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SPEAKER; THE HONOURABLE GERALD RYAN OTTENHEIMER

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The House met at 3:00 p.m.

Mr. Speaker in the Chair.

STATEMENTS BY MINISTERS:

HON. J. CROSBIE (Minister of Mines and Energy): Mr. Speaker, I have a statement that I would like to make on the Lower Churchill project, Mr. Speaker, and I would ask the indulgence of the House. It will be lengthier than the usual ministerial statement. But since it is an extremely important topic I trust the House will not mind the length. A copy of this will be given to all the members now in a few minutes and the press in case you want to follow along and I will try and summarize so it does not take as long as it would otherwise.

On Monday, Mr. Speaker, my colleague, the Minister of Finance commented briefly on the Gull Island hydro-electric project and gave an indication of the course of action proposed by government with regard to this important issue. The decision which has to be taken regarding Gull Island is one of the most important that has ever come before the honourable members of this House. It will have far reaching implications for the future of our Province and it is because it is such an important matter that I intend today to provide hon. members with a detailed report on the project and to fully explain and justify the decision which has been taken.

The first part of the statement, Mr. Speaker, deals with Newfoundland's electrical load growth and describes the early stages of the development of the electric utility industry in Newfoundland in the 1940's and 1950's when rural electrification started in the Province.

The average use of energy by Newfoundland householders in 1960 was still 40 per cent lower than the Canadian average and in the 1960's emphasis was placed on the provision of essential home service. During this period load growth on the Island approximated 5 per cent per annum (which was below the national long term average of 7 per cent load growth per annum) and industrial growth was curtailed by the lack

of power for expansion purposes.

In 1964 the Bay d'Espoir hydro electric project was initiated and with it the decision to construct an Island-wide transmission grid. The first commercial delivery of energy from Bay D'Espoir was achieved in May, 1967. The availability of that additional energy resulted in an annual load growth immediately increasing to an average of 12.5 per cent per annum, with a maximum of 19 per cent being reached in 1969. As a result, the second phase of Bay d'Espoir had to be undertaken ahead of schedule and it was also necessary to add a 300 megawatt oil-fired generating station at Holyrood in 1971, to prevent energy shortages occurring during the 1970's.

Whereas the average annual rate of growth on the Island had been 5 per cent per annum prior to 1967 when Bay d'Espoir first relieved our energy shortage, the average rate of growth in electrical load from 1967 to 1974 has been 11 per cent per annum. However, despite this rapid growth, per capita, electrical energy consumption in Newfoundland remains today still 30 per cent below the national average.

During the past three years extensive load growth studies and forecasts have been undertaken in order to compute our future electrical energy requirements. In undertaking these studies two different approaches to load forecasting have been employed and the results of each assessed and compared to the other, in order to derive the most accurate projection possible.

The first approach, based on "micro-analysis", involves surveying all existing customers (that is Newfoundland Light and Power Limited plus the major industrial users) to determine directly from them their expected energy needs. And then the estimates are based on the information they provide and the Department of Industrial Development is consulted on past experience.

The second approach, based on "macro-analysis", involves examining the various social and economic indicators relating to the Province.

In this connection, various statistical indicators are used. For example, statistics relating to the electrical appliance market and household furnishings and facilities are used to determine the extent of market saturation which has occurred in Newfoundland and past and present per capita electrical consumption is viewed in relation to per capita consumption in other areas of Canada. Trends in per capita income are analyzed and projected, with industrial expansion separately examined in relation to past trends and known future developments.

Now, Mr. Speaker, while those two analytical techniques have proven to be of value during the past ten years, for short-term forecasting, the uncertain economic climate which is expected to prevail during the next five to ten years justifies a critical review of the methodologies being employed. A major new factor, Mr. Speaker, is the effect of rapidly rising energy prices on consumption. This is an unknown factor when considering what may happen in load growth in the next few years. Discussions with other utilities, and load forecasting consultants, do not suggest a totally new approach. But a critical review was undertaken of the accuracy of past load forecasting exercises, in relation to the actual load experienced, to determine if past forecasts have shown any particular bias. The results of that assessment showed, first, that the domestic, commercial and light industrial load activity in this Province has been consistently underestimated. It showed further that the main factor causing the growth in domestic load in this Province is the installation of electric heat. And, third, that industrial energy requirements have been extremely irregular, reflecting the effect of change in world market conditions and other factors. Surprisingly there appears to be virtually no correlation between domestic electrical consumption and the direction or level of industrial consumption.

On the basis of the information gained from assessing the accuracy of past forecasting exercises alone we would be justified in increasing the current projections if we went on the past experience. However, current forecasts have not explicitly taken into account the likely reaction of consumers to substantially higher energy prices during

the 1980's. While some research has been attempted, no definite conclusions can be reached. One would think that as prices rise most consumers will attempt to limit electrical demand and particularly energy wastage. Some may want to reconsider purchasing additional electrical appliances and so on. However, as the price of alternative energy sources is also rising rapidly and as operating costs for electric appliances are a relatively insignificant proportion of the original cost, and of a monthly budget, it is not clear that there will in fact be a significant reduction in load growth. On balance, therefore, it is considered prudent not to inflate our current estimates to compensate for the traditional conservative bias found in the present methodology.

The general conclusion to be drawn from all these studies is that - here is an important point, Mr. Speaker - assuming no steps are taken to limit the demand for electricity, the Province will experience significant load growth during the period to 1990 and beyond. That is, if no steps were taken. That one alternative, Mr. Speaker, would be to take steps to limit the demand for electricity, which is not an alternative we want to consider unless forced. While numerous forecasts have been prepared, the most realistic forecast available, in the opinion of Newfoundland Hydro, projects the Island's industrial load growth at an annual compound rate of 5.6 per cent and the utility load growth of 9.6 per cent, giving an overall average system load growth of 8.1 per cent per annum from 1976 to 1990. On the assumption that this rate of growth occurs, a major new energy source is required by the end of 1980. So that the forecast is a conservative one with a small "c," and it is as realistic as it can be made.

Then, Mr. Speaker, just briefly, the origin of the Gull Island concept. In September, 1972, Brinco formally approached the Government of Newfoundland and Labrador with a proposal to develop the hydro potential at Gull Island on the Lower Churchill River.

The original Brinco concept was to tie the Gull Island development into that of the Upper Churchill, and to sell the output to Hydro Quebec under a long term contract. As a matter of fact they suggested the same kind of lease and terms as on the Upper Churchill. Discussions continued -

MR. MURPHY: About a seventy year lease?

MR. CROSBIE: Yes. Discussions continued between Brinco and the government relating to tax and royalty arrangements until the Spring of 1973, but mutually satisfactory terms and conditions were not achieved. We wished a better arrangement than there had been on the Upper Churchill, and we were able to come to no agreement with Brinco who were proposing to develop the Lower Churchill but sell the power to Hydro-Quebec. At the same time that negotiations were proceeding with Brinco, the Planning Task Force Study Group on Energy was at work and in May 1973, that Task Force recommended that government seriously consider regaining control of the Province's Labrador hydro-electric energy sources. It was not only our own view, Mr. Speaker, but this Task Force recommended this also. The major factors underlying this recommendation were the extremely rapid rate of energy load growth forecast for the Island into the 1990's and the limited on-Island prospects for economical energy source development.

In August of 1973, the government's energy agent, the Power Commission as it was then known, authorized Teshmont Consultants and H. Zinder and Associates to conduct a joint study of the technical and economic feasibility of developing the hydro-electric power resources at Gull Island and of delivering the power to load centres on the Island. At the same time Shawmont Newfoundland Limited was commissioned to study alternatives to the Gull Island development. The results of those two studies, one received in February and the other in November 1974, confirmed that the Gull Island hydro-electric project was both technically and financially feasible and the best source of additional energy available, among all the possible alternatives.

With those studies completed, and the results confirming the government's view that the development of Gull hydro was the best source of energy for the Island and for Labrador, it was decided

that the future development of all hydro generation resources in the Province should be controlled by the government. In June, 1974, although I believe it was in March or April when we started, but in June, 1974, the Province purchased from Brinco Limited its 57% shareholding in CFLCo and its 100% interest in Gull Island Power along with all of Brinco's Labrador water rights. All of the water rights of Labrador were vested in Brinco. Shortly thereafter the Power Corporation entered into a project management agreement with Teshmont Consultants Limited and they were the firm, Mr. Speaker, who were doing the line from the Nelson River in Manitoba down through Manitoba to the South part of Manitoba. A project management agreement was entered in with them for the design and construction management of a high voltage direct current transmission line, extending from Gull to two terminal stations on the Island of Newfoundland. Also covered was the design and construction management of an intertie between Gull Island and Churchill Falls and the design and construction management of a transmission line tunnel for the Strait of Belle Isle crossing. A similar project management agreement was agreed in principle with a consortium comprising Acres Consulting Services, who had been involved in the Upper Churchill, Montreal Engineering Company Limited, and Shawinigan Engineering Company Limited, known collectively as Lower Churchill Consultants, for project design and construction management of the hydro facilities proposed for the Gull Island site.

The original Teshmont-Zinder Feasibility Study estimated the total cost of the project at between \$1 billion and \$1.1 billion. Of course that was a preliminary estimate, Mr. Speaker. On the basis of discussions held with representatives of financial institutions in Canada and the United States, Teshmont-Zinder stated that the required capital could be obtained for the project provided an assured market existed for the energy and the project had suitable, financially strong, supporters. One of the issues that they had to address was the ability of this Province to act as the sole financial backer of the project. It was concluded, however, that the investment was too large in relation to the income, resources and credit of the Province.

Indeed, only the Government of Canada was visualized as having the capability of financing the entire project alone. The feasibility report therefore concentrated its analysis on a more likely case, involving the Government of Canada providing a major part of the financing required.

It was also pointed out that if we wanted the power brought to the Island by January 1, 1979 a decision would have to be taken by April, 1974 to authorize field investigations and engineering work, and you would have to give full project release October, 1974. The government authorized the financing of the preliminary work in order to protect the energy delivery schedule.

Because of the magnitude of the investment contemplated, and the urgency for a final decision the government approached the Government of Canada to request financial aid for financing of the project.

In May 1974, the Premier met with Prime Minister Trudeau to personally present and explain our application for federal assistance in funding the development of the Gull Island project. The request for financial assistance was based, in part, on the precedent of the assistance given to the Government of Manitoba by the federal government in financing the Nelson River HVDC transmission facilities and, in part, on their previous policy of making grants to the Atlantic Provinces for the construction of transmission lines and generating facilities. At the meeting with the Prime Minister, the Premier noted that the federal government had not provided the total financing required by the Government of Manitoba for the Nelson River HVDC transmission facilities and had funded one-third of the total capital cost of the Bay d'Espoir hydro development by way of a grant. We therefore asked the Government of Canada first 50 per cent - I do not mean now a grant, loan funds - first 50 per cent of the capital cost of the Gull Island HVDC transmission facilities, plus the intertie. At that time the estimate was about \$240 million, excluding interest during construction; that the funds be repaid on a "line-use basis", similar to that agreed to for Manitoba, where they had to start repaying the funds once the

line was in use; third, a grant of \$150 million, through DREE (which represented approximately one-third of the estimated capital cost of the Gull Island hydro facilities).

Well, as a result of those discussions a Federal-Provincial Task Force on the Gull Island project was established. That Force had to review the past work, it commissioned additional studies by consultants and other groups of experts in the public service in order to evaluate the proposal from the Federal Government's financial, economic and social perspective. A series of study committees were organized which focused, first, on our load growth; second, on alternative sources of energy; third, on financial and economic matters; and fourth, a review of the technical feasibility of the project. Although we had an undertaking that there would be a quick response, the Task Force took almost nine months to complete their studies and to come up with the recommendations. It is understandable in view of the size of the project. This delay caused the Province to withhold project release which had originally been scheduled for October 1974. In the meantime, engineering and design work proceeded and as additional field information became available the estimated total cost was revised upwards to \$1.47 billion, representing in part scope and design changes and also the effect of higher interest rates.

On February 10, 1975, the Government of Canada acknowledged their willingness to provide support for the Gull Island project. They agreed to loan 50 per cent of the cost of the transmission facilities, up to \$343 million, at Government of Canada Crown Corporation interest rates. We were also told that upon request, and the presentation of an acceptable case, interest and principal repayments on the Federal loan could be deferred for five years after completion of the project. This would make the term of the loan forty years from commencement of construction. The proposed federal loan of \$343 million, together with the interest capitalized during construction, provided approximately \$425 million of the estimated then total capital cost of \$1.47 billion. No other aid

was offered but the communique, the letter from Ottawa, made clear the Federal Government's willingness to discuss further financial assistance, should the initial response to our request prove inadequate.

Mr. Speaker, while this was going on of course, the national and international financial and economic climate was going through a period of stress particularly because of the "energy crisis" which was stimulating inflation.

MR. CROSBIE: Although we do not cause these effects the effect on the Gull Island project was significant. It became clear that the prices used for materials and labour in preparing the estimated cost of Gull were rapidly becoming obsolete, and on the other hand that rapidly rising oil prices, and threatened interruptions to orderly supply of oil increased the interest in the Gull Island hydro-electric energy resource. Because, of course, Mr. Speaker, one of the great benefits of Gull would be that it would free us from dependence on imported oil and save Canadian foreign exchange of many, many tens of millions of dollars. In January, 1975, therefore, the Government took steps to commission a new series of studies on the Gull Island project.

The first study was given to Shawinigan again to do, Shawinigan Engineering, and that was a review of anticipated price trends over the period 1975 to 1981, for all major material and labour components which would be inputs into the construction of Gull, the transmission facilities, the tunnel crossing and the intertie. Immediately upon completion of the escalation review, which predicted significantly higher future costs for construction than had been previously anticipated, a new capital cost estimate was requested of the project managers incorporating the new escalation assumptions. The results, which were available in March 1975, indicated that the capital cost of the Gull had risen to over \$1.8 billion. An analysis of the reasons for the increases which had occurred revealed that the direct cost increases on the power plant, the lines, the straight crossing, the intertie, that is the actual construction part of it, accounted in total for 29 per cent of the overall increase, while increases in interest during construction and escalation provisions accounted for most of the balance. Interest rates of course are all important in a project like this, Mr. Speaker.

The government decided that these much higher costs made it necessary to totally reappraise Gull and to reassess whether Gull was still the preferred source of energy for the Province. Accordingly arrangements were made for Teshmont and Zinder to conduct an entirely new feasibility study

and to collaborate in that with Shawinigan Engineering, who had been also commissioned to again prepare an assessment of alternative sources of generation.

In order to obtain confirmation that the capital costs, risks and construction schedule were correctly reflected in the March up-date, the President of Hydro met chief officers of Shawinigan, Montreal Engineering, Acres and Teshmont and asked them to establish a review committee of their senior executives who are not directly involved in Gull, to report to him on these matters. In a letter of April 17, Mr. Groom asked them to review the following matters, first, the proposed timetable for the provisional project release in June and final release in October: Secondly, the accuracy of the March 1975 estimates indicating \$1.8 billion. Third, whether the construction schedule is realistic and whether Gull energy would be available for use on the island by the end of 1980; and four, whether all the major risks associated with the project had been identified.

