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HOUSE OF COMMONS
Standing Committee on
Railways, Canals and Telegraph Lines

5th Session, 24th Parliament
1962

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HOUSE OF COMMONS

Fifth Session—Twenty-fourth Parliament

1962

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

WEDNESDAY, FEBRUARY 14, 1962

THURSDAY, FEBRUARY 15, 1962

Respecting

Bill C-48, An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

and

Bill C-63, An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation.

Including First and Second Reports to the House

WITNESSES:

Hon. Léon Balcer, Minister of Transport: and Messrs. Donald F. Purves and Graham Macdougall, Q.C., of *Canadian National Railways*.

ROGER DUHAMEL, M.S.R.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: J. Russell Keays, Esq.

and Messrs.

Allmark,	Dumas,	McPhillips,
Asselin,	Fisher,	Monteith (<i>Verdun</i>),
Badanai,	Fournier,	Pascoe,
Baldwin,	Grills,	Payne,
Benidickson,	Hodgson,	Phillips,
Bourbonnais,	Horner (<i>Acadia</i>),	Pigeon,
Bourget,	Johnson,	Pitman,
Bourque,	Kennedy,	Rapp,
Brassard (<i>Chicoutimi</i>),	LaMarsh (Miss),	Rogers,
Brassard (<i>Lapointe</i>),	Lessard,	Rynard,
Browne (<i>Vancouver-</i>	MacInnis,	Simpson,
<i>Kingsway</i>),	MacLean (<i>Winnipeg</i>	Smith (<i>Calgary South</i>),
Bruchési,	<i>North Centre</i>),	Smith (<i>Lincoln</i>),
Cadieu,	Martin (<i>Essex East</i>),	Smith (<i>Simcoe North</i>),
Campbell (<i>Stormont</i>),	Matheson,	Thompson,
Campeau,	McBain,	Tucker,
Chevrier,	McDonald	Valade,
Creaghan,	(<i>Hamilton South</i>),	Woolliams,
Crouse,	McFarlane,	Wratten—60.
Denis,	McGee,	
Drysdale,	McGregor,	

M. Slack,

Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS

MONDAY, February 12, 1962.

Ordered,—That Bill C-48, An Act to amend An Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

TUESDAY, February 13, 1962.

Ordered,—That Bill C-63, An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, February 14, 1962.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Allmark,	Dumas,	McGee,
Asselin,	Fisher,	McGregor,
Badanai,	Fournier,	McPhillips
Baldwin,	Grills,	Monteith (Verdun),
Benidickson,	Hodgson,	Pascoe,
Bourbonnais,	Horner (Acadia),	Payne,
Bourget,	Howe,	Phillips,
Bourque,	Johnson,	Pigeon,
Brassard (Chicoutimi),	Keays,	Pitman,
Brassard (Lapointe),	Kennedy,	Rapp,
Browne Vancouver- Kingsway),	LaMarsh (Miss),	Rogers,
Bruchesi,	Lessard,	Rynard,
Cadieu,	MacInnis,	Simpson,
Campbell (Stormont),	MacLean (Winnipeg North Centre),	Smith (Calgary South),
Campeau,	Martin (Essex East),	Smith (Lincoln),
Chevrier,	Matheson,	Smith (Simcoe North),
Creaghan,	McBain,	Thompson,
Crouse,	McDonald,	Tucker,
Denis,	(Hamilton South),	Valade,
Drysdale	McFarlane,	Woolliams,
		Wratten—60.

(Quorum 20)

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon with power to send for persons, papers and records.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

THURSDAY, February 15, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto;
2. That its quorum be reduced from 20 to 15 members and that Standing Order 65 (1) (b) be suspended in relation thereto;
3. That it be given leave to sit while the House is sitting.

Respectfully submitted,

W. M. HOWE,
Chairman.

THURSDAY, February 15, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SECOND REPORT

Your Committee has considered the following bills and has agreed to report them without amendment:

Bill C-48, An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

Bill C-63, An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation.

A copy of the Minutes of Proceedings and Evidence relating to these bills, Issue No. 1, is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 14, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines met at 6.00 p.m. this day for organization purposes.

Members present: Messrs. Badanai, Benidickson, Bourque, Browne (*Vancouver-Kingsway*), Cadieu, Creaghan, Crouse, Drysdale, Dumas, Grills, Howe, Kennedy, MacInnis, McBain, McDonald (*Hamilton South*), McFarlane, Pascoe, Payne, Pitman, Rapp, Rynard, Simpson, Smith (*Simcoe North*), Tucker (24).

The Clerk attending and having called for nominations, Mr. Badanai moved, seconded by Mr. Crouse, that Mr. Howe be elected Chairman of the Committee.

There being no further nominations, Mr. Howe was declared duly elected as Chairman.

The Chairman thanked the Committee for the honour conferred on him.

On motion of Mr. Kennedy, seconded by Mr. Pascoe,

Resolved,—That Mr. Keays be Vice-Chairman of the Committee.

On motion of Mr. Smith (*Simcoe North*), seconded by Mr. McDonald (*Hamilton South*),

Resolved,—That a sub-committee on Agenda and Procedure comprised of the Chairman and six other members designated by him be appointed.

On motion of Mr. Bourque, seconded by Mr. McBain,

Resolved,—That the Committee recommend to the House that it be empowered to print such papers and evidence as may be ordered by the Committee.

On motion of Mr. Rapp, seconded by Mr. McDonald (*Hamilton South*),

Resolved,—That the Committee seek permission to reduce its quorum from 20 to 15 members.

On motion of Mr. Drysdale, seconded by Mr. Rynard,

Resolved,—That the Committee seek permission to sit while the House is sitting.

The Clerk read the Committee's Orders of Reference.

The Chairman announced that the Committee would consider Bills C-48 and C-63 tomorrow morning, at 9.30 a.m.

At 6.15 p.m., the Committee adjourned until 9.30 a.m. Thursday, February 15.

THURSDAY, February 15, 1962.

(2)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Badanai, Baldwin, Benidickson, Brassard (*Chicoutimi*), Brassard (*Lapointe*), Browne (*Vancouver-Kingsway*), Cadieu,

Crouse, Drysdale, Fisher, Horner (*Acadia*), Howe, Kennedy, Lessard, McFarlane, McPhillips, Pascoe, Payne, Pigeon, Pitman, Rapp, Simpson, Rynard, Smith (*Lincoln*), Smith (*Simcoe North*), Tucker—(26).

In attendance: The Honourable Léon Balcer, Minister of Transport;

From the Department of Transport: Mr. G. A. Scott, Assistant Deputy Minister; Mr. Jacques Fortier, Counsel; and Mr. W. A. Thornton, Executive Assistant, Railways. *From the Canadian National Railways:* Messrs. Donald F. Purves, Chief of Development, and Graham Macdougall, Q.C., General Solicitor.

On motion of Mr. McFarlane, seconded by Mr. Simpson,

Resolved,—That the Committee print from day to day 750 copies in English, and 250 copies in French of its Minutes of Proceedings and Evidence.

The Committee proceeded to the consideration of Bill C-48, An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

On clause 1

On the invitation of the Chairman, the Minister of Transport made a brief statement on the purpose of the Bill, and then introduced the officials of the Canadian National Railways and the officials from the Department of Transport.

Mr. Balcer was questioned, assisted by Mr. Purves.

Clause 1 and the Title were severally carried; the Bill was adopted without amendment.

Ordered,—That Bill C-48 be reported to the House without amendment.

The Committee then proceeded to the consideration of Bill C-63, An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation.

The Minister of Transport explained the purpose of the Bill and was questioned thereon, assisted by Messrs. Purves and Macdougall.

Clauses 1 to 9, the Schedule and the Title were severally carried; the Bill was carried without amendment.

Ordered,—That Bill C-63 be reported to the House without amendment.

At 10.30 a.m., the Committee adjourned to the call of the Chair.

M. Slack,
Clerk of the Committee.

EVIDENCE

THURSDAY, February 15, 1962.

The CHAIRMAN: Gentlemen, you will please come to order. I see a quorum. The first item on the agenda this morning is the calling for a motion to print from day to day 750 copies in English and 250 copies in French of our minutes of proceedings and evidence.

Mr. MCFARLANE: I so move.

Mr. CROUSE: I second the motion.

The CHAIRMAN: It has been moved and seconded. Agreed?

Motion agreed to.

We shall now take up Bill C-48. We had the order of reference read last night, so I shall now call clause 1.

On clause one.

Mr. Balcer, the Minister of Transport, will now explain the purpose of the bill and introduce the officials from his department.

Hon. LEON BALCER (*Minister of Transport*): Thank you very much, Mr. Chairman.

Now, Mr. Chairman and gentlemen, we meet today to consider two branch lines of railway; the first bill is C-48, to amend chapter 13 of the legislation which provided for a branch line to be constructed by the Canadian National Railways from Optic lake to Chisel lake in the Province of Manitoba, in order to enable the railways to instal an additional eight miles to a new mine opening at that point.

Secondly, we shall take up Bill No. C-63 respecting the construction of a branch line from Whitecourt, Alberta, approximately 23 miles, to serve a new sulphur plant which is opening up in that area.

Gentlemen, I have with me three witnesses. To my right is Mr. George Scott, Assistant Deputy Minister of Transport; and the two witnesses appearing for the Canadian National Railways are Mr. Purves, chief of development and Mr. Macdougall, general solicitor. We have with us also Mr. Fortier, the legal officer of my department. I know the committee is interested in gaining a thorough knowledge of what these branch lines proposals are all about. You will want to know the industries which are involved, the economics of the proposals, the traffic which is expected to accrue to the lines, and the general nature of the assurance which the railway company has that these ventures will be profitable. This information is available and you will hear presently from the witnesses who have come before you in respect of these matters.

Now, Mr. Chairman and gentlemen, I turn to Bill No. C-48, which is a proposal to amend chapter 13 of the Statutes of Canada, 1957-58. This legislation had to do with construction of a line of railway by the Canadian National from Optic lake to Chisel lake, a distance of 52 miles in the province of Manitoba. This branch line is referred to as branch line number one in a schedule to that act which also included provision for the acquisition of another line which was called branch line number two, and with which we are not concerned here.

Bill No. C-48 provides for an extension of eight miles to the 52 miles which have just been completed under the original act. You will recall that the 52 mile line was needed to reach a zinc-copper mine at Chisel lake by the Hudson Bay

Mining and Smelting Company. That company is now proceeding to open a new deposit at Stall lake about eight miles farther on from Chisel lake, and wishes rail service to the new mine. They also propose opening an additional deposit at a location known as Osborne lake which is another 11 miles distant from Stall lake, but they plan to truck that ore to the Stall lake railroad where it will all be shipped via the Chisel lake line to Flin Flon for processing.

The railway has completed a traffic guarantee agreement with Hudson Bay Mining similar in form to that entered into covering the original 52 miles. The estimated cost of the extension is \$1,090,000 and the company informs us that it was able to build the first 52 miles sufficiently under the estimate contained in the original act of \$8,840,000 that it can build this extension within the amount of authorization of \$8,840,000 originally provided. Therefore they are not asking for an additional appropriation in this present bill. That was the reason this bill was not preceded by a resolution.

I think members will see that this is a logical further development of the original Chisel lake line to serve increased production of the company. The railway reports that its study of the economics of this extension show that it will be a profitable venture, just as the original scheme was profitable.

Before calling on the railway witnesses who are here, I think it would be only fair to remind the committee that while we should expect and obtain all information necessary to satisfy the members that the proposal should go forward, nevertheless there remains the matter, which you are all acquainted with, of the natural reluctance on the part of the railway to disclose publicly the details of their transaction with the industries in respect of these branch lines. They have, of course, expressed to me in some detail their reasons for taking this position and I agree with the railway officials that we do not wish to embarrass them in future negotiations of this kind, and that where they ask that details of their transactions be not disclosed publicly, we should respect their wishes in that regard just as fully as we may possibly do so.

In some cases they tell me there is no objection to a full disclosure of the details of these traffic agreements, but in other cases there are reasons why they do not wish them disclosed. Therefore, when they ask us to respect the confidence of some of this material, I think we should do so. This certainly has been the policy which has been followed in the past in matters of this kind.

The railway officials have informed me that they can give members a very full picture of what is involved in these bills. They will be glad to answer your questions concerning them, so that you will have full information as to what is proposed. They do, however, ask our forbearance if questions should touch upon details which would force them to disclose confidences or give specific information which would embarrass them in future negotiations with industries. Nevertheless, they are here to help us and are prepared to give whatever information is required by any member.

Mr. FISHER: Might I ask if the minister considers this a general statement of policy with regard to matters coming before this committee? I raise the question because the member for Victoria and the member for Burnaby-Richmond will remember that we have had some motions and discussions in the past history of this committee about this very fact. My understanding is that you have brought up to date the position of the government in so far as disclosures are concerned.

Mr. BALZER: As I have pointed out.

Mr. SMITH (*Simcoe North*): I think Mr. Fisher is talking about disclosures and things that happened in another committee. I refer to the Canadian National Railways own committee in the past.

Mr. BROWNE (*Vancouver-Kingsway*): In any event the committee is in a position to decide what particular information it will require and how far it wants to go into it.

Mr. FISHER: That is the point.

Mr. BALDWIN: The minister said that each case would be decided on its merits with regard to what the policy or suggestion of the railway will be, and I suppose the government feels the same way.

Mr. BALCER: Definitely, because for instance, the committee will remember that last year on the Pine Point Railway bill we produced the full agreement and all the details. But it was a different branch line from this one, or from these two, because these two are ordinary branch lines and are based on contracts between private companies and the Canadian National Railways. I am advised by the Canadian National Railways that it would embarrass them in future negotiations, if we were to disclose certain facts. But as you will see, the two officers of the railway are here, and they will give you a lot of information. However, with respect to certain information, I shall ask the committee not to press too far, because we will simply hurt the national railways and also hurt the companies who have signed contracts with them.

Mr. DRYSDALE: I should like to get a point clarified. I have a little difficulty in understanding, when you have 52 miles of railway which costs \$8,840,000, how you can build a further eight miles for the same amount of money. A figure of \$1,090,000 was tossed in by the Minister of Transport. What happened there is that the original estimate was so far out that in effect you would be able to build these eight miles free?

Mr. BALCER: That is right, yes.

Mr. DRYSDALE: It was poor estimating, to start with?

Mr. BALCER: No; the expenses turned out to be less than anticipated.

Mr. DRYSDALE: What was the actual cost per mile of the 52 miles? Was it \$147,303?

Mr. BALCER: It was \$6,400,000.

Mr. DRYSDALE: How much does that work out to per mile?

Mr. BALCER: I have a list here in my file showing it.

Mr. DRYSDALE: So the present cost then, per mile has increased to \$136,250 and it would cost an additional \$1,090,000 for the further eight miles? I think that is right; there is an increase.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. BENEDICKSON: Do these figures work out to establish that the additional eight miles are going to cost exactly the amount that was left over from the construction of the 52 miles, or has there been some special estimating on the new ground, which is the basis of this amended bill? In other words, are we simply told that the extra eight miles will cost no more or no less than what has been left over.

Mr. BALCER: No; it has been further estimated.

Mr. DRYSDALE: What would account for the difference in the actual cost of \$124,000 per mile as compared to the estimated cost of \$170,000 per mile? That seems to be a considerable variation. Under the old estimate it was \$170,000 per mile for the 52 miles and that worked out in actuality to a cost of \$124,000 for 52 miles. I am curious to know where the error was made in estimating.

Mr. BALCER: I think this is a fair question; but, if the committee would agree, I think Mr. Purves would be in a better position to answer this question.

Mr. DRYSDALE: This is a difference of \$46,000 per mile.

Mr. BALCER: Yes. There is the matter of bridges and so on.

The CHAIRMAN: Gentlemen, this is Mr. Donald F. Purves, chief of development, Canadian National Railways.

Mr. DONALD F. PURVES (*Chief of Development, Canadian National Railways*): I also have the responsibility for the study of the economics in respect of every branch line proposal that comes up before the company. In addition, it is my responsibility to negotiate the actual arrangements covering construction of any of these lines. In respect of this Chisel lake line, we ran into a situation in which there was quite severe competition between the contractors. Evidently one or two of them were in a frame of mind which led them to endeavour to keep their organization going so long as they got their direct out-of-pocket costs. They bid very low. One of them in fact, complained to us afterwards that he had bid much too low. The result was that the line was built for approximately \$6½ million instead of \$8,800,000 which we estimated and which we thought was a fair estimate. This left approximately \$2 million that was not required.

The new line has been made the subject of a separate estimate. We have gone back over the ground and have checked it out. Our first estimate was more than \$1,090,000. We have cut corners on it. We are anxious to keep the amount down to a minimum. The member is quite right in wondering why there is this difference between the \$170,000 per mile and the \$125,000 per mile. It was not a question of estimating. We ran into quite favourable circumstances in letting contracts.

Mr. DRYSDALE: What was the basis on which you estimated the cost of construction? You put the matter up to tender with the result that you were some \$46,000 per mile under your original estimate. I would be a little curious about the discrepancy.

Mr. PURVES: It depends a good deal on how well matters go, particularly with the contractors. If the contractor gets on the ground and the weather is good, he can take his time and if the weather holds favourably he can make better progress. This is what happened. A combination of things went well.

Mr. DRYSDALE: This was a fixed price to start with?

Mr. PURVES: Yes.

Mr. DRYSDALE: So you had no problem.

Mr. PURVES: Part of it was at a fixed price and part of it at so much a yard.

Mr. DRYSDALE: Your main problem would be whether or not the contractor would go broke. The \$46,000 per mile was sort of a cushion in that eventuality.

Mr. PURVES: It was not a cushion. The usual contingency allowance was included in case things did not go as well as we thought normally they might; as a matter of fact, they went better.

Mr. DRYSDALE: Would you say that it is normal to have this arrangement and build a cushion into your estimates in this nature?

Mr. PURVES: No; it is not normal. Things went better than we expected.

Mr. BALDWIN: I have a question on another point. Would Mr. Purves explain the distinction and tell us why in one case they are building an eight mile line and in another case a 14-mile road to bring ore into Stall lake. Is there any reason why they built a railway in one case and a highway in the other?

Mr. PURVES: They decided the road had to be built in any event as part of their mining operations.

The CHAIRMAN: Are there any further questions?

Clause 1 agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Agreed.

The CHAIRMAN: Now, gentlemen, the second item is Bill C-63. We read the reference last night. I will ask the minister to explain the purpose of the bill.

On Clause 1—*Construction and completion.*

Mr. BALCER: Mr. Chairman, Bill C-63 provides for the construction of the line from Whitecourt, Alberta. You will recall that this is a proposal to build a 23-mile branch line from Whitecourt to the property of Pan American Petroleum Corporation in the Windfall gas field area. At that point a plant is now nearing completion which will produce sulphur from natural gas. This plant will be operated by Texas Gulf Sulphur Company Incorporated under an agreement with the owner of the property, Pan American Petroleum Corporation.

The salient facts from the point of view of the railway are that the cost of this 23-mile line is estimated at \$2,300,000. An agreement has been concluded between the railway company and the industry, providing for a guarantee of traffic from the industry for a period of 25 years, with provision, if the guarantee is not met, that appropriate penalties will be paid to ensure that the company is not out of pocket in any way in its operation. In addition, as you know, the industry in this case has agreed to make a cash contribution toward the cost of constructing the line, which money will be used before any funds are drawn down under this legislation, and it will serve to reduce the overall cost of the line to which I previously referred.

The officers of the railway who are here will be glad to advise you concerning the economics of the proposal and the prospective traffic which they hope will accrue to the line. The company has stated that the revenues which it will receive from the sulphur traffic will be sufficient to meet all expenses of operation and maintenance on the line and the cost of handling the traffic on the remainder of the system, as well as cover the interest and amortization of the railway's share of constructing the line, plus a reasonable surplus.

I am sure the bill will recommend itself to members as a splendid business proposition.

The CHAIRMAN: You have heard the minister's explanation. Are there any questions?

Mr. McPHILLIPS: I take it that there is an agreement in effect between the railway and the company.

Mr. BALCER: Yes. It has been signed.

Mr. BENIDICKSON: In principle how does this agreement with the sulphur company differ from the kind of agreement we dealt with last session in connection with the Slave lake and Pine Point railway? What distinguishes the two types of agreement? Why was it possible to give the details in one case and decide it was not in the public interest to give us the details in the case of the smaller branch line? In both cases do they not deal with one major shipper?

Mr. BALCER: Yes. But, as you will remember, there was government money involved in the Pine Point Railway. The taxpayer was called upon to subsidize the construction of that railway branch line; also, particular circumstances were involved due to the fact that Pine Point was a subsidiary of Cominco, and Cominco was a subsidiary of the main competitor of the C.N.R.

In this particular case I am not in a position to give you the details of the agreement because, I would then have to give you the precise details, and the Canadian National Railways feel that it would be detrimental both to them and to the company if we gave these details.

Mr. BENEDICKSON: You say that one of the major differences is that both the government and the railway have satisfied themselves that this particular branch line, under the guarantees and penalties, is assured of being self-liquidating and will involve no deficit to the taxpayer?

Mr. BALCER: Exactly.

The CHAIRMAN: Have you a question, Mr. Fisher?

Mr. FISHER: Has a freight rate been struck yet?

Mr. BALCER: Yes.

Mr. FISHER: Will this freight rate be within the knowledge of the Board of Transport Commissioners?

Mr. BALCER: Yes.

Mr. BENEDICKSON: And, is it not a document which is publicly filed at some stage?

Mr. FISHER: This is the point. If it is within the knowledge of the Board of Transport Commissioners, I understand it then could come within the knowledge of a member of parliament. Is that not right?

Mr. BALCER: Well, my reluctance to give the information is not connected at all with the rates; it concerns the capital contribution to the construction.

Mr. FISHER: I am not interested in that; I am interested in the rate, how fixed it is and whether there are escalator clauses in terms of volume.

Mr. BALCER: I think this is a question for a technician to answer and, if you do not mind, I would ask Mr. Purves to answer your question.

Mr. MCPHILLIPS: Before Mr. Purves proceeds, may I say this: the minister says we do not want to disclose how much the company is putting up. Is that not quite obvious when, in the schedule, you have 23.2 miles of railway at a cost of \$2,300,000 to the public? At \$99,138 per mile, would the differential not be what the company is putting up?

Mr. BALCER: No, no.

The CHAIRMAN: Mr. Purves, will you answer that previous question?

Mr. PURVES: In answer to the question in regard to the freight rate, the rate is \$7.84 per long ton to the export position on the British Columbia coast. This is published in the normal tariffs and is subject to any increase or decrease that may be made on that particular commodity rate.

Mr. FISHER: Would any of this be subject to an agreed charge arrangement?

Mr. PURVES: It could be if there were the elements of an agreed charge there.

Mr. FISHER: To what extent would this sulphur compete, because of the freight rates to the east? For example, is it likely to go into the lake-head pulp and paper market?

Mr. PURVES: There could be some, but the real market will have to be found offshore, in the Orient and Australasia.

Mr. FISHER: In a field such as this and in view of the world marketing conditions with such a staple product as sulphur, would you not have great fluctuation? Twenty-five years is a tremendously long period of time to get a projection. What would happen in a decade if the market tightens up

and this company cannot ship any more? How effective, in your mind, are the penalties so as to enable the railway to escape from this expenditure?

Mr. PURVES: That is why we made the agreement as tight as we have in connection with the tonnage schedule, and, failing their meeting this schedule, there are deficiency payments of so much a ton.

Mr. FISHER: Could the company or, say, the interested parties in the region appeal the situation to the Board of Transport Commissioners or is this contract outside the field of the board?

Mr. PURVES: I do not think any such appeal would be entertained as the industry has made a contract with the railway to ship "X" number of tons for "Y" number of years, failing which they would pay so many dollars per ton for any shortfall.

Mr. PAYNE: May I ask a couple of questions, Mr. Chairman?

Mr. FISHER: May I finish, please.

The CHAIRMAN: Allow Mr. Fisher to proceed, Mr. Payne.

Mr. FISHER: The reason I am asking you this, Mr. Purves, is that you probably, know that we had a situation in my region in connection with Steep Rock, where the Prime Minister advised the people from that area who were protesting the increase in rates that took place that they could bring it before the Board of Transport Commissioners. This is a situation where local support has rallied behind a company position. Am I to understand that no matter what local support might develop in connection with any changes that might take place, it would have no relevance in regard to this, as it is a hard and fast contract and an appeal to the Board of Transport Commissioners would have no relevance?

Mr. PURVES: I do not see how it could.

If you would allow me to explain in connection with the Steep Rock situation, we did not have a hard and fast agreement spelled out in the way we have here, and to quite some extent we were going on assurances and estimates of the market for direct shipping ore. Since that operation started there has been quite a revolution in the economics of direct shipping ores. This has been a problem with Steep Rock ore.

Mr. FISHER: But nothing like this will come up in this particular case.

Mr. PURVES: No.

The CHAIRMAN: Would you ask your questions now, Mr. Payne.

Mr. PAYNE: Mr. Chairman, I would like to ask a couple of questions of Mr. Purves in connection with the routing of the bulk sulphur from the point of shipment. Will it proceed via Edmonton and over C.N.R. trackage to the coast?

Mr. PURVES: Yes, it must go this way to the export position.

Mr. PAYNE: Once this bulk product is received at the port of Vancouver, what undertaking have you with the company as to delivery rate so that there can be competitive shipping in this commodity from a north shore point across the Second Narrows bridge versus the south side? Is there an agreement which guarantees equity respecting the port facilities or is discrimination permitted in the port of Vancouver?

Mr. PURVES: I think the best guarantee you have on that is the quite sharp competition which exists between the two principal bulk handling facilities.

Mr. PAYNE: But this is no assurance because while in theory this sounds fine, in practice it is not so good. What undertaking is there that our north shore harbour facilities will have an opportunity to compete with the south shore? This is a very cardinal point?

