



**PROVINCE OF NEWFOUNDLAND**

**THIRTY-SEVENTH GENERAL ASSEMBLY  
OF  
NEWFOUNDLAND**

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**Volume 1**

**1st. Session**

**Number 35**

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**VERBATIM REPORT**

**TUESDAY, MARCH 23, 1976**

**SPEAKER; THE HONOURABLE GERALD RYAN OTTENHEIMER**

The House met at 3:00 P.M.

Mr. Speaker in the Chair.

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

STATEMENTS BY MINISTERS:

MR. ROUSSEAU: Mr. Speaker, I would like to bring the House up to date on the negotiations in respect of the Churchill Falls dispute as acting Minister of Manpower and Industrial Relations. The minister will be back this evening. I would like to give a report to the House. Negotiations aimed at settling the dispute at Churchill Falls, which were recessed yesterday, have not resumed in as much as the union negotiating committee did not return to St. John's last night after travelling to Churchill Falls to attend a membership meeting to discuss two outstanding items, wages and vacation.

The union reported back to the conciliation officer that the membership have instructed the negotiating committee not to negotiate below the wage and vacation package recommended by the Conciliation Board. The corporation, on the other hand, has refused to fully meet the Conciliation Board recommendations in these two areas. Consequently the conciliation officer has advised that any further meetings at this time would not appear to be advantageous while both parties continue to maintain their positions on these two items. In the meantime the conciliation officer is standing by. As soon as there is some indication that further meetings are desirable the parties will be brought back together again.

MR. NEARY: The union is still in Churchill Falls?

MR. ROUSSEAU: The union is still in Churchill Falls and the corporation are down here.

MR. SPEAKER (Dr. Collins): The hon. Leader of the Opposition.

MR. ROBERTS: Mr. Speaker, I would like to make a very brief

MR. ROBERTS:

comment on it and to say two or three things. First of all I think we all regret the fact that the negotiations appear to have broken down, and I think that is what we must read into the minister's statement, that negotiations are not at present going ahead and the advice he has had from his conciliation officers is at this stage there appears to be no point in bringing the parties together again. The minister is nodding acquiescence. Am I stating the situation correctly? I am, I gather.

Well, Mr. Speaker, I think we regret that, and then I would say just two things. First of all, a lot of us find it very hard to understand why the company will not accept the Conciliation Board report since it has recommended a wage level that is the same, maybe a month or two difference in the timing, but the same as that which the comparable employees here on the Island are getting. I believe the wage rate is \$8.17 an hour. That is the figure which I understand is in the report.

Secondly, it recommends a Northern allowance which is comparable to that paid other public servants. We are, a number of us, Sir, with all the good will in the world, are unable to understand why the CFLCo will not accept that. All that I can say is that I hope the minister will be able to give us an explanation, or the Minister of Mines and Energy speaking for the corporation. I would hope also Sir, that unless there is something we do not know about, the government will press the company to accept what has been recommended by the Conciliation Board. Mr. Gordon Easton was chairman of that board and he has a very high reputation.

Let me also say, Mr. Speaker, that if the negotiations are broken down, and if in fact there is no hope of getting the parties together, I wonder if the minister would reconsider the decision which his colleague, the minister, has taken, namely not to hold the industrial enquiry and if he would reconsider that decision, Mr. Speaker, with a view to holding the industrial enquiry. We have now got an

MR. ROBERTS:

intractable strike, apparently both sides, Sir, unable to make a middle ground and thus reach a settlement. Well, Sir, we have to find a way out of it and I believe it is the government's job to do what they can to try to do that and certainly setting up such an enquiry, I believe, would help.

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER (Dr. Collins): Are there other statements?

PRESENTING PETITIONS:

MR. SPEAKER (Dr. Collins): The hon. member for Fogo.

CAPT. E. WINSOR: Mr. Speaker, I beg leave to present a petition from the people of Musgrave Harbour and the petition is signed by 563 citizens of that community. The petition is similar to the scores of petitions which have been presented in this House, and the people of that community strongly protest the ever increasing cost of electricity. Mr. Speaker, the people who are mostly affected with this increase are the young couples who have recently constructed new and modern homes, and we all recall the advertising carried out by the Newfoundland Light and Power, advertising and recommending to people to electrify your homes. It will be clear,

CAPT. EARL WENSON:

cheaper, so on and so forth. However, Mr. Speaker, having done that they find now that they are unable to heat their homes sufficiently to make them comfortable because of the high costs. So, Mr. Speaker, they are a very concerned people and they certainly strongly protest the increase, and they are begging to government to see to it that the increase is kept at a minimum. The prayer of the petition prays just that.

I support the petition, Mr. Speaker, and ask to have it placed on the table of the House and have it referred to the department to which it relates.

MR. SPEAKER(Dr. Collins): The hon. member for Trinity-Bay de Verde.

MR. F. ROWE: Mr. Speaker, I beg leave to present a petition on behalf of - actually it is a small petition - on behalf of twenty citizens of Greens Harbour in the district of Trinity-Bay de Verde. The prayer of the petition reads as follows: "We, the undersigned, do humbly petition the Government of Newfoundland and Labrador to request that public hearings be held throughout our Province to obtain information and hear briefs on matters covered by the government White Paper on the proposed snowmobile legislation, and further, that no such legislation be enacted prior to the holding of such public hearings."

Now, Sir, in speaking in support of this particular petition I realize the minister's sensitivities with respect to the white paper, and we do recognize that what we have heard so far has been a white paper. It has not been legislation. I for one, and I do not think any of my colleagues have attempted to indicate to the people of Newfoundland that the white paper is in fact law. We all know it is not law. So we do not need a lecture on what a white paper is. The minister has served notice that he is going to strike back if we try to make a political football out of this, Sir.

MR. ROBERTS: Pretty formidable, I am sure.

MR. ROWE: So since I am here trembling in my shoes over that possibility, I would simply support the petition and ask the minister that public hearings be held throughout the Province before such legislation is

MR. ROWE:

brought in. This is an area, Greens Harbour, where snowmobiles are more of a recreational thing, I guess, than anything else. There are other areas of the Province, such as Northern Newfoundland and Labrador, where a snowmobile has a completely different meaning from what it does in an area such as Greens Harbour.

However I do support the petition and I call on the minister to support the concept of having public hearings before any such legislation is brought before the House. So, Sir, I ask that this petition be placed upon the table of the House and referred to the department to which it relates.

MR. SPEAKER: The hon. Minister of Tourism.

HON. T. HICKEY: Mr. Speaker, I would certainly be glad to take the matter under advisement. I simply make one observation to my hon. friend and suggest to him would he not agree that, to all intents and purposes, we have gotten almost the results of public hearings in the kind of representations and the numbers of representations that we have received from across the Province. I am not suggesting in any way that probably, that we have heard from the same number of people. But would he not agree that for the most part the same points in the various areas of the Province have been brought to the attention of government by way of comment and brief and representation on behalf of the white paper? I might also say to him, Sir, that he can be assured that we are indeed aware of the peculiar problems in relation to the Northern part of the Island and the entire area of Labrador, and that we are addressing ourselves to those particular problems. Before any regulations become law certainly those regulations pertaining to those critical areas where there are special problems will reflect our attention.

MR. ROWE: Mr. Speaker, the Tourism Minister has asked me a question which I am not permitted to answer under the rules.

MR. SPEAKER: Order! The Leader of the Opposition.

MR. E. ROBERTS: Mr. Speaker, if I might say a word or two in behalf of

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MR. ROBERTS:

my colleague, who as he just said is prevented by the rules of answering the hon. gentleman from St. John's East Extern (Mr. Hickey), the Minister of Tourism. Let me say,

MR. ROBERTS: Sir, in supporting the petition that we do not think the process which has been entered into and which has gone on is comparable to public hearings. We think it is certainly better than no process, we agree on that, of course, but we do feel there is still a need for public hearings whether it is to be done by a Select Committee of this House with leave to sit around this Province, or whether it will be done by the Minister and some of his officials holding a number of meetings throughout the Province and asking people to come.

The snowmobile regulations, Mr. Speaker, I suppose have produced as great an outcry and an uproar from our people as anything that any government has ever done. I do not intend to enter into a debate now, I am not allowed to, but I think it large measures the outcry was because many people felt, and I believe correctly, that the regulations were not adequately designed to meet the needs of this Province. In view of the fact it took the government four years to produce the White Paper, Sir, many people felt that the White Paper was not really a very good effort.

The merit of public hearings, Sir, is that there could be a two-way discussion and not just the one-way discussion which has been underway now. The White Paper was published and people reacted in outrage. The tone of most of the documents which I have seen, and I have seen many of those sent to the minister - copies have come to me or to my colleagues and there may be many more I have not seen - but the tone of most of them, Sir, is very positive but at the same time has within a note of outrage, a feeling that the regulations are not adequate.

I know that in large parts of the Province, in Labrador, for example, the gentleman from Naskaupi (Mr. Goudie) has been most vehement in his objections to the - indeed, he and the minister have had some notable differences of opinion, I believe. I know the gentleman from Labrador West - the gentleman from Menihek, I am sorry! (Mr. Rousseau) has similar feelings, I understand. My friend and colleague from Eagle River (Mr. Strachan) has run into



MR. ROBERTS: it. I have run into it in the Straits of Belle Isle, and others around this Province. I think there is a very good case to be made for public hearings and I would say to the minister that if - as I believe, he is anxious not to make politics out of this - and the reason he is anxious not to make politics is that he would get his hide skinned on it, in political terms - but the way to do that, the way to avoid politics, Mr. Speaker, is to hold public hearing.

I would now invite, Sir, the gentleman from Bay of Islands (Mr. Woodrow) to speak on this petition. I think, Sir, he would have something to add and I hope, Sir, he will get up and say a word or two in support of it.

SOME HON. MEMBERS: Hear, hear!

AN HON. MEMBER: The gentleman from the Bay of Islands? Which one is that?

MR. ROBERTS: There is only one gentleman from the Bay of Islands.

MR. SPEAKER: Are there other petitions?

MR. LUSH: Mr. Speaker, I have a petition.

MR. SPEAKER: The hon. the member for Terra Nova.

MR. LUSH: Mr. Speaker, I beg leave to present a petition on behalf of 363 residents of Brooklyn, Jamestown, Portland and Winterbrook. The very responsible, industrious and concerned citizens of these communities are protesting, one, the abominable condition of the roads passing through and joining these communities and, two, they are very concerned about the condition of a bridge known as Southeast Bridge between Lethbridge and Brooklyn.

Mr. Speaker, in recent months I have been over these roads and can attest to the validity of the statement in the petition condemning the deplorable condition of the roads.

Mr. Speaker, may I say that many of the men and many of the women whose signatures appear on this petition have to commute daily over these roads to work in the national park, Gander, Clarendville and various other communities. The costs of damage to their vehicles

MR. LUSH:

while bouncing over these roads are very considerable. Daily, of course, Monday through Friday, students are bused over these roads, students from Kindergarten to Grade XI. They have to commute on buses to elementary schools in Lethbridge and the high school in Musgravetown.

Parents and teachers have related to me on several occasions the various incidents of younger children in particular who have gotten very sick as a result of the bumpy ride on the bus over these roads.

Mr. Speaker, the bridge referred to in the petition is very narrow and unsafe for heavy traffic. The bridge also adjoins the road at a rather sharp angle, which is another factor contributing to the danger of this bridge. Just recently a school bus was involved in an accident approaching this bridge. Fortunately there were no injuries.

Mr. Speaker, good,

Mr. Lush:

safe roads in these towns of Brooklyn, Portland, Jamestown and Winter Brook would not only provide a safe and convenient transportation system, which I am sure these people are entitled to, but it would also be a great incentive to providing the people of this area, or a great motivation to helping those people to develop the tremendous tourist potential of this area. As all hon. members are aware these communities are on the periphery of the National Park, hence are in an ideal position to capitalize on the Summer tourist industry because of its closeness to the National Park.

These communities are admirably located and positioned for the tourist industry, and endowed with much Newfoundlandia and natural beauty. No attempt has ever been made by any government, at any level, to capitalize on the tremendous tourist industry in these areas. Now, Mr. Speaker, I submit that a good road system is an absolute necessity to develop this area.

Mr. Speaker, it is my understanding that the present Minister of Transportation and Communications, when he was a member or when he was a backbencher, he, like me today, stood in this hon. House and presented a similar petition on behalf of the same people of these same communities for upgrading and paving of these roads. These residents are now counting on the minister to seriously and realistically and tangibly demonstrate his sincerity and concern for the people in these areas. They believe that the minister now has the power to grant the wishes of this petition.

Mr. Speaker, the government in giving heed to the prayer of this petition will not only be providing a much needed and better transportation system, but we will have started, in my belief, the major incentive and the major ingredient on which a major tourist industry may begin. It is my sincere wish that the government will see fit to pay careful attention to and support this petition.

Mr. Speaker, I ask to have this petition placed on the table of the House and referred to the appropriate department.

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER (DR. COLLINS): The hon. Minister of Transportation and Communications.

HON. J. MORGAN: Mr. Speaker, I would like to say a few words in support of the petition so ably put forward by the hon. member for Terra Nova district (Mr. Lush). Many of the signatures on that petition I know are good friends of mine, after being their member in the area for the past three or four years. The road to Jamestown and Winter Brook through Portland and also through the community of Brooklyn is in need of reconstruction and paving, the same as the road leading to Canning's Cove in the same area, the road leading to Sweet Bay in the same area, the road leading to Plate Cove and King's Cove and Knights Cove and Noonan's Cove and -

AN HON. MEMBER: Hear, hear!

MR. MORGAN: - all these areas in my own district. All these roads are in desperate need of reconstruction and paving. And I sincerely hope over the next number of years that sufficient funds will be found to have all of the roads where school buses are being used in rural areas of the Province, sufficient funds found so that the roads can be reconstructed and all paved.

AN HON. MEMBER: Hear, hear!

MR. SPEAKER (DR. COLLINS): Are there any further petitions?

The hon. member for Port au Port.

MR. J. HODDER: I beg leave to present a petition on behalf of 763 residents in the district of Port au Port. The petition is the same as the one recently presented by my colleague from Trinity-Bay de Verde (Mr. Rowe) to the effect that the residents request public hearings to be held throughout the Province, to obtain information, to hear briefs on matters covered by the government's White Paper.

It is the feeling of the residents of my district that because of varying opinions and the variety of problems existing in different areas of the Province that the holding of public hearings would provide a proper public forum for the gathering of pertinent and detailed information from all over the Province on which proper legislation could be subsequently based. These public hearings would allow all of the clubs and associations together with the general public to be heard.

Mr. Hodder.

I am aware of what the purpose of a White Paper is, and that it is to elicit comment, and I understand that a White Paper, or most White Papers show the government's intent. When the White Paper first came out the Minister of Tourism took a strong attitude about it. There was no doubt at the beginning of what the minister's intent was. Now the minister has taken a slightly softer stand, and when my colleague, the member for LaPoile presented a similar petition last week, the minister said that the Opposition did not understand what a White Paper was and that it was only meant as a starting point.

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

In presenting a petition the number of petitioners and the prayer of the petition and comments related to that can be engaged upon, but hon. members should very carefully avoid any semblance of debate.

The hon. member for Port au Port.

MR. HODDER: Thank you, Mr. Speaker.

However, to finish what I was just saying. This was not the minister's attitude on a Here and Now programme in Corner Brook. His attitude then was defending it. It seems to me that a White Paper must be what the government is thinking of doing, though it is released to the public for comment first. Now, Mr. Speaker, I have acquainted myself with some of the American studies which I think that maybe the White Paper was based on, and those studies were done in alfalfa fields where the snow machines were run over the fields for a great number of times and certain studies done. And many of our Newfoundland snowmobilers users existing trails and wood roads, and as well much of the travelling in Newfoundland is done over bogs which have as much as six feet of snow cover. Another mistake is that it is a mistake to combine legislation for snowmobilers with other types of vehicles.

MR. WELLS: Mr. Speaker, a point of order.

MR. SPEAKER (Dr. Collins): A point of order has been raised.

MR. WELLS: You know it is very interesting what the hon. gentleman is saying, but he has not entered into the realm of debate which is not permitted, Mr. Speaker.

MR. SPEAKER (Dr. Collins): The hon. Leader of the Opposition.