The report of the review committee and the results of the new Teshmont-Zinder study became available in May. The Teshmont-Zinder study concluded:- "... the Project is financially stronger than ever despite rising capital costs. The dramatic increase in the cost of fossil fuels in the recent past can not be ignored nor will the upward pressures be relieved in the foreseeable future. Stability of cost after construction is the most outstanding economic feature of hydro power and the most desirable in view of continued inflation of even modest proportions."

Then to summarize, Gull Island remains the most satisfactory when evaluated against all known alternatives. The technology exists to develop the hydro of the Lower Churchill and to transmit it to the Island and costs could be fully recovered from anticipated revenue that is based on competitive rates which would encourage continued economic growth in the Province. And they concluded in their view the project could be financed.

The review committee reported on May 22, 1975. They commented on the design, the schedule, the costs, the escalation and major risks. With regard to risks they stated, "it is our opinion that the definitive project estimates will not exceed the \$1.842 billion plus 12.5 per cent and thus a financing figure of \$2.1 billion is recommended to cover the overall project

as defined in the Teshmont Zinder Report". In commenting on escalation they said, "We arranged for an independent review of the escalation indices used to determine the probable cost of inflation to the project. This review confirms the indices used". By the way, that was

MR. CROSBIE: reported to the House of Assembly last June, in a debate last June in the House.

During the early part of 1975, while Teshmont-Zinder and Shawinigan proceeded with this re-evaluation, we asked the System Planning Department of Hydro to undertake a number of supplementary investigations to see whether it was economically desirable to delay undertaking the Gull Island project or to phase its implementation. These studies included consideration of bringing Churchill Falls energy from Labrador - that is Upper Churchill - either by purchasing it or obtaining it in some form of energy swap, whereby energy borrowed for delivery to the Island would be repaid at some future time when the Gull plant came on stream.

These studies indicated that if the entire Gull project is delayed, even for one year, a new energy source will have to be installed on the Island. And this is interesting, Mr. Speaker. This conclusion is based on the assumption that all existing industrial customers of Newfoundland and Labrador Hydro will continue to operate and that no new major industrial load will arise until after 1980. So that statement is not based on any apotheosis that there would be major new industry, it just assumes that the existing industry will continue to operate. If that is the case we will need a new energy source at the end of 1980. The studies concluded that the option of phasing the development of the Gull project by constructing a transmission line and delaying the building of the power plant, while it would help the spreading of the borrowing programme over a longer period, was not as attractive from a financial analysis net present value point of view as proceeding with the full project.

Their analysis clearly indicated that in the long run it is to the economic advantage of the Province to proceed immediately with the full Gull development, selling to Hydro-Quebec energy in capacity from the Gull site which might temporarily be surplus to the Province's needs. Those studies were reviewed by Hydro's fiscal agents and financial advisors, Morgan Stanley and Company who have confirmed the conclusions reached. Morgan Stanley, of course, were involved in the Upper Churchill project and are one of the best known financial firms in the world.

While these studies were being undertaken - or while all the studies

undertaken confirmed the desirability of proceeding immediately with the full Gull project, the government recognized that the major problem is and always has been the ability of Newfoundland and Labrador Hydro to raise the sums of money required to finance the total project. It was also acknowledged that other significant difficulties have to be overcome if the full project is to proceed. Early in 1975 therefore we reviewed the various options available to the Province for meeting our energy needs and concluded we should not be diverted from our original intention of proceeding with the full Gull project and that only if insurmountable obstacles arose would any alternatives be considered. Hydro were thus instructed to take all necessary steps to ensure that the momentum on Gull was maintained, with a view to provisional project release to be given in June 1975 and final project release in October 1975.

Up to this point the management had concentrated on evaluating technical and economic feasibility to try to reach the schedule target date of January 1, 1981. One of the first tasks that they then proceeded with was to organize a team in the Hydro and recruit strong experienced people, project people to staff Gull Island Power Company who would devote themselves full-time to the project, and give policy direction to the project managers. It is necessary to have a strong owner's presence to ensure that our interests are protected.

The next important step was the decision to appoint Morgan Stanley as fiscal agents and principal financial advisors to Newfoundland and Labrador Hydro. When they were appointed they were asked to review and verify all previous financial and economic analyses undertaken on the Gull Project (including the most recent Teshmont-Zinder Report); (b) to determine the economic and financial viability of Gull; (c) to develop a financing plan for the project; (d) to assess the borrowing capacity of Hydro and of the Province, and (e) examine the capacity of the financial markets to provide the funds required.

Morgan Stanley's review of our borrowing capacity and the capacity of various financial markets to provide the funds required led to the indisputable conclusion that neither Hydro nor the Province have the financial resources or the credit standing to enable the project to be undertaken on the basis of the offer of assistance from the Government of Canada of February 10, 1975. Thus

on August 29, 1975, I, as the Minister of Intergovernmental Affairs submitted a further request for financial aid to the hon. Donald Macdonald, Minister of Energy, Mines and Resources and we are requesting assistance in the following form: (1) A grant towards the capital cost of the project totalling \$250 million (or alternatively a similar amount invested as equity in Gull Island Power Company Limited); a grant, if they are not prepared to make a grant, invest in equity in the project. (2) We have asked for a loan for one-half the capital costs of the transmission system (excluding the tunnel under the Straits). (3) That interest and capital repayments on the federal loan for the transmission lines be delayed (without compounding) for a period of five years from the initial in-service date, and with the repayment period extended by five years; and (4) that they finance the construction of the tunnel under the Strait of Belle Isle by way of a grant. That is what we are now asking, Mr. Speaker. We believe that the tunnel could be justified to be supported by a grant since it will join us to the mainland of Labrador.

We stressed the importance of an early response as we hoped to give final project release in October. As I stated, Mr. Speaker, it was recognized at the outset that a number of major issues had to be resolved before final project release could be given, if we are to proceed without accepting undue risks. Two major issues involved Hydro-Quebec. The first, a requirement that an operating agreement be entered into between Gull Island Power and CFLCo to enable the two plants to be operated in a manner that will optimize the energy output of the water that flows through the two facilities. And the second major issue with Hydro-Quebec is a need to obtain a commitment from them to purchase surplus energy and capacity from the Gull facility.

The operating agreement is critical because Gull Island is a "run of river" plant and has no storage facilities of its own. The volume of generation that occurs at Gull is largely dependent on the volume of water released through the plant at Churchill Falls. Energy

available at Gull during certain months of the year is about 25 per cent below, and during other months about 30 per cent above, the expected load demand pattern on the Gull Island plant resulting from the needs of Newfoundland and Labrador. The proposed intertie between Gull and Churchill will permit exchanges of energy between the two plants during periods of deficiency or excess of water at Gull and thus enable optimum utilization of the full potential of the Churchill River through the "integrated operation" of the two plants.

As the power contract between CFLCo and Hydro-Quebec gives Hydro-Quebec virtual control over the pattern of operation of the plant at Churchill Falls, it was necessary to establish principles relating to the integrated operation of the two plants, acceptance of which would remove some of the operating flexibility which Hydro-Quebec presently enjoys. Now discussions have been held. The idea was first accepted in principle. There have been detailed discussions and now "Principles of Agreement" have been reached which set forth the objectives to be achieved by the joint operation of the two facilities and the respective privileges and responsibilities of each. Present indications are that there will be no difficulty in concluding a satisfactory agreement covering the joint operation of the two facilities.

Some progress has also been made in discussions with Hydro-Quebec relating to a surplus energy sales agreement. If the Gull Island plant came on stream in early 1981, our estimates are that approximately one-half of the total energy and capacity would be temporarily surplus to the needs of the Province. Surplus capacity of that magnitude would seriously jeopardize the feasibility of the project if it could not be disposed of at a reasonable price and on acceptable terms and conditions. In the event that no customer could be found for the energy in the Province that is one alternative. You might offer them a lower rate to get them here - Then the only other

alternative available is an arrangement whereby Hydro-Quebec would buy the surplus energy and capacity. So discussions were started with Quebec-Hydro several months ago about their willingness or ability to enter into an acceptable purchase contract.

One of the first issues which had to be resolved before that could be seriously negotiated was the ability of the transmission lines between Churchill Falls and the Hydro-Quebec system to carry the additional power and energy which would be available from Gull. Those lines were

originally designed to carry only the output from Churchill Falls. However, it has now been established that the transmission network between Churchill Falls and Hydro-Quebec system is adequate to carry the energy and capacity available for sale from Gull. There will have to be some rearrangements in the pattern within Quebec but the lines can take this additional power.

By early June that technical issue was satisfactorily resolved and discussions were held with Hydro-Quebec to see would they be interested in purchasing energy and capacity from Gull Island. It became clear, from the outset, that there were a number of difficulties. First, energy and capacity from Gull Island is scheduled to come on stream at precisely the same time period that the first major block of energy and capacity becomes available from the James Bay development. Hydro-Quebec therefore indicated that it has all the energy which it requires for its own use and thus is not urgently in need of purchasing more. Secondly, Hydro-Quebec has pointed out that the existing interconnections between its system and its neighbours (New Brunswick, Ontario and the Northeast U.S.) are inadequate to permit the resale of Gull energy, along with its own surplus energy and capacity. You might note, Mr. Speaker, that the James Bay project is now going to be phased over a longer period according to an announcement in Quebec made last week, and the pace of the work is to be slowed down because of financial reasons.

The most recent development of major importance to the Gull project is the meeting of Eastern Premiers which took place in Quebec City September 25, 1975. At that meeting strong support was given to the concept of a strengthened eastern Canadian grid, with Gull and other Labrador and Quebec hydro facilities being developed for use in the eastern regions of Canada. In the event that it is decided to take the necessary steps to strengthen the grid there will obviously be an urgent need for Gull energy. However, a decision on this matter is not likely before the middle of 1976, thus any firm commitment from Hydro-Quebec to buy Gull energy on mutually acceptable terms for purposes of export by themselves for the rest of eastern Canada or to the U.S. - may well be delayed until after the

grid question is resolved. The other provinces, particularly the three Maritime Provinces and the northeastern U. S., are anxious to get the energy but there has to be a regional grid.

Mr. Speaker, considerable amounts of work have been done in environmental matters, a labour agreement, manpower recruitment, finalization of cost and design and financial planning.

I will skip this section. It can be read. Environmental studies have been done. They were commissioned by Provincial Affairs and Environment. They have been given to the authorities in Ottawa, and they have been given the reports, full project description. The Gull Hydro project should be one that has minimal environmental consequences for a hydro project. The main points seem to be whether or not we should clear all the timber from the Gull Island reservoir area, which the environmental people have indicated they feel should be done, and that cost is now included, and the cost figures.

The other major question is the study of the fish life in the Churchill River and whether that would seriously damage fish resources.

Work was done on the labour relations plan for the project and that will continue. Manpower recruitment, the principles that govern the hiring of manpower described here on page 24 which are aimed to maximize the utilization of qualified Newfoundland workmen and so on. We aim to ensure that Newfoundland residents have first priority for all positions, and it describes how this is being done, the statement does.

As of October 31 this year there were seventeen contractors working on the project with a total workforce, including management and supervision, of 470 persons. Of that number 454, or approximately 97 per cent, were Newfoundlanders.

In addition, another 343 people were working with the engineering and management groups assigned to the project. Of these 232 were located in the Province and 140 or 60 per cent were Newfoundlanders.

The total project staff as of October 31st, numbered 702 residing in the Province with a Newfoundland content of 85%. Since the start of work over 3,000 man-months of employment have been provided, 80% of which was performed by our own people.

Following submission of the request for additional aid on the Gull Island project on August 29, and in accordance with the programme of work that I have described leading up to October 1975, revised construction cost estimates were received from the consultants on September 19. A detailed breakdown is given on page 27. These showed a further significant increase in costs over the March figures.

A generating station, direct cost, that is the cost of constructing it, would now be \$568 million; the N.V.D.C. lines, \$516 million; the tunnel, \$142 million, and the costs on those projects to the end of 1974 were \$5,070,000. So the direct cost will be \$1,232,000,000. Other costs that had to be added were insurance, \$15.5 million; additional owners cost making a total of \$33 million or \$1,281,000,000. The escalation figures are now \$518 million to provide for the escalation that might occur in the next five to six years, and interest during construction, \$518 million making a total of \$2,318,000,000.

The assumptions relating to escalation and interest during construction have not altered as between March and September estimates. The indices used are those developed by Shawinigan, which I mentioned earlier.

Interest during construction is included at 10% per annum on Federal financing (assumed to be one-half of the cost of the transmission lines and tunnel) and at 11% on the balance.

Provincial sales and gasoline taxes are excluded from both sets of estimates. If we include them, they would add approximately \$100 million to the total project cost. The next several pages, Mr. Speaker, give some examples of the reasons for the change in the estimates. For example, adding clear cutting of the reservoir, net of salvage costs would add \$15 million, design development changes, \$33 million and so on. I will not read all of that. Purchase of micro-wave system and so on, and the tunnel insurance and the owner's cost.

On page 32 then, Mr. Speaker, an estimate of the cash requirements for the project based on the September 1975 estimates is given. This shows that if the full project went ahead what the cash requirements would be each year. At the end of 1974 it was \$5,070,000; to the end of 1975, if the full project continued, \$53 million; then during 1976 you need another \$204 million; 1977, \$368 million; 1978, \$594 million; 1979, \$511 million; 1980, \$406 million; 1981, \$64 million; and \$45 million in 1982; \$30 million in 1983; \$23 million in 1984; and \$9,900,000 in 1985 when the project is all completed, totalling \$2,318,000,000.

These cost estimates are in the process of being examined by our staff and while the examination is not yet completed, the results should be known shortly. There is a chance that these estimates may be too high, but of course only time would tell. Lower Churchill Consultants and Teshmont Consultants in letters dated October 7th and 8th have certified these estimates.

Mr. Speaker, we have also looked at the transportation possibilities of the tunnel. In our letter to the Federal Government of August 29 we referred to the tunnel's potential for limited transportation purposes. Preliminary studies have confirmed that fact and have indicated that the tunnel could be adapted for limited transportation uses at relatively little cost. If the tunnel were used for freight transportation only the direct cost would be \$4.7 million, if for freight and passengers, \$11.7 million. When you add escalation and interest you would have to increase those figures by about 100%. These are the preliminary estimates. A more detailed study is being done now.

Given the fact that air transportation is the sole means of access to that particular area of the mainland coastline for several months each year, and given also the relatively small costs involved in establishing a transportation link, we feel there is strong justification for adapting the tunnel for that purpose. A final decision will have to await the outcome of more detailed engineering and cost studies and also the willingness of the Government of Canada to provide the necessary financial assistance.

The financing considerations - before we wrote the Government of Canada on August 29, requesting further aid on Gull, and since receiving the September construction cost estimates, Morgan Stanley have undertaken a considerable amount of work assessing the ability to finance the project.

They have considered a variety of methods for financing the large sums required. From the outset they have stated their view that the project should be divided into two parts for financing purposes, with the tunnel and transmission lines drawing mainly on Federal financing and the hydro site being financed on a project basis from private sources. For purposes of financial planning, they have also assumed that some financial support might be received from the Province of Alberta and that any such support will be utilized to assist the funding of the transmission lines. While some informal discussions have taken place between the government and the Province of Alberta, no commitment has yet been received nor has any specific amount or interest rate yet been considered. We have a commitment that the Province of Alberta is interested in assisting but not yet on the amount or the terms. They are studying that now.