Mr. PURVES: I think you have a very progressive and competitive organization on the north shore. They have spent a good deal of money in building up that plant. We maintain a close contact with them all the way. It is to our interest to see that everything possible goes through that facility because that is where we get the long haul. The only small portion of the haul carried out by another railway is right at the other end when we interchange with the Pacific Great Eastern. It is also of interest to the P.G.E. to see that the north shore facilities get this business.

Mr. PAYNE: Is this a contractual arrangement?

Mr. PURVES: No, this involves a contract between the sulphur company and Vancouver Wharves, which is the terminal company on the north shore which negotiated this contract.

The CHAIRMAN: Did you wish to ask a question, Mr. Benidickson?

Mr. BENIDICKSON: No, I think it has been answered now. I was going to refer to the agreement with respect to the shipping of Steep Rock ores. That situation involved some improvements to a track which, of course, is not being used exclusively for the shipping of ore, but is one of the main lines of the Canadian National Railway for handling grain and other substantial bulk cargos. Therefore, in that case one particular customer is not expected to provide practically all the traffic.

Mr. PURVES: That is quite correct, sir.

Mr. DRYSDALE: Mr. Purves, is there a bridge required in the construction of this 23.2 miles of track?

Mr. PURVES: Yes, there is. May I refer to the map?

Mr. DRYSDALE: Yes, please do. I noticed that there was water there and I thought you must have to get across it some way.

Mr. PURVES: The terminus of the present Sangudo subdivision is at Whitecourt. Whitecourt is on the east side of the McLeod river just south of the Athabaska. The line will have to cross the McLeod river immediately west of Whitecourt.

Mr. DRYSDALE: What will be the cost of this bridge? Is it a single track bridge?

Mr. PURVES: It is a single track bridge. One would not want any more than that. It is a steel bridge. We are going to have to put down piers of sufficient strength and size and supply footings, having regard to the run off in the spring and ice pressures. I have forgotten the exact portion of the \$2,300,000 total which will be represented by the construction of this bridge, but my memory is that it is of the order of \$500,000.

Mr. BALCER: It involves 640 feet.

Mr. PURVES: Yes, it involves 640 feet, that is correct.

Mr. DRYSDALE: You feel it will amount to approximately \$500,000?

Mr. PURVES: It will amount to approximately \$500,000. That is my best memory of the cost of that item of the total.

Mr. DRYSDALE: In order to give us a basis of comparison, do you know what the cost per mile was of the C.N.R. track coming into Whitecourt?

Mr. PURVES: I do not know that. That was constructed a great many years ago. It is part of the old Canadian Northern Railway.

Mr. DRYSDALE: Could you give us an estimate, as you did in respect of the last bill, of the break-even figure on a cost per mile basis? Would it be perhaps \$60,000 or \$75,000 per mile?

Mr. PURVES: Oh, no. We do not put it on the basis of so much per mile. We figure the total cost and divide it by the number of miles and work out a per mile figure.

In the very early stages of negotiating with an industry, if we are asked for a horseback estimate regarding the cost of say 50 miles of track, from our experience, having regard to the type of country, we indicate the probable cost of the track on a per mile basis. We might do it that way at that stage.

Mr. DRYSDALE: Perhaps I can rephrase my question. The cost of construction is to be \$2,300,000. What is your opinion or estimate of the minimum break-even cost for a company going in and constructing it?

Mr. PURVES: Well, if everything goes along perfectly well and we get the breaks on the weather and find contractors who are hungry for business, then it might be of the order of \$2 millions. However, everything would have to go very well for us, and we do not always expect that kind of thing to happen.

Mr. DRYSDALE: Under clause 2 of the bill does the Canadian National Railway attempt to give preference to Canadian contractors?

Mr. PURVES: We always do that. I could not possibly conceive of a non-Canadian contractor being interested in coming into the area on such a comparatively small job.

Mr. DRYSDALE: All things being equal, preference would be given to the Canadian contractor?

Mr. PURVES: I do not know how the purchasing department gauges whether all things are equal. Normally the lowest tender is the successful one.

Mr. DRYSDALE: So there is a preference given to the Canadian contractor?

Mr. PURVES: I do not know. A contractor would have to be established in the country and ready to commence the job and I cannot conceive of an outsider bidding on a \$2,300,000 job in that area.

Mr. DRYSDALE: I am not familiar with the territory and, having noticed the provision contained in clause 2, I wondered about this preference. This situation has arisen before and I wondered whether there had been any change in the general Canadian National Railway approach to the situation. I presume the practice is the same regardless of the size of the job. I did wonder whether there was a clause providing a preference to Canadian contractors.

Mr. PURVES: I expect this to be the case as a matter of course, if possible.

Mr. DRYSDALE: Mr. Macdougall from the legal department is here. Perhaps he could tell us if there has been any change in Canadian National Railway practice regarding preference to Canadian contractors in respect of tenders and bids.

The CHAIRMAN: Mr. Macdougall of the solicitor's department, the general solicitor for the Canadian National Railways could perhaps give some indication in this regard.

Mr. GRAHAM MACDOUGALL, Q.C. (*Solicitor General for the Canadian National Railways*): Mr. Chairman and Mr. Drysdale, I do not know of any specific clause in our tenders which precludes anyone from bidding on them. However, I do not think that problem has ever arisen because of the fact that a non-Canadian contractor would only be interested in a job in an area adjacent to the United States border. Such a non-Canadian contractor in that event would still have problems in regard to moving his equipment through customs as well as other problems of that type. Therefore unless such a contractor was set up to operate in Canada as a Canadian operator, he would not really be in a position to make a bid.

Mr. DRYSDALE: So there is very little likelihood of such a situation arising?

Mr. MACDOUGALL: I would suggest there is very little likelihood of it happening.

Mr. BALDWIN: Mr. Chairman, I was going to ask a similar question, and perhaps to help the hon. member for Burnaby-Richmond I should point out that this principle was established as a result of the Pine Point railway negotiations where preference was given to the local people.

Mr. MACDOUGALL: Yes, preference is given to local people. However, the question asked by the hon. member was whether preference was given to a Canadian company as opposed to a United States company.

Mr. DRYSDALE: If preference was given to a local contractor it would follow that it would be a Canadian.

Mr. BALDWIN: Yes, the local contractor would be Canadian.

Mr. FISHER: Does that necessarily follow in Alberta?

Mr. BALDWIN: This does not involve the oil industry.

Mr. Chairman, the question I should like to ask is, what is the controlling grade of the additional 23 miles as compared with the grade of the branch line from Whitecourt to Edmonton?

Mr. PURVES: I do not know. There is quite a grade in the last mile and a half of the line coming up to this plateau. This is merely a switching line to reach one industry and we do not expect to be operating trains over that line at speed. We felt that we should accept that grade rather than become involved in the extra cost of levelling this grade the entire way. We are accepting the first 19 miles as it was constructed by the Canadian Northern Pacific when the original right of way was cleared as a portion of the line north to the Peace River valley. We have used the old grade right to that point and then turned off at this point.

Mr. BALDWIN: Mr. Chairman, I have one further question regarding another point. Does your reticence with regard to disclosing your agreement preclude you from indicating what might be the increment to the company as a result of the main line traffic which will result from this extension?

Mr. PURVES: I have considered this on the basis of the increment to the company as a whole. That is, how much better the railroad will be as a whole as a result of this construction, and I might say it is quite considerable. However, I would not like to say exactly what it is.

Mr. BALDWIN: All right, thank you.

Mr. PURVES: The difficulty is that we are negotiating almost every week with some private industry. It is fairly hard bargaining sometimes. We have been on this two-and-a-half years, and the thing that really re-opened negotiations, after our concern that it was not going to go anywhere, was the entry of Texas Gulf Sulphur.

Mr. SIMPSON: I should like to ask Mr. Purves if he could tell the committee the estimated time of completion of this branch line?

Mr. PURVES: They have asked us to have it ready in March of 1963. It would be our hope that we can meet that. The plant will be in production before that time. We took in equipment over an ice bridge over the McLeod last winter.

The CHAIRMAN: Clauses 1 to 8 inclusive agreed to.

Mr. BENIDICKSON: Is clause 8 pretty well standard in statutes of this kind?

Mr. PURVES: Yes, it is standard in this type of construction.

The CHAIRMAN: Clause 9 agreed to.

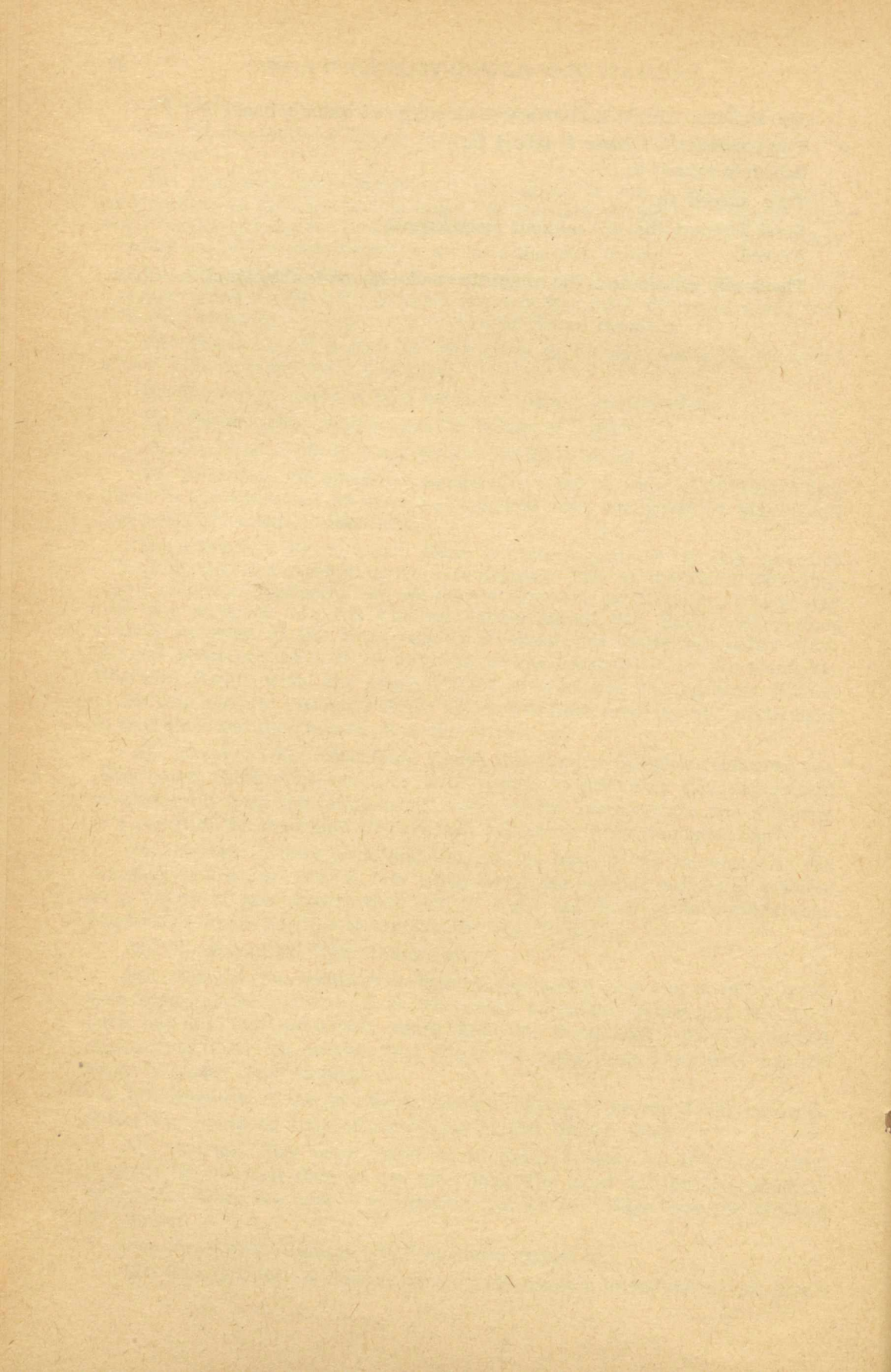
Schedule agreed to.

Title agreed to.

Shall I report the bill without amendment?

Agreed.

Thank you, gentlemen. The committee will adjourn to the call of the Chair.



HOUSE OF COMMONS

Fifth Session—Twenty-fourth Parliament

1962

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, MARCH 1, 1962

Respecting

Bill C-67, An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts.

Including Third Report to the House

WITNESSES:

Hon. Leon Balcer, Minister of Transport; Mr. G. A. Scott, Assistant Deputy Minister, Department of Transport; and Messrs. S. F. Dingle and A. V. Johnston of Canadian National Railways.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

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Vice-Chairman: J. Russell Keays, Esq.
and Messrs.

Allmark,	Drysdale,	McGregor,
Asselin,	Dumas,	McPhillips,
Badanai,	English,	Monteith (<i>Verdun</i>),
Baldwin,	Fisher,	Pascoe,
Belzile,	Fournier,	Payne,
Benidickson,	Grills,	Phillips,
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Brassard (<i>Lapointe</i>),	Lessard,	Rynard,
Browne (<i>Vancouver-</i> <i>Kingsway</i>),	MacInnis,	Simpson,
Bruchési,	MacLean (<i>Winnipeg</i> <i>North Centre</i>),	Smith (<i>Calgary South</i>),
Cadieu,	Martin (<i>Essex East</i>),	Smith (<i>Lincoln</i>),
Campbell (<i>Stormont</i>),	Matheson,	Smith (<i>Simcoe North</i>),
Campeau,	McBain,	Thompson,
Chevrier,	McDonald	Tucker,
Creaghan,	(<i>Hamilton South</i>),	Woolliams,
Crouse,	McFarlane,	Wratten—60.
Denis	McGee,	

D. F. Ballantine
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, February 15, 1962.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to print such papers and evidence as may be ordered by it, and that Standing Order 66 be suspended in relation thereto; that the quorum of the said Committee be reduced from 20 to 15 Members, and that Standing Order 65(1)(b) be suspended in relation thereto; and that the said Committee be given leave to sit while the House is sitting.

FRIDAY, February 23, 1962.

Ordered,—That Bill C-67, An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, February 28, 1962.

Ordered,—That the names of Messrs. English and Belzile be substituted for those of Messrs. Johnson and Valade respectively, on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, March 1, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

THIRD REPORT

Your Committee has considered the following bill and has agreed to report it without amendment:

Bill C-67, An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts.

A copy of the Minutes of Proceedings and Evidence relating to this bill, Issue No. 2, is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 1, 1962.

(3)

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.00 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

Members Present: Messrs. Baldwin, Belzile, Bourget, Brassard (*Chicoutimi*), Brassard (*Lapointe*), Crouse, Dumas, English, Fisher, Grills, Howe, Keays, McDonald (*Hamilton South*), McFarlane, McPhillips, Pascoe, Pigeon, Pitman, Rapp, Rogers, Thompson, Tucker.—22.

In attendance: The Honourable Léon Balcer, Minister of Transport; *From the Department of Transport:* Mr. G. A. Scott, Assistant Deputy Minister; Mr. Jacques Fortier, Counsel; and Mr. W. A. Thornton, Executive Assistant, Railways. *From the Canadian National Railways:* Mr. S. F. Dingle, Assistant Vice-President; Mr. A. V. Johnston, Chief Engineer; and Mr. J. W. G. Macdougall, Q.C., General Solicitor.

The Committee proceeded to the consideration of Bill C-67, An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts.

On Clause 1

On the invitation of the Chairman, the Minister of Transport made a brief statement on the purpose of the Bill, and then introduced the officials of the Canadian National Railways and the officials from the Department of Transport.

Mr. Balcer was questioned, assisted by Messrs. Scott and Dingle.

The Minister read into the record a letter from the St. Lawrence Corporation Limited, Three Rivers, Quebec, dated January 11, 1960.

Mr. English, the member for Gaspé, also read into the record telegrams he had received from the Independent Gaspe Truckers Association; Mr. James G. Russell of James Richardson Company Limited; Mr. Louis Landry, Secretary-Treasurer of James Richardson Company Limited and his 600 employees.

On Clause by Clause consideration

Clauses 1 to 3 were severally carried.

On Clause 4

Mr. Balcer was questioned; Clause 4 was carried.

On Clause 5

Mr. Balcer was questioned; Clause 5 was carried.

Clause 6 was carried.

On the Schedule

Mr. Johnston was questioned; the Schedule was carried.

The Title and the Bill were adopted and the Chairman ordered to report the Bill without amendment.

At 12.30 o'clock p.m., the Committee adjourned to the call of the Chair.

D. F. Ballantine,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 1, 1962.

The CHAIRMAN: Gentlemen, I see a quorum.

Something new has been added to our committee. We have a lady with us. Miss Ballantine is our new committee clerk. I will ask Miss Ballantine to read the order of reference.

The COMMITTEE CLERK: Order of reference dated February 23, 1962:— That Bill C-67, an act to authorize the construction and operation on behalf of Her Majesty of a line of railway in the province of Quebec between Matane and Ste. Anne des Monts be referred to the standing committee on railways, canals & telegraph lines.

On Clause 1.—*Construction and operation of railway line.*

The CHAIRMAN: I will ask the Hon. Mr. Balcer, Minister of Transport, to explain the purpose of the bill and introduce the persons we have with us from the railway company.

Hon. LEON BALCER (*Minister of Transport*): Thank you very much, Mr. Chairman and gentlemen.

The committee is meeting today to consider Bill C-67 which provides for construction of a line of railway in the province of Quebec between Matane and Ste Anne des Monts. Under this bill, authority is being sought to enable the Canadian National Railways, as agent of the government to build, maintain and operate this branch line which would connect with the Canadian National network at Mont Joli, Quebec, by means of the Canada and Gulf Terminal Railway.

Bill C-67 provides for the construction of a new branch line approximately 57 miles in length which would run from Matane in an easterly direction through Petite Matane, Ste. Felicite, Grosses Roches, Mechins, Capucins, Cap Chat, crossing the Cap Chat and Ste. Anne rivers and ending at Ste. Anne des Monts. The cost to construct this railway line is provisionally estimated at \$14 million.

In view of the fact that this is a development project, a railway for the economic development of natural resources in an area which has hitherto lacked rail transport, it is proposed that the Canadian National Railways will build, maintain and operate the line on behalf of the government and any surplus or deficit from the operation of the line will be for the government's account. The details of the responsibilities and obligations of the Canadian National as the agent of the government would be covered by an agreement between the railway and the government.

Among those familiar with the economy of the lower St. Lawrence region there is general agreement that the lack of railway facilities in the peninsula has so far been an obstacle to development of an area that has traditionally been deprived of ready access to markets. The economic future of the lower St. Lawrence region and more specifically of the Gaspé peninsula is, therefore, directly related to the improvement in its means of transportation. The government appreciates this problem and has decided to do something towards its solution. In fact, the present Bill C-67 is one of a number of measures already taken or in process of implementation in the fields of harbour improvements, and improved ferry services of the "roll on roll off" type across the lower St. Lawrence.

Mr. Chairman, the bill provides for construction and operation of a railway line in the counties of Matane and Gaspé. While this region of the Gaspé peninsula has for some time been the proposed site for railway services, the project could not be carried out so long as it had to be considered strictly on a "break-even or profit" basis without consideration being given to the possibility of incurring short term deficits in order to obtain possible long term benefits as a result of the economic stimulation that would pervade the entire area served by the new branch line.

It is because the government felt that the many representations made by community leaders and residents up and down the Gaspé coast for more than twenty years requesting the extension of rail service to Ste. Anne des Monts were indicative of a genuine need for transportation in that area that the present bill is now before us. It should be realized that from the short term point of view, this branch line is not expected to be an immediately profitable investment, hence the arrangements made under paragraphs 3, 4 and 5 of the bill. However, the government considers that the short term and long term benefits to the area served will give such an impetus to the economic growth of this area that the railway should eventually pay its way.

Mr. Chairman, I will now give you a brief resume of the wider economic assets of the Gaspé north shore area since I feel that, in the long run, it is on the abundance of these assets rather than on the immediately available tonnages of freight waiting to be shipped that the success of this development will ultimately hinge.

These assets include first of all the renowned Gaspé forest resources:

Lumber—Some 75 sawmills with a capacity of 85 million board feet per year are located within the Matane-Gaspé north area to be served by the new railroad. With freight rate and handling cost reductions, an increasingly large share of the potential output can be expected to move by rail.

Wood Chips—Instead of producing laths and shingles from edgings and slabs and burning the waste, these sawmills will be able to obtain much more efficient wood utilization through the diversion of edgings, slabs and even sizeable waste to wood chipping plants. The wood chips can then be marketed domestically thanks to the extended rail connection. Based on the sawmill capacity of the region a potential wood chip production of some 85,000 tons per year would be possible in the area served.

Pulpwood—While the 50,000 cords of pulpwood cut yearly along this part of the Gaspé coast are, at present, being moved by water to mills in the Quebec City-Three Rivers area, the availability of rail transportation will no doubt attract a certain share of this traffic to rail, particularly to mills having no direct water connections.

Other Wood Products—Long undressed timber, wooden boxes, semi-finished wood products, shingles and laths would also be able to move west at lower cost. The amount by which the annual volume of these products might be increased cannot be readily estimated because so much depends on the initiative and resourcefulness of local producers.

As to the area's mineral products, Bill C-67 will bring railhead within some 60 miles of the Gaspé Copper Company's Murdochville mining community and will reduce the present rail haul of 295 miles from Mont Joli to Gaspé to 92 miles from Mont Joli to Ste. Anne des Monts. It is not expected, however, that the principal traffic of the Gaspé Copper Company will be diverted to the new railway line. However, we do expect that an increasing share of the inbound tonnage will move over the new line. In addition to these industrial tonnages, there is of course a growing volume of miscellaneous consumer goods required both by the town and the plant.

Several mining prospects in the immediate vicinity of the extension include East Sullivan Mines Limited, Federal Metals Corporation and it is to be expected that the availability of rail transport will further the exploration in the entire area of Matane and Gaspé north.

It is particularly in the field of mineral exploration and resource development that the presence of a railroad should be beneficial to this part of the province of Quebec. It is a recognized fact of economic development that reduced transportation costs can, under favourable circumstances, actually create new traffic and transform into carloads certain materials that heretofore had never been considered economically usable. To discover such latent traffic is a challenging task to which the business people of the area will apply their traditional resourcefulness and inventiveness.

Finally, I should like to refer briefly to the potential traffic in general merchandise. The coastal communities of Gaspé so far have had to rely on coastwise shipping services as the cheapest available means of transport for this category of commodities. Unfortunately, however, this traffic is limited by the length of the navigation season and is becoming inadequate by present standards. In this respect, through rail rates available all year round should constitute a big improvement.

Here again, the resourcefulness of local agricultural, industrial and small business leaders will undoubtedly be given a new and wider scope for the production, exchange or further processing of local materials with a view to their marketing in other parts of the country as well as obtaining needed materials more efficiently and cheaply from suppliers elsewhere in Canada.

Mr. Chairman, the government feels that the natural resources in forests, minerals and agriculture abounding in this part of Quebec combined with a marked reduction in transportation charges will enable the progressive population of the Gaspé north shore to achieve within a few years what they have been dreaming of for half a century: full economic development on a scale comparable to that achieved by their compatriots in other parts of the country.

In this respect, I wish to emphasize the vital importance of the part to be played by the local agricultural, industrial and business leaders of the area in question. Granted that the federal government is taking the initiative of providing rail service and has made it possible for the Canadian National Railways' experienced traffic and industrial development officers to be available to advise shippers on this new branch line in matters of traffic development. It remains, of course, for the business community both in Gaspé and the country at large to make the most of this challenging opportunity to develop new processing and marketing patterns to and from the area opened up by this railway.

It is my opinion that the passage of this measure will serve Canadians in at least three ways: it will provide for immediate employment in the construction of the line; it will provide additional employment with the railway company involved in operating and maintaining this new line; and, most important of all, it will enable the rapid creation of many more jobs and economic wealth both in the area of the Gaspé north shore itself and in the rest of the country. Passage of this measure will make an outstanding contribution to the economic development—one might, perhaps, say rehabilitation—of one of Canada's most historic regions.

Mr. Chairman, I would like to add that if you look at the map you will note that Ste. Anne des Monts will be regarded as sort of the railhead on the south shore; that is, the easternmost terminal on the south shore of the St. Lawrence, and Ste. Anne des Monts is right across from Seven Islands where, at the present time, a tremendous mineral development and hydro

electric development are taking place. During the past ten years it has been a tragedy to see this population on the south shore separated by only the St. Lawrence river from this tremendous development. This population always has been very eager to take part in this development and we feel that by connecting Ste. Anne des Monts with the rest of Canada it will serve in helping the Gaspé population to take part in the development of the north shore in a more effective fashion.

Mr. Chairman, to assist the committee, I have with me Mr. George Scott from the Department of Transport. Mr. Scott is the assistant deputy minister. Also present are Mr. Fortier, the general counsel, and Mr. Thornton, executive assistant, railways. Then, we have from the Canadian National Railways Mr. Dingle, assistant vice-president, Mr. Johnston, the chief engineer, and Mr. Macdougall, the general solicitor.

The CHAIRMAN: Thank you, Mr. Balcer.

Gentlemen, you have heard the minister's statement. Are there any questions on clause 1?

Mr. FISHER: I did not get a very complete picture from your statement here or your statement in the house as to the volume of traffic that is going to be carried, and I wonder if I could ask what the present arrangements are for handling the copper concentrates which, I assume, are at Murdochville, and where do they go?

Mr. BALCER: At the present time the copper anodes are trucked to Gaspé; some is shipped by water from Gaspé but the major portion is shipped by rail.

Mr. Fisher: In other words, you have no hope of tying on to that traffic.

Mr. BALCER: I did not say there was no hope. At the present time I am not in a position to say if this concentrate will be moving by this new railroad.

Mr. FISHER: Could I ask the senior officials what negotiations they have endeavoured to carry out with Noranda or Gaspé Copper Mines to see if it would not be feasible to enter into an agreement to move this traffic.

