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**VERBATIM REPORT**

**THURSDAY, JULY 23, 1970**

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

The House Met at 10:30 A.M.

Mr. Speaker in the Chair.

PRESENTING PETITIONS

HON. W. N. ROWE: (MINISTER OF COMMUNITY AND SOCIAL DEVELOPMENT): Mr. Speaker

I beg leave to present a petition to this hon. House from the Placentia area. Strickly legally speaking, Sir, perhaps this petition is not in the correct form to be presented to this House. It is not specifically directed to this House and many of the matters in the petition refer to the Federal Government, the Parliament of Canada, and refer to matters which are under the jurisdiction of the Parliament of Canada.

Nevertheless, Sir, perhaps it is not a time to quibble on legal formalities in this manner. I was presented with this petition a day or two ago, in the Lobby of the Confederation Building, by some people from the Placentia area.

The petition is signed by 1781 persons. The petition is in a typewritten form. Obviously, typewritten beforehand and then distributed for signature by those people who wish to do so. The petition reads as follows:

It is titled, "The Petition Of Special Concern For the Citizens of the Placentia Area."

"Whereas the events and circumstances of the last nine months have brought the communities and the people of the Placentia area to a pitch of concern and crisis;

And whereas to this date and at this time there is no sign of the total committment which can save this area, we the undersigned concerned citizens of the Placentia area do hereby request the Hon. Jean Marchand, the hon. Don Jamieson and (my name is used) to lend their efforts to the designation of the Placentia area as an area of special concern.

from  
MR. ROWE:(W.N.) " We request these ministers a total commitment to the survival of the area. We request the immediate infusion of Federal funds on a massive scale in the immediate future;

" And whereas at this point there are no formal procedural agencies for communicating to the people, businessman, unemployed citizens and young;

" And whereas the task force is an informal politicized institution avoiding public contact, we the undersigned citizens of the Placentia area request the immediate dissolution of Mr. Jamieson's Argentinia task force and its replacement by a formal procedural agency permitting direct access by the citizens of this area to the Government and in particular to the Department of Regional Economic Expansion. We the undersigned request these things as reasonable concern committed citizens. We speak for the good of this area and we make the good of this area our only ambition. "

Mr. Speaker, as I mentioned at the outset, a number of these things are for the Federal Government alone and, if not alone, then the Federal Government perhaps, with arguments and persuasion presented by this Government to them. The first point mentioned the designation of the Placentia area as an area of special concern. By that I would imagine a special area under the DREE concept is meant. The position of this Government, ever since the special area concept was first announced about a year or so ago, has been consistently to ask the Federal Government to designate as many areas in this Province as possible, as special areas, and the Argentinia area is one of those areas which we consistently, in the Provincial Government, have asked DREE and the Federal Government to have designated as a special area.

This desire to have the Placentia area become a special area, under the DREE program, is nothing novel or new, Your Honour. It has been our consistent policy and it will continue to be our consistent policy in the future. We want to see the Argentinia area become a special area and to receive Federal money for the provision of infrastructure and public services in the future, and also to enable industry to be attracted there.

MR. ROWE, W.N. The second point mentions, Sir, namely: the Argentinia task force, is again purely Federal in nature because it was appointed by the Federal Government. However, Sir, there are one or two things I would like to say about it.

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. I am presenting the petition to the House, as I was asked to do so, by the people who presented it to me.

MR. HICKMAN: There was a ruling in this House last year, to this hon. House, that any hon. member presenting the petition must report. he cannot speak against it.

MR. ROWE, W.N. Well, Mr. Speaker, if the hon. gentleman thinks I am speaking against it perhaps he can rise to a point of order when I am finished. I may support it and I may not, as events turn out.

The Argentinia task force, Sir,

MR. SPEAKER: I also want to point out that the hon. member only has five minutes.

MR. ROWE, W.N.: I will be finished in about thirty seconds, Sir.

The Argentinia task force again is a Federal matter, as I have mentioned. But what I would not like to see, Sir, as a member of the Provincial Government this task force used, as I mentioned two days ago, used as a political scapegoat or a football in any action or lack of action taken in the Argentinia area. The task force has done its job, it has worked conscientiously over the passed several months and it has gotten from Ottawa certain concessions by way of money.

MR. HICKMAN: I would like to speak on a point of order. The last sitting session of this House, Your Honour ruled that in presenting a petition or rising to speak in connection with a petition an hon. member can only speak in support of it but not against it. I submit that the hon. minister is obviously not supporting this petition at this time, consequently, the remarks are out of order.

MR. SPEAKER: It is correct, if the person is presenting a petition he adds his opinion to the prayer of the petition and, therefore, he obviously cannot

MR. SPEAKER: speak against it. He has to sign the petition and also he has to support the prayer of the petition, otherwise, he would not be presenting it. Also, we have five minutes in order to present it, There is not suppose to be any debate engendered. The custom has grown up whereby certain parties or certain hon. members are permitted. It is not due to any rule, the custom has just grown up, as hon. members stand and support the prayer of the petition.

The whole question, I may take this opportunity, without cutting in on the hon. member's time, to say this that I trust that before this House sits again we will have an opportunity or there will be a proposition to change the rules regarding petitions, because very rarely are petitions presented to the House in the manner in which they are suppose to be presented. Matters concerning the Federal Government are not in order. Matter which involving the expenditures of money are not properly in order. That eliminates, I think, ninety-nine point nine percent of all the petitions that have been presented in this House for sometime.

But the custom has grown up in this Legislature whereby petitions for roads and bridges, other than grievances, have been put before the House and accepted and the custom is so well established that there is no way of preventing it right now. But, as I think, we have to formulate rules slightly different from the custom that has grown up in the House, if we are not going to engender a debate on a particular subject. Will the hon. member please continue.

MR. ROWE, W.N. I would like to conclude, Mr. Speaker, by saying that apart from the misgivings I have on the motive behind the Argentina task force portion of this petition, I support this petition wholeheartedly. It outlines our own policy, as a Provincial Government, on a special area idea for the Argentina area. We wish to have Argentina and the surrounding area designated a special area and we will be devoting all our powers and all of our arguments to that end in the future, as we have done in the past.

I move, Sir, that this petition be received.

MR. SPEAKER: Move and seconded that this petition be received and referred to the department to which it relates.

HON. G. A. FRECKER: (MINISTER OF PROVINCIAL AFFAIRS): Mr. Speaker, my friend and I are in a rather embarrassing position. First of all, when this petition was presented in the lobby of Confederation Building on Tuesday last, I was undergoing a medical examination and consequently could not be presented. I appreciated very much the fact that my colleague, the Minister of Community and Social Development, was able to be presented. I, also, appreciate the fact that since he received the petition, he willingly consented to present it here to this House.

I find myself, Mr. Speaker, in a most embarrassing position because, whilst I support the first part of the petition wholeheartedly and can say without fear of contradiction that the Provincial Government has given its full support to the idea enunciated therein, that the Argentinia area should be declared a special area. Also, that the local committee of the task force have petitioned for the same recognition and, at a meeting held about a week ago at Dunville, the whole task force committee, made up of Federal, Provincial and local representatives, unanimously endorsed the idea that the Argentinia area, the Placentia area, should be designated a special area.

I can only go that far and say that insofar as I am concerned, as the member for the district, I will continue wholeheartedly to work towards this recognition of the stricken area as a designated one, so that it may receive very special assistance.

Now having said that, Mr. Speaker, I should like to put on record, with your permission, the names of the personnel of the task force. Before doing that I should like to point out to the hon. House that from the very beginning a group, made up of the mayors of the four Town Councils and the Chairman of the Municipal Council of Fox Harbour, through me, made arrangements to meet with the hon. the Premier. He met with this committee, including clergy and certain personnel from the Base, including the Consul General of the United States and Mr. John Whelan, who is a very

MR. FRECKER: able and competent official at the Base, but a Newfoundlander, and myself. He gave us three hours of his time, at night. Further than that, we had a meeting with Mr. Jamieson, the hon. Mr. Jamieson, at his house, a three hour meeting, two weeks later, and subsequent meeting with the hon. the Premier.

The Premier is reminding me, Mr. Speaker, that I only have five minutes to go, and as this is an impossible situation, I will not go on any further with the explaining; but I want to get these names on the record because it has a tale to tell.

The Government of Canada is represented on the task force by the following people and their positions; Mr. Ted Irwin, senior representative of Manpower Consultative Service; Mr. Donald Lawrence, Manager, Canada Manpower; Mr. Rupert Prince, Regional Representative of Industrial Development Service, Department of Fisheries and Forestry; Mr. Gerald Knight, District Director, Department of Public Works; Mr. Robert Chancey, District Director of Agriculture, Department of Agriculture; Mr. Allen Baker, special assistant to the Minister of Transport; Mr. Eric Facey, special assistant to the Minister of Transport; The United States of America, represented by Mr. Richard Straus, Consul General of the United States; Captain C. McCarthy, Commanding Officer of Argentinia Naval Station; Placentia Economic Improvement Committee represented by Mr. John A. Whelan; Chairman, Mr. Thomas O'Keefe; Secretary, Mayor L.J. Miller, Placentia; Mayor Cyril Pittman, Jerseyside; Mayor Ronald Kelly, Freshwater; Mayor William Hogan, Dunville; Mr. J. T. Foley, Chairman of the Community Council Fox Harbour; the Government of Newfoundland and Labrador, represented by Mr. Zenon Sametz, Deputy Minister of Community and Social Development; Mr. Herman Batten, Office of the Premier; Convenor of the Newfoundland Government Group, Dr. R. Barrett, President of the Fisheries College; Dr. A. Burno, Dean of Engineering Memorial University; Mr. E.P. Henley, Director of Tourist Development; Mr. Clifford Russell, Chairman Fisheries Loan Board; the late Ross Young of the Newfoundland Fisheries Authority, and Mr. Herbert J. Coombs, Deputy Minister of the Department of Provincial Affairs,

MR. FRECKER: who acts as Secretary of the Provincial Committee.

Although I was not officially a member, being a member of the Government, I attended every meeting and acted as a sort of a catalytic agent to keep the thing moving, and have consistently promoted the very ideas that we are now accused of doing nothing about.

May I have another two minutes to get something else on the record, Mr. Speaker, one minute?

The Department of Manpower, Mr. Speaker; I am thinking about the record rather than anything political in this. I consulted the Consul General, the day before yesterday, and asked him if he could give me some information as to what had happened to the people who had been phased down, so that I could report it to this House. With his permission, I would like to table this information; Approximately 527 Newfoundland civilian employees of the Naval Base were terminated during the most recent reduction in force, necessitated by budgetary restrictions. All of these 527 are registered with Canada Manpower for other employment, eighty-two found new employment, eight enrolled for Vocational Training and five were wives of United States Military personnel, who had since left the Province, 211 former employees were entitled to pensions, and this is the point I want to make at the moment. Two hundred and eleven of the 527 former employees were entitled to pensions and eleven additional were entitled to disability retirement. Pension payments are as follows: Retirement for service; three received in excess of \$4800, two between \$4000 and \$4200, seven between \$3600 and \$3800; fifteen between \$3000 and \$3400; fifty-seven between \$2500 and \$2900; seventy-

MR. SMALLWOOD: Is this yearly?

MR. FRECKER: Yearly, yes. Seventy between \$2000 and \$2400; fourteen receive approximately \$1900; ten \$1800; twelve \$1700; five \$1600; two \$1500; four between \$1200 and \$1400; six \$500 and \$700; four with lesser amounts. Retirement on disability, eleven, in excess of \$4200. That is 211 altogether who have received retirement allowances, thus reducing -



MR. HICKMAN: Would the hon. minister, if I am not infringing on his time, permit a question? It is for the purpose of clarification only, with respect to the pensions, will be or have been awarded to many of the former employees of the U.S. Base, these pensions, as I understand, were not contributor - do any of these pensioners have to pay a substantial sum to the pension fund in order to qualify?

MR. FRECKER: I understand the hon. member's question, Mr. Speaker. My understanding is, I have to ascertain this, my understanding is that these amounts would be the amounts that they are receiving after they have made up back payments for what you might call establishing themselves in the pension fund, established at the Base for Newfoundland civilian personnel, because it was late in coming, I think, it was 1962 or so, and those who wish to participate in it had to buy back. I think these are ones that bought back.

MR. HICKMAN: Inaudible.

MR. FRECKER: That is my understanding, but I am subject to correction there,

If the hon. member would wish me to do so, I could ascertain that and give him the information this afternoon, Mr. Speaker, with your permission.

Now there is one other point, Mr. Speaker, that I think is worth getting on the record and that is the part of the Manpower Department in this business. Immediately, (this is a release from Mr. Don Lawrence, the Manager of Manpower) immediately, the release of the layoff at Argentinia Naval Base, Manpower set up an office, through the courtesy of Captain McCarthy, and commenced interviewing candidates who would be laid off. Four hundred and seventy-one interviews took place and our man remained on the job, assisted by the Personnel Office of the Naval Base, until the 30th. June, 1970. During this time 120 job offers were made to persons being laid off, with seventy-nine refusals.

The big problem that we encountered was that the majority of the people being interviewed did not wish to leave the area. Visits were made by myself, that is Mr. Lawrence, to ERCO, and I personally visited Argentinia with Mr. Otto Lessing, President of Newfoundland Pulp and Chemicals, and

MR. FRECKER: was assured by Mr. Lessing that he could absorb the persons laid off, who were still capable of carrying on their present vocation under construction conditions. Methods of commuting were discussed with Mr. Lessing, the possibility of a bus operating daily or the purchase of a car from the old Newfie Bullet to transport people from the area to Come-by-Chance. This was temporarily set back by the present situation at Come-by-Chance, but the possibility of late fall jobs still exist for quite a number. Arrangements were made, - persons who had not worked on the Base, from the five towns affected by the layoff, will be able to have people visit our office at the Base. However, because of the distance involved little use was made by these clients.

Manpower is opening a temporary office in the old R.C.M.P. Building in Placentia and should be in operation Monday, 27th. of July. One of the main purposes of the office is to reinterview the clients, with regards to any new possibilities of job prospects but mainly to ascertain the trading needs of the communities involved.

During our stay at Argentia we placed thirty people at various locations, (that is their own officials) within commuting distance. Authorized two mobility grants to move two clients, one to Toronto and one to the Goulds, St. John's West. Besides the thirty persons placed, six persons were placed in training courses. We have been actively involved, since the news was first released, and will remain active to work on behalf of not only the persons affected but residents of the towns surrounding the area.

Now I support the first part of the petition, if I am not allowed to oppose I cannot support the second part, Mr. Speaker. Thank you!

MR. T. A. HICKMAN: Mr. Speaker, in supporting this petition, what the hon. the Minister of Provincial Affairs says, with respect to the task force, may very well be correct. On paper, at least this task force is comprised of very competent and representative men. But, obviously something has gone wrong, Mr. Speaker, when you have a petition signed by approximately 1800 residents of the Argentia, Placentia area. I understand that the

MR. HICKMAN: communication between the task force and the people of the Argentinia - Placentia area, to say the very least, leaves a great deal to be desired. Quite recently a group from the task force or employees of the task force were to go to the Argentinia - Placentia area to talk to the people of that area about local involvement and to try and convince the people of that area that there was a great deal of local involvement required on their part and to try and persuade <sup>them</sup> to do so. I suspect, Mr. Speaker, that very little persuasion would be necessary.

Unfortunately, and to the great surprise of the people of that area, the very group who came down to try to encourage local involvement did not see fit to tell the people in the Argentinia - Placentia area that they were coming and consequently people were totally unaware or the large majority of the population were totally unaware of the presences of the involvers, to speak to the people, with whom they wanted to become involved. And I suspect, Mr. Speaker, this is one of the very unfortunate errors that have been committed by the task force, in that there is almost complete and total lack of communication between the task force and those whom that force must serve and serve exclusively.

Mr. Speaker, in supporting this petition, again may I direct to the House, because I assume that all hon. members of this House are most anxious, certainly any responsible member of this House has to be most anxious that the spectre of unemployment that faces the people of the Argentinia - Placentia area be dealt with, if at all possible, and dealt with quickly and efficiently and effectively and dealt with in every conceivable manner and that every conceivable approach be used.

One thing that I have noticed and I suspect that other hon. members <sup>is</sup> have too, that during all of the pronouncements, from the task force and from others involved in the rejuvenation of the Argentinia area, that we have completely and absolutely overlooked the fact that this Province is the only Province of the ten in Canada that is being grossly discriminated against insofar as the expenditure of defense monies are concerned by the Government of Canada.

MR. HICKMAN: Here we have in Argentia, a Naval Base with naval installations, and is precisely what it was designed for. But the figures that are contained in a brief, a very commendable brief that was submitted to the Prime Minister of Canada last year or this year, I have forgotten which, by the Royal Canadian Legion in Newfoundland, dealt with this very aspect and brought to the attention of the Prime Minister of Canada and the Government of Canada this gross discrimination that has been taking place for twenty years against this Province.

I think it is very relevant, Mr. Speaker, to this petition that last year the total expenditure in the Province of Newfoundland, by the Government of Canada for defense purposes, Newfoundland and Labrador was \$4.5 million, as compared with \$145 million, \$145 million in the Province of Nova Scotia; \$59 million in New Brunswick and tiny Prince Edward Island, has a population of less than the city of St. John's, \$11.5 million spent in the Province of Prince Edward Island.

Now, Mr. Speaker, this has an employment factor that is quite significant because, in the Province of Nova Scotia where there were 13,865 servicemen stationed, there were 6,324 civilian employees. In Newfoundland, where there were at the time this brief was prepared, 424, there were 125 Newfoundland civilian employees.

I do not suggest for a minute, Mr. Speaker, that the Government of Canada be asked to close out the Naval Base in Halifax and move it kit and caboodle to the Argentia Naval Base. But, if we are to believe what all Newfoundlanders think and what obviously the United States of America has believe up until now, that Newfoundland does have strategic position in the defense of North America, certainly more strategic than the city of Halifax, if we are to accept the position put and the debate on the Come-by-Chance that, again because of our strategic position on the trade route to the world as opposed to other Atlantic Provinces' ports, if we are to accept that, then obviously strategically we have an advantage over the Province of Nova Scotia.

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MR. HICKMAN: If, for instance, the Government of Canada is anxious to try and alleviate some of the unemployment that faces the people of the Argentinia-Placentia area, then one very real way of doing that is a realignment of the defense forces in the Atlantic Provinces. Supposing we took a third from Nova Scotia

MR. HICKMAN:

one-third from Nova Scotia and one-third from the Province of New Brunswick, we can leave Prince Edward Island, and bring to the Province of Newfoundland just 3,000 or 4,000 or even less servicemen, to be stationed at a fully equipped naval base, just think of the benefits it would bring to Argentia, not only permanent employment -

MR. SMALLWOOD: Just look at the benefits they did bring to Argentia.

MR. HICKMAN: The benefits that the Government of Canada, because I understand that this task force is seeking a way to maintain, if it is not seeking a way to maintain and create permanent jobs in the Argentia-Placentia area then it is not serving the purpose that it was intended and obviously the petitioners have something to go on.

Now you have this fully equipped naval base at Argentia, if it moves in, if one-third of the service personnel stationed in New Brunswick and Nova Scotia were transferred by the Government of Canada to the naval base at Argentia, there is one advantage, over and above the advantages that came from the U.S. Naval Base, because under U.S. Naval regulations all purchases where possible had to be made State Side. Under Canadian defence regulations, all purchases for the requirements of a defence establishment must be purchased in Canada, with preference given to the local area. So, Mr. Speaker, apart from the ratio of about one for every three serviceman of permanent civilian jobs that follow on any naval base, over and above that there would be the other benefits, direct benefits which will accrue to the people of the Argentia-Placentia area.

This is not, I submit, Mr. Speaker, an unreasonable request. This was envisaged in the terms of union, when we were to have a defence force in the Province of Newfoundland, but nothing has happened. We watch the Canadian forces year by year dwindling away in this Province and never a word spoken by the Government. Now we have the last clear chance to re-establish the rights that were given us at the time we became part of this Confederacy. I submit, Mr. Speaker, and I draw to the attention of the task force and to the Government of this Province that one very real benefit, one very real entitlement, and it is an entitlement that this Province has and if we accept the

MR. HICKMAN:

position that has been repeated in this House, time and time again, that the Placentia Bay area has a strategic position that is better than any other part of Eastern Canada, then, obviously, strategically we are on the right track, morally we are on the right track. I submit, Mr. Speaker, that if the Government of Newfoundland fearlessly and without any concern for embarrassment that this might cause to the Ministers of the Crown in Ottawa, if it would lay our case, either through the task committee or as the Government itself, squarely in the laps of the Government of Canada and say: "Give us a piece of the defence pie both for economic reasons and strategic reasons" then this would be one way and one very effective way to meet the crisis that presently exists in the Argentinia-Placentia area."

MR. SMALLWOOD: Mr. Speaker, the heart of this petition is something that the Government and the Opposition and I would think all Newfoundland would heartily support. The prayer of this petition is that that area be designated a special area. That is the heart of it, and how can anyone disagree? How can any Newfoundlander disagree? Of course we support it. We do more than support it, Mr. Speaker, we demand it. We have demanded it, we have urged it emphatically with the Government of Canada, not by making speeches here in this House, that is not the way to get things done with the Government of Canada, it is not the way to get things done in any Province, if the Government of Canada is to do it, just make speeches in the local House, in the Provincial House.

The way to get it done is to deal directly with the Government of Canada. This we have done and this we continue to do and we do it emphatically and we do it in such a way as to leave no doubt in anyone's mind, in the Canadian Government, as to what we demand and what we want. We want that area to be designated a special area. But, Sir, that is only one of a number of places that we want, that we demand shall be designated. Now eight areas have been designated in this Province to be special areas; the St. John's area, extending from St. John's to Witless Bay in one direction and St. John's to Carbonear, including those two places in the other direction. That is special area number one. Special area number two is an area centred at Come By Chance. Special area number three is Central Newfoundland, from Gander to Bishops Falls

MR. SMALLWOOD:

inclusive and including Botwood and Lewisporte, a sort of triangular heart of the Island. Special area number four is the Port Aux Choix-Hawkes Bay area, a small area. Special area number five is Humber Arm of Bay of Islands. Special area number six is Stephenville to Flat Bay, the other side of St. Georges inclusive. Special area number seven is a big slice of the Burin Peninsula and special area number eight is the Goose section of Lake Melville.

Now these are the special areas. This is about half the special areas of the whole nation of Canada, it is more than half of all the areas in the entire nation that have so far been designated and that eight, though it is more than half, is not half enough for Newfoundland. We need at least another eight. We have demanded that a number of them be designated, in addition to the eight. The Government of Canada have so far agreed in principle, agreed in principle to add three to the eight, three of those we have demanded, we have demanded more than three but they have agreed to add three to the eight.

The three they have agreed to add are the Bonavista Peninsula, not perhaps right down to the base of it but the outer end of the Bonavista Peninsula, draw a line across say from Trinity to Kings Cove or something of that order, everything North of that line, that would be area number nine. The Baie Verte Peninsula would be area number ten and the area of Port Aux Basques to Burgeo, inclusive, would be area number eleven.

We have also ask to have the Placentia-Argentia-Dunville-Jerseyside-Freshwater-Fox Harbour and Point Verde area designated another area. So far the Government of Canada have not done so, but we continue to demand it. We think it ought to be so declared, we agree with the prayer, the main prayer, the constructive prayer, the creative and constructive part of the prayer of this petition. We could not agree more heartily than we do. This is what we have been demanding, not by making speeches in this House, not by signing petitions but in a very emphatic manner.

Now, Sir, let me say this in conclusion: The whole idea of the DREE program is, in the main, in the main now, there are a couple of other aspects to it, they will help relocation of people from one part to another part, they will give industrial incentives to approved industries, no matter



MR. SMALLWOOD:

where they go in this Province, anywhere, whether in a designated area or not, anywhere they will go in this Province they will give approved industries large cash grants, gifts and loans. But the essential part of the DREE plan is this; in the approved areas, the special areas, to pour money in, to build schools, to put in water and sewer systems, to pave roads, to build trade schools and in other ways to make that designated special area an attractive place into which industry maybe enticed and if industry is enticed in there then the other part of DREE comes into operation and they will give large cash grants.

But mostly, except it be a mine where you have to go where the minerals are, unless it be a paper mill where you have to go more or less where the timber is, unless it be something where you have no choice as to where you go, unless it is something like that ordinarily industry will move only into an area that is attractive, that has schools and homes and water and sewage and paving and hospitals and schools and what have you because, otherwise, industries will not move in there. Now unfortunately, from the DREE point of view, the Placentia area has all these things, it has schools, it has a hospital, it has water and sewage, it has paving, it does not have a trade school. That is one of the things that DREE gives that that area does not have but, generally speaking, the area in question is already incomparably better than many areas on this Island of Newfoundland. So the DREE idea does not help very much in that particular regard, nevertheless we want it to be designated a DREE area.

So speaking for the Government, as the Leader of the Government, as the Premier of this Province, I say now publicly what I have said repeatedly in private, I say now publicly; "we want this area to be designated a special DREE area." So, wholeheartedly, I can support the main prayer of this petition.

MR. HICKMAN: Would the hon. Premier indicate to the House whether or not there has been any committment by the Government of Canada to extend the DREE areas or the designated areas beyond those contained in the agreement already signed?

MR. SMALLWOOD: Yes there has. There has been an agreement by the Government of Canada, in principle, to accept three of those we have recommended to be

MR. SMALLWOOD:

added to the eight, the three I have already mentioned and, in mentioning them, I said that they had agreed in principle and I added "in principle" and then I said a third time "in principle."

MR. HICKMAN: Commitment was the word I had used.

MR. SMALLWOOD: They have in principle committed themselves, in principle yes, to those three. Add those three to the eight and that would make eleven. Already the eight we have are more than half of all the designated special areas in the whole Canadian nation. Now they started off, I think, by suggesting three. At the beginning the DREE people in Ottawa suggested that the number of special areas in this Province be limited to three, the number be limited to three. We got it up to eight and eight have been designated publicly but we also tried to get more than eight and we have so far succeeded in getting three more, in principle three more, making it a total of eleven.

MR. CROSBIE: Mr. Speaker, I think what we need a defence force to defend us against such tremendous breaches of the rules of this House such as have occurred here this morning in connection with this petition. Now when it came to the Minister of Provincial Affairs, of course, it was wholly excuseable because the hon. Minister is representing the district that this petition is about and I had no objection to it but the rest of it has been most irregular but I will try not to <sup>be</sup> so irregular as some of the others because there is already a resolution down for debate.

MR. SMALLWOOD: The hon. gentleman should begin his reform right now because he has to reform himself and he is going to start obeying the rules. I hope the hon. member for Burin is properly censured, I hope he feels very humbled.

MR. CROSBIE: I can even excuse the Premier this morning, Mr. Speaker.

MR. SMALLWOOD: I was within the rules.

MR. CROSBIE: In any event, in connection with petition, it is all very interesting and I think, Mr. Speaker, the time has come for a thorough discussion in this House of the position of the Argenticia-Placentia area - what is being done -

MR. SMALLWOOD: Why not have that tomorrow on private members day?

MR. CROSBIE: We hope to have that when we come to private members day. With respect to the petition, passing over defence forces and whatnot for the moment,

MR. CROSBIE:

we all agree, I believe, that this should be an area of special concern. The Premier has said that the Government agree and they want it to come under the DREE program. We all support that, it maybe some help to the area. I also support the part of the petition that suggests that the task force be replaced by a formal procedural agency, permitting direct access for the citizens of this area to the Government, in particular the Department of Regional and Economic Expansion, or something along that line, because quite obviously if, as the hon. member for Burin said; 1,800 people of the area feel it should be done, there is a weakness in communication between the task force, which is composed of twenty-five or thirty people, and the people of the area. There needs to be some one person, perhaps several persons, who anybody with a complain or question and whatnot can contact, who are fully familiar with what is happening in the area. Probably the trouble is that the task force is too large and dispersed among too many agencies and it is therefore difficult to pin responsible.

So I think there is something to be said for that part of the petition too. But since we hope to debate or discuss, not really debate - it is not to score points that the resolution has been suggested but just for the sake of these problems and what might be done, I will not say anything further at this time except that I support the petition or we support it - on behalf of my colleagues.

MR. HICKEY: Mr. Speaker, I would like to add my support to the petition.

