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**THIRTY-SEVENTH GENERAL ASSEMBLY  
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**VERBATIM REPORT**

THURSDAY, MARCH 25, 1976

SPEAKER; THE HONOURABLE GERALD RYAN OTTENHEIMER

The House met at 3:00 p.m.

Mr. Speaker, in the Chair.

MR. SPEAKER: Order!

STATEMENTS BY MINISTERS:

MR. SPEAKER: The hon. the Minister of Industrial and Rural Development.

MR. LUNDRIGAN: Mr. Speaker, I would like to make an announcement of some significantly good news for the people of Burgeo. I would like to announce the awarding of tenders for the first phase of construction of Burgeo Leasing Limited, the first three contracts in the first phase. The first contract for the construction of the timber crib wharf and preparation of the plant site is awarded to Avalon Construction and Engineering Limited of St. John's.

MR. FLIGHT: Who?

MR. LUNDRIGAN: Avalon.

MR. MURPHY: Avalon.

MR. LUNDRIGAN: Avalon. Avalon Construction. The value of the contract is \$1,357,170 -.

MR. NEARY: Is that your buddy?

MR. LUNDRIGAN: I beg your pardon?

MR. NEARY: Is that your buddy?

MR. LUNDRIGAN: I am not aware of any of the owners of the companies involved.

MR. NEARY: Mr. Wilson is an old friend.

MR. LUNDRIGAN: If Mr. Wilson got it he was the lowest tender.

MR. YOUNG: Hear, hear!

MR. LUNDRIGAN: As a matter of fact his bid is \$1,357,170. The contract is to be completed by December 20, 1976. I would advise the hon. member that the range was from there to in excess of \$2 million for this particular wharf. The bids are excellent bids. They are the best bids that we have had for quite some time in terms of our own expectations.

MR. LUNDRIGAN: Contract 2 is the construction of the cold storage plant, and it is awarded to C.C.M. Construction (Nfld) Limited of St. John's for the amount of \$550,000. Completion of this building is scheduled for December 1st. as well - December 1st., the last December 20th. - December 1st., 1976.

Contract 3 is for the supply and installation of refrigeration systems in the cold storage building. This contract has been awarded to A.E. Hickman Company Limited of St. John's in the amount of \$90,180. Work on this contract will be completed by the middle of February, 1977. The value of the contracts awarded in this phase is \$1,997,350. The work on the project, this particular project, this particular phase will start immediately.

Tenders will be called for the remaining phases of the project throughout the continuation of the next twelve months and we expect the final completion date to be September of 1978.

SOME HON. MEMBERS: Hear, hear!

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

MR. ROBERTS: Mr. Speaker, my comments with respect to the minister's announcement will be quite brief. We welcome the news, of course, that at long last the physical construction of the new fish plant at Burgeo is to get underway. The gentleman from Burgeo-Bay d' Espoir (Mr. Simmons), the member for that constituency, is at present in Burgeo and if the hon. gentleman would let me have a copy of his statement I will make sure that it is telephoned through to the member as there is a large gathering there today, I believe, on transportation.

The member has arranged to have a number of people there. Indeed the Minister of Transportation, I had thought, was to be there but obviously he has other matters to attend to than the conference in Burgeo. I am sure that every citizen of Burgeo will want to know of this news and I am sure that everyone of them will greet it as we do, Sir, with pleasure.

MR. SPEAKER: Further Statements by Ministers.

The hon. the Minister of Tourism.

MR. HICKEY: Mr. Speaker, a very short statement by way of a progress report on the Norma and Gladys.

SOME HON. MEMBERS: Hear, hear! Hear, hear!

MR. HICKEY: I should -

MR. MORGAN: Hear, hear! 'way to go!

MR. HICKEY: I should inform hon. members, Mr. Speaker, that the vessel arrived in Barcelona last Friday. Between 2100 and 2200 people visited the vessel and viewed the exhibit on the 200 mile limit on Saturday. The Canadian Embassy people tell me that - and it is an approximate figure - approximately 1,600 to 1,700 people per day visited the vessel. She left yesterday for the next port of call, Genoa, due to arrive, I believe, on Saturday.

All the crew and Captain are well and the vessel is performing very well.

MR. MURPHY: How many stowed down? How many have she got stowed down now?

MR. NEARY: About 100 cases so far.

MR. SPEAKER: Further Statements by Ministers?

PRESENTING PETITIONS

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

MR. NEARY: Mr. Speaker, it gives me great pleasure, Sir, to present a petition on behalf of thirty-four residents of the Old Broad Cove Road, St. Phillip's, Thorburn Road, the Tolt Road, and that is it, Mr. Speaker, none from Hogan's Pond. The thirty-four residents, Sir, are objecting to the new increase in electricity rates. The prayer of the petition, Mr. Speaker, says "We the undersigned wish to protest vigorously the new rate increases that are being applied by the Newfoundland Light and Power Company." And I say to that, Sir, hear, hear! In supporting the prayer of this petition, Mr. Speaker, I wish to point out to hon. members that the government, even as far back as 1972, even though they knew at that time, at least they indicated in this hon. House at that time, that oil prices were increasing, they still encouraged our Newfoundland people- and some of these petitioners, Sir, are caught up in this situation- they encouraged our Newfoundland people to use electricity to heat their homes. They were encouraged, Mr. Speaker, at that time by the lower rates, and now I am told by some of the petitioners that taking into consideration the increase in the sales tax, the 10 per cent sales tax that is not exempt from people who heat their homes by electricity, that for these people, Sir, life is almost unbearable. The result of this blind faith that they have had, Sir, is the fact that they are now reporting power bills of well over \$300 for every two months. In one case, I think, I was told it was \$350 for two months electricity bill.

So the impact of these increases, Sir, are absolutely fantastic. The protests, Mr. Speaker, are being noted both inside and outside of this House even though the Leader of the old-line Liberals seems to be suffering from some illusion that people are becoming disinterested and are becoming complacent.

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

The hon. member is quite aware that debate must be avoided in presenting petitions, and he is getting somewhat near that point.

The hon. member for LaPoile.

MR. NEARY: Yes, Mr. Speaker, I realize I am getting near the point, but I have not reached the point yet. When I do I am sure Your Honour will bring me to task.

But, Sir, one of the reasons given by the government for increasing the rates of their own creature, Newfoundland Hydro, is the fact that oil has gone up in price. Well, Sir, I contend that they knew this in 1972, they knew it in 1973, but even knowing this they still encouraged these people to heat their homes with electricity. And now, Sir, -

MR. CROSBIE: On a point of order, Mr. Speaker.

MR. SPEAKER (DR. COLLINS): A point of order.

MR. CROSBIE: I refer, Mr. Speaker, to the Standing Orders, Standing Order (92) which is very clear on what a member offering a petition to the House can say. Standing Order (92) says, "Every member offering a petition to the House shall confine himself to the statement of the parties from whom it comes, the number of signatures attached to it and the material allegations it contains. In no case shall such a member occupy more than five minutes in so doing, unless by permission of the House upon question put."

The hon. gentleman is not confining himself to the statement of the parties from whom it comes, and the number of signatures and the material allegations that the petition contains. Therefore I submit should be ruled out of order, Mr. Speaker.

MR. NEARY: To that point of order, Mr. Speaker. The hon. member, Sir, who just raised that point of order must be either deaf, dumb, hard of hearing or all three, Sir, because I did specify the number of residents, signatures on this petition, I did read the prayer of the petition, and now I am addressing myself to the prayer of the petition, Your Honour, and I suggest to the hon. House that I am completely in order.

AN HON. MEMBER:

MR. SPEAKER (DR. COLLINS): Order, please! On the point raised, I think, the issue is contained in the phrase "and the material allegations it contains."

Mr. Speaker (Dr. Collins):

This point has been discussed previously in the House in private meeting, as you will recall, and I would ask all hon. members to co-operate as clearly as they can to the feeling of the House in this matter. I would ask the hon. member if he can confine his remarks to the material allegations in the petition.

The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, I thank Your Honour for the ruling and the right to carry on, Sir, without being rudely interrupted by members on the government side. Mr. Speaker, just to conclude my remarks, Sir, all I want to say at this moment, although it may seem to hon. members both inside and outside of the House at this moment that all is quiet on the consumer front, we can see from the petitions that are still coming in, like the one I have here in front of me now, Sir, that all is not quiet, that the situation is still seething beneath the surface and could blow up again, Sir, at any moment. So, Mr. Speaker, it gives me great pleasure indeed to present this petition on behalf of these thirty-four irate residents of St. Phillips, Thorburn Road, Tolt Road and so on, and asked that it be placed upon the table of the House and referred to the department to which it relates, in this case, the Minister of Mines and Energy who I am sure, Sir, must be smarting by now under the attack of all these -

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

MR. NEARY: - petitions, these signatures that are pouring in to our offices almost daily.

MR. SPEAKER (Dr. Collins): Further petitions?

The hon. Leader of the Opposition.

MR. ROBERTS: Mr. Speaker, I thought the minister might have been smarted into saying a word on that petition. May I say a word in support of it, not because of anything the hon. gentleman from LaPoile (Mr. Neary) has said, he is obviously off in a dream world of his own, but let me say a word in support of it, both in the general prayer of the petition against the increase in electricity rates but also as a resident of the area, the general



MR. ROBERTS:

area, in which the petitioners live. I would have thought there were far more people than thirty-four in the area - indeed I know there are - and the petition cannot have been a widely circulated as it might have been or it certainly would have gotten more signatures. I, for one, as a householder of Hogan's Pond, which is in the general area - it is bounded on one side by the Tolt Road, and on the other side by Bennett's Roads, and on another side by Old Broad Cove Road and on the fourth side by the Thorburn Road - I, for one, as a householder, resident, and as a user of electric heat, whose electricity bills do tend to get very high, particularly in the Winter, would gladly have signed it. I think that the people throughout the Island continue to feel very strongly on this issue. I was in Grand Falls yesterday and had the pleasure of being on open line show there and a number of the phone calls that I received made that point as indeed a number of the petitions have.

I predict, Sir, we will have many more petitions on this. I must have another three or four or five or ten in my office that have come in the last day or so that will be presented in the House, and I think other hon. members have them as well. It will be a continuing process, Mr. Speaker, because people continue to feel very strongly about it, and it will continue at the very least until and unless the government realize how strongly people feel, and they are prepared to give the people of this Province some opportunity to find out exactly why rates are going up, and then out of that to answer the question of whether they should go up or not. Most of us, Sir, have very real doubts as to whether any rises are justified. Certainly, we have seen nothing to show that. I support the petition, Sir.

MR. SPEAKER (Dr. Collins): The hon. Minister of Mines and Energy.

MR. CROSBIE: Mr. Speaker, I would not normally get up to respond to this petition since there have been a number of them, but since I am a resident of the Tolt Road area and responsible for having the road paved last year -

SOME HON. MEMBERS: Hear, hear!

MR. CROSBIE: - for which I hope that they are properly grateful, although it cost me \$900, because the road was not salted or sanded, and I went off the road going up there in January.

MR. NEARY: A point of order, Mr. Speaker.

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

MR. NEARY: Sir, I understood from the expert on parliamentary procedure in the House, the hon. minister who is now speaking, that you have to be relevant, that your remarks have to be relevant to the petition, and I am wondering if having the road paved and reconstructed towards Hogan's Pond has anything to do with the petition that I just presented. I would submit that the minister, Sir, is out of order.

MR. CROSBIE: Mr. Speaker, on the

MR. CROSBIE:

point of order. The Standing Order I read addressed itself to the person presenting the petition, not to a person speaking on the petition. So there is a world of difference. We have a Standing Order that clearly says what the person presenting the petition can say. We do not have any Standing Order that says what a person speaking on the petition who did not present it can say. Since the rules here seem to be that anyone can get up and speak on a petition and say what he likes I submit the same rule should apply to me.

MR. HICKMAN: You are being discriminated against.

MR. NEARY: Could we have a ruling, Your Honour.

MR. SPEAKER(Dr. Collins): Order, please! I think that we have to confine ourselves to the matter of whether debate is being entered into. I think the minister's remarks may not have been relevant but I do not think they have actually gone into the area of debate. I would ask him to continue his remarks.