Mr. S. F. DINGLE (*Assistant Vice-President, Canadian National Railways*): We have had no discussions as yet with them on that point.

Mr. FISHER: When we were considering the railway in Alberta, the railway made a very strong case and had a nice tight agreement with them. On the other hand, you have one big producer, in the mineral sense, in the area—and this generally has been the reason for building branch lines in recent years—and yet, apparently, there has not been any negotiations with this particular producer to try to tie them up with business for this line.

Could I have an explanation.

Mr. BALCER: Of course, as I said earlier, this is a development railway, with a view to long-term benefits. Also, as I said, the Canadian National Railways will be the agent for the government in the handling of the railway, and I am quite sure they will investigate this situation and try to line up all the contracts that they can. They will be the people who will be running the railway and, as a result, they will be the ones who will go after the traffic and business.

Mr. FISHER: But, at the present time, there is nothing concrete in the foreseeable future in the way of mineral tonnage or concentrate tonnage on this line.

Mr. BALCER: No. I am not in a position to give you any figures now.

Mr. FISHER: Now, let us look into the pulpwood production. You say the cut is 50,000 cords, which is fairly small. This is moving by water. Is it moving to Baie Comeau or to Quebec City?

Mr. BALCER: It is going to Quebec City and Three Rivers.

Mr. FISHER: By barge?

Mr. BALCER: Yes. This is one of the factors which, I think, calls for improvement in transportation. In the Gaspé peninsula you have splendid forests which, at the present time, are going to waste on account of poor transportation, and we feel that this new rail line will provide, in part, further incentives for the development of these forests.

Mr. FISHER: May I ask your economist or Mr. Scott if it is feasible would a pulp shipper prefer rail to water transportation? Although I can see the seasonal point of view, experience in the lake Superior country has proven that water shipment, even by barge, is much cheaper than rail.

Mr. G. A. SCOTT (*Assistant Deputy Minister of Transport*): I think the answer here, Mr. Fisher, really is that the cut in the past has been largely toward the west end of the present line. I should say that this is a bad situation in the sense of maintaining a steady cut of lumber or of pulpwood. An extension of the line would allow a more sustained cut without depletion.

Mr. FISHER: Who controls the licensing in this area at the present time?

Mr. BALCER: This is provincial land.

Mr. FISHER: It is crown land, and are any of the lands under lease to any of the companies?

Mr. BALCER: I am sure there are, yes. There are also some free holdings in the area. I can give you some figures in this regard.

Mr. KEAYS: Mr. Chairman, perhaps I could answer that question. The lower part of this peninsula is under lease to the Canadian International Paper Company the Gaspesia Sulphite Company Limited; the Cascapedia Pulp and Paper Company, which is a subsidiary of the Bathurst Pulp and Paper Company, and all the sections in the north or on the south side of the St. Lawrence river are under crown land lease directly to small operators.

Mr. FISHER: I understand they try to sell to one of the big companies, do they?

Mr. KEAYS: That is right.

Mr. FISHER: I would like to ask about the appreciation in the province of Quebec in an economic respect of the establishment of a pulp and paper mill in the Gaspé area.

Mr. BALCER: I know that earlier in the present session of the Quebec legislative assembly there was some special legislation brought forward regarding the development of the Gaspé Peninsula, recognizing the fact that for quite a while it has been a depressed area. I know that at the present time there is some discussion of the establishment of a pulp mill somewhere in the Matane area.

Mr. KEAYS: Mr. Chairman, at the present time there is a pulp mill at Chandler. It is the Gaspesia Sulphite Company. That company is in the process of putting in the first paper machine and I understand that as soon as the first one has been installed the second one will be installed. This is at Chandler, of course.

Mr. FISHER: This contemplated rail line would not be of much use there unless there is an extension to that area.

Mr. KEAYS: For some years the Gaspesia Pulp and Paper Company has been buying pulp from the Maritimes; from Nova Scotia, Prince Edward Island and New Brunswick and has brought it in by rail instead of by water.

Mr. FISHER: Do you contemplate then a rail haul from Ste. Anne des Monts and back to Mont Joli, and then down?

Mr. KEAYS: Yes, and that is the logical way to do it.

Mr. FISHER: The rates there must be lower than they are in my part of the country because the amount of rail haul in my part of the country has tended to fall away.

I should like to ask whether the Canadian National Railway Company or the government has approached any of these companies which hold licences in this area with a view to the amount of traffic that can be expected?

Mr. BALCER: We have received representations from many of these companies but we have not signed any contracts as yet.

Mr. FISHER: Have you received any undertaking in regard to the amount of traffic that will be generated? After all, 50,000 cords could probably be carried on two trains.

Mr. BALCER: My information is that these companies have given us some figures regarding the amount that can be expected to be shipped under present circumstances.

Mr. FISHER: I should like then to ask this question. I understand there is 85 million board feet per year of lumber cut in this region by 75 saw mill operators. At the present time is most of that lumber shipped to the Montreal market and, if so, is it shipped by water?

Mr. BALCER: The 85 million figure is the potential of the present mills. At the present time this is being shipped either by truck to Matane or by water for the Montreal market, and also for the north shore.

Mr. FISHER: I should like to ask your economist whether lumber shipped to the Montreal market in this way will compete with lumber shipped by water during the summer season?

Mr. SCOTT: Obviously you will have a lower rate if you have service by water, but in the majority of instances one does not have as continuous a schedule of service by water as can be attained by rail. The fact is that in the past there has been a substantial tonnage of lumber moved over the rails.

Mr. FISHER: I presume that lumber is brought in by truck to the railhead at Matane?

Mr. BALCER: That is right.

Mr. FISHER: You have said there is a substantial amount shipped that way. Could you give us an indication as to how much it is?

Mr. SCOTT: I would estimate it to be 50,000 tons.

Mr. FISHER: Is that per year?

Mr. SCOTT: Yes.

Mr. FISHER: In respect of the wood chips, is the market considered to be in Quebec city and Three Rivers?

Mr. ENGLISH: The market is at Three Rivers.

Mr. FISHER: Could you estimate the number of box cars which will be shipped in this regard during the next year or two?

Mr. BALCER: My information is that there will be something in the neighbourhood of 25,000 tons shipped.

The CHAIRMAN: Are you finished Mr. Fisher?

Mr. FISHER: No, I am not finished but I shall allow someone else to proceed now and return to the subject later.

Mr. PIGEON: Can the minister indicate whether the Gaspé Copper Mine Company will increase its production after the completion of this railroad? Has the minister received any information from this company in that regard?

Mr. SCOTT: I think the answer to that question is that several years ago the Gaspé copper company indicated extreme interest in the establishment of

a railroad extension. At that time they were faced with two possible methods of shipment, the first being trucking and the second being rail extension. A rail extension did not materialize at that time so the company set up a trucking arrangement from Murdochville to Gaspé. This trucking scheme I understand has worked quite well because the company has concentrates moving inbound and copper anodes moving out. The company, therefore, has a balance of traffic. For this reason no consideration has been given to the diversion of any of this traffic to the new line. If there is a diversion it will result in moving the traffic from one side of the Canadian National Railway Company operations to the other. However, any change in this regard will depend upon whatever the Gaspé Copper Company decides to do, and rather than inflate the tonnage figures this consideration has been put aside until we know what the actual development is.

Mr. PIGEON: Mr. Chairman. I have a supplementary question I wish to ask. Can the officials give us an estimate of the saving to the Gaspé Copper Company resulting from the use of the proposed railroad instead of the trucking system?

Mr. SCOTT: No, Mr. Chairman, we did not make any estimate in that regard because we did not include any copper movement in the estimated tonnage figures. Therefore, whatever movement does develop in that regard will be extra. None of the traffic figures have been predicated upon a diversion of either the anodes or concentrates from the present routing.

Mr. KEAYS: Mr. Chairman, I believe the minister in his statement made reference to the potential economic development in the region, and I think we should consider this in the light of what actually is going on now in the Gaspé Peninsula.

We speak of 85 million board feet of lumber going to the Montreal market. I personally know that many of the large operators in that area cannot cut and sell more lumber because of the cost of taking it by road from Ste. Anne de Monts or Cap Chat into Matane and then by rail to Montreal, which puts their lumber in the city of Montreal about \$5 higher per thousand than the cost of bringing that same lumber from the west coast. Naturally at a \$5 differential they do not see the possibility of getting rid of their lumber. Also, when we bear in mind it is a well known fact that the growth of lumber in the Gaspé peninsula is one of the best in Canada—

Mr. FISHER: By that you mean regeneration?

Mr. KEAYS: Yes, the potential yearly yield. That would go up to 150 million feet a year, if they could get their lumber into the Montreal market at a competitive price.

In so far as the mines are concerned, the only smelter in eastern Canada is at Murdochville. No one can mention another area in Canada where a major mining development has taken place where smaller finds were not made. The only find being operated now is the one at Murdochville by Gaspé Copper. There have been hundreds and thousands of prospectors down in the area and also large Canadian mining companies. They have found mineral, they have found oil, but they always come up with the same problem "how am I going to get it out of here?" This is to the detriment of the Gaspé peninsula.

I could go on and give you a million reasons, but it is the possible economic development of the area that matters. I am surprised at Mr. Fisher. He is probably speaking for his party when he is against the economic development of the region.

I think I should also like to speak about how this rail line will help the further development of the north shore of the St. Lawrence. When we consider the tremendous development going on in that area, the boat services

that operate between Ste. Anne de Monts and Seven Islands, the developments at Wabush Lake, Shefferville, and the Twin Falls development in Labrador, we realize that roughly \$600 million is being spent there at present. Those people are also interested in being able to get their products into that area at a fair price. And so, by getting them in by rail as far as Ste. Anne de Monts and across the St. Lawrence to the ports I mentioned, they would definitely receive them at a price which would be very interesting. There is also the possibility of being able to help the Atlantic provinces move some of their farm produce into that region by rail from Ste. Anne de Monts. All those reasons added up, Mr. Chairman, I think are valid and deserve a lot of consideration so far as they concern the possibility of bringing the products of that area out of it or others into it.

Mr. BALCER: I would like to give you a picture of the possibilities of such a railway. Mr. Fisher asked me how many thousand tons are produced at the present time. I have here a letter from an expert of the St. Lawrence Corporation Limited. He has this comment to make on sawmill waste in this area. Speaking about North Gaspé, he says:

In your area there are several large mills which would be interested in turning their sawmill waste into usable fibre for our mill here at Three Rivers. I would name, among others, Jas. Richardson Company; Tourelle Lumber Company and A. Couturier et Fils with whom we have negotiated but have always met the obstacle of a transportation problem. These three mills would have some 35,000 tons of sawmill waste for sale and once this market has been developed successfully, this quantity from your area could easily double.

Mr. FISHER: I have a question on a point of order, Mr. Chairman. Mr. Keays raised the question as to why I was asking questions and casting doubts. I think I should be allowed to point out that the Royal Commission on Transportation has recently reported, and its main theme is to get the railways out of branch lines, especially the ones that are of a doubtful economic value. There seems to be a trend here to take advice from the most recent review of the Board. I do not think this would militate against this particular railroad, but it puts the responsibility upon us to look at those recommendations and to examine very closely what are the economic supports for the thing. I would like to put this on the record, Mr. Chairman, in rebuttal to what was said.

Mr. BALCER: Also, Mr. Fisher, the main theme of the McPherson report is that we should differentiate between the national policy and the national transportation policy; that the railways should not be saddled with uneconomical projects of the government, and that the government should take its responsibility for development projects. This is a development project, and we are not saddling the C.N.R. with it. The government is taking its responsibility. We are faced with a population of close to 100,000 people who have been in an underdeveloped region which has mineral wealth but does not have the proper transportation system to get it out and so achieve the same standard as the rest of Canada. The government has decided to give a break to that population and to look toward a long-term benefit. At the same time the government did not want the C.N.R. to be saddled with the expense of a short-term project which will definitely have long-term benefits.

Mr. KEAYS: On a point of order, Mr. Chairman, I do not want to be unfair to Mr. Fisher, and I certainly appreciate the fact that he is looking at the economic situation and the justification for such a railway, but what led me to say this was that he seemed to be objecting, at the resolution stage, to the fact that this line was moving up from sixth priority in the province of Quebec to first. This is why I raised the point.

Mr. FISHER: There is a misunderstanding here. I just read this from Daniel Johnson's speech during the debate in the house.

Mr. DUMAS: I wonder if the minister would not elaborate on one point? Is it not a fact, Mr. Balcer, that the construction of this line could be quite an incentive for East Sullivan Consolidated to go ahead and develop their mining project which they have in the Gaspé? If you have any information on that from Mr. Beauchemin, it would be interesting for the committee to hear it.

Mr. BALCER: I do not know if I have it with me, but we have a letter from Mr. Beauchemin stating that the moment the railway is built he will go ahead with the development of the East Sullivan Mines deposit in that precise area. He has always shown a tremendous interest in a railway in that area, and he has always considered the construction of this line as one of the main conditions for the development or exploitation of those deposits.

Mr. BOURGET: That is the strongest point for the future development of deposits in that area. It has been mentioned by geologists in the province of Quebec that there are a million developments in that area. That is the most important point, and you should develop that in your opening statement.

Mr. DUMAS: Mr. Balcer, do you know the location of all the properties of East Sullivan Consolidated? I think the major property is located in Lemieux township.

Mr. BALCER: It is in the interior of the peninsula but directly south of the railhead of Ste. Anne des Monts.

Mr. DUMAS: In the township of Lemieux. It is the old federal zinc and lead mine.

Mr. FISHER: What about the Sullivan property? Oh, I am sorry if Mr. Dumas has not finished.

The CHAIRMAN: Mr. Pigeon is next.

Mr. DUMAS: Do we have any figures on the tonnage which has been proved on this project, Mr. Balcer?

Mr. BALCER: I do not have the figures with me, but we have them at the office.

The CHAIRMAN: Mr. Pigeon.

Mr. PIGEON: We now have a railway from Montreal to Rimouski and Gaspé on the south peninsula, and for each 100 pounds of a given commodity it costs \$1.50 from Montreal to Gaspé and to transport the same merchandise from Montreal to Cape Chat the cost for each 100 pounds is \$1.68. I think that is the main reason that we should have another railway.

Mr. FISHER: What is the commodity, though? That figure does not mean anything unless you state the classification that you mean, because the railways have a lot of different classifications.

Mr. PIGEON: If we have this railway from Ste. Anne des Monts and from Matane to Ste. Anne des Monts, the transportation cost would be less, because now the cost from Montreal to Cape Chat is \$1.68 for each 100 pounds.

Mr. BALCER: I think Mr. Scott could give you the explanation of what you have in mind, concerning this very high cost.

Mr. SCOTT: Yes; the higher rates to which you refer, of course, are the line haul rates on the Canadian National Railways, plus a local rate over the Canada and Gulf Terminal, plus the local trucking rate. Any time you have three factor rates like that, they are always high. The low rate occurs when you get a through rate all the way through with one carrier. That is what would make the difference. This brings down the rates.

Mr. FISHER: What negotiations have you had with the East Sullivan Mines?

Mr. BALCER: We have had correspondence, and the last correspondence we had was to this effect: that Mr. Beauchemin, the president of the company, stated very clearly that they were ready to go into operation the moment this branch line would be constructed.

Mr. FISHER: What would they be shipping? Concentrates, or ore? Where would they be shipping concentrates? Would it be to the new smelter which is going to be built?

Mr. SCOTT: Again, this is one of those cases, something like the Gaspé copper, which is not on the line. In order to get down to a basic tonnage figure which we thought would be justifiable, we only took into account the traffic we considered to be readily realizable, and which by the extension of the line would be economic. Everything else beyond this which we feel in the course of time could be developed would only serve to improve the position of this rail operation.

Mr. FISHER: We have to assume, Mr. Chairman, since the government is subsidizing this project, that the Canadian National Railways has decided that such a branch line is uneconomic in the short run. But we do not know what the short run is. If it is five or ten years, may I assume that your economists have made some estimation of the traffic which would be moving over here in this short run period? And if so, could we have this, Mr. Scott?

Mr. SCOTT: Yes, Mr. Fisher. We expect, that in the short run, outbound tonnage would be approximately 75,500 tons.

Mr. FISHER: A year?

Mr. SCOTT: Yes, and we expect that the inbound tonnage would be approximately 65,000 tons.

Mr. FISHER: Could we assume that the outbound tonnage would be at a much lower rate than the inbound tonnage?

Mr. SCOTT: The average revenue per ton, yes.

Mr. FISHER: Have you the year's average?

Mr. SCOTT: We think that for outbound it would be \$1.50 per ton, and for inbound, \$2, roughly speaking.

Mr. FISHER: Have you any indication of how many years it would take, in your estimation, to reach a revenue position which would begin to bear the interest on the capital investment?

Mr. SCOTT: Well, you mention that this would be uneconomic. The minister indicated it in his statement. That is true, on the basis of the Canadian National Railways appraisal which they apply to all these branch lines, in which they would amortize the investment, and recover the operating costs and all expenses involved; and if this gives a return which they feel would be economic to them, they could afford to put their own money into it. But this is not one of those things, because one of the big items is the capital investment. If you take out the capital investment, this is a contribution by the government, and a risk which the government runs on this project. This, of course, changes the economics of it, because the main criterion then becomes the operating revenue and the operating cost; so that, on this basis, certainly there are good grounds to expect that during the course of the first five years these would probably be a deficit on this new line. But after five years, we would certainly expect it to get up to a break-even position.

Mr. FISHER: Do you refer to operating expenses or to the whole investment?

Mr. SCOTT: To operating expenses.

Mr. FISHER: You refer to operating expenses alone?

Mr. SCOTT: Yes.

Mr. FISHER: What is your estimation of when you will begin to get some return to meet the interest charges on the project as a whole?

Mr. SCOTT: Well, this depends on how quickly the potential traffic becomes realizable. It may be ten years or fifteen years.

Mr. FISHER: Might I ask Mr. Scott or the Canadian National Railway witnesses if you have entered into any development lines in recent years which are at all comparable to this? Could you give me some idea as to how your estimates or forecasts turned out?

Mr. SCOTT: No two are exactly the same, no.

Mr. BALCER: They all have different patterns. There are no two development railway branch lines which are similar in Canada. You have the Hudson Bay, the Shippigan, the Kitimat, and the Pine Point. They all have different financial set-ups, and different geography.

Mr. FISHER: They were all tied to committals by mining concerns of various kinds, as to tonnage. This is what worries me in this regard: you have this substantial expansion yet you have no tonnage. After all, the figures you have given us for the first year really mean, in revenue, less than \$200,000 approximately, or around that. That is very small revenue to start off with a \$14 million investment.

Mr. BALCER: To give you one example, I cite the Hudson Bay Railway. When it started, it was strictly development, and a very long term project. But now it is a paying proposition it has been given back to the Canadian National Railway and it contributes to the financial set-up of our national railways. I am very confident that you will have the same situation in respect of this line of railway, because just across the river from it there is a tremendous development going on, and it will increase in size over the next 15 years. I am sure that this railway will be busy.

Mr. FISHER: Might I go at this from two other points of view? In Ontario much of the development in railway extension is taking place under provincial auspices. What approach did you make to the government of the province here in order to work out some kind of arrangement under which they would bear part of the cost?

It seems to me with this \$14 million investment, and with only \$200,000 revenue in sight for the first year, this is a case of the Federal government taking a very, very strong economic lead in the province of Quebec. What approach did you make to the province to get assistance or support?

Mr. BALCER: We did not make any.

Mr. FISHER: You say you did not make any approach at all?

Mr. BALCER: No.

Mr. FISHER: Could you tell me why you did not? The reason I ask is that before the Royal Commission on Transportation a Quebec minister gave evidence in which he indicated that the province of Quebec was ready to build a railway line if necessary to help development. Since that time Mr. Levesque has also indicated that the Quebec government would not hesitate in order to develop the province, to build railway lines. With statements of that kind on the record and with a project which in the short run you say is uneconomic, why was the province not drawn in for assistance?

Mr. BALCER: We feel that this project should have been built a long time ago, and that it is a federal responsibility. The federal government is convinced that the long term benefits from this railway will prove we acted wisely when we built the railway.

Mr. FISHER: Let us look at it from another point of view. What are the highway facilities in the area at the present time?

Mr. BALCER: There is a highway which goes all around the Gaspe peninsula.

Mr. FISHER: From representations I have seen reported in newspapers, I understand that the truckers in Quebec are fairly militant about railway competition.

Mr. BALCER: Yes.

Mr. FISHER: I have also seen representations which were made before Quebec hearings that they felt the extensions of railways in an area such as this are unnecessary because of the service they provide. What study did you make of their position in this matter?

Mr. BALCER: We have had conflicting opinions from the truckers. The association made a statement that was reproduced in the press, but we have also received some representations from truckers in the area to the effect that the long term development benefit of such a railway in the area would certainly justify the building of this railway. They felt that the economic activity that would be created by this branch line would certainly even up any disappointment they might have.

Mr. FISHER: What is the condition of the harbour at Ste. Anne des Monts?

Mr. BALCER: It may need some improvements.

Mr. FISHER: Have you looked into the possibility that Ste. Anne des Monts might be similar to Baie Comeau as a grain shipping port? Would it be ice free all year round?

Mr. BALCER: No.

Mr. KEAYS: There still can be the same boat service operated winter and summer between the north and south shore. The difficulty would be on account of the prevalent winds being from the north; but it is loose ice.

Mr. FISHER: As the member for Gaspé has pointed out, this is a community which is over 300 years old.

Mr. KEAYS: Correction.

The CHAIRMAN: Mr. Keays is the member for Iles-de-la-Madeleine.

Mr. KEAYS: 427 would be exact.

Mr. FISHER: I am going to optimistic extremes. This is only a very small piece of the loaf. Why not construct the line right through to Gaspé?

Mr. BALCER: Because this line lies right opposite these mineral developments of which we were speaking. There is justification for going that far. If we discover minerals in the same quantity further on, we would certainly look at a proposal for extending the railway. For the present, however, by reaching Ste. Anne des Monts we are just north of the main mineral deposits. From various representations which have been made to us we believe we will be in a position to tap the most important mineral deposits of the Gaspé peninsula.

Mr. FISHER: But you have no indication of any real tonnage, say, in the next five years?

Mr. BALCER: We do not have the precise figures. Before the East Sullivan Mines Limited are ready to go into operation they will have to build their plant. We do not know how much they might ship or what will be the percentage of the ore, and things like that. I am not in a position to say at the present time what the quantity or the content will be.

Mr. FISHER: Since concentrates can be trucked very handily, was any thought given to providing substantial funds for the purpose of putting in a better highway network in the Gaspé rather than build the rail line?

Mr. BALCER: I am not an expert, but experience shows that the movement of bulk cargo is done more cheaply by railroad than by trucking.

Mr. FISHER: Yes, but the mining developments are, by their very nature, risky. We have a fairly large mining field up at Red Lake which is turning

out substantially much more valuable production than at Gaspé. The C.N.R. runs just to the south of Red Lake, and I do not think anyone has suggested putting a line in there, even though they are associated with the development at Red Lake.

Mr. BALCER: All around the Gaspé area, along this line, we have a population of approximately 100,000 people. This is what makes the difference.

Mr. BOURGET: Mr. Chairman, I would like to ask the minister if it is the intention of the government or the C.N.R. to buy the little line from Mont Joli to Matane, the Canada Gulf Terminal line.

Mr. BALCER: It is not the intention to buy it; but already discussions are going on between the C.N.R. and the Canada Gulf Terminal line authorities as to running rights and cooperation between the two.

Mr. BOURGET: Has a price been mentioned?

Mr. BALCER: No.

Mr. BALDWIN: Mr. Chairman, possibly I might ask this question of Mr. Scott. Leaving out the economics of the situation vis-à-vis the railway itself, as a result of your examination of the situation, as a result of your discussions and conversations with the corporations in this area, and as a result of your economic evaluation, do you feel that the construction of this railway will, over the years, appreciably add to the gross national product?

Mr. SCOTT: Yes. Mr. Fisher says, and quite rightly, that the tonnage figures I gave him are quite small; but you must bear in mind that these tonnage figures do not include one ton of ore, concentrates, or anything of that nature, because we feel that is something that must develop after the railway. While we realize they are there, and hope they will soon be developed—and the quicker the better for the operation of the railway—yet the basic traffic is predicated on what we think is realizable now.

Mr. BALDWIN: This well might have a chain reaction of setting off a series of economic growths which will add very substantially to our national welfare, particularly in this district.

Mr. SCOTT: Yes.

Mr. McPHILLIPS: It has been pointed out that the C.N.R. will be the agent for the crown in this matter. I do not know whether or not there are any financial men from the C.N.R. here. I would like to know this: will there be entirely different books kept in respect of this? In other words, I assume they will not be taken into the general C.N.R. financial account. If there is a deficit we will not have it bobbing up along with the C.N.R. deficit when we deal with Mr. Gordon in another committee. Is it going to be entirely separate?

Mr. BALCER: Yes. It will be entirely separate.

The CHAIRMAN: Mr. Belzile, have you a question?

Mr. BELZILE: No, not at this time.

The CHAIRMAN: Then, Mr. McDonald is next.

Mr. McDONALD (*Hamilton South*): I am satisfied, Mr. Chairman.

The CHAIRMAN: Proceed, Mr. Fisher.

Mr. FISHER: In relation to the point that Mr. Baldwin brought up, have you examined the situation, Mr. Scott, in northwestern Ontario where the Canadian National Railways had a line in existence next to a large discovery? Approximately 2 million tons of iron ore have been shipped from there yearly and yet the Canadian National Railways' claim seems to be that it is not meeting its costs. If you examine that situation, for example, I think you will get some idea of the reason why one would expect that you would have considerable tonnage tied down before you enter into an agreement like this. Have you

looked at the Atikokan and Steep Rock situation, as an example of a railway which is in existence and yet does not seem to be able to pay its way when over 2 million tons a year are being shipped?

