

*Northern Ontario Pipe Line Corporation*

Trans-Canada did, in fact, express some reluctance to accept the terms on which we propose to finance the 1956 construction of the western section. Perhaps when hon. members study those terms they will understand why. Each shareholder is required to put at risk his full investment in the company in order to build a long stretch of pipe line from Alberta to Winnipeg, which is a losing proposition unless it is completed to the United States or eastern Canada. The revenues from the sale of gas in western Canada will barely pay the operating expenses of the line, far less the interest and the depreciation. The company knows that unless it goes on to complete the line either southward or eastward by the spring of 1957 it stands to lose most, and perhaps all, of its investment. The investment now totals in excess of \$15 million, and will be more before the western section is completed.

This is not a "heads I win, tails you lose" proposition for Trans-Canada. I have never been associated with any government policy of that kind and I never will be. Trans-Canada stands to lose several million dollars if it does not succeed in paying off the loan and building beyond Winnipeg.

If it does succeed in paying off the loan and building beyond Winnipeg, it has still a long way to go before it begins to reap any profit on its investment. If this were a sure thing I know plenty of people who would be only too willing to finance Trans-Canada today. The picture of this proposal as a scheme to provide vast profits for Texas buccaneers is a fantasy insulting to the most ordinary intelligence, and grossly insulting to the men who have sponsored this project with hard cash and hard work where most Canadians have been unwilling to venture.

As for the government, it is nothing out of pocket if the loan is repaid with interest at 5 per cent. Indeed, it makes a modest return on its investment. It is not by any stretch of the imagination a subsidy to Trans-Canada or a subsidy to the building of the pipe line. On the other hand, if the loan is not repaid the government gets the western section of the line, which would have to be built in any event, for 90 per cent of the cost. I consider that a bit of a bargain.

The legislation which this resolution seeks to introduce is in two parts: (1) A first part, identical with the original proposal, which would authorize the formation of a crown corporation to construct and lease to Trans-Canada the northern Ontario section of the all-Canadian natural gas pipe line. The agreements relating to this part of the legislation have already been tabled and fully explained. As the house is aware, I tabled

some days ago the amendment extending this agreement to November 1, 1956, to conform to the extensions previously granted by the Alberta conservation board and the Board of Transport Commissioners for Canada. (2) A second part, authorizing the Minister of Finance to make an advance to Trans-Canada of 90 per cent of the cost of construction of the western section of the pipe line at going commercial rates of interest, and to take appropriate security.

When the legislation is approved the position will be as follows: (1) The government will be in a position to advance to Trans-Canada 90 per cent of the cost of construction of the western section, secured as I have described; (2) the advance will be made at going commercial rates for bank financing of a similar kind. Trans-Canada will undertake to repay this advance by April 2, 1957. (3) In the event of failure to repay by due date, the assets and shares of Trans-Canada will be taken over by the government, and the government will have the option of taking over the company as a going concern, on the terms I have stated, or of returning the unwanted assets and shares. The government is not required to take over Trans-Canada. It has a right to do so, but is under no obligation; (4) in the event that the Trans-Canada company is unable to repay the advance for the western section, the government will, as soon thereafter as possible, bring before parliament its further plans to ensure the completion of the all-Canadian line; (5) the government hopes, however, that the Trans-Canada company will be able to arrange the necessary financing for the whole line before the advance for the western section falls due. In that event the advance will be repaid and the government will proceed, as originally planned, to construct the northern Ontario section, which it will finance jointly with the government of Ontario, and to lease that section to Trans-Canada as part of the over-all project.

This is the proposal which the government commends to the house after prolonged and exhaustive study of every possible alternative. It offers an opportunity for an immediate start on construction. It gives the Trans-Canada company an adequate opportunity to demonstrate that it can finance the whole of the line. It ensures that the completion of the all-Canadian pipe line will not be further delayed by uncertainties about the decision of the federal power commission. It does not commit the government to public ownership, but it recognizes that if there are proven to be too many handicaps in the way of private enterprise, the government may have to take over and construct the whole of the line as a national enterprise.