MR. CROSBIE: Frankly, Mr. Speaker, I should have said it was an electric car I had. Then it would have been more relevant. Anyway, all I want to say on this petition, Mr. Speaker, is that we received it with a great deal of sympathy. We can do very little about it, as can most governments. I do not know if any government in Canada can do anything about this. Then I suggest that we communicate with the P.C. Opposition in Nova Scotia, who are now presenting petitions from irate people all around Nova Scotia about electricity and energy rates there and we will see which Opposition can get the most petitions going. Will it be the P.C. Opposition in Nova Scotia to the Liberal Government of Nova Scotia and in P.E.I. to the Liberal Government of P.E.I., or the Liberal Opposition in Newfoundland to the P.C. administration because all three governments have the same problems. They are both different political party. There is nothing that anyone of those governments can do about the increasing costs of energy.

So I suggest let us have a competition. Can our Liberal Opposition here get together 1,000 petitions? 1,500 petitions? 2,000? If I was in

MR. CROSBIE:

Opposition I am sure I could get at least 10,000 and perhaps I could get 300,000. So let us get a competition going and we will challenge Nova Scotia and P.E.I. Who can get the most petitions against these abominable, horrendous, barbaric increases that hon. gentlemen are worried about? The hon. gentleman who is the Leader of the Opposition has an alternative to electric energy. He told me this morning how he has got a cord and a half of wood that he is chopping up in his back yard and he is lucky he has this alternative. I commend that to him.

MR. SPEAKER: Any further petitions? The hon. member for Bellevue.

MR. W. CALLAN: Mr. Speaker, I beg leave to present a petition on behalf of the residents of North West Brook in the district of Bellevue. I will not use up the five minutes that I have. The prayer, if you can call it a prayer, of this petition is very, very straightforward and simple. There is no lawyer's language at all. It simply says, "We, the undersigned, do request the following three improvements necessary for the safety of our community." In the petition they talk about a bridge in North West Brook. They talk about a paved road and also guard rails. Mr. Speaker, the residents, possibly in mentioning three items here hope at least that probably if they cannot get all three perhaps one of the three or two out of three might not be bad.

This petition, Mr. Speaker, is signed by 129 residents of North West Brook. I thoroughly support the intent of this petition. I ask that this petition be tabled and referred to the department to which it relates.

MR. SPEAKER: Any further petitions?

PRESENTING REPORTS OF STANDING AND SELECT COMMITTEES:

MR. SPEAKER: The hon. Minister of Justice.

HON. A. HICKMAN: Mr. Speaker, I table all of the financial statement of the registrar of the Supreme Court for the year ending March 31, 1974.

MR. SPEAKER: Any further reports?

NOTICES OF MOTION:

MR. SPEAKER: The hon. House Leader.

MR. R. WELLS: Mr. Speaker, with the consent of members of the House I move that the times of sittings of the House be altered for the balance of the session beginning on Monday next when the times will be as follows: Mondays, from 2:00 p.m. to 6:00 p.m.; Tuesdays, from 2:00 p.m. to 6:00 p.m. and 8:00 p.m. to 11:00 p.m.; Wednesdays, from 3:00 p.m. to 6:00 p.m.; Thursdays, 2:00 p.m. to 6:00 p.m. and 8:00 p.m. to 11:00 p.m.; Fridays, from 10:00 a.m. to 1:00 p.m.

MR. SPEAKER: Is that notice of motion?

MR. WELLS: That is the notice. Well, I suppose by consent it could be treated as a motion because we have the consent of the House.

MR. SMALLWOOD: We should do it now, because we cannot very well act on it tomorrow.

MR. WELLS: Yes, that is correct.

MR. SPEAKER: Is the House ready for the question? Shall the motion be adopted as presented? All those in favour "aye", contrary "nay". The "ayes" have it.

ORAL QUESTIONS:

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

MR. ROBERTS: Thank you. Mr. Speaker, a question for the Minister of Mines and Energy. Could the minister tell us, please, whether it is now proposed to begin work on the tunnel across the Straits of Belle Isle, or underneath the Straits of Belle Isle, only on the Newfoundland side instead of to carry out work from both the Newfoundland side and the Labrador side as had been hitherto planned?

MR. SPEAKER (Dr. Collins): The hon. Minister of Mines and Energy.

MR. CROSBIE: Mr. Speaker, the engineering plans are still being worked on for the tunnel and no decision has been made as to whether they will build the tunnel on both sides or from one side to the other. The original plan was to start the tunnel on each side and that is now being reviewed as to whether there will be any change. There has been no decision made yet.

MR. ROBERTS: A supplementary question, Mr. Speaker. Could the minister - well I have to put it as a question although it is really almost a statement - but could the minister tell us whether a decision is expected to be made by the end of this month, which is Wednesday of next week? That is the impression that has become widespread throughout particularly the Labrador side of the constituency and people are very concerned about it.

MR. CROSBIE: I cannot say when a decision will be made but when any decision is made, if there is to be any change we will certainly advise the hon. members of the House. But what is the significance of the end of next week?

MR. ROBERTS: Well, Mr. Speaker, a further supplementary. The significance is simply that people on the Labrador side understand that that is the date that has been given as the date of the decision. That is hardly a question. Let me put the question. Does the minister expect a decision to be made imminently?

MR. SPEAKER (Dr. Collins): The hon. Minister of Mines and Energy.

MR. CROSBIE: No, Mr. Speaker.

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

MR. NEARY: Mr. Speaker, I would like to put a question to the Minister of Public Works and Services, Sir. Would the Minister of Public Works and Services tell the House under what authority he has sent his troops in to protect the North Side of the United States Base in Argentina?

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER (Dr. Collins): The hon. Minister of Forestry and Agriculture.

MR. ROUSSEAU: Mr. Speaker, we have done it with the authority of the Lieutenant-Governor in Council. This government feels very strongly that the fact that the vandalism is occurring down on the North Side of the Argentina Naval Station is one that may or we hope will not be in the worst interests of this Province. We hope of course that the Americans decide to stay on the base and fully reactivate it. In the event they do not and the base is turned over, the money of the taxpayers of this Province will have to go into refurbishing that base. The federal government have not taken any steps whatsoever to protect the buildings that are down there. There has been quite a bit of vandalism and the member brought it to our attention and my two colleagues, the Minister of Industrial and Rural Development and the Minister of Fisheries accompanied the MHA down. It was discussed by government, and it was this Province's decision that we would send people down there to safeguard the buildings that are down there and to ensure that if they ever should be passed over to the Province that we will have some control over the amount of vandalism that will occur in the future and hopefully be able to keep the buildings in as good a shape as they are now.

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

MR. NEARY: Mr. Speaker, a supplementary question. Would the minister indicate if the troops were sent in there after prior consultation

MR. NEARY:

with the United States commander of the base or any of the United States authorities in this Province?

MR. SPEAKER (Dr. Collins): The hon. Minister of Forestry and Agriculture.

MR. ROUSSEAU: Consultation was held, Mr. Speaker, with a number of officials down there. There was to be a meeting with the commander and the commander -

PREMIER MOORES: They do not own it?

MR. ROUSSEAU: Pardon?

PREMIER MOORES: They do not own that stuff.

MR. NEARY: Who owns it? The Americans still have control of it.

PREMIER MOORES: No, it has been passed along to the federal authorities and they could not figure out what to do with the burden, so they passed it over to us.

MR. ROUSSEAU: But the matter is under discussion.

MR. NEARY: They own the buildings.

MR. ROUSSEAU: We are holding a meeting with them and we are sure there is something of an acceptable nature and satisfactory that will be carried out.

MR. NEARY: Mr. Speaker, a supplementary. Would the minister indicate if the security people who will be down there protecting these buildings - personally I think it is a bit late - but will they be wearing side arms?

AN HON. MEMBER: No.

MR. NEARY: No. Are you sure?

MR. ROUSSEAU: Mr. Speaker, in the opinion on this side of the House we do not think the good people of the area need to have people down there with side arms. It is just a matter of controlling who goes in and out of the building. That is all.

MR. NEARY: Mr. Speaker, a question for the hon. the Premier.



MR. SPEAKER (DR. COLLINS): Order, please! I recognize the hon. member for Eagle River who was up -

MR. STRACHAN: I was on my feet.

MR. NEARY: I recognize members when they are on their feet, Mr. Speaker, not when they are in their seats.

MR. STRACHAN: I was on my feet.

MR. SPEAKER (DR. COLLINS): Order, please! I might point out to the House that the hon. member for Eagle River was on his feet, and I was about to -

MR. NEARY: He was in his seat, Sir, when you recognized him.

MR. SPEAKER (DR. COLLINS): Order, please! The hon. member for Eagle River.

MR. ROBERTS: To a point of order, Sir. Is the hon. gentleman suggesting that Your Honour did something improper in recognizing my colleague from Eagle River? That seems to be a clear implication of what -

MR. NEARY: Sit down! Sit down!

SOME HON. MEMBERS: Oh, oh!

MR. ROBERTS: That seems to be the clear implication of what he is saying. Your Honour clearly recognized the gentleman from Eagle River. That means Your Honour considers it to be in order to recognize the gentleman from Eagle River.

MR. NEARY: Sit down, Mr. Happiness!

MR. ROBERTS: Mr. Speaker, I have risen on a point of order, if the gentleman from LaPoile (Mr. Neary) wishes to speak on it he obviously has the same right as any member, but he surely has no right to question Your Honour's decision other than the normal process, which is an appeal.

MR. NEARY: To that point of order, Sir. I have no objection, Your Honour, to the member for Eagle River or any other member rising during the Oral Question Period, Sir, to ask questions of ministers of the government. But, Sir, my interpretation of the rules of this House is that a member is recognized when he is standing and not when he is sitting, Sir, next thing they will be lying down and asking

Mr. Neary:

for recognition.

MR. STRACHAN: On a point of order, Mr. Speaker.

MR. SPEAKER (DR. COLLINS): Order, please! On the same point of order?

MR. STRACHAN: Yes.

MR. SPEAKER (DR. COLLINS): The hon. member for Eagle River wishes to make a few remarks on the point of order.

MR. STRACHAN: Mr. Speaker, when you recognized me I was on my feet. The only time I sat down was when the Speaker started to speak, which I think is in the rules.

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER (DR. COLLINS): Order, please! It is in our Standing Rules that an hon. member wishing to speak rises in his place, is recognized by the Chair, and he then proceeds with his remarks. In this particular case I did recognize but one hon. member and that was the member for Eagle River.

The hon. member for Eagle River.

MR. STRACHAN: I thank you very much, Mr. Speaker.

If I may be light-hearted for one moment, Mr. Speaker, I had intended bringing in a large delicious caribou steak for the Minister of Tourism, but, however, when I looked at the new caribou regulations I found that I could not do it and this is the purpose of my question.

MR. ROBERTS: Legally you could not.

MR. STRACHAN: Could the minister tell us whether the reason we need an export permit or licence to ship caribou meat out of Northern Labrador is a method of conservation of the caribou herds, or it is based on Labrador being overseas and therefore requiring export licences?

MR. LUNDRIGAN: That is argumentative.

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

MR. HICKEY: Mr. Speaker, -

MR. LUNDRIGAN: It is out of order.

MR. HICKEY: Mr. Speaker, I could have solved the problem a moment ago by getting up and asking the member for Eagle River what he wanted because I am the only one he asks questions to. However, Your Honour,

Mr. Hickey:

I suggest that in the light of the line of questioning by the member for Eagle River either he and I should have a meeting or maybe he should put his questions on the Order Paper in future.

SOME HON. MEMBERS: Hear, hear!

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

MR. NEARY: Mr. Speaker, a question for the Minister of Mines and Energy. Would the minister tell the House if a study or a survey has been done recently, within the last year or so, on the headwaters of rivers that originate in Newfoundland, the headwaters in Newfoundland, and the rivers flowing into the Province of Quebec? If such a study has been done, has been completed, would the minister tell the House what the purpose of such a study was?

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

MR. CROSBIE: Mr. Speaker, there is no special studies done that I know of on the rivers running into the Gulf of St. Lawrence that originate up in Labrador.

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

MR. ROBERTS: A question for the Premier, Mr. Speaker. Could the Premier tell us whether any of the minister will be going to China on the Extension Servicetrip which is to leave, I believe, early in June?

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

PREMIER MOORES: Mr. Speaker, I think hon. ministers are back from China, and the Speaker as well, who is not feeling too well. I do not think there is any plan for any further ones to go, unless the Norma and Gladys pulls in there.

