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**THIRTY-SIXTH GENERAL ASSEMBLY
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VERBATIM REPORT

Thursday, May 4, 1972

SPEAKER: THE HONOURABLE JAMES M. RUSSELL

The House met at 3:00 P.M.

Mr. Speaker in the Chair.

MR. SPEAKER: Order!

It is a great pleasure for me to welcome to the honourable House today The Second Gambo Ranger Group with their leader Mrs. Elsie Thoms. A group of forty-five Grade IX from St Pius Tenth Girls School with their teacher Mrs. Furlong. A group of fifty-five Grade IX students from the Glovertown Regional High School with their teachers Mr. Elijah Feltham and Mr. Stanley Sparkes, and indeed any other visitors who are here today. We trust that your visit here will be most enjoyable and most interesting.

PETITIONS

MR. P.S. THOMS: Mr. Speaker, I beg leave to present a petition on behalf of the residents of Travtown, Bonavista Bay.

Also Mr. Speaker I beg leave to present a petition on behalf of the people of Cull's Harbour, Bonavista.

The prayer of these two petitions, Mr. Speaker, is that the highway from the Eastport Highway to the Town of Travtown also on to the Town of Cull's Harbour be upgraded and paved.

Also Mr. Speaker, the prayer of this petition also encloses the need for the upgrading and reconstruction of the present Cullsway Causeway.

As honourable members of this House realize Cull's Harbour is one of the few communities that in the past have been desolated because of a combination causeway and bridge. However, Mr. Speaker, because of the time factor the deterioration of the bridge because of weather conditions and especially during this past winter we have experienced one of the most severe winters in our history, the piles in under a portion of this bridge are deteriorated to a point where some of them have been broken off by the flowing ice.

MR. THOMS: The prayer of the petition, Mr. Speaker, is that this causeway be extended, that part of the present structure be taken out and that a concrete bridge take the place of it.

I ask, Mr. Speaker, that these petitions be laid upon the table of this House and referred to the department to which it relates.

MR. S.A. NEARY: Mr. Speaker, it gives me great pleasure to support the petition just tabled in the honourable House presented by the honourable member for Bonavista North requesting repairs to the causeway between Gull's Harbour and Traytown.

Sir, I think it is most appropriate and fitting that the honourable member should present a petition on a day when so many of his young constituents are sitted in the honourable House, and to see how the honourable member is in there battling for his constituents.

I feel sure, Mr. Speaker, that the department responsible for this causeway will see their way clear at an early date as possible to make the necessary repairs so that the people in Gull's Harbour will continue to enjoy this important link with Traytown.

HON. A. J. MURPHY: (MINISTER OF PROVINCIAL AFFAIRS): Mr. Speaker, if I may for just one moment I would like to support this petition also. I recall in 1968 during the last federal election I was in this area and these people were still suffering the same conditions. So I certainly hope that our government can see its way clear, if there is any money left, to improve some of the conditions in this particular area.

On motion petition received.

HON. A. SENIOR: Mr. Speaker, I beg leave to introduce a petition on behalf of the residents of Brown's Arm in Lewisporte District. The prayer of the petition is that this road from Lewisporte to Brown's Arm be upgraded and paved this year.

Mr. Speaker, I do not think it is necessary for me to go into too many details concerning the situation at Brown's Arm because I believe most of the people in Newfoundland are quite familiar with the situation as it exists there. As most of us know, Brown's Arm is the location of one of the most extensively used gravel pits in Newfoundland and the road leading out of Brown's Arm is not paved which results in quite a dust nuisance to the people who live in this vicinity.

Also, on many occasions I have driven over this road and can say that a great danger exists here because of this dust situation, especially to the school buses which operate in this area and a particular nuisance to the people, Mr. Speaker, who live in this community who are unable to open their windows and doors in the summer time, who are unable to do such simple things as hang their washing out to dry. It is for this reason, Mr. Speaker, that I support this petition and beg at this time that it be tabled in this honourable House and referred to the Department to which it relates.

MR. HARVEY (J.B.): Mr. Speaker, I would like to support the petition presented by the hon. Minister of Community and Social Development. I understand the problem with the dust, especially concerning school buses travelling over unpaved roads and the same problem with hanging out the wash and the other problems that the hon. gentleman mentioned.

I would also add that the area I represent, Mr. Speaker, has no pavement whatsoever, all dirt roads for sixty miles, and I understand the situation that exists in Lewisporte. So I therefore support the petition also.

On motion petition received.

MR. CROSBIE: Schedules "A" to "J" of Bill No.55 to be debated this afternoon, with signed originals for the House. A copy has been supplied for the Leader of the Opposition and the press have several copies.

ORDERS OF THE DAY:

MR. NEARY (S.A.): Mr. Speaker, I would like to direct a question to the hon. Minister of Mines, Agriculture and Resources. Can the hon. minister inform the honourable House that it is correct that the employees of Newfoundland Farm Products are on strike and if it is correct as reported on the radio today, that Treasury Board has refused to negotiate with these employees? Is it also correct, as reported on radio, that the government has implemented a wage freeze on employees either getting their pay directly or indirectly from the Provincial Treasury?

MR. CROSBIE: Mr. Speaker, the rumors that the hon. member is repeating is not correct. Certain employees of Newfoundland Farm Products Limited, which is the crown corporation that operates the abattoir and poultry processing plant at Pleasantville, did not turn up for work this morning. Whether they are on strike or not I do not know. If this constitutes a strike, then they are on strike. These are members of the Newfoundland Fishermen Food and Allied Workers Union.

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last year negotiated and entered into a collective agreement with government on behalf of the employees. That agreement expired April 1, 1972. Negotiations for a renewal of the agreement had been in progress since March 1, 1971. There is no wage freeze as the hon. member suggested nor is there any refusal to bargain on the part of Treasury Board.

The last proposal which our negotiating committee made to the union on May 1 would provide a minimum increase of twenty cents an hour for all employees. That does not sound to me like a wage freeze. We agreed to make adjustments in rates for some classifications which would provide increases ranging from thirty cents to fifty-two cents an hour for the employees affected. There were thirteen of them. That does not sound like a wage freeze. In addition to the proposed wage increases, we agreed to grant two additional statutory holidays bringing the total up to eleven. The union negotiating committee called a meeting of its members on Tuesday, May 2 and put our proposal to a vote. We were informed that approximately two-thirds of the members present voted to accept the proposal. The eleven employees who voted against it insisted that another meeting be held and another vote be conducted. The negotiating committee agreed to the wishes of the minority group and another meeting was held. The vote was conducted after that meeting and rejected our proposal by a narrow margin. The union made certain last proposals of their own; effective April 1, 1972. They wanted a fourteen per cent or twenty-eight cents across the board increase for all classifications and another ten per cent on April 1, 1973 across the board for all classifications; effective January 1, 1974, they wanted an eight per cent or sixteen cents across the board increase to apply until October 1, 1974 thus making it a twenty-seven month contract. In addition they wanted an additional two per cent or four cents increase for the abattoir workers only at each stage in the above rates of pay, two additional statutory holidays in the first year and two in the second

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year of the contract. The employees who were a minority at the first meeting now are a majority and are insisting that we accept their proposal. We have a generous offer to the union concerned. If they do not wish to accept it, the next stage for them is to withdraw their services if that is what they wish to do.

I would like to point out that the position prior to 1971 was that the average wage in the plant was \$1.65 an hour. The rate of pay for the lowest paid classification then was \$1.10 an hour. That was in 1971. After the negotiations of 1971, the average wage in the plant rose to \$2.00 an hour. The rate of pay for the lowest paid classification was \$1.50 an hour. Those increases granted last year averaged out thirty-five cents an hour or twenty-two per cent. They ranged from twelve cents an hour to eight-one cents an hour or from six per cent to forty-eight per cent. They already have had very generous increases last year. If our offer were accepted this year, our final offer, the average wage in the plant would be \$2.23 an hour. The rate of pay for

the lowest paid classification would be \$1.70 an hour. Our wage offer provides a twenty cents an hour across the board increase or ten per cent average increase. Adjustments have been made to certain classifications which provide for additional increases up to thirty-two cents an hour for thirteen employees. We have made a very generous offer to the union, Newfoundland Products Corporation itself is losing money, has lost money from its inception, is still losing money. If the majority of the employees in the bargaining unit are not satisfied with our last offer, then it is their right to strike if that is what they wish to do. As to whether they are on strike at the moment is not quite clear, the matter may be settled today or tomorrow. That is the decision. There are some copies here, one for the honourable gentleman, of the remarks that I have just outlined and some for the press. So there has been no wage freeze and no lack of willingness to bargain. The union has rejected our last generous offer.

MR. HARVEY: Mr. Speaker, I would like to direct a question to the Minister of Highways. Has he been contacted by anybody in my district, Labrador South, concerning the road conditions pertaining to or between West St. Modeste and Pinware a distance of three miles. I understand the school bus could not get through there for the past four or five days. Has he been contacted, has anything been done to clear that road of snow and slush so the kids can go to school?

MR. MAYNARD: No, Mr. Speaker, I have not been contacted personally regarding anything from the district of Labrador South. The officials of the department may have been, I will check it out this afternoon when I get the chance to talk with the officials.

MR. THOMS: Mr. Speaker, I wish to direct a question to the Minister of Health. In view of the fact that the doctor in the Glovertown area has been sick approximately six weeks and will be off duty for some time to come, is there any plan to temporarily provide medical services to the Glovertown area until the present doctor is back to work?

DR. ROY: I take notice of that Mr. Speaker.

MR. ROBERTS: Mr. Speaker, may I ask a question of the Minister of Finance? I wonder if there are any agreements which the government are required to table under section 43, of the original Melville Pulp & Paper Ltd. Act, this is the one that requires all agreements entered into by the government under the terms of that act to be tabled within fifteen days. I believe this is the fifteenth day. We may have that theological argument Mr. Speaker, whether it is fifteen sitting days or fifteen days from the beginning of the session. I wonder if there are any agreements to be tabled on this and when we might expect them?

MR. CROSBIE: There are no agreements to be tabled that I know of, Mr. Speaker. I can have it checked. If the honourable gentleman feels there is some agreement, we will be glad to table it.

MR. ROBERTS: I wonder if the agreements under which the interim financing which we will doubtless be discussing a little later; some advances were made under section 6 & 10 of the act as amended.

MR. CROSBIE: I have no objection to tabling those if you want them tabled.

MR. ROBERTS: I cannot find my own -

ORDERS OF THE DAY:

Motion, second reading of a Bill, 'An Act To Ratify And Confirm An Agreement Made Between The Government And Certain Companies Relating To The Linerboard Mill At Stephenville And To Provide For Certain Matters Relating Thereto.'

bill # 55

HON. J.C. CROSBIE (Minister of Finance): Mr. Speaker, I rise and move second reading of this Bill, the Stephenville Linerboard Agreement Act, 1972, if it is passed by the House of Assembly.

Mr. Speaker, it was just about four years ago when I resigned from the Smallwood Administration, May 14, 1968. It will be four years in ten days. I resigned, Mr. Speaker, because I disagreed with the financial and economic development policies of that government as I outlined in a letter to the Premier of that day. The immediate occasion was the oil refinery project. The basic reason was disagreement with the approach of that government to economic development and to the financial matter and to the financial problems of this province.

I believe, Mr. Speaker, that the events that I will recount today in connection with the linerboard mill at Stephenville will more than amply demonstrate that that was a right decision and my only regret is that the government that took that approach was left to remain in office until January 18, 1972 to carry on as it was carrying on with this project among others, because the bill that we are introducing here today and asking the House to pass is an attempt to salvage something, to salvage a situation that should never have happened, that should never have occurred if proper, competent management and administration had been in effect in this province in the intervening years.

At second reading of the Bill I would like to outline briefly, if I can, the history of this project, the linerboard mill at Stephenville and the development of the logging complex at Goose Bay. What happened between June of 1971 and January 18, of this year, when

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the Moore's Administration took office. To show members of the House and hopefully the public what the situation was when the P.C. Administration took over control of the affairs of this province on January 18. How desperate the situation was, what state the project was in and why we have had to take the steps we have taken since, which are the only steps that could have been taken to salvage this project and attempt to save the \$110 million that the people of Newfoundland already have in it.

MR. CROSBIE:

After doing that, Mr. Speaker, I propose to outline what happened from January 18, 1972, the date ending up in the Agreement Entered Into Between The Government And The Javelin Companies which hopefully the House will ratify. It will not become effective until the House does ratify the bill by passing this legislation and I propose to outline how we propose to carry on with this project in the next few months or several years in the attempt to make it viable, in an attempt to keep it operating and in an attempt to make it a success which we hope it will be and which we think it will have a fair chance of being because of the steps we have taken and are taking.

I believe, Mr. Speaker, in all the annals of industrial development in Canada that this is one of the prime illustrations of how not to proceed with industrial or economic development. There have been somewhat similar examples in other provinces and this, I would say, is in the category of being among the worst of them. The reason or part of the reasons for it are that the provinces, certainly the poor ones, are desperate for development and therefore fair game for anyone who proposes to come along to start anything, have very little money of their own to do it with and want to use the money of the people of the province to carry out their projects.

I for one would not have to care or this government would not have to care essentially, if there was no public money in this, how it was being run. But this was a project, Mr. Speaker, that from the start was to be financed almost entirely by government and the safeguards that were instituted and the controls that were effected and the spirit behind them were not sufficient as we will soon see.

Now, Mr. Speaker, this started in 1967 originally, with legislation

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MR. CROSBIE:

coming before this House, ^{maybe Bill # 20} ^{Tape 26} ³⁷ ^(Bill # 20) Act No. 44 of 1966-1967, which authorized the entering into of certain agreements with Melville Pulp and Paper Limited which afterwards became Javelin Paper Limited. Among the clauses was clause (f) empowering the government to guarantee one hundred and seventeen french francs and twenty-seven million five hundred thousand dollars in Canadian or U.S. currency to be raised by that company for the purpose of a linerboard mill project at Stephenville. That amounted to some \$53. million.

The bill also contained clause (10) and clause (10) stated that notwithstanding the other provisions of the act and in addition to the guarantees authorized elsewhere in the act, the government may subject to the prior approval of the Lieutenant Governor-in-Council guarantee such loans and indebtedness and other obligations and pay or invest such monies and extend such credit and enter into, execute and deliver all such further and other agreements, contracts and undertakings as the government may deem necessary or desirable to provide

MR. CROSBIE directly or indirectly for the establishment and operation in the province of the mill referred to in section two.

In other words this House, Mr. Speaker, authorize the government of that day to guarantee additional monies if it deemed it necessarily desirable to help establish this mill in the province. I was one of the members of the government that put that before the House, regretfully. The House therefore put a tremendous discretionary power in the hands of the government of the day. And the government of the day abused that discretionary power and used this section of the act to increase the guarantees under the act from \$53 million until it ended up, by the date we had taken it over, some \$110 million. That section contemplated that there might be some increases necessary. It might be a few million dollars something that would need to be done. The government would have to guarantee forever. Passed in 1967. The Liberal Administration used it to practically double the guarantee, refused to give information to the House about it. Refused to give information to the public and completely abused the discretionary power it was given.

No one anticipated that when the clause was passed, but it is obvious that there should be no more similar clauses in any other legislation. That was suppose to be, Mr. Speaker, an agreement between Canadian Javelin Limited, the Government of Newfoundland, Societe Ensa of France associated with Schneider-Creusot and Corfu Construction Company. The various contracts were tabled in the House at that time.

In 1968 amendment was passed to the act authorizing, because in 1968, Mr. Doyle discontinued his arrangements with the French interests— an amendment was passed to make the guarantee \$53 million in Canadian or U.S. currency. That was May 23, 1968.

I believe at that time, Mr. Speaker, the concept was that there would be a mill at Stephenville, a logging operation at Goose Bay, there would be a woodchip mill at Goose Bay, the woodchip mill would take the raw logs and turn them into woodchips. The woodchips would

MR. CROSBIE: be transported by two 65,000 ton vessels from Goose Bay to Stephenville, where they would be used in the linerboard mill. It was stated that the feasibility of all of this depended upon transportation of these two large vessels carrying woodchips.

At that time the project was suppose to cost, including \$18 million for the two vessels, about \$100 million, somewhere in that vicinity, including the vessels, working capital and the rest. At the end of 1968 and, by the way, Mr. Speaker, in all these early arrangements Javelin was to completely finance the woods operations in Labrador itself. The Government of Newfoundland were not to be involved in the financing of their wood operations in Labrador. They were to arrange that themselves. The \$53 million was to help complete the mill.

At the end of December 1968 it was announced that, and by the way, Mr. Speaker, it was proposed then that there would be an ARDA grant of \$5 million to the project and the federal government had to spend some \$20 million dredging and making harbour improvements at Goose Bay and Stephenville so that these two large ships could use those ports, amounting to about \$20 million.

At the end of December 1968 it was announced by Mr. Smallwood that this concept had changed, the woodchip mill was now to go in Stephenville not to be in Goose Bay and that the wood was to be brought from Goose Bay to Stephenville in the form of logs, which would be transported in smaller ships. As to why this change was made, I was never clear on it. I think what happened was that the Government of Canada refused to spend \$20 million on extensions and dredging of the harbours at Goose Bay and Stephenville for these large ships because it was not satisfied that the project was feasible. It had its own studies done. There were too many gaps in the project.

MR. CROSBIE: There was quite a fuss in Goose Bay at the time, as we all remember.

Then, Mr. Speaker, this was changed, of course, the reason; the economical transportation of woodchips by these two large vessels which was so vital to the project a year earlier had now disappeared. And no real reason was ever given for that.

Then it was announced on November 21, 1969 that the Smallwood Administration, including some of the gentlemen opposite, had entered into an agreement on the linerboard mill.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: No, November 21, 1969. I was gone myself since May 1968. I would have been gone in November 1969 certainly. But I was gone in May of 1968.

On November 21, 1969 the Linerboard ~~Mill Agreement had been signed,~~ ^{been signed}

This was when the government entered into a government guarantee agreement with Canadian Javelin Limited, Javelin Paper, Javelin Forest and MALCO for the financing of the construction of the mill at Stephenville. There was suppose to be a construction contract with McAlpine Construction Company, which is an English company. The financing was to be done through Lazard Brothers in England with the financing guaranteed by the English Export Credit Department that is guaranteed the Lazard's by them, not guaranteed, we were still guaranteeing ultimately all the financing. That the Finnish Firm of Rauma-Repola were going to construct the woodroom or chip mill and the contract entered into with Walmsleys of Bury Limited of England who were going to supply the linerboard machinery and equipment. This all being financed under Lazard Brothers and E.C.G.D.

It was reported in the press then that the loans total \$41.4 million. It was \$120 million proposed complex. The figures changed everytime you looked at a clipping. Javelin was going to harvest 850,000 cords of pulp wood annually from the vast reserves at Melville,

MR. CROSBIE: 550,000 for the mill and 300,000 cords a year as export wood and so on. Greyhound Leasing was in it and Greyhound Leasing was out of it and so on and so forth.

Later I think it was in 1970 it was revealed that the government's guarantee had gone to \$58 million, \$58,860,000. This was revealed in the session of 1970 when questions were asked. There is no point in giving all the details, I do not think so. There is the McAlpine Contract and Walmsleys and financed by Lazard's and that was \$58,860,000. Then there was a German loan of \$17,600,000. Some of which will be duplication, anyway ending up with a total guarantee of \$58,860,000.

So what was reported in the press in November 1969 as a \$41 million loan, was not that at all, \$58 million, \$5 million more than the \$53 million provided for in the legislation. At that time in any event, that was when these agreements were entered into, construction contract, Rama-Repola and the rest of it.

It was still the position, Mr. Speaker, that Canadian Javelin itself was to finance the activities that went on in Labrador, the harvesting of equipment and generally.

There was a private members' resolution tabled in 1970 requesting that a select committee be appointed to look into what was happening to date and report back to the House. That was voted down by the government who did not want to give any information on this project at all.

On August 5, 1970 our past Premier announced that the province's fifth mill for processing forest products will be built at Stephenville at a cost of \$72 million to produce 11,050 tons of sulphate pulp daily. That it would be built by Javelin Paper next to the linerboard mill. That was the announcement of August 1970. That fifth mill to produce sulphate pulp daily is not at Stephenville and nothing has been heard of it recently.

Mr. Crosbie.

I assume it is not going ahead now. But that is typical of the kind of poppycock and silly puffed up announcements that used to come out every month or two in connection with this project and others.

It was not until the end of March, Mr. Speaker, 1972, that we got some inclination of the fact that the project was getting into deep trouble. Did we get that information from the administration of the day? No, Sir, we did not. We got it from a prospectus that the government had to file in New York because the government were borrowing money down in New York, the Liberal Administration. That was March, 1971, borrowing \$25 million. It was a public issue and to comply with the Securities and Exchange Commission Regulations, the government had to give the facts, the financial facts that affected the province. In that prospectus, Mr. Speaker, not from the government, not in this House, we learned that the cost had now increased. The cost had increased, according to the prospectus, from \$75.3 million to \$91 million, which is a \$15.7 million increase and that the province's liability had now increased to \$75.3 million. The province's guarantees are now up to that, including the \$2,850,000 loan through the Bankers Trust Company down in New York and the prospectus had two pages of details on this situation.

Mr. Speaker, the Guarantee Agreement by the way and these other agreements were signed November 21, 1970. The Guarantee Agreement provided for there to be signed a trust deed which would give a first mortgage on the property to the Province of Newfoundland. Yet a year later there was still no trust deed. (In January, 1971, there was a trust deed). In November, 1970 the Guarantee Agreement was entered into - no, 1969. A year later November, 1970, there was still no trust deed. Although the Guaranteed Agreement called for it, we did not even have a mortgage on the premises. (That is flooring them instead of tabling them).

In January, Mr. Speaker, January, 1971, a trust deed was entered

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into between the Government of Newfoundland, Canadian Javelin Limited, Javelin Paper, Javelin Forests and NALCO, giving the government a first mortgage on the premises of the linerboard mill at Stephenville and on other property of the company in exchange for our guarantee of these various monies. In other words fourteen months after the guarantees were given, fourteen months after the original agreements were signed, the government finally entered into a trust deed - January 18, 1971. Why did the government enter into a trust deed? It was not because the government wanted to enter into a trust deed, Mr. Speaker, but because the people purchasing our bonds or their lawyers down in New York had insisted that the government enter into this trust deed or if not

MR. CROSBIE: there would be difficulty selling our own bonds because we had no security for the guarantees we would give except the Guarantee Agreement. Fourteen months later a trust deed was entered into and, Mr. Speaker, I will come to it in a few minutes and explain how Canadian Javeline alleges that the trustee is of no validity because it is not properly executed by them and it is within the knowledge they say and with the consent of the former Premier of the province, that this was signed conditionally, the conditions were never met and the trust deed never validly executed by Canadian Javelin Limited and the other companies.

1971, according to the prospectus our guarantee was up to seventy-five point three (75.3) million and the cost of the plant was escalating. It is now estimated to be \$91 million. They give various figures for cost of construction, equipment, interest and banking fees and so on and also where all the guarantees are.

On November 13, 1970, Mr. Speaker, the former administration appointed D.D. Dick, Consulting Engineering Limited of Toronto as the government consulting engineers on this project. In other words, they were appointed to act for the government, to supervise what was happening with Cowan and with the construction and how the thing was going and report back to the government, keep them informed or advised if anything alarming was happening and presumably advise them if they thought the plans were not suitable etc.

That itself was a year after the government had entered into the Guarantee Agreement and guaranteed the \$58 million and then a lot more money, a year later that our consulting engineers were appointed who were supposed to advise us and protect the government and advise the government of what was happening in the situation. They should have been appointed at least a year earlier. They should have been appointed to look at the construction contract and the other documents to see whether they were suitable documents for the government to approve. Because, Mr. Speaker, the construction contract with McAlpine is one of the most

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generous construction contracts ever let to a construction company and that is saying something in Newfoundland, because it provided for the work to be done at cost plus ten and a-quarter percent. In other words, no matter what it cost, McAlpine would get ten and a-quarter percent on top of that. It was not a fixed price contract, it was not a firm price contract and the cost under that contract, they have not doubled but they have gone up appreciably since this project started.

That is when our engineer should have been there. That is when our consulting engineers should have been there, to say: "No, do not give a guarantee if this is the kind of contract that is going to be entered into. Because, we guaranteed, the government guaranteed McAlpine payment under their contract guaranteed to Rauma - Repola that the project would be completed and the rest of it.

They were appointed November 13, 1970. The principal of that firm is Mr. Donald Dick. One of the first things we did upon taking office and finding out what a fantastic mess this project was in, was to contact Mr. Dick. Mr. Dick came down and we have been using him ever since and the gentleman is invaluable. I must say we would be in a very hard spot without him. He knows about the project, he is knowledgeable, he spent a lot of time on it, he has been a tremendous help to this government. We are lucky we have him, he was a good appointment. But he was instructed by the Premier of the day to keep written reports short and to report directly to the Premier orally rather than in writing. To keep his written reports short and to report to Mr. Smallwood orally not in writing. Why? You can only hazard a guess. Having been in that government the guess I hazard is that Mr. Smallwood did not want all or some of his ministers to know what these reports had in them.

MR. CROSBIE: Right. It was.

In a letter of January 20, 1971, Mr. Speaker, Mr. Dick reported that Javelin should start to recruit key operating personnel with a view to having a skeleton staff on the site by the early summer of 1971, as this was essential for the start-up. That is sixteen months ago, Mr. Donald Dick told the government that in a report to the Premier, in a letter to the Premier.

January 20, 1971 he reports the schedule start-up date was May 1972 but the project is running later than that.

Third paragraph, "It is our opinion that Javelin should start to recruit key operating personnel with a view to having a skelton staff on site by the early summer of this year as these men will be of paramount importance when hiring the remainder of the staff. Bearing in mind that they will shoulder the burden of start-up which is never easy in a mill of this size, they need to be chosen carefully. It would be advisable to give first opportunity to those people with appropriate experience in the Newfoundland mills, without looking elsewhere."

Those men are still not there, Mr. Speaker. The government was warned about them, a year last January. We have people out to recruit now, we have found two so far - not the general manager and the mill manager but we have found two suitable persons on a supervisory level who have now been hired by the Labrador Linerboard Limited, So hopefully the bill will pass the House. These will be the first two on the site, Mr. Speaker, getting ready for a start up and they should have been there early this summer, actually they should have been there earlier. that was January 20, 1970.

Nothing had been done about that by January 18, 1972, when we took office. In a report of May 1, 1971, the Dick Firm reported their grave concern over the course of a construction contract, gravely concerned about that. It is behind schedule. They have complaints about the general contractor. They think that he is exceeding the budget, charging too much for equipment and so on. There is a dispute between the owners and contractors about this, and wanting to know the government's intentions.

MR. CROSBIE: So it was obvious then that there was trouble in construction.

In their fourth report, dated May 25, 1971, Mr. Dick reported that there was a serious shortage of funds. He says, "Financial - The serious shortage of funds may result in the suspension of all construction activities within the next few days. Until new funds are provided the purchase of Canadian process equipment and piping will continue to be delayed. If this delay is prolonged any further, the end completion for the project will suffer, which will result in further escalation in cost and so on."