MR. SMALLWOOD: Good! good! I was worried that the hon. gentleman might oppose it. I am so happy to know that we have his support, and the people of Placentia will be happy.

MR. HICKEY: I am sure, Mr. Speaker, the hon. the Premier could never think that I would not support something coming from the area of Placentia, where I spent close to five years, I could not possibly fail to support this petition.

I support it, Mr. Speaker, not just as a member of the House but as one who lived in the area and who has some idea and some appreciation of what those people are now faced with. I support it for another reason, inasmuch as the request that the area be designated as a special area. I find one

MR. HICKEY:

particular thing rather confusing, inasmuch as there is some indication that the Department of Regional and Economic Expansion have some doubts as to the future economy of that area now, and for that reason, possibly, the area is not coming under the DREE program. However, Sir, I would point out that this Government have designated Placentia area as a growth centre, under the centralization program, which is partly financed by the Federal Government. Now I find it rather difficult to understand why a department of the Federal Government now have some doubts as to the future of the economy when, in fact, they have approved the expenditure of public funds, under other headings, for that area.

Again, with regards to the closing of the base, I think all of us now are speaking about something, it is like as though we are trying to lock the door when the horse is gone. Now this Government and the Federal Government were well aware that this base would not last forever. There were constant reminders, by the news media, by the various agencies of Government, of the possibility of this phase-out or phase-down and, Mr. Speaker, next to nothing has ever been done for this area, in the way of industry, next, <sup>to</sup> nothing has been done for this area in the way of the fishing industry, despite the constant request of various people and various organizations of that area. I think the Government have a commitment to those people and have a greater commitment now. I think now it is time for them to attempt at least to bail themselves out from what can only be termed gross neglect in the past, I hope to have some other things to say when the subject is debated. However, I would like to go on record as wholeheartedly supporting this petition.

On motion, petition received.

MR. SPEAKER: I would point out once more that when we begin to relax the rules of the House, even in a small way, what it leads to is, we would be one hour of this session debating something, when there is a motion on the Order Paper which deals with the same subject, in anticipation of this, plus the fact that our rules state most clearly that there will be no debate on a petition when presented to the House. We allowed it in one instance, we let it go a little further and consequently we have spent an hour debating something when there is a notice

MR. SPEAKER:

on the Order Paper of the same subject to be brought before this House in this present session. It is something that needs clarification and some firm ruling.

MR. SMALLWOOD: Mr. Speaker, I rise to a point of personal explanation and I hope the House will indulge me while I make it. I made a statement a moment ago that the eight special areas that have been designated constitute more than half of all the special areas that have been designated in the whole of Canada. I have been informed since then, by my colleague, the Minister of Community and Social Development, that what I ought to have said is that these eight are more than half of all that have been designated outside of Newfoundland and, therefore, constitute about one-third of all that have been designated in the nation of Canada.

MR. COLLINS: Mr. Speaker, before we get away from petitions, I have a petition which I would like to present on behalf of some three hundred residents of Peterview, which is in my district. The prayer of the petition is that the existing water supply be extended to include some thirty-eight families in the Wigwam Point area.

MR. SMALLWOOD: Is Peterview in the special area number three, is it within the boundry?

MR. COLLINS: Yes, Mr. Speaker. I was going to refer to that. The people who have signed the petition indicate that those residents, who are now outside the area where the water is supplied, have to find water in ditches or brooks which evidently have become contaminated. They have contacted the Department of Health. I have not seen the report yet but I would suspect that I will be receiving it pretty soon. I do not know what the Minister can do about this particular project, this year, but certainly, if it is not possible to extend the water, then I would recommend to him that a very close look be taken at the situation, to determine if the water supply which they are now using is actually fit for human consumption.

In connection with what the Premier just mentioned, since it does fall within the special area for purposes of the DREE program, if we cannot get something done with it this year then certainly hopefully it can be

MR. COLLINS:

included in the program next year. It gives me great pleasure, Mr. Speaker, to support the prayer of the petition and I would ask that it be tabled and referred to the Department to which it relates.

MR. ABBOTT: Mr. Speaker, I would like to support this petition. I was representing Peterview, part of Gander district, at the time that the water was installed. At that time the cost exceeded the expectations or the vote for that amount, therefore, the number of families who have petitioned the House now for the extension were unable to receive the water supply. It was obvious then that sooner or later the wells in that area would be contaminated and now, as the petition reads, the wells have become contaminated and it is very imperative that water should be extended, the water line extended and the families who are involved should receive the same services as those who are receiving the services.

The people themselves are hard working people and I am sure they feel and I feel that they should too receive the water services, as soon as the Government finds it possible. I have much pleasure in supporting the petition.

On motion, petition received.

PRESENTING REPORTS OF STANDING AND SELECT COMMITTEES:

MR. ROWE: Mr. Speaker, I think this is as good a time as any for me to report to the House on a matter which concerns, I think, every member of the House in that several thousand indeed, some twenty thousand of our high school students are involved. I am very happy to be able to report that, according to the latest advice I have had from the responsible officers in the Department of Education, the results for the public examinations in grades nine, ten and eleven will all be in the mails on August 3rd, making it the earliest time in the eighty odd year history of public examinations in Newfoundland, the earliest time that the results have been available. There are several reasons for this.

One, of course, is the reorganization of the Department of Education. The other is the increasing use of the computers and the third reason would be the fact that we have, for the first time this year, repatriated the grade eleven examinations. Previously they were always examined, read by the Atlantic Provinces

MR. ROWE:

examining board in Nova Scotia, This year we are handling them in Newfoundland.

I am very happy to be able to make this report, Mr. Speaker, because it means, among other things, that students in grades nine and ten will have a full month in which perhaps to do some remedial work, where that is possible, in their schools or through their homes or in other ways. It also means that, for the first time in our history, potential university students, matriculants and going into the university, will have a full six weeks and in some cases perhaps seven weeks, again in which to make their plans for the university and in some cases, I would hope, to do remedial work, where necessary.

While I am on my feet, Mr. Speaker, I would like to report to the House on another matter of educational interest to the Province. The president of the University and the scholarship committee of the Memorial University of Newfoundland have recommended to me, as they are entitled to do under the law, that scholarships, a number of senior scholarships be awarded to the following persons: the senior jubilee scholarship which is, I suppose, our most prestigious, certainly our oldest local scholarship, is recommended to be awarded (and I might say I have accepted all these recommendations) to Douglas Bruce Sheppard of Cormack, who is pursuing a career in science at the University; the Doctor Barnes, the Doctor Arthur Barnes -

MR. ROWE:

scholarship, again one of our senior scholarships, to Mr. Ian Eric Morgan of Seal Cove in Conception Bay. Mr. Morgan is now in his third year, doing a double degree course in bachelor of science and bachelor of education. The Doctor William M. Blackall scholarship, to Mr. Joseph Price of Rural Route No. 1 in Burin. Mr. Price is in his third year, in a bachelor of arts in education course. The Doctor Vincent P. Burke scholarship, to Miss Linda E. Snow of Freshwater, Carbonear. Miss Snow is in third year of bachelor of arts education. The Rev. Doctor Levi Curtis scholarship, to Mr. Jeremiah Joseph Jesso, who comes from Red Brook, Marches Point, in the Port au Port area. Mr. Jesso is in his third year in bachelor of arts in education. The Doctor Arthur Barnes scholarship, to Mr. Frederick Wayne Moore of 5 Lookmore Street, Lewisporte. Mr. Moore is in his fourth year of a bachelor of commerce degree at the University. The Doctor William M. Blackall scholarship, fourth year, is awarded to Miss Ida Perpetua Marrie of Mount Carmel, Salmonier, in St. Mary's Bay. Miss Marrie is doing a bachelor of arts education, in the fourth year. The Doctor Vincent P. Burke scholarship, for the fourth year, to Robert James Crewe of Whites Road in Deer Lake. Mr. Crewe will be doing his fourth year in a double degree program, bachelor of arts and bachelor of education. Finally the Rev. Doctor Levi Curtis scholarship, to Miss Martina Mary Broderick, who comes from Haywards Cove in St. Brendans, Bonavista Bay. Miss Broderick will be in her fourth year of a bachelor of arts education.

One final comment on this report, Mr. Speaker. I would ask hon. members to note, I am sure they have already noted this fantastic development that has occurred in Newfoundland, in that practically everyone of the names that I have mentioned as winners of senior scholarships, Government scholarships, at the University, very extremely valuable scholarships, that practically everyone of those students come from some small community, scattered all over Newfoundland - Seal Cove in Conception Bay; Cormack; Freshwater; Rural Route, in Burin; Red Brook, Marches Point, in Port au Port: you might say the only large communities involved are Lewisporte and Deer Lake. This is, of course, in tremendous contrast to what happened a few years ago, when almost invariably winners of scholarships came from the very largest of our communities.



NOTICE OF MOTION:

MR. MARSHALL: Mr. Speaker, I now give notice that I will on tomorrow ask leave to introduce the following resolution: WHEREAS the Electoral District of Ferryland has been without representation since the resignation of the former Minister of Fisheries; AND WHEREAS the Electoral District of Ferryland is now the only Electoral District in the Province without at least nominal representation in the House of Assembly; AND WHEREAS it is essential to the welfare and interests of residents of the Electoral District of Ferryland that they be so represented; THEREFORE BE IT RESOLVED that this House urge the Government to implement the necessary procedures immediately to cause a Bye-Election to be held for the Electoral District of Ferryland as soon as possible.

ANSWERS TO QUESTIONS:

MR. SMALLWOOD: Mr. Speaker, question number 252 on the Order Paper of April 6th, in the name of the hon. the member for St. John's West. The question is in three parts. In answer to the first part, the purpose was to enable the NIDC to repay debts and interest and also to enable the payment of the deposit of \$1. million in the Franklin National Bank. The answer to the second part is that we had no correct or realistic figure anticipated or expected when the estimates were prepared and presented, so the authority consisted of a special warrant from His Honour, the Governor. The answer to the third part is, as in the second, that we could not estimate or anticipate the amount that would be needed. This is a decision that was taken subsequently, so we put into the estimates a token vote of \$100,000, which was a commonplace thing to do.

ORDERS OF THE DAY:

MR. HICKMAN: On Orders of the Day, Mr. Speaker, I would like to direct this question to the hon. the Premier: In view of the statement yesterday by Mr. W. D. Mulholland, President of BRINCO, that the implementation by the Government of Canada, the tax reforms proposed in the White Paper, the proposed development of the Churchill Falls seems unlikely to proceed, why did the Government not appear before the Common Standing Committee of Finance, Trade and Economic Affairs, as other Provincial Governments are now doing, and publicly support the position put by Mr. Mulholland?

MR. SPEAKER: This would be more appropriate to go on the Order Paper - if somebody wishes to answer?

MR. SMALLWOOD: Well, Your Honour, the session does not have very many more days or perhaps even hours to continue, so perhaps I might be permitted to say briefly that the Government have made very strong representations to the Government of Canada on the matter of the White Paper proposals. The Government have been in very intimate touch with BRINCO and Churchill Falls Power Corporation and with the Iron Ore Company of Canada and with Wabush Mines and they have all made very strong representations to this Government, the Government of this Province, and we in turn have passed those representations on, together with our own. We have taken a very strong stand indeed in connection with certain aspects, not all, but certain aspects of the White Paper tax proposals, and that is all they are, They are only proposals. We have strongly opposed some of them, very strongly, and we continue and we will continue to do so.

MR. HICKMAN: Mr. Speaker, I would like to thank the hon. Premier for the answer. I think one of them, Mr. Speaker, I directed the hon. Premier's attention to the fact that almost weekly now on television we see Provincial Governments publicly making representations to this Standing Committee of the House of Commons. Is it the intention of Government to, maybe the hon. Minister of Finance can answer this question, particularly in view of the fact that it is my understanding that I.O.C. is holding in abeyance any plans for expansion in Labrador West, of its mining operations, until this matter is settled, is it the plan and intention of the Government of Newfoundland to follow the lead taken by other Provincial Governments in publicly appearing before this Committee, which has been given the responsibility of recommending to Government - is it the intention of the Government of this Province to publicly appear before this committee and put the Government's position?

MR. SMALLWOOD: The hon. gentleman is now debating it.

MR. HICKMAN: I am only helping the hon. Minister of Finance, Mr. Speaker.

MR. JONES: Mr. Speaker, in reply to the questionmark, question, it was a decision of the Government of Newfoundland that we would not make any representation before the Standing Committee. My reason for recommending that

MR. JONES:

decision was briefly this, that we thought we could make a more thorough job by preparing a brief for submission directly to Mr. Benson, the hon. Mr. Benson. This has been done. The brief consists of some fifty pages. We have had the help of a firm of tax consultants in Montreal, in assisting us in presenting this brief, and we have approached it probably from a much more technical angle than it would be possible to do before the Standing Committee. Now I am not saying that to be disrespectful to the Standing Committee. It was just that we thought that this approach would be better, for the companies concerned. Rather than to make the presentation at a public hearing, we decided to go directly to Mr. Benson.

MR. HICKMAN: Would the hon. Minister of Finance indicate to the House whether this brief will be laid on the table of the House or made public?

MR. JONES: I do not know. Personally I would have no objection, if Mr. Benson has no objection.

MR. CROSBIE: Mr. Speaker, I have a question for the hon. the Premier: There was a report yesterday, I do not know whether the Premier heard it, from the principal of the Mohawk Hockey Stick Company that is proposing to establish in Stephenville, to the effect that -

MR. SMALLWOOD: No, I did not hear it.

MR. CROSBIE: Well, is the Premier aware of the fact that there was a report from this company, that they have submitted a new proposal to Government, in connection with the proposed hockey stick factory? Is that correct and has the Government made a decision as to whether that proposal is acceptable? What is the status of that project now?

MR. SMALLWOOD: The answer is no, yes, no. No we have not heard that he made any such statement. Yes he has submitted a proposal. No we have not decided on it.

MR. CROSBIE: But does it look hopeful?

MR. SMALLWOOD: Reasonably so, yes.

MR. HICKEY: Mr. Speaker, I would like to direct a question to the hon. the Premier. Would he indicate to the House whether the Government plans to lend any monies to Canadian Javelin, in connection with the \$370. million dollar

MR. HICKEY:

project proposed for Julian Lake, in view of their decision to -?

MR. SMALLWOOD: The answer is no. There has been no request that we lend any money and, if any request is made, the answer is no, we will not.

MR. HICKMAN: Mr. Speaker, a question to the hon. Minister of Justice, in his capacity as House Leader. In view of the approval that most, if not all, interested groups have indicated to the new Solemnization of Marriage Act, why was that Act not introduced at this session of the House as promised in the speech from the Throne?

MR. COLLINS: Mr. Speaker, before Orders of the Day I have a question I was going to direct it to the Minister of Education but possibly, in his absence, I can direct it to the Minister of Community and Social Development.

MR. SMALLWOOD: From father to son.

MR. COLLINS: Yes. I have been told that the planned construction of the extension to the district vocational school at Gander, as announced by the Minister some time ago, is now in doubt, I wonder can he indicate to the House if the construction is to go ahead or not?

MR. ROWE (W.N.): The question should be directed to one of the involved departments, in this case, Public Works or Education, who could answer that,

I think, in any event, it requires notice and should be on the Order Paper.

MR. HICKMAN: Mr. Speaker, I have a question I would like to direct to the hon. the Minister of Fisheries. What steps has he taken or his officials or the Government with reference to a brief which was submitted to him, on May 7th, 1970 by, the Lords Cove Improvement Committee, requesting an improvement in fishing -

MR. ROBERTS: Mr. Speaker, on a point of order. It is a question for the Order Paper. Really you know. Mr. Speaker, on Orders of the Day it is a perfectly normal convention and where questions are in order we are delighted to answer them. Surely, Your Honour, this is a question for the Order Paper and it should be tabled and would be dealt with by the Minister, who, I am sure, will answer it as best he can and as quickly as he can.

MR. HICKMAN: On a point of order, Mr. Speaker, the hon. the Premier has indicated, just a few minutes ago, that this session of the House is very rapidly

MR. HICKMAN:

coming to a close and that he had indicated that questions that are now ask, if at all possible would be answered. I had hoped that the hon. the Minister of Fisheries following the policy laid down by the hon. the Premier a few minutes ago on behalf of Government, would see fit to answer this question.

MR. SPEAKER: May I say this, in connection with this series of question, we have today allowed a little laxity in questions which could more properly be placed on the Order Paper. The length of the session; I do not know how long it is going to be or how many days but it has been indicated that possibly we could relax a little, in which questions could be asked orally on Orders of the Day. I have allowed that to be done today and, if the Minister wishes to take notice of the question instead of answering it now, it is perfectly his right to do so.

MOTIONS:

On motion of the hon. the Premier, a Bill, "An Act Further To Amend The Agreement Made In Pursuance Of The Government-Newfoundland Pulp And Chemical Company, Limited (Authorization Of Agreement) Act, 1960, And To Make Certain Statutory Provisions Relating To That Agreement," read a first time, ordered read a second time presently by leave.

COMMITTEE OF THE WHOLE:

Bill No. 94:

Shall Clause 2 carry?

MR. CROSBIE: Mr. Chairman, in connection with Clause 2. Clause 2 replaces Clause 2 in the original agreement and it has a number of sub-clauses. I have no other questions now down to sub-clause (d), which says that the Government will cause the Building Company to construct the plant, in accordance with general plans and specifications, to be furnished by Refining and approved in writing on behalf of the Government, by a person designated by the Government. Now in connection with approval of plans; is there a person yet designated by the Government or, if not, who is the Government planning to designate, because it will have to be quite a capable person, who is familiar with the construction of oil refineries, if he is to perform any service at all for the Government?

MR. ROBERTS: Mr. Chairman, at this point we have not appointed, in writing or

MR. ROBERTS:

in any other way, a person to approve the plans and specifications that Refining have furnished to us. It is our intention to approach Jacobs Engineering and ask them if they will accept this obligation and, you know, accept the designation and give us their advice. We did not want to approach them nor have we approached them until they have submitted their feasibility studies. But the other change in the clause, the Committee might notice, is we have deleted the name of Mr. Conroy, That is because Mr. Conroy either has or is about to retire from the service of the Government. Accordingly we just deleted him but, as of this moment, we have not officially designated any person for the purposes of this d(1).

MR. CROSBIE: Who is furnishing the plans and specifications? Are these being furnished by Procon or UOP or whom?

MR. ROBERTS: They have been furnished to us by Refining, Mr. Chairman, and, of course, Procon have them. It was on the basis of them, (they are a book, so thick) Procon computed their bid. They were prepared, or whatever you want, by a firm known as Ralph M. Parsons, Limited, of San Francisco, I believe, -

MR. SMALLWOOD: Ralph M. Parsons Inc.

MR. ROBERTS: Ralph M. Parsons Inc., I am corrected. American companies are not Limited they are Inc. and they are a firm with an international reputation. Ralph M. Parsons Inc. of San Francisco are the people who have prepared the plans for us.

MR. CROSBIE: Mr. Chairman, on this same point, just to get this clarified. Their plans and specifications had to be prepared or are prepared and there will be changes as the thing goes along and it will have to be prepared by engineers or someone with engineering ability, Now that firm or person is now presumably Universal Oil Products. Now Ralph Parsons were going to be the people who were going to do all the engineering and supervise the construction, but they are not doing that any longer. They did prepare certain plans and specifications which are still being used, but Parsons is being replaced by whom then? UOP is it? Are they the engineers who are going to supervise construction?

MR. ROBERTS: Mr. Chairman, if the hon. gentleman means supervising it from the

MR. ROBERTS:

buildings point of view or if he means the construction itself, I am not sure, Provincial Building Company, Limited have bought from Ralph M. Parsons not the plans themselves because, apparently the title must remain with Ralph M. Parsons.

This is, I gather, standard in the oil industry, We have, however, bought the right to use these plans for the Come By Chance Refinery, and they are unique, Apparently each refinery is unique. These plans are now mandatory with Procon. Procon's obligation is to build and to turn over to us a plant.

MR. CROSBIE: But who sees that Procon does it properly?

MR. ROBERTS: Right, that is what I have said. We will have our own firm, who will be in a position comparable to that which, for example, Sandwell are to assume, I understand, at the Melville project in Stephenville. We will have our own firm, who will report to us and Provincial Building as to whether or not the contract Procon have made with us is being carried out according to the letter, so forth and so on.

MR. CROSBIE: That is Mr. Jacobs, is that who you said?

MR. ROBERTS: We have not appointed a firm yet but Jacobs would certainly be on the short list.

MR. HICKMAN: Would the hon. Minister indicate to the House the total amount paid to Ralph M. Parsons for the preparation of the plans and specifications and for the acquisition by Government or Provincial Building of the right to use these plans?

MR. ROBERTS: I think, Mr. Chairman, and I speak from memory, that the plans themselves we paid under our agreement with Ralph M. Parsons, one-half million dollars but I am not sure whether it is U.S. or not, now in addition there was a contract with Tyssen, part of which would have involved preparing plans and specifications, but our actual payment to Parsons Inc. I think was one-half a million dollars.

MR. HICKMAN: Well, what the hon. Minister says obviously is correct, that the original contract was with Tyssen, who would have the plans prepared through Ralph M. Parsons, A substantial payment had to be made under that contract.

MR. ROBERTS: That is correct. It was made, yes, part of the \$5. million.

MR. HICKMAN: So would the Minister indicate to the Committee the total cost?

MR. HICKMAN:

We have \$500,000, paid for the right to use the plans -

MR. ROBERTS: The right to use and the right to have them for repairs.

MR. HICKMAN: Plus the amount paid to Tyssen for the preparation of the plans?

MR. ROBERTS: Our payment to Tyssen, I am told, Mr. Chairman, was about \$1 million. So if you wish, the total investigation at that stage, because Tyssen did more than prepare plans, Tyssen also had prices and their price was considerably higher than Procon's, in the long run, by the way, but the payment to Tyssen was \$1. million, I assume U.S, but I am not sure as it might have been Canadian.

MR. HICKMAN: So that is \$1.5 million altogether.

MR. ROBERTS: \$1.5 million, sure, which is less than one per-cent of the cost.

MR. CROSBIE: In this connection, Mr. Chairman, there was a report in the Newfoundland Government Bulletin, in October 1969, that the work to date at Come By Chance had cost \$8. million and that included design, engineering for the refinery, done by the Tyssen group and the sub-contractors, Ralph M. Parsons Company and Universal Oil Products Company, \$1. million; temporary cargo wharf \$310,000.; surveying of the refinery in tank site, soil test, removal of bog, building of access roads \$869,000. and so on, Different other items are listed. This being so, I wonder would the Minister tell us, in connection with this clause, \$869,000. was spent surveying, soil test, removing bogs and so on, when was it discovered that the site of the oil refinery had to be changed, in view of the fact that there was \$800,000. spent down there by October, on this kind of site work, and would the Minister also -



MR. CROSBIE: The minister also -

MR. SMALLWOOD: Inaudible.

MR. CROSBIE: Surveying on the refinery, in tank site, soil tests, removal of bog and the building of access roads.

MR. ROBERTS: Mr. Chairman, I cannot answer the question, I will get the information and give it to the committee later. Presumably, a part of the money spent on site work and surveying - one of the reasons for the surveys would be to do the test to make sure that the refinery was located in the right place. This is normal in every engineering contracted.

The classic one was the bridge, the Curtis Bridge, Causeway Bridge on the Dildo run, on the New World Island. The Minister of Highways can name some other classics, but, Mr. Chairman, that is quite in order.

We paid to have soil surveys done. They revealed a state of affairs that caused the, you know, the proposed building to be moved a number of feet or yards. I will find out the date and tell the committee, I do not know it off hand.

MR. CROSBIE: In this connection, this \$8 million, this totals up to what appears to be monies that are not included in the \$155 million contract to Procon. Therefore, where is the \$8 million coming from? You see, the overall project development expenses and cost of marketing development was \$3,200,000.

MR. ROBERTS: That is not in it.

MR. CROSBIE: This is what was forwarded to Shaheen.

MR. ROBERTS: No, no.

MR. CROSBIE: Presumably the overall project, development expenses and cost of marketing development, \$3.2 million. A million to the Tyssen Group and Ralph M. Parsons, is that included in the \$155 million which Procon now has?

MR. ROBERTS: Mr. Chairman, Oh! I am sorry the hon. gentleman is not finished.

MR. CROSBIE: Or is this adding up the \$8 million. If this is not included, I feel sure that this stuff is not included in the \$155 million, then the

MR. CROSBIE: project must be costing at least \$163 million. Where is this \$8 million going to come from?

MR. ROBERTS: Mr. Chairman, I think the hon. gentleman is confusing two things. The things which we paid for, out of our \$5 million, Provincial Building, as the Premier said the other day, that is included in the \$155 million. Now some of the items, that the hon. gentleman read from the Bulletin, would be included in the \$5 million, as for example, the Tyssen Contract was paid out of the \$5 millions. I believe the half million for the Ralph M. Parsons plans was paid out of it. Again, some of the money that the hon. gentleman referred to, as being in the \$8 million, was laid out by Shaheen Natural Resources, from their own resources, and is not included in the \$155 million. I assume they will recoup that, in due course, out of the profits that they will get under the agreement for operating the refinery. Presumably they will have a nice little tax loss situation set up for the first few years until they write off their development expenses, in the same way as any company starting business would write of their taxes.

I have not got the Bulletin in front of me, but, as I recall it, and it is only recollection, the amount said they are included some of the \$5 millions which will be included in the \$155 million, included other expenses which are entirely the responsibility of Mr. Shaheen and are not in any way involved in the \$155 million.

MR. CROSBIE: Well, there is one item here you see listed, two - 605,000 barrel capacity, crude storage tanks completed, \$1,781,000. Now the Jacob's Engineering Study says specifically that these two - 605,000 barrel crude storage tanks plus other work at Come-by-Chance, that has been done, is not included in the Procon Contract. So there is \$1,781,000 there.

MR. SMALLWOOD: It is in fact.

MR. ROBERTS: Mr. Chairman, all that I can say is to repeat -

MR. CROSBIE: Perhaps the minister might get a copy, I can send him down a copy:

MR. ROBERTS: If he would.

MR. CROSBIE: He might have it just to check it.

MR. ROBERTS: Repeat the statement the Premier made to the committee after checking, when the committee was meeting Tuesday afternoon. That the \$155 million figure with Procon does include a payment of \$5 million.

Canadian Provincial Building, would not included anything over and above that, but since the tanks have been paid for out of the \$5 millions we are getting our \$5 millions back. There is nothing in the \$155 million that is tagged for payment of two- 605,000 gallon tanks at Come-by-Chance. There is an item, \$5 million payable to Provincial Building Company Limited, to discharge a debt the Provincial Building has to N.I.D.C.

MR. HICKMAN: Well, Mr. Chairman, on that note, the figures seem to be changing and getting more confusing all the time. We have \$1.7 million paid for the tanks by Provincial Buildings.

MR. ROBERTS: I did not say \$1.7 million. It is -

MR. HICKMAN: Well.

MR. ROBERTS: What is it?

MR. HICKMAN: Yes, \$1.7 million. Or was it \$1.7 million or \$1.8 million in the Bulletin?

MR. CROSBIE: The two tanks? \$1.781.

MR. HICKMAN: Call it \$1.8 million.

On Wednesday, I think, the hon. minister gave the figure, something in the vicinity of \$2 million had been paid to Shaheen Natural Resources.

MR. ROBERTS: But I said something in the vicinity of it, I think, if you did some quick arithmetic, it will come out to \$1.7 million. I am not sure whether the half million we have paid to Ralph M. Parsons has come from Provincial Building or from Procon. I am not sure, so that is another half million.

MR. HICKMAN: I mean this is why the figures now seem to be -

MR. ROBERTS: I can do arithmetic too.

MR. HICKMAN: If we accept \$1.8 plus approximately \$2 million for development -

MR. ROBERTS: Or \$3.8 million.

MR. CROSBIE: It says \$2 million here for development, marketing development.

MR. HICKMAN: But I am talking about what was said here on Wednesday, \$1.8 million plus \$3 million that is \$3.8 million plus \$1.5 million for Tyssen and Ralph M. Parsons that is \$5.3 million right there without including any other expenses.

MR. ROBERTS: I am not sure Procon - I know we own the Ralph M. Parsons plans because our agreement with them had a clause that if we did not go ahead with them we would have the right to buy. I think the hon. gentleman will recall that clause. Now I am not sure whether the half million to secure the title was paid by Provincial Building. I have not got the minutes in front of me, I do not know, or whether it was paid by Procon, who had to have the plans and who have had access to them for months, in preparing their bid, just as the Tyssen and the other company, the Franco German Group, had access to them in preparing their bid, the one which we rejected.

