

from the Manitoba boundary to Kapuskasing, known as the northern Ontario section. The Ontario legislation was approved unanimously by the provincial parliament.

In passing, I note that members of the opposition have fallen into the habit of calling this the unproductive section. I suppose that when such hon. members water their gardens, they turn on the tap and walk down the garden path with the unattached nozzle in their hands. They would regard a connecting hose as unproductive.

Leaving that aside, it could reasonably be expected, and still can, that with the northern Ontario section removed from the initial capital requirements of the project, the whole project could be financed as soon as the export contract with the United States customers was approved.

We did not at that time expect extended delay in the approval of that contract by the federal power commission. Perhaps we should have, although I do not believe we could properly have assumed that there would be so long a delay. However, there has been, and there is no end clearly in sight. This is another fact with which we must deal. As I said on Tuesday, the government has decided so to arrange matters that the all-Canadian pipe line can proceed without awaiting the action of any agency of another government.

At first glance there might seem to be a number of ways in which this could be done. On closer examination, the practical choice is very limited.

We have heard a good deal in recent days about the McMahon proposal. Although it is now history, having been withdrawn, I should like to suggest to the house some of the reasons why it was never formally put forward by its sponsor, and why it could not have been accepted had it been presented formally. The immediate and overwhelming objection to his proposal was that it involved the export from the outset of 400 million cubic feet per day at Emerson, as compared to 200 million under the present plan. This would leave only 100 million a day for eastern Canada, an amount clearly insufficient to attract capital to construct the pipe line eastward from Winnipeg and quite inadequate for central Canadian requirements.

Second, Mr. McMahon had no gas purchase contracts, no sales contracts, no permits and no pipe. As you will have seen from the correspondence which has been tabled, he attempted to reassure me on the score of pipe, but the quantities and diameters he

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was able to specify were simply not consistent with the construction, even on a patchwork basis, of a line to central Canada in the time he specified.

The only way in which Mr. McMahon could have acquired the necessary contracts, permits and materials would have been to buy out Trans-Canada. Since he was backed by the U.S. firms which are opposing the present plan for marketing Canadian gas in the U.S. middle west, and since the gas producers with whom he would have had to do business to acquire gas supplies are the principal present shareholders of Trans-Canada, his prospects in that regard were not bright.

Mr. McMahon was optimistic about the price his United States associates could pay for gas, and assumed that they could, without delay, obtain federal power commission approval of their proposed contract with him. One of these associates, Northern Natural Gas Company, applied in January of 1955 for permission to import gas from Trans-Canada at a lower price than Mr. McMahon was proposing. That hearing was adjourned *sine die* mainly, it would appear, because of objections of some of the customers of Northern Natural that the price of Canadian gas was too high. We should by now have learned that it would be unwise to base Canadian action on a guess as to the outcome of any application before the federal power commission. Mr. McMahon himself would be the first to agree, in the light of the history of the Westcoast project. Incidentally, McMahon is selling his gas at 22 cents at the United States border, whereas the Trans-Canada contract calls for 25½ cents and upward.

All this being so, there was not much use pursuing the matter further, but there were other points on which I was sceptical, one being that Mr. McMahon never disclosed the proposed sources of his Canadian equity capital, or the definition of "Canadian" which would be applied to it. This proposal was never a starter, but it has confused the issue now before us, and it has confused the opposition in particular. If any hon. members have studied it as closely as I have they will, I am sure, agree with Mr. McMahon that it had now best be forgotten. The Ontario government apparently came to the same conclusion several months before we did.

Public ownership still seems to us to be unattractive. I have stated previously that the government foresees grave difficulty in trying to operate a pipe line on an economic basis with its constituents and shareholders at the producing end demanding higher field