quarter of one billion dollars it needs for the portions of the pipe line in Canada not covered by the northern Ontario government project. That is, of course, the federal power commission approval in Washington of its contract with Tennessee. Particularly important is the $8 million per year minimum that approval of the United States import would provide Trans-Canada for transport of gas between the Alberta-Saskatchewan border and Emerson, Manitoba. This income is after deduction of the purchase price of gas at the Alberta border. This anticipated income was a major factor in enabling Trans-Canada to reduce its proposed selling prices to Canadian customers to a level that made signing up of customers possible within recent months. Without the assurance of that minimum income from transport of gas for export, it is unlikely that Trans-Canada, or any other company, can raise money for construction, unless the consumers of eastern Canada would be willing to boost their prospective gas bill by $8 million yearly or the Canadian and Ontario governments would be willing to provide annual subsidies of that amount. Both of these alternatives are highly unlikely.

I am not as riled up about the federal power commission hearing in Washington or as pessimistic about timing of imports approval by the federal power commission as some members of this house. I believe, approval is not only inevitable, but that the odds now favour a decision before next spring. The actual construction of a pipe line across the prairies this year, assuring the federal power commission that the availability of Canadian gas at Emerson is a reality and not the pipe dream it was during the abortive federal power commission hearings of an important application over one year ago, is the best guarantee possible by Canadian action to win the desired result. This proposed export at Emerson, which the government approved despite strong resistance from some in this house, takes a sizeable part of the burden off Canada in making an all Canadian route pipe line financeable. Canadians are the beneficiaries, regardless of whether Canadians or foreigners own the shares of the pipe line.

Another step to help make the project feasible is one of those involved in the government's resolution, the joint federal-Ontario construction of part of the northern Ontario pipe line, for leasing to an ultimate purchase by Trans-Canada. Under the contract involved, the government company will get less than normal return of interest and depreciation during the initial tough years of eastern Canadian market buildup for gas, thus greatly improving the financeability of the over-all project, but is guaranteed a return of at least 3·5 per cent on investment plus depreciation by levying a first charge against profits of the whole balance of the privately owned pipe line system when that system gets into a profit position. Over the term of the lease, Trans-Canada is going to average out with a cost saving of only the difference between 3·5 per cent and normal commercial interest rate, which would amount to around $1,250,000 yearly, although the deferred portion of costs during early years will in effect provide a greater aid during the early years.

Contrary to some claims, the Trans-Canada company will not get the benefit from the interest saving. All the benefit, and more, will go to the gas consumers of Canada, with the principal benefit going to the Ontario consumers. This is because, as a direct result of the government plan, Trans-Canada has been able in recent months to reduce its contract charges to Canadian gas purchasers by an amount that will exceed $2,500,000 per year during the first few years, and by progressively larger amounts as Canadian gas purchases increase.

The second phase of the resolution involves a federal government short-term loan, at 5 per cent interest, of 90 per cent of the cost of construction of Trans-Canada's pipe line as far east as Winnipeg in order to get it done this year and, among other things, meet the urgent need for gas at Winnipeg. Trans-Canada itself will provide about $7,500,000 of the cost, boosting its total investment to over $21 million by this year end. The plan is sound, from the government's point of view, for if the company cannot complete its full quarter billion dollar financing by next April 1, the government takes over a going pipe line for 90 per cent of cost, plus the very sizeable other assets of the company in the form of gas purchase and sales contracts, rights of way, engineering data, and so on.

The prairie pipe line, so long as it is confined to prairie markets, will earn operating costs from gas sales, but cannot earn interest charges. The $4 million a year interest will, however, be money well invested; for if the pipe line is not built this year at current steel and labour costs, it will cost an additional amount to build in future years far greater than the interest lost. If the company finances its project in full by next spring, which I am now quite hopeful of, it will pay off the government with full interest. If it fails in its earnest efforts the government gets a pipe line and other assets at far less than cost, and the companies who now back Trans-Canada will take a financial licking 30 to 40