In the course of the work which has been undertaken other important factors have emerged in relation to private financing involving questions of completion of guarantees and other undertakings which might be required by the lenders. Resolution of these important issues and consideration of the availability of the funds raises the question of the credit standing and borrowing needs of both the Province and Hydro and whether they have the necessary resources or we have or credit standing to provide the various undertakings in a

manner acceptable to the lenders. This is being discussed with all of our fiscal agents.

As the key to undertaking the Gull project is the Federal Government, a number of meetings have taken place between ministers of the government and their Federal counterparts and between officials of the two governments. In the course of those discussions at the officials level, the concept of a Federal equity participation was reviewed and while from our point of view assistance in the form of equity is not as attractive as receiving aid in the form of grants, it is clear that Federal officials were not enthusiastic about grants for the project. The single exception to this is the tunnel and officials have indicated that a request for a grant to cover the cost of the tunnel, particularly if it has some transportation potential, might be favourably received. That is why in my letter of August 29, we offer the suggestion of equity participation if a grant is not available and a grant to cover the cost of the tunnel.

Costs to date then: Mr. Speaker, in order to ensure the availability of Gull energy by January 1, 1981, we authorized Hydro to enter into certain commitments, which were detailed in this House last June by my predecessor, and to incur certain expenditures. Expenditures incurred to October 31 total approximately \$25 million and this figure is expected to rise to \$39 million by the end of 1975.

Sixty per cent of the expenditures incurred to date have been in respect to engineering, design and field investigations. The remainder is being spent on transmission line route surveys, road upgrading in Labrador, site preparation, and the establishment of camp and support facilities at Gull Island and at the Strait of Belle Isle.

Up to this time the project has been engineered and managed from two locations, St. John's and Montreal, and has three sub-projects: one, the transmission system; two, the Strait of Belle Isle tunnel crossing; and three, the Gull Island hydro site.

Since mid-1974, engineering design and field investigations have proceeded in accordance with the original schedule to meet an on-

power date of January 1, 1981. Engineering costs to October 31, 1975 amounted to \$5.7 million, with a further \$1 million to be incurred by year-end. Most of the basic design criteria has been established and specifications for major components in the system are in various stages of development.

Approximately \$1.3 million in survey contracts were tendered during 1975, using for the most part Newfoundland based survey companies. Almost all this work will be completed by year end.

Five local contractors were working along the transmission line route on October 31, with a work force of 88 employees, all but four of whom were Newfoundlanders.

The tunnel crossing;

MR. CROSBIE: Detailed seismic and geotechnical studies, field work and cable design costs have brought engineering expenses to \$3.4 million by October 31, with a further expenditure of \$600,000 by the end of the year.

In the meantime preparation was done on both sides of the Straits to install camp and support facilities to enable the shaft contractors to mobilize for an early 1976 start. Approximately \$1.4 million will be incurred by December 31, and \$11.8 million of contracts related to power supply, camp, catering, transportation and auxiliary services for the shaft contractors.

The two major shaft contracts, amounting to some \$15.4 million, have been let along with the head frame, hoist equipment, foundations and collar contracts and associated works for an additional \$12.7 million. Approximately \$4.9 million will have been expended on these contracts by year end.

At the end of October four local contractors were active at the Strait of Belle Isle employing 63 people, all of whom were Newfoundlanders.

The Gull Hydro Site; The next section discuss the work done there, which I will skip in the interest of time. So at the end of October eight contractors employing 319 people were active at the Gull site and along the access roads between Goose and Churchill Falls, 307 of whom were Newfoundlanders.

In establishing a timetable that called for final project release on October 1, 1975, it was recognized that it would be necessary to make significant progress in a number of areas if this date were to be met. It was also noted that any failure to meet the October deadline would place the project schedule in jeopardy and thus place at risk our ability to meet our electrical energy needs during the winter of 1980 - 1981. It was also recognized that there was little likelihood that all components of the project would be firmly in place by October and any decision to release the project at that time would have to be taken in the absence of complete assurances regarding all critical aspects.

MR. CROSBIE: During the past few weeks, in order to decide whether we could give final release for the full project, we have critically examined the progress made in respect of all major aspects of the project. In addition to the all-important matter of Federal support, the other critical factors we have examined were:- first, the cost of the project; second, its technical feasibility; third, the resultant energy rates; four, environmental concerns; five, surplus energy sales; six, the labour agreement; and seven, the ability to finance.

The current position with respect to each of those items is that, first the cost of the project have increased very sharply and while the engineering consultants have indicated their view that the most recent estimates include full provision for contingencies and an 80 per cent probability that they will be lower rather than higher, it is apparent that there are a large number of factors totally outside our control which could have a significant impact on the eventual cost of the project. However, on the basis of current information, the most recent estimates appear to be reasonably computed and it seems unlikely that "the definitive cost estimates" scheduled for early 1976 will differ materially from the September estimates. Any large project that we look at of the last several years will show the same kind of escalation, Mr. Speaker, including the Tar Sands plants, James Bay and the like.

Second, technical feasibility - there is no doubt that the project is technically feasible. The necessary engineers' certificates confirming this will be received in due course.

Energy rates - on the basis of the latest cost estimates, assuming federal aid in the form requested and with satisfactory terms for surplus energy sales, the cost of power in Newfoundland delivered from Gull Island during the 1980's will be reasonably comparable with rates likely to be prevailing in Eastern Canada at that time. It would not be cheap energy, as people have considered in the past, Mr. Speaker, but reasonably comparable with rates elsewhere in Eastern Canada.

MR. CROSBIE: Environmental concerns do not appear to be insurmountable.

Surplus energy sales- it is unrealistic to assume that Hydro-Quebec will be prepared to enter into any commitment for the purchase of surplus energy on acceptable terms in advance of a decision on the question of a regional grid, because of the inter-connections necessary between their province, the Maritime Provinces and Northeastern U.S. This suggests that it may well be towards the end of 1976 before any firm commitment is received.

MR. CROSBIE:

Labour agreement: We are hopeful that an early agreement can be reached.

Ability to finance: This, Mr. Speaker, is the most critical factor. An added problem is that no assurances regarding financing can be obtained until all other outstanding matters have been satisfactorily resolved. Assuming that a contract for the purchase of surplus energy is not received until towards the end of the third quarter of 1976 and that a commitment of federal support is not obtained until towards the middle of 1976, Morgan Stanley will be unable to provide any opinion as to the likely availability of the necessary financing until towards the end of 1976. Such an opinion, of course, is not a guarantee as to the availability of funds. Assurances regarding the availability of the necessary finance will probably only be received by the end of the first quarter of 1977, following an offering of bonds to potential investors.

By the way, Mr. Speaker, the Federal Government has not responded yet to our request for additional funds. They are studying the latest figures and when we will receive a response from them, we do not know. They certainly have not said that there will be no further assistance nor have they given us any reason to believe that there would not be a favourable response.

An important input to the question of the ability of the Province to finance the total project is an assessment of our credit rating, our capital needs and our financial strength. Such an assessment has been made and it has been concluded that when you project the capital needs of the Province over the next several years and aggregate those of Newfoundland and Labrador Hydro, the total demands contemplated are likely to exceed the funds available.

It was therefore clear that if the Province provided a full project release at this time we would do so knowing that: (1) the total funds required by the Province and Hydro during the next several years might not be available; (2) by the time necessary assurances regarding

finance, federal support and surplus energy sales are received, total commitments on Gull might well exceed \$400 million. In other words, if we continued with the hydro site and the transmission lines at full speed by the end of 1976 we would have \$400 million at risk; (3) even if the Province was prepared to accept the risk that everything would ultimately be resolved in a satisfactory manner, it might well experience difficulties in obtaining the finance required to enable the project to continue.

The government therefore concluded that notwithstanding the obvious advantages of proceeding with the full Gull project, we cannot give final project release at this time nor until the question of the amount and type of federal aid and the terms for surplus energy sales are settled.

What are the alternatives, Mr. Speaker, to a full project release?

MR. NEARY: Resign!

MR. CROSBIE: Yes. Well, that is one alternative, Mr. Speaker.

To be a quitter, we can do that, but that is not in our nature.

Now, Mr. Speaker, given the need for a new energy source to be in service by the end of 1980, any decision not to proceed with the full Gull project had to be coupled with a decision on an alternative energy source. The major options open to the Province which we have had to consider, which members of this House will have to consider are: (1) To adopt a conventional oil-fired thermal/nuclear route. That is one alternative. We can go on with oil-fired steam plants and then eventually to nuclear and we will never have hydro power on the Island of Newfoundland from Labrador. That is one alternative.

MR. NEARY: We can all go to the moon, too.

MR. CROSBIE: Exactly. Or we can all commit suicide and jump over Signal Hill. That is an alternative for Newfoundland. Or (2) construct the transmission lines and pending the availability of Gull energy, obtain the energy required from Churchill Falls. That is an alternative. Going ahead with the full project is not an alternative at this time for the reasons I have mentioned.

The oil-fired thermal, followed by nuclear alternative, is a distinct option for the Province but it means: (1) That we accept the possibility that the Island of Newfoundland would be permanently isolated electrically from Labrador and the rest of Canada forever; (2) if we go that route we have to have a willingness to develop Labrador's hydro resources for export to Quebec, thus giving Quebec virtual control over the development of those resources. That is a consequence.

Mr. Crosbie.

Third, we will experience higher ultimate energy costs. Fourth, there is no significant reduction in total capital needs. It is a safer course to go, Mr. Speaker, because all the money does not have to go in on the front end. But the total amount expended will be the same and our energy costs will be higher because of the use, particularly of oil.

Assuming that a programme of construction of oil-fired thermal plants is initiated, followed by nuclear plants coming on stream in the mid-1980's, the total funds required during the period 1976 - 1990 to create the same total generating capacity as would result from the Gull project, are estimated at \$2.2 billion, which figure does not significantly differ from the funds necessary to undertake the full Gull project. It is clear, therefore, that assuming the Province is not willing to restrain demand for energy in order to conserve capital - (That is another alternative. We can ration energy. We can increase its cost so that people cannot afford to pay for it. We can keep down the demand for energy. We can treat Newfoundlanders in a manner far different than the rest of Canada. That is an alternative but not one that we will accept.) - assuming that the Province is not willing to restrain demand for energy in order to conserve capital, the capital needs for any of the options available will not be materially different.

The option of deciding to build the transmission lines, however - we have to recognize this - is dependent on both federal support and on receiving a commitment from Hydro-Quebec to permit Newfoundland and Labrador Hydro to have access to energy from Churchill Falls in excess of our recall entitlement. It will be recalled that we are entitled to recall 300 megawatts of which, I believe, we are now using in Labrador some thirty, and there will have to be some use in Labrador that we can recall 300. We would need their agreement to recall more than 300,

MR. HICKMAN: The rate?

MR. CROSBIE: And the rate would have to be agreed.

Mr. Crosbie.

While there seems to be little doubt that the Gull hydro site will be developed in due course - yes, the federal government agrees that it is a project in the national interest - it is highly desirable that any commitment from Hydro-Quebec for the supply of energy should not be for a limited period only, as the absence of any certainty regarding the supply of energy from Churchill Falls and/or Gull could create problems in funding our share of the cost of the lines.

After careful consideration of all the facts the government has decided that the transmission line option is to be preferred over the oil-fired thermal/nuclear alternative, provided a reasonable arrangement for the supply of additional energy required from Churchill Falls can be negotiated with Hydro-Quebec and provided adequate Federal support is forthcoming. Mr. Speaker, if hydro is only delayed a year or two years, our recall block would be sufficient, but it cannot be any longer than that. In arriving at this conclusion we were influenced by the following: First, the advantage to this Province of being connected to the eastern Canadian grid. Secondly, the fact that if this opportunity to build the transmission line is not taken it may well never be built. Thirdly, if no transmission line is built then Quebec will be able to dictate the manner and the rate of the development of Labrador's hydro resources. Fourthly, the long-term advantages of price stability offered by hydro- electric energy once it is in place. Fifth, progress on the transmission lines will greatly ease the task of developing the hydro site. And sixth, there are significant advantages to the Province in constructing the transmission line and then the hydro site in terms of employment. The thermal/nuclear alternative does not offer nearly as much benefit to the Province during the construction phase.

Now I come to the conclusions, Mr. Speaker. Mr. Speaker, it is the conviction of this government that the long-term interests of the Province will best be served by our decision to harness, for use in the Province, the hydro-electric potential which is available in

Mr. Crosbie.

Labrador. We are now at the cross-roads. Had we decided to proceed down the oil/nuclear route it is unlikely that we will ever be able to turn back. The lead time for a nuclear plant is almost ten years and on the basis of current load growth projections we would have to commit the first unit almost immediately. Once committed, the prospects for developing Gull Island power for use in this Province recede significantly.

There is no doubt, Mr. Speaker, that the easy decision for the government is to embark upon the oil/nuclear programme and to develop Labrador power at some future time to export to Quebec. We have been down that route once before. This route involves less financial exposure and offers some advantages of flexibility in responding to variations in load growth. But we do not feel that such a decision is in the best long-term interests of this Province.

MR. CROSSIE:

In the event that the transmission line is not constructed and that there is no alternative use for Labrador hydro-electric power in this Province, the Province of Quebec will be uniquely placed to dictate, as it did with Churchill Falls, the terms and conditions of any energy export arrangements. It is well-known that Hydro-Quebec is currently benefitting, to the tune of hundreds of millions of dollars annually, from the extremely favourable terms they were able to negotiate in respect of Churchill Falls power.

Mr. Speaker, the government has therefore concluded that it should continue the work on the transmission lines, terminals and tunnel but that this should be spread over a longer period, for an in-service date of January 1, 1982, instead of January 1, 1981. Government has also decided that pending receipt of assurances from the Government of Canada regarding aid for the project and the negotiation of a suitable agreement with Hydro-Quebec for the supply of energy from Churchill Falls, expenditures and commitments on the project will be kept to the minimum possible, consistent with an in-service date for the line of January 1, 1982. We have instructed Newfoundland and Labrador Hydro to re-examine their projections of load growth and their programme of system additions between now and 1982, to see whether the proposed twelve month delay in the completion of the lines will cause supply difficulties. In the event that any problems are expected, it may be necessary to commission the installation of a further 150 megawatt oil-fired thermal unit at Holyrood. If this is done, it will not prejudice the eventual decision regarding Gull Island and would provide necessary additional system support on the Island.

A reduced programme for 1976 will enable the Province to keep its expenditures on the Gull Island project down to an amount not exceeding \$55 million for the year. That is the year of 1976. In actual fact, it is our hope that suitable purchase arrangements for power from Churchill Falls and a commitment of the necessary Federal aid can be obtained by no later than the end of June 1976 and that it would then be possible to provide full release for the

MR. CROSBIE:

construction of the transmission lines, terminals and tunnel. Or in the alternative, if the Federal Government turns us down, of course, you would have to stop.

Mr. Speaker, I would not wish anyone to think that we have abandoned hope of proceeding with work on the Gull hydro site. We have instructed the management of Newfoundland and Labrador Hydro to take all possible steps to ensure that the site is developed as soon as is practicable. There will, however, be a minimum delay of one year and depending upon how quickly the necessary funds can be secured and the various commitments received, there should not be a delay of more than two or three years with this aspect of the total project.

The exact nature of work to be undertaken during 1976, on the reduced programme on the lines, terminals and tunnel, have not yet been finally resolved. However, certain work will likely continue on the tunnel, which is the most critical construction aspect of the entire project. Generally speaking, however, only work which is presently committed or which is necessary to protect the new in-service date of January 1, 1982, will be undertaken prior to final release.

