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# **VERBATIM REPORT**

**WEDNESDAY, APRIL 22, 1970**

**SPEAKER: THE HONOURABLE GEORGE W. CLARKE**

The House met at 3:00 p.m.

Mr. Speaker in the Chair.

HON. J. R. SMALLWOOD: (Premier): Mr. Speaker, in behalf of all hon. members of the House, I wish to extend a heart-felt welcome today, not just cordial but from the bottom of my heart and an nostalgic welcome as well to some forty most beautiful young ladies, the most beautiful young ladies that we have had in the House this session, not only the most beautiful, but the most intelligent, the best looking young ladies and why? Because they are from Grade VII in St. Augustine's School at Littledale. Why do I praise them so highly? Because that is my alma mater. That is the school I went to, when I was a small boy and when they use to allow boys in there as well as girls, and here they are today, students from my second oldest alma maters, one of quite a few schools I attended at Littledale.

There are here with Mrs. Gatherall and Sister Theresa O'Leary. They are two of the teachers present, and never were students and teachers more welcome in this House than these are here today from my old school at Littledale.

Now, Mr. Speaker, if the Leader of the Opposition, when he extends a welcome to these students, if he gets off any cracks about the fact that I went to a girls' school, let me tell him that I did no such thing. I did not go to a girls' school. It may be a girls' school today, I do not know. But in my time, it was co-ed. There were boys and girls there. I told the story before of how when they came each day to teach catechism, the nun would say, all right get out your catechisms and Joey you can go out if you want to and Joey always wanted to go. Surprisingly, I always went out, when catechism was on and the Opposition may say that that is the reason I am like I am. Maybe I would be a lot better, if I had stayed behind and learned the catechism. Anyhow it certainly would not have done me any harm. It probably did do me some harm not to stay behind and learn the catechism and I have been trying to make up for that all my life ever since, trying to learn catechism and all that goes with it. Anyhow I am very happy that they are here, and I am sure that the Leader of the Opposition will get up full of envy. He will be jealous. He will

envious of me, that he cannot say that he attended this school that has such beautiful, intelligent, lovely looking young ladies, the most beautiful that have been in and the most intelligent that have been in this House this year. Mr. Speaker, I pity the Leader of the Opposition that he did not have the chance that I had to go to that lovely school.

MR. ANTHONY J. MURPHY (Leader of the Opposition): Mr. Speaker, I thank the hon. Premier for his sympathy, in welcoming the children from St. Augustine, Littledale. I sometimes wonder, if Littledale has somewhat a dubious claim to fame by having the Premier attend there and it has been suggested to me, perhaps, that he has dropped out of more schools in Newfoundland than anybody else. But sincerely, Mr. Speaker, I would join with the hon. Premier in extending a welcome. I am taking the Premier's word for it that these young ladies are beautiful. I have asked many times for a mirror on that side of the House so we could see the beautiful guests on this side, but another Opposition request turned down. I am very happy to see these kids here today, or to know that they are here, and to welcome them very sincerely and trust that what they learn here today, will not in anyway impinge on their future, that they will still retain the morality that Littledale is noted for and that their visit will be enjoyable and educational and perhaps, you are honoured today to see so many famous persons spread before you on the floor of the House here. I do not think it is too often that we have this happen, and they can judge for themselves how good looking these men are, compared to us Newfoundlanders. I do not think they can come up to us actually, but that is only my personal opinion.

But again, Mr. Speaker, I would like to extend a very hearty welcome to these girls from St. Augustines and their teacher, Mrs. Gatherall and Sister Theresa O'Leary, a good Irish name, and trust that their stay will be indeed pleasant and educational. Thank you.

MR. JOHN CROSBIE Mr. Speaker, we would like to join in welcoming the students from Littledale and their teachers. It is always pleasant to realize that the Premier is a graduate of Littledale, because I am a graduate of Bishop Spencer, an old Spencerian, and I graduated from Kindergarten there. We hope on this side of the

House that after the next election, which we all know will not be for many months yet, there will be another graduate of Littledale up in the galleries looking down upon us in the next session of the House, following the election. If that is not so, of course, we will just have to put up with it, and they may change the name of Littledale, of course, the "Bigdale" some day, when they recognize some of their graduates.

But, Mr. Speaker, we are glad to see these young ladies here and their teachers and hope that they will be much more fully informed on the project that is now before us by the end of the afternoon, when these gentlemen are finished answering the questions that are put to them.

MR. JOHN NOLAN: Mr. Speaker, as the member for the district in which St. Augustine Littledale is located, I would like to join with the hon. the Premier, the Leader of the Opposition and the chief from St. John's West in welcoming the students from Littledale today.

It gives me an opportunity also to correct a statement made on a number of occasions in this House, during this past couple of years by the Premier and the statement being that he was the only one sitting in this House who was a graduate or a drop-out if you like from Littledale. I would like to say that he was wrong on a number of occasions in the past, and while I was not here during his remarks today, if he said so today, he would still be wrong, because I also attended Littledale and I am very happy and proud that I did. I believe the custom of that time was in the Kindergarten at Littledale, when you reached the age of twelve years of age, if you were a boy, you were expected to leave. This I did.

MR. MURPHY: Did the hon. minister live near the Premier?

MR. NOLAN: No, actually he probably. I am not sure, but he may have winded his way to Littledale from pretty much the same location. I do not know where he lived at the time. I lived on the western end of the Southside Road. He also lived in that locality, but whether he attended Littledale at that time or not, I do not know.

There was a custom at Littledale, and I believe it still prevails that fol:

the lunch break, all of the students would line up in the auditorium and someone would play the piano, usually it was "Anchors Away" as I remember, and the Grade XI students, Grade XII, Grade XI would be in the first part of the line, and then you would come down to the end, where you would have, in my case, kindergartens down at the back. I remember one day, in particular, I along with another resident of the Southside Road area, who was also in kindergarten, at the time, a boy, who had a sister in Grade XI, decided that we would be very, very brave and we promptly strutted up to the first of the line to join with the sister who was in Grade XI and to march around the auditorium at that time with her. One of the sisters, at that time, I recall <sup>as</sup> took a dim view of this boldness on our part, because you would after parading around the auditorium for two or three times, you would go in a branch off to your various classrooms. What happened in our cases was that we did this. We were up where we were not supposed to be and I believe it was Sister Augustine, but I am not sure, eventually took both me and the other gentleman concerned, and made us kneel out in the corridor for an hour or so and the one memory I have of that occasion was that my young friend was sentenced to kneel, I believe, beneath a statue of Michael the Archangel, and to this day, I can still see him trembling in fear, because he thought the sword was bound to drop and I believe the sister eventually forgave him and got him out of there, and he came back into the classroom and took his place, but I would like very much to join with the other members today in welcoming the students especially, Mrs. Gatherall and Sister Theresa O'Leary and Nolan is also an Irish name to the House of Assembly. Thank you very much.

MR. THOMAS BURGESS: Mr. Speaker, I would like to join in welcoming the students from Littledale. Yes the fact that it was mentioned, I do come from Ireland, and I just wanted to impart a piece of information to these students that despite the fact of how proud they might feel that their Premier comes from that school and the fact the Premier of the Province is a graduate, belies the fact that it is rumored that he was the smartest kid in second grade for four years. I do not know what that makes the rest of us really, because despite the fact he

seems to be constantly out-smarting us all, but I would like to join in welcome. I just wanted to impart that piece of information to them. I know he got a kick out of it to.

HON WILLIAM R. CALLAHAN (Minister of Mines, Agriculture and Resources: Mr.

Speaker, I cannot, even I wanted to, I cannot avoid rising for a brief minute at this point. Let me say, and I think I heard the Premier admit on one occasion that his perambulations from school to school had earned him the reputation of being somewhat-of being somewhat of an "educational cocktail", but this is not why I rose. Why I rose, simply, Sir, is that the young ladies and their teachers in the gallery are my close neighbours and also three of my daughters and two of my nieces attend St. Augustines, and I have no choice but to rise, because if I did not, my house would not be a very pleasant place at which to arrive and to live tonight. But I can vouch from my personal experience, the experience of my daughters that St. Augustines is a very wonderful place to go to school and sometimes I wish I were some years younger and in a position to take advantage, as the Premier and my colleague the Minister of Supply and Services of the experience of attending that school.

I do warmly welcome the students from St. Augustines and their teachers to this House today. Thank you, Mr. Speaker.

Presenting Petitions:

MR. A. J. MURPHY (Leader of the Opposition): Mr. Speaker, I would like to present a petition on behalf of a district I do not represent, and usually I do the member or members of that district the courtesy of informing them that this petition has been passed to me, but unfortunately the representatives are not in the House at this moment. So I will proceed to present this petition on behalf of some 337 voters of the district of Harbour Main. We the undersigned people of Fox Trap, voters in the district of Harbour Main do hereby pray and entreat the rural development division of the Department of Municipal Affairs to rescind the stringent regulations pertaining to the acquisition of permits for the erection of homes along the Fox Trap access road. And the refusal to grant home owners carte blanche to and from that highway while concurring that there is need for amicable regulations pertaining to health, properly designed erections and the size of building lots. I have been requested by a delegation Sir, from Fox Trap to present this petition to the House, and pray that some consideration will be given to owners of land fronting on the access road who find it impossible almost to obtain permission to build on that access road. What the actual legislation is pertaining to it Sir, I must admit I am not quite familiar with it, but it seems to be somewhat of a hardship on these people, and I pray that this petition be placed on the Table of the House, and referred to the department to which it relates.

MR. SPEAKER: It is moved and seconded that this petition be received and referred to the department to which it relates. Those in favour, "aye," contrary, "nay," carried.

Notice of Motion:

HON. L. R. CURTIS (Minister of Justice): I give notice Mr. Speaker, that I will on tomorrow ask leave to introduce four Bills. A Bill, "An Act to Amend the Taxation Agreement Act." A Bill, "An Act To Amend the Telegraph Tax Act." A Bill, "An Act Further to Amend the Civil Service Act," A Bill, "An Act Further to Amend the Pensions, Premiums Act, '66-'67."

ORDERS OF THE DAY:

MR. SMALLWOOD: Mr. Speaker, before we go into the business that we left off last night, I want to say that one of the most important statements ever delivered I think in this House, and certainly the most important one of the present Session, is to be brought down here today by arrangement with the Government of Canada at a time that has been agreed between us and Ottawa. And that is that three o'clock our time - three thirty our time, about an hour from now. In ten minutes from now, eight minutes from now, by the Minister of Community and Social Development, and it <sup>take</sup> is a ministerial statement. It should precede over any other business of the House for the period of time it may require for him to deliver this statement. The statement may be delivered simultaneously at Ottawa and St. John's. So that in starting the resumption of yesterday's business here today, it must be understood that we have this extremely important ministerial statement, having to do with DREE, and the DREE program for Newfoundland in the present year, and the spending of the money that is to be spent.

MR. CROSBIE: Mr. Speaker, while we are waiting, the Minister wants to make his ministerial statement at 3:30 P.M. I would like to ask a question of Mr. Shaheen. Mr. Shaheen with reference to the agreement that was passed in 1968 that you were referring to yesterday. I wonder if you could tell me. I just want to find out if certain contracts have been entered into yet. Under Section 4 (c) of the agreement, Provincial Building Company Limited which is a Corporation owned by the Government of Newfoundland, was to enter into an agreement with Newfoundland Refining Company Limited, which is your company pursuant to which you would supervise construction of the plant and would be reimbursed for all your direct salary costs, plus one hundred percent. Could you tell me whether that agreement has been entered into, between Newfoundland Refining and Provincial Building Corporation Limited?

MR. SHAHEEN: Mr. Speaker, a legal member of our staff who has intimate personal knowledge of that, I think might give a very direct answer Sir.

MR. BLAKE: Mr. Speaker, there has been an agreement entered into in



accordance with Paragraph C. Clause (4) of the agreement.

MR. CROSBIE: Under Paragraph (d) of Section 4 - The operating company of oil refinery which is a Newfoundland-owned Crown Corporation has entered into an agreement with Newfoundland Refining where Newfoundland Refining is to manage the plant for a fee equal to twenty-seven and eight-tenths percent of the annual net profit. Could you tell us - and the Refining is to be reimbursed by all out-of-pocket expenses in connection with operating the Oil Refinery at Come-by-Chance. Has that agreement been entered into?

MR. SMITH: Yes Sir, an agreement in accordance with Paragraph d, Clause (4) of the agreement has been entered into.

MR. CROSBIE: Now under Section (e) of that same Section; Our Crown Corporation, the Newfoundland Government's Crown Corporation is to enter into a sales agency agreement with Newfoundland Refining, where Newfoundland Refining, Mr. Shaheen's Company is to be the sales agent for all the products produced by the Refinery for a fee equal to five point one percent of the amount of the gross sales of the operating company, and where Newfoundland Refining is to be reimbursed for all its out-of-pocket expenses, while doing that. Has that agreement been entered into?

MR. SMITH: An agreement has been entered into in accordance with Paragraph e Clause (f) of the agreement.

MR. CROSBIE: Tell me then Mr. Blake what is the paid-in capital of Newfoundland Refining Company Limited?

MR. BLAKE: It is a private matter Sir.

MR. CROSBIE: But under the Newfoundland Company's Act, it is public information. It has to be filed there. The latest return that it paid in capital of twenty dollars. Do you know whether that is correct or not?

MR. BLAKE: If this is a public matter then it is a public matter.

MR. CROSBIE: Could you tell us then what we paid in capital of Newfoundland Refining Company Limited?

MR. BLAKE: This is a matter which is off the record, and I do not have

statements with me here. If you care to get them, then we will check the public records.

MR. CROSBIE: Well this was what was filed up to several weeks ago, so I would assume that would be correct.

MR. BLAKE: We have filed what is required and if this is shown then this is accurate.

MR. CROSBIE: Could you tell me on another matter when Mr. Brokaw ( I think that is the right pronunciation) gave us some information on the loans arranged over in England through ECGD and from the banks in England. And he said that the interest rate was five and a half percent on these loans that have been arranged. Could you tell us whether there are any other finance costs involved. For example, Kleinwort Benson and the other banks, are they to be paid any financial commissions, or other commissions in connection with the loans?

MR. BLAKE: This is an agreement between Provincial Building and Kleinwort Benson. This is a crown corporation. This again I think was indicated to you yesterday as being private business.

MR. CROSBIE: These loans were arranged by a Newfoundland Refining in accordance with their obligations under this public agreement, which was attached to the Act of 1968. This has all been arranged by the Shaheen organization has it not?

MR. BLAKE: We have complied with our requirements under the agreement as far as the arrangements that were entered into in London between Provincial Building and Kleinwort Benson - this was a matter that was indicated to you yesterday, that of these agreements which as of yet have not been disclosed, whether the Government tables them or not, is something that has to be determined.

MR. CROSBIE: Well we were talking yesterday about the interest rate being 5½ percent. There is no secret about that. Now I am asking you what is the real cost of raising this money, is it in effect 6 percent or 6½ percent because of certain commissions that would have to be paid the banks involved and other people. If 5½ percent of interest rate is public information,

then surely this other business will be public information also.

MR. BLAKE: No Sir, as far as I am concerned I have not revealed this, and this is a matter which you would have to obtain from the Government. This is again a matter of information that is contained in the agreements and should be obtained from the Government, which is the stockholder of the Crown Corporation which entered into the agreement with Kleinwort Benson.

MR. CROSBIE: Can you tell us Mr. Blake, you are familiar with the legal document. Under the agreement between the Shaheen organization and the Government of Newfoundland, is Mr. Shaheen or his organization obliged in any way to reinvest in Newfoundland any profits that they might make from the Oil Refinery operation?

MR. BLAKE: Whatever the agreement said is what we do. I can read the entire agreement if we have time, but I do not think there is time.

MR. CROSBIE: You are familiar with the agreement. I am just asking you if there is anything in the agreement which puts any legal obligation on the Shaheen organization to reinvest any of the profits from the Oil Refinery back in Newfoundland?

MR. SMALLWOOD: The hon. gentleman knows, so he need not ask, he knows.

MR. CROSBIE: Mr. Speaker, this is quite a proper question. Is there anything in the agreement that obliges the Shaheen organization to reinvest any money in Newfoundland?

MR. SMALLWOOD: Point of order! To a point of order! We are here to get information from these gentlemen that we can not get elsewhere, or from others. They are not here to read the Act or to interpret the Act. They have to carry out the Act, and it is not their function to explain the Act to us. Their function is to obey the Act. And the Act is public property. Copies of it are in the hands of all hon. members. This House passed the Act. It is a law we passed two years ago. I do not think it is in order to be asking these gentlemen whom we have invited here to explain the Act to us. We made the Act. It is our Act. The hon. gentleman who is asking to explain the Act to us. We made the Act, it is our Act. The hon. gentleman who is asking the questions is the one who drew the Act. He wrote it.

Or he is one of the three or four ministers who wrote it. And to be asking these men here to explain the Act, or to interpret the Act is not why they are here. I think it is completely out of order.

MR. CROSBIE: On that point of order Mr. Speaker. We are here to question the Government and these gentlemen who are guests of the House on this project. I have not asked them to read this Act or read the agreement. I have asked their man who is familiar with the agreement a question, whether they are obliged in any way at all, to reinvest any profits back in Newfoundland. I know the answer. The answer is no. But it is a perfectly proper question. And Mr. Speaker, there have been many questions asked here by the other side of the House. They know the answers to it because they had a private meeting with these gentlemen. So we are getting the information for the public not just for ourselves, so I will pass on and leave that question.

MR. MURPHY: Point of order Mr. Speaker. With reference to the Premier's statement when members of this House are furnished with copies of this Act. I do not know how many members of this House received telephone calls with reference to Mr. Shaheen's reference to Law 86. I am wondering if we could get enough copies printed to satisfy these people, so as they could understand what we are talking about.

MR. SPEAKER: Is the hon. member wishing to speak on a point of order?

MR. BURGESS: Mr. Speaker, this question was asked not for the benefit of the hon. member for St. John's West, but for the benefit of the people of Newfoundland, who are not - I did not participate in the agreement, and the majority, the vast, vast majority of Newfoundland did not participate in the drafting of the agreement. The agreement as such is on my desk right now. The interpretation of the agreement, I would like to have. And the only way we can have this interpretation is by getting direct answers from the people who are a party to this agreement. Now if questions are asked to explain or interpret Sections of this agreement, I think that the people, the guests of this House are obliged to interpret to direct questions,

questions that are not <sup>a</sup> violation of the ground rules that have been laid down as far as this proceeding is concerned.

MR. SPEAKER: I will repeat what I said yesterday. Our terms of reference are quite clear. To begin with, to ask questions concerning the progress achieved since the passage of the Act, and the economic liability of the project. And I will go further and repeat again what I said yesterday, that every hon. member has the right to ask questions of these guests, who are here at our invitation. He can ask the question, but once the answer is given, or a person replies that there is good and sufficient reason why he could not answer it, then the answer whatever it is, is not subject to debate. I have given my ruling on the point of order, and if hon. members will keep within these limits, the questioning will proceed orderly. But there must be no comment on the questions and start a debate on the answers that are given. I think we have to be sure of and keep the questioning and the replies in an orderly manner. Will the hon. member continue with his question?

MR. CROSBIE: In that case Mr. Speaker, if the minister wants to make his statement, I will wait.

HON. WILLIAM N. ROWE (Minister of Community and Social Services): Mr. Speaker, I waited until this moment to make this ministerial statement, since the hon. John Marchand, the Minister of DREE in Ottawa probably <sup>is</sup> on his feet at this moment making a similar statement in the House of Commons.

The statement, Sir, is in the nature of a jointly agreed press release by Mr. Marchand and myself with a few additional comments by myself alone to follow thereafter. The statement is as follows, Mr. Speaker:

"An \$82 million agreement on development projects in Newfoundland is announced today by the Federal and Provincial Governments. The agreement was signed yesterday, April 21st. The signatory for Canada was the hon. John Marchand, Minister of Regional and Economic Expansion that is DREE and for Newfoundland, myself as Minister of Community and Social Development. The agreement covers projects to be started this year and financed by the department of Regional and Economic Expansion through a mixture of grants and loans to the Province. Federal funds committed for the present fiscal year ending March 31st., 1970-71, are \$31 million in grants and \$10.2 million in loans. The remainder of the work is to be completed by June 30th., 1972 with the ceiling for additional Federal payments of \$31 million in grants and \$9.4 million in loans, making the total already given of \$82 million committed this year.

The agreement covers projects in the eight special areas recently designated in Newfoundland and Labrador, together with highway construction in a number of other areas of the Province. The projects in the St. John's special area include development of a serviced industrial park, water and sewer work for the Mount Pearl, Newtown and at Holyrood; a new road to link the Mount Pearl area to the harbour and to the Trans Canada Highway and three new schools and the extension of another school.

In Corner Brook, also, the projects include an industrial park, as well as, road construction and water and sewer services for a new residential areas. In other special areas, the projects are designed to meet particular priority needs for schools, for water and sewer services and roads. Outside the special areas, the Federal Government will finance a substantial

additional program of highway construction. The projects include the Burin Peninsula road, the Baie Verte road, the road from Lethbridge to Bonaville; the road from Port aux Basques to Burnt Island; a connection from the Hr. Breton area to Bay d'Espoir and a number of forest access roads. Highway construction will be financed by the Department of Regional and Economic Expansion entirely by grants. Other projects will be financed in varying ways by grants and by loans.

Mr. Marchand and I point out that the present agreement relate solely to new projects to be undertaken this year. It is additional to existing programs. The Federal Department of Regional and Economic Expansion also contributes to the development in the Province through its industrial incentives and through its financial support of the resettlement program and of ARDA projects and certain continuing A.D.B. projects. All of these programs, Mr. Speaker, will continue.

The new agreement makes arrangements for close Federal-Provincial co-operation of a kind never previously attempted in the implementation of these projects. It also establishes a joint planning committee through which the two Governments expect to develop a four year plan in addition to this one for the special areas covering projects to be started from next April onwards.

Mr. Marchand and I state our belief that the agreement marks a great step forward in the development of the economy of Newfoundland and Labrador and the provision to the people of the Province of services that will aid further development. Never before has Federal development assistance been given to the Province on such a large scale and never before, Sir, has Federal assistance been given to such diversified projects of benefit to so many people of the Province.

Mr. Marchand and I express our expectation that this is only the beginning of a joint development effort that will over the next five years and beyond create a massive improvement in employment and earnings'

opportunities for the people of Newfoundland." That is the end, Sir, of the joint statement by Mr. Marchand and myself, and I had some very brief remarks which I would like included in this ministerial statement.

From my own part, Sir, I would like to say that in addition to the \$41.2 million to be spent this year under the first year's agreement, there are other sums of money resulting directly and indirectly from the DREE schedule of projects, which increases substantially the total amount to be spent this year. For example: the new resettlement agreement to be administered by DREE, as far as the Government of Canada is concerned is expected to amount to \$2.5 million in Federal grants each year. Also directly as a result of the DREE grants and loans for the building of trade schools and the preparation of land assembly projects, there will be a further \$2.2 million contribution by Canada Manpower and by CMHC of which only a very small portion is by way of recoverable investment rather than by out-right grants. In other words, the greater part of that \$2,2 additional million is by out-right grant. This brings the total, Sir, to over \$45 million. In addition there is under the DREE agreement a provision for a fifteen per cent leeway in the event that the projects or the cost of the projects to be built are in excess of the amounts estimated. This provision could and may mean an additional \$6.2 million for this first year's schedule of projects. This figure and the others mentioned when added to the amount of \$41.2 million directly provided for in the DREE mean that the total DREE expenditures in this Province, during the first year should reach an amount of substantially more than \$50 million. Moreover Sir, my officials and I, in the Department of Community and Social Development are still negotiating a rural development agreement with DREE which when concluded is likely to result in a further million dollars of expenditure directly on various rural development programs.

I would like to go on to say, Sir, that it is worthy of note that although the Province of New Brunswick has a greater population than the Province of Newfoundland and Labrador, I have been informed that the



New Brunswick Agreement which is also being announced today has a total of approximately of \$32 million as against more than \$41 million included directly in the Newfoundland Agreement.

The fact that the Newfoundland Agreement provides for about \$10 million more than the New Brunswick Agreement together with the fact that the Newfoundland Agreement was one of the first two agreements to be signed under this new DREE program, is very much, Sir, and I say this unashamedly, very much to the credit of the Newfoundland Government and to its officials.

During the next few days the officials of my department and I will be working on a detailed breakdown of the projects under the DREE agreement for presentation to this hon. House. I would be in a position to make such a presentation early next week and also, Sir, I hope very shortly to be able to table the agreement in its entirety with its schedule of projects in the House of Assembly, once sufficient copies have been made for each member of this House and for the press. I have, Sir, copies of this statement for each member of the House and for the press.

MR. MURPHY: Will the hon. minister permit one short question? I would like to ask the hon. minister would any of this money would involve perhaps the \$16 million by Come-by-Chance or any other monies for the Come-by-Chance Development?

MR. ROWE: (W.N.) No, Mr. Speaker, no monies to be provided for the Come-by-Chance Development is included in any of the sums which I mentioned here today.

MR. MURPHY: Thank you.

MR. JOHN CROSBIE: Mr. Speaker we welcome this announcement, any funds that are invested in Newfoundland are a help to this Province. We waited a long time, and this is not a great injection, but it is a start. And we look forward to having more details from the minister when he is ready with them, and when we get all the details, and we hope that he will proceed as early as possible with this new four year plan.

MR. BURGESS: Mr. Speaker, I wonder if I could make a few comments on this statement?

MR. SPEAKER: No, I regret it, the only persons to make a comment, and these comments should be by way of explanation of a question, not comments. The only persons are the Leader of the Opposition, and the Chief of any other group within the House. So we have to confine it, and it should be confined strictly as a matter of a question with sufficient remarks made to make the question intelligible. May we continue.

MR. CROSBIE: Mr. Speaker, I would like to ask Mr. Shaheen, Mr. Shaheen is absent, well Mr. White, they probably had time for consultation, is there any objection of informing the House what the true cost of raising the loans of England is, in addition to the five and one-half percent? What other commissions or charges there might be?

MR. WHITE: Mr. Speaker, the agreement that was reached between Klienwort Benson and the Building Company was between those two people, we were not a party to that agreement, neither is Newfoundland Refining Company. Well Newfoundland Refining Company was not a party to that agreement, therefore this information must be obtained from the parties to the agreement. I can make this statement that the price that we have given for this plant includes

MR. WHITE: all costs except of course, interest on the loan which Mr.

Brokaw pointed out was at the rate of five and a-half percent.

MR. CROSBIE: Is there a representative from the Bank here that we can ask, if he would volunteer this information?

MR. WHITE: No there is no representative from the Bank here at this time.

MR. CROSBIE: Mr. White, yesterday you told, that the oil refinery would use, I think, 400,000 odd gallons of water a day. You said between 400,000 or 500,000, which you were going to provide yourself, with your own water system. Today I received a Newfoundland Government Bulletin, which some people in the House here feel is a very accurate source of information. And that stated in an article on the Oil Refinery, that the amount of water to be used per day, was 21 million gallons per day. Do you have any comment on that, is that a wildly inaccurate figure, in view of what you said yesterday?

MR. WHITE: I think that it is, well as you describe it, the figure is not the accurate figure. I think the number of 21 million gallons per day was the projected requirement for both the paper mill and the refinery, and the community development in the area. This was as a result of a study that was made for the paper mill. As I explained yesterday, the paper mill will use a very large quantity of water, and will require a certain amount of work to bring the water from opposite the area. However, the refinery itself will only use about a-half a million U.S. gallons of water per day.

MR. CROSBIE: Sir could you tell us whether Come-by-Chance is the area where you are establishing this oil refinery, did you or your group ever make any examination of Bay d'Espoir or Mortier Bay as the site for this operation, as to whether they would be more suitable than Come-by-Chance, or what were the advantages of one compared to the other any such study as that?

