

output was unduly low in relation to productive capacity, to domestic demand and, more important, to the levels of output required to meet sound economic criteria. Exploration and development activities, which are so fundamental to the future growth of the industry, have been falling off sharply. There are disturbing indications that oil production in Canada is being determined not so much by normal market forces or by conditions in our own country as by the influence of outside forces brought to bear on the production and marketing decisions of the oil companies operating in Canada.

In view of these findings we came to the conclusion: that the Canadian oil industry would not achieve a satisfactory level of output and an adequate rate of exploration and development unless the Government intervened to offset the inhibiting external influences. Accordingly, the Government decided upon a national oil policy looking to the gradual expansion of oil production and a more satisfactory pace of exploration and development.

#### Aim of New Policy

The objective of this policy is to reach a level of output of approximately 800,000 barrels a day in 1963, and to move progressively to that target by gradual stages. During the past year the average daily production was about 550,000 barrels a day. We believe that the established target is realistic and based on estimates of what can be achieved in conformity with sound economic principles. I stress this point because I wish to make it entirely clear that the Canadian Government is not applying forced draft to stimulate artificial growth of the industry. We expect to reach our targets by fostering the greater use of Canadian oil in our own domestic markets in Ontario and by a modest and gradual expansion of exports to existing markets in the West and the mid-West regions of the United States lying adjacent to the international boundary. Expansion in both these directions can be attained entirely through established pipe lines.

I shall outline the methods to be used in implementing this policy. Various approaches have been suggested from time to time, most of them involving some measure of governmental intervention. The Government has been urged to reserve the Eastern markets now being served by imports for our own producers in Western Canada through a system of mandatory import controls and the construction of a pipe line from the oil fields of Alberta to the rich Montreal market. We were often reminded of the restrictive policies pursued in other countries.

We decided that of the various alternatives available, the most satisfactory method would be to endeavour to reach our objectives on the basis of a voluntary programme by the Canadian oil industry itself. This approach, we believe, has much to