

(1) Interest on the outstanding capital investment of each government shall be payable at rates (related to the respective rates of interest prevailing for outstanding obligations of Ontario and Canada) to be agreed upon prior to the commencement of construction of the Northern Ontario section;

(2) Earnings in excess of expenses and interest shall be applied to retirement of the outstanding capital investment of each government in proportion to original investment. In the event of sale of the assets of the Crown Corporation, the same principle of distribution shall apply.

I would like to make it clear that the Crown Corporation will not commence to build the Northern Ontario section and that the Government of Ontario will not be called upon to contribute any funds toward that project unless and until the Government of Canada has satisfied your government that Trans-Canada Pipe Lines Limited is in a position to carry out its commitment to build and put into operation all the other parts of the natural gas pipe line as contemplated by the agreement with that company dated November 21st, 1955.

If these arrangements are satisfactory to you, please let me know as soon as possible. This letter and your reply would then constitute an agreement binding upon both governments, subject to implementation by our respective parliaments, unless and until they are replaced by any other agreement between us.

Yours sincerely,
C. D. HOWE.

THE TREASURER OF ONTARIO

NOVEMBER 22nd, 1955.

Dear Mr. Howe:

I have your letter of November 21st, 1955 and the draft agreement between your government and Trans-Canada Pipe Lines Limited which was enclosed with it.

It has long been an objective of the Government of Ontario to add to the fuel and power resources of this Province by bringing to the East, by means of an all-Canadian pipe line running through and serving Northern Ontario, natural gas from Western Canada.

We have given careful consideration to your letter and the agreement, and we are prepared to agree to your proposal and recommend its acceptance to the Legislature.

Accordingly, I wish to inform you that the Government of Ontario is prepared to recommend to the next session of the Legislature that appropriate legislation be passed to authorize our participation in the project to the extent and on the terms out-lined in your letter.

We have noted particularly that the proposed Crown Corporation will not commence to build the Northern Ontario Section of the line and that the Government of Ontario will not be called upon to contribute any funds toward that project unless and until the Government of Canada has satisfied the Government of Ontario that Trans-Canada Pipe Lines Limited is in a position to carry out its commitment to build and put into operation all the other parts of the natural gas pipe line as contemplated by the agreement with that company referred to in your letter.

It is understood that your letter and this reply shall constitute an agreement, binding upon both governments, subject to implementation by our respective Parliaments, unless and until they are replaced by any other agreement between us.

Yours sincerely,
"DANA PORTER"

The Right Honourable C. D. Howe,
Minister of Trade and Commerce,
Ottawa, Ontario.