MR. WHITE: Yes, we did. We examined areas from Quebec City right down all along the North Atlantic Coast and along the Eastern Coast of the United States. We were very serious about our location near Quebec City. We ruled against that particular one because of the limitation on the size of vessels that can navigate the St. Lawrence up to Quebec City. Also we looked at

particular Bay d'Espoir because of certain advantages in that location, with respect to this source of power and a source of water. Because there is a good water supply. This was ruled out at that time principally because it was off the railroad, it was off the Trans-Canada Highway, the communications at Come-by-Chance were much better and the anchorage at Come-by-Chance, the marine port facilities there were superior.

Mortier Bay we,

MR. CROSBIE: I was going to ask about fog? Is there more fog in one place, than in the other?

MR. WHITE: Yes, there is probably a little more fog around the Come-by-Chance area than there is in the Bay d'Espoir area. However, this was studied very carefully by the marine experts and they have determined that one, the access to the Come-by-Chance Bay is very good, we have a very wide channel. It almost do not have to be described as a channel, it is so wide. The bay is so wide there, the depth is very good. There are no sunken reefs, there are no hazards to navigation. We only have two slight course changes after the ship clears Cape St. Mary's, to bring it in. Another fact that has been helpful in this situation is that all of the Island, and all of the coastlines is fairly steep, fairly rocky, and gives a very good radar return on the vessel so that a ship can come in with perfect assurance, that he is in the location where he thinks he is from his navigations. Also, a ship can navigate in these waters just for the depth sounder if that is all that is necessary. I think in the Newfoundland Pilot which is the official, (Newfoundland and Labrador- I believe it is) makes a statement that Placentia Bay, as far north as Great Southern Harbour, can be navigated by commercial vessels, by following the depth sounder alone at this area.

MR. CROSBIE: Mr. White, while you are on your feet, I would like to ask you, you said yesterday I believe, when the Oil Refinery is completed and in operation that there would be employed in the operation and including operation of tugs, and so on, 450 people you estimated.

MR. WHITE: Four hundred and twenty-five.

MR. CROSBIE: Four hundred and twenty-five people, could you give us a breakdown of how many would be employed on the oil refinery as compared to how many on

MR. CROSBIE: tugs. And the categories of jobs. You know, how many technical jobs there are. Could you give us any breakdown on that.

MR. WHITE: Yes, Sir, as I mentioned yesterday we estimate that the tug operation will require about forty-five people. There again this will be <sup>the</sup> more or less ~~at~~ / descretion of the contractor or the shipping company who owns and operates these tugs. But this was our estimate.

As far as the other people employed in this, there will be a few who will be under contractors, for doing contract maintenance and that sort of thing. The balance of the people, that will be approximately, 370 will be employed in the oil refinery. Now of this group, there will probably be fifteen or twenty office employees. And approximately the same number of technical people, managerial and technical people, I would say approximately twenty-five there. The balance of the employees will be about equally divided between the maintenance crew and the operating crew. Now the maintenance crew will have of course, its maintenance foremen, some of them will probably be engineers or very experienced technicians. The balance will be the normal complement of mill-wrights, pipe fitters, welders, instrumentmen, electricians, machine operators, boiler makers, and labours, painters, installators, and that sort of thing. These men will be employed on an hourly basis, most of them will work days. The operating force will be comprised of people in the category of process operator, and these people will be trained. We do not expect to be able to pick up any but a handful of experienced process operators in the Island, but we will train them. Their requirement will be basically a high school education, good intelligence, and a willingness to learn. Now with those requirements satisfied they will be sent to a training course, and those who show up the best will of course be given the more responsible jobs, and those that do not make it may be put back into the labour gang, or they may not be retained. But these people will then be assigned to operation of the various process units.

MR. CROSBIE: You will have a total investment in the Oil Refinery

MR. CROSBIE: You will have a total investment in the oil refinery when it goes on stream of about \$165. million including working capital. So this will provide about 350 jobs in the actual oil refinery itself and with tugs and so on about 425. some one Newfoundlander from every Newfoundland community. So this is a very capital intensive industry, is it not?

MR. WHITE: Any industry of this type is capital intensive, yes.

MR. CROSBIE: In this kind of industry there is, I presume, rapid technological change in the oil refining business. Do you expect that you will have to make further investments to keep this refinery up todate within the next say three or four years or how long?

MR. WHITE: Any business that is well operated must continuously invest a certain part of their earnings in keeping their plant modern, in keeping it up todate and capable of changing with the times, yes.

MR. CROSBIE: Was this provided for in the estimates and fesibility study on this project? Have you allowed for a certain number of millions over the years to be used to modernize and update the plant, is that allowed for?

MR. WHITE: There is sufficient funds there for this and this is always allowed for in your cash projections. The technique that you use shows the amount of cash that is available for certain purposes, these purposes being reinvestment in capital equipment, available for dividends, for debt reduction and for increasing the net worth of the company.

MR. CROSBIE: Being any cash flow over the period of fifteen years, it was once estimated to be \$5. million after meeting all interest, depreciation and repayments of the indebtness. Has there anything happened since to change that or would it be a fact that over fifteen years as much as \$5. million will be generated and profits from this complex?

MR. WHITE: I am afraid there we are verging on the economic aspects of this refinery which are really a part of our business and not available for publication at this time.

MR. CROSBIE: There may be other men but I have other questions, Mr. Speaker, but there are probably other members boiling.

MR. HICKMAN: Mr. Speaker, if I may -

MR. SMALLWOOD: Mr. Speaker -

MR. SPEAKER: I ask the hon. Premier to please resume his seat.

MR. SMALLWOOD: No he was not. I was first on my feet.

MR. WELLS: The member for Burin has the recognition of the Chair.

MR. SMALLWOOD: Mr. Speaker, if Your Honour is just recognizing the member for Burin just because of anything that is one thing, if Your Honour is recognizing the one who was on his feet first, I was first .

MR. HICKMAN: I petition the House and ask for a motion.

MR WELLS: I move that the hon. member for Burin be now heard.

MR SPEAKER: Order. There is a dispute now as to which member was on his feet first. I saw the member for Burin first. Now if it is a matter of that I was looking in his direction. You cannot look in two directions at the same time. If the hon. the Premier was on his feet first, and he seems to think that he should have the right to speak and not the member for Burin, we can have a motion, which anybody likes to make, that any certain member be now heard.

MR SMALLWOOD: Mr. Speaker, Let the hon. gentleman be heard.

MR. HICKMAN: Mr. White, I would like to get back to try and straighten out some confusion that seems to be very much in the minds of hon. members and certainly in the minds of the public as to the alleged number of jobs, and I emphasize the word alleged, that will be provided at Come By Chance this year for the period of construction. Last night Mr. Grosse very properly, very frankly and very honestly told this House that a great deal of the work to be done on the construction and installation of the project would have to be done by highly specialized technicians, that there is also a percentage of the ECDG grant that this agency of the British Government is putting up that provides for British services and that means British workmen. Now I am very concerned that we not reach the situation where our Newfoundland people find themselves doing nothing more than removing the earth that has to be moved, doing labour work, operating tractors and doing the welding.

MR. SPEAKER: I must point out that the hon. member is presenting a reasoned argument but I feel that it is taking unnecessarily long to state the question.

MR. HICKMAN: The first two I take along this line, Mr. Speaker, to Mr. White.

(1) How many Newfoundlanders will be working this year, the year 1970, bearing in mind that you must call tendors for the structural work, you have no choice in that and they have not yet been called, how many Newfoundlanders will be working this year in the year 1970 at Come By Chance? What type of work will they be doing? Does your plant because of its sophistication require far more men on construction than say another 100,000 barrel a day plant would require if it did not have quite the sophistication that you say yours has? Is that a great contributing factor or does a 100,000 barrel a day plant take x number of men period?

MR. WHITE: Mr. Speaker, I feel that the hon. gentleman has either misunderstood what Mr. Grosse said or possibly Mr. Grosse did not understand the exact implication of the question on that matter. As far as to answer the last part of your question first because we can dispose of that in a very few words. The number of men required to erect this type of equipment will be almost in direct portion to the investment of the plant. If the plant is a more sophisticated plant and has more units it certainly will require more pipe fitters, more millwrights, more welders, more riggers to put this machinery in. If the plant has three times as many pumps and compressors certainly it will take three times as many people to do it in the same length of time or it would take three times as long. We do not have the time so therefore it will take three times the number of people if you have three times the number of pieces of equipment.

MR. HICKMAN: In other words, a \$70. million plant should take half as many men as \$140. million.

MR. WHITE: Roughly, yes, Sir. Exactly. If you complete both plants in the same length of time and if they are plants of roughly the same type of operation. If one is a paper mill and one is an oil refinery then the answer is different but since they are, since this is a comparison of oil refineries, yes, Sir. The portion of people required is in portion to the investment figure.

MR. HICKMAN: Mr. White, then may I -



MR. HICKMAN: May I give you figures that you can easily obtain from the Department of Labour of the Province of Quebec. The number of people who are employed on the construction project of the \$75 million plant near Quebec city. At the peak of construction 460, of which 300 come from the Quebec area, not the number we were given last night. It has never according to the Quebec statistics from the Department of Labour gone over 500, they consider peak production 460. So on your statement can we therefore assume that the maximum number of people who will be employed Newfoundlanders and non-Newfoundlanders will be in the vicinity of 900.

MR. WHITE: I do not think that that could be assumed at all. I think that you should not ask the bureau of statistics, Mr. Brokaw who is, this is the plant that they are building, could I allow him to have a few words on this subject?

MR. BROKAW: I am not sure whether you have had access to our payroll sheets or our sub-contract personnel sheets that we have in Quebec City. I personally do not know how many people we have on the job, but I am sure they are referring to people directly employed by Procon, not by our sub-contractors. I am astounded by the number, and I would recommend that you might go down there Sir and make a head count because, I am sure it is more than that.

MR. CALLAHAN: Mr. Brokaw, what in your judgement would be the number?

MR. BROKAW: I really do not know. I have not been to Quebec City since the official ground breaking ceremony, and I am sorry that I have not been because, we are doing it from our office in London and we know where we are.

MR. SMALLWOOD: Mr. Speaker, I would like to direct some questions to Mr. White. First; last night Mr. Grosse said in reply to a question that his company, or some engineers of his company had gone to Come by Chance in September last year. We know that Procon, his company, is owned wholly by U.O.P., what I am wondering Sir, is this. What is the time table, this is what <sup>I wish</sup> Mr. White to tell me, to tell the House, what is the time table of U.O.P. and the work they did for the refinery project, the feasibility report, and the basic concepts, design concepts, the work that they did, and the work their wholly owned subsidiary Procon did, or maybe not the work Procon did, but the appearance of Procon at Come by Chance in the month of

September. How, when, did U.O.P. finish their work for the project, and when did Procon come in to the picture, and how long was there between the two, so that we may decide if there was arms length distance between the two companies. That is the first question, and I would like you to develop that Mr. White, and the second question is with regard to navigation and the safety of navigation in Placentia Bay. When a ship, loaded with 2 million barrels of oil rounds Cape St. Mary's and heads up to Come by Chance she steams up this quarter million ton tanker steams up the full length of Placentia Bay, and she has to have lots of deep water, and if she is not to run ashore, if she is not to run on a rock, if she is not to beat the bottom out of her, she has to have lots of deep water with sufficient width in the channel and is it intended do you know to mark the course or the more dangerous parts of the course if there are dangerous parts with navigation bouys so that the ship under Canadian law having to have competent pilots aboard will be able to be navigated through that course, up through the bay, into Come by Chance.

In other words how safe will navigation be in Placentia Bay so that as to reduce greatly, if not completely illiminate, reduce greatly the danger of a great ship spilling a lot of oil into Placentia Bay.

Thirdly, just three questions. These tanks, we were told here in this House by an hon. member, we were told that these tanks of which there are I think two built and others to be built, are the biggest in the world. There are none other as big, it therefore is a very daring thing, very daring thing to build tanks as big, to hold six hundred odd thousand, 630 or 650 barrels of oil (630,000 or 640,000), the biggest in the world, are they strong enough? Ought they to be filled with water to test them? Are they bolted together or welded together? How thick is the steel? Are they resting on bog? Has the bog been removed? Is there concrete foting? Is the concrete footing heavy enough? Is the concrete footing heavy enough? To what standards were the tanks built and the tanks to be built, what standards would the be built to, British, American or what have you? How strong are they? How safe are they? And how does their size compare with the size of other similar tanks used for the same thing oil storage of bunker sea oil in the world. How do they compare with other tanks? Now these are the three, the

connection between U.O.P., that parent company and the work they did for you. Procon, the company that is owned by U.O.P., when did one go out of the picture and the other come in, and are they in this matter of Come by Chance, now the Come by Chance mill, are they at arm's length? Is there any conflict of interest? Would you tell us exactly what the relationship has been, between you on the one hand, and U.O.P. on the other hand, and if you had a third hand what would be the connection between you and Procon? Would you describe that.

The navigation problem and the question of the tanks and the comparison with other tanks, their size, their safety, their strength, and how are tanks tested, and how were these tanks tested?

MR. WHITE: Mr. Speaker, I will as is my usual custom answer this with the last question first, mainly because that is the one that is fresh on my mind right now. Since this was a rather long series of questions.

As to the tanks that we have built at Come by Chance and the other tanks that will be built, the petroleum industry has a rather strict code for the building of this type of material. This has been worked out over a long period of time and there has been a lot of experience and a lot of testing and a lot of work, development work gone into this thing. These particular tanks that we have erected at Come by Chance are modern tanks. Now they are large tanks. The capacity of the tanks to be precise is 605,000 barrels of oil. The tanks are 262 feet in diameter, and 64 feet tall. Now that is a fairly large tank, a fairly large building could be put inside that tank. However, we have used the most modern design techniques. The tanks were built and engineered by a very reputable company the "Graver" who are one of the leading tank designers and tank erectors in the world.

MR. SMALLWOOD: What is their name?

MR. WHITE: Graver

MR. SMALLWOOD: How do you spell that?

MR. WHITE: G r a v e r

MR. SMALLWOOD: From what country?

MR. WHITE: These tanks were built by the Belgian affiliate of Granger, which is know as "Granges Graver" or Granges International.

AN HON. MEMBER: Granges or Graver?

MR. WHITE: Graver, G r a v e r:

It is a very old and well known name in the construction of  
petroleum tankage. ....

MR. WHITE:

are made out of a new alloys a new hightensile strength steel which has been completely checked by modern inspection techniques. So that each plate is tested before it leaves the factory by certain metallurgical test methods to assure that it meets all the requirements after it has been rolled into the round shape. Now just as an example of the strength of these tanks the bottom ring, the bottom eight feet of the tank which is the first sheet as you go up is approximately an inch and a half thick. Now some battleships do not have very much more steel than that the steel tapers up and becomes thinner as it gets toward the top because the load the stresses on the tank is not quite so great. Now as to the foundations for the tanks of course this is quite a large load when we fill those tanks with oil there is a column of oil sixty-four feet tall. Now a column of oil sixty-four feet tall will put on each square inch of soil a pressure of something in the neighbourhood of fifty or sixty pounds on each square inch. Now that is not an enormously high pressure. Just to give you a little comparison your automobile tire will be inflated to about thirty pounds per square inch so this would probably may be twice the pressure of the automobile tire.

The foundation though has to bear an enormous load because there are an awful lot of square inches in a circle 262 feet in diameter. So the first thing that we did of course when we went out to the site we selected areas where we thought the tanks should be located and we had a very reputable Newfoundland company come in and make soil tests, do borings and interpret this. They were soils engineers who gave us a reading on all the bearing strength of the soil under the bog and how much bog we had and the whole thing. Then after this data was interpreted our engineers then designed the foundation and the pad in accordance with the specifications of the builders. Then another Newfoundland company here again, to come back to your point about the calling for tenders this was open to public bidding and was, the award was granted to a Newfoundland company who went in and actually bid the grading and prepared these

foundations. Now as a matter of fact one of our tanks is sitting on rock, we did have to move a little rock to get it out so that we have a very good foundation. The other tank, the rock is not very far under the surface so that it also has a very good foundation. The soil itself has a bearing strength much in excess of that needed for actually carrying this load.

Now to further, well there are about six in this weight of oil you will find about seven and a half barrels will weigh a ton and so you can multiply out these seven and a half times six hundred thousand and get the total weight in tons of the oil spread out over that circle.

MR.HICKMAN: That is the only way, the three questions asked and if we ; leave this one before Mr. white goes on to the other two we will never get back to it. This works to about ninety thousand tons of crude oil which will be contained in that tank. This I would suggest to you makes the footings and the installation of the footings of vital importance because regardless of what sheet metal you have in there if your footings are not good and well designed and well constructed the rest of it does not count

MR.WHITE: Not exactly because in the design of an oil tank it is a little different than the design of the building. An oil tank is built on a pad it really does not have a footing. The weight is distributed, the bottom of the tank lays flat on the ground and the weight is distributed over the whole area. The design of this pad is such, the engineering of this pad is such that the weight is borne equally by all of the ground under the tank rather than in a building, say for instance, in this building you will have piles that go down and you will have a footing poured under each of these which the building rests on so that the building is not allowed to move as the land under the building moves and heaves from freezing, thawing and that sort of thing the footings have to go down that deep. A tank is allowed to float on a pad of sand and gravel and we have found through the years this is a much more satisfactory way of doing it rather than pouring a footing to build the tank up on.

MR.HICKMAN: May be by calling it footing I am wrong, but pad is just as good a word.

MR. WHITE: The basic design for the pad is very carefully spelled out in the specifications of the British standards. I believe British standards institute . British Standards Institute. These tanks are build to British Standards Institute specifications. They specify in detail the type of foundation, type of pad that shall be put under each tank. Now this very somewhat in accordance with the bearing strength of the soil that you have under the tank. Of course if you go into a marshy area where you do not have much bearing strength then you do have to put a footing in you have to put what you call piling under there just like you put piling out into the water to build a dock on, you put the tank on piling.

MR. HICKMAN: Mr. Speaker, again on this point. Did you have your own engineers there supervising this work, authorizing progress payments?

MR. WHITE: Mr. Inkster was on the site at all times. Mr. Inkster is a, he is out at the site right now with the other gentleman that Mr. Inkster, the graduate engineer, civil engineer with experience in this field . However the actual design work was not done by Mr. Inkster the design work for these pads was done by Graver who are the builders of the tank and who furnished us with the design.

MR. HECKMAN: Did you not bring in from the Middle East an oil expert and an oil engineer who had a lot of experience in this work to protect your interest and supervise that work?

MR. WHITE: An oil expert from the Middle East that's General Lessing -

MR. HICKMAN: It was an unusual name it is Dinkle.

MR. WHITE: Mr. Dinkle was one of our employees for a while, yes.

MR. HICKMAN: Was one of your experts that you brought in as I recall?

MR. WHITE: He was construction man he and Mr. Inkster were both on the job Mr. Inkster was the engineer. Mr. Dinkle was the construction foreman at that time.

MR. HICKMAN: Was Mr. Dinkle not given the responsibility of approving and authorizing progress payments.

MR. WHITE: I believe progress payments were authorized by him.

MR.HICKMAN: Did he actually authorize any?

GENERAL LESSING: May I answer that question? Mr. Dinkle was the man on site, he was a construction superintendent. As a matter of routine when the work was done he would certify that so many yards of concrete had been poured and that the contractor was authorized certain payments. Those certifications went to me and then they went to the Provincial Building Company as further payments.

MR.HICKMAN: If Mr. Dinkle came to the conclusion that the work had not been done properly then he would <sup>not</sup> certify progress payments.

GEN.LESSING: Of course not, we had an engineer.

MR.HICKMAN: Did he ever refuse to do that, did he ever refuse to certify any progress payments?

MR.WHITE: I do not think that that is a proper question really for us to answer at this time. We had a qualified engineer on the job. We had another qualified engineer doing the supervision. We had the supervisor there that wanted to better himself by going other places. He had a job offer he had other problems and I do not think we should go into our personnel and that sort of thing.

MR.HICKMAN: I do not want to go into his personal life, Mr. White what I am suggesting to you is this. That when Mr. Dinkle arrived on the scene there was great announcements and great pronouncements that this was the man who was going to assume the responsibility for the proper erection of the facilities going into Come by Chance. And then he suddenly disappeared.

MR.WHITE: I do not think, I do not think these personal matters should be aired in public. If you would like to come around personally I would happy to discuss this with you in private.

MR.HECKMAN: If he has personal problems, if he does not like the climate or if he has to go home, fine, but when a man is charged with the responsibility of approving progress payments then I want to know whether or not he approved these progress payments or whether he refused to do it. And that is very relevant, that is not personal.

MR.WHITE: Every progress payment



MR. WHITE: every progress payment that was made was approved by the proper people, the foundations were inspected. If you have any reservation whatsoever, I can assure you that the engineers from Granges Graver came over inspected all of the foundations carefully before they put a piece of steel on the foundation, they checked the whole thing out. Our own engineers were on the site, and did exactly the same thing. The foundations for these tanks were properly installed and in fact, I came out and looked at them personally, I asked Granges Graver's Erection Superintendent what he thought of the work that had been done, because we were trying to find whether the contractors who were here, were doing a good job for us. We always like to see what kind of a job the contractor has done. He told me, the contractor had done a very fine job. And that he wished to compliment the contractor on doing such a good job upon this foundation.

MR. SMALLWOOD: Mr. White, the contractor was this a local firm?

MR. WHITE: Yes, Sir.

MR. SMALLWOOD: The local firm did what? What was it that the local firm did?

MR. WHITE: They constructed the foundations for the tanks.

MR. SMALLWOOD: They built the foundations, but did they also erect tanks on the foundations?

MR. WHITE: No, sir. That was done by Granges Graver.

MR. SMALLWOOD: Well was it one company that excavated and got the site ready, and then another company that poured the concrete and built the pad? Or was it all one company?

MR. WHITE: No, Sir, it was two companies.

MR. SMALLWOOD: Two companies, were they both Newfoundland firms?

MR. WHITE: Yes, Sir.

MR. SMALLWOOD: The same firm? And it was done on tender under the Law?

MR. WHITE: Yes, Sir.

MR. SMALLWOOD: Asked for tenders, at least two, and two were called for?

MR. WHITE: Yes, Sir, that is correct. So the foundations were installed, were properly put in, and if it is of any comfort, the invoices were approved and paid by the responsible people. Now,

MR. WHITE: Are you going to fill it up with 90,000 tons of water?

GENERAL LESSING: Just for a moment, I might say a third very reputable Newfoundland Firm approved the concrete in those foundations. I would not have passed any invoices for payment, if an independent inspection firm had not given their own reputable approval.

MR. WHITE: Mr. Hickman, there are a number of ways of testing the tanks, and we have used all of the modern techniques. I will go into that a little bit to reassure you and the other people as to the extent that we went in this testing. In the first place as I mentioned, the steel itself is inspected and tested before it leaves the plant. This is a requirement of the British standards for these larger tanks. After the steel gets here it is given a physical inspection on the site and if there is any damage, there has been any damage in transit a judgment is made by the engineers as to whether it can be repaired or not. Fortunately our steel arrived without any appreciable damage in transit. After the tank is erected, these are large sheets, and they are welded together. Now a weld of that thickness, up to an inch and a-half thick, is a fairly complicated thing. It has to be done carefully.

MR. SMALLWOOD: Where these welders, Newfoundlanders?

MR. WHITE: Yes, Sir. Actually there were two types of welding on the tanks; the Granges' people brought in machines to do the long welds along the horizontal seam. All of the vertical seams and a portion of the horizontal seam where it intersects that, were all done by hand. These were all done by Newfoundland welders, and I might add, there again. Well, I say a part of these welders were Newfoundlanders, and a part of them were welders that had been bought in by the tank erector, because they were machine operators and welders. They had to have these fellows in to operate the machines, and they did some of the welding. And I will say that at that time all of the welding was inspected by a outside inspection firm, a Newfoundland firm, who was qualified to do welding inspection, and they watched the welds and saw that they were properly done. They also x-rayed each joint in the welds, they take a big x-ray machine, and actually take a picture right through the steel, and experts on interpretation of these x-rays, looked them over and

MR. WHITE: examined them for any indication of flaws or any questionable areas where there might be slag inclusion or other types of defects in the weld.

MR. SMALLWOOD: Do you mean to say that all the welds, all the joints of these plates that went to make up these great tanks, they are all welded edge to edge, that all these were photographed, were x-rayed?

MR. WHITE: Yes, Sir.

MR. SMALLWOOD: What did you do with the x-ray pictures, when you got them?

MR. WHITE: Well, actually there were two different groups that interpreted these x-rays. The group that was hired by the tank erector, to take the x-rays, and give them an interpretation. They took the x-rays, they interpreted the x-rays, and gave both the builder and us their report. We then took these same x-ray films to a second independent inspection firm, and handed them, the x-rays, and asked them to give us an interpretation independent of the other people, to give us an interpretation of these x-rays. Both of these interpretations were checked, and all of the welding was found to be satisfactory.

Now the x-rays still are in the company files and if anyone else wants to have another expert come and look at them, they are perfectly welcome.

Now as far as testing the tank itself, apart of the procedure at any time for one of these vessels is to test the tank with water. Now this is a carefully felt out procedure in which you put a certain amount of water in each day, into the tank, you sit up a transit and you watch the edge to see if there is any settlement in the tank, and you will see if the foundation is going to move or anything happens. After the tank has been filled with water it is allowed to sit for a certain period of time, and then the water is dropped out of the tank, the tank is opened and the bottom cleaned again, because normally a certain amount of rustscale and that sort of thing accumulates. So you clean out the bottom of the tank:so if it is clean, button it up, and your tank is then ready for oil service.

MR. WHITE: Now these tanks that are here will be tested before they are put in oil service. They are normally tested immediately before being put in service, because something can always happen, you do not test something to day, and leave it sit out in the weather for months, and months before you actually use it. We will put the hydrostatic test on the tank just before it is put in service.

MR. SMALLWOOD: Is water as heavy as the oil?

MR. WHITE: Water is heavier than oil, Sir.

MR. HICKMAN: Will you have 90,000 tons of water in that tank?

MR. WHITE: We will have in access of 90,000 tons of water, yes. Because water when you consider it by the barrel, water I think will run approximately six barrels per ton, instead of seven and a-half. So we do have this extra margin of safety after everything else is done in the tank.

MR. HICKMAN: I think this is general knowledge, this is a standard method of testing tanks, and I think it is a fair statement to say that tanks, on more occasions than one would like to think of, have been known to collapse, when that sort of test has been imposed on.

MR. WHITE: No, I can think of one occasion where this has happened. Of course as I have said before, you do not handle a liquid anywhere, anytime, without spilling some, sometimes. Now this happened in England, not too long after the war and there were some tanks that were being tested. They were being made out of a new type of steel which had some rather peculiar coal properties. The tanks were being tested with very cold salt water, which again, except were water is very short, you should not use salt water to test the tanks. It is a very poor medium to test, but the tank did fail on a water test.

MR. HICKMAN: Thank you, Mr. White.

MR. HICKMAN: You may recall, when I mentioned it. Portland-Maine, small tanks the size that you get on the Southside Hills, nothing to carry the weight of this, if you recall were being tested and filled with water and, as you know, you can probably get almost to the top before the thing goes and suddenly the two tanks rolled up like toilet paper. There were houses washed out into the harbour. Do you recall that? It was one of the large oil companies. One of the standards. I have forgotten which one.

MR. WHITE: I do not have first hand knowledge of that particular incident, but certainly this sort of thing has been known to happen, but when you think of all the tanks in the world that have been built, there is not that much danger and certainly there is less hazard in standing on top of one of those tanks, while it is being filled with water than there is driving your car for an hour.

