same reasons. They will know, and this I draw to the particular attention of all hon. members, that the legislature of Ontario approved this bill, not merely by a majority, but unanimously.

In the agreement between this government and Trans-Canada, the government undertook to recommend to parliament the formation of a crown company to build and own a 675 mile section of the all-Canadian line between the Manitoba-Ontario boundary and Kapuskasing. The legislation now before you carries out that undertaking. The northern Ontario section, when built, will be leased to Trans-Canada for a maximum term of 25 years.

Under the terms of the lease, Trans-Canada will pay all operating and maintenance expenses, including repairs, replacement, insurance, damage claims, and so forth, of the northern Ontario section, plus rental payments on a monthly and annual basis.

Trans-Canada will undertake to purchase the northern Ontario section as soon as it can arrange the necessary finances. The agreement gives a strong incentive to Trans-Canada to do so in a relatively short time.

The crown corporation undertakes to make additions of integral parts of the northern Ontario section, such as increased compression facilities to meet additional gas requirements, but is not required to build any additional pipe line or any sales laterals. The northern Ontario section will be designed for an initial capacity of 300 million cubic feet of gas per day and an ultimate capacity of 530 million cubic feet per day without looping.

The rental formula included in the agreement between the Canadian government and the Trans-Canada is designed to achieve the following results:

(1) to enable the crown corporation to recover not less than its full costs and investment during the term of the lease;

(2) to enable Trans-Canada to defer part of its rental payments on the northern Ontario section during the market buildup period in eastern Canada;

(3) to give the crown corporation a claim on net earnings of Trans-Canada if required to meet operating expenses, interest cost, and accumulated amortization, of the northern Ontario section;

(4) to give Trans-Canada a strong incentive to exercise its option to purchase the northern Ontario section within a relatively short period;

(5) to give the crown corporation a profit over and above expenses, interest costs, and amortization in the event that gas demand increases as expected and Trans-Canada does not exercise its option to purchase.

The rental payment to be made by Trans-Canada is in two parts. First is a monthly transportation charge on gas transmitted by the northern Ontario section. This transportation charge will be an amount which, if the line were operating at two-thirds of initial capacity, would return the crown corporation 4½ per cent per annum on its initial investment.

Once established, the throughput charge will remain fixed during the term of the lease regardless of subsequent increases in capacity. Since increases in capacity up to the physical maximum of 530 million cubic feet daily can be achieved by additional investments, small in relation to the initial investment, the throughput charge will result in returns substantially higher than 4½ per cent on invested capital, as the market for gas in eastern Canada expands.

From the outset, operating costs and interest charges will probably be covered by the basic rental, but there may be deficiencies in the revenue available for amortization in the early years of market buildup. To make up any deficiencies, the agreement provides that, commencing in the fourth year of the lease, and to the extent that the net revenues are available from the whole Trans-Canada operation, Trans-Canada will pay an additional annual rental of up to 1 per cent of the original cost of the northern Ontario section until total rental payments from the beginning of the lease equal 7 per cent per annum of the total capital cost plus interest at 3½ per cent per annum compounded annually on any deficiencies below 7 per cent carried forward.

The Chairman: Order. I am extremely sorry to interrupt the minister, but I am obliged to advise him that his time has expired.

Some hon. Members: Let him go on.

The Chairman: Has the minister unanimous consent to continue?

Some hon. Members: Agreed.

Mr. Howe (Port Arthur): I must say I always thought a minister on introducing a bill was given sufficient time to make a statement.

Mr. Fulton: Your party insisted on putting in the rule.

Mr. Howe (Port Arthur): I was never very strong on rules.

Mr. Knowles: How well we know that!

Mr. Rowe: We have observed that already.

Mr. Howe (Port Arthur): This average return of 7 per cent is the amount necessary