Mr. SCOTT: No, we have not looked into this, because these rail lines which are predicated upon a mining venture—and we have some seven or eight that I do know of—are strictly a matter between the C.N.R. and the industry, and are to serve one industry. In those cases it is not a question of serving the general development of the area or the population of such an area in the broad sense, as is the case here.

Mr. FISHER: My point is that this line has been in existence for 50 years. The mineral discovery was made much later but was adjacent to the line. However, despite the fact that over 2 million tons are being shipped, the railway is forced to raise the rate because, apparently, it cannot meet its operating and capital costs. This underlines to me how expectations based upon mineral development often can be very, very over optimistic.

Mr. SCOTT: If I remember the answer Mr. Purves gave when the Whitecourt Bill was before the committee he said there had been some difficulties with that company in connection with production. As I understood it, shipments did not reach the volume anticipated when the arrangements were made.

Mr. FISHER: No. They predicated about 5 million and only came through with 2½ million. But, when I compare 2½ million to your estimate of 140,000 tons, I find it hard to reconcile.

Mr. SCOTT: I think that the other point which must be borne in mind is that usually the rate for a mining development is quite low; whereas the rates we are looking at here, as I mentioned, do not include one ton of ore; these are rates on other traffic which pay a fairly high rate.

Mr. FISHER: I am assuming that it is \$1.50 for 50 miles, and that is a substantial rate.

Mr. SCOTT: Yes.

The CHAIRMAN: Have you a question, Mr. Crouse?

Mr. CROUSE: Yes. When this line is completed, would you say that Ste. Anne des Monts will be a trans-shipping point for the north shore?

Mr. BALCER: At the present time they have a ferry service there. Its traffic is increasing all the time, and they are very hopeful that with this new branch line the people in the Seven Islands area will certainly be very much interested in getting goods through Ste. Anne des Monts.

Mr. CROUSE: Would it be proper to assume that part of your reason for building this line to provide better service with the result that you will get increased tonnage through that development in the north shore area?

Mr. BALCER: Yes, I think I can say that. The present government has made a very extensive survey of the situation along both shores of the St. Lawrence below Quebec, and we have discovered that the old area lacked proper ferry services and proper communication.

Mr. CROUSE: Are highway services for the north shore area adequate?

Mr. BALCER: Yes, they are. They are now in process of building a highway to Seven Islands. Most of the population that works on the north shore comes from the south shore. There is only one farm on the north shore; whereas the south shore is a farming community, and there was no connection between the two shores. This present government has instituted a ferry service between Rimouski and Baie Comeau. This service has been operating for a period of two months, and is a tremendous success. Its success has been far beyond all expectations.

Last week we authorized the building of a new ship, new harbour facilities and a new service between St. Simeon and Riviere du Loup; we are building a new wharf at Matane; and we have approved the establishment of a new "roll on, roll off" service between Matane and Godbout. This new branch line will help to assist the ferry service between Ste. Anne des Monts and Seven Islands. Within a very few years I think you will have a completely different picture of the economic situation of the lower St. Lawrence.

Mr. CROUSE: The question Mr. Fisher raised brought out a point. I believe you mentioned that there are some 100,000 people to be served in this area. Would Mr. Fisher care to tell the committee how many people were in the area where this iron mine, which is closing down the service, is located.

Mr. FISHER: They are not closing down the service. Do not get that impression. My whole point was that the C.N.R. apparently has not been able to make money from a line which has been in existence for 50 years.

Mr. McDONALD (*Hamilton South*): But that is serving the mine.

Mr. FISHER: In connection with the population, I cannot give you the figures. It is a scattered population between Fort William and Winnipeg, and I imagine there are about 100,000 people. They mention here the same figure. Where are they tributary to? It would take a demographer and census statistics to give us that information.

Mr. KEAYS: Would the minister not say that the reason for the economic development of the south part of the Gaspé peninsula and the reason that it is further ahead economically than the north shore is that a railway was put in from Matapédia to Gaspé, which was completed in 1915?

Mr. BALZER: I am quite sure of it.

Mr. KEAYS: It has always been expressed that the reason we are further ahead economically is that we have the railway.

Mr. FISHER: And they, of course, have taken their leap ahead strictly on the basis of mineral development. I am sorry; I am thinking of the north shore.

Mr. KEAYS: Is it not true that Gaspé Copper never would have been in Murdochville, and giving employment to 1,000 people, if it had not been for the rail facilities from Matapédia to Gaspé.

Mr. FISHER: Mr. Dingle, have you at the present time a franchise in Quebec which will enable you to truck in this area?

Mr. DINGLE: I do not think we have.

Mr. FISHER: What do you expect to have in terms of tying in tributary traffic to Ste. Anne des Monts? The minister has spoken of ferry service and piggy-back service. We assume this would mean a routing. If you are going to tie up in terms of development with the north shore in connection with agricultural production from the south shore, will you not need to have some kind of permanent arrangement?

Mr. DINGLE: Not that I know of at the moment, Mr. Fisher. Our only interest is as an agent of the government operating this particular line of the railroad, and what develops from that will show in time.

Mr. McDONALD (*Hamilton South*): Mr. Chairman, I understand the local trucking industry is adequate to handle the traffic on these tributary routes to the railroad without the Canadian National Railway Company going into the trucking business in the area.

Mr. SCOTT: Your remarks involve a question which is very difficult to answer. We all realize that the trucking services in that area are well developed, because there has not been a railroad operating there. The Canadian National Railway Company does not have trucking services in that area.

Mr. KEAYS: Mr. Chairman, could the trucking industry not extend its services to a piggy-back service from Ste. Anne des Monts along the coast and into the interior?

Mr. DINGLE: That is quite possible, yes.

Mr. KEAYS: That would represent a development in the services?

Mr. DINGLE: Yes.

Mr. KEAYS: In that way products would be shipped to the most eastern region at cheaper prices.

The CHAIRMAN: Are there any further questions gentlemen?

Mr. PIGEON: Mr. Chairman, I am not surprised to hear Mr. Fisher ask so many questions because of the potential increase in prosperity. A statement was made by the official board of trade of Montreal concerning the proportion of the country's railroads now in the province of Quebec. That statement was to the effect that 30 per cent of the population in the province of Quebec got only 11 per cent of the railroads. I should like to ask if these figures are accurate.

Mr. FISHER: Would you give those figures again, please.

Mr. PIGEON: The statement indicates that the 30 per cent of the population of our country in the province of Quebec receives only 11 per cent of the railroads in this country.

Mr. BALCER: For quite some time one of the complaints of the population of the province of Quebec in regard to railroads has been that there have not been many built. However, I would say that the present government has built quite a number of lines.

Mr. BRASSARD (*Lapointe*): Please do not get on a side line. Stay on the main line.

Mr. PIGEON: Mr. Chevrier did not do his duty as the minister.

Mr. ENGLISH: Mr. Chairman, I should just like to make a remark or two regarding the suggested opposition of the trucking industry toward the establishment of this railroad.

I received a telegram from the Independent Gaspé Truckers Association which reads as follows:

Meeting of independent Gaspé truckers held Cap Chat yesterday February 16 when proposed by Damase Vallee and unanimously resolved that congratulations be sent to Gaspé member to be transmitted also to right hon. Prime Minister and Minister of Transport for decision taken by government to give Gaspé north rail line requested for past fifty years stop decided at same meeting to actively protest opposition Quebec truckers association to realization of indispensable project to economic development our region.

I also received a telegram from one of the biggest industries, signed James G. Russell which reads as follows:

Trust pressure brought to bear by three small carriers exploiting us disgracefully will not change your decision re Matane/Ste. Anne railway.

I also received a telegram from Mr. Landry, the secretary treasurer of that committee which reads as follows:

We second Mr. J. G. Russell's telegram re railway.

That telegram is signed:

Louis Landry, Sec. Treas., James Richardson Company Limited
and his 600 employees.

So you will see Mr. Chairman that there is no opposition on the part of the truckers in this regard. I am sure that the establishment of this railroad line will assist the truckers in my riding.

The CHAIRMAN: Thank you very much Mr. English.

Are there any further questions, gentlemen?

Mr. FISHER: Mr. Chairman, I should like to ask a question regarding the rates that Mr. Scott has given us. I understand you gave us the average, Mr. Scott, and I should like to know where you obtained these rates?

Mr. SCOTT: The rates I gave you are not rates strictly speaking as you will appreciate, Mr. Fisher, but are revenues per ton. These were arrived at on the basis of the average of the type of traffic foreseen, in order to establish a tonnage revenue figure which we could apply against the estimated tonnage.

Mr. FISHER: I should like to ask the Canadian National Railway Company officials if they are prepared or have planned to put incentive rates in to this area in order to capture as much traffic as possible?

Mr. DINGLE: I cannot state what rate structure will apply, Mr. Fisher, as I have not discussed this as yet with our traffic people. I can assure you that we will do all we are able to do to generate traffic.

Mr. FISHER: Has the government made any approach to the Canadian National Railways in terms of early management of this railroad during an uneconomical period in order to make sure that the rates are minimal? I raise this question because it has been my experience that as soon as a railroad line has been established the people shipping over it complain about the rates.

Mr. DINGLE: As far as we are concerned at the moment the normal rate structure will apply. Whether there will be adjustments needed or not I do not know.

Mr. FISHER: I understand that you are prepared to go out and secure agreed traffic charges and make arrangements of that kind?

Mr. DINGLE: I would say yes, of course.

The CHAIRMAN: Shall clause 1 carry?

Clauses 1 to 3 inclusive agreed to.

On clause 4—*How payments to be made.*

Mr. BOURGET: Can the minister inform us when we may expect the construction of the line to commence?

Mr. BALCER: The actual survey will commence as soon as the snow begins to melt. We expect to call contracts for the actual construction of the line in the fall.

Mr. BOURGET: Plans have not been started yet for bridges which have to be constructed?

Mr. BALCER: No detailed plans have been made as yet because a detailed survey has to be made when the snow begins to melt.

Mr. BOURGET: Thank you.

Clause 4 agreed to.

On clause 5—*Adjustment of surplus or deficit.*

Mr. FISHER: Mr. Chairman, as I read this clause there is not that guarantee included as referred to by Mr. McPhillips. Can we be absolutely sure that there will be a separate entry in respect of this line included in the annual report of the Canadian National Railway Company?

Mr. BALCER: This will show up as an item in the estimates of the Department of Transport.

Mr. FISHER: As far as the annual report of the Canadian National Railway Company is concerned this will be lumped right in?

Mr. BALCER: No, it will not appear in the annual report at all.

Mr. FISHER: There will not be any record of this line included in the Canadian National Railway Company annual report even though there will be rolling stock operated on it? Do I understand this will not be taken into account in the statistical pattern at all?

Mr. KEAYS: We will have an indication of that in the estimates.

Mr. FISHER: Each year as a right of parliamentarians we have Canadian National Railway Company officials before us during our consideration of its annual report.

Mr. BALCER: Perhaps I can satisfy you by assuring you that there will be records available to the committee.

Mr. FISHER: And parliament will be able to make inquiries in this regard?

Mr. BALCER: Yes.

Mr. FISHER: Do I understand that you guarantee as far as you are able, when the Canadian National Railway Company annual report is before this committee, that we will be able to see what the picture has been for that year regarding this branch line?

Mr. BALCER: Members of parliament will be able to raise questions in this regard at the time the estimates of the Department of Transport are before the House of Commons.

The C.N.R. will be an agent of the government, and any profits will accrue to the government and any deficits will be paid by the government. The C.N.R. will be strictly an agent.

Mr. FISHER: I am not getting my point across. We are all concerned over the C.N.R. deficits, and it is obvious that in the short run this will add to the deficit picture.

Mr. BALCER: Not at all. It will be an item in the estimates like the Hudson Bay Railway used to be.

Mr. FISHER: And will there be separate operating statistics for this line?

Mr. BALCER: Yes.

Mr. FISHER: We will be able to examine Mr. Gordon and his officials when they come up before our committee, is that correct?

Mr. BALCER: On their role as agent according to the agreement with the government.

The CHAIRMAN: Shall clause 5 carry?

Clause agreed to.

Shall clause 6 carry?

Clause agreed to.

Shall the schedule carry?

Mr. KEAYS: Mr. Chairman, for the information of the committee, could we have Mr. Scott tell us how many large bridges are going to be put up on this route from Matane to Ste. Anne des Monts, and the cost?

Mr. A. V. JOHNSTON (*Chief Engineer, Canadian National Railways*): We have made a preliminary survey, particularly from aerial photographs, and there appear to be fifteen bridge structures, of which ten will be single structures and five multiple structures. We have no detailed estimates of the cost, but it is part of the \$14 million.

Mr. PIGEON: Do you think it would be appropriate to call this railroad the Belzile-English railroad?

Schedule agreed to.

The CHAIRMAN: Shall the title carry?

Title agreed to.

Shall the bill carry? Shall I report the bill without amendment?

Mr. KEAYS: Before completion, may I be allowed to invite Mr. Fisher down to the area, not as a representative of my constituency but as a resident of the area, and show him what a wonderful country it is, what possibilities exist there and what the development will be after the railroad is put in.

Mr. FISHER: I would not want you to come up and see the unsuccessful branch lines up our way.

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed.

HOUSE OF REPRESENTATIVES
SIXTY-SEVENTH CONGRESS

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND
TELEGRAPH LINES

CHARLES W. MARVIN, CHIEF CLERK

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 1

THURSDAY, MARCH 8, 1899

HEARING ON THE
BILL NO. 4, AN ACT TO AMEND THE ACTS RELATIVE TO THE
RAILROADS

WITNESSES:
JAMES H. HANCOCK, Chairman

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JAMES H. HANCOCK, Chairman

HOUSE OF COMMONS

Fifth Session—Twenty-fourth Parliament

1962

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

THURSDAY, MARCH 8, 1962

Respecting

Bill S-6, An Act to incorporate Cochin Pipe Lines Ltd.

Including Fourth Report to the House

WITNESSES:

Mr. Terry Nugent, M.P., Sponsor; Mr. Mackenzie A. Downey, Parliamentary Agent; and Mr. Ronald K. Banister, President, Banister Construction Company Ltd., both of Edmonton, Alberta.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: J. Russell Keays, Esq.

and Messrs.

Allmark,	Drysdale,	McGregor,
Asselin,	Dumas,	McPhillips,
Badanai,	English,	Monteith (<i>Verdun</i>),
Baldwin,	Fisher,	Pascoe,
Belzile,	Fournier,	Payne,
Benidickson,	Grills,	Phillips,
Bourbonnais,	Hodgson,	Pigeon,
Bourget,	Horner (<i>Acadia</i>),	Pitman,
Bourque,	Kennedy,	Rapp,
Brassard (<i>Chicoutimi</i>),	LaMarsh (Miss),	Rogers,
Brassard (<i>Lapointe</i>),	Lessard,	Rynard,
Browne (<i>Vancouver-Kingsway</i>),	MacInnis,	Simpson,
Bruchési,	MacLean (<i>Winnipeg North Centre</i>),	Smith (<i>Calgary South</i>),
Cadieu,	Martin (<i>Essex East</i>),	Smith (<i>Lincoln</i>),
Campbell (<i>Stormont</i>),	Matheson,	Smith (<i>Simcoe North</i>),
Campeau,	McBain,	Thompson,
Chevrier,	McDonald	Tucker,
Creaghan,	(<i>Hamilton South</i>),	Woolliams,
Crouse,	McFarlane,	Wratten—60.
Denis,	McGee,	

G. Savard,
Clerk of the Committee.

CORRECTION—(English Copy Only)

PROCEEDINGS NO. 2—Thursday, March 1, 1962

In the Minutes of Proceedings and Evidence—Mr. S. F. Dingle, who appeared on behalf of the Canadian National Railways, should be identified as “System Vice-President” instead of “Assistant Vice-President”.

ORDER OF REFERENCE

TUESDAY, March 6, 1962.

Ordered,—That Bill S-6, An Act to incorporate Cochin Pipe Lines Ltd., be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND,
Clerk of the House.

THURSDAY, March 8, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FOURTH REPORT

Your Committee has considered Bill S-6, An Act to incorporate Cochin Pipe Lines Ltd., and has agreed to report it without amendment.

Clause 3 of the Bill provides for capital stock of four million shares without nominal or par value.

Your Committee recommends that, for taxing purposes under Standing Order 94, each common share shall be deemed to be worth one dollar.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 3) is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 8, 1962.

(4)

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.10 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Badanai, Baldwin, Belzile, Benidickson, Browne (*Vancouver-Kingsway*), Campbell (*Stormont*), Crouse, Drysdale, Grills, Horner (*Acadia*), Howe, Kennedy, Lessard, Matheson, McBain, McFarlane, McPhillips, Pascoe, Pigeon, Rapp, Rogers, Rynard, Simpson, Smith (*Simcoe North*), and Tucker.

In attendance: Mr. Terry Nugent, M.P., Sponsor of Bill S-6; Mr. Mackenzie A. Downey, Registered Parliamentary Agent, and Mr. Ronald K. Banister, President, Banister Construction Company Ltd., both of Edmonton, Alberta.

The Committee proceeded to consider the following private bill, namely,
Bill S-6, An Act to incorporate Cochin Pipe Lines Ltd.

The Chairman called upon the sponsor, Mr. Nugent, who introduced Messrs. Downey and Banister.

Mr. Nugent explained the purpose of the Bill.

Mr. Downey and Mr. Banister were questioned on the cost of the enterprise, the length and the volume of the pipe line, the number of jobs that would be made available, the prospects of domestic and export markets, etc.

Mr. Nugent gave further explanations as they were asked by the Members of the Committee.

The Preamble, Clauses 1 and 2 were adopted.

On Clause 3 it was moved by Mr. Baldwin, seconded by Mr. McPhillips,

Resolved,—That, for the purpose of levying a charge on the capital stock which will have no nominal or par value, the Committee recommend that each share be deemed to have a value of one dollar.

Following discussion, Clauses 3 to 11, the Title and the Bill were severally adopted and the Chairman instructed to report the Bill without amendment.

At 12.00 noon the Committee adjourned to the call of the Chair.

G. Savard,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 8, 1962.

The CHAIRMAN: Gentlemen, we have a quorum.

The bill before us this morning is Bill S-6, an act to incorporate Cochin Pipe Lines Ltd.

The registered parliamentary agent is Mr. Mack A. Downey of Edmonton. I will call the preamble at this time, and ask Mr. Nugent to explain the bill and introduce the witnesses.

Shall the preamble carry?

Preamble agreed to.

Will you proceed, Mr. Nugent.

Mr. NUGENT: Mr. Chairman and gentlemen, at the outset I would like to introduce the two persons I have brought here this morning. The first is Ron Banister of Edmonton. Mr. Banister, who is the proposed president of this company, is president of Banister Construction Company of Edmonton, Alberta.

With Mr. Banister is Mr. Mack Downey, the company solicitor. Both Mr. Banister and Mr. Downey are named in clause 1.

In connection with the five persons named in clause 1 of the bill, Mr. Banister is the president of Banister Construction Company; Mr. Cressey and Mr. Johanson are both vice-presidents of the same firm, and Mr. Downey and Mr. Prowse are law partners who do the legal work for that same company. These are the five main people.

The company is strictly a Canadian company, and it is not intended to put shares on the market at the start. It is going to be a subsidiary of Banister Construction Company. All Canadian capital and all Canadian materials will be used for the pipe line itself.

So far as we can determine, this pipe line will not interfere or compete with any other established pipe line.

To add a note of caution, at the present time plans are a little indefinite. These people are asking to become incorporated for the purpose of carrying their plans further. There is a feasibility and marketing study required which will cost anywhere from \$100,000 to \$150,000 and, naturally, they would not want to incur that expenditure and then find out that parliament would not allow them to become incorporated.

The present plans are that the pipe line will run between a point in Alberta and a point in Saskatchewan, namely from Hughenden, Alberta, to Melville, Saskatchewan, a distance of some 400 miles. The size of the line has not been determined.

Mr. Chairman, I think that is the extent of the general information which is required. I know these gentlemen present this morning will be pleased to give the committee any further information which it may require.

Mr. ROGERS: From which point does the pipe line commence?

Mr. NUGENT: It will be from a point near Hughenden, Alberta, to a point near Melville, Saskatchewan.

The CHAIRMAN: Are there any further questions?

Mr. PIGEON: What is the length of the pipe line?

Mr. NUGENT: Approximately 400 miles.

Mr. BADANAI: What is your estimate of the cost of the proposed project?

Mr. NUGENT: If you do not mind, Mr. Banister or Mr. Downey will answer these questions for you. If it is your intention to get into the details, I think you should ask your questions of these witnesses.

Mr. MACKENZIE A. DOWNEY (*Registered Parliamentary Agent*): In answer to your question with regard to the cost of the proposed pipe line, considerable will depend on the size of it. However, it is estimated that the total cost will be somewhere between \$8 million and \$10 million. Of course, \$4 million will be met by capitalization of the company, and the difference between this \$4 million and \$8 million will be met by issue of debenture stock.

The CHAIRMAN: Are there any further question?

Mr. McPHILLIPS: Could we be advised as to how you arrived at this name.

Mr. DOWNEY: It is the name of a small beach outside of North Battleford, Saskatchewan, and that is the sole and only reason. It is an Indian name which means some sort of chief.

Mr. HORNER (*Acadia*): Do you propose to move oil, gas, or both in this pipe line?

Mr. DOWNEY: We are asking that the bill be passed, allowing oil and gas and any liquid hydro-carbons which, in essence, would cover the whole petroleum field. The proposed material at this time is what is commonly called, in the vernacular of the gas trade, l.p.g.'s light petroleum gases—propane, ethane and butane—those light gases which come out of natural gas wells and which can be taken in without refining.

Mr. BALDWIN: I understood you to say that a marketing and feasibility study is being undertaken. Could you say, generally, how many people might be served by this line and, in general, what might be the production of these gases in cubic feet?

Mr. DOWNEY: The essence of the line is that it be used merely as a mode of transportation as opposed to a service line. It will be used merely for transportation of the gases from one point to another.

Mr. ROGERS: Is there any reason why the line is beginning at Hughenden?

Mr. DOWNEY: From the logistics of Banister Construction, it was felt that Hughenden affords a natural storage base. There are some existing empty salt mines there which would afford a very good storage place for these l.p.g.'s, and this line would link one storage place to another.

Mr. HORNER (*Acadia*): I have one further question. You say that the line will carry l.p.g.'s. This would include condensate, which has been discussed in connection with other pipe lines which have come before this committee.

Mr. DOWNEY: I would like very much to say to all the honourable members here that this pipe line in no way is to take on by-products of the industry. This will concern the light ends of the gases, propane, ethane and butane, which are all liquid gases and very light.

Mr. DRYSDALE: Have you made a preliminary feasibility study?

Mr. DOWNEY: No, sir. As Mr. Nugent pointed out, in essence, we are asking the parliament of Canada for a vehicle under which we may operate, proceed and spend somewhere between \$50,000 and \$100,000 on a feasibility report. In essence, you need a full feasibility report, and unless we have a vehicle under which to operate we feel that it is economically impracticable.

Mr. DRYSDALE: But you must have had some basis upon which to come to parliament and ask for this particular legislation?

Mr. DOWNEY: Very definitely so, sir. The engineers, scientists and so forth of Banister Construction have looked into this and they think it is a good thing.

Mr. DRYSDALE: Then there is an assumption in your own mind that this already is feasible without the feasibility report?

Mr. DOWNEY: Yes.

Mr. DRYSDALE: How long would it take to make the feasibility test?

Mr. DOWNEY: At least one year, as a minimum.

Mr. DRYSDALE: When would you be in a position to make the decision to start construction, and how long do you estimate it would take to complete this 400 miles?

Mr. DOWNEY: Once construction has started, the 400 miles would be completed within a working period season, which is approximately six or seven months.

Mr. DRYSDALE: I know that \$50,000 or \$100,000 is a fair amount of money. However, it seems to me that you are taking a rather naive approach to this. You are working backward. Would you not want to be assured that you could acquire a market before you start this development and become incorporated?

Mr. DOWNEY: No, we feel not. Of course, the main feasibility of this rests with your national energy board and with the two or three local conservation boards of the provinces. I think we have to have something with which to approach them. We cannot go as individuals and say that we want to complete a line.

Mr. DRYSDALE: In coming before parliament, I think it would appear a little more logical if you had your feasibility study in order to assure yourself that this is going to be a worthwhile project and that you would be able to go through it. Then I think it would be in order to make your application to us for approval and then go to the energy board. What is wrong with that method?

Mr. DOWNEY: The only thing wrong—and, again, I say with respect—is the economy of it.

Mr. DRYSDALE: Your economy?

Mr. DOWNEY: Our economy, yes. I think that I should say that we are convinced within our own minds that it is a good thing. Also, we are very much convinced, in essence, that this is a new field which is coming about in the oil industry. Even though it is not possible this year, it will be next year or very shortly thereafter. We feel that we are in the temporal period, when the feasibility of it is good, even if it is not now—although we feel it is at this time.

Mr. PIGEON: What is the volume of hydrocarbons which you expect to move by this pipe line when it is completed?

Mr. DOWNEY: If I understand your question, you are asking what products we are going to move.

Mr. PIGEON: The volume.

Mr. DOWNEY: Again, sir, that will depend on the engineering feasibility report. When I appeared before the Senate committee, I suggested a six-inch line. However, we have not committed ourselves in any way to that because we do not know at the present time. Of course, the volume would vary as the diameter of the pipe varied.

Mr. BENIDICKSON: Mr. Chairman, this bill was introduced in the Senate. It passed the Senate only on March 1 and, as far as I can find out, if there was a committee hearing in the other place, the proceedings were not recorded by a *Hansard* reporter.

Mr. NUGENT: There was a hearing in the Senate. The chairman of the committee asked the Senate if they wanted to have it reported. It was voted down as it was felt that it was not necessary. There was just the one meeting that morning.

Mr. BENIDICKSON: The bill was explained in our chamber only on Tuesday night and two days later we are asked to deal with it in committee. This, to me, seems to be hurrying it. I have not been a member of your committee for some years, particularly during those years when there were a lot of pipe line bills, and I am not familiar with past practices. However, my understanding is that most of the other companies, at the expense of prospective investors and those primarily interested initially, did their own feasibility studies before they came for a charter. I am wondering if we are not moving a little too fast in this connection.