MR. CROSBIE: Well, Mr. Chairman,

MR. ROBERTS: I am sorry Mr. Chairman, I used the title incorrectly, secure the right to use them.

MR. CROSBIE: I just wanted to refer to this again, The Jacob's Engineering Company gave the Government a feasibility study, May 6th. 1970, and the Government tabled it in the House. These are the people we are depending upon to protect our interest or clear the project as feasible, and the hon. minister says they may be our representatives to correct construction as it goes along.

Now in this feasibility study they stated, in Paragraph 7, that "Procon has a firm-price contract to build a refinery." Then they go on; "the fixed-price excludes the cost of two 605,000 barrel crude tanks." We are told, in the Newfoundland Government Bulletin, that these tanks cost \$1,781,000 - excludes some site preparation and tank foundation and engineering up to this point. It also does not include tariffs. Now the hon. the Premier says that the two tanks -

MR. SMALLWOOD: Everything including the kitchen sink, but excluding duties.

MR. CROSBIE: Is in the Procon contract. So here is \$1,800,000 minimum, a mistake apparently in the Jacob's Feasibility Study, on which we are relying for the feasibility - to check out the feasibility of the project. I mean there statement and the Premier's statement are absolutely conflicting.

MR. ROBERTS: Not necessarily.

MR. CROSBIE: Unless the Procon contract has been changed since.

MR. ROBERTS: Mr. Chairman, you know there appears to be a conflict, I do not think there necessarily is one. I am told the Procon contract includes \$5 millions to Provincial Building. At no point in the Procon contract does it say "X" thousand or "X" million for the site work that has been done or for the tanks. So it is quite correct to say that there is nothing in the Procon to pay for the tanks. At the same time it is equally correct to say that there is something there to pay us our \$5 millions, which is what is paid for the tanks. The tanks were done by a Belgium firm of Graves and S.A. or something, who apparently are as good as anybody in the world at building large tanks.

MR. EARLE: Mr. Chairman, I think the great confusion is arriving at what has actually been spent and what has not. The Provincial Building apparently has advanced, on the bridge financing, approximately \$5 million to this date. This is as I understand it. It has been spent either through Shaheen or somebody else. I would like to ask the minister if he knows, to the best of his knowledge, if there are any substantial or large outstanding amounts which have not been paid, which will have to be recovered first from the financing when it is now raised to \$30 million?

MR. ROBERTS: Mr. Chairman, I do not have a detailed list, I think there are some accounts, I do not know what substantial means, I think we had the figure, the other day, of roughly a million, which Procon will have to pick up. There is one item that has been in dispute for sometime and it is reflected further down in this agreement. That is the question of

MR. ROBERTS: certain expenditures made, allegedly in relation to the dock, the dock for the refinery. You know, there are discussions with the Government of Canada to see if they will assume them, because expenditures were a necessary preliminary. If not, there is a provision further down where the Government "May". A person does not say the Government are building, "shall" - the Government "May". I think the other accounts that are outstanding are Procon - In my understanding, we will pick them up as part of their \$155 million. They are taking over a project which is entrain, even though it is that far along, out of a road that far.

MR. EARLE: Is there any truth in the report that there are \$2 million to \$3 million owing on the project as of to date?

MR. ROBERTS: I have not heard the report, so I cannot say. I know the Provincial Building Company, Limited, has no properly incurred debts, because Provincial Building Company, Limited, could not go beyond \$5 millions, as authorized by the legislation. That is the limit Provincial Building has gone to. Newfoundland Refining, I believe, has incurred some debts that are their responsibility, but some of which I gather <sup>are</sup> to be caught up in the cost of the project and quite properly so.

MR. MARSHALL: I am a wee bit confused on the bases of whether or not this project is going to cost \$155 million or over \$155 millions, we have the assurance that it will cost \$155 millions, and from the total amount of \$155 million all monies expended on interim financing will come back to the Government, through Procon or some other agency. Will they be ...

MR. SMALLWOOD: All money spent. Is this \$5 million?

MR. MARSHALL: Specifically \$5 million under the interim financing. Now in order to allay the doubts of any members on this side of the House and any doubts in the agreement itself, if this is the situation, I would suggest that we could provide, in this sub-paragraph(e) after the word "project" the following words, "provided that all monies advanced pursuant to the interim financing authorized to be advanced under Section 6 of the Act to be first paid from the proceeds." This would spell it out loud and clear, that any monies advanced on interim financing would come out of this \$30 million. I

MR. MARSHALL: do not see the reasoning of the Government of spending over \$155 million of our money, to a foreign concern which is going to pay it back, when it can, set off against the \$30 million that we are advancing to them.

MR. ROBERTS: Mr. Chairman, the hon. gentleman would probably ask leave to withdraw the amendment. I would refer him to 6(2) of the Original Act. He was not in the House, but it was enacted Sir. Because any amount lent or cause to be lent, under sub-section 1, and that is the \$5 million, shall be repaid forthwith upon receipt of the loan or proceeds of the bonds referred to in Section 5, (and that is the \$30 million) and shall be a first charge thereon. I really think the amendment is quite superfluous and probably he will consent to have it withdrawn. The point is covered and, I think, covered indisputably or irrevocably and finally, interminably. So he will consent to withdraw it?

MR. CROSBIE: Mr. Chairman, I would like to ask the minister; for a number of months there the Government stated and Mr. Shaeen and his group stated that the financing of this project was being provided by a consortium of four European companies, Tyssen of Dusseldorf; Brown Boveri & Co., Ltd, Sulzer Bros, Waagner Biro - and Ralph M. Parsons is doing the design and would supervise construction and so on. Now for a number of months it was stated that this was all arranged, that these were contracts and agreements in the "in" group. Then, in March, the Government went to Europe and came back with the English people, their proposal, in other words Lowell Products and Procon. Were there ever agreements signed with these financial people? If not, why were we told that this is all arranged and the whole thing was firm and the late Ralph Parsons of California was to do the plans and the great Tyssen was going to provide the money and the great Spiro was going to provide the money or whoever it was?

MR. ROBERTS: Mr. Chairman firm arrangements were made. There were no agreements signed. There is a world of difference between an arrangement and a contractual agreement. Ralph M. Parsons did do the design work.

MR. ROBERTS: The Tyssen Firm and the others in the consortium did prepare a price. The various agencies of the Government involved, the counterparts of the British E.C.G.D., were prepared to guarantee the loans in the normal export credit way. When we got to Paris we decided, in light of the British offer, not to accept the Franco-German, it was the consortium of the Franco-German companies with Swiss and Austrian participation.

There were two reasons for it, as we explained either at the time or at second reading debate here. First of all, the interest rates were considerably above. I believe, the German portion, which was the largest portion, was to the order of eight and a-half per-cent, Deutschemarks, and secondly the price that Mr. Tyssen and his associates wanted was, in our view, too high. Thirdly, there were some interesting features in the contract, such as overruns would be on us and so forth. It was not a firm price turnkey contract. Accordingly, the ministers, the five of us who were in Paris, decided that we could pass up that offer and reluctantly we left Paris, went to London and accepted a much, much better offer from Procon with the U.K. cover.

MR. HICKMAN: Mr. Chairman, during a committee's of the Bill there was some discussion and, I think, approval in principle by the hon. Minister of Health; when the time comes to distribute, to pay out the funds that are borrowed, either through E.C.D.G. or the direct guarantee, that steps have to be taken to protect the Province so that our \$30 million does not go first. I do not know if the hon. minister challenged me to draft an amendment or not. But,

MR. ROBERTS: No, actually, it will be in the financing agreements.

MR. HICKMAN: I realize that, Mr. Chairman, but that is too late then. This House has adjourned, and legislation has been passed. So to make it absolutely certain, and this will help Government's bargaining position when -

MR. ROBERTS: Our bargaining position is not bad.

MR. HICKMAN: This will help. I speak with some knowledge in this, that if you can hold the legislation in front of the people with whom you are



MR. HICKMAN: bargaining, and say. "Gentleman you can talk from now until doomsday, but the simple fact is; here is the legislation. This limits our authority, this must be accepted by you." Then the hon. Minister of Health will not have to waste any time arguing and debating - and there is one gentleman on the Shaheen team that can debate for days and days, over -

MR. ROBERTS: That was the Minister of Health.

MR. HICKMAN: Over one comment, and debate is not even the word, it will take him that long to get it out.

I would move, therefore, that there follow (what clause is it?) Clause 2(e) be amended by striking out the semi-colon after the word "council" deleting the word "and" and substituting therefore the follow, "and no portion of such monies shall be advanced by Government or any Crown Corporation to Building Company or paid out by Building Company until all funds required for the project has been raised and when all such funds have been so raised the \$30 million will be advanced and spent by the Building Company in direct proportion to the ratio the said \$30 million bears to the remaining funds borrowed for the financing of the project."

MR. CROSBIE: It sounds excellent. It sounds excellent. I will second it.

I would like to speak just for a moment in support of that. That is a very wise amendment, Mr. Chairman, and I would imagine the Government is going to consent to the amendment being passed.

Obviously, Mr. Chairman, the Government does not want, I hope, to advance the \$30 million the Government is putting in until the Government knows that \$125 million is definitely raised in England and that the money is being advanced at the same time.

MR. SMALLWOOD: The hon. gentleman can bet his hope of Heaven on that.

MR. CROSBIE: Right! The purpose of the Amendment is to prevent our \$30 million all being spent on this project before any of the \$125 million is spent on it over in the U.K. I do not know if the minister has any objection to that. He has already said that that is the procedure that will be followed.

MR. ROBERTS: Mr. Chairman, I do not think anybody in the committee would disagree with the thought. Indeed, it is an necessity, as we said, either in the committee or at second reading, the agreements will be back-to-back and they must be. We are not going to put \$30 millions into a project none of us as individuals would sign, the five men who will be called upon to sign these mortgages the financing agreements. None of us would sign unless we were sure that we had \$155 million. We are not going to sign a contract with Procon for \$155 million when we have only got \$30 million.

MR. SMALLWOOD: We do not think the refinery can be built on \$30 million.

MR. ROBERTS: People may feel, Mr. Chairman, that we are stupid or any number of things they may feel about us, but, surely to Heavens, we are not that stupid.

MR. MURPHY: Generous, I guess.

MR. ROBERTS: Generous? Mr. Chairman, the hon. member of St. John's Centre, the Leader of the Opposition, who, I am afraid I must say, represents me in the House, (it was not my doing Sir) The hon. gentleman has never been accused of being generous.

However, Mr. chairman, we are not able to accept the Amendment, quite basically, quite briefly, we think it restricts the financial agreements. Financial agreements will be worked out, be tabled in the House according to the Amendment we accepted the other day, and so they will be seen and be proper, I can assure the House that none of the five of us are going to sign any financing agreement with the British banks, Kleinwort-Benson and so forth, that does not give us \$155 million to fund the project, and our \$30 millions will go in according to the draw-down schedule. I said the other day, I did not think it was pari passu. Again, while I have not got the schedule in front of me, I do not think it is pari passu, which is what the Amendment would have. The reason for that, quite simply, is not nefarious, Mr. Chairman, Kleinwort-Benson and behind them always the shadow of the British Government. The hon. gentleman is smirking.

MR. MURPHY: A great joke the whole thing. Newfoundland is going to be the sucker, Spend all of our money first. Carry on.

MR. ROBERTS: Mr. Chairman, the hon. gentleman is an all-day sucker, I will agree, but let us leave that aside.

MR. MURPHY: Oh, brilliant! brilliant! brilliant!

MR. SMALLWOOD: The hon. gentleman is getting to be awfully cocky.

MR. ROBERTS: Is he not?

MR. SMALLWOOD: I think he expects to be Premier in the next ten years.

MR. ROBERTS: Oh, no sitting next to him,

MR. SMALLWOOD: In the next decade or two.

MR. ROBERTS: In the other place yesterday, sitting next to him was the man who is going to take care of the hon. gentleman's aspirations. Unfortunately, not his own.

Mr. Chairman, to come back to the point, behind all of this stands the E.C.G.D. and they will dictate the final terms of the financial agreement, simply because they are guaranteeing the British financing.

I must say the smirk really is, it is worthy of the hon. gentleman, Mr. Chairman, I would think it is quite worthy.

However, if that is the way it is going to be, the Amendment, I think, goes too far and we are not therefore prepared to accept it.

MR. HICKMAN: Mr. Chairman, am I to understand from the hon. minister that his only objection and Government's only objection to the proposed amendment is that, by the use of the word, "direct" ratio ~~that~~ this means that the payments must rank pari passu, in so far as —

MR. ROBERTS: As I heard it read out, that is what it does mean.

MR. HICKMAN: Well that can be very simply rectified by saying; substantially, in direct porportion. That gives the hon. minister the leeway that he requires. And, if that is his only objection, we know from him that, (and I would presume that this is correct). Government is in complete accord, that none of the \$30 million will be advanced until the full amount has been borrowed and the full sum of \$155 million is available.

MR. SMALLWOOD: Available. Available. But not received. In other words

MR. SMALLWOOD: the agreement signed with the bank that the money is there.

MR. HICKMAN: Mr. Chairman, all I am trying to do is to now tie down in this agreement some of the statements that have been made earlier in this debate, as part of the principle of this Bill. We have been assured that the \$30 million will not be touched until the rest of it has been raised.

MR. ROBERTS: That is correct.

MR. HICKMAN: Now it is switched to the word "available." Available is to be substituted for raise.

But, Mr. Chairman, surely

MR. SMALLWOOD: Ah, look! Ah, stop the nonsense.

MR. HICKMAN: I am not going to stop. Of course, anytime that you try, in this Legislature, to put into legislative wording what has been stated in it second reading, is nonsense. And then you ask why there is some suspicion. Why there is some doubt, as to whether or not this financing has been completed? Some doubt as to whether or not.

MR. ROBERTS: Mr. Chairman, would the hon. gentleman yield for a minute? He can have the floor back. First of all, I am not in any position to accept the Amendment I have not seen, That is point one. The hon. gentleman has not done me the courtesy of even notice. Now, secondly,

MR. HICKMAN: I accepted your request to be the right one.

MR. ROBERTS: You know I expected a little in advance, Mr. Chairman. Secondly, we are now dealing with an Agreement between a number of parties, and we are not going to consent to any changes in that, that have not been approved by all the parties. Thirdly, Mr. Chairman, if the hon. gentleman will let me have a draft this afternoon, I will undertake to see whether it is acceptable. I do not think we, as a Government, are going to accept the pari passu thing.

Sir, I will undertake to consult with the other parties in the Agreement, to see if it makes any - if they will agree to allow us to insert a clause. But, you know, to come right back to it, Mr. Chairman, the Agreement is an agreement that was worked out. We are not going to amend it unilaterally. You do not have an agreement then - you have one in Law. but you do not have one in reality.

MR. ROBERTS: If the hon. gentleman wishes, I will try and find out, I happen to agree with and the Government happens to agree, and the Government are going to ensure that the \$30 million is not spent and then we discover the writ blanks or somebody says; "well, we are awfully sorry old man, we are going to spend our \$125 million somewhere else. Reasonable -

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to vote right and proper and if the other party is in agreement, well, we will go along with it then too. The pari passu thing is, as I have explained, a different quintal of fish altogether. The word "substantially" does not take care of it, Mr. Chairman. The \$5 million has to come out first and so forth and so on. It is not the sort of thing that can be drafted on the spur of the moment.

MR. SMALLWOOD: Mr. Chairman, while the minister is conferring on this point, I would like to clarify my use of the word "available." The British money and the \$30 million money and the construction contract will all be signed simultaneously, back-to-back, and, by being available, what I mean is that the agreement has been signed with the British banks - the money is available. It is there. We do not have it in our bank here. It is in the British banks. It is drawn down according to a draw-down schedule. That is what I mean by available.

As the Minister of Health has said; there is not a chance in hell or out of hell that this \$30 million or any part of it or \$25 million it is, (It is \$30 million, less \$5 million already spent) his \$25 million, not a nickel of it will be spent - not a nickel of it will be spent until first the financial agreement is signed with the syndicate of banks in England. The signing of the agreement, with the syndicate of banks, means that the money then is available. Available in specific amounts to be drawn down, you know, as progress payments. Now that is what I meant by available. In other words the agreement is signed, sealed and delivered, the money is there. It is earmarked for Come-by-Chance. When that is done and not before, money will be spent of the \$30 million that has not already been spent, because, of course, \$5 million of it has been spent. So of the \$30 million, \$25 million will be available and of the \$25 million not a nickel to be spent until the financial agreement is signed with the syndicate of British banks, headed

Mr. Smallwood.

by Kleinwort Benson and the construction contract all of them signed together back-to-back. Now can I make it any clearer than that.

MR. HICKMAN: Following along with the hon. the Premier's remarks, it is possible to encompass all of his objections in this amendment. and I direct it, particularly, to the hon. Minister of Health. Supposing the amendment read this way: "subject to section 6 (2) of the Act, which takes care of the \$5 million and after the word "raised," the funds required for the project had been raised or irrevocably committed. Then when all such funds had been so raised or irrevocably committed, the \$30 million will be advanced. There you have the commitment. It does not mean that you have to have the money in your pocket but it is irrevocably committed. Surely, Mr. Chairman, this committee is not being unreasonable to ask that that assurance be given to the House. If what the hon. Minister of Health says is the correct position, the Government now has a signed, sealed and delivered agreement and consequently will not accept any amendment to this agreement unless the other parties thereto are prepared to go along with it, then obviously we are wasting our time. What is the point of coming to the Legislature and asking for ratification of this agreement? Surely any of the parties dealing with Government must have been told or would have to be told that everything that is agreed to is a tentative agreement and that the Legislature in the final analysis is all-supreme.

MR. ROBERTS: It says so in Clause (16) of the agreement.

MR. SMALLWOOD: We have accepted some amendments.

MR. HICKMAN: To the agreement?

MR. SMALLWOOD: Yes.

MR. ROBERTS: No, we have not accepted...

MR. HICKMAN: To the Bill, there have been some amendments accepted:

Mr. Hickman.

tentatively.

But, Mr. Chairman, if we do not have the right to amend the agreement and if the position is as stated by the hon Minister of Health, that there will be no change in this agreement that forms part of and is the schedule to this Act, then he might as well do us all the courtesy of saying; "this is it." We might as well all go home.

MR. ROBERTS: Mr. Chairman, the hon. gentleman from Burin is too good a lawyer to, you know, mean what I understood him to say.

MR. HICKMAN: To mean what I understood you to say..

MR. ROBERTS: What I understood him to say. We have before us an agreement that has been entered into among a number of parties. There are parties on two sides, because three of the five signatories, I think, are creatures of Government and the other two are Shaheen or subsidiaries of Shaheen.

MR. CROSBIE: Creatures of Shaheen.

MR. ROBERTS: I am sorry. Creatures of Shaheen, of course. It is a perfectly good legal term. The Legislature have the right to amend this agreement. Of course, the Legislature have the right. But I do not think that the hon. gentleman would maintain that that would then be binding on the Shaheen companies, because it would not. Well that is my point. We have an agreement with them. The purpose of the Bill is to ratify an agreement. Any agreement that is made between the two parties can be ratified if the Legislature or the House so wishes. If the House unilaterally changes it, the Government are then in the position of not having an agreement with the Shaheen company. The Government are in the position of having an agreement ratified by the House that Mr. Shaheen may or may not accept. It is an old case. It is the old question, really, of which comes first the chicken or the egg. What we have done here is said that we are not



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able to accept amendments unless the other party agrees to them. We have accepted amendments to the Bill. We did not bother to tell or consult the other party because the Bill is a Government matter. One amendment to the Bill has produced a change which I shall come to at the proper place,- quite a major change which improves Newfoundland's position even further.

But on this one here, I will undertake to consult with the other parties and, you know, if the words are acceptable to our lawyers and to theirs, then we will gladly come back and either the hon. gentleman will move it or we will move it.

Mr. Chairman, let us be quite clear. We are not going to stand here, as a Government, and unilaterally amend an agreement. It is no longer an agreement. We then, if it is amended by the House, we have to go back to Mr. Shaheen and say; "do you or do you not accept?" He will say, "yes" or "no." I do not know. He has no choice except to say yes or no. He cannot say, "well yes, but." There we are, Mr. Chairman. I think that is a clear statement of our position. Nothing new, radical, dangerous or in anyway nefarious in that. To me it is a perfectly straight matter.

MR. CROSBIE: Mr. Chairman, in connection with the proposed amendment, I support it and in supporting it, I am being consistent, because two years ago, I was against the principle of the Government advancing \$5 million in interim financing to the Shaheen group, to be used on this project when we had no assurance that everything was going to go ahead. Now it is the same principle, exactly, involved in this clause except as the Premier pointed out, the hon. member for Burin's amendment can only apply to \$25 million of the \$30 million, because \$5 million of our money is already spent down there without the \$125 million being raised or anything else. That is what I was against two years ago. So that \$5 million of the \$30 million here is gone.

MR. Crosbie:

So the hon. member's amendment only applies to \$25 million of this \$30 million, in any event. I thought it was the wrong procedure two years ago. I think it is the wrong procedure now. I am consistent in that view. I still think it would be better if this were put in the agreement, but the minister assures us that the Government are not going to advance anymore of the \$25 million...

MR. SMALLWOOD: Not a nickel.

MR. CROSBIE: Unless the other money is all lined up. Now the Government's past record might make one query whether that will be the case, because two years ago the Government advanced - within the last two years, the Government have advanced \$5 million without having anything else lined up at all. There have been so many changes since 1968, when that \$5 million started to be advanced, that it is incredible that at one time Mr. Ralph M. Parsons group - Tyssen was financing it - at one time it was \$103 million. Then it went to \$130 million. Then it went to \$155 million. All with our \$5 million gone. That is what I was against two years ago. That is what I am against now, because one of the reasons why the Government have to go ahead with this project is that it has \$5 million into it already. When the opportunity came up on May 22, 1970, to drive a harder bargain; because we had \$5 million gone that we cannot get back without it going ahead, the Government did not drive a hard bargain. So, I agree with the amendment. I have one other amendment to suggest - the same Clause.

MR. HICKMAN: Do I understand from the hon. minister that he wishes this to stand until he has an opportunity to..

MR. ROBERTS: Yes, Mr. Chairman, first of all, the Assistant Deputy Minister of Justice has made some significant improvements in the language and we are looking at words like; "extension loan" and whatever

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the other one is, which are defined in the agreement, Secondly, if it could stand, sir, until after the lunch break, and I will undertake to try to have some sort of answer for the committee.

MR. CROSBIE: Well on that same clause, Mr. Chairman. There are some words put in this clause that were not in the 1968 agreement.

We are on d 2(e) ?

MR. ROBERTS: Okay, yes.

MR. CROSBIE: Same clause. Now about half way down it says that the \$30 million, the proceeds will be applied to the cost of the project. Such cost includes an addition to the cost of construction and equipping of the plant, the cost of design and engineering of the plant, architects, consultants' fees, cost of financing, interest on financing. Now here is what is added: "and all other fees and costs that are approved by the Government and Refining." Now that was not in the 1968 agreement. I do not see any reason why it should be here. Why should any of the \$30 million be used for other than the things I have mentioned? What are these possible fees and costs that may be approved by the Government and Refining? I would like to move, unless the minister can give a good explanation, that those words be taken out.

MR. ROBERTS: Mr. Chairman, the only fees offhand that I can think of, that are not covered, are ones that all the learned members of this House will appreciate; particularly, the fees of the lawyers connected with the project. The word..

MR. CROSBIE: Very understandable..

MR. ROBERTS: I do not get it. I do not get a fee out of it, Mr. Chairman. In any event that is why the words are there and also there may be fees and costs properly incurred that are not..

MR. CROSBIE: A significant omission in 1968 the lawyers' fees.

MR. ROBERTS: Well, perhaps, that is a commentary upon the social values of the draftsmen of the original Bill, Mr. Chairman, but I think that is why

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they are there. Again I do not think they are unusual words. They are new, but I do not think they are unusual or different from words you see in agreements of this sort all the time.

MR CROSBIE: Who approves for the Government, when it says, "that are approved by the Government and Refining?" Does that mean the Cabinet or one minister or whom? Where this agreement says that such and such must be approved by the Government, - in actual fact, how is it going to work? Is it the Premier who will approve it or will it go to the Cabinet or will there be a Cabinet committee or some minister in charge of getting approval for the Government?

MR. ROBERTS: Mr. Chairman, I cannot say what machinery the Government will have. Where it says Government - anything else, of course, would require an Order-in-Council or Minute-of-Council, which is the Cabinet - the full Cabinet. I assume - not assume - I know we will have our own firm of engineers and, you know, our people to report to us, and it will be on their recommendation. Now whether or not that is exercised by a minister or whether the Cabinet choose to delegate that power to an official, I do not know. That is something we will have to do when we get underway.

MR. MARSHALL: Mr. Chairman, can we go back now to Clause (d), pending the consideration of the amendment of the hon. member for Burin? In Clause (d) (3), there has been a change; "structural work and all permanent buildings comprised in the plant." For the life of me, I cannot see why you have the permanent buildings included here and why you do not have the whole project as such that it would cause prime contractors to invite tenders for structural work on the project as such.

MR. ROBERTS: Mr. Chairman, there is a perfectly obvious reason for

Mr. Roberts.

the change. It is almost amusing, because as Clause (3) read in the original agreement, it would require, for argument's sake, if a contractor gets a contract, in at the project, then wants to build outhouses or kitchen camps, literally it would require him to call subcontracts for that. So we are told by the lawyers, and that is why we changed it. It now reads, structural work which is the same on all permanent buildings. If there is any permanent installation - we have to go through this route. We do not propose - the engineering field shacks would even have to be - Mr. Chairman, that is too broad. So we refined the words somewhat.

MR. MARSHALL:    With respect, Mr. Chairman, I think it should be as broad as possible - as it possibly can be. We refer to the project, throughout the agreement, in its broad aspects, and I think it should be here. I think we have a duty to see that all tenders, where public monies are involved, are called, with respect to every single phase and every single nickel and dollar that is being put into this project.

Now I want to mention this because I do not want to see or I should not want to see a repetition of the situation which occurred down in Come-by-Chance with Newfoundland Refining Company, in connection with the wharf. I speak of this as a matter of public knowledge. It is a case that is before the Supreme Court now, 1969, no. 113, if any of the members wish to see it, between Lundrigans Limited and the Continental Insurance Company. This particular case arose out of the loss of a wharf down in Come-by-Chance or a portion of the wharf, which Lundrigans had entered into a contract to erect with Newfoundland Pulp and Chemical Company which, of course, is a Shaheen interest. These are the people who are managing the plant.

Mr. Marshall.

Now I was absolutely astounded to see that such terms and conditions could be arrived at in any contract.

MR. CHAIRMAN:    The committee is not supposed to enter into discussions of anything that is before the courts and you cannot do that directly or indirectly.

MR. MARSHALL:    With respect, Mr. Chairman, and because of the reasons I give that I am not allowed to continue on with, I would move that this particular agreement be changed to embrace the all embracive words the project itself. Because we want to avoid the situation in this Province. One of the reasons why we are in a state of economic - a medieval state, economically, is the fact that tenders are not invited as widely as they should be invited. We should at all times exercise our opinions and our rights in this Legislature to assure that every single person, be he the big fellow or the large fellow, has the right to bid on a contract. In this particular case, I think, the people of Newfoundland should have an equal right with the large entrepreneurs here. I would say that we have to make it as all-embracing as possible. I would have preferred the eminently reasonable suggestion of the hon. member for Burin, but I now move then that the words; "all permanent buildings comprised in the plant," be changed to the words, "of the project."

MR. CHAIRMAN:    Motion is that Clause (d) sub-clause (3) on page nine be amended by deleting from the second line thereof; "all permanent buildings comprised in the plant," and by substituting, therefore, "the project."

On motion amendment lost.

MR. HICKMAN:    Mr. Chairman, with regard to the hon. minister, when he is consulting over the lunch hour with the other parties to this contract, would he inquire of them whether or not they have any objection to the proposal that was debated here on Wednesday

Mr. Hickman.

concerning the public opening of the tenders that will be called under (D) (d). I have reason to believe that they have no objection to it. That is the only reason, I understand, why Government would not accept it on Tuesday.