MR. ROBERTS: Mr. Speaker, to that point of order. With all deference to the gentleman from Kilbride (Mr. Wells), Sir, I have been listening to what my friend and colleague has been saying, and I do not think he has been entering at all into the realm of debate. He has been entering into nothing more or less than a few comments in support of a petition he has been making, and to explaining and expounding upon the contents of that petition, Sir. Debate is completely different in nature and in intent and in kind.

MR. SPEAKER (Dr. Collins): The hon. member did seem to be explaining the reasons behind the petition, and I think he may continue, but I would remind him that in presenting a petition comments should be limited to five minutes in total.

The hon. member may continue.

MR. HODDER: Mr. Speaker, as I was saying, it is a mistake to try to combine legislation for snowmobiles with that of other types of vehicles. The snowmobile travels on cut trails well covered with snow and on bog land. All vegetation on the latter, the bog land, must likewise be well covered with snow otherwise the machine would sink into low growth and become inoperable. The heavier vehicles used by the power companies, the J-5 vehicles and other can push through low growth and is more likely to cause damage to vegetation. As well, Mr. Speaker, the residents of my district feel that the White Paper lacks some important points; namely, that a system of trails with standard signs and basic facilities should be developed, that trail maps should be made available to the public of areas such as old woods roads and other areas where snowmobiling may be desirable, and that a programme should train

Mr. Hodder.

the snowmobiler in the safe handling of the machine and its impact on the environment. The White Paper leaves out much that should be there and it is based on a lot of incorrect information. This makes it imperative that the information should be gathered by a select committee who should be empowered to talk to people all over the Island and as well to look at studies on snowmobiling and talk to environmentalists. I ask that this petition be tabled and referred to the department to which it relates.

MR. SPEAKER (Dr. Collins): The hon. Minister of Tourism.

MR. HICKEY: Mr. Speaker, I would just like to offer a few comments in relation to what my hon. friend has said. I am sure that he does not wish the House to be misled. I am sure he does not make his comments - he possibly feels that he is right in the comments he has made in relation to my stand initially in my particular stand today or on previous days in this House. I wish to say to him and to the House, indeed, that my position on the White Paper has never changed from day one.

My position was very firm on the need for something to be done to regulate those vehicles in the Province. Repeated statements by me to the news media in an effort to convince the public at large that the White Paper was indeed but a White Paper, not regulation, that indeed there was a necessity for it, and in fact that there was public demand for it, and that that is why government wished to regulate the movement of those vehicles. At no time, and indeed in Corner Brook - and I well remember the tape done in Corner Brook - did I say that there would not be changes, that government was in any way inflexible or not flexible to the representations by people.

Certainly in Stephenville, when my friend tied in the member for LaPoile (Mr. Neary) and his comments, and the member for LaPoile (Mr. Neary), I am sure, can very quickly verify that in his company on our way to Port aux Basques in meeting the news media in Stephenville I made it very, very clear that the White Paper was indeed but a working paper, but a starting point, and government's intent to bring this very critical and important issue before the people, in the strict sense of the word to see pure democracy at work and give the people an opportunity to reflect their wishes to us, in that particular stance, Mr. Speaker, my position is unchanged. It has never been so firm as not to agree, and indeed acknowledge, that some of those regulations would eventually not become law in their present form.



MR. SPEAKER (DR. COLLINS): Are there any further petitions?

The hon. member for Trinity-Bay de Verde.

MR. F. ROWE: Mr. Speaker, I wish to speak in support of the petition so ably brought to the House by my colleague from Port au Port (Mr. Hodder), and, Sir, I congratulate him on his positive suggestions. This gives me an opportunity really under the rules to answer a question put to me by the minister in reaction to my petition when he asked me whether or not there has already been enough information put into government so that it would not necessitate the holding of public hearings throughout the Province. Well, Sir, I think that what we are hearing here today and what we have heard in previous days, the number of petitions coming from the public and the people of Newfoundland, is the answer to the minister. We have had so many petitions asking for public hearings that it is pretty obvious that people want these public hearings and they want to get more information and they want to have more input into any forthcoming legislation.

Sir, the minister also pointed out that the White Paper came about as a result of a public demand, and I commend the minister for bringing forth this White Paper. Now we have a second public demand and that is for public hearings. I would just simply appeal to the minister to have these public hearings. After all, Sir, this was the government that promised that it would listen to the people and it would tell it the way it is, and in keeping with that philosophy I would ask the minister to have these public hearings.

MR. ROBERTS: Well said.

MR. SPEAKER (DR. COLLINS): Are there any further petitions?

NOTICES OF MOTION:

MR. SPEAKER (DR. COLLINS): The hon. Minister of Finance.

MR. DOODY: Mr. Speaker, I have a series of motions, Sir, relative to supply. One: I hereby give notice I will on tomorrow move the hon. House into a Committee of Ways and Means of raising supply to be granted to Her Majesty. Also, I give notice that I will on tomorrow move the hon. House into a Committee to Consider Supply to be granted to Her Majesty. I give notice that I will on tomorrow move that the

MR. DOODY:

House resolve itself into a Committee of the Whole to consider certain resolutions for the granting of interim supply to Her Majesty. And I also give notice, Sir, that I will on tomorrow move that the House resolve itself into Committee of the Whole to consider certain resolutions for the granting of supplementary supply to Her Majesty.

MR. ROBERTS: No interim supply?

MR. DOODY: Yes, that was the third one.

MR. ROBERTS: Oh! That was interim.

MR. WELLS: I might say the House is aware that it is intended to have the Budget Speech on Friday.

ANSWERS TO QUESTIONS FOR WHICH NOTICE HAS BEEN GIVEN:

MR. SPEAKER (DR. COLLINS): The hon. Minister of Health.

MR. COLLINS: Mr. Speaker, I undertook yesterday to provide some information to the House with regard to Medicare payments and for Medicare payments in various provinces of the country. I indicated that some of the provinces, perhaps most of them, did indeed have some form whereby recipients of those services pay a fee or a premium or whatever. The latest information which I got today from the Medicare Commission indicates that Ontario, Alberta, British Columbia and the Yukon Territory do have a premium system. The Province of Quebec has a charge based on income and the Province of Nova Scotia has a balanced billing system. I have adequate copies for all the members and the press.

MR. ROBERTS: No deterrent fee.

MR. COLLINS: That is semantics.

MR. ROBERTS: It is not semantics.

ORAL QUESTIONS:

MR. SPEAKER (DR. COLLINS): The hon. Leader of the Opposition.

MR. ROBERTS: Thank you, Mr. Speaker, I will go at the Minister of Health later. My question now, Sir, would be addressed to the Premier, and it is nice to see him back in the Province and even in the House. Would the Premier, Sir, confirm that negotiations have been begun with the Province of Quebec to reopen the contract under which the Churchill Falls Labrador Corporation sells a large part of the Upper Churchill power and perhaps all of it, or nearly all of it, to Hydro-Quebec.

MR. SPEAKER (DR. COLLINS): The hon. the Premier.

PREMIER MOORES: First of all, Mr. Speaker, I would like to say in reply to both parts of the comment and the question of the Leader of

PREMIER MOORES: the Opposition that I did get back from Quebec City in time to be at the House today. He could not make it last week from Hogan's Pond. Having said that -

MR. ROBERTS: That was because of lousey snow clearing operations.

PREMIER MOORES: - I will go into the second part of the question in saying that in any conversations and discussions we had with Quebec will obviously be discussed in this House when any decision is to be made.

MR. ROBERTS: Mr. Speaker, a supplementary, in view of the fact I do not have government jets and the government cannot keep the roads ploughed, may I ask the Premier -

PREMIER MOORES: Why do you not fly on your own?

MR. ROBERTS: Mr. Speaker, the Premier has already been reprimanded in this session for his language. I would urge him to try to keep himself under control, Sir.

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

MR. ROBERTS: May I ask the Premier, Sir, by way of a supplementary question -

SOME HON. MEMBERS: Oh, oh!

MR. POWE: Take it easy.

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

MR. ROBERTS: If hon. gentlemen do not wish to observe the rules, Sir, perhaps they should have absent themselves from the House. May I ask the Premier by way of -

MR. LUNDRIAN: Go ahead.

MR. ROBERTS: I thank hon. gentlemen, Sir, for their graciously allowing me to proceed under the rules of the House. It is very decent of them. Would the Premier, Sir, give the House an assurance that no commitment to supply Lower Churchill Power to the Province of Quebec or to Hydro-Quebec at preferential or uneconomic rates is involved in any reopening of the contract under which the Upper Churchill power is supplied?

PREMIER MOORES: Mr. Speaker, I am not sure what the Leader of the Opposition

PREMIER MOORES: was saying but I will say yes anyway.

MR. SPEAKER (DR. COLLINS): The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, would the hon. Premier indicate to the House if during his visit to Quebec did he discuss the possibility of the development of the Lower Churchill, the tunnel underneath the Straits of Belle Isle and the transmission line, and if so could the Premier let the House have a few details about these matters?

PREMIER MOORES: The fact is, Mr. Speaker, yes, these things obviously were discussed and we discussed the situation as far as energy is concerned in Quebec and in Labrador and how it can beneficially effect both Provinces. There were discussions and before any decision is made and any agreement is reached they will be discussed in this House.

MR. SPEAKER (DR. COLLINS): The hon. member for Eagle River.

MR. STRACHAN: My question for the Minister of Tourism. Could the Minister of Tourism tell the House whether in view of the statements yesterday that his department is not involved in enforcement of the new caribou regulations but that it is the jurisdiction of the police, I presume he meant by the police the RCMP, whether he is intending to disband the Wildlife Enforcement Division, operating, I believe, under the auspices of his department?

MR. SPEAKER (DR. COLLINS): The hon. Minister of Tourism.

MR. HICKEY: Mr. Speaker, that question is not clear. Would the hon. gentleman repeat it?

MR. STRACHAN: You wish it repeated.

MR. ROBERTS: Try it again 'Ian'.

MR. STRACHAN: The minister in his statement yesterday to the House indicated that the enforcement of the new caribou regulations were not carried out by his department but were carried out by the police agencies, I presume the RCMP. My question is that if this is so then does he intend therefore to disband the Wildlife Enforcement Division which is currently operating under the auspices of his department?

MR. SPEAKER (DR. COLLINS): The hon. Minister of Tourism.

MR. HICKEY:

I did not say that the law was not enforced by any official of my department yesterday. What I said - the hon. gentleman asked me yesterday what I was going to do in the light of the fact that the residents of the Northern section of Labrador had indicated they were going to disregard the law. I simply said that I was going to do nothing, because I do not do anything when it comes to enforcing the law by way of going out and physically enforcing it. I simply said to the hon. gentleman then, and I repeat it now, that the law enforcement people concerned with those regulations or law would obviously enforce it, namely, - I do not think I named them yesterday, but I will name them now - the R.C.N.P., wardens, certain forestry officials and any others that may be appointed under the Wild Life Act. I can only reply again and say that those people would obviously be required to enforce the law if the residents disregard the law because, let us face it, Mr. Speaker, people cannot choose the laws they wish to adhere to and keep the good laws and break the ones that they do not like. None of us can do that and we are all citizens of the Province.

MR. STRACHAN: A supplementary, a supplementary. I thank the minister for his reply. I do not understand why he did not give it to me yesterday when I asked the question. But while we are continuing on, in a further statement he stated that the regulations were being brought in, in his opinion, for his concern of the depletion of the herd. In other words, the caribou herd was becoming depleted. I ask him if he could state this is so, especially in the light of the fact that a recent caribou census carried out by his department estimates an extremely healthy herd of caribou of 150,000 population which are believed to be over-grazing?

MR. SPEAKER: The hon. Minister of Tourism.

MR. HICKEY: Mr. Speaker, obviously one of the concerns for not going all the way insofar as changing the regulations that the residents wanted, is to insure that there is proper management of the herd and that there are some conservation methods included in that management programme. I

MR. HICKEY: can only suggest to my hon. friend that while his statistics might indicate that there is a very healthy herd - so is there a very healthy herd of moose on the Island part of the Province - that does not say that we are going to permit or allow wholesale slaughter. If, Mr. Speaker, there comes the day or there comes a situation when the caribou herd in Labrador is in such a healthy state what we can relax the rule so that people can take many more caribou, then certainly my department officials, I am sure, will be only too glad and will be the first ones to recommend it. I can assure my friend that I would be the first one to go along with such a recommendation.

MR. STRACHAN: Mr. Speaker, a supplementary.

MR. SPEAKER: The hon. the member for Eagle River.

MR. STRACHAN: Since the minister has explained about the conservation of the caribou, I would like to ask the question whether the enactment of stiff caribou regulations designed, as he states, to conserve the herd and being imposed on local Labrador hunters is so when his department is actively considering opening up the Northern herd to outside sports hunters, and also when sports hunters from Quebec are killing considerable caribou within the boundaries of Labrador without any enforcement from this Province?

MR. HICKEY: Mr. Speaker, my only response to that question or that commentary can simply be that the wildlife resources of this Province are for all the people of this Province, be it Labrador or the Island. They are also, Mr. Speaker, they are also, as part of the overall tourism package that this Province has been in the past and will continue in the future to promote, some involvement and some licences for out of Province people, be they from Quebec, be they from the United States or wherever, from Germany. Certainly there have been instances when people have come from as far away as the Scandinavian countries and Germany and several other areas. I do not think,

Mr. Hickey.

Mr. Speaker, that we can confine totally the caribou herd in Labrador to the people who live in Labrador. Our regulations presently certainly indicate an awareness by this government that the people of Labrador indeed have special needs and that those needs - I think this government have gone a great number of steps to recognize those needs and to improve the regulations from what they were. I said to my hon. friend yesterday, and I repeat it again, that the changes made this year should go a fair distance in helping the situation. I have not said, and I do not say now, that we will not consider the situation next year in the light of our experience, but I do not think we can just approve all the requests, and it is obvious that my professional staff indicate that that would be a very dangerous precedent to do so. For example, one of those regulations deals with residency in Labrador. If we were to approve the requests as made by the people of Labrador with regard to residency in that section of the Province, it would mean that anyone from the Island could move into Labrador - say, they were going to be citizens of Labrador or living in Labrador - and go and hunt. We obviously could not do that.

MR. SPEAKER (Dr. Collins): The hon. member for Twillingate.

MR. SMALLWOOD: Mr. Speaker, I thought I heard someone say that the herd of caribou in Labrador is now over 100,000. Was it 120,000 or 150,000 head? I would like to ask the minister how many herds of caribou are there in Labrador? Is there one or are there more? And to what extent is the herd of caribou in Labrador today the direct descendant of the herd that the government captured here on this Island about twenty years ago under Dr. Fred Rowe, when he was Minister of Resources, captured in Newfoundland and flown down and set loose, I think, in the Mealey Mountain area? Are all the caribou that are now in Labrador descendant from that one group, or are there other herds as well?



MR. SPEAKER (Dr. Collins): The hon. Minister of Tourism.

MR. HICKEY: Mr. Speaker, I cannot answer the question adequately for my hon. friend. I will certainly get the information. I can tell him that the population of caribou in Labrador fluctuates, and I cannot say that I agree with the figure of 150,000, because, for example, you know, there are caribou in Labrador that are Newfoundland caribou this month, but they might be Quebec caribou next month.

MR. NEARY: Bilingual.

MR. MORGAN: Bilingual courses.

MR. HICKEY: So, Mr. Speaker, it is rather difficult to put a count on that kind of a herd of caribou. I can certainly say to my hon. friend that to my knowledge there is but one herd of caribou in Labrador.

SOME HON. MEMBERS: Oh, oh!

MR. SMALLWOOD: Will the minister find out? This is not a very funny thing at all. I do not find any humour in it. To me it seems to be one of the vital resources of this Province.

SOME HON. MEMBERS: Hear, hear!

MR. SMALLWOOD: It is not a laughing matter at all.

MR. HICKEY: It is certainly not.

MR. SMALLWOOD: And if there are 100,000 head of caribou in Labrador it must be one of the greatest herds in North America. It is an incredible number, if it is true. Would the minister undertake to find out how many herds there are and approximately how many?

MR. HICKEY: I certainly will, Mr. Speaker, and I agree with my hon. friend that it is not a laughing matter especially when you are on the receiving end of the flak that I get, both about the moose and the caribou herds in this Province. I will get the information.