MR. ROBERTS: Can the Premier check because -

PREMIER MOORES: Yes. I will.

SOME HON. MEMBERS: Oh, oh!

PREMIER MOORES: I will.

MR. ROBERTS: So the newspaper tells me.

PREMIER MOORES: I will check it, sure.

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

MR. NEARY: Can we end this little private conversation between the Leader of the Opposition - can the Leader of the Opposition restrain himself for a moment?

MR. LUNDRIGAN: The hon. member should be in permanent restraint.

MR. NEARY: Mr. Speaker, I would like to find out from the Premier if there is anything new to report on the Come By Chance Task Force yet?

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

PREMIER MOORES: Not regarding the Task Force to my knowledge, Mr. Speaker. I have not been in touch with the Federal Manpower and our Manpower people and the others who compose that Task Force. The committee of the union and the representatives of the town in the area I met with last Friday and I will be meeting with them again tomorrow, and when something evolves I will be passing it on to them and hopefully to the House.

MR. SPEAKER (DR. COLLINS): A supplementary?

MR. ROBERTS: No, I had another question.

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

MR. ROBERTS: It is for the Minister of Tourism. I hope it finds him in a better frame of mind that did my colleague from Eagle River. Would the minister, Mr. Speaker, agree to make public all details of all the contracts, any and all the contracts, entered into between his department on the one hand and the Cabot Group 4 Limited firm on the other, including details as to whether the contract in each case were given to the lowest tender and including details as to whether the contracts were awarded on the original call for tenders or on a second call for tenders?

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

MR. HICKEY: Mr. Speaker, I will be glad to take that matter under advisement.

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

MR. NEARY: Mr. Speaker, I have a question for the Minister of Transportation and Communications, Sir. In view of the answer that was given the House yesterday by the Minister of Finance concerning Affiliated Marine Metals Limited restoring the wrecked cars in at the

former steel plant, would the minister indicate to the House if it is now not time to have an immediate accounting of the dollar that is charged on every licence in this Province that is paid over to this firm? As a result of the answer to the question where they appear to be in trouble, this company appears to be in trouble and cannot move the cars, does the minister not think it is now time to have an immediate accounting of this money that is turned over to this company?

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

MR. MORGAN: Mr. Speaker, the responsibility and the jurisdiction of the collection of old vehicles around the Province is not within my responsibility or jurisdiction. It is within the

MR. MORGAN: responsibility of my colleague, the Minister of Provincial Affairs and Environment.

MR. NEARY: Mr. Speaker, would the Minister of Provincial Affairs and Environment give us the answer? I understood it was under the Minister of Transportation's estimates. Could the minister enlighten us on that matter?

MR. SPEAKER (DR. COLLINS): The hon. the Minister of Provincial Affairs and the Environment.

MR. MURPHY: That is a nice question for the Order Paper, Mr. Speaker.

MR. NEARY: Mr. Speaker, I am dissatisfied with the answer and wish to debate the matter during the late show this afternoon.

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

CAPT. WINSOR: Mr. Speaker, I would like to direct a question to the hon. Minister of Transportation and Communications. Can the minister tell the House when and if there will be any contract called for what is known as the Loop Road this Spring?

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

MR. MORGAN: Mr. Speaker, any contract work for this year will not be made known until after the Budget is brought before the House of Assembly.

CAPT. WINSOR: Supplementary, Mr. Speaker; would the hon. minister confirm or deny that he had confirmed to the newly elected President of the PC Association, Fogo District, that contracts would be called? Would he confirm or deny this?

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

MR. MORGAN: Mr. Speaker, I am in continuous consultation with my colleagues the presidents of different associations of my own party around the Province. My only assurance given any person, whether it be a Progressive Conservative or any other person, was that we are making continuous efforts to the federal level of government that the work on the Bonavista Loop Road this year will continue.

CAPT. WINSOR: A supplementary, Mr. Speaker.

MR. SPEAKER (DR. COLLINS): A supplementary.

CAPT. WINSOR: Would the hon. minister then confirm that such a statement was made to the present PC -

MR. MORGAN: What statement?

CAPT. WINSOR: That the contracts, or the Loop Road will be constructed on similar arrangements as last year?

MR. LUNDRIGAN: Mr. Speaker -

MR. MORGAN: Just one second 'John'.

MR. SPEAKER (DR. COLLINS): A point of order.

MR. LUNDRIGAN: I have not got the specific Standing Order in front of me. My colleague who is an expert on the rules, the Leader of the Opposition, will confirm that it is totally out of order to raise a question of a minister asking to confirm or deny or to respond to that type of question. If that were the case it is almost in the form of an allegation, if I can sort of put it in my own language, but the rules do not permit that type of question to be asked.

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

MR. ROBERTS: To that point of order, Mr. Speaker, the rules are, for the benefit of the gentleman from Grand Falls who has had lots of experience in question periods in another place, the rules are set forth in Beauséjour. I think the -

MR. LUNDRIGAN: Yes.

MR. ROBERTS: - citations are page 191 from memory but any copy of Beauséjour would have them. The question, I would submit, is quite in order, Sir. All that the gentleman from Fogo, my friend, is doing is asking the minister whether he has made certain statements. The fact remains that the minister has made out the gentleman who is the spokesman for the Tories in Fogo district to be a complete and utter - I cannot use the word, but to have misstated the position completely because the gentleman made statements which the minister has now contradicted. And that is quite in order, Sir, in my view.

MR. MORGAN: Mr. Speaker, to that point of order -

MR. SMALLWOOD: Mr. Speaker, to that point of order -

MR. SPEAKER (DR. COLLINS): Point of order, the hon. member for Twillingate (Mr. Smallwood) on the same point of order.

MR. SMALLWOOD: On this same point of order, am I not correct, Mr. Speaker in thinking that the only question that may be asked of the minister about something that he had said outside the House is whether or not what he said represented the government's view, a decision or opinion of the government, but otherwise it is his own personal opinion and is not to be questioned in this House?



MR. SPEAKER (Dr. Collins): The hon. House Leader.

MR. WELLS: Mr. Speaker, questions are asked on matters of the day which are of public concern and importance. What the minister may have said or may not have said to a private individual outside the House is not a matter of public concern or importance. What is the matter of road work, which will be dealt with after the budget is brought down.

MR. CROSBIE: Hear, hear!

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

CAPT. WINSOR: Mr. Speaker, on a point of order. I was trying to establish, Mr. Speaker, if the gentleman accused of making that statement and saying that he had been in contact with the Minister of Transportation - and the minister confirmed it - yet he is telling this gentleman outside the House things that he cannot tell us inside the House.

MR MORGAN: Mr. Speaker, to that point of order. I am willing to answer the hon. gentleman's question. The President of the P.C. Association met with my officials and myself a few days ago making representation on behalf of the people in the area, requesting that funds be made available this year for some road work in that area, and I was very pleased to inform him that we are making every effort to obtain funds from the federal department of Regional and Economic Expansion to carry on work in that area this year.

SOME HON. MEMBERS: Hear, hear!

MR. SMALLWOOD: And in so doing the minister spoke for the government.

MR. MORGAN: Right!

MR. SPEAKER (Dr. Collins): Order, please! I think the House can understand, therefore that the point of order raised has been disposed of.

The hon. member for Lewisporte.

MR. WHITE: Mr. Speaker, I have a question for the Minister of Intergovernmental Affairs. Would the minister indicate to the House whether or not DREE funds are available from Ottawa with respect to Lake Melville and why the delay is being caused at the moment?

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

MR. CROSBIE: Mr. Speaker, any observer of the federal scene will know that DREE funds are available for anything under the sun. Whenever you ask DREE are funds available for X, Y or Z, DREE will never tell you that funds are not available for X, Y or Z. So, I therefore assume that DREE funds are available for the Lake Melville area if we can get DREE to agree to a subsidiary agreement under the general development agreement, and we agree with them on certain things to be done there, and DREE agrees to all of that then funds are available. Now DREE has indicated - the Minister of DREE has indicated that they are willing to expend some funds in the Lake Melville - Goose Bay area this year if an agreement is entered into. However, he did not make it clear at the same time that he was not prepared to make funds available from DREE for other matters, that the DREE fund this year - the spending will not be in excess of the spending last year. So any DREE funds spent in the Lake Melville - Goose Bay area will obviously be to the detriment of other rational and reasonable DREE expenditures in other parts of the Province. So it is true to say that DREE has indicated that they are willing to enter into a sub-agreement, a subsidiary agreement on the Goose Bay area, but it is going to cost other very necessary projects in the Province a diminution of funds. Now at the same time we are quite willing to enter into a subsidiary agreement with DREE when we have agreed with them on the things to be done so that there will be expenditures in the development nature in the Goose Bay area.

At the same time we have had a long and protracted series of negotiations with federal agencies about the takeover of assets down in Goose Bay and Happy Valley where they want the Newfoundland Government - and we have agreed to take over their sewerage facilities, water and sewerage facilities and their electricity facilities and other public services there where we have agreed to take them over, but we have not agreed to assume the horrendous amounts of money it will take to bring those services up to par and to put in proper water and

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sewerage facilities and the like. And the Government of Canada is displaying an extremely niggardly and unsatisfactory attitude to those responsibilities in the Goose Bay, Labrador area. So when the federal member for the district, Mr. Rompkey, says that DREE monies are available for things in Goose Bay - Lake Melville, that is true. They are going to be available, but they will cost us less DREE spending elsewhere in the Province of Newfoundland this year. But he should address himself to getting a breakthrough with the federal government on their making a decent contribution to upgrade the public services in the Goose Bay - Lake Melville area before they force the Province to take them over and operate them and spend tens of millions of dollars bringing them up to par in capital expenditure. So it is not as simple as these simplistic statements of the federal member, Mr. Rompkey, would make one believe.

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER: The hon. member for Twillingate.

MR. J. SMALLWOOD: Mr. Speaker, I do not know if this is a supplementary question to the hon. the Minister of Mines and Energy. I have missed my chance to ask a supplementary because someone else was recognized. I would like to ask him if he has any information as to how many rivers of importance, importance from the standpoint of producing electricity, there are originating in Labrador but ending in Quebec and emptying into the North Shore of the Gulf of St. Lawrence, how many there are, and a ball park estimate of how much power can come from them? Has the minister got that general - I do not ask for specific, actual figures because I doubt that he has them, but has he got ball park figures? How many rivers and how much power?

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

MR. CROSBIE: Well I believe, Mr. Speaker, that there are five rivers involved. This will have to be checked for exact accuracy. It could be that if they were all developed there would be around 3,000 megawatts power in Quebec.

MR. SMALLWOOD: That is about four million horsepower.

MR. CROSBIE: No, three million megawatts would be - I do not know what that is in horsepower.

MR. SMALLWOOD: Three million megawatts?

MR. CROSBIE: Sorry, 3,000 megawatts, three million kilowatts.

MR. SMALLWOOD: 3,000 -

MR. CROSBIE: 3,000 megawatts of power.

MR. SMALLWOOD: - megawatts would be about five million horsepower.

MR. CROSBIE: I am not sure how much - I do not know how much in the way of horsepower it is.

MR. SMALLWOOD: Between four million and five million.

MR. CROSBIE: It would be about -

AN HON. MEMBER: 5,200 megawatts.

MR. CROSBIE: It would be just over half of what was developed on the Upper Churchill.

MR. SMALLWOOD: Yes.

MR. CROSBIE: But these are rivers that can only be developed in Quebec.

MR. SMALLWOOD: Joint -

MR. CROSBIE: The head waters are in Labrador.

MR. SPEAKER: A supplementary. The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, a supplementary. Is that one of the matters that was discussed with the Province of Quebec recently when the minister and the Premier visited Mr. Bourassa and Quebec-Hydro?

MR. CROSBIE: Mr. Speaker, I think the Premier has already said that -

MR. NEARY: No, he did not say.

MR. CROSBIE: - there was discussed the whole gamut of matters involving hydro and energy matters were discussed between the Premier, Mr. Bourassa and myself and Mr. Bourassa's minister. I think that the Premier has said that it is to no one's benefit to go into any more detail at this time. All the details will be made known once there is any conclusion reached.

MR. SPEAKER: The hon. member for Twillingate.