Have any other people indicated to you they would have liked to be here in connection with this application?

The CHAIRMAN: No. I have not had requests from any other organizations in this connection.

Mr. BENIDICKSON: Mr. Nugent, the sponsor of this bill gave a short explanation in the house the other day about it, and he referred to the fact that the right to export would form part of this bill. What can the prospective officers of the company add to what Mr. Nugent said with regard to export intentions?

Mr. DOWNEY: Again, at the risk of repetition, we feel we are in a new field of the gas industry, and we are asking that this be included as we feel that in the foreseeable future there will be a market in the United States. Of course, we have no intention at the present time of going into the United States. But, if I might proceed a step further, to answer one of your previous questions, I believe that before the national energy board was set up it behooved any company coming before parliament to prepare a feasibility report because parliament, in essence, bore the responsibility of establishing all the rights and so forth of a company. At the present time your national energy board looks after this, and it really is to them that he will have to present a feasibility report before we can proceed with this particular project.

Mr. BENIDICKSON: I note that the Saskatchewan terminal is Melville. How far is Melville from the United States border?

Mr. DOWNEY: I would suggest that it might be 180 miles. That would be a very close figure.

Mr. BENIDICKSON: After obtaining approval of the terms of this bill from the federal parliament, would it be possible for you to obtain the right by some legislation within the province of Saskatchewan to proceed to the border from Melville?

Mr. DOWNEY: No. This would require our appearance before your national energy board.

Mr. PIGEON: Mr. Downey, could you give us some idea of the number of jobs which will be created by the construction of this proposed pipe line?

Mr. DOWNEY: The construction would involve approximately two spreads of pipe line equipment. In essence that is two complete components of pipe line equipment employing 225 men per spread, making a total of 450 men employed during the building of the line. In regard to the number of men employed running the line, of course, this would involve considerably less.

Mr. PIGEON: I understand it will take approximately two years to complete the line?

Mr. DOWNEY: It could possibly be completed during one season, but probably it will take two years, yes.

Mr. PIGEON: Thank you, sir.

Mr. RYNARD: Do you have any idea where the market will be for the products carried through this pipe line? Will that market exist in the Chicago area? It is suggested in the bill that the products will be exported and I wondered if you had any idea where the export markets would be.

Mr. DOWNEY: No, sir, we can only suggest at this time we do not feel there is a market in the United States but we feel that we are entering a new field of the petroleum industry and there will definitely be markets established within the next few years as they have been established during the past few years. However, we do not know just where these markets will be at this time.

Mr. RYNARD: Do you intend to carry sulphur and sulphur products through this pipe line?

Mr. DOWNEY: No, sir.

Mr. RYNARD: What do you propose to do with the sulphur products?

Mr. DOWNEY: We will not be dealing with any by-products of the petroleum industry except these light petroleum gases. Anything involving sulphur or any other by-product of the petroleum industry must be refined, but light petroleum gases can be taken right off at the wellhead without being refined.

I should like at this time to distinguish clearly between by-products of the petroleum industry and that with which we are dealing. These are light gases taken off at the wellhead without refining.

Mr. RYNARD: You intend to carry just gases and not oil as such?

Mr. DOWNEY: That is right, sir.

Mr. RYNARD: In that event you will not require pumping stations or anything of that kind?

Mr. DOWNEY: There is a possibility that we will require a pumping station but I cannot tell you definitely at this time whether or not we shall.

Mr. DRYSDALE: Mr. Downey, I am trying to get a clear understanding of the situation. There is a precedent in respect of the National Energy Act requiring a proposed company to appear before parliament to make an application there in respect of two questions; firstly regarding the inter-provincial aspect of the development of a pipe line and, secondly, seeking permission to export. Could you comment on this situation?

Mr. DOWNEY: To my knowledge the National Energy Act makes it necessary that a proposed company be incorporated before appearing before the national energy board. In this respect the practical problems of an individual trying to get authority to make deductions for income tax purposes in regard to expenses are involved. We feel in essence, sir, that it is completely impracticable to go ahead with feasibility reports without first having the company incorporated and given that authority.

Mr. DRYSDALE: You indicated that the former practice involved a proposed company making a feasibility study and then appearing before the committee of parliament to get approval. I have a little difficulty in my own mind understanding what the difference would be if you followed that procedure at this time, because you would then be in possession of your feasibility survey that you must present to the national energy board. Surely if you followed that procedure it would not involve any necessity for two sets of feasibility reports?

Mr. DOWNEY: Your difficulty in understanding the situation probably has arisen from an improper explanation on my part.

My previous answer to the hon. member in this regard should have made it quite clear that before the existence of the national energy board the responsibility of parliament was in essence twofold, firstly in regard to incorporation and, secondly, to protect the public from a bad incorporation. When the national energy board was formed it was given two powers. The national energy board can, of course, turn any application down but it cannot grant corporate powers. Parliament is the only body to which we can apply for the corporate powers by which we can proceed to the national energy board.

Mr. DRYSDALE: The problem with which I am concerned does not necessarily apply to this particular company but involves perhaps a principle of application.

You have in effect said that you must go to the national energy board; therefore you must come to parliament seeking incorporation and you will then inform the national energy board as to the situation. If a feasibility study as required in any event I suggest perhaps out of courtesy the results of such a study should be presented to a committee of parliament so that the members of that committee would have the opportunity of giving such a report a closer examination, and then ratify the legislation enabling you to appear before the national energy board at which time you would still be in possession of your feasibility report.

Mr. NUGENT: Mr. Chairman, perhaps I can assist in this matter. In view of the fact that a feasibility study is very expensive; that parliament has the power to refuse incorporation, and because parliament no longer has the responsibility of deciding whether or not a proposed scheme is feasible, having delegated this power to the national energy board, the only proper procedure for a proposed company to follow is to appear before parliament seeking incorporation, and then make a detailed feasibility study, the results of which will then be presented to the national energy board. The Banister Construction Company has built pipe lines across Canada and employs many engineers and experienced people who are very familiar with all aspects of the gas and oil industry throughout Canada. These individuals have drawn on their experience and feel justified in coming to parliament stating this is a good idea, assuring us that there will be markets for the products carried by this proposed system. However they cannot go ahead and invest the remainder of the money required to commence construction until the go ahead is given, until there has been a thorough inspection and study of the marketing and engineering problems involved. The company cannot spend the required amount of money until parliament authorizes incorporation. It follows from that premise that the first step is to seek parliamentary approval of the setting up of the company with the proposed objective in mind. Even if the company had carried out the feasibility study required by the national energy board, the conservation boards of the provinces must also approve the feasibility.

Mr. DRYSDALE: Mr. Nugent, Mr. Downey said that an individual could make an application to the national energy board. Therefore it would seem to me that more money could be saved if an individual or a company group spent the required \$50,000 or \$100,000, which is a relatively small portion of the \$8 million to \$10 million to be invested, because they would then have a better idea as to the possibilities of an application for incorporation being turned down. The company or individual could then come to parliament seeking a charter on the basis of national energy board approval as to the feasibility of the proposal. It seemed to me that it would not make any difference which procedure was followed because the applicants must still spend the \$50,000 to \$100,000. If a charter is granted this company will still have to spend the \$50,000 to \$100,000 before appearing before the national energy board.

Mr. NUGENT: Mr. Chairman, I suggest that the company has appeared before this parliamentary committee first because parliament has the authority and the power to refuse incorporation. If parliament does not grant incorporation, then the company will not be in a position to spend the \$50,000 to \$100,000.

Mr. DRYSDALE: We are not being given very much information on which to base our approval of incorporation.

Mr. NUGENT: Mr. Chairman, perhaps I am wrong in my understanding, but I thought it was incumbent upon the national energy board to decide whether a proposal is feasible. It is my understanding that parliament had decided that a committee of parliament did not possess the technical know-how to make decisions in respect of feasibility and other related problems and had, therefore, set up this energy board of specialists. We therefore feel it proper to come before parliament seeking incorporation and then to proceed to make a feasibility study to present to the national energy board. I suggest to do it the other way would be to do it the wrong way, particularly if my understanding of the functions of the national energy board is right.

Mr. DRYSDALE: Mr. Chairman, I emphasized that I was not relating this problem specifically to this proposed company and application before the committee. However, if the principle as I have stated it is correct, I suggest that each company should be given a pro forma grant, and allowed to proceed with a feasibility study to be presented to the national energy board.

Mr. NUGENT: For all practical purposes a proposed company can obtain incorporation by merely complying with the necessary requirements, without going to the legislatures of the provinces at all. All this committee is being asked to do is to approve this corporate entity. By doing so this committee is not putting the stamp of approval on the scheme or proposal. It is our information that this bill embodies an objective which will be of benefit to the country, and the company seeks incorporation. Once incorporation has been granted, this corporate entity must apply to the appropriate authorities before proceeding with the construction of the pipe line.

Mr. CROUSE: Mr. Chairman, Mr. Drysdale has asked the questions I had in mind, but I am still concerned with another situation which exists. It is my feeling that an individual or a group of individuals should appear before the national energy board and get approval before seeking incorporation. If that procedure were followed this committee would be faced with an application for incorporation of an approved proposal rather than an idea. We are now being asked to incorporate an idea, as I see it.

Mr. NUGENT: Mr. Chairman, in that regard I am very distressed at this point by the suggestion that we are being asked to give approval to an idea. I suggest the committee is not being asked to approve an idea at all. This committee is being merely asked to grant an application to these people to set up a corporate entity with certain powers. Whether the proposal is feasible or not, or whether the idea is right or wrong, is not an inherent necessity to the incorporation of a company. Parliament has set up a special body to go into the merits of the scheme or proposal involved. I suggest that this committee has gone into this question at great length in the past and that the purpose of setting up the national energy board was to do away with any suggestion that a committee of parliament by granting incorporation was approving a scheme or proposal. By granting incorporation this committee is allowing the creation of a corporate entity. The mere granting of authority to form a corporate entity does not involve the granting of approval in respect of any proposal or scheme advanced by this corporate entity. I suggest the only consideration with which we are concerned relates to whether this company should be incorporated.

Mr. SIMPSON: I understand that this proposed company intends to transport light liquid petroleum gases. Apparently this scheme is relatively new in the petroleum industry, and I am wondering whether there are in existence, or proposed, other transportation lines transporting these light petroleum gases at this time.

Mr. RONALD K. BANISTER (*Executive*): Mr. Chairman, there are lines in existence in Canada carrying out similar operations. My company built such a line for the Imperial Oil Company from the gas plant at Devon to Edmonton. This system involves a small line carrying pentane, another carrying butane and still another carrying propane.

We feel that the export of gas that is taking place in western Canada at the present time is bound to increase as the years pass and that there will be a surplus of these light end products. We feel that the local markets are not sufficient to consume the present and future production of these light petroleum gases and that quite possibly they will have to be stored during peak producing periods and sold when the market is developed. We propose to connect this pipe line to the natural storage basins, to carry these light petroleum gases during peak production periods, perhaps in the summer months when there is very little of this propane or butane being used on the farms and so on, to be stored in the natural storage basins, and to be used in the winter when the demand increases.

Mr. BENEDICKSON: Mr. Chairman, I am still concerned with this problem of putting the cart before the horse. Are we in a radically different position now from formerly, in so far as feasibility and the competitive nature of the scheme are concerned, when all these items were considered by the board of transport commissioners following parliament granting incorporation to a pipe line company? It is true that we now have substituted the more specialized group of the national energy board for the board of transport commissioners, but I do not feel that parliament has surrendered its right to give these matters consideration particularly in view of subsequent desirability. I do not feel we should grant incorporation merely on the ground that the personnel applying are good citizens without making some inquiries regarding the intentions of the proposed company.

Mr. Chairman, I was very pleased to hear one of the witnesses before this committee clear up the misunderstanding that the embodied proposal was new or unique in the petroleum industry. Two companies of a similar nature to the proposed company were recently incorporated, and I refer to the Aurora pipe line company and the Foothills pipe line company, as well as that one mentioned by Mr. Downey. These companies are engaged in the moving of similar light petroleum gases.

How close would this proposed line be to an existing line which has already obtained approval to export a product of this kind, or has there so far been a permit given to export this particular type of product? In other words, would this line be so close to an existing pipe line that it would simply be able to deliver to that pipe line company which has already been given authorization to export, and therefore would not have to come back to us or to the national energy board with respect to the problem of export at all?

Mr. NUGENT: In answer to the first part of your question whether or not the cart is before the horse, I would point out to the committee that in so far as parliament is concerned with knowing exactly what they are going to do once incorporated, if they should build that first 400 miles of line and then wanted to extend it to Winnipeg after that, they would merely go before the national energy board. They would not have to come back to parliament. In other words, Trans-Canada Pipe Lines could take a look at this and make a feasibility study of it and go just before the national energy board and have it done.

I think that those two illustrations—if I may use the word—show the futility of parliament in saying to us that parliament approves everything you are going to do, because parliament is merely letting them become a vehicle which can speak for a group of people. Because of the inherent income tax problems, I could not, as a lawyer, advise my client to go and spend this sum of money and then become incorporated, because you have a real difficulty in that you would be running the risk of a loss of a lot of money and of more income tax problems; that would be the cart before the horse.

Mr. BENEDICKSON: In the past a lot of good lawyers have indicated to their clients that they would have better prospects before parliament if they had a little more information available before them when they come to seek parliamentary incorporation.

Mr. NUGENT: I am afraid I am a little at fault in this because I have always maintained that we really cannot look at it technically, and we can never be really satisfied anyway; so we are really in little danger of approval in principle of the objects the farther away we stay from it; and that is what they are trying to do before they acquire this type of export. I think the safest ground is simply to let these people become a corporate body.

Mr. BALDWIN: I wonder if Mr. Nugent and Mr. Downey would bear me out, and if this question is not answered under section 27 of the National Energy Board Act which says:

27. Except as otherwise provided in this Act, a company shall not begin the construction of a section or part of a pipe line until

(a) the Board has by the issue of a certificate granted the company leave to construct the line;

Company is defined in section 2 of the Act to be:

2. (c) "company" means a person having authority under a Special Act to construct or operate pipe lines;

(q) "Special Act" means an Act of the Parliament of Canada . . .

I suggest to you it is a fact that before you can go before the National Energy Board you must first become incorporated under an act of the parliament of Canada.

Mr. DOWNEY: My interpretation of the National Energy Board Act is that it would be absolutely necessary. It does not say that an individual cannot come, but there is no doubt in my mind that the act was brought about only with the intention that you would become incorporated if you had to go before them, because it never mentions "individual" at anytime.

Mr. BALDWIN: You must either as a company or as an individual obtain a special act of parliament.

Mr. DOWNEY: Yes, I believe that to be so.

Mr. BENEDICKSON: I see we have quite a number of visitors with us today as observers. I do not suggest that they have reason to come forward to oppose this application in any way, but since we are moving very fast—since we had second reading on Tuesday night, and we are being asked to approve this bill on Thursday morning—I wonder whether there is anyone present who realizes that he needs only to ask the chairman or the committee to be heard if he has any quarrel with anything that has been said here this morning.

Mr. HORNER (*Acadia*): Well, Mr. Chairman, if no one is going to rise to the bait handed out by the honourable member for Kenora-Rainy River, is it not true that in this particular session we have proceeded with the thought in mind that today or tomorrow may be the last day of the session? Is this not a fact? Has this not been the trend of the session so far?

Mr. BENIDICKSON: Well, you had a caucus yesterday, did you not?

Mr. HORNER (*Acadia*): I only point out that if this company had not proceeded, and if they had held off for another week or two, it might have been very difficult for this company to become incorporated before spring, and it might very difficult for them to proceed with the construction of this line this summer. I want to point that out, Mr. Chairman.

The CHAIRMAN: As far as the committee moving faster than usual is concerned, I do not think there is any indication or reason to think that is the case, because after all, this pipe line company did not really come out of the blue. The people interested in this case know what is going on at all times, and if they wanted to be here, we would have been very glad to have them come.

Mr. BENIDICKSON: I only want to ask a few questions. Has any voice been raised against the proposal, or any concern? Has anyone expressed opposition to the proposal, whether he be here or not?

Mr. NUGENT: On this point it may be that some members of the committee have forgotten the fact that it is necessary to advertise in important newspapers in the area that you are going to do this—that you intend to apply to parliament. This was published in important daily newspapers in both Alberta and Saskatchewan before we came down and we have satisfied the rules of the house in regard before making an application. So there has been adequate warning given to the public.

As to our moving too fast, I do not want anyone to feel that I am trying to rush it through. Of course I felt that there might be some urgency, because I did not know the date of the election anymore than you did. But if we had not brought it down speedily we would have had to start all over again another year. Moreover, the fees paid to parliament so far are \$1,500 and that amount would all be gone. Therefore for financial and other reasons we have tried to make a little haste, and I hope we will have some cooperation in the matter.

Mr. DOWNEY: I might answer your question even more fully by stating that after advertising, we received approximately fifteen telephone calls from all over North America on this matter, and we answered each one similarly to the answers we have given today. Moreover, when we came before the house committee of the Senate, there was no objection at that time.

Mr. McPHILLIPS: There is one point I would like to have cleared up. As I understand the law, it is not essential or basic that these pipe line companies have to get a private bill through the parliament of Canada. It is only when the company wants the power to export, and it is only then that they will consider obtaining a private act.

Mr. DOWNEY: I think it also applies to extra-provincial companies. If it is within a province, it is not necessary; but if they wish to go from one province to another, then it is necessary to have an act of parliament.

Mr. BALDWIN: That is so. A pipe line is defined in the act as one going from one province to another.

Mr. HORNER (*Acadia*): You have told us that there are no similar pipe lines in the area?

Mr. DOWNEY: That is right.

Mr. HORNER (*Acadia*): And no other companies have been interested in a proposed pipe line such as you have brought before the committee today?

Mr. DOWNEY: Not to our knowledge sir, no.

Mr. HORNER (*Acadia*): In fact the company proposed here before us today is not certain that this is a feasible pipe line to be built?

Mr. DOWNEY: Only within themselves. They still have to convince the national energy board and the two conservation boards.

Mr. HORNER (*Acadia*): You have not carried out your feasibility study yet?

Mr. DOWNEY: No sir.

Mr. HORNER (*Acadia*): In fact your feasibility study might convince you that it was not feasible?

Mr. DOWNEY: It is possible, yes.

Mr. SIMPSON: What are these natural storage basins in the Melville, Saskatchewan, area? How did they come about, or how were they caused?

Mr. DOWNEY: In essence, they are empty salt mines.

Mr. SIMPSON: And the same would apply at the other end of the line?

Mr. DOWNEY: Yes sir. They have proven these to be natural storage basins for this type of product.

Mr. SIMPSON: Would it become necessary for you to become incorporated in order to have these things available to you for an indefinite period? Do you have to have mining rights?

Mr. DOWNEY: No, we merely require the provincial board's stamp of approval.

Mr. SIMPSON: In order to use these?

Mr. DOWNEY: Yes sir.

Mr. CAMPBELL (*Stormont*): You have to have title to the land under which these salt chambers lie?

Mr. DOWNEY: They are being used at the present time as storage basins. There are various ways this right might be acquired; it could be done by acquiring the title in fee or by lease or by arrangement with the government with rights accruing. There are various and sundry ways by which this may be brought about.

Preamble and clauses 1 and 2 agreed to.

On clause 3—*Capital stock*.

Mr. BALDWIN: I understand that this is required for the purpose of being able to fix a proper charge and that there should be a certain value fixed to the shares. Therefore I move:

That for the purposes of levying a charge on the capital stock, which will have no nominal or par value, the committee recommend that each share be deemed to have a value of \$1.

Mr. McPHILLIPS: I second the motion.

Mr. BALDWIN: I understand you have an affidavit.

The CHAIRMAN: I understand that this is merely essential in order to collect the proper fee from the company when they come to be incorporated.

Mr. BENEDICKSON: I was interested in the fact that you used the words "without nominal or par value", because I wondered about the fee. This brings up a question I was going to raise generally. Frequently, the solicitors preparing a bill of this kind will look at precedents because they know that other pipe lines have been incorporated, and they know that certain troubles have arisen which might have been avoided if compliance had been made with the standard form. Might I ask if there is anything unique about this bill which departs from the form of recent pipe line bills since the national energy board has been set

up. I ask this question because I wondered why it would be left in this form, when we have had these difficulties before, and when other bills have had the \$1 in them.

Mr. DOWNEY: To the best of my knowledge there has never been any problem in regard to shares without nominal or par value. I can say that I am certainly guilty—if guilt is the word—in failing to look through past precedents. The main difference between this and any other act that you have put through is that we have set up our share structure having regard to your Companies Act, your Dominion Companies Act, and we have provided for the power in clause 7 to allow us to turn some of these common shares into preferred shares if we so desire. This could all have been included in clause 3. However, the only reason for not putting it in clause 3 is that if these preferred shares are to be limited as to their voting rights, then parliament must sanction it. Under your Dominion Companies Act it is quite proper to change these shares into preferred shares, but we cannot limit the voting rights without coming back to parliament and asking for sanction.

The CHAIRMAN: You have all heard Mr. Baldwin's motion which was made for the purpose of levying a proper charge on the capital stock. Do you wish to have it read over again?

Motion agreed to.

Clauses 3, 4 and 5 agreed to.

On clause 6—*Power to construct and operate pipe line.*

Mr. McPHILLIPS: On Clause 6, I am interested in your seeking the power to own, lease, operate and maintain inter-station telephone, teletype, telegraph and microwave or television communication systems.

Mr. DOWNEY: Yes. This is necessary only to provide communication between stations owned by the company, and it in no way abrogates the rights of your Board of Broadcast Governors or anything like that.

Mr. McPHILLIPS: I was looking at it from that standpoint, and I do not agree with you that it limits it to that, because it states: "The company . . . may own, lease, operate and maintain interstation telephone . . . systems." That is ordinary telephone operation.

Mr. DOWNEY: Within its own right, though.

Mr. McPHILLIPS: What do you mean by "right"?

Mr. DOWNEY: It could not maintain, for instance, and operate a telephone system in any town or anything of that nature. It may run a line to its pumping stations or valve stations. It gives it the right to have lines on its own line for communication, and only that.

Mr. McPHILLIPS: I still do not agree with you. A little earlier in the clause that provision comes up where it states "operate and maintain aircraft and aerodromes for the purpose of its undertaking".

Mr. DOWNEY: Yes.

Mr. McPHILLIPS: But when you get to telephones, you are free of that.

Mr. DOWNEY: Of course, it is subject to the Radio Act. If you read the second last line you will see it states "operate and maintain interstation radio, microwave or television communication facilities".

Mr. McPHILLIPS: But every telephone system is interstation.

Mr. DOWNEY: I do not know of any actual case of law on it, but I do know it is a standard clause. Also, I do know, reading it within itself, it would indicate only those stations related to the company itself.

Mr. McPHILLIPS: But those words "for the purpose of its undertaking" should apply to all these ancillaries, not just aircraft and aerodromes; it should apply to telephone, teletype, television and so on.

Mr. DOWNEY: It says "undertaking, together with the facilities required for the operation of such aircraft and aerodromes". I think this wording is conjunctive as opposed to disjunctive; in other words it is an interrelated clause. The law of our country has held that unless the intention of parliament is expressly stated to be otherwise, it is held to be an interrelated thing.

Mr. CAMPBELL (*Stormont*): Could there be a stipulation that this be confined to the operations of the company and not be used for public communications, or something of that nature? Could there be terms spelling it out?

Mr. DOWNEY: We certainly would have no objection to it. I do not see the necessity of it. Certainly if this committee decided it should be restricted in that way, we would have no objection whatsoever.

The CHAIRMAN: Are there any further questions, gentlemen?

Clauses 6, 7, 8, 9, 10 and 11 agreed to.

The CHAIRMAN: Shall the title carry?

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Agreed.

The CHAIRMAN: Shall I report the bill?

Agreed.

The CHAIRMAN: We will adjourn until the call of the Chair.

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...the ... together with the ...

...the ... could ...

...the ... would have no objection ...

...the ... are there any further questions ...

...the ... shall the bill carry?

...the ... shall I report the bill?

...the ... We will adjourn until the call of the Chair

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HOUSE OF COMMONS

Fifth Session—Twenty-fourth Parliament

1962

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, MARCH 29, 1962

Respecting

Bill S-13, An Act to incorporate Polaris Pipe Lines.

Including Fifth and Sixth Reports to the House

WITNESSES:

Mr. G. W. Baldwin, M.P., Sponsor; Mr. Maurice F. Strong, President, Canadian Industrial Gas; Mr. James C. Saks, President, Interprovincial Utilities; Mr. A. B. R. Lawrence, Q.C., Mr. S. F. M. Wotherspoon, Q.C., Parliamentary Agents; Mr. J. J. Frawley, Q.C., Resident Counsel at Ottawa for the Government of Alberta.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: J. Russell Keays, Esq.

and Messrs.

Allmark,	Drysdale,	McGregor,
Asselin,	Dumas,	McPhillips,
Badanai,	English,	Monteith (<i>Verdun</i>),
Baldwin,	Fisher,	Pascoe,
Belzile,	Fournier,	Payne,
Benidickson,	Grills,	Phillips,
Bourbonnais,	Hodgson,	Pigeon,
Bourget,	Horner (<i>Acadia</i>),	Pitman,
Bourque,	Kennedy,	Rapp,
Brassard (<i>Chicoutimi</i>),	LaMarsh (Miss),	Rogers,
Brassard (<i>Lapointe</i>),	Lessard,	Rynard,
Browne (<i>Vancouver-</i>	MacInnis,	Simpson,
<i>Kingsway</i>),	MacLean (<i>Winnipeg</i>	Smith (<i>Calgary South</i>),
Bruchési,	<i>North Centre</i>),	Smith (<i>Lincoln</i>),
Cadieu,	Martin (<i>Essex East</i>),	Smith (<i>Simcoe North</i>),
Campbell (<i>Stormont</i>),	Matheson,	Thompson,
Campeau,	McBain,	Tucker,
Chevrier,	McDonald	Wooliams,
Creaghan,	(<i>Hamilton South</i>),	Wratten—60.
Crouse,	McFarlane,	
Denis,	McGee,	

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, March 27, 1962.