MR. SPEAKER (Dr. Collins): The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I would like to ask the Minister of Health that in view of the information that has come out recently as a result of the Royal Commission from Ottawa into the eyeglass industry in Newfoundland, would the minister indicate to the House if the government now intends to call public tenders on eyeglasses that are supplied by the government to recipients of social assistance, about 4,000 or 5,000 pairs every year?

MR. SPEAKER (Dr. Collins): The hon. Minister of Health.

MR. COLLINS: Mr. Speaker, the officials in the department have been instructed to obtain eyeglasses at the very best possible prices available, always bearing in mind, of course, the quality which is also a consideration.

MR. NEARY: Mr. Speaker, a supplementary question. Do I understand from the minister's answer then that they invite public tenders or they call tenders? Or does the department have a list of prices of their own in the department?

MR. SPEAKER (Dr. Collins): The hon. Minister of Health.

MR. COLLINS: Mr. Speaker, I am convinced after looking at the information which was made available a couple or three weeks ago that we are getting a real good deal in terms of price and in terms of quality, and we cannot always substitute price for quality, because after all if glasses are going to be useful, one has to be able to improve one's sight by the use of them. Whether tenders are practical or not, I do not know. I will certainly consider that.

MR. NEARY: Mr. Speaker, a supplementary question.

MR. NEARY:

Would the minister indicate to me how he knows that he is getting a real good price, getting a real good bargain? Would the minister tell me what figures he has to compare the prices here in Newfoundland with what he is getting, what he is paying for eyeglasses?

MR. COLLINS: It is relative.

MR. NEARY: It is relative? How does the minister make a comparison?

MR. COLLINS: Relative prices.

MR. NEARY: I do not follow the -

MR. SPEAKER (Dr. Collins): The hon. member for Baie Verte-White Bay.

MR. SMALLWOOD: Mr. Speaker, if I may, a supplementary.

MR. SPEAKER: The hon. member for Baie Verte-White Bay.

MR. T. RIDEOUT: No, if you have a supplementary, I will yield to the hon. gentleman.

MR. SMALLWOOD: Mr. Speaker, if I could ask a supplementary.

MR. SPEAKER: A supplementary.

MR. SMALLWOOD: If it is correct and the minister knows that there are approximately 4,000 pairs of glasses delivered to the Newfoundland people by him, by his department, you are talking there of perhaps a couple of hundred thousand dollars or more. Surely the minister will buy those, he buys them and pays our money for them, he will buy them on tender, will he not, on open tender?

MR. SPEAKER: The hon. member for Baie Verte-White Bay.

MR. T. RIDEOUT: Mr. Speaker, I would like to address a question to the Minister of Fisheries. It is related to the operation at the fish plant in LaScie. In view of the fact that Newfoundland Quick Freeze is now working in the last year of its three year option to operate LaScie plant, would the minister inform the House what if any plans the government has for the future operation of that plant following this year?

MR. W. CARTER: Mr. Speaker, I will take that question as notice.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I would like to ask the Minister of Transportation and Communications, Sir, what he is doing about the situation between Summerville and Knights Cove, where the school buses are unable to operate in the minister's own district, what steps he has taken to correct that situation and get the road in passable condition so the kids can get back to school?

MR. SPEAKER: The Minister of Transportation and Communication.

HON. J. MORGAN: Mr. Speaker, every possible action is being taken as of yesterday noon to correct the situation and improve the road conditions in the Bonavista South district.

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

MR. E. ROBERTS: Mr. Speaker, I have got a question also for the Minister of Health. Would the minister confirm, Sir, that no province in Canada charges a deterrent fee at present?

MR. COLLINS: That question is out of order.

MR. ROBERTS: Mr. Speaker, if the hon. gentleman wishes to raise a point of order I shall deal with it. My question is, Sir, would the minister confirm that no province in Canada charges a deterrent fee in respect of medical care insurance plans?

AN HON. MEMBER: You cannot ask the minister

MR. COLLINS: Mr. Speaker, if the hon. Leader of the Opposition will define what he means by deterrent fee I will consider answering it.

MR. ROBERTS: Mr. Speaker, I should be happy to try to define it. There is a standard definition accepted by anybody, Mr. Speaker, in the health care field which is a deterrent fee is a fee charged on the user basis as opposed to an insurance premium.

MR. NEARY: On a point of order, Mr. Speaker. My understanding, Sir, this is the oral question period, not a period of explaining things.

MR. ROBERTS: Mr. Speaker, to that point of order. I agree with the gentleman from LaPoile. I have no right to answer the minister. The minister is supposed to do the answering, Sir.

MR. NEARY: Well then sit down and do not be breaking the rules.

MR. ROBERTS: Mr. Speaker, to the point of order, if I may make the point. In view of the fact that the minister has not answered but instead has asked a question I am doing my best to help him to perform his function. I am doing my best to meet his request, Mr. Speaker.

MR. J. LUNDRIGAN: Mr. Speaker, on a point of order. The hon. Leader of the Opposition who is an expert on parliamentary rules -

MR. ROBERTS: There is a point of order before the Chair now, Mr. Speaker. There is a point of order before the Chair raised by the gentleman from LaPoile (Mr. Neary). I submit that before the gentleman from Grand Falls says anything Your Honour should make a ruling on the one from LaPoile which I suspect is well taken.

MR. SPEAKER: The hon. House Leader.

MR. R. WELLS: Mr. Speaker, I think it has become clear now, Mr. Speaker, that this series of questions to the Minister of Health, and then in turn response by the Leader of the Opposition, has got out of hand. It is somewhat confused. Nobody is sure now what is being discussed. If the hon. member has a question on this point I suggest that it is more appropriate that it now be placed on the Order Paper so that the minister can see precisely what he is expected to answer.

AN HON. MEMBER: Hear, hear!

MR. SPEAKER: Order, please! I think I have a reasonable grasp on where we are. The Minister of Health did remark that he wished information from the hon. House Leader. However, as has pointed out this is Oral Question period and it would be the right of the House to give that leave but not any individual hon. member. I take it from the remarks made that there is not unanimous agreement that the hon. Leader of the Opposition be given the permission of the House to make a statement. We will therefore go on to the next oral question.

The hon. member for LaPoile.

MR. NEARY: I have

Mr. Neary:

A question for the Minister of Transportation and Communications, Sir. Would the minister please tell the House if he has held any discussions with CN of late in connection with the kind of ferry service that we are going to have on the Gulf this Summer for the tourist industry in view of the fact that there are reports that the William Carson may be taken out of service and put on the Labrador-Newfoundland run? Does the minister have any up-to-date information he could let the House have on that situation?

MR. SPEAKER (DR. COLLINS): The hon. Minister of Transportation and Communications.

MR. MORGAN: Mr. Speaker, because of reports in the media yesterday emanating from the Melville-Goose Bay area mainly that there would be a service established this Summer by CN operating from Lewisporte and stopping at St. Anthony on to Goose Bay, and they would be using the William Carson, and the reports indicated - the news stories indicated that this was a confirmation by the federal minister, the Hon. Otto Lang, who held meeting with a delegation from Goose Bay just recently. In checking with CN, the CN officials informed me as of today that the only possibility of establishing that service by using the William Carson will be if they can find a boat to replace the William Carson. The service will not be established to Labrador unless a boat can be found to replace the boat to be moved from the Gulf ferry service.

MR. SPEAKER (DR. COLLINS): The hon. member for Port au Port.

MR. J. HODDER: Mr. Speaker, a question to the hon. Minister of Highways. Is the Minister of Highways -

MR. MORGAN: Transportation.

MR. HODDER: I am sorry, the Minister of Transportation - Is the Minister of Transportation -

MR. ROBERTS: And do you not forget it.

MR. HODDER: - aware of the -

AN HON. MEMBER: Oh, oh!

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

MR. HOODER: - condition of the roads leading to Black Duck Brook, Fox Island River and Mainland in the district of Port au Port? And is he aware that this happens every Spring, and are there plans to improve those roads so that this does not happen every time we have a Spring break-up?

MR. ROBERTS: Hear, hear!

MR. SPEAKER (DR. COLLINS): The hon. Minister of Transportation and Communications.

MR. MORGAN: Sir, yes I am indeed aware that every Spring all gravel roads are problems in this Province, and the only solution is to upgrade the roads and pave them. The answer to the first part of the question, I have received no representation, none whatsoever from the community mentioned by the hon. member.

MR. SPEAKER (DR. COLLINS): The hon. member for Bay of Islands.

MR. WOODROW: A question, Mr. Speaker, to my colleague the Minister of Justice.

MR. ROBERTS: Here we go.

MR. WOODROW: My colleague the Minister of Justice. Okay by the Leader of the Opposition?

MR. ROBERTS: Agreed! I am in favour. It brings the minister up in the world.

MR. WOODROW: You always seem to disagree with me. I do not know why.

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

MR. WOODROW:

I would like for him to explain the type and status of the correctional institution planned for Stephenville. And secondly,

MR. ROBERTS: Justice 'Alex' rules.

MR. WOODROW: to advise, if any such institution is planned for Woods Island, two miles from the Mainland, and of course in the Bay of Islands district?

MR. SPEAKER (DR. COLLINS): The hon. Minister of Justice.

MR. HICKMAN: May I deal, Mr. Speaker, with the second half of the

Mr. Hickman:

question first. There has been no consideration at all given to the establishment of a correctional institution on Woods Island in the Bay of Islands. With respect to the first part of the question -

MR. SMALLWOOD: And there is no intention of building one?

MR. HICKMAN: Most assuredly, Mr. Speaker, there is the Alcatraz philosophy is gone out of date, and I do not anticipate that there will ever be any consideration putting institutions of that kind on islands. But with respect to the first part of the question, officials from my department and from the Department of Public Works are presently in the Stephenville area, and I should be in a position to report to the House or to the hon. gentleman within the next two or three days when they return and furnish a report to me.



MR. SPEAKER (Collins): The hon. the Leader of the Opposition.

MR. ROBERTS: Mr. Speaker, a question to the Minister of Municipal Affairs. I believe he is the minister to whom this should be intended, if not perhaps the gentleman from St. John's West, the Minister of Intergovernmental Affairs is the appropriate minister, but I believe it is the Municipal Affairs Minister. Could the minister tell us when the City of St. John's will be informed whether or not the government will be able to honour the commitment made on, say the 23rd of 24th of August last year under which the Government of the Province would pay 75 per cent of the cost of upgrading the Parkway which runs from the Portugal Cove over to the Trans-Canada Highway at the interchange with Freshwater Road?

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

MR. PECKFORD: Mr. Speaker, we are presently having a committee established of officials from the Department of Municipal Affairs, Public Works, Transportation and Communications and people from City Hall who are discussing the overall improvements to the Parkway and trying to develop a schedule over the next couple of years in which this can be undertaken. Financing and so on for this project and the schedule will become known to members of the House when these things are decided.

SOME HON. MEMBERS: Hear, hear!

MR. ROBERTS: Mr. Speaker, just for the record I wish to debate that on the Late Show.

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

MR. NEARY: Mr. Speaker, would the Minister without Portfolio, the government House Leader, inform the House if he has yet written the letter that he promised the House he would write to the Summer Games Committee in connection with their not using the public tendering procedure and the transaction of the land over

MR. NEARY: here where the Aquarena is being constructed? Has that letter gone to the Summer Games Committee yet?

MR. WELLS: Mr. Speaker, that letter went on Thursday or Friday past.

MR. NEARY: Mr. Speaker, I wonder if the hon. the Premier, Sir, could tell us when he intends to make his announcement concerning the reorganization and probably a mini cabinet shuffle involving the Department of Environment and Consumer Affairs, Tourism and Youth in the interest of economy, as he promised us in July and again in October and again, I think, a couple of weeks ago?

MR. SPEAKER: The hon. the member for Windsor-Buchans.

MR. FLIGHT: Mr. Speaker, this question is to the Minister of Tourism. In keeping with all the facts that were made available on the caribou population in Labrador, I wonder would the minister undertake to indicate the present population as ascertained by his department of the moose population on the Island and where the population is concentrated?

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

MR. HICKEY: Well, Mr. Speaker, I did not count them lately but at the last count -

MR. FLIGHT: He should, Sir.

MR. HICKEY: -at the last count there were 37,000 and 40,000.

MR. FLIGHT: A supplementary, Mr. Speaker?

MR. SPEAKER: A supplementary.

MR. FLIGHT: The minister has indicated, I think, that he would be bringing in new regulations governing the issuing of moose licences to cover this coming season. Will the minister indicate just when those regulations will be made available to the Province or to the House or published, if he indeed intends to publish them?

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

MR. HICKEY: Mr. Speaker, the whole system of issuing licences, big games licences, is presently under consideration by government and I cannot give a date exactly. I do not want to guess at it. I can only tell my hon. friend that at the earliest possible

MR. HICKEY: moment, because government is anxious as everybody else is to make some improvements in the present system and just as soon as this can be done, and done properly, of course, then it will be.

MR. FLIGHT: A supplementary, Mr. Speaker.

MR. SPEAKER: A supplementary.

MR. FLIGHT: With regard to my first question, Sir, I did not expect the minister to give me the figure right now. I asked him to take it under advisement and make that figure available to the House. Now I assume that the Department of Tourism does have an up-to-date figure, at least as of their last count, of their last survey of the moose population, so would the minister at some point when it is convenient for him and his department make that number available to the House?

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

MR. HICKEY: Well, Mr. Speaker, my hon. friend might have thought I was joking with him but I was quite serious, Sir. I do know the population of the moose in the Province and it is between 38,000 and 40,000. That is correct.

MR. FLIGHT: Between 38,000 and 40,000?

MR. HICKEY: Between 38,000 to 40,000.

MR. SMALLWOOD: In the Province or on the Island?

MR. HICKEY: The Island.

MR. SMALLWOOD: The Island?

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

MR. HICKEY: There are no moose in Labrador as far as I know.

MR. FLIGHT: Okay, where are they?

MR. NEARY: Would the Minister of Tourism -

MR. FLIGHT: Where are they 'Tom'?

MR. SPEAKER: Order, please!

MR. NEARY: Would the Minister of Tourism who is responsible for parks inform the House if the fees for entrance to provincial parks this coming summer will remain the same or if they will be increased during the coming season?

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

MR. HICKEY: Mr. Speaker, the matter is under discussion at the moment and I certainly cannot indicate to the House one way or the other at this point, but I certainly will as quickly as I can. I know that the matter is being considered and I might also inform the House that the fees charged by my department in Provincial parks are the lowest anywhere in the country. The cost I might add - I am sure I do not have to point this out - is ever increasing. What the final decision will be is anybody's guess at this point but certainly we are in the best position in the country. How long that can continue in the light of -

MR. NEARY: We will find out on Friday, I guess.

MR. HICKEY: - rising costs I certainly do not know at this moment.

MR. NEARY: Mr. Speaker, I wonder if the hon. the Premier could tell us what the Gander Development Corporation is up to these days?

MR. SPEAKER: Order, please! Order, please! Is this a supplementary?

MR. NEARY: I beg your pardon, Sir?

MR. SPEAKER: Is this a supplementary?

MR. NEARY: No. No, Sir.

MR. SPEAKER: Would you permit me to say that one more question only will be asked in view of the time.

MR. NEARY: Then I will yield to the Leader of the Opposition.

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

MR. ROBERTS: Mr. Speaker, - I will not be here tomorrow at Question Period 'Steve' so you can have two for me then - Mr. Speaker, my question is for the House Leader, the gentleman from Kilbride (Mr. Wells). Could he tell us, Sir, when the Standing Committee on the public accounts will be appointed. The motion has been on the Order Paper for a few days now, the public accounts have been tabled for a week or ten days, when will the Committee be appointed and when can they begin their work?

MR. SPEAKER: The hon. the House Leader.

MR. WELLS: Mr. Speaker, I was proposing to meet with the House Leader on the other side within the next day or so, possibly tomorrow it being Private Members' Day, and discuss this matter and the composition of the various committees.

ORDERS OF THE DAY

MR. WELLS: Motion 8, Mr. Speaker.

MR. SPEAKER: Motion 8 deals with the motion for which the hon. the House Leader gave notice on the last day and deals with the oil refinery at Come By Chance.

MR. ROBERTS: Mr. Speaker, just before the minister begins I want a question of procedure set straight if I might, Sir. I regard this as being a substantive government motion even though it is somewhat wishy-washy in its conclusions, but I wonder if I could raise that as a point of order because it relates on possibility of amending it, it relates to the rights of, you know, the minister to close the debate and so forth. Could we have a ruling, Sir? I do not think it is hypothetical, I think it is an actual question. I believe it to be a substantive motion, but I want to be certain that, in fact, that is the correct view of the situation.