MR. SMALLWOOD: Could the minister give the translation of those megawatts into horsepower? Most of us, Sir, are far more familiar with estimating and appraising the amount of power by horse rather than by mega.

PREMIER MOORES: How many horsepower in the Upper Churchill -

MR. SMALLWOOD: Upper Churchill is about seven million horsepower.

MR. CROSBIE: 5,300 megawatts.

PREMIER MOORES: 4.5 million horsepower on the North Shore then.

MR. SMALLWOOD: 4.5 million horsepower, horsepower. My recollection was that it was around four million. While I am on my feet, would the minister or would the Premier say whether they have reports in this building submitted to the government, the former administration by BRINCO and others who made at most, I suppose, cursory or preliminary surveys of those rivers, would those reports not be here in this building?

MR. CROSBIE: At Hydro, I imagine.

MR. SMALLWOOD: While I am at it, not only those rivers but other rivers originating and ending in Labrador and not crossing the border at all but emptying into the Atlantic Ocean?

MR. SPEAKER: The hon. the Premier.

PREMIER MOORES: Mr. Speaker, we will check and see exactly what there is available in that particular regard from the previous administration. I think it might be pointed out as well that there are a great many other rivers originating in Labrador and headwaters that flow into Quebec rivers as well. That is the George River flowing into Ungava. There is a fair amount of water that flows westward from Labrador into that particular river. So there is a whole gamut of areas of possible concern.

MR. SMALLWOOD: Must be 15 million horsepower altogether.

PREMIER MOORES: Could be. I have no idea of the exact figures but there is a lot of power.

MR. SPEAKER: The hon. the member for Windsor-Buchans, who has been attempting to get a question in for some time.

MR. LUNDRIGAN: Is it for the Minister of Highways?

MR. FLIGHT: What was my hon. friend from Grand Falls saying?

MR. LUNDRIGAN: For Highways?

MR. FLIGHT: No, that is the second time you are wrong.

MR. LUNDRIGAN: We will see.

MR. SPEAKER: Order, please!

MR. FLIGHT: Mr. Speaker, a question for the Minister of Manpower and Industrial Relations. Would the minister advise the House as to whether or not his department has recently hired, or in the process of hiring, boiler inspectors or elevator inspectors on the mainland for the purpose of working in Newfoundland?

MR. SPEAKER (Dr. Collins): The hon. Minister of Manpower and Industrial Relations.

MR. MAYNARD: I have no idea, Mr. Speaker. I know that we have some openings for boiler inspectors and elevator inspectors. It was advertised through the Public Service Commission in the normal manner. The applications were received. The selection committee was set up by the Public Service Commission and they recommended as to whom should be appointed. But I do not know whether they are from the Mainland or from some other location.

MR. SPEAKER (Dr. Collins): The hon. member for Windsor-Buchans.

MR. FLIGHT: A supplementary. Would the minister endeavour to find out and advise the House and at the same time advise whether or not the government is going to pay the relocation expenses of these people from their residences now to the Province and whether or not the skills necessary were not indeed available in the Province?

MR. SPEAKER (Dr. Collins): The hon. Minister of Manpower and Industrial Relations.

MR. MAYNARD: Mr. Speaker, I assume that anyone in the Province who had the necessary skills and were interested in taking the job would have applied for it. We have found over the past three or four years especially that we have a great deal of difficulty in attracting people into the job of boiler inspectors or elevator inspectors. I will be quite frank, that I am not going to complain one way or the other if people come in from outside and take the jobs since Newfoundlanders have not been very anxious to do it in any case.

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

MR. HEARN: Mr. Speaker, I would like to ask the Minister of Transportation and Communications, Sir, if he would tell us about the meeting he had last night, I think it was, in Clarendville with the unions representing the CN employees and/or any officials of CN that are visiting the Province at the present time?

MR. SPEAKER (Dr. Collins): The hon. Minister of Transportation and Communications.

MR. MORGAN: Mr. Speaker, yesterday evening I met with a group of CN employees at Clarenville, but the employees were from the communities of Whitbourne and Brigus, Fort Blandford, Bishop Falls, and in fact a number of CN stations along the Eastern part of the Province. It was at their request that I met with them and with my colleague, the Minister of Social Services who is the MNA for the Clarenville area. We met with the employees, many of them union representatives. They expressed to us their concern over what they feel is a downgrading of the service, the railway freight service in the Province by CN. The facts they gave us, for example, are that in Port aux Basques there are 104 cars of freight, a backlog of 104 cars and despite the commitment given to me as Minister of Transportation and Communications, and given to the unions back in the latter part of January by the CN vice president for the Atlantic region, Mr. David Blair, despite the commitment given then, the firm commitment given that when the freight volumes would improve in the Province that the men laid off back in January, a total of forty-eight men, as soon as the freight brought in was improved that these men would be rehired, I was quite surprised to learn last evening that out of the total of forty-eight men laid off in January, the early part of January, 1976 that only five men had been rehired, yet the freight volume has improved substantially, mainly because of the fact that the strikes which were on at the time, the strikes in the pulp and paper industry has been resolved and that freight is back on the lines, and the freight volume has improved substantially, in fact, up to the point where it was even greater than what it was January 1, 1976.

There was a resolution passed at the meeting last night by the CN employees and the CN unions that what they consider to be a top level meeting be convened in the Province. They have asked me to convene that meeting whereby CN officials, top officials, not just provincial officials, but CN officials be invited to attend the meeting, representation from the Federal



MR. MORGAN:

Ministry of Transport be invited to attend, and all the CN unions across the Province. I have agreed to do that. I have agreed to attempt to convene that meeting as early as possible whereby the CN unions and myself and my officials can find out from CN exactly what their intentions are in this Province with regards to the rail freight operations.

MR. NEARY: How soon will the meetings be held?

MR. MORGAN: Today I am meeting with - this afternoon, after the question period - I am meeting with Mr. Latimer who is the senior executive vice president of CN nationally. He is in the Province today. I am meeting with him this afternoon, and I will be expressing the concern of the employees and indeed my concern as Minister of Transportation to the senior executive and ask that this meeting be convened as soon as possible in the Province.

MR. NEARY: Hear, hear!

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER (Dr. Collins):

The hon. Leader of the Opposition. This will be the last question of the Question Period.

MR. ROBERTS: Thank you, Mr. Speaker. My question is for either the Minister of Education or the Minister of Public Works, as I am not sure which of the two gentlemen will deal with it. What I want to know, Sir, is when construction of the new residence for vocational school students will start? Or alternately, just what progress has been made towards bringing that project to fruition, making it a reality?

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

MR. ROUSSEAU: I will take that as notice, Mr. Speaker.

ORDERS OF THE DAY:

MR. SPEAKER (Dr. Collins): Motion 8. The hon. Minister of Mines and Energy adjourned the debate.

MR. CROSBIE: Mr. Speaker, when I concluded the other day - I had adjourned the debate the other day?

MR. MURPHY: Right.

MR. CROSBIE: I was dealing with this agreement that was entered into by UOP, Ataka and the Shaheen Companies on October 28, I think, in Chicago, after the negotiations in London had been abortive because of the attitude being taken by Mr. Shaheen and their inability to reach an agreement, and this agreement then of October 28 that was entered into between these parties, well I suppose in Chicago, I was dealing with some of the main clauses of that agreement. I pointed out that the agreement provided for a voting trust agreement so that management and control of the companies would be in the hands of UOP and Ataka rather than the Shaheen group; that Ataka and UOP only obliged themselves to use their best efforts to continue the operations of Provincial Refining and that they had the right to terminate that support whenever they decided they could not continue it on a profitable basis, which was unsatisfactory. They agreed to cause Provincial Refinery to deliver a third mortgage, if that was agreed to. They agreed that Mr. Shaheen could continue as chairman of the

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board, that that would not given him any apparent authority. They agreed to pay Mr. Shaheen or one of his companies out of the assets of PRC a sum of \$10,000 a month as long as the agreement continued in effect, which would be \$120,000 a year, and that they also agreed that they had 120 days to decide whether or not they would go ahead under this agreement or not; that they had an option to buy Mr. Shaheen's shares for \$3 million to be paid \$250,000 a month under the agreement, and he had an option then to buy them back if that happened within two years thereafter. They agreed that ordinary creditors would have an option to participate in the third mortgage, and they included in Clause 8 a peculiar provision that the third mortgage would also secure the obligations of SNR Delaware Incorporated, one of the Shaheen companies, and the First National Bank of Chicago and Procon. Now this is an amount of some \$11 million which the Delaware Company had borrowed, which Mr. Shaheen's company have borrowed three or four years ago from the bank to invest in Provincial Refining as equity, and this was therefore an attempt to have this equity of \$10 million invested in Provincial Refining come under the third mortgage so that it became a secured obligation of Provincial Refining which did not owe the money in the first place. And then there were certain other provisions in the agreement - I will not go into them all. There are copies being tabled - and among those provisions was a release where Mr. Shaheen and all his companies agreed to give UOP and Procon and all the companies associated with UOP a release of any claims by Provincial Refining, Newfoundland Refining or any of Mr. Shaheen's companies against UOP or Procon and the rest of them.

These are the claims that Mr. Shaheen now says are worth \$189 million.

MR. SMALLWOOD: Mr. Speaker, I wonder if the minister would look at Clause 6 (d) of the Statutory Agreement and will he not find there that the \$10 million equity provided by PRC or to PRC rather, by NRC

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was in fact originally advanced to PRC against the \$10 million subordinated debenture specifically provided in the Statutory Agreement, Clause 6 (d) and that this has always been a debt obligation of PRC?

Mr. Crosbie:

Mr. Speaker, the hon. gentleman will have a chance to make his remarks later. I am making my remarks now.

Under those original agreements Mr. Shaheen's \$10 millions of equity he was permitted - or PRC issued subordinated debentures in connection with that equity. But those subordinated debentures were never to be paid back if the company had any failure whatsoever, it was not to be paid back until the first and second mortgages were completely repaid, and it was to be, in effect, equity. And that provision went in those agreements over my strong objections, I also recall. But the hon. gentleman claimed that it would make no difference. But it was equity and the subordinated debentures were only to be paid after the rest of the debt was paid. Under this agreement Shaheen Delaware owes some \$11 million to the First National Bank of Chicago. That is what it is - the debt owed by Delaware to the First National Bank of Chicago guaranteed by Procon to the First National Bank of Chicago for repayment. It has not a single thing to do with Provincial Refining. And there is an attempt here to make that \$11 million debt of Delaware to be assumed by Provincial Refining and come under the third mortgage, so it would come ahead of all the rest of the creditors.

And as I was saying, Mr. Speaker, there was a release then by Mr. Shaheen and all of his companies of any claims that they had against UOP and Procon, which claims they now say are worth \$189 million. This is what he was willing to do if that agreement had gone forward. And then there is attached to the agreement the release that would be assigned to UOP and Procon, and several letters.

Now, Mr. Speaker, negotiations then went on as to whether E.C.G.D. and the government would agree to give, to permit Ataka to get a third mortgage under the terms of this agreement. And on November 4, in England - and I will table this also - E.C.G.D. gave Ataka a letter referring to this memorandum of agreement, referring to undertakings given them by Ataka and saying, "We will agree to a third

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mortgage in refinery being granted to Ataka America -

MR. SMALLWOOD: Why?

MR. CROSBIE: - and other presently unsecured creditors provided that the form of the third mortgage is acceptable to us and make in accordance with the laws of Canada (That had to go in because the laws have to be observed here); that Ataka procured the cancellation of the debenture in favour of the First National Bank of Chicago. (You will recall that the First National had foreclosed under their debenture); that the security of the prior mortgages shall not in any way be affected, and the debt secured by the first and second mortgage shall not be rescheduled (In other words, the mortgages our prior mortgages were not to be disturbed); and fourth, we shall have received advice acceptable to us from our respective letters prior to the granting of a third mortgage -

MR. SMALLWOOD: Respective Lawyers,

MR. CROSBIE: - that the said memorandum of agreement is valid and binding on the parties thereto in accordance with its terms, and that the same does not in anyway prejudice, diminish, or otherwise affect our rights as prior mortgagees and the rights of third parties who are at present unsecured creditors. And on the fulfilment of those conditions there would be agreed also to the granting of a debenture to the Japanese bankers to replace the debenture to the First National Bank of Chicago.<sup>11</sup> So E.C.G.D. advised that they would agree to a third mortgage if those conditions were met, and if our lawyers and their lawyers could give that opinion that the memorandum was valid and binding on the parties, that it did not prejudice, diminish or otherwise affect our rights or the rights of other unsecured creditors.