MR. ROBERTS:      I will ask them, sure.

MR. HICKMAN:      Procon is not a party to this contract.

MR. MARSHALL:      Mr. Chairman, I would like to direct another question to the minister. Subsection (c), sub-paragraph (1) 30,000 barrels. Now is that supposed to be 100,000 or - what is the reason for that?

MR. ROBERTS:      If the hon. gentleman will refer to the original Act, he will see the reasons for that. The original Act - it was Clause (b) and it was 30,000. It was just incorporated holus-bolus. There is nothing - it is just that the draftsmen copied the same sections. The original Act looked at two different schemes, a project of less than 30,000 or a project of more than 30,000.

MR. MARSHALL: Should we not have it taken out, 100,000 of them?

MR. ROBERTS: No, not necessarily. Why change it?

MR. MARSHALL: That is what you envisage 100,000.

MR. ROBERTS: Yes, the 30,000 is throughout the whole thing and why change it at this stage.

On motion, Clause stand.

Clause 3:

MR. CROSBIE: We are now on the new Clause 3, I believe, right?

MR. ROWE(W.N.): Except for in 2 there is that amendment to be approved.

MR. ROBERTS: Yes, we approved everything in 2 except that one section or one part rather.

MR. CROSBIE: The new clause 3,

MR. ROBERTS: These are the Government's covenants.

MR. CROSBIE: The new Clause 3 amends the old Clause 3 which are the Government's covenants. The first thing that must be noticed about this Clause, Mr. Chairman, is that the Government's covenant in the original agreement, number 3(a); "that until the expiration of fifteen years from the date the plant goes into production or until such time as refining shall have exercised the option to purchase all the issue shares of the holding company and so on, the Government shall pay to the operating company an amount equal to the excess, if any, over the amount of 2.5 mills per kilowatt hour actually paid by the operating company to the Newfoundland and Labrador Power Commission for electrical power to operate the plant "-

MR. ROBERTS: Would the hon. gentleman yield for a moment as there is something I forgot to tell the Committee about 3(a)? Mr. Chairman, I do apologize and I thank the hon. gentleman. Earlier we tabled a letter representing an agreement between the Government, I think, and Can-Carib Company, That agreement had an intervention by Shaheen Natural Resources, it did not have a guarantee. We have subsequently had further conversations with Shaheen Natural Resources, as a result of which Shaheen Natural Resources will now guarantee completely, irrevocably, finally, under all conditions the performance by Can-Carib and if Can-Carib does not perform then Shaheen is on the hook. This is the significant



MR. ROBERTS:

improvement to which I referred earlier. Our lawyers and Mr. Shaheen's lawyers are now working out the terms of the draft, which has gone through a number of things. So the letter we tabled will have to be replaced with a new one, which will be the same except that the intervention clause will read very much differently, very much more strongly. As soon as it has been done; and the officers of Shaheen Natural Resources in Newfoundland have authority, I am told, to sign; we will table the letter - we expect that will be presumably this afternoon, at some stage.

The point is though, Mr. Chairman, the hon. gentleman will carry on and we all know what he is going to say, so be it. But I do not want anybody to think that Shaheen Natural Resources have now guaranteed or have undertaken to guarantee that the Government will lose absolutely no money whatsoever on the power contract, so that is why we have agreed to leave 3(a) in there.

Sorry but I do thank the hon. gentleman.

MR. CROSBIE: Well, Mr. Chairman, that is an improvement to that letter but I will come to that. But the noticeable fact remains, you see, if the project at Come By Chance or if Mr. Shaheen is to pay the difference between 2.5 mills and the real cost of the power delivered at Come By Chance, I cannot understand why. The proper course to have followed would be to remove this obligation of the Government from the agreement altogether. Why should this torturous route be adopted? Our Government is committed, under this agreement, to pay to the operating company at Come By Chance the difference between 2.5 mills and the cost, which maybe 6 mills or 7 mills, it may amount to one million or several million dollars a year.

Well, if the project is going to pay cost for power, the obvious thing to do is just remove that obligation of the Government. Then the oil refinery enters into an agreement with the Power Commission to buy power for whatever the Power Commission will sell it for, at cost. But instead of that the obligation of the Government remains here. The Government, from the Treasury, is going to have to spend a million or two million dollars every year, pay that out to the oil refinery to make up this difference between 2.5 mills and -

MR. SMALLWOOD: If there is no difference they do not have to pay anything out, do they?

MR. CROSBIE: If there is no difference they do not have to pay anything out but-

MR. SMALLWOOD: They have provided, but have no difference.

MR. CROSBIE: Look, this whole thing is ridiculous, Mr. Chairman. Out of the air somewhere, why and to whose advantage is dragged in, as some formula, where Shaheen subsidiary is going to get a monopoly on the sale of all gasoline products to the Power Commission.

MR. ROBERTS: No.

MR. CROSBIE: Yes. This is an agreement where Canadian-Caribbean Oil Companies -

MR. ROBERTS: It says that if the Power Commission and Shaheen, Can-Carib or whatever it is, do not agree. It is not a monopoly.

MR. CROSBIE: All that this manoeuvring is designed to do is to provide a rationale or an excuse for the Power Commission to become a captive market for oil from the Shaheen group. The letter here tabled in the House says, paragraph 1, "Subject to the provisions of the Golden Eagle Act, we will undertake to sell to the Power Commission, and the Government shall cause the Power Commission to undertake to buy from us, its requirements, up to approximately 5,500 barrels per day, of residual fuel oil produced by Provincial Refining at Come By Chance, such specifications to be agreed upon between us and the Power Commission." The Power Commission is going to be obliged to buy its oil from Canadian-Caribbean Oil Company, Limited, all, ostensibly, to provide a way for the Shaheen people to meet the cost of this power subsidy. Now why is all this torture -

MR. SMALLWOOD: Without changing the Act.

MR. CROSBIE: Why not change the Act? We are changing the agreement now in a dozen different ways and it was announced that the project is now going to pay cost for electric power but our Government is still on the hook on this agreement and Mr. Shaheen's group is given the monopoly of selling oil to the Power Commission. I mean, anyone who looks at it can see right away that this is just a subterfuge to give them a captive oil market of up to 5,500 barrels

MR. CROSBIE:

per day. Then there is a very complicated formula worked out as to how the Power Commission is going to buy the oil, at some kind of a lesser cost, that will meet supposedly the subsidy cost involving the power. We do not know whether it is really going to meet it.

The cost to the Power Commission, of delivering power to Come By Chance, I would say, maybe six or seven mills per kilowatt hour. The Premier will get up and say, "No, it is not six or seven mills per kilowatt hour, it is four mills because you take the cost benefit." When a man buys a beer and he pays the liquor tax and another man buys a pair of socks and he pays the SSA tax and when you take all these things into account for twenty years, that means that the real cost to the Power Commission is not seven mills, it is only four mills." This is not so. The actual cost to the Power Commission of selling and delivering the power, in cash the cost to the Power Commission is six or seven mills. So I say that this is not worth the paper it is written on, this is not going to meet the real subsidy cost involved in giving power at two and one-half mills to the oil refinery. If the oil refinery project is feasible it does not need a subsidy on power.

Why should a project that could make \$500. million dollars over fifteen years get hydro-electric power for two and one-half mills, less than half, perhaps a third of the real cost, why? Then the Government, to make the thing look better, now come up and say, "Oh, we are getting around this," How are we getting around it? We are going to make the Power Commission buy all its oil from Mr. Shaheen (that is some way to get around it) and work up a little formula where it is supposed that he is supplying the oil that saves the Power Commission \$1. million or \$2. million dollars a year and meets the cost of the power. That is fantastic. If this is entered into as it is here now, Mr. Chairman, the Government, from the Treasury, is going to be paying \$1. million or \$2. million dollars a year, every year, to meet this obligation here and we will never know whether the Power Commission is getting it back from Canadian-Caribbean Oil Company.

MR. SMALLWOOD: Why not? Why will we not know, why not?

MR. CROSBIE: Well, how will we ever know?

MR. SMALLWOOD: Well, why not?

MR. CROSBIE: Anybody who reads that letter will know why we will never know, because it is so complicated and so difficult to fathom that anybody can pretend that it is anything. That is why we will never know.

MR. SMALLWOOD: What that letter means is that they, Can-Carib, will pay the difference and if they do not Shaheen Natural Resources will.

MR. CROSBIE: It is certainly a bit better with Shaheen Natural Resources guaranteeing it. But why should all that be done, Mr. Chairman, that is my point?

MR. SMALLWOOD: So as not to change that Clause.

MR. CROSBIE: If the project does not need two and one-half mill power, and it certainly does not on any feasibility report that you see, it might need two and one-half mill power if it would just about break even, it might make \$100,000. a year and it might not, then you would say, "Well, perhaps it needs two and one-half mill power." But when it is going to make \$10. million or \$12. million a year or \$40. million, as in the study I saw two years ago, a cash flow of \$40. million a year, why do they need to scallop us for \$1. million or \$2. million dollars a year, the taxpayers of Newfoundland?

MR. SMALLWOOD: They do not and they are not going to.

MR. CROSBIE: Well then let us take out Clause 3(a).

MR. SMALLWOOD: No, there are good reasons for not taking it out.

MR. CROSBIE: Clause 3(a) should come right out of the agreement.

MR. SMALLWOOD: Why agree to take it out?

MR. CROSBIE: Let us take out this power subsidy properly, cleanly, the way it should be done, forget this nonsense with Canadian-Caribbean in giving them a monopoly on oil purchases by the Power Commission. So I would move, Mr. Chairman, that we add to (c), a new (a) so that it would read: "Clause 3 of the principal agreement is amended, (a) by deleting paragraph(a) in its entirety;" in other words, instead of just the change that is there now, "of purchasing issue shares of the holding company," we take out the whole of the old Clause 3(a) and renumber the other clauses in accordance with that, so that our Government is not obliged to pay the difference between 2.5 mills per kilowatt hour and the actual cost of power supplied by the Power Commission

MR. CROSBIE:

at Come By Chance. That is the way to do it, not this subterfuge with the Canadian-Caribbean Oil Company, Limited, which is a subsidiary of Shaheen and a holding company and a financing vehicle, we are told in the Harvard Business School study, guaranteed by Shaheen or not or else let us have the Shaheen Company promise to pay us in cash the amount of the subsidy each year, so that we will know that we are getting, exactly what it is costing us, not this foolishness of giving a captive market for oil for the Power Commission, to the Shaheen group.

MR. HICKMAN: Mr. Chairman, on that amendment, maybe the hon. the Minister of Health can enlighten us on this. If the letter that has been tabled from Can-Carib to the Premier, setting forth this rather unusual formula, if it is to be effective then surely some Legislative action will be required, for the very simple reason that the Government in Newfoundland, as it stands today, and as I understand, the Golden Eagle Refining Company of Canada Agreement Act, the Government of Newfoundland does not have the right, no matter what the reason or the cause or the excuses, to enter into or to cause one of its Crown Corporations to enter into an agreement with any other manufacturer or supplier of petroleum products, the Crown Corporation and Crown Agencies, without Golden Eagle first getting the opportunity to supply this, and the price shall be in accordance with the formula set down in the Golden Eagle Act.

I believe, Mr. Chairman, that was one of the important factors and the relevant factors. It is more than a belief, it is a fact that it was one of the important factors in the decision of the Power Commission to build this plant at Duff's Siding; that it would be in close proximity to the Golden Eagle Oil Refinery at Holyrood, that this again would assure a constant supply of petroleum requirements, from Golden Eagle, at competitive prices and in accordance with their formula. This was not the only reason. Power demands, peaking, power peaking requirements on the Avalon Peninsula were also quite relevant. One of the added attractions, one of the reasons why it went to Duff's Siding, and there was talk in this House at that time that Come By Chance might be the place for this plant, but Golden Eagle's rights and the benefits which would accrue through an expansion of production

MR. HICKMAN:

and employment in the Holyrood area was also a very, very relevant consideration at that time.

I say, Mr. Chairman, that if this letter is to be effective at all, if it is to be anything more than a scrap of paper, then obviously there is going to have to be some amendment, either to the Golden Eagle Refining Act or alternatively there is going to have to be included in the Bill, that is presently before this House, the words that are now contained in paragraph 1. You know writing a letter saying, "Subject to the provisions of the Golden Eagle Act," is an absolute waste of paper because Government can write all the letters it wishes but if there is legislation presently on the statute book, if the law of the land gives Golden Eagle preferential treatment, then obviously you cannot take that away by writing a letter. This, Mr. Chairman, is precisely what we are told this letter is going to do, and this is why I respectfully submit, Mr. Chairman, that this Committee is entitled to accept this letter as being nothing more than a scrap of paper.

MR. ROBERTS: Mr. Chairman, the point the hon. gentleman has raised is one which some of us stumbled across somewhere or as my colleague says; "has occurred to us." We are quite familiar with the legislation about Golden Eagle, that is why our undertaking, in behalf of the Power Commission, who, of course, were involved and consulted. Our undertaking is conditional upon the legislation and we are quite familiar. We are not quite so sure that the hon. gentleman's interpretation is the correct one, maybe, but it may not be. In the Committee - it is getting close on to one o'clock and maybe this is not the time for a legal argument.

The important point, I think, is that if the Golden Eagle Act or agreement thereunder bars the Power Commission from purchasing, which could happen, let us assume that happens, then according to this letter, as it would be amended, and I stress this letter as I said earlier when the hon. gentleman for St. John's West was kind enough to yield for a moment, we will make it quite clear that, if for any reason the Government, we do not propose to amend the Golden Eagle Act, we do not propose to incorporate those references in this Act, then Can-Carib or, failing them, Shaheen Natural Resources will pony up

MR. ROBERTS:

the cash. I do not think we really could care less.

MR. HICKMAN: But will they have to when they say that our agreement was subject to an Act?

MR. ROBERTS: The agreement is not subject to an Act, Sir. Clause 1 says, "Subject to the provisions, we will undertake to sell and the Government shall cause the Power Commission to undertake to buy."

MR. HICKMAN: Now the Act provides that they cannot sell.

MR. SMALLWOOD: All right, so they cannot sell.

MR. ROBERTS: That is it. Look, Mr. Chairman, I -

MR. HICKMAN: Therefore they say we are redeemed of our -

MR. ROBERTS: I am not sure that the hon. gentleman's interpretation of the Golden Eagle Act is correct, and on that we have taken advice from our people.

MR. SMALLWOOD: But suppose he is right.

MR. ROBERTS: Supposing he is right, all that falls is our obligation to buy. Their obligation to pay tax, which is further down in this, is still subsisting and still -

MR. CROSBIE: Why not take out this 3(a), as I suggested, in the amendment and then we will not be obliged to do it at all.

MR. ROBERTS: Mr. Chairman, the easy thing to do would be to take out 3(a) and no hon. gentleman should think that it is not a question that was not raised once or twice but once or twice an hour; "why not just take the stupid thing out and leave it?" But I am told, I only know what I am told, and I am told that the ECGD who are quite aware of this, we have made sure they are aware of this, there are no secret bargains, we tabled it in the House and ECGD are aware but apparently they say it should stay, and I do not know why. I really do not know why and I am not going to stand here and invent reasons. I am told that it does not really matter, I am told by our people; because this letter gives us sufficient protection, <sup>though</sup> I can assure the House that if at any point the Government are called upon, some completely unforeseen or completely unprovided for contingency, to pay any power subsidy, you will see an Act come smashing in so quickly, on behalf of the Government, to whip it out. Now the easy thing to do would be just accept it, just to reject Clause (a) and put in the hon. gentleman's

MR. ROBERTS:

be  
amendment. That would be the easy thing to do and it certainly would make my life a lot easier, as I would not have to try to defend something I am not sure I can understand. It is one o'clock, Mr. Chairman, should we put it to a vote?

MR. HICKMAN: Before we put it to a vote, may I ask the hon. Minister again; obviously he is going to have some discussions over it lunch hour and I am sure that he agrees, or at least I read into what he has just said, the inherent dangers in attempting to amend legislation by way of letter, would he consider asking the law officers of the Crown to furnish, this afternoon, an opinion to this legislature -

MR. SMALLWOOD: Opinions are offered to the Government, not to the House.

MR. HICKMAN: Well, to the Government and Government in turn to this House, their opinion that this letter or the redrafted letter, the improved letter, with Shaheen Natural Resources as guarantor, will firmly and irrevocably bind the Shaheen group to pay this difference between the actual cost and the power subsidy?

MR. ROBERTS: Well, we will have that opinion, Mr. Chairman, because the instructions that were given yesterday by my colleagues and by me, to our law officers, were to draft an amendment, and they have a beautiful one, I do not know whether the other side will buy all, but they have a beautiful piece of work, Sir, that will hold us harmless or, if you want the business slang, it will make us whole on this and, as the hon. gentleman knows, it is not in order for a law officer to advise the House, we have our own law officers but I can assure you that this is, Mr. Chairman, the intention of the Government, and we will have an opinion, we will be fortified to that extent. This letter has to be; we are not going to pay a nickle on the power subsidy.

MR. HICKMAN: What I am getting at Mr. Minister is this -

MR. CHAIRMAN: Order please! It now being one o'clock I leave the Chair until 3:00 P.M.



The House resumed at 3:00 P.M. Committee of the Whole:

MR. CHAIRMAN: Order!

Mr. A. J. MURPHY:(LEADER OF THE OPPOSITION): Mr. Chairman if I may, perhaps it is not dealing with the particular paragraph we are dealing with but it is in connection with this Bill and some previous debate held on it. It was just brought to my attention, during the lunch hour, there was an article in yesterday's "News" with reference to a statement I made in this House, in the committee perhaps, with reference to the junior member for Harbour Main. This was entirely wrong, I did not make the statement about the Junior Member for Harbour Main using the credit card belong to any company. I would like, particularly the "Daily News" to take note when I say, definitely and absolutely, the Junior Member for Harbour Main is not the one in this House that I am referring to. I would like the press, if they would, to give that full publicity, because I feel very badly about this for the Junior Member for Harbour Main. Thank you!

Well, then, if we want to we can carry the thing on. I asked for people to, but I just want to make that thing clear, Mr. Chairman, that it is definitely not the Junior Member for Harbour Main.

MR. CHAIRMAN: The motion is that Clause 3 on page 10 be amended by deleting sub-paragraph (a) and substituting therefore paragraph (a) to read; by deleting paragraph (a).

MR. W. R. MARSHALL: Mr. Chairman, if I may for just a few moments, I am in entire agreement with the motion from the hon. member for St. John's West in this connection. I do not feel that, having gone over this letter, that this letter is not as originally intended, that is to remove the subsidy from the shoulders of the Government. We still have the subsidy cast on the shoulders of the Government by the legislation.

Now this particular letter has a few points in it that I would like to draw to the attention of the committee. The first thing is that, while it is true, as the hon. the Minister of Health pointed out, that other residual fuel can be brought from other concerns, it is also a fact that the Power Commission is empowered to enter into negotiations with other people for this purpose. But, I should much prefer to see in the letter or to see some

MR. MARSHALL: undertaking on behalf of Government to the effect that the Power Commission would ask public tenders for the supply of residual fuel to assure that the intent of this letter will be carried out.

I should also like to draw to the attention of the House the fact that there is a clause in this letter which will result, if it comes about, in the electrical subsidy being reinstated. And this is the clause to the effect that in the event that the Government grants an electrical subsidy to a concern of similar size or near similar size to the Come-by-Chance project that the subsidy will be reinstated. I am just wondering, Mr. Chairman, if this means a departure in Government policy. Does this show an intention on the part of the Government not to subsidize electrical power for industrial development in the future? And if so, it may be a step in the right direction, since it appears that the Government is accepting the recommendations of the Royal Commission on Economic State and Prospects in Newfoundland, not to give subsidies of this nature. I would hope that this is the situation.

But be that as it may, Mr. Chairman, this letter does not do that which is intended, does not really take the onus away from the Government, of picking up the difference between the cost and the two point five mills per kilowatt hour, For that reason I will support the Amendment.

MR. SMALLWOOD: Where is the clause to which the hon. gentleman referred?

MR. MARSHALL: On pages three and four, Mr. Chairman.

MR. SMALLWOOD: Paragraph eight?

MR. MARSHALL: Paragraph eight.

MR. SMALLWOOD: There is no change in policy there.

MR. CHAIRMAN: Shall the Amendment carry?

MR. CROSBIE: Mr. Chairman before it is carried, I just want to say that, as the hon. member for St. John's East has pointed out, he has pointed out an additional reason why this Canadian Caribbean Oil Company, Limited, letter is useless. What connection is there between the Come-by-Chance Oil Refinery

MR. CROSBIE: Project and its power subsidies and any other power subsidy that the Government may grant anyone else under the Provision of the Newfoundland Development Incentives Act? As the member for St. John's East has pointed out, if the Province in the future gives any concern a power subsidy, pursuant to the Newfoundland Development Incentives Act, then the Shaheen people are off the hook, they are going to get the power subsidy for the Oil Refinery at Come-by-Chance. So the letter is quite useless. Again for that reason apart from anything else.

On motion the Amendment not carried. (Standing vote registered.)

MR. CHAIRMAN: Shall Clause 3 subclause (b) carry?

On motion Clause 3 subclause (b) carried.

MR. CHAIRMAN: Shall Clause 3 subclause (c) carry?

MR. CROSBIE: There is one <sup>comment</sup> that should be made here, Mr. Chairman, that this -- Clause makes a substantial change in the old agreement. This is another concession of the Shaheen people. Now the old agreement section, the 1968 agreement, Clause 3 said the Government granted to Newfoundland Refinery an option to purchase all the shares of the Crown Corporation, if refining shall have performed and observed all of the covenants, terms and provisions of this agreement, on its part to be performed and observed. So refining had to perform and observe all the terms and conditions of the agreement that is undertaken to do, if it were to be eligible, exercises option and take over ownership of the whole refinery for \$2,000."

Now the new paragraph(c) says, "if refinery shall have performed and observed all the covenants terms and provisions"-that is taken out, and it now says, "if refining shall have performed and observed in all material respects all of the material covenants terms and provisions of this agreement." In other words now a loophole has been opened up, if the Newfoundland Refinery, if the Shaheen Group do not observe all the covenants, terms and provisions of the agreement, they can still exercise or option, if the Government agrees what they have not observed was not material. So a loophole has now been provided, and the Government can say that the two and a-half mill power, that part of it would not be material or saying that the \$30 million bond

issue was not material, or refining's failure to construct the plan in accordance with the plans and specifications is not material. A large loophole is open, which I am very much against. Why does this change have to be made? We were led to believe ; , when the publicity was given to these changes, that the changes are for the benefit of the Province of Newfoundland. Yet here is another change that is not for our benefit at all. So I would move that sub-paragraph (c), third last line, delete the words "in all material respects," and the next line we delete the word "materials" so it could read "shall have performed and observed all of the covenants, terms and provisions in this agreement and its part to be performed and observed." And then this would be in line with what was passed in 1968 and will take away that loophole.

The Shaheen people shall not be allowed to take over full ownership for \$2,000 unless they observe their obligation entirely.

On motion sub-paragraph (c) not carried.

MR. CROSBIE: Well can we ask a question then, Mr. Chairman, why is this being changed?

MR. ROBERTS: Mr. Chairman, my understanding is that we are anxious to be able to avoid any technical defaults. The hon. gentleman has put his finger, as he sometimes does, on the heart of the matter, when he says 'what is material and what is not material. I would think though that is a matter that can necessary be taken to court by anybody with any standing under this legislation. We do not look upon it as the means to get around it, Mr. Chairman., to get around any of the conditions, and we certainly would not allow the other parties of the agreement so to claim.

MR. CHAIRMAN: Shall Clause 3 sub-clause (d) carry?

MR. MARSHALL: Mr. Chairman, on sub-clause (d) I would like to point out that the management of these companies has been given to Newfoundland Refining Company pursuant to the agreement. I do not see any particular reason why the directors of the operating company, the Government directors, should be at all out numbered by the persons representing this Shaheen interest.

MR. MARSHALL: As a matter of fact, if anything goes wrong with the project you will much more easily rid yourself of the persons who are charged with the management of this company, if you have a majority on the Board of Directors. It is not essential to the principle or the intent of the Act that the third parties or the outside parties have a majority of the Board of Directors. You have entered into a management agreements with them and after all these are assets which are owned by the Province of Newfoundland. I think that this is a very, very dangerous sub-section. For this reason I would move that it be amended by deleting the words "four persons to be nominated by the Government and eleven persons to be nominated by refinery," and substituting therefore the words "ten persons to be nominated by the Government and five persons to be nominated by the refinery." This would enable you to have five people from the refinery, to rely on their experts and their advice on the Board of Directors, but at all times would assure that the Government has control of the companies, which they own and which they have a large amount of money into.

MR. CHAIRMAN: The motion is that the word in figure "4" in the third line be "10" and that the word in figure "11" in the second last line be "5."

MR. CROSBIE: I would support the motion particularly for this reason: Throughout the agreement there are certain safeguards instituted, where the operating company, which is the Crown Corporation that is going to have fifteen directors, has to agree to certain things, for example, in the chartering of ships there is a clause that says that, Refining and the Shaheen Company will arrange for the chartering of ships to bring crude oil to Come-by-Chance.

MR. HICKMAN: It is in the agreement.

MR. CROSBIE: Do you know what section that is?

MR. HICKMAN: Yes, 6(h).

MR. CROSBIE: Clause 6(h), for example, says, "Refining shall contract to charter vessels necessary to transport crude oil and so on, and shall

MR. CROSBIE: charge the operating company an amount equal to Refining's cost for such transportation, and such cost or charter rate shall be subject to approval by the operating company."

Now the company under this Clause has got eleven out of fifteen directors or Mr. Shaheen's representatives. So here is Mr. Shaheen, controlling the operating company, checking Newfoundland Refining, who have contracted a charter vessel. So there is no safeguard at all in it for us, because the operating company is controlled by Mr. Shaheen. This one organization, controlled by Mr. Shaheen, is checking on the other organization which is wholly owned by Mr. Shaheen. Where is our safeguard? The eleven out of fifteen directors, suppose the operating company learns or some Government director learns that Refining is charging the operating company twice what the cost really is to charter these vessels, the Government directors can be out-voted eleven to four. So that safeguard is gone. So I just cite that one section there to show that a lot of these safeguards are not in reality safeguards, because Mr. Shaheen is going to have eleven out of the fifteen directors in the Crown Corporation. This is an excellent reason for supporting the Amendment, that is now suggested by the member for St. John's East. It is no protection to us at all, otherwise.

MR. CHAIRMAN: Shall motion to amend carry?

On motion the Amendment lost.

MR. HICKMAN: Mr. Chairman while we are still on that Clause.

MR. SMALLWOOD: What Clause?

MR. HICKMAN: 3 (d) page 11.

There is another way to afford protection to this Province, apart from having the majority of the members Government nominees on the Board, and it can be for the very same reason that Mr. Shaheen in paragraph "j", of this same Clause as introduced, in it has veto powers. I would submit to this Committee that, if Government is going to agree and has agreed, and the House, obviously, and the committee are not supposed to change the number of the directors, and has agreed to give them a majority, the Shaheen group are a

MR. HICKMAN: majority on the Holding Company and the Operating Company and then any decision of the Board of Directors would be too cumbersome, for the Board of Directors to have to come to Government for the approval of every decision that it is going to make. But, I do submit that a decision of the Board of Directors should be subject to the veto of Government.

Again, the very point that was raised by the hon. the member for St. John's West, that refining is in the process of chartering boats, adequate or otherwise, to transport the crude oil. The Government of Newfoundland comes to the conclusion that it is not in the best interest of this Province for the companies to enter into this particular charter. Now it is all very well to say that we will summon this House or the next session of this House we will pass legislation and we will teach John Shaheen a thing or two. Well, Mr. Chairman, what you have to bear in mind is that once a binding contract has been entered into in good faith, between a charter and an incorporated company, that any Government then is going to be pretty well boxed in, when coming before the House of Assembly and asking that that be set aside, because the creditability of the Province would be very much an issue in such an event.

And, I would move, therefore, that following the word "refining," there be added the following words "and no decision shall be made by the Board of Directors of Holding Company and Operating Company, if the Government through its director or directors objects to such decision."

Mr. Hickman,

Government through its director or directors objects to such decision, This will not affect the ability of the companies to perform commercial activities unencumbered. They will not have to telephone St. John's every day and get a Cabinet approval for routine decisions. But at the same time, when decisions of substance are being made and decisions which can go to the guts of this proposal and operation at Come-by-Chance, such decisions would be made in light of the fact that if they are not in the best interest of the Province then the Province has the right to veto.