Ordered,—That Bill S-13, An Act to incorporate Polaris Pipe Lines, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest

LÉON-J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

FRIDAY, March 30, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its.

FIFTH REPORT

Your Committee has considered Bill S-13, An Act to incorporate Polaris Pipe Lines, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (*Issue No. 4*) is appended.

Respectfully submitted,
W. M. HOWE,
Chairman.

FRIDAY, March 30, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SIXTH REPORT

Your Committee reported this day Bill S-13, An Act to incorporate Polaris Pipe Lines, as its Fifth Report.

Clause 3 of the said Bill provides for Capital Stock of ten million shares without nominal or par value.

Your Committee recommends that, for the purpose of levying the charges provided for under Standing Order 94(3), the proposed Capital Stock consisting of ten million common shares without nominal or par value, be deemed to be worth ten million dollars (\$10,000,000).

Respectfully submitted,
W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 29, 1962
(5)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.50 a.m. this day, pursuant to notice. The Chairman, Mr. W. M. Howe, presided.

Members present: Miss LaMarsh and Messrs. Badanai, Baldwin, Belzile, Brassard (*Chicoutimi*), Cadieu, Crouse, Hodgson, Howe, McGee, McFarlane, Pascoe, Pigeon, Rapp, Smith (*Calgary South*), Smith (*Lincoln*), Thompson, Tucker, Wratten. (19).

In attendance: Mr. G. W. Baldwin, M.P., sponsor of Bill S-13; Mr. Maurice F. Strong, President, Canadian Industrial Gas; Mr. James C. Saks, President, Interprovincial Utilities; Mr. A. B. R. Lawrence, Q.C., and Mr. S. F. M. Wother- spoon, Q.C., Registered Parliamentary Agents; Mr. E. J. Broome, M.P.

The Committee proceeded to consider the following private bill, namely, Bill S-13, An Act to incorporate Polaris Pipe Lines.

The Chairman called upon the sponsor, Mr. Baldwin, who introduced Mr. Lawrence, Parliamentary Agent. Mr. Lawrence made a brief statement concerning the project and introduced Messrs. Strong, Saks and Wotherspoon.

Mr. Strong gave a general outline of the project, following which he was questioned on the cost of the enterprise, market prospects, time required for the pipeline to be in operation, gas reserves, etc. Mr. Lawrence, Mr. Saks and Mr. Baldwin assisted in providing further information as requested.

During the course of questioning, copies of three maps entitled "Il- lustrative Pipe Line Route Map", "Northeastern British Columbia Permit, Lease and Well Location Map" and "Map Illustrating Holdings of One of Major Oil and Gas Companies" were distributed to Members, one copy being filed with the Clerk.

The Chairman said that Mr. Broome, although not a member, would like to ask some questions. With the consent of the Committee, Mr. Broome ques- tioned Mr. Strong.

At 11.15 a.m., Mr. Strong's questioning continuing, the Committee ad- journed to meet at 3.30 p.m. this day.

AFTERNOON SITTING

(6)

The Committee met at 3.40 p.m. this day. The Chairman, Mr. W. M. Howe, presided.

Members present: Miss LaMarsh and Messrs. Baldwin, Belzile, Crouse, Hodgson, Howe, Kennedy, Lessard, McBain, McFarlane, McPhillips, Monteith, Pascoe, Rogers, Rynard, Smith (*Calgary South*), Wratten (17).

In attendance: Mr. G. W. Baldwin, M.P., sponsor of Bill S-13; Mr. Maurice F. Strong, President, Canadian Industrial Gas; Mr. James C. Saks, President, Interprovincial Utilities; Mr. A. B. R. Lawrence, Q.C., and Mr. S. F. M. Wotherpoon, Q.C., Registered Parliamentary Agents; Mr. J. J. Frawley, Q.C., Resident Counsel at Ottawa for the Government of Alberta.

Mr. Saks, Mr. Wotherpoon, Mr. Lawrence and Mr. Strong were further questioned by the Committee.

The Chairman introduced Mr. Frawley who made a statement on behalf of the government of Alberta and asked for assurance that it was not the plan of the promoters that this pipeline be a non-stop express pipe line from north-eastern British Columbia to the American border without any plan to accept delivery of gas from Alberta fields. On receiving reassurance from Mr. Strong on this point, Mr. Frawley expressed his satisfaction.

The Preamble, Clauses 1 and 2 were approved.

On Clause 3 it was moved by Mr. Crouse, seconded by Mr. Smith (*Calgary South*),

Resolved,—That, for the purpose of levying the charges provided for under Standing Order 94(3), the Committee recommends that the proposed capital stock consisting of ten million common shares without nominal or par value, be deemed to be worth ten million dollars (\$10,000,000).

Following discussion, Clauses 3 to 11, the Title and the Bill were severally approved and the Chairman instructed to report the Bill without amendment.

At 4.20 p.m., the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 29, 1962.

The CHAIRMAN: Gentlemen I see a quorum.

We have before us this morning Bill S-13, an act to incorporate Polaris Pipe Lines. I will ask the clerk to read the order of reference.

The CLERK: The order of reference is dated March 27, 1962 and reads as follows:

Ordered that bill S-13, an act to incorporate Polaris Pipe Lines, be referred to the standing committee on railways, canals and telegraph lines.

The CHAIRMAN: Gentlemen I will call the preamble and then ask Mr. Baldwin to explain the bill and introduce the witnesses.

Shall the preamble carry?

Mr. BALDWIN: Mr. Chairman, I will stay here as a member of the committee. It is difficult to be an advocate and a member of the committee at the same time, therefore I prefer to be a member of the committee. However, I do say that I have an interest in this particular matter by reason of the fact it affects the country from which I come, and I limit my remarks to that extent at this time.

I should like to introduce Mr. A. B. R. Lawrence, who is a solicitor in Ottawa and parliamentary counsel for this proposed company. I have asked Mr. Lawrence, subject to the approval of the committee, to make a general statement as to what is involved in connection with this bill which, of course, deals with the incorporation of a pipelines company. Mr. Lawrence will do this and will introduce other witnesses, including members of the proposed company, who have certain specialized knowledge regarding what is involved, and who are prepared to answer any questions with respect to any particular aspect of the matter which the committee may want to deal with.

May I introduce Mr. A. B. R. Lawrence at this time to the committee.

The CHAIRMAN: Mr. Lawrence, would you like to come forward?

Thank you Mr. Baldwin.

Mr. A. B. R. LAWRENCE (*Solicitor and Parliamentary Counsel*): Mr. Chairman and gentlemen, my remarks will be brief and general and simply by way of introduction of the whole subject matter of this bill.

I am a lawyer and one of the provisional directors of and parliamentary counsel for this company and that is my capacity here this morning.

As you are aware, there are two particular steps that must be taken with respect to a bill having a subject matter such as this, in so far as Ottawa is concerned, namely, it is required under the National Energy Board Act that we receive our incorporation through parliament. If we are successful in accomplishing that, in due course, a company projecting the work that this company proposes to undertake then has to appear before the National Energy Board. Our feeling is that before parliament itself we should be prepared to make a prima facie case showing that the project we have in mind makes basic good sense, and we are here available to answer any questions that members wish to put to us.

In due course it will be our duty to prove to the National Energy Board in detail and in fact the plans that are the basis for the actual operation of the project. You have maps in front of you and one in particular shows the proposed layout of the line.

The basic ingredients of the project itself and behind the desire for incorporation are these; the existence in the northeastern area of British Columbia, extending into the northwestern area of Alberta and a part of the Northwest Territories, of extremely large natural gas reserves.

The next ingredient is the existence in the central United States of one of the world's vastest markets, a market which is always growing.

The third ingredient which has contributed to our decision to appear before you today is the requirement of some means of transporting these vast and varied reserves in the north to a market where they will be turned into money; a saleable commodity in so far as we are concerned as Canadians.

Another aspect of basic significance is that the reserves, generally speaking, are under foreign control, and the markets obviously are in the United States. We hope that it will be considered a mark in favour of the project that is before you to consider that this pipe line will be organized by and, to the extent that it is possible and humanly feasible, controlled by, built by and developed by Canadians. In other words, interposed between the reserves in the north, which are controlled by interests in the United States, and the market, which is also controlled by interests in the United States, we feel there is an opportunity of placing a Canadian sponsored group.

The prime sponsor of this particular application is Canadian Industrial Gas, which is a Canadian controlled corporation. It in turn has as its largest single shareholder a Canadian corporation. The gentlemen I will be introducing to you in a moment or two, are themselves Canadian of what perhaps one might describe as a new breed in that they are individuals well versed and trained in the natural gas industry, and it has only been in the last score of years that we in Canada have been able to take the opportunity of training men in this particular field.

I think I have now mentioned the broad purposes of this project. As I have said, we are here to give as much detail as this committee desires with respect to the existence of the reserves that we have in mind and in respect of the markets in the United States. We are not able today to stand before you with contracts, nor to present the kind of case that we will have to present to the National Energy Board. Obviously we cannot come to you today and tell you that we have millions of dollars in the bank ready to be spent on this project by the sponsoring group itself. One of the main reasons for this being, that we are not the controllers of the vast reserves, nor are we in control of the vast markets; however, we shall put before you our plans in as much detail as you gentlemen desire.

The first individual who will speak to you in detail is Mr. Maurice Frederick Strong, the president of Canadian Industrial Gas. Mr. Strong is a Canadian, born in Manitoba, and during his career he was associated with James Richardson and Sons Limited for approximately four years. In 1951 he joined Dome Petroleum Limited as vice president and treasurer. In 1959 he became vice president and general manager of Canadian Industrial Gas and is now president of that corporation.

His specific responsibility this morning will be to answer questions which you may have relating to the general policy behind the sponsoring group and the project, as well as to answer questions relating to finances.

The next gentleman is Mr. James Saks who is president of a corporation known as Interprovincial Utilities which is a subsidiary of Canadian Industrial Gas. Mr. Saks is also a Canadian, educated at the University of Alberta, Harvard law school and the Harvard School of Business Administration. He has served with Trans-Canada Pipe Lines for a number of years in the capacity of secretary, assistant to the president, manager of supplies and manager of sales. At the present time he appears to bring to you expert knowledge with respect to the reserves and markets which are involved in this project.

Also appearing with me today is one of my partners Mr. S. F. M. Wotherpoon, whose responsibility has been directed to the actual drafting of the bill before you.

Mr. Chairman I think that is all that I wish to state to the members of this committee today. Mr. Strong and Mr. Saks are here to supply any additional information you may require, and I am sure they will be very pleased to answer any questions you may wish to put to them.

The CHAIRMAN: Perhaps Mr. Strong and Mr. Saks would come to the front table. I feel it will be easier for them to answer questions if they are sitting beside you Mr. Lawrence.

Gentlemen, you are now free to ask these witnesses any questions you may wish to ask.

Mr. SMITH (*Calgary South*): Mr. Chairman, may I ask whether or not Mr. Saks and Mr. Strong are going to make statements before we proceed to ask questions?

The CHAIRMAN: Perhaps I may ask Mr. Strong and Mr. Saks if they have statements to present.

Mr. LAWRENCE: Mr. Chairman, we are entirely in your hands. If you wish Mr. Strong to make a statement he will do so. If you wish to open with questions we are willing to answer them to the best of our ability.

The CHAIRMAN: Is it the desire of this committee to receive a statement from these gentlemen before entering into a question period?

Mr. THOMPSON: Mr. Chairman, I would suggest that perhaps many of our anticipated questions would be unnecessary following a statement made by Mr. Strong.

Mr. M. F. STRONG (*President, Canadian Industrial Gas*): Mr. Chairman and hon. members, we are prepared, as counsel has indicated, to deal in further detail with any aspect of the proposal that he has mentioned. The project involves the simple matter of making vast and growing reserves which exist in northeastern British Columbia and the general areas of northwestern Alberta, the Northwest Territories and to a certain extent, the Yukon Territory available to the logical and only real market that exists in sufficient quantity to provide a use for these reserves. I would feel that the reserves in these areas are far removed from Canadian markets. If further export of these resources is to be permitted this is the type of area from which natural gas should be exported because we are dealing with the development of the northern area of British Columbia, the Northwest Territories, which will result from the provision of such markets, and which will represent a major contribution to these developments and the economy of the particular area.

We also feel, as a group of Canadians brought up one way or another in the gas and oil industry during the last ten to fifteen years that the possibility of Canadian control of the extensive reserves and markets are rather remote in view of the reality that these reserves and markets have been developed by others. However, we do feel that a great opportunity exists for Canadians to initiate, invest in and control the major facilities required to transport these reserves to the markets. We also visualize along the complete route of the proposed pipe line the development of additional supplies of gas to Canadian consumer industries; the provision of jobs in terms of materials that will be purchased such as for example something in the neighbourhood of \$170 millions in Canadian pipe which will be required and, of course, this gives rise to many other secondary opportunities in terms of provisioning an enterprise of this type.

Hon. members will appreciate that from a financial point of view we do not appear before you today with evidence of our ability to provide the dollars,

\$400 millions odd, the estimated cost of physically building a pipe line of this size. However, we do come here today able to inform you that we have spent a considerable amount of money through the employment of expert and experienced individuals, one of whom is Mr. Saks, who have worked on this project and have developed it to such an extent that we feel justified in telling you that we are prepared to spend from \$2,000,000 to \$5,000,000 toward the development of this project to the point where we can justify the obtaining of a substantial amount of additional funds.

Mr. Chairman, I think perhaps I have said as much as I should say in an opening statement. I am prepared at this time to answer any further questions hon. members may wish to ask.

The CHAIRMAN: Thank you Mr. Strong.

Miss LAMARSH: Mr. Chairman, I should like to ask whether this company has acquired lands or rights of way, or whether it is at the present time negotiating the purchase of such land or rights of way.

Mr. STRONG: Mr. Chairman, we do not have the legal ability to acquire such lands or right of ways. As a matter of fact, the principal reason for seeking incorporation of a company is to enable us to have a suitably qualified vehicle to carry on these aspects of our business.

Miss LAMARSH: Does that include a trustee?

Mr. STRONG: In no way.

Mr. SMITH (*Calgary South*): A special act would provide for the right of expropriation.

Mr. STRONG: That is right; that is one of the necessary attributes of a project of this type.

Mr. THOMPSON: This map illustrates the holdings of what you call a major oil and gas company. What is the name of that company?

Mr. STRONG: It is Pan American Petroleum Corporation, which is a subsidiary company of The Standard Oil Company of Indiana. This is simply designed to illustrate the manner in which some of the other very large oil and gas companies have taken up acreage holdings and are spending considerable amounts of money in this area.

Mr. MCGEE: If we had other maps indicating the other major holdings, would this pretty well fill in the open spaces that are left on this map?

Mr. STRONG: Yes, except for the crown reserves. I think Mr. Saks will be in a position to produce a map of that type, which shows the open spaces, most of which would be crown reserve lands, retained by the government when it leases the rest to oil and gas companies.

Mr. BADANAI: Has any one advanced any objection to the project?

Mr. STRONG: There are a number of people who have raised questions concerning the project, but not in a formal way. However, in our own reading of the press reports in relation to the project, a number of questions have been raised; some of them are valid questions, those having to do with the existence of markets and reserves. These are quite proper questions. And we have had no registration of formal objection by any one.

Mr. BADANAI: How long do you think it would take for this pipe line to be in operation?

Mr. STRONG: A project of this magnitude requires a considerable amount of time, even when given all the favourable approvals of the various governmental bodies involved; it would clearly require approximately four years. During the course of that time, many funds are expended in carrying out detailed studies on the ground, and in terms of engineering and feasibility. But a project of this magnitude, should it encounter undue hazards or opposition, could possibly take more than four years.

Mr. BADANAI: What is the company set-up to be?

Mr. STRONG: Expenditures perhaps directly attributable to the project would be in the order of between \$50,000 and \$100,000; but if you include allowance for on-staff people who have been employed on this as part of their general responsibility, it could run into a considerably higher figure.

Mr. PASCOE: I understand the company can do nothing until it is incorporated. Do you have any commitments for an insured market?

Mr. STRONG: We have not, as you say, had the ability to enter into any contract. But we have explored in a very extensive way possibilities of arranging for such markets. We have been in touch with and have had access to very extensive market surveys which indicate the existence of markets.

Mr. PASCOE: This map shows your pipe line coming to the border. Do you join on to any other line?

Mr. STRONG: Several things could happen in that respect. It depends very much on whether or not the companies which would be producing this gas would insist upon building their own pipe lines to the border. We would not like to feel precluded from having a Canadian company control a pipe line in the United States. It is quite possible that part of our scheme ultimately could be the control of a pipe line in the United States.

Mr. PASCOE: This map shows a line coming right through to Moose Jaw. Would you be coming that close?

Mr. STRONG: This indicates the best judgment of our engineers as to a proposed route of line. It may be called a great-circle route in terms of following the shortest distance between the points involved. This actual route would be subject to alteration depending upon local requirements. For example, if gas were needed in Moose Jaw, this would certainly have an effect on our route of line through that area.

Mr. SMITH (*Calgary South*): I think, in view of the questions asked by Mr. Badanai and Mr. Pascoe, it would be helpful if Mr. Strong would give us an indication of the timing and the events which must take place in developing a project of this nature, and also the sequence of events which must be followed. Mr. Lawrence has mentioned the necessity of an appearance before the National Energy Board, and that a series of questions would then be answered such as pertaining to financing, the obtaining of markets, the contracting with producers, and so on. Perhaps he might have completed by telling us why he needs to have a special act of incorporation.

Mr. STRONG: The general sequence of events are these: first of all we must establish—as we feel we have done—the overall feasibility of the concept. We would not be here today if we had not, to our own satisfaction, established that point. Beyond this, we must have a corporate vehicle before we can proceed with the other steps which we must take. One of the first steps, of course, is to seek—once arrangements have been made with owners of reserves of natural gas—permission from the appropriate governmental bodies of each of the provinces or territories, in the case of the Northwest Territory, for the removal of these resources of natural gas from their respective jurisdictions. For example, the gas and oil conservation board of Alberta must approve the export of gas from that province. We then must seek, after having made arrangements for export of the gas, ultimate markets, and we must seek the approval of the national body concerned in Canada, that is, the National Energy Board. This board must review the entire process, including not only the matter of export from Canada but also the economic and financial stability, and the aspect of financial control.

Then in the United States, approval must be sought from the Federal Power Commission for importation of the gas. Along the way, of course,

there are many other aspects of the project which must come under the scrutiny of various governmental bodies. But we cannot attempt any of these further steps without the approval of parliament in an act of incorporation.

Mr. LAWRENCE: The requirement is to be found in the National Energy Board Act, which was passed by parliament, and which requires that anyone purporting to begin a project like this shall incorporate a company having this subject matter within its objects, and shall be required to obtain its incorporation by means of a special act of parliament. This is a basic, primary, and statutory requirement of parliament.

Mr. SMITH (*Calgary South*): The point I was attempting to get at, and which Mr. Strong has answered—and having read the minutes in the other place—is this: You have been unable to advance beyond this particular stage because in order to obtain markets and to obtain firm commitments of reserves, you must first have a special act from parliament.

Mr. STRONG: That is right.

Mr. THOMPSON: You are president of Canadian Industrial Gas?

Mr. STRONG: That is right.

Mr. THOMPSON: And that company is going to be the largest shareholder, is it not?

Mr. STRONG: It would become the largest shareholder, but that is not to say that somewhere along the line we have not been approached by a number of groups who are very interested in participating in a project of this type. But we have resisted any temptation to include anybody in all these groups, with one possible exception, at this stage. Along the way we feel that those parties who are able to make a contribution to the realization of this project will normally have to be included to some extent in its ownership.

Mr. THOMPSON: But this is a Canadian company?

Mr. STRONG: It is a Canadian company.

Mr. THOMPSON: I take it that the prime object of this corporation is to construct a pipe line. I notice that you seek a lot of other powers; but your prime object is to construct a pipe line?

Mr. STRONG: Anything included other than the construction of a pipe line has been done on the advice of our solicitor, as to such other powers which are needed incidental to this main purpose.

Mr. THOMPSON: How far have you got along with your plans to finance the pipe line? Is it in the speculative stage now, or has it got beyond that point? Do you feel you can go ahead in the near future?

Mr. STRONG: In terms of a financial enterprise of this kind you have to be prepared to spend between \$2,000,000 and \$5,000,000 before you can get to the point that you can give assurance that you are able to satisfy the rather rigid requirements of our financial institutions. We have the amount of money to do this. We only invested this amount of money on our own feeling of confidence, and we feel that by the expenditure of this initial amount we will be in a position to arrange larger financing, which cannot be arranged until we have firm contracts in hand.

Mr. THOMPSON: Your financing would be done generally from the sale of shares?

Mr. STRONG: Do you mean our initial financing?

Mr. THOMPSON: No, I mean the larger financing.

Mr. STRONG: No; the likelihood is that this type of project would be financed on the basis of the sale of debt securities to the amount of approximately 75

per cent, and equity securities, which would mean entering the field of preferred company shares, to the extent of possibly 25 per cent.

Miss LAMARSH: I have two or three questions. Perhaps Mr. Strong might tell us whether he has any more or less firm commitments subject to his being able to get parliamentary approval and all the other necessary approvals, with Pan American for the purchase of the gas and similar arrangements for specific purchasers in the United States?

Mr. STRONG: We have no specific contracts or undertakings or such things from prospective purchasers.

Miss LAMARSH: I take it then that if parliament approves this bill, and you are able to arrange for all the other governmental approvals, you would then be in the position of having a monopoly.

Mr. STRONG: That is not our understanding. There are many companies which have charters previously authorized by parliament, which would have just as much authority as we would have in this particular area.

Mr. LAWRENCE: A bill such as this does not grant a monopoly. From a legal point of view there would be nothing to stop this house and parliament itself from granting an indefinite number of charters with the same powers, to undertake the same projects.

Miss LAMARSH: Has parliament granted any other company this particular route, running from the area as shown on the map?

Mr. LAWRENCE: No.

Miss LAMARSH: Therefore if the Canadian parliament should approve it, you would have a monopoly.

Mr. LAWRENCE: We would have a monopoly of our own charter, but not much further.

Miss LAMARSH: You think it would take four years to develop a pipe line?

Mr. LAWRENCE: Yes.

Miss LAMARSH: Supposing this parliament was not to last more than another two weeks, or a few days or a month: you would then at least have had a few days start.

Mr. LAWRENCE: I think that is a very broad assumption, inasmuch as there are other charters whose powers would give capacity to do this, and which charters are already in existence. In other words, it was quite possible during the past year for the sponsors of this group to go out and buy the charter of an existing corporation, and to have accomplished the same objects that are in the bill before you. But our feeling has been that rather than go in by the back door, through the purchase of a charter already in existence, we should start off afresh with our own incorporating bill, designed exactly to our own specific requirements.

Miss LAMARSH: That is what I inquired about first, whether there would be any charters between those two points.

Mr. LAWRENCE: Not between those points. However, I think most of the other pipe line bills, of which there were about 27, have no geographical specification in them.

Miss LAMARSH: This is not an exhibit?

Mr. LAWRENCE: It is not a part of the bill. At least to the extent of our good faith, we would be bound to proceed with the project we are putting before you. Certainly if we are successful in obtaining this incorporation and were to turn around and propose to construct a pipe line from Windsor to Toronto, I am quite sure the National Energy Board and others would be very strongly averse to the display of bad faith that would be the result. However,

no pipe line with which I am acquainted, and certainly not this one, is geographically bound to start at point A and go to point B.

Miss LAMARSH: You say there are 27 other pipe line companies incorporated in Canada which have powers sufficiently broad to construct what is shown here?

Mr. LAWRENCE: I am not sure all of them have, but certainly many of them would have those powers.

Miss LAMARSH: And some of those are for sale?

Mr. LAWRENCE: Apparently.

Mr. MCGEE: In quite recent years I seem to recall an application for construction of a pipe line from a point close to the border, either up to or crossing the border. Are there existing gas pipe lines which originate perhaps not specifically in this area but which conceivably could carry gas from these reserves to areas which pass close to the border and which would require only a connecting link with the area in which you propose to market?

Mr. LAWRENCE: The answer is no. There are pipe lines spread across parts of Alberta, Saskatchewan and British Columbia; but the key part of this project is that it is a large diameter pipe line—36 inches—and the fact is that it accomplishes its economic feasibility by being a trunk line, as it were, moving from the reserves to the market. In other words, its efficiency and sense are based upon its ability, as directly as possible and with the largest size of pipe that one finds, to transport very large volumes at a very fast rate. Therefore, the smaller pipe lines, divided into tributary connections and service lines, do not have the economic feasibility that a trunk line like this, we believe, can have.

Miss LAMARSH: Is there no other trunk line that is physically tapping this reserve area?

Mr. LAWRENCE: No. This is a new area in development, and it is in the stage of very interesting development right at this time.

Mr. MCGEE: I would like to think that a Canadian company suddenly has come into a situation here where it is going to develop this resource; but, when I look at this other map, particularly, which I presume sits in this sector of the first map, it does not appear to vary too much from this pattern. It seems inconceivable to me that these United States companies would have invested heaven knows how many hundreds of millions of dollars in acquiring rights and developing these territories without having given some fairly serious thought to a method of transporting those reserves to the logical market which surely must have been, as it is now, this same area into which you propose to pipe the gas.

Mr. LAWRENCE: As I understand it they can afford to hold reserves. The companies which are investing these vast sums in development in the area in question are international companies in the broadest sense. The corporate action of these large corporations may be from generation to generation. They do not move on a day-to-day or year-to-year basis. Therefore, it is quite conceivable that some of these very large corporations could sit on these extremely valuable reserves waiting for other reserves and other projects to take priority.