And on November 8 the Newfoundland Government also agreed and endorsed the letter given by E.C.G.D. and said that we would agree to a third mortgage if UOP, Ataka, and the Shaheen companies could meet - if their memorandum met these tests. And as a result of that the Japanese permitted the Golar Betty to discharge oil at Come By Chance and the vessel discharged her cargo. They did pay off the First National Bank of Chicago, the Japanese then paid them off, and they

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got a debenture to replace the debenture on the inventory that the First National Bank of Chicago had.

Now could anything be more fair or reasonable than that, Mr. Speaker? These were certainly the minimum conditions that E.C.G.D. and we should have required before we granted a third mortgage to these companies. More fair and more reasonable you could not expect. Well, Mr. Speaker, after that then this had to be referred to our various lawyers. And it was referred by E.C.G.D. to their lawyers, and it was referred by us to our lawyers in New York.

MR. CROSBIE: They studied the situation and on November 25 they gave us their opinion. And our lawyers were Paul, Weiss, Riskind, Wharton and Garrison, a well-known law firm in New York, and they gave us exactly the same opinion that the lawyers of ECGD gave them, and that was that under no circumstances should we carry on on the basis of this memorandum of agreement. I have tabled a letter of their opinion dated November 25, 1975. What their opinion says is that, "Based upon our examination of relevant matters we are unable to advise you that the memorandum of agreement is valid and binding on the parties thereto in accordance with its terms but at the same time does not in any way prejudice, diminish or otherwise affect your rights as prior mortgagee and the rights of third parties who are at present unsecured creditors."

They go on to say that, "It is not a final agreement and that more definitive agreements between the parties are contemplated and required before the memorandum of agreement can be made effective. The courts will not enforce such agreements to enter into further agreements not yet made specific. In addition there are several provisions which are invalid or unenforceable including the following: the provision in the last sentence of paragraph 8 calling for a third mortgage from PRC to secure obligations which are not its obligations but are presently existing obligations of Delaware; the provisions in paragraph 6 for PRC to pay out of its funds \$10,000 per month to SNR Wilmington without receipt of any consideration therefor; (c) the provision in paragraph 8 for unsecured parties to acquire participation in the third mortgage after its registration and the provision in paragraph 14 for a release under a construction contract which has been mortgaged under the first and second mortgages." So for all of those reasons, and there were others, our lawyers advised that this memorandum of agreement could not be acted upon. And they so advised ECGD and they so advised the Government of Newfoundland who advised Ataka, UOP and Mr. Shaheen and his companies that we



MR. CROSBIE: could not proceed on that basis.

And we were perfectly right not to proceed on that basis. And if the Newfoundland Government had proceeded on that basis ECCO would not have proceeded on that basis so it would have been irrelevant. In other words, what they were attempting to do were to do things that favoured UOP, Ataka and Mr. Shaheen and his companies and were prejudicial to all the rest of the other creditors. And who could participate in that? So it had to be turned down and it was turned down.

Now on November 25 there was a meeting in New York of representatives of the various creditors with representatives of Mr. Shaheen, including Mr. Furmark, Mr. Brocaw, Mr. Bob Walsh and the like, to review the situation at the refinery. At that time Mr. Furmark said that Ataka and UOP were now at the offices of Refining and were participating in the operations - they had no money except what the Japanese advanced to them - and he reviewed the operations. They were operating at a low service factor because of the hydrogen plant. They had to store 900,000 barrels of vacuum gas. They were manufacturing a product down there that you could not sell because of the fact that they could not operate the hydrogen plant. They had 900,000 barrels of gas gone through not properly finished, that could not be finished properly that was on hand there and the cause of terrific losses. The problems were predominantly in the hydrogen plant they say not in the isomax. They had had failure of the product compressors and so on and so forth. They had only produced, I think, that week at the rate of 30,000 barrels a day.

They had two principal areas of trouble, the furnace which had to be rebuilt, the lining in the burner blocks and the scrubbing system. And so on and on it went. That they were going to run out of crude by the end of the year unless financing was arranged for more crude shipments.

They had a problem, Mr. Speaker, with wax precipitation in the fuel tanks. This was something new that I had not heard

MR. CROSBIE: of. They had a lot of wax in their fuel tanks down there. Hundreds of thousands of barrels of the oil had turned into wax because they did not have precipitators in the oil storage tanks. In other words, the normal course of affairs, particularly in a cold climate, is to have in the crude storage tanks precipitators to keep the oil moving around. But to save a few hundred thousand dollars

MR. CROSBIE: the management of the refining companies had not installed these precipitators and as a result they had- I have got the figure here later on- some hundreds of thousands of barrels of oil down there which was wax and which you cannot sell and the only way you can get it out of the tanks is to cut the tanks open and heat it up and get it out that way.

MR. SMALLWOOD: They have made improvement in the design by UOP.

MR. CROSBIE: They were not put in, Mr. Speaker. It was up to the owner whether or not he wants to have certain things put in and the owners choose not to -

MR. SMALLWOOD: He did not design it. The design was by UOP.

MR. CROSBIE: I do not care, Mr. Speaker, who designed it. I am explaining to the House what was one of the things we discovered on November 25th. Now whose fault it is, they can sue between themselves. The fact is that the owners had not seen that there were precipitators put in the fuel tanks and they hold themselves out to be experienced refinery operators. The fact is there were no precipitators in the crude oil tanks down there and hundreds of thousands of barrels of crude were tied up and turned into wax, and that crude oil is costing \$12 a barrel and you multiply that by 100,000 barrels and you have \$1,200,000 tied up, and by 500,000 barrels you have \$5 million or \$6 million tied up that you cannot get out of the inventory. That was one of the things that we learned at this meeting. Now whose exact fault it is I do not know, but if I am an owner and I know what the oil refinery business is I darn well would see there is precipitators in the crude oil tanks. I would not need an architect or designer to tell me.

MR. SMALLWOOD: The designers should say that. Jacobs Engineering should have drawn attention to it.

MR. CROSBIE: I do not care, Mr. Speaker, who should have drawn attention to what. The owners and managers of the oil refinery was Mr. Shaheen and his associates, Mr. Homer White and others -

MR. SMALLWOOD: They did not design it.

MR. CROSBIE: They are the owners and managers. They are responsible for its operation. Now what excuse they have got I do not care. I am not arguing about their ability. I am just saying that this was another deficiency down at the oil refinery.

There are seven or eight feet at the bottom of each tank which they could not pump out and they were then engaged in putting in the mixers. But it was a bit late to put in the mixers, two years after the thing had started. The cost of the mixers new was \$430,000. This material was included in the inventory although they could not use it. I mean it was included on their balance sheets and inventory although they could not use it, about 480,000 barrels of this wax material was there.

MR. ROBERTS: What was that?

MR. CROSBIE: What was which?

MR. ROBERTS: 480,000 barrels.

MR. CROSBIE: 480,000 barrels of -

MR. ROBERTS: 500,000 barrels -

MR. CROSBIE: That ties up at least \$6 million. That was one of the problems that they were having down there. They said that there may be a big job to come on the hydrogen plant. Well we have been hearing for months that they hydrogen plant was all fixed or was going to be fixed the next day. They had spent considerable monies themselves on the hydrogen plant and UOP had been down there but it still was defective. They needed two more crude storage tanks at Come By Chance. They said they were losing \$3 million a month, \$3 million a month on shipping since their ships were not properly utilized. The refinery was only averaging 50,000 barrels a day, instead of 100,000 barrels a day. They only needed four crude oil tankers, four VLCCs if they operated at 100,000 barrels a day. They had seven of them on charter, three more than they needed, presumably because they thought they were going to have a refinery in Nova Scotia or they were going to have another one in Newfoundland. They took a fantastic gamble by arranging for seven VLCCs on long-term charter parties

MR. CROSBIE: when they only needed four, And their gamble did not work and the tanker charter market is gone to hell in the last two years and tanker owners all around the world are in grave financial difficulty and they have them under charter for the next twelve, fifteen, twenty years. They are losing \$3 million a month on tankers alone. This is what we were told at this meeting.

They are negotiating with tanker owners to try to get some relief over the next year on this to postpone some of the payments, to defer the rates that they had to pay and they went into their marketing problems and others. They were having severe losses because they had to sell number six oil in the world market. The Isomax would eliminate 35,000 barrels a day of six oil and turn it into higher price products but it was not working, and on and on it went with the list of problems that they had down there and they went into what they owed, the mortgages and to other creditors. This was a meeting held down in New York, in -

MR. MURPHY: When was that one?

MR. CROSBIE: On November 25th.

MR. MURPHY: That was last -

MR. CROSBIE: At the same time, Mr. Speaker, and at that meeting we were given an internal balance sheet for the nine months up to September 30th., 1975. We received that down at that meeting, for Provincial Refining Company Limited, and that showed that PRC had lost during the one month of September, it had lost \$11,374,000 in one month, and that its losses since it had started operating - its losses then for the year and nine month were \$164 million,

MR. CROSBIE:

\$164,330,000. These were its losses. The only equity in it was \$10 million put in by Mr. Shaheen. Can anyone doubt that the company was insolvent? Losses of \$164 million, yet they are down arguing before the courts, or were, that they are not insolvent. So that is their own statement. This is an internal company statement, not prepared by someone else, that shows they had lost \$164 million and that they were then losing \$11 million to \$12 million a month. That is also tabled, Mr. Speaker. So the prognosis is certainly not good.

The Japanese were owed over, in excess of \$300 million, the same Japanese that Mr. Shaheen now says are not entitled to be paid anything. He now says they are not entitled to be paid at all until the refinery goes into complete and proper operation, that they are just supposed to keep advancing him money until the refinery defects are all cured and it operates properly - the most ridiculous and silly suggestion that I have ever heard anywhere and which the courts will bounce out as soon as that matter goes to trial!

MR. MURPHY: How could they be owed that high an amount?

MR. CROSBIE: He now claims that the Japanese are in some kind of partnership or joint venture with him. If that was the case why was this agreement of October 28 ever signed? It is too foolish to talk about. Well that was the meeting there then on November 25, Mr. Speaker, and the situation was pretty grave.

So, what happened after that?

MR. SMALLWOOD: I thought that agreement was signed?

MR. CROSBIE: Pardon?

MR. SMALLWOOD: I thought the October 28 agreement was signed.

MR. CROSBIE: It was signed but never -

MR. SMALLWOOD: By the Japanese, by Ataka, by Shaheen, by everyone but the Newfoundland Government and the British Government.

MR. CROSBIE: It never became effective, Mr. Speaker.

MR. SMALLWOOD: No, because they would not accept it.

MR. CROSBIE: I am not -

MR. SMALLWOOD: But those parties did sign.

MR. CROSBIE: That is completely correct and I just said that a half hour ago, or fifteen minutes ago.

MR. SMALLWOOD: No, the hon. gentleman just said it was never signed.

MR. CROSBIE: Those parties signed the agreement but if they were partners together, and if Ataka was supposed to supply them with hundreds upon hundreds of millions and to keep supplying them with credit and money until the refinery operated properly, why would then, Mr. Shaheen, have to have them sign this October 28 agreement where he surrendered management and control? I am simply pointing out the inconsistency of this ridiculous argument that has been put up by them since. That is all I mentioned that for. Well that agreement was signed between those parties on October 28.

Now, Mr. Speaker, at the same time all this was going on our own Newfoundland and Labrador Hydro was owed some \$500,000 by the operation during the 1975 year. There was some metering defect which was not discovered until during the Summer, and when it was discovered the amount was figures out was some \$500,000. And they had a perfect right to turn off the switch to the refinery if they were not paid under their agreement, and they have the right under the agreement to be paid and even if it is disputed you have got to go to arbitration. But they were never paid and they did not take any such action as that because of course we could not have them take any action such as that. It is just another mark along the way of what we are attempting to do to assist the refinery to some solution of this horrendous problem caused not by us and caused not by the Japanese.

MR. J. CARTER: Would the minister permit a question?

MR. CROSBIE: Yes.

MR. J. CARTER: At what rate did the companies get power from the Newfoundland Government for, from its subsidiary?

