

Northern Ontario Pipe Line Corporation

arrangement for building the northern Ontario section of the pipeline.

Mr. Fleming: Is the minister going to read his letter to Mr. Porter?

Mr. Howe (Port Arthur): I have it here. I can read it if you wish. It is a rather long letter.

Mr. Fleming: Should it not be on the record?

Mr. Howe (Port Arthur): It is tabled.

Dear Mr. Howe:

I beg to acknowledge your letter of May 11, in which you outline the present status of the project for trans-Canada gas pipeline, and the financial arrangements recently concluded between your government and Trans-Canada Pipe Lines Limited in order that construction of the western section will commence this year.

As we have frequently stated, a trans-Canada pipeline is, of course, a federal responsibility. A provincial government is in no position, constitutionally, to assume any responsibility for decisions as to the construction or the financing of a national undertaking that crosses the boundaries of several provinces. We have, however, from the outset concurred in the policy of a line that would be built entirely within the boundaries of Canada, within Canadian jurisdiction. As a provincial government we are particularly interested in the potential benefits for northern Ontario that would undoubtedly follow the building of a gas pipeline through that portion of the province. Generally, in view of our rapid industrial expansion, coupled with the fact that our hydro-electric power resources are now approaching their maximum limits of development, the necessity of new sources of fuel for our industries and our domestic consumers is becoming increasingly urgent. We agree with you that further delays in the construction of this project would have very adverse consequences. Time has become of the essence. Every day's delay invites the most serious consequences to the development of Ontario, and to the national economy. In these circumstances, it would appear essential that the western section of the line be completed during the year 1956. To accomplish this, we understand that actual construction must be commenced not later than July 1. We understand from your letter that your financial arrangements with Trans-Canada Pipe Lines Limited are designed to accomplish this purpose.

You will recall that our agreement with your government, as set out in the correspondence of November, 1955, provided for the incorporation of a crown corporation to build the northern Ontario section of the trans-Canada line. The conditions upon which we agreed to lend money to such a corporation, to the limit of \$35 million, were as follows:

1. That our investment would be returned to us out of rentals based upon the through-put of gas, with interest at the going rate, so that eventually this investment would involve no cost to the taxpayers of Ontario.

2. That we should not be called upon to advance money under commitment until you were able to assure us that all other portions of the entire trans-Canada line from Alberta to Quebec would be completed and operated.

3. That by reason of the terms of the agreement between your government and Trans-Canada Pipe Lines Limited, our commitment would terminate

[Mr. Howe, (Port Arthur).]

if the company were unable by May 1, 1956, to show financial ability to carry out their entire undertaking.

In any matter of such complexity and magnitude, we recognize that it may become necessary to consider changes in arrangements from time to time. At the last session of the legislature an act was passed, by the unanimous recorded vote of the house, giving authority to enter into such arrangements. The act allows for certain flexibility so as to meet changing situations as they may arise. Section 1 of the act is as follows:

"1. For the purpose of implementing the arrangements made or to be made between the government of Canada and the government of Ontario to facilitate the construction of a connecting link through northern Ontario of a pipeline to transport natural gas from Alberta into central Ontario, the treasurer of Ontario is hereby authorized to loan from time to time out of the consolidated revenue fund any sum of money, but not more than \$35 million, to a corporation constituted or to be constituted on behalf of Her Majesty in right of Canada and having as a purpose the construction aforesaid."

Upon condition that the construction of the western section begins not later than July 1, 1956, we are willing to concur in the extension of time that you request. Subject to this change, we shall continue our commitment to participate in the financing of the northern Ontario section.

Yours sincerely,

Dana Porter.

An hon. Member: Frost on the Drew line.

An hon. Member: He did not suggest closure, did he?

Mr. Howe (Port Arthur): It has been suggested, although by far the greater part of the capital provided by the sponsors is being provided by Canadian companies, that because those Canadian companies are financed with capital from the United States in whole or in part there is no Canadian control of the pipeline project. I do not know whether or not the 83.4 per cent that was suggested as United States capital will be altered by the fact that the British-American Oil Company, a very old Canadian company, is in the process of acquiring all the Canadian interests in Gulf, but I suggest it would make a difference. The purchase has been made of Gulf property by the British-American Oil Company.

An hon. Member: They are owned 60 per cent by another company.

Mr. Howe (Port Arthur): Yes, just as Standard Oil owns 70 per cent of Imperial Oil. However, a good deal has been said in this debate about the Canadian Pacific Railway. Does anyone doubt that the Canadian Pacific Railway is under Canadian control? It is not controlled through stock ownership. I believe that Canadians own about 11 per cent of the stock of the Canadian Pacific Railway at this time, and I doubt that the Canadian holding has ever been higher than 15 per cent, and certainly never as high as 20 per cent. Canadian control in that instance does not depend