Mr. Speaker, by way of conclusion and lest there be some who feel we are not making sufficiently fast progress in completing all the arrangements on Gull, or that we are committing excessive amounts of public funds in advance of final resolution of all the outstanding matters, it might be appropriate to refer back to when the Upper Churchill was being developed and to remind hon. members of the problems then experienced in putting that project together, the time taken and of the money put at risk. We are taking risks, Mr. Speaker, we are gambling, we are gambling money on the hope that the Lower Churchill can be accomplished. We are putting money at risk.

Brinco first acquired an option on the Churchill Falls water rights in 1953. It was not until 1969, or sixteen years later, that long-term debt capital was forthcoming to finance that \$1 billion development. By the end of the first sixteen years \$83 million of

equity capital was placed at risk with no absolute assurance that the project would be undertaken. This compares with the amount of \$30 million we will have spent by the end of this year.

There were two external factors which caused a delay in the Churchill Falls project in the early years. One, transmission line technology, and the other, a market for the large block of power. By October 1966, when a

MR. CROSBIE:

letter of intent was signed on the power contract between Brinco and Hydro-Quebec, both of those issues had been resolved.

In addition to the many prior years of preliminary negotiations, it took two years between the signing of the letter of intent and the signing of a definitive power contract and commitments for financing. During that period there were negotiations involving Brinco, Hydro-Quebec, the Federal Government and the Province and the Province of Quebec. Engineers, lawyers, accountants, insurance consultants, commercial bankers and investment bankers were involved on a full-time basis, and so on. From the time of signing the letter of intent until substantial debt funds were committed for the project, another \$50 million of capital was put at risk.

There are many similarities between the Gull Island project and Churchill Falls. In many respects, however, the Gull Island project is more complex than Churchill Falls and certainly the external economic and financial conditions under which it is being undertaken are far more difficult than when Churchill Falls was planned and financed.

MR. NEARY: You brought it on yourself.

MR. CROSBIE: The inflation - we are delighted to grapple with the problem. We brought it on ourselves. We did and we will debate this on another occasion. I am not worried about debating this, Mr. Speaker. I look forward to this debate. I look forward to it.

MR. NEARY: Hear! Hear!

MR. CROSBIE: As I was saying, this project is more complex and the conditions are now more difficult, Mr. Speaker, because of the inflation of the past two or three years, with the energy crisis and the rest of it.

As with Churchill, numerous parties have to be associated with the structuring and financing of this project. There is the Newfoundland Hydro, the Province of Newfoundland, Hydro-Quebec, the Federal Government, the Province of Alberta, the Province of Quebec - we will all be involved.

Much progress has been achieved to date. Many engineering

insurance, financial, environmental and other consultants are hard at work. The project is receiving the careful attention of Hydro and other senior government officials.

It always takes a great deal of time, effort and substantial amounts of risk capital to negotiate and finance a major project, and Gull Island is no exception.

We are confident of the underlying economics of the full Gull Island project and are optimistic that it can be developed and financed in the not too distant future.

Now, Mr. Speaker, when we come to the appropriate section of the proceedings, I will move a motion asking the House to support the work done to date and our plans for 1976 so that hon. members can debate this whole project in detail.

MR. SPEAKER: The hon. Leader of the Opposition.

MR. ROBERTS: Mr. Speaker, it is impossible, Sir, to comment in any detail at this point upon a fifty page statement on a very complicated and complex matter. Of course, our rules provide that those of us who lead recognized groups on this side, which I would suggest as the gentleman from Twillingate (Mr. Smallwood) and myself would in the precedence of this House, have to comment briefly - now briefly, Mr. Speaker, I would think is a very relative term. In view of the fact the minister's statement was about an hour and fifteen minutes I would request that we be allowed say five or ten minutes to make a few brief comments and in that context, I would submit they are brief.

MR. SPEAKER: That is certainly reasonable and that is agreed.

MR. ROBERTS: Well, thank you, Mr. Speaker.

Let me begin by saying that I am very pleased that the minister is going to put a motion on the Order Paper that, whatever it will read, to the effect that this House approves the actions or the policies of the government with respect to the Lower Churchill development. I had a note here to ask him to do just that thing and to do it speedily. The House may or may not approve the policy of the government with respect to it, but one thing is sure and certain, Sir,

that there is no matter, even the budget brought in by the hon. Minister of Finance, there is no matter that is anywhere near as important or, I would submit, anywhere near as urgent as the government's handling and the government's policy with respect to the Lower Churchill development.

Now, I would hope that the minister will arrange an immediate debate, possibly this day-or that may be a little too earlier. We would like to study the statement - but if no, early next week. I would think that that should be debated very early on because I think it may be said, Sir, that what we are witnessing is the greatest retreat since Napoleon left Moscow and went to his doom.

Now, Sir, the minister's statement came as no surprise to many of us in the House. It may not come as a surprise to many people throughout this Province. I think it has long been obvious that all was not well with respect to the Lower Churchill development in the way in which this government were handling it. But I do think, Mr. Speaker, it will come as a surprise to most of the people of Newfoundland and Labrador who have assumed, based on the government's statements - and remember it was only two or three months ago, Mr. Speaker, that the Premier went down to Forteau and across to the Newfoundland side of the Straits at Savage Cove

and Yankee Point, across in Forteau and blew off a dynamite charge and claimed this to be the start of construction and said that we will carry on and that the project is going full steam ahead. Of course, that was just before the election. It was part of the con-job which may well have been one of the greatest attempts to con our people we have ever seen.

MR. SPEAKER: Order, please! Order, please!

I think the hon. gentleman -

MR. ROBERTS: Is that not parliamentary, Sir?

MR. SPEAKER: - will agree that the question is not whether it is parliamentary in that sense but that it is argumentative and debate.

MR. ROBERTS: Well, I am grateful to Your Honour. It certainly is argumentative, Sir, and I will let the Premier actions speak for themselves, and let the people judge. And when it is appropriate to debate it, I would be delighted to do so.

Mr. Speaker, most people in this Province have assumed the Lower Churchill project was going ahead, and the government have given them every reason to assume that right from the day when the government made their raid on Brinco and then turned that into negotiations and ended up purchasing the shares that Brinco owned in the Churchill Falls - Labrador Corporation.

Today we are at the stage, Sir, where the Gull Island project, the hydro project at Gull Island, is very obviously dying. It is very obviously in the terminal stages of its life, if it is not already dead. It may or may not be possible to resuscitate it at some point, but certainly, Sir, at this stage it is being kept alive only by artificial and mechanical means. The transmission line project, that half of the Churchill Falls development, the Lower Churchill development, is clinging tenaciously to life. But as the hon. minister makes it quite clear in his statement, it is the first time the government have ever admitted it, whether or not that project lives will depend on, first of all, the Government of Canada and secondly, upon the Government

Mr. Roberts.

of Quebec because, of course, Hydro-Quebec is an agent, a creature of the Government of the Province of Quebec. And that is the happy stage we have reached now, Sir, after an expenditure of several hundred millions on share purchases, which will take us forty years to pay for, and after the expenditure of \$55 millions committed now, out of pocket, and all we got to show for it is the paltry amount of progress detailed in the minister's statement.

And let me say as well, Mr. Speaker, that one point which should be discussed in the debate, and I intend to do it, is I want a long hard look at the economics of the transmission line, because to move over a transmission line from the Upper Churchill, across the Labrador to Yankee Point at Forteau, and across the Straits and then from Flowers Cove and Savage Cove down along the Northern Peninsula to Deer Lake, or wherever it comes into the Island grid - the economics of that, I am told, Sir, are far different than the economics of the original project to move a significantly larger amount of power. In other words, Mr. Speaker, it is one thing to move 1,800 megawatts of power, it is one thing economically, and the economics of the project, it is another thing to move a significantly smaller chunk of power. And that I am told raises a question, and I can only raise the question, a very real question though, Sir, about the economics of even the transmission of the portion of the project. And that is important, Sir, because, of course, whatever the Government of Canada are going to do or not to do, and I hope they will help us, it is obvious that their decision will be founded in large part upon economic reasons. And if we cannot convince them that it is economically feasible to build that line, we have no hope of doing it.

Mr. Speaker, let me just raise one or two other points, because all I can do is make a few brief comments, I realize that. There is no question that Labrador power is still the best source of power for this Island. There has never been argument, that has never been in dispute. The only question is whether it is going to be possible

economically to bring that power here, to bring it here and develop it. And right from the start, Sir, we, on this side, have asked questions. We have asked questions time and time again. We have had no definitive answers. The government, in fact, appeared to be hiding something, and now it is obvious, Sir, why they took the course of action they did. The government told the people of this Province that everything was okay on the Lower Churchill, that it would be financed, that the power would be used, that there were no difficulties at all. And here we are now, Sir, here we are now at the sorry state revealed by the minister in his statement, a statement which is overdue, a statement which should have been made, I submit, before the general election so the people of this Province could have judged the government's policy.

AN HON. MEMBER: Hear, hear!

MR. ROBERTS: Was it a blunder, Sir? Were the people misled? Have we mortgaged a large chunk of our future? We are already going to pay -

MR. SPEAKER: Order, please! Order, please!

The hon. gentleman -

MR. ROBERTS: Is that debate, Sir?

MR. SPEAKER: Order, please!

The hon. gentleman is now participating in debate which he is not allowed to do.

MR. ROBERTS: I thank Your Honour, Sir. I do not intend to debate, but what I intended to do was to try to ask a few questions. If they are regarded as debate, I will ask them again another time.

MR. ROBERTS: I have been calling for months in this House and out for a debate. I hope we get it now and I would ask the House Leader to assure us that we can have this debate as quickly as possible. The motion should be put down today. It should be called for debate on Monday or Tuesday.

AN HON. MEMBER: Hear, hear!

MR. ROBERTS: I would even be willing to say, let us devote Private Member's Day to it if it is that urgent. Let us give up what little time the government allow Private Members. Because, Sir, based on the minister's statement today, I think that there are very real doubts about the government's policy. And I think there is very real evidence beginning to emerge that this government, Sir, may have - the best motives, I will agree - but may have blundered into one of the worst blunders and one of the worst mistakes ever made, And they may have compounded that, Sir, by their actions in not giving the people the full story.

The Lower Churchill project is one of the greatest ever to be talked of in this Province. It has a great potential, Sir, a great potential for good and a great potential for harm. I would hope, Sir, that the government arrange to have this matter debated so that we can see exactly what they are doing and so that we can then as a House record our judgement and see just what they have to do. But I think, and I will conclude on this, Mr. Speaker, what the minister said today may well have been the greatest retreat since Napoleon left Moscow in 1812 and headed for his abdication.

CAPT. WINSOR: Hear, hear!

MR. SPEAKER: The hon. the member for Twillingate.

MR. SMALLWOOD: Mr. Speaker, I have no intention whatsoever at this point in saying anything more than that the words we have just heard from the minister are the saddest that I have ever heard in the House of Assembly. And I think that I myself am perhaps the saddest Newfoundlander there is at this moment.

NOTICES OF MOTION

MR. SPEAKER: The hon. the member for Bay of Islands.

MR. WOODROW: Mr. Speaker, I give notice that I shall on tomorrow ask leave to move the following resolution:

RESOLVED that the House of Assembly ask the federal government to reinstate at the end of the calendar year 1975 the \$500 grant to those people who build a home for the first time, and that the Minister of Municipal Affairs and Housing bring this to the government in Ottawa as soon as possible.

MR. SPEAKER: The hon. the Minister of Mines and Energy.

MR. CROSBIE: Mr. Speaker, I would give notice of the following resolution:

RESOLVED that the Members of this Honourable House of Assembly approve the steps taken to date by the Government of Newfoundland and Labrador and the Newfoundland and Labrador Hydro Corporation in connection with the development of the Gull Island Hydro site, and the development of an inter-connection between Gull Island and the Churchill Falls hydro site, the development and construction of transmission lines from Labrador to the Island of Newfoundland by way of a tunnel under the Straits of Belle Isle and work in connection therewith so that Labrador hydro power can be available for the entire Province; all as detailed in a Ministerial statement made to the Honourable House of Assembly by the Honourable the Minister of Mines and Energy on November 28th, 1975 and this Honourable House of Assembly approves the plans announced by the Government of Newfoundland and Labrador for the phased continuation of the project during 1976.

MR. ROBERTS: That is wrong. It should say House, not members.

MR. CROSBIE: That is what it says, this hon. House.

MR. ROBERTS: The members of the House is what it states.

MR. CROSBIE: No, the House of Assembly.

ANSWERS TO QUESTIONS FOR WHICH NOTICE HAS BEEN GIVEN

MR. CROSBIE: There was an oral question asked yesterday, Mr. Speaker, by the hon.

member for Terra Nova about the life expectancy of the mine at Buchans. The Department of Mines and Energy estimates that at current mining and milling rates the reserves at the mine at Buchans will last until 1979. The development of other nearby ore bodies and an advance in mining and milling technology could increase the life of the mines until 1985. Current reserves are estimated at one million tons of copper, lead and zinc concentrate.

MR. SPEAKER: Order, please! Order, please! We are on answers to oral questions right now.

MR. ROWE: To a point of order. Am I being recognized?

MR. SPEAKER: Yes. Is it a point of order?

MR. ROWE: Yes. I think there is a correction to be made, Mr. Speaker, as to who asked the question in the first place. I do not think it was the member for Terra Nova.

MR. CROSBIE: It was the member for Buchans.

MR. ROWE: Windsor-Buchans.

MR. NEARY: Mr. Speaker, it was I who asked the minister the question yesterday, Sir, the member for LaPoile.

MR. SPEAKER: Well, I shall direct the officers of the House to track it down and we should certainly be able to come up with the answer to that question.

MR. ROBERTS: He answered, whoever asked him.

MR. CROSBIE: Mr. Speaker, may I answer a question from the member who did give a question. I think it was actually the member for Bell Island.

MR. ROBERTS: LaPoile.

MR. CROSBIE: He is like the Wandering Jew, Mr. Speaker. You do not know what district he will turn up in next, but it is LaPoile, yes, the hon. member from LaPoile. There was another question, Mr. Speaker, asked the Premier several days ago by the member for Baie Verte, that is White -

MR. ROBERTS: Baie Verte-White Bay.

MR. CROSBIE: Baie Verte-White Bay, which is a question to do with

whether there is an investigation into the health of the asbestos workers at Advocate Mines proceeding. There is some misunderstanding of the Premier's reply or whatever the situation is. The situation is that there is no particular investigation into the health of the asbestos workers at Advocate Mines now underway but there is a committee appointed by government to consider that question, of course, and all questions relating to health and safety in mines and industrial works in the Province. That committee is considering the briefs that were presented by the United Steel Workers and by the miners at St. Lawrence. I think those were the two briefs.

The committee is comprised of the Deputy Minister of Mines, Mr. McKillop, Dr. Suttie from the Department of Health, Mr. Blanchard, Department of Manpower and Labour Relations, Mr. May, Chairman of the Workmen's Compensation Board, Mr. Norman Kipnis of the Department of Mines and Energy and a committee of ministers chaired by the hon. Minister of Manpower and Industrial Relations comprising himself. The Minister of Mines and Energy and the Minister of Health are also in operation. We are waiting for the report from the committee of officials. So the whole subject has been studied including the situation at Baie Verte. As far as Baie Verte is concerned from the 28th of October till November 1st the chief inspector of mines was there doing an inspection of the mine conditions at Baie Verte. The Department of Health was carefully reviewing all x-rays that had been taken of workers in the Baie Verte mine. But other than that there is no special investigation of just that area. The situation with respect to all mining regulations and health and safety regulations in connection with workers is under careful study.