MR. CPOSBIE: The rate that they paid was originally supposed to be 2.5 mills per kilowatt-hour. That was the arrangement in the original agreements but it was changed later to the - in 1970, I think it was or if not after that - to the ordinary commercial rates or whatever is in effect for that size industry. So they were probably paying eight or ten mills. I am not sure what the rate was.

Now, Mr. Speaker, you had a very difficult situation here because, you know, the creditors that were working together all had certain interests which could be a conflict with the rest of the creditors and the mortgagees. For example, UOP's participation because they were involved in various guarantees and owed monies by the refinery. As we can see in that October 18 agreement they tried to take advantage of their position to get a release from PRC and NRC and all these companies of any claims against them in the future. Well any such release was prejudicial to every other creditor. If PPC or NRC have a good claim against UOP and Procon for \$1 million or \$10 million or \$189 million - I am sure it is not \$189 million, or anything approaching that - but if they have a good claim that is money that goes to PRC and then becomes available to all the other creditors.

But Mr. Shaheen and UOP and Ataka were willing to agree to all that being released, all that possibility being released if Ataka got a third mortgage. So the situation was fraught with peril for the ordinary creditors and the mortgagees and our position from the start was that we were not going to agree to anything that prejudiced the other creditors or the mortgagees. I cannot see how anyone can blame us for that.

Well, Mr. Speaker, what happened after we advised of our legal opinions was that further meetings commenced to see what could be done. There were further meetings over in England between the Japanese and ECCD and ourselves and the



MR. CROSBIE:

Shaheen representatives and Kleinwort-Benson - held in St. John's actually, and then held over in London, England to see was there any way around this. The Japanese were still trying to find some way around it. They are owed this huge sum of money, could they get a third mortgage? Could they carry on themselves? Could they meet some of these objections? They were still exploring this. Could they get some agreement with Mr. Shaheen because they could do nothing without Mr. Shaheen's agreement. Mr. Shaheen was still looking out for his own interests and wanting a considerable price. So various meetings continued to go on after November 25 in London and in other places. As a matter of fact, to assist them we said we would attempt to buy Bunker C from the oil refinery during 1976. This was one of the things that we would do, if the refinery survived we would have to pass legislation in this House to change certain other legislation. We agreed that the Hydro Authority would buy Bunker C from them. We actually gave them, we gave them an order for Bunker C from Labrador Linerboard, because they were a local refinery here in the Province. There were tenders called, but we agreed to split it between the refinery at Come By Chance and Golden Eagle because there are two local refineries operating in the Province, as long as they matched the lowest price there was something else to help them. These are all things that we did to try to help them only to be accused a few weeks later of sabotaging them and stabbing them in the back and downing them and the rest of this nonsense and tripe that we heard on February 13 once the bankruptcy action was commenced.

Well I am not sorry that Mr. Shaheen tried those tactics because it gives me every reason in this world to just let it all out, put all the facts before the House and hide back nothing. So at that same meeting of November 25, if I might get back to that, there was another interesting document filed that showed the company's setup. There was a document given to us that showed a draft consolidated balance sheet for S.N.R. Holdings Incorporated and its subsidiaries. Now S.N.R. Holdings

MR. CROSBIE:

Incorporated has three or four subsidiaries including P.R.C. and N.R.C. in this complete corporate structure of Mr. Shaheen. There is Mr. Shaheen and he owns 100 per cent of Shaheen Natural Resources Company Incorporated, and it owns 100 per cent of S.N.R. Delaware. Then Delaware owns 74.9 per cent of S.N.R. Holdings, and S.N.R. Holdings owns 100 per cent of Newfoundland Refining and Newfoundland Refining owns 100 per cent of Provincial Building, Provincial Holding and Provincial Holding owns 100 per cent of Provincial Refining. It is like a jigsaw puzzle.

Now the consolidated balance sheet prepared for the year ending 1974 of S.N.R. Holdings and all these subsidiaries, which should never have been issued but which were issued to the meeting, showed that the position of S.N.R. Holdings and all of those companies and all of those companies at the end of 1974 was pretty grave, although we were never told that at the time. It showed huge losses, that this company, with all its consolidated balance sheets, had a net loss of \$74 million in 1974 and substantial losses continuing into 1975. It showed that its crude oil and refined products were carried at net realizable value which was nearly \$9 million less than their cost, and that the company had a continuing obligation to purchase crude oil at a cost which when combined with processing cost was in excess of net realizable value based on present selling prices.

In other words, there is no way these companies could operate and do anything but lose money, because when you took the crude oil and processed it it had to be sold at less than it cost them to purchase the crude oil. They had a continuing obligation to purchase the crude oil and to continue purchasing it or they are open to huge suits. It showed fees that they had charged, that S.N.R. had charged this company in connection with - \$1.5 million they charged the company for services relating to the financing of the refinery in 1970. It

MR. CROSEIE:

showed fees of \$11,401,000 paid by PRC to NRC and up through it to this company in 1974. It explained the long-term debt of the company. It showed that the Japanese had loaned them \$42 million in 1974. It said the company is in default - this is now the statements for the end of 1974 - is in default under an agreement relating to the establishment of letters of credit required for crude oil purchases. The agreement is with the holder of the notes due in 1985, and a result of a default may also be deemed to be in default of the agreement relating to these notes.

In other words, they were admitting in their own statements that they were in default to Ataka at the end of 1974 in establishing letters of credit. It showed, Mr. Speaker, huge liabilities and commitments in connection with tankers. The company has commitments, principally tanker charters, for the following approximate amounts: 1975, \$57 million; 1976, \$60 million; 1977, \$50 million; 1978, \$49 million; 1979, \$49 million; 1980 through 1984, \$200,500,000; and 1985 through 1989, \$43 million. Tanker charter hires of approximately \$60,952,000 were charged to income in 1974. Certain of the tanker charters are subject to escalation for increased operating costs.

Then it goes on in the next paragraph to say they have violated provisions under another of the letter of credit agreements and in connection with a stand by letter of credit they had entered into with Ataka. Now, of course, they say that Ataka is supposed to supply them with money until the whole thing becomes stabilized and operates properly. Well, Mr. Speaker, these meetings were held in London and ECGD - by this time of course the Japanese, their bank seemed to be coming more to the fore - but at these meetings in London ECGD took a very clear position, that they were absolutely fed up with what was going on and they were going along no further with any of these suggested rescue operations.

The result of those discussions is embodied in a telex. I was there trying to encourage ECGD not to take too hard a line,

MR. CROSBIE:

which Mr. Shaheen well knows but which he apparently misinformed his agent here in the Province about, and which I do not forget and am not going to forget. I never forget a trimmer. Now, Mr. Speaker, I have tabled here a telex dated December 5, 1976 which shows the conditions ECCD now wanted observed before they would agree to a third mortgage. It is tabled here. You have a file of all the documents. That is a long telex sent by Mr. Birch of ECCD to Ataka with copies to the rest of the involved parties. "Thank you for your letter of December 4 concerning proposals from your head office in Japan relating to the continued operation of the refinery. I am pleased to inform you that Kleinwort-Benson and ourselves would be prepared to consider giving our consent for the granting of a third mortgage to presently unsecured creditors of PPC and NPC. In this connection I must repeat that in our view such consent would only be given if the proposals put to us provide a reasonable assurance of the continued operation of the refinery on a long-term basis with the object of establishing its eventual viability. That is our position." That was our position too. There is no point giving a third mortgage if it closed the next day.

Then they give a whole series of conditions. "One, a new consortium shall be formed to operate and manage the refinery comprising yourselves, certain Japanese banks and the company expert and the oil trade. Two, the Japanese consortium shall acquire full and effective control over PPC and its associated companies included in the refinery's operations up to and including SNR Delaware such control to be retained until all the creditors secured by the existing mortgages and the proposed third mortgage shall have been paid in full."

I will not read all the conditions. Any member who is interested can see the memorandum. "The memorandum agreement shall be valid and forceable in accordance of the laws of Delaware and in any event should not contain any provisions for (a), any payment to Mr. John Shaheen or any company in which he has an interest

MR. CROSSIE:

to be made out of the funds of PRC or its associated companies; Will not contain any provision for the inclusion in the third mortgage of debts other than those of PRC. (In other words, the SSB Delaware debt was not to be included.) The Japanese consortium shall undertake to use their best efforts to operate it on a long-term basis, provide adequate commercial, technical and financial resources, strengthen it in all areas, given the details of a new management structure and so on." It goes on, condition after condition.

"Condition thirteen; the Japanese bank shall jointly and severally guarantee to Kleinwort-Benson payment of the installments due on March 31, 1976 under the various loans.

Mr. Crosbie:

(They are even asking the Japanese banks for a gurantee, that they would guarantee payment of their mortgage.) The Japanese Consortium shall indemnify Kleinwort-Benson and E.C.G.D. against any claims made by other creditors," and on and on this goes. It shows the conditions that E.C.G.D. - only under all the serious of conditions would they consider a third mortgage. "I should stress that this letter is not to be construed as granting consent to the third mortgage but we are prepared to carry on further discussions." So that was the position of E.C.G.D. and a sensible one. Who could argue against it?

I came back to Newfoundland from London, Mr. Speaker, and after going over all this with the Cabinet, a telex was sent by the Newfoundland Government which is also filed here. On December 8 when we sent a telex to all the parties about the conditions under which we would accept a third mortgage, and they were must less stringent than those of E.C.G.D. I will not read them all, but the form of the third mortgage had to be acceptable; the security of the first and second mortgage is not effected; the present debenture held on inventory could be increased to \$30 million if they provided more credit; that within ninety days of the registration of the third mortgage they were to cause PRC to pay the debts owing all presently unsecured creditors with the exception of some four or five of the major creditors who might agree to participate with Ataka in the third mortgage. So that all ordinary creditors owed amounts under \$1 million would be paid off by Ataka or PRC or NRC within the said ninety day period, with the remaining major creditors having already agreed to come under the said third mortgage. That was the Newfoundland Government, We were insisting that all unsecured creditors owed a million or less should be paid off within the ninety days of the third mortgage, and any major creditors should agree to come under it, That Ataka should obtain full and effective control over the management, that they must have arranged for competent management of the oil refinery, and that they must commit- condition (7), that Ataka must commit itself to provide financial support, including

Mr. Crosbie:

finance in crude oil purchases so it will carry on at optimum capacity at least until the 31st. of May, and so on. That was our position, a position that was certainly less stringent than that of E.C.G.D. but certainly as far as we could go if we were to have any interest whatsoever in the unsecured creditors of the oil refinery or in the people of this Province who have provided \$41 million which is now owing to them under the second mortgage.

Now with all of these efforts, Mr. Speaker, it is a bit annoying and irritating to be attacked with unparalleled ferocity and falseness when the operation finally did succumb to its ills, that were caused by no one but the owners and managers and certain other world events in connection with that refinery. So those documents are filed also. So that was the position then on December 8. E.C.G.D. were taking a very strict position. I do not think it was too strict. They were not stricter because of the Newfoundland Government, because the Newfoundland Government was urging them not to be too strict, because we kept urging them - we had to do our best to try to keep the refinery operating. Because if they took the normal position of any mortgagee or any financial concern that had loaned money they would have had it shut long ago. They were only going along with all these abortive attempts to carry on because of the Newfoundland Government, and because of their regard for us, and because they wanted to assist us and see if it could keep operating.

On December 10 negotiations still went on about debentures, they had to get debentures on another cargo of oil. And I filed a telex on that from Mr. Birch on the 22nd, about this debenture - I will not go into those details now. I do not think that it is that important - and our telex back to him, where we were agreeing for them to get another debenture so that the ship known as the Eleftheropoulos could be discharged.

So they were still going around then, Mr. Speaker, seeing whether an arrangement could be made, although they had gotten nowhere in London at this meeting with E.C.G.D and ourselves.

MR. CROSBIE: As ECGD told them at that meeting, the future was in Ataka's hands and that of the Japanese banks, it was up to them to come up with some solution if they could, and they took the position that they must now have their debt guaranteed by the Japanese banks.