MR. HICKMAN: We were told it was the largest tank in the world, or it was when it was built.

MR. WHITE: What our press announcement said was that it was the largest tanks on the North American Continent.

MR. HICKMAN: There are larger in the world, are there not?

MR. WHITE: Yes there are some larger and there are quite a number of tanks of this size that are built. These tanks hold 605,000 barrels. The *Large Oil and Transport* on the Island of Aruba in the Netherlands, Antilles has a tank of 1 million barrels capacity. There are a number of tanks of the 600,000, 700,000 and 800,000 barrels capacity in existence. Out in the Persian Gulf, there are a great number of tanks of the 500,000; 600,000 and 700,000 barrel capacity range.

MR. HICKMAN: I was reading about an export company of 1 million barrels, by a Japanese company, I remember reading. Are you familiar with that?

MR. WHITE: These tanks are feasible up to 1 million barrels, yes.

MR. HICKMAN: Do you agree with me that the heavier the weight the larger the tank, the more caution has to be used, because if one ever erupted, there would be no second chance would there?

MR. WHITE: Well if a tank breaks, there is no second chance. It has broken

but there is no reason why just because it is larger, there is any greater risk. There is less risk, because we are being more careful with the large tanks. We are putting them in location, for even if they do break, any thing does happen, it will not do the damage.

Now to go ahead with this thing, I think, you have a certain concern about may be our dropping of 600,000 barrels of oil in the Bay. Well the way this tank farm is laid out, the tanks are on a hill and below those tanks and in the low valley before they get into the Bay, we have designed a catch basin, which we will use. We will clean this out. This basin will be dammed off with an earthen dam and be equipped with drains and that sort of thing so that it can be cleaned out and it will have a capacity to hold about one and two-thirds volume of the tank. It will hold - these tanks hold about 600,000 barrels, this basin will hold at least 1 million barrels of storage space. I just got a note here that in Bantry Bay, you have all heard, I think, of Bantry Bay, the big tanker terminal that Gulf has built, this is in Ireland, on the Island of Bantry, and it is near Cork. That is right, it is Woody Island in Bantry Bay. I should remember, I was there. Granges Graver built tanks of this size. Now let us see, there were twelve tanks of this size built. They are now in operation, now being used by Gulf. It is the same company and in fact a number of the people who work on the Bantry Bay tankage moved right over here and worked on these tanks.

MR. SMALLWOOD: Mr. White, I wonder, before you go on to the other two questions that I asked you, if you would give way for a moment to Mr. Brown who is another engineer who has had to do presumably with tanks and this gentleman here second from him, the good looking man there, who also has had to do with refineries and tanks, two different outfits, one from England, one from California. Mr. Brown what do you say about these tanks out here, 605, 000 barrels each. Are we crazy to have that sort of thing or what is the fact?

MR. BROWN: Mr. Speaker, I think this is entirely practical, sir. Tanks are designed properly. They are built properly. They are tested properly, with the added safe guard of course, of catch basins for that almost impossible situation. It is a perfectly reasonable thing.

MR. BROKAW: Mr. Speaker, we have been involved in approximately, -I guess sixteen or seventeen grass roots refineries, some in this size range, and we are using big tankers. Everybody is coming to the conclusion, including all the major oil companies that you use big tanks to hold your crude oil. It is more economical and as long as you build under the codes, not only the British standards but the American Petroleum Institute require, they are safe.

MR. BURGESS: While we are on the possibility of pollution, this is essentially what the problem is. Yesterday, I believe, you made some remarks about the construction of very tall stacks in order to - were you talking about eliminating pollution or minimizing it and to what degree would the erection of small stacks minimize air pollution?

MR. WHITE: Mr. Speaker, we always have to think of minimizing air pollution. You can never get around a certain amount of air pollution. I have just seen a little article in, I believe, it was Chemical Engineering News that one of the more serious atmospheric pollutions occur over a pine forest. If no one is there, there is still quite a bit of atmospheric pollution, because of the wax and things from the pine trees; so anytime you have any living thing or any industrial plant, there is some thing that could be defined as pollution; so we always have to minimize it, to use abatement procedures and that sort of thing.

Now when I referred to a tall stack, this is the reason for that - the reason for that is that it gets the gases, it gives you very good combustion conditions in your fire box; so that you completely burn your fuel and eliminate any carbon monoxide or partially burned fuel from coming out and the other thing is that it raises the gases up to a fairly high level where there is usually

a good wind blowing so that it will dissipate this gas and spread it out into the upper reaches of the atmosphere and not let it accumulate down on the ground for it might cause a little bad odour or something like that.

Now to get back to the tanks, the point that Mr. Brokaw made about the size of these tanks is very important from a pollution standpoint as well. A small tank is - everytime you change operations, when you switch things, you have men changing valves and that sort of thing, now the bigger your tank the fewer operations you have to go through, when you are unloading a tanker. A small tank, a 100,000 barrel tank, if you use that for unloading a tanker, you would have to have a multiple, you would have to have multiple tanks open, ready at any time to receive the crude, because the tanker itself will discharge at a rate of 100,000 barrels an hour.

Now you certainly do not want to fill up a tank that is forty, fifty or sixty feet high in one hour. This tank should be filled over a period of time.

MR. SMALLWOOD: Does this mean that a 2 million barrel tanker coming into Come-by-Chance will take twenty-hours to off-load, to pump-off the 2 million barrels ?

MR. WHITE: Yes sir.

MR. SMALLWOOD: Twenty hours?

MR. WHITE: Yes, sir. We try to hold the turn around time on a ship to less than two days, less than two days in port. To do that we must have a discharge time of not to exceed twenty-four hours and this is what establishes the discharge rate, is how large the ship is.



MR. HICKMAN: There seems to be three areas of possible pollution with any refinery, yours or anyone else's. One is that the tank might collapse and pour a large quantity of oil any size tank, be <sup>it</sup> this tank or the tank you store your refined product in. Another is the air pollution, and the third which is a very, very significant one insofar as Newfoundland is concerned is the possible pollution of the water. Now the Government of Canada as you know is bringing some pretty restricted requirements insofar as anti-pollution is concerned. Many of the states of the Union, or some of the states of the Union are insisting that oil refineries set up a fund to pay for all costs arising out of pollution and that there be unlimited liability. In your design, not only of your tank, but your wharf and your whole process. Are you so designing it now in the knowledge that before even construction starts you may have to meet far more stringent requirements than were enforced one year ago, when you were doing this and do you agree with the proposition that there should be unlimited liability for any other refinery, and would your company be prepared to put the necessary funds out its earnings as other oil companies are now doing, to pay this Province for any damage arising out of pollution or any fishermen in Placentia Bay who suffer extensively.

MR. WHITE: I think that as far as the damages are concerned, it ought to be made clear that the oil companies neither any of the major oil companies, or anyone else, would pay for this sort of thing out of their profits. Because an oil company or any other business has to run as a business. It has to get a certain return on the capital, or the investors will not invest in it, so that if we have to buy the insurance, if we have to accept unlimited liability there will be a cost. That cost will be passed along to the ultimate consumer. You might just as well expect that, because in anything in life, if you want to get something you have to pay for it. Now this may be a more just way of doing it. This may be a more fair way of doing it than the way it is being done now, where when there is a disaster, certain people in a certain area get hit harder. I do not want to go into that type of a discussion, and I do not think it is proper for us to do it at that

time, but I do say that if there is this requirement for insurance that they were brought out by the International Agreements or by national regulation, certainly we will have to abide by it, and we will, as far as the design and air and other type of pollution are concerned, our plant is being designed to minimize the amount of pollutions that are formed to control the operations and control the processes so that they are not in there. We certainly will abide by all of the laws and regulations, and we have in Act 86 of the Legislature and in the agreement which we made which is appended to that Act. We have agreed. This is an obligation of the company to comply with all of the laws, with all of the regulations issued by competent authorities in that field, whether they be federal or provincial.

MR. HICKMAN: You must have seen by now as a prudent builder, the proposed regulations that <sup>are</sup> coming into force by the Government of Canada this year. There is already as can be expected a screaming from industry that is going to cost a lot of money. What I want to know from you is, I mean there is no question you have to comply with it, there is no doubt about this. But is it going to affect the economics of your construction, if for instance the added requirements cost another \$5 million. Do we whack that on top \$155 million that we are talking about now. And are you in a position to tell us that this is going to cost you more money?

MR. WHITE: No, this is not going to cost us any more money. We had anticipated that the affluent from our plant will be certainly well below the standards that have been established at this point. When we designed this plant, we looked into the future, although we saw that there was quite an activity here for a little agitation for stricter laws, for stricter regulations of this thing, so that in our basic design we took care of that. We had anticipated it, so that we would not have to go back and make a large investment in future years. Therefore, we have it made now. We will start out with a good clean operating plant and we have taken all of the precautions we think that we can to prevent any pollution, and we will operate the

plant that way.

MR. ROWE (W.N.): Mr. Speaker, to give Mr. White a break before he answers the other two questions which the Premier has put to him, I would like to direct a question to -

MR. SPEAKER: The gentleman is answering questions that the Premier and others have been asking supplementary questions - Mr. White should carry on with the reply to the Premier's question.

MR. CALLAHAN: Could I direct a question to Mr. White Mr. Speaker? Mr. White, did your company have some communication or proposal in fact from Memorial University on the question of pollution in Placentia Bay? And some suggestion that they be I assume commissioned by your company to undertake a survey?

MR. WHITE: Yes we have. We have gone in - we have had some discussions and proposals from the Memorial University people that they do this sort of thing. We have reviewed this very carefully and we will certainly co-operate with them, however, at this particular minute we do not have the funds to do any funding on this sort of thing, however, might we ask that General Lessing give us a short summary of his discussions with Memorial University, and what the plans are as soon as the funds are available to do this, we want to carry on our discussions with these people.

MR. CALLAHAN: Before General Lessing does say this Mr. White. This occurred some time ago I take it?

MR. WHITE: Yes.

MR. CALLAHAN: Can I assume from what you have now said, that there is no unwillingness to have this kind of thing done. Is it a case that the time was bad? Or as you said funds were not available because the project was not completed? What was the reason at the time?

MR. WHITE: There were two reasons. One is the plans for the plant were not completely developed at that time. And we did not have drawings and all of that that we could submit. And the second and probably the most important thing at that point was, we did not have funds to commit to that

type of study until after we get our financing completed. As we have told you the money that we have spent on the sales effort, the development of this thing, the engineering and all of that has been quite a burden on us, and we do not want to commit to any additional funds until we do have the financing completed. We certainly do want to co-operate with the people at Memorial University.

MR. SMALLWOOD: If the University were to be asked to give their services in this matter, it would be the Government that would ask them not you. And we would be the clients. They would be consulted and retained by the Newfoundland Government, and you then would really have no choice would you, except to meet the representatives of the Government, that is to say the University specialists, and you know we have very great specialists at our University, they are among the best in the world. And if we retain them, you would have no choice but to collaborate very closely with them; and what the minister was asking you is would gladly co-operate, or would you do it unwillingly?

MR. WHITE: We would do it willingly, and in fact we would welcome this type of study because it will help us in our final design and operation of the plant. We do know that we have been given a memorandum and an outline of the work that they have proposed to do, and we certainly are not in any way against this sort of thing. We would like to have it established that way because we want to have it perfectly clear to everyone, that we are not polluting the bay. We are not causing any bad effects from the Oil Refinery.

MR. CALLAHAN: I would like to get back to an earlier question of a few minutes ago. The suggestion was, I think, that if you had to comply today as against a year ago with new legislation or new regulations, new strictures on oil refineries and indeed other plants this would be an added cost to you, now what is the position in the industry generally in respect to new plants? I would think everyone would be doing the same and secondly would this same kind of thing not apply only more so to plants constructed prior to a year ago that the whole industry is in difficulty and only new plants really are in a position of advantage, would that be the case?

MR. WHITE: That is precisely the case. In fact, we had anticipated that this thing would come about. Had this plant been designed ten years ago our affluent systems would have been somewhat different. We thought that was adequate at that time but some of the experience in the past has proved that it was not. Now the old plants are the ones that are having trouble. They are the ones that are going to have to rebuild their whole system, they are going to have to study their whole processing scheme to try to minimize this. With this in mind our processing scheme was designed anticipating these types of regulations that were going to be brought in and our people and the engineers, the designers stay abreast of this thing all the time. We do not design the plant to meet the quality of water that would be required next year or the year the plant goes on stream. We try to anticipate what the quality requirements will be ten years from now and meet those requirements in the design of the plant because it certainly is a lot less costly to do it while you are designing the plant than it is after the plant has been built.

MR. CALLAHAN: So it is fair to say then that from the feasibility and economic feasibility point of view, from a financing point of view that you were in a more favoured position than the great bulk of the oil industry today rather than at a disadvantage?

MR. WHITE: Very definitely. We have a distinct advantage over them. If we could ask General Lessing to -

MR. FRECKER: Mr. Speaker, Mr. White began an explanation in which I was

MR. FRECKER:

very genuinely interested and he got moved to several tangents. Mr. White, you began to explain what your company was doing to take care of this possibility of a breakdown and an overflow and to see that the bay was protected from pollution. I wonder if you could come back to that point.

MR. WHITE: Mr. Speaker, yes the tanks are being built along the side of a hill and we will have small diversion dykes and a large ditch on the low side of these tanks which would be adequate to take any oil spill.

MR. SMALLWOOD: If a tank collapsed or if it leaked and 600,000 barrels ran out of it, you save all that from going in the bay?

MR. WHITE: Yes, Sir, our basin will hold approximately 1,000,000 barrels or more so that any one tank could be spilled into it and still have a very large margin of safety. Because on the average a tank is only about half full in the refinery at any time so we would have an even greater margin but if the tank were completely full it would still hold one tank and almost the contents of another one at the same time.

MR. HICKMAN: Mr. White, the only Government that I know of in Canada that has any personell and facilities to check on pollution right now, we have nothing here as yet, or no-one. Have you submitted to the Government of Canada your company and your design engineers the plans of your plant showing what anti-pollution procedures you are going to adopt both in so far as the land and the sea and the air, the Federal Government research jurisdiction over air pollution, if you have done it when did you submit it, to what department and have you received the approbation, the approval of the Government of Canada?

MR. WHITE: We, of course, will comply strictly with all the rules and regulations. As far as having submitted anything the complete engineering design of this plant is not done. We do not have detailed drawings of every little vessel in the plant. We have hired very competent engineers who have designed the basic plant and called out the basic specifications that are required. As Procon gets on the job they will make up the detailed drawings, they will do the detailed work that is required of them by the specifications that have been written by UOP and Ralph M. Parsons Company. Then as these

MR. WHITE:

prints are finished they will be submitted as required to the Provincial and the Federal authorities for review. Of course we always have to do this before a plant is permitted to go on stream. We would do it anyway and we have been in touch with these people and co-operating with them in what they require however, we do not have the detailed plans available to hand them today. This is one reason we want to get our financing completed, get the engineering completed and get on with the job.

MR. CALLAHAN: Surely, Mr. White, and I cannot accept the comment made earlier by the member from Burin that we have no expertise in this field. We have and we are getting more but surely your engineers will not complete their plans without regard to existing legislation or regulations. Surely they will be guided as any planer or any architect is guided by electrical codes or building codes or whatever they may happen to be. Surely these things will be built in and that that check will necessarily perhaps be only or only have to be a sort of a cursory confirmation, is that not the game? Surely your engineers are not going to proceed as if Federal regulations and laws did not exist or any other kind of laws or regulations and find when they have their plans all done they have to do them again?

MR. WHITE: No, absolutely.

MR. EARLE: May I just ask your opinion on this with respect, Mr. Speaker. The hon. members of Government particularly Cabinet have had a full opportunity to question these gentlemen and if they have not questioned them on all the points they have not done their homework properly. They are not servicing the people of Newfoundland. Now I contend, Mr. Speaker that the members on this side of the House have not had that opportunity and should be given preference in questions, because these gentlemen already should know the answers to the questions which they are asked.

MR. SPEAKER (NOEL): We are in the hon. House of Assembly now and it has been said a thousand times that all members are equal. What they know privately is their own business but what they know publically is what we are concerned with here. Each member has his equal rights and the duty of

MR. SPEAKER (NOEL):

the Chair is to see that each member is given a fair share and pick out alternate speakers and so on. With regard to what we are doing now I think that to get back to fairness the hon. the Premier asked three questions the last one was the discussion concerning tanks. The Chair permitted a certain deviation of pollution in relation to the tanks but I think that the hon. the Premier is entitled to an answer to the other two questions that he posed and Mr. White should proceed with them.

MR. CALLAHAN: Mr. Speaker, could Mr. White complete the answer to the last question?

MR. SPEAKER (NOEL): I think the pollution theme is a little bit adrift and we should get back to the three questions asked by the Premier.

MR. WHITE: Mr. Speaker, the second question that was asked by the Premier was the navigation of Placentia Bay. I believe that earlier I have gone into this subject at some length. As far as the buoys, I do not believe we specifically mentioned them. I believe that there were two locations, Captain Wallace I think you could confirm, were there two locations that we have requested that the hydro-graphic office, three, three locations that Captain Wallace and the dock and other navigation people he has consulted with have recommended that buoys be installed before we start navigation. I also think that there are certain range lights and target boards and that sort of thing, four range lights, some target boards and that sort of thing which will be installed by the Canadian Hydro-graphic Office before the ships try to navigate into this bay, these very large vessels. And another point - Our dock will be designed to take a ship of 350,000 dead weight tons. Now 350,000 is a little larger than any ship afloat right now. There is one under construction a little larger than that and there is some -

MR. SMALLWOOD: Under construction where?

MR. WHITE: This ship is under construction in Japan. There is some talk, there is a feasibility study being conducted right now on a 500,000 ton tanker however this is in the future. Now the depth of water at the dock is sufficient to take the 500,000 ton tanker. The mass of the dock, the fendering system and so on has been designed to take the impact load only of



MR. WHITE:

the 350,000 dead weight ton vessel however provision will be made in the springing arrangement so that it can take additional impact load if we spend a little more money on it. This was left off at the time for economy reasons.

MR. WELLS: How many miles will a ship of 350,000 tons need to turn around and stop, approximately how many miles?

MR. WHITE: I wonder if we could ask Captain Wallace who is a master mariner to answer that question because he has had experience, he has had some direct experience and has also visited some of the large tanker training terminals.

CAPTAIN WALLACE: Mr. Speaker -

CAPT. WALLACE: To hon. members. The ship was 350,000. Gulf Oil recently did some experiments and they did stopping in two ways. One just stopping the engines and seeing how long it would go, that was 7.8 miles.

MR. SMALLWOOD: After stopping the engines, it took nearly eight miles for the ship to come to a stop

MR. MURPHY: 7.8 miles was it?

CAPT. WALLACE: And the other one was a crash stop, that is from full ahead to full astern and this was 2.8 miles which was quite surprisingly low. This of course depends on the weather

AN HON. MEMBER: And the power

CAPT. WALLACE: Well yes, and the power, but these ships are all very highly powered. This particular test was done on the Gulf Tanker which is a twin screw one. It is not usual yet to have every tanker of that size

MR. ROWE (F.W.): What is the speed, the normal speed?

CAPT. WALLACE: Seventeen knots, about seventeen knots

Well let me explain how it will happen in Placentia Bay. The pick-up point will be five miles due west off Cape St. Mary's, and then

MR. SMALLWOOD: That will be from the pilot

CAPT. WALLACE: Oh the pilot, yes Sir

MR. SMALLWOOD: Five miles

CAPT. WALLACE: Due west off Cape St. Mary's

MR. SMALLWOOD: Off Cape St. Mary's

CAPT. WALLACE: Yes

MR. SMALLWOOD: Five miles

CAPT. WALLACE: Yes

MR. SMALLWOOD: This means that the pilot boat goes out with a pilot aboard, and he boards the big tanker.

CAPT. WALLACE: Yes, that is correct

MR. SMALLWOOD: And he takes charge from there?

CAPT. WALLACE: Yes

MR. SMALLWOOD: His docked

CAPT. WALLACE: Yes, that is right

MR. SMALLWOOD: This is a pilot licensed by the Canadian Government, under Canadian law?

CAPT. WALLACE: That is difficult to answer Sir, because the laws have been ratified at the moment

MR. SMALLWOOD: They are being made tough, the Canadian Parliament making the law governing tankers coming into any Canadian port, making these laws very, very tough, and they will apply to your tankers coming into Come by Chance.

CAPT. WALLACE: Yes. The pick up point is five miles off, well she will be practically stopped at that time and then she will go up possibly start at full speed, by the time she gets to Harbour Buffett she will be in half speed and then she will start to stop.

MR. SMALLWOOD: Harbour Buffett

CAPT. WALLACE: Yes

MR. SMALLWOOD: Half speed

CAPT. WALLACE: Yes. Then by the time she gets to, abeam of Bordeaux Island she will be dead stopped and that is one mile due west of Arnold's Cove. Then the tugs will button on and she will start to go ahead very, very slowly and the tugs will

MR. SMALLWOOD: Under her own power?

CAPT. WALLACE: Yes

MR. SMALLWOOD: And what will the tugs be doing?

CAPT. WALLACE: They will be starting to swing her around. From there to the jetty is one and one half miles so in that one and one half miles we can swing around. Now the idea of swinging

MR. SMALLWOOD: You mean it takes a mile and one half to swing around a ship

CAPT. WALLACE: No Sir, but that gives us plenty of time. She will start going head up and then gradually stop again and the tugs will turn her around so that she goes stern up or stern to the north. Then the tugs will tow

MR. SMALLWOOD: Does she come into the pier stern on?

CAPT. WALLACE: Not stern on Sir, stern to the north. In other words, heading out.

MR. SMALLWOOD: That is stern in and heading out

CAPT. WALLACE: Yes, that is right

MR. SMALLWOOD: You turn her around and bring her in stern foremost

CAPT. WALLACE: Yes that is right

MR. SMALLWOOD: And tie her on so she can swing is that right?

CAPT. WALLACE: The reason for that being that these ships when they come off will be half loaded, and with a prevailing wind in Placentia Bay, being to the south south west to turn her around could sometimes be difficult when she was light. So, then the tugs will take over and tow her up an until she is abeam of the berth about we will say oh, 200 feet off, and then slowly nudge her in until she is alongside

MR. SMALLWOOD: Slowly the tugs push her in

CAPT. WALLACE: Push her in yes.

MR. SMALLWOOD: Would not a ship of that size, a quarter of a million ton, or a 300,000 ton ship with a couple of million barrels of oil aboard, it is a frightful ~~mark~~<sup>weight</sup>, even a couple of hundred feet off. When she came in and actually touched the pier, would not she knock it to blazes, it is a terrific weight is it not, just the sheer capillary attraction would almost knock the wharf out would it not?

CAPT. WALLACE: Well, that is why we have the tugs and of course the ship's anchor. Because, we will have three very large and powerful tugs as you yourself said and she also has a large and powerful anchor.

MR. WHITE: Pardon me, just a minute, the dock is designed so the ship approaches at the rate of approximately six inches per minute

CAPT. WINSOR: Are those ships equipped with bow thrusters to assist in docking?

CAPT. WALLACE: So far very few bow thrusters have been put on the large tankers. I think it would be a good idea, but it is extra expense and very few have been equipped with them. One interesting thing is a new machine being developed which enables the pilot to tell the speed of approach. Not just going ahead or going astern, but sideways and the speed of the swing of the bow or the stern. He can take this aboard with him, (it is just like the size of a walkie-talkie) and look at it, and there is a similar thing on the shore. It is very difficult to judge.

Just imagine, a ship and our first one will be 1,090 feet long

MR. SMALLWOOD: How long? How long?

CAPT. WALLACE: 1,090 feet

MR. SMALLWOOD: 1,100 feet?

CAPT. WALLACE: Well not quite

MR. CALLAHAN: About three and one half football fields

CAPT. WALLACE: Yes, that is right, and the pilot will be roughly 250 feet possibly 300 feet from the stern, that is one heck of a lot of great big chunk of iron ahead of you, in fact, one amusing thing but it is quite true, they use bicycles to get from the accomodation aft to the fo'c's'le head. They do.

MR. SMALLWOOD: Why not roller skates?

CAPT. WALLACE: It is dangerous, because you might get a spark

MR. BURGESS: Excuse mr Sir, but in relation to the nudging of the dock, would it not be a wise idea to have some of the hon. ministers standing there talking so that you would have a counter wind

CAPT. WALLACE: I shall not answer that

MR. SMALLWOOD: Do you not think it would be a better idea to have the hon. member as an anchor?

MR. SMALLWOOD: No comment, no comment

MR. WELLS: Mr. Speaker, on a Point of Order Sir, the Deputy Speaker sat in the Chair a few moments ago indicated that we are going to have the two questions earlier asked by the Premier answered. Now I have been waiting all afternoon since the premier asked these questions, and waiting for the answers to be given and we have wandered all over the place, in and out of Come by Chance on monster ships. Over to Japan, but I submit Mr. Speaker that there are some very important questions that the people of this Province might be a great deal more concerned with. Although it is good to have this information, but I submit Sir that there is information that is of considerably more importance, and the clock goes on and I suggest we follow the direction given by the Deputy Speaker when he was in the Chair.

MR. SMALLWOOD: No hurry now, no hurry, take all the time we need

MR. SPEAKER: If Capt. Wallace wants to continue his answers to these questions

I think he is perfectly at liberty to do so

MR. CROSBIE: Mr. Speaker, on this Point of Order now, we have been about an hour and fifteen minutes on the Premiers three questions of which only one has been answered. There are many questions on this side of the House having to do with this project and its economics and the rest of it, of much more consequence than how the ship gets into Come by Chance and out, no matter how interesting that is. Surely

MR. SMALLWOOD: That is a matter of opinion

MR. MURPHY: Cannot we wait until we get her tied up before the winter is come again

MR. SPEAKER: Order, order please. The Captain is explaining something as a direct request from a member of the House. Would he please answer the question if he cares to do so, but I would hope that he would not be receiving quite as much assistance in giving his answers.

CAPT. WALLACE: Well I can answer some more points on Mr. Smallwood's second question, and to cut down from the dangers of ships running aground which incidentally they are only going to do in Placentia over my dead body

MR. SMALLWOOD: That would not help one bit Captain

CAPT. WALLACE: Most of these, in fact, nearly all of these large ships it is insisted on now have two radars not just one, and they are of the most modern type which is called "true motion." I will not go into that, but it is the most modern type. So they have two radars, they have an echo sounder for telling them the depths, they have ship to shore communication, they have D.F., although that is not quite of much use in Placentia Bay

MR. SMALLWOOD: That is direction finder

CAPT. WALLACE: Yes, but in the land-locked bay it tends to lose its efficiency. They have decca.....

CAPT. WALLACE: Decca and or Loran. Decca being more appropriate on the east side of the Atlantic, and Loran on the west, they are becoming more universally used now. And this navtrack machine. Now as we all know Placentia Bay is famous for having lots of thick fog.

MR. SMALLWOOD: Fog.

CAPT. WALLACE: Fog, very thick fog.

MR. SMALLWOOD: Be careful now, we do not have much fog in Newfoundland.

MR. CROSBIE: All in Come-by-Chance.

MR. SMALLWOOD: Most of it is here in this House.

CAPT. WALLACE: So we manufacture it in Come-by-Chance. But I see nothing dangerous at all about the fog. Because as Mr. White pointed out this morning, the nature of the coastline is separate it lends itself to excellent radar echoes. I have checked this out, and it quite correct to say that. So fog will not hold us up at all, and it will not in fact, increase a danger that does not really exist beyond, an act of God, in bringing ships up the drum St. Mary's to Come-by-Chance. And I think that was all you asked me.

