

there would be any strings attached to any loan that the federal government might make and, if the loan were to the B.C. power commission, whether the federal government would wish to have a guarantee by the government of the province and, if so, whether on principal, interest or both. As indicated above and as stated in my letter of April 21st, I wish to confirm that the government of Canada is prepared, subject to the approval of parliament, to provide one half of the capital cost of the approved storage required to implement the proposed treaty between Canada and the United States for the co-operative development of the Columbia river, as an investment in a joint project of Canada and British Columbia that would be self liquidating.

2. The financing provided or guaranteed by the government of Canada would be recoverable with interest from the revenues earned from the project.

3. The precise interest rate to be fixed would depend on the form of financing agreed to, but it would obviously have to bear a direct relation to the rate at which the entity could borrow in the market. With guarantees as suggested above, and in view of the advantageous nature of the project which has been arranged, it should be possible to secure a favourable interest rate. The point to be

emphasized is that, on the basis of this concept of a joint investment, there would be no question of an interest charge to the British Columbia government for any investment by the government of Canada. Interest will be paid at the same dates as interest is paid on the capital provided by the provincial government, or to private investors on the bonds guaranteed by the provincial government.

4. Until its investment has been recovered by it, the federal government would be entitled to receive a share of the net revenue earned from the project in proportion to its contribution to the total capital contributed by the two governments.

You will appreciate that, apart from answering your specific questions in the context of the elaboration of the federal offer referred to, I have confined myself to a very general outline of the nature of the offer and of the ways in which it could be implemented. We are ready and shall be pleased to discuss the details of these and all other questions pertaining to the financing of the Columbia river project, in which the government of Canada has such an important interest, and express the hope that you may see fit to authorize your government's representatives to discuss these questions at the meeting on December 8th and 9th.

Yours, sincerely,  
DONALD M. FLEMING.