So apart from discussions and talks on the debentures, Mr. Speaker, the next thing that we - well we did have a telex from the Japanese suggesting some conditions under which they would make a new offer but it only included their best efforts to carry on, and that they would try and pay unsecured creditors who rendered services regularly to the refinery, and it did not meet any of the conditions and it was not satisfactory to any one. So that the next thing when we heard - naturally during this period there were various conversations going on and the Japanese continued talking to the Shaheen people down in New York to see if they could come up with something. But the next thing that we heard of any major consequence was on December 18th., when the Japanese informed us, and Morgan Stanley informed us, that they had retained Morgan Stanley to advise them, the Japanese had retained them to advise them, Ataka had retained them, the Sumitoma Bank, to advise them as to what to do in this situation. Well they certainly needed someone to advise them, because I have never seen anyone who was owned in excess of \$300 million unsecured take so long to do anything about it.

In any event they were going to acquire the expertise of Morgan Stanley to advise them as to what they should do in this situation. So Morgan Stanley went in to advise them and that was December 18th., and on December 18th. I was phoned by Mr. Tagaki, who had been the Managing Director of Ataka America Incorporated, and who had gone back to Japan but who had been involved in all these deals with Mr. Shaheen for some two or three years - Mr. Tagaki had been involved in all these meetings, he was going back to Japan from New York - he called to tell me that he could not get



MR. GOSBIE: anywhere with Mr. Shaheen, no sensible arrangement. Mr. Shaheen wanted \$10 million, he told me now, to co-operate and to give up his management and control. He told me that loans had been made by Newfoundland Refining, monies advanced from Newfoundland Refining up to other Shaheen companies that they could get no explanation of as to why the loans had been made, what they were made for or when they were going to be paid back. They could get no explanation of that. He was getting nowhere with Mr. Shaheen. He was going to Tokyo that night and consulting with his principals in the banks, and that is the last that we ever heard from Mr. Tagaki because he has not appeared back on the scene again. So Morgan Stanley had then come in and they were going to investigate the whole situation and for the next three or four weeks -

Now, Mr. Speaker, I would not have to bore the House with all this except for these ridiculous allegations that have been made. It is not boring is it?

SOME HON. MEMBERS: No, no.

MR. GOSBIE: Okay, good. Well then the next thing, there were various discussion then went on about they were running out of crude, I mean every two or three weeks they were running out of crude and there had to be another shipload of crude come. But a shipload of crude, Mr. Speaker, today is 2.5 million barrels of oil at \$12 a barrel, you have got \$23 million or \$25 million of oil every time a ship was coming. So their continuing discussions on getting debentures on these shiploads of oil so that Ataka could get some protection for the crude oil that they were still financing.

But apart from that we were simply waiting during this period to hear from Ataka and from Morgan Stanley as to what they could do, if anything, what they were going to propose because they were now studying it and if they thought anything could be done they were going to make a proposal.

Now during the negotiations for the third debenture, and I am referring to this because of a statement made that EGGD, we were told,

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MR. GROSBEK: would agree to Ataka going in under the first mortgage. During these negotiations it was suggested by Morgan Stanley that the cargo of oil on board the Ardaraig, which was the last tanker down at Come By Chance, that they suggested that the value of that cargo, that they should get a first lien on the refinery in return for discharging this cargo of oil, that they should come ahead

Mr. Crosbie.

of the first mortgage and the second mortgage and everyone else as security if they agreed to discharge the Ardtaraig, or whatever her name was, And ECGD telexed them back - we would not have agreed either. We did not agree. But that being our position all along we were not going to agree to anyone coming ahead of our security - but ECGD telexed them back - and a copy if filed here - "With reference to your telex dated January 23, we have noted the position put but regret that we are not prepared to agree that security in relation to sums advanced in respect of the Ardtaraig cargo should be secured by a first lien on the refinery. As already advised we are willing to agree to a third debenture maturing on May 1 on terms similar to the second debenture." They would not agree to them having a first, that they should get a first lien for this cargo of oil. So ECGD's position was very clear. At no time did they ever agree that Ataka or anyone should share their first mortgage with them or come ahead of the first mortgage, although that was stated by Mr. Shaheen in one of his later outbursts and by his agent. It is not true. And I called Mr. Cotterell myself, the head of ECGD who confirmed it was not true and The Evening Telegram called them because they wanted to check things out and Mr Cotterill confirmed to them that it was not true. So there you are. Who are we to believe, Mr. Shaheen or ECGD - I have no doubt about who I would believe - or Mr. Cotterill. So we were waiting then during this period and the only work going on was on the debentures.

It was eventually agreed, or the Japanese agreed eventually that they would only discharge 500,000 barrels from the Ardtaraig because they were only going to get a debenture on the inventory, and that is what they did discharge. So things were getting pretty close to a final decision at that time. This was around the end of January. They were running out of crude.

Mr. Crosbie.

On February 3 - now, Mr. Speaker, I must make it clear that I am only explaining what happened, and Mr. Roy Furmark who is an ingenuous and able man and the men we are talking about are ingenuous and able men also - but on February 3 Mr. Furmark, because I presume that he knew that Morgan Stanley and the Japanese were about ready to make their final position known, and because presumably they feared it was going to be very favourable, he put together a proposal dated February 3, 1976 which he sent to Ataka, and he sent copies to us, and I presume to other people, a proposal to continue operating the refinery. And this is what was suggested in this proposal. "The highlights of our operating plan are summarized as follows: Issue of fourth debenture for the balance of the Ardtaraig cargo and discharge immediately; operate medium crude runs and so on; open a new letter of credit for the next cargo; (do this, that and the other!) We have got to complete a capital building programme of high stacks and heat recovering unit, which will give us savings", - and then he goes on - "as will be seen from the enclosed schedule we have not shown any payments being made to the first and second mortgage holders on March 31, 1976." So he was now proposing that they make no payments to the first mortgagee or the second mortgagee on March 31, 1976. They wanted to accomplish the following: Defer the principal and interest payments due March 31, 1976 on all mortgages; minimum deferral of the principal payments on the first mortgage due September 30, 1976 and March 31, 1977. So they wanted ECGD to have no principal payments during 1976 and 1977. There was no consultation with ECGD and no way the Government of Newfoundland would we agree to all these little proposals in this document put forward February 3.

"Second, defer the wharf fees payable to the Government of Canada for a number of years." Now the wharf at Come By Chance was built by the Government of Canada and under an agreement where if the refinery or PRC pays back the cost of the wharf, and interest and so on over a period of years, which I think is fifteen years, they will then become owners of the wharf.

Mr. Crosbie.

And since the wharf cost in excess of \$20 million, PRC had to put up the amount in excess of \$20 million, and I think the amount owing on the wharf is \$23 million and some odd. And the fees payable are \$460,000 every three months, I believe, is the amount that you got to pay on the wharf. I will come to that specifically later. Anyway it is a hefty fee every quarter. So here was a suggestion that they are going to defer the wharf fees payable to the Federal Government of Canada for a number of years. They had not asked the Government of Canada. They had not consulted the Government of Canada. You can see, Mr. Speaker, this is not any kind of a serious proposal. They were just going to defer their wharf fees.

"Three, raise additional finance under the first and second mortgages to complete the high stacks and heat recovering units as well as other items

MR. CROSBIE:

required to bring the refinery up to design capacity under a capital building programme. Without so much as a by your leave they are going to have us, under the first and second mortgages, advance them another \$25 million to \$30 million to complete this building programme.

"Four, the issuance of a third mortgage approved by all parties as well as a first mortgage position for any future financing provided by Ataka up to an amount to be agreed upon by all parties. Fifth, complete rearrangement of ship charters which are in various stages of completion. (All seven owners of those VLCCs will have to agree to this.) Six, reduce interest rates under all loan agreements and in certain cases defer for extended periods of such interest." This is their proposal. If we all accept this proposal they can carry on for another few months. So it is not a proposal at all, as they have been told repeatedly from the start.

And that we should give a \$60 million debenture on the inventory and accounts receivable to Ataka! They go on to say, "It is our opinion that the first and second mortgage holders will agree to share the first mortgage with Ataka." So on and so forth. This is their proposal. This is the group that is arguing before the courts they are not insolvent and are holding up the business.

In schedule A (6) they say what needs to be done to bring it up to scratch. "The attached schedule outlines the \$14.5 million building programme required to bring the refinery up to designed capacity. In addition there is an urgent requirement for the building of high stacks and a heating recovery system which will cost an additional \$7 million to \$10 million. (So that is, say, \$10 million plus \$14.5 million is \$25 million.) The funds required for the above programmes are \$21 million to \$25 million and should be available from the following sources: ECGD for UK Goods and Services; the Newfoundland Government to cover Canadian cost, and UOP Signal Company should provide the down payment and other funds required."

MR. CROSBIE:

Now if that is not complete and utter hogwash and balderdash and nonsense, what is?

But it was put out, it was issued so they could say - I am surmising - so they could say when the Japanese made their move that they had just put a proposal in that made it feasible and possible for the whole thing to keep operating. That is why it was put in. They knew that no one, Ataka or us or the first mortgagee or anyone else was going to agree to those suggestions, and the Government of Canada were certainly not going to agree with it.

So, Mr. Speaker, on February 11, 1976 the Japanese had arranged to come to meet here in St. John's and they met with several cabinet ministers and other people familiar with this situation, and they reported that they had reviewed the whole situation thoroughly. They had with them their Japanese clients and lawyers. They had done everything they could to see if the refinery could be made viable. They had retained Pace Engineering on the mechanical and technical side, Arthur Young and Company on the financial side and Davis Polk as legal counsel.

They had the report from Pace. They discussed that report with UOP and PRC and other oil companies. Their conclusions were that they could not advise the Japanese that they would be protected if they put any more crude in the refinery. Of course this is why they only allowed 500,000 barrels to be discharged. They said that what had to be done was, one, an orderly shut down of the refinery to protect the assets for all the creditors and, secondly, in the long-term get the refinery into stronger hands. As to the reasons for the perilous position of the refinery, they mentioned they had seven tankers when they only needed four which I have mentioned. They said there were \$49 million worth of funds transferred to other Shaheen groups, which I will come to in a minute, which was not explained and was not being repaid. The last financial information was only up to November 30, 1975.

MR. CROSBIE:

There was no new term prospect of getting any funds back, funds that had been advanced to other Shaheen companies so the Shaheen companies have said. There were no long-term sales contracts, with one or two exceptions. They were all spot sales.



Mr. Crosbie:

The technical problems at the refinery were in connection with the hydrogen unit that we have talked before, the Isomax and the hydrogen unit. Pace gave their opinion that the hydrogen unit would have to be rebuilt from the start. This would cost them \$16 million to \$16.5 million. UOP said that you could rehabilitate it and repair it but it would cost some \$10 million. Without the hydrogen unit you are severely limited because you cannot produce above the lower value products. They said that the heating units needed a lot of additional work, high stacks and special refractories and the like- I am not familiar with all the technicalities - that the sales position was extremely bad, there were no long term sales contracts. And they said that you cannot operate the refinery profitably on any set of assumptions. So they could not advise their clients to go ahead and make any further proposals. And then they went into the marketing situation, which is bad in the United States, which is not good in Canada for refined products, which is bad in Europe, so that the refining picture is bad everywhere. There is a surplus capacity on the East Coast of Canada. Europe is even worse. Refineries are operating there under eighty per cent of capacity.

Then they mentioned that there was an amount of some \$17 million owed to the Government of Canada by the refinery, because they had received compensation under the crude oil import compensation programme and had not sold the product in Canada, so they were in debt to the Federal Government for another \$17 million, which will have to be repaid. And on and on it went.

By the way, Mr. Speaker, you know, once the refinery went into the trustee's hands, the trustee, now Clarkson, are trustees under this debenture on the inventory. And the Canadian Government to my mind is taking, you know, a most unfair advantage of the Japanese who supplied the financing for this crude oil and who are now attempting to get some of their money back on that inventory. The Japanese had an inventory and a debenture, they financed that oil.