Mr. Shaheen has the right to veto in (j) of this same clause or (f) of this same clause, and there is no logical reason why he should not confer on his partners, who are paying the shot anyway, an equal power of veto. In the interest of this Province.

MR. CHAIRMAN: Motion is that the clause be amended by adding the words, "no decision shall be made by the board of directors of the holding company and the operating company, if the Government through its director or directors objects to such decision."

On motion amendment lost.

On motion Clause (d) carried.

MR. HICKMAN: Clause (e). Under the old clause..

MR. ROBERTS: Page fifteen of the old Act.

MR. HICKMAN: Yes. The Government - loans to be made subject to the first and second mortgage. Now is there some legal distinction or reason why the first mortgage has been taken out?

MR. ROBERTS: I think..

MR. HICKMAN: And simply the second mortgage left in.

MR. CROSBIE: Progress payments are taken out.

MR. HICKMAN: Right.



MR. ROBERTS: Mr. Chairman, I think the only reason is that the first mortgage will make no reference to the \$30 millions. While I am on that, I may say that I still do not have a firm answer, but we hope to have one shortly, with respect to the point the hon. gentleman raised earlier. I think we have an amendment standing, Mr. Chairman, which deals with essentially the same thing as this. But I think the only reason is simply that the first mortgage will make no reference to the \$30 million. The first mortgage will be concerned with \$125 million and the terms of repayment thereof.

MR. HICKMAN: Again (j), while the hon. minister is on his feet, refers to progress payments. Again the words "progress payments" have been left out of the section now.

MR. ROBERTS: You know, it will be advanced for the construction and equipment. I submit there is no substantial difference between those words and the words in the old one, which were, "as progress payments for the construction and equipment." A payment is a payment.

MR. HICKMAN: Yes, but progress payment.

MR. ROBERTS: We are not going to pay it in advance, if that is what the hon. gentleman is worried about.

MR. HICKMAN: Well, you know. I mean...

MR. ROBERTS: You know we are going to table the agreement. Does the hon. gentleman think we are going to sign to pay in advance? Come on, I look like a fool, but it is not that bad.

MR. CROSBIE: Well what..

MR. ROBERTS: What is a progress payment? You can pay a progress payment in advance. Come on!

MR. HICKMAN: In the custom of the trade, a progress payment is paid after certain works have been done and verified by say an architect or an engineer.

MR. ROBERTS:    Well it can be paid in advance..

MR. HICKMAN:    It can be paid in advance.

MR. ROBERTS:    Of course it can.

MR. HICKMAN:    The progress payments implies..

MR. ROBERTS:    It implies progress.

MR. HICKMAN:    It implies progress.    Right. Now this, with the omission of progress payments the danger does exist that you have a situation - this has happened already in Come-by-Chance - you know I am not being facetious or difficult on this. Where payments have had to be made in advance before work starts before any delivery, I think, if the hon. minister will check on the payment, made on the tanks, he will find that payments were made before progress...

MR. ROBERTS:    That may well be. I was not involved with the tank question.

MR. HICKMAN:    I realize that. I was.

MR. ROBERTS:    I was well tanked when I got there, Mr. Chairman.

All I can say is that we ill-thought of paying in advance. We will pay according to the draw-down schedules. Those are being embodied in the financial agreement and in the second mortgage. That is the only reason.

MR. CROSBIE:    Mr. Chairman, in an agreement like this, that has been gone over by lawyers on all sides and so on, words are not deleted and words are not put in without some reason. When this was done in 1968, we wanted to ensure that the Government loan was not going to be all spent either before there was anything down there or until - it had to be side by side with the money that was going to be raised by Mr. Shaheen.

Now the words are left out of this clause now. The words left out are these and why they are left out appears to be mysterious. "Payments were to be promptly made, as is required from time to time, as progress payments." These words are left out of the amending section

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here now.

Now if those words are left out that means that the Shaheen people and the Government people have agreed that it may be necessary for payments to be made that are not progress payments. In other words, the work will not be done down there and money will be advanced. If that is not the case, why take out the words; "be promptly made as required from time to time as progress payments."

Now the minister says that we are not going to pay out any money unless there is progress first. We are going to see that it is progress payments. But if the Government are going to see that it is progress payments, why have they not left the words in there; as progress payments from time to time - required from time to time as progress payments?

Now it is just stupid to take out those words, unless the Government intend to make advances that are not going to be progress payments.

MR. ROBERTS: Obviously, Mr. Chairman, where words are deleted, there is a reason. Of course, there is. There are reasons for putting words in and reasons for taking words out. As I have said, we are going to pay according to the draw-down schedule set forth in the financial agreements and the second mortgages. My understanding is that these are not payments in advance. I do not know if they are progress payments. I have neither in front of me. I do not know if they are progress payments. Since I have neither in front of me, I just cannot say, you know.

MR. CROSBIE: The mortgages will have to be registered anyway.

MR. ROBERTS: Yes and not only registered, Mr. Chairman, we quite willing accepted an amendment. Indeed, we were quite happy to.

Mr. Roberts.

We will table everything in here and somebody can sit down and read through it - a stack of documents, I assume would be about that thick by the time we are done. Mortgages will be public documents. Anybody can see them in the registry.

MR. MARSHALL: Mr. Chairman, is the minister in a position to give us any of the bare basic outlines of the second mortgages yet?

MR. ROBERTS: Well, Mr. Chairman, I do not have a draft of it in front of me, but I think we have established that the interest rate will be either one-half or one per cent over the rate at which the Government borrows and that the mortgagor will have to assume the financing charges, which on a \$30 million loan could very easily be \$300,000 or \$400,000. You will have to pay a financing fee to cover that. I believe we are looking towards the pre-payment clause - the maximum repayment term of fifteen years. We are looking towards the pre-payment clause in the hope that the enterprise will generate enough cash to pay off the second mortgage quickly and thus allow us to retire from the credit bill. But, I think the..

MR. SMALLWOOD: It cannot be less than eight.

MR. ROBERTS: It cannot be less than eight. I think the essential point is, the interest rate will either be one-half or one per cent higher than the rate at which we borrow. As the Chair knows, we got a loan the other day of 9.25, in fact, I think that was five year money. We paid a little more for twenty year money. So, we would then charge this company, say, 10.25. That is the essential point.

MR. MARSHALL: Am I to understand that the term of the mortgage would be between eight to fifteen years then?

MR. ROBERTS: Yes, the term will have to be - of course, for a term certain - it would not be a mortgage. But, I believe, we do look

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to a pre-payment provision and indeed hope that it will be pre-paid earlier and thus we are off all obligations.

MR. MARSHALL: (Inaudible)

MR. ROBERTS: I do not know. That has not been worked out. It has not been worked out. It will not be pari passu again. We are proposed to remove the section requiring pari passu payments. The first thing that must be serviced is the eight year. The first mortgage, the British mortgage - the Kleinwort Benson one - the one ECGD covered. There will be, I think, some payment on principal but they will probably not be equal payments. The interest will be paid, you know, right along.

MR. HICKMAN: I think it should be drawn to the hon. minister's attention that another practise, I believe, in the lending business, is to pay a finder's fee. I am sure that the Province is entitled to a finder's fee in this particular instance.

MR. ROBERTS: Mr. Chairman, at one stage we were asking for and indeed got interest on interest. We will gladly go after a finder's fee. I think our financial people would feel that that is a good thing. But we intend to charge them all the financing costs - whatever those may be: legal costs, finders' fees, standby charges, commitment charges, etc.

On motion Clause (e) carried.

MR. HICKMAN: Clause (f), Mr. Chairman. I would like for the hon. minister to explain to the House why this additional clause is required or has been conceded to the Shaheen group at this time? You cannot have your cake and eat it. If we are to be told that certain protections are provided for the Province, through these Crown corporations, through the fact that we have directors in some instances and the fact that we have the supremacy of the

Mr. Hickman.

Legislature behind us and all this sort of thing. why should we now give Mr. Shaheen the right to veto decisions of Newfoundland companies ; Crown corporations, building company, operating company and the holding company? If we are going to give them the right to veto then, surely, we should have the courtesy (out in the margin) to call this paragraph, 'Shaheen Veto', for purposes of identification.

This seems to be a totally unnecessary addition to the agreement and one that obviously does not help the Province at all, and I move, therefore, that Clause (f) be deleted.

MR. ROBERTS: Are you going to support him?

MR. CROSBIE: Definitely - 100 per cent.

MR. ROBERTS: Good.

MR. CROSBIE: In this particular matter.

MR. SMALLWOOD: Would the hon. gentlemen move that the whole Bill be deleted - delete the whole thing.

MR. CROSBIE: We have already voted against the whole thing.

Since the Government have carried it, we are trying to improve it a bit.

MR. ROBERTS: Is that the hon. gentleman's speech, that he supports the member for Burin 100 per cent?

MR. CROSBIE: Oh! I will not answer that.

Again, Mr. Chairman, we were told about these tremendous improvements that have been made for the Government of Newfoundland, the people of Newfoundland, that were coming into this House - these tremendous improvements. Every clause we are looking at in this Bill is another concession to Mr. Shaheen - another concession to Mr. Shaheen - another concession to Mr. Shaheen. He did not have to raise \$30 million. He has material in the other clause up here, etc., etc., Now the progress payments are taken out. This is to help Mr. Shaheen.

Now we get down here and Mr. Shaheen - our friend Mr. Shaheen, is going to have approved, in writing, negotiations the Government carry on - that Crown corporations carry on - he is going to have to approve the

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first mortgage and the second mortgage - why should he approve the second mortgage to cover our \$30 million, apart from the \$125 million?

MR. ROBERTS: I will give you the answer.

MR. CROSBIE: Which is ours also. Mr. Shaheen now wants to approve the second mortgage. All this cannot be done without the previous approval in writing of Refining. The Government are - Mr. Shaheen is going to have the Government by the throat. He has had them by the throat two or three years...

MR. SMALLWOOD: The hon. gentleman's jugular.

MR. CROSBIE: He has the hon. Premier by something I will not mention. He has had him by it now since 1960 - ten years. Now this is formal written proof.

MR. SMALLWOOD: At a cost to him of \$75 millions.

MR. CROSBIE: He might as well..

MR. SMALLWOOD: At a cost of \$76 millions.

MR. CROSBIE: This Clause should say, Mr. Chairman; "and the hon. the Premier will not make a move without the previous approval of Mr. Shaheen."

MR. SMALLWOOD: I would be willing for him to get hold of another part of me, if I could get another \$76 millions.

MR. CROSBIE: I only hope we are all here in fifteen years time, when it is totalled up what...

MR. SMALLWOOD: We do not wait fifteen years to get that.

MR. ROBERTS: Is the hon. gentleman done with this 150 per cent support?

MR. CROSBIE: I have to stop here in admiration of the Premier's optimism.

MR. ROBERTS: The optimists thinks the Premier will be here in fifteen years.

MR. CROSBIE: We do not want to delay the House, so we will listen to the hon. minister now.

MR. ROBERTS: Mr. Chairman, I thank my hon. friend from Trinity North. You know, I know it is the duty of the Opposition to oppose, as Lord Randolp Churchill said. But really they should pick something a little better to oppose than this. If this is a concession - I suppose it is. It is an entirely reasonable one. Mr. Shaheen, as we see throughout the theme of the Act, is to be required to service the debt. That is the whole structure of this agreement, Mr. Chairman. The three agreements named here, the first mortgage, the second mortgage and the financing agreement relating to the extension loan, which, as your Honour knows, is the \$125 million loan, are after all the agreements set forth for these payment terms.

We think it is entirely reasonable and proper..

MR. SMALLWOOD: Repayment by Mr. Shaheen.

MR. ROBERTS: Entirely reasonable and proper for Mr. Shaheen to ask the right to approve those. After all he has to repay them. If, for example - supposing, for example, we signed a mortgage with the British banks - we, being Provincial Building, and said; "well we will pay off the mortgage - the entire first mortgage loan in four years," when we do know it is going to take eight years. That would put Mr. Shaheen and his operating company, refining, Newfoundland Refining, in an extremely difficult position. So, we will vote against this amendment. That is as surprising as the hon. member for St. John's West offering 100 per cent for the hon. member for Burin. We will vote against it because we do not think there is anything at all wrong with this. We think it is entirely reasonable of



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Mr. Shaheen to have the right to approve the terms of the mortgages, which specify repayments that he is responsible for meeting, and accordingly we put it in here, and we would ask the committee to approve it.

MR. CHAIRMAN: On motion amendment lost.

On motion Clause 4 (a) carried .

MR. ROBERTS: Now that is an improvement. We have added words for greater certainty.

MR. MARSHALL: Mr. Chairman, is this the one on the docks? Well here again we have another concession given to the Newfoundland Refining Company - the Shaheen interest. If the Federal Government gives its rights to any wharf it builds in the Come-by-Chance area, this is going to be handed over free, gratis, to the building company or the operating company, whichever happens to be in existence at the time, ..

MR. SMALLWOOD: Operating costs \$17 or \$18 million..

MR. MARSHALL: Yes, for the sum of \$1,00 and the assumption of any liabilities - and the assumption of any liabilities...

MR. SMALLWOOD: If I put \$1.00 after they paid \$18 million for it first - for another \$1.00 we can get title.

MR. MARSHALL: This is the question I want to be sure of. If the Federal Government should turn the wharf facilities over for less than the cost, surely, this is the taxpayers' money, and I would like to ask the hon. minister whether Mr. Shaheen or the building company, the operating company, would pay the full value for it?

MR. ROBERTS: I am not sure I understand the question, Mr. Chairman. Is the hon. member saying that, if the Government of Canada, who are building - the only people who are going to build the wharf - we are not going to - if they were to turn over to Building Company...

MR. MARSHALL: or to the Province.

MR. ROBERTS: Or to the Government of Newfoundland for less than \$1.00 or less than its cost, would we sell it to Building for less than cost?

MR. MARSHALL: Less than cost?

MR. ROBERTS: Yes, I think we would, Mr. Chairman. That is completely off the cuff, because it is literally a contingency that we never considered. The deal is that the Government of Canada - there is no mystery about it. The Department of Transport, I think, it is, build a wharf, and if the wharf will only be of use to these people, because it has pipelines running down through it and all that, the operating company, Building and possibly Operating, because as the hon. gentleman knows, at a point Building sell everything to Operating - all their equity. The operating company pay off to the Government of Canada, over a period of twenty-five years, an amount that will amortize the debt.

Now, again, this is not an unusual thing. The Point Tupper one, that my friend from Burin is so in love with, is exactly the same arrangement. I believe the ERCO work at Long Harbour - this is a quite common financing arrangement.

MR. SMALLWOOD: One at Tilt Cove, and Baie Verte.

MR. ROBERTS: At Baie Verte.

MR. MARSHALL: All we want to be assured is that it will be for the cost.

MR. ROBERTS: Oh, yes! Oh, yes! Oh, gosh! The one thing we are not going to do is get involved in building.

MR. SMALLWOOD: The Government will not be in it at all. We will not be in that.

MR. ROBERTS: We had an opportunity to get involved in building the wharf

Mr. Roberts.

Mr. Chairman, without much trouble we turned it down.

MR. HICKMAN: Mr. Chairman, on that, you know with regard to what the hon. Minister of Health has said: This has been extended now, regretfully - the Federal Government have started to impose the same conditions on building wharves for fish plants in the Province. They, too, ...

MR. SMALLWOOD: They only do that where they have the wharf for one user only.

MR. HICKMAN: Oh, yes! A one-user wharf.

MR. ROBERTS: It is a one-user wharf.

MR. SMALLWOOD: If it is a public wharf, there are a lot of people...

MR. HICKMAN: That is right.

MR. SMALLWOOD: They build a wharf for one company, then they make that company pay for the wharf.

MR. HICKMAN: Even though it may be to repair, rebuild and improve on what was before a public wharf but has since become exclusively for the use of a plant.

MR. ROBERTS: Well it is not even a wharf in a conventional sense.

MR. SMALLWOOD: Even a public wharf is not free. The Government of Canada charges tonnage...

MR. HICKMAN: Tonnage or harbour dues or whatever you want to call it. But again when you get back to the feasibility of this proposal - is the hon. member for Trinity North referring to what use to be commonly called, harbour dues, which were based on the tonnage of the boat coming into the harbour?

MR. STRICKLAND: No.

MR. HICKMAN: Good. Whatever the rental will be, surely, the time has come for the Federal Government to lay out its time table for the payment of the cost of the wharf and the amortization. If, for instance, it is going to be ten years..

MR. ROBERTS: Twenty-five.

Mr Hickman.

Well, the Federal Government do not know that it is going to be twenty-five.

MR. ROBERTS: That is what they tell us.

MR. HICKMAN: No!

MR. ROBERTS: They tell us.

MR. HICKMAN: Mr. Marchand does not know but, maybe, the Federal Government do.

MR. ROBERTS: Mr. Marchand is not building the wharf.

MR. HICKMAN: Well it is being built under DREE.

MR. ROBERTS: No it is not.

MR. CROSBIE: Arthur Lang is building it.

MR. ROBERTS: No! No!

MR. SMALLWOOD: All the Minister of Public Works does is build the wards at the Canadian Government's...

MR. HICKMAN: According to statements, Mr. Chairman, what have been coming out of Ottawa are these, and I quote the statement; " the work would be a normal...

MR. SMALLWOOD: What is the hon. gentleman quoting? What is he reading?

MR. HICKMAN: The statements that have been made by the hon. the Minister of Regional and Economic Expansion...

MR. ROBERTS: Okay, when?

MR. HICKMAN: July 3rd., 1970.

MR. ROBERTS: No, no, but in what? Was it in a newspaper or what?

MR. HICKMAN: With reference to Come-by-Chance.

MR. ROBERTS: No, but in a newspaper or on the radio?

MR. HICKMAN: This is the information that he tabled in the House of Commons or furnished to Opposition members of the House of Commons on

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July 3, 1970.

MR. ROBERTS: I mean I want to be able..

MR. HICKMAN: I want to simply give you the facts.

MR. ROBERTS: The first fact I want is where can I get the information?

MR. HICKMAN: I am simply stating the position put by Mr. Marchand on July 3, 1970.

MR. ROBERTS: In the House of Commons?

MR. HICKMAN: No! No! not in the House of Commons.

MR. ROBERTS: Where.

MR. HICKMAN: To an Opposition member.

MR. ROBERTS: In a letter?

MR. HICKMAN: In a letter.

MR. ROBERTS: Would the hon. gentleman table the letter.

MR. HICKMAN: I would certainly be glad to table the letter, if it is in order. That is something I do not know.

MR. ROBERTS: Is it not in order, Mr. Chairman?

MR. CROSBIE: Read it first. Let us see what it is about.

MR. HICKMAN: "On the subject of Come-by-Chance, I can only repeat previous statements. The wharf would be a normal Department of Public Works' project, financed on exactly the same principle as other docks that are constructed for a single user. The user is required to pay rental fees which recover the whole cost of construction within an appropriate amortization period. The Government of Canada are willing to proceed on that basis, when the whole refinery project is finalized. But that has not been brought to the stage at which a time table can be defined."

MR. ROBERTS: Right. Nothing unusual in any degree in that.

MR. HICKMAN: Now, how can you have a definitive statement by UOP or the Shaheen group as to what the operating costs are going to be, if they do not know what the time table is for the repayment of the

Mr. Hickman.

cost of constructing the wharf at Come-by-Chance?

MR. SMALLWOOD: Twenty-five years.

MR. HICKMAN: If it is ten years...

MR. SMALLWOOD: Twenty-five.

MR. HICKMAN: Well, now, twenty-five, obviously...

MR. ROBERTS: Really, Mr. Chairman, there is a simple answer.

If we did not have..

MR. HICKMAN: Economic development should be told.

MR. ROBERTS: If we did not have the answer or the information,

well, you know, it would be a problem.

MR. HICKMAN: Can the hon. minister ..

MR. ROBERTS: I am told that the Department of Transport - I thought it was Transport - I still think it is Transport actually -

MR. HICKMAN: Public Works.

MR. ROBERTS: Public Works are probably - I was going to use a word, but it probably is not parliamentary. Public Works are a staffed department. They just do what they are told. They are a service department. They are an interesting crowd, and the next re-organization in the Government of Canada. However, the point is - of course, we have to know what the repayment is because it is built into the feasibility study. We have been told by the Government of Canada that they will look for a twenty-five year repayment, principal and interest.

MR. HICKMAN: Who? What minister?

MR. ROBERTS: It was not said by a minister, to my knowledge. It was said by officials of the very same Department of Public Works who have been doing the negotiating.

MR. CROSBIE: Anything in writing?

MR. ROBERTS: I have nothing in writing at this stage, no.

MR. ROBERTS.

No, I do not. The hon. gentleman has something in writing, which I hope he will table, Mr. Chairman. I would be delighted to see it.

MR. SMALLWOOD:    There is not much information in it, is there?

MR. HICKMAN:    There is not a bit of information that the hon. Premier will not like to see.

MR. ROBERTS:    That is, indeed, the reason I want to see the letter tabled, all the letter, and I will find the hon. the gentleman the rule, in due course, if he needs it.

The important point is, Mr. Chairman, and the hon. member has touched upon it again, that the dock - the project must be able to generate enough revenue, each year, to pay the cost of the dock, and that is part of the feasibility which is built in.

MR. CROSBIE:    On this, Mr. Chairman, on the wharf at Come-by-Chance or the harbour improvements, Mr. Arthur Lang, the Minister of Public Works, whose department would be building this wharf, was on the air last weekend, when contacted by <sup>a</sup> Newfoundland Radio Station - the one that has the conversations with the Premier in the morning - and asked about the wharf situation. He said, "the situation had not changed," and that Ottawa was not aware formally of any improvements in the Shaheen agreement and that the matter was no further ahead.

Now, have the Government anything in writing from Ottawa or has Mr. Shaheen anything in writing from Ottawa that indicates the commitment from the Federal Government to build this wharf and to be repaid by user charges over a certain period? The Minister of Health, apparently, said that he did not have anything in writing. If he has not anything in writing, how can he just tell the Shaheen people twenty-five years or how can he tell us?

MR. CROSBIE.

Mr. Arthur Lang says they have not agreed to go ahead with the wharf at all yet. He only happens to be the minister of the department. Now threats are made about poor Mr. Arthur Lang. The hon. Minister of Health says he will not have his job much longer anyway. Apparently



MR. ROBERTS: That is not what I said.

MR. CROSBIE: Something to that effect, shake hands Sir.

MR. ROBERTS: That is even not a rough paraphrase.

MR. CROSBIE: Today the minister implies that there is going to be a reorganization of the Government of Canada and the Department of Public Works is going to get a good scrubbing when it comes.

MR. ROBERTS: I did not imply that.

MR. CROSBIE: The minister grinned and chuckled about the Department of Public Works of Canada. That is hardly a way to get their co-operation.

MR. ROBERTS: Oh, come on now, you are putting words in my mouth.

MR. CROSBIE: Well, that is what the hon. minister said. He said, "the next,.." He muttered to the House, "the next department to be reorganized up in Ottawa..." Then he said; "I better not say any more."

MR. ROBERTS: I did not say that. I said...

MR. CROSBIE: I just finished it for him.

MR. ROBERTS: in the next Government reorganization.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: Can the Government tell us what the cost of the wharf is? It has been reported that it is \$16 million. It has been reported that it is \$18 million. Just who is conducting the negotiations at Ottawa, is it the Premier, the Minister of Health or Mr. Shaheen? And what is the cost suppose to be and is there anything in writing confirming all of the arrangements?

MR. SMALLWOOD: Mr. Chairman, I had a letter a few days from the Minister of Finance of Canada, the hon. Mr. Benson, in which he asks me to notify him as soon as I can of the conclusion of the financial arrangements, the financial details, once they are settled; once they are definitely done or arranged or agreed on, so that he can authorize the release of the funds to the Department of Public Works for the building of the wharf.

Now what he wants, of course, is a notification from me that we have signed the financial deal in England, providing for the money and for the \$25 million, the purely financial side, that the money is available, the

MR. SMALLWOOD: money is committed for the building of the refinery. I am to notify him of that, so that he might at once notify the relevant department of the Canadian Government, that is the Department of Public Works, that they are to proceed with the building of the wharf. Now that is in writing.

But apart from what is in writing, there have been conversations. There has been conversations between Mr. Benson and myself, in my office, in his office, on the telephone, we are in fairly frequent contact, a close personal friend of mind. The hon. member may remember that I invited him here to our famous Liberal "think-in." What do we call it?

MR. CROSBIE: In 1965, was it not?

MR. SMALLWOOD: Yes. We became warm friends before that, but particularly then and ever since. Then I am in constant touch with our own Newfoundland minister, the Minister of Transportation, Mr. Jamieson, we are in frequent touch by telephone and otherwise, he at my house and I at his house, I in his office, he in my office, frequently. Then I am in constant touch with Mr. Marchand, the Minister of Regional Economic Expansion. We are close personal friends, we collaborated closely in getting Mr. Trudeau selected to be the Leader of the Liberal Party. We worked closely together on that and we have been quite close ever since. Then I am very close to Mr. Tom Kent, his deputy minister, a brilliant young Englishman. I am therefore in a particularly good position to know what-is-what in Ottawa, and I do know. I am in a position to know and I know. I can say now that there is a difference of opinion between Ottawa and us, as to what the wharf is likely to cost. It began with an estimate of \$14 million and it is now something between \$14 million and \$18 million, with Ottawa leaning toward the latter, the larger figure.

I am not prepared to dispute that they will charge the refinery what it costs the Government of Canada to build it, and the refinery will pay it. They will pay it over a period of twenty-five years.

MR. HICKMAN: Mr. Chairman, while the Premier is on his feet, would he indicate to the House what the cost of dredging has been estimated by the Department of Public Works?

MR. SMALLWOOD: No, I do not remember the detail.

MR. HICKMAN: Is it a substantial amount we are talking about?

MR. SMALLWOOD: No, there is no vast amount of money for dredging. The Government of Canada sent ships there last year and they were there for five or six or seven weeks and they did a thorough hydrographic survey. They got the depths and the nature of the bottom, for the entire area lying off the shore from where the refinery and the great pier will go. The pier, I think, is three-quarters of a mile long. It is a huge pier. It will probably be the biggest pier on the Atlantic Sea Board of Canada. It is a huge pier. It is unbelievably large.

Then there is an unpaid bill for the great Montreal Firm, the best firm of its kind in Canada, in doing that work, doing the pre-engineering work for a great dock or a great breakwater or something of a marine work of that character. Then finally, Mr. Shaheen or his company, really it is Mr. Homer White, I believe, engaged the services of (I just forget their name) but another very large famous firm.

MR. HICKMAN: Ray C. MacCallum.

MR. SMALLWOOD: It could be Ray C. MacCallum. No they were one firm, and then there was another firm and then there was a third one. One of them did the actual blueprints, and they are contained in a book of about four feet in length and about two and a-half feet in depth and about four inches in thickness. Your arm gets tired turning over the sheets of blueprints of the wharf and the specification and the detailed estimates of cost. These detailed estimates ran to something of the order of \$14 million. But, they built that years ago and there has been such an escalation and prices and costs are going sky-high that the Department of Public Works of Canada says, "it is going to be nearer \$18 million than \$14 million. So this might be \$17 million and it might be \$16 million.

MR. HICKMAN: Mr. Chairman, the large tankers will not use that port will they?

MR. SMALLWOOD: Yes, they will.

MR. HICKMAN: I thought they were going to anchor outside with -

MR. SMALLWOOD: No, they are going to use the wharf. The first thought was that the great tankers would moor outside and then pipelines come in and pump it ashore. Now they are going to come right on to the "T". The wharf goes out into a straight line and then turns at right angles and the two together, I think, three-quarters of a mile in length, and they will tie on out at the end and the pipelines would be on the wharf and not in the water. So the pipes that will pump the oil, out of the great ships into these pipelines, shall go into the wharf and into the great tanks. These pumps are immense pumps. I will give you an idea, because they will empty a 300,000 ton ship with 3 million barrels of crude oil in it, They will empty her in a few hours, these huge pumps piping it through these huge pipelines on this huge wharf from this huge boat. The oil end of it is very big, very big, very massive. There is nothing, on the Eastern Sea Board of Canada and perhaps on the Western Sea Board either, as massive and big as the facilities to handle the great boats, with crude oil, and the pipelines and the wharf to carry the oil ashore into the biggest tank in Canada if not the world.

