to cover the crown corporation's operating and interest cost, and amortization of its investment in about 21 years.

Trans-Canada undertakes to purchase the northern Ontario section as soon as it can arrange the necessary finances, and has an option to purchase the section at any time, provided the crown corporation has received an annual return of 3½ per cent on its capital during the term of the lease. The purchase price is to be the total capital cost to the crown corporation, minus credits to depreciation arising from rental payments, but the purchase price is not to be less than the higher of either (a) total capital cost less amortization at 3½ per cent per annum plus interest thereon compounded at 3½ per cent annually; or (b) 70 per cent of the original capital cost. The rental payments described previously will result, as throughput grows, in payments which in due course will total more than interest plus the amortization at 3½ per cent to be credited to Trans-Canada in the purchase price. Any such excess payments will represent a profit to the crown corporation or an accelerated amortization of its assets. Apart from the undertaking to purchase, it will in these circumstances become in the interest of Trans-Canada to purchase the northern Ontario section, since it cannot otherwise receive any benefit from these excess payments. The 70 per cent floor will give a further incentive to Trans-Canada to purchase the northern Ontario section.

This, in the government's opinion, is a prudent arrangement. It bridges the gap in distance and time that has been at the root of one of the main difficulties in getting an all-Canadian gas pipe line financed and launched. It does so in a way that enables the governments concerned to recover all their investment plus interest without imposing any unnecessary charges that would reduce the return to the producer or raise the price to the consumer. It enables governments to avoid the problems inherent in ownership and operation of a pipe line, and offers the prospect of getting governments completely out of the business at any early stage.

In a sense the arrangement benefits the Trans-Canada Pipe Line Company. This is inescapable. But it does so only to the extent that it enables construction to get under way earlier than would otherwise have been the case. Once the pipe line is operating and the eastern Canadian market has been built up to the initial capacity of the eastern part of the line, the Trans-Canada Company must take over the northern Ontario section at a price which returns full cost and interest to the government, or pay the government a profit. There is no element of subsidy or hand-out to the private company.

It might be asked: Why doesn't the government just wait until private enterprise can build the whole line without any intervention by government? This was one of the alternatives. But the governments of Canada and Ontario believe that there is general support throughout the country and in this house for limited and prudent intervention by government if, as a result, the construction of this all-Canadian pipe line can be speeded up.

Under its contract with the government, Trans-Canada has until May 1 next to demonstrate to the satisfaction of government that it has arranged for finances and commitments to carry through its entire construction program. That date was of course related to the time limits of the permits held by Trans-Canada at the time the agreement was completed from the petroleum and natural gas conservation board of Alberta and the Board of Transport Commissioners for Canada. At that date also many of Trans-Canada's supply and sales contracts are to be reviewed. It is therefore an appropriate time for government to examine Trans-Canada's situation afresh.

It has now become clearly improbable that Trans-Canada will be able to complete its financing arrangements by May 1. Officers of the company expect, however, to arrange and carry out a substantial amount of construction this year under interim financing. I am hopeful that they will be successful in this. Their prospects in this regard will become clear by May 1.

Hon. members will have noted from the press that on February 24 the Alberta petroleum and natural gas conservation board granted an extension of the various dates on which its permit to Trans-Canada is conditioned. The date for completion of finances is extended from April 30, 1956, to November 1, 1956. The time limit for commencement of construction is extended from June 30, 1956, to June 30, 1957. The limit for commencing removal of gas from Alberta is extended from December 31, 1956, to December 31, 1957.

If the board of transport commissioners should also see fit to extend the time limits on its permit to Trans-Canada—a matter which is entirely the board's affair—then this government would feel justified in considering favourably a request by Trans-Canada for an appropriate amendment of the time limit on its agreement with Trans-Canada. Any such extension would depend upon the progress Trans-Canada could demonstrate towards construction and firm financing of the proposed system.