So the serious shortage in funds was reported on May 25. Just a few days after, Mr. Speaker, a private member's motion was debated in this Chamber, asking for information on this project and again requesting that a select committee be appointed in view of the report in this prospective, to report to the House what was happening. Once again, when the debate was held, the government refused to give any worthwhile information about the project.

MR. MURPHY: There was a unanimous vote against the opposition at that time.

MR. CROSBIE: Right. It was unanimous.

In this same report we have a prospectus in March 1971, Mr. Speaker, saying the cost is now \$91 million. In this same report of Mr. Dicks, he says, "To the best of our knowledge and information available from the engineer and the owner, the total over all cost of the project, including wood harvesting and wood room is about \$123,500,000 including \$7,850,000 for working capital. This latest cost is \$13 million higher than the figure earlier given to the government. That would have made that figure \$110 million.

The difference arises from increase in the estimates for interest during construction, start-up expense and working capital. Then they enclose a comparison of the latest estimates with the original feasibility study.

MR. CROSBIE: Then they go on to talk about the amount of wood that has to be shipped. They say that it had to be shipped from Goose Bay to Stephenville between June and December of 1972 - 429,000 chords of wood and it is essential for dredging to be done and other works on the harbour. Then they give a comparison. The feasibility study of November 6, 1967 revised May 13, 1968, showed a total estimated cost at Stephenville, excluding the wood chip mill, of \$68,921,000, now that cost at May 19, 1971 had escalated to \$93,989,000. The wood preparation plant was \$3.7 million. There had to be harbour facilities - \$1 million spent on that, not included before. An affluent treatment plant - \$4 million, not in the figures before, working capital - \$7,850,000, not in the figures before and the wood harvesting costs and loading facilities at Labrador still remain at \$13 million. So the total cost for May 1968 was \$81,921,000, that was the estimate. It is now \$123,598,000

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so it had gone up since 1968 to 1971, in those three years to about \$42. million. The government never told this House that it had a report. We were still open when that report came in, May 1971. The government never said nor reported to the House that the cost is now increased to \$123. million, that it was not even the \$91. million. No, Sir, not a word, not one word.

In a report of June 22, 1971, Mr. Dick deals with the problem of shipping wood from Goose to Stephenville and the work necessary to be done. He points out the problems there is going to be with shipping this 428,000 cords, the dredging is not done and so on. He encloses a list of critical items that need to be done for the project. Now this is June 1971 and this is now, I think, May 1972. "Obtain balance of financing, that was one of them and when we took over in January 1972 that was not done. It was a critical item in June 1971 and in January 1972 it was still not arranged, the balance of financing. "Resolve contractual difficulties with McAlpine" and that I suppose you could say was more or less done, but they were not really resolved, the parties were not really ad idem. "Dredging, boom and storage facilities at Stephenville Harbour" - that is not yet completed and at Goose Bay Harbour that is not yet completed. "The affluent treatment plant" - it is underway now and hopefully it should be finished by the end of July. It was only authorized in September 1971, although Mr. Dick reported it to be a critical item in June 1971.

"Executive administration of Javelin" - this was a critical item so that they would get some decent administration, some good staff for management. This was not done when we took over on January 18, 1972. "Set up company policy, administration procedures, employee benefit plans etc." - was not done, not even started when we took

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over. "Recruitment and hiring of personnel" - the personnel to operate the plant, to start it up, to run it, this was a critical item in June 1971 and when we took it over on January 18, 1972 there had not been a thing done about that. No, all that was done was allow this mismanagement, this maladministration, this mess, this chaos to continue month after month after month because the government of the day did not want the people of Newfoundland to know what was happening with their money on this project. That is the only explanation for it, The Government.

These were all critical items reported on June 18, 1971. In a letter of September 8, 1971, Mr. Dick reports that one of the things needed is procurement of badly needed equipment to make the woodlands operation and wood shipping operation more efficient; that was not done. To realign personnel in the woodlands organization and introduce an efficient system in maintenance; that was not done. To set up a permanent staff organization, to provide over all corporate management and to control and operate the mill, that was not done. The management and extension of the marketing functions; they were not done. None of those things were done when we took office on January 18, none of them. Marketing was not properly arranged, no proper management, no management, no permanent staff organization, no realign of personnel in the woodlands organization, the system of maintenance still inefficient, badly needed equipment not in effect, none of it done.

Anybody want to ask or is there any question why we had to take over the project? Where would it have ended if we had let it continue on like that and slinged along because we knew there had to be an election in the next couple of months? Where would it have been if we had taken that attitude, Mr. Speaker? It would have been a lot

MR. CROSBIE:

worse than it is now. What was the good of Mr. Dick's organization making these reports, and that is all there is for that period. He was told not to make too many reports but to report verbally. What was the good of him making these reports, they were not carried out, no one paid any attention to them?

Mr. Speaker, it was obvious, anyone could see who wanted to discover it, who wanted to find out about it, who wanted to know about it, anyone in the government would know in May 1971 it was in critical trouble and they would know then that it should be taken over by the government then. There can be no doubt in my mind that the government must have known and realized then and, Mr. Speaker, that is when it could have been taken over, that is when there still would have been time to take it over by going under the guarantee agreement or going through the courts when time was not of the essence as it was in January 1972. I wonder will someone on the other side have the gall and the affrontery to say that the \$5. million we are paying Javelin to settle this is a sell-out, I wonder if they will. I wonder because, Mr. Speaker, if the action had been taken in May 1971 and we had gone to court then or taken the steps then or taken the approach then that we took in February 1972, there would have been a lot less necessity for any settlement with Javelin even though it still might have been the best thing to do and the most reasonable thing. Why was it not done? That is something only the honourable gentlemen opposite can answer.

Mr. Speaker, on November 27, 1970 Peet, Marwick, Mitchell and Company were appointed by the last government as auditors for the government of the accounts of Javelin Paper and associated companies. Instructed to examine and report on various aspects of the project.

MR. CROSBIE:

November 1970, that, Mr. Speaker, was twelve months after the Guarantee Agreements were signed. They were signed November 1969 and under the Guarantee Agreement the government had the right to appoint auditors but they were not appointed until November 1970, November 27. Why not? Why the twelve month delay? They were appointed primarily to report on the utilization by Javelin Paper and associated companies of the financing that had been guaranteed by the government.

Now, Mr. Speaker, they should have been appointed in November 1969 when funds guaranteed by the government first commenced to be used, not a year later although even a year later was something. A record of negligence and mismanagement! That was when they were appointed, November 1970, twelve months late. I remember an honourable member of this House, the member for St. John's North then, now no longer a member, standing in this House when we were debating this private members resolution and stating how important it was and the agreements were important, yes but it was so much more important to have proper inspection and control by the government and it would be all-important who were the auditors and all-important who was the consulting engineer and the rest of it. a lot of hogwash and bunkum -

when you have a government that does not care and does not want to check and does not want to control and does not want to have anything to do with it except to keep scooping it out.

Twelve months it was, before auditors were appointed and longer before a consulting engineer was appointed. So, what do the government do when they were faced with this crisis, with Javelin in May 1971? In June they started making secret loans and advances to them without one word to the people of Newfoundland or to the members of this House. Not a word. On June 25, 1971, \$9 million, they arranged a bank loan to the Bank of Montreal for Newfoundland Industrial Development Corporation, then loaned that and invested that in the project that Javelin paid for Javelin forest. I will come to the agreements. There were four agreements signed.

That was June 25, 1971, not a word to the public. The present Premier revealed it to the public a few days later. Mr. Smallwood had to come back and admit that they had given another \$9 million to the project.

October 1, 1971, another direct government loan of \$6 million through the Newfoundland Industrial Development Corporation. That is October 1. The election I think was only three weeks later. Not a word! The people of Newfoundland were not going to be given a chance to think about this or to discuss it. Not likely. Sling it out secretly, do not let anyone know that was \$15 million. Then, we had the election of October, practically a tie, when a government in office should do nothing but the most routine, what happened after that Mr. Speaker? Then they bucked out \$6 million. That was October 1. Then \$7.8 million on November 19, The government defeated at the polls repudiated at the polls with a majority of the people voting against them, no longer in the government with the will of the people, slapped out another \$7,800,000 without a word to the public, not one syllable to the public, \$7,800,000. December 16, 1971 another loan of \$1.2 million from the public treasury, \$9 million after the election without a word to the public, without the authority or the will of the people of this province behind them. Just in by the skin

of their teeth. Out, go into the tremendous hungry maw of the people who were ruling this project, who did not know how to manage it, money of the people of Newfoundland.

Yes, I will not be surprised if someone across says it is a sellout. We are paying \$5 million to try to salvage it. It takes some gall. It will take some gall and some hide to say it but I will not be surprised if some one does. So, Mr. Sneaker, that was \$12 million from May of 1971 to December of 1972 of the money that the people of this province put into this project without a word except for what the Premier revealed on a tip off in June or July.

Now, Mr. Sneaker, while this was happening, Mr. Doyle was permitted to run around the world with a guarantee, a government guarantee, One month they were going to allow Mr. Doyle to borrow money on a guarantee, the next month they were not going to, He was permitted to roam Europe in the financial circles, with our guarantee, which prevented us from borrowing any money ourselves, direct.

Now, here was some member opposite talking the other day about the \$100 million we had to borrow at the end of March, and early April. We had to borrow it because the last government that spent it was unable to borrow it because they had Mr. John C. Doyle out flicking around the financial markets of the world for the Newfoundland Government guarantee. Therefore they could not borrow direct for this province, doing us incalculable harm in areas where we had said we would only borrow direct, and would not guarantee any more loans like that. Mr. John Mahoney, he was over I think in London two weeks in August waiting to borrow \$45 million, order-in-council in his pocket. That fell through.

So that was how that crisis was dealt with, Mr. Sneaker. That was how it was faced up to by not facing up to it and by giving out money, \$24 million without any information to the public whatsoever.

What happened next? On December 10, 1971, order-in-council 1386 was passed to authorize a guarantee by the government of a loan of \$100 million

deutschemarks to the Javelin Companies, or approximately \$30 million. There is a copy of the Order-in-Council. Mr. Doyle was now able to get the money in Germany, and the government was to guarantee it.

Now, I forgot to mention, Mr. Speaker, in connection with each of these four advances there was an interim agreement, a loan agreement entered into between the government and the Javelin Companies containing clauses meant to protect the government. I will refer to each of those agreements in a minute.

This Order-in-Council was passed December 10, 1971. At the end it said the honourable Minister of Economic Development he and he is hereby authorized on behalf of the government to negotiate and conclude a backup agreement between Javelin paper and its affiliates in terms which shall receive the prior approval of the Lieutenant Governor in Council

Now, Mr. Speaker, obviously, unfortunately, it was not worded properly. The obvious intent was that before the Minister of Economic Development gives the government's guarantee, signs it and delivers it to Javelin he gets a backup agreement, to govern what is going to happen with the proceeds of the loan because we were owed \$24 million by Javelin. That is what the Cabinet intended when they passed this Order-in-Council. But, the last paragraph was not worded properly. It did not say that this would be a condition precedent to the guarantee. What happened? Our former Premier, Mr. Speaker, gave the guarantee signed by him to Mr. Doyle or his agents and they were able to borrow the money with our guarantee without any agreement entered into as to what was to happen with the proceeds. An outraged, a piece of negligence, a piece of criminal negligence by the leader of the government. He fooled his accomplices, they did not know about it. I am sure, to be quite fair about it, if they had known about it they would have stopped it. At least I imagine they would at this stage.

Imagine that, Mr. Speaker, \$30 million being borrowed without any agreement being entered into first. Now, to come back to the other interim

agreement. There are four agreements, the honourable minister wants - I can get other copies to table, this is just my own file. Each time there was an advance, starting on June 29, 1971, there was an agreement entered into. I will give the main conditions. The proceeds of this investment were only to be used to complete the project. The auditors were to do a cash-flow forecast. It was to be invested into Javelin, some of the money was to be invested by Javelin Paper and Javelin Forest. You see now, Mr. Sneaker, we have gotten to the stage where we were financing the whole forest operation too. We were not supposed to in the beginning. That was Mr. Doyle's responsibility, but now we were doing it.

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so Javelin Paper could advance some of it to Javelin Forest to use in the forest operation. Peat-Marwick would audit what was happening to the loan. No part of the proceeds of the investment were to be paid to any subsidiary associated or affiliated company of Javelin Paper with the exception of NALCO. In other words Javelin Paper was not to take this money and pay some of it to Canadian Javelin or to Javelin Bulk Carriers or to Javelin Export. It was to use it for purposes of the project, not pay it out to Canadian Javelin or transfer it to some associated company. That was a condition.

The agreement was signed and entered into, the first one, June 25. The shares that Canadian Javelin and NALCO had in Javelin Paper were to be deposited with the Royal Trust Company in trust as long as this agreement was in effect and they would be voted as directed by the government when requested. The government could be placed in control and given the management of Javelin Paper and Javelin Forests as well as all the other assets that the agreement was defaulted with and so on. So they are all good conditions. Javelin Paper was to find a president experienced in senior management for the Forest Products Company and a competent financial officer and report to the directors and to the government. That agreement was entered into.

There was another agreement entered into on October 1 and I think this one has Canadian Javelin joined in as a guarantor. Canadian Javelin guarantees repayment of the loan of \$6 million. There is an agreement on November 19 and there is an agreement on December 16, when the other monies are advanced, continuing with the earlier provision and having Canadian Javelin as a guarantor. There were these agreements. Now what happened? In the meantime further alarming news was coming to the attention of the government. Disturbing facts began to appear with reference to the \$7.8 million advance given Javelin, November 19. From that amount \$2,7 million should have been paid McAlpine but now Canadian Javelin

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were telexing(or Javelin Paper) requesting that money, the \$2.7 million owed McAlpine be given them as part of the money they needed in December, 15. In other words they had not paid McAlpine out of that \$7.8 million, as they should have done. They apparently used it on something else. They were now telling the government that they needed this money - December 15. It was discovered that Javelin Paper no longer had funds available to meet this commitment because approximately \$2 million had been paid by Javelin Paper to Canadian Javelin in breach of the interim agreements and they claim that this was partial repayment of a loan made earlier by Canadian Javelin to Javelin Paper.

In other words, in defiance of these agreements, Javelin Paper was advancing \$2 million or paying it over to Canadian Javelin despite these interim agreements. Now I am not going to go into all the details of the next few weeks. They were pretty hectic and they are not altogether relevant except to indicate that the thing was going very unsatisfactorily.

There was constant pressure from the Office of the Premier from December 9 on, that Canadian Javelin be given further funds because of their financial difficulties and their deteriorating financial condition, or Javelin Paper. On December 10, Mr. Doyle called to state that the \$2 million in question were funds loaned to Canadian Javelin by a bank in Panama with that loan guaranteed by Javelin Paper and that the bank in Panama now demanded repayment of the loan, since neither Canadian Javelin nor Javelin Paper were in funds to repay the loan, asking the government to repay the loan, the \$2 million. This bank loan was supposedly from the Union Bank of Panama who confirmed that there was such a loan. However, a little detective work revealed some unusual things in connection with the Union Bank of Panama. First the telex number for the Union Bank of Panama

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turned out to be the same as the telex number I think for Canadian Javelin. Then the branch office of the auditors used by the government, Peat-Marwick, reported on December 16 that this bank occupied the same premises as Canadian Javelin, used the same telex as Canadian Javelin. On December 17 they reported that the Union Bank of Panama, S.A. was originally formed by Mr. John C. Doyle and two others in 1959 and that during 1971 the name was changed to the Union Trust and Finance Corporation so that it was not registered with the Banking Commission in Panama. The Panama law is: "If you want to use the word 'bank' in your name, you must register with the Banking Commission and lodge a deposit." This had not been done. This bank that was demanding repayment from Canadian Javelin and Javelin Paper allegedly was a bank originally incorporated by Mr. Doyle himself in Panama, that did not appear to be a bank at all and which was not registered as a bank and whose name had been changed anyway to Union Trust And Finance Corporation. That guarantee, that is only for us. The Union Bank of Panama, S.A. was now Union Trust and Finance Corporation.

Well, Mr. Speaker, to be quite fair about it, that aroused a bit of suspicion in the minds of the government. I believe the Government decided or the Treasury Board decided that an investigation should be made of this or of all inter-government advances. On December 24, 1971, the Treasury Board engaged Peat, Marwick, Mitchell and Company to examine and report upon certain inter-company transactions from June 29, 1971 to November 30, 1971. In other words, had Canadian Javelin Paper observed these agreements or had they been transferring money out from Javelin Paper and Javelin Forests, supplied by the Government to Canadian Javelin, Javelin Bulk Carriers, Javelin Export and the rest of it? That is what they were appointed to do.

As I understand it, on the same date or the day before, certain members of the cabinet (They shall be nameless, unless they want

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to name themselves) heard about this loan over in Europe. They did not realize that the guarantee had been given because they knew there was no back-up agreement but they heard disturbing words from Europe that on December 22, the money had been drawn down and given to Javelin Paper. On December 24 some members of the cabinet started to make inquiries about this. I think on December 28 they discovered in what bank account the money was or where it had gone from the time it was drawn down, 28th or 29th December. At the insistence of the government, Javelin was persuaded (you might put it that way) that the money had to go into a joint account - \$24 million with Curtis, Dawe, Fagan and Mahoney and the balance of the \$6 million in a bank account up in Montreal under an agreement that the money could only be spent if a representative of Javelin and a representative of the government signed the cheques. The money of Curtis, Dawe, Fagan and Mahoney could only be released if both parties agreed.

Then they started to negotiate the back-up agreement.

Mr. Doyle now had the money but Canadian Javelin wanted the government - his argument was: If I pay you back the \$24 million you advanced me, you are now paid back and therefore I want the interim agreements torn up. They are supposed to

MR. CROSBIE: last a year or a year and eight months, but I want them torn up. I do not want you to have the shares any longer, I do not want to be guaranteeing them - well he would not be guaranteeing that money any longer, but I do not want to observe these conditions any longer. So, if I give you back your \$24 million out of the \$30 million you guaranteed for me, I will do that if you tear up those agreements.

The gall of it, the unmitigated gall of it takes your breath away. I have had four months to get it back. Money, our money gotten with out guarantee, Mr. Doyle will agree to pay back \$24 million of our money that we advanced if we tear up these agreements.

AN HON. MEMBER: (Inaudible)

MR. CROSBIE: He certainly has a lot of it and there is a lot left over.

The government and Mr. Doyle could not agree, Mr. Speaker, on this. So, when we came into office on January 18, the \$24 million was still at Curtis, Dawe, Fagan and Mahoney and the five million odd dollars was still in a bank at Montreal. The project was staggering in the limbo, the creditors were not being paid, the bills were piling up and it was a deadlock between the government and Mr. Doyle, all caused by the misfeasance, the malfeasance, the nonfeasance, the mismanagement of the Premier of the day and those who permitted him to do it or to continue doing it. Because, Mr. Speaker, in my view, there was only one way of stopping his madness from June onwards and that was to resign, for anyone who wanted to stop it.

AN HON. MEMBER: Looking for a way out.

MR. CROSBIE: Not a way out, a way to stop it, because that could have been stopped.

Now that is an account of what had happened up to January 18. There is another interesting - there are a number of interesting points. By a letter dated November 23, 1971, Mr. Doyle on behalf of Canadian Javelin wrote Premier Smallwood alleging that the agreement concerning voting shares, dated May 1, 1967, between the Province, Canadian Javelin and Doyle, was now no longer valid and the government should return the

shares as forfeited to Javelin. This is the agreement, Mr. Speaker, that was signed May 1, 1967, where five million three hundred thousand voting preferred shares - six million were created, but five million three hundred thousand voting preferred shares were issued to the Government of Newfoundland to be voted by a committee appointed, one by the Government of Newfoundland, one by Javelin and with the two of them to choose a chairman.

Now, the agreement, and I have the agreement here, this agreement, Mr. Speaker, was tabled in this House when it was entered into May 1, 1967. It recites that because the Newfoundland Government is guaranteeing these \$53 million, these shares would be issued to the Newfoundland Government as further security, and to give the government control or the committee control over the affairs of Canadian Javelin. I think it goes so far as to suggest that to keep Mr. Doyle in control would be for the benefit of the project and Canadian Javelin.

Those shares were issued and a committee was appointed - Pardon?

AN HON. MEMBER: (Inaudible)

MR. CROSBIE: Right. Now, the agreement was ostensibly or said to be protection for the Newfoundland Government in connection with the linerboard mill project, but the real reason - I think everybody knows that. It was to keep Mr. Doyle in control of Canadian Javelin Limited because certain shareholders were dissatisfied with the way he was conducting the operations of that company and there was going to be a fight at the next annual meeting. With these five million three hundred thousand shares issued, voted by this committee with one appointed by Mr. Doyle, in effect, one appointed by Mr. Smallwood, in effect, there would be no worry that these minorities, these other shareholders could out-vote Mr. Doyle.

On November 23, 1971, Mr. Doyle wrote to say that this agreement was now void. It is interesting to see the grounds that he gave for that. (I had these all in line when I started out, now they are all mixed up) November 23, 1971 a letter to Mr. Smallwood from Mr. Doyle referring to the share agreement and the main burden of the letter is that the government guaranteed the whole complex. He says, "not just the money we guaranteed "

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and that is why the shares were issued. That we did not become liable within two years on the guarantee under this agreement. "The government takes a position that there is no completion agreement, which disappoints them, and the government is in default for failure to issue leases and licences to cut timber."

This is Canadian Javelin's big quarrel with the last government. (They have not really quarrelled with us about it, they have not had time.) That is that the government did not issue them timber leases. They had these concessions in Labrador under the NALCO Act, rights to get timber leases but they did not have the timber leases. Mr. Doyle claims that the government not giving them the timber leases was a violation of the agreement with the government and made void this share agreement, and in fact, it made void the guarantee agreement, and it made void the trust deed and it made it all void. That is the position they took with us and they argued with us that the government was in default because they were never issued licences and leases on the timber.

Mr. Speaker, it was a cardinal principle up to when I left in May 1968 that the wood of Labrador was not going to be mortgaged. The only reason Mr. Doyle could have for wanting these timber leases was to run out and mortgage our wood up in Labrador, to borrow money with it. Thank God! he never got the timber leases! This he alleged was a violation of the Newfoundland Government's agreement with them and, therefore, he argued that this preferred share agreement was now no longer valid.

By the way, Mr. Speaker, we made it absolutely clear to Mr. Doyle that it was nonnegotiable, that if he entered into the present agreement with us, that agreement in connection with the preferred shares was ending and that those preferred shares were to be redeemed and cancelled so they cannot be used again. Despite their strenuous efforts to have that changed, we maintained to the end including twenty-four hours ago when another attempt was made to change it. When the House passes this agreement it will not become effective until the preferred shares are redeemed and forfeited, and no one can vote them and disappear forever. That is a condition we made

of this agreement.

On January 13 and 14, Mr. Doyle was getting ready I believe for the change of administration, because various letters arrived from Mr. Doyle to Mr. Smallwood and to Messrs. Roberts and Rowe, the members for White Bay North and South, protesting various facts and setting grounds for legal action or trying to establish a position, I presume for when the new administration took over. There are several letters January 13 and 14, that alleged violation of agreements by the government.

MR. CROSBIE: Copies went everywhere. On January 14 there was a letter to the hon. Mr. Roberts about \$2 million due Canadian Javelin Paper, Union Trust and Finance Company in Panama. On January 14 a letter went to Mr. Smallwood calling to attention to him about the timber leases and pointing out that this was a violation. It was their argument that it was a violation under the agreement. On January another letter bringing to the Premier's attention the scandalous behaviour of several of his ministers, refusing to authorize certain releases from jointly held funds and so on. There is a series of these letters protesting the fact and alleging, and this was a joke, Mr. Speaker, alleging that the construction of the mill was not under their control because McAlpine had too much power under the contract. What a consummate piece of nonsense! The contract that Javelin entered into with McAlpine they were now saying to the government, protesting that the construction was not under control and acting as though it was the government's fault.

There is a series of these letters alleging that the government was in default to Mr. Doyle. On January 18, we took office and on January 19, the Premier appointed the hon. Minister without Portfolio, the hon. Minister of Justice, and myself, as a committee to deal with this situation, and we were only in office about one hour when we had to start to deal with it. It was quite an interesting situation to deal with.

There is enough material for ten books that I skipped over, Mr. Speaker, but I cannot go into all the details. I suppose it is not important enough. In any event, the new government had now taken over. What did we discover was the condition of the project? We discovered the government had advanced \$24 million. The Javelin people had gotten \$30 million of our guarantee without any agreement covering it. There was a dead-lock on that situation, the two parties have not been able to agree. Neither one could spend the money without the agreement of the other. Bills were piling up. Creditors unpaid, crisis on every hand and McAlpine Construction had made a demand on the government, under its guarantee, to pay them the monies that

MR. CROSBIE: was due them under the construction contract.

As we looked into the project it became obvious that it was a complete and utter mess, that the marketing contract was not a contract of any great value, because there was no price set at which they would buy the linerboard product and there were too many things left out of it, it was too vague. We discovered that the situation in Labrador was chaotic, that there was no chance in this world of getting \$469,000 chords of wood from Labrador to Stephenville this year, not a chance in the world; that at the best we might get \$200,000. We discovered that the forestry operation in Labrador was completely mismanaged. We discovered that the costs had escalated tremendously. We discovered that out of the \$30 million borrowed in December in Germany, \$24 million repaid us, the \$6 million in the bank was already nearly gone or would be gone very quickly just to pay off outstanding bills so that immediately you would have to again advance money to Javelin to keep the project going. That is the shape it was in. So what did we do about it?

The first thing we did about it, Mr. Speaker, was to tell Javelin, as I announced on January 26 on behalf of the government, that they were to pay us back the money or they would not get another cent and legal action would be commenced, and to give the people of Newfoundland the facts. In a press conference on January 26 we gave the press seventeen pages, all facts, reciting what the financial position was. What it cost to date. About the \$24 million, and we gave Javelin certain alternatives.

The alternatives were that he repay to us, or Javelin repay to us, this \$24 million signing a satisfactory back-up agreement or satisfactory terms be entered into for the withdrawal of Javelin from the project so that we would take it over entirely or legal action would be commenced. That is what we did. It only took one week to do that, to decide that, Mr. Speaker. This could not be allowed to go on. This shambles could not continue indefinitely. In another seven days we had the money back, as was announced on February 4. They paid us back the \$24 million. They

MR. CROSBIE: paid the government, under an agreement between the two of us, that we would allow the courts to decide whether the interim agreements were still in effect or not but we had the \$24 million. Then we told them that if there was to be any money spent out of a joint bank account it would be done under our direction and control. That no longer would any money be given to Javelin companies to use as they saw fit. That money in the bank account in Montreal could only be spent if they presented us with an invoice, certified as being correct, signed a cheque themselves and then sent it here to St. John's and if we agreed that everything was in order, we would sign the cheque also and then the invoice would be paid. We were no longer going to advance money for Javelin who could not be trusted to observe agreements that were entered into as to what to do with the advancements. From then on, Mr. Speaker, January early February onwards, that is how bills were paid, only if we satisfied ourselves they were in order. As the House knows some were not in order.

