Northern Ontario Pipe Line Corporation

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The house went into committee, Mr. Robinson (Simcoe East) in the chair.

Mr. Howe (Port Arthur): Mr. Chairman, this bill provides for the formation of a crown corporation to build the northern Ontario section of an all-Canadian natural gas pipe line. Its purpose is to hasten the day when Alberta will have an adequate outlet for its surplus gas, and the day when the cities, towns and industries of Saskatchewan, Manitoba, Ontario and Quebec within economic range will have access to this highly efficient fuel.

Many hon. members may hold the view that this pipe-line project involves only the procuring and laying in place of a large diameter pipe extending from a point in Alberta to a point near Montreal. Such a project is in itself no small undertaking, since it involves an estimated cost of $375 million. However, this is but part of the pipe-line project. In the province of Alberta, gas wells must be drilled to reservoirs of gas already proven in order to make that gas deliverable; chemical plants must be built to remove from the gas sulphur and wet components, such as butane and propane, for gas entering the pipe line must be dry gas; gathering lines must be laid in Alberta to collect the gas from the various fields and convey it to the western end of the trans-Canada pipe. Premier Manning has estimated that expenditures in Alberta, necessary to initiate the pipe-line project, will total $250 million. These are problems for private enterprise and for the provincial government of Alberta, for which this parliament need take no responsibility.

Then, customers for the gas must be found, which involves expensive distribution systems in a large number of cities, and a sales program to induce private domestic users and private industries to change over to natural gas. The build-up of customer loads must inevitably involve a considerable time element, which is being shortened by a temporary purchase of gas from the United States, that is enabling load building to begin without delay. Involved in the customer build-up is the manufacture and sale of apparatus for using gas. Altogether, this is a project involving expenditures in Canada totalling over one billion dollars.

Some hon. members may say that if the main pipe were to be built, the producers would eventually develop their properties and connect them to the pipe line. The same hon. members may say that the consumer load will eventually grow to a level that will make the pipe-line operation cover current expenses. However, the fact remains that until a certain quantity of deliverable gas can be assured and until the required quantity of consumption can be guaranteed it is impossible to finance the main pipe in a manner satisfactory either to private enterprise or to this parliament.

Hon. members may question why it is desirable to market certain quantities of gas from the pipe line into the United States. The reasons are twofold: first, that markets are required for more Alberta gas than eastern Canada is ever likely to consume, and second, there is available in the United States an immediate consumer load. Sales to the United States would therefore encourage exploration and development in Alberta and spread the cost of the transmission system over a larger volume of gas. Apart from these two considerations, United States markets are not essential to the project. I would, however, point out that when Premier Manning first brought the project to our Prime Minister he made it a condition that a market in the United States be arranged, in addition to markets in eastern Canada. Producers in Alberta desire to have this additional market as a means of taking care of the growth of the gas industry in Alberta, and this government can have no objection to a limited market in that country for gas in excess of the foreseeable needs of Canada.

Hon. members will recall that in 1951 parliament enacted the original statute incorporating Trans-Canada Pipe Lines Limited. The original sponsors of this project believed that a pipe line designed to serve the Canadian market only was economically feasible and the statute of incorporation restricted the company to activity within Canada. Through the merger of the original Trans-Canada Pipe Lines Limited with Western Pipe Lines Limited in early 1954, the plan was broadened to include a substantial export of gas at Emerson, Manitoba, which was possible under the Western Pipe Lines charter. Such export has been approved by this government with the proviso that Ontario and Quebec must be served as nearly as possible concurrently with any such export, and the company proceeded to try to arrange gas purchase and sales contracts and financing for its construction program on this basis.

In early 1955 Trans-Canada advised the government that, due to the lack of progress in obtaining gas purchase and sales contracts in Canada, construction of the first stage of the line in 1955 could not be financed unless a temporary guarantee of annual debt service on the first mortgage bonds could be arranged. The assistance requested was a deficiency