MR. SPEAKER: The hon. Minister of Fisheries.

HON. W. CARTER: Mr. Speaker, in a question to me on Wednesday, the member for LaPoile questioned the existence or otherwise of an agreement between the Provincial and Federal Governments with respect to the phasing down, having the effect maybe of phasing down or of

phasing out small fish plant operators in the Province. I can tell the hon. member now, Mr. Speaker, that no such agreement exists. The then Minister of Fisheries who is now the Minister of Mines and Energy made a statement on May 27 at which time he said that the government would keep a careful eye on the issuance of further licenses for the establishment of processing facilities having regard for the availability of the resource in the area, the possible effects on the existing plants in the area and, of course, having regard for their ability to meet the standards that are required of the Federal Department of Fisheries in the matter of the establishment of such plants. I repeat, Mr. Speaker, no such agreement exists at this time.

ORAL QUESTIONS:

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I have a question for the Minister of Fisheries, Sir. Would the minister tell the House what plans, if any, does his department have or what plans are being firmed up by the minister to avoid in future waste of fish caught by our fishermen because of the lack of processing facilities forcing the fishermen during peak period to dump their fish back into the sea?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. CARTER: Mr. Speaker, we do have plans for the provision of more ice-making facilities. We are now in the process of doing an assessment in the Province to find out exactly how many facilities are needed and we will be making provision this year for the establishment of certain facilities, ice-making facilities especially, in certain parts of the province.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: I am dissatisfied with the hon. minister's answer, Sir, and I wish to debate it next Thursday at the late show.

MR. SPEAKER: The hon. member for Fogo.

CAPT. WINSOR: Mr. Speaker, I direct a question to the hon. Minister of Fisheries. Can the minister inform the House whether officials of his department have carried out a survey regarding the storm damage on the Northeast Coast and other parts of Newfoundland - I might make it a double-barrelled question, Mr. Speaker - and if so any amount estimated as to the cost of replacement?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. CARTER: Mr. Speaker, yes we did. At the request of the fishermen and the hon. member our officials did visit the area shortly after the storm occurred. We found then that most of the fishermen were not aware themselves as to the exact loss of their gear, or the extent to which it was lost and so. We have since checked and we find that the losses that were

then reported were not as great as anticipated. But I might tell the hon. member too, Mr. Speaker, that as he knows there is no ongoing programme of gear replacement, but I can inform the House that negotiations are now underway with the federal authorities with respect to maybe the setting up of a permanent gear replacement insurance programme.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I have another question for the Minister of Fisheries. Could the minister care to bring the House up-to-date, to inform the House on whether or not market conditions in the United States for the Newfoundland fresh cod block have improved in the last few months or is the market still down?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. NEARY: I have been informed that the market conditions had improved. I think our fish is now fetching maybe two or three cents a pound more than what it was a month ago.

MR. SPEAKER: The hon. member for Lewisporte.

MR. WHITE: Mr. Speaker, I have a question for the Minister of Fisheries. Could the minister tell the House how his officials investigated the storm damage on Change Island?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. CARTER: Our inspector, Mr. Speaker, visited the area and talked to the fishermen in the area, longliner operators and others who were concerned.

MR. SPEAKER: The hon. member for Lewisporte.

MR. WHITE: Mr. Speaker, I wonder if the minister could ask his officials that particular question that I just asked him in view of the fact that I was told it was done by telephone?

MR. SPEAKER: Order, please! I am not too sure -

MR. CARTER: Mr. Speaker, the inspection -

MR. SPEAKER: Order, please! I am not sure that the question is really in order. It is a request to a minister which I would think there would be other ways of conveying rather than in the oral question period.

MR. WHITE: Mr. Speaker, I wonder if he would do that, and we could say yes if he would agree to do that.

MR. SPEAKER: Order, please! The hon. Member for LaPoile.

MR. NEARY: I did not have an opportunity to follow up my question

I put to the Minister of Fisheries, Sir, I got cut down there. Would the minister, as a supplementary question to the one I asked previously, inform the House whether or not the inventories that have been in the warehouses and so forth in the United States and in Newfoundland are now moving as a result of this improvement in the market conditions? Are the warehouses still glutted with cod blocks?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. CARTER: Mr. Speaker, I would like to take that question as notice and supply the answer later.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I have a question for the Minister of Justice. Would the Minister of Justice care to inform the House if he has any intention of bringing in legislation controlling guns in Newfoundland, especially pellet guns?

MR. SPEAKER: The hon. Minister of Justice.

MR. HICKMAN: Mr. Speaker, that question is more properly directed to the Minister of Justice and Attorney General of Canada, because it is he who will bring, and I am quite certain is in the process of bringing before Parliament the necessary legislation by way of

amendments to the Criminal Code which is in the exclusive jurisdiction of the Parliament of Canada.

MR. SPEAKER: The Hon. Member for LaPoile.

MR. NEARY: Mr. Speaker, I have a question for the Minister of Intergovernmental Affairs. Would the minister care to tell the House if the government have changed any of the plans in connection with the Harbour Arterial Road? Are they now going to divert a part of the road to go in a different direction? Could the minister bring us up to date on what is happening concerning the Arterial Road or has it been cut back under the austerity programme?

MR. SPEAKER: The hon. Minister of Intergovernmental Affairs.

MR. CROSBIE: Mr. Speaker, there have been no change in the plans of the Harbour Arterial Road. The Harbour Arterial Road is a subject of agreement between the Province and the Government of Canada, the originator and inspirator of the project, which at one time was ninety/ten but it is now seventy/thirty. And the agreement was that they would go seventy/thirty to complete the Harbour Arterial and engaged in the massive project to bring water to the St. John's Metropolitan area, the Bay Bulls regional water system in which - a masterly piece of negotiation and advocacy - they agreed to go 70 per cent on the cost of the trunk water line from Bay Bulls, a very, very expensive project. The two of them were entered into together in the St. John's Regional agreement under the general development agreement that we have with DREE. There has been no change in that. There has been no reason to slow it down. We certainly do not intend to slow it down because it is 70 per cent federal financing, and we need all of the spending we can get in this Province on construction, particularly if we are getting 70 per cent federal dollars. So there is no change. The road is proceeding. It is a project that is going to take, as I remember it, four years, I think, including this year to complete, and the water system I think that will be substantially completed within the next two years or its two or three years. So both of them are important for this area and both are continuing.

MR. SPEAKER: The hon. Member for LaPoile.

MR. NEARY: Mr. Speaker, I wonder if the same minister, Sir, the Minister of Mines and Energy could inform the House how many companies and how many oil rigs will be drilling off our coast next year for oil and gas?

MR. SPEAKER: The hon. Minister of Mines and Energy.

MR. CROSBIE: That is difficult for me to answer, Mr. Speaker, not because I do not desire to answer it, but I am not a prophet and I cannot foresee the future, I am not a seer. So I can only say that we do not know as yet, Mr. Speaker, just what the plans of the oil companies are for next year. I would be expecting to have a meeting with the Eastcan group some time in the next few weeks to discuss their plans. I think it is very likely of course that they will be continuing, how many others there will be I do not know. There is still considerable interest in the area, and particularly off the Labrador, the Labrador Shelf area. But when I have that information I will be glad to give it to him. But as yet we do not know exactly what the activity will be. They are making their plans. At the present time, Mr. Speaker, they are reviewing the results, the results they have had this year, and they access all of the data and then some time during the winter they will decide where they are going to spend their money next year and what areas are the most prospective and so on, so we will probably not know until during the winter.

MR. SPEAKER: The hon. Member for Lewisporte.

MR. F. WHITE: Mr. Speaker I have a question for either the Minister of Intergovernmental Affairs or the Minister of Finance, I am not sure which in this particular case. But yesterday the Premier answered one of my questions by saying, "Yes, the government had protested the fact that no anti-inflation review board office would be located in this Province." I wonder if the minister would tell us in what form this protest was made to Ottawa?

MR. SPEAKER: The hon. Minister of Intergovernmental Affairs.

MR. CROSBIE: Mr. Speaker, our own doughty minister and that battler and that protector of the common man, the hon. Minister of Provincial Affairs and the Environment brought that issue to the attention of the Minister of Finance of Canada, I think it was, in his capacity as minister

responsible for Consumer Affairs and he made a strong protest of the fact that there was no office to be established in this Province. What the results of his advocacy have been we do not know yet, and the Minister of Finance himself brought the question up at Ottawa several days ago, and perhaps the Minister of Provincial Affairs could expound on his position and what he has done.

MR. SPEAKER: The hon. Minister of Provincial Affairs.

MR. MURPHY: If I may, Mr. Speaker, on October 26 - October 17, rather, the day following the announcement of the setting up of this committee I wired him as minister responsible for Consumer Affairs

asking that the board establish an office in Newfoundland so that this Province, with the most serious problem, can be given the attention needed - a regional office in another province cannot properly do the job - and asked for sympathetic consideration. I also wrote acknowledging - following up that telegram. I received a telegram back on November 12 denying that request, and I again wired a telex, and I concluded - I can table the whole correspondence if necessary - but I concluded as saying, "in the name of Justice, I ask again that an office be established here where the need is greatest. Also we feel strongly that this Province should have full-time representation on the board." The first was October 17 and this is a week ago, November 12.

MR. SPEAKER: The hon. member for Fogo.

CAPT. WINSOR: Mr. Speaker, a question to the Minister of Health.

Could the minister inform the House whether or not a mobile dental clinic, which was donated by the Kinsmen or some organization and sent to Newfoundland, is now operating? If not, will it continue operation?

MR. SPEAKER: The hon. Minister of Health.

MR. COLLINS: Mr. Speaker, it is my understanding that the mobile clinic is operating in the Glovertown area. It is being used by the dentists in that area. Is that the unit the hon. member refers to?

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I would like to put a question to the hon. Minister of Intergovernmental Affairs. Would the minister inform the House if he is yet in a position to say definitely whether the United States Air Force will be staying at Goose Bay or will they be pulling out?

MR. SPEAKER: The hon. Minister of Intergovernmental Affairs.

MR. CROSBIE: Mr. Speaker, this is a most frustrating situation. We are not allowed to deal direct with the United States Air Force, or with the U. S. Government, who will only deal with External Affairs at Ottawa. External Affairs at Ottawa jealously guard their prerogatives to ensure that they do not deal with anyone else but them. In fact I am advised that even other departments of the Government of Canada at Ottawa

are not permitted to deal with them direct, or they have difficulty. So the latest information we have was from a meeting with the Minister of Transport, I think it was about two weeks ago, at which time he confirmed that the U. S.A. F. had indicated they wanted to retain a presence at Goose Bay but up to that time, and they certainly have not told us differently since, they have not said just what this presence was or what they are planning to do there. Well, this means that you cannot get an answer then as a result of that as to what facilities are available on the South side of the base, of what the Province may be able to do to utilize or what the federal government wants. All those questions then remain suspended, which is a very undesirable situation. But we have no other information since then. We did request, and we have had no answer on this, but I am pretty sure it is going to be negative. We did request that we be allowed to have an observer present at meetings between the U.S.A.F. and the Canadian authorities. They have not permitted that to date, and I would be pleasantly surprised if they permitted it now. So that is the situation. We still have no further information on that, and it is extremely frustrating and makes the progress up there very, very difficult to resolve.

MR. SPEAKER: The hon. member for Lewisporte.

MR. WHITE: Mr. Speaker, I have a question for the Minister of Transportation and Communications. I wonder if the minister could tell the House whether or not he is aware of a situation that existed in Central Newfoundland yesterday where a large number of automobiles had to park on the side of the road for more than an hour in some cases while waiting for sand trucks to arrive? Is he aware of that situation?

MR. SIMMONS: And what is he doing about it?

MR. SPEAKER: The hon. Minister of Transportation and Communications?

MR. MORGAN: Yes, Mr. Speaker, I am aware of that situation that happened yesterday.

MR. WHITE: Mr. Speaker, a supplementary: I wonder if the minister would tell us whether or not in view of the fact that the snow clearing

operations do not go into full swing until sometime in December, whether or not exceptions will be made this weekend in view of the heavy snow fall forecast?

MR. SPEAKER: The hon. Minister of Transportation and Communications.

MR. MORGAN: Mr. Speaker, our shift system on the maintenance programme for this winter's maintenance will be coming into effect December 3, next Wednesday.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I want to get another question in here to the Minister of Intergovernmental Affairs similar to the one I asked about Goose Bay. I want to ask this one about Argentina. In the discussions did the minister raise the matter of the abandoned buildings at Argentina being taken over by the Province the base down there is consolidated now and a part of it especially the recreation building, I am concerned about. Has the minister done anything about that in his discussions with Ottawa?

MR. SPEAKER: The hon. Minister of Intergovernmental Affairs.

MR. CROSBIE: Mr. Speaker, the member for Placentia has been bringing that subject forward to the government, and is doing everything

he can see that some action is taken. But we are in an extremely difficult position there also because the Argentina base - it is a disputed question as to who legally or constitutionally has the right to get the remnants down there. That question was never settled, never has been settled and could only be settled by a reference to the Supreme Court of Canada. So we are faced with the situation where the American authorities - and the hon. Minister of Finance is very familiar with all this, and the present Minister of Industrial Development - but the U.S. authorities insist, as far as I understand it, on being able to come back in and take over facilities on a thirty day notice. This makes it very difficult to get satisfactory arrangements for people to take over available buildings there. Maybe the Minister of Industrial Development might have something to add to this because he is on top of the situation with the member for Placentia (Mr. Patterson). But that is the position.

MP. SPEAKER: The hon. the Minister of Industrial Development.

MR. LUNDPIGAN: Mr. Speaker, I do not have much to add to the hon. gentleman's comments other than to say that I have asked two officials in Industrial Development to bring this thing up to date in terms of a review. The member for the area and the former federal member from the same area and myself will be visiting the area within a week or two and we hope that we can add some light on the situation.

MR. SPEAKER: The hon. member for LaPoile (Mr. Neary).

MR. NEARY: I do hope the minister will take a look at the recreation center when he goes down.

Sir, could the Minister of Municipal Affairs inform the House if he has received a request from the St. John's City Council asking for assistance to install sprinkler systems in all city schools? If so, what has the minister done about this request.

MP. SPEAKER: The hon. Minister of Municipal Affairs and Housing.

MR. PECKFORD: Mr. Speaker, we have received, I did receive a letter from city council a couple of weeks ago regarding sprinkler systems for the schools. I think that was referred to a number of other departments for their comment and we are waiting to get information

back from those departments before replying to the city council in a comprehensive and definitive way.

MR. SPEAKER: The hon. member for LaPoile (Mr. Neary).

MR. NEARY: Mr. Speaker, could I also ask the minister if - no, I think it is the Minister of Education I had better direct this question to. The former Minister of Education made a public statement that a special insurance supervisor or an insurance expert would be set up to assist school boards in covering their schools for insurance. Has the minister followed this up? Is there anything being done about it? Has this gentleman been appointed yet, this insurance expert to advise the school boards?

MR. SPEAKER: The hon. Minister of Finance.