One to carry the late member for Labrador West from Wabush to St. John's on October 29, we did not find to be valid or reasonably necessary for the continuance of the linerboard project. In fact it would have been disastrous for the linerboard project had that hon. gentleman succeeded in his eventual aims, that was \$3,001. Another one for \$6,000 to take the former Premier and his family down to Florida, we did not consider that relevant to the linerboard mill project. An account for \$750 to pay to lawyers to sue the Montreal Star, as security for costs, we did not consider that to be relevant to the project and so on. So there were quite a few bills we refused to pay.

But from the time we took over this government, Mr. Speaker, there has been complete control on the spending of government money on this project, not one cent has been spent except we have satisfied ourselves it was to pay legitimate bills for the project. I have an account of the amount spent which I shall come to shortly.

MR. CROSBIE: McAlpine's we have been paying them ever since, they have not had a cent from Javelin since January. We have had to pay them under our guarantee.

We discovered at the same time, Mr. Speaker, that Javelin had no permanent personnel on the site at Stephenville to prepare for start-up, no mill manager, no superintendents, no one looking after marketing. That the shipping arrangements proposed to be entered into were not acceptable. All of these things were unsatisfactory. That there was no firm estimate of what it would eventually cost to complete the mill and get it through start-up. That there is no over all general manager. That Javelin Export Limited of Nassau, the Bahamas, had a contract for Javelin paper, where all the wood, the linerboard would be sold through Javelin Export and Javelin Export and Nassau would get 5% for doing exactly zero, for doing nothing, just siphoning, removing, slinging five percent

MR. CROSBIE: of the sales of the project off to this company down in Nassau where it would be tax free and available to be used by the honourable gentleman's friend, Mr. Doyle in Nassau. These are the kind of little dodges and little gimmicks that were going on, a company in Nassau. When this was pointed out last year the former Premier said this was just a normal commercial thing that anyone would do. It certainly is, if you can get away with it. But why should he be allowed to do it with our money? I do not care what anyone does with their own, their own operation, but not with the funds of the people of Newfoundland. So we found a contract entered into with Javelin Export. We found Javelin Export Limited charging all the other companies consulting fees for Mr. Doyle. Everyone of them had to phone up so many thousand a month, consulting fees for Mr. Doyle, send down to Nassau where it would not be taxable and all coming out of the monies we guaranteed, and an apartment up in Montreal, furnished, luxuriously furnished, \$18,000 worth of curtains, carpets, You would smother in the carpets, art, Louis XVI furniture all paid for out of the project. What have the people of Newfoundland been taken for these last few years? What have we been taken for? Well, we are not going to be taken for anything any more. There is not much left to squeeze out of us now. We are certainly not going to let anyone sling or squeeze anything like this out of this province again while we are in office.

Now, Mr. Speaker, we had two alternatives really with this situation, (1) proceed with legal action to try and take over the project under the Trusteed and Guarantee Agreement or (2) reach some voluntary settlement with Javelin if that could be done. The most preferable solution was the second one, Why? Because at this stage, February 1972, with the project being in the shape it was in, with such major decisions being made about marketing, about shipping, to get the logging operation in order, to get all of these things done that need to be done, we did not

MR. CROSBIE: have time, we could not risk the delays going through the court. We did not have the time. Now if we were forced to the wall, if they were absolutely unreasonable. Fine! We were prepared to grasp the nettle and go on to court. Or we could attempt to pass legislation and take the project that way. There would have been legal problems there, constitutional problems. So if it could be done, a voluntary settlement was better. Another reason for that is this, that Canadian Javelin Limited has some 20,000 odd shareholders. They are not all in on the action. A lot of them, many of them, the great majority of them are ordinary men and women who brought shares in Canadian Javelin. They do not control the company, cannot control its management and are at its mercy. If we were successful in a legal action were we foreclose, where successful, Javelin could not have gotten a cent back out of this project and I feel sure it would have become insolvent and gone under. If that could be avoided, we felt it was preferable. We were not out to kill or knife or finish Canadian Javelin. We have no reason to do that. But we were out, we are out to protect Newfoundland to save this province, to put our interest first. But if we could do that, if we could do that without also causing the demise of Canadian Javelin, so much the better. That was our position.

So on February 4, Mr. Speaker, we had a meeting with Mr. Doyle's lawyers or representative to discuss the next move. They had now given us back the \$24 million and I presented them with a suggested proposal for discussion purposes. I said, "here is something we can discuss. This is not an offer. It was not authorized by the government. This is just so as we can get down to brass tacks and start discussing what should be done." That is roughly - these are the principles generally that are in the agreement before the House today. That is as the House knows in essence that we pay Canadian Javelin Limited and the associated companies \$5 million for their interest in the

MR. CROSBIE: project, \$2.5 million, if the House ratifies this agreement, upon ratification and \$2.5 million within six months, subject to our having the right to deduct from that any monies that we find that have been spent on the project since November 21, 1969, not reasonably necessary for the project. We can go to arbitration if there is disagreement.

This was a proposal along those lines just for discussion. After that meeting the Javelin people went away and after they went away they were suppose to get us information. They were suppose to give us complete details on their assets and their liabilities all their complete position, so we could discuss this proposal further. We heard no more until February 17 by Mr. Doyle's legal representative (when I say Mr. Dovele, I mean Javelin) telexing me.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: They are pretty well.

After a telephone conversation, where my comment to him I cannot repeat, he telexed me, February 17. He said the following figures represent the approximate Javelin investment in the project 50 000 shares of preferred stock, \$5 million; for 900 shares of common stock \$2,280,000; for inter-company advances roughly \$5,600,000 and MALCO investment of woods, \$5,900,000. Canadian Javelin investment in the South Concession \$3,977,500 of which \$2 million is unpaid and past due Harmon Buildings \$650,000. We remain ready to discuss these with you.

That amounted, Mr. Speaker, to \$23,407,500 that Javelin had allegedly invested in the project. Now when you deduct the inter-company advances said to be \$5.6 that comes to \$17,807,000 in other words Javelin was willing to sell this magnificent project to us for \$17,807,000 plus repayment of their inter-company advances. They have now accepted what was suggested in early February and that is \$5 million plus repayment of the inter-company advances.

MR. CROSBIE: Now, Mr. Speaker, that was February 17, they were told it was entirely unaccepttable. But there were several new features, One was that Canadian Javelin wanted \$650,000 for the Harmon buildings when they had only paid us \$100,000 for them. So they were asked naturally why the difference? Why \$550,000 more to get these buildings back? The answer was that some third party had gotten \$550,000 worth of Javelin shares in connection with the transaction. We were being asked to repay them with a \$550,000 bribe they had apparently given to some third party.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: I do not know, they will not tell us naturally.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: I think so myself. I really do. \$650,000 because they bribed somebody with \$550,000 and asked us, the Province of Newfoundland, to repayment to them the amount of the bribe money. Was anything more cynical and more stupid ever suggested to anyone before? You will notice that we are

MR. CROSBIE:

buying the buildings back for \$100,000. I would have given them \$650,000 if they would give me the name but it was not offered. So we are getting the two buildings back for \$100,000 and these -

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: I just want to tell the House some facts on these two buildings. Mr. Speaker. It will only take a minute. There was an agreement signed on September 22, 1970 between Her Majesty the Queen in Right of Newfoundland represented by the Honourable Joseph R. Smallwood, Acting Minister of Public Works, called the vendor to one part, Harmon Corporation and Canadian Javelin Limited; where for \$250,000 payable \$50,000 on signature and \$50,000 a year in the next four years, the first installment to be paid September 30, 1971 and the other installment September 30 in each year thereafter, amounting to a total of \$250,000, the government and Harmon Corporation assigned to Javelin the land described with two buildings thereon at Stenhenville.

Now do you know how we got this document, Mr. Speaker? Did we find it down in the records of the Harmon Corporation? No. Did we find it in the records of Public Works? No. Did we find it in the records on the eighth floor? No, there were no records. How did we find it? Where did we get hold of it? We got it from the lawyers for Canadian Javelin. There was not even a copy of this in this building, and people laugh about what files are gone. There was not a copy of that agreement in this building when we took over and we had to ask the lawyers for Canadian Javelin to give us a copy. Unheard of in parliamentary history that one government left their records in a condition like that to a succeeding one or some members of it.

MR. CROSBIE

So the price was supposed to be \$250,000 and not one cent was paid, not one cent until November 30, 1971, a year and two months later when \$100,000 was paid after the election. The election was October 28 and November 30, \$100,000 was paid down on that agreement. It was not paid by Mr. Vardy. The \$100,000 Mr. Vardy got on October 26 from Javelin Paper was a political contribution and he did not pay that down on any Harmon buildings as he said. The money from the Harmon buildings was paid by Curtis and Dawe to the government and that is the way the receipt is made out. \$100,000 was paid on November 30, 1971.

Do you know, Mr. Speaker, that these buildings were valued by Public Works at the time that that agreement was entered into, that they were valued at \$8. million. Building number 361, a concrete brick structure 123,000 square feet built in 1958 with an historical cost of \$4,062,000 and an estimated replacement cost of \$6.5 million. The estimated value of that building May 26, 1970 - \$4,653,000. Building number 361, a dormitory building, concrete and brick 100,000 square feet built in 1958. On May 26, 1970 valued by the Department of Public Works \$3,501,000. That is valued, the two of them together, over \$8.150,000, agreeded to be sold to Canadian Javelin for \$250,000, to be paid over five years. How does that strike you? It strikes me as being a pretty poor deal. \$8. million they are valued at and sold to Canadian Javelin for \$250,000. Oh, I forgot, plus the \$550,000.

I have not had a chance to see if there is any Order-in-Council passed approving that and so on. There might be. We will have to have all this looked into when time permits. That was a scandalous venture and you know, Mr. Speaker, that this agreement here was flown out to Harmon to be signed in a rush on September 22 and no

MR. CROSBIE:

copy of it left at the Harmon Corporation. They wanted \$650,000, as the telex shows here, to give us back those two buildings. Well they are giving them back now for \$100,000. I do not know, perhaps they got their shares back. That is the story on the two Harmon buildings and I am sure, Mr. Speaker, that the people of Newfoundland will find a lot better use for them out in Stephenville, some public purpose out there, before we are through. By the way there is an excellent opportunity out in that area now for someone to put up a good motel or hotel because neither one of these buildings are going to be used for that purpose. Pardon.

AN HON. MEMBER: Mr. Spencer -

MR. CROSBIE: Spencer has one in Windsor, no, but I hope that somebody out that way will put up one because they can do now with a fifty or sixty room hotel, at least, out there.

MR. NEARY: (Inaudible).

MR. CROSBIE: Mr. John Diefenbaker was speaking in the House of Commons one time. Mr. Speaker, and I am sure most of us heard the story, and he was interrupted by one of the minor members across the House and he said, "When the big game hunter is out after elephant he does not notice rabbit tracks." And I do not notice mushroom caps.

Now, Mr. Speaker, that was the Harmon buildings. The same telex referred to Canadian Javelin investment in the South concession \$3,977,500 of which \$2. million is unpaid and past due. I asked what this was, what is this South concession that Canadian Javelin has invested nearly \$4. million in, and I was told that this is 10,300 square miles of timber land in Labrador that Javelin is buying from somebody called Society Transshipping. I said, "Why is Javelin paying this money? Do they have title to the land? Was

MR. CROSBIE:

a search and title ever done?" Well, the lawyer acting for Mr. Dowie did not know anything about that but he knew that they had agreed to pay them \$3,977,500, that they had paid them \$1,977,500 and owed them \$2. million and they wanted us, the people of Newfoundland, to reimburse them the \$4. million. By golly, you talk about the great lands deals, wait until you see this one. Here it is, Mr. Speaker, Labrador.

On the appendix, Mr. Speaker, to the agreement we are getting back from Canadian Javelin and NALCO all this area here, that is under the NALCO Act, and all this area up here around Wabush, that is timber rights under the NALCO Act, and any interest they have, we do not think they have any, but any interest they have in 10,300 square miles right here, which is called the South Sovereign Concession, This 10,300 square miles Javelin agreed to buy from Society Transshipping of Liechtenstein. Now we could not get any information on it.

Mr. Speaker, there were questions asked in this House in 1970 and in 1971. "Does any company incorporated in Liechtenstein have any interest whatsoever in timber rights in Labrador?"

Mr. Crosbie.

We were told that it was a lot of mumbo-jumbo but we were told that this is all in the public registries; this is public information that there is no Liechtenstein company the government knew about. You are howled down and yowled down. Anyway there was nothing to it, 10,300 square miles of it. It is not on any public registry in this province and it is not on any record in the Department of Mines, Agriculture and Resources.

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: I will come to that Mr. Speaker.

Now as we got down to brass taxes after we filed a notice of default on Javelin because we did not get down to the hardtack until after that was done, we got some information on Society Transshipping. Society Transshipping is reported to be founded in Vaduz, Liechtenstein in 1947. The officers are Peter Ritter, Robert Fournier and John Francois. I do not know who they are. I believe they are lawyers.

An agreement, dated March 6, 1968, was entered into between Society Transshipping and Canadian Javelin Limited whereby Society Transshipping transferred to Javelin the rights and obligations then invested in them by virtue of a letter of grant. "A letter of grant?" says you. "From whom?" "From Mr. Smallwood," says I. It was dated March 3, 1965. The letter confirms that Labrador Wood Reservation as per a map attached was granted to Society Transshipping. I will read the letter. These copies were supplied to us by Canadian Javelin after we got down to hardtack, after the notice of default was filed on them. The agreement is here, a copy of it, dated March 6, 1968, Society Transshipping and Canadian Javelin. The letter of grant means the letter from the head of the Government of the Province of Newfoundland attached hereto, marked NX-1. The letter is signed by the then Premier Smallwood. "March 3, 1965, Society Transshipping, Geneva Switzerland. Dear Sirs: This is to confirm that the Labrador Wood Reservation as per the attached map has been granted to you. In it

the province reserves all areas subject to flooding in the drainage basins flowing into the St. Lawrence River and the rights to power developments are also excluded from this reservation. This wood reservation is for a period of two and one-half years from this date with a grace period of one year additional to provide your paper interests and technicians with ample time to make an assessment of its commercial possibility. (It had seven years to do that).

" You will be entitled to a timber lease on the same basis as other concessionaires now existing in Labrador; namely, an annual ground rental plus a stumpage charge of \$1.50 per cord with a time restriction on the building of your operating facilities the same as in the NALCO Act. Sincerely yours, Joseph R. Smallwood."

We have searched records of the government and Order's-in-Council for 1964. There is no Order-in-Council approving this. We have searched for 1965. There is no Order-in-Council approving this letter. We have searched for 1966. There is no Order-in-Council. If there were an Order-in-Council, Mr. Speaker, we are informed by our legal advisors that there would be no authority under any statute for Mr. Smallwood to give this letter to any one granting them rights to 10,000, 300 square miles of timber.

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: That is a possibility.

Mr. Speaker, that was the letter and the only other reference we can find in government on it is an Order-in-Council - I will come back to the agreement. But Order-in-Council - 1000, of 1968 refers to this South Concession and the Order-in-Council states: " Any undertaking or commitment that might have been entered into with Society Transshipping for that timber was rescinded and it is replaced by another Order-in-Council dated April 10, 1969, No. 250 of 1969, which has something to do with

Mr. Crosbie.

NALCO and mentions Society Transshipping. These are the only two.

It appears to consent to the transfer of its rights by Society Transshipping to NALCO.

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: It could not have had any rights anyway. We have had the Department of Mines, Agriculture and Resources search all the records. There is no record in their files of any correspondence or agreement with Society Transshipping or any company by that name.

So, Mr. Speaker, -

AN HON. MEMBER: Watch your language.

MR. CROSBIE: This agreement was signed on March 6, 1968. Canadian Javelin Limited, Mr. Speaker, agreed to pay approximately \$4 million to get whatever rights were given by this letter. Now any lawyer who acted for them on it would advise them that this letter has no validity. It would not be worth paying a dollar for. But they agreed to pay \$4 million, the directors of Canadian Javelin or the people who signed this, to acquire this letter. They have paid \$1,977,500 to whoever Society Transshipping is. They owe them \$2 million more they say. The question arises: Who owns Society Transshipping? As far as I am concerned this was a scheme to divert \$4 million out of this project or out of Canadian Javelin for person or persons unknown hiding behind Society Transshipping incorporated in Liechtenstein also a tax haven and also a place where you can incorporate a company and the real owners will never be known. Anyway there is a detailed agreement here as to how the money is to be paid, etc. There is a copy of the Premier's letter attached. Now that agreement was later signed by Society Transshipping to another company called, Pioneer Investment Limited, when Javelin are now alleged to owe the money to.

Mr. Crosbie.

Now that is all we have been able to find out about this at the moment, Mr. Speaker, except this that we made it clear that as soon as we discovered it: (1) No one had any right to that timber and the 10,300 square miles because it was never properly granted; (2) That Canadian Javelin Limited would not be paid one plugged nickel by us for the timber; and (3) That whatever rights they might think they had to the timber, they would have to convey to us if they were going to reach any agreement with it. You will see in the agreement that any rights that Canadian Javelin might have to that 10,300 square miles is transferred to us for the \$5 million and not a cent or nickel extra. Whoever Society Transshipping is, Mr. Speaker, not one cent, not one nickel, not a woodchip, not a sliver, not a match will they ever get off that 10,300 square miles. They are not entitled to it.

MR. CROSBIE: I believe Javelin is going to sue to get their money back.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: No it was removed off, the \$4 million was removed off for the \$17 million. Well they asked for it when they were asking for the \$17 million. They wanted \$3,977,500. They alleged their investment in the project February 17 at \$17,807,500 and you forget the inter-company advances included in which was \$3,977,500 for this, for this agreement.

Now, Mr. Speaker, questions used to be asked in this House about Society Transshipping. Why? Because in "McLean Magazine" in February 1969 there was an article by one Walter Steward on Mr. John C. Doyle and on page 36 it was stated that the whole linerboard scheme was based on timber rights covering 21,000 square miles of Labrador divided into two blocks, one by NALCO and the second 10,325 square miles purchased from a curious company called Society Transshipping Owen in Liechtenstein a tiny principality on the upper Rhine River. Javelin will pay Society Transshipping about \$4 million for its timber rights, but Doyle does not seem to know much about the company. They are controlled by some (- -) bank or something and I do not know who they are except that they are in the paper business in the European area and frankly I do not want anybody ever to come near me on it." (Doyle was once accused of spiriting \$4.8 million worth of stock out of Canada into Liechtenstein and although the case was thrown out of court, he is touchy about that nation.) That article was in "McLean's Magazine." Questions were asked in this House every year, Mr. Speaker, about this. Does any company incorporated in Liechtenstein have any rights to any of our wood? The impression given was that the answer was no. Yet Mr. Smallwood knew that in March, 1965, he had given them a letter and in 1968 there was an Order-in-Council and in 1969 there was an Order-in-Council. If that is not mal-administration

misfeasance, nonfeasance, malfeasance, mala fide, I do not know what is. 10,300 square miles of this province purported to be given to this Society Transshipping and Javelin paying \$4 million for it.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: Fight. They do not get anything for it but Javelin gives us whatever right they have in it.

Now, Mr. Speaker, after this telex came, we did not hear too much from Canadian Javelin. They were not giving us the information that we had requested. They are obviously just stalling. So we prepared legal action which meant that we had to go over the guaranteed agreement and the trust deed and get legal advice and decide what defaults there were and so on. So we started to prepare for legal action. Under the trust deed, Mr. Speaker, unfortunately we had to give thirty days notice before we could commence action in the courts. We had to notify Montreal Trust Company, the trustee, of the various defaults we alleged against Javelin and they had to serve the notice on Javelin and after thirty days we could start action in the courts.

Unfortunately, Mr. Speaker, if you start action in the courts, it does not matter what provisions are in the trust deed, they can dispute them, they can apply for an injunction, they can deny they are in default, legal action goes on. That was the situation we were faced with. So here was \$100 million gone on the project, everything in slings, we were not in the position to do anything about marketing, to do anything about shipping, to do anything about logging, apart from this, that on February 11, 1972, we appoint Forrestall International Engineering to look into the whole logging situation for us and I will come back to that.

Every month delay, Mr. Speaker costing hundreds of thousands of dollars in interest and the rest of it, so that if we commenced the court action we could be tied up in court for months with appeals for years. Now the court can appoint an interim receiver.

MR. CROSBIE: But, Mr. Speaker, that may be suitable where you have a project that is completed and operating. You can get a receiver, and there is an organization, personnel there, that directs and accounts for all the money and goes to the court every time he has to make a decision, and gets their okay. But it is not suitable, Mr. Speaker, when you have a project that is not completed, where construction has not stopped, where the major things have not been done and there is no permanent personnel at all. Then it is a very different kettle of fish to get a receiver and, if you got one, it would be very difficult for him to get them to act quickly and make major decision, because he had to keep going back to a judge to get the okay and to get approval. However, if that were the only alternative, that we would have to do.

Now we looked into the question of the legislation to bring before the House, to nationalize it immediately and take control that way, without any delays, and to allow the courts to decide whether there were any defaults - if there were defaults, no compensation and if the courts found there were no defaults, we would have to pay compensation. There are legal problems there chiefly constitutional ones.

In any event you do not want to have to do that unless absolutely driven to it, Mr. Speaker.

MR. W.N. ROWE: Would the honourable member, Mr. Speaker, mind elaborating on the constitutional problems he mentioned that the government might be up against in taking over the project?

MR. CROSBIE: By legislation, one of the problems would be whether Canadian Javelin Limited is a federal company, others are Newfoundland companies, whether the decision in B.C. that holds -

AN HON. MEMBER: Inaudible.

MR. CROSBIE: Yes, right. But that British Columbia Hydro is not exactly similar. There they had assets and here they had shares and other questions.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: The question would be whether you are taking assets of the federal company without compensation and other questions.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: I am sorry we did not consult the honourable gentleman. Oh, yes, it would be without compensation if they were in default. Anyway there were complications in it.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: Well we can argue about it later. I am just telling you what our position was that it is a last remedy we might attempt to do that. So we are prepared. Mr. Speaker, our notice of default - and on March 2, we served on Montreal Trust Company a statement of the defaults we alleged against Canadian Javelin and on March 3 Montreal Trust served notice on Canadian Javelin of these defaults so that the thirty day period started to run.

There are all kinds of defaults that we alleged, Mr. Speaker, because there were many defaults. Just to refer to a few of them briefly (1) Javelin Forest and Javelin Paper were insolvent within the meaning of the Bankruptcy act. They could not meet their obligations as they fell due. The companies had not expended the whole proceeds of the guaranteed sum in the cost of constructing the mill and the chip mill because they spent more than \$75,000 on leasing, equipping and furnishing a flat for Mr. Doyle. It spent \$5,400 for furnishing an executive suite for Raymond J. Doyle. They had spent payments in excess of \$1,000 for return airfares between Canada and Europe of sons-in-laws and daughters of Mr. John C. Doyle. They made miscellaneous payments for renting

MR. GROSBIE: a dwelling house in Montreal. Had paid in excess of \$40,000 to Javelin Export Limited for purposes not related to the project. Had given credits in excess of that amount to Javelin Export for consultation fees in excess of \$70,000 and travelling and entertaining expenses of Mr. Doyle, none of which were relevant to the establishment of the mill. Failed to maintain plant and machinery equipment in good and substantial repair and condition. And there are all kinds of other defaults. Failure to carry on their business in the proper and efficient manner so as to protect the government's security. Gross lack of planning and lack of organized control and supervision of work in Labrador. Failure to appoint suitable managerial and technical staff in the wood cutting operation. Failure to plan and construct suitable stockpiling and loading facilities for the shipment of wood to Stephenville and on and on and on.

In relation to the mill at Stephenville had taken no adequate steps to employ mill manager, hire superintendents or hire trained staff Had permitted cost to

MR. CROSBIE: to escalate had not ordered relevant spare parts and tools, failed to take adequate steps to get adequate markets, were in default with reference to the binding contract with a markeer for marketing a major part of the product and so on.

In connection with the German loan of December 22, contrary to the government guarantee agreement had not held, the notes issued for the money were not held nor were they being held by the government, as the government guarantee agreement provided. Then they failed to pay MacAlpine amounts due them on January 1 - \$1,957,000, February 1 - \$2,393,000 and on March 1 - so on. These were all defaults under the trust deed and the guarantee agreement. So Montreal Trust served that on Javelin, two days after the election commenced. Now Mr. Speaker, once that was served, Javelin contacted us again and came down to start negotiating again and providing us with the information that they had promised us.

Now what about the Labrador situation? What did we do about that? The hon. member for Labrador North, I am sure is interested in that. What we did, Mr. Speaker, was on February 11, 1972, we appointed Forestry and Engineering Limited of Vancouver to examine and assess the present wood production and delivery operations of Javelin forest in Labrador and Stephenville, Newfoundland. That is what they were asked to do. To assess the suitability of existing logging equipment and facilities, the condition of the logging equipment facilities, the probable wood production, shipping practices and costs, suitability of the present organization, effectiveness of the present staff, probable wood costs delivered to Stephenville and so on, and they made a report to us early in March, after being in Labrador and in Stephenville and so on. - This is the report here.

On February 22, 1972 Javelin employed 266 people, 123 housed in the Goose Bay bunk house, the balance sleeping in houses in Goose Bay and Happy Valley. The current projections forecast a labour force of 600 people in 1972. Present accommodations - 300 men in bunk houses, would be unable to house the additional staff, and additional facilities will be required. Then they go over the planning and what is happening up there and examine it all and at the same time, I will skip to their conclusions.

MR. CROSBIE: and examine it all and - to save time I will skip to their conclusions.

One of the major things wrong up there is our maintenance facilities are poorly kept. The road programme is inadequate. The major road location and construction programme is urgently needed in the next two years if they are to supply 550,000 cords of wood. Project pulp wood requirements until July 1973 totalled 425,000 cords. Labrador wood and wood now on hand totals 230,000 cords. During the period June 1972 to June 1973 - 195,000 cords had to be purchased elsewhere. That is on the Island of Newfoundland.

Anyway, they say, "Provided an effective development programme is undertaken at Goose Bay, it is likely that the Stephenville Mill can be entirely supplied from Labrador by 1976." An estimate of the possible supplied programme is given here: 1972 they estimates we could get 230,000 cords from Labrador, it would be less than that now and we would have to get 195,000 from Newfoundland, total 425,000; 1973 that we get 350,000 cords from Labrador, if the right steps were taken. 190,000 cords from the Island to make 540,000 cords. In 1974 - 450,000 from Labrador, 90,000 cords from the Island, in 1975 - 500,000 cords from Labrador, 50,000 cords from the island, in 1976, if the right things are done, 550,000 cords from Labrador we would not have to get any from the island. But it would take at least four years to reach that if all the right things are done.