MR. HICKMAN: There is a great deal of concern being expressed now internationally over the size of the tankers and the possible pollution that could be caused by stranding of one tanker. We had a pretty good example of that in Nova Scotia two weeks ago. Do you know if, as a master mariner and presumably prescribing to these nautical magazines, whether many of the nations now including, and in particular, the Canadian Government is making plans to restrict the size of the tanker that will be permitted in Canadian Ports, an attempt to reduce the possibility of stranding and pollution.

CAPT. WALLACE: No we are not trying to restrict the size of tankers, that would not be in the interest of the oil industry because it is more economical to have bigger tankers. But what is being brought in, it is not fully implemented yet, by IMCO, which is an International Organization, which studies faithfully at sea, in all the aspects and also is active in pollution by routing ships over the certain dead weight, for example. Just imagine one of these large tankers trying to go through the English Channel, between

CAPT. WALLACE: Southeast England and France. But we would route that to the West of Ireland and down the North of Scotland. That may not what we are going to do, but that is an example. Or coming across, they would not allow them to go through the Straits of Belle Isle. They would route them to the south of Newfoundland, and then up Placentia Bay.

MR. HICKMAN: .... between tankers every week, and there are ninety-four tankers foundered in the last five years. I believe this is what is causing concern, the International concern of the trading nations. The Governments are far more concerned really with protecting the seas and the population than they are with making the oil industry possible.

CAPT. WALLACE: Well once again IMCO, this International Organization, they are doing all they can to cut down on accidents. Incidentally two a week seems to be rather high, but I do not know, (and the Canadian Government), Capt. Blake I think his name is up in Ottawa, and he is Canada's representative on IMCO, now there may be more, there are probably more, but he is the only one I have corresponded with. Does that answer the question?

MR. SMALLWOOD: Where do these ships come from when they have arrived off Cape St. Mary's, where have they come from and by what route? A quarter million ton ship cannot get through the Suez Channel.

CAPT. WALLACE: Well it comes from the Persian Gulf, she will come out the Persian Gulf right around the east coast of Africa, round the Cape of Good Hope, and right up through the South Atlantic across the Equator, and straight up for Cape St. Mary's.

MR. SMALLWOOD: How many miles is that? 10,000 miles?

CAPT. WALLACE: No.

MR. SMALLWOOD: 12,000 miles?

CAPT. WALLACE: About 12,000 miles.

MR. SMALLWOOD: About 12,000 miles. That is not extraordinary is it?

CAPT. WALLACE: It is about exactly the same mileage as <sup>to</sup> Bantry Bay.

MR. SMALLWOOD: As to Bantry Bay.

CAPT. WALLACE: Yes.



MR. SMALLWOOD: That is where the oil comes from Bay.

CAPT. WALLACE: That is correct.

MR. NEARY: Could I ask the Captain what the possibilities are of these ships encountering ice in that section of the coast. And if these 350,000 ton leviathans can penetrate ice the same as the Manhattan, that we are hearing so much about now?

CAPT. WALLACE: I will have to answer that in two parts. I did a study on the inches of ice in Placentia Bay in particular, and around the south coast in general. And since 1922, and only seven times have there been any large icebergs along the southcoast of Newfoundland. And never any in Placentia Bay, except.

SOME HON. MEMBER: Inaudible.

CAPT. WALLACE: If you would excuse me one second. In answer to the member's question, I said icebergs. Now there have been seven years, and I cannot recall which ones, but seven years since 1922, when there has been brash that is broken up mess-mash ice across the bottom of Placentia Bay. And on one of these seven years, we had to use an icebreaker. And that would be no problem to us at all. So Placentia Bay can be said to be completely ice-free.

Now the second part, the type of tanker that we are concerned in, is not an icebreaking tanker. So we will have to get an icebreaker, if there was any of this ice across the bottom of Placentia Bay.

MR. CROSBIE: Have any charters being entered into for tanks to carry this crude oil to date, or are you having them constructed. What is the position on the tankers, are you specifying what kind of tankers?

MR. WHITE: Mr. Speaker, really I can say we have chartered tankers. And we right now have a charter for a 226,000 dead weight ton vessel. We have done this in order to establish a rate. Now, however, I would like to further amplify what Capt. Wallace said on the safety aspects of this thing. Now I find it hard to believe, I do not know where the statistics came from of two ships a week foundering, but certainly there are only in the tanker world,

MR. HICKMAN: I meant colliding, ninety-four in five years foundered.

MR. WHITE: Ninety-four in five years foundered, because there are only something over 3000 tank ships of 10,000 ton or larger in the world. Now, of course,

MR. WHITE: 3000 vessels is quite a bunch of vessels, and if you add to that all the other cargo ships, why of course, you will have a few collisions and it is the same has you have with automobiles, they run together but, this does not necessarily mean they spill large quantities of oil. It has been unfortunate, that we have had two rather serious spills that have been in the news, the Tory Canyon, when one of the ship's captains decided to take a short cut on a route that he had absolutely no business to be. And this was a human error. The other vessel that I can think of, which happened very recently in Nova Scotia, I had talked to some of my contacts in the shipping business, in New York, and they claim that this ship was a vessel over age and crew maintenance.

MR. SMALLWOOD: It was an old tug, and I have that have as high authority as you can get. An old broken down tug, it was fallen apart.

MR. WHITE: And we will certainly will not have vessels of this class.

MR. CROSBIE: Under Section 6(H) of the Agreement, you are to contract the chartered vessels to transport all crude oil required, and to transport all products manufactured by the plant to the market. And the charge be the Government company an amount equal to your cost. And such cost the chartered rate has to be approved by the Government's Crown Company. Now have you arranged for the chartering of a vessel as yet? And if so; what is the charter hire, is it at the International charter higher on the open market; or what is the arrangement?

MR. WHITE: Could I address a question to you, Mr. Speaker. Should I continue to answer the Premier's question or should we get into ...

MR. SPEAKER: I think it would be advisable to stick to the question until we cleaned up this point, and then we will have an opportunity to return to other subjects or related subjects.

MR. CROSBIE: Mr. Speaker, we have been on tankers and how they turn around and so on for sometime. And the type of tankers, so I am asking a question in connection with tankers.

MR. SPEAKER: What we have been doing, <sup>what</sup> /I am trying to avoid is, these people are trying to answer a question that is being posed, and there have been

MR. SPEAKER: side issues and supplementary questions arising. This is why it is taking so long. There are so many side issues, so many supplementary questions, that the question that was asked originally is not being answered. Now I would prefer the question asked originally were answered now, and then we can turn to some other subject and everybody will have an opportunity.

MR. WHITE: Mr. Speaker,

MR. HICKMAN: Mr. Speaker as to pollution by the tankers.

MR. SPEAKER: We are on the answer to the question that was asked by the hon. the Premier, as Question No. 2.

MR. WHITE: Navigational question.

MR. HICKMAN: To complete the statistics for your information Mr. White, the spillage from tankers last year was 284 million gallons of oil. Now this did not all come from collision. But apparently one of the most serious things concerning the Canadian Nation today, is the flushing out the tankers and the storage compartments at sea. Now can you tell us if the Law of the Sea is becoming more restrictive right now, not only to the size of tankers, cost of tankers, prohibiting flushing out at sea, all of which are very relevant to the cost of this project, because again you, as the hon. member for St. John's West pointed out, you are responsible for getting the chartered boats and that is charged back then to the operation.

MR. WHITE: Yes, Sir, the volume of oil

volume of oil that you have mentioned is very small in relationship to the amount of oil that is transported each year across the seas of the world. We have done a little research on that subject, and we find that any day, any particular day, that you want to choose, there will be approximately 350 million barrels of oil afloat. This oil would require may be an average of say ten days to reach its destination so there we have about 3 billion barrels of oil every ten days or about 3 billion barrels..

MR. SMALLWOOD: Three thousand million.

MR. WHITE: About 3,000 million barrels of oil every ten days, so you multiply that on out to a year, you will find, and you reduce your gallon each figure down, it would amount to about 5 million barrels a year of oil that go out from all sources of pollution. This is infinitesimal. You could not even put a percentage on it at that point; so I would say probably that certainly the motor boats that operate in the ponds and lakes around this Island put a lot more oil on the water in proportion to the area water, than we ever will in Placentia Bay.

MR. SMALLWOOD: Are you joking? Would you spell that out again? You say what?

MR. WHITE An outboard motor , when it runs, pollutes the water with oil. The lubricating oil that you put in, very little of that oil burns, most of that oil winds up floating on the surface of the lake or the pond where the boat operates.

Now any of you that have a boat, say thirty-five horse-power motor, you know how much oil you burn on a weekend, when you go out to water ski. I say that in proportion to the amount of area that is covered, if you go out to one of the lakes and run your motor boat all day in proportion to that and the proportion of oil that would ever get into Placentia Bay, even under very adverse conditions, the amount of oil per square mile would certainly be a lot more in the lake, than it ever would be on the Placentia Bay.

MR. HICKMAN: It would be unfortunate to have an explosion like that brand new 200,000 ton super tanker, Mara Passa had recently.

MR. WHITE: Yes, it was an unfortunate accident. It was an explosion while the ship was empty.

MR. NEARY: I have heard it said that fifty per cent of the tonnage of this boat at any one given time is oil. Is this a correct statement?

MR. WELLS: Point of Order, Mr. Speaker, I really, Sir, must protest. I refer your Honour to the resolution that has been passed and suggest that we get away from this relative nonsense in terms of what we are here to do. The resolution asks us to consider the question of the progress achieved since the passage of the Act and the economic viability of the project.

Now, I submit, Sir, those are the matters that are of concern to the people of this Province and as interesting as how much oil goes into a lake from a motor boat or as interesting as how big the carriers are and so on - may be it is interesting, I agree, but I think this other is what we are here for and is far more important and I have been waiting all afternoon to get on with it, Sir, and we have been just going around and around with more questions; supposedly related to the questions originally asked an hour and a half ago by the Premier and not get answers.

MR. NEARY: This is grass-roots information.

MR. SPEAKER: Order please! If hon. members feel that the information they are getting is interesting but is not to the point; this information that is coming before the House is as a direct result of a question asked. It has been asked by members and every member has a right to ask a question. But as I said just now, I would prefer, if the person who is answering the question that was posed just now by the hon. the Premier, if they would listen, and if they want to ask supplementary questions after the person who is answering the question has finished that part of it, then do so. I think, if you would take that advice which I have offered now on a number of occasions, we would get through with the business of this session very, very much faster. So I would suggest, and I would ask Mr. White, if he would answer the question that has been posed to him and refrain from answering any other supplementary questions which have

been posed to him before he finishes the question in point.

MR. SMALLWOOD: Mr. Speaker, to a point of information. We are not in any hurry are we. - I take it that Mr. Shaheen is willing to stay another two or three weeks and as long as we need them here; we are not in a hurry in the House. We want to keep them here. We like them. We want to get this information, and I do not think any hon. member ought to be in a hurry to get this thing choked off. I am glad to hear that the hon. gentleman does not want to choke it off. I imagine what he wants is that he will ask his questions and all the rest is nonsense.

MR. CROSBIE: On a Point of Order, Mr. Speaker. My Point of Order is this: that last night when a perfectly in order question was asked by the member for Labrador West, as to what had happened to the \$5 million in interim financing advanced to this project, this resolution was quoted to him, and he was stopped from asking the question, on the grounds that we were only to ask about the progress achieved since the passage of the Act, and the economic viabilities of the project.

Now if it is going to be permitted to ask any kind of question no matter how tenuous in relation to this project, fine, If that rule applies to all of us, we will comply with it, We will go weeks. We will go months, but when a perfectly legitimate question was asked by the member for Labrador West last night, he was cut down, because it was said to be out of order in connection with the resolution.

MR. SPEAKER: I say that the question itself is perfectly in order, and I am trying to get the answer to question number (2) which was posed, but continuous side issues are preventing Mr. White from answering the question, as he is attempting to do, and it has relation to the viability of the project. If that has no relation to the viability of the project, then I do not know what kind of question has. Will Mr. White please continue to answer question (2)?

MR. WHITE: Mr. Speaker, we have discussed the pollution and the hazards of

navigation to some length, and I feel at this point that we have really answered the question. I was just replying to a question from some of the other hon. gentlemen; so with your permission, I would then like to proceed to the first question asked by the Premier, which I think had reference to the actual sequence of events as to when we began to deal with Procon on the matter of entering into a contract with them. So in order to establish this, I think I should review a little bit of the history that went before any contact that we had with Procon. Now in 1966, 1967, when this project was first conceived, we did our own feasibility study. We did our own investigation and screening analysis. We came up with what we thought was a pretty good scheme. We then employed Universal Oil Products and that is the process division of Universal Oil to do the process work on this plant.

In 1968 Universal Oil Products issued a feasibility study on this project which was the result of a lot of work. At that point

MR. WHITE: At that point we discussed the possibilities with a number of engineering companies and at that point, we actually did not discuss it with Procon, because we had done a little screening work on this thing, and we said, well there are a number of large companies available, so we went to them first. We then, after they had looked at it, discussed it with Procon. They had a lot of work at that time. They expressed a mild interest, but not an aggressive interest. We dropped them off from consideration at that time, and proceeded.

Really at about that time, it was announced that Ralph M. Parsons Company had been given a contract to build a refinery for Gulf in Point Tupper.

MR. SMALLWOOD: Who?

MR. WHITE: Gulf oil..

MR. SMALLWOOD: Gulf oil.

MR. WHITE: Gulf oil at Point Tupper in Nova Scotia. The local representative from Ralph Parsons came around to my office and he said;"look a few weeks ago we discussed this thing and at that time we did not have too much interest, because we were fairly busy on some other work. This work has cleared up and more especially, we have been given this contract in Nova Scotia. We are going to put in a rather large operation in Eastern Canada now, and we have a much greater interest in this plant, since we were awarded the other one, we would like to also have an opportunity to work with you and see if we cannot come up with an acceptable deal." So we explained the processes and we explained what we needed with them, and we asked them if they would help us to arrange some European equipment financing, because we knew that they had had some experience along this line, and we knew that this sort of thing was being done. The Ralph Parsons company said, well we are not financial people, however, we do know some equipment suppliers that might do this sort of thing for you, and in a few weeks, they came back and introduced us to a steel company in Germany, the largest one there the Tissen company. Tissen was quite interested in supplying all of the machinery, the steel and this sort



of thing and working out an export credit guarantee, to give us the credit so that we could comply with our requirement that we place the first mortgage money for this plant. I believe it was in the summer of 1968 or the fall of 1968, I believe. I think it was in late summer if my recollection is correct.

We went out to Germany. We discussed this thing. The Tissen people said, well within our own company, we do not have quite all the capabilities that are necessary. We think the job is a little too large for us to undertake completely out of German equipment and German suppliers; so they suggested at that time, that they would form a consortium, which they did. They brought the Austrian Company of Waagner Biro in. They brought in two Swiss machinery manufacturers. One was the Brown Boveri people, who were electrical and turbinemanufacturers and Sulzer Brothers, who make large motors, large machines and that sort of thing.

We worked on the contract with them until we came to a satisfactory agreement on a contract and engaged Ralph M. Parsons to do the engineering work for this project. This engineering work was specified as sufficient work to enable the engineer to make a good estimate of the cost of the project. That was the purpose of the engineering work that was done. Ralph Parsons performed that engineering work and last summer along in about May or June, they had written their specification book. Now this specification was based on the design work done by U.O.P. U.O.P. had furnished this design to Parsons. Parsons had done the engineering work so that by July of last year, the Thyssen group were handed a specification book, which listed all the equipment, listed the processes for the plant and gave them enough information from which to prepare a fairly detailed estimate of the cost of the plant. After working on this estimate for about two months, they finally came back to us with a number that we felt was not quite low enough. We felt that the price should be lower and we wondered whether the estimate was really proper and where the costs were at variance with what

We thought they should be.

At that time and I believe it was in August, I think it was in mid or late August of that year, we went to Procon and asked Procon: "since you have not been involved in this process, since you have not been involved in this thing at all, could you do a small engineering job for us and confirm this estimate. We would like for you to take this specification book with your experience and with your estimators, and they have a lot of professional estimators in the company, would you estimate what this plant should cost for us and we will pay you a fee?" They said, "well, yes we will do it for a fee." At that point, we had some of their representatives come up to make an on the site inspection, and I believe that was in September. Was it not? They came up in September to prepare this estimate for us and by the end of September, they had submitted to us their idea of what the plant should cost.

Now their idea was somewhat at variance with the other group, and I am revealing some of their deep, dark secrets now, but I do not want to try to injure anyone, but I do want to get into the real sequence of events as it happened. We continued to negotiate with the Thyssen group, and tried to come up with a proper price. As it became obvious that the financing costs, interest rates were going to be high. We looked for an alternate method. At that point, someone in Procon and I am not sure just who it was, stated, well we have had a lot of experience in financing foreign equipment credits in Great Britain, and we know that the British export credits' people are interested in this sort of thing, and we have just completed a refinery for Canada to the E.C.G.D. and we would like to take a crack at may be doing this job for you. Well we said, "if you can improve the conditions, certainly, go ahead. They started their campaign at the E.C.G.D. and about Christmas time, a number of us went over and presented the feasibility study and that sort of thing to the underwriters of E.C.G.D. for their approval.

At that point, we then had two contractors and two competitive bids coming up. We had not really intended it that way. It just worked out and I think it was fortunate for us that it did work out that way, because

each of them knew that they had competition, each of them knew that the other people were in fact negotiating with us and trying to bring this business to their own company.

So if you will look back you will see that Procon did not really enter the picture until this past fall and that was quite a long time before - quite a long after the work and the agreements we made with U.O.P. had been made; so there certainly was no undue influence, as somebody mentioned yesterday that they might be construed that there was a little hanky-panky or something between these people. There is not and even at the very outside - this is a very ordinary thing that these companies do. One of them will estimate a job and they are certainly asked to bid on it. They are not asked to evaluate bids. The bid of evaluation could not be done by U.O.P., but as far as anything else is concerned, it is perfectly arms-length in all of our dealings with these people.

Now, we feel that the U.O.P. feasibility study as prepared is still a very valid study, and it certainly stands on its own merit.

MR. WELLS: Mr. Speaker, may I now ask a few questions. I would like to direct.

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MR. WELLS: Mr. Speaker, may I now ask a few questions?

MR. SMALLWOOD: I am not finished.

MR. WELLS: I have been waiting all afternoon for Mr. White to answer the Premier's question. And he has just indicated he finished answering it, and now would like to ask more questions.

MR. SMALLWOOD: I am not satisfied, and I am entitled to be satisfied.

MR. SPEAKER: Mr. White I presume has finished his answer to question number one, let us call it. If anybody wishes to ask a supplementary question for clarification, I think it is perfectly legitimate to have it done right now before we move on to another subject.

MR. SMALLWOOD: Mr. White, what I want to get established, you know, beyond doubt. You hired UOP and they worked for you for more than a year. They finished their work. They passed their plans over to Ralph M. Parsons in California. As they did it they passed them over day by day, week by week, and finally they were all passed over to Ralph M. Parsons. The next thing we know is that Procon, a reputable company in England, are the builders of the Refinery, approved by ECGD, approved by the banks in England, approved by everybody and they are building. And Procon are a company in England owned by a company in the U.S.A. and the company that owns them is owned by UOP. What I want to know is, was UOP completely cut off and out of the picture and finished with you, and you finished with them, before you talked with Procon about their building the Refinery, about getting a price from them to compete with Tissen and Ralph M. Parsons. And another thing you have not done is tell us - do Procon have to start now with the data that UOP prepared originally, and with that, do what Ralph M. Parsons did, begin from scratch with the UOP data, and then start and engineer a thing, or can you get hold of the Ralph M. Parson's designs, the blueprints? There must be a couple of tons of blueprints. Do you get that? And can Procon go ahead on those plans and complete the engineering of the plant? Now would you make that very clear to us?

MR. WHITE: Mr. Speaker, the second question: can we get the plans and specifications? The answer is yes. In our agreement with Tissen and

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Ralph M. Parsons Companies-- when this contract was made. There was a provision that if the Ralph M. Parsons Company did not act as the engineer designer and the construction supervisor, the plans and engineering work that they had done to date, could be obtained by us for use by other engineering firms to build the same plant at this location. Or at a comparable location.

MR. SMALLWOOD: Is that unusual, or is that normal?

MR. WHITE: You usually make this sort of a protection provision in any contract. This is just a caution. The reason for that of course is, that any engineering company, Ralph Parsons, Procon, Jacob's, any of them, have a certain amount of engineering skills and know-how. They have put together a team of people who are specialists, who have this particular knowledge, and particular ability to work as a team. The main thing they have to offer, the main thing that any of these engineering companies have to offer, is the skill of their people. Is the skill of the team they have put together. And of course the greater profit comes from the construction work. They get their profit from that. They do not get very much profit from engineering because it is customary to hire engineering time on an hourly basis. Say they charge you so much an hour for a draftsman, so much per hour for a junior engineer, so much for a senior engineer. Then they add a little amount of overhead on there to cover the office expense and all that sort of thing. Look there is not much profit in that kind of a job. This is a service they offer in order to do their work, and in order to get other jobs. So they do not have in these rates, any profit built in, or very little profit. So they normally say, if you will let us do the job, this a part of our development cost. But if somebody else does the job after we have done the engineering and used our manpower and our brainpower on this thing, then you must pay for it. So we did arrange for a fee. We have the option to purchase all the engineering work that has been done for a rather modest sum, when you regard the work that has been done. So we do have the right to get

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all of this work. This will save us considerable time. Procon has the capability of going right back and doing the same thing, but there is no use in repeating work that has already been done, and this work was necessary in order to come up with an estimate of the cost of the work. Now as to the first part of your question; the engineering work that was done, the process design work that was done by UOP, the process specifications really that were written by UOP, were completed and have been finished and turned over to Ralph Parsons. However, from a completely accurate and technical point of view, I can not say that we have dismissed UOP, that we have not continued with UOP, because we have. UOP is an unique organization in that they furnish technical service that the small refiner, the one that does not have a large engineering staff of several hundred process engineers, can utilize as his technical adviser. We are using UOP as our technical adviser. We are having UOP keep up the feasibility study at regular intervals. UOP for our purpose takes our sales contract, they take our new charter rates. They take all of the new changes that we have incorporated in this thing - the new process scheme that we need to change the yields a little. They re-do this for us and up-date it. In recent months they have done this twice for us just in recent months. So we do continue to use them and we will continue right on through this thing, because even after the plant starts up, you will have a very definite interest in doing this work for us, in keeping this operation right, in seeing to it that all the plants operate as designed, they will give us advice and service to help up in our operation of these plants because they do have the manpower, and the manpower with highly specialized skills that is required to get these units started in operation and running properly.

MR. HICKMAN: In 1968 you told us UOP completed its feasibility study and furnished it to you. Now an explanation that I would like to get is this: Up until November last year, the announced estimated cost of the Come-by-Chance project, with all its requirements, was \$110 million. \$110 million. Seventy to eighty from Government, or to be raised by you. \$30 million on the

second mortgage bond. What has happened and what did happen between let us say between November 1969 to now, to suddenly drive the cost up to \$155 million based on the same specifications by the same people. And this was announced and repeated since 1968, ever since the feasibility study came in, in this House, outside this House. And I would like to know the answer. But it is true, it is very much true. I have heard it dozens of times and so has every one in this Province. \$110 million.

MR. WHITE: Well, regardless of how it was announced, or how the information was furnished, whatever was done, within the past year and a half, there has been a lot of inflation. Now we made an announcement a couple of years ago, more than two years ago, in which we did I think indicate some prices for this thing. We have certainly not made any public announcement on this for a long period of time, during which time inflation has caught up with us, during which time a lot of other things have occurred. Principally the problem of the gasoline, lead in the gasoline. We have changed our product twice. If you recall that back in the time when we first bought this thing up. Before we had done very much in our marketing operation, we had intended to sell certain products to chemical manufacturers and that sort of thing, and we had an indication that the market was pretty good. But we had not actually tried to sign the contract with them yet. Now when we went in and tried to sign these contracts with these fellows for chemical naphtha and that sort of thing, we found that there was a sudden glut in the market that we could not get the price for this chemical naphtha. Then we could not get the long-term contract that we felt that it was really worth. We could not get its true economic value. This is one of the cases where UOP then went back to their computers and said, look there is another answer, make more gasoline. Make some gasoline because our sales people at that time had gone out to see what they could do toward selling gasoline. They actually had some. They had some customers signed up for gasoline, so we found that heating oil and jet fuel, was certainly a lot easier to sell than the chemical naphtha, so we changed our plant. We have increased the size of the reformer as I mentioned earlier, the

increased size of the reformer alone accounted for several millions of dollars. Another point that came up since two years ago was a very great emphasis on atmospheric pollution and sulphur, and right now in the Canadian market for instance and along the East Coast of the U.S. these two markets are practically identical in product specifications. The maximum sulphur content that can be allowed in number two heating oil is about seven-tenths of one percent. That is a fairly small amount of sulphur, but it does contribute a little to the sulphur pollution in the atmosphere when you burn a lot of this oil. The Governments have been pressing, and regulations have been adopted in some localities requiring a lower sulphur content. Right now the average sulphur content of the oil brought in is somewhere in the neighbourhood of one-half of one percent. We could see this coming. We could see the trend downward in sulphur. We then asked UOP to increase the size of our hydrobrom unit to enable us to reduce the content of sulphur in our fuel oil, so that now we can go down below three-tenths of a percent which <sup>is</sup> something that we anticipate maybe required a few years from now. Therefore, this is one the very points that I made in the pollution thing where we just do not make our product to fit today's requirement we have to look ahead to keep the sulphur lower. This has increased the cost of our plant and has added to the complexity of operation somewhat. However, we get a better price for this oil. We get a better price for gasoline, the economics over the period are almost unchanged. The pay-off period for this Refinery is approximately the same as it was when we first brought the proposal in and discussed with the members of the Government. The investment cost is higher, but the profits are higher to compensate for that.

In now being 6 o'clock I now leave the Chair until 8:00 P.M.





**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**HOUSE OF ASSEMBLY**

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**1            Number 43            4th. Session            34th. General Assembly**

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**VERBATIM REPORT**

**WEDNESDAY, APRIL 22, 1970**

**SPEAKER: THE HONOURABLE GEORGE W. CLARKE**

The House met at 8:00 p.m. Mr. Speaker in the Chair:

MR. WELLS: It has been confirmed that the total cost of the project is approximately \$155 million, possibly an additional \$2 million for customs duties, and that the amount of the contract with Procon is for \$155 million and that this will produce, this is a turnkey project and it will produce a completed refinery. That they will be able to go in and start operating as soon as they bring in the crude. It has also been clearly shown that the entire \$155 million is to be borrowed by Provincial Building Limited which is the Crown Corporation. In other words, it is to be borrowed by the Province. All of it.

Now in questions yesterday, Mr. Shaheen and Mr. White did not give answers, or would not give answers as to the dollar value of the gross sales. I want them to indicate for the people of this Province who are putting up the money, how they can justify asking for a subsidy of

MR. SMALLWOOD: Point of Order. I suggest to your honour that these gentlemen have not been invited here to justify anything. They have entered into an agreement with the Government of this Province under the terms of a contract and a statute made two years ago, drawn up by the very hon. gentleman who just sat down. They are not here to defend that contract or to justify it, they are just keeping it. The only right we have in this House under the resolution is to question them on the progress made in keeping the agreement. Not to come here and justify the agreement, we justified it ourselves when we passed it into law. We made it the law of this land this House did. We do not need any justification of it, still less does the hon. gentleman who drew up the Bill, who drafted it, need justification.

MR. WELLS: And opposed most of it

MR. SMALLWOOD: If anyone needs to justify it he does. He does not need to, besides he is beyond his rights under the resolution to ask these men who have entered into an agreement with us to justify doind so. I put that Point of Order Your Honour.