MR. CROSBIE: Could the hon. the Premier -

MR. SMALLWOOD: These are the tanks that the hon. gentleman was afraid might leak or something. He thought they might leak.

MR. CROSBIE: He wanted them water tested.

MR. SMALLWOOD: Yes, he wanted them water tested.

MR. CROSBIE: The Newfoundland Liquor Commission might use them.

MR. SMALLWOOD: That is right for beer. We might use it to store beer, or use beer to test them.

MR. HICKMAN: The Atlantic Brewery Beer.

MR. SMALLWOOD: That is right the Atlantic Brewery Beer.

MR. CROSBIE: Well would the hon. the Premier tell us, Mr. Chairman, at what meeting the Minister of Transport first indicated that he would agree to find the Federal money for the wharf, if the Come-by-Chance deal was sweetened and

MR. CROSBIE: to guarantee more for Newfoundland. What meeting was that?

MR. SMALLWOOD: Well, it was before Adam and Eve.

MR. EARLE: Mr. Chairman, this has been referred to, as a one-user agreement. I suppose this refers to, as it states here, the harbour dock and water supply. Just a question, Mr. Chairman, does it mean that the water supply of that whole area will be irrevocably tied up for the use of this one company forever and a day?

MR. SMALLWOOD: God in Heaven, no! No there is a paper mill, the Oil Refinery does not use an awful lot of water, a paper mill does. Then there is the whole community there. Then there are other industries that may come there.

MR. EARLE: It would appear from reading this that they have the sole jurisdiction over the water supply, once they paid for the whole process. Is that correct?

MR. SMALLWOOD: No! No! It is not.

MR. EARLE: They do not?

MR. SMALLWOOD: I would like to see some words that say that. Because I certainly would not agree to that.

MR. CROSBIE: Well, what is the position on the water supply facilities? The hon. the Premier is not including now, in these cost figures, this does not include the water supply system at Come-by-Chance does it, the \$14 million to \$18 million? That is for the dock and the wharf.

MR. SMALLWOOD: No, no, the water is not included in that figure, that amount of money, no. That is another matter altogether.

MR. CROSBIE: It is included in this clause, as the member for Fortune has pointed out. If the harbour dock or water supply facilities referred to were constructed.

MR. SMALLWOOD: What about it? What?

MR. CROSBIE: Then they are to be turned over to the Building Company.

MR. SMALLWOOD: Not the basic water system, which is one of harnessing lakes miles upland, up country, laying pipelines and bringing the water down from miles away, a chain of lakes to Come-by-Chance. Not that, They do not take

MR. SMALLWOOD: that over. That is being paid for by the Government of Canada. It is something to the order of \$3 million or \$4 million or \$5 million. The Canadian Government are going to put in that water system.

MR. CROSBIE: Well, the Government's lawyers should look at the phrasing of this Clause (Aa) because it says: "if the harbour..."

MR. SMALLWOOD: May I, I just had a note passed to me by my colleague, to say that he has this information just handed to him, that the Refinery is to be supplied by local brooks and ponds. The Refinery does not use much water. Not like beer were you can mix water with it or rum. You know you cannot mix water, and water and oil do not mix.

MR. HICKMAN: Six thousand gallons of fresh water per hour.....

MR. SMALLWOOD: Well, you would not drink that much.

MR. ROBERTS: Did you clean it all up in my absence, Mr. Chairman?

MR. CHAIRMAN: Pardon!

MR. ROBERTS: Did you clear it all up in my absence?

MR. CROSBIE: It is all washed up, in your absence.

MR. CHAIRMAN: Shall Clause (d) carry?

On motion Clause (d) carried.

MR. CHAIRMAN: Shall Clause (e) carry?

MR. CROSBIE: The next Clause -

MR. ROBERTS: Clause (e) is hardly a substantial clause.

MR. CROSBIE: Well the hon. gentleman has skipped (c) there, the first (c).

I only want to say on this that, just to point out again, subparagraphs (c), (d), and (e) of this Clause 4, are the subparagraphs that have to do with the sale, where the Government agrees that "Mr. Shaheen, Newfoundland Refining, will supervise construction and is to be reimbursed all direct salary cost, properly incurred by refining in connection with such supervision, plus one hundred per-cent thereof and all out-of-pocket expenses properly incurred by refining."

Now, Mr. Chairman, the Government had the opportunity to get that changed. I mean it is so extraordinary, on the face of it, that Newfoundland Refining should be reimbursed, not only their salary cost,

MR. ROBERTS: Is this the hundred per-cent one?

MR. CROSBIE: Yes.

MR. ROBERTS: Oh, buddy, you walked into this.

MR. CROSBIE: That is what I say, this is a change to renegotiate it. It was bad enough in 1968, but when Mr. Shaheen failed to meet his obligations -

MR. ROBERTS: This is something strong. This is something really radical.

MR. CROSBIE: ..failed to meet his obligations.

MR. ROBERTS: This is something really radical.

MR. CROSBIE: And failed to meet his obligations, and the Government had the chance to renegotiate this, why have they left salary costs, plus one hundred per-cent, and all out-of-pocket expenses. Then in little "d" was any attempt made to reduce the 27.8 per-cent of the annual net profits of the Operating Company, that Newfoundland Refinery is to receive together with all out-of-pocket expenses? And little "e", five and one-tenth per-cent of the gross sales of the Operating Company, per year, plus out-of-pocket expenses. Why was the advantage not taken to negotiate those downward, in view of the fact that, Mr. Shaheen had not met his obligations by May 22nd. 1970?

MR. ROBERTS: Mr. Chairman, there was no attempt made to reduce the 27.8 per-cent. Maybe because we are not, we just did not want to take that big an advantage, whether right or wrong. As for the one hundred per-cent, Sir, the hon. gentleman, I am afraid, has walked into this one. That is not an unusual clause. As a matter of fact, it is quite a standard clause.

I have before me the schedule of minimum fees to be charged by consulting professional engineers, and this is the Association of Professional Engineers of the Province of Newfoundland. I am told it is the most recent one, it is dated May 1967. It says that, so this is an example, it shows this is how engineers charge. They can either charge per diem or they can charge by time. On the time scale, under this scale the engineer shall be reimbursed for the services of his staff actually engaged on the project on the bases of payroll costs multiplied by a factor of not less than two.

MR. ROBERTS: Now, of course, as the hon. gentleman will agree quite readily, a factor of not less than two is a factor of one hundred per-cent.

In other words, Mr. Chairman, or it goes on, the payroll cost is the one that is multiplied by two, Your Honour. Payroll cost means salary plus provision for statutory holidays, vacation with pay, unemployment insurance, where applicable; health and medical insurance, group life insurance, pension plan and sick time allowance. It shall exclude any bonus or profit-sharing system. In addition, the engineers shall be reimbursed for all disbursements and expenses properly incurred in the performances of its services.

I can put it in a phrase, Mr. Chairman, and say that the payment of one hundred per-cent plus the salary cost is quite normal and standard in the engineering business. If it is not quite normal and standard in the entire Association of Professional Engineers of the Province of Newfoundland, it is completely out of the picture.

MR. SMALLWOOD: And every other province.

MR. ROBERTS: And along those lines, this has been going ahead for sometime, I have one example, I do not pick it for any reason, except it has been given to me for an example; St. John's company named Techmont, which has done some work at Come-by-Chance, has charged well above one hundred per-cent overhead for technical personnel engaged at Come-by-Chance. They charged a hundred and fifty per-cent. Again, not abnormal, Mr. Chairman, this is a standard practice, a standard means of billing in the engineering and the consulting engineering business. That is why it is in there and that is the reason why we did not try to change it.

MR. CROSBIE: Mr. Chairman, I should be properly crushed by this exposition.

MR. ROBERTS: It is impossible to crush the hon. gentleman, I assure you.

MR. CROSBIE: But the hon. minister is so far off the beaten track that he is down in the deep bush of Africa.

MR. SMALLWOOD: In the bogs at Come-by-Chance.

MR. CROSBIE: I will not say what bogs, perhaps it is Come-by-Chance.



MR. CROSBIE: You see, Newfoundland Refining, Mr. Chairman, is not an engineering company. Newfoundland Refining is Mr. Shaheen's company that is going to operate this complex.

MR. ROBERTS: I did not say they were an engineering company.

MR. CROSBIE: They are not an engineering company,

MR. ROBERTS: I did not say that.

MR. CROSBIE: So it has nothing to do with engineering fees. The engineering on this plant is going to be done by UOP and all these other people, who are entitled to engineering fees, and all of which is going to be paid for out of the project. But the Clause that I -

MR. ROBERTS: The hon. gentleman... is misdirecting.

MR. CROSBIE: The Clause that I have pointed out is a Clause where refining agrees to supervise construction of the plant in accordance with the Agreement. We have agreed that, for their doing that, they are going to be reimbursed all direct salary costs that refining incurs, not engineering costs. They are not going to do any engineering services, they are just going to act as the owner. Instead of us acting as owner and supervising or watching construction ourselves and going down and looking at it, Refining is going to do that. They are going to get direct salary costs plus all of their out-of-the-pocket expenses. They have to pay any engineers and so on to help them. They are going to get that back a hundred per-cent. So Refining is doing nothing but acting in our place, as owners, they are going to take over the whole thing and run it. They are going to have twenty-seven point eight per-cent of the net. They are going to have five point one percent of the gross. They are going to get it all in fifteen years or less. Why are they going to get their salary cost for doing that plus a hundred per-cent? It is not an engineering fee.

Now, the hon. minister mentions Techmont. Techmont is a firm that is in the business of doing some kind of geological or engineering work. It is not the same case at all. So the analogy is a very poor one.

MR. ROBERTS: Mr. Chairman, the analogy happens to be right. The hon. gentleman's colleague, the member for Humber East District, asked to have the Agreement tabled and we did. The construction and supervision agreement

MR. ROBERTS: In Clause 2 (d) it is the bottom of Page three, for those who wish to read along. It says: "Refining will supervise the construction of the plant....." If the hon. gentleman wishes to look at this

MR. SMALLWOOD: So forth and so on.

MR. CROSBIE: Yes, that la-de-dah part.

MR. ROBERTS: part from which I am reading.

MR. CROSBIE: We agree with that.

MR. SMALLWOOD: I must say I do not like that either, he should have said, "so forth and so on, etc. but anything like that "la-de-dah."

MR. ROBERTS: From which I have been reading, it says that the time scale, which is a hundred per-cent business. (I am just referring) may be used for staff time for the following category, "resident supervision of construction or installation where such supervision does not follow design services including general supervision."

Mr. Chairman, whether or not refining is an engineering company is beside the point. They will be doing work of that sort, and the argument which I used was not; if Refining were an engineer company. The argument I used was that the charging of the one hundred per-cent plus the direct cost of wages is a standard method of procedure in Canada. It is not a means of milking the public of Newfoundland or milking Provincial Building or of milking anybody. It is a perfectly standard, normal, and an entirely appropriate means of reimbursing a firm for their work. That is why we did not attempt to change it. That is why we are not going to change it.

MR. CROSBIE: Well, Mr. Chairman, we will have to just disagree on that point I guess. Since the hon. minister has got the numbers he will be successful. Does the hon. minister realize that the construction supervision agreement tabled here, management agreement and the agency agreement, are all void and of no further affect under Clause 6? For example, the construction supervision agreement states: "this agreement shall be void and have no further effect if refining shall have failed to fulfill, perform or observe any of the obligations, covenants, agreements or provisions required to be

MR. CROSBIE: fulfilled under Clause 5 of the basic agreement by Refining, of which Clause 5 is an annex of Schedule A.

Now Refining did fail to fulfill its obligations under Clause 5 and because of that the Clause here says the agreements are void and of no further effect. So all of these agreements here now are void and of no further effect, because Refining failed to meet its obligations, including the obligation to raise \$30 million of bonds, by private placement, for the Government.

MR. ROBERTS: Mr. Chairman, I rarely attempt to challenge the hon. gentleman legally, but if his eye wishes to skip down over the page to (f), which is to add an (h) to Clause 4 of the principle agreement; on the bottom of page thirteen, yet several other lawyers have stumbled across, in the same point in the construction and supervision agreements, and (h) purports to say that the agreements are confirmed and in full force as of the respective dates, and is a proviso in there.

So I mean, I think, the point was well taken, except it was well taken some weeks ago and has been covered.

MR. CROSBIE: Now the hon. minister would not admit yesterday that Mr. Shaheen had failed to absorb his obligation, and today he admits that "h" down at the bottom of this page is inserted to get around the fact that Mr. Shaheen did default.

MR. ROBERTS: No, no. Mr. Chairman,

MR. CROSBIE: That was the admission by the minister.

MR. ROBERTS: No, no, the hon. gentleman should remember the lesson that he must have been taught in Law School that, "a finding of adultery against A with B is not finding of adultery with B as against A."

MR. SMALLWOOD: Can we drop this subject. Just drop it.

MR. CHAIRMAN: Shall Clause (e) carry?

On Motion Clause (e) carried.

MR. CHAIRMAN: Shall Clause (f) carry?

MR. MARSHALL: Clause (f) if I may. This, Mr. Chairman, is the confirmation of the various agreements, construction supervision contract and sales contract and the operating contract.

MR. MARSHALL: Now in these contracts there is provided that payments made to Newfoundland Refining will be paid thirty days after the end of each Fiscal quarter. I checked two of the contracts and this is the provision, I believe, it is in the third. Subsequently when we come, when the Province comes to get its money, it must wait a longer period of time - we will see it when we come to the next section.

MR. ROBERTS: Inaudible.

MR. MARSHALL: Clause 13 (f) yes.

Now in this,

MR. ROBERTS: Inaudible.

MR. MARSHALL: I beg your pardon?

MR. ROBERTS: Inaudible.

MR. MARSHALL: You get money because we are confirming these agreements. These agreements, I understand, are the construction and supervisory agreement, the operating agreement and the sales agreement, in which there are clauses to the effect that Refining will be paid, in a certain manner, its appropriate fees.

MR. ROBERTS: I am with the hon. gentleman.

MR. MARSHALL: And they will be paid, you will agree, quarterly; thirty days after each fiscal quarter.

Now the Province must wait longer for its money. But besides that, I feel that these agreements should not be ratified without, passing over the point that Mr. Shaheen or Newfoundland Refining, certainly Mr. Shaheen has no money in this particular project. I would propose the following amendment therefore to this section (f) to be (h) to read as follows at the end: "provided always that the fees payable to Refining, pursuant to paragraph (d) and (e) of this Clause 4, shall be paid twenty-four months after the date upon which the consolidated accounts for their relevant fiscal year are submitted to the Government. Pursuant to sub-paragraph 8 of Clause 4(a) of this agreement. All out-of-pocket expenses shall be paid on or before the expiration of forty-five days after the date upon which the said consolidated accounts are so submitted.

MR. MARSHALL:

This, Mr. Chairman, this amendment would mean that in the operating company, at all times, if the project is to be the success it is represented to be, there would be a reasonably large amount of money that would constitute somewhat of a performance bond albeit not as adequate as we would like but somewhat of a performance bond by Mr. Shaheen to comply with all covenants and conditions in the contract itself. So I would so move that paragraph (f) here be amended accordingly because, after all, we should not, at any time, countenance Mr. Shaheen getting his money out of the project before the Government gets their 5.1 per cent of the gross. But as I say, the main reason for moving it is to assure something by way of the performance bond.

MR. CHAIRMAN: The motion is that paragraph (f) be amended by adding after sub-clause (h) a sub-clause (i). "The fees payable to refining pursuant to paragraph (d) and (e) of this Clause 4 shall be paid twenty-four months after the date upon which the consolidated accounts, relevant to the fiscal year, are submitted to the Government pursuant to sub-section 8 of Clause 4(a) of this agreement and all out-of-pocket expenses shall be paid on or before the expiration of forty-five days after the date upon which the said consolidated accounts are so submitted."

MR. CROSBIE: The amendment, Mr. Chairman, is a very good amendment, well drafted but it is too bad that some of the lawyers in this House, suggesting amendments, are not being paid for their work in doing all this drafting. However, we will just have to get along the best way we can.

Now the Minister has already stated, Mr. Chairman, that the new little clause (h) here is to validate the agreements that were entered into September 11th, 1969 and March 23rd, 1968, that is the construction supervision management agreement and sales agency agreement, that this clause was put in to validate those agreements because they were thought to be void because Mr. Shaheen had not fulfilled his obligations under Clause 5 of the 1968 agreement. Now that is a significant omission, it puts beyond doubt the fact that there was default and that this whole thing was open for new negotiation on May 23rd, 1970. What the member for St. John's East has suggested is that there would be monies really held back from Mr. Shaheen, the sales agency fee

MR. CROSBIE:

and the management fee would be held back for a period, I think, of two years, if I remember rightly, it would be paid after two years, and that this would be the same as a performance bond, which is an excellent suggestion, one that I am sure that the Shaheen representatives will agree to and, therefore, I see no reason why the members of the House will not accept that amendment.

MR. HICKMAN: Would the hon. Minister of Health indicate -

MR. ROBERTS: (Inaudible).

MR. HICKMAN: But we are somewhat in the dark, maybe Government is going to accept this amendment, I am sure it is and -

MR. ROBERTS: Where the light holds out to burn.

MR. HICKMAN: I would like to know why?

On motion, amendment carried.

On motion, Clause (f) carried.

Clause 5:

On motion, sub-paragraphs (a), (b), (c), carried.

MR. MARSHALL: I would like to make a comment on this sub-paragraph (d), Mr. Chairman. It has been represented that we are to get five per-cent of the gross profits, 5.1 per-cent to Mr. Shaheen, but the Province is to get five per-cent of the gross profits. Now gross profits are defined here as adjusted gross profits attributable to the project and, under this particular definition, we will not get our five per-cent off the top but first deducted from it will be the interest, the expenses and, low and behold, the five point one per-cent of the gross sales payable to Mr. Shaheen.

MR. ROBERTS: Of course, sure.

MR. MARSHALL: Now Mr. Shaheen -

MR. SMALLWOOD: Well, that is what gross profit means, is it not?

MR. MARSHALL: Well, gross profit by the other definition, Mr. Chairman, gross profit as it applies to Mr. Shaheen, gross sales -

MR. ROBERTS: There is a difference between gross sales.

MR. MARSHALL: Yes, 5.1 per-cent off the top. I feel that the Province can ask for nothing less than that which Mr. Shaheen gets. So I would request 8262

MR. MARSHALL:

or move that this sub-paragraph (d) be amended simply by deleting paragraph (d) and replacing it with, "adjusted gross profits attributable to the project means the gross sales of the operating company." Then we will be getting our five per-cent on the same basis as Mr. Shaheen, on the same measure as Mr. Shaheen gets his 5.1 per-cent. Can this Province ask for anything less? As a matter of fact we should get our five per-cent way off the top before Mr. Shaheen gets his.

As this particular section here is worded now, we get five per-cent of the adjusted gross profits and we take ours after Mr. Shaheen gets his and after his is deducted from the total amount.

MR. CROSBIE: I certainly agree with that observation, Mr. Chairman.

MR. SMALLWOOD: I suspected that.

MR. CROSBIE: If one is reasonable, one has to agree when one hears something reasonable.

MR. SMALLWOOD: Of course, it is common sense.

MR. CROSBIE: Mr. Chairman, what the member for St. John's East has said is so important. The Government has come to the people of Newfoundland and said it has a tremendous concession, it is going to get five per-cent of the gross profits of this project, but in this amendment, before you arrive at the gross profits, there is going to be deducted 5.1 per-cent of all the gross sales of the company for the year, which is going to Mr. Shaheen as a fee. Now 5.1 per-cent of the gross sales a year is at least a fee of \$7. million, he gross sales of the refinery are going to be at least \$150. million a year.

MR. ROBERTS: The hon. gentleman is considerably in error and he is over-estimating for once.

MR. CROSBIE: Well, then let us say it is \$100. million dollars, and the fee would be \$5. million, Mr. Shaheen's fee would be \$5. million. So when you are looking at the gross profits of the company this change here now says that \$5. million, if that is five per-cent of the gross sales, are going to be deducted, added to the expenses and deducted from the profits of the refinery before we get our five per-cent of the gross profits, which means what is going to be left there in the gross profits for us to get, Mr. Chairman, it is

MR. CROSBIE:

going to be very little. Does the Minister have any calculations to show what is the anticipated gross profit of the refinery a year? Will five per-cent of the gross profit, not the gross sales, will five per-cent of the gross profit amount to \$1. million a year or half a million, what is the estimate, what does the Government estimate this is going to give us a year after, of course, the first eight years are up, because we do not get it for the first eight years, it is after the eight years

So the point that the member for St. John's East has made is very, very valid, and I agree with him one hundred per-cent that if we are to share in this, let us have five per-cent of the gross sales also, then each year Mr. Shaheen will get \$5. million and we will get \$5. million as five per-cent of the gross sales. Do not forget that Mr. Shaheen gets that fee on the gross sales, even if the operation does not make a cent for the year. If there is no gross profit, if there is no net profit, Mr. Shaheen still gets five per-cent of the gross sales whether they, the operation does not make a cent. It can sell \$100. million dollars worth of goods the first year and it might have a \$10. million dollar loss but Mr. Shaheen will still get his \$5. million.

MR. SMALLWOOD: What do we get out of what he gets?

MR. CROSBIE: Well, you will not get anything out of what he gets.

MR. SMALLWOOD: Will we not? Will we not?

MR. CROSBIE: Unless he pays income tax to the Canadian Government.

MR. SMALLWOOD: Unless he pays. Well will he not have to? Will he not pay?

MR. ROBERTS: He have to, it is money earned in Canada.

MR. CROSBIE: The Newfoundland Refining will be earning the money.

MR. SMALLWOOD: His company gets this money, you say. He pays over half of it to the Canadian Government, do we get any of that?

MR. CROSBIE: If he, in fact, does pay half of it to the Canadian Government, then this Province gets a certain percentage back from the Canadian Government. But we are talking here now, not about what taxes Mr. Shaheen may have to pay, it is what fees he is going to get out of this refinery.

MR. SMALLWOOD: We are talking now about what the Newfoundland Government will get.



MR. CROSBIE: Yes, but it is very indirect. Mr. Shaheen will pay corporation tax and we will get part of that, the same as we do from every corporation. So we know the Government is not going to agree, because they are stuck with this miserable abomination that they have brought into the House here.

MR. ROBERTS: We inherited it.

MR. CROSBIE: Inherited!

MR. SMALLWOOD: No, no, we did not inherit this. What we inherited we have improved now.

MR. ROBERTS: Well, that should touch it off.

MR. MURPHY: We are not a complete sucker at all now, we are only half a sucker.

MR. ROBERTS: You are a twenty-five-past-four sucker, not an all-day-sucker.

MR. CROSBIE: We know the Government is not going to agree, but could the Minister tell us what he anticipates five per-cent of the gross profits will be?

MR. SMALLWOOD: Many million dollars, many millions.

MR. ROBERTS: Mr. Chairman, of course, we have the information as to what five per-cent of the adjusted gross profits attributable to the project will be, what is the information on which the Government put together the figure of, some of the information on which the Government put together the amount of \$76. million that comes as a result of these changes. We do not propose to make it public.

MR. MURPHY: Just for the five rover boys, is it?

MR. CROSBIE: No, just the \$76. million, -why beat around? What nonsense.

MR. ROBERTS: Hold on, Mr. Chairman. If the all-day sucker comes back I will try to lick him a little more. To make it public would enable even the hon. gentleman from St. John's Centre to calculate the gross profits simply by multiplying by a factor 20 and that is the same as just coming out and announcing the gross profits. We are not going to, Mr. Chairman.

Now to come back to the amendment moved by the member for St. John's East and supported so ably by the hon. member for St. John's West.

MR. SMALLWOOD: East and West, never the twain shall meet but they are meeting here every ten minutes.

MR. MURPHY: They are so happy to be together.

MR. SMALLWOOD: One of the two is anyway.

MR. ROBERTS: The hon. gentleman for St. John's Centre is between the hon. gentleman from St. John's East and the hon. gentleman from St. John's West and that is like the page in the Bible between the Old Testament and the New Testament which is generally blank.

Mr. Chairman, to come back to the amendment moved by the member for St. John's East. The member for St. John's East, I think, has confused two entirely different things. The money which Mr. Shaheen's company, Newfoundland Refining, will get under the sales agency agreement executed under 4(e) of the original agreement is a sales agency fee which he earns.

MR. MURPHY: For what?

MR. ROBERTS: He earns for going out and selling oil products, it is 5.1 per-cent of the sales revenue. To say that that is equal to profit is the same as saying that, for arguments sake, the salaries of the stenographers who work in the office at Come By Chance are equal to profit. The fee for the sales agency agreement, the 5.1 per-cent, is a legitimate cost of doing business.

MR. CROSBIE: Plus all his expenses.

MR. ROBERTS: Plus his out-of-pocket expenses which properly relate to such sales. It is the legitimate expense of doing business, it is the type of expense which maybe deducted from income for taxation purposes and the only question really would be, is the 5.1 per-cent too high? This is the sales force and the hon. member for St. John's Centre, to be serious for once, knows about a sales force.

MR. MURPHY: Serious, I could not have been more serious in my life, as I am waiting to get some figures here to figure this out.

MR. ROBERTS: No, I will not say it, in the spirit of christian charity I will not. But this is the sales force for the refinery.

MR. SMALLWOOD: The influence of yesterday is continuing on into today and maybe even as far as tomorrow.

MR. MURPHY: (Inaudible).

MR. ROBERTS: Speaking as a Methodist, yesterday I saw all the bishops both Roman Catholic and Anglican and no matter what the ecumenical movement does. I figure we are covered now.

But, Mr. Chairman, that is the money for the sales force. Now is 5.1 per-cent too high? Well, there doubtless will be some who will leap to their feet in a moment and say it is. We do not think it is. We are told, indeed I have been told by a very senior official in the Government of Canada and he has had considerable to do with the oil business, oil refinery type business, that the 5.1 per-cent gross sales is not anyway out of line for sales agencies. The five per-cent that we are to get, and which is defined in adjusted gross profits attributable to the project in the clause under discussion, Mr. Chairman, means the profits after expenses. The sales agency expenses, I submit, are a proper expense and thus should be taken off and that is why we are proposing to take them off.

Now I am not sure if I have it clear. I suspect the hon. gentleman will not agree with me just as I do not agree with him, but we will put it to a vote and we will see who wins, Mr. Chairman.

MR. MURPHY: (Inaudible). Would the interest be on the complete \$155. million?

MR. ROBERTS: Well, it does not begin until year (8) at which stage the only interest would be the interest on that part of the \$30. million dollar second mortgage which has not been repaid. You see interest is the cost of doing business, Mr. Chairman. So we said gross profits, that is revenue less expenses of doing business, including the reasonable interest in respect of monies necessarily borrowed.

But, Mr. Chairman, that is the explanation there, one is an apple the other is an orange, I do not think it is quite correct, in any event we do not propose to accept the amendment. We are quite willing to put it to the test and see what happens to the votes.

MR. MARSHALL: Mr. Chairman, I would like just to address myself to the hon. Minister's comments. It maybe a legitimate business practice to give a commission on sales but this is not really an overall, normal business proposition. What we are talking about is the contingent give-away or loss of a large amount

MR. MARSHALL:

of money by the Province of Newfoundland and the accumulation of a lot of wealth as a result of it by a private enterprise. Now in this particular instance, as I say, it maybe a legitimate business practice to pay the 5.1 per-cent. But all I am asking, all I am asking in this particular amendment, is that we get exactly the same with respect to the five per-cent as Mr. Shaheen gets with his 5.1 per-cent. I think the hon. Minister will agree with me, when he is talking along these lines, that to talk about five per-cent of the gross profits is not really correct. This is not really five per-cent of the gross profits that the Province is getting, it is adjusted gross profits, which is somewhere between the gross profits and the net profits, because the gross profits, purely and simply speaking, a definition of gross profits, from the business point of view, is the yield on your materials, less the cost of your materials, purely and simply.

MR. ROBERTS: No, no. It is the cost for variable services.

MR. MARSHALL: If the hon. Minister would permit me. There are more deductions from the gross profits here than actually should be and it is not representing it properly to talk in terms of this being five per-cent of the gross profits. I would submit that all we are asking here is that for the Province of Newfoundland to get, with respect to its five per-cent, to get it on the same basis as Mr. Shaheen, who is going to get everything out of it anyway, gets his 5.1 per-cent.