Woodlands Operation should be headed by a Woodlands manager resident in Stephenville. He should be responsible for overall direction of all woods supply activity and so on. Operations at Goose Bay would be the direct responsibility of a resident production manager who would report to the Woodlands manager and so on. They conclude Mr. Speaker, that the Labrador Woodlands operation of Javelin are still very much in the early stages of establishment. The quantity of wood which could be delivered from Labrador in 1972 estimated 210,500 cords. With careful immediate detail planning and a vigorous programme of development it would be possible to deliver 550,000 cords by 1976.

The present organization and staff do not have sufficient experience to plan and establish the necessary operations to achieve the required annual production within a reasonable time. While the present equipment is generally adequate, major improvements in maintenance practises are urgently required. Substantial expansions and all types of facilities are needed if an economic operation to produce 550,000 cunits is to be achieved. Seven major problems had to be resolved in ship loading and transportation phases, maintenance organization facilities wood reception and storage in Stephenville.

It is necessary to develop sources of pulpwood in Newfoundland for four years. Then they give the delivered wood cost, which I do not think I should give here, but anyway let us say they are higher than was projected two or three years ago in connection with this project. But they feel they would decrease.

MR.HARVEY: Is it mentioned in the report concerning taking wood out of Sandwich Bay Alexis Bay area on the Labrador Coast?

MR.CROSBIE: They have to study that. They were only up around the Goose Bay area.

MR.HARVEY: Say they cannot get all they want from Melville, and they have to come to the island, surely they do not have to come to the island -

MR.CROSBIE: Well they suggest that we get it from the island. Perhaps we

can get some from Sandwich Bay. We will certainly have a look at it.

If I may conclude, the Labrador operation is feasible if properly developed. So that was their conclusion. There is a lot to be done there Mr. Speaker, but that there was hope for, properly managed with the right things done, which had not been getting done up to this time.

We have engaged Foristall, Forestry & Engineering Limited now to do certain things in connection with the wood operations, which I just mention now. That is to prepare a comprehensive Woodlands development plan. They are to provide short-term engineering and development assistance to accelerate the construction of roads in the Goose Bay area. They are to help provide production management until the operations are well established and a permanent management group has been developed and trained.

So that is what we did in this interim period about the wood situation in Labrador. It is not hopeless. In fact it looks reasonably promising. The costs will be higher, quite a bit higher than were originally stated to be, probable, in earlier reports. These should decrease over the next four years as the right management gets to work and they become more efficient.

MR. NEARY: Is this the same outfit that did the study on Newfoundland Forest Products in Stephenville and Hawkes Bay?

MR. CROSBIE: These are the same people that did a study on the third mill, Newfoundland Pulp & Chemical for the Government of Newfoundland.

MR. NEARY: Why did not the honourable member employ a Newfoundland firm

MR. CROSBIE: Why did I not employ a Newfoundland firm? What Newfoundland firm?

MR. NEARY: There is a consulting firm in Newfoundland.

MR. CROSBIE: I see. Well there may very well be a consulting firm in Newfoundland, and it may be a very good one. But for this we employed Foristall because of their size, their experience, they were recommended to us from several sources and despite the fact they were a subsidiary

of Sandwell, the honourable gentleman during the election campaign was out with some fluff - some information given him by the honourable Mr. Doyle, his friend. You know that Sandwell was controlled by some Swedish company that was a competitor of this. Remember that junk the honourable member got on with during the election. This is the company. No, it is not true, of course not.

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MR. CROSBIE: The hon. gentleman did not check his source. His source was Mr. Doyle. That is what we did about the wood while we were serving this legal notice.

Mr. Speaker, we still had to wait thirty days before we could proceed with court action because of the nature of the trust deed. March 17. Javelin disputed the notice of default. That is a formality. They disputed that they were in default. They alleged that the Newfoundland Government were in default. They alleged that the Newfoundland Government had promised to guarantee them financing and had not done it. They alleged that the Newfoundland Government had promised to deliver to them timber leases and had not done it and so on. They had their tale of woe and they were going to dispute everything in court. They had letters from Mr. Smallwood, we never had the letters, there are no copies here, they are all gone from the building. Anyway, they said they did.

Negotiations then continued in earnest again after that and, on March 17, Mr. Speaker, Mr. Doyle's lawyer, Mr. Colomb at a meeting presented me with a letter. He came to a meeting with the committee - I think it was the Minister without Portfolio and myself, the Minister of Justice and his district, to continue the negotiations. When he came in he presented me with a letter accepting my offer to him of October or February 4. The document that had not been an offer at all, that was headed a proposal for discussion and given him on February 4, He came with a letter addressed to me saying: 'We now accept your offer of February 4,' and pretending it was an offer. Of course that had to be stopped because it was not an offer but just a basis for discussion and we had changed our minds on many things since then.

In any event, negotiations then commenced again on March 17. Now, Mr. Speaker, the previous administration had this to deal with from November 1969 onward until January 18. I already hear indications are sound, from across the isle. They are going to say that we had a very strong legal position and we should have taken legal action. Now they are going to say we should not pay Mr. Doyle a cent or we should not pay

Canadian Javelin a cent, that this is not necessary. You know, that it was silly for us to do that. I hope they do not do that. It would make them look so foolish in the eyes of the members of this House if they did, because they were in there for at least the last year and did nothing, legal action or otherwise to deal with this problem. It is even mooted to us that the hon. gentlemen were willing to pay twenty or twenty-five million dollars to take it over a few months ago. One of Mr. Doyle's negotiators.

MR. ROBERTS: Does the hon. gentleman believe anything that...

MR. CROSBIE: "One of his negotiators, I said".

AN HON. MEMBER: Does he want to believe that source?

MP. CROSBIE: I do not know, the hon. member can comment on it if he likes.

Now, Mr. Speaker, why is it that our legal position was not as strong as it should have been? First the trust deed and the guarantee agreement were not sufficient protection anyway, because of delays that can occur through the courts. If we are to be involved with this amount of money, the only way to possibly achieve any control over the project is to have a majority of the shares. If we had had voting control of the majority of the shares and they were acting unsatisfactorily we could have voted them and just put them out the next day. We could have called a directors meeting or a shareholders meeting and had them out in a week or two and taken control. We did not have it - we should have had it if this project was to go ahead in this way, at least fifty-one percent of the shares. There might have been some agreement that once it operated satisfactorily and our debt was retired, that the other people involved get a majority of the shares, or that we sell our shares to them. There was nothing like that in this arrangement. There was an interim agreement.

Oh yes! there were these marvellous interim agreements which had a clause stating that the shares of Javelin Paper and Javelin Forest would be left in trust at the Royal Trust Company and that they be voted as

the government directed. Yes, there was that and another clause that upon any default the management and control of the operation would be immediately taken by the government. There was that, that is what the document said. Worthless, useless, because you had to go to court. If they challenged that you would have to go to court. You say; "All right gentlemen, you give them a letter; "you are in default, we are now assuming management and control." They would say; "Like hell you are, you are not taking over our offices, we are not taking your instructions, you are not assuming management and control. We are not in default, we never were." What then can the government do? The only thing the government can do then, Mr. Speaker, is go to court and ask the judge for an order that we be given management and control.

So, you are still in court. They say they are not in default. So you are still in weeks and months of hearings. So, those provisions and agreements were no good. I hope the hon. gentlemen opposite are not going to get up and say: "You overlooked those wonderful provisions about management and control. Because those wonderful provisions were not wonderful, they were useless. That is the situation we were in. They would still have had us in court for weeks and months.

Why else were we on weaker legal ground than we should have been? Because, Mr. Speaker, the trust deed was never properly executed by Canadian Javelin.

MR. CROSBIE: according to them and it sounds convincing. Here is a letter dated March 24, 1972 from Canadian Javelin addressed to me. "Dear Mr. Crosbie, while awaiting further word from you with respect to the furtherance of negotiations we beg to respectfully call to your attention certain problem areas not previously discussed between Mr. Golomb is Javelin's Lawyer from New York. "We do so at Mr. Golomb's suggestion in a belief that these are so significant and raise so many substantial questions as to most strongly lead to the conclusion that our mutually acceptable solution to our common problems must be sought.

"Newspaper reports since our last meeting attributed to you remarks concerning the possible request for a receivership. Since this would obviously derive from the Trust Deed on January 18, 1971 we take the privilege of reciting the following significant chronology and comments. (1) The government's right to cause the execution by the Javelin companies of a trust deed was provided for in the Government Guarantee Agreement of November 21, 1969. (2) Paragraph 4 of that Agreement provides for the issuance of timber leases and cutting licences. (3) Neither the predecessor government or the present government have issued such leases or licences. This vital core of the government's obligations under that agreement has never been complied with. (4) In consequence of being deprived of leases and licences the Javelin companies have been deprived of the one asset which the government and they both knew could be utilized as collateral security for financing. The companies are consequently being placed in the situation of utter dependency upon the government for financing." That is their argument. They are saying this is what they are entitled to.

I am glad they never got those timber leases. We would have had them under a dozen mortgages. But any way they say they were entitled to them. (5) Notwithstanding the government's failure to grant leases and licences under the November, 21, 1969 Agreement

MR. CROSBIE: the government insisted upon the conclusion of the trust deed. (6) On January 11, 1971 Javelin made a written application for a timber lease. A photo copy will be supplied to you shortly. (7) Instead of compliance by the government with this application there ensued a letter written by Premier Smallwood, as Premier of the Province. dated January 15, 1971." Another one of those letters. We have no record of it here. Removed from the building. Gone. The honourable gentleman laughed, chortled and chuckled when we were making a fuss when we took over on January 18 that the files were gone.

AN HON. MEMBER: Inaudible.

MR. CROSBIE: "January 15, 1971 a photo copy will be supplied to you shortly. In it as you will see, The Premier insisted upon execution of the trust deed but agreed that such execution and registry of the trust deed would be conditioned on the issuance of timber leases and cutting licences.

In other words, the Premier insisted, you sign the trust deeds, but we will make your signing a conditional upon our giving you timber leases. It will not become effective until we give you timber leases. (8) The government's insistence upon the execution of the trust deed was explained by the fact that the trust deed was required for its own financing purposes and that if it did not receive the trust deed it would be required to step in and take over the linerboard project. Javelin therefore had no choice but to yield. In reliance upon the January 15, 1971 letter, the trust deed was in fact executed but under such circumstances and under such pressures as not to permit of a proper board of directors - authorization signatories, in execution of the trust deed were not authorized properly by the directors of the Javelin companies. It should be further borne in mind that at the time of the execution of the trust deed, the government having failed to perform the

MR. CROSBIE: Guarantee Agreement in that it had failed to issue leases and licences, was not in a position to enforce the giving of a trust deed because it had itself defaulted under its agreement. That is arguable. (10) On March 4, 1971 a letter from Montreal Trust Company emphasized the inadequacy of the resolution of Javelin which had been furnished to it and had been executed some two years before. Again pointing out the question of whether the trust deed was properly executed. March 4, 1971 Montreal Trust wrote, said the resolution was inadequate because the resolution was dated two years before the thing was signed.

MR. CROSBIE:

Yes, the foregoing points up quite unequivocally questions as to a lack of capacity to execute the trust deed, the ineffective and conditional delivery thereof see problems for the government of the condition of such delivery. In short there is a more serious question as to the enforceability of the trust deed which according to the Premier's letter of January 15, 1971 was not to become effective until delivery of leases and licences and is therefore today not yet effective.

(13) If the present situation were to come in a bankruptcy the government, and it would, they would be bankrupt if they were successful in a legal action, through its majority stockholder position in Javelin would be a related person and not at arms length within the meaning of the Bankruptcy Act - and all kinds of ingenious arguments, and therefore they ask us to consider and to keep negotiating. Now, Mr. Speaker, this letter here is signed by William A. MacPherson, director of Canadian Javelin Limited.

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: No, Mr. Speaker, I am not saying, I do not know whether or not the trust deed is properly, would be found binding or not but this certainly gave them an additional weapon. If the matter had to go to court they would have convincing arguments that this trust deed was never properly executed by Canadian Javelin and the others at all, that it was signed conditionally and they were getting timber leases, that no proper directors resolution or shareholders resolution had been passed to approve it and the trust deed was invalid.

Now that was not caused by us. It was not done by us. It was the last administration did that and I can tell you, Mr. Speaker, that we have made sure that we have resolutions authorizing them to

MR. CROSSIE:

enter into this agreement. That is why there has been some delay in the last couple of days. They came down here with resolutions authorizing the entering into of an agreement that concorded with the agreement we had in principle at the end of March and obviously if we had accepted that they could have said later that this did not accord with the agreement of principles at the end of March. So we made sure they got us proper resolutions. That is the position that Javelin took on the trust deed.

Now, I think, if we went to court one way or the other through these various documents we would have been successful. After all we had guaranteed this money and I think that we would have eventually won. But they had enough there to keep arguing all these points in court for the next year or two and there was no quick way, Mr. Speaker, that we could get control of the project. If this project, Mr. Speaker, does not start up in October, does not get started, we do not know what kind of a start up it is going to have. We can only pray it is a good start up. There have been start ups of mills that took a year to get through with delays and accidents and things that happen on start up but we have to try to get a start up in October. If that mill lies there idle, Mr. Speaker, from November to next June or July it will cost, I would say, the government another \$14. to \$15. million in interest and charges to keep the plant maintained and operated, to keep heat in it and keep the power to it and all the rest of it. So time is of the essence and was of the essence.

Our legal position was not as strong as it should have been, Mr. Speaker, because of the sloppy way, because of the negligence every step of the way in this project. Now the lion's share of it, of course, Mr. Speaker, is with the leader of the last administration.

MR. CROSBIE:

He is the man actively involved in all of this. I know the atmosphere oh so well. I was there for two years, know it so well. Hide everything away and does not want you to know it, do things behind your back, everything to help Mr. Doyle, anything to help Mr. Shaheen. I know all of that. So the active bad actor is Mr. Smallwood. But the question we have to ask, quite legitimately, is why was he permitted to go on doing this for so long?

I got out in May 1968. Yes and the honourable gentleman was in the government for three years and the honourable gentleman permitted all this to go on the last two years. Did he budge from the government? Did he offer his resignation? No. If you honourable gentlemen had taken the stand, unutterable damage to Newfoundland would have been avoided in the last two or three years - and you have the gall and the indecency to suggest anything about me. I took a stand in May 1968 and the rest of you had permitted this to go on. I do not have to listen to anything from the honourable gentleman opposite. I have done what I can in the last four years to stop this while you honourable gentlemen were permitting it to go on. You are responsible one hundred per-cent, collectively responsible in the Cabinet, one hundred per-cent, for the shenanigans that went on in this, and do not doubt it for one minute. The Minister of Justice will answer for himself.

MR. CROSBIE: We did not sling along when we saw what was happening. We tried to change it and it is too bad for Newfoundland that it took from May, 1968 to January 18, 1972, or we would not have this mess that we have in the linerboard project today and the other things yet unmentioned that will come out before this House is over. Everywhere you look another mess, another nightmare created in the last three or four years of this crazy, so-called economic and industrial development policy which was not economic, was not industrial, was not development, which was bringing us into the morass and the financial situation too, uncaring as to how we would end up financially. We will be into all that. Do not point your finger at me. I have done my best, Mr. Speaker, and Thank God we have got this change now before we were gone altogether.

We are likely to hear some slinging remarks about how the government should not have paid Doyle a cent. How easy it is now when the hon. gentlemen are on the other side to say that. What did they not take it over and take legal action and court action last June of 1971, May 1971, anytime from November 1969.

I tell you, Mr. Speaker, that the settlement that is before this House today I think is reasonable in the circumstances, the best we could have done. It is honourable, reasonable and it is fantastic that it was accomplished in view of the mess that the hon. gentleman left this in. That is if the House agrees to pass it.

Now, Mr. Speaker, that was March 24. We continued on negotiating with Mr. Golomb and the Javelin people and I agreed on behalf of the committee with them, myself and Mr. Marshall, the Minister of Justice was in his district, that we would put before the government, after the election, an agreement along the line of the general principle of the one before the House today. Once the election was over on March 24, the Cabinet would meet on March 27 and review the whole thing. We would put it before them that the government would not commit itself before the

MR. CROSBIE: election was over and in any event there was no chance of having a full Cabinet meeting to discuss it all, with the election on. So that the general principles were agreed then.

On March 27, after the election, the Cabinet met all day and Cabinet eventually agreed to the settlement that is comprised now in the agreement that is attached to this piece of legislation.

On March 28, following that Cabinet meeting, we drafted an agreement in principle. I left it in Montreal on Tuesday night on my way to New York to borrow some money for the hon. gentlemen opposite.

On Wednesday, March 29, I met with Mr. Golomb in New York, we went over proposed agreement in principle; he signed it on behalf of Javelin, I was authorized to agree on behalf of the government and we had agreed in principle on March 29. The time since then, Mr. Speaker, has been spent on the legal agreements you see attached to the bill, to the schedules, and to other subsidiary legal documents that have to be entered into and to other negotiations.

MR. CROSBIE:

Mr. Speaker, I should review the principal features of the agreement. Just before I do that I want to refer to that telex again for a moment. (It is on the floor is it)?

Javelin claimed, Mr. Speaker, that they had invested in the project (that we forget the \$5,600,000 inter-company advances) \$17,807,500. Now the \$650,000 they claimed for Harmon Buildings, as I explained, has been reduced to \$100,000. The \$3,977,500 they claimed to have invested in the South Concession is reduced to zero. They are not getting a cent for it. Then they said NALCO Investment and Woods, \$5,900,000 and they claimed that they had invested, for 50,000 shares of preferred stock, \$5 million and 900,000 shares of common stock, \$2,000,980. They claim that this is their investment. That is \$16.5 million. This is what they claim they have invested in the project. We are paying them \$5 million for all of those items. They claim it is worth \$16 million or whatever I just said it was \$16.5 million. We are paying \$5 million. Now what do they say they have in the project. They claim they have invested in these woods in Labrador over the last ten, twelve or fourteen years, in studies this that and the other, in the NALCO wood, \$5.9 million. I do not know whether they invested that or whether they have invested a cent. They claim they have invested in Javelin Paper and Javelin Forests, \$17,280,000. Well as I understand how that happened, in November 21, 1969, when the original loans were guaranteed by the government, there was a loan in Germany as part of that original \$58 million. That money went to Javelin Paper and Javelin Forests. Canadian Javelin claimed that they had spent I believe around \$7.8 million predevelopment costs in developing the Linerboard Project, that this they had spent since 1953, 1956 or 1960 in the investigations, surveys, travelling expenses and so on. The proceeds of a loan went into Javelin Paper and Javelin Forests. I think it was a \$17 million loan, the German one was.

Javelin Paper and Javelin Forests or it might have been just one of them, repaid to Canadian Javelin the \$7.8 million which Canadian Javelin said were there predevelopment expenses. Then Canadian Javelin put back in the

Mr. Crosbie.

Javelin Paper \$5 million for preferred shares which was the equity that Canadian Javelin had in Javelin Paper.

Now if there were \$7.8 million of legitimate predevelopment expenses up to November, 1969, by Canadian Javelin, then what they paid back in for these shares in the Javelin Paper and Javelin Forests, after having it repaid, would represent an equity they put into it. We do not know whether or not the \$7.8 million or \$2.5 million or what the legitimate expenses were. This is what they claim. Later they were supposed to have put in \$2,280,000 or some amount like that in common stock. This is what they claim that their investment in these companies are. We do not think that their investment was that high but doubtless they did invest something in this project. Not only that, they spent considerable time and effort over the last three or four years getting it where they got it. In all the circumstances, Mr. Speaker, the need for a speedy resolution of this, if we are to get it operating this year and the other reasons I am enumerated, this settlement that we now ask the House to approve seemed to us reasonable in the circumstances and one that we could accept. Not one we would accept, if we had been doing this a year earlier, not one that we would accept, if we were doing this six months earlier, not one that we would ever had to accept had we been here originally but one that seemed reasonable for us to accept in the circumstances we found ourselves in when we took it over. So what is the settlement, Mr. Speaker. What are the general principles of it? The bill itself, Mr. Speaker, ratifies, confirms and adopts the agreement which is dated May 1, 1972

MR. CROSBIE: it enables the government to complete the construction on the project, that is section 6. To enter into arrangements with other people to construct, manage and control it on terms and conditions satisfactory to the Lieutenant-Governor in Council or to sell or lease it to other persons, to finish the cost of the completion and operation on the project, expend public monies or guarantee them up to an amount, as you will see in sub-clause 3 of clause 7 - \$50 million, not to exceed \$50 million. In other words, the maximum we could spend in completing the project, without coming back to the House, would be \$50 million. We hope it will not be that much - spend or guarantee.

Then it gives us power to do certain other things with the project. Set up a crown corporation, own the shares, exempts us from S.S.A. tax on the transfer of chattels and goods that is now taking place. The agreement is attached to the schedule. So what are the principles of the agreement, Mr. Speaker?

First - that the price said to be, by the way you will see in the recitals that we have guaranteed the date in connection with this project - \$114 million and that we have actually, out of those guarantees there have been expended on the project - \$90 million. In other words, there is still more money that we have guaranteed not spent yet, still available under the original guarantees. \$90 million of the guaranteed funds have been spent on the project.

The general principles of the agreement are that we agree to pay \$5 million for the interest of all these companies in the project. For \$2,500,000 on the day this Act is passed by the Legislature, \$2,500,000 to be paid six months later, we are purchasing the assets of the project and assuming the liabilities that relate to the project.

MR. CROSBIE: The assets include the land and buildings at Stephenville. The two buildings, number 360 and 361 for which we are paying \$100,000. All the personal property located at Stephenville as described in Schedule "B", all the leases of property at Stephenville in Schedule "C", land in Goose Bay, Labrador, in Schedule "D", the right to obtain timber under the NALCO Act, that is all these areas that are shown on that map there. The two that are held by NALCO and the so-called sovereign concession, any right that they have in that comes to us for the \$5 million, and all the other wood up there in Labrador, around Goose Bay and Wabush. All the chattels, personal and harvesting facilities at Goose Bay, all the machinery equipment, chattels there. All the leases of property at Goose Bay or Happy Valley, including the leases on the houses with the Newfoundland and Labrador Housing Corporation.

The benefit of the contracts we list in Schedule "H". These are the financing contracts, the construction contracts and so on. Only the contracts we want, not the ones we do not want, and all other assets of those companies not referred to, but does it come within these other general terms ?

Now, Mr. Speaker, the agreement requires us to pay \$2,500,00 when it is ratified, together with \$100,000 for the two buildings at Stephenville. The second installment of \$2,500,000 under clause 304, shall be reduced by the sum of all amounts then outstanding which we are entitled to deduct but what

MR. CROSBIE: are we entitled to deduct? We are entitled under Article (4). Mr. Speaker, to deduct from this payment any payment made or obligation or liability incurred by any of those companies since November 21, 1969 which were not reasonably necessary for the project. So we can go back and we will go back and audit their books since November 21, 1969. And any item we see that was not reasonably necessary to establish this project we will note it and we will tell them we are going to deduct this from the balance to be paid us. We do not know what that might amount to. It is going to amount certainly to a few hundred thousand possibly more we do not know until the audit is done.

We are going to deduct, Clause 4.02 -(1) consulting fees, commissions, expenses or other charges of Mr. John C. Doyle charged to any of the parent companies and subsidiaries by way of Javelin Export Limited or otherwise. And any rental of apartments or the provision of other housing accommodation for Mr. Doyle or other offices of the company.

We are going to assume the financial liabilities and the accounts payable of the companies in connection with the project as of December, 31, 1972. And they are listed in Schedule (I). If we disagree with any of those liabilities or accounts payable, if we say they were not reasonably necessary for the project in accordance with sound Canadian business practice and accounting practice we refuse to pay. If they disagree with it we have the right to go to arbitration. So some of those we are going to dispute, perhaps, most of them will be paid, it all depends. If they provide the proof and it looks reasonably necessary then we will pay it. If it looks like any hanky-panky or any ridiculous charges we will not pay it. That is under section 4.02 .

If we question the amount, some of these accounts payable appear fairly high. If we question the amount of them, we can go to arbitration. Now we can deduct any of those amounts from the remaining \$2.5 million

MR. CROSBIE: or any other monies to be paid them under the agreement.

We agree, Mr. Speaker, that we will repay to them any loans or advances they have made to the project that they produce proof of, if the Canadian Javelin proves that it made certain loans to the project that have not been repaid and if they prove that these were used in the project and reasonably necessary, we will pay back those loans and advances. That shows in Schedule (I). I think, the amount they claim that they have advanced in loans or advances is \$5,527,000.

Now, Mr. Speaker, if these are genuine loans they should be repaid because they are

MR. CROSBIE:

represented in the asset to the company. The money was spent and the project assets are there for that the same as we agree to repay one of the banks or anyone else who would loan money to the project. But they would have to prove to us that these loans and advances were made and they were spent on the project. Any accounts payable or other liabilities incurred between January 1, 1972 and May 1, 1972, properly incurred, reasonably necessary for the project we also agree to pay. These will not be very high. Mr. Speaker, because we have been paying the invoices and the accounts since February. So we will pay them as long as they are reasonably necessary to the project after audit. That is all contained in section 405.

We will not accept any responsibility for any liability or accounts payable not listed in Appendix (1). We assume liability for all further payments under conditional sales contracts and chattel mortgages in connection with the equipment up in Goose Bay. Clause 5.01 deals with the loans or advances, Clause 5.02, they had to provide evidence satisfactory to us of the actual advance of the loans, evidence satisfactory the proceeds were actually expended for the purpose stated and that it was reasonably necessary for the establishment of the project, and they have three months in which to do that. If any dispute arises we go to arbitration. We will not accept liability for any contract except those we specifically list in Schedule (h). We do not accept any liability for contracts entered into between the parent company and Javelin Export or Javelin Bulk Carriers or Labrador International Shipping or any other persons except those we list. We are not accepting the marketing contracts, the transportation contracts, the woodlands management contract, the purchase of petroleum product contracts and so on, We are going to make our own arrangements with respect to those.

MR. CROSBIE:

With respect to employees of these companies we are offering most of them employment with Labrador Linerboard Limited with the exception of four or five of Javelin's top people whom we do not want, The others will be offered continued employment in the project. We do not accept liability on any leases for office space outside the province. We have permission to use some of their office space in Montreal as long as we need it which will probably be the end of August or the end of July. We want to move all the office staff and the rest of the staff down to Stephenville as soon as we can get space there.

They have furnished us a statement in writing of all their possible contingent liabilities. They warrant and represent to us that what we are paying them is sufficient to meet all their known obligations of each of them so that we can be sure no other creditors will lose. Within three months they agree to provide us with satisfactory evidence that their liabilities have been paid, the ones that we have not assumed. The Southern Concession is dealt with in article (7) and we will not in any circumstances pay them any additional amount for that. Clause 8.01, they have agreed to pay the stumpage that was due and owing in the government. 8.02, they have agreed to have us deduct the arrears of rental. They had not paid a cent, Mr. Speaker, not one cent had they paid in rental on the. I do not know if it is fifty or sixty housing units they leased up in Goose Bay, Happy Valley, from Newfoundland and Labrador Housing Corporation since last June. From June to the time we took over on January 18 not one bean was paid in rental by Canadian Javelin Limited.