MR. WELLS: On that Point of Order Mr. Speaker, may I be heard Sir. I submit to Your Honour Sir that this afternoon the very same thing came up and it was

held that we wide ranged, and we wide ranged this afternoon and yesterday afternoon, including whether or not there would be bunk houses at Come by Chance. A fat lot of good that is going to do the people Of this Province who are putting up \$155 million. They want to know that their money is being properly spent and that these men in whose hands that money is being placed are going to properly spend it. That is what they want to know and that is what I am leading up to Your Honour, and that is what I propose to ask as soon as I have an opportunity to complete my question.

MR. SPEAKER: The hon. member is entitled to ask his questions

MR. CROSBIE: Point of Order Mr. Speaker, I would like to speak on the Point of Order and this statement as fact Mr. Speaker has been made. The hon. the Premier is attempting to pin my hon. colleague from Humber East and myself with the responsibility for this agreement. We resigned from the Cabinet of Newfoundland on this agreement on the grounds that Newfoundland was not receiving a quid pro quo, that we were not receiving sufficient concessions and these gentlemen in return for all that we were doing under this agreement that we were not getting anything out of the profits of the operation, nothing but 300 or so jobs at Come by Chance.

The fact that we drafted this agreement

MR. WELLS: Does not mean that we agree with it

MR. CROSBIE: And we attached the Bill does not mean we approve of it, and we resigned in protest against it and that misrepresentation should not be allowed to continue. I want to make that clear. And we did not Mr. Speaker, vote in favour of this Bill on second reading in this House. We abstained.

MR. SMALLWOOD: Mr. Speaker, I have stated the simple truth. It is completely wrong, it is completely inaccurate, it is completely not so that the hon. gentlemen left the Cabinet and crossed the floor in protest of this agreement which they drafted, which they drew up and presented to the Cabinet. And which they did not vote against in this House. They crossed the floor on one single aspect of the agreement, the bridge financing and nothing else. Nothing else and the whole Province knows that. They drafted this agreement which they are now asking Mr. Shaheen to justify, they drafted it, they negotiated with Mr.

Shaheen for months, they drafted it, they brought it to the Cabinet. It was brought here to the House and they crossed the floor

MR. WELLS: We did not defend it, do not impute that to me, or I will tell the Premier just what I said in Cabinet now if he wants to give me that responsibility.

MR. SPEAKER: Order please, order. I do not want to keep on repeating this ad nauseam at all, for every hon. member should be at least quite clear in what our terms of reference are. Now we do not want to have a vote of what happened back four or five years ago, or two years ago, or even six months ago. We must keep within the terms of reference. Members should ask questions and not start arguing about something that happened a long, long while ago. Keep to the question that is before us with regard to the progress achieved since the passage of the Act, and the economic viability of the project, and I think all hon. members, I have repeated this so often, that they should know, that this is the only way we can conduct this enquiry, not an enquiry, but conduct this questioning. Stick to the question and not give the question a long preamble of argument about what happened a long while ago.

Will the hon. member continue his questioning please.

MR. CROSBIE: Before we get to that, mis-statements or misrepresentation as to our position

MR. SPEAKER: The hon. member is on a Point of Order

MR. CROSBIE: On a Point of Order that I do not intend to allow to go on the record any misrepresentation as to my position. I wanted a better deal for Newfoundland in this agreement, and that is why I resigned from the Cabinet. I am not responsible for the agreement that is before the House.

MR. SPEAKER: This is not a Point of Order that can be taken at this time. Will the hon. member continue his questioning please.

MR. WELLS: Thank you Mr. Speaker. My question Sir, is that in the light of this, the Province is putting up the entire \$155 million, the people of this Province are borrowing it collectively through the Government, they are borrowing it and putting it into this project. How does the economics of this, that we have heard so much about in the last couple of days, how does the economics of this justify our subsidizing the electricity cost for at least \$1 million a year. We have not been told precisely, but at least \$1 million a year when the figures available clearly indicate that the Shaheen Natural Resources Organization is

going to make a profit of about \$20 million a year. Upwards of \$20 million a year. Would he answer that question?

MR. SMALLWOOD: Mr. Speaker, to a Point of Order, I do not know what answer Mr. Shaheen will give, I do not know if he will feel that he is under any obligation to justify this House passing the Act it passed. Whether he is under any obligation to justify his entering into the agreement, whether he feels any obligation to justify the whole project that he has entered into an agreement with the Newfoundland Government under the Act that this House passed. I do not know whether he feels any obligation to justify that, but I do say Sir, that no hon. member has a right to expect him to justify it. If he is living up to the law that we passed, that is all we may expect of him. Nothing else. Now what we are entitled to do in these questions is to be brought up to date not on anyone's opinion as to whether there should have been this Act. Whether the House should have had it brought in. Whether the House should have passed it. Whether it should have become the law of the land. That is not what we are here for now, it is the law of the land, and under it they have entered into agreements with the Government and contracts with the British Government and British banks and so on. That is fact, that is history, now what the resolution authorizes and perhaps Your Honour could send me a copy of it. I do not have it here before me.

Let me remind the House of what we are here for. Whereas the House of Assembly by Act no. 86 of 1968, entitled an Act to ratify, confirm and adopt an agreement made between the Government, Newfoundland Refining Co.Ltd. and other companies. And to make provision respecting other matters connecting therewith authorized the Government to enter on certain conditions into agreements relating to the construction of an oil refinery at Come by Chance. And whereas it is expedient that the members of the House be enabled to question the progress achieved since the passage of the Act, and the economic viability of the project. Be it resolved that the several persons involved in the project now without the bar of the House be invited to enter upon unto the floor of the House to answer such questions as members may wish to put to them for the aforementioned purposes. The aforementioned purposes being.....

the purposes being to question the progress achieved since the passage of the Act, not to justify the Act, but to question the progress achieved since the passage of the Act and the economic viability of the project, not how much money Mr. Shaheen will make or anyone else. Is it a viable project and what progress has been made? We are bound to this and this is what the House adopted.

MR. WELLS: If I were a resident, I would be ashamed of those answers to.

MR. SMALLWOOD: Mr. Speaker, I will keep my temper. I will let the hon. gentleman lose his. I will keep mine.

MR. WELLS: It matters not to me, he can do as he pleases.

MR. SMALLWOOD: This is why we are met. This is why we have invited these gentlemen into this House to question them on two things. The progress achieved since the passage of the Act and the Act was 1968, the Act passed by this House. The progress achieved since the passage of the Act and the economic viability of the project.

Now these are the only two things on which we may question. We certainly do not ask Mr. Shaheen or any of his people or the contractors of the engineers to justify the Act. We passed the Act. We do not need to justify it. This House passed it. The very hon. gentleman over there did not vote against it. They were opposed to one part of it, and they crossed the floor on that one part - the \$5 million bridge money, nothing else.

Now, Sir, I ask your Honour, to rule that we are bound to limit our questions to two matters, under this resolution. The progress achieved on the project since the passage of the Act and the economic viability of the project and if your Honour has not got a copy, I would be honoured to send it. Your Honour has one.

MR. CROSBIE: Mr. Speaker, now the hon. the Premier wants to restrict the questioning. Now we have had this afternoon in this House - we wondered all over the globe on matters that had nothing to do with the progress achieved.

since the passage of this Act and nothing to do with the economic viability of this project, and latitude was allowed this afternoon.

MR. SMALLWOOD: It has everything to do with it.

MR. WELLS: Point of Order.

MR. CROSBIE: When the hon. the Premier asked the question, latitude was allowed for us to roam all over the globe on matters that did not involve those two points. Last night our hon. colleague the member for Labrador West was not permitted to ask what had happened to the \$5 million that the Newfoundland Government advanced as interim financing.

MR. WELLS: It is embarrassing.

MR. CROSBIE: That was ruled out of order. Now, Mr. Speaker either we are entitled to question this project and all phases in connection with it or we are not. But what is sauce for the goose must be sauce for the gander and if the hon. gentlemen cannot justify this agreement, and we are not permitted to ask questions about this, well so be it noted, that they cannot justify this agreement and the tremendous profits that they will make without sharing them with the people of Newfoundland.

MR. WELLS: On that Point of Order. Mr. Speaker, if I may on <sup>the</sup> a Point of Order.

MR. SPEAKER: The hon. gentleman already spoke on this Point of Order.

MR. WELLS: Not this Point of Order, your Honour. I have just this to say your Honour: this afternoon I rose on a Point of Order..

MR. SMALLWOOD: Is this a Point of Order?

MR. WELLS: and refer your Honour to these very words...

MR. SMALLWOOD: Is it a Point of Order?

MR. WELLS: It is on the Point of Order, yes. I referred your Honour to these very words. I quoted the resolution and I said: "the cruise we are taking on Placentia Bay and around the world, crashing ships together has got nothing to do with the economic viability or the progress to date, and your honour ruled that it was related to the project and the question should be answered. I ask now for the same courtesy, your Honour, that is all, and I submit that this

is vastly more important.

MR. SPEAKER: I will say this and I am asked to rule on a Point of Order that I ruled on, about four minutes ago. The very same thing that we must confine our questioning to these two items. The question of the progress achieved since the passage of the Act, and the economic viability of the project. If a person is departing or not departing from that, is my prerogative to decide. If I think he is straying from these two subjects, I will tell him so. If I think he is being relevant to either one of these topics, then I will not interrupt him. But I think that is my privilege to decide whether the person questioning is being relevant.

Now we are wasting a lot of time on Points of Order, on which rulings have been given. I will ask the hon. member to continue his questioning to keep within and if he is not relevant, I will tell him so, and I hope that I do not have to, because I am sure that all hon. members know whether their questions are relevant to the resolution that was put before this House. Our terms of reference.

MR. WELLS: Thank you, your Honour. I have one more point to deal with here your Honour, and that is all, and I can assure your Honour that it is relevant. Very relevant to viability and viability is something a lot of people have questioned on this project. If Mr. Shaheen this project is so viable if this is so viable, as to be enabled to return to Newfoundland Refining Company, your company in Newfoundland, profits of upwards of \$20 million a year, why is it necessary to have subsidy on electricity? If it is so viable, why is that necessary?

MR. SHAHEEN: Mr. Speaker, I am perfectly a forthright fellow and I am delighted to answer your questions, sir. The question is rather complex and somewhat convoluted. Could you break it down into parts so I can deal with each of them separately. I would like to give you a clear answer. Apparently you want to know each of the parts clearly, and I do not want to merge them or telescope them, sir.

MR. WELLS: It has been suggested and there have been many references to what



Procon has done, Universal Oil Products has done and others and what the British Government has done and so, and all of these have been cited as examples to establish the viability of this project.

Now I ask you Mr. Shaheen, if and these are the only figures I have available to me, because none others have been made available, but they are nearly accurate as far as I know, but I must preface these remarks by saying, I do not have the absolute information. On the information that I do have, it does appear that your company will get a profit of about \$20 million a year. If this project is so viable economically, as to produce that kind of a profit, why is it necessary for your company to have a subsidy of the hydro-electric power cost?

MR. SHAHEEN: I think I have it in focus now. (1) I do not think anyone should try to manage the news, so I shall not manage the news. The gentleman sitting over here yesterday, pointed out that no one should try and manage the news; so I think that should be an important part of my answer. The people of this Province are not putting up \$155 million. The Government of this Province have endorsed \$30 million and that is all they have guaranteed and endorsed, only \$30 million, not \$155 million. It has been repeated several times in front of television, and I assume a nonmanaged news approach to putting the question to putting the question to me. It is not \$155 million. It is solely and totally under this agreement, \$30 million. There is no \$20 million profit. I would be delighted, if there were. It is not anywhere near that, and I do not intend to tell you, sir, how much it is, and I do know how much it is. I know exactly how much it is, and I have not the slightest intention of telling anyone except the Government with whom we have entered into a contract.

Now as to the electric power, I do not know how subsidy is involved. We do not know what the Government's power costs are. We have nothing to do with that. We have the same power rate in the agreement as the Government have advertised with other people. We have nothing to do with establishing the power rate, or with changing the power rate. We have nothing to do with

the generating of electricity in the Province. We do not know what the costs are, sir. But I want to repeat again very clearly that it has been most astutely propogandaized - the people of this Province as they have been referred to. We deal with the Government, not with the people. We deal only with the constituted authorities of the people. The Government of this Province is endorsing only \$30 million, no \$155 million. It is propoganda to take any figure other than \$30 million.

MR. WELLS: Tell me who is borrowing the other \$125 million?

MR. SHAHEEN: A limited liability corporation, sir.

MR. WELLS: Is it not a crown corporation? The shares of which are owned by Her Majesty, the Queen in the right of this Province or by a company who shares are held by Her Majesty, the Queen in the right of this Province.

MR. SHAHEEN: This Government is not guaranteeing a crown corporation.

MR. WELLS: It is a crown corporation that is borrowing the other \$125 million and that means the people of this Province are borrowing the entire \$155 million. Now I do not propose to argue on this.

MR. SHAHEEN: I am delighted, sir, that you do not propose to argue. Our lawyers tell us that that is not the case and we have excellent Q.C.'s here in Newfoundland.

MR. WELLS: Mr. Shaheen you have told us what the gross intake of crude oil will be; namely 100,000 barrels a day and what the gross produce of the plant will be about 93,000 barrels a day, thirty per cent of which will be gasoline; twenty-five per cent jet fuel; thirty per cent of which will be heating fuel; the remaining fifteen per cent a mixture of bunker sea and asphalt and what not. You have told us the water to be used and you have told us where you are going to sell certain of the products, and you told us that you were going to get a \$1.00 a barrel more for certain of the products and so on. Why? Why do you not tell us how much electricity you are going to use.

MR. SHAHEEN: I think that Mr. White, Sir, answered that question, just as some of the other questions that have been asked.

MR. WELLS: He told me, he was not going to. I am asking why, you are not going to answer them.

MR. SHAHEEN: I answered yesterday as to why, Sir, I would be glad to repeat it. Because we do not intend, I want to be very clear about this now, we do not intend to give out any information which would enable the competitors to be able to reconstruct or analysis or determine the process units, the sizing, and what we are going to do. The amount of electricity applied to certain process units, can mean certain yields and certain products that we do not intend any more than any military general staff would intend, to have the information prior to going into action made available to the Opposition, Sir.

MR. WELLS: Mr. Shaheen, you have told us how much you are going to bring in, and how much you are going to produce of each type and quality, and how much water you are going to use, and so on. Can not your opposition, gather the same information from that?

MR. SHAHEEN: Well that is a very interesting dialecting question, I think that the opposition cannot, Sir.

MR. WELLS: I suggest to you Mr. Shaheen, and I would like you to tell me whether I am right or wrong. That at a cost of production of power of approximately five milles, approximately, this Province would have to subsidize your company to the tune of \$1 million a year or more for the duration of this Agreement?

MR. SHAHEEN: Sir, I do not know that it is five milles in this Province, I could not assume a question as loaded as that Sir. I have no intention of going forth on any hypothetical assumptions, I would suggest, Sir, that you direct your question to the Government, who I am sure will know how much it costs to generate electric power in this Province. Sir, if they do not tell you, we cannot, we do not know. We have not idea what it cost them to generate electric power in this Province, Sir.

MR. WELLS: Do you care, Mr. Shaheen?

MR. SHAHEEN: I have a heartfull of care, Mr. Wells, Sir.

MR. WELLS: What company contracted for the purchase of crude oil as required in the contract?

MR. WHITE: Mr. Speaker, this has also been publicly announced, that Newfoundland Refining Company entered into contract with British Petroleum for the purchase of crude oil. This is one of the obligations under the Act, that we enter into this agreement to purchase the crude oil.

MR. WELLS: Mr. White, and correct me again, if I am wrong. Is it true that Newfoundland Refining will then sell it to Provincial Operating Limited, the operating company?

MR. WHITE: Yes, under the provisions of the Act, we are obligated to sell this crude oil to Provincial Refining Company at our acquisition cost.

MR. WELLS: The acquisition cost with no other charges whatsoever?

MR. WHITE: There will be transportation cost added to that, these transportation costs will also be billed at the cost. Normally under the transportation of crude oil, you have a certain loss allowance, there is always a little shrinkage or at least the transportation companies also consider a little shrinkage. There will also be marine insurance, your cargo insurance has to be paid on this sort of thing. There will be certain port charges, and that sort of thing which are all really a part of transportation costs. And according to the act, this is our obligation to arrange all of these things, to see to it that the crude comes in and it will be paid, these bills will be paid by Provincial Refining Company, and certainly are all subject to audit.

MR. WELLS: These other costs will be added to your cost, Newfoundland Refining. Apart from the transportation, your administrative supervision cost?

MR. WHITE: No administrative, no supervision, only our direct out of pocket cost, only the invoices that we pay to third parties will be added and these will be the costs for these various services that are incurred.

MR. WELLS: Well these administrative costs then will be recovered presumably under your management provision?

MR. WHITE: As a matter of fact, Sir, they will not be recovered that way because, the actual work on this will be done by officials of Provincial Refining Company, and it is the intent of the Act, that the officers and management, personell, of Newfoundland Refining Company be put on the payroll of Provincial Refining Company.

MR. WELLS: It will be paid for by the Refining Company.

MR. WHITE: It will be paid for by Provincial Refining Company by the operating company this is a charge, this is a normal operating expense of the company, and will be handled on the regular day to day business-like basis.

MR. WELLS: On top of that you will then get, 27.8 percent of the net income?

MR. WHITE: We will get our profit as it is provided in the Act. When and if it is available.

MR. WELLS: Will that amount to approximately \$10.5 million?

MR. WHITE: I am afraid, I cannot give you that information.

MR. WELLS: We have been advised that the contract with Procon has been for \$155 million, that is correct is it not?

MR. WHITE: Yes.

MR. WELLS: That is correct. Who is going to repay to Newfoundland Refining Company and to the Government for the \$5 million they have advanced to date, and to the Newfoundland Refining Company for their construction expenses to date. Who is going to repay that? Procon?

MR. WHITE: That is incurred and will be repaid by Provincial Building Company, as I understand, the provisions of the financing, this thing is specifically spelled out in the financing agreement, which is available in the agreement whereby the money was advanced, this I think is the properly a question that should be addressed to the Government financial people, because they are the ones that have this information. I will say that the money for this repayment has been provided for.

MR. WELLS: In other words then Mr. White, if the contract with Procon is \$155 million, and Newfoundland Refining or Snaheen Natural Resources are to be repaid

Mr. Wells; their construction cost to date, and the Government is to be repaid its \$5 million advanced to date, this must therefore come from Procon. Is not that a logical conclusion to draw?

MR. WHITE: I do not know.

MR. WELLS: Well is the project going to cost more than \$55 million?

MR. WHITE: We have told you the cost of the contract to Procon, you also know from press releases how much money has been spent. Now as far as the money that Newfoundland Refining and Shaheen Natural Resources have spent, on this project, this is apart of the money that is involved but will not be repaid until the very last thing, until all of the debts from the company has been extinguished, including the \$30 million of money advanced by the Government.

MR. WELLS: Under the Agreement as it exists, Newfoundland Refining, this is the company owned by Shaheen as opposed to the Crown Company, Newfoundland Refining is to recover all of its construction supervision costs, plus one hundred percent, so if it runs into a cost of \$1 million, it will recover \$2 million. That is the way that is worded. Now then, it has been indicated clearly that these expenses have been incurred already, some construction supervision costs, have been incurred already. And the Government has advanced \$5 million already. If Procon are not going to pay either of those who is? And where is the money coming from? Does that mean the cost go above \$155 million?

MR. WHITE: The contract with Procon is for the amount of money that we stated.

MR. WELLS: \$155 million?

MR. WHITE: \$155 million.

MR. WELLS: Well do Procon pay to you, and repay to the Government?

MR. WHITE: I do not think we should get into the details of where the money is coming from in this financing. The obligation of the Government is to give us, to make a loan to Provincial Building Company, or to guarantee notes of Provincial Building Company in the amount of \$30 million, of which \$5 million has already been advanced. I think that is sufficient answer.

MR. WELLS: I want to be certain that it is not going to cost us more than \$155 million.

MR. WHITE: I do not intend to tell you, or any of the hon. gentleman here, what the ultimate cost of this plant is, the cost is \$155 million which we will pay to Procon.

MR. WELLS: Mr. White, the people in the Province are putting up the money despite what Mr. Shaheen says, it is being borrowed by Crown Corporations, and the Province's guaranteeing \$30 million, and you say, you do not intend to tell us, will you confirm you do not intend to tell us what the ultimate cost is going to be.

MR. WHITE: Mr. Wells, I do not intend to enter in

MR. WHITE:

an argument with you on this. I am here to answer the questions not to argue.

MR. WELLS: And you do not intend to tell us what the ultimate cost will be?

MR. WHITE: My position is I do not intend to be drawn into an argument.

MR. WELLS: And you do not intend to tell us.

MR. WHITE: I accept that.

MR. WELLS: It has been indicated that the feasibility study being done by Jacobs Engineering will not be completed for about six weeks or so, is that correct? Is that correct Mr. Brown you indicated that last night?

MR. BROWNE: Three weeks.

MR. WELLS: About three weeks.

MR. SMALLWOOD: The hon. gentleman is exaggerating.

MR. WELLS: It will be completed in three weeks. I understood him to say six weeks and I ask him if it was correct and I do not appreciate the Premier's suggestion that I am exaggerating. I am not it was a clear honest error. I understood him to say six weeks, all right he has confirmed it, three weeks. How then Mr. Shaheen, can you now arrange for the \$30 million which cannot under the Act be done until the feasibility study is completed and the information we got yesterday from the Premier is that within the next week to ten days was his guess that this \$30 million would be complete. It is essential that the feasibility study be complete first.

MR. SMALLWOOD: The feasibility study, the UOP feasibility

MR. WELLS: No this feasibility study under the Act.

MR. SMALLWOOD: No. UOP.

MR. WELLS: Under the Act it clearly requires it.

MR. HICKMAN: Page 23. Prior to the commitment of the Government to issue the bonds, shall furnish the Government's opinion on independent persons.

AN. HON. MEMBER: No that is the wrong one you have the Bill.

MR. WELLS: Prior to the commitment of the Government to issue the bonds referred to in paragraph (a) of Clause 5. Paragraph (a) of Clause 5 is



the \$30 million to be guaranteed by the Government. Prior to that commitment to issue the bonds refining shall furnish to the Government and opinion of an independent person approved by the Government confirming the feasibility of the project. Now that is what Mr. Brown is doing, how can we issue those bonds before the feasibility study is completed, that is what I want to know Mr. White or Mr. Shaheen, can you explain that? Does this conform to the requirements of the Act?

MR. SHAHEEN: Mr. Speaker, this question seems to me is one for the Government.

MR. SMALLWOOD: Do not attempt to answer a question that is none of your business. This is the business of the Government. The Government has to have the feasibility report and it has it.

MR. WELLS: Mr. Shaheen has been very successful about the requirements of Law 86 as he called it.

MR. SMALLWOOD: The Government has the feasibility report, the Government has studied it and

MR. WELLS: They have not got what the <sup>Law</sup> ~~EMXXXXXXXX~~ requires.

MR. SMALLWOOD: And the Government has studied it and the Government is satisfied with it, and now there is an updating of it being done by yet another company namely Jacobs, and Jacobs Engineering have already informed us -

MR. WELLS: That is not enough.

MR. SMALLWOOD: They have already informed us tentatively that they do approve it they will give us the written report within three weeks one part of it within two weeks and we will not in fact be guaranteeing the \$30 million for well beyond two or three weeks, we arranged for it but we are not actually issuing the guarantee until we have the Jacobs report supplementing the UOP report in our hands.

MR. CROSBIE: On a point of order Mr. Speaker. In this House just six or seven weeks ago we were told by the Hon. the Premier that the Universal Oil Products report was not the feasibility report that the government was getting under this section of the Act. And we were told later, a few days ago that Jacobs Engineering were doing this feasibility report that the

Act requires the Government to have and I want to point out that the Hon. the Premier cannot now pretend that the Universal Oil Products report was the feasibility report when in this House six weeks ago he said definitely it was not the independent report.

MR. SPEAKER: This is not the time to debate this question.

MR. WELLS: Mr. Shaheen under the Act section 13 (d) the provisions (I will read it so that everybody will understand what it is before I put the question) The parties hereto further covenant and agree, namely, the Government of Newfoundland Refining Company, Mr. Shaheen's company, further covenant and agree that if the performance of any of the obligations of any of the parties to this agreement set forth therein shall to any extent be prevented restricted, delayed, or interfered with by reason of (a) deals with war revolution civil commotion etc. (b) any law order proclamation regulation ordinance demand or requirement of any Government or any sub-division authority, agency or representative of any Government if the project is interfered with in any way by reason of any such order of any Government such party shall on prompt notice to the other parties to this agreement be excused from the performance of such obligations to the extent of such prevention restrictions, delay or interference. Does this not mean that should the United States Government eighteen months from now, when say, \$125 million has been spent on the project should they as a law, the Senate of the United States, barring the entry into the United States of America of any kind of oil not refined in the United States what would that then do to the project?

MR. SHAHEEN: I will ask Mr. Blake answer you on that Sir. If I may.

MR. BLAKE : I think this is what we lawyers call force majeure and I think it speaks for itself.

MR. WELLS: revolution and so on is force majeure this is not necessarily force majeure.

MR. BLAKE: It is well recognized that any force beyond the control of either party to the contract is known as a cause of force majeure. And for that reason if the United States Government or in fact the Canadian Government or in fact <sup>any</sup> ~~the~~ other Government, other than a party to the agreement passes such a law that restricts delays or interferes as stated

in the Act then the party involved whose performance is so delayed, restricted would be excused pro tanto.

MR.WELLS: Very well, then this means that if eighteen months from now after a \$125 million have been spent such a law as I referred to is passed the Shaheen organization can pick up its bags and walk away and leave Provincial Building Company and Provincial Holding Company and Provincial Operating Company holding the bag?

MR.BLAKE: I think have to recall that we have sold in excess of sixty per cent of the production of the plant. Itthink that you will see that these are take or pay contracts which we have shown to the Government nowy these contracts say that the contracts must permit the plant to be economically viable. In fact we have proved to the Government that with these contracts the plant is economically viable, if the plant is so economically viable there is an event of force majeure which/<sup>as</sup>you say ~~as~~ might permit us to walk away. We have contracts which the customers are obligated to purchase the products from the plant therefore there is no reason for us to walk away.

MR.HICKEY: Is there such force majeure clause in those agreements with your customers?

MR.BLAKE: I would think that there is such a force majeure clause but we are talking about this force majeure clause in this Act I will now

MR.WELLS: So was I, but that means they then would be excused so that they would not have to take or pay in such an eventuality.

MR.BLAKE: I think you are assuming something until you look at the particular documents.

MR.WELLS: I ask you to show me, I ask you if there were such a majeure clause is there?

MR.BLAKE: I assume that there is. I am talking about the document in front of us, the subject you raised, the question I am answering .

MR.WELLS: On assumption Mr. Blake that there is would they then have to pay in such an eventuality?

MR.BLAKE: Again I do not speculate beyond the question in front of me if you wish to assume something it is your assumption not mine.

MR. WELES: I can do nothing but assume if you do not give me the proper information Mr. Blake.

MR. BLAKE: Well that is all you are doing assuming Mr. Wells;

MR. WHITE: May I add one small point that what Mr. Blake said since he is in our legal department and not in our marketing department and just add this much. Our sales programme is designed to cover a wide geographic area. You have asked a question about one specific area and one specific market place this is not the major market, even if this happened this would not be a fatal blow to the plant. I am certain that there would be other ways to recover and so there we feel that this thing is just not a problem and it certainly is our business judgment and the business judgment of the people making the feasibility studies that they have to evaluate this possibility of course. And they have to see where our markets are. But our markets are not that dependent on any one particular area.