MR. WELLS: Mr. Speaker, when the motion was framed it was framed under the provision that Your Honour read a few days ago when the motion was put on the Order Paper. It is a question of asking for the opinions and advice of the House rather than a confrontation of one side or another. This is a private company that has gone bankrupt. Now obviously, as the motion itself says, it would be the wish of, I am sure, this House as well as the government that everything legitimately possible that can be done to see that refinery be reopened would be done and the government is therefore asking the advice of all members.

MR. ROBERTS: You feel it is a substantive motion, not a procedural one?

MR. WELLS: Yes.

MR. ROBERTS: I think it is substantive.

MR. WELLS: I think it is substantive.

MR. ROBERTS: Okay. I just wanted to be sure that that is the way the Speaker views it.

MR. SMALLWOOD: Mr. Speaker, to a point of order. It is important that we should have an answer of this question, not from the House Leader, interesting as that is, but from Mr. Speaker. Is it a substantive motion? Only the Speaker can rule on that.

MR. ROBERTS: I think they both could.

MR. SMALLWOOD: No.

MR. SPEAKER: In this matter I think this could be handled in one of two ways. I would undertake to give a ruling on this a little later, but on the other hand, I believe that the House as a whole could reach an understanding in this matter. Could I therefore put it to the House that the House understands that this is a substantive motion and if there is no dissenting voice we will treat it as such?

MR. ROBERTS: We so agree, Mr. Speaker.

MR. SPEAKER: It is agreed then that this is a substantive motion and the hon. minister, having spoken once, when he speaks again he will close the debate.

The hon. the Minister of Mines and Energy.

MR. WELLS: If I may, Mr. Speaker,

MR. WELLS: it makes an awful lot of difference, you know, how it is treated but if members wish to propose amendments to it then by all means, and we will deal with it in that way.

MR. SPEAKER (DR. COLLINS): The hon. Minister of Mines and Energy.

SOME HON. MEMBERS: Hear! Hear!

MR. CROSBIE: Mr. Speaker, the motion before the House of course is a motion that is put before the House so that the House can debate the unfortunate situation at the Come By Chance Oil Refinery, so the government can explain what has happened or give information to the House and listen to what any hon. member wants to say about the situation or any suggestions they have to make.

In opening this debate I intend to outline the history of this project briefly - certainly what has happened in connection with the project since this government took office in January 1972 - what has led the oil refinery to its present situation, what the causes of that were as far as I can see, and what is in the interest of this Province to happen now that this refinery is in the present situation that it is now in, which is that the refinery is insolvent, the companies that operate and manage the refinery are insolvent and where we should go from here.

Now, Mr. Speaker, there seems to have been so far two strains of criticism of the government, if there have been any, in connection with the oil refinery project. One, some charges that were made shortly after the petition for insolvency was laid in the Supreme Court of Newfoundland, made by the member for Twillingate (Mr. Smallwood) that I personally had caused the shut-down and the insolvency of this refinery, which ridiculous charges and statements I have replied to publicly and do not intend to deal with in this debate unless they are repeated and then I certainly will certainly deal with them. And the only other strain of criticism of the government that I have heard is whether the government could have done anything to prevent this, could the government have somehow prevented the present parlous state of the oil refinery? And what I am certainly intending to do is put

MR. CROSBIE: all the information before the House and explain the situation as I see it. I have been a close observer of it since January 1972 and then we can hear what other members have got to say and that we should concentrate on where do we go from here. Because obviously, Mr. Speaker, if this refinery cannot operate under the ownership and management of the two companies that now have its ownership and control, or did have until the Supreme Court issued its order in bankruptcy, if they are in such a state that they cannot operate and manage it then obviously the most important thing for this Province is to have the physical assets down there go into the hands of another owner and operator who will be able to manage it and operate it at Come By Chance so that Newfoundland will have the benefit that we are supposed to have from the operation when it was first conceived.

Now, Mr. Speaker, just to give a bit of history in connection with the matter: The oil refinery project was first brought forward in Newfoundland in 1967 by the government of which the member for Twillingate (Mr. Smallwood) was then the head.

MR. SMALLWOOD: I was not head of the government.

MR. CROSBIE: Head of the administration - now, Mr. Speaker, I do not wish to be interrupted if that can be avoided either because this is a lot of complicated matters that have been discussed - who was then the head of the administration. In 1968 certain agreements were brought before the House of Assembly in connection with this project and that involved three companies. There was to be Provincial Building Company Limited, which was a company that was going to construct the refinery at Come By Chance and to be a Crown corporation; Provincial Refining Company Limited, which was another Crown corporation, solely owned by the Government of Newfoundland, which was to take over the refinery when it was constructed. It was to take a conveyance of the refinery from Provincial Building and then



MR. CROSBIE: operate the refinery; and Provincial Holding Company Limited which was to be a holding company that was going to own the shares of Provincial Building and Provincial Refining. That was a structure that was suggested by the Shaheen Group who had proposed this project to the Province in the first place.

Now although these were to be Crown corporations, Newfoundland Refining Company Limited, which is a company wholly-owned by Shaheen and always has been and from the start was Shaheen's company, Newfoundland Refining Company Limited was to have

MR. CROSBIE: the exclusive right to manage the refinery, the exclusive right to purchase the crude oil for the refinery and to sell its products under agreements with Provincial Refining and Provincial Building, and Mr. Shaheen was to have, or one of his companies was to have an option to purchase the shares of Provincial Refining and Provincial Building once the original debt of the refinery was repaid.

This was the scheme and it was proposed in that manner because at that time a Crown corporation was not taxable. Federal corporation tax was not collectable, was not imposed on a Crown corporation. So that is why this structure was suggested although the Shaheen interests would have an option to take over the shares and it would no longer be a Crown corporation once the debt was repaid, assuming that the debt was repaid.

The debt at that time was to be a first mortgage of \$130 million which was arranged through ECGD, the British Export Credit Guarantee Department of the United Kingdom Government, and \$30 million to be supplied by the Government of Newfoundland, for which the Government of Newfoundland was to have a second mortgage, and ECGD, or their fiscal agents Kleinwort-Benson, was to have a first mortgage. So the project was supposed to cost something like \$160 million or \$170 million and it was a term of the agreement that the Shaheen interests were to invest \$10 million in equity in the project for which they could take subordinated debentures that would come behind the first and second mortgages.

In any event, Mr. Speaker, those arrangements got changed somewhat because the following year or a year or two later the Government of Canada had changed the Income Tax law so that a Crown corporation whose shares - who any private individual had an option on their shares or whose shares -

MR. SMALLWOOD: Mr. Speaker, could we stop the noise outside this Chamber? There should be no voice heard except inside here.

MR. MORGAN: The Leader of the Opposition is making all the noise.

MR. SMALLWOOD: Well, various people around outside. I want to hear every word the minister says.

MR. CROSBIE: Right!

MR. SPEAKER: Order, please! The Sergeant at Arm is requested to take appropriate action.

The hon. the Minister of Mines and Energy.

MR. CROSBIE: As I say, Mr. Speaker, a year or two later - the exact dates are not important now - the Government of Canada changed the Income Tax Act so that if a corporation was owned by the Crown but its shares were under an option to private individuals, or some private individuals had some right to get those shares at a certain date in the future, it was no longer to be treated in the tax sense as a Crown corporation, it was to be treated as a private corporation. And that applied to the oil refinery at Come By Chance and, in fact, the change was made because of the oil refinery at Come By Chance because apparently the Government of Canada felt that this was a tax loophole, that they were going to have to change if it was going to be used for projects such as an oil refinery which could generate a lot of money and presumably could make a lot of money and that this was therefore a tax loophole they had to change. In any event they changed it.

Well that meant, Mr. Speaker, that it was no longer really relevant that these be Crown corporations because the original purpose for them being Crown corporations was now gone. In any event these agreements were entered into in 1968. I do not want to get into any more detail than that about them. I am sure all the members of the House remember that I had a certain connection with it and left the government at that time primarily because of these arrangements, or the interim financing. But this is all past history.

In 1970 there were certain amendments to these agreements brought before the House of Assembly of Newfoundland. There had been certain changes made and several improvements were made that

MR. CROSBIE: provided for a royalty to be paid by the companies after certain of the indebtedness was paid back and there were certain other changes made. It is not important to go into all these changes but amendments had to be made and they were debated on and passed by the House in 1970. And I believe it was in 1970 that construction of the refinery started.

Now, Mr. Speaker, when the present government came into office in January 1972, of course, the refinery was well under construction, and agreements had been entered into and approved by the Legislature of Newfoundland and so on. So whether we were for or against the original agreements was irrelevant because the agreements were there and they could not be changed unilaterally and therefore it was decided by us that we would have a close look at what the agreements were to make sure that they were being observed by the Shaheen interests. As long as they were observed by the Shaheen interests, if they met their obligations, if they did what they were supposed to do, if they raised any

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additional money that the oil refinery was going to cost in excess of what was provided for in the first and second mortgage, if they are able to do that, fine. In other words, if they observed the agreements, if they kept to their bargain, the P.C. Administration or the Government of Newfoundland would do the same, and that was our attitude. And we had a look at all the agreements and reviewed the position thoroughly so that we knew what our rights were, and that was done during 1972.

Now during 1972 the promoters of the refinery, who were in charge of the refinery, in charge of the whole project, because it was only legal - you have got to get this clear - it was only a legal technicality and framework that these were Crown corporations. The people in complete charge of the project under the agreements was Mr. Shaheen and his associates, and his companies. The government had the right to check this and that, and to have reports, and Jacob's Engineering were retained by the government to act in its behalf and so on, but the project was completely under their control. And really Shaheen was the owner except for these legal technicalities which was thought was going to make it non-taxable.

But during 1972 it became apparent that the refinery was going to cost more than it had originally been estimated, and the Shaheen interest arranged another loan of \$15 million - well they arranged two loans, two additional loans of \$25 million before the refinery was completed. And we agreed, as I say, as long as they raised the money we were treating them fairly and equitably as I hope we treat everyone - we agreed that if they raised the \$15 million, and then if they raised \$10 million that these two amounts should be able to go under the first mortgage and be secured under the first mortgage. I do not think that we had to agree to that, or we may have had to agree to it anyway, but in any event, we agreed that if they raised these amounts to \$25 million, that they would go under the first mortgage security.

So when you consider -

MR. SMALLWOOD: How much?

MR. CROSBIE: Twenty-five million.

MR. SMALLWOOD: That is in Euro dollars.

MR. CROSBIE: No, no, I will explain that now, Mr. Speaker.

So that the first mortgage comprises an amount loaned through E.C.G.D. which guarantees the money, the loan was through Kleinwort-Benson and a syndicate of English banks, who are guaranteed their money back by E.C.G.D. E.C.G.D. guarantees to them that they will not lose any money on these loans. So Kleinwort-Benson and a syndicate of English bankers are the first people on the first mortgage, and they have a guarantee from the English Export Credit Guarantee Department that their money will be repaid, So they have nothing at risk, because the English Government guarantees that part of the first mortgage. That was a loan in pounds.

Then there was a first Euro dollar loan, which is also guaranteed by E.C.G.D. in the same way, and raised by Kleinwort-Benson. And a second Euro-dollar amount which was not guaranteed by E.C.G.D. It was arranged by Kleinwort's but guaranteed not by E.C.G.D. but by UOP, Universal Oil Products, who were doing design work in connection with the refinery, and whose subsidiary Procon, and Procon(Great Britain)Limited were building the refinery. They guaranteed the second Euro dollar amount under the first mortgage. I will come to what is owed under those later.

So that the first mortgage originally was E.C.G.D. guaranteeing Kleinwort's on the pounds and on the first Euro dollar agreement, and UOP guaranteeing repayment of the second Euro dollar amount, which I think originally was around \$10 million. So that was the first mortgage.

Well then Mr. Shaheen raised two further loans, because it turned out that construction was more expensive than they had anticipated. One was a loan of \$15 million which he arranged through Ataka, the well known firm now of Ataka, Ataka America Limited or through Ataka, a Japanese trading company who arranged for him to get the \$15 million. I will not go into all the technicalities of how it goes into the refinery, but then it was loaned by Mr. Shaheen's company to PRC, and it is in under the first mortgage for \$15 million; and a second amount of \$10 million, I believe, is raised through the First National Bank

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in Chicago. And again that amount is guranteed,I believe,by UOP or Procon. Anyway the \$25 million additional went into the refinery and it comes under the first mortgage. And somewhere during the course of my remarks I will tell you what is owed under the first mortgage now. So that was the first mortgage.

Then the Newfoundland Government had a second mortgage for \$30 million. So this additional financing was arranged by the Shaheen interest as they were obliged to do under the agreements, if it was more expensive than was originally thought.

In January 1973,as hon. members will remember,the Shaheen interest proposed going ahead with a new refinery in the Come By Chance area of 300,000 barrels a day under a new arrangement with the Consolidated Edison Company or some name like that, using the name Edison,

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and that was accepted by the government under certain conditions and was debated in the House and legislation was passed. So they proposed, anyway, building an additional refinery at Come By Chance at 300,000 barrels a day which the government was asked to supply \$78.5 million under a second mortgage and ECGD would have put in so much and so on. That was in January and February of 1973.

Well, Mr. Speaker, if there is one refinery at Come By Chance, and that appeared to be finishing construction and going to operate satisfactorily, if one refinery was there it would be just as well to have two refineries there although the excuse - not the excuse - but the positive benefit of the first refinery was always supposed to be that it would lead to a petrochemical complex. This was the great justification and excuse because a refinery by itself does not provide all that many jobs for the amount of money involved. It is a capital intensive operation with say \$200 million in the first refinery at Come By Chance and with maybe 480 direct jobs and 400 or 500 indirect. It is not a great job producer by itself but the benefit of it was supposed to be that it would lead to a petrochemical complex. So I would far rather have seen a petrochemical complex going ahead next at Come By Chance than another oil refinery.

But for one reason and another the petrochemical complex could not be proceeded with and it was suggested that there be a second refinery. In any event the government accepted these suggestions and an agreement was entered into and debated in the House for the second oil refinery.

Now, Mr. Speaker, one of the conditions of the government participating in this arrangement for a second oil refinery that has been set down by the government when dealing with the Shaheen interests - there are a number of conditions and it would be a waste of our time to go into all the conditions - but one of them was that before the government could become obliged to proceed with the second oil refinery the Shaheen interests had to arrange for the companies



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at Come By Chance to no longer be Crown corporations, and they had to arrange for the financial interests involved to relieve the government of any commercial, business or legal or moral obligation in connection with the first oil refinery.

Now there had always been a great argument in this House of Assembly about the Crown corporations. It is quite true that a Crown corporation—legally the government is not at law responsible for the debts of a Crown Corporation. If Newfoundland and Labrador Hydro was a Crown agency, well let us say Labrador Linerboard; the government is not legally responsible for the debts of Labrador Linerboard although it is solely owned by the Government of Newfoundland. But unless there is legislation passed saying so, or you give a direct guarantee, but if you do not do that we are not responsible.

But in actual practical fact a government is responsible for a Crown corporation because you can hardly avoid having your credit badly damaged if a Crown corporation becomes insolvent and does not pay its creditors or does not pay its workmen or whatever. So, yes, legally they could not sue you but in practical fact you have to stand behind it. It is only practical and it is only common sense. It is the same as Labrador Linerboard Limited. We are not legally responsible for its debts but if it went insolvent or we decided to close it and liquidate it we would have to see that all its creditors were paid or else we would have a difficult job arranging financing or bond issues or whatever else that a government needs to do to get money for itself.

Well this was always debated in the House and the hon. member who was then Premier would pooh-pooh the fact that it was a Crown corporation and that legally we were not responsible for its debts. But in addition to the practicalities of the matter the government of that day, the administration of the member for Twillingate (Mr. Smallwood) had also given certain letters, which are known as

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comfort letters, to the institutions that were closely involved with the financing of this operation. So that not only was the practical fact that the government would be held to be responsible in a practical sense for its Crown corporations, Provincial Building and Provincial Refining, but there were also letters existing which had no effect in law, which they could not sue the government on, which were not legally binding, but which would certainly be pretty embarrassing for any government of Newfoundland had they ever acted under them.