MR. MURPHY: I understand they have to pay the school tax.

MR. CROSBIE: I do not imagine they have paid that either but if so we will pay that and deduct it from the payment to be made under this.

MR. CROSBIE:

Wabush Assignment Fund - I think it is just about six o'clock,

Mr. Speaker, so I will not be very much longer and I will adjourn the debate.

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: Yes, at six -

MR. SPEAKER: It being now six o'clock, I do leave the Chair until eight o'clock tonight.

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VERBATIM REPORT

Thursday, May 4, 1972

SPEAKER: THE HONOURABLE JAMES M. RUSSELL

May 4, 1972

Tape no. 287

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The House resumed at 8:00 P.M.

MR. SPEAKER in the Chair.

MR. CROSBIE: Mr. Speaker, when we adjourned, I was just completing looking at the agreement that is attached to the bill. I was looking at clause 9.01 of the agreement which concerns the Wabush Assignment. The Wabush Assignment was an agreement whereby Canadian Javelin Limited, as additional security to the government, agreed to pay into a trust fund supplementary to the trust deed certain payments they would receive for the Wabush Mines Company over the next number of years in connection with the sale of the Wabush Railway to Wabush Mines by Canadian Javelin, a number of years ago. This amount was at the rate of ten cents per ton per year mined. At the moment there is \$1.6 million in the Wabush Assignment Fund. We have agreed that part of this settlement, at the end of six months we would return the monies in the Wabush Assignment Fund to the Canadian Javelin Company as part of this settlement.

As I mentioned before the adjournment, Mr. Speaker, the trust deed which has to do with this in any event had certain weaknesses in execution alleged by the Javelin Companies. As to whether or not it would hold up in court, of course, was a doubtful matter. One point that we insist upon, Mr. Speaker, in the settlement that we have agreed upon with the Canadian Javelin Limited is that the 5,300,000 preferred voting shares issued under the agreement of May 1, 1967 will be cancelled if the House approve this agreement. We have held to that principle and it is provided for in Article X of this agreement: "If the House approve this agreement, those shares will be redeemed by Javelin - Canadian Javelin Limited, and cancelled so they will no longer be in effect." Under no circumstances would we agree that there could be any possibility that the present management of Canadian Javelin Limited would be able to use those shares in the next annual general shareholders meeting of that company to keep themselves in power. So that the shares themselves had to be released.

Mr. Crosbie.

The remainder of the agreement deals with the books, records and other information of the company. This afternoon while the matter was being debated, one of the members opposite was questioning whether or not this House could have passed legislation to take over this project, to expropriate or nationalize it and why that was not done? Well, of course, they did not do it. They did not attempt to do it. They attempted to do nothing when they were in office until January 18, 1972. But one of the difficulties with that procedure, Mr. Speaker, was this: If we had done that, the only assets that this House could have dealt with would be the physical assets of Javelin Paper, Javelin Forests and the other companies now located in this province. This Legislature has no authority beyond the boundaries of this province. The books, records of the Javelin Companies in connection with the linerboard mill project are all located in Montreal, all the details, plans, specifications, all the records of those companies are located in Montreal and even if we had taken action by legislation, we could not have had any effect in obtaining those books and records which are vital to the continuation of this project.

Under clause 12 of this agreement, "the companies covenant to turn over to us all books and records of those companies relating to this project and then give us copies of the same." As soon as the House passes this agreement, if that is the decision of the House, we will be put in possession of all the property concerned under the agreement. We will have complete control of the project. Article

(14) deals with arbitration in connection with the many matters that can go to arbitration under this agreement and the rest of the actual agreement. I do not think I need to comment on it at this time.

Now, Mr. Chairman, there were tabled in this House, copies have been given to the Opposition, to the press, the various schedules to the agreement. I do not need to spend too much time on those.

Schedule (A) is a description of land at Stephenville which the Javelin companies are returning to us under this agreement.

Schedule (B) is a schedule of all the office furniture, chattels and equipment located in the Stephenville area, pulpwood and so on that are being returned to us under the agreement.

Schedule (C) is a list of all the leases between the various Javelin companies, Harmon Corporation, Department of Transport, being returned to us under this agreement.

Schedule (D) is a description of the land at Goose Bay being returned to us under this agreement. 1.9 square miles of land.

Schedule (E) is a description of the various areas of timber rights being returned by the Javelin companies to us under this agreement. I showed the House this afternoon the map, one large area around Goose Bay, of timber rights, 10,900 square miles that are being conveyed to us. The Southern Concession improperly attempted to be alienated from this province by the former Government, 10,300 square miles being returned to us or any rights the Javelin Companies have in it. The South Western Concessions 1,500 square miles in the general area of the Quebec North Shore Labrador Railway which Nalco returns to us under this agreement.

Schedule (F) a description of all the equipment, machinery and so on located in the Goose Bay area being returned to us, wood cut in that area 106,491 cords being returned to us under this agreement. There is a list attached of all the machinery and equipment that we are acquiring under this agreement.

Schedule (G) is a description of all the leases at Goose Bay being returned to us and assigned to us under this agreement, including all the housing units at Goose Bay leased by Newfoundland & Labrador Corporation, the Canadian Javelin Limited, for which they had paid not one cent in rent being returned to us under the agreement.

Schedule (H) is a schedule of the various contracts that we are having assigned to us under the agreement. Construction contract with McAlpine, financial agreement with Lazard and E.C.G.D. Agreement between Javelin Paper and Walmsleys for the supply of the machinery and equipment for the mill at Stephenville. Financial agreement for the Lazard in relation to that. The agreement with Javelin Paper and Rauma - Renola of Finland in connection with the wood mill and the various other agreements, including the agreement E. & B. Cowan who have designed the plant at Stephenville, being returned to us, the labour agreement and various other contracts which we are having reassigned to us under the agreement.

Schedule (I) are the liabilities of Javelin Paper, Javelin Forest, Nalco in connection with the project which we are assuming under this agreement. They are all

MR. CROSBIE: subject to arbitration. If we decide that none of them are reasonably necessary for the completion of the project, we can challenge them and they have to go to arbitration. These we are assuming under the agreement. These are liabilities as at December 31, 1971.

Now, Mr. Speaker, in connection with these liabilities listed in Schedule (I), they total when you look at them for Javelin Paper, Javelin Forest and NALCO - \$119 million in round figures as at December 31. This includes the amounts already guaranteed by the government, accounts payable, lien notes and rental purchase contracts at Goose Bay and the rest as listed, but one thing that should be noted in connection with these is that of the \$119 million, approximately \$30 million has been paid since December 31, so that the net amount of the liabilities we are assuming under this Schedule (I) is \$89 million. Of that \$70 million is in connection with amounts which the government have already guaranteed for the construction of the project and the rest is out of accounts payable. Under NALCO, there is \$13 million which is connected with the building at Stephenville, so that there is \$89 million that we are assuming as liabilities due at December 31, under this agreement - not the \$119 million that would appear from the listing given in Schedule (I).

Since December 31, 1971, there has been paid back to the government - \$24 million which is shown in those liabilities, and we have paid various amounts on accounts payable and so on since then.

In Schedule (J) are the amount of the alleged loans or advances made by Canadian Javelin to the project which we agreed to repay if they prove that these loans or advances were actually made and were used in the project and were reasonably necessary for the purpose of the project. That totals \$5,527,000. If these loans have in fact been made, Mr. Speaker, they are represented in the answers we are acquiring under the agreement and it is quite legitimate for us to repay them. If they cannot show that, they cannot

MR. CROSBIE: produce evidence to show that they actually made these loans or advances, then we do not have to repay them, and we can go to arbitration.

So, Mr. Speaker, this is the agreement that is now before the House to approve or disapprove. I have heard it suggested by some member of the opposition, that the government has sold out, that the government have unnecessarily paid or has agreed unnecessarily to pay Canadian Javelin and their subsidiary companies \$5 million. It has been described, I believe as a sell out.

I have heard it suggested by member across the House on the public airways today, sort of that this is a scandalous thing. This is a sell out. How, Mr. Speaker, they could have the gall to suggest that, after spending three years in the government that permitted this project to get in the shape it was when we assumed power on January 18. It is absolutely beyond me.

If this government, Mr. Speaker, were cynical enough to call another election tomorrow on whether or not the people of Newfoundland wanted this agreement approved, whether they approve what we had done since January 18 or since March when the last election was held, if we did that, if we were cynical enough to do it, there would not be a member sitting opposite when the election was over in three weeks time. For them to suggest, for the hon. the Leader of the Opposition to suggest that this is a sell-out, this agreement we have made with Javelin to get control of this project, to attempt to save it; for them to suggest that this is a sell-out, after the last three years of them compromising and selling out and selling down the river this province by their failure to stop what was happening in the last three years in this project and in other things, for them to suggest that is a sell-out is the height of political cynicism. It is the height of political cynicism and it does not ring genuine. It has no genuiness.

If the hon. gentlemen opposition were so concerned about this

MR. CROSBIE: province, Mr. Speaker, they would have left the government of which they formed a part, at least one year ago, to prevent the fiasco that we found in this project when we assumed office on January 18, 1972 - yet they did not. They continued with that government. They supported it to the end. They supported it to January 18, 1972. They hung onto power until October 28 onwards, and they concurred with the government repudiated at the polls, advancing \$7.8 million in November and \$1.2 million in December and still they did not protest. Still they did not say, "No, this is enough." "No, the people of Newfoundland have voted against you, how can you do this?" They went along with it. They authorized it. They approved it. We never heard a sound from them.

Then we heard no sound from them when the Premier of the Province was permitted to give away a guarantee of \$30 million without an agreement being signed governing that. We heard not one word from December 24 when they realized that - to January 18, not one word. Still they were servile to the end. Still they were loyal, by their standards, apparently to the end, not one word, not one sound from them, not a resignation. Under the parliamentary system they are all collectively responsible for every action a government takes as long as they stay in that cabinet. There was no word of sell-out from them then. Now they are out of power, they no longer have responsibility, they no longer have to deal with this. From December 24 to January 18 they were unable to get the Javelin companies to repay \$24 million owed this province, out of \$30 million guaranteed by this province. They were not able to do that. Yet when this government faces the facts, when this government resolves the situation, when this government informs the people of Newfoundland what is happening, when this government takes a stand and gets the control of this project that they should have gotten a year ago, they have got the gall and audacity to get on the airways and suggest that this is a sell-out. They sold out this

MR. CROSBIE: province three years ago and they continue to sell it out ever since and they now have the contemptuous audacity to suggest that because we have reached an agreement with Javelin that protects this province, that enables us to help save this project, that this is a sell-out.

The people of Newfoundland will decide. They decided in March who was selling out what and they decided in March that the Liberal Administration and Mr. Smallwood and the Liberal Party, lead by the hon. Leader of the Opposition, were the sellers outers. They were the ones that sold this province down the river, They were the ones who have got this province in the fix it is in today with this and other projects. That decision was made in March. But if the people of Newfoundland were asked again to make it in three weeks time, there would not, in my opinion, Mr. Speaker, be one member left opposite to sit in opposition in this House. They are legal geniuses since they left office on January 18. They are legal geniuses, "Oh, you could have done this, you could have done that! We will hear it tonight, "You could have done the other thing. You could have passed Legislation. You could have gone through the courts." They were there for three years and did none of it and now they want to suggest to the members of this House and to the people of Newfoundland that we have sold the province down the river, that we sold out by paying Javelin a measly \$5 million to get control of it, this thing, this monster, this frankenstein that they have created - that we have sold the province down the river.

The people of Newfoundland, Mr. Speaker, are not fooled by this. The best thing the opposition could have done in this case was to keep very quiet, to keep very quite, to say they approved the government that was finally taking a hand and a hold on this situation, not to suggest any sell-outs. Sell-out,

MR. CROSBIE:

sick. It is not even a sick joke, it is just sick.

Mr. Speaker, what we have before us is a reasonable settlement in all the circumstances. When we came in office on January 18 we had our hands tied and our feet tied by the negligence and the misfeasance in office of the former Premier and the honourable gentleman opposite. One week later we told the public of Newfoundland what the position was and one week later we got the \$24. million back that the honourable gentleman opposite could not get back and that they took no legal action to get back and that they did nothing effective to get back. We have negotiated with Canadian Javelin who feel that they have \$17. million invested in this project and who are now accepting \$5. million to bow out quietly and to turn over to us the books and the records and to co-operate so that we can go on and try to save the project. The project that they knew, Mr. Speaker, last May, was in desperate shape and that they sat quietly by while their government advanced \$24. million before and after the election, quietly, and now they have the gall to say it is a sell-out.

If this is a sell-out, Mr. Speaker, what they are responsible for is something far worse. What are we going to do in the future, Mr. Speaker, if the House approves this agreement? Then we are going to bring this project through start-up ourselves. We have appointed Kates, Peat, Marwick and Company and Donald D. Dick Consulting Engineering Limited as joint managers of this project to get it through start-up and to recruit the personnel necessary for our Crown Corporation, Labrador Linerboard Limited, to bring it through start-up.

We do not know if it will be a success. We do not know what kind of start-up it will be but it is going to have a chance. It had

MR. CROSBIE:

no chance before, Mr. Speaker, not one chance in this world did this project have before we took over on January 18 and started to take the steps that we have taken but now it has a chance. We have Forestall International Engineering who are going to take a firm hold on the logging operation at Goose Bay. It is a gamble, yes. Why have we not agreed to sell it to someone? We have not agreed to sell it to someone because nobody has offered to buy it because we know that at the present time it would be a fire sale. We would get an offer for one-third of what the people of Newfoundland have put into it. We are not interested in that.

We have had four or five offers from companies who are engaged in the linerboard and pulp and paper business across Canada and elsewhere to take a management contract and manage it for us. We said, "No, that is not in our interest because you will manage it really in accordance with your interest. You are already in the business." We, with the help of our consultants, are going to bring it through start-up ourselves. The projection is that for the next three or four years this project will not generate enough cash to pay all of the interest associated with \$150. million worth of debt which this is going to cost. We may have to advance further monies in that eventuality but, Mr. Speaker, if we show it is viable, if we show the linerboard mill can operate and get through start-up, if we show it is possible to get wood from Labrador at a half reasonable cost, if we show this can be done, I have no doubt that in a years time or two years time or three years time some great international linerboard mill company or pulp and paper company will want to buy this from us or will want to go in partnership with us. At that time we will have to decide whether that is the best step or not or whether we should proceed on with it ourselves because there is

MR. CROSBIE:

nothing so unusual about that. There are countries all over the world starting their own projects, financing them publicly and going on with them, that are very successful. So we might or might not want to do that.

Let nobody be mistaken, Mr. Speaker. There is no easy road ahead with the linerboard mill project. There are tremendous problems that face us in the next three or four months, proper marketing, to see if we can get two hundred thousand cords of wood from Labrador this year, to see if we can sell the product, to arrange the necessary shipping and all the rest of it. Tremendous problems but at least we are going to face up to them openly, at least we are telling the people of Newfoundland what the problems are. We are out now to recruit the top personnel. We are preparing for start-up. We are doing the things that the last administration should have seen were done last June when they were told by the government's consulting engineers that they should be done. We are looking into housing. Housing is badly needed in Labrador and there are many more people needed to be employed there if we can get enough wood from Labrador. We are talking to the federal government about dredging in Labrador and at Stephenville so that the shipping can be successful.

Luckily, Mr. Speaker, the linerboard market is improving. There have been price increases. This is the right time for a linerboard mill to come on stream if we can get it through start-up successfully. It has good prospects that way. Mr. Speaker, since January 18 when we took office we made a commitment to the people of Stephenville and that area, and of Happy Valley and that area, that we were determined to see this mill through. We were not going to be bluffed. We were not going to bluff them. We were not going to pretend that nothing was wrong. We were not going to continue going along with

MR. CROSBIE:

Javelin getting more and more government guaranteed funds without any satisfactory management or administration. That we were going to take the steps necessary to see that this operated. That we were prepared to put more money into it. That we were determined that it was going to operate in Stephenville and at Labrador.

They trusted us. I addressed a meeting in Stephenville on March 18 or 19, I think it was. There was a group out there that several weeks earlier had said that they wanted to hear what was happening and so on, the Liberal group out there. We addressed them on March 18, a tremendous public meeting, and told them what had happened and told them what we were going to do and they overwhelmingly approved what we were going to do. In that connection, Mr. Speaker, I would like to mention the member for Port au Port who is in the House here tonight.

Ordinarily, Mr. Speaker, in the situation that we found ourselves in on January 18, the ordinary member of a district might be whining and moaning, 'Do not do this. Do not do that. Do not give any impression that anything is going to happen. Do not tell the people what is wrong.' He might be worried about re-election. But the member in this House for Port au Port was not like that. He has been a tremendous support to the committee of the government on this project since January 18. He never hesitated for a moment. We kept him informed and he said that he thought we were doing the right thing. He was prepared to support it. He would take the chances of being defeated. We heard in the few weeks before the election there were great possibilities the member for Port au Port would not be re-elected. I never thought that for a moment. He was re-elected with a greater vote than he ever got because he is a member who has the courage of his convictions. He was not worried. As long as he

MR. CROSBIE:

was convinced we were doing the right thing, he was not worried whether he got re-elected again at the end of March or not and he has been a tower of strength.

We are keeping our promise to Stephenville, Mr. Speaker, and to Happy Valley and Goose Bay, that we are determined to make this project a success. That we will do what is necessary to make this a success. That we will give them the facts while we are making it a success. That is what we told them we would do and that is what we are doing. I say that the people of Stephenville and the people of Happy Valley and the people of the rest of this province are delighted and happy tonight to know that we are getting control of this project for such a small sum of money as \$5. million,

Mr. Crosbie.

a pittance compared with the \$150 million that has to go into this projects because of the negligence, maladministration, malfeasance, misfeasances of those in office in the last government. I would be prepared to stand anywhere in this province tomorrow on the agreement that is before the House tonight - anywhere! Now the cheap politician can say it is a sell-out. This is no sell-out. This is the best possible arrangement that could be made in the circumstances that were left to us by the last government. It is enough to save Canadian Javelin from going under. It puts this government in control of the project immediately to try to do that things that are necessary to get this under way this year. I do not worry for one minute as to what the people of Newfoundland think of this. I am convinced and positive they approve of it. I am very disappointed, Mr. Speaker, frankly, that the hon. gentlemen opposite in their public statements have taken the position they are now taking. This is the action they would have taken a year ago or eight months ago had they the courage to do it; had the courage to stop the monumental idiocy that was happening in the Government of Newfoundland in the last several years, but they did not do it. Why they did not do it is up to them to say. They are responsible for it. Now they are out of power. They are out like a rooster crowing; "this is a sell-out." The sell-out has occurred in the last three or four years. That is when this province had been sold out and sold down the river and we are bringing her back up the river against the current.

Every one in the cabinet, Mr. Speaker, is responsible for everything done by a government and if they do not agree with any single thing, they must resign from the government or accept the responsibility and not one of the gentlemen opposite would resign, so they accepted the responsibility. They can get up in the House tonight and say what magnificent

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efforts they made, how they tried to do this, how they tried to stop the excesses of the last Premier, and how they fought and what they did is not convincing. It does not matter because the ultimate weapon that they should have employed was that of resignation - to stop it. They did not do that. They were satisfied to tow along with it. They did not do it. I can tell you this, Mr. Speaker, that I have never regretted for one minute my resignation from that administration in May, 1968 because for two years I was in a madhouse. I am serious. It was a madhouse. I know what the hon. gentlemen opposite went through. I went through it for two years. I finally said, "enough is enough." The interests of this province come ahead of anything else and I resigned from it. Mr. Speaker, if my letter of resignation is checked, you will see it in a forecast of what happened in this project ever since May, 1968. I heard an hon. gentleman opposite the other day talking about abuse and slander in the House and "put him in the penalty box" and how it was terrible in the last few years the abuse that went on in the House.

AN HON. MEMBER: Who caused it?

MR. CROSBIE: Listen to him. Who caused it? That is the hon. gentleman right there who said it. Who caused it? Mr. Speaker, for four years I was accused of everything under the sun. When I resigned from the Cabinet, I was accused of everything. It had to be withdrawn two days later. I was accused of personal ambition, grasping for this, grabbing for that, everything under the sun. For the next three years, I was vilified week after week not only in this House but on the air waves everywhere because I had dared to resign from that sacrosanct government. I would resign from any government that attempted to do what that one was doing. I never regretted it for a moment. I fought against it. When I was abused, I abused back. When I am abused in the future, I will abuse back. I will fight. There is no one who will ever down me as long as I am convinced

Mr. Crosbie

that I am right. The last Premier never downed me, the crowd opposite will never down me, no one will ever down me as long as I am convinced I am right. I was never righter than when I left that government. The proof of it is in the sad story that I have had to repeat here today as to what happened with this linerboard mill project. Now, Mr. Speaker, in ending my address on this bill, I want to thank the electorate of St. John's West who returned me in October and returned me in March to this House. As long as you are in public life, you must be prepared to have your motives impugned; you must be prepared to be vilified; you must be prepared to be slandered; you must be prepared to have the worst motives ascribed to you. My only motive since I have been in public life, since 1966, Mr. Speaker, (I can say this without fear of contradiction) is to do what I felt was in the best interests of the province.

I made a mistake going to the last government in 1966. I stuck with it for two years and spent the worst two years of my life in an atmosphere that was impossible, and left it finally. It is too bad I did not leave it earlier than that. I left it finally and for the next three years I attempted to do something about it. I concluded that the only way to change this was to become a Progressive Conservative. For some reason I had this Liberal fantasy that I had been a Liberal since 1949 and did not want to change and so on. I resisted until 1971 when it was obvious that the only hope for this province was the Progressive Conservative Administration. I am delighted, Mr. Speaker, to be in this government tonight, to know that we are trying to correct these things. That is what we promised to do and that is what we are going to do. I am prepared, Mr. Speaker, at any time, if we are not doing that, to go on again. Political willingness has never bothered me. It does not bother me if I never get anywhere, if I am defeated in 1974 or 1975 in the election. I have done what I think is right. I will accept that.

Mr. Crosbie

That does not frighten me. What I want is four years, Mr. Speaker, of attempting to do the right things for this province. If I am defeated doing that in 1974 or in 1975, so be it! It is not going to bother me. I am convinced that in this bill, before this House tonight, we are doing the right thing. We are doing the best thing under the circumstances. We have handled this. Mr. Speaker, since January 18, I have spent at least sixty per cent of my time on this project as directed by the Premier and my colleagues, the Minister of Justice and the Minister without Portfolio. I will continue to as long as the Premier assigns me to that. We will continue to do our best for Stephenville and for Labrador and for this province. When vast things have to be revealed, in my view, they should be revealed and we will reveal them. If it goes beyond \$40 million or \$50 million, if it gets worst, we will tell the people. That is our job. That is what we have to do, tell the people the facts. That is why we were elected. This is no sell-out. This is, Mr. Speaker, the hoped for saviour of this project and I am proud and delighted tonight to move the second reading of this bill.

MR. W.N. ROWE: Mr. Speaker, as long as you want to be in public life, you must be prepared to have your motives vilified; you must be prepared to be impugned and slandered, you must be prepared to have the worst possible things said about you by your political opponents and by others in the province.

Now, Mr. Speaker, I would like to compliment the hon. Minister of Finance for the speech which he has made in introducing this bill before the House of Assembly today.

MR. W. N. ROWE: I want to compliment him particularly for the speech which he made this afternoon in this House. That speech, Sir, I thought was one of the fairest speeches ever made by a man, by a politician in dealing with a situation, a not very pleasant situation left to him to solve by a predecessor government.

I thought, Sir, he was eminently fair in what he had to say this afternoon. I noticed that the burden of his remarks were directed against the previous Premier of the Province and that he almost appeared to go out of his way to attempt to be fair to the Leader of the Opposition, to myself, to other members on this side of the House who might have been part of the previous administration. He went out of his way, Sir, not positively, but negatively went out of his way to more or less exonerate the present members of this House, on this side of the House, for the part played in the linerboard mill over the past year or so.

I have to compliment the honourable minister on that, Sir, because he knows of where he speaks. He has had access to confidential documents and he has had access to officials of the Department of Justice and the Department of Finance who have doubtlessly filled him in completely, briefed him completely on the role which was played, by certain members of this House of Assembly sitting here now tonight, in the linerboard mill over the past year or so.

On his remarks tonight, Sir, the honourable minister's remarks tonight, I cannot obviously give the same compliment because I do not think his remarks were fair tonight. He had good reason perhaps to launch out with a political tirade against the opposition. Because something which the Leader of the Opposition said and something which I have said and other members of the opposition have said obviously touched him to the quick and made him angry and made him launch out in a spiel of perturbation against us. A completely

MR. ROWE, W.N. different approach to the problem, to that taken this afternoon when in giving some of the facts at least he attempted to be as fair as possible.

Now, Sir, before I launch into the burden of my remarks tonight I would like to deal with one or two things mentioned by the honourable minister. I would like to inform the House and through the House the people of Newfoundland that, Sir, all virtue and wisdom does not repose in that honourable minister. The honourable minister, Sir, is a man to be admired for his guts and his industry and his perservance and his willingness to suffer political calumny and insults in order to prove and to try to prove and to continue to prove against overwhelming odds and over a long period of time that his initial position was right. I think he has in fact vindicated himself here tonight and today for the position which he took four years ago, not completely perhaps but largely vindicated himself.

But, Sir, all virtue and wisdom does not repose in that honourable gentleman. That honourable minister has defects as well as virtues. People on this side of the House, members on this side of the House have virtues as well as defects. The honourable the Minister of Justice, the honourable the member for Fortune Bay who were members of the previous administration have virtues as well as defects. Sir, all virtue and wisdom is not cornered by that honourable minister or his colleagues in the government.

I said, Sir, that I admire the stand that the man has taken. He acted according to his belief and his conscience four years ago. He now stands in this House and tries in an extremely partisan fashion, which is not like the honourable minister, I must say frankly, to vilify the Leader of the Opposition and myself because we are the two men who were primarily concerned - I accept full responsibility for my share of any blame or any credit. He stands in this House and

MR. ROWE, W.N. tries to vilify us for acting according to our consciences and our beliefs in problems which we had to deal with, difficult problems which we had to deal with, problems which were not of our own making, problems which existed when we came into the administration back in 1968.

Sir, it has never been part of my philosophy and I am sure it is not part of the philosophy of the honourable Leader of the Opposition to back away from a problem that we thought at the time could be solved in the best interests of this province. It is not part of my philosophy to say that this is a situation which is going to be difficult of solution, let us abandon the ship and let us get out of this mess so that we are not tainted, so that we do not have any stink of failure or corruption or anything else about us. That is not part of my philosophy, Sir.