MR. EARLE: Mr. Chairman, I agree with the hon. the member for St. John's East that this needs some further clarification as to just what the gross profit is. Just in passing, might I say that a comparison of five per-cent to the sales agency is in my estimation pretty liberal. I know nothing about the oil business but in other facets of business in Newfoundland

MR. ROBERTS: We are not selling jelly powder now.

MR. EARLE: For instance on our major products of the fisheries and so on, the average commission to sales agencies is from one and three-quarters to two and one-half per-cent. Now normally when a company of any size gets into a large volume, where it runs into millions and millions of dollars, the commissions rather than being increased come down proportionately, and five per-cent on

MR. EARLE:

perhaps \$100. million dollars worth of business seems an outrageous scale of commission, but that is just in passing. The much abused food business operates generally on one and one-half to two per-cent commission, but there is no comparison. Five per-cent on \$100. million dollars is an outrageous commission, but it depends, of course, entirely on what work they are doing for it. This is something which the Minister should be in a position to explain to us. But quite apart from that argument, what puzzles and worries me is about this five per-cent that we are supposed to get after eight years. I understand.

To begin with, as I understand it, the plant is allowed to have built in depreciation or accumulated depreciation over its first operations until the major bonds are paid off -

MR. ROBERTS: It will be up to, it will use the 100 per-cent depreciation by the eight years.

MR. EARLE: Yes, but this will be accumulated depreciation, which will have to come into force after the plant is free.

MR. ROBERTS: No, no, they will have used all their depreciation by eight, it is just the very opposite. By the eighth year on the cash flows that we have, they will have used 100 per-cent of their capital cost allowances. They will not have deferred their depreciation, they will have deferred taxes.

MR. EARLE: Well, this is to be picked up.

MR. ROBERTS: It is the other way around from what the hon. gentleman understands.

MR. EARLE: Quite so. The taxes, normal taxes, will come into force after eight years.

MR. ROBERTS: With a vengeance, because there will be no depreciation then whereas, using a normal straight line there would still be capital cost allowances.

MR. EARLE: The hon. Minister has put the words in my mouth, "With a vengeance." This is what I mean; the company after eight years will be subject to very much higher overhead than it was in the first five years.

MR. ROBERTS: But this is before taxes. This has no relation to taxes at all.

MS

MR. EARLE: If the company is subject to very high overhead in the way of taxes and so on after eight years, could it not quite well be possible that the profits of the organization while good in the first eight years maybe exceedingly small after that?

MR. ROBERTS: Adjusted gross profits, which begins in year nine, before any deduction in respect of Canadian, Federal and Provincial income taxes and any other taxes whatsoever on income whether of the Federal, Provincial or other natures.

MR. EARLE: It provides for this.

MR. ROBERTS: Mr. Chairman, if the hon. gentleman will yield for a moment: The gross profits are calculated before any deduction whatsoever for taxes, here is a whole list, beginning at the bottom, Your Honour, of page fifteen and carrying most of the way down page sixteen of the printed Bill we have, which says the things that cannot be deducted from adjusted gross profits. Now when we come to talk about net profits, the hon. gentleman is right in point, the net profits are after taxes.

MR. EARLE: Well, this is what I want clarified. All of these items, from the bottom of page fifteen over onto sixteen, are not included in the gross profits.

MR. ROBERTS: They will be calculated without any addition or -

MR. EARLE: But the taxes which then come into force after the eight years will be deducted.

MR. ROBERTS: No, not for gross profits, only for net profits.

MR. EARLE: Only for net profits.

MR. ROBERTS: Mr. Chairman, this is very important and the hon. gentleman has a very important point. The adjusted gross profits attributable to the project shall be calculated without any addition or as the case maybe, deduction, in respect of - and then it lists a whole number of things, that is the list, beginning (4), going on, and it includes taxes, it includes capital cost allowances, it includes depreciation, it includes appropriations for capital reserves, it includes dividends, it includes the royalties paid or payable pursuant to this Clause 4(a), it includes profits on disposal of capital assets and so forth and so on. This was designed by our accountants and Peat

MR. ROBERTS:

and Marwick, we ask them to come in and sit with us on it to help work it out. The net profits will be after - the second five per-cent, that we will come to a little later, is after the taxes have been paid, but this five per-cent, the one that goes on forever, is before any taxes or anything like that.

MR. EARLE: I think I understand, but just one final clarification. The accumulated offs of this plant, over the first eight years, will not suddenly become payable after the eight years and be deducted from the gross profit?

MR. ROBERTS: The hon. gentleman can rest assured on that point for two reasons. To begin with, by reason of a combination of (7) and (11) of this Clause (D) he will see that both capital cost allowances under the Income Tax Act are not deductible nor is depreciation and so forth. But, in any event, by the time that this fastens and we begin to collect our five per-cent gross the company will have used one hundred per-cent of its available capital cost allowances.

The way it works, Mr. Chairman, is everything the company has on site by a given date is assessed by Ottawa and they may write-off, in any given year, up to one hundred per-cent, totalling no more than one hundred per-cent. That is the quick write-off feature that has been granted by the Government of Canada. So it is the reverse of private business. In private business you often defer an accumulation of capital, here you defer taxes.

MR. EARLE: But can the oil refinery rebuild the plant and charge it up against profits?

MR. ROBERTS: No. If they were to sell it, for arguments sake, in a non-arm's length transaction, your recapture provisions would provide - Ottawa will not allow you to depreciate the same asset twice, and our rules in income tax are Ottawa's rules. It is that

Mr. Roberts.

precise reason that led us to put in eleven, which is any capital cost allowance within the Income Tax Act. You know, you get into a recapture situation - I forget the section of the Income Tax Act but they are defined at some length. It is a tax concept.

MR. EARLE: Yes, Mr. Chairman, but there are devices, I understand, within a company which is being subject to strenuous wear and tear over a period of eight years. I do not know what an oil refinery does suffer. But there are allowances for replacement of equipment and so on.

MR. ROBERTS: Mr. Chairman, those - the theory as the hon. gentleman knows is that your capital cost allowances, which is the Income Tax Act named for depreciation, what we would call depreciation is called, in the Income Tax Act, or more to the point, regulations made under that Act, which is where the CCA's are set forth for all the various categories and things - these, in the neat theory of it, are the allowance that the operator of the project or the operator of the business gets. He puts it aside to enable him to replace his capital assets which are wearing out. In a mine, to take the other analogy, it is called a depletion allowance, because there it is a non-renewable capital object.

MR. HICKMAN: This could very well happen in this case, because we were told of the rapid obsolescence.

MR. ROBERTS: In which case John Shaheen for \$2,000 is buying a plant that is not worth a great deal more, right?

It is in his own interest to keep the plant up.

MR. HICKMAN: Yes, but this was the evidence during the hearing.

MR. ROBERTS: Oh, yes!

MR. HICKMAN: But this was the evidence during the hearing that obsolescence runs pretty...



MR. ROBERTS: Sure. But the capital costs will have been paid off and he pays \$2,000 and at that point his \$10 million begins to run. You know, the second five per cent begins to run. And what is the plant worth? Well, I suspect, it will be worth at least \$2,000 or he will not have to exercise his option.

MR. CROSBIE: \$30 million we hope.

MR. ROBERTS: I am sorry.

MR. CROSBIE: We hope it is worth, at least, \$30 million as the second mortgage is still there.

MR. ROBERTS: The hon. gentleman referred to fifteen years. There is an amendment, I think, we have to vote on first.

MR. CHAIRMAN: Those in favour of the amendment to paragraph (d), Clause 4 (a), please say "aye." Contrary "nay."

On motion amendment lost.

On motion Clause (d) carried.

MR. CROSBIE: Paragraph (e). On this paragraph, Mr. Chairman, is the adjusted net profits attributable to the project? It provides that the Government are to get a fee or a royalty of five per cent of the net profit after the first mortgage and the second mortgage are paid off - that is, after the first fifteen years there will start to be paid to the Government five per cent of the adjusted net profits. Now my question here is with reference to (e) (1) which says that any amount referred to under sub-paragraphs 1,2,3,6,8 and so on...

MR. ROBERTS: 6 and 7.

MR. CROSBIE: Under sub-paragraphs 6 and 7 are not included - are deducted. These are things that are deducted before you get net profits. Now the two that I question - one is that the gross sales fee is deducted. Well from an accounting point of view that is right. But in addition to getting the adjusted net profits, you are going to deduct 27.8 per cent fee that the Shaheen group get as the management fee. In other words...



Mr. Roberts.

was. That is (e) - (1) (e).

MR. CROSBIE: Paragraph (e) (1).

MR. ROBERTS: Well let us pass the rest of it. Leave (e) (1).  
Stand (e) (1) and pass the rest of it, if that is in order.

MR. CROSBIE: Well now just for clarification, although,  
this has been picked up: This five per cent of the adjusted  
net profits is ceaseless, once - it starts after the first  
fifteen years are over. It does not start with fifteen years,  
or at least until the first mortgage and second mortgage are paid off.

MR. ROBERTS: It starts when the second mortgage is paid off.

MR. CROSBIE: Yes and then it stops, when \$10 million is paid.

MR. ROBERTS: That is right.

MR. CROSBIE: Now this is \$10 million that the Premier said, in  
his announcement when the group returned from England, is an  
amount that Mr. Shaheen is going to pay now for the shares, rather  
than just \$2,000. Before he only had to pay \$2,000 and exercise  
his option. The Premier said that this has been changed now -  
they were going to have \$10 million for their shares. Well in  
this announcement, of course, there were no qualifications.

MR. ROBERTS: There were. The hon. gentleman should ...

MR. CROSBIE: Perhaps, there were but not in this detail. But what  
in fact is happening - I just want to make it clear or I hope that  
the public is clear on it. It is not that Mr. Shaheen is going to  
get \$10 million and pay for these shares - that the money he has  
earned somewhere will pay for the shares.

In actual fact, this is another royalty. The project itself -  
we are going to get \$10 million more out of the refinery than we  
would have. It is not, really, that we are going to get \$10 million for..

Mr. Crosbie

these shares.

MR. ROBERTS: \$10 million is \$10 million.

MR. CROSBIE: Exactly, it is \$10 million.

MR. SMALLWOOD: We would be getting five per cent of the gross..

MR. CROSBIE: Of the gross and plus this.

MR. SMALLWOOD: Five per cent of the net.

MR. CROSBIE: Of the net.

MR. SMALLWOOD: Not counting our share of the taxes that would come back to us from Ottawa.

MR. CROSBIE: Right, but there should be no misapprehension that this is an amount of \$10 million that the Shaheen group find from somewhere to pay us for shares. If we ever get it at all, it will be coming to us after fifteen years as five per cent of the net profit.

Now, if after fifteen years, there is no net profit...

MR. SMALLWOOD: It might be ten years..

MR. CROSBIE: Yes, but let us say in fifteen years this refinery is run down. It is no longer efficient or economic. He ...

MR. ROBERTS: He buys it for \$2,000 and sells it for \$2,001.

MR. CROSBIE: Exactly.

MR. SMALLWOOD: He makes a dollar for himself. Then the thing is sold as scrap.

MR. CROSBIE: But the Government will never get five per cent if any net - it will never get the \$10 million. That is my point. If after fifteen years the first mortgage is paid off, the second mortgage is paid off and now this formula starts to work for us to begin to get our \$10 million - if the refinery is then so out-of-date, because of technological changes and all the rest of it, it might not be worth Mr. Shaheen's while to operate it - we will never get that \$10 million.

MR. ROBERTS: Yes..

MR. CROSBIE: So, it is not like . say, after eighteen years perhaps, he exercises the option but three years later the thing is not paying out so well and he shuts it down. We will never get \$10 million. So, it is definitely misleading to suggest that \$10 million is going to paid for these shares. We do not know that. The \$10 million may be paid or may never be paid. All Mr. Shaheen has to do to get control of the company is pay \$2,000. That is all. I want to make that clear.

MR. ROBERTS: Mr. Chairman, the hon. gentleman's exposition is substantially correct, All I can add by comment on it, we could have changed the figure \$2,000, where it appears in the original agreement, and made it \$10 million, but if Mr. Shaheen does not think the project is going to earn him \$10 million, he is not going to pay \$10 million for the shares. So either way we get our \$10 million. It is, essentially, that simple. The hon. gentleman is still correct. But if the refinery never earns anything, then Mr. Shaheen does not pay us anything. Once we have arranged to clear up the confusion about (6) (e) (1), we will make sure that Mr. Shaheen does not get anything until we get our five per cent. The danger in leaving (6) in, as the hon. gentleman would agree, Mr. Shaheen could get something and we could get nothing, and that we do not want. That is why we ask to have it stand.

MR. CHAIRMAN: On motion carried.

MR. CROSBIE: Which are we on now, Mr. Chairman? Sub-clause (6), Mr. Chairman. I do not have the right page here but ..

MR. ROBERTS: Page eighteen at the bottom.

MR. CROSBIE: The royalties payable.

MR. ROBERTS: It is 100,000 barrels.

MR. CROSBIE: Yes. Now this is - I think that this should not be here. What this Clause says is: "that these royalties, the five per cent of the gross and five per cent of the net, are only going to be paid to us, the Newfoundland Government, with respect to the refinery,

Mr. Crosbie

the 100,000 barrels a day production and, if the refinery produces 150,000 a day, there is a calculation here so that we only get our five per cent on the profits that were made from 100,000 a day. The question I raise is why?

MR. SMALLWOOD: We get everything else. We get everything else on the excess over 100,000 barrels capacity.

MR. CROSBIE: Now the royalties shall not be payable in respect of any input which exceeds an input stated in barrels to be computed, multiplying 100,000 by the number of days in a year. In other words, say, this refinery in five years time..

MR. SMALLWOOD: Became 200,000 a day..

MR. CROSBIE: Became 200,000 barrels a day..

MR. SMALLWOOD: Doubled.

MR. CROSBIE: We would only get our five per cent on the gross and on the net, calculated on the production of 100,000 barrels a day.

MR. SMALLWOOD: Right.

MR. CROSBIE: Well Mr. Shaheen..

MR. SMALLWOOD: We would get everything else. We would get all else, except the five per cent on the second 100,000 barrels a day, if it went to that or 300,000 if it went to that.

MR. CROSBIE: Well, perhaps, I . . .

MR. SMALLWOOD: Because we are not putting up any money for the extensions. The money we are putting up or the money we are enabling to be put up, the \$30 million, the \$125 million, is in respect of the 100,000 barrels a day refinery. If it goes to 200,000 that is not ours. We will be glad to see it because that would get more jobs. It would get more revenue. They pay more taxes to Ottawa. We will get back our good, big share of that in corporation income tax, personal income tax. We will be glad to see it doubled or trebled but we do not put up any money or guarantee any money or provide or enable any money or guarantee any money.

MR. CROSBIE:      Well the refinery that is going to be constructed down there now, it is called the "100,000 barrel a day refinery " but that may be able to produce 120,000 barrels. I mean the plant that is going to be built down there now may not be able to produce 150,000 a day but probably will be large enough to produce 120,000. Why should we restrict ourselves to the 100,000? That is one question that arises.

MR. SMALLWOOD:    It is a 100,000 barrel plant.

MR. CROSBIE:      Yes but, as the Premier knows, I mean, that can go 10,000 barrels one way or the other. I mean, they may be able to turn out 110,000.

MR. SMALLWOOD:    We built a 100,000 ton cement mill and we were happy to get 90,000 tons. Now they increased the size of it and got it up to 140,000 or 150,000 tons. But the 100,000 ton cement mill was 90,000 tons, 100,000 barrels of oil may be 90,000, 95,000, 98,000 or 103,000. It is a 100,000 barrel refinery.

MR. CROSBIE:      Well suppose this refinery doubled and expands..

MR. SMALLWOOD:    Yes.

MR. CROSBIE:      Now it got a start, in large measure, from our credit and so on - the Government backing it.

MR. SMALLWOOD:    Right.

MR. CROSBIE:      Now, it is successful so...

MR. SMALLWOOD:    It got its start. For that we are getting five per cent.

MR. CROSBIE:      Yes, but now it is successful and expands, why should we not get five per cent of that also?

MR. SMALLWOOD:    Because we have nothing to do with it.

MR. CROSBIE:      I think we had a lot to do with it because, I mean it would not be...

MR. SMALLWOOD:    We are getting paid for what we had anything to do with.                      We are getting five per cent of the gross.

MR. CROSBIE:      Anyway, I do not want to take...

Mr. Crosbie., It is my own impression that this is a stingy provision and that we should get our five per cent anyway. I move that sub-clause (6) should be deleted from the amending clause.

MR. CHAIRMAN: Motion that sub-clause (6) be removed from the amending clause, on motion not carried.

MR. HICKMAN: Clause 7; Mr. Chairman, that deals with the consolidated accounts and the auditing of the consolidated accounts which, in effect, is the auditing of the project operator, which is the operating company or any person operating under it. Once this is operating, nothing is that confidential any<sup>more</sup>. I would suggest that, in line with the decision of this committee yesterday, concerning the tabling of documents, that there should also be provision in Clause (7) for the tabling of the Consolidated Accounts and the Auditor's Report. I, therefore, move that Clause (7) or sub-clause (7) be amended by adding after the word, "necessary", the following, "and a true copy of the Consolidated Accounts and the Auditor's Report shall be laid by the minister before the Legislature within fifteen days after it had been so delivered to the Government, if the Legislature is then in session and if not, then within fifteen days after the commencement of the next ensuing session."

This is an audit of our company, and it is to provide information to us. We are the shareholders in these companies. Even in the competitive, cut-throat oil business, the shareholders are entitled to the audited statement in the Auditor's Report. All I ask is that the shareholders in this company, and the only real shareholder are the people of this Province, that they get the same information.

MR. ROBERTS: Mr. Chairman, before anybody gets up to support this, let me say that there are two things: (a), I would ask the hon. gentleman to withdraw it and allow us to move it as an amendment to the Act. We cannot amend an executed agreement. We will undertake



Mr. Roberts.

to move an amendment to the Bill or to the Act.

MR. HICKMAN: You mean, the section that is in there, which now reads: "every agreement, trustee, trust indenture," you would also ....

MR. ROBERTS: Yes, and what we would propose in the draft is not necessarily the consolidated accounts, because there might be confidential information in that. But to prepare and table have the accountants prepare and table something exactly similar. I do not know how you put it in words - to what a company, any public company makes public in its annual report each year. That is quite reasonable. There may be things in the statements of profit and loss or income and expenses that normally are not divulged. But, if the hon. gentleman can put his mind to work drafting the sort of words, we will undertake to put it in the Bill itself; a little report similar to Shell Oil or Imperial Oil or any of those..

MR. HICKMAN: Well, audited report, I suppose.

MR. ROBERTS: Well, yes, but I am not sure how the words would be, but if the hon. gentleman will attempt it, I will have our draftsmen brush him up a little on it.

But, I think, let us withdraw the amendment because we will just vote it down otherwise.

MR. EARLE: I am delighted to hear that the Government will accede to the request of my hon. friend, the member for Burin. I was about to propose the same thing or literally, not as good a wording as he, because he is a lawyer. I wonder if the minister would go as far that the first auditor's report would be submitted, also the audit report of the bridge financing be included.

MR. ROBERTS: The Audit Report of the bridge financing, in the first Auditor's Report.

Mr. Roberts.

Bridge financing would have been repaid by then.

Mr. Chairman, the Auditor General's Report, whenever it comes up, appropriately will have an audit of Provincial Building Company Limited. Now, there will, presumably, not be attached thereto an audit showing whether the \$156,000 a month traded to Shaheen Natural Resources was too much or too little. But the point there, despite what the hon. gentleman believes is that this was paid under an agreement - the amount was not in the agreement - the amount, I was told yesterday, and I so reported it to the committee, was worked out by Mr. Fermar and Mr. Groom

Now I realize that when Mr. Fermar and Mr. Groom met there were often interesting exchanges.

MR. HICKMAN: They were not ad init.

MR. ROBERTS: Not always at ad init. They were at each other more often. However, the amount was agreed and that is why it was paid. Really, can we not get through that. The hon. gentleman can rest on his rectitude and let us go on with the..

MR. EARLE: Mr. Chairman, I would be perfectly satisfied, if this audited report were brought to life, because, I know the hon. minister referred to Mr. Groom and I know conflict between ...

MR ROBERTS: The hon gentleman was Mr. Groom's minister at the time.

MR EARLE: At the time. And I was not at all satisfied with the information I had at that time, and I have had nothing since to satisfy me. If it were laid before the House, I think we could all be.

MR ROBERTS: I might add, if the hon. gentleman has received any information since it would be really quite improper.

MR EARLE: Whether it is improper or not, I think, Mr. Chairman, that we are all members of this House and we are interested in the people's money and I do not think the hon. minister intended his remark to be quite as insulting as it was.

MR ROBERTS: Sorry! I did not hear the hon. gentleman, Sir. I did not. I did not hear.

On motion Clause (6) carried:

MR HICKMAN: I know we take it clause by clause.

MR CHAIRMAN: No, 6(a) carried:

MR HICKMAN: Mr. Chairman, on 6(b), that is to amend the re-lettered Clause C. I am referring now to Clause C, which was formerly Clause E, and that now reads, the present unamended clause reads: "Prior to the commencement by the Government to issue the bonds referred to in paragraph (a) of this clause 5, Refining shall secure and submit to Government take-or- pay contracts for the sale of not less than sixty per cent of the annual production of the plant, and at prices which makes the project viable...."

Now we have been told by the hon. Minister of Health, by the hon. the Premier, in fact it has been insisted on and repeated and repeated and repeated, that we do have contracts for take-or-pay contracts, as to sixty per cent, at least. More than that but a minimum of sixty percent (and this is what we are concerned with in this legislation) of the production of the plant, and that the prices are fixed. Now, Mr. Chairman, it is this fixed price business that is so desirable but, at the same time, so puzzling because, in order to have fixed prices this means that there is now in existence a contract or contracts or dozens of take-or-pay contract which say, for instance (and I only use this as an example) that BOAC agrees, commencing December 31 or January 1, 1974, to take, delivered at Kennedy Airport, from the Newfoundland Refining, 1,000 per day of jet fuel, at so much per barrel or so much per gallon.

Now, Mr. Chairman, if that type of contract has been entered into, it is a new innovation in the oil industry, because that is not the type of contract that the airlines will get into or that any purchaser of substantial amounts of petroleum products will get into. What the

contracts contain, in the oil industry generally, and not just the oil industry but almost any type of industry that you can think of, where you have a long-term contract for the supply of paper or for the supply of oil or for the supply of minerals, no matter what it is, there is a relationship, there is a formula worked out that ties the product into the market prices. It may be five per cent above or five per cent below the current market prices, as posted by the Pulp and Paper Association of Canada or by the Association, if there is an association, of Petroleum Producers. But we are told that in this case we have fixed prices for an amount in excess of sixty per cent.

Now that means, Mr. Chairman, that some airline or airlines have signed contracts with the company that, as of today, has not really commenced building a refinery, that they have agreed that come a particular date, say 1974, they know nothing about the quality of the product, as of now, that they will take from you, say, 1,000 barrels per day, delivered at Kennedy Airport, at a fixed price. But no airline, no petroleum producer, no oil company has the foggiest idea what the price of jet fuel is going to be on January 1, 1974, landed at Kennedy Airport.

We have been told that despite all that, despite the unusualness of this, that fixed prices, making this project viable, have been agreed to. If that is correct and we have to accept government statements that there is now in existence take-or-pay contracts for fixed prices for a minimum of sixty per cent..

MR SMALLWOOD: For the sale of the output and for the purchase of the raw material.

MR HICKMAN: Right! That is right! And this, I am sure the hon. the Premier will agree is a complete and absolute departure from ordinary oil company marketing practices.

MR SMALLWOOD: I will not agree. No!

MR HICKMAN: I would ask this question, and to ask it is to answer it: Today BOAC, I submit, do not have contracts with oil companies for take-or-pay contracts where the price is fixed (period). It is tied into the market price. Now there has been hard bargaining, and this has happened. The Shaheen Group have convinced airlines "X", "Y", "Z" to sign these contracts for fixed prices. So be it! If this new approach, if this new procedure has been followed, well and good.

The other thing that has disturbed me, Mr. Chairman, on this take-or-pay contract, is this: Here we have a plant, again which has not started, the project completion date is two years from the date that actual construction starts in earnest. So let us be a bit generous and say completion date, January 1, 1974.

MR SMALLWOOD: 1974?

MR HICKMAN: 1973, is it? Yes, January 1, 1973, two years. That,

MR. HICKMAN: I think would be a realistic date, on January 1, 1973. Bear in mind now that every airline that is operating today - every reputable airline, must be able to know its source of fuel well in advance. Air Canada is not getting up today saying, "I wonder where we are going to get our jet fuel tomorrow?" they know it. Nor, are they saying, "I wonder where we are going to get our jet fuel next December?" they now know it. They also know that the supplier of their jet fuel requirements is an oil company with the capacity to meet these requirements and to furnish the amount of jet fuel based on their projected increase in traffic, if there is one. This is not the case here, this oil refinery is not yet built. The quality of the product is a complete unknown. We were told here, during the hearings before this House some months ago, that this is a new approach to the refining of jet fuel. That far more jet fuel will come out of the barrel than heretofore has been possible in other refineries that you find in Canada.

Now it may be a superior grade jet fuel, but nobody knows that as of now. So, is it realistic to believe that B.O.A.C. (and I use B.O.A.C., I have no idea whether they are in the picture or not) B.O.A.C. will sign a firm, fixed, enforceable contract today, for a fixed price on jet fuel, commencing say January 1st, 1973, and a fixed quantity delivered at Kennedy Airport, commencing January 1, 1973. If they do it, they will also be obliged, some time along the line, to indicate to their present suppliers that they will need 1,000 barrels a day less or alternatively their projections would indicate that, because of additional flights in 1973, they will require 1,000 barrels a day more.

Now Mr. Chairman, we have to accept that this is the position - this is the position as put by the Government and there is no point in saying that it is not so because, how are you going to prove it? That being so, then Government has - this was an omission and it was a deliberate omission at the time that the original agreement was made. Now that we do know that this has been accomplished, then the omission should be rectified at this time, for the protection of Government, and Government needs no protection in this instance because it knows of the existence of the take-or-pay contract.

I direct this Committee's attention to the clause that we are now

amending under (b), and that is the relettered clause (c), which says that the sixty percent of the annual production of the plant, for periods and at prices which make the project viable; that is no longer relevant Mr. Chairman, and I move that there be inserted in the new lettered (c), on the bottom line after the word 'at' the word "fixed." This will then confirm beyond any doubt that the contracts are now in force for fixed prices. I presume that the Government should have no objections to including in and making it a fact what Government has already said 'is a fact.' I therefore move that the word "fixed" be inserted in front of prices, in the relettered sub-clause (c) of the clause that we are now debating.

MR. CHAIRMAN (NOEL): Clause (b)?

MR. HICKMAN: Clause (b) on the top of page 20 of this Bill. This clause (b) is amending the relettered sub-clause (c). Amongst others, it is amending (a), (c), (f) and (h). Now (c), the new (c) is the clause that refers to in the main agreement - principal agreement the take-or-pay contracts. This has already been amended or will be amended under the new agreement by changing, prior to the commitment by the Government to issue and substituting therefore, prior to the Government lending or causing to be lent. As an additional amendment to that clause, I ask that the word - move that the word "fixed" be inserted in front of the word "prices." It is very simple.

MR. CHAIRMAN: I do not think we can deal with it that way. The only amendment that the Chair can accept is an amendment to clause (b) as it is here in the Bill number 94.

MR. HICKMAN: I move that clause (b), of this Bill that is presently before us, 6(b) be amended by adding that there be inserted in relettered clause (c), the word "fixed" immediately in front of the word "prices."

MR. CROSBIE: For periods and at fixed prices, yes.

MR. HICKMAN: Yes, and at fixed prices.

MR. CROSBIE: Sounds good.

MR. CHAIRMAN: The motion is that there be added to clause (b) the words that there be inserted in clause (b) the word 'fixed' immediately before the word

"prices." Shall the amendment carry? Those in favour "aye," contrary "Nay," the motion is lost.

On motion, clause (b) carried.