MR. W. DOODY: Your Honour, the Treasury Board has advertised for such an insurance expert. We hope to get him on staff to review the insurance policies of all government buildings as well as school buildings and other such things to see if other things should be done and how it should be handled properly. So, the thing is being looked at on an overall basis and the school system is very much a part of it.

MR. NEARY: Mr. Speaker, the Minister of Finance obviously is anxious to say something today. I wonder if the minister could tell the House if my efforts to have the social security assessment exempt fur coats and negligees and cocktail dresses and that sort of thing? I understand there has been a change in the policy. Could the minister tell the House what it is?

MR. SPEAKER: The hon. the Minister of Finance.

MR. DOODY: Mr. Speaker, one would almost suspect that the hon. member for LaPoile (Mr. Neary) was psychic or clairvoyant if one did not know that he had joined myself and the hon. member for Lewisporte (Mr. White) on the "Analysis" programme this morning and had heard me say just that.

AN HON. MEMBER: Worth watching?

MR. DOODY: It might be worth watching. I do not know.

MR. MURPHY: One-third of it is.

MR. DOODY: One-third of it, yes.

The story is, Sir, that the regulations were being drawn up, have been drawn up by the Department of Finance in that regard and it might be useful to the House if I just quote a few excerpts from them. In the definition of clothing which includes obviously many items down to minutiae and the final clause in that definition says that individual clothing items in excess of \$300 will not be exempted from the tax. So that if somebody is interested in buying a fur coat or a negligee in excess of \$300, he or she will have to pay ten per cent tax on it. That is also true of many other things. There are a lengthy list of items which are taxable and non-taxable, Sir, which are in the process of being distributed to the retail trade and are being sent to the media hopefully for their edification and for the information of the public. Some of them are items of great importance.

One would note here, for instance, that patterns and needles are taxable but such items as foundation garments and hard hats and liners and, for those who might be interested in municipal politics in St. John's, that headbands are tax exempt.

AN HON. MEMBER: I object.

AN HON. MEMBER: Yes, I object to that one too.

MR. DOODY: Bunting bags are tax exempt while hair pieces, Your Honour, are very, very taxable. Sunglasses are taxable and leotard tops and tights are tax exempt. Leggings are tax exempt and watches, wigs and wallets, on the other hand, will take the full 10 per cent. So, Sir, this is very complex and very interesting but I would congratulate the member from LaPoile on bringing it up just in time, because of any speech in the House he anticipated the draft regulations which were being prepared by the department and which, indeed, have now been circulated and hopefully would be in the hands of the retail trade who are quite concerned about these things. Thank you.

MR. SPEAKER: The hon. the member for Conception Bay South.

MR. NOLAN: Could the hon. the Minister of Municipal Affairs, Mr. Speaker, supply the information regarding the amount of money spent on consultants and surveying and so on that was done in the community of Conception Bay South for a water and sewer project that was recently cancelled?

MR. PECKFORD: Mr. Speaker, if I understand the question - will I supply the amounts of money for consulting firms? I must also correct the hon. member on his question because there were some erroneous statements made and these are that the whole idea, or the whole contract was cancelled, or the whole project was cancelled. That is untrue, erroneous. It is deferred which is a far different matter than saying it is cancelled which puts a finality on the thing that is not really there.

Yes, I shall undertake to provide the information that the hon. member requests.

MR. NEARY: Mr. Speaker, could the Minister of Mines and Energy, Sir, inform the House what happens now as a result of the study that was done with a view to establishing a mine college at Whalesback mine near Springdale. I understand the report is in. What action will be taken on that report?

MR. CROSBIE: Before the hon. gentleman for Green Bay (Mr. Peckford) gets up to say that naturally it will be accepted - the hon. the member for Green Bay, the Minister of Municipal Affairs, has been pushing this matter mightily and the report of the committee that was established has just been received. That is just now going through a very careful scrutiny through the Cabinet Committee system and on its way to Cabinet. So it is now received and the Minister of Municipal Affairs is pushing it forward with

all speed through various bureaucratic intricacies.

MR. NEARY: Mr. Speaker, is the Minister of Municipal Affairs also pushing ahead with great haste and speed an investigation into the consulting engineering fees for the Burin water and sewer inlet project?

MR. PECKFORD: Most definitely, Mr. Speaker.

MR. NEARY: And, Mr. Speaker, a supplementary: Would the minister care to tell the House what form the investigation is taking? Is it a police investigation by the auditors of the Minister's department, by the Justice Department or some other form?

MR. PECKFORD: We are exploring all the avenues mentioned, Mr. Speaker.

MR. NEARY: Mr. Speaker, a supplementary: Would the minister care to inform the House whether or not action is intended to be taken against any of the parties involved? If so, what form of action will be taken? Will it be criminal action? Will it be civil action? Or will it be internal action by the Department of Municipal Affairs and Housing.

MR. PECKFORD: It will depend, Mr. Speaker, on the results of the various actions that are now underway to determine whether or not that kind or what kind of action should be taken.

MR. NEARY: A supplementary then, Mr. Speaker: Will the minister tell the House if there are any other communities, municipalities where investigations are going on in connection with consulting engineering fees and the like, and if so, would the minister care to tell the House what communities are involved?

MR. PECKFORD: The whole question of consulting engineering fees as they relates to municipal projects in the Province are under review with no specific ones in mind except Burin at the present time.

MR. NEARY: Well, Mr. Speaker, a supplementary: Would the minister care to tell the House whether or not Marystown is one of these communities involved, that is under scrutiny at the present time.

MR. PECKFORD: No, Mr. Speaker.

MR. SPEAKER: The hon. the member for Bellevue.

MR. CALLAN: Mr. Speaker, I would like to ask the Minister of Municipal Affairs whether or not all water and sewer projects have been deferred until what time? Have they all been deferred and until what time?

MR. SPEAKER: The hon. the Minister of Municipal Affairs and Housing.

MR. PECKFORD: Mr. Speaker, they have all been deferred and they have been deferred until the Spring of 1976.

MR. SPEAKER: The hon. the member for LaPoile.

MR. NEARY: Mr. Speaker, in view of the fact, Sir, that Memorial University Medical School say that they are getting

MR. NEARY: far too few bodies donated to the school, is the Minister of Mines and Energy, Sir, does he intend after today's statement to leave his body to the Memorial University Medical School?

MR. CROSBIE: Mr. Speaker, I would be pleased to donate my body to the Memorial University Medical School if the hon. gentleman would donate his brain and if we could find something that could pick it up.

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MR. NEARY: Mr. Speaker, I move, Sir, that the regular order of business of the House be adjourned to debate a matter of urgent public importance, namely the decision announced today in this hon. House by the government not to proceed with the development of the Lower Churchill or Gull Island development.

MR. SPEAKER: As hon. members know what must be ruled upon by the Chair is whether the matter is in order, the leave of course is granted or not granted by the House. In ruling upon whether the matter is in order one of the most important factors to which one must bear one's mind is not the urgency of the matter or material but the urgency of debate and also the reasonable expectation of opportunities in the regular proceedings of the Legislature for debate because the question or the leave that is being asked is that one adjourn everything to debate on that matter.

Now I notice that on the Order Paper there are motions with respect to the Address in Reply and the Budget Debate in which certainly comment and debate on this matter would be in order, but also that today the minister gave notice of a motion, and debate on that motion when it is called will certainly provide specifically for opportunity to debate it. So bearing in mind the two motions on the Order Paper already and the notice of motion given today I would rule that it is out of order.

ORDERS OF THE DAY:

MR. SPEAKER: Order 3, the adjourned Budget Debate.

The hon. the Minister of Social Services had adjourned.

MR. BRETT: Mr. Speaker, I believe I have ten or fifteen minutes left, is that correct?

MR. BRETT: Before I end my remarks there are three or four points that I would like to make. I believe I finished yesterday by saying that the time has come in our history when we as politicians must have the nerve if that is a good word to tell our people the truth. I believe that we have to tell them that the day is gone when they can expect something for nothing. They have to be told that it is their tax dollars that we are spending in here. They have to be told that we have to restrain and cut back and they have to be told why.

We have received a fair amount of criticism for our achievements in industrial development and what I suppose, they are saying is our lack of achievement in rural development. Now I would like to go on record, Mr. Speaker, as having said that I for one am not ashamed of the fact that during the last three and a half years we did not build any linerboard mills like the one at Stephenville which will cost this province in the vicinity of \$35 million this year. Neither am I ashamed, Sir, that we did not build any phosphorus plants like the one at Long Harbour which will cost us somewhere in the vicinity of \$3 million in subsidies this year, plus the fact, Sir, that that plant is poisoning every living creature within a mile or more, a mile radius of the plant.

I venture to say, Sir, that the only thing that is going to be alive in that area within the next four or five years will be people, and from what I have heard most of them will have false teeth,

and that is correct. And I am not particularly upset because we did not build any more refineries like the one at Come By Chance. And I think I should point out here that the people of this Province should be forever grateful to this government that in 1973 we negotiated the deal that the former administration had with Mr. Shaheen, because had we not and should that refinery fail then this Province would have been responsible for the entire cost whereas now we will only be responsible for the \$30 million plus interest.

And, Mr. Speaker, rather than being ashamed or upset over our rural development policy I am quite proud of it. I would be the first one to admit, and one of our greatest critics has been the hon. Member for - not from Burgeo alone now, is it?

MR. SIMMONS: Burgeo-Bay d'Espoir.

MR. BRETT: Burgeo-Bay d'Espoir. (Mr. Simmons). I would be the first one to admit that we did not meet with as much success as we had hoped. But, Sir, I am very proud when I walk into some small settlements in my district and I see boat building industries that are succeeding, sawmills that are succeeding and, of course, on the other hand I am very sorry when I see some projects that have failed. I am not ashamed, Sir, but sorry. We gambled, as somebody said, of course we did, we took risks, a lot of them paid off. You will never hear about the good ones but you do always hear about the ones that failed.

If I had the time I would love to tell the hon. member about some of the good ones because there are many in my district and I am very proud of them.

There is another point, Mr. Speaker, another thing that has been bothering me. I would like to mention in this time of restraint and in this time when unemployment is higher not only in Newfoundland but in Canada, and from figures that I heard on the radio today almost all over the free world, I feel that government projects, government's money should be challenged into areas of high unemployment, and I believe that we and the federal government have to get away from playing

politics with programmes such as LIP.

Now in my district in the last two weeks there were two LIP programmes approved, one to cut ski trails in one of the larger areas of my district where almost 100 per cent employment is enjoyed, and in another settlement where the same thing-everybody is employed, everyone that wants to be - another project was approved for a swimming pool. And in a community about seventeen or eighteen miles away where very few people are employed a programme to complete a partially installed water system was not approved. What I am saying, Sir, is that the federal government are going to have to direct its funds or channel its funds at this particular time certainly into areas of great unemployment. You know, it has bothered me that no member of my staff, and I am speaking of welfare officers, has ever been asked to be a member of the CAG Committee, and this is the committee that more or less advises the federal government on what projects should be approved. And I have often wondered why because certainly no one, but no one knows the areas of unemployment more so than the social worker or the welfare officer. Who sits on the CAG Committee? It's the friends of the federal politician, and probably if I were up there the same thing would happen. I do not know, but in any case I feel that the social workers should most certainly be members of that committee.

The budget, Sir, presented here on the 19th by a very capable gentleman, I wish to congratulate him at this time. In my opinion it is a plan for the future of our Province in these times of restraint. And I am proud to be associated with the government that could present a budget of restraint and at the same time be cognizant of the needs of the middle, lower classes and fixed income people. You know, many times I end up agreeing with my friend from LaPoile.

MR. BFFTT:

It seems to me that it is always the middle man that bears the brunt of the burden. The rich, the guys on top, and the ones on the bottom it does not seem to affect as much because if you are wealthy, you can absorb it. If you are poor, if that is a good word, then it does not really affect you that much either and I am thinking particularly of taxes now. But the fellow in the middle, the man who is working, the man who is getting the minimum wage and has four or five children, he is the one who is being squeezed from the top and the bottom and sometimes one wonders just how long he can take it lying down.

This government, Sir, has always been cognizant of the middle man and we have tried to build our programmes with him in mind. I have to admit, of course, because it is true that we took away the mothers' allowance - the Opposition were going to bring it back and increase it. This would have cost the Province \$4.7 million. In these times of restraint it would have been difficult. Apart from being the biggest vote getter in history, I believe it was unfair because my wife would be entitled to the same amount of mothers' allowance as somebody who is on social assistance. I hardly think that this is fair.

But I am trying to point out, Sir, that we are cognizant of the middle man in that while we may be criticized for taking away that particular mothers' allowance, we did on the other hand take the SSA, the seven per cent it was then - eight - off the children's clothing, fuel and, of course, I dare not forget to mention that we are providing free school books up to Grade VIII and so on. Now, of course, we have gone a little bit further and we have taken it off adult clothing as well.

Now, I would like to end up, Sir, by saying that we have a job to do at this particular time. It is not an easy one. Sometimes, you know, I almost wish that I could reverse the role. But we do have a job to do, and we are going to do it. And we are not a minority government. We are a majority government. We are a strong government. We are going to put this Province on a firm footing with or without the blessings of the hon. gentlemen opposite.

MR. SIMMONS: Mr. Speaker, my first words ought to be ones of congratulations to you as the Deputy Speaker, to your colleague, the member for Waterford-Kenmount (Mr. Ottenheimer), the Speaker of the House, and of course to the member for Bonavista North (Mr. Cross). I certainly assure all three of you of my co-operation as you go about your job. I know on occasion I shall have to look to you for guidance and for direction. I know I shall receive it in good measure. For me it is the third session, or actually the fourth session of the House, and I find myself this time in particularly distinguished company.

I have not heard from all the members yet it being so early in the session, but some I know from outside the House. It is difficult to single everybody out but I would be very remiss if I did not single out some. Certainly the man who sits just to the right of me, the man who brought us Confederation, the books of Newfoundland and the Upper Churchill, the man who, as we heard today, has bungled the Lower Churchill, it is good to be in his presence, too. The Minister of Industrial Development,

MR. SIMMONS: a giant in his own time if ever there was one, Mr. Speaker, the man who so courageously fought for all of us up in Ottawa could not get himself re-elected. Indeed some informants tell me, fought so courageously that he had a couple of black eyes to show for it at one point. Or was that for another reason? Was that for playing poker?

MR. LUNDRIGAN: Mr. Speaker, on a point of order, of personal privilege. Mr. Speaker, that is the first time I have ever heard in my life that I have ever had a black eye from anybody. I really have to say to Your Honour that it might be very much in order if you would advise the hon. gentleman to stick within the rules. I have got no intention of engaging in any verbal battle with him on the particular point he has raised but that is the most degrading comment I have ever heard from a member - absolutely false. I do not know what he is talking about and he withdraw the bloody remarks.

MR. NEARY: Hear! Hear!

MR. ROBERTS: If I may to that point of order, Sir, the hon. gentleman opposite made no point of order that I was aware of, and if he raised a point of privilege he did not raise it in any form known in this House.

MR. MORGAN: Privilege?

MR. ROBERTS: No. There is a method in this House for raising a point of personal privilege and the hon. gentleman of course is at liberty to follow it but he did not.

MR. MORGAN: You did not give him an opportunity.

