

Northern Ontario Pipe Line Corporation

The board of transport commissioners believed him and I do not blame them but I do blame the board when time after time this company went back to get its application renewed, although the board knew it had been lied to, although the board knew it had been deceived, the board still assented because a minion from the minister said, "It has got to go through; the boss has spoken." And so the company was given permission to extend the permit still further, and we see the result of the board's credulity in the judgment of the chairman of the board. He mentions Trans-Canada's hopes and says:

Trans-Canada hopes to commence construction early in 1955, deliver gas to Winnipeg and Emerson by November, 1955, complete the line to Toronto in 1956 and to Montreal in 1956 or 1957 at the latest.

The board believed that because they made the mistake of believing the witnesses who were heard. Dealing with the capital cost again the chairman of the board had this to say:

The estimated cost of construction of the line and facilities is \$299,139,000. . . . The board is convinced that such estimates have made reasonable allowance for foreseeable contingencies and have been prepared by skills and reliable estimators.

This was in 1954. Two years have passed. The cost of living may have advanced in those two years but not by the 30 per cent increase with which we are now confronted by these skilled and reliable estimators. How skilled can they be when, having taken into consideration all contingencies, we find now that the cost of the line will probably be \$100 million more? How reliable are these people upon whom the board relied? Their unreliability is more than obvious. Then, again, we were told in the judgment of the chief commissioner that there would be no question about financing. The financing was to be done on the American basis of 75 per cent in first mortgage bonds, 12½ per cent in debentures and 12½ per cent in common stock.

The committee will note the 12½ per cent in common stock. Why is it so small? Because history shows that these gas pipe lines in the United States have been gold mines and after paying off a nominal sum in interest to the debenture holders those who have had common stock have had their snouts thoroughly stuck into the gravy trough. In addition, as I will show later, this company is going to be in a position where it can pay a dividend of at least 20 per cent on the common stock, whether one takes the first fanciful figures submitted or the less fanciful ones which the minister got a month or two ago.

[Mr. Stewart (Winnipeg North).]

Then we are told about the economic feasibility of the project. The board of transport commissioners had no doubt whatsoever about the economic feasibility of this line. Of course, doubt has recently arisen that it is not economically feasible, but the whole argument of the government now is based in no small measure upon the necessity of the lateral from Winnipeg to Emerson so that gas can be sold to the United States in order that the financing can be more readily arranged.

But what was the position of the counsel for Trans-Canada Pipe Lines in 1954 when he appeared before the board of transport commissioners? This is what Mr. Tolmie said:

The Emerson lateral is not a separate line and it, of course, cannot be proceeded with or even contemplated by itself. It may be that it can come in at the beginning as an added feature . . .

In other words, this so essential feature today was at one stage in the game merely an added feature, something of no consequence, something of no importance, something which could be sloughed off. But now this added feature apparently is all-important because American industrialists have got to be supplied with cheap gas and Canadian citizens have got to pay for that subsidization. Mr. Tolmie said:

It may be that it can come in at the beginning as an added feature and assist greatly in the financing towards the initial return.

Of course it would assist but I would call the committee to witness again that this lateral to the south was not an essential feature of the first plan. It has only become an essential feature in later days. Why? Because this company has no intention of having its sales to the United States restricted to 200 million cubic feet a day. The minister may not have liked McMahon's idea of 400 million cubic feet but this company is going to try to get it because it wants the gravy. This company is not going to sell in Canada to industry because its price will not be competitive so far as industry is concerned but is going to sell to the luxury trade. It is not even going to be competitive down here with oil. It is going to sell to the Cadillac group, to the ministerial class who can afford to pay that price.

I have already mentioned the Winnipeg price. Again the board of transport commissioners was fooled, and apparently they love being deceived for time after time they renewed the permit. The chairman said:

We noted that the price to be paid Trans-Canada at Emerson by Northern Natural is 34 cents per 1,000 cubic feet and is 2 cents per 1,000 cubic feet less than the anticipated price to gas distributors in Winnipeg . . .