From a Canadian's point of view, the moving of these within a sensible period of time is of great significance. In other words, if this project succeeds it will mean that, rather than having these reserves sitting around for 20, 30 or 50 years, this Canadian gas will be sold for United States dollars within a period of perhaps six years.

Mr. PASCOE: I would like to ask a supplementary question. I did not hear what Mr. Lawrence said about the diameter of the pipe.

Mr. LAWRENCE: 36 inches.

Mr. PASCOE: Would this be Canadian-made pipe?

Mr. LAWRENCE: It is intended to be all Canadian-made pipe.

Mr. SMITH (*Lincoln*): Mr. Chairman, my remarks may not be entirely relevant to the bill. If you rule me out of order, I will accept your ruling. As you know, at one time in southern Ontario there were substantial quantities of natural gas around the lake Erie shore. These were low pressure wells which were shallow and are now pretty well used up. At Windsor, Niagara Falls and Buffalo we are bringing in gas from the United States and putting it down into those reservoirs again and using it.

In respect of this particular pipe line, are any steps being taken which would enable Canada to recover some of that gas by bringing it in from the United States system which feeds into New York state? I am not an authority on gas by any means, but I do know that the United States is pretty well set up with cross country systems; they feed in at one place and take it out at another. It seems to me this is quite a substantial undertaking. I wonder whether you would explain if there is any possibility of recovery at reasonable prices?

Mr. STRONG: It is possible that such a thing might be facilitated to a considerable extent by a project of this type. We have not made arrangements for this, because the facilities of the Canadian market at the present time are being serviced by Trans-Canada Pipe Lines Limited. This arrangement would make such a plan much more possible than it is today.

Mr. SMITH (*Lincoln*): At the present time in southern Ontario there is substantial need for natural gas; we just do not have enough. We have a much better supply than we had 10 or 15 years ago, but there is still a large market. I am just wondering how arrangements like this could be made. How would we go about it? I think this is something to which we should give serious consideration.

Mr. LAWRENCE: I am sure this will be one of the prime considerations on which the national energy board, in its conservation responsibilities, will cross-examine us, dig into and have its experts explore.

I think Mr. Saks can give you some idea of what, to a layman, are fabulous amounts. There is no problem seen by the experts to whom we have spoken in respect of amounts. For instance, the kind of figures they discuss are the available reserves which will come into use there for perhaps a century. Mr. Saks might illustrate, for instance, the kind of reserves that Trans-Canada Pipe Lines Limited has at the moment to supply its commitments and the kind of reserves in degree that we expect will be proven out in the area in question.

Mr. Saks, would you compare these?

Mr. HODGSON: Are you in the gathering business?

Mr. LAWRENCE: This is just a transportation company. The sponsor company, Canadian Industrial Gas, has interests around Edmonton and other parts of the country which are not related to this particular project.

Mr. HODGSON: What is the potential of the gathering reserves?

Mr. LAWRENCE: Mr. Saks might speak to that. I think that is part of the same matter.

Mr. JAMES C. SAKS (*President, Interprovincial Utilities*): According to the submissions made to the royal commission on energy—the Borden commission—in 1958, and speaking of December, 1957, the Canadian Petroleum Association, in discussing the very large producing companies with substantial gas acreage out in the western Canadian areas,—known as the western Canadian sedimentary basin—estimated a total of 300 trillion ultimate development of natural

gas reserves for the western Canadian sedimentary basin. Those figures were confirmed by another submission on behalf of the Canadian Petroleum Association last year. In other words, in the period between 1957 and 1960, sufficient additional work was done throughout the entire area to allow the association once again to reaffirm that in their judgment there would be an ultimate recovery in the order of 300 trillion cubic feet of gas. To point out what that means to Canada, the first permit granted by the Alberta Oil and Gas Conservation Board was for approximately 4 trillion. This was gas that Trans-Canada Pipe Lines Limited had firmly contracted for. It was to take care of all the requirements of the various utilities across the country which could be foreseen at that time for a period of 25 years.

In relation to the 300 trillion in this submission in respect of northern British Columbia, the Northwest Territories and the Yukon, the figures in that report were in the order of 70 trillion for northern British Columbia and 75 trillion for the Northwest Territories which makes a total of roughly 145 trillion which would supply some 40 or 30 Trans-Canada pipe lines for 25 years.

Mr. SMITH (*Calgary South*): Would you further isolate the area from which you intend to remove gas and give us the annual rate of discovery? Have you an estimate?

Mr. SAKS: At the moment it is rather difficult to isolate a specific area by reason of the fact that for the last four or five years certain companies have been undertaking exploration in certain areas. Those areas have been productive. They have turned up what is generally recognized in the industry as being economic gas reserves. Comparatively recently and up until the last three or four weeks the drilling programs involved three wells. I would like to inform the committee that the various conservation boards have a ruling which makes company drilling information confidential for a year before it can be released to the public. This is to protect the various explorers at the time they come on the discovery. They may wish to acquire acreage around it. However, recently information was released by the Pan-American company indicating that one well just below the Northwest Territories line, about the centre of the boundary between northern British Columbia and the Northwest Territories, showed a possibility of potential reserves somewhere between one-half a trillion to three-quarters of a trillion under 1,000 acres. If that turns out to be so—and, in fact, they have drilled one additional well, and are drilling another one in the northwest, which could be a 25 mile trend—it probably would be regarded as being the world's largest gas well. They speak of that area, in gas terms, as the middle-east of Canada.

Mr. SMITH (*Calgary South*): Some figures have been given, and I would like to ask for an estimation, if you have one, of the annual rate of discovery. A figure of 300 trillion cubic feet has been mentioned, and I was wondering if any comparable figures could be given so that we could equate this against the rate of discovery. You are going to be moving gas out in fairly sizeable amounts, and I would like to know if a figure could be given in regard to the discovery rate.

Mr. SAKS: I have information from the Canadian Petroleum Association and also from the annual report of the Minister of Mines in B.C. It can be seen, and it is perfectly obvious that in a period of time when a very large surplus of gas has been developed in southern Alberta, that the incentive to expand with key developmental well programs, which would establish the reserve of companies, would not proceed past that point, once they are satisfied. As I say, once they are satisfied, they will not proceed to add developmental wells, as contrasted with exploratory outpost or, as they are sometimes called, wildcat wells, which add very definitely to the provincial reserves of the area; nor will any conservation

board or consultant carry the reserves or extend them, generally speaking, beyond an area immediately adjacent to the well.

In answer to Mr. Smith's question, the rate of development for British Columbia, despite the fact that at the moment there exists a very large surplus in southern Alberta today, is probably equivalent to Trans-Canada's completely contracted supply which takes care of a 30 year market requirement.

Mr. MCGEE: Let us assume that this 36 inch pipe line is built and operating to capacity. Would you tell me what it would be drawing out of the area in terms of cubic feet per year.

Mr. SAKS: To achieve maximum economic efficiency, taking into account the cost of transportation and so on, we calculate we would be selling, at the bottom end of the line, in the order of 950 million cubic feet a day and we would estimate that the average day would be in the order of 80 or 90 per cent of that, an average of 800 million a day over the year.

Mr. MCGEE: I am not accustomed to talking in trillions. Is it a fair and reasonable question to ask if the annual capacity approaches one trillion?

Mr. SAKS: Well, it roughly would be 800,000 times 365, which is approximately 288 billion a year. In order to sustain the markets we need reserves sufficient to sustain our line for 20 years, and to put us in the position to do that we must firmly contract or have available in the order of ten trillion cubic feet for the life of the project.

Miss LAMARSH: You say you have no arrangements with the producers of the gas with respect to this ten trillion cubic feet?

Mr. SAKS: That is correct.

Miss LAMARSH: Has Canadian Industrial Gas any corporate connection of any kind with Pan-American?

Mr. SAKS: No.

Mr. BALDWIN: Have you had any discussions with a number of these producers from which you could draw the conclusion that they are interested or, shall I say, more than interested in approaches of this nature?

Mr. SAKS: Yes, we have. We have had discussions with virtually all of the companies which have an acreage or any other type of interest in this area.

Mr. MCGEE: I have become lost in this astronomical mental arithmetic. Is the answer to my question which I asked in regard to the amount of gas used per year, operating at full capacity, about one-half a trillion?

Mr. SAKS: About one-quarter of a trillion.

Mr. SMITH (*Calgary South*): It has been indicated to us that there are a number of charters which are available and that these are vehicles they could have used. I think it is a very fine statement when you say you preferred to come to us to get your own charter. Nevertheless, in view of the fact that there are a number of these charters abroad it means that others have come before similar committees and have obtained a special act. Perhaps, in many instances, they have been sincere at the time. We have heard something about four such special acts, and the question I put to you three gentlemen is this: would you indicate to us your sincerity with respect to proceeding with this and assure us that we are not doing anything more than just providing you with a hunting licence, so to speak, which you can use as a come-on to complete the rest of the negotiations. I think we should be assured that there is a determined desire to proceed with this whole undertaking to its finality so you just do not end up with a permit which would be available in negotiations at some later time with another group.

Mr. STRONG: I am very pleased to answer that question.

We already have spent a considerably greater amount of money than would be necessary merely to get before this committee.

Miss LAMARSH: You probably have a very expensive lawyer.

Mr. STRONG: We are a bona fide gas company which owns its own reserves and has operated its own pipe line systems, as well as controlling many exploratory and developmental wells over a period of the last ten or twelve years. My own experience in this industry has been almost from the inception of my working life. Our company has added to its staff in the last two or three years in preparation for this project a number of very able and, if I may say so, very expensive people. We have taken every step which reasonably can be taken by a Canadian company within the limits of our resources which, mind you, are not of the same magnitude of some of the companies which hold acreage in the area in question. We are staking our individual careers on this enterprise and I think we, as Canadians, must be prepared to do these things. This type of enterprise does not happen automatically and does not become controlled automatically by Canadians. We have shown an initiative and we have to take our chances.

Mr. BALDWIN: I have a supplementary question. The Canadian Industrial Gas Company, of which you people here are officers, is definitely a main instrument in this project and, according to the information given in the other place, has assets of the order of some \$12 millions. Is that correct?

Mr. STRONG: That is correct.

Miss LAMARSH: I have a supplementary question. Mr. Smith was developing a line which I started on earlier. You have pointed out that you are stymied at this point unless you have this vehicle, this corporate entity. It has been indicated that there are some 26 or 27 others, and surely if the delay in time is so critical, there must be some reason you want this particular vehicle.

Mr. STRONG: Well, the only thing is quite frankly, we felt, in a project of this magnitude, we would be going through the back door in trying to avoid our appearance here, if we were to take the easy way out and buy one of the charters that are available. Mind you, it would be cheaper. But, we feel this would not be the right thing to do.

Miss LAMARSH: Why?

Mr. STRONG: Simply because we feel the charters were obtained by other people for projects that originally were not contemplated to be of this kind. Our feeling was that we must come before this parliament and obtain your approval, rather than doing it through the back door.

Miss LAMARSH: But if parliament did not approve this you would not be seriously prejudiced.

Mr. LAWRENCE: There is something here on which I would like to speak as an advocate or a lawyer.

The real testing time for these people and this project is when it tries to demonstrate to the National Energy Board that it should have a permit to export gas. The other testing time is when it has to demonstrate to the United States federal power commission that it should have the right to export gas to the States.

My feeling is—and this may help to answer the questions that have been raised—that if we are to convince the National Energy Board and the United States federal power commission that we should get its permission, at that time we will also be in the position of having to convince them of our good faith. My feeling in this respect and my advice to my clients have been that to the extent we must prove our case to these commissions we must show an absolutely straight line of good faith from the beginning. I would think that

the position of a company or a group of people who had picked up an available charter merely by purchase and thereby avoided the purpose of parliament, in passing the National Energy Board Act, would not be as secure before these commissions as we hope ours will be. That is significant to us.

Miss LAMARSH: Perhaps I could direct another question or two to Mr. Lawrence.

I would like to make reference to an experience of mine and say that there have been a number of charters in connection with federally and provincially incorporated companies which recently have been in the news in connection with sales. I have seen this happen in connection with race track licences. Would you suggest that owing to the fact that parliament requires a special act for pipe line incorporation, parliament may consider a limitation of time and could tell a company that unless it proceeded within five years or something of that nature the charter could be surrendered?

Mr. CHAIRMAN: I do not think that comes within the ambit of the bill which we are discussing.

Miss LAMARSH: I am endeavouring to follow Mr. Smith's suggestion about other companies not having been in good faith. Since these people have come to parliament they will, if this is approved, have a saleable commodity. These people or any others could by-pass parliament. But, Mr. Lawrence appears to be of the opinion that it is not quite cricket to do this, that it would be considered to be open and above board. I am concerned with the fact that parliament could put into anyone's hands a charter which they have no intention of using, and which they could sell at any time.

I am not suggesting this firm is one of them.

Mr. LAWRENCE: It would be a wrong assumption to suggest that the charters that are available became so because people simply picked up a charter or obtained a private bill with that in mind. I would think that it is more likely that are available became so because people simply picked up a charter or available than that any one group or community of people was putting anything across that was based on a conception such as this. I think that in ordinary commercial properties—and you have probably seen it yourself—company charters do become available when certainly it was not the purpose of the incorporators at the time—and I would suggest that this is probably the case in relation to any special charter that was made available.

I do not think there is any evidence that there as been a scheme perpetrated to avoid or finesse the purpose of parliament in this regard.

Mr. HODGSON: If you bought a charter from another company, would you have to explain your case?

Mr. LAWRENCE: Yes. You see, the whole basis of the Polaris project is export. I have not looked at any particular charter that is available, but I would doubt whether it would be as suitable as the one we have tried to draw up.

Mr. SMITH (*Calgary South*): It is not implied that people enter into debt with a view to confusing the committee—which might not be too hard to do at times—or with the intention to defraud, but, as the witness has indicated, this special act is a requisite. You cannot complete any of your negotiations without it. Thus, would you not say, Mr. Lawrence, it is understandable that some companies might have come here in perfectly good faith and found they were unable to complete some of the negotiations that at the time looked perfectly feasible, in which case the charter is still outstanding?

Mr. THOMPSON: When you take a charter you assume a different name, and obviously you would not take over the charter of some company that had not got off the ground. This might have a psychological effect on your financing.

Mr. CROUSE: Would it not be a fact that in the event this committee approved your application, you would go before the National Energy Board? And if they refused to grant you the permission, then you would have a charter to sell on the market because this vehicle would be of no further use?

Mr. LAWRENCE: I suppose we would be in that position. In answer to those questions, subject to what members may know, I do not believe there has been any abuse of this process to date. It is capable of abuse, but I do not believe there is any evidence of abuse.

Mr. SMITH (*Calgary South*): Two groups came before us in this past session and indicated that they would also like to acquire another charter in order to obtain authority.

Mr. SMITH (*Lincoln*): I would like to get the following point clear in my mind and to ask Mr. Lawrence whether, up to the present time, the National Energy Board has not asked for any commitment from companies that are exporting gas to the United States. When Canadian companies buy gas from the United States, does Canada have some protection in the matter? I am quite concerned with this and I have given a great deal of thought to it, because if there were some commitment in the export of gas to the United States, Canada would get some benefit and it would be a good bargaining point for Canadian companies that are buying gas from the United States at the present time. I am inclined to think that perhaps we would be paying in a great deal more for this gas than the United States.

Mr. LAWRENCE: The breadth of power as given to the National Energy Board is sufficiently exercised so as to assume these responsibilities for the protection of the Canadian public. When we go before the National Energy Board it will be a severe testing on behalf of the Canadian public. We will have to show that the Canadian public is being served so far as price, reserves and exchanges are concerned, and of course the United States board will be protecting its own citizens. If the National Energy Board so chooses, I feel there is no limitation under its empowering act in the exercise of this kind of responsibility.

Mr. BALDWIN: Supplementary to that, am I correct, Mr. Lawrence, in my assumption that the national energy board must grant a certificate before there can be either construction or operation of the pipe line, and before that certificate is granted—as you so well pointed out—you must come before the board—and you hope in this way with clean hands—and you must satisfy the board of certain things as to markets, reserves and other matters that are related. And here, it is open to other interests, either as presenting competition or on behalf of other areas interested in natural gas to make their case.

Miss LAMARSH: May I ask a question for my information? Is this the national energy act?

Mr. LAWRENCE: The National Energy Board Act. A company exercising these powers is required to come before parliament rather than go to the companies branch here in Ottawa or to the provincial government.

Miss LAMARSH: There is one further point. Mr. Smith suggested that you would automatically have the powers of expropriation. Is that power granted by virtue of the National Energy Board Act?

Mr. LAWRENCE: The general power is set out in the National Energy Board Act itself.

Miss LAMARSH: This is an unusual sort of thing in which a public body gives to a private body the right to impinge upon the rights of other private citizens by expropriation. The crux of my concern is the proliferation of such private charters. A great many people are going to have the right to expropriate land as they choose. What, if any, controls are there over that right of expropriation in granting a charter?

Mr. LAWRENCE: The National Energy Board itself has supervisory power in these projects. What other controls there might be over expropriation I could not purport to tell you at the moment.

Miss LAMARSH: Is there provincial legislation on expropriation?

Mr. LAWRENCE: To some extent a pipe line such as this is like a railway in that it crosses provinces and obtains its powers in crossing provinces under the British North America Act through the federal authority.

Miss LAMARSH: But by enacting this we give your company the right in three provinces to seize land, although you have to pay compensation for this? We have already done this 27 times.

Mr. LAWRENCE: The National Energy Board Act specifically envisages these powers. It is based upon the practical proposition that without these powers you could not construct a pipe line any more than you could construct a railway.

Miss LAMARSH: But it is the proliferation that concerns me.

Mr. SMITH (*Calgary South*): I would say, for the benefit of Miss LaMarsh, that it is an inherent right in the construction of any pipe line that has been constructed at any time.

Miss LAMARSH: But we are granting an awful lot of them.

Mr. BALDWIN: In connection with the point Miss LaMarsh raised, I wonder if we could go back to the point I first made namely, that no construction can commence until the national energy board has granted this certificate, and a large percentage of these companies which have been referred to have not been before the national energy board, have not proven their case and have not been given the certificate.

Miss LAMARSH: I appreciate that, but in southern Ontario, not far from Hamilton, where such permits were granted by the national energy board within the last four or five years, the farmers through whose fields the pipe line was running could do nothing.

Mr. HODGSON: What redress has the farmer if he does not want the pipe line to go across his property?

Mr. LAWRENCE: He gets the right to compensation.

Mr. HODGSON: Compensation does not mean a thing to him if running the pipe line through his property is going to be detrimental to his farming interests.

Mr. LAWRENCE: I would judge that this was debated by parliament when it passed the National Energy Board Act because the basis of this act is the realization that such projects require the power to expropriate subject to all the limitations of the act.

Mr. HODGSON: You get a bunch of lawyers, and on the other hand the farmer is left on the limb.

Mr. SMITH (*Calgary South*): I do not wish to minimize the seriousness from the farmer's point of view, but this has been in practice for some time—which does not necessarily make it right. We are not talking about a great deal of land. In most of these areas there has not been the conflict that this committee might think there was in negotiating with the farm populations for this small piece of land.

Mr. MCGEE: My farming experience is rather limited, but what happens if a piece of the pipe line crosses some property and if some crop is grown on that property? Presumably a ditch is dug and a pipe is put down. To what depth would this pipe line be dug?

Mr. SAKS: It depends on the diameter. It goes deeper under a railway crossing, but generally through farm property it is buried five feet deep.

The fill on top is also five feet, plus the three feet of the line itself. I would say it goes down eight feet.

Mr. MCGEE: What I am concerned about is the land above the pipe. Is it a fact that in farming the top six inches of topsoil is the productive part? What position does the farmer then occupy in this regard? Can the farmer then resume farming that area of land?

Mr. SAKS: Yes.

Mr. MCGEE: The farmer can farm the land under which the pipe line is laid?

Mr. WRATTEN: I hope the members of this committee will not be fooled by the suggestion that the top soil is put back in its original position. The trench is dug with a digger, piled alongside and then pushed back in with a bulldozer after the pipe is laid. It is the farmer's hard luck if the area is left covered with rocks. I experienced a good deal of difficulty in regard to pipe lines in southern Ontario during the time I was a member of a county council and I am aware of the practice followed by pipe line construction companies.

Mr. SMITH (*Calgary South*): What did you do with all the money you received in compensation?

Mr. WRATTEN: The amount of money I received in compensation did not amount to a hill of beans.

The CHAIRMAN: Gentlemen, will you please direct your questions to the Chair.

Mr. THOMPSON: Mr. Chairman, what authority grants powers of expropriation?

Mr. LAWRENCE: Mr. Chairman, powers of expropriation are granted under a section of the National Energy Board Act.

Mr. BALDWIN: Mr. Chairman, I have just sent for a copy of the National Energy Board Act.

Mr. THOMPSON: Mr. Chairman, I am interested in the situation which will result from a failure on the part of the company to construct the pipe line following the expropriation of lands. Is there any guarantee given to the owners of the expropriated land that the land will revert back to them in the event the pipe line is not constructed?

Mr. LAWRENCE: Mr. Chairman, I cannot answer that question.

Mr. HODGSON: Mr. Chairman, all such problems are dealt with by local expropriation boards which have experience in these matters.

Mr. THOMPSON: What guarantee is there that the original land owners will get title to the expropriated land in the event the pipe line project is not successful?

Mr. SAKS: Generally speaking an agreement is made with the land owner that if the pipe line is not completed within a certain period of time the land reverts back to the owner and he is not entitled to payment.

Mr. MCGEE: Does the company acquire title to the land or does it acquire an easement?

Mr. SAKS: The company acquires an easement generally speaking to an area twenty feet wide which is actually of very little use to anyone.

Mr. THOMPSON: As far as the members of this committee are concerned, once this portion of the bill dealing with expropriation rights is approved, there is no guarantee that the original owner will get the expropriated land back in the event the project is not completed. Once we have approved the requested right to expropriate the company will have unlimited authority to expropriate land without giving us any guarantee that the land will revert back to the original owners.

Mr. LAWRENCE: Mr. Chairman, the powers of expropriation awarded the company are by no means unlimited. The authority which deals with situations giving rise to questions such as those asked By Miss LaMarsh and Mr. Thompson is the National Energy Board. The passing of the National Energy Board Act did not release some uncontrolled situation upon the world.

Miss LAMARSH: What is the significance of clause 8 and the various sections of the Companies Act therein enumerated?

The CHAIRMAN: I would suggest that we deal with clause 8 when we reach it.

Mr. BROOME: Mr. Chairman, before we proceed with our consideration of the bill clause by clause, and with the consent of the committee, I should like to ask some questions.

The CHAIRMAN: Gentlemen, although Mr. Broome is not a member of this committee, he is present this morning and has asked for permission to direct questions to the witnesses. Does this committee give its unanimous approval to Mr. Broome to question the witnesses?

Some Hon. MEMBERS: Agreed.

Mr. SMITH (*Calgary South*): Perhaps we should also call Mr. Broome as a witness.

Mr. BROOME: Mr. Chairman, I should like to direct my first question to Mr. Strong. Before I do so I should like to say that I am in complete approval with the proposal embodied in bill S-13. I am convinced that the areas mentioned in the bill generally and the northern portion of British Columbia particularly will derive great benefits from the construction of this pipe line. I am sure that many Canadian companies will benefit from the construction of this pipe line because they are not in a position to hold undeveloped reserves as long as international companies.

I should like to ask a series of questions prompted by a statement which was made before a Senate committee to the effect that it is the intention of the sponsors that purchases will be made in Canada of Canadian materials and equipment whenever available and suitable, and that Canadian personnel and service will be used to the fullest extent they are qualified and available. I feel this is a reasonable policy and justified to the extent that the materials and personnel are available. I am interested, however, in knowing whether this policy will be carried forward in regard to the employment of engineer companies and general contracting companies of Canadian origin.

Mr. STRONG: Speaking as a representative of the individuals who control this project, I can certainly assure this committee that this policy will be carried forward in that regard. I might say that there does exist in Canada some very fine engineering and consulting firms. We have used a number of them in the past and we hope that with the commencement of this project we will be able to use a good deal more of them. Certain aspects of pipe line construction require the employing of United States consulting firms.

Mr. BROOME: Perhaps it is presumptuous of me to ask whether the desire contained in this policy will be indicated to any United States consultants employed, but I am interested in an assurance to that effect. I do know that in the past many United States personnel have been employed when qualified Canadian personnel were available, and that on occasion Canadians have been used only when United States personnel happened to be in short supply.

Mr. STRONG: In answer to your question I should like to say that some of us as Canadians interested in the oil and gas industry have experienced during our own careers some of those situations outlined by the hon. gentleman's question, but you may be assured that we will welcome the opportunity to maximize the use of Canadians.

Mr. BROOME: I should like to ask another question regarding the considerable amount of promotional money that will be spent by the company. I recall that the West Coast Transmission Company and the Northwestern Pipe Line Company during financing were obliged to sign sales contracts in order to successfully finance the projects. As a result of this situation many individuals not only received very cheap gas but also the opportunity to purchase very cheap stock. I realize of course, that the national energy board was not then in existence and that this situation could not happen again. I should like to ask Mr. Strong whether he feels the company will have to give concessions to individuals because financing depends upon contracts of this type.

Mr. STRONG: Mr. Chairman, I should like firstly to state that the National Energy Board Act is designed to protect the Canadian public against this kind of process. However, our own policy certainly will be to have Canadian ownership and control of this project to a maximum extent. This is one of the reasons we have not as yet taken anyone else into the project with the exception of one of our own shareholders. There will not be what might be called cheap stock, or promotional stock, made available for the purpose of obtaining these contracts. That is not to say that some people who have reserves will not participate in this project, but whatever their participation may be it is our clear objective and policy that this company will be directed and controlled in Canada.

Mr. BROOME: Am I safe in assuming that equity stock will be sold at much the same price to all concerned? I ask this question because of the fact that certain undesirable situations developed during the financing of other transmission companies.