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I got some here which which I will table; for example, a letter October 16, 1970 addressed to the Export Credit Guarantee Department in London, England, signed by the then Premier which says: "The bankers have entered into a financial agreement with Building Company and Refining under which the bankers will purchase promissory notes made by the companies and the companies will assume certain financial obligations with the bankers. In view of the position of those companies, and their importance to the economy of the Province, I can assure you as a matter of policy the provincial government would consider it to be its duty to ensure that those companies should meet their obligations to the bankers and would take any such steps as might be necessary to enable them to do so." So that the English Export Credit Guarantee Department had been written by the Premier of Newfoundland and told that the bankers, Kleinwort-Benson, have entered into a financial agreement and the government will stand behind the companies. "It would be our duty to ensure that those companies should meet their obligations to the bankers and that we would take any steps that might be necessary to enable them to do so."

Now that is not a legally binding - you know, ECGD could sue the Province on this, and we would repudiate it. I think we would be able to repudiate it legally, but could we ever go to England again to raise money, if we had done that, and they had these letters, and they were still in effect? So there were these comfort letters, October 16, 1970. Also a comfort letter addressed to Kleinwort-Benson Limited and signed by the then Premier of Newfoundland which repeats the details of the sterling financial agreement and so on and deals with any short-fall in the contract price or if there is not enough money for taxes, if the contract price increases, or if there is any increase in interest.

The last paragraph says, "The government will either provide such additional funds as may be necessary" - in other words if there are not enough funds in this arrangement already with the first mortgage and so on, and Shaheen cannot raise the money. - "the government

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will either provide such additional funds as may be necessary or else introduce into our House of Assembly and support as a government measure legislation designed to authorize the expenditure of such funds by the government as may be necessary to complete such construction. It is to be understood that the government's undertakings in relation to these additional funds are not intended to relieve Procon (Great Britain) Limited of any of its obligations under the construction contract." So Kleinwort-Benson had a letter saying that the Newfoundland Government would see that the project was completed. Really is a completion guarantee. And then there is another series of letters I will not go into between Newfoundland Refining and the Newfoundland Government where the Newfoundland Government agrees to certain things, if there is not sufficient monies the Newfoundland Government will see that the money is supplied. I will table them all there. There are letter agreements made July 15, 1970 between Newfoundland Refining and the Province of Newfoundland, and signed by the then Premier. Then a second letter of the same date. "In the event that there shall be any increase in the contract price to be paid for the construction of the plant over and above the contract price originally proposed to Building Company by Procon, the government undertakes and agrees that it will introduce legislation and support as a government measure to release Newfoundland Refining from their obligations to raise the additional money, to cause the government to lend or cause to be lent to Building Company or guarantee its bonds by the amount that is necessary to meet the increased costs" and so on.

Another letter of the same date to Newfoundland Refining to the same effect but dealing with any increases there may be in the amounts needed in Canadian dollars, and another letter of the same date signed by the then Premier saying that we will raise the money if there is any increase in the interest rates, then we will release Newfoundland Refining from their obligation to do that,

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and that we would lend the corporation that money. And another letter of the same date, July 15, 1970 to Newfoundland Refining signed by the Premier with effect to payment of interest on the government loan and that that interest might be deferred and that the Building Company will be advanced funds that are needed to pay interest on the current basis on the government loan and so on. So that these are the so-called comfort letters. So in addition - which I will table, Mr. Speaker. There are a number of copies if anybody wants to look at them - so in addition to the, you know, just the practical fact of the question that a government is going to be held responsible for the debts of its own creature, its own wholly-owned creature, there were these letters which had gone to, or were in effect

MR. CROSBIE: in connection with Kleinwort-Benson, ECGD, Procon and UOP, that in effect told everyone involved in that project, in the construction and financing of it, that the Government of Newfoundland was standing behind these companies and that they would be paid, they would not loose, they would be repaid.

So in every practical sense the Province of Newfoundland was guaranteeing this project, Mr. Speaker, although this was not stated in the House of Assembly and those documents were never tabled in the House of Assembly. In any event I am not going to quibble or quarrel about that now. I am just giving the history of the project, and why it was important to get the Government of Newfoundland out of that situation. And the opportunity to take the Government of Newfoundland out of that situation came in January and February 1973 when Mr. Shaheen wanted to proceed with the second refinery and where he wanted the Newfoundland Government to make a very substantial contribution to its financing. And this is why, Mr. Speaker, we made it one of the conditions precedent for the Newfoundland Government proceeding with that new refinery or any extension that the people involved had to agree that the Government of Newfoundland would no longer have any legal, well the phrase used was "no legal, financial, business or other responsibilities to them with respect to Building Company, Holding Company and Operating Company." So it was condition precedent to Mr. Shaheen proceeding with the second refinery that he had to get Kleinwort-Benson, ECGD, Procon and UOP to agree that we were under no legal, financial, business or other responsibility to them in connection with the first oil refinery.

And in October 1973, at the same time as the QE II came down for the official opening of the oil refinery at Come By Chance, the closing documents were signed and executed in connection with the carrying out of that condition precedent. October 9, 1973 the Government of Newfoundland transferred to Newfoundland Refining Company Limited the shares that the Government of Newfoundland owned in Provincial Refining, Provincial Building and Provincial Holding with the consent of the first mortgagee and, of course, our own consent and

MR. CROSBIE: the consent of ECGD and UOP and Procon and Kleinwort-Benson, all of them had to consent, and they all acknowledged that from then on the Government of Newfoundland had no legal, financial, business or other responsibility to them in connection with the first refinery.

Now, Mr. Speaker, you know, in hindsight that move, that condition precedent of the present administration has saved this Province from a most embarrassing financial situation with respect to the present situation at the oil refinery at Come By Chance. Because had we not, had that not happened on October 9, 1973, ECGD, Kleinwort-Benson, UOP and Procon would be looking to us to stand behind those comfort letters and to stand behind our Crown corporations and we would be responsible, and we would be at risk for the amounts that are owed them, and if they were still Crown corporations we would be in practical fact responsible for the repayment of the \$600 million owed in connection with those companies. It was a most dangerous deal to have Crown corporations out of our control, completely under the management and control of private entrepreneurs, we with no control of the companies at all except that we could have two directors on the Board of Directors.

MR. MURPHY: \$600 million, Mr. Speaker?

MR. CROSBIE: \$600 million approximately.

Now, Mr. Speaker, I will just table a copy of a letter from Procon (Great Britain) Limited which just gives an example, signed by Mr. Hickman, the Minister of Justice and by their Managing Director, of the arrangement that was entered into in October 1973.

MR. NEARY: Those were the companies, the six.

MR. CROSBIE: That is right. Yes, six of them, and there are copies of the ones I just tabled.

So, Mr. Speaker, then in October 1973, acting under that new agreement that was entered into by the government, these companies became purely privately owned,

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and Mr. Shaheen or his companies became the owners of PRC, PHC, and PBC. The directors of provincial - the government was entitled Mr. Speaker, to have two directors on the boards of those companies. On the Board of Provincial Building there was the Minister of Justice and myself; on the Board of Provincial Refining there was the Premier and myself, and on the Board of Provincial Holdings there was the Premier and myself. We were the government directors.

MR. ROBERTS: After October?

MR. CROSBIE: This was after October, yes. Now Provincial Building was of no account because Provincial Building in the Fall of 1973 conveyed the project to provincial - or either 1973 or 1974 - conveyed the assets to Provincial Refining.

MR. ROBERTS: That was what we called the -

MR. CROSBIE: Yes. When construction was over then Provincial Building just faded out of the picture and conveyed it to Provincial Refining. So I mean the companies then become privately owned but the government had the right to have two directors on the companies and the Premier and I were on the company that mattered, which was Provincial Refining, because Provincial Building shortly thereafter was not longer in the picture. Up to that time the member for St. John's East (Mr. Marshall), the Minister of Justice and myself had been directors of all three companies, which were then government Crown corporations and we had three directors. But after that I believe the Shaheen people had thirteen directors and the government was entitled to have two.

Now then, Mr. Speaker, just to continue with this brief history of the situation, from October, 1973 and on during 1974 negotiations continued in connection with the new refinery. But during 1974 the new refinery of 300,000 barrels a day got changed because of the inflation. And by the way we should notice too, Mr. Speaker, that we were very lucky in our timing because on October 9,



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1973 Mr. Shaheen took over those companies and they became privately owned and later the same month the Arab-Israeli war broke out which was the start of the whole energy crisis which changed the whole picture on energy matters from the end of October and November, 1973 onward. In any event as a result of the problem of the energy crisis and the inflation that was starting to gallop then in 1973-1974, Mr. Shaheen had to change his project from a new refinery of 300,000 barrels a day to something less because the cost had gone up so greatly. And eventually during the late Summer of 1974 the concept got changed to an extension to the present refinery of 200,000 barrels a day, and that the project would have to be changed so it would be an extension on the original refinery adding another 200,000 barrels a day of capacity to the original 100,000 barrels.

Now, Mr. Speaker, the pattern of negotiations with Mr. Shaheen on this extension or the second refinery was exactly the same as I had experienced on the first. After the deal was made and after an agreement was made things always seemed to change and Mr. Shaheen would come back and he would want some concessions. He would want some changes because he was not able to do the deal as it had originally been agreed. That proved true during 1974 in connection with the second refinery or the extension to it. These suggested changes were discussed with him in August, September and October of 1974 so that new legislation would have had to be brought before the House had the extension gone ahead because the legislation the House had passed was legislation to set up a new 300,000 barrel a day refinery. It was now changed to an extension of 200,000 barrels a day. This required amendments and changes.

Mr. Shaheen also wanted - it had been agreed that they would pay sales tax during construction and gasoline taxes and there would be no tax exemptions. Well then he came back during 1974 and he wanted that changed and the payments of sales taxes postponed for five years

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and so on and so forth and various other concessions which was consistent with what I had experienced with him before I left the previous administration in May of 1968. Mr. Shaheen is a promoter and an excellent promoter and he seeks to get the best deal possible for himself. That is the aim of the promoter or the aim of anyone in business. You want to get the best deal you can for yourself. Dealing with governments, you get them to announce, you agree with them on a certain course of action, you get them to make an announcement, you announce a big new development and then problems arise and

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you cannot solve these problems unless the government makes some concessions. The government, having publicly announced this great new project or great new extension or whatever, then finds itself on a bit of a sticky wicket if it does not agree to the new concessions. So the government starts to agree to new concessions. Now that is the way the game is played, not just with Mr. Shaheen but with others. He is not the only one, but we are dealing with the oil refinery project. So these discussions went on during 1974 in connection with this new refinery which was eventually changed to an extension of 200,000 barrels a day.

Now, Mr. Speaker, the Premier and I were directors of Provincial Refining Company Limited, government directors. That company did not have any directors meetings in the Fall of 1973 and they had no directors meetings in 1974. And attempts to get information from the company were futile. They were not forthcoming with information. Mr. Shaheen and his associates were not forthcoming with information. That is not the way they play the game. They want to play it close to the vest. The less other people know about what they are doing the more room for maneuver, or whatever, you have yourself.

I wanted information, Mr. Speaker, and I am not known for not being persistent. I persisted in attempts to get information as to what was happening there. Was construction concluded? How are things going? How is it doing? You would be told it was doing fine, everything was going all right and so on. So I wrote letters to Mr. Shaheen and his companies just to illustrate to the House the difficulty of getting information. I wrote one in December, 1973 just after they had taken over the companies. January 30, 1974 to Mr. Furmark, who I had met in New York on January 15. "I am wondering what has happened to the information that you were then going to send me." In connection with the second oil refinery,

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I asked some questions about that. "In connection with the present oil refinery, I ask that you forward to me copies of the minutes of any directors or shareholders meetings held since the changeover so we will have copies. I would like to receive from Provincial Refining some kind of monthly operating report so that we can be kept up to date on how the operation is proceeding and so on."

AN HON. MEMBER: As a director of the company you are entitled to that.

MR. CROSBIE: That is right, I am a director. I am right in asking for these simple requests for information.

SOME HON. MEMBERS: Oh, oh!

MR. CROSBIE: Oh, they have got everything. They now own the companies.

So that was on January 30, 1974. March 29, 1974 I wrote Mr. Furmark again. I wrote to him on December 18, 1973 pointing out information we needed on the second refinery. I will not read all these letters. I asked him some questions on the second -

AN HON. MEMBER: Are you going to table them?

MR. CROSBIE: Yes, I am going to table them. I asked him some questions on the second refinery and the importance for us to know what is happening. Our advisors, Jacobs, have not got the feasibility study. That is another frequent occurrence. You could never get -

AN HON. MEMBER: What was that on?

MR. CROSBIE: This is on the extension.

AN HON. MEMBER: I see.

MR. CROSBIE: There are a lot of other points that had to be discussed and information that we wanted. That is March 29, 1974. August 2, 1974, Mr. Furmark again. I had written asking for information. "I would like to receive copies of minutes. We are directors. We should be provided with copies. I would like to receive as a government director some kind of monthly operating report so we can be kept up to date. It is obvious a government

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director should receive a monthly report,"and so on. "There has been no meeting of directors since last October as far as I know."

"I am now in receipt of a request that I should consent to the adoption of certain resolutions passed at a special meeting of directors of Provincial Refining held in July 25, 1974 dealing with Chelsea National Bank. I did not receive any notice of that meeting nor do I intend to consent to the passage of those resolutions until I receive some answer to the request I have made for information as a director of Provincial Refining. There should be regular, at least quarterly meetings of the directors. I am not satisfied with the present situation,"and so on. That is August 2, 1974.

There are other letters later which I will come to in a minute. So, Mr. Speaker, while these negotiations are going on on the second refinery the same old game is going on on the first refinery. The directors of the first refinery could not get any information, accurate information, on what was happening in the first refinery. Well I certainly had no intention of agreeing to any second refinery going ahead unless I knew absolutely what was happening in the first refinery. I will table all the letters that I refer to, or documents.

MR. CROSBIE: So negotiations continued on in the second refinery, which again, as I say, was now changed to an extension and there were meetings held in St. John's on October 16 and 17, 1974, with respect to the extension. Now while they were here on those meetings I took the opportunity to insist that we must have information on the first refinery. And on that occasion, Mr. Speaker, we got the first quarterly statement of Provincial Refining Company Limited, which I will table here in the House. It is a quarterly statement for March 31, 1974, and that quarterly statement was very encouraging because it showed that the company had earned in the first quarter, because they had only started operations early in 1974, that they had net earnings in the first quarter of \$4,226,000. So that they were making money there. Now these are not audited statements, unaudited statements prepared by the company. And they also gave us I think at the same time copies of their six months statement to the end of June 1974 and the six months statement showed that during the six months they had net earnings of \$6,197,000, so that for the first half of 1974 they had earned, according to these statements which were company documents and not audited, they had made \$6,197,000. So there was nothing to worry about, That was net after taxes, \$6,197,000.

Now the House should also understand, Mr. Speaker, that we only had access to PRC. Whatever rights we had were rights with respect to PRC. We were not directors of Newfoundland Refining, which was and always was Mr. Shaheen's own company. But Newfoundland Refining is extricably interwound with Provincial Refining because Newfoundland Refining had contracts with Provincial Refining to manage the refinery, to sell all its product, to supply all the crude oil, to charter all the shipping and the ships. So that Newfoundland Refining was the actual operator for Provincial Refining. It operated Provincial Refining, but we were not directors of Newfoundland Refining.

AN HON. MEMBER: They were going to operate it or would the -

MR. CROSBIE: No, it did it all. It also had a management contract. It had a management contract, sales agency contract, crude oil supply contract,

MR. CROSBIE: all of those things were entered into in 1970.

MR. ROBERTS: Back in the original agreement.

MR. CROSBIE: Yes. Mr. Speaker, at the same time in October 1975 I had discovered with Mr. Cyril Greene that the time had come for them to start paying interest on the \$30 million. Now the \$30 million that the Newfoundland Government put into this project was advanced at various dates from 1970 to 1973 and interest, of course, would start from the time of these advances, and then under the agreements the interest was all to be accrued. They did not pay the interest until the project was conveyed by Provincial Building to Provincial Refining and then a year after construction was over they would start to pay interest.