MR. ROBERTS: Mr. Speaker, the hon. gentleman opposite I am saying, did not raise a point of personal privilege, which not only must be raised at the first order but must carry with it the means of reparation. Secondly, the hon. gentleman opposite presumed to lecture Your Honour, which I submit is offensive if not improper. Your Honour needs no direction to remind any hon. gentleman to stick within the rules. Thirdly, of course, the hon. gentleman opposite's language was indelicate. Now he is noted for that, Sir, but surely we do not need it.

I heard my colleague to say something along the lines of he had been informed that the hon. gentleman opposite had on occasion been involved in

some sort of dispute which led to black eyes. Well you know if that is not a correct statement, it is a correct statement as a statement of belief. It may or may not be a correct statement of fact in which case, fine, that will be straightforward. But the hon. gentleman from Grand Falls, Sir, cannot engage in a debate under guise of points of order. He cannot do it in Ottawa nor can he do it here. I submit he made no point of order and I think my colleague should be allowed to carry on with his remarks you know and get on with the business of debating.

MR. NEARY: To that point of order, Mr. Speaker, I would submit to Your Honour that so far this session, Sir, the atmosphere of this House has been very good and it is mainly due to the fact that Your Honour, both the gentleman who is sitting in the Chair and the Speaker of the House have done a magnificent job in keeping members relative, pertinent to the subject and cutting out the character assassination and the low blow and I would submit, Your Honour, that this is a good policy for this House to adopt and I ask Your Honour to rule the member out of order, Sir, so that the decorum of this House will not deteriorate in the days and weeks and months ahead.

AN HON. MEMBER: Hear! Hear!

MR. SIMMONS: To the point of order, Mr. Speaker -

MR. SPEAKER (DR. COLLINS): Order, please! Not every point raised by an hon. member, although called on a point of order, I believe, is not a point of order. In some instances a matter raised is merely a difference of opinion between hon. members and sometimes it is a matter of explanation. I think that in this particular instance the Chair will recognize this as a matter of misunderstanding between the two members and I would rule that the hon. member for Burgeo-Bay d'Espoir has the floor.

MR. SIMMONS: Thank you, Mr. Speaker.

MR. LUNDRIGAN: On a point of privilege? Your Honour it was my misunderstanding when I did indicate, I did not realize that I did indicate a point of order, I meant a point of privilege. The hon. member has made an allusion which is a very personal one. It is not only a very personal one, it is without foundation. It is an attack which I am not going to take from the hon. member.

MR. SIMMONS: Nonsense.

MR. LUNDRIGAN: It is nonsense the hon. gentleman tells me, perhaps it is. But I come here to serve the people of Newfoundland as a representative of the district of Grand Falls -

MR. SPEAKER (DR. COLLINS): Order, please!

MR. LUNDRIGAN: - and I am not intending Your Honour, Sir, if I could suggest -

MR. SPEAKER (DR. COLLINS): Order, please! I believe the hon. member is getting into the area of a debate on the ruling of the Chair, and I would call upon the hon. member for Burgeo-Bay d'Espoir to continue his remarks.

MR. SIMMONS: Thank you, Mr. Speaker. Just for clarification -

MR. ROBERTS: But, Mr. Speaker, to a point of order, I clearly heard the hon. gentleman opposite say he was not going to put up with this nonsense, and I ask if that is a reflection upon the ruling of the Chair.

MR. MORGAN: The nonsense he is talking about is the nonsense coming from over there.

Mr. Roberts:

Mr. Speaker, I raised a point of order. I asked for a ruling. I clearly heard the hon. gentleman say - I think he should say what he meant.

MR. LUNDRIGAN: Mr. Speaker, on the point of order which is not a point of order: The hon. gentleman obviously recognizes that I am referring to the nonsense emanating from the gentleman from Burgeo-Bay d'Espoir (Mr. Simmons), and I am not, Sir, and I will say it again here, I am not going to put up with this nonsense in the future in the House when we have members who can stand here and abuse people on a personal basis with no foundation and no fact. Just because they have personalities which are incompatible with good government in Newfoundland, it is no reason for all of us to suffer in the House on the base of that kind of personal abuse, and I will not put up with it in the future.

AN HON. MEMBER: Hear! Hear!

MP. SPEAKER (Dr. Collins): I think I would ask hon. members to finish with the subject now, remembering that the Chair has suggested that this is a matter of misunderstanding. I would feel that all members now would like the hon. member for Burgeo-Bay d'Espoir (Mr. Simmons) to continue his remarks.

MR. SIMMONS: Thank you, Mr. Speaker. I am particularly sorry for the misunderstanding. I have known the member for Grand Falls (Mr. Lundrigan) for some time. I had always seen him, perceived him as a mature individual and I made my comments in that light. It was meant to be a light comment. I had heard some stories. I made some references. If the references are not true, of course, I withdraw them. Perhaps the minister when he gets a chance can tell us the real story behind it. Perhaps it was just Newfoundland he gave the black eye to, Mr. Speaker. Let him tell us all about it in time.

MR. MORGAN: Mr. Speaker, on a point of order. I understand we are now in the budget debate. The hon. gentleman is not being relevant whatsoever.

MR. ROBERTS: Mr. Speaker, to that point of order: The hon. gentleman from Burgeo-Bay d'Espoir (Mr. Simmons) is being every bit as relevant

as those who have preceded him, including the hon. gentleman from Grand Falls (Mr. Lundrigan) when he spoke on a private member's motion. The Chair has allowed a commendable degree of latitude and has shown an equally commendable willingness to draw members to order when they have strayed from, not the narrow path of relevancy but the little broader path which is traditionally allowed in the budget debate. I suggest my colleague is in order and he should be allowed to proceed without harassment from hon. gentlemen opposite, Sir.

MP. SIMMONS: Well, Mr. Speaker, I have just been into my preliminary remarks. I meant them to be both complimentary and light and I find I have difficulty being heard in that context. So, I shall skip over them particularly as they relate to the member for Grand Falls (Mr. Lundrigan) altogether. As I said before, if what I have said is untrue about black eyes, I strike it completely from the record. Certainly, Mr. Speaker, I can be forgiven if I fell into the trap of digressing somewhat in making my preliminary remarks because I was following in the footsteps of some able parliamentarians of long standing, including the member for Grand Falls (Mr. Lundrigan) whose pontifications just a couple of days ago certainly left an example. Whether one would want to follow it is another question.

I was about to say I find myself in some fairly distinguished company. I had placed the member for Grand Falls (Mr. Lundrigan) in that particular category. I still think he is there, Mr. Speaker, whether he likes it or not. A number of other people - but since everybody is so touchy this late in the afternoon I will keep that part of my comments for another time and that card I will save for later.

Mr. Speaker, coming to the budget speech itself - and I must now have achieved the record in getting through my preliminary remarks in five minutes with only a dozen interruptions. Certain other speakers in this debate have taken fully forty or forty-five minutes to get through their preliminary remarks. But that is their prerogative. The fact of a supplementary budget is without precedent

in this Province. We have never had one since Confederation, and I doubt whether we had one during the period of Commission of Government, which means we have not had one for at least forty-three, forty-four years and perhaps as many as fifty, sixty, seventy, perhaps not in this century. I do not really know. Maybe only once or twice or three times since we saw the advent of parliamentary government here in 1832.

Mr. Simmons.

I do not know. Perhaps somebody a little more conversant with the facts, the details, the vicissitudes of our past, as an electoral entity, would enlighten us on that point, perhaps the member for Twillingate, (Mr. Smallwood) whose knowledge in such matters is undisputed, and whose proposed encyclopedia of Newfoundland promises to be at least as thick as last Tuesday's Order Paper, provided, of course, we get the answers to the questions that showed up on that Order Paper.

In any event, Mr. Speaker, it can be safely said that a supplementary budget, a second budget, within the same fiscal year, is a device, a vehicle which has rarely been used in this jurisdiction. There will be those who will point out in the course of debate that the supplementary budget device is used frequently elsewhere, particularly in our own federal government system. That is the case, and I submit that the federal situation does not really bear too much comparison with our own for a couple of reasons. First of all, its size, the size of its jurisdiction, a myriad of government departments and agencies and so on. But for another reason as well, the fact that it is a federal and national government as opposed to a provincial government and hence it is dependent, its interdependence on the international market on international conditions. For example, the implications of the recent increases in the price of oil on the federal budgetary situation, an implication far beyond anything we could expect here for the same reasons, the increase in the price of oil. Be that as it may, it is admitted that the federal government does get into supplementary budgeting fairly often, and in this jurisdiction not very often at all. What are we looking at when we are talking about a budget? I suppose it is an informed projection, if you like, an educated guess of revenues and expenditures. Whether it is a personal budget or a family, company, province or a nation, the process is the same, to see where your money is coming from and how it is to be spent. There is no law against having more than one budget a year. You can have two, three, four or you can have one every month if you want to.

The accepted practice here in Newfoundland has been one a year. The accepted practice in most parliamentary democratic governments has been

one a year, except in unusual circumstances, and for some pretty good reasons. Certainly the matter of stability is important. You cannot have stability within the government or within the community, within the Newfoundland community, if you are bringing in a budget every other day, changing your plans about revenue sources or about how you are going to -

SOME HON. MEMBERS: Oh, oh!

MR. SIMMONS: Ah, ha! There are the men, Mr. Speaker, who said that you should have the right to be heard in silence.

Stability within your community requires that you not be budgeting every other day of the week. Planning, if you are going to plan your services, your water and sewer services, your road services, your development of your Province, you cannot do so if you are going to have two or three or more budgets a year.

But let us suppose, all that aside, that in this particular year the circumstances are such that we need two budgets. Let us just suppose that for a moment. Suppose that we did need some remedy, some cure, some corrective to correct an unusual set of financial circumstances such as we have not seen, say, in the past thirty, forty, fifty years or whatever, Supposing that, is the remedy for the unusual set of circumstances, is the remedy to increase taxes? Is that the remedy to increase taxes when

I believe without exception every other jurisdiction in Canada is either standing pat on the matter or reducing taxes? For example, in Alberta the personal income tax rate has been reduced this year. Now Alberta is a particular case, so I will talk about some other provinces having dispensed with it first. A large block of taxpayers were exempted in Ontario this year. In New Brunswick there is a tax cut, two per cent. Moving down to retail sales taxes, the rates have been reduced this year in Ontario while we see ours go up. In fairness I should point out that in B.C. the gasoline taxes have increased. Of course, in our own case we never had much room to manoeuvre there in that we already have the highest gasoline tax in Canada, twenty-five cents compared to a low of ten in Alberta, to a high otherwise of twenty-one in P.E.I. and Nova Scotia.

Otherwise, Mr. Speaker, without going through all the details I have in front of me the evidence is there that other jurisdictions for the most part have either stood pat or decreased taxes, the very taxes that we are talking about increasing, personal income tax and retail sales tax. Is the remedy for the unusual financial situation, is the remedy to increase taxes, to sock it to the taxpayer, to put another two per cent on the sales tax, is that the remedy? Is the remedy to increase personal income tax? Is that the way you help the average fellow to bear the cost of living? Oh! I know the Minister of Finance has thrown in a few candies, as it were, a few sweeteners. But the overall net effect is that this ten per cent and the increase in the income tax means that the average fellow in the street is going to be paying more taxes today than he was the day before the budget came down. Is that the answer? Is that the remedy? Is the remedy to cut back on services, to renege on the dozens, yea hundreds of promises that have been made in the last two months, in the last few weeks? Is that the remedy? Is the remedy to ignore some fairly pressing needs around this Province. The hospital for Goose Bay - I would say these people are not particularly happy

or particularly approving of the remedy that has been chosen to cure what is paraded as an unusual set of financial circumstances, or the people in Salt Pond, a hospital for the Burin Peninsula, or Clarendville, that on again, off again project, or Grand Falls. How about the residence for the College of Trades, what happened to it? Is that the way you cure our financial dilemmas, by cutting out committed and needed, much needed projects such as that residence for the Trade College, the promise of which was the price the Premier had to pay to stop a near riot here last Spring when the students piled into Confederation Building because they had all they could take from this government insofar as the accommodations were concerned. Did he let them in? That time he did. Had he known they were from fishing communities, Mr. Speaker, had he known they were fishermen's sons he probably would not have let them in.

MR. MURPHY: Rubbish!

MR. SIMMONS: I would suggest, Mr. Speaker, the Premier knows nearly as much about the fishery as the member for St. John's Centre, nearly as much. There is no way he could know as much, Mr. Speaker, no way in the world he could know as much about anything as the member for St. John's Centre, no way.

MR. SIMMONS: Mr. Speaker, two budgets,

tax increases, is that the way you meet the needs of my particular district? Is that the way you follow up on the promises you made, the government made a few weeks ago? Is that the way you ensure that the words of the then Minister of Industrial Development, now the Minister of Finance, will be carried out when he says in September in Burgeo that the fish plant is going ahead, it will start before the end of the present month? Is that the way you will go about doing it?

MR. WHITE: Did you say that "Bill"?

MR. SIMMONS: Well, he said it, Mr. Speaker. He had thirty-two people present for his great public meeting up there in Burgeo that night to say it.

MR. DOODY: How many?

MR. SIMMONS: Thirty-two. Thirty-two.

MR. DOODY: Not so.

MR. SIMMONS: Yes. Will the minister deny, Mr. Speaker, that he made the announcement that the project would get underway this Fall?

MR. DOODY: Permit a question?

MR. SIMMONS: Well no, the minister will have an opportunity. He made a great speech but will deny that he made that statement?

MR. DOODY: I am denying it now.

MR. SIMMONS: You will. It is convenient to deny it now, Mr. Speaker.

It is very convenient. But -

MR. DOODY: I mentioned some preliminary site work.

MR. SIMMONS: - Mr. Speaker, they are still waiting for the "some preliminary site work" up there.

MR. DOODY: Are you just going to kill time with that?

MR. SIMMONS: Mr. Speaker, the minister gave the full and unqualified indication to the people of Burgeo and to the people of this Province that that project was going full speed ahead.

MR. MURPHY: Get on with it.

MR. SIMMONS: Mr. Speaker, I love listening to the Member for St. John's Centre (Mr. Murphy). I keep wishing that I could understand

what he says.

HON. MEMBERS: Oh, oh!

MR. SIMMONS: Or, Mr. Speaker, I could talk to you about the water and sewer needs of Burgeo or the water and sewer needs of Ramea, the road needs of these communities. I could go through the entire district, as I shall at the appropriate time in the Throne Speech and acquaint you somewhat with the particular needs. Most of these needs were the subject of promises only short weeks before this supplementary budget was brought down. Now what kind, Mr. Speaker, what kind of a bad joke is this? I heard one participant in this debate say "Ah, you know, it was election time. You do not expect people to keep all of the promises they made." I do. What are we coming to? Cannot we at least depend on the word of the Premier of this Province and his colleagues in Cabinet that when they say something will be done, that it will be done.

The Minister of Finance says in his budget statement on Tuesday or Monday, "Ah-the pace is too fast." The pace might be too fast for him, Mr. Speaker. I admit that he lives in one of the areas where the pace is the fastest in this Province. There are some people in this Province who would disagree very strongly with him when he talks about the pace of providing services being so fast that it is giddy for you, to watch it go by as it were. A lot of people of this Province who still bring their water in buckets would not agree with him that the pace of providing services is too fast. If you compare these communities with other communities in this Province or elsewhere on this Continent you will find a lot of reason to believe that the pace is not particularly fast. And so much for the remedy the government has chosen to use, the remedy of whacking it to us all with more taxes as a way of curing what they tell us is an unusual set of financial circumstances.