Mr. STRONG: We are aware of what happened, sir, and can assure you that our policy will certainly be to avoid a recurrence of that kind of thing. I do not want to convey the idea that we are going to avoid any attempt to make a profit from this scheme.

Mr. BROOME: The individuals putting up the risk capital certainly are entitled to a profit, but certainly other individuals are not entitled to concessions simply as a result of signing a contract to purchase gas.

Mr. SMITH (*Calgary South*): Mr. Chairman, I am sure that Mr. Broome will appreciate that I am not attempting to defend any other company, but the circumstances under which West Coast Transmission Company was financed were totally different from the situation we are experiencing now.

Mr. BROOME: I agree with that statement, and I am convinced that what happened in that case was completely unintentional.

Mr. Chairman, I should like to ask one final question in regard to the sale of equity securities. I presume that these equity securities will be offered for sale on the market at much the same price as they will be offered for sale in Canada?

Mr. STRONG: I am very happy to answer in the affirmative to that question.

Mr. BROOME: Thank you. I am very satisfied.

The CHAIRMAN: Thank you Mr. Broome.

It is now 11.15. Some of us have been here since 9.30 this morning. There are quite a number of clauses in this bill and I think it would be propitious at this time to adjourn until 3.30 this afternoon. Is that agreeable to the members of this committee?

Some Hon. MEMBERS: Agreed.

The committee adjourned until 3.30 p.m.

AFTERNOON SESSION

The CHAIRMAN: Gentlemen, I see a quorum. This morning we were discussing the preamble. Are there any more questions?

Miss LAMARSH: I meant to ask a question this morning. Perhaps Mr. Saks might very well tell us this. Will the proposed route pass over any federal or Indian land?

Mr. SAKS: The route is subject to alteration in detail as to the land over which it will pass. But to our knowledge it will not pass over any such land.

Miss LAMARSH: I understand that the route as drafted on the map is not binding, but does it go through any Indian reserve land?

Mr. SAKS: We have not made a detailed search as to the ownership of all the land it passes over, but I do not think to any degree that would be significant.

Mr. BALDWIN: I would say that it goes close to one Indian reserve in the Sturgeon lake district, which is southeast of Grande Prairie, and it appears as if it would be very close to the general line there.

The CHAIRMAN: Are there any further questions?

Mr. MCFARLANE: I would like to ask Mr. Saks about this pipe line. We already have a gas line going into the proposed market in the United States. At the present time you have no gas, and neither is there any at the well-head, presumably, which is controlled by the United States concern. The sale of gas is also a matter of concern to me. I feel that you have a market down there, but it is considerably in the future. Therefore, assuming that no purchase could be made at Fort Nelson, and that the United States line in that area decided to pipe their own gas, what position would you be in at that time? I am trying to make my question clear speaking as a layman.

Mr. LAWRENCE: Perhaps I might answer you briefly. National Energy Board approval will only be given when we have firm contractual situations at both ends. The National Energy Board does not accept propositions of a forecast nature such as the one we are dealing with today. When you come to the National Energy Board you have to show something very close to final binding contracts at both ends of your project.

Mr. ROGERS: I would like to carry that one step forward. It may be that the National Energy Board agrees. But suppose you want to sell it, subsequently. Would you have to go back to the National Energy Board again?

Mr. LAWRENCE: To sell what, sir?

Mr. ROGERS: To sell the company.

Mr. PASCOE: To sell your pipe line.

Mr. LAWRENCE: I do not know.

Mr. WOTHERSPOON: Yes, it is contained in the National Energy Board Act that you must get their approval for sale.

Miss LAMARSH: Do you mean approval to sell the charter, or the assets?

Mr. WOTHERSPOON: Just the assets.

Miss LAMARSH: No, I mean the sale of the shares.

Mr. WOTHERSPOON: No.

Mr. LAWRENCE: They would be on the market themselves.

Mr. SMITH (*Calgary South*): We discussed at some length this morning the alternate proposals that were open to the company: first, to appear before us, as they are doing today; and second, to obtain, perhaps, another charter.

Now I am not going to ask for any information which you would not want to disclose, but I assume, Mr. Strong, that you did look at that alternate proposal and that you decided against it for the reasons which Mr. Lawrence gave. You did look at other possible charters available, did you not?

Mr. STRONG: Yes, we were offered one in particular.

Mr. SMITH (*Calgary South*): You say you were offered one in particular.

The CHAIRMAN: We have with us today Mr. James Frawley, Q.C., the resident attorney for the government of Alberta. He would like to make a statement in regard to this pipe line. Mr. Frawley?

Mr. J. J. FRAWLEY, Q.C. (*Resident Counsel at Ottawa for the government of Alberta*): Thank you, Mr. Chairman. I would like to make a statement on behalf of the government of Alberta with respect to this bill. I have no instructions to oppose the bill, but there is a feeling on the part of the Alberta government that the idea of building a pipe line to take gas from the north-eastern section of British Columbia, and to take it by an express pipe line across our province, and then into Saskatchewan for delivery to a United States associate company at or near Estevan is not acceptable to us. We think it is a novel idea but one that—to put it bluntly—should not be approved.

All we are asking for is the assurance from these gentlemen that it is part of their plan to pick up gas from Alberta fields as it may be offered to them under all of the regulations of the National Energy Board. We only want to have the assurance that it will be part of the plan that it should be available. I would like to have that assurance through this committee from the promoters and their representatives.

I asked the same question in the Senate committee and I would not want to leave the impression for a moment that there was any desire to evade it; it is just that I think that since we are now in a Commons committee, the statement on the part of the promoters should be much more clear, much more definite—that they could definitely deliver the commodity, and that it is part of their plan that this pipe line will not be a non-stop express pipe line entering Alberta somewhere east of Grande Prairie or Pouce Coupe and to leave Alberta somewhere in the vicinity of Provost, without any plan to serve the fields of Alberta as those fields might be able to deliver gas to them on an economic basis.

Such an assurance from these people at this time will satisfy the quite a bit of alarm there is on the part of the Alberta government that this is going to be an express non-stop line to transport British Columbia gas into the Chicago area and just pass us by as it goes through. I would like to have that assurance. I ask you, Mr. Chairman, that these people give that assurance to the committee.

The CHAIRMAN: Mr. Strong?

Mr. STRONG: Mr. Chairman and honourable members, I am sorry if we have left in any way the impression of being vague on this particular matter. The line originates at a point which will enable it to begin, presumably, roughly, in the Fort Nelson area of British Columbia as being a logical gathering point for gas reserves which would exist in the northeastern corner of British Columbia and the northwestern corner of Alberta and in the North West Territories which, as we see it now, must constitute another base of reserves.

Let me say, categorically, that we have neither the intention nor the desire to run an express line through Alberta without picking up gas reserves in Alberta. The only reserve that the company owns of any significance exists in Alberta. The economics of our operation would suggest that it would be better, and more desirable to pick up gas at a point closer to the home market. That point, obviously, would be more applicable to Alberta than to northeastern British Columbia and the Northwest Territories. So, using the most definite terms possible, we certainly give my honourable friend from Alberta that assurance.

The CHAIRMAN: Is that satisfactory, Mr. Frawley?

Mr. FRAWLEY: I think that would be satisfactory. Thank you.

The CHAIRMAN: Are there any other questions?

Mr. MCFARLANE: This question came up on our discussion of a line going through the East Kootenay area this year. There is something in that one of the points along your gas line may require gas. Is there any preparation or arrangement made for gas to be taken off this main pipe line?

Mr. LAWRENCE: Physically there are no limitation except for the cost in taking as off the pipe line, so far as I know. There are certain points where a community demand might not be great enough to afford the physical installation, the valves, and other factors but that would be the only limitation I would know of on the policy of tapping this line at any reasonable point.

Mr. BALDWIN: I have a supplementary question: Am I correct in saying that section 60 of the National Energy Board Act provides that the board may direct it? Not only is it a question of the company wishing to do so, but the National Energy Board may direct that it be done. Is that correct?

Mr. LAWRENCE: That is right.

Mr. MCFARLANE: I believe we have an item in connection with this, that the cost of the gas at any place along the route would not exceed the cost of the gas delivered to the international boundary. May we have that assurance?

Mr. LAWRENCE: Perhaps the gentlemen here could answer that question. Would this include the cost? As I see it, there is a substantial cost in the process of taking the gas from the main line. That would be a consideration. I do not know whether I can speak to this question, or whether my friends and associates would rather speak to it. I think it would be a difficult undertaking, because the cost of gas in the pipes may be different from the cost of gas when it reaches out into a little community.

Mr. MCFARLANE: I mean that the cost at the gas pipe line would not exceed the cost at the international boundary. We have run into several cases where the cost of the gas delivered to the community on the pipe line was in excess of what it was being delivered for at the international boundary.

Mr. STRONG: We would certainly propose to make at least equivalent rates available, and to make the gas available under at least equivalent rates in Canada; I mean equivalent to the rates at which it would be offered at the United States border, having regard to the conditions of delivery.

Mr. MCFARLANE: I do not wish to include the distribution line cost to any point on the route compared to the cost of the gas on the line.

Mr. STRONG: You mean in terms of actually making the gas available from this pipe line?

Mr. MCFARLANE: Suppose it is 22 cents at the international border; then it would still be 22 cents along the route?

Mr. STRONG: For comparable volume and delivery conditions.

Mr. WRATTEN: What about the duration of the charter? Does it go on in perpetuity, or may the government revoke it? May a company come in and obtain a charter which will be good until dooms-day?

Mr. LAWRENCE: I would think, subject to correction, that it would require the houses of parliament themselves to undo what they have done. We have always supposed ourselves to be subject to the supremacy of parliament. So what you do by an act, you may undo by another act, I should judge.

Mr. WRATTEN: Is there any time limit in this charter?

Mr. LAWRENCE: There is no time limitation. As a matter of fact, it would be very difficult to contemplate financing a project like this, if short times

were in mind. The contracts themselves as we mentioned this morning, deal with terms of from 20 to 25 up to 30 years.

Mr. BALDWIN: To return to the act, which seems to apply in this case, there is a section dealing with the issue of a license, namely, Section 82, subsection 2, which says that a license issued under this part may be restricted by limiting the quantity which may be taken, as to who owns the product.

Miss LAMARSH: I think that has to do with an export license.

Mr. BALDWIN: Yes.

Miss LAMARSH: That does not affect the corporate entity.

Mr. LAWRENCE: All corporations which exist are essentially the same in this regard.

Mr. SMITH (*Calgary South*): There is no question about it. This has been established many times.

Miss LAMARSH: Has there been any occasion when a period of time was put into it? There might come a time when parliament says: we have 50 to 60 of these things floating around and it is getting silly. And they might close the door. Then you might have a monopoly of 50 people with a charter. Could we not prevent that happening by limiting the time in this act? I have never seen it done, but could we not say that if nothing were done within 5 years, the charter should be surrendered?

Mr. SMITH (*Calgary South*): I would like to speak to that, if I may. I have no disagreement at all with what Miss LaMarsh is saying. In fact, a great many of us in this committee have felt many times that the whole procedure of a special act should be reviewed, in that it was an unsatisfactory method to have applicants come before us and, in fact, and for us to carry on an energy board hearing with the applicants. But the idea of the subsection is that these people are obligated to appear under the act as it exists now, and that any discussion we have should take place in the form of amending the system, and by bringing forward witnesses if we feel certain limitations should be placed upon them under the act as it reads at the present time. I would welcome an opportunity, with Miss LaMarsh or any other member, to try to improve the manner in which we bring persons down here and examine them. I think many improvements can be made.

Miss LAMARSH: On page 24 I see that the fee for the House of Commons is between \$10,000 and \$12,000 for this private act. Perhaps you would explain how that comes to be.

Mr. LAWRENCE: There is a schedule set up by this house through its commons committees which requires a fee based on the proposed capitalization. In our specific case I think the figure was \$12,400.

Miss LAMARSH: Is there any special fee for printing or anything like that?

Mr. LAWRENCE: As I recall it it is one fee. In the other case there is a printing fee of, I believe, \$200. That is the only change which I recall, except for the cost of advertising in newspapers across Canada which, again, is fairly expensive.

Miss LAMARSH: Are these fees required by the act?

Mr. LAWRENCE: Not by the act. It is House of Commons practice.

Miss LAMARSH: Are they out of line with general fees in respect of preparations?

Mr. LAWRENCE: Not greatly out of line.

Mr. SMITH (*Calgary South*): Can Mr. Strong give us any estimate of his cost to date allocated for the particular purpose of appearing before the other place and this committee in presenting this bill? Have you made any assessment of the amount which it has so far cost the company to appear?

Miss LAMARSH: Aside from legal fees.

Mr. McPHILLIPS: Surely that is not the concern of this committee.

Mr. SMITH (*Calgary South*): I will withdraw the question, if there is any hesitancy in answering. I asked for one reason. I think Miss LaMarsh brought up a very valid point. Many of us have questioned the whole procedure. I feel that if at any time we are going to be involved in any discussion in respect of amending this system, it should be shown that to come down here is a very expensive proposition even at this stage.

Mr. LAWRENCE: I have no hesitancy in answering. The fee in the Senate, as I recall it, for printing was \$200. It cost approximately \$1,200 to advertise in the newspapers of Canada. We advertised in at least one newspaper in each province, and in those provinces having a large French-speaking population we advertised both in the French and English papers. On top of that there is the third major item, namely, the \$12,400 fee which we pay to the Receiver General by dint of Commons practice.

Miss LAMARSH: That is refundable if the bill does not pass.

Mr. LAWRENCE: I am not sure it is. I do not think there is anything that says it is refundable.

Mr. McPHILLIPS: You would have to get a resolution through the house in order to have it paid back.

Mr. LAWRENCE: I think so. If we stumble at this stage, I do not believe we have any legal right to expect receipt of that back.

Mr. SMITH (*Calgary South*): In addition, of course, you would have the fees of professional persons who would appear.

Mr. LAWRENCE: Yes, and ordinary expenses of travel.

Miss LAMARSH: In respect of provincial corporations, occasionally this is a large expense. Does anybody particularly scrutinize the name you select?

Mr. LAWRENCE: Not by legal requirement; but we clear it in the beginning through the companies branch here in Ottawa to ensure that in Ottawa and in the provinces we did not choose a name which would cause confusion. The other point is that in the other place itself and here the law clerks themselves scrutinize the bill from beginning to end. They would certainly object to a ridiculous name, although they would not know whether or not it was a conflicting name.

Miss LAMARSH: If it should be a conflicting name, I suppose it would be picked up in the advertisement.

Mr. LAWRENCE: That is one of the purposes, I would expect, of the advertisement. If there is another Polaris Pipe Line, everybody in the country would have an opportunity to say so. The companies branch did a search for us in order to ascertain whether or not, in their opinion, the name was available. They applied the same tests they would apply to their own companies when giving federal charters under the Dominion Companies Act.

Preamble agreed to.

Clauses 1 and 2 agreed to.

On Clause 3—*Capital stock*.

Mr. CROUSE: Mr. Chairman, I move, seconded by Mr. Smith (*Calgary South*), that for the purpose of levying the charges provided for under standing order 94(3), the committee recommends that the proposed capital stock consisting of ten million common shares without nominal or par value, be deemed to be worth ten million dollars (\$10,000,000.00).

The CHAIRMAN: The effect of the motion is to permit the levying of charges to be collected by this house on capital stock of no nominal or par value in accordance with the scales of charges provided for under standing order 94(3).

Miss LAMARSH: This is the \$12,000?

The CHAIRMAN: Yes.

Clause 3 agreed to as amended.

On Clause 4—*Head Office and other offices.*

Mr. SMITH (*Calgary South*): "The Company may, by by-law, change the place where the head office of the Company is to be situate . . ." Is there any reason for this?

Mr. BALDWIN: I do not suppose anyone would really want to leave Calgary.

Mr. S. F. M. WOTHERSPOON, Q.C. (*Counsel for the petitioners*): It is a matter of form.

Clauses 5, 6 and 7 agreed to.

On Clause 8—*Sections of the Companies Act not to apply. R.S., c. 53.*

Miss LAMARSH: Is there anything in particular in Clause 8 of which we should have cognizance which is not included? Is there anything unusual?

Mr. WOTHERSPOON: Clause 8 excludes the same sections which have been excluded in at least the majority of all previous pipe line bills, with certain exceptions. In general it is a matter of draftsmanship.

Probably all members of the committee know that the Companies Act is divided into parts. Part I applies to companies with share capital. Part II applies to private companies with no share capital, and Part III to companies which are incorporated by a special act. The Companies Act is somewhat out of date now, so it is the practice to incorporate a number of part I sections which apply and to exclude certain of the special act sections. Of the ones I have excluded, which were not previously excluded, first of all there is section 155. That section says that the directors of a company must be resident in Canada and must be British subjects. In this act we have asked that the majority of the directors be not only Canadian residents but also Canadian citizens. I have excluded sections 163 because it is in direct conflict with section 4, both of them having appeared in a majority of other pipe line bills. Section 180 provides for newspaper notice of the first meeting of shareholders, that is, the five persons who are the incorporators, whereas the part I section I have included provides for notice by mail. Section 189 deals with the matter of the liability of directors in respect of the transfer of shares not fully paid up. In this section it makes the directors liable. However, part III of the act does not provide that directors have the right to refuse a transfer for which they may be liable, whereas the section I have incorporated from part I of the act says that where the directors are liable they can refuse to transfer a share that is not fully paid.

Those are the only changes from the normal.

Miss LAMARSH: All the other sections are those which normally are in a pipe line bill?

Mr. WOTHERSPOON: Yes.

Mr. BALDWIN: May I ask if this particular bill and the changes to which you refer have been discussed carefully with the law clerks of the Senate and the House of Commons?

Mr. WOTHERSPOON: Yes. I went over all the changes from the normal with both law clerks in detail.

Clauses 8, 9 and 10 agreed to.

On Clause 11—*Commission on subscription.*

Miss LAMARSH: Is this a standard provision?

Mr. LAWRENCE: Yes.

Miss LAMARSH: What is it used for?

Mr. LAWRENCE: As I understand it it is a matter involved in the raising of capital.

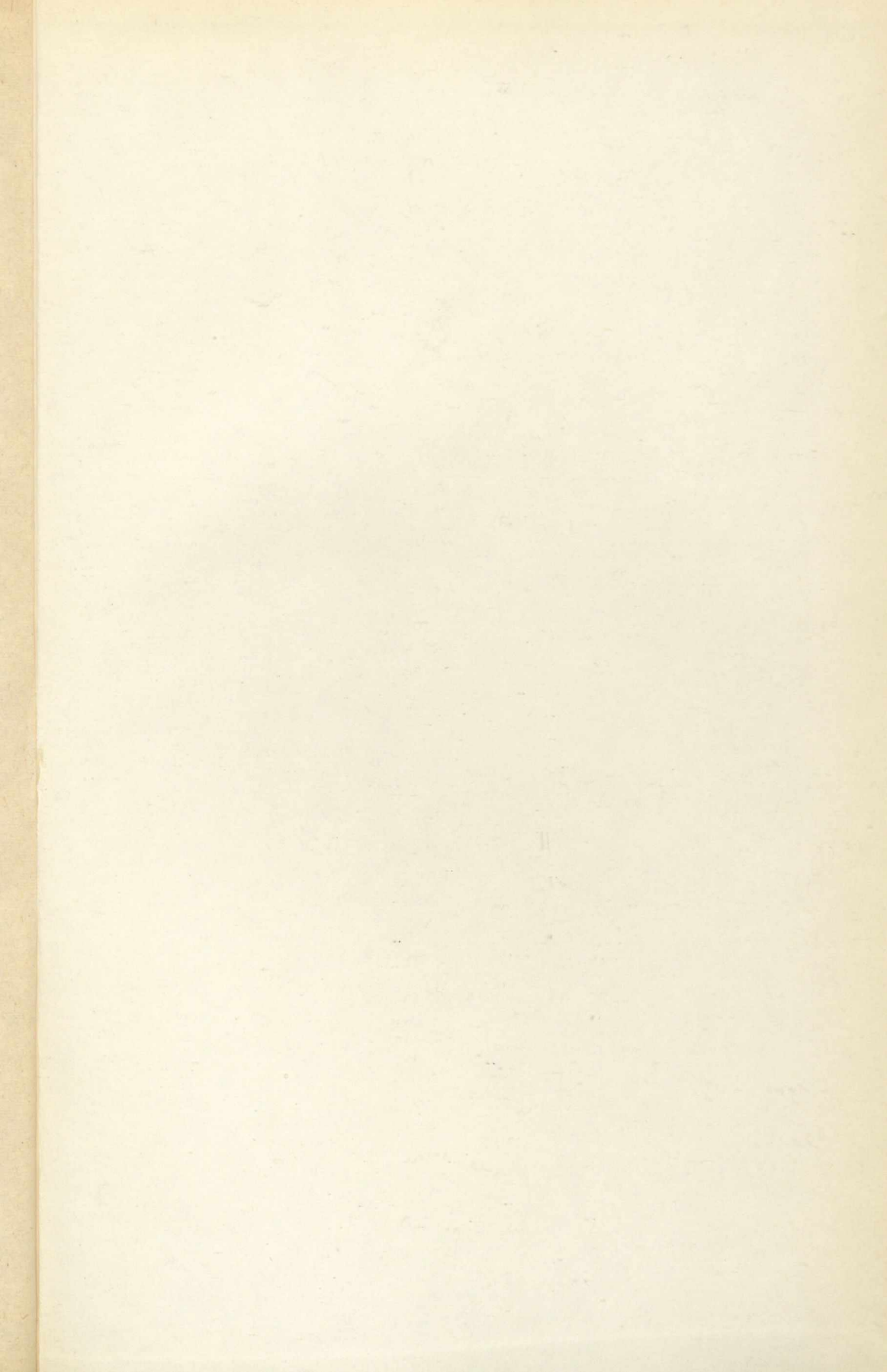
Mr. WOTHERSPOON: It is a normal clause for companies which expect to be involved in large financing. It is normal in pipe line companies. It involves financing at the finance house level. They can, in effect, get a 10 per cent reduction in price in buying the shares.

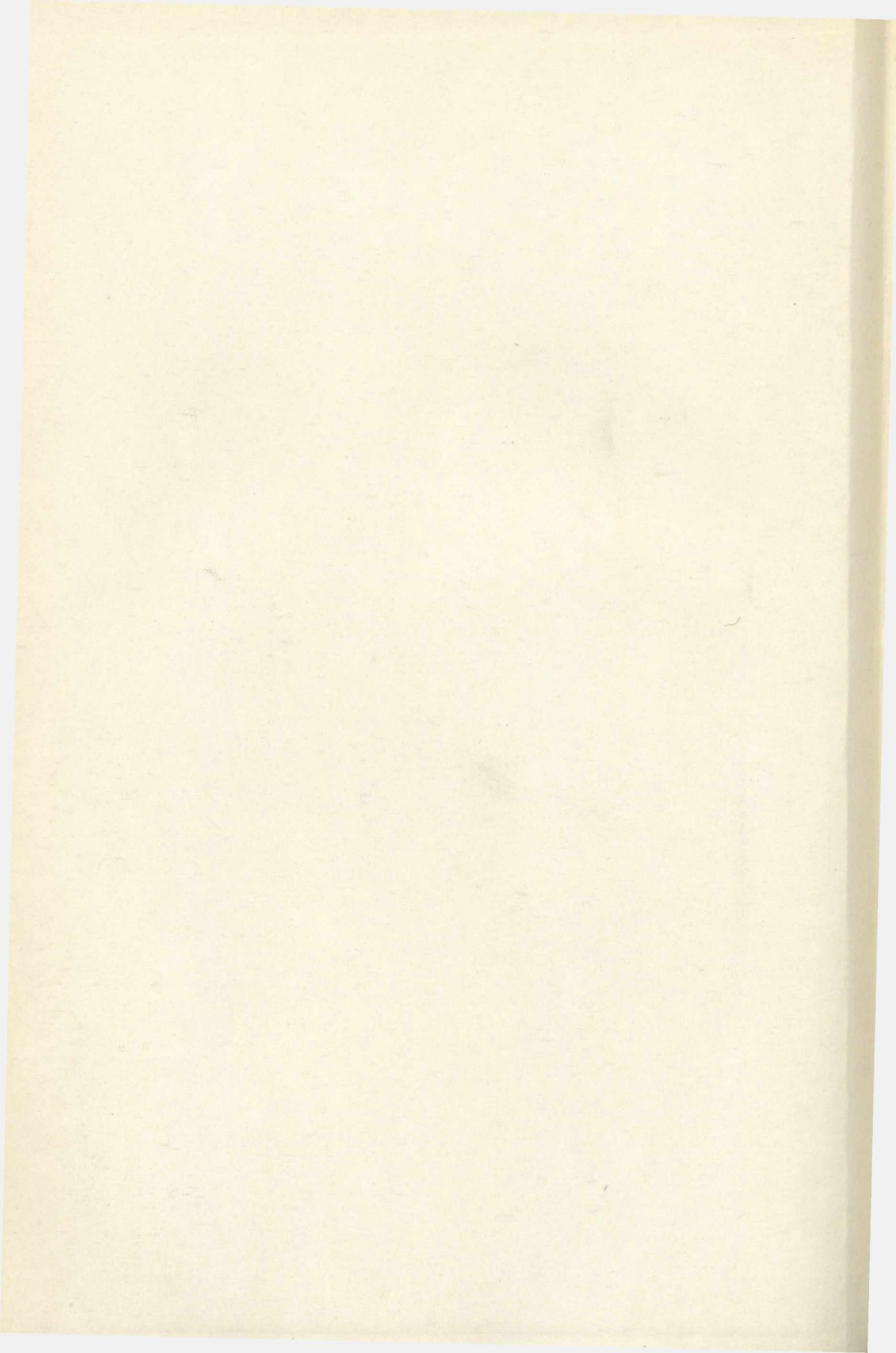
Clause 11 agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill as amended?

Agreed.





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