Well because of these circumstance in October 1973 they had conveyed the project from Provincial Building to Provincial Refining and a year passed in 1974 and while they did not think they had to pay any interest until 1976, it turned out, when we looked at this, that under the agreements they had to start paying interest in 1975, and that the first interest payment had to be calculated at the end of January 1975 and an interest payment made at the end of March 1975, because the plant had been conveyed in October of 1973.

By the way, at that time, that meeting in October of 1974 that I mentioned that we were discussing the extension, we were told that the Isomax in the hydrogen plant were not then completed but that they should be completed by the end of November, that was the end of November 1974.

At that meeting also, Mr. Speaker, we told them that they were going to have to pay interest. Well they wanted to check with their lawyers and so on about that. At that same meeting it was agreed by Mr. Shaheen and Mr. Furmark that the government directors would get monthly reports and we would get full information on what the company was doing. That was all agreed in October 1974.

Mr. Crosbie.

I will also table the letter, Mr. Sneaker, dated December 9, 1974, addressed by me to Mr. Roy Furmark setting out this agreement and the discussions on what we were to get as government directors, monthly reports covering the amounts of monthly production, product mix, sales, all complete financial statements, monthly cost statements, details on inter-company transactions, the annual budget, copies of the income tax returns and so on, and the monthly reports each month, and I asked them if they did not agree with supplying some of the information to let us know. That was December 9, 1974, because after the October meeting, we still did not receive the information that we had been promised.

So, Mr. Speaker, in January and February 1975 they were having difficulties in proceeding with the extension project and in raising the money for it. There was no legislation presented to the House for any changes in the original agreement because the government took the position that until Mr. Shaheen could live up to his commitments, and we knew that the project could go ahead, we were not going to ask the House of Assembly to approve any amendments. We were not going to ask the House to approve some new deal until Mr. Shaheen showed that he had the financing arranged and that everything was in order and everything was going to go. So nothing came before the House in the session of 1975, because he did not, during the first half of 1975, he was not able to show us that he could go ahead with the extension. We knew that he could not go ahead with the new refinery, but he had not shown the government that he could go ahead with the extension, so the House was not asked to agree to any amendments.

Now, of course, any hon. gentleman who was in the old administration and dealt with Mr. Shaheen will know that on all these occasions all rush, rush. You had to agree to this today, because, I mean, it had to be before the House in a week's time, and it had to be passed in two weeks, because if it did not pass in two weeks PCGD would back out or Technip or Technop or somebody would, and so on.



Mr. Crosbie.

This was all, of course, during these months when there was a great rush for everything and a great rush for these changes.

MR. ROBERTS: It was always third party representation.

MR. CROSBIE: Right. Always, because third parties wanted it done immediately, but in the event none of it was accomplished.

In January 1975 though Mr. Shaheen had to call a meeting of the Board of Directors of Provincial Refining because they had to give the First National Bank of Chicago a debenture on the inventory at Come By Chance. Now under the first and second mortgages, the first and second mortgages can agree to security being given on the inventory of the plant if requested by Provincial Refining so that they could get bank financing which every company needs in its operations. And the First National Bank of Chicago was providing this bank financing, or whatever they needed, and so they wanted a debenture on the inventory, that is the crude oil landed at Come By Chance and the refined products so that they would have some security for their money. It is equivalent to section 88 here in Canada or you can have a debenture. Well they wanted a debenture. And ECGN and the Government of Newfoundland agreed that this was in order.

I hope you are noting, Mr. Speaker, the number of things that were agreed to, because a most unfair and slanderous imputation was made about me by the member for Twillingate (Mr. Smallwood) outside the House, which I hope when he hears all that was agreed to he will withdraw. Any moment anyone wanted to sabotage this project they did not have to agree to any of these things I am outlining here. It was only sensible and reasonable that the company be able to get working capital, and we agreed to this debenture on the inventory. But to give the debenture on the inventory, the directors of Provincial Refining had to meet, and I told them that I was not going to agree to waive notice or agree to that meeting unless there was a meeting of the directors of Provincial Refining so we could find out what was going on, and we

Mr. Crosbie.

refused to give them a waiver of notice, and, therefore, they had to have an actual meeting, and they did arrange to have a meeting in New York in January of 1975 at which the Premier attended with myself and the Minister of Finance (Mr. Doody) - well he was the Minister of Industrial Development at that time - and we attended in New York .

Mr. Crosbie:

to a director's meeting of Provincial Refining.

And by the way, Mr. Speaker, just a personal note. In January of 1975 a story appeared in the St. John's Daily News, put there by Mr. Shaheen, stating that some member of the Newfoundland Government, and clearly he was referring to me, was sabotaging the new oil refinery, the extension to the new oil refinery.

AN HON. MEMBER: It came from Mr. Shaheen.

MR. CROSBIE: Yes, Mr. Shaheen gave a story to the St. John's Daily News saying that a certain Cabinet minister, and it was quite clear who it was, was namely the person who is speaking here today, was sabotaging the extension of this refinery. These are matters that are likely to cause one a little irritation. But despite that irritation I still behaved in a statesmanlike manner with respect to this project.

Anyway we went down to see Mr. Shaheen, then, in the end of January 1975. We still have no information as I requested and tabled in these letters. So we went down then to meet in New York. Now in New York, Mr. Speaker, we had a frank discussion with Mr. Shaheen. And we discussed a number of things with them. And we learned for the first time that the refinery - we did learn that the refinery was now experiencing difficulty. And we learned that they were contemplating a loss of \$30 million for the year.

AN HON. MEMBER: For the year 1975.

MR. CROSBIE: For the year 1974.

MR. ROBERTS: They lost that -

MR. HICKMAN: 1975.

MR. ROBERTS: So they lost that \$30 million, plus \$6 million, about \$36 million in the last six months of the year. Is that the -

MR. CROSBIE: If you go by their statements, yes. It changed around in mid year. They have made \$6 million to the end of June, now they said, they told us, that they had thought they lost around \$30 million. And the reasons they gave for this was that they had high sulphur residual fuel oil which they could not sell in Canada or the U.S., could only sell in the Baltic and elsewhere. They said they envisaged a suit against Procon. The suit was for a more modest amount at that

Mr. Crosbie:

time, \$33 million, they were going to sue Procon for. They had to pay certain retroactive charges to BP, British Petroleum, because of late taking delivery of shipments of crude oil from them. They said they are having very excessive demurrage, and that had lost them \$5 million to \$7 million. But all hon. gentlemen will remember that during 1974, in the Fall of 1974, you would see these big tankers down in Come By Chance tied up for week after week, vessels in which there is huge demurrage. They had to be having sizable losses on those because the plant was not completed construction and could not take the oil out of these vessels which would have to lie up there. In any event, they said they had lost \$5 million to \$7 million in excessive demurrage. They are having difficulties with the energy board, because now as a result of the energy crisis, of course, the energy board had to - you had to get a permit from them to export on a cargo to cargo basis, and they were being interfered with in selling in the U.S. or anywhere else. They had to sell their product into Canada. But they did not have a retailing organization here. They did not have the customers in Canada. So they had to sell to other oil companies which meant that they retained less money and so on, and for these reasons they had lost, they thought, around \$30 million.

But they gave us no reason to think that this would continue, and they felt that once the isomax - they were talking about then - and the hydrogen units started to operate properly, their problems would be over and they would be making money again.

Now the rest of that meeting was more concerned with the extension, and when were Jacob's going to receive the feasibility study and what the position of E.C.G.D. was and the like. Well that is what they told us about what was happening with the first oil refinery. And they talked about Technip and so on and so forth for the second refinery. And the meeting approved a debenture of \$20 million to the First National Bank of Chicago security on the inventory, and assignment of the accounts receivable.

Mr. Crosbie:

Now at that meeting, Mr. Speaker, we were given - let me see -

AN HON. MEMBER: What date was that, 'John'?

MR. CROSBIE: I think it was on January 27, 1975.

MR. CROSBIE: And I think at that meeting we were given the quarterly statement for September 30, 1974, and that quarterly statement shows -

MR. ROBERTS: Was that audited?

MR. CROSBIE: No, no, the same. It is not audited.

MR. ROBERTS: It is an internal company document.

MR. CROSBIE: It is an internal company document. And that showed now that for the nine months there was a loss of \$12,000,783.

MR. ROBERTS: In what quarter?

MR. CROSBIE: Right, in that quarter. Well when I got back to St. John's I wrote Mr. Furmark again outlining the agreement on what kind of reports we were supposed to get referring to the meeting of the previous day. There should be quarterly meetings of directors, and discussion of the interest question with them. So I will table that letter also. Now these things were never carried out.

MR. W. CARTER: Apparently there was something happening with people on the Mainland and the company over some kind of oil papers the company would not part with

MR. CROSBIE: No, no, they are all right here. I have them. I said I am tabling them. You can have one of these if you want. There are also documents not yet tabled.

SOME HON. MEMBERS: Oh, oh!

MR. CROSBIE: That is right. Let the Leader of the Opposition - you are going to get a copy of them all. Do not worry. We are all organized here.

AN HON. MEMBER: Are we going to get copies?

MR. CROSBIE: I have not got them. You know we cannot spend all - There is going to be another one put on the table, just relax. There is one for the member for Twillingate (Mr. Smallwood).

MR. SMALLWOOD: Mr. Speaker, since we only have one or two copies, could the government not arrange to have copies of these. They have Xerox machines and so on.

MR. CROSBIE: Mr. Speaker, I am tabling four copies and I do not see any need to table any other than four copies. There is another copy here which can be on the House table. The Leader of the Opposition has

MR. CROSBIE: a copy.

So, Mr. Speaker, that is January of 1975. They are having difficulties but they think that they are going to be overcome. And they are still talking about the extension to the refinery and dealing with ECCD and so on. We also discussed at that meeting the question of interest because there was a legal disagreement over when the interest would be payable. There was a possibility that all of the accrued interest under the wording of the agreements would have to be paid on January 30, 1975. That would have meant we would have had all the accrued interest of \$11 million paid on that day if our interpretation of it was right. The other interpretation was the \$11 million is added to the \$30 million principle amount of the mortgage and then they pay interest on that until the mortgage was repaid in years eight to fifteen. So we had to get a legal opinion on that. We got a legal opinion and the legal opinion was that the interest up to January 30, 1975 had to be added to the principal amount of the mortgage and then they had to pay interest on that, which came to \$41.3 million, on that every six month starting March 31, 1975. Then the calculations had to be made for what interest there was and there was correspondence in connection with that. And while I am at it, Mr. Speaker, I might explain to the House what the position is on interest.

Now there had to be correspondence and negotiations on this. There is a telex. I telexed the Vice-President of Newfoundland Refining, for example, on March 26. We agreed to defer the amount to be paid until the end of April so the exact amount due could be ascertained and known, and that will be tabled here also.

On April 17 I wrote Mr. Furmark on the same question. That also will be tabled just outlining the position with respect to the principal and interest.

So what happened in any event, Mr. Speaker, was that the interest due on March 31, 1975 came to \$2,376,000.

MR. CROSBIE: I am not including the small amounts - \$2,336,000. The Shaheen people said that they were having cash flow problems and they were having difficulties. The refinery was still not finished construction and they did not want to pay that full amount of interest on March 31, 1975. They wondered whether we could allow them to pay it later in the year so they could get over their cash flow problem. After some discussion with them, Mr. Speaker, we did agree to give them until the end of the year, until March 31, 1976 to pay some of that. So what was agreed with them was that they would pay, and they did pay, on April 30, 1975, \$941,520 which meant that they deferred paying to March 31, 1976 or sometime before that date \$1,435,000.

Now we had the legal right, Mr. Speaker, to insist on their paying the full amount of \$2,376,000 on March 31, 1976, but they had told the government that they were having some difficulty, they were having cash flow problems. They still did not have construction of the plant completed. We did not want to cause them unnecessary problems, to increase their difficulties. The construction of the plant had not finished although it was supposed to have been finished a year or so earlier, so the government did agree to give them this concession, that they pay the \$941,000 on April 30 and the rest at the end of the year.

Now is that evidence of some sinister conspiracy, as the member for Twillingate (Mr. Smallwood) suggested, to do this company in? Because it could have been done in on March 31, 1975. That is what makes those statements so silly. We did make this concession. We made this agreement because they said they had cash flow problems and we wanted the refinery to be a success not to be a failure. We did not want it coming down, we wanted to continue on. The refinery was there, no matter what you thought of it in the beginning or originally. It was there in Newfoundland and we had a lot of money in it, and there were people working there and we wanted it to stay that way. So we made that concession, which we can be blamed for and which we can be attacked



MR. CROSBIE: for, because we had the legal right to collect all of that interest on March 31, 1975. We did not do it. There is \$1,968,000 still owing that we agreed they should pay on or before March 31, 1976 and they have not paid it and they are not going to pay it.

MR. NEARY: Was there unanimous feeling in the Cabinet on that?

MR. CROSBIE: The Cabinet agreed. A Cabinet decision has to be unanimous.

MR. NEARY: Unanimous?

MR. DOODY: They all are.

MR. SMALLWOOD: All Cabinet decisions are.

MR. CROSBIE: You are either unanimous or you resign. Everybody in the Cabinet agreed.

MR. SMALLWOOD: You agree or get out.

AN HON. MEMBER: Right!

MR. CROSBIE: So the position on interest, Mr. Speaker, is that \$1,435,000 is still owing from last March 31. The interest due -

MR. SMALLWOOD: You are breaking my heart now over this magnanimity -

MR. CROSBIE: That is right.

MR. SMALLWOOD: - generosity, over the biggest industry we have on this Island. How big and generous to postpone a couple of million dollar payments to help them along. Come on! Come on!

MR. CROSBIE: You do not disagree with it do you?

MR. SMALLWOOD: Up to now the hon. minister has been reasonably reasonable, but this is tommyrot!

MR. CROSBIE: I am telling the House, Mr. Speaker, that we gave a concession to the refinery on March 31, 1976 because they said they had cash flow problems and \$1,435,000 was deferred being paid till the end of the year. We are not now going to have it paid, and I say we can be attacked for that if hon. gentlemen wish to attack us for it. We had the right to collect it on March 31, 1976 and it was not collected. So there is owing now \$1,435,000 that should have been paid March 31, 1976. The interest due on

MR. CROSBIE: September 30, 1975 was paid and the amount there was \$1,968,601. September 30 they had a half-yearly interest payment. They paid that, \$1,968,601, and the amount that they should pay on March 31, 1976 is \$2,216,305.78. No, wait now, sorry! That is not the full amount. On March 31, 1976 the ordinary interest payment would be \$2,216,305.78. When you add to that the amount not paid last March, the total amount owing on March 31, 1976 in interest is \$3,651,306. So the government by the end of the month will be owed \$3,651,306 in interest by the refinery which, of course, will not be paid, or it certainly does not appear that it is likely to be paid.

So, Mr. Speaker, to help the - here are some copies of the interest calculations there also - so to help the refinery in its difficulties the government made them a concession in connection with the payment of interest last March.

MR. CROSBIE: Now, Mr. Speaker, on May 20 by the way - well there is another document there I am going to table. It is just a telex back from Provincial Refining about the interest calculations and what they are going to pay. Then on May 20, 1975, Mr. Speaker, I wrote Mr. Furmark again about the interest calculations and what was owing and also asking for the financial statements of Provincial Refining and Provincial Building because their year end was the calendar year 1974, and the financial statements have not yet come to hand, and I asked them when they would be giving us the financial statements.

On May 27, 1975 the financial statements did arrive from Provincial Refining Company Limited. We got their audited financial statements. Their audited financial statements were bad news, Mr. Speaker, because their audited financial statements showed that they had a capital deficit of \$58,209,000 on December 31, 1974 and a deficiency in working capital of \$116,450,000. It showed what they had lost during the year. The net loss was \$58,210,000. The auditor's statements on these balance sheets were qualified. The statements showed that substantial operating losses had continued into 1975. The future operating profitability is uncertain because of continuing unfavourable worldwide economic and political factors and so on. There will be a copy tabled. Anybody who wants to read them can look at them and read them.

Anyway it showed that the refinery had had a loss in 1974 not of something like \$30 million but of \$58 million and that its losses were continuing and that it was a serious situation. Then there are a lot of notes here. One note said the company has a continuing obligation to purchase crude oil at a cost which at the present time when combined with processing costs is in excess of net realizable value, and so on and on it goes. The company was obligated to NPC for working capital. Then it explains the long-term debt, the sterling notes, the first Euro dollar notes, the loans, Mr. Shaheen's company and the second Euro dollar notes and the

MR. CROSBIE:

second mortgage note and the government wharf purchase agreement and so on.