Now I have made these comments on the presumption that we needed two budgets. But perhaps the most basic question, Mr. Speaker, is why? Why did we need two budgets in the first place? What went wrong? What went wrong that has not gone wrong in any other previous year? Let us, for the sake of the argument, let us just take the years of

the present administration, because once we get into other administrations you tend to get into a fairly subjective argument about how things went on depending on where you sit or on what side of the House you sit on. So let us talk about an administration that the present administration knows all about, their own, talk about the last four years, the last four fiscal years, years that they ought to be pretty acquainted with having sat there in Cabinet and made the decisions. What went wrong this year that did not go wrong in the last three years of that administration, the previous three years? What is out of kilter?

Now we have before us the diagnosis of the Minister of Finance, if I can find it here, yes, here we are. He says. "The need for the budget, one, to

correct some present budgetary trends," I find no argument in that, "to outline a revised approach to Gull Island." Well, we had that today, so why we needed a budget for that I do not really know. Thirdly, "to outline the Provincial Government's approach to the Federal Government's attack on inflation." Three reasons from the Minister of Finance, the second one obviously was not a very good one because we had a full fifty page statement from the Minister of Mines and Energy today. Certainly to outline a new rationale for a project such as Gull Island would not require a budget of itself unless what they are really saying to us, Mr. Speaker, is that the Gull Island development has got us in hock in some way that the Minister of Mines and Energy did not tell us about today. But otherwise, that aside, there is no particular need to bring in a supplementary budget because you want to revise your phasing on the Gull Island project. So it must be either the first reason or the third reason, to correct some budgetary trends or to deal with the anti inflation measures of the Federal Government.

Well, Mr. Speaker, I have searched long and hard and while I can recognize the convenience of this administration using the federal anti inflation attack as a scapegoat for a number of reasons, which I may have occasion to come to, while I recognize the convenience of that attack, the federal attack, I cannot find much in the budget which addresses itself to it. So we come back to the first reason, correcting present budgetary trends. And you must ask yourself why do we find ourselves in the position where you need some corrective action at this point in the year.

Mr. Speaker, it seems to me the House could receive from the Minister of Finance two budgets in the same year, two budgets in the same year for one of a couple of reasons, either because as the budget purports, as the budget says, there has been a drastic change in the financial circumstances since the first budget was brought in, or the House could be getting a second speech from the Minister of Finance, a second budget speech because of a decision taken by government last Spring, a decision taken by government last Spring

when the first budget was brought down that it would only be an interim budget, that it last Spring, would be the mini budget and that later in the Fall we would have a second one to see us through the fiscal year. Mr. Speaker, is that what happened? Did the government last Spring present to the House a budget which was not intended to see us through the entire fiscal year? Is that what happened? Was it all part of a deliberate plan? Let us bring in a budget nicely covered, lots of pictures, a great positive statement about how rosy everything is. I ask members of the House to get a copy of this Spring budget and read it through. You will not believe what you read because the statement of the Province's future, or the statement of the Province's economic outlook for 1975 is so different than what occurs on that one, six months, seven months later, they both cannot be true. A government that believes that six months ago cannot possibly believe that in November. Something is out of step. Something is out of kilter. The question is did they believe what they wrote here last Spring or was there another reason for writing what they wrote? I think, Mr. Speaker, that is the real issue.

Did the government last Spring present to the House a budget that was never intended to see us through the whole year? It was just intended to see the administration past an election and then they would break the real news to us. Then they would really level with us. Is that what happened? Is that the mini budget, Mr. Speaker?

MR. NEARY: Mr. Speaker, on a point of order. On a point of order, Your Honour.

MR. SPEAKER (Dr. Collins): Order, please!

MR. NEARY: Sir, there are two gentlemen standing in the House at the same time. My understanding of the rules, Mr. Speaker, is that only the speaker is allowed to stand. The other gentleman has to take his seat.

MR. MURPHY: I am not standing in my place, but standing talking to a gentleman here. No point of order, Your Honour.

MR. NEARY: Standing, Sir, standing. Is that correct Your Honour?

MR. SPEAKER (Dr. Collins): It is correct to say that the speaker addressing the House does have the right, not only to be heard in silence but also to be heard as the only one standing on the floor. So, I would ask hon. members to observe this rule although we do recognize there is a need sometimes for hon. members to discuss matters one with the other but they can do this without appearing to stand when another hon. member is standing.

MR. SIMMONS: Thank you, Mr. Speaker.

The question, Mr. Speaker, is did the government last Spring present to the House a budget which was never intended to see us through the entire fiscal year? Is that the truth? Was last Spring's budget the mini budget and this one here the real one? Was this the one we should have patten last Spring, Mr. Speaker, in the opinion of the people in government who knew the financial circumstances?

Mr. Speaker, I contend and I contended last Spring that we were not being told the full truth in terms of revenue projections and expenditure projections. Among other things, Mr. Speaker, I made a statement to the press on the 13th of March last year. It appeared in The Daily News and The Telegram. I made a statement in which I said in part that I felt the former Finance Minister, Mr. Earle had overestimated by at least \$10 million on equalization grants. Last March, that statement was not an offhand opinion. It was based on some information, information which I got, which was equally at least, they being the government, equally available to the government.

I contend, Mr. Speaker, they had that information. The proof is that they have it now because it shows up in the minister's budget speech. He says, indeed they were, there is a short fall of \$15 million. I contended in March, Mr. Speaker, and I contend now the government was in possession of that information at the time but choose not to reflect it in the budget estimates of March of this year.

Mr. Speaker, that is just one example of many that I could give and will give if I have the time to indicate to you that I feel very strongly that the government withheld a fair amount of vital information to demonstrate to you that the government rigged the record last Spring when this budget was brought down. I feel so strongly

about that, Mr. Speaker, that I would now like to move an amendment to the motion, to amend the motion by striking out all the words after "that" and substituting therefor the following, "this House regrets the failure of the government to disclose completely and fully the present financial situation of this Province and the government thereof".

AN HON. MEMBER: Want to record it, "Fred"?

MR. SIMMONS: Seconded by the member for Trinity-Bay de Verde (Mr. F. Rowe).

MR. ROBERTS: No.

MR. SIMMONS: No. Nice try.

MR. SPEAKER (Dr. Collins): The following amendment has been moved to amend the motion by striking out all the words after "that", and substitute therefor the following, "this House regrets the failure of the government to disclose completely and fully the present financial situation of this Province and the government thereof".

Now, do I understand that this amendment is seconded?

MR. SIMMONS: It is seconded by the member for Trinity-Bay de Verde (Mr. F. Rowe), Mr. Speaker.

MR. SPEAKER (Dr. Collins): The member for Trinity-Bay de Verde (Mr. F. Rowe) has seconded the motion.

MR. SIMMONS: Thank you, Mr. Speaker.

MR. ROBERTS: We are now debating the amendment.

MR. SIMMONS: It is my understanding now, Mr. Speaker, the amendment is in order and that I am to address my remarks to the amendment.

AN HON. MEMBER: Are there any copies?

MR. SIMMONS: Yes, Mr. Speaker. I am sorry. We have copies for the government side of the House.

The amendment which I have just moved and which Mr. Speaker has ruled in order, to amend the motion by striking out all the words after "that" and substituting therefor the following, "this House regrets the failure of the government to disclose completely and fully the financial situation - I am sorry - completely and fully the present financial situation of this Province and the government thereof".

MR. SIMMONS: Mr. Speaker, as I was saying just before I moved the amendment, I feel very strongly that the developments of the past several months, insofar as inflation is concerned, the continuing rise in the cost of living, etc., that these developments of which we are basically largely the victim rather than the creator, these developments as full of impact and as monumental, substantial as they are, are not the real reasons why we find ourselves with the first supplementary budget in our recent history.

The real reason I say, Mr. Speaker, I contend, at least I enquire - is the real reason that the government had in its possession the financial information which warranted the bringing down of this budget on Monday, did the government have that information in its possession last Spring? Did the government sit on certain information that we should have known last Spring? I have given your one illustration relating to equalization grants. I shall come to others. Before I do, Mr. Speaker, it is worth noting, I have a press report here but I believe all are familiar with the quoth anyway that I want to refer to, it is worth noting that the Minister of Finance in being interviewed sometime Monday after bringing down his Budget admitted that that he felt, "in many respects the Budget of last Spring was unrealistic."

Mr. Speaker, I had another note here which was - I cannot seem to find it but anyway the point is made. The minister remembers it. Spring Budget - unrealistic. Now, Mr. Speaker, I think all of us would like to know or deserve to know when did he come to that conclusion? Did he just discover it as he began doing his homework on the present budget? Or did he know it sometime before? Did he know it all along as he suggests in the opening lines of his Budget Speech, another comment worth listening to?

I quote the minister, "I was completely aware of the financial situation facing the Province." How long was he aware? When did the minister come to this conclusion about the budget of last Spring being unrealistic? Was it after August 20 when the then but no longer Minister of Recreation brought in his new action plan? Was it sometime after that, after August 20 in the last three months that he came to this startling

conclusion that, my Lord we have brought in a budget that is unrealistic? Is that when he came to his conclusion? Was it after the Premier went out to Clarendville and I think sawed down the first tree to begin the land clearing for the hospital out there, or after he went up in the Straits and made a great to-do about the tunnel? When did the Minister of Finance come to these startling conclusions about how shockingly unrealistic that budget was last Spring? Was it after all the announcements this Fall about water and sewer projects all over this Province? Was it after all the dozens upon dozens of tender calls in the paper for road paving and road upgrading, all of which have been wiped out since then in the name of restraint? Was it after the great announcements just before the election about stadiums all over the country, all of which have been shelved? Was it after the multitude of announcements and reannouncements and new announcements about hospitals in Clarendville and Goose Bay, an extension at Grand Falls, a hospital in Salt Pond? Was it after the Department of Transportation placed a tender in the paper on September 1 to close on September 15, for a ferry service between McCallum and Gaultois, not asking for a tender or proposal based on any particular information but inviting all kinds of proposals? Give us your ideas. Was it after the 15th. of September that the minister decided that the budget was unrealistic? Or, Mr. Speaker, did he know all along but just go along with it. Was he party to a deception?

MR. SPEAKER: Order, please!

MR. ROWE: May I be permitted a question on that?

MR. SPEAKER: Order, please!

An insinuation of deception, a statement of deception, an inference of deception, is improper in debate.

I would ask the hon. gentleman to withdraw the inference of deception.

MR. SIMMONS: Mr. Speaker, I withdraw the inference. A word of explanation, I made it thinking it was parliamentary. I understood that deliberate deception could not be used but deception could be.

I made it in that context, but if Mr. Speaker thinks it is unparliamentary, I am quite prepared to withdraw it without qualification.

MR. SPEAKER: Thank you. I think it would be more appropriate not to use the word deception and I understand the hon. member has withdrawn it.

MR. SIMMONS: Thank you. Yes, I have.

When did the minister come to this startling conclusion about how unrealistic the budget was last Spring? Was it when the polls had closed on September 16? Was it that night he had his great vision, his sudden dream which told him that how wrong he had been all Spring? Is that when it happened? Did he have a great enlightening vision on that particular night, a Damascus type of experience when he finally saw the light or did he know it last Spring, Mr. Speaker? Did he sit there against his will last Spring, against his better judgment?

MR. CROSBIE: I believe he is chained to his chair.

MR. SIMMONS: Hear, hear!

Mr. Speaker, if I had the member for St. John's West (Mr. Crosbie) the almost defeated member for St. John's West (Mr. Crosbie) writing my speeches how good would I be at all, how good.

MR. DOODY: A lot better than you are now.

MR. SIMMONS: Any my hand, too.

MR. DOODY: Is it still available?

MR. SIMMONS: Yes, it is still available. It is not getting many bookings lately as a matter of fact.

MR. NEARY: I thought they were at Carnegie Hall.

MR. SIMMONS: Mr. Speaker, did he against his better judgement last March 12 sit there meekly in his desk, about where he is sitting now almost, and mechanically, dutifully, thump his desk in orchestration with all the rest over there as the Premier, or whoever gives the signal, told him to begin clapping? Did he just do it because everybody else did it over there when the former minister bragged about \$1 billion worth of expenditures? You do not hear much about the \$1 billion now. I searched all through this record. I could not find the \$1 billion mentioned once. Suddenly it has become a subject they want to apologize for. Suddenly it was not such a good idea. They found out just how bad an idea it was in the election in a good many parts of this Province; There is suddenly within this government, and I have pleasure -

MR. CROSBIE: The member for Twillingate (Mr. Smallwood) saved you.

MR. SIMMONS: Thank you.

Why could not the minister have put that in my notes so I could have said it. It would have sounded a lot more - well, I will not say it, Mr. Speaker. I will not say it. It is too late in the evening. I just will not say it.

Suddenly, Mr. Speaker, there is within this government an urge to level. I paused, because I did not know if I should refer to - I suppose it is in order to refer to members even if they do not like it, Mr. Speaker. So I refer once again, perhaps against his will, to the member for Grand Falls (Mr. Lundrigan). It was my great pleasure last week to appear on a programme with him, an Analysis Programme on CJON, and he made some reference then to the need to level, to level with the people.

MR. CROSBIE: He should have levelled you.

MR. SIMMONS: To level with the people.

Ah! yes, yes.

MR. SIMMONS: Speaking, Mr. Speaker, of people who might get levelled, I know of one minister who ran in St. John's West (Mr. Crosbie) who just about got levelled, not nearly as low as the member who ran in Grand Bank (Mr. Hickman), but that is another story, Mr. Speaker.

Suddenly, Mr. Speaker, a great urge to level.

AN HON. MEMBER: I have a great urge!

MR. SIMMONS: Ah, ha!

I am sorry, Mr. Speaker. I am one of those outharbour men, you know, that the minister from Grand Falls talked about, one of those outharbour men, not very sophisticated. I had the misfortune to be born in the same place that the Minister of Municipal Affairs was born in as a matter of fact, I believe.

MR. DOODY: The misfortune was that you were born.

MR. SIMMONS: Not that we were born in the same place but, Mr. Speaker,

MR. SPEAKER: Order!

MR. WELLS: I think, Mr. Speaker, it is the appropriate moment to adjourn the debate until Monday.

MR. SPEAKER: Does the hon. gentleman plan to adjourn the debate?

MR. SIMMONS: I intend to adjourn in a moment.

Mr. Speaker, I was about to say so the Minister of Provincial Affairs and Environment has something to think on over weekend, there is suddenly among his colleagues a great urge to level with the people. We infer from that that they have not been levelling all along. Anyway for the next exciting chapter tune in on Monday. In the meantime I would like to adjourn the debate.

On motion debate adjourned.

MR. WELLS: Mr. Speaker, I move that this House now adjourn until Monday at 3 o'clock.

On motion that the House at its rising adjourned until tomorrow Monday, December 1, 1975 at 3 o'clock.

I N D E X

ANSWERS TO QUESTIONS

TABLED

NOVEMBER 28, 1975.

Answer to an oral question asked in the House of Assembly on
November 27th, 1975, by the Honourable Member for Terra Nova.

The Department of Mines and Energy estimates that at current
mining and milling rates reserves at the mine at Buchans will last
until 1979. The development of other, nearby ore bodies and an
advance in mining and milling technology could increase the life
of the mines until 1985. Current reserves are estimated at 1,000,000 tons
of copper, lead, zinc concentrate.

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