The honourable minister stuck with the madhouse, as he called it, for two years. The honourable the Leader of the Opposition and I stuck with the administration, label it what you will, headed by Mr. Smallwood for three years and, Sir, I can tell you tonight frankly and honestly that there were many occasions when it would have been easy to scribble out on a piece of paper your resignation and to leave the government and I dare say, Sir, that before the next four years are out the honourable Minister of Finance will have lots of occasions and perhaps others of his colleagues as well to be tempted in that direction. I did not do it, Sir, the Leader of the Opposition did not do it. We did not resign though sorely tempted, and do not anyone believe that it would not have been a pleasant or popular thing to do. Because for a great portion of the last two or three years, I personally have come under considerable, tremendous in fact, pressure from friends and acquaintances to get out of the government, to leave the government because there were so

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MR. ROWE, W.N. many problems including this one, the Come By Chance thing, the teachers' strike, for example, labour disputes, problems with regard to financial difficulties of the province. So many reasons to force or to attempt a person to get out of politics

and to cool it for a while and perhaps to get back in when the going was good. Sir, it was not a gutless thing for the Leader of the Opposition or myself or for the member for Bell Island to stick with the government for the last two or three years. It would Sir, have been a gutless and uncourageous thing and cravenly cowardly thing to have gotten out of the government any time during the past two or three years.

If the purpose was to bring down the government during that period of time by resignation, to get rid of the leader, who was caluminated here several times today, Mr. Smallwood. If that was the purpose I would inform the honourable minister that he tried that tack he tried it and Mr. Wells, who was in the House here this afternoon, and the honourable Minister of Justice now and the honourable member for Fortune Bay, what success did they have? If the honourable Leader of the Opposition and I had resigned from the government at any time perhaps prior to October 28, or succeeding that period of time it would not have brought down the government. I know that, Sir. I know whereof I speak and the honourable minister knows whereof I speak. It would not have brought down the government. It would have meant that we would have been a couple of more carping critics of the government but it would not have brought down the government. It would not have destroyed the government's power to act in a way that a government can act with the tremendous powers which they do have.

So, Sir, it was my conscientious decision for which I do not apologize to this House or to anybody, especially the honourable Minister of Finance. It was my conscientious decision to stick with it and to fight it out to the bitter end, to go into an election on October 28, (it would have been so easy Sir, to leave the political field) to go into that election, to fight it out as a party functionary, not I might say with any great desire of winning because I thought that the time had come for the Liberal Party

to have a respite from office.

Not, Sir, for any great philosophy of keeping the party in, but as men who did not want to leave the ship, the party, the political party to which we belong. We had an election on March 24, it would have been so easy, Sir, to say this is not the time to be in politics in Newfoundland, in the Liberal Party. It would have been so easy, Sir, to get out of politics and use the reason of not being able to agree with my colleagues here or personal family problems or health or what have you. Get out of it for four or five years, come back in when the going was good. But we did not do it, Sir, we did not resign from the government. We did not get out of politics. We stuck with it and as the honourable minister knows from the documentation he has read, from the talks he has had with the officials of Finance Mr. Peper, Mr. Earle, Mr. Bath, Mr. Vic. Young with the officials of Justice, Vince McCarthy, George McAulav and others, he knows the role that we played in trying to salvage this particular operation.

This afternoon I did not mean to hurt the honourable minister's feelings when I pointed at him and said he stuck with the government for two years and then resigned. I was merely trying to point out and could now do so on that particular opportunity, that he followed his own likes and own conscience and I followed my own likes and my own conscience. All I ask on this deal, Sir, is that the facts and the conduct and what was done during our term of office when I got involved, when the honourable Leader of the Opposition got involved directly, in the last year or so, in the Linerboard Mill that the full truth be told. Not half the truth. Not half the truth for political marks or points.

Sir, if the full truth is told, then neither he nor I nor any other member who is associated with it - I am not mentioning the honourable the Premier he can defend himself if he wants to - but if the truth is told about the former Premier that is if the truth is told about the group here now then, Sir, we have nothing to fear from history or from

anybody else if our conduct is shown for what it is and what we did during the past year or so.

Now, Sir, having delivered and unburdened myself of those few initial remarks, I would like to also give in a little more detail some of the background information concerning our own involvement in this deal, in the linerboard deal, as a member of the House of Assembly and as a minister and some of the background preceding the time that I got directly involved.

As the honourable minister mentioned earlier this afternoon, the deal really started legally with the Melville Pulp & Paper Limited Authorization of Agreement Act, 1966-67. Section (2) of that Act as the minister stated authorize the government to enter into agreements of all kinds with Javelin Paper and so on. lenders for all purposes provided that loans were directly or indirectly related to the establishment and operation of the linerboard mill.

Section 6 of the Act is amended by the Act No. 72 in 1968 authorize the government to guarantee loans not exceeding, under that Act, \$53 million to be raised by Javelin Paper. But, Sir, this is a very big "but" Under section of the Act of 1966-67 it is provided that notwithstanding the other provisions of the Act and in addition to the guarantees authorized elsewhere in the Act, the Government, the Cabinet, the Lieutenant-Governor-in-Council was authorized among other things to guarantee such loans as the Government may deem necessary or desirable to provide directly or indirectly for the establishment and operation of the linerboard mill.

These provisions or these powers, those sections of the Act, especially Section 10, are incredibly wide powers for any legislature. I do not care what kind of a legislature is, if it is a sophisticated legislature or a legislature of some emerging country that has no traditions of democracy. Those provisions are incredibly wide powers for any legislature to give to any government anywhere.

Section 10 allows the government to do anything and to spend unlimited amounts of money as long as they are related somehow vaguely to this project. Sir, it can be argued with great force that such unlimited powers should never, should never be passed over to a government, without further reference to the Legislature, any more in the future of this province.

It is noteworthy Sir, (before there are too many hear, hears) that it is noteworthy, at the time that that Act was passed the honourable Minister of Finance, the great libertarian, parliamentary liberty, power to the legislature, power to the people, that the honourable Minister of Finance, the honourable Minister of Justice and the honourable member for Fortune Bay were minister of the Crown. On the other hand Sir, the honourable Leader of the Opposition, the honourable member for Bell Island, the honourable member for Fogo, who is unfortunately absent here tonight, and I, were backbenchers in this House of Assembly, I was a naive, unsophisticated, greenhorn sitting over there in the corner of this House did not know if I was punched or bored when it came to Acts or deals with Melville or Linerboard Plants, sitting over there in the corner. We were backbenchers in this House and those honourable members that I have mentioned were ministers of the Crown. If blame is to be attached to anybody for allowing these wide powers to be granted to the government, Mr. Speaker, it should be attached to all members of the House of Assembly at that time, who were willing to give it to the government. I am willing to shoulder my share of the blame, one-forty second or one thirty-eighth or whatever it was. Perhaps the Opposition voted against it on principle, I do not know. I am quite willing to shoulder my share of the blame for passing over those powers to the government, as stupid and greenhornish as I might have been sitting down in the corner as a backbencher in this House of Assembly.

But in particular Mr. Speaker, and let this be said for the record, blame should attach to the ministers of the government at the time who

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were involved in this matter, who were fully and completely conversant with the matter, who took part in the drafting of this legislation, who put it through this House of Assembly, using party discipline and the whips to make sure that it was passed by this House.

MR. ROWE (W.N.):

Let that be said for the record, Sir. The powers that we used as the government were passed over to us by a government consisting by and large of those honourable ministers now sitting over there santimoniously and piously casting whatever blame they can on this side of the House.

It is also to be noted, Sir, that upon the passage of the act, that very act they have been talking about, in April of 1967 with its amendment in May of 1968 there is no recorded division in the journals of this House and obviously, Sir, the opposition of the day did not feel so strongly about this matter that they felt obliged to record their position for or against the passing over of these wide powers to the government of the day. So, Sir, I go back to my original statement that I am willing to share blame for the powers being granted and the powers being used, one forty-second of the blame, one member among forty-two members of this House of Assembly.

On February 18, 1968 the government, Javelin Paper, NALCO, Javelin Forest, Canadian Javelin, which is the parent company, entered into an agreement with the government of the day to establish the mill at Stephenville. At that time, Sir, the Minister of Finance who just left the House, the Minister of Justice who is sitting in his seat and the honourable member for Fortune Bay were ministers of the government who entered into the agreement, the original agreement with the Javelin Company. This agreement it is true was later replaced by the so-called Government Guarantee Agreement between the same parties on November 21, 1969 and by that time the honourable Minister of Finance had been out of the government for about a year and a-half, and this time he can consider himself to be relatively clean in the matter.

But, Sir, the honourable Minister of Justice across the way there

MR. ROWE:

and the honourable member for Fortune Bay had been out of the government at that time just over a month, not even a month, I do not think, in the case of the honourable member for Fortune Bay. In the case, at least of the latter two members, the Minister of Justice and the member for Fortune Bay, there is no indication or suggestion whatsoever that either of their resignations were in any way related to the new Javelin agreements which we are now operating under in this House of Assembly and in this province. In fact, Sir, they gave entirely other reasons for leaving the government at that time. There was no hint when the Minister of Finance left a year and a-half earlier that he had any quarrel with this particular deal or this particular bill. He left on another matter.

I was a minister of the government by this time, Sir, and my understanding was that the new agreement, rightly or wrongly my understanding was that the new agreement was an improvement on the old one especially in view of the fact that it involved a guarantee of the Export Credit Guarantee Department, ECGD that we hear talk about, of the UK Government, at better rates of interest than under the former agreement involving the French counterpart of the UK Government. It should be remembered, Sir, that the guarantee of ECGD of the UK Government was an excellent indication, in this case as it was in respect of the Come by Chance agreements, an excellent indication to the Newfoundland Government of the feasibility of the project since, although the Newfoundland Government stood behind the whole project with its own guarantee, the UK Government Department would not desire to become embroiled in a project which could not meet its commitment thereby forcing that Department of the UK Government to live up to its guarantee at least temporarily and to be involved in a very unpleasant situation.

MR. ROWE:

That agreement, Sir, therefore indicated to us, as relatively new Ministers of the Crown, that the guarantee of ECGD indicated that the agreement was certainly a feasible one and a relatively good one. Now, Sir, for my own part, and I think I speak on this matter largely for the Leader of the Opposition and the member for Bell Island, from November 1969 until the spring of 1971 I was not closely involved with the project except as an ordinary Minister of the Crown. I had no particular responsibility as a minister for the project. I had general, over all political and administrative responsibility as a Minister of the Crown.

Occasional Cabinet meetings were held on the subject and things appeared from the information available to us, things appeared to be going along fairly smoothly during that period of time. In 1970, as the Minister of Finance has mentioned, Donald Dick Engineering Company and Peat, Marwick and Mitchell Accountants were appointed to look after the government's interest in the construction and financial arrangements of the project, well not so much the financial arrangements but the way the money was handled in the project. These appointments were made partly as a result, I remember very clearly as a result of the insistence of a number of my colleagues and myself. I might also, Sir, to give credit where credit is due, state that part of my own insistence at that time resulted from a private conversation which I had with the present Minister of Justice who persuaded me, not that I needed much persuasion on the matter, that this type of control was vitally necessary in the project and, of course, he followed up that private conversation later on by a speech in this House and other public utterances in which he stated the vital necessity of controls of this nature, Peat, Marwick and Mitchell and Donald Dick Engineering Company.

MR. ROWE:

Now, Sir, early in the new year of 1971, a little over a year ago, the government, I do not know about Mr. Smallwood I cannot speak for him, let him speak for himself on the matter, the government as a whole and I as a minister became aware, as a result of information received from Peat, Marwick and Mitchell, from the the Department of Finance and other parties involved in the project, that escalating costs were putting the project in very serious financial difficulty. Immediately, if my memory serves me right, enquiries and requests and demands for the submission of possible solutions to the problem were put to Javelin by the government, by the Premier of the day, by my honourable friend and by myself with , I might say again quite candidly, with no notable results from Javelin although some alternative possibilities were expressed to us on one or two occasions by Mr. Doyle, one of which was that maybe we should just leave the country or something, but one of them, I remember, was an airy-fairy idea that had no substance to it whatsoever.

In any event, Sir, there was a lack of information forthcoming from the Javelin Corporation and it was around this time that I became directly involved in the Javelin Operations and the Stephenville Linerboard Mill and took more than a general interest in it, became involved as a Minister of the Crown, with my friend here, to try to salvage the operation. By June of 1971 because of the escalating costs, perhaps some mismanagement involved on the part of Javelin but largely because of the escalating costs, by June of 1971 the project was running completely out of money, no money whatsoever, and the government of which I was a part and for which I take full responsibility had to make a simple decision. Either, number one, to walk away from the project and lose most if not all of the investment, the construction jobs and the potential jobs in the mill and in the woods

or secondly to provide direct interim financing to the Javlin companies, Javlin operations to keep the construction going ahead.

Rightly or wrongly I think rightly, the government decided to provide the interim advances pending the arrangement of long-term financing after further studies on the feasibility of the project were made.

The government then was in the same position as the present administration were when they took office and the government then took the same decision as the present administration, namely that there was no alternative but to continue the construction of that great mill in spite of the escalation in costs.

The first direct loan of \$5 million was made in June of 1971 on a short-term basis and, Sir, everybody is a genius in hind sight but at that time the Leader of the Opposition and I, who were most closely involved in it, conscientiously thought that the amount was sufficient, not to complete the plant but the amount was sufficient and the duration of the loan was long enough to allow the further studies to be made and for long-term financing to be arranged on a good, sensible basis.

Sir, in return for that loan by the Newfoundland government to the project - \$9 million, the government entered into an agreement with Javelin, negotiated largely by my hon. friend here, with the assistance of the then Minister of Justice and the other officials of the Department of Justice, entered into an agreement with Javelin. The agreement gave the government the power to take effective and complete control over Javelin Paper and Javelin Forests and in the event, Sir, of a default by Javelin, to take over the complete ownership of the project.

This agreement and later agreements which contained the guarantee of Canadian Javelin, the parent company, put the government at that time, Sir, in the best security position that it had ever been in in respect of the project, a better security position than the government had been in in respect of that project after the agreements which were drafted up by

my hon. friend, the Minister of Justice, the Minister of Finance, and other members of the government of that day, in a better security position.

It was under these agreements, Sir, containing Canadian Javelin's guarantee, the parent company, under these agreements that the hon. Leader of the Opposition and I threatened and were planning towards the takeover of the project by the then government in December and January of the year just past, January this year.

In the meantime, Sir, sufficient information after a multitude of demands, requests, threats of all kinds to Javelin, sufficient information was finally produced by Javelin to allow a technical feasibility report to be prepared by Dick Engineering Company and the financial feasibility study to be prepared by Peat Marwick and Mitchell. These reports by Dick and by Peat Marwick and Mitchell, I do not remember when the Dick Engineering Company one was received but the Peat Marwick and Mitchell one was received early in August of 1971, dated I believe, August 6. The report showed the project to be still marginally feasible in spite of the escalation in costs. The opinion that the project was still feasible was based largely on the fact that the market value of the product to be produced, the linerboard product, the market value of that product that come from the linerboard mill had also increased significantly over the same period of time. Although there was certainly a large and drastic cut into the prospective profits of the firm in the future, the dramatic increase as well in the market value of the product-to-be compensated somewhat for the great escalation in costs of the mill itself. Therefore the feasibility reports, based on the best information available at the time, showed the mill to be marginally feasible. Based on these reports, not on our own whims, not on some airy-fairy idea, pie in the sky notion pulled down from a shelf somewhere, based on these reports, the cabinet in August agreed to guarantee additional long-term financing if Javelin could arrange it. In fact Javelin itself had already been

working on such arrangements in anticipation, hoping that a possible favourable decision would be made by the government.

Now Sir, there have been criticisms levelled at the former administration of which I was a part, criticism levelled by the hon. Minister of Finance and others in the past, criticisms for what is considered to be the secrecy, the so-called secrecy which surrounded these events of last summer.

Perhaps Sir, looking back now with the benefit of hind sight, and being a genius now with all the facts at my disposal, and being probably a moron at the time because you are looking forward into the future, but being a genius now, looking back perhaps these criticism were in fact justified.

But Sir, at that time, at that time in August, it was our bona fide, our good faith belief that long-term financing could be arranged almost immediately with a government guarantee and that once that matter was settled quickly, with a minimum of fuss, full disclosure could be made to the public. Now whether this was the intention of the leader of the administration at that time - I know what my intention was at the time and I know from discussions what the intention of my colleagues and my colleagues over here were, the intentions of those gentlemen were at that time.

In any event, Sir, it was not so much an official desire on our part, some desire, some paranoial desire of the government for secrecy, not so much that but a genuine desire on our part to try to remedy the problems which have sprung up overnight as far as we were concerned, not having been highly involved previous; to try to salvage the operation with a minimum of damaging, political or financial turmoil. Sir, to show that the secrecy was not what you might call official in nature, William Callahan, the Minister of Mines, Agriculture and Resources, then a minister of the government, made mention of the escalating costs and the need for more money. I think he stated a figure of \$40 million at the time. He made mention of this publically, on a public affairs television programme

during the summer, while we were trying to arrange this financing. Earlier in the year, as the Minister of Finance gleefully pointed out to us during the last session of the House or the second last session of the House, gleefully pointed out to us that the government had made similar disclosures of escalating costs and problems which could be deduced from escalating costs in our prospectus which was filed in New York with SEC or Washington, wherever SEC is.

Sir, aside from all that, I would say tonight that doubtlessly the Minister of Finance has discovered, if he did not know already and I am sure he did, has discovered some of the problems of negotiating in public, of assuming a public position on the one hand and the other party assuming a public position on the other hand, and the difficulty of negotiating in public and coming down from those positions and trying to have a meetings of the minds at some later date.

I am sure the Minister of Finance found

MR. ROWE, W.N. some of the problems and difficulties of negotiating in public following his seventeen page press release on the matter in January - on January 18, I believe it was his seventeen page press release which was made to the public concerning Javelin after his party took over the government.

I am sure that did not make his job any easier in negotiating with Mr. Doyle and the Javelin interests. I am sure that the bill before this House today and the agreement would have been signed by the parties concerned long before it had been, had it not been for those public disclosures. I do not blame him for that. If I had been in a position, politically speaking I probably would have done the same thing myself with another election doubtlessly in the offing. Sure why should he not try to make as much political hay over what could be painted as blunders on our part and a godsend to the honourable gentleman on the other side.

In any event, Sir, the efforts which we made to obtain the long term financing quickly were fruitless and unsuccessful for a variety of reasons. The Nixon surcharge, for example, to take for example, imposed during the summer was the biggest problem. I remember going over to London to sign some deals to raise the money and the Nixon surcharge was imposed and the bottom dropped out of the market as far as long-term financing was concerned. I went over to London, I was there one day, got aboard of a plane and came on back again. The deal had fallen apart. My other colleagues stayed on for two or three days trying to salvage that particular deal, with no success, if I remember correctly. Another of our colleagues went to Switzerland and hung around a hotel room for two weeks waiting to sign a deal, some time later, Do you remember the date of that?

MR. ROBERTS: Late August.

MR. ROWE, W.N. Late August some time, equally fruitlessly, equally unsuccessfully.

In any event, Sir, the money was not raised until late in December of 1971. In the meantime further direct advances were made by the government to the Javelin operations to keep the operation, the project going, totalling, I believe, as the honourable minister has stated, some \$24 million by the time that we left office. All of these advances, Sir, were subject to the agreements which I have already mentioned, these interim financing agreements whereby the government had the power to take control of Javelin Paper and Javelin Forest and to take over ownership in the event of a default. And the second and subsequent, later of these several agreements, also as I have mentioned had the guarantee of Canadian Javelin, the parent company. Agreements, Sir, which I was pleased to be associated with and agreements which the honourable the Leader of the Opposition can take a tremendous amount of credit for, They put the Government of this Province in spite of what the honourable Minister of Finance says, in the best security position that they were ever in, in spite of the Javelin operations in Stephenville.

Now, Sir, around this time another little incidental matter came up on December 20, 1971, I received, fortunately - I do not know what would have happened if I had not received this copy, but I received fortunately a copy of a letter from Peat, Marwick and Mitchell, our watchdogs on the project, recommending a review and examination of all inter-company transaction. all transactions which had taken place between Javelin Paper and the other project companies, Javelin Forest etc., Javelin Paper and all those companies on the one hand and Canadian Javelin and its other affiliated companies on the other hand, inter-company transactions between Canadian Javelin and its affiliated companies which were not involved in the project on the one hand and the project companies on the other.

MR. ROWE, W.N. Mr. Smallwood, the Leader of the Government, the honourable Leader of the Opposition and I immediately the same morning met with Peat, Marwick and Mitchell, as a result of the Leader of the Opposition and I going to the Premier's office and saying that we should call Peat, Marwick and Mitchell in, I notice some of the partners here in the House this afternoon. They can verify this. They were asked to come to the Premier's office that very same morning for a discussion.

They were asked after that discussion, during the next day or so, to submit terms of reference to the government for such a review. We received these terms of reference for the review or investigation on December 24, Christmas Eve. The Premier, Mr. Smallwood, was out of the province at the time. On that same day, Christmas Eve the Leader of the Opposition and I of our own volition authorized on behalf of Treasury Board such a review exactly along the lines submitted by Peat, Marwick and Mitchell. A copy of the letter is undoubtedly in the files of the honourable minister, signed by the Leader of the Opposition, signed by myself ostensibly with the authority of Treasury Board although there had not been a Treasury Board meeting at that time. Subsequently, a few days later, Peat, Marwick and Mitchell received a letter from the Treasury Board secretary confirming their appointment to conduct this review and investigation of the inter-company transaction of the various Javelin affiliates. A preliminary report was received from Peat, Marwick and Mitchell, Sir, a few days before we left office around the middle of January. That report disclosed a number of irregularities. For example, the irregularity which the honourable Minister of Finance refers to, the payment of the \$100,000 to O.L.V in trust. Whoever O.L.V is, we will have to speculate on that. The payment of \$100,000 to O.L.V. in trust and other little funny goings on and irregularities mentioned by the honourable Minister of Finance in January.

MR. ROWE, W.N. It is important to note, Sir, for the record that it was the honourable Leader of the Opposition and I and other members of the Treasury Board, the honourable the member for Bell Island, the honourable member for Fogo who authorized and commissioned this investigation of irregularities, of any possible irregularities, it was we who commissioned it, not the present administration. Although I would say, perhaps not consciously or wilfully or deliberately, I would say that the way it was painted in January when the honourable Minister of Finance gave out the information, it looked like they had uncovered themselves, by diligent detective work and research, these irregularities, these semi-corrupt practices going on.

It was this administration, the previous administration as represented by us here who commissioned the report, the review and the investigation.

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. We received it a day or two before we left office.

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. On Thursday, Sir,

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. The 17th. of January. When did we leave office?

MR. ROBERTS: The preliminary report.

MR. ROWE, W.N. January 18 we left office.

MR. ROBERTS: January 17. There was a preliminary report, I do not know when the final one came.

MR. ROWE, W.N. There was a final report on - I do not know, I suppose a final report, a report was finally received by the present administration, but the preliminary report which we commissioned, outlined these irregularities, showed these irregularities. Trying to hide things? We were not trying to hide things, Sir, we were conscientiously interested in trying to salvage the operation and to stop any hanky-panky, if there was hanky-panky going on with regard

MR. ROWE, W.N. to the linerboard mill in Stephenville.

Now, Sir, on Thursday, December 23 and I refer to the Merry Christmas that my colleague and I had earlier in the afternoon.

MR. ROBERTS: January 14.

MR. ROWE, W.N. January 14.

MR. ROBERTS: It was dated January 14, but I think we got it the 17th.

MR. ROWE, W.N. I did not see it until after we got out of office. As a matter of fact, my friend got a copy the day before we left office. I remember him telling me about it at that time.

In any event, Sir, Thursday, December 23, a couple of days before our Merry Christmas, following a telegram sent to Mr. Doyle several days before, I do not know the date of that particular telegram, probably the 20th.

MR. W.N. ROWE: or so of December, a telegram was sent to Mr. Doyle in Switzerland demanding (It was signed by the then present Premier. It was dictated and drafted by my hon. friend and myself and sent over Mr. Smallwood's signature to Switzerland) demanding that any money raised by the Javelin Interests (because we had at that time gotten sort of a nervous feeling in our bones that something funny and queer was going on.) We sent a telegram to Mr. Doyle in Switzerland demanding that any money raised by the Javelin Interests be paid into a joint account under the control of the government.

At any rate, Sir, on Thursday of December 23, the Leader of the Opposition and I became aware almost fortuitously, almost by chance we became aware that a long-term loan had been arranged on a government guarantee on the previous day in Germany. The money was being held in a Paris Bank to the account of Javelin Paper. Upon becoming aware of the drawdown of these funds, I became aware of it by chance, fortuitously, in the afternoon of December 23, and that same afternoon upon becoming aware of the drawdown of these funds, the Leader of the Opposition and I sent, over our own signatures this time, a telex to Mr. Doyle in London ordering the money to be paid into a joint account forthwith, a joint account from which no money could be paid without the prior approval of a duly authorized signatory of the Government of Newfoundland.

That telex was received, Sir. We have copies of the telexes here. That telex was received by Mr. Doyle in London. In any event, all of the European Banks were then closed until the following Tuesday. They have a long Christmas vacation over there by the sound of it. On Tuesday afternoon arrangements were concluded with the Javelin people concerning the payment of the money into joint accounts from which no payments could be made without government approval. There was no way, Sir, in the interim, there could have been previously to that on the 23rd, I suppose, the \$30 million if you think that way, could have been spirited away.

MR. CROSBIE: How did the guarantee get free?

MR. ROWE: The hon. minister knows as much about that as I do and perhaps the hon. minister might tell the House. I do not consider it to be an edifying experience myself. I do not consider it to be an experience that I want to feel responsible for divulging, but if the hon. minister wants to go ahead and do it, feel quite free.

MR. CROSBIE: I was wondering if the hon. member could tell us how they got the guarantee without being...

MR. ROWE: The hon. minister knows as much about it as I do.

MR. CROSBIE: The hon. member is only guessing about that.

MR. ROWE: The hon. minister knows. The hon. minister has talked to the officials. Talk to Mr. Peper, talk to Mr. Vincent McCarthy. I mean, if you want to set up a Royal commission of enquiry to look into it, that will be quite all right with us to find out the situation. The hon. minister should tell the House when he closes up the debate.

All of the European Banks, Sir, were closed as we said.

MR. CROSBIE: I was not there.

MR. ROBERTS: Neither were we, by the way.

MR. ROWE: No, we were not there.

MR. ROBERTS: That was the problem.

MR. ROWE: On Tuesday afternoon we concluded the payment of the money into the joint accounts as I have mentioned. One the next day, the Leader of the Opposition and I got aboard a plane with Mr. McCarthy, the Deputy Minister of Justice, and went to Montreal to negotiate and conclude the backup agreement which should (as the hon. minister has said before in this debate) have been negotiated and concluded before the drawdown of any of that long-term financing arranged in Germany.

MR. CROSBIE: That was a Happy New Year.

MR. ROWE: Yes that is right, a Merry Christmas was followed by a Joyful New Year. At that time, Sir, we insisted, the Leader of the Opposition and I, and Mr. McCarthy was following our instructions, that Canadian Javelin,

the parent company, guarantee in the backup agreement the repayment of all the additional long-term financing caused by the rise or escalation in costs.