In any event the financial statements are there to table. So that these statements arrived at the end of May, 1975 and they show that the company had had a very poor year in 1974.

AN HON. MEMBER: Was the House in session -

MR. CROSBIE: I do not think. I do not know. I do not think so. If it had been in session, Mr. Speaker, we certainly were not going to rush into the Chamber and put this news before the world.

AN HON. MEMBER: Even though there was an election -

MR. CROSBIE: There was no election around the end of May, 1975.

Now, Mr. Speaker, these are private companies. Let us deal with the issue of having gotten this bad news, what we should do. Should we now run to the public prints and give the statements of a private company to the newspapers or tell the world, because the government can - you know, that may be one criticism members want to make, that we should instantly have told the world that PRC had lost \$58 million in 1974. It is a private company, Mr. Speaker, and we had no right to go and publish these financial statements. We had the right to be concerned and worried about them, which we were. We were on the Board of Directors of that company so that the government would be kept informed what was happening with it. The government was not being kept informed properly about what was happening with it. It was not until we got these audited statements halfway through 1975 that we knew how serious the situation was, or that there was a serious situation.

Of course we communicated this to Mr. Furmark and his cohorts but their position always was that the upturn was just around the corner, that

Mr. Crosbie.

the next month things were changing, that this, that and the other had happened and that they were going to be entering into a profitable quarter. The second half was going to be - everything was going to be all right. And at around this time the Japanese, for the first time to my knowledge, appear on the scene, and there is mention of the Japanese and that the Japanese may want a third mortgage. So in any event in response to our inquiries we are told not to worry, that the situation was being dealt with and can be overcome, and they are not overly concerned and that the Japanese are supporting them and that all that is needed is maybe a third mortgage and so on. Well in any event, Mr. Speaker, in June 1975 I was over in the United Kingdom, so I stopped in to see Kleinwort-Benson to discuss these financial statements with them, they being on the first mortgage, and they said that they were concerned, but that they would arrange meetings with the principal creditors later on to discuss the situation, and they were being told that it could be turned around and could be overcome. So it was discussed with Kleinwort-Benson.

On July 9 there was a meeting down in St. John's of the officials of Provincial Refining who came down because of our concern as a result of these financial statements and just what was happening. Now at that meeting, Mr. Speaker, we received a balance sheet for the first quarter of 1975. So at this meeting on July 9 we were given that quarterly statement and that showed that their losses were continuing and that their losses for those three months were \$21,504,000, or their losses for 1974-1975 were \$81,000,000 as a result, and they were still losing considerable monies, and the situation did not appear to be improving. We had asked them to bring us down a lot of financial information, some of which they brought. At this meeting I believe they also had several representatives of the Japanese people. So at that meeting we are told the first quarter loss was over \$20,000,000.

Mr. Crosbie.

Well I just mentioned the statement there. The second quarter they had continuing losses, but they were very optimistic about the third quarter, that they should break even during the third quarter and that the fourth quarter they should start making money. The reason they gave for the fact that they were still having losses was the embargo, the export controls, that they were paying high prices for crude oil, they did not have a distribution system in Canada, the world market price for refined products had fallen, and they were selling every barrel at a loss, they were paying a lot for their crude, and they still not have a satisfactorily operating oil refinery. And at that time they told us how the Japanese were financing their crude oil purchases and explained how it worked, and how this financing of the crude oil worked with Ataka providing the financing, the crude oil being bought from BP, and that the Japanese would like to get a third mortgage on the refinery because of the credits they were advancing for the purchase of crude oil. This was July 9, 1975.

Now, Mr. Sneaker, we told them that they should first deal with ECGD, and if the first mortgagee agreed that a third mortgage should be granted to the Japanese, if they agreed with that proposal, and certain terms and conditions, that we would in all likelihood go along with the same arrangement that they should talk with the financiers first. So that was July 9, 1975. They said that they talked with ECGD who had no basic objection if Ataka agreed to continue to finance the crude oil and not to trigger a default. And they discussed the replacement value of the refinery and the situation with the Japanese and things of that nature and their financial situation generally, and the construction of the refinery and when it should all be - when things should be coming around again, and that

MR. CROSBIE:

they felt that the third quarter they are going to break even and the fourth quarter, if the plans were successful, they would start to make money. So that is what the management of the company were telling us. Obviously we knew that they were having serious problems. We helped them along with the interest payments ourselves. The company said they were dealing with them. The Japanese were giving them this financing. They talked of a third mortgage and they said that the third quarter was going to be a break even operation and in the fourth quarter they would be making money. That was July 9, or around that date.

That is the first time, Mr. Speaker, that I had ever learned of the Japanese being so heavily involved in the matter. I think at that time there was something like \$100 million that they had advanced, or \$130 million they had tied up in purchasing the crude oil. So we referred the Japanese and themselves to ECCD, to work out with ECCD what they could if they could work anything out. Well there is nothing further, Mr. Speaker, about the refinery that I know about, in any event, until after the election.

Now during the election there was a statement made by Mr. Shaheen that he now was all set to go on the extension to the oil refinery. That was his statement.

MR. ROBERTS: A day or two before the election!

MR. CROSBIE: Yes. Well I do not know how it happened because he was not talking to me.

MR. ROBERTS: No, I appreciate he was not talking to the hon. gentleman, but perhaps one or two of your colleagues might have known about it.

MR. CROSBIE: I do not know. But anyway he did make a statement. Well that surprised me quite frankly, that the extension -

MR. ROBERTS: Would the minister care to venture an opinion as to whether it would have surprised all of his colleagues in the government?

MR. CROSBIE: I do not know. I would say it probably would because they were all busy out in their districts.

MR. ROBERTS: Aye, there was one who was not.

MR. CROSBIE: But in any event there was a statement made by Mr. Shaheen and to the credit of the Premier, I remember his response. His response was that we were not in any way stating that the extension to the refinery was going ahead. We did not know whether or not Mr. Shaheen could go ahead with it, that he had certain conditions to meet and this would all have to be looked at after the election. Now I have not researched this in the last few days, but that is what I distinctly remember happening in the election of September 15, the days leading -

MR. SMALLWOOD: If the hon. minister would allow me, would he allow me to confirm what he has just said. The statement was made by Mr. Shaheen and the statement made in response by the Premier is almost exactly what the minister has just described.

MR. CROSBIE: That is right. In other words, the Premier did not come out and verify this and say the extension is definitely going ahead and try to make some political hay out of it. "Reserved" is a proper description of his response to Mr. Shaheen's statement. So while I do not have any direct knowledge I would say, number one, the Premier did not know that he was going to make the statement and, number two, when he made it the Premier gave it no encouragement and did not attempt to use it for political purposes. So -

MR. SMALLWOOD: He would not need to, would he?

MR. CROSBIE: I do not know whether he would need to or not.

MR. SMALLWOOD: He was terribly convincing when he did not use it during the campaign. That was ten times more effective than if he had used it,

MR. CROSBIE: Well, Mr. Speaker, that would not have been the hon. gentleman from Twillingate (Mr. Smallwood) pattern. I am sure the hon. gentleman would have - but it would be devilishly clever to -

AN HON. MEMBER: Machiavellian.

MR. CROSBIE: Machiavellian and in fact wholly admirable if that was the cause of making such a cautious statement. But I think the cause was that we did not know whether the extension could go ahead and in



MR. CROSBIE:

fact I, for one, could not see how it could unless there was a dramatic turn around in the fortunes of the original refinery. But in any event after the election in October, the date I think was October 10 - this is all I heard except Mr. Shaheen's announcement during the election - no, October 9 Mr. Shaheen visited the Province and met with the Premier. I was at the meeting for a short period and had to go on to Toronto. There was talk about the extension and French financing and so on and so forth and a suit against UOP. Mr. Shaheen was quite ebullient about the refinery, the first oil refinery, that there was no great problem,

Mr. Crosbie:

the problem seemed to be overcome. He was going to sue UOP. And, you know, otherwise it seems to be coming along all right, the first refinery. That was October 9.

Now I understand that on October 10 the government got a call from E.C.G.D. saying the exact opposite. That the refinery was in considerable difficulty and that the main creditors of the refinery were then meeting over in London to discuss these problems. The main creditors being the First National Bank of Chicago, UOP, Kleinwort-Benson and Ataka.

MR. ROBERTS: Were E.C.G.D. aware of the fact that Shaheen has made use of decisions made by the ministers?

MR. CROSBIE: I do not know because I was not talking to them about that.

MR. ROBERTS: The ministers handling the development of this -

MR. CROSBIE: No, I was gone the next day.

So in any event on October 10 or thereabouts we received news that the refinery had not overcome its problems in the third-quarter, but that the exact opposite was the situation. And on October 6, 1975 I was sent a copy of the financial statements for the refinery for the second-quarter of the year. And I am tabling those too, Mr. Speaker.

MR. SMALLWOOD: Would the hon. minister, while he is on his feet, would he tell me if the meeting in London to which he has just referred in October last -

MR. CROSBIE: There were a couple of meetings. I am going to discuss the meetings in October, yes. I have not quite gotten to that yet.

MR. SMALLWOOD: Oh, I see. The minister just spoke of a meeting in London, in October.

MR. CROSBIE: No, no I said E.C.G.D. called on October 10 to say -

MR. SMALLWOOD: Yes. And the hon. minister went on to say that there was a meeting in London in October. I was going to ask him -

MR. CROSBIE: Right.

MR. SMALLWOOD: but he wants to talk about that meeting?

MR. CROSBIE: Oh definitely! Most certainly.

AN HON. MEMBER: Called collect?

MR. CROSBIE: Pardon?

AN HON. MEMBER: Did they call collect?

MR. CROSBIE: Did they call a what?

AN HON. MEMBER: Did they call collect?

MR. CROSBIE: Yes. Oh, I do not know. E.C.G.D. is an agent of the British Government, They do not have to call collect yet.

Now around October 9 or 10, Mr. Speaker, I received in the mail a copy of the statements for the quarter ending March 31, 1975 - no wait now, that was July 9- I am sorry, the statement to the end of June, 1975. And when you receive that you could certainly see why E.C.G.D. had called, because that showed that for the period of six months, from January 1, 1975 to June 30, 1975 the losses were \$66, 228,000 in Provincial Refining.

MR. ROBERTS: In six months?

MR. CROSBIE: In six months.

MR. ROBERTS: Eleven millions a month.

MR. CROSBIE: And that the deficit for the year and a half they had been operating was \$126 million. Now this is the company's own figures.

SOME HON. MEMBERS: Oh, oh!

MR. CROSBIE: These are supplied by Provincial Refining, the same group who are down arguing they are not insolvent, that there is a conspiracy against them, that the world is out to get them, that the seven sisters are doing them in, and all the rest of this nonsense. These are statements prepared by them, themselves.

AN HON. MEMBER: Oh, oh!

MR. CROSBIE: You know, not to argue you are not. Well we will come to that later.

In a serious financial condition when you see that, you have really got to be blind.

So anyway, Mr. Speaker, I have come to the point then where E.C.G.D. called from London to say that the main creditors were considerably worried and concerned. They were meeting in London and would the Newfoundland Government send some one over. So the Newfoundland

MR. Crosbie:

Government did send someone over.

MR. SMALLWOOD: Who?

MR. CROSBIE: Now the hon. gentleman is so anxious, you know, I do not know what he thinks he is going to prove. Now I am coming to all of that. We are going to go into those meetings. We are going to deal with these charges. Never fear! So the person sent over, Mr. Speaker, was not the sinister eminence who is now speaking to this House of Assembly, -

MR. SMALLWOOD: The Minister of Finance.

MR. CROSBIE: Who jumped on a plane to go over to downpoor John Shaheen now that he is on his last legs. Oh, no it was not. It was the Minister of Finance, Mr. Doody -

MR. DOODY: Old soft-hearted Doody.

MR. CROSBIE: was sent over. Soft-hearted Doody, you know. So Old Soft-heart went over with officials from the Department of Finance, And what they discovered there, Mr. Speaker, was, you know, so fantastic that you could not believe, you know, it is hard to believe today the financial position of the refinery. I think I got that straightened after they left. It is dated October 6, 1975.

MR. CROSBIE:

They went over to London - I think it was the Deputy Minister of Finance and several others -

MR. ROBERTS: Cyril Greene.

MR. CROSBIE: Cyril Greene - and they met with E.C.G.D. and Kleinwort and the Japanese, Ataka and the First National Bank and U.O.P. The information they got from them was so startling and so unusual that they called over to Newfoundland and the Premier and I and the Minister of Industrial Development went over on Friday of that week to sit in on the meetings that were now going on in London. What the meetings were about, Mr. Speaker, were that these creditors had had all they could take of this situation. Their position was, and the Japanese position was, and the position of them all was that the management and operation of the refinery had to change, that E.C.G.D. was determined, Ataka was determined, U.O.P. was determined, the First National Bank of Chicago was determined that if there was any saving this situation the management and ownership of the refinery had to change. The management and control had to come out of Mr. Shaheen's hands.

MR. ROBERTS: Concluded in October last?

MR. CROSBIE: Yes. That was their conclusion in that week when we went over to see them because it had to be the conclusion of anyone who looked at the situation. These creditors had not known before how huge the sums were that were owed to some of their compatriots. None of them had realized that Ataka was owed, I think at that time it was \$250 million or \$260 million. U.O.P. did not realize it, the First National Bank of Chicago did not realize it, Kleinwort-Benson did not know it. Until the Japanese got together with them over in London in October of 1975 none of them realized that Ataka was owed at that time about \$260 million, unsecured. I mean it is -

MR. WELLS: Ataka knew it.

MR. NEARY: Did Ataka realize it?

MR. CROSBIE: The question is who in Ataka knew it? I do not know.

MR. G. FLIGHT: Did they not know how much trouble the refinery was in, or did they not have one reason to think so?

MR. CROSBIE: They were over seeing E.C.G.D. to talk to them about a third mortgage. Naturally one would assume that E.C.G.D. would ask them, "What

MR. CROSBIE:

are you owed, boys?"

MR. FLIGHT: Did they?

MR. CROSBIE: Well, I do not know what happened. E.C.G.D. would have to say it. But in any event it turned out that when our representatives got there that as far as these creditors could calculate that the amounts owing by P.R.C. and N.R.C. were something in the nature of \$500 million to \$600 million, that the losses to the end of June were \$126 million, that to the end of September they were another \$35 million, they would be at least \$200 million to the end of the year. The Japanese were taking the position that without a third mortgage they would not provide any more credit. I agree to their position. I agree to it thoroughly. I would not give them any more credit if I did not have a third mortgage. But the peculiar part was, Mr. Speaker, that the third mortgage was going to be of no use to the Japanese anyway. I mean, here was a company approaching insolvency, that if anyone got a third mortgage the rest of the creditors could all have had it set aside. The third mortgage was not going to give the Japanese any real protection, but they seemed to feel that it would save face. It seemed to have something to do with saving face, so that they could say they had some kind of security. Even though they lost the money still they had acted and got some kind of security.

Anyway this alarming situation was discovered when our people went to London and the situation was far, far more serious than we had known or thought of. This is the information that we got, so that we were called to go over also to see what we could do to get some arrangement between the creditors so that the operation could carry on. Now what was our interest? Our principal interest, Mr. Speaker, was to see could something be worked out and developed that would enable the refinery to continue, to continue and provide employment of the people and eventually pay off its debts. That was our interest, and to protect our own money. We had to keep in mind the interest of creditors in Newfoundland who might be affected. So we could not agree to just a third mortgage going to the Japanese unless at least the Newfoundland unsecured creditors were also protected. I will come to that in a moment.

MR. GROSBIE:

So that we went on over there and got there on Saturday and there had been considerable discussion of a third mortgage and could the Japanese be given one or what would be done. But the agreement of all these creditors was that the management and control of the refinery had to change.

Kleinwort-Benson had thought the Japanese were in \$100 million and had just learned they were in for \$260 million and so on. E.C.G.D. confirmed the complaints that I have outlined to the House this afternoon, that they had asked for financial information and could not get it and so on and so forth. The Japanese were then unsecured -

MR. CROSBIE:

sorry I gave the wrong figures. The Japanese then appear to be unsecure for \$336 million. They had not even paid for the crude oil that brought the Q E II to Bermuda, on the trip that they had had to Bermuda on the Q E II or to Come By Chance. The Japanese had not been paid for the crude oil that was used, the bunker oil that was used to bunker the Q E II to come down to Come By Chance and to go to New York and another trip the next year. So these were some of the things that the Japanese were now telling. Then there was a whole lot of stuff, and roll over, etc.