MR. WELLS: Mr. White, from the statement just made by Mr. Blake that the project is economically viable with only sixty per cent of its products sold.

MR. WHITE: I would not think Mr. Blake made that statement.

MR. WELLS: That is what I understood him to say, if it is wrong please correct me.

MR. BLAKE: I will correct, I said the contracts we have permit the project to be economically viable. I said the Act says that we must sell sixty per cent I said the contracts we have -

MR. WELLS: How much do you have, seventy per cent I believe.

MR. BLAKE: This has not been revealed was it indicated yesterday?

MR. WHITE: Yes, I did. I indicated that we had in excess of seven, I did not say seventy per cent, I say we have in excess.

MR. WELLS: Economically viable economically it was seventy per cent. Is it viable economically with seventy per cent of its produce sold.

MR. WHITE: I think we are getting right back into the same field which we just cannot discuss as to the exact numbers of the economic feasibility of this.

MR.WELLS: This is very much the question on the resolution the economic viability of this project.

MR.WHITE: Economic feasibility, that is fine.

MR.WELLS: Viability.

MR.WHITE: But may I make a comparison Mr. Wells, The normal companies I am ordinarily involved in doing business with companies. And when they make an annual report even to their stockholders this company goes out and hires auditors they hire professional people to review in detail all of their transactions to check their books to see that the bookkeepers are right to see that every thing is in order. They then certify, with a letter that the books are in order, and that the profit as shown is correct. Now in much the same way we have gone out, we have hired auditors, we have hired UOP to audit this thing. The Government has now come in and insisted that we have another study made, the Jacobs Engineering people are conducting this audit. They are professional people, who will review the contracts in detail and will give a professional opinion that they have done this and that the project is economically viable. We will not -

MR. WHITE:

will not divulge any of our details of how we arrived at these figures any more than any commercial company will divulge its complete list of sales and receiveables and bank accounts.

MR. WELLS: Not even to the people who put up the money?

MR. WHITE: Not even to the people who put up the money because these people are the stockholders of the company and I ask that if you are a stockholder of any company, if you go in to ask the management details of their operation they will refer you to their annual report.

MR. WELLS: You gave a statement this afternoon Mr. White in connection with another matter, you were answering another question at the time and you said that investors had to get a certain return on their money or they will not invest.

MR. WHITE: That is true.

MR. WELLS: Standing by that statement, do you not then feel that the Government of this Province should have a return on this investment? Can you stand by that statement that they should get a return?

MR. WHITE: If they had made an investment, Mr. Wells, absolutely. They have not made an investment.

MR. WELLS: They put up \$155. million and that is unavoidable, it cannot be denied.

MR. WHITE: The Government has agreeded to guarantee \$30. million loan, this is not an investment. They have agreeded to guarantee the loan. They have not put up the money.

MR. WELLS: Now why Mr. White was it necessary to include Clause 10 (b) of the agreement? Clause 10 (b) says, no dividends shall be declared or paid by either the operating company or the holding company. Now the shares in those companies are held by the Government. There is a prohibition in the agreement preventing dividends being paid to the Government. Why? I ask him what is the purpose of it? The Premier is embarrassed again, and so he should be

MR SMALLWOOD: Why should I feel embarrassed? I did not write the agreement.

MR. WELLS: I wrote it.

MR. SMALLWOOD: Yes.

MR. WELLS: I wrote the words of the agreement but I told the Premier in the Cabinet what I thought of this 5.1 per cent.

MR. SPEAKER (Noel): Order please! We are getting away from the questioning again.

MR. WELLS: Thank you, Mr. Speaker. Mr. White or Mr. Shaheen has the \$10 million for the evidence of the availability of \$10 million as required under Clause 4 (c) being put forward.

MR. ROWE (W.N.) To a point of order, Mr. Speaker. Earlier this afternoon, Mr. Speaker, questioners, hon. members of the House were allowed to ask questions on one particular point and then supplementary questions were allowed to follow thereafter. Mr. Speaker, we now heard a series of about twenty-five wide ranging questions from one member of this House. This meeting was not called, I would submit, Your Honour for one side of this House or for one member of this House. I have yet as a member of this House to ask one question of these hon. gentlemen because I have found some difficulty being recognized by the Chair.

I would like to put a question or two, Mr. Speaker and I would like Your Honour to divide the time a little more equally among the members of this House and if I am permitted to, Sir, I would like to direct a question to one of our guests.

MR. CROSBIE: On a point of order, Mr. Speaker. I would like to reply to that point of order. This afternoon we were occupied for almost two hours by questions raised by Government members and tonight a member from the other side is raising some point. Not only that, Mr. Speaker, but the hon. gentleman who just raised his point of order is a member of the Cabinet, was two or three weeks over in England negotiating the agreements that we have not seen, is a member of the Liberal Party Caucus all of which have spent weeks and hours interviewing these gentlemen. So the hon. gentleman could hardly claim he has not had a chance to ask any questions about this project.

MR. SPEAKER: Before any other member speaks even on this point of order I

MR. SPEAKER:

want to say this, that the Chair does not take into account where any person is sitting in this hon. House. Every single member whether he be a member for the Cabinet, whether he be a member of the Opposition or who he happens to be has an equal right as anybody else and I think that the point taken by the hon. minister is very well taken because now we have had one hour of cross-examination.

MR. SMALLWOOD: Mr. Speaker, on that point of order the hon. member for St. John's West reminds us that the hon. Minister of Community and Social Development is a member of the Cabinet and of the Liberal Caucus and that he was in Paris and in London and that therefore he knows a lot about this project. But on the other side either that same hon. gentleman or one of his colleagues made the point here in this very House that they might have written this contract, they might have written it, they might have drafted it but the people of Newfoundland had not drafted it. The reason they were asking questions was not just for their own information but for the information of the Newfoundland people.

Is not a minister in this House entitled to do the same thing? The Minister of Community and Social Development knows more about it than all those hon. gentlemen rolled in one and then multiplied by ten but he has a right the same right as any hon. member in the House to ask questions and I suggest Mr. Speaker that he be heard.

MR. CROSBIE: If the hon. gentleman has all this information Mr. Speaker why does he not give it to us and not ask questions?

MR. BURGESS: On that point of order, the very thing that precipitated the attendance of these gentlemen in the House today was the controversy that was generated because of the fact that these two gentlemen left the Cabinet and crossed the House on an issue of bridge financing. Now they crossed the House and as they explained to us after they had crossed the House that they had reached the point where they could concede no longer.

AN HON. MEMBER: What is the point, Mr. Speaker, what is the point of order?

MR. BURGESS: I am speaking to the point of order raised by this hon. gentleman. It is not a point of order I raised, it is a point of order he raised.



AN HON. MEMBER: Well speak to the hon. gentleman.

MR. BURGESS: I am speaking to it. The hon. gentleman could eat a banana sideways as far as I am concerned.

MR. SPEAKER: The hon. member is speaking but he is not relevant to the point of order.

AN HON. MEMBER: He is relevant, Mr. Speaker.

MR. SPEAKER: I just said it was not relevant to the point of order. Would the hon. member sit down. I just said that his remarks are not relevant to the point of order.

MR. WELLS: May I continue, Mr. Speaker.

MR. SPEAKER: Would the hon. member for Humber East conclude with the question and I will give the floor to somebody else.

MR. WELLS: Thank you, Mr. Speaker. I should feel a bit embarrassed. Has the \$10. million that is required under Clause 5 (c) that is required to be put in by Shaheen Natural Resources, Mr. Shaheen thinks it funny at the moment, has the evidence that that is available to be converted into cash when the refinery is completed, has that evidence been established or provided and what is the evidence and does that \$10. million derive from the Shaheen profit under Clause 4 (c) whereby they get reimbursed their expenses plus one hundred-per-cent?

MR. SHAHEEN: Mr. Speaker, the answer is yes, yes, yes to the first three questions and if you want the details Sir you could take those up with the Government to whom we delivered the evidence that you just asked about.

MR. WELLS: Is it yes to the question that it will be derived from the profits?

MR. SHAHEEN: No, that is not the first three questions.

MR. WELLS: Well would you answer that question?

MR. SHAHEEN: The answer to that question is no.

MR. ROWE: Mr. Speaker, I would like to direct a question to Mr. Brown of Jacobs Engineering Company. We heard statements made yesterday by some members of the Shaheen group here tonight that there were interested parties and perhaps even obligated parties to come into Come By Chance in order to participate in a petro-chemical complex. What I would like to ask Mr. Brown, Mr. Speaker, is as an objective and experienced man in this field of oil refineries and core-chemical plants and petro-chemical complexes to elucidate or explain to the members of the House and to -

MR. ROWE (W.N.): and to the public the relationship between the Core-Chemical Plant and Petro-Chemical Complexes or plants which might come in thereafter, and probably will come in thereafter, Sir. To indicate in his broad and wide and deep experience the livelihood of such a chemical plant coming in to surround a core-chemical plant of the sophistication which is being outlined in this House in the past day or two. I would like Mr. Brown to explain that in much detail as possible for the benefit of hon. members.

MR. WELLS: On a point of Order, Mr. Speaker, before we proceed. That has nothing to do whatsoever with the progress achieved to date or the economic viability of this particular project. Economic viability of a whole complex, yes. This particular project, no. If we are confined to that, let us stick to the rules, and what is sauce for the goose, will be sauce for the gander.

MR. SMALLWOOD: A point of Order. The viability of the core-chemical plant will depend to a considerable extent upon the success it has in selling to petro-chemical plants, in Come-by-Chance, if petro-chemical plants do in fact establish at Come-by-Chance, they will constitute an extremely important market right at hand for the core-chemical plant. This is not merely an oil refinery, as we know, this is a core-chemical plant, which reaches up just short of producing chemicals itself. And from that to the production of chemicals is a very short step. And surely the viability, the profitability, the success and the growth and expansion of this core-chemical plant, this great oil refinery, will be greatly help, if a petro-chemical plants are established at Come-by-Chance. There could not be anything more apropos, there could not be anything more consistent, with the resolution than the question asked by my hon. friend, the Minister of Community and Social Development.

MR. CROSBIE: Mr. Speaker, on this point of order. We have had this resolution read to us tonight, Mr. Speaker, to cut down the questions we can ask. And the resolution is, "Whereas this Act was entered into authorize the Government to enter on certain conditions into agreement relating to the

MR. CROSBIE: construction of an oil refinery at Com-by-Chance." That is what the resolution says. And whereas the members of the House be enabled to question the progress achieved since the passing of the Act, and the economic viability of the projects;

Be it resolved that they be invited to enter upon the floor to answer such questions as members may wish to put to them for the aforementioned purposes.

MR. SMALLWOOD: Right.

MR. CROSBIE: None of the aforementioned purposes, Mr. Speaker, include problematical or possible petro-chemical industries arising out of this oil refinery project. If we are to be restricted in our questioning to the literal words of this resolution we must ask for the same rules to be applied to this side, as to the other side. Further, Mr. Speaker, Mr. Brown is a member of the Jacob's Engineering Company, retained to do a feasibility study, or to check a feasibility study for the Government. How can Mr. Brown, be able to say whether there are going to be petro-chemical industries arise out of this. He is not an expert on foreseeing into the future. All he can say is that from any oil refinery,

MR. SMALLWOOD: Let him say that.

MR. CROSBIE: there may be petro-chemical companies might evolve. And so it is not a relevant question on either side.

MR. SPEAKER: I will say what I said just now,

MR. WELLS: Mr. Speaker, just a brief word on the viability aspects, Mr. Speaker. If the Premier maintains that a petro-chemical complex and other industries, other chemical industries are essential the viability, then this thing had better be stopped right now, until we get them. The minister asked about the likelihood of getting them. If that is essential to the viability, then for heaven sake have sense enough to stop now.

It has nothing to do with the viability.

MR. CROSBIE: I would say that,

MR. SPEAKER: One moment please. I will say this right now, we can keep

MR. SPEAKER: debating points of order from now until Domesday, but I will say this whether a core-chemical plant, or any other plant coming after is, the economics of it, this is not what concerns me, but I think and I said before earlier this evening, that I would decide whether the question was valid, or not. Or whether it was relevant to the issue. I can see where this is relevant to the issue in my opinion, I think it is relevant because, any debator, could take this matter and relate it to the economic viability of the project, because it is directly connected with it. I will permit the question.

MR. BROWN: Mr. Speaker, hon. gentlemen, I certainly do not have a crystal ball, and I certainly cannot foresee into the future. But I can express an opinion, and perhaps give a fact or two, but without question the output from a petroleum refinery is a variable storehouse of chemical raw material. And the extent to which this storehouse is tapped, will depend entirely upon the energy and initiative and imagination of the people of Newfoundland. And certainly in many, many parts of the world, and some areas which I am personally familiar, the exploitation of these chemical raw materials has been a very great thing. We all know of the situation the tremendous growth in Porto Rico, the Gulf Coast of the United States, to a lesser extent the Westcoast of the United States, and other areas where literally thousands of chemicals, most primary chemicals, secondary chemicals are derived from these petroleum, primary petroleum products. These products are generally the lighter distillant products from the refining operation.

MR. ROWE, (F.W.) May I ask a question on this matter, Mr. Brown told us that in the United States and elsewhere, the pattern is bend, that when the core plant has been established other industries have grown up around it, related industries using the raw materials or the semi-raw materials and so on. In this particular case at Come-by-Chance, the Refinery of course will be of course at Come-by-Chance. If half a dozen other supplementary auxiliaries industries are established, do they necessarily have to go in the Come-by-Chance area. I assume Mr. Brown is quite familiar with the geography in Newfoundland, could one or two or more be for example at Bay d'Espoir, or could they be in some other parts of Newfoundland, possibly central New-

MR. ROWE: F.W. foundland or on the Avalon Peninsula. I have another question as well, but perhaps Mr. Brown, can answer that first.

MR. BROWN: I am not terribly familiar with your geography unfortunately. But a general answer to your question is, no, it does not necessarily restrict such developments to the Come-by-Chance area. It is true if the volume of raw materials which is to be further processed is large. The economics favour short transportation, such I think has been expressed, I think Mr. White said that generally the volume are some what small, you are talking about pounds of material rather than barrels, or even in barrels of material.

MR. SMALLWOOD: Mr. Brown, what

MR. SMALLWOOD: What other raw materials besides petroleum, besides the stuff that would come out of an oil refinery or a core chemical plant. Besides that what other raw materials are used in the making of petro-chemicals. I suppose the answer to that in part is that it varies. It depends on what chemical you are going to make. If you are going to make a petro-chemical you will need petroleum, but you may need different other kinds of raw materials depending on what kind of petro-chemical you are going to make. But what are the other raw materials that would go into a petro-chemical plant besides the petroleum products from the refinery.

MR. BROWN: The sky is the limit Sir, sulfuric acid to make elemental sulfur which is a by product of every refinery

MR. SMALLWOOD: It would be how many tons a day, how much sulfur a day?

MR. BROWN: 126 tons a day of sulfur would be manufactured in the plant, the refinery at Come by Chance.

MR. SMALLWOOD: 126 tons a day of sulfur will be manufactured in the plant, the refinery at Come by Chance. This sulfur I take it then could be used with petroleum products and with other raw materials to make petro-chemicals?

MR. BROWN: Yes Sir

MR. SMALLWOOD: Could limestone be used?

MR. BROWN: Yes Sir, that could be used.

MR. SMALLWOOD: There was a big chemical company in my office yesterday and they told me that they had to find a big source of good limestone along with petro chemicals for the particular thing they intend to make at Come by Chance, but what other raw materials besides sulfur, limestone, silica, caustic soda, chlorine, salt

MR. BROWN: Yes Sir, nitrogen from the air, the sky is the limit in other words.

MR. SMALLWOOD: They use paper to make

MR. BROWN: Roofing asphalt is impregnated in by means that I am not personally familiar with into felt, a fibre type product and along with certain grades of slate to make shingles.

MR. SMALLWOOD: Would you answer this question. It puzzles me, and I would like to know the answer. I was in Rotterdam three weeks ago, and I saw a

refinery there one of the biggest in the world, 500,000 barrels a day. Five times as big as Come by Chance, and it occupied the best part of 100 acres of land. But there were 1,400 acres as part of that for the petro chemicals. 1,400 for the petro chemicals, 100 acres for the refinery. Now, only they told me, they took me all around the place, they told me, the general management that only five per cent of the raw materials in those huge petro chemical factories, only five per cent of the raw materials came out of the big oil refinery.

Is that about generally the case? Is that the way it is?

MR. BROWN: I would say that this is a very reasonable thing Sir, and of course as has been expressed here earlier, most of the work that has to be done in total, is done at these, with these petro chemicals, with the small volume of material

MR. SMALLWOOD: Would core stock from an oil refinery sold for petro chemicals be more valuable than we say gasoline, or jet fuel, or heating oil, or stove oil and so on. Would that be of more value?

MR. BROWN: Yes, because of the higher value of the end product, and of course obviously Sir, it takes an investment of capital in between to achieve this extra value.

MR. SMALLWOOD: You mean a lot of money has to be spent on the petro chemical plants to take that stuff from the oil refinery and use it along with limestone or what have you to make some kind of a chemical. That takes other plants to do that and a lot of money. Are they profitable? Are those petro chemical plants profitable?

MR. BROWN: It is a growing thing every place you see

MR. SMALLWOOD: Would you, among all the products of the world that are manufactured in the world today, where would you place petro chemicals from the stand point of how rapidly the production is growing, the sale is growing, the use of them by the people of the world is increasing, how does the manufacture of and sale of petro chemical products compare with the manufacture and sale of most other products in the world? Is it a big coming thing?

MR. BROWN: I am not competent to say Sir, I just do not have those figures.

MR. SPEAKER: Order please

MR. NEARY: : Mr. Speaker, we have been talking here now for the last few minutes in rather technical terms, and I must say petro chemical is a new word to me and I am sure it is a new word to a lot of members of the House and the people who are watching this on television. I am wondering if Mr. Brown could explain to us in baby talk just what exactly petro chemical is. Now I have heard that you make tooth brushes out of oil. Now Mr. Speaker, and I have heard of all sorts of other things that are made out of oil and it really startled me when, you know, when I heard that tooth brushes were made out of oil. I would like for Mr. Brown to tell the House, Mr. Speaker, may I carry on without being rudely interrupted by the porpoise from St. John's West?

Mr. Brown, just what products does get to the consumer after it goes through the petro chemical plant, and what products get in the hands of the consumer that makes it so valuable and industry. Could you give us the answer in a sort of baby talk.

MR. SMALLWOOD: Would you allow me

MR. SPEAKER: Order please, order

MR. SMALLWOOD: Would you allow me?

MR. SPEAKER (Noel): One man, one question

MR. SMALLWOOD: I am not going to ask a question

MR. SPEAKER: No, order please. A question has been asked by the hon. Minister of Welfare

MR. SMALLWOOD: And I am allowing the hon. Minister who asked the question to permit me to intervene, and if he permits it.

Mr. Brown, you are now being asked questions that perhaps you cannot answer, whereas we have Mr. Smith and Mr. Cook here who are absolute experts on it.

MR. NEARY: May I redirect my question then Mr. Speaker to one of these gentlemen?

MR. HICKMAN: I rose to ask a supplementary question of Mr. Brown. I have a



question that I want to put to Mr. Brown, a supplementary question.

MR. SPEAKER: The hon. gentleman will have to wait his turn

MR. HICKMAN: Right, but

MR. SPEAKER: I would like to remind visitors in the gallery that they are not to make their presence felt by laughter or applause or movement or in any other way. Now if the hon. member from Bell Island, the hon. Minister of Rehabilitation you had a question?

MR. NEARY: Yes Mr. Speaker, I have already raised the question Mr. Speaker, I would like for Mr. Brown or if Mr. Brown does not want to answer the question, if he would ask some other guest on the floor of the Chamber to answer for him in baby talk, just exactly what petro chemical is? What products get into the hands of the consumer? Because, as I said previously I had heard that tooth brushes are made from oil. I do not know whether this is true or not, but perhaps Mr. Brown can tell us some of the answers that are puzzling people, because we have been talking intechanical terms, Mr. Speaker, and you know I am rather bewildered because

MR. MURPHY: You have been bewildered for years

MR. HICKEY: Mr. Speaker, is the hon. member making a speech or asking a question?

MR. SPEAKER: The hon. member just sat down

MR. HICKEY: Well Your Honour I just stood up to a Point of Order

MR. BROWN: Mr. Speaker, I think in simple terms what I can say is that this store house of chemical raw material is treated in one of two ways. You either separate from this mass of material certain goodies and you do this by a variety of processes, and some of these goodies might be cleaner solvent, they might be aliphatic solvents, benzene, hexane, many, many industrial solvents that are used just an infinite variety of ways, in fact the one of them benzene has been called in our chemical text book, a long, long time ago it used to be called the universal solvent.

One job that you try to do is separate from this mass of material these more valuable materials. Then the next thing you do is you.....

as you through a variety of processes, you convert or reform, or change the nature of some of these materials which are residing in residue, and there again a host of processes involved to change the nature. This is how you make we will call them the secondary lines of materials. These in turn one of the more common ones, the polyethylene- Polyurethane -

SOME HON. MEMBER: Made from oil?

MR. BROWN: Yes Sir -

AN HON. MEMBER: Could you give us some other examples - everyday products that are used in the house.

MR. BROWN: Synthetic rubbers of course is one of the older ones. I think we might you know, brainstorm the group and come up with the list. But could I refer you specifically to something I think I saw in debentures yesterday, a little brochure, blue-covered. Most everything is made out of animal fibres or wood fibres. Obviously minerals. Then go out in your garden and you have the fertilizers, and one other product which really is no great claim for Newfoundland I am afraid .

MR. SMALLWOOD: What about that purple tie you have on?

MR. BROWN: This happens to be cotton I am afraid Sir.

MR. CROSBIE: May I ask a supplementary question. Mr. Brown you have a sense of experience with oil refineries. Does every oil refinery that you come across in your experience, generate a petro-chemical industry around us, or are there oil refineries that have no petro-chemical industries connected with them at all?

MR. BROWN: There are oil refineries that have no direct connection with petro-chemicals. In some cases these oil refineries may choose, for reasons of their own, to sell these intermediate products to others for petro-chemical purposes, or in some cases it may be that fuels are more valuable in that particular process economics.

MR. CROSBIE: Would you know of very many oil refineries that have no petro-chemical complex?

MR. BROWN: No, I really do not Sir. I would say generally speaking, if the more backward oil company that does not have petro-chemicals.

MR. HICKMAN: Can I refresh your memory on that? Along that same line Mr. Brown, if we could get away from Porto Rico and these places and come to Eastern Canada. In Eastern Canada we have in Halifax, Imperial Oil, 100,000 barrel a day refinery. I do not believe that is a backward company. In St. John, New Brunswick, Irving Oil going from 60,000. to 100,000 barrel a day refinery. And B.P. in the Province of Quebec, Golden Eagle going into Quebec, and Gulf going in Nova Scotia. I suggest to you that whether they are backward companies or not, and Shell is somewhere in there - that none of these refineries that I have just mentioned have petro-chemical complexes around it.

MR. BROWN: Well of course we can take all parts of the world to find all sorts -

MR. HICKMAN: On the Atlantic Seaboard - and there is no point in dreaming of something in Porto Rico or the Southern United States.

MR. BROWN: No, I certainly do not want to do that. I would not presume to do that. I have never been in Ottawa personally, but I have been in Sarnia . I have been around Montreal and there is a fair development in that area, but I have not been in Eastern Canada.

MR. HICKMAN: Can you tell us why Newfoundland would get those petro-chemical plants - why hold out this tariff and shovel it all over the country - we were out in Central Newfoundland with this chemical plant just now, and this is why I say we do not want our people misled.

MR. BROWN: Sir I would not presume to hold out

MR. HICKMAN: I am not suggesting that you are, but the questions.

MR. WHITE: Could I interrupt for just a minute? I think this question is on something that we have given a lot of study to. Our Mr. Smith is really an expert in the locations of the plant, and he can tell you why we think a petro-chemical complex is a necessity in Eastern Canada. I think that you really touched on the exact point, that there is not a petro-chemical plant on the Atlantic Seaboard of this great nation of Canada. In the United States we have a great chemical complex right along in the

Eastern part of the country. You . . . have one in Sarnia, one that is beginning to develop in Montreal. In the Atlantic Provinces there is none, and Mr. Smith I think has done a lot of study on this, and I think he should answer the question.

MR. SMALLWOOD: Is there not one going at Point Tupper?

MR. WHITE: This plant at Point Tupper I think is really just made to supply the fuel requirements, because the company is developing quite a chemical complex in Montreal and they do not want to be in competition with themselves.

MR. CROSBIE: Mr. Speaker, I was in the middle of a supplementary question to Mr. Brown, whom I am still interested in. I have no doubt that Mr. Smith will be very interesting when we get to him. Could I continue with my supplementary question to Mr. Brown? Mr. Brown, could you tell us Sir, when your company was appointed to carry out this study for the Government of Newfoundland? This feasibility check that you are doing now.

MR. BROWN: Mr. Speaker, we were firmly engaged on April 10, Friday April 10th. of this year Sir. Previous to that time there had been a conversation, telephone call I believe with Dr. Jacobs of Jacob's Engineering, but I do not know that date. But we received confirmation from the Government on April 10th.

MR. CROSBIE: Since April 10, how many days have you had to familiarize yourself with the present project plan at Come-by-Chance, the plans and what has happened to date, and the location and the rest of it?

MR. BROWN: I have had every day since then including travel days and the time here, which is not a lot of time, but with all modesty I am fairly competent in this kind of thing.

MR. CROSBIE: I have every confidence that you are, but could I ask Mr. Grosse a question Mr. Speaker?

MR. CALLAHAN: Mr. Speaker, I would like to address a question to Mr. Brown. Mr. Brown, last evening I think and I cannot think exactly where the question originated, but we were talking along the lines of your check

and updating of the feasibility report. I think in fact the question came or the suggestion came from the hon. Leader of the Opposition. And the suggestion as I noted it down, was that your report, that your work on behalf of the Government could not possibly be of any use at this stage in view of the progress of the project. Now Mr. Brown, my question to you Sir, and I think it is very important. My question to you is this; it is in the first instance, and I think to refresh the memory of the House, this is important, what your impression is up to this time, of the project; and secondly, and I think this is even more important because it bears directly on the suggestive question of the leader of the Opposition last evening. Is it necessary that your report be black and white, did it say yes or no? Or is it possible that your report perhaps, and I am not suggesting it will, that your report could be very important in terms of guidance, the suggestion of matters in the planning which we were told today, the detailed planning is going on, that your report in fact can be a very valuable report in terms of assurance for the Government's purpose, and the Government are your employer, that in fact, the project is up to date, and that in fact is the reason for your being appointed to up-date the feasibility report which deals with the basic process. Could you answer those two questions. Firstly

Questions; firstly in respect of your impression at this point and secondly of the nature, the possible nature of your report, which it is my impression need not be a 100 per cent for or a 100 per cent against, could in fact be a report in terms of guidance?

MR. BROWN: Mr. Speaker, very briefly I will try to say about what I said yesterday and that is: up to this point, through my own personal review; Mr. Figge's work on the project and a half dozen other persons back in our Pasadena office, all of whom are still working at this instance. Excuse me, sir. We have, through these efforts up to this, some impressions of the project and these are; that at this point, we can see now discouraging indicators.

We have reviewed the overall configuration of the plant, the individual units that go into make up the refinery as a whole and these are processing units which are well known. They are tried and true processes. They are many of them in operation in all parts of the world. They are process that we know of. They are processes most of which I have personally operated, and we then find these processes, put together in a configuration, much like we would put it together ourselves. We would not do it particularly differently ourselves. Of course these things become a matter of small individual differences in this business. I think further I said that in addition to this overall review of the total configurations and in addition to the somewhat cursory review of the individual process units, I indicated that we had read all of the product purchased, product sales contracts and all of the crude purchase contract and the transportation contracts and through our engineering and economics, I had seen nothing out of order, but that we were proposing to subject these contracts to a little closer scrutiny before coming to a final conclusion. But as of this moment, we saw nothing out of order in the contracts that we - in all of the contracts.

