

*Northern Ontario Pipe Line Corporation*

prices, and its constituents and shareholders in consuming areas demanding lower sale prices.

It also doubts the propriety of using taxpayers' funds to operate a gas business in competition with the privately-owned coal and oil industry. A study of gas pipe-line financing in North America and elsewhere discloses many examples of government assistance to private enterprise in the form of loans or cash contributions, but I have been unable to find any example of direct operation by a government of any extensive gas transmission system. In short, it would appear that all governments have reached the conclusion that the long range transmission of natural gas is a field for private enterprise, with government assistance if necessary, and not a field for government ownership and operation.

It may yet prove necessary for us to attempt government enterprise in this field, but we believe that every prudent alternative should be explored first. We are therefore not prepared at this time to take over the enterprise of Trans-Canada and go into the gas transmission business.

I have implied that taking over the enterprise of Trans-Canada would be the only way for us to enter immediately into this business. That is precisely true. If we were to start from scratch to build a government gas transmission system we would, like the McMahon proposal, face the time-consuming business of setting up an organization, securing permits to remove gas from Alberta and from the board of transport commissioners to construct a specific pipe line. We would have to acquire gas supplies, negotiate gas sales contracts and, if we wished to export gas, start the federal power commission procedure all over again. If we could do all these things overnight we still could not build a pipe line until 1958, because we could not get the pipe.

That brings me back to the third hard fact I stated when I began. There is in Canada only one agency which can be placed in a position to build the western part of the pipe line this year. That is Trans-Canada Pipe Lines Limited. Some sections of the press, and some hon. members, are in the habit of referring to Trans-Canada as the government's "chosen instrument". The government has no chosen instrument. Trans-Canada is the only usable instrument available.

Perhaps because they are impatient with the delays that have occurred, some hon. members claim Trans-Canada has defaulted on its obligations. It is the only company which has permits from the Alberta petroleum and natural gas conservation board to

move gas eastward from Alberta. It is the only company which has a permit from the board of transport commissioners. It is the only company which has under contract gas supplies adequate to serve the central Canadian market and also an export market. It has sales contracts with many Canadian consumers. It has an organization of men experienced in pipe-line construction and operation.

Above all, it has pipe of the required 34-inch diameter ready to be delivered. As a result of the foresight of three of the main sponsors of Trans-Canada, namely Tennessee, Gulf Oil and Hudson's Bay Oil and Gas, this pipe was ordered last November and is now being produced and stored in the southern United States. It is owned by these three companies and an option on it is held by Trans-Canada, good until the end of the 1956 construction season. Unless that option is exercised, pipe will not be available for construction of the western section before the 1958 construction season.

It is very fortunate for all concerned that the pipe was ordered last November; otherwise today we should have no alternative but to wait. The present owners in ordering it took on an obligation of some \$40 million in order that there would be no delay in starting construction and getting gas on its way to market once financing had been arranged. The option on the pipe was originally related to the approval by the federal power commission of the contract between Tennessee and Trans-Canada. It is now being formally altered to give Trans-Canada an option relating to the financial responsibility of Trans-Canada, that is, its ability to pay for the pipe when delivered, in accordance with informal understandings previously agreed upon between Trans-Canada and the owners of the pipe.

The effect of all this is that Trans-Canada, and Trans-Canada alone, now has all the factors other than money necessary to start construction this year. Financing by normal methods cannot be arranged in the absence of validation by the federal power commission of Trans-Canada's contract with Tennessee.

We are not content to wait further for the federal power commission's approval; we are not equipped or willing to build the line ourselves; we desire that the line be started this year, rather than in 1958. Therefore the only practical arrangement is to finance a start by Trans-Canada this year. That is what is proposed by the new part of this resolution. Trans-Canada might well have preferred to take its chances on securing federal power commission approval, completing its financing, and constructing its project in due course. In the absence of any alternative project, it might well have counted on success in this.

[Mr. Howe (Port Arthur).]