

C. The government of Canada to guarantee, by appropriate financial measures, that the net cost of Columbia river power delivered to the Vancouver area will not exceed 4.25 mills per kilowatt hour.

D. The government of Canada to arrange with United States authorities, should any Columbia river power become surplus to the needs of British Columbia, for purchase of such surplus power in the United States at a price not lower than 4.25 mills per kilowatt hour.

MINISTER OF FINANCE

Ottawa December 6, 1960.

The Honourable W. A. C. Bennett,
Premier of British Columbia,
Parliament Buildings,
Victoria, British Columbia.

My dear Premier:—

I duly received your letter dated October 27th concerning the financing of the Columbia river power development. Your writing of the letter followed our personal discussion of the same subject on October 26th.

You will undoubtedly have been advised by now that at the meeting of the Canada-British Columbia policy liaison committee on November 23rd and 24th the federal ministers amplified the nature and effect of the federal government's offer as first put forward on February 9, 1960, and confirmed in my letter of April 21st. Since the questions in your letter under reply were based on the situation previous to the elaboration made at that meeting, I believe it would be appropriate if I were to repeat the outline of the federal offer here, in order that my answers to your questions may appear in their proper context. Subject to satisfactory agreement on the character and functions of a joint federal-provincial co-ordinating agency, along the lines indicated by federal representatives at the recent Canada-British Columbia policy liaison committee, the federal government would give financial assistance in the following manner:

1. The government of Canada is prepared, subject to the approval of parliament, to advance one half of the capital cost of creating the storages necessary to implement the proposed treaty between Canada and the United States for the co-operative development of the Columbia river.

2. The government of Canada will advance these moneys as an investment in a joint project of Canada and British Columbia which will be self liquidating.

3. The government of Canada proposes the creation of a joint entity for the purpose (amongst others) of receiving and advancing

the federal government's financial contribution. It is understood that you propose to designate the British Columbia power commission as the agency to have physical responsibility on behalf of British Columbia for construction and operation of these projects. Subject to satisfactory agreement between our two governments as to the role and position of the joint entity in safeguarding the obligations of the federal government under the treaty and the interests of the federal government (including such matters as the giving of necessary clearances called for by the treaty, adherence to completion dates as may be agreed in the treaty, Canadian content and employment in construction, etc., and such other matters as are appropriate to be entrusted to the entity), and subject to the approval and authorization of parliament, the joint entity could be authorized to advance the federal moneys for capital costs, to British Columbia power commission in accordance with the schedule of construction as contracts are approved.

4. The financing thus provided by the federal government (or guaranteed, if a guaranty arrangement is agreed to be more suitable) would be looked upon as a joint investment with British Columbia, and be repayable by the operating entity to the joint entity on behalf of the federal government, out of revenues earned from the project after operating costs are met. Since it would be a joint investment, capital repayment out of revenues to the federal government would be in the same proportion to total earnings as the capital contribution by the federal government bears to the total capital contributed to bring the project into operation and would be subject to the same maturity dates and other repayments conditions as were applicable to the capital contributed by the provincial government, or by private investors.

5. Under this arrangement, it would also be possible for the joint entity to receive and disburse the proportion of the capital to be contributed by British Columbia, if the province wishes to handle it that way. Alternatively, it would be possible for the entity to raise the finances directly from the public, with each government agreeing to guarantee the issue proportionately and to purchase proportionately any part thereof from time to time not taken up by public subscription.

Subject to the foregoing, I would answer your request for information on five precise points as follows:

1. and 5. You now inquire as to "the maximum amount which the federal government would be prepared to lend to the B.C. power commission". In our oral discussion on October 26th, your question was put in rather different form. You then asked if