MR. CALLAHAN: As to the usefulness of your report at this stage of the...

MR. SPEAKER: Order please.

MR. CALLAHAN: I have asked the second part to the question, which has not been answered, Mr. Speaker.

MR. EARLE: Mr. Speaker, I have been waiting for twenty-four hours to get in a series of questions..

MR. SPEAKER: Order please. I recognize the hon. member.

MR. EARLE: There has been more red herring floating around this Chamber this afternoon and tonight than there was created by ERCO in Placentia Bay during the past year. I want to bring this back on the track and ask some questions relative to the financing of this project.

First of all to refer to a question which was asked yesterday. There was reference to uro dollars being part of the financing of this scheme. Uro dollars, as I understood it, whoever the gentleman was who answered the.....

MR. CALLAHAN: Mr. Speaker, Point of Order, please. I really had not finished with Mr. Brown, and now we are going to another of the guests. This is not in accordance with the rules set down.

MR. SPEAKER: Order please. The Speaker made his ruling. It was not appealed..

MR. CALLAHAN: Mr. Speaker, I did rise, Sir, and indicated that I was not finished with Mr. Brown and I assume that when the hon. gentleman opposite rose, he was going to deal with Mr. Brown.

Now we are leaving Mr. Brown and the second part of the question I put has still not been answered. It is material, Sir, if I may say so, because it was raised on the other side.

MR. SPEAKER: The Chair has heard what the hon. minister has had to say, and I am sure the hon. minister does not want to make the job of the Chair more difficult than it is, and the hon. member for Fortune Bay has the floor, please.

MR. EARLE: Mr. Speaker, the question of uro dollars is part of the financing

of this particular project. I did hear the statement that \$6.1 million was raised in Euro-dollars and another sum which I cannot recall, but there is a substantial amount. Now the Euro-dollars, as I understand it, are at a floating rate of interest.

In other words, there is not a fixed rate of interest on these dollars, and they can vary upwards or downwards. The trend lately has been very much upwards. This Government or when I was Minister of Finance raised Euro-dollars on which we paid as high as twelve per cent interest. The question has not been answered as to what the interest rate on the Euro-dollars is to commence with and I would also like at the same time to have the answer; is it the regular Euro-dollar loan which is tied to the fluctuating rate of interest? Mr. Blake can probably answer that.

MR. BROKAW: Mr. Speaker, I am an engineer also you know. The financial - there will be three financial agreements, sir. These financial agreements are between Provincial Building and Klienwort Benson, acting as leader of a syndicate. The interest rates will be spelled out in these financial agreements. Now with reference to; interest rates were only insofar as what E.C.G.D. was going to guarantee. Under a £31.9 million loan, they will guarantee an interest rate of five and one-half per cent. It does not apply to Euro-dollars. There is an additional loan in the amount of £69 million which will be raised in Euro-dollars and converted to Canadian dollars, which will be used for local expenses here in Canada, in Newfoundland, excuse me.

When I left London on Friday, E.C.G.D. at that time, did not know on what basis they would guarantee that £6.9 million. They only knew at that time, that they would give an unconditional guarantee for the £6.9 million, and the interest rate would be tied to the six month inner bank rate for Euro-dollars. That is correct.

Now the interest rate on Euro-dollars has been falling. The last week the six month inner bank rate quoted in London was eight and three-quarter



per cent.

MR. EARLE:    Mr. Speaker, several other questions. The \$30 million loan to be guaranteed by the Government, questions were asked on this yesterday and we did not receive any answers, because the person who answered the questions stated that this was presently being negotiated and no set rates of interest or the conditions or terms of the bond could be stated at this stage. Surely in preparing a project of this size, there is some indication of the preparation of a prospectus in which this will be sought at a certain rate. Cannot the gentlemen concerned - somebody concerned indicate to us that approximately at what rate this money will be raised and under what terms?

These questions, they are not apparently prepared to answer, but I might say in passing that the reason I insist on these questions is that our previous financial adviser, who was my deputy minister....

MR. SPEAKER:    If we are going to be severe, let us be severe and the hon. gentleman is on his feet to ask a question, not to make statements.

All right,

MR. EARLE:    Mr. Speaker, with respect to your ruling. We will have, I understand, a turn-key plant at approximately \$155 million. Is there any allowance for an over-run on the contracts? Is this a final objective price or is there provision for an over-run on contracts which could drive this price up considerably.?

MR. WHITE: Mr. Speaker, I thought I brought that out very plainly on at least two separate occasions and this will be at least the third time that I have replied to this same question. The price that we have negotiated with Procon is a turnkey price, it is not subject to any escalation, inflation, deflation or changes that might be authorized by the owner of the plant, the Provincial Building Company. This is the only way that agreement can be altered.

MR. EARLE: In a sense that does not answer it because the Provincial Building Corporation cannot authorize over-run.

MR. WHITE: I think in the normal course of business Provincial Building Company can authorize the expenditure of such monies as they have available.

MR. EARLE: That brings up a very interesting point. If we get the plant ninety-five-per-cent complete nobody is going to turn it down at that stage, there will be a commitment will there not to complete the plant?

MR. WHITE: I do not understand how this could happen unless Procon went broke, unless Procon is financially insolvent and I am certain that at that point we are going to have this type of bonding or some recourse. Procon has entered into a contract to build the plant for \$155. million and hand us a plant that will run. Now I think there is no question on that matter of not having enough. I think that that is sufficient, they are going to build the plant.

MR. EARLE: That the Provincial Building Corporation could authorize over-runs if necessary, this is the one point I want to clear. They can if the plant is not completed under any circumstances this price can be increased.

MR. WHITE: If in the business judgement of the directors of this company they want to alter this price they certainly can however, if in the business judgement of the directors of this company they do not want to alter the price one penny they do not have to. Procon will build the plant as specified, as drawn up in our plans and specifications and handed to them, the plans which they bid on. Now we hope that we do not have to make a change, we hope that everything will be find, if we do this would be submitted to the Board of Directors for their approval and it is under the complete control of the Board of Directors for any additional expenditures that are made.

MR. EARLE: That is very important in our view. Another question on the \$10. million working capital which I presume is the amount which is to be provided by Mr. Shaheen on completion of the plant. This is the sole working capital for the operation as I understand because the \$155. million is to provide the actual plant and its equipment and materials and so on. Is this the only working capital?

MR. WHITE: Working capital as needed will be supplied to the plant by the Shaheen organization or will be arranged for. This is one of our obligations in that we have made an agreement that we will supply the necessary working capital for this particular project and it will be provided.

MR. EARLE: Why has the agreement not been given to the Government?

MR. WHITE: I think that agreement is contained in Act 86.

MR. EARLE: No, I do not think there has been any such agreement been given.

MR. WHITE: At least this is our understanding and it is our obligation, it is our considered judgement and the judgement of our advisors that the working capital as provided is sufficient.

MR. EARLE: Then the Newfoundland Government will not be called upon to provide any working capital?

MR. WHITE: No Sir, it will not.

MR. EARLE: A further question on working capital. Normally in the operation of a business, I do not understand an oil refinery, but in any normal business there are extended lines of credit which provide working capital, has that been arranged for this operation?

MR. WHITE: These lines of credit are available to us. We have not taken advantage of any of them at this time. In the normal course of business, I would imagine, that if our inventory happens to get high and we need a little money we will take an inventory loan. If our receiveables are a little high, somebody is a little slow in paying and we need some cash, I would imagine we would take a receiveables loan however, that is not contemplated in our studies, we have made no provision for that, we have provided for sufficient working capital without arranging for any inventory loans or any receiveables loans.

MR. WHITE:

This would only be in the case of a real emergency, Sir.

MR. EARLE: Can you assure this House that in the event that working capital loans are needed you have the capability of raising them?

MR. WHITE: Yes, Sir, I can make that assurance and not only that but it is certainly to our advantage and in our best interest that we do see that there is sufficient working capital. One other thing, I would like to make one clarifying point to Mr. Earle, if I might, On this previous question you asked, I probably used a bad word standing up here when I agreed with what you had said on over-run. This is not an over-run in any respect and, Mr. Brokaw has been frowning at me, any changes in the cost of this would be a change in scope of the work. The engineers consider this a change in scope. An over-run is where you plan something to build at a certain price and then the cost runs over, it costs more to build the same thing.

MR. EARLE: What prompts me to ask this question, we have already had a tremendous over-run. The originally \$110. million now \$155. million, are we going to face anything of that nature in future?

MR. WHITE: This is not an over-run, all this is is changes in the estimate. An over-run occurs after funds have been firmly committed and when the funds are committed, when the contract is signed then if anything costs more than that is an over-run.

MR. EARLE: In the course of construction if a new development comes up that you wish to incorporate in this plant, this might well represent additional investment.

MR. WHITE: This could represent what we term a change in scope. If it is justified, if in the business judgement of the directors of the company it is justified, if we can make a good enough deal with the contractor to give us the change that we want at a price that is attractive we have the authority to do it. I hope we do not, I hope our planning has been such that we do not have to have a change in scope because under normal circumstances your best operation and your best plant comes when you do not make changes after the engineering design has been set.

MR. EARLE: I have a few questions on the accounting section which should be directed to Mr. Shaheen. Mr. Shaheen said in answer to a question of mine yesterday that the accounting procedures were satisfactory to the auditors. I know that this was not the case at the time. It took us several weeks to get in the office and several months to get the audit done and the books were not in good order. However, I wish to ask on the future accounting procedures of this business is there an auditors report which I ask for yesterday which supports this?

MR. SHAHEEN: Mr. Earle, I did not so say yesterday and I think your Hansard would prove it out to you. What I said was that we got along very well with the auditors and that the matter is one between the auditors and the Government. We are not a party to that matter, that is a matter between the Government and the auditors they hired, Sir.

MR. EARLE: At the time that was not borne out, Mr. Shaheen. In any case, in the future on the operations of this plant will the books be kept here in Newfoundland or will they be kept in New York?

MR. SHAHEEN: That is a matter for determination between us and the Government. But I think as a matter of record we have to keep certain basic records here, certain basic records have to be kept.

MR. EARLE: Will you have auditors in New York?

MR. SHAHEEN: I do not have the answer to that one. That is one I think we will work out with the Government at the time because we are agents of the Government in that respect, Sir.

MR. EARLE: Will these books be open for inspection by the Government at any time?

MR. SHAHEEN: Exactly as called for in the law Sir, it does call for it in Act 86.

MR. EARLE: Just one final question. I do not know to whom to direct this so I will direct it jointly to the Government and to the gentlemen here. We consider and I hope that the gentlemen on the other side consider that there are just as honorable men on this side of the House as there are on the other. The members of Government have been given the privilege of seeing all of these

MR. EARLE:

agreements in strictest confidence. I ask Mr. Shaheen in all fairness to the Newfoundland people whom we represent just as much as the Government, cannot these agreements be subject to close scrutiny by us under his supervision or supervision of his officials?

MR. SHAHEEN: the other contracting party Sir, is the Government, I think that decision rests with them. We contracted with the Government, whoever the be, and that decision would have to rest with them. I would be prepared to do whatever the Government directs, Sir. It is purely the service of the Government in this matter, Sir.

MR. EARLE: May I direct a question on behalf, will the Government be prepared to let us see the agreement?

MR. SMALLWOOD: No.

MR. BURGESS: I am sure Mr. Speaker I am making direct action now, because I have been asked to sit down so many times, the people are going to think I am cripple. Worst of all, I am sitting down so often, I am beginning to think, I am crippled. On the matter of financing since this matter has been bought up by the Hon. Mr. Earle, one thing I would like explained the amount of money borrowed is \$155 million. I ask this of Mr. Shaheen incidentally, which has to be repaid over fifteen years at five and a-half percent, which amounts to at least in the present financial setup, another \$150 million. So we can say that repayments and interest would amount to in the region of \$20 million per year. So profits have to be fairly decent. Now this \$20 million has to be founded, keeping in mind, the fact that according to the contract, the agreement which has been signed, keeping in mind the fact that 27.8 percent of the annual net profits plus 5.1 percent of the gross sales have to be paid to Mr. Shaheen. So the question I ask, is the profits must be fantastic. Would you, taking in account, what I have said, the fact that the repayment and interest rates would amount to at least \$20 million a year, the profits must be fantastic.

Now another question which I would ask, of the Government.

MR. SMALLWOOD: Point of Order, Mr. Speaker.

MR. SPEAKER (NOEL) Let Mr. Shaheen answer your first question please.

MR. SHAHEEN: Mr. Blake can help you on that Sir, he is very close to that, and he is also a Lawyer and could maybe give you a clear answer.

MR. BLAKE: As far as what we receive under the Act, and under the agreements

MR. BLAKE: entered into in accordance with the Act, we get just that. As far as any figure of \$20 million being stated, there has never been such a figure stated. Whatever the figure is, has been revealed to the Government, and as far as whether it is revealed will be a matter of the Government to answer.

MR. BURGESS: I am just taking the fact of the matter over a fifteen year period a \$155 million has been borrowed, plus you are going to pay five and a a-half percent interest, which amounts to another \$150 million. Now repayments and interest rates over a fifteen year period would have to amount to at least \$20 million a year, in this contract. You know what kind of profits are we making and if these kind of profits are available in the type of industry that is going to be established, and there is no doubt that it is going to be established, because these gentlemen, who can get up and talk so concisely, you know anybody who would enter into a debate with them would be committing suicide, because they are so profound in their opinions. It is going to be established and this kind of money has to be repaid on a yearly basis. Now what kind of profits are there in this industry?

MR. BLAKE: Now, I think this question has been answered several times by stating that we do not reveal the amount of profits, cash flow or anything because this revealing to competitors very essential information which they would like to have.

MR. BURGESS: I appreciate your answer, Sir, but what it means essentially is that what is happening here is an exercise in frustration, as far as this side of the House is concerned. So I would ask the question of the Government. Thank you, very much, Mr. Blake.

MR. SMALLWOOD: Before you sit down, Mr. Blake, would you answer this question. If as the hon. member for Labrador West suggested, you have \$155 million to pay back in fifteen years, and during the fifteen years, you have also to pay interest at only five and a-half percent a year for fifteen years. Five and a-half percent for fifteen years on \$155 million, is \$8 million? Well say \$8 million.

MR. BURGESS: Repayment plus interest.

MR. SMALLWOOD: Yes that is what he said, if you have to repay



MR. CROSBIE: On a point of Order, Mr. Speaker, the question has been wrongly put, we have had evidence here tonight that the five and a-half percent only applies to the \$39 million, it does not apply to the \$6.9 percent. We have already heard the Euro-dollar rate was 8.3. percent last week. So you cannot take five and a-half percent on the whole \$155 million. If we are going to do this mathematics, let us have the correct interest figure, and other financial costs.

MR. SMALLWOOD: Mr. Speaker, I did not put the question wrongly, if it was put wrongly it was put wrongly by the hon. member for Labrador West. And I am taking the question that he asked, and I am asking you to comment on it Mr. Blake, if in fifteen years, you have to pay back a \$155 million, and if during the fifteen years you have to pay five and a-half percent interest on it, if that interest is \$8 million a year, it is \$120 million in fifteen years. So \$120 millions plus \$155 millions, is \$275 millions, you have got to pay back in fifteen years. If you do that, if the hon. gentleman's question is right, and you have to find \$275 millions, as even you Americans would say that, aide hay, if you had to find \$275 million to pay off the refinery, would it be in your opinion exorbitant for the Government to ask you to pay \$2,000 more on top of that, to have the refinery that you had paid \$275 millions to get?

MR. CROSBIE: Mr. Speaker, Mr. Burgess was in a middle of a question, and I have been trying Mr. Speaker since quarter of four this afternoon.

SOME HON. MEMBER: Inaudible.

MR. CROSBIE: The hon. minister is quite right, I will admit that the hon. minister is right for once.

MR. NEARY: So sit down and keep quiet.

MR. HICKMAN: Baby talk.

MR. WORNELL: Mr. Speaker, the supplementary question which I was going to pose to Mr. Shaheen has already been posed ineptly by the hon. member for Labrador West, and also by the hon. the Premier.

MR. SMALLWOOD: Ineptly as well?

MR. WORNELL: I did not say that.

MR. HICKMAN: I dare, you did not.

MR. WORNELL: Mr. Speaker I would put the question to a forthright gentleman, a self-confessed, forthright gentleman, Mr. Shaheen. Do you Mr. Shaheen foresee any difficulty in amortizing or paying back the construction cost in fifteen years?

MR. SHAHEEN: Thank you, Sir, for those kind words, I am glad somebody thinks I am a forthright fellow, and said nice things about me. Instead of slandering and drillifying me.

MR. CROSBIE: He did not say that.

MR. SHAHEEN: He did say so, Sir. The answer to your question is there will be no difficulty that we foresee, as Mr. White pointed out yesterday, he spent sometime amplyfying it, we see no difficulty in paying back the construction and other cost in this. And the UOP Report, Sir, does confirm it, does verify it, and it is a tremendous report, it is a big beautiful black report with many, many pages in it, and a lot of words in it. And I think when the Jacob's make their report, you will have further amplification of it. We do not foresee any difficulty with that. If we did we would not be in this business. It is not as golden as some of these gentlemen think, it is not that good. A major Oil Company's annual reports are freely available, you can get them, you can get the Imperial Oil Report, the Gulf of Canada's Report. And they make very interesting reading. The rate of return is about normal for the manufacturing business. It really is, it is not much difference in that. And there is no reason why there would be that kind of magic at Come-by-Chance. It just happens that it does fit, Come-by-Chance and Newfoundland can be competitive and can be with the others in the industry, but it is no better than they are. And not any worse either, Sir.

MR. BURGESS: Mr. Shaheen, I wish to assure you that there is no attempt on my part to vilify you, because I have a great measure of respect for what you are doing.

MR. SHAHEEN: With regard to yesterday, there was no feeling about that at all. I understood clearly, and I think you are very frank and direct, sir.

MR. BURGESS: Nobody can but deny the interest rates. When I spoke about \$150 that was round figures, but it is \$116 million in interest rates, Mr. Speaker.

Now I was about to enter into a question with the Government - of the Government.

MR. SPEAKER: Order please. I do not think we are in a position where we can ask the Government questions at this time, because the resolution is to get information from the visitors to the House, not from the Government. The hon. member for...

MR. HICKEY: I will not have rheumatism after tonight, I have made so many attempts to get us. I have a number of questions, and I think I better stay on my feet, Sir, if I am going to get through them. I would like to direct a question to Mr. White. I would like to ask him how much money has been spent at the Come-by-Chance project up to this date?

MR. WHITE: Mr. Speaker, when you say the Come-by-Chance project, you mean on the site, or total expenditure.

MR. HICKEY: Total.

MR. WHITE: Total expenditure to date. I do not have the exact figure at hand right now, but our estimate, as to the amount of money that will be spent, when the plant goes on stream and that would be a little further down the line, but most of it has been spent now, is \$8 million. That is the amount of money spent by us.

Now there has been an additional \$5 million expended on the bridging loan by the Government to the building company. This money has been spent for engineering, for other things, for work on the site, for survey

that sort of thing; so that the total right now, I would say would be something under \$13 million, but possibly greater than \$10 million. I cannot give you an exact figure.

MR. HICKEY: Is it correct, Sir, that you said the \$5 million bridge financing has been spent also.

MR. WHITE: Yes, sir, it has been spent. It has been spent on the site, and for engineering purposes and other expenses.

MR. HICKEY: Who put up for the dollars for the money that is being spent - the other \$3 million?

MR. WHITE: It is considerably more than \$3 million right now, sir. This money has been put up..

MR. SMALLWOOD: I is not only the eight but five and eight.

MR. WHITE: Yes, sir. It is five and eight. Now this money was advanced to Newfoundland Refining Company by its parent, Shaheen Natural Resources. They have put this money up and have gone on the, shall we say, gone on the line for that much money which some day we hope to recover out of this project.

MR. HICKEY: Just, while on this, Sir, I would just like to point out, last night I mentioned a figure of \$3,200,000 which was spent in marketing development, and I quoted it from the "Year End Report" and you indicated that there is no such animal as the yearly or Annual Report. I took that from a newspaper, and you are quoted as having given this figure; apparently, coming out of the report.

MR. WHITE: After we went in last night, I did check that and find that this figure was given out as part of a news release to some of the trade journals along with other things where we had detailed the amount of money that we had invested in the project up to that time and the \$3.2 million was in there; so I do recognize the figure.

MR. HICKEY: In connection with the job at Come-by-Chance and it has been indicated that a lot of the technical people who possibly come from outside the Province; I wonder if anything has been done today or if your company plans on doing

anything in connection with the recruiting of such people as engineers and so on from, let us say, the Nova Scotia technical college for which there<sup>are</sup> Newfoundlanders studying there and graduating from there and other professional people in the Province. Will preference be given or have you done anything as yet to recruit such people?

MR. WHITE: Actually we have not made any direct approach on any recruitment of anyone, but your question, actually, had two parts, I think. The first one was about the Procon estimate of the technical people that would be required in this construction period. I am afraid that really a misapprehension exists, a misconception, because of the way the question was put to Mr. Grosse. As a matter of fact, the technical people, as we consider technical people are graduate engineers. They are people who have had years of formal schooling and that sort of thing and we consider those people to be our management staff. Of those, I just confirmed with Mr. Grosse here this afternoon, that what he really intends to have is approximately twenty-five people in that category here. Those people some of them, very likely will be Newfoundlanders. There are some very well qualified Newfoundlanders and we certainly will or he will certainly hire those who are qualified to do this job, because as we have said, we always like to get people whose home is here, because we do not have so much trouble; we do not have to transport them. We do not have to move them around. They are a lot happier to live at home.

Now the other people, technical people, they are technicians. They are millwrights. They are welders. They are alloy welders. All of these various skills; they are skilled people, and I think that really the word last night should have been "skilled craftsmen" and not technical people and not technicians.

I know that in the public's eye, a technician is a technician, whether he has had a lot of formal schooling or whether he is a craftsman, but in the

divisions that we make, we usually consider that a man is a skilled craftsman, if he has learned his trade, either at trades school or by on the job training, that such of thing.

We put in that category a millwright. A millwright is a highly skilled man. He is a craftsman, an electronics' technician is in the same category; an electrician or a plumber for that matter a carpenter. These are the kind of people that will be hired and the great bulk of the some 1,500 people to be hired by Procon and 500 or so will be hired by the subcontracters and another 400 or so at the peak to be hired by the people who construct the dock. A great majority of these people will be skilled craftsmen.

That is one thing that will make it easier for us, if we do have this type, this reservoir of skills available in the Province so that we do not have to go outside.

MR. BROKAW: Mr. Speaker, let me comment on this if I may. Procon is in a highly competitive business. We have bid on, submit tenders on projects of this sort all over the world, and we build projects all over the world. Because it is highly competitive, we endeavour to build these plants with the most economical cost. We know we cannot do it by shipping expatriots all around the world therefore, we will endeavour to utilize Newfoundlanders to what extent is possible. We have talked with General Lessing briefly and we recognize that you have trade schools here, we will work with the Government people to whatever extent we can to use the people here in Newfoundland.

MR. HICKEY: I have two questions for Mr. Brown. Having listened to his remarks as to the possibility of secondary industries coming to the site, I raised the question yesterday and was unsuccessful in getting an answer. I am sure you have the answer that we want, and I am sure that you will give it to us. Attempting to establish the probable value of the refinery assuming that there is a successful ten, fifteen year operation, and having heard you I feel sure that you could at least make an approximate, or give us an approximate figure, or make an attempt to give us some idea of what the value of the refinery would be.

MR. BROWN: Mr. Speaker, really I cannot, that depends upon all the inflationary factors and everything that none of us is able to predict. I think Mr. White replied by saying that the value of the refinery on the day that it was turned over by the contractors would be a certain amount and really I cannot improve upon that.

MR. HICKEY: Assuming that what you said may happen did, what would you say the value would be then? Surely you would have some idea.

MR. BROWN: Oh you mean of an entire petro-chemical complex? Oh, I cannot, it could be, you see it defies. The first element that you might add might be \$10 million or it might be \$10,000. It might anything Sir.

MR. HICKEY: I made an attempt to get the information I was looking for yesterday, and did not get, and I thought that you would be the man that would answer it in the light of what you have said tonight. But apparently you are altogether and you are not going to give this information. So let us go on.

from that one. I have one other question Sir. Your firm I believe did the engineering feasibility study?

MR. BROWN: No Sir, Universal Oil Products did the feasibility study and my firm is Jacobs Engineering Company, and we have been engaged by the Government to review and to update the U.O.P.study, and this is what we are in the process of.

MR. HICKEY: Involved in?

MR. BROWN: Yes Sir

MR. HICKEY: Could you tell us then, or give us even an approximate figure on the power consumption

MR. BROWN: No Sir, I cannot. In the first place we have not reviewed, we have not finished our study, and secondly we will make this report to the Government and how this information is disseminated is beyond our control.

MR. HICKEY: You see, I am asking this because we cannot get this information from the Government and I understood this was the reason you people were coming here. But it seems to me that this is just an exercise of utility. The Government will tell us nothing, and we have seen a sample tonight of penalty killing. That is all that I can call it.

MR. HICKEY: Mr. White one other question Sir.

MR. HICKMAN: They are great stick handlers

MR. HICKEY: I understand that there is going to be a housing project on the site, or in connection with the site and the overall project. Would you tell us if the housing units are to built on site or if they are to be built off site, say, such as Clarendville

MR. MURPHY: There is a lot of preparatory work gone in out there

MR. WHITE: If the hon. gentleman would permit me, General Lessing has been working very closely with the local housing authorities and in the plans and development of this thing I would like to ask him to answer this question and possibly also Mr. Soper who is on the town development council, which I understand that in Come by Chance they have done a lot of work, and a lot of ground work on this thing. If I might.

GEN. LESSING: Mr. Speaker, and hon. gentlemen, ever since the Come by Chance



job was thought of there has been a great deal of study involved in finding suitable accommodations for not only the construction staff which may peak as mentioned before at about 2,000, but the operating staff which will be considerable when you add the related backup facilities, the usual multiplier factors and so forth. With the paper mill, and possible other industries, the various infra structure personnel required, let us say for the operation of the wharf there, there will have to be customs people, post office, banks and so forth.

We cannot have a profitable industry if we do not have suitable housing that will be attractive enough to bring people to this area. We are well aware of that. This is a situation that I personally faced in many other projects, and believe me Sir, we are giving this a lot of thought with experts in the field, particularly the Provincial Government department involved in this, the C.M.H.C., and the Newfoundland and Labrador Housing Corporation. We have had meetings with the towns people in the area, and we have presented to them plans for the development of the area. There is another factor that we must consider, that there are certain amenities that are completely lacking in Arnold's Cove, Sunnyside and Come by Chance and at Goobies.

Well some of these amenities are available in Clarenville so there will be an initial growth probably in Clarenville because of certain people who are attracted to the area, because the amenities are already there. But as the amenities that are in Clarenville and are needed by these people are developed closer to Come by Chance, there will be a shift possibly of some of the people that originally settle in Clarenville, to the Come by Chance area. We have to face the fact that there will be a constant shifting of personnel as we go from the construction phase into the operating phase. This takes a lot of thought, a lot of planning and we are working with all of the people concerned with these subjects here in Newfoundland.

