

However, Senator Muir makes a good point. We cannot, on the one hand, extend the right of free, collective bargaining and, on the other hand, remove that right arbitrarily and capriciously.

NORTHERN PIPELINE

FINANCING

Hon. H. A. Olson (Minister of State for Economic Development): Honourable senators, I have three delayed answers to questions asked on June 9, 1981. I believe that the answers contain fairly important information to a number of senators here. Though I am prepared to read the answers in their entirety, because they are rather lengthy I would ask that they be taken as read.

Hon. Senators: Agreed.

Senator Olson: Senator Roblin asked a question with regard to the costs for the Canadian segments of the pipeline project.

(The answer follows:)

In my reply to Senator Roblin's question of June 9, 1981, I indicated that the costs for the Canadian segments of the pipeline had not increased significantly from the estimates prepared by Foothills earlier. Further details have been brought to my attention which I would like to provide to the honourable senators.

Foothills Pipe Lines (Yukon) Ltd.'s most recent estimate of \$8.367 billion for the Canadian segments of the pipeline was filed with the National Energy Board in April, 1980. The company is now in the process of revising its estimates to take into account the increases in inflation and interest rates which have occurred since the time when the last estimates were calculated. It is my understanding that the company will be in a position to file revised estimates with the National Energy Board before the end of 1981.

As honourable senators may be aware, in March and April of this year, the NEB held public hearings to consider the final design cost estimates for the eastern and western legs. Costs for Phase I of the project were estimated by Foothills to be \$821,321,000. The board's decision is expected in the next several weeks.

Senator Olson: Senator Manning asked what the cost of Alaskan gas would be when it begins to flow through the pipeline system.

(The answer follows:)

Honourable senators should understand that it is difficult to determine the initial cost of the Alaskan gas which is expected to be delivered to the lower 48 states in the mid-1980s.

I think it is important to consider what alternate fuels may cost at that time and the fact that these other sources of supply may not be readily accessible to consumers in the lower 48 states.

While it is anticipated that Alaskan gas may cost more than competing fuels in the early years, there is a provision in the United States for the rolling in of the price of Alaskan gas with that of other supplies available. Further, a major proportion of the costs of Alaskan gas will, in the initial years of delivery, reflect the high cost of transportation. As the capital costs of the pipeline system are depreciated, the price of Alaskan gas will begin to decrease significantly.

Senator Olson: Senator Buckwold asked what the position of Canadian gas producers would be when Alaskan gas begins to flow through the Alaska Highway gas pipeline system.

(The answer follows:)

As I indicated to the honourable senator on June 9, 1981, the National Energy Board authorized last year the export of surplus Canadian gas through the southern segments of the pipeline system. For the western leg, the total authorized export on a firm and conditional basis between 1980-81 and 1987-88 amounts to 702.7 billion cubic feet ($19,906.5 \times 10^6 \text{ m}^3$). For the eastern leg, total authorized volumes on a firm and conditional basis over the period 1981-82 to 1987-88 amounts to 2.6 trillion cubic feet ($73,663.2 \times 10^6 \text{ m}^3$).

Gas exports may continue for the full period of time specified in the licence, if the mainline system has been completed and Alaskan gas is flowing, provided that additional looping is not required to accommodate both flows.

As set out in the NEB's Phase IV (b) "Reasons for Decisions" of May, 1980, additional facilities to carry Alberta gas were not certificated under the Northern Pipeline Act. The companies would be required to file another application with the NEB to seek a Certificate of Public Convenience and Necessity if additional facilities were required.

Gas is expected to begin to flow through the western leg by October, 1981. In the fall of 1982, gas is scheduled to begin to flow through the eastern leg.

There was a take-or-pay provision included in the export licence issued by the NEB which would obligate the U.S. shippers to take-or-pay 85 per cent of the contracted volumes of gas in any given year.

In April, 1980, the Federal Energy Regulatory Commission in the United States ruled that, in view of the fact that it had no control over the price of Canadian gas, it could not permit the U.S. shipper to enter into a contract with this level of take-or-pay. Instead, FERC developed a "minimum bill" system which, in effect, imposed a revenue cap on the take-or-pay contracts. U.S. shippers would be obligated to take-or-pay 85 per cent of the contracted volumes of gas at the former Canadian border price of \$3.45 per thousand cubic feet. FERC subsequently included an escalation provision which allows the revenue cap to increase according to the U.S. Natural Gas Policy Act inflation factor. Under the FERC formula, the mini-