The Javelin negotiators resisted this position on our part. As I suppose a half humorous alternative, we stated that in the absence of such a Canadian Javelin guarantee, the government, the previous administration would accept fifty percent ownership of the project, one-half ownership of the Javelin Paper Company, as some meagre compensation for the added risk which the government had assumed on this project with the additional guarantees. Mr. Doyle would not accede to this position either and talked vaguely and generally about some government participation in the profits of the mill. Sir, because at this time the remote possibility of any great profits being available, we this time rather violently demurred and stated that we did not think that would be acceptable. The agreement having been concluded mainly, except for this particular point, the meeting was adjourned on this note until the following week in St. John's.

At that time the various parties talked tentatively about the government receipt of a percentage of the gross profits— not the net profits, the gross profits of the mill, together with a later cash payment by Javelin to the government. But, Sir, no formal conclusions were reached on the matter before we left office. It was about this time, December and January that the Leader of the Opposition and I, including I believe my colleague here tonight who were present then, felt that we had without a shadow of a doubt after six or seven months of fooling around, of getting no where with the Javelin people, getting no where with Mr. Doyle, we decided that we had reached the end of the line and that a take over of the project by the government could not be avoided, either by negotiation (and we did mention this to Mr. Doyle, as a matter of fact, he offered on one occasion to sell to the government at a highly inflated price, almost as inflated or escalated as the cost of the linerboard mill itself) or by a forced take over with the disputed matters to be left to arbitration or to court action.

Indeed, Sir, somewhat earlier than this, around the time of the drawdown of the long-term financing, around two or three days before Christmas, the Leader of the Opposition and I discussed among ourselves and in the presence of officials of the Department of Justice and the Department of Finance, the possibility of taking over the project by the government seizing (as we believed we had a legal right to do) seizing, because of the defaults of Javelin, (the various companies) seizing the shares of Javelin Paper and Javeline Forest which were then being held in trust by the Montreal Trust Company.

AN HON. MEMBER: (Inaudible)

MR. ROWE: Then what was in trust in the Montreal Trust Company?

MR. ROBERTS: The Wabush agreement.

MR. ROWE: Yes, that is right. It is the Royal Trust Company.

MR. ROBERTS: That is right, that is the one owned by the -

Mr. Rowe (W.N.)

Sir, I would like to stress for the record and for the benefit of hon. members here who I have to live with and for the benefit of the public that I have to live among, the role which was played by the Leader of the Opposition and I and other colleagues in this House presently. The role we played during this whole affair was one of a sincere, honest and genuine attempt to deal effectively and in the best interests of the province with a problem which was largely not of our own making at all and which had grown up certainly partly as a result of circumstances completely outside our control. We were not in on the original deal. We inherited the deal. We found ourselves parachuted into a situation which was largely not of our own making at all and largely due to circumstances beyond our control, the escalation of costs.

Sir, the Minister of Finance and his colleagues, I am sure, are aware of all of this from the documents on file and from the discussions which he has held with government officials. Sir, let me state as firmly as I can on behalf of my colleagues and myself that if there is the least hint by anybody in this House or anybody outside of this House and that includes Mr. John Christopher Doyle, if there is the least hint that the Leader of the Opposition or the other colleagues of mine who were involved at the time or I, colleagues who are presently in this House, (I assume no responsibilities for colleagues at the time who are now out of the House) but if there is the least hint or least suggestion that colleagues of mine presently in this House or I did anything which can be characterised as wilfully neglectful or not in the best interests of this province or, Sir, if there is any attempt either inside this House or outside this House by any party to taint our integrity or reputations or our exercise of judgment in good faith, rather that judgment be faulty or wrong or right is a matter of opinion, but exercise of judgment, in good faith, then, Sir, we here on this side of the House would be eager to have the whole matter and our conduct

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throughout the whole matter submitted to a royal commission of inquiry set up by this government. In fact, Sir, we would demand that a royal commission of inquiry be set up in any of those circumstances.

I am absolutely serious about that.

MR. ROBERTS: Why not? We have nothing to hide.

MR. CROSBIE: (Inaudible)

MR. ROWE (W.N.): Okay, Mr. Speaker, I gave the hon. Minister of Finance the courtesy of silence this afternoon except when he got noddy and nasty .

Mr. Speaker, as a matter of fact I do not see why the hon. Minister of Finance does not set up a royal commission of inquiry concerning this \$550,000 which he mentioned and which I heard of for the first time in my life this afternoon in this House - \$550,000 which he says he was told by somebody but I do not know whom - Mr. Doyle, one of his negotiators, told it was a bribe of some sort. Why he does not set up a commission of inquiry or some kind of a commission to look into that situation is completely beyond me. I would welcome the setting up of such a royal commission of inquiry because by making that kind of an utterance, it has by inference to taint the members of the House on this side. I remember, Sir, sometime during the negotiations taking a hard line with Mr. Doyle and with the Javelin group of companies on some particular matter and receiving a late-night phone call, not from Mr. Doyle or anybody who I know was associated with Mr. Doyle saying: "Oh, do not do that. Do not threaten to take over the Javelin interests in this province, because your reputation will be smeared." I said, "Smeared? How can my reputation be smeared?" I am guiltless of any crafty or corrupt dealings with this bunch of men. This particular gentleman talks about cynicism. He said, "when mud is flung, some of it sticks." Mr. Speaker, I state again that if there is any little hint of impugning our motives or our integrity in this regard, then we will demand a royal commission of inquiry generally and in fact we would welcome a royal commission of inquiry respecting the so-called bribe, which is

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thrown out, an umbrella bribe or something that can have the effect of tainting hon. members of this House who were unfortunate enough to find themselves embroiled and involved in a situation and who did everything in their power to solve the situation to the best of their ability and conscientiously.

Sir, that is all I have to say on that particular aspect of the Javelin operations. Now, Sir, perhaps a little more quickly, I would like to deal with the proposed deal by the present government with Canadian Javelin and the Javelin affiliates with respect to the Stephenville Linerboard Mill. The Progressive Conservative Government, the present administration, proposes, Sir, to buy the project from the Javelin Companies and they seek to give the purchase agreement legislative approval. They do not propose a takeover of the project. They propose a negotiated purchase and a settlement with the Javelin group of companies.

Now, Sir, this Legislature, this House of Assembly can do anything within its jurisdiction. The question, therefore, Sir, is not the need to have an amicable friendly settlement of this matter with Mr. Doyle and the Javelin Companies. What do we in this province owe them? The question, Sir, is not that but it is a question of the Legislature, the House of Assembly to do whatever is best in the best interests of this province.

Now, Sir, on the question generally of the government assuming control of the project, it might be said that if Javelin had been merely a victim of unforeseeable circumstances utterly beyond their control in this matter and if Javelin were still very interested in conscientiously trying to make a go of the project, I would say that the government probably should not assume control and ownership of the plant. I would say that because perhaps an eager and efficient private entrepreneur would be a better operator of the project than the government where there might be a risk of inefficiency, lack of profit motive or a fire sale auction of the plant. But, Sir, in the present case, under the present circumstances, the Javelin people seemed to have lost all interest in this project to a very great degree even before we left office,

either because of the reduced profit potential or the lack of success in providing efficient management themselves or maybe because of all the political fuss and commotion or maybe because of a possible drag of this project on Canadian Javelin's other interests or a combination of all those factors. The desire, Sir, has been expressed to us, as I mentioned earlier, from time to time by Javelin, the desire to be bought out has been expressed to us, just as our intention possibly to take over the project had been on occasion expressed to them.

In these circumstances, Sir, in all these circumstances, it is our view on this side that the government takeover of the project is the best thing to do in the circumstances. But let us be clear, Sir, that this government, this Progressive Conservative Government, recently elected by the people of Newfoundland, largely on this issue and partly on this issue, that this government is of its own volition assuming a heavy and onerous task for which they may be held responsible in the future. I am sure that the hon. ministers are willing to take that responsibility.

MR. MARSHALL: Inaudible.

MR. ROWE (W.N.): The hon. minister should inform his colleague that he cannot make chalk of one and cheese of another. If I inherit a difficult problem, I try to do what I can with it. The hon. minister has no problems at all, no difficulties. He sees no obstacles in labelling me or labelling my colleague with the same collective responsibility - collective responsibility, sure, but responsibility for things that I inherited.

So Mr. Speaker, let it be clear that this government is taking an action which they will be held responsible for in the future. I would, in the hon. minister's position, do exactly the same thing, Mr. Speaker. But unfortunately or fortunately depending on one's point of view, I am not in his position; he is the minister. I see his name blazing forth on the agreement. He is so proud of that agreement, Mr. Speaker, that he does not even do it anonymously. The Minister of

Economic Development or the Government of Newfoundland or Her Majesty In Right Of Newfoundland, no Mr. Speaker, the name of the hon. gentleman blazing across the face of the agreement. He is so proud of this!

MR. CROSBIE: It used to be Joseph R. Smallwood.

MR. ROWE: Is the hon. minister trying to take his place.

MR. CROSBIE: You never complained then.

MR. ROWE: If I were the Premier, I would not nip out for a smoke with the hon. gentleman present. I would be back in my seat guarding my left flank.

MR. CROSBIE: That is the way you are over there.

MR. ROWE: Mr. Speaker, there is a responsibility on the present government to operate this plant. It is only a reasonable responsibility to operate the plant as reasonably successful as possible in the circumstances or to resell the plant on terms beneficial to the people of the province.

This action, Sir, that they are undertaking now, is the present government's responsibility and although we in the opposition have no objection to the action and in fact agree with the takeover in principle, it must be remembered that we are not the government at the present time. It is the present government which must bear the responsibility and shoulder whatever blame or take whatever credit may come to them in the future as a result of this particular action.

If we had formed the administration, Sir, and took such action, we would be prepared to undertake that burden of responsibility just as I gladly and just as we gladly undertake responsibility for other actions of the government to which we belonged in the past.

We will, therefore, Sir, vote for this bill in principle. We have no objections whatsoever to a government takeover, to a takeover by the government of the project. But the question, Sir, and this is where I will hit or hurt the sensitive feelings of the hon. minister I am sure - I am not allowed to say that, I will be called something contemptable.

I have to call him the untemperamental minister you see.

MR. CROSBIE: It is all right now. I am not even going to call you anything.

MR. ROWE: You are not even going to get into it. The temperamental minister I say with impunity tonight, at least will be hurt by what I am going to say now and by other members of the House.

MR. CROSBIE: Inaudible.

MR. ROWE: I know the hon. minister will flush and he will grind his teeth because this you see, Sir, is his vindication night. This is his golden day. After four years flitting about in the political wilderness, wearing a groove in the floor of this House going back and forth, after four years...

MR. CROSBIE: At least I am on the right side.

MR. ROWE: Yes, we will see that in a year or so. I am glad to see that the Premier has assumed dictatorial control and the hon. minister parrots his bad lines, yo-yo's.

MR. CROSBIE: Have you noticed?

MR. ROWE: Yes.

MR. ROBERTS: I can tell you the Premier has noticed.

MR. ROWE: I tell you that when we were over on that side, Mr. Speaker, that gap there was not quite so large. I saw the hon. Premier come up here late one night and say to workmen, "Move that away, I want that hon. minister to be as far from me as possible. I have to make a pretense of his being a close colleague of mine but move him away, as physically far as possible."

MR. CROSBIE: Inaudible.

MR. ROWE: That is good. I never heard the Premier use that line before.

MR. ROBERTS: George McLean must be getting better.

MR. ROWE: Ronalds Reynolds are off the payroll, the hon. minister will be glad to know. Who is on the payroll though? That is the question.

MR. ROWE: Mr. Speaker, Mr. Goldfarb, it is true the hon. minister mentioned Mr. Goldfarb because I am going to have to tell him something. Should I tell him politically where he stands in this province?

MR. ROBERTS: I do not think you should.

MR. ROWE: I will save it, Mr. Speaker, since this is his golden hour, his golden day. I will save it for that. We cannot deflate him too much.

MR. CROSBIE: Inaudible.

MR. ROWE: Goldfarb showed us obliterated. I am glad to see that we proved him wrong.

Anyway, Mr. Speaker, Mr. Goldfarb's polls and the polls done by the hon. Premier show the hon. minister where he is politically in this province. No, Mr. Speaker, he was not lucky to be elected but he is going to have to work harder if he is going to move that four feet to his right. He is going to have to work harder and harder. Because the hon. the Premier, according to all the polls, is a very, very popular man in this province. I do not know how long it is going to last.

MR. CROSBIE: Fifteen or twenty years.

MR. ROWE: That was a half-hearted... Anyway, Mr. Speaker, as I mentioned we will vote for the bill in principle but the question, Sir, is whether the terms of the agreement negotiated between government and Javelin are in fact in the best interest of the province.

MR. ROWE (W.N.):

Now this is where it will hurt. Let us look at some of the terms of the bill and the agreement, Sir: Section (6), as the honourable minister mentioned, allows the government without any further reference to the House of Assembly to complete and operate the project. But that section of the bill goes much further and gives the government the complete unlimited unfettered power to sell, lease, entrust or otherwise dispose of the project to anyone on any conditions and for any consideration or purchase price agreed to by the government itself.

Mr. Speaker, I thought the honourable minister had learned from his bad experience with section (10) of the original act giving government unfettered unlimited powers. Here, Mr. Speaker, we see how simply amazing it is that the Minister of Finance has changed his views since he became a minister of the government and left this side of the House. Last year when he was in opposition he would have conscientiously and genuinely and honestly would have fought tooth and nail against such a wide power being given to the cabinet of the province. Now, Sir, he is trying to force such powers through

the House of Assembly again. If he wants to give it to a Crown Corporation why does he not state in the legislation? It is easy.

Sir, we on this side of the House really, whether we want to or not, as an opposition it is our responsibility, Sir, to fight against a government assuming any such power, a power to dispose in any way whatsoever for any purchase price, which could be as low as a dollar for that matter - I am sure it would not be but it could be, to dispose of this project at any purchase price whatsoever. Surely, Sir, the government should not be given such a power but any agreement to dispose of the project, Sir, and I commend this, I recommend this to the honourable minister, any agreement to dispose of the project entered into by the government should be approved by

MR. ROWE:

the House of Assembly. They have a large majority, Mr. Speaker. They have thirty-three members. The government is not going to fall tomorrow. The government can enter into an agreement and have it approved or ratified by the House of Assembly. What is wrong with that or what is wrong with the government coming to the House of Assembly, calling the House together at short notice for that matter(they have done it before on less important matters) to get agreements to dispose of the plant approved by the House of Assembly?

Sir, we have to, although we agree with the bill in principle, we will have to as an opposition and every private member in the House should as a matter of principle vote against that particular part of section (6) when the bill comes before the committee of the whole House. We can agree in principle that the bill is a good one, and expunge that thing, that particular part of the clause from the act or the bill when it comes before the committee of the whole House. It is too much power to be giving a government. Just because these honourable gentlemen are in power now, Sir, they should not act like governments have traditionally acted in the past. Grab power!

MR. MARSHALL: Would the honourable member look at section 7(3) and elucidate the great changes that have come upon the Government of the Province.

MR. ROWE: What section is that? What does that deal with?

MR. MARSHALL: Section 7(3) deals with the \$50. million.

MR. ROWE: Oh, yes \$50. million. I will deal with that, Mr. Speaker.

Section 7, as the honourable Minister says, allows the government to expend public money and to unconditionally guarantee loans in connection with the project up to a limit of \$50. million, again

without any further reference to the House of Assembly for approval or disapproval or ratification or otherwise. Now \$50. million

MR. ROWE:

is a lot of money and even after twenty-three years of the old government, \$50. million is still a lot of money, Mr. Speaker, especially when you add to the \$50. million the interest payments which would be guaranteed as well, which could be very well more in amount than the original \$50. million itself. At eight or nine per-cent the interest on that amount, the debt would double in eight or nine years.

Once more, Sir, we do not think there is any earthly reason why the House of Assembly should not be involved in further expenditures of this type. However, and I am sure the minister will be delighted to hear this, we do not propose to press this point too much since there is at least a limit set on the government expenditure which is at least far different than the original act in which the minister of Justice was involved and the Minister of Finance was involved in, under which there was no limit whatsoever imposed on the government in respect of this project.

Now, Sir, if I could be heard over the dull roar coming from over on that side. Okay, Mr. Speaker, when we come to the actual agreement between the government and Javelin it is interesting, very interesting, Sir, to note some of the terms used in the preamble, in the "whereases" to the agreement. For example the agreement states that whereas there must be litigation, must be litigation, court cases, unless the disputes are settled by mutual agreement. My answer to that, Mr. Speaker, is that it is not necessarily so that there must be litigation. I doubt very much if there would be litigation if this matter were settled in a manner different from the bill before us today. But even if it is so, so what? Who cares if there is litigation? Surely this government, this strong government, tough government is not afraid of court action

MR. ROWE:

in this case since they have, Sir, completely the upper hand on the Javelin Corporation, completely the upper hand. There are so many defaults on the part of Javelin.

It is also stated in the preamble that such litigation, such court suits would be lengthy and expensive and might impair the establishment and the operation of the project. Again, Sir, I have to dispute that statement. This legislature has the power to allow the government to take over that project and to operate that project without any interference from anybody whatsoever and I doubt very much, in fact, if such lawsuits would be either lengthy or expensive and certainly not worth \$5. million in spite of the high legal fees that my honourable colleague might say lawyers charge. It certainly would not be \$5. million worth of court suits, legal costs and certainly the lawsuits themselves would not result in the award of damages worth \$5. million to Mr. Doyle and the Javelin Companies since there are clear cases of default on the part of Javelin.

The preamble to the agreement, Sir, closes with a statement that it is desirable to make a settlement of all disputes with respect to the project having regard to the best interests of the province (so far so good) and having regard, Sir, to the best interest of the Javelin Companies. Sir, to me, although the bill and the agreement is basically good, it is certainly clear to me that the agreement is as the preamble states in the best interest of the Javelin companies. Under article (11) of the agreement the government purchases, not a take-over as was mentioned during the election campaign, not a take-over, the government purchases the project and everything related to it including the contracts. That is good because without the contracts and without the markets the

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MR. ROWE:

project itself would not be much good.

Under article (111), Sir,

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the government is to pay \$5 million - \$5 million to Canadian Javelin in two installments for the transfer of assets in the agreement - the transfer of assets, plus \$100,000 for two buildings in Stephenville.

Now, Sir, \$5 million for what assets? The word "assets" is used in the agreement. Is the Minister of Finance saying that the project is at this moment, Sir, worth more in the market than the amount which the government have already put in directly or indirectly, directly or by guarantee or which it will in fact be required to put in in the future to complete the plant? Certainly, the minister cannot be saying that, that the project is worth more in the open market today, the value as a going concern, more than what the government have already put in or will put in. If he is saying that, Mr. Speaker, I would like to see the appraisal of the project that he is basing that statement on, if he were making that statement. Canadian Javelin, the Parent Company does not have one cent worth of assets in the project above and beyond the Newfoundland Government's input in the project. Obviously, Sir, what the government already have put into the project and are going to put into the project, together with the taking on of certain obligations of the project is sufficient consideration and sufficient reason for a take-over of this project without any reference whatsoever to the \$5 million. The \$5 million to be paid to Canadian Javelin of which Mr. Doyle is the principal shareholder is certainly not for assets. It is either for the equity investment which Canadian Javelin may have in the project or, Sir, to buy a little peace and quiet for this government, this tough hard-nosed government.

Canadian Javelin, Mr. Speaker has no equity of any value in this project which has more than doubled in cost. They might have put in \$5 million or \$6 million originally but the value of Canadian Javelin's equity investment in the project at this moment is nothing. To lash out, Sir,

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\$5 million of the public money, in my estimation, is too much to pay for peace and quiet or the avoidance of litigation and lawsuit. I will have a little more to say about the matter later.

Article IV provides for, "The taking over by the government certain obligations, liabilities, including accounts payable of Canadian Javelin, Javelin and its subsidiaries if incurred for the establishment of the project." It also included, "a certain Conditional Sales Contract, Chattel Mortgages and so on concerning the Harvesting Facilities." We have no quarrel, Sir, with the government's action in that respect since it appears to be a reasonable and legitimate thing for the government to do.

Article V calls for, "The government to repay to Canadian Javelin, the Parent Company of which Mr. Doyle is the principal stockholder, to repay to Canadian Javelin certain money advanced by that company to its subsidiaries."

When we were in the administration of this province, we had a similar request made to us by Canadian Javelin for \$2 million at the time of the \$5.3 million they said they had in it. It was this request that subsequently lead to the review and investigation of inter-company transactions by Peat, Marwick and Mitchell on our behalf. There may be a good question as to whether the government should in fact cause this money to be repaid since it was advanced, Sir, by the sole shareholder in a project (not an arm's length lender at all) the sole shareholder in a project, in a project which is now insolvent from the point of view of that shareholder, Not from the point of view of the government perhaps but from the point of view of that shareholder, Canadian Javelin, the project is insolvent.

Sir, there are some other provisions in the agreement concerning additional obligations of the government in Javelin. The Minister of Finance

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has adequately dealt with those. So, Sir, the sole broad question of principle beyond the fact that the government are assuming control is whether this deal is in the best interests of this province. It is not, Sir, a take-over of the project by the government. It is not a take-over. As the agreement itself states, it is a settlement a purchase of the project by the government for \$5 million of hard-earned cash in addition to the amounts already put in or guaranteed by the government. In addition to the government taking over certain liabilities to third parties, which the Javelin Companies owe and in addition to the government paying back to Canadian Javelin the so-called advances or loans made by that company to the project and in addition - I do not know, I have not seen it anywhere but I would imagine in addition to Canadian Javelin getting off the hook under guarantees for what? They are now on the hook for the first \$9 million and the guarantee.

MR. ROBERTS: (Inaudible)

MR. ROWE (W.N.): Right! Fifteen million they are off the hook for, Canadian Javelin, the Parent Company, the sole stockholder. We had a guarantee from Canadian Javelin. What good was it to us?

MR. CROSBIE: You could not even get the money back.

MR. ROBERTS: Well, to protect the shareholders.

MR. ROWE (W.N.): Fifteen million they are off the hook for there.

MR. CROSBIE: (Inaudible)

MR. ROWE (W.N.): If they were still on the hook, then as the project went ahead and the operation continued and as it became apparent, as it may become apparent, that the government will have to meet some of the obligations of the project because the project cannot pay its own way, it would have been a good thing to have Canadian Javelin, which is not a poor company despite the poor mouth put on - \$5 million going to bankrupt

MR. ROWE (W.N.)

that company!

It is not a poor company, Sir. It was good to have them on the hook for \$15 million guaranteed. They are going off the hook on that. Sir, on any reasonable and realistic basis, the project can only be considered insolvent and for all practical purposes bankrupt as far as Canadian Javelin is concerned. That is not to say the project is not feasible from the government's point of view and that it will not pay its own way in the future. It may well pay its own way marginally in the future with no great hope of great profit .

It is fair to say, Sir, from Canadian Javelin's point of view, the sole shareholder's point of view, the project is insolvent. Nearly every cent in the project is government money or government guaranteed money. I doubt very much if the value of the project's assets is greater than its liabilities or, Sir, that the project will have a net profit during the foreseeable future which could be considered to be a potential return on any equity or investment which Canadian Javelin may have in the project. In fact, Sir, there may be losses on that project for a long time to come. There may never be any return whatsoever to Canadian Javelin if they remained in the project. In all likelihood that project would be a net financial liability to Canadian Javelin and a positive financial drain on that company - the owner (Canadian Javelin) of the project - would be a net financial drain on them in the future. This is especially true, Sir, since Canadian Javelin, as I said, put its guarantee on agreements which we negotiated with them last summer in return for the short-term financing, without any mention, Mr. Speaker, of the \$5 million gift at all, without any mention of that whatsoever. It is to Canadian Javelin's great advantage to enter into this agreement before the House of Assembly and to get off the hook in respect of their guarantees for some \$15 million

MR. ROWE, W.N. the project, Sir, being insolvent from Canadian Javelin's point of view and being worth in the market not more certainly than the government money in it and with Canadian Javelin extremely unlikely to receive any return from the project in the future, but with every likelihood of sustaining serious losses if they retain the ownership, what then is Canadian Javelin's so-called equity or investment worth today? And the answer, Sir, can only be zero, nothing, zoch! So why is Canadian Javelin receiving under this bill and this agreement \$5 million of the public's money?

In a case such as this, Mr. Speaker, we agree that the government takeover with the project reasonable debts owed to third parties who have acted in good faith, if the debts are in respect to the project, We agree that that is a good thing and the government are doing that under Article (5) of the Agreement.

As far as loans and advances made (by Canadian Javelin, the parent company) to the project are concerned we agree that the government should probably look after them as well. There may, Sir, be serious questions as to whether or not these several million dollars, the claim I think is \$5.3, it may well be \$5.9. There may be some serious doubt as to whether these several millions of dollars in any event ought to be repaid or not.

But if the loans and advances, not equity, loans and advances were in fact made in good faith and are certified by Peat, Marwick and Mitchell, I would imagine, to have been spent on the project, we are willing on this side, not that it makes any difference with the majority in the House, we are willing to concede the point. There is no need, Sir, from where we stand to squeeze Canadian Javelin unmercifully. There is no need of it. Give them what they are entitled to but no more.

In any event, Sir, when we were in the government we were prepared

MR. ROWE, W.N. to accommodate Canadian Javelin somewhat along the same lines of repaying back to them with government money the advances and loans which they had made or at least a proportion of it. I think we were talking about \$2 million at that time, which had to be proved, which had to be certified. They never did prove it and it led to this famous investigation by Peat, Marwick and Mitchell.

The sorriest day of Canadian Javelin's life was when they came to us, when we were in the government, looking for a repayment of these advances and loans which they said they had made to the project. It brought the roof crashing down about their ears.

But, Sir, as far as repaying any equity investment of Canadian Javelin is concerned, we state flatly that it should not be done. If the \$5 million actually represents a payment to Canadian Javelin for its equity investment, which the government have not admitted is so, I do not think, in their agreement is for assets, they say. Then, Sir, this money should not be paid to Canadian Javelin. When the shareholders of Canadian Javelin, the biggest shareholder of whom is Mr. Doyle, invested their money in Canadian Javelin they implicitly agreed, Sir, to take the bad with the good.

If that project at Stephenville had been very profitable, as was originally hoped and intended, Canadian Javelin and its shareholders, the biggest of whom is Mr. Doyle, would have enjoyed some very good returns indeed with very little risk, \$4 million or \$5 million or \$6 million for some very great returns under our original investment, if it had been profitable.

MR. CROSBIE: Who agreed to it?

MR. ROWE, W.N. Who agreed to it? We agreed to it here. The honourable minister agreed to a similar deal.

MR. CROSBIE: You started....

MR. ROWE, W.N. Oh sure, Mr. Speaker,

MR. CROSBIE: Inaudible.

MR. ROWE, W.N. Oh we attacked. You know, look at the documents.

You know where we were in respect of Mr. Doyle.

MR. CROSBIE: Yes, nowhere.

MR. ROWE, W. N. Yes, nowhere.

MR. CROSBIE: You were afraid.