Mr. Soper on our staff, who is here this evening is intimately connected with this, and he has been given the job of seeing that these things move ahead rapidly. If somebody says how many houses do you need? I can say that we need at least twenty houses immediately, practically tomorrow. How

many will we need in the future, depends on the growth of the industry. But for the construction phase, and I do not want to put words in the mouth of the good gentleman from Procon, but I am sure that if we had twenty attractive houses in Come by Chance quite a number of the top people would wish to occupy those as soon as they move to the site.

We have a big problem and believe me we are all working on it, and with a good cooperation from the Provincial Government people involved in this matter I am sure we will have a community of which we can all be proud.

MR. HICKEY: what the average salary of the employees that you anticipate to be hired on the project?

MR. WHITE: Here again Mr. Speaker, I have answered this question previously perhaps I was not sufficiently clear in my answers. The average salary that we intend to pay out here will be certainly in keeping with what I think is the average wage for the people of this same qualification, same education and experience background of others in the Province. We will certainly keep our wage scales even with everybody's elses, and for the purposes of our feasibility study and based on studies of the wage rates in the area and what it requires to attract qualified people, we have used a figure of around \$8500 to \$9,000 per year for the average employee. If the hon. gentleman is looking for a job I will have to add that this is the average employee, and this includes not only his direct pay, but certain other costs that we will have to bear, such as payroll taxes, insurance and other benefits of that nature, and of course vactations, sick leave, and so on. We will have a good vacation period however, we do not close our session after a few months. Our Session runs twelve months out of the year. However, as I said last evening I believe the wage rates for the craftsmen that we intend to hire, the maintenance people, the carpenters and so on will certainly be the prevailing wage rate in the area, and this will be arrived at by our labour people and the labour people from Procon to come here, and we hope and pray that Procon does do a good job so that we have a fair wage, a fair scale, and still do not come in and upset the whole economics of the thing. A fair wage by at least my interpretation does not mean the minimum wage, if the minimum wage is something - prevailing rates in the for that particular trade. Now certainly we are not going to pay a common labourer whose principle skills include the use of a wheelbarrow or a rake. We are not going to pay him the same as we pay a millwright, who has a lot of skill and who can operate precision machinery and that sort of thing. But we will have our payrates adjusted to the prevailing scale, and as I say, I have given

you a number which I hope will help you in your evaluation of this project as the average number that we have used in our studies.

MR. SPEAKER: May I trespass on the privilege of the House to suggest this? We have conducting this questioning now a long long-while. I detect in the answers as well as in the questions, a lot of material that is very repetitive and I am wondering if, I know we could keep on going like this for the next six weeks, much less than the next six hours. And I am not trying to direct the House. I only throw this out as a suggestion, because of the nature of the questioning, because the thing has been explored for such a length of time, and because the answers as well as the questions to my way of thinking are becoming repetitive. I would suggest that we have a round of questions and at 11 o'clock, thank the visitors who have come and have done their best to answer our questions, and call this portion of this business of the Session to an end. I can only suggest it, and I put it forward as something that I think will - well I am only suggesting it. If all hon. members do not agree, well we will continue, but I will now recognize the hon. member for St. John's West.

MR. CROSBIE: Mr. Speaker, with reference to your remarks, I have quite a number of questions that have not been asked here before, and certainly the answers have not been given before. And I do not think we can finish all this up by 11 o'clock. Now to get down to my first question. I would like to ask Mr. Grosse, who is the Corporate Vice-President of Procon. Now Mr. Grosse, you people are going to be in charge of the construction at Come-by-Chance, and you have entered into a contract with the Crown Corporation to build the oil refinery. Now in making up your estimates for the construction price, did you use the rates of pay that were applicable in Newfoundland to people working in Newfoundland when making your estimates?

MR. GROSSE: Mr. Speaker, yes we talked to the local building trades council here and got rates from them for the various crafts. We estimated the man hours, the relative efficiency, and used this in preparing our estimates.

MR. CROSBIE: You estimate that at the height of construction there will be fifteen hundred people working in <sup>your</sup> part of the contract, or under you. Now, I am not asking is there 1500, I am leading up to my question. You said that there was 1500 people working under you. If you had to bring in to Newfoundland outside workmen to perform tasks such as electrical work, plumbing work or the kind of work that can be done in Newfoundland - you may find that you cannot get enough of them here. If you have to bring people into Newfoundland, are they to be paid the same wages as a Newfoundland electrician, plumber, millwright and so on. Or are you going to pay them higher wages, rather than the rate prevails in Newfoundland?

MR. GROSSE: Well this question is really quite a delicate question. As you know we are a national contractor. We have agreements with the Building Trades Unions, both in Canada and the United States. If people are imported into Newfoundland from other areas of Canada, these people will be paid at the same base rates that we would use here. They would undoubtedly have an overseas compensation, a displaced compensation, but we would have a site agreement, which will cover this job. We will develop this with our labour relations people and actually negotiate with them on an agreement covering all of the crafts at the site.

MR. CROSBIE: What I am getting at is this - there have been jobs for example there is one at Long Harbour, where I think it was electricians had to be brought into Newfoundland and they were paid something like five dollars and some odd cents an hour. Whereas a Newfoundland electrician was paid three dollars and twenty cents an hour.

MR. GROSSE: I do not know that this happened, but I can assure you that we will give the Newfoundland personnel the same consideration that we will give anyone else on this job.

MR. CROSBIE: Of these 1500 people do you have any idea how many of them you have to bring in to Newfoundland as yet?

MR. GROSSE: No, I do not as a matter fact. We told you in the Quebec City

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job that there was a number of people working out of the Montreal local in Quebec City, because they were not available in Quebec.

MR. CROSBIE: Could I ask Mr. Smith a question now, Mr. Albin Smith. I believe Mr. Smith is Senior Vice President the group. Mr. Smith, would this be an accurate

MR.CROSBIE:

an accurate quotation of words of yours. "Our immediate goal is to maximize their profits with a minimum of investment, we have to obtain a much higher return than the major oil companies in order to undertake a proposed venture. We look for projects that have fast pay-outs and that can get five and ten financing which he explained was eighty per cent debt and twenty per cent equity." Do you recall that?

MR.SMITH: Yes, that is in the Harvard business study.

MR.CROSBIE: Business school study done at Shaheen Natural Resources Company in 1968.

MR.SMITH: That is correct.

MR.CROSBIE: Now in that quotation you explained that project fast pay-outs that could get five and ten financing. That is eighty per cent debt and twenty per cent equity. Now in the project that is before us now is it not the fact that the project is almost entirely debt or is as a matter of fact all debt and no equity.

MR.SMITH: I am a salesman in charge of chemical development and production activities. All financial questions asked will have to be referred to Mr. Shaheen.

MR.CROSBIE: The quotation I get from the Harvard Business School you are outlining all these strategies but now you say that you are not the man for this type of -

MR.SMITH: I said I outlined this strategy yes, but this particular project you are referring to I refer your question to Mr. Shaheen.

MR.CROSBIE: May I ask you this question then? In the same study on page 11, you are quoted as saying, Mr. A. Smith stated, (quote) " In this type of industry where technology changes so rapidly you cannot afford a twenty year pay-out. We need our money back within four or five years." Do you recall making that statement? Is it a correct statement? that in this kind of project you need your money back within four or five years

MR.SMITH: Unfortunately, this is what we desire, yes, I believe the statement says we would like to have a pay-out in that amount of time.

MR.CROSBIE: I suggest to you that your investment will be better, you have out in less than three or four years is that not so?

MR.SMITH: Possibly you are well informed but I do not believe that is the case, no.

MR.CROSBIE: Under the financing arrangement the whole indebtedness of refinery will be paid back within twelve years. Is that not so?

MR.SMITH: As I said before and earlier and I will repeat all financial questions should be referred to Mr. Shaheen.

MR.CROSBIE: There is no point referring these to Mr. Shaheen because I do not think Mr. Shaheen will answer them so I will leave that.

MR.BLAKE: Could I assist you on these questions? As far as the equity debt ratio is concerned this is Provincial Building Company which will be the owner of the plant. It is being, let us say capitalized to the extent of \$10 million that is being put in by Shaheen Group of Companies the Refining Company Limited.

MR.CROSBIE: Is it not a fact that the \$10 million that has been put in by Mr. Shaheen when all construction is over is subordinated debentures is a loan to the company on which interest must be paid by the Crown Corporation so that it can not be described as equity, it is a loan to the company.

MR.BLAKE: This of course is, this is to be treated as equity because it is completely subordinated to the debt. It is not repaid until the repayment of the Government loan

MR.WELLS: It is secured by a third mortgage.

MR.BLAKE: No it is not it is not secured by a - - I think you will see, I think that you know that a debenture is not a mortgage. A debenture is an unsecured debt -

MR.CROSBIE: I know - putting in the clause that you could not get your money back out unless the whole project was successful. I will claim the credit for that.

MR.SMITH: It is then, if I can continue, as far as the \$30 million is concerned this also is going in on behalf of the owner and it is also to be considered. This in fact is secured by a second mortgage.

MR.CROSBIE: Are you arguing Mr. Blake, that the \$30 million that the



Newfoundland Government is guaranteeing is equity?

MR. BLAKE: I am not arguing Sir, I am just trying to answer your question. I am stating the facts Sir. You can draw your own conclusion I am just giving the facts of what we have. We have the \$10 million that is put in by Newfoundland Refining and then the \$30 million which is secured by a second mortgage and the balance is in the form of a first mortgage which is guaranteed by ECGD.

MR. CROSBIE: My quotation from this Harvard Business School study of the Shaheen operation is that the ratio should be 80 per cent debt, twenty per cent equity. Now are you suggesting that \$30 million loan guaranteed by the Government of Newfoundland is equity and that \$10 million loan is made by Mr. Shaheen is subordinated debentures is equity.

MR. BLAKE: I stated that the \$10 million is to be considered equity. And I have stated that the \$30 million as is stated in the document is to be secured by a second mortgage because the refinery is in excess of 40,000 barrels a day in capacity.

MR. CROSBIE: I would like to ask you another question Mr. Blake. Could you tell us who the directors are of Newfoundland Refining Company Limited?

MR. BLAKE: Newfoundland Refining Company Limited. I do not know I do not remember all the names of the directors of Newfoundland Refining Company Limited.

MR. CROSBIE: Can you tell us who the directors of Shaheen Natural Resources Incorporated are?

MR. BLAKE: I usually have to go to the list but even if I have the information I do not know that I have the privilege of disclosing it.

MR. CROSBIE: Could I ask Mr. Shaheen these questions? Mr. Shaheen tell us who the directors of Newfoundland Refining Company Limited are?

MR. SHAHEEN: I know who the directors are it is a private company Sir, so, but the matter is one of public record you can get it here.

MR. CROSBIE: The last returns for the year 1968 could Mr. Shaheen bring us up to date as to who the directors of Newfoundland Refining Company Limited are? The company that is going to manage this whole project, \$155 million of our credit.

MR.SHAHEEN: The Government knows who it is Sir.

MR.CROSBIE: The Government may or may not know I am asking a question of you . You are required under the companies Act to file this information by the end of March.

MR.SHAHEEN: .We do Sir, we do.

MR.CROSBIE: It was not filed up to several weeks ago. Well then let me ask another question. Under the agreement entered into the public agreement Mr. Shaheen, or your group have the right to appoint all the directors except two of these Crown Corporations. Each Crown Corporation under this agreement the Shaheen people have the right to appoint thirteen of the directors and our Government to appoint only two. Have you appointed any directors yet to Provincial Refining Company Limited or to Provincial Holding Company Limited.

MR.SHAHEEN: We have informed the Government of that Sir. I feel you should direct a question like that to the Government because our relationship is between the Government directly.

MR.CROSBIE: This session that we are here now present at was arranged by the Government on the understanding the country was told, we were told, that at this session we could ask questions and we would get the information and facts and half the questions we are asking here tonight or today or yesterday we are told that this is a matter for the Government. Now Mr. Shaheen I am asking you the question. You have the right under this Public Agreement, under this agreement, to appoint thirteen of the directors of these Crown Corporations, may I ask again who you have appointed?

MR.SHAHEEN: I must reply Sir, that I think you should direct that question to the Government, we do not want to get in between you and the Government Sir.

MR.CROSBIE: I do not want to get Sir in between you and anyone. Well let take another track. You see we have already established earlier tonight that the Government will not answer any questions at this session, therefore we have to ask Mr. Shaheen and the others. Now the statement was made that the Shaheen companies have spent \$8 million of their own money apart altogether

from the \$5 million interim financing, \$8 million in connection with this project, and I would like to refer you Mr. Shaheen to an article in the Newfoundland Bulletin, which everyone in Newfoundland accepts as gossip in October 1969 where it was stated that \$8 million has been spent on the Come by Chance Oil Refinery, that is what this article states. It lists the various amounts including work on surveying, soil tests, construction camps, and barrels and different consulting firms and it says, and it adds overall project development expenses and cost of marketing developments \$3.2 million. Now according to this article the work to October 1969 had cost altogether \$8 million. Obviously that expenditure included the \$5 million interim financing, that was advanced by the Government of Newfoundland. My question Sir, is, how then can you have spent \$8 million in addition to the \$8 million advanced by the Government of Newfoundland.

MR. SHAHEEN: I answered that question yesterday and I was very clear very explicit and when you check your Hansard you can find that I said Sir, the \$8 million to which I referred was not the \$8 million to which you are now referring. I made that very clear and I do not think it is quite fair to be repeating all this stuff.

MR. CROSBIE: It was not made clear Sir, I can assure you, now if this is a separate \$8 million entirely could you advise us as to what this other extra \$8 million was spent on.

MR. SHAHEEN: We are keeping the Government informed on that and I certainly would not reveal that here Sir.

MR. CROSBIE: How can you expect us to accept a bald statement that apart from these other monies you have spent another \$8 million and expect us to accept that when you are not prepared to even detail what it was spent on. Eight million dollars spent on nothing. All right you do not wish to answer that question. Could I ask Mr. Shaheen in connection with work done to date on the Oil Refinery project at Come By Chance, have all the contracts been awarded by the Crown Corporations involved or has Newfoundland Refining or Mr. Shaheen or any of his companies awarded contracts in connection with the site at Come by Chance.

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MR. BLAKE: I may answer that, every contract entered into and the only contracts entered into were in conformity with the agreement and Act 86.

MR. CROSBIE: That is not an answer to the question. My question is in connection with contracts let for work done at the site at Come by Chance. Has every one of those contracts been let by the Crown Corporation or have Newfoundland Refining, or anybody else let contracts there?

MR. BLAKE: The only way I can answer you I do not know the detail of every contract let but if Newfoundland Refining Company was required to let a contract as it is under the Act in some instances then we did if it was Provincial Building which was the owner -

MR. CROSBIE: I will put the question to Mr. Lessing who have the answers. You do not have the answer. Could I ask Mr. Lessing the question? Has Newfoundland Refining or any of Mr. Shaheen's companies let contracts directly themselves for work done at Come by Chance? Before the Provincial Building Company became active were there any contracts let?

GEN. LESSING: Site work started back in 1967

MR. CROSBIE: Who let contracts for that site work?

GEN. LESSING: Newfoundland Pulp and Chemical companies.

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MR. CROSBIE: One of Mr. Shaheen's companies. Now in connection with contracts let by the Crown Corporation for which you are managing the job or are associated with it. Who is present when tenders are opened, when tenders are requested. Does the Government have a representative present on these occasions? And who is the Government's representative who is present when tenders are open? Is it always the same man?

MR. SMALLWOOD: General Lessing is that the contract that was left to the Crosbie's? Oh those are the contracts are they?

MR. CROSBIE: Mr. Speaker, a very interesting comment. I am unafraid of any contract that was ever left to anyone including Crosbies, and if they have a contract at Come-by-Chance, they darn well got it be the lowest tender. Now Mr. Lessing, to come back to the subject, what government representative is usually present? I did not hear any answer to that.

GENERAL LESSING: I do not recall Sir. I was not there.

MR. CROSBIE: Who was the liason officer of the Government with you on this project in connection with construction, or is there one?

MR. SHAHEEN: I think if it involved Provincial Building. We do not run Provincial Building. We work for them and I think that that question should be directed to the Provincial Building people Sir.

MR. CROSBIE: Mr. Shaheen, you know this agreement as well as I do, and does not this agreement put on Newfoundland Refining Company Limited, the responsibility of constructing - supervising the construction of this Oil Refinery at Come-by-Chance. And is not Provincial Building Corporation Limited a Crown Corporation with no employees and just four or five Cabinet Ministers as a board of directors.

MR. SHAHEEN: I think that that is a matter which you can clear with the Government directly. I do not know how big a staff they have Sir.

MR. CROSBIE: What are your people doing to justify payments under this contract?

MR. SHAHEEN: We have not had any payments Sir. We have not had any payments. We have been laying out our own money. We have not had any payments.

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MR. CROSBIE: There have been payments made to Newfoundland Refining and Shaheen Natural Resources from the \$5 million interim financing advanced by the Government, are there not?

MR. SHAHEEN: We have had no payments for the supervising of construction. But under the clause you mention, now you are using specific language, we do know this law. We know it thoroughly, even though you wrote it. We know it and we are living up to it literally. It is our bible. We have had no compensation whatsoever. I do not think it should be implied on Television for everyone to see. We have had about two days of this, and it is not fair to get us up here as guests, vilify us, slander us, put words in our mouths and impune us, because we are all correct, clean, decent fellows on our side.

MR. CROSBIE: Mr. Speaker, there has been no vilification and no slandering of Mr. Shaheen. We are asking questions, but not receiving any answers. Now to come back to the point. Of the \$5 million interim financing. It was advanced by the Newfoundland Government. You agree then that Shaheen Natural Resources and Newfoundland Refining have received payments from that, whether it is for out-of-pocket expenses or whatever. You have agreed that that is so.

MR. SHAHEEN: I only agreed that funds advanced by the Government were administered by our people, and if you want to know the details of that, please take it up directly with the Government to whom we reported. We do not intend to get between you and the Government. If you want to get information from the Government Sir, you get it. We are but a contracting party, and we do not intend to report to improper people. We can only report to the proper persons.

MR. CROSBIE: Why did come to this House if you did not intend to report to the members of this House?

MR. SHAHEEN: We intended to live up to the terms of reference Sir, by which we were invited in and we are living up exactly to those terms of reference.

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MR. CROSBIE: That is a matter of opinion Sir. In my opinion you are not. Under Clause 4 (c) of this agreement

MR. SMALLWOOD: Point of order! To a point of order! The prosecuting attorney is not a very good one - the prosecuting attorney is now acting as though he had a docket of criminals that he is prosecuting Sir Galahad, St. George and the White Stead coming to the rescue to whom of what? I suggest Sir, that this is not Newfoundland hospitality, this is not Newfoundland decency to invite men from both sides of the Atlantic from as far as California and from England, invite them in here and treat them as though they were criminals.

MR. HICKMAN: May I rise on behalf of council for the damned? I say that this Session was called for the purpose of getting information, and if anybody is being prosecuted or persecuted it is simply because they are refusing to give this House and give the people of Newfoundland simple facts. What could be more simple than the question asked by the hon. member for St. John's <sup>West.</sup> And he did not get an answer. And if this is going to be conducted in this way, a silly little chit chat across the House we may as well call it off. On the other hand there is a great deal of information that is being hidden and is not being given to the people of Newfoundland,

MR. SPEAKER: I have heard two or three people on this point of order, and I will say this. I have said before, and I will still repeat it again, that the questioning should be done in a proper manner. It should be done courteously. We have not witnesses before the bar of the House. We have guests who are answering questions. If their answers are unsatisfactory in the minds of some people - if that is their personal opinion that the question is unsatisfactory and it has not been answered in full, or that the person has evaded the issue, or he has not answered the question, he can any opinions he possibly likes about this, but the answer is not to be the subject of a remark such as "you are hiding information, you are keeping information from us, and you are not making full disclosure."

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That is not the way it should be. We are asking questions and we are getting answers. Now whether the answers are satisfactory in the opinion of some, whether there are no answers, or whether the answer is satisfactory, it should not be the question of any remarks about the person who made it, or the nature of his answer. We said that right at the very beginning of this Session, and I wish that hon. members would continue in that frame.

MR. CROSBIE: Mr. Speaker, on the point of order. I was attacked by the hon. the Premier wrongly. Accused of persecuting these gentlemen and all the rest of it. Now is Your Honour ruling that this as to my questions, were improper, or that my conduct is in any way, improper?

MR. SPEAKER: I have not ruled in any regard, regarding any particular members' question, or any particular visitor's answer. I said this is the principle, this should be followed and a lot of the answers which have been directed and could be referred to the House, that answer must be accepted and it should not be debated. Will the hon. member continue his question?

MR. CROSBIE: Now Mr. Chairman, to go on to other subjects to see what kind of information we will get. Would Mr. White advise me whether or not it is planned to sell Bunker Sea fuel or any type of fuel at all from the Oil Refinery at Holyrood to the Government, the Power Commission, Steam Electricity Plant at Duff's near Holyrood. Is there a contract entered into for that purpose?

MR. WHITE: Mr. Speaker, I presume that was a slip of the tongue that the hon. gentleman made, because we have nothing to do with the sales in the Golden Eagle Refinery. We do have something to do with the sales from the refinery at Come-by-Chance. Now the sale of Bunker Sea Oil or the sale of any residual fuel oil of course from our plant must be accomplished. We will produce some. Some of this will be sold to ships. Some of it will be sold locally, fuel for boilers. We hope to be able to sell some of this material to the Newfoundland and Labrador Power Commission, and we have actually as of this date, and here I am revealing a customer, but I think this is a very special case. We have made an offer. We have quoted



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a price what we think is a very fair price to the Newfoundland and Labrador Power Commission. Our offer was not accepted at that time on the basis that they were not in a position to contract that far ahead, and at the time we had a plant, when we were a little nearer to being able to deliver and they were able to accept our tenders that they would certainly do that - that we would be given the opportunity to offer them fuel oil delivered to their plant at Duff's, near Holyrood that is.

MR. CROSBIE: ..... Is there a contract entered into?

MR. WHITE: I said earlier that we had offered to sell, we had requested that we be premitted to make an offer when they went out for tenders. We did make an offer, our offer was not accepted because they were not in a position to make a contract that far in advance, and therefore, all we have right now is an offer. We offered to supply them with all of their requirements or we offered to supply them with a portion of their requirements in accordance with the tender request they put out.

MR. CROSBIE: You made an offer the whole thing is not firm yet, it is just that you made an offer. You have no contract yet to sell to the Power Commission.

MR. WHITE: We made an offer, our offer was not accepted. The offer is not outstanding at the present time, No, Sir.

MR. CROSBIE: Now in connection with the Franklin Bank, I believe there is a loan of \$5 million arranged to Franklin Bank in New York by Mr. Shaheen or you or one of your group to provide \$5 million Interim Financing to cover expense of the project. Would you tell us whether this loan has been repaid yet, or what the terms of the loan are?

MR. WHITE: Mr. Speaker, Newfoundland Refining Company was not involved in this loan in anyway. This loan was stickly a matter between the Government and the Bank through some of their government corporations. And I suggest this is properly a matter to be handled by the hon. members and the Government, if they want further information on this matter.

MR. CROSBIE: Was there ever any money advanced in that connection from Newfoundland Industrial Development Corporation?

MR. WHITE: Would you please repeat, I am afraid I -

MR. CROSBIE: In connection with this Interim Financing was money advanced for the project expenses, including your expenses from Newfoundland Industrial Development Corporation?

MR. WHITE: There again, you must ask the Government on that. I do know this, that the Provincial Building Company did arrange financing and make funds available which we administered, which we had work done on the site with funds which were advanced. Whether it came from Newfoundland Industrial Development Corporation, is a matter for the Government to answer not for me.

MR. CROSBIE: Can you tell me, Mr. White, what will be the cost of crude oil delivered at Come-by-Chance?

MR. WHITE: Well again, and again, I have said, even if I wanted too, I could not tell you that price. Because in this case, we are the customer, we are not the marketers. And our supplier certainly puts as much restrictions on us, as we place on our own customers, we do not divulge this sort of information publicly. This information has been given to the people making the feasibility, and they have incorporated, these prices into the study and can be reviewed by the Government people when they need it.

MR. CROSBIE: But why I asked that question, that in the Evening Telegram of March 28th. it is suggested in article there which you have probably seen, that you would have to pay eight cents a gallon just to haul crude oil from Kuwait, and compete with established companies who are selling refined gasoline in Canada for eleven and three-quarter cents a gallon.

MR. WHITE: By my rapid calculation I will just do this mentally, approximately three gallons per ton at eight cents a gallon, that would be \$24.00 per ton for transportation of crude. Now I can assure you Sir, that \$24.00 a ton for transportation is absolutely out of the question. It is in the wrong order of magnitude. It is entirely too high.

MR. CROSBIE: You do not have to worry about transportation.

MR. WELLS: What do people generally say? What has Imperial Oil got to do with it?

MR. CROSBIE: He has got Imperial Oil on the mind. Mr. White under the agreement section 6(H) you are to contract for the chartering of vessels to transport all crude oil, and you are transport other manufactured productions or arrange for it. Have you made these arrangements yet, have you chartered the tankers or made the arrangements to do so? Are you constructing tankers or what is the situation?

MR. WHITE:+ This question again, I have answered on two separate occasions in the House, I have informed the hon. members that we have entered into a chartered party with a shipping concern for the shipment of crude oil, that we have had extensive negotiations with other shippers, we entered into one charter party in order to establish a rate, in order to establish what we should do. And we will charter the other vessel. I have also said, that we will not or have no plans at present at least, to own any of these vessels. I do not want to foreclose that possibility, but at the present time our intention is to charter vessels and hire someone else to do the shipping. Because we feel they are more expert in this particular field than we are.

MR. CROSBIE: Have you had Universal Oil Products Limited work for you before?

MR. WHITE: Yes, Sir, on many occasions they have done a lot of work for us.

MR. CROSBIE: ..... oil.

MR. WHITE: They made a complete study of this particular one, yes, Sir.

MR. CROSBIE: I am not sure if it has been said or not, has Jacob's Engineering ever worked for you?

MR. WHITE: Yes, Sir, they have.

MR. CROSBIE: On many occasions?

MR. WHITE: Only on one occasion, they did a small review of a feasibility study for our refinery we were doing in another company on the West coast. As a matter of interest, too, I might point out that the feasibility study for the Holyrood Refinery, the plans and all of the licences were also done by Universal Oil Products, and I worked with them on that occasion.

MR. CROSBIE: Mr. Brown could I ask you a question. Has your firm being asked, I refer to section 5 (j) of the Agreement between the Government and the Shaheen group, have you been asked to furnish to the Government an opinion confirming the feasibility or otherwise the project? Is that what you have been asked to do? Or is it something less than that.

MR. BROWN: Mr. Speaker, we have been asked to review the UOP feasibility study and to update it. Two parts of our assignment.

MR. CROSBIE: Was there any provision under the Act, the independent person approved by the Government is suppose to confine, suppose to give an opinion of confirming the feasibility of a project?

MR. BROWN: We are an independent contractor, and we will be reviewing the feasibility study, making an independent economic analysis of that study.

MR. CROSBIE: Mr. Brown, when you are finished will your opinion to the Government state, we confirm the feasibility of the project or we do not confine the feasibility of the project.

MR. BROWN: Yes, Sir.

MR. CROSBIE: You will do one or the other. Is there anyway as it has been suggested by an hon. minister earlier, were you could say, a project is both feasible, and not feasible? Or it was suggested that somehow you could weasel and say, it is feasible or it is not feasible?

MR. BROWN: I think it is hypothetical, I do not know we feel that we can make positive statements, and stand by them.

MR. CROSBIE: I mean it will either be feasible or not?

MR. BROWN: Yes, Sir.

MR. CROSBIE: Thank you, Mr. Brown.

MR. SPEAKER: This is an opportune time for me to call it 11:00 O'Clock, and this House stands adjourned until tomorrow afternoon at 3:00 P.M.