made a conscious decision to be at the forefront of resource development. The Government has programs of direct financial support and indirect capital investment to ensure that those projects which show the promise of profitable return to both public and private sectors receive the encouragement required. Through Panarctic Oils Limited, a consortium formed in 1967, which includes many of Canada's leading oil and mining companies and the Government of Canada, industry and government have co-operated in a unique relation to undertake the exploration necessary to develop the oil and gas potential of the Arctic islands. The Panarctic experiment is an exciting one, and represents the extent of our commitment to the development of the North. As background to this agreement, in 1966, the oil and gas permits that had been issued six years earlier throughout that portion of the Arctic islands - known as the Queen Elizabeth Islands - were coming to an end and, in order to continue their life, the companies holding them would have to put quite large amounts of money in the form of guarantee deposits. Money was just not available, either in Canada or from the outside. We were about one year and a half ahead of the game, or in other words ahead of the Prudhoe Bay discovery, but of course we did not know that at the time.

The Canadian Government was convinced that the oil and gas-potential of the Arctic islands was extremely high. It was convinced that it would be in Canada's interest to develop this potential at as early an opportunity as possible since this would bring many benefits. It also wanted to ensure that Canadians or Canadian capital play the large role in this activity. As it happened, many of the companies in the play at the time were Canadian, although there were also quite a few from outside Canada, mainly from the United States.

ADVENT OF PANARCTIC

The Government and a consortium of these companies got together in a unique partnership - that is, they jointly formed Panarctic Oils Limited and the Government purchased 45 per cent of the equity stock of the company. This initial financing was for \$20 million which, at that time, seemed like a large amount of money. That was just a little over three years ago.

Since that time, Panarctic has developed into a medium-size oil exploration company; of course, it has no production as yet and no other associated activities, but it is a living, active organization competing on exactly the same basis as any other

company; it gets no special favours from the Canadian Government and the Canadian Government is represented on its board of directors in the same way that any other large shareholder would be. Today, Panarctic has spent \$40 million; it has sufficient capital for another \$35 million and, by the end of 1972, will have spent \$75 million in exploring for oil and gas in the Arctic islands. I expect that before oil and gas is actually brought to market from the islands it will spend at least this much again, if not more.

Little did any of the shareholders know that, six months after formation, Prudhoe Bay would be discovered, that the *Manhattan* would lead the way in developing a commercial Northwest Passage from the point of view of technology if not from the point of view of economics, and that Panarctic would make two major gas discoveries - one on Melville Island and one on King Christian Island, out of its first eight wells drilled. One discovery for every four wells drilled is not a bad ratio, but one major field discovery for every four wells drilled is, I think, something of a record anywhere in the world.

There are some who interpret the industry-government partnership in different ways and who put a political, ideological interpretation on what was in fact a pragmatic, practical approach to the resolution of several challenges which we, as Canadians, were facing at the time in our North. Perhaps Panarctic will provide an example which might be used as appropriate in other situations in the future, but again I would want to emphasize that this approach is likely to be taken only where special circumstances of time and place warrant and not on some predetermined plan.

CHALLENGE OF TRANSPORTATION

The transportation of northern resources to the markets of the world is a great challenge. It is a challenge not only in a technical sense or in a financial sense but to our sensitivity as a Government and as a country to the people of the North and the land in which they live. It is no longer possible for government or industry to take a single-minded approach to the question of development. A total approach is required, where a concern for profit and development is balanced with a concern for people and their environment.

At the present time, we have insufficient reserves in the Canadian North to warrant a natural-gas pipeline to southern markets. However, if we maintain our discovery success in the Arctic islands, we may have enough gas in the near future to make it feasible to construct a pipeline due south from this region.

I might add as well that, while Prudhoe Bay resources may be out of the commercial reach of the tanker *Manhattan*, this is not necessarily so for