So the position now was that the Japanese had simply had too much money involved in this. They were not going to provide any more credit. They were not going to finance any more shipments of crude oil until something happened, and the creditors were talking together. So they wanted an agreement to get management and control out of Mr. Shaheen's hands and UOP and the First National, the Kleinworts and so on were not going to put any money up. The only possible one that could continue to put money up would be the Japanese, if they could be talked into it. So the creditors were talking to them as to whether they could continue to support it.

Well there are all kinds of discussions and so on went on there between the creditors. But Mr. Shaheen was still the owner of the company and still had the shares of the company so they could do nothing without his consent unless they petitioned for bankruptcy then. The company was still in his hands. So they had to have an agreement with Mr. Shaheen before they could accomplish anything thus try to save the refinery. Mr. Shaheen was not about to enter into any agreement to save the refinery without getting a substantial emolument for himself. That is why those meetings over in London broke down. They broke down because Mr. Shaheen was not prepared to give these creditors the management and control of the refinery without substantial payments to himself, or to companies controlled by him and



MR. CROSBIE:

without having the payment for his shares. I will come to this in more detail a bit later. They did not break down because of the Government of Newfoundland or ECCD or anyone else. They broke down because Mr. Shaheen would not recognize the fact that these companies could only be saved if he got out of the way.

But instead of that with these companies owing these huge amounts of money he was fighting to get as much as he could for himself. Well I do not blame him, I suppose, in that respect for trying to save what he could out of the situation. But he had creditors all over the world owed over \$300 million while he was battling it out with UOP, the First National of Chicago, ECCD and Kleinwort-Benson over in London. So what the creditors had to do then was to talk to Mr. Shaheen to see if they could get him to enter into some agreement that would result in their being able to continue on and the Japanese put in more money.

Now, Mr. Speaker, I will also table here a copy of a telex where ECCD set out their position as far as a third mortgage is concerned. On October 17, during that week, they said - it was a telex to Mr. Tagaki of Ataka - they would confirm that they would, with regard to the request for a third mortgage, they are prepared to commit themselves to granting a third mortgage in acceptable form to certain unsecured creditors subject to the following conditions: First that the department is satisfied with proposals for the restructuring of the financial and technical operation of the refinery which will be aimed at maintaining it as a going concern which will eventually operate on a viable basis. That is number one.

There was no point, Mr. Speaker, in anyone agreeing to anything if the people you entered into the agreement with were not committed to carry on the refinery. There was no point agreeing to a third mortgage to Ataka or to anyone else if they would not commit themselves to carry on the refinery for some stated period of time.

MR. CROSBIE:

because they could get a third mortgage one day and close it down a month later or two weeks later. So, number one, they had to be satisfied that it was going to be restructured and it could carry on as a going concern. Two -

MR. SMALLWOOD: Is this November 4?

MR. CROSBIE: October 17.

MR. SMALLWOOD: October 17.

MR. CROSBIE: There is a lot the hon. gentleman does not know, you know. He only gets told a certain amount.

MR. SMALLWOOD: I know. I know. Do not be -

MR. CROSBIE: Number two, the restructuring plan will provide for effective financial control under new management arrangements, acceptable to the department. In other words, ECGD are saying no third mortgage unless new management arrangements are entered into acceptable to them. A perfectly sensible clause and one that no one could disagree with.

Three, adequate arrangements are made to safeguard the interests of all other unsecured creditors. Now that was our position and ECGD's from the start, that we could not have Ataka or anyone else given a third mortgage and get a preference over all the other unsecured creditors, that if there was to be any third mortgage it had to be available to all the other creditors if they wanted to go under it, or if they did not want to go under it that they had to arrange to have them paid off. That was one of the conditions.

MR. SMALLWOOD: Who made that condition?

MR. CROSBIE: It was made by ECGD and us, both. Adequate arrangements are made to safeguard the interests of all other unsecured creditors and, fourth, the financing proposals do not involve a weakening of the security provided to the first mortgagee or any rescheduling of the debt guaranteed by the department, and a copy of this to Mr. Doody and so on.

So, these were ECGD's conditions as the discussions went on that week and our conditions were exactly the same. Number one, they said, we have

MR. CROSBIE: to be satisfied that there is going to be a restructuring and it can carry on as a going concern. If we cannot be satisfied about that we cannot agree to a third mortgage. It would be wrong.

Secondly, the restructuring had to provide for effective financial control under new management arrangements. Obviously! I mean I am going to come to what the reasons are for this failure later in my speech, and a number of them are outside the power and control of Mr. Shaheen, Mr. Furmark and the rest of them. But they have to bear responsibility for certain other things, unwise business decisions and the like and they are the owners and managers and they have to bear the responsibility for a collapse of a company that they own and control, and what the creditors were saying in ECGD was that this management had to change.

Thirdly, adequate arrangements to safeguard all unsecured creditors and, fourth, no weakening of their security, their first mortgage security. That was made plain by ECGD from the start, that they were not going to have their first mortgage security interfered with.

Mr. Speaker, as I say the Premier and I and the Minister of Industrial Development then went on over to London and there is no point going into a whole lot of detail on what went on. There was meeting after meeting between the creditors, and between the creditors and Mr. Shaheen and his associates, and they could not come to any agreement. They discussed a possible agreement and later on most of the principles of that agreement were embodied in an agreement entered into down in Chicago, which I am going to discuss. What they were trying to do was to get an agreement where Mr. Shaheen would give up his shares, put his shares in a voting trust, and Ataka and the others would control the voting trust, they would go in escrow and they would have the power to vote all of the shares. The escrow would only terminate once they would all repay their debts and all the creditors were repaid their debts. No dividends would be paid on stock. They would use their best efforts only to continue the operations of Provincial Refining. They could terminate their support, but that became impossible;

MR. CROSBIE: that they would have PRC deliver a third mortgage to the Japanese; that there was no immediate default; that the PRC operations in New York City would continue to be the offices of the company and so on, some arrangements about that. They try and work out an arrangement so Mr. Shaheen can continue to have the title of Chairman of the Board during the period of the escrow agreement, but without any authority in the companies.

At Mr. Shaheen's suggestion they finally got him down to an agreement where they would make payments of \$10,000 per month to Mr. Shaheen or whatever company he designated. They would have a period of days to pay him \$3 million for his stock and he would have a certain period of time to buy it back if he could. He was to be paid \$250,000 a month for twelve months for his stock.

It was suggested that a certain debt owed by another of Mr. Shaheen's companies should come under third mortgage, I will go into that in more detail later, and so on.

So there was an agreement over there that they were discussing and debating about but which they could not get Mr. Shaheen to accept because Mr. Shaheen wanted more than they were willing to give. So their meeting broke down in London and we came on back. We did what we could there. The Premier and the Minister of Industrial Development and so on came back on a Tuesday. I think I came back on a Wednesday and before coming back we had meetings with ECGD and the creditors and I initialled and signed a document of October 22, where ECGD and us advised Ataka "that in consideration for the undertakings given to us today by Ataka, the First National and UOP relating to your proposal to bring about the successful operation of the oil refinery at Come By Chance, we agree to a third mortgage in the oil refinery being granted to Ataka and certain other presently unsecured creditors in a form acceptable to us and made in accordance with the laws of Canada, provided that the security of the prior mortgage should not in any way be effected and that neither the debt guaranteed by ECGD, nor

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MR. CROSBIE: the debt secured by the second mortgage, nor the debt guarantee by UOP will be rescheduled." I signed that on behalf of the Newfoundland Government

Mr. Crosbie.

on October 22, 1975 and left it with FCGD so that if the creditors did reach a conclusion there we would agree to a third mortgage on those terms, but the creditors did not agree on a third mortgage because Mr. Shaheen was too difficult. We pressed them too hard trying to get too much for himself. After having operated this refinery and being responsible for it owing all this money, he wanted too much himself. So the First National Bank of Chicago got fed up, and they left London, and they came on back to Chicago, and they wired us on October 23, 1975 and wrote us afterwards - October 23, 1973 - "We refer to your acknowledgement (That is a debenture dated September 19) and we advise we have not reached a decision to take enforcement proceedings under the debenture. We are appointing a Clarkson Company Limited firm as receiver and manager."

They had had enough. They got fed up over in London, and they got fed up because of Mr. Shaheen's obduracy. Mr. Shaheen was the cause of his own misfortune, no one else. It is no good of his getting on the air or the television or press statements here in Newfoundland trying to blame me or someone else here in Newfoundland, or have his agents do it. He is the complete and utter author of his own misfortune. Help! We have helped him in every way we could legitimately do it, and in London he just held out for too much, and the First National got fed up and went back to Chicago, and they put a receiver in under the debenture and that was it. There was nothing more the creditors could do over in London. The First National had now taken action, and their action meant that they were now in default under the first and second mortgages so that Kleinwort-Benson then gave notice of default under their mortgage. The Newfoundland Government did not. We held on hoping that it could be worked out over the next couple of days. So the blood-thirsty vultures that were supposed to be flying around waiting to put their fangs into Mr. Shaheen, we still held off, and we did not give a notice of default last October, because we hoped it could be worked out still. So they went to Chicago.

Mr. Crosbie.

Now the First National were out of it except they wanted their money. They were not going to participate in this rescue operation. They were not going to enter into any agreement with Mr. Shaheen and WOP and the Japanese. They had had enough. They wanted their money or they are going to sell the inventory down at Come By Chance. So then they all moved over to Chicago and started negotiating. By the way, when we went over to London the tankers were not discharging to Come By Chance, because the Japanese would not finance them discharging. The Golar Betty was there. They would not let her discharge. That is how urgent the situation was. The Japanese would not allow it to discharge.

So on October 23 the First National took this action, and on October 28 they put the receiver in. The Premier made a statement explaining what had happened and during those few days the WOP, the Japanese, Mr. Shaheen were down in Chicago to see whether now the three of them could agree. The First National had cleared out and so the question then still was, what would the Newfoundland Government and FCGD agree to, because the Japanese were fixated with the idea of a third mortgage. If they could get a third mortgage they would let the oil discharge and they would continue to advance credit, but they would not say for how long. They would not commit themselves to any definite period, and, of course, by this time Ataka was out so much money that they were really captives of their banks. The banks are behind Ataka. If Ataka is out \$300,000,000 the banks are out \$300,000,000. They are starting to have something to say about what is happening.

MR. SMALLWOOD: When was that?

MR. CROSBIE: That was in October.

MR. SMALLWOOD: Before the Chicago agreement or after?

MR. CROSBIE: I do not know to my own knowledge when the banks came into it, but -

MR. SMALLWOOD: It is very important.

MR. CROSBIE: - they should have been in a long time ago. They certainly came into it in December. In any event they met down in Chicago and in

Mr. Crosbie.

Chicago they entered into an agreement among themselves dated October 28, which is also tabled here. I think it has been tabled before, and it is getting a little late to go into this one in detail. But they entered into an agreement, that is Ataka, the Shaheen companies and UOP.



MR. CROSBIE: UOP are involved in this because they are owed altogether some \$32 million. UOP and Procon are owed something like \$16 million odd on construction and then UOP and Procon are on guarantees in connection with this refinery and they are going to be called on to pay on their guarantees, so they are deeply involved in this.

AN HON. MEMBER: What about the \$10 million?

MR. CROSBIE: The \$10 million that Mr. Shaheen put into this project as equity so-called was borrowed from the First National Bank of Chicago by one of his companies and repayment guaranteed by UOP. So that if Mr. Shaheen's company cannot repay the First National Bank of Chicago, which I think is quite likely, UOP will have to repay them. That is the \$10 million that went into this refinery in Newfoundland, was borrowed by Mr. Shaheen. There was no equity in this refinery. Mr. Shaheen apparently did not have the equity to put in. He borrowed \$10 million that went in and under this agreement he tried to get it out again, and tried to get it made a debt of Provincial Refining. So this agreement was entered into dated October 28, 1975 between UOP, the Shaheen companies and Ataka.

Now the question was would the Newfoundland Government and ECGD agree to give a third mortgage based on this agreement? Now the condition of this agreement, some of the principle conditions of it, were that the stock was to go is in escrow again, deposited with a trust company and to be voted under the instructions of Ataka and UOP so that Mr. Shaheen would have no control over the company. The voting trust would terminate once they were repaid all amounts owed and the first mortgagee was repaid and the third mortgage was repaid. There would be no dividends paid, for stock could not be sold and so on.

Then it went on in clause (3) Ataka and UOP would, through financial support, without any obligation to supply additional funds and otherwise including management of the operations, use their best efforts to continue the operations of PRC with the right to terminate such support in the

MR. CROSBIE: event they decide they are unable to continue such operations on a profitable basis.

You can see, Mr. Speaker, how unsatisfactory that is. All they are going to promise is to support it as long as they want to and use their best efforts to operate it, but they could terminate it whenever they concluded they could not carry on on a profitable basis. There is no commitment to carry the refinery on for any particular period of time. They agree to have PRC deliver a third mortgage. They agree to carry on the operations of PRC and NRC separate from the rest of the Shaheen companies and to divide up the personnel. They are going even continue to work out arrangements so Mr. Shaheen can still use the title of Chairman, if it could be done without giving him any authority. They were going to continue to pay \$10,000 a month - Ataka was not going to pay \$10,000 a month and UOP were not going to pay \$10,000 a month, they would cause PRC to make payments of an aggregate of \$10,000 per month out of PRC funds to SNR Wilmington Incorporated, a company solely owned by Mr. Shaheen.

In other words this company in this financial straits, owing all this money and they were going to see that it continued to pay \$10,000 a month or \$120,000 a year to Mr. Shaheen, despite the fact that it was having as these difficulties, not that Ataka would pay them, and not that UOP would pay them, but they would cause Provincial Refining, the company they are trying to rescue to pay them.

MR. SMALLWOOD: One Shaheen company to pay another Shaheen company.

MR. CROSBIE: Pay Mr. Shaheen. This was money to go to Mr. Shaheen \$10,000 a month.

MR. SMALLWOOD: To Mr. Shaheen's company.

MR. CROSBIE: It is no longer a Shaheen company. It is a company taken over by these creditors, trying to save it and save the creditors who are owed hundreds of millions.

Then, Mr. Speaker, there is talk of an option that they can buy shares and he can buy them back if he wants to. He has got two years

MR. CROSBIE: to buy them back, he is to get \$3 million for his shares, monthly installments of \$250,000 a month.

MR. SMALLWOOD: Come to the November agreement.

MR. CROSBIE: This was the agreement of October 28th.

MR. SMALLWOOD: No, November 4th.

MR. CROSBIE: I am coming to that. November 4th. relates to this agreement -

MR. SMALLWOOD: Are we meeting tonight?

MR. CROSBIE: No we are not meeting tonight.

MR. SMALLWOOD: We are not?

MR. CROSBIE: I do not care if we meet night and day.

MR. SMALLWOOD: Three hours a day.

MR. CROSBIE: I have to conclude, Mr. Speaker, so I will have to come back to this agreement. But in addition under clause (8) it was agreed between all these parties that the third mortgage, which was to go from PRC - this was going to be on these assets at Come By Chance - the third mortgage - is also going to secure the loan that Delaware got, Mr. Shaheen got from the First National Bank of Chicago, guaranteed by Procon which he originally put in as equity in the company.

In other words, the \$10 million that PRC does not owe, Provincial Refining does not owe this \$10 million to the First National Bank of Chicago, it is Mr. Shaheen owes it. That is to be taken and put under the third mortgage to protect so that the creditors of the refinery are going to have another \$10 million put in under the third mortgage which is not even owed to anyone by Provincial Refining. That is part of the agreement.

So, Mr. Speaker, when we resume this again I will continue these observations and continue on with the debate.

I move that the debate adjourn.

MR. WELLS: Mr. Speaker, I move that this House do now adjourn until three o'clock tomorrow afternoon.

MR. SPEAKER (DR. COLLINS): It is moved and seconded that the House do now adjourn, Is it the pleasure of the House to adopt the motion? Carried.

This House stands adjourned until three o'clock tomorrow Wednesday.

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