MR. CROSBIE: Mr. Chairman, I have a question on this general section in the original. The new section (f) you know, the old (h) is about the possibility of an AIDA grant of \$5 million and, if the AIDA grant was not made, then the money would be arranged for by Mr. Shaheen. Is the position that there is no AIDA grant to the refinery, and if so, why does the Federal Government not agree to make an AIDA of \$5 million?

MR. ROBERTS: Mr. Chairman, there is no AIDA grant payable. The reason for it is that the AIDA program has been phased out. This project did not get going sufficiently early on to attract the AIDA grant. The position now is as set forth in (h) of the principal agreement. To refresh minds of the Committee Mr. Chairman, that provides that where the AIDA grant was not payable, the amount of the extension loan, i.e. the first mortgage loan, would be increased to cover the deficiency caused by the absence of the AIDA grant. That is what has happened. With the AIDA money ended, the only money now being paid by the Federal Government of Canada, under that program, is in respect of contractual commitments to which they obligated themselves some little time ago. The DREE program, I think it is called RIDA replaces AIDA.

MR. CROSBIE: One other question there, Refining, under the same section, has to produce evidence to the Government that it has assets to the value of \$10 million which can be converted into cash and made available when the Shaheen group are supposed to put it into the project. Has that been done by - have they satisfied the Government that they have that \$10 million to put in when it is required?

MR. ROBERTS: Not totally Mr. Chairman, but we have no doubt they are in a position. We have seen evidence, from two banks actually, that the \$10 million is available. Refining now in fact are paying a commitment fee to keep the money available on a standby basis. That is one of the conditions precedent, which stands in all its force and all its power, along with the take-or-pay, what-have-you.



MR. HICKMAN: All its power, force and majesty.

MR. ROBERTS: That is not a bad phrase, that is not bad, who wrote it for the hon. gentleman?

MR. CROSBIE: You had to be satisfied before we lend the \$30 million?

MR. ROBERTS: We certainly will, yes.

On motion, clause (c) carried.

MR. HICKMAN: On clause (d) Mr. Chairman, that refers to the relettered (g), relettered sub-clause (g).....

MR. ROBERTS: That is the string on the two shares in holding.

MR. HICKMAN: But the relettered clause (g), am I correct, is the clause referring to the take-or-pay contract - the contract for sixty percent of the crude oil requirements?

MR. ROBERTS: I do not know.

MR. HICKMAN: Yes it is. The old (i) which is now (g). Mr. Chairman, again, this clause is lacking something as it presently stands, something that no longer need be lacked. May I once again remind the Committee that we have been told, beyond any shadow of a doubt, that a contract has been signed for the supply of at least sixty percent of the crude oil requirement for this plant, at a fixed price.

MR. ROBERTS: No, we have not said - at fixed prices.

MR. HICKMAN: At fixed prices.

MR. ROBERTS: Escalating.

MR. HICKMAN: Ah ha! this is the first time.....

MR. ROBERTS: Of course.

MR. HICKMAN: That is right.

MR. ROBERTS: Of course.

MR. HICKMAN: And does the same thing apply to the take-or-pay.....

MR. ROBERTS: Yes. Take-or-pay are not fixed price, They are fixed prices.

MR. HICKMAN: Well now, it has been a long, hard grind and taken four days to get this information out.

MR. ROBERTS: If the hon. gentleman had asked me, I would have told him at the

start.

MR. HICKMAN: We have said it time and time again. We have been laughed at and ridiculed for saying it.

MR. ROBERTS: We have a firm contract with B.P. to supply God only knows how many barrels of oil at fixed prices. This is for the next ten years.

MR. HICKMAN: Tied into the market?

MR. ROBERTS: No, no not tied into the market price, specified.

MR. HICKMAN: B.P. must be losing its marbles Mr. Chairman.

MR. ROBERTS: No, no, and B.P. is not losing any money on the contract either. They give a very good price for crude.

MR. HICKMAN: We may be losing it.

MR. ROBERTS: No way.

MR. HICKMAN: There is a great fluctuation in the price of crude.

MR. ROBERTS: It goes up

MR. HICKMAN: And down.

MR. ROBERTS: Nonsense.

MR. HICKMAN: Oh yes, very much so. It has gone up in the past month, twenty-seven cents a barrel Kuwait oil, in the last month.

MR. ROBERTS: Gone up twenty-seven cents.

MR. HICKMAN: Twenty-seven cents.

MR. ROBERTS: Then we are damn lucky to have a contract with fixed price.

MR. HICKMAN: Twenty-seven cents a barrel. Now, if we accept the position that there is a contract at fixed prices.....

MR. ROBERTS: Of course there is.

MR. HICKMAN: Well then, there should be included in the new (g) on line 4, new (g) should read this way: "Refining shall contract to the purchase of not less than sixty percent of the crude oil required for the operation of the plant for a period of not less than five years at fixed prices." In line with what the hon. Minister of Health has just said, this is precisely what

Government now has achieved, or Newfoundland refining has achieved, There can be no objection to the amendment which I propose, namely that relettered (g) - 8290

that (d) of clause 6 be amended by adding (I do not know where, but somewhere in there) I guess at the end of the clause, the following words shall be inserted after the word "years," "at fixed prices," so that it will now read "five years at fixed prices," in accordance with what the hon. Minister of Health says is now the case.

MR. ROBERTS: Oh my! Well, Mr. Chairman, the amendment is superfluous and so we will not accept it. The contract has been assigned, I have seen it, I have actually had my grimey little hands on it - it was examined in detail by a committee of my colleagues.....

MR. HICKMAN: Is it a contract or a letter of intent?

MR. ROBERTS: No, it is called "heads of agreement" actually.

MR. HICKMAN: Heads of agreement.

MR. ROBERTS: Heads of agreement yes, But I am told that is a contract that can cover many sins. As the hon. gentleman knows; in law a contract is the agreement, all that the written stuff is, is the evidence of the contract. The heads of agreement specifies the grades, the delivery points, the delivery dates etc., etc., etc.

MR. HICKMAN: Why should it not go in?

MR. ROBERTS: Because we do not propose to amend - to amend this agreement we have to go back and get the Shaheen people to agree to everything.

MR. HICKMAN: They could not possibly object to this because .....

MR. ROBERTS: No, they could not, the hon. gentleman knows as well as I do Mr. Chairman.

MR. HICKMAN: Right, that is right.

MR. Chairman: Does the item carry?

MR. ROBERTS: What do you mean carry?

MR. CHAIRMAN: Those in favour "aye," contrary "nay,"

Does clause (d) carry?

MR. CROSBIE: The Minister of Welfare voted with us that time.

MR. HICKMAN: I think it should be noted.

MR. MARSHALL: Mr. Chairman, I do not want to take up the time of the House, but

here we see in this section - this new section (1), that in the event of discontinuance of the business or bankruptcy of the company, Mr. Shaheen is paid for his two shares at the rate of \$100. per share. I would just like to point out to the members opposite, that this is, to my mind, the epitome, even at the stage of death of this operation, when the shares are worth nothing, and they are worth a minus nothing, Mr. Shaheen is going to pick up - it says "insolvent" the hon. Minister looks towards the.....

MR. ROBERTS: How could an operating company be insolvent?

MR. MARSHALL: Should the operating company be insolvent.....

MR. ROBERTS: These are the holding company shares, not the operating company shares.

MR. MARSHALL: Yes but, if the operating company is insolvent so the.....

MR. ROBERTS: The hon. gentleman does not know why that clause is there, but I will tell him if he wishes.

MR. MARSHALL: Well, if the hon. minister would, I would be delighted to be informed.

MR. ROBERTS: There is a perfectly good reason why it is there Mr. Chairman. A number of years ago we had a company called NALCO, which was a Crown Corporation. We held ninety percent, ten percent was held by a whole syndicate of banks and investment houses, and NALCO, as the House is fully aware, as the Committee is fully aware, has gone through a number of permutations and combinations of one sort and another and is now owned, of course, by I believe Canadian Javelin or by Mr. John Doyle. The point is; ninety percent of the shares we could sell. The ten percent was the devil's own job to get them back from the people who had them, So when we this time agreed to sell the two shares, the ten percent, to a holding company, we said; "very well, but we are going to put an awfully long string on them - an unbreakable string." This is the unbreakable string. If the hon. gentleman wants to make a speech about \$200, Mr. Chairman, he should feel perfectly free to make it, but you know, really it is a little much.....

MR. SMALLWOOD (J.R.): (Inaudible)

MR. ROBERTS: The Premier has underlined the hon. gentleman's constitutional

right to make a speech. In Committee the hon. gentleman may not speak for more than ninety minutes on any one item. There must then be somebody else who must speak for at least two words before the hon. gentleman can speak for another ninety minutes. Two hundred dollars, that is worth three or four hours. Anyway Mr. Chairman, that is the long string on it. The speech may now begin.

MR. MARSHALL: I am delighted, with the elucidation of the rules, Mr. Chairman, and I am delighted that the hon. the Premier values two hundred dollars as much as I do, But I am just pointing this out, that even at the death knell we have to pay them exactly - when the shares are not worth anything, we have to turn around and pay Shaheen what he paid for them. To give it legal validity, you might have put in one cent.

MR. ROBERTS: A company can be insolvent and still have - an active insolvency, as the hon. gentleman knows from the bankruptcy Act, is any one of a number of acts, including any debt of more than \$1,000. that cannot be paid. The shares could still be worth 199.99 recurring dollars.

On motion, item (d) carried.

On motion, clause 7, carried.

MR. CROSBIE: Mr. Chairman, clause 8, why if clause 8 has to do with insurance under the old clause 7, there had to be insurance carried equal to the replacement of the value of the plant, and that has been changed now to such sum as may be required under the first and second mortgage and as the Government shall have approved. Why? Replacement of the plant would seem to be preferable. Why the change?

MR. ROBERTS: Mr. Chairman, because apparently one only carries insurance at the value of the mortgages involved. The oil business, I am told, is such that the insurance rate gets - and there is another - there is a (b) where we take out another one along the same line.

MR. CROSBIE: Loss of use and occupancy.

MR. ROBERTS: Yes, apparently to get such a policy, in the oil business or to get such a policy from an insurance company, in the oil business, the rates are so utterly prohibitive that nobody buys it any more.

MR. WELLS: It is cheaper to self-insure.

MR. ROBERTS: It is cheaper, that is right, it is cheaper to self-insure in this business Mr. Chairman, just as the Government self-insure on everything except our mortgages. On this building we only have insurance to the value of the mortgage outstanding at this time, it is quite normal.

On motion, clause 8 carried.

MR. MARSHALL: Mr. Chairman, in clause 9, there is one observation, I would like to make about clause nine, that relates to clause ten of the agreement.

MR. ROBERTS: No, clause nine that relates to clause eight of the agreement

MR. MARSHALL: I am sorry, clause nine - I see, I am sorry, yes.

On motion, clause 9 carried.

MR. MARSHALL: Mr. Chairman, clause ten if I may. I would like to ask the hon. minister whether any consideration had been given to the deletion of the dividend payments on the operating and holding companies when this amendment was put in? Whether any consideration had been given to deletion of the payment of dividends by the operating or holding companies at the time this amendment was put in? We are now on clause ten, which amends clause ten of the original agreement, and I am referring to paragraph (d).

MR. ROBERTS: Yes, which says no dividends shall be - and did we think of changing it?

MR. MARSHALL: Did you think of changing it?

MR. ROBERTS: Yes Mr. Chairman, that was very definitely on the shopping list which we have or had. The reason why we did not change it, and of course it could have benefited the Province because we are the owners - the shareholders of both operating and holding until such time, if ever, we are bought out. The reason is that the money that would be available to pay the dividends will be required, so the feasibility studies tell us to, you know, the normal ongoing maintenance and capital replacement of the plant.

That is fair enough by us, we do not lose anything we do not gain anything.

MR. MARSHALL: So there will be no surplus in the company at the end of the time?

MR. ROBERTS: We are told there will be none. Now I am not going to say there will not be any, we are told there will not be any. The surplus will be represented by improved equipment and so forth, what have you.

MR. MARSHALL: If I may Mr. Chairman, from the point of view of safety sake, I would like to move an amendment to this section, by providing at the end of holding companies the following words: "No dividends shall be declared or paid by the operating company or the holding company until one month prior to repayment in full of the extension loan, and the Government loan, when all surplus of the operating company shall be declared as dividends and paid to the holding company, and the surplus there upon created in the holding company, shall be declared as dividends and paid to the shareholders. Such money as payable to refining however, shall be assigned to the Government."

The situation that I am thinking of is that at the end of the time suppose there is a great, huge surplus, a huge cash surplus at the end of the time, it will mean that the Shaheen interests will not only get the plant as it is worth, its depreciated value, but they will also get any surplus that is in the operating and the holding companies themselves.

MR. CROSBIE: (First part inaudible) what dividends are to be paid is it not?

MR. ROBERTS: I do not know what the hon. member for St. John's West means.

MR. CROSBIE: There is always the intention that when the option was exercised they were going to get the facilities of the plant and any money there was in the company.

MR. ROBERTS: Who was going to get them?

MR. CROSBIE: Newfoundland refining.

MR. ROBERTS: Yes.

MR. CROSBIE: That is why it says, 'no dividends shall be declared or paid by either the operating company.....'

MR. ROBERTS: We have not changed what was there, the hon. member for St. John's East proposes.....

MR. CROSBIE: That is still the same.

MR. ROBERTS: Right, there is no change proposed by us, the hon. member for

St. John's East has proposed a change which - all I can say is that his argument is one of civil merit. That is not our agreement with the company, therefore, we will not be able to accept the amendment on our side. It is a nice thought and it was on the shopping list.

There were a number of other items that were on the shopping list that I might add - there were bigger items on Mr. Shaheen's shopping list that did not get purchased either.

MR. MURPHY: We are going to starve to death after that shopping list.

MR. CHAIRMAN: Shall the amendment carry? Those in favour 'aye,' contrary 'nay,' Motion lost.

On motion clause 10 carried.

On motion clause 11 carried.

MR. MARSHALL: Clause 12, Mr. Chairman, just one final amendment if I may.

MR. ROBERTS: Of course the hon. gentleman may.

MR. MARSHALL: I am very heartened to hear today that Shaheen Natural Resources are going to guarantee to the Government the payment, under the arrangement in the letter with Canadian Caribbean. I feel that since they have shown this great exercise of generosity with respect to this important phase of the agreement, they might also consider as they should guaranteeing to this Government all of the obligations that the Government, and all monies payable to the Government pursuant to this agreement.

Consequently Mr. Chairman, I would propose, at the end of clause 12, that the following words be added; " and the intervener hereby guarantees to the Government full and punctual payment by the building company and the operating company of all monies payable under this agreement, and of performance by the building company and the operating company of all covenance and conditions in any agreement entered into in pursuant to these present. I would propose this Mr. Chairman, I do not see anything unreasonable about it. Mr. Shaheen is going to take \$155 million of our assets, he is not going to take any risks, and all this amendment to the intervention does is merely cast upon Mr. Shaheen, who should assume the risks, all obligations under the agreements, for the great and wonderful asset which he acquiring at the expense of the people of Newfoundland.



MR. ROBERTS: Mr. Chairman the hon. gentleman, I think everybody over there will agree with him, we do not agree with him. The Shaheen Natural Resources have not agreed to guarantee the performance etc. etc. of this. We could debate it at any length if the committee wants us, it is permitted by the rules, but I do not think either position will change either ours, the hon. gentleman opposite or Mr. Shaheen and his associates in New York. Perhaps now that the amendments are made we can put-

MR. MARSHALL: Inaudible.

MR. HICKMAN: Inaudible.

MR. ROBERTS: Has the hon. gentleman stopped beating his wife lately?

MR. HICKMAN: Will the hon. minister -

MR. ROBERTS: Mr. Chairman, I long to learn when my hon. friend from Burin throws one of those low sliders in, would the hon. gentleman agree, one walks squarely.

MR. SMALLWOOD: Is that the one that has the word "dreadful" in it?

AN HON. MEMBER: "Dredging."

On motion Clause carried (standing vote registered)

On motion Clauses 12, 13, 14, 15 carried:

On motion Appendix carried:

MR. SMALLWOOD: Before my colleague makes any further motions, may I report to the committee that in connection with section something or other.

MR. ROBERTS: Clause 3(e) (1), I think.

MR. SMALLWOOD: Clause 3(e) (1).

MR. ROBERTS: On the bottom of page sixteen.

MR. SMALLWOOD: We send for representatives of Peat, Marwick and Mitchell, if that is their full name, chartered accounts and auditors, and the President of the Council and the Law Officers of the Crown and some other ministers met with the two representatives of Peat, Marwick and Mitchell, out in the room here, to look over the agreement carefully, with a view to determine what effect might be had upon the receipts of the Government under this agreement, under the five per-cent of the gross profits arising out of the twenty-seven per-cent.

MR. SMALLWOOD: I am glad to inform the Committee that the effect is exactly nil. That it has no effect on the amount of money that will come into the Treasury of the Province. None whatsoever. So, I think, perhaps we might be willing, (we let that stand, do you remember) we might now go back to it and carry it. But there are others that we let stand on which I make no suggestion.

MR. CHAIRMAN: On back of the Bill is printed, hon. members have seen that, Schedule, part two plan. The word "schedule" is to be deleted. It was a mistake. Shall part 2 carry?

MR. CROSBIE: Are we on this (e) (1) now or?

MR. ROBERTS: Inaudible.

MR. HICKMAN: The hon. minister is going to read the ratio on the plan for us.

MR. ROBERTS: Now we are on (e) (1), Mr. Chairman.

MR. CROSBIE: I do not quite understand now how this does not affect, if before you estimate the net profits, you have to deduct the twenty-seven point eight per-cent of the net that Mr. Shaheen receives, I would like you to explain how that does not reduce what the amount is that we get. Why does that not reduce it?

MR. SMALLWOOD: I fear I cannot give an explanation. The firm of the Chartered Accounts and Auditors, Peat, Marrick and Mitchell, there are two of them now, they have two titles, they have two names, Peat, Marrick and Mitchell and Peat, Keats -

MR. ROBERTS: No, Peat, Keats and Mitchell are the management firm.

MR. SMALLWOOD: Yes, well anyhow, it is the auditing and accounting firm whom we have called in from time to time in this matter and other matters, because they are auditors to the Government, and accounting consultants and so on. We call them in and they tell us that it makes no difference whether that was in or out of the agreement. No difference is made to the amount of money that will come into the Treasury. It does not effect the amount of money coming to the Treasury. So that is why we are not concerned about it.

MR. CROSBIE: Could the Premier tell us, several times I was going to ask

MR. CROSBIE: there, there are several places here were the Government have the right to appoint chartered accountants to check for the Government and so on. Is Peat, Marwick the firm the Government, has the Government appointed that firm are they doing the work for the Government in this connection?

MR. SMALLWOOD: Oh, yes, we have called them in a number of times, have we not.

MR. ROBERTS: Well, Mr. Chairman, in London and in Montreal and here they did a lot of these clauses for us.

MR. SMALLWOOD: On the financial side we have used their services in Montreal and in St. John's and in London. And, of course, they are a world-wide firm and they have been retained by this Government since the coming of Confederation and by the Commission of Government, for about a year before the coming of Confederation, and they have served Newfoundland very well indeed.

MR. HICKMAN: The question is have they been appointed as the auditors for the purpose of Mr. Shaheen?

MR. SMALLWOOD: No, no one has been appointed. This is not Law yet.

MR. MARSHALL: I want to make a point, but I will not belabor it. I would like it to go on record, as agreeing. The hon. member for St. John's West has the greatest respect for the accounting firm, which is a well-known, a very reputable accounting firm, I cannot see how inclusion of this (6) in the definition of net profits can do anything but reduce the amount which the Government is ultimately going to receive, because it takes twenty-seven point eight of the funds.

AN HON. MEMBER: Inaudible.

MR. MURPHY: Was that not the original suggestion? I think we will all agree that we got around to the hon. minister's baby talk in 2(e) (1).

MR. ROBERTS: Mr. Chairman, I am not sure where we are on 3(e) (1).

You know, I am not an accountant, and Peat, Marwick and Mitchell are good accountants, but I must confess I do not know how you can take off twenty-seven point eight and still have the same, You know, five per-cent of seventy-two point two is not as much as five per-cent of one hundred, no

matter how you slice it, we will get our \$10 million. What might happen is that we might get a little longer, something percent a year. Now we can either let the clause stand - I have three others which I want to mention in a moment, Your Honour.

MR CHAIRMAN: Which Clause is the hon. member referring to at this moment?

MR ROBERTS: It is at the bottom of page sixteen. It is 5(e)(1), which becomes 4(a)(e)(1) in the principal agreement, as amended.

You know, we can either let it stand, Mr. Chairman, or we can put it through - it does not make any substantial difference. Apparently we have it in the agreement we have signed. It was put there on the advice and with the consent of our accountants. Maybe I should not say; "on the advice", but it was put there, you know, as one they approved. Apparently, it makes no significant difference. So, maybe the Committee could put it to a vote; either adopt or reject the clause - if the Committee wish?

MR CHAIRMAN: Shall Clause 5(e) carry? On motion carried:

MR ROBERTS: MR. Chairman, before we rise the Committee -

MR CHAIRMAN: There is another clause.

MR ROBERTS: Yes, Sir. That is what I would like to refer to, if I may, Your Honour. There is the question of Clause 2 (e), where the hon. member for Burin moved an amendment and I undertook to have the law officers look at it and give me their advice and, also, to consult with the other parties to the agreement.

We have consulted. Briefly, we are willing to either move or accept. We would rather move because we have the words (although we do not have them now) as an amendment to the Act. Now I will explain why it has to be in the Act, to say that they shall be back-to-back. That is roughly the first half of the hon. gentleman's amendment.

We are not willing to have the pari passu section, even with the words that he kept adding as he went on, about the \$5 million. Our draftsman tells us and our position is, it is just not workable at this time.

MR. ROBERTS: There is also, Mr. Chairman, the question of the hon. gentleman from Burin again moved an amendment, I believe it stands as section 9, with respect to certain pollution controls. We would want some discussion on that. I am not sure whether we are in a position to accept that, but there are

MR. HICKMAN: It was accepted yesterday.

MR. ROBERTS: We accented it in principle yesterday, so the words have been worked out. You know, we are willing to try and work out words. But words can cover a lot of sins. There are things in the agreement now that touch on pollution, Mr. Chairman.

Finally, the hon. member for Burin again, (he is sending us a legal fee for this one) made a point, he made an amendment which I gather he later withdrew, with reference to tabling certain audits. Our law officers will prepare words and we will move an amendment to that effect in the morning.

Now, Mr. Chairman, each of these amendments will have to be in the form of an amendment to the Bill, which of course is still before the committee. The reason for that is the agreement is an agreement executed among several parties and thus we cannot change it. We can change the Bill and we will. Therefore, what I would propose, if it is in order Your Honour, is to move that the committee rise report progress and ask leave to sit again. And that when the House meets in the morning, and my colleague the Minister of Justice will shortly move the necessary motions, we carry on with the committee stage of the Bill and we will then deal with those three points and dispose of them. I will have written amendments and we can discuss them and decide what is to be done.

So, if that is understood by all sides, Mr. Chairman, I will then move that the committee rise and report progress. I think, after substantial progress and ask leave to sit again.

I believe my colleague, the Minister of Justice; will you outline the business for tomorrow or do you want me to touch on it? Well, the understanding has been reached with respect to tomorrow, as I understand it, Mr. Chairman, This is for the information of the committee and the members. We will begin in committee stage and, hopefully, fairly quickly finish off

MR. ROBERTS: Bill No. 94 and put it through and hopefully give it third reading immediately, unless somebody wants a six month hoist or something. We would then take up the Bill No. 95, which I gather will not require much debate, whether one is for it or against it, it is a fairly simple piece of legislation. Well we may do that now. At that point, once the Government's business is finished, we will undertake, as a Government, to call any private member's order on the paper, not a Government order, but a private member's order,

AN HON. MEMBER: Inaudible.

MR. ROBERTS: Or do they want to add, between now and tomorrow, and then that will be debated until six o'clock tomorrow. I do not know if his hon. the Governor will be here tomorrow.

AN HON. MEMBER: Inaudible.

MR. ROBERTS: Well, we then will have an assent, Sir, tomorrow evening, and propose the adjournment of the House or the session.

MR. CHAIRMAN: Hon. members will understand that, as far as the law clerk is concerned now, what we have remaining on this particular matter is; Clause (9) of the Bill is standing, and an amendment, proposed by the hon. the member for Burin, to Clause 2(e) of the Schedule is standing.

On motion that the committee rise, report progress and ask leave to sit again, Mr. Speaker returned to the Chair.

MR. CHAIRMAN: Mr. Speaker, the Committee of the Whole have considered the matters to them referred and report progress and ask leave to sit again.

On motion report received and adopted, committee ordered sit again presently.

MR. CURTIS: Motion No. 1, second reading.

MR. SPEAKER: Second reading of a Bill, "An Act Further To Amend The Agreement Made In Pursuant To The Government-Newfoundland Pulp and Chemical Company Limited (Authorization Of Agreement) Act, 1960, And To Make Certain Statutory Provisions Relating To That Agreement."

MR. CURTIS: Before the minister moves it, Mr. Speaker, hon. members will notice a change in the title. I wonder if I could have leave to change the title to the title as set forth in the Bill.

MR. SMALLWOOD: This title is the one.

MR. CURTIS: Yes.

MR. SMALLWOOD: If that is agreed, Mr. Speaker, the title to be as on the Bill rather than as on the Order Paper. I will not detain the House, more than merely to say that the rights, that Newfoundland Pulp and Chemical Company have, expire on the 31st. of December next year. That is eighteen months about, within which they have to have a mill built and operating. This is a physical impossibility.

Now possibly they should have had it done long ago. We gave them extensions earlier and it still has not been done. I ask the House to give it an extension to one year. I believe, I verily believe, that if we do that, we will get the mill. Now there is no change in the structure. If the House remembers, the mill will cost about \$70 million to \$80 million, and the Government is to guarantee a bond issue of \$15 million and that is all. I mean that is our commitment, to guarantee \$15 million out of about \$80 million. The rest he is to get. I understand he is getting it in England. Well not all of the \$80 million, he has to put in so much, I do not remember how much, I think <sup>it is</sup> provided in the Act itself, which I am now asking the House to extend to December of next year. But, he has got the thing lined up in Britain for the mill. Financially speaking, he has got it lined up. He has got the paper sold. That part is good. He has got the capital lined up. That part is good. But, he cannot possibly get all documentation done and the money drawn down and everything and begin construction very much before the end of this year. He has concentrated on the paper mill. He had to concentrate on the paper mill and he has done so. The paper mill will shortly be out of his worry because his men, his organization, will carry on. But, he, himself, now can concentrate on the paper. He has not been able to do that for the last couple of years.

MR. MARSHALL: Inaudible.

MR. SMALLWOOD: Right, he has done that. He has concentrated on the Refinery to the neglect of the paper mill. Now he is prepared to go to it now, to concentrate all his efforts on getting the paper mill. But, there is not a chance that he can get construction started anyhow before the year, and it may be in the spring.

MR. MARSHALL: When does the old agreement expire, December 1971 ...?

MR. SMALLWOOD: December, a year and a-half from now. That is eighteen months from now. He cannot get that mill built and in operation, which he is required to do, and if he does not do it he loses all of his rights. In fact, he has lost them. I think, the Act expired here recently. His rights under the Act expired within the last few weeks.

I am asking the House to renew this now, up to the end of December 1972, that gives them two and a-half years to be in operation to have the mill substantially in operation.

I move second reading.

MR. CROSBIE: Mr. Speaker, I want to speak on this Bill, but I would prefer to speak tomorrow morning so that I will have tonight to prepare something. I have some questions that I would like to address to it. So I would prefer to adjourn the debate now until tomorrow morning. If that is in order? Unless someone else wants to -

MR. SMALLWOOD: I do not mind, providing it is understood that it is cutting into private members' day.

MR CROSBIE: And there maybe somebody else want to speak.

MR MURPHY: Mr. Speaker, it has been a rather trying day, after being out late last night, so I am quite prepared to - the Premier and his party were out very late. I think I can certify that.

MR CURTIS: I presume, Mr. Speaker, my hon. friends will agree that we will waive the rules and be able to proceed with more than one stage of the Bill.

On motion debate on Second Reading adjourned.

MR. SPEAKER: On motion, this House stands adjourned until tomorrow, Friday, July 24th., at 10:30 A.M.