MR. ROWE, W.N. "Let us now praise famous men." There was a column on the gentleman, not by me, Mr. Speaker. Not by me.

MR. CROSBIE: A year ago.

AN HON. MEMBER: We did not praise him.

MR. ROWE, W.N. Look, Mr. Speaker, the honourable minister knows there is no need for him to put on this facade at all. The honourable minister knows the documentation and I hope that when my honourable friend gets a chance to speak - maybe we might as well table some of it for the edification, if edification is the word.

MR. ROBERTS: After we set up the select committee and call the officials before it.

MR. ROWE, W.N. Call the officials before a select committee of this House. Ask them, Mr. Speaker, ask them what was done in respect of Mr. Doyle and Canadian Javelin. What we did, ask them. Friends? Sure we were friends - we were friends. For a while there I did not know if I could walk home at night or not.

Mr. Speaker, when the shareholders invested in Canadian Javelin they agreed as I have said to take the good with the bad. Now they hoped that it would be good and profitable. Now, Sir, that the project could turn out not to be so good as the original shareholders 20,000 of them, of which Mr. Doyle I suppose owns as many shares as the other 19,999 combined.

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. Well, I know what does he owe anyway?

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. A substantial amount. He controls the company.

AN HON. MEMBER: Inaudible.

MR. ROWE, W.N. Well, okay, which is as good for practical purposes ninety-nine percent or fifty-one percent in the deal.

Anyway, Sir, now that the project is turned out not to be so good the shareholders of Canadian Javelin. Mr. Doyle and the others they ought to be prepared to take the bad with the good. They were prepared to take the good, the profits, let them take the bad. The project did not turn out, Mr. Speaker, as they intended it to. Too bad! Certainly Canadian Javelin, Sir, is not entitled to a free gift of public money from this province.

Sir, this \$5 million is simply a gratuity to be paid by the government to Canadian Javelin to buy peace and quiet and to avoid litigation, It must be asked, Sir, it must be asked if that is a good purpose to spend public money on. It must be asked why the government does not simply take over the project, pay the legitimate amounts mentioned. Why pay the \$5.3 million and let Canadian Javelin off the hook for \$15 million and the other thing-

MR. ROBERTS: The Wabush Agreement.

MR. ROWE, W.N. The Wabush Agreement. But, Sir, keep the \$5 million for the use and benefit of the province.

Now, Sir, I am not trying merely to make political hay on this issue. I believe that this is possible with the government as strong as it is today, Certainly, Sir, any subsequent lawsuits would not cost anywhere near \$5 million in legal fees and certainly Canadian Javelin would not win their lawsuit.

I have heard it suggested, Sir, that if Canadian Javelin the parent company do not get the \$5 million they will go bankrupt. Now that is hard to take, hard to believe. In any event what has that particular

MR. ROWE, W.N. problem of Canadian Javelin got to do with this province, I might add. The first duty of the government is to look after this province not to save Canadian Javelin from going bankrupt or to save Mr. Doyle's money or investment. When the shareholders of Canadian Javelin invested their money it was risk capital. They agreed, as I have said, to take the bad with the good. When the people of this province, Mr. Speaker, elected this government two or three months ago or whenever it was I have blotted it out of my mind, it was such a traumatic experience. I only remember that it did in fact occur, I do not know when, Mr. Speaker, it did occur, It did occur I know because when I walked into the House I automatically came to this side. I know that it has occurred.

MR. ROWE: Who has the lip over there, Mr. Sneaker? Oh, oh, look at him! The corner boy, over in the corner. Some one should write some lines for the honourable member Mr. Speaker. Mr. McLean should write some lines for the honourable member. He is over there in the corner trying by dint of his big mouth to get the attention of the Premier so he will go right in the cabinet. I hope the Premier is looking at the honourable gentleman. He does not, Sir, he does not come out with anything funny. Even his own colleagues here are annoyed at the fact that there is a lot of lip and no substance or wit behind it.

In any event, Sir, when the people of this Province elected the government, this present government, partly on their promise if not largely on their promise to take over the linerboard project, it was not I would submit, to enable them to lash out \$5 million of public money for peace and quiet for the government or to save Canadian Javelin from financial difficulties.

In any event, Sir, as I said before I doubt very much, I would have to be shown that Canadian Javelin will go bankrupt for the sake of \$5 million. I doubt it very much, Mr. Speaker. The \$5 million to Canadian Javelin is a free gift, a gratuity, a needless expenditure of public money from a province which cannot afford such generosity. This \$5 million gift to Canadian Javelin and its shareholders should not, Sir, in our estimation be made.

Mr. Speaker, this government has a whopping big majority in the House, thirty-three members. A strong government, one of the strongest in Canada I suppose, for a provincial government, a strong government. Surely, Sir, they can do, take over this mill on a reasonable basis, minus the \$5 million, especially since one of its main election planks was this very issue. So the \$5 million of the province's hard-earned money should not go to the benefit of Canadian Javelin. There is no need of it. It is not in our best interest. The agreement before us is more than reasonable to Canadian Javelin without the \$5 million

and we will not support the payment of a free gift of \$5 million to that company. This agreement, Sir, is not a tough hard-nosed agreement by a tough hard-nosed administration. It is too reasonable an agreement. It is even a weak and timid settlement with a minimum - it is not a - as you say sweetheart - I do not believe it is a "sweetheart" deal as such. I mean, you know, pouring it out, but it is a weak and timid settlement with Canadian Javelin and its affiliates, with a minimum of fuss and bother and political entanglement or legal entanglement.

Sir, in conclusion let me say that we on this side will support this bill on second reading because it is basically a good bill. I give the Minister of Finance every credit for coming up with it and the government for supporting it and bringing it before this House. We will support it on second reading. The principle of the bill is for the government to assume control of the project, We will support it.

At Committee stage we will object to the payment of \$5 million and we will, Sir, move to have that clause respecting the \$5 million taken out of the agreement. That, Sir, is the position of the Opposition on the bill. I compliment the Minister of Finance for the tremendous job he has done in the past two or three months in digging around and doing the research on this and for coming up with a decisive measure to cure the problem of the Javelin Linerboard Mill in Stephenville. I think it is a bit too generous to Canadian Javelin. I think the \$5 million should be kept by this province. I know that we will vote against it when the time comes, on those grounds. Thank you, Mr. Speaker.

Motion (Mr. Marshall) that the House do not adjourn at 11:00 P.M. carried.

MR. MOORES: Mr. Speaker, first of all I would like to say a few things in general terms as regards what we have heard today. First I would like to compliment my colleague, the honourable Minister of Finance, for I think a very comprehensive, a very detailed and a very knowledgeable introduction of the bill which has very serious consequences for our province, has very

serious ramifications, I will be dealing with it in that manner.

Mr. Speaker, I suppose it is very natura' that personalities become involved in any debate in the House, certainly it has been so in the past - I would hope that lessens as the future progresses. Personalities can achieve certain things that lead to emotion. It does not really lead to very great debate. It certainly does not lead to the resolving of the issue that is at stake, particularly in this case now.

Mr. Speaker, today there were a few instances I suppose when personalities were brought in, but I think the main thing that had to be established in that regard; this was not an attack on the honourable Leader of the Opposition nor his colleagues who had been in the previous administration but rather an attack on the responsibility of their office at the time when they were in the administration and part of government.

The criticising of the office I think is justifiable, I think it is reasonable. It is not the intention to criticize the individual, certainly not my intention. When people are representative of government, when they are part of the cabinet which is government then they must accept the responsibility of that government whether it is a one-man decision or not. Because it is a governmental decision, they must accept the responsibility for that decision being made.

Mr. Speaker, the honourable gentleman from White Bay South who preceded me here a few moments ago mentioned the fact, earlier in his speech, about the matter of bringing out the truth in this debate. I think this will be the intention of this government, not just in this debate but I would hope and genuinely mean that this will be the intention of this government all the way through, But I could not help but smile when he said that we would have to bring it out. He will have to tell us; we will take him at his word as to what happened immediately prior to our taking-over. because we have nothing on file to verify what has been done before. I was delighted to hear the honourable gentleman say that

he was thinking about tabling some of the files that are missing.

Mr. Speaker, taking over this linerboard mill, as I said, is a most serious step. It is not a step that this government wanted to take. It was not something that we did by design, it is not something that we wanted to do for the betterment of this Province in itself. It was something that we had to do, we had no alternative. I think the details and facts that were explained today by my colleague outlined only too clearly why indeed there had to be involvement by our government at this time. The obligation for what has transpired in the past falls on the shoulders of the previous administration. It is an awesome responsibility for what has transpired, as is what will transpire from here the responsibility of this administration. That responsibility is awesome as well, Mr. Speaker.

I will not be speaking at great length tonight but I would like to reiterate a few of the main points the honourable Minister of Justice

mentioned today leading up to the situation as it is now and also those that are included in the bill.

I would also like at the same time to state clearly this government's position as to what our views on industrial development will be in the future just really as it relates to this present bill before us, not in specific terms, but just in terms that I hope will make clear the fact that it is not our intention, nor do I hope that we are unfortunate enough to find ourselves in another project that is such a mess as this particular linerboard mill.

Mr. Speaker, probably the greatest lack of all was planning in the beginning. The project started without proper financing being arranged, without the proper knowledge of what financing would even be required. Promoters were allowed to renege on financial responsibilities. Announcements were being made about sulphite paper plants. We were told continuously about what a magnificent achievement this was going to be

I believe the hon. gentlemen opposite who were involved, I do not believe anybody knew except for the chosen two or three individuals. There were no realistic feasibility studies done. There was no long-term planning for the project arranged. Examples of that are the cost increased because their chip mill location was changed from Goose Bay to Stephenville after the project engineering was actually on its way. Another example is improper information on setting up wood delivery schedules. They were theoretically supposed to get the wood at day one when the plant opened. They were supposed to get it at a certain rate which is much inflated. But one of the things which still remains unsolved, which will be a very major factor in the success or the non-success of this mill, will be the shipping conditions and the manner in which this will be done from Labrador, Lake Melville to Stephenville. It is probably the most crucial of the items involved.

I think the mill has been proven by those who are knowledgeable in that area as one that can be a viable operation. The wood operation

in Lake Melville, with a lot of attention, a lot of effort, can be brought up to the standard where it is economically feasible but the shipment is still something that - well it must work, because the mill has to work, Mr. Speaker.

The lack of controls of the previous government also must be mentioned. Too much trust was placed in promoters in the beginning and throughout by a naive, by an economically stupid government having started this mill, having fostered it and having let it progress to the stage that it did. This is not an attack, one again, on the individuals. This is on the government that allowed it to happen.

Both the government and promoters failed to control the outflow of cash. Originally it was \$54 million. It is now \$119 million. It will be \$159 million before it is finished. That is not planning. That is not responsibility. That, Mr. Speaker, is irresponsibility that this province will have to pay a terrible price for, which I will be talking about very shortly.

The government showed an inability to control the spending particularly in the last year when a spree of granting huge advances to the promoter were given.

Mr. Speaker, an example is the unbelievable ignorance and lack of control in fact, that the past Premier allowed in granting a \$30 million guarantee, signed by him, with very few people having the knowledge, taken by Mr. Doyle to Europe to free-lance in the money markets of the world, with the public funds of the people of Newfoundland and this without the necessary safeguards that should go with any guaranteed agreement, let alone the mysterious circumstances of this one.

So on the other side they stepped in and established safeguards. I think probably every effort was made by the few individuals who had an opportunity to try to do that. I genuinely believe that. But even so, it could not be done because the control was too absolute, the secrecy was too great and the individuals, I say, possibly should have

known, But not having had the experience, fortunately, of serving in that august cabinet under the previous Premier, I do not know if that was possible or not.

Irrespective of that, the previous administration was responsible and as members of that cabinet, as I said earlier, the members of that cabinet had to assume the responsibility of the government as opposed to any individual, believe it or not.

We are not selling out, Mr. Speaker. It is wrong for anyone to say so. To say we were selling out when in fact it is \$2.5 million that is committed, the rest will be under conditions. When there has been \$159 million committed by the same people, just a few months ago, to say that we are selling out, when we are trying to rescue this project for the people of Newfoundland, is unfair and it is wrong.

Mr. Speaker, the directors of the company and the members of the cabinet must accept the absolute blame for where we are to this date. The government we know. We know who was in the cabinet, we know that they stayed and that they are responsible for this project.

Also there were directors on the companies that were involved. The government appointee to the board of directors of NALCO, who I assume was looking after government interests and who I assumed was reporting back or should have been, Mr. John Nolan. Government appointees to the board of directors of Javelin Forest Products Limited, who had several deals with Mr. Doyle that were mentioned today, were Mr. William Callahan, and Mr. Earl Winsor. I will say now that I think Mr. Earl Winsor, the individual, is a gentleman, but I will also say that as a director of Javelin Forest Products Limited he had a very real responsibility there as well.

The government appointees to the Board of directors to the senior company so to speak, Javelin Paper Corporation, of course, are fairly obvious - Mr. Smallwood and Mr. Leslie R. Curtis.

You know, Mr. Speaker, after all this had gone on, after all the promises had been made, after these people had been involved about this great future we were going to have from the linerboard project, when Mr. Doyle eventually gets into the corner which he so richly deserved, he quotes that he was forced into entering the paper project because the government pressured and that really he had no interest in such a venture.

\$159 million later we find out that he really was not very interested in linerboard. Mr. Speaker, it illustrates either one man government or a government that would not accept responsibility, and I think it would be the first.

During the campaign, and I cannot help but say this, one of the hon. members opposite said it would be a crime to discourage such industrialists, driving men out of a province, of this sort, would be detrimental to the province because we could never encourage people in.

MR. MOORES:

No, no it is the fellow next to you. I am sorry he is not there now, the honourable member for Bell Island.

Mr. Speaker, I am sure it was in the heat of politics that that was said because I do not think really there are many people in this House who feel that Mr. Doyle's contribution to the linerboard project was really beneficial to this province. It is a shame to our province that it was ever allowed to occur. This project is costing \$150,000 for every man that will be employed in it and still it is a project based on our resources and that, Mr. Speaker, is wrong. We found that promoters failed to provide even the essentials in management to ensure that the project developed normally and more importantly failed to take into adequate consideration the crucial management requirements for the start up of the mill.

The honourable Minister of Finance mentioned today that months ago there should have been staff on hand that would have been ready when this mill was ready to start up, that was familiar with the equipment that would lend itself to a smooth start up of the mill. None of these people were hired and now we are at a late stage and almost at a panic stage which is desperate, because that we should never be at. There was no foresight whatsoever by the promotor in the management of the mill but there was a great deal of foresight in what benefits the promotor could get out of the mill. We found the woods operation in chaos with losses of hundreds of thousands of dollars due to improperly maintained and operated harvesting equipment in Lake Melville, the Goose Bay area, equipment that was broken down, equipment that could not operate efficiently; mainly once again, Mr. Speaker, because of no management on the job, a total lack of a management concept.

The spirit of any agreements entered into were abused continually.

MR. MOORES:

It was a two man dialogue, two men with 159 marbles, 159 million marbles, dollar bills belonging to the people of this province. Mr. Speaker, that is a big game of chinese checkers for even those two. The company was allowed to export wood to get experience in harvesting and shipping for apparently the start up. All that was achieved by that was not for efficiency or the build up of the Lake Melville operation but rather to line the coffers of obviously the few individuals involved. The promotors failed miserably to ensure a stockpile of wood sufficient to serve the project when it did become operational and a yeoman effort will be required to upgrade the Labrador operation with additional supplies from the island.

Mr. Speaker, when we say additional supplies from the island that is not quite as easy as one would think. The wood in the beginning was to come from Labrador and now we find out a considerable amount must come from the island. Where do we get it? It means that we must talk with the Bowaters Organization, the Price Organization and see what crown lands we have ourselves. But all this needs to be looked into and. Mr. Speaker, concessions or the lack of them or the lack of knowledge of them and the chaos that was left in that department when we came here is something that will be the subject for another long and very important debate.

Mr. Speaker, not even contingencies of the most basic order were provided in engineering. There was no auxiliary power plant and if the power supply broke down it would all grind to a halt. None of the things that one would expect to be there by definition in any project of this caliber, of this size, of this magnitude. Some of the difficulties we faced up against were these: the lack of shipping knowledge which I mentioned before as crucial, the shady deals of the \$550,000 that went to the unknown phantom -

AN HON. MEMBER: (Inaudible).

MR. MOORES: I hope that we can because, well I will not say where we should hang him from but I agree. Certainly something we should find out if there is anyway possible as to who that dishonourable gentleman was who I suppose was an honourable gentleman at one time.

The Society Transshipping deal itself. Here we have Mr. Doyle or Javelin suing Societe Transshipping in Labrador. Now it is most unusual that Mr. Doyle does not know who is in Societe Transshipping because I am sure with the \$4. million Mr. Doyle and Javelin were paying them Societe Transshipping sure as hell knew who he was in the beginning. One of the most interesting points about this 10,000 square miles in Labrador, Mr. Speaker, that has not been brought out, one would think that possibly the wood would be needed for the mill in Stephenville and would be shipped out of Lake Melville but there was only one problem, every log that is on that 10,000 square miles if it was cut and dumped into the nearest river, would it end up in Lake Melville? Every stick would end up in the Gulf of St. Lawrence. So maybe Societe Transshipping was going to build a trans-Labrador highway in order to deliver the timber rights they had.

These things are unbelievable, Mr. Speaker, land that is transferred back and forth, money that changes hands, no one that knew anything about it, It is a shame to our province, it is a disgrace to our province, it is a disgrace to the previous government and it is something that none of us really should be very proud of. The abuses, Mr. Speaker, of democracy and decency that have transpired over the years is almost unbelievable. The ignorance in this project of management and government. As I said before, this government is entering into this business, it is not our wish, it is not our desire. We do not want to be in the linerboard business, as a matter of fact it is about the last thing in the world we want to be in but what options

MR. MOORES:

did we have? Could we allow Mr. Doyle and his related companies to continue? Of course, there was no way. He had proven that he was incapable of operating or managing at the level requirement plus the fact there were far too many hidden transactions that had by definition to lead one to suspicion. Could we bring in another operator under the conditions that existed? Who would we get, Mr. Speaker? No one basically, not unless we went for a fire sale and we could not afford to do that. We would pay a huge penalty for a fire sale and maybe we are paying a huge penalty now but this is the choice we will have to take because, Mr. Speaker, the project must succeed. It must continue through to an efficient operation. Any possibility of going from the fat to the fire had to be avoided such as another company take over.

So we had to do one of two things, enter an agreement with Mr. Doyle or Javelin I should say or take legal action and expropriate. I disagree with my honourable friend opposite when he says that take-over is a simple thing and that we could take over the project as a Newfoundland company without any worries, without any ramifications, without really suffering as a province. Mr. Speaker, that is not correct. It was a good possibility that we would have had to expropriate it for a while and we would have done that if an agreement that we did not think was satisfactory could be reached. But my honourable friend says that the shareholders in Javelin took a chance when they bought the stock in this company, which was very true. There are 20,000 people, in excess of 20,000 shareholders of Javelin, innocent people who have stock in that company.

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MR. MOORES: If we could reach an agreement it would be better than expropriating that company, Mr. Speaker, because this is not just a one-shot-deal. We are really talking about the credit rating of this province. We will have to borrow on the international markets. You do not do it by going and chopping heads off companies on the stock exchange, you do it by getting as good a deal as you can, and we think we got the best one.

We think we have done as well as we could, because if we had expropriated as well, under the Federal Constitutional Law we would not have had access to the plans, to the specifications, to the records, to the books or any of those things that we must have access to, Mr. Speaker, if we are going to find out what has gone on in that company and what has to go on in the future.

You know, it is so easy to bully a company or an individual or anybody else when you are in government. We have seen enough of it in the past. Mr. Speaker, this is not a sell-out. What we are trying to do is not act like the Banana Republic where we have the dictator, where we have a system that is not reasonable, rational and looks at the job thoroughly before it does it. We do not want the Banana Republic approach, we have to act as legitimate, reasoned government who does business deals, who does any kind of deal aboveboard with the truth known to the people, with the truth known in this House.

In that regard, Mr. Speaker, a point was made by the hon. member opposite. a point in item (6) in the bill itself. "To sell, lease and trust or otherwise dispose of the project or any part of, or any interest in, to any person upon such terms and conditions and for such consideration as the Lieutenant-Governor-In-Council approves." I feel that my government would have no objection to changing that to: "Any other than crown corporations" We would present the legislation to this House for approval beforehand.

AN HON. MEMBER: (Inaudible)

MR. MOORES: Yes. Other than that it would be before the House. It is

totally reasonable and it is as far as I am concerned acceptable.

The Bill itself, Mr. Speaker, is the best method to ensure that the project is carried on with the best hope of success. It is based primarily on the fact that the promoters who were handling the development had defaulted under the trust deed and that we were ponying up for the guarantees. Also, there had to be many payments of money for things deemed to be unrelated to the project. The government agrees under the signed agreement to purchase the assets of the mill up to a value of \$5 million.

The first \$2.5 million, Mr. Speaker, will be paid upon the execution of the agreement, but the second \$2.5 million will be withheld until it is determined that amounts might still be owing that we are either unaware of or where monies have been improperly spent. There are likely from past information, many. Any monies still owing by the promoter or improperly spent will be deducted from the second \$2.5 million payment. This formula will also apply to the \$1.6 million being held. That is the royalties from the Wabush Railway. Any indication of liabilities will be applied against that and that is the agreement as well.

Mr. Speaker, one thing I can assure the gentleman is that any amount that is proven that Mr. Doyle or Javelin has not put into this project or that he has, I should say, will have to be well proven. It will have to be well proven by the gentleman here in Newfoundland and not via Panama or Clearwater. Mr. Doyle the individual will not be receiving one cent. Canadian Javelin Company Limited the agreement is with. The project which will now cost nearly triple what we were once told, will make this province very wary in the future of such promotions again.

The government, Mr. Speaker, must make good for all its guarantees so freely given just a short few years ago. We must pay \$2.5 million to take the project back under control. We must pay some forty

to fifty million dollars to have it completed. We must clean up the odourous mess started by others and it is not very pleasing when one sees just that few Newfoundlanders who will benefit in proportion to the cost.

Under this bill the government will get back its timber leases. It will get back the rights to the companies to explore, survey timber of those present companies that will be revoked. The payments of monies for legal fees, apartments, other personal amenities for Mr. Doyle have ended and no back debts in this regard will be picked up. The province never again, Mr. Speaker, as long as I can possibly do anything about it and my government, will pay profits from our resources to such unusual companies as Javelin Bulk Carriers Limited, Labrador International Shipping, Societe Transshipping in Liechtenstein, or the Union Bank in Panama (they almost got in) that was a bank that a few of the bucks were headed for.

AN HON. MEMBER: (Inaudible)

MR. MOORES: A quick check? No, it was changed shortly thereafter to a trust company. Upon checking upon the original registration of the company, we found that it was initially founded by Mr. Doyle who was sending it there as a reputable company. It was never operated, there was no legality to it, it was obviously once again the wheeling and dealing of the total, unbelievable situation that had been created by this wonderous arrangement.

Mr. Speaker, good safeguards have been built into this bill, safeguards that will make it a good, legal documnet for the people of this province. It is a pity that such an agreement or such an act should ever be necessary. But, Mr. Speaker, it is very necessary and it is very essential.

The people of the province will actually get something back other than the major project itself. There are minor things like stummage, royalties, this sort of thing. The government is going out of the business as well, Mr. Speaker, of holding stock in companies, if we can possibly

avoid it, certainly as far as these companies are concerned. Voting, preferred shares of some \$5.3 million held by the government and Canadian Javelin are to be redeemed and cancelled. They will be not used to vote in Canadian Javelin. We are not interested in the internal operation of private companies and we are certainly not interested in the passing over of the voting control of Canadian Javelin, which this would do, to Mr. John C. Doyle, so that the stockholders of that company are at his mercy which they well would be with the passing over of those voting preferred shares. Too many people have been at the mercy of the gentleman in the past, Sir.

The committee that the government had appointed to so nobly look after this great voting control of Canadian Javelin, the government's appointee was Mr. Leo Stead and then Javelin had their representative and the neutral, impartial, public-minded chairman, Mr. O.L. Vardy.

Mr. Speaker, there is no way we can be cheated with the passage of this bill. All the relevant books of the companies involved will be open to us and our auditors. All the liabilities that are available or that have not been declared will be collected.

Reviewing what led up to this bill, it is amazing that so few individuals in Newfoundland could play such a part in Newfoundland's future.

Mr. Speaker, there is one thing really I want to say about this and that is what I started to say in the beginning. It is very general as it applies to this bill, but it is the seriousness of what this linerboard project is going to mean to the future of this province. We are assuming and having to pay up the \$120 million to date with an extra \$40 million this year in order to get it in operation.

Mr. Speaker,

Mr. Moores

It is going to be a cruel price for the people of this province to pay because every project, every community, every village, every person in this province will get less than would have been this government's wish because of this fantastic tie-up of money, the people's money in this one individual project. We must make the project work now. Our people are the ones who are suffering because of it. I will say here and now in this House that it is not going to be easy. With this loadstone around the government's neck, this financial loadstone of \$160 million, \$40 million which must be found this year will make this year not as good or not as happy as we would like it or you would like or anyone else would like. It is, Mr. Speaker, a tremendous and very heavy burden for our government and for our people. We will do the best we can but the people themselves will have to accept the mistakes of the past. They will have to accept the challenge of the future. Mr. Speaker, this sort of project as we have witnessed here will not make that challenge any easier. We have always lived under austerity in this province and I suppose we almost have thrived on it. It looks like, to a degree, we will have to again.

Mr. Speaker, I would ask the hon. members of this House to support this bill to help this government do the best we can to try to make that linerboard mill a viable proposition, because a great deal, much more than is probably obvious, depends on its success. One other thing in closing, Mr. Speaker, I would (The temptation is great to go after personalities on occasion) like to thank the members of the opposition for letting me speak uninterrupted

Mr. Speaker, this bill, before we get into the other speakers in debate, it is far too serious for individuals to be playing with each other because Mr. Speaker, this bill is one of the keys to the economic future

Mr. Moores.

of this province and I hope that the hon. members treat it as such.

Thank you.

MR. MARSHALL: Mr. Speaker, it is not the intention of the government to prolong the debate into the early hours of the morning because of the fact that everybody wishes to - we want everybody to be able to express their views, as they do. So I now move the adjournment of the debate, Mr. Speaker. I move that we adjourn. The plan, if I may inform the House. The plan is as follows: We would adjourn until 11:00 A.M. and go tomorrow afternoon and tomorrow night (10:00 A.M. tomorrow morning) and then we would consider whether it is necessary for us to have a sitting on Saturday or not because of the importance of this legislation. At the same time, we do not want to tire members on the other side and we want to give them an opportunity to express their views. In view of that, Mr. Speaker, I do move that the House at its rising do adjourn until tomorrow at 10:00 A.M. in the forenoon and that the House do now adjourn.

MR. SPEAKER: It is moved and seconded that this House do adjourn until tomorrow at 10:00 A.M.