The Canadian Government, however this system works, permitted the refinery to get \$16 million to \$17 million ahead of them. They paid them \$16 million or \$17 million more as compensation for the importing

Mr. Crosbie:

of crude oil which was supposed to be sold in Canada, than was done. That was not the cause of the Japanese, They were not operating or managing the refinery. But after the trustee went in under the debenture and an application was made to the court the Canadian Energy Board, or whatever the names are, refused to permit them to export any of their oil products outside of Canada, said it all has to be sold inside Canada, which is going to cost them, I believe the figure is something like \$10 million, they realize \$10 million less on what they have got on that refinery. And the unfairness of it is even more unfair because the crude oil and the product that is down there now - the crude oil it was manufactured from - was not compensated for under that programme. These are amounts owed in connection with crude oil that went through that refinery, or so I am informed, before, not the crude oil that now remains down there but previous. So the people that they are now harming by taking this strict action now are the wrong people, the people who went in there to proceed under their security are being dealt this blow by the federal government, by officials up there, and I think the whole matter should be properly looked into, and there should be some explanation of why they are taking this action which has been appealed to the federal authorities, and I think the appeal was turned down. There should be action on the political level to reverse that. That the Japanese, who are already suffering these huge losses and who financed this crude oil and got debentures should then be turned around and given a dart by the Government of Canada when they were not at fault in anyway is to my mind barbaric, and I hope that will be changed.

MR. SPEAKER (DR. COLLINS): Order, please! I am reluctant to interrupt the hon. minister, but if he will permit me pursuant to Standing Order (31) I have to inform the House that at the adjournment of the debate today three questions will be debated. The hon. member for LaPoile (Mr. Neary) to the hon. Minister of Education concerning our educational system training, and if there are any plans to canvass employers concerning attitudes etc, The hon. Leader of the Opposition, a question

Mr. Speaker (Dr. Collins):

to the Minister of Municipal Affairs concerning financing of the Parkway. And the hon. member for LaPoile to the Minister of Transportation and Communications concerning Affiliated Marine Metals. That is the order in which these questions were submitted.

The hon. Minister of Mines and Energy.

MR. CROSBIE: So then at this meeting - these were some of the things that they told us at this meeting. And the Japanese said that they were not interested in any third mortgage, that there was no point in any salvage operation, that they could not expect to get any of the money that were putting out. If they refurbished it, it could not carry on because of its tremendous load of debt, and there was simply nothing they could do, and that they intended to take action to protect themselves,

MR. CROSBIE:

as far as they could be protected, under the bankruptcy legislation. That is what they told us at the meetings. Now at that point, Mr. Speaker, there was nothing the Newfoundland Government could do. If the Japanese, who already had over \$300 million in it had come to the conclusion there was nothing further they could do, then any sensible rational person has to come to that same conclusion. There is nothing that anyone can do to save those two companies from going under. Now saving the oil refinery is a completely different matter than saving the two Shaheen companies. These are two different things. The way to save the oil refinery is to have the oil refinery sold, the physical assets that we have a mortgage on there, second mortgage, and E.C.G.D. has a first. Those physical assets can be sold and can operate again and be taken over by a new buyer, someone with some stability and money and whatever is needed to get it operating, finance it. That can be done. The refinery can operate again. But that refinery can never operate again owned by P.R.C. and N.R.C., never. The two companies between them owe over \$600 million. There is just no way that anyone is going to buy those assets for \$600 million. They are not going to do it and they will not do it. But they may well buy them for something considerably less than \$600 million. They can only do that if they buy from a trustee in bankruptcy or from the mortgagees. They cannot buy it from the Shaheen management and do that because any creditor could challenge the sale. You could not get good title. So it is two different things: One is saving the oil refinery, which we want to do. We want to save and operate it again in Newfoundland; secondly is the problem of saving it while it is still owned by those two companies. Any chance of saving it still owned by P.R.C. and N.R.C. went the day the Japanese came in here and said on February 11 - whatever it was, I just gave the date - that they could go no further and would not go any further. That was it. If they had gone further I do not think they could have saved it because you could not meet the huge load of debt that had built up on that refinery and the huge interest expenses and all the rest of the impediments that that meant.

MR. CROSBIE:

So that was their position and I think that that was on Wednesday or something or other. Then on a Friday they went ahead and filed a petition in bankruptcy, or took action down in the court here in Newfoundland. Anyone who wants to - they filed down there a notice of motion and affidavits which confirms a lot of what I have said here and what was owed and the reasons for the problems there. Now the reasons for the downfall of this refinery are not - they are not all Mr. Shaheen's fault or his management's fault. Some of them are. But there are a number of reasons. No one could have foretold - when the feasibility study was done for this refinery in 1970, I think crude oil was \$1.50 a barrel. After October, 1973 we all know what it is. It is gone up to \$11.50 and \$12.00 a barrel. Since the October, 1973 Arab-Israeli war the marketing situation for refined products is gone to hell. There is a surplus of refined products because people are buying less because the product has become so much more expensive. Then every country adopted special measures to deal with the energy situation. You had to get a permit to export from Canada. That was not in effect before. This was supposed to be an export refinery and export most to the United States. The Americans put on controls down there. All these things have occurred. They were required to sell in Canada, and they had no organization in Canada and no retail and distribution outlet and so on. So a lot of these reasons have nothing to do with, cannot be said to be any fault of Mr. Shaheen or his cohorts.

Some of these matters are their fault. The refinery was insufficiently financed. I mean it is only by stroke of luck that they got on to Ataka - or it might not have been a stroke of luck. The member for Twillingate (Mr. Smallwood) might have had something to do with it - it is only by a stroke of luck that they found someone who would put all of this kind of money and to keep on financing the crude oil purchases when they were not getting paid. But \$10 million in equity in that refinery was not sufficient to carry the operation of the refinery. It was not enough working capital, particularly when oil became \$12.00

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MR. CROSBIE:

a barrel. Now there are a number of things that are not Mr. Shaheen's fault and there are some which are his or his management's fault.

Mr. Crosbie.

They gambled and lost. They might have gambled and won, but they gambled and lost. Things went against them. Having seven very large crude carriers was a gamble that lost. They only needed four at best for 100,000 barrels -

MR. SMALLWOOD: It was not a gamble. They had no choice.

MR. CROSBIE: Well I do not know enough about it, if they had no choice or were forced by the people we were dealing with -

MR. SMALLWOOD: They were forced by Ataka, yes.

MR. CROSBIE: - Ataka or whoever they were dealing with, to have more than they needed - then still if you are forced to have more than you needed I would not have done it. I do not know the details of all that. Well, let us say it is a mistake to have seven when you need four, because they were gambling that they were going to have other refineries, Nova Scotia or wherever. I think it is another fair criticism that they did not have enough money in it, that they try to operate - Mr. Shaheen is a promoter who operates with leverage and as a promoter you put as little in yourself as you can, and you get as much leverage as you can, and that is all right if you can get away with it. He was able to get away with it for a long time, but when the economic conditions of the world went as they did, he was no longer able to get away with it.

I believe, my own view is, that the management or the owners of the refinery were too busy promoting other things before they got this refinery going, and got this refinery properly operating, and I believe they had far too high overheads and far too many management personnel and so on being paid out of this refinery but doing work all over the world on other business of their own and other promotions. The money had to come from somewhere and unless you borrow it it has got to come from the cash flow of something and it came out of the cash flow of this refinery, such as it was. I think that that is a legitimate criticism. Get this one here going first and see that it operates before you start to extend it or

Mr. Crosbie.

put a new one here and a new one in Nova Scotia . But that is not Mr. Shaheen's style. Well he paid the penalty or he is paying the penalty for that. I think that is not an unfair criticism of what happened.

Then, as I say, world conditions. Yes, but the main factor - I mean it may all have succeeded - but the main factor I think principally would be what happened in world conditions in the oil industry and in the energy field, that they were just not able to make it. The miracle was, how long it went on, and Ataka supplied that miracle.

MR. J. CARTER: Would the hon. minister permit a question?

MR. CROSBIE: Yes.

MR. J. CARTER: Mr. Speaker, a lot of people have been wondering why, when the oil refinery was first set up, why Mr. Shaheen was so unwilling to share the ownership? Here he was asking for enormous amounts to be put in by various governments here in Newfoundland and in Nova Scotia, but there was never any suggestion that he share the ownership, that the Newfoundland Government would be given a percentage of the ownership of the refinery. Now as it turned out it is probably just as well. But what was the status of this during the negotiations?

MR. CROSBIE: I suggest that that was quite unpopular, because Mr. Shaheen, I presume, wants to keep the ownership for himself. The rewards are much greater if you are successful. He did not want to share it with any governments. I remember suggesting that in 1967 or 1968, and I was as popular as a leper at a tea party, because Mr. Shaheen wanted to keep the equity for himself so that you get all the profits yourself if there are profits, or so that you can arrange the affairs of the company as you want to arrange them, and you do not want other people putting their noses in or being too inquisitive as to what is happening.



Mr. Crosbie.

So in any event, Mr. Speaker, that brings us up to the filing of the petition in bankruptcy on February 13, I think it was, on which day the Premier made a statement.

Now I think that I have said enough and filed enough documents to show that these statements that were made just after February 13 by Mr. Shaheen and another hon. gentleman in this House were just simply inaccurate. I believe that the hon. member for Twillingate (Mr. Smallwood) was misinformed. Mr. Shaheen was not misinformed. He knew the situation, But I have said enough to rebut them, and there is no point being tiresome about it, and in concluding I want to go on to other things.

Mr. Speaker, what we have to be concerned about now - and there can be criticism, I suppose, that we did this wrong or did that wrong or someone will say you should have told the world at the end of January 1975 they were in difficulties, which would have meant that they

MR. CROSBIE: would have been finished the next week as everyone pounced on them and so on. None of that, I think, is valid. I do not see anything else we could have done except do what we could behind the scenes to see if it could be straightened out, to see if the problem could be overcome. But what is to be done now? What is to be done now that is in the interest of this Province and what is to be done now that is in the interest of the people who work at that refinery is to get it completely in the hands of the trustee in bankruptcy and the trustee, a receiver under those mortgages and a receiver under the debenture which is Clarkson, Gordon and Company, you get it completely in their hands, get it moth-balled properly so that it is not damaged, so the assets are protected, and let them get on to help the rest of us on the job of selling it and enticing someone else to come here and take it over.

Now Mr. Shaheen is doing us a distinct disservice. He is doing this province a distinct disservice with these legal actions that he is now taking down in the United States and here, appealing the bankruptcy order and so on in Newfoundland because if he were successful, which he will not be in my judgement, if he were successful he just throws the matter into complete chaos, and delays any attempt to resolve the situation by getting the refinery sold and into the hands of somebody with the financial strength and credit to operate the refinery again. There is a whole series of stupid and silly actions taken down in the United States of America, first to try to stop Ataka from proceeding with their bankruptcy petition here in Newfoundland, get restraining orders against Ataka so that they could not come to our court and pursue their bankruptcy petition, our court, where all the assets are in Newfoundland and NRC and PRG are Newfoundland companies, and actions are taken in New York, the courts in New York! First the state courts, thrown out; then another state court, thrown out; then the federal court—get a temporary restraining order to stop the bankruptcy going ahead! Ridiculous actions down in New York, one taken against us all now for damages for conspiracy! action taken

MR. CROSBIE: down in New York - there are dozens of actions taken down there, but they will all be thrown out when they get to trial. But there is an action taken down there, for example, by Mr. Shaheen's companies, Shaheen Natural Resources and SNR Holdings and the like, in the Supreme Court, State of New York, against Ataka, America, Atlantic Trading, Sumitoma Bank, Morgan Stanley, Clarkson and Company Limited, Clarkson, Gordon and Company, Kleinwort-Benson Limited - poor old Kleinwort-Benson who advanced them the money on the first mortgage are getting sued, too - and the Government of Newfoundland, we are getting sued, Sued for what, you might ask? Sued for conspiracy! We conspired against Mr. Shaheen and his companies. This is what this action states. I mean it is just simply ludicrous.

The creditors of the company who try to collect their money are sued for conspiracy in trying to collect their money. I mean it is the most ludicrous, ridiculous action that I have ever heard of and I know that the New York courts, if it ever goes to trial, will throw it so far you will never catch it again. Well this is the kind of thing that is going on in the New York courts, Defending the bankruptcy action here in our court, an affidavit was filed that was completely beyond belief, an affidavit of Mr. John Shaheen talking about "he is an unwitting victim of a plot so perfidious, so Machiavellian as to dwarf the recent illegal activities of American businesses recently disclosed by US Congressional committees" and so on and so forth.

MR. HICKMAN: Was that filed in our court?

MR. CROSBIE: Filed in our court, yes, and it had to be withdrawn it was so improper an affidavit. What is all this in aid of? What are all these actions in aid of? I mean the companies are obviously insolvent and they have got to be dealt with by a trustee to the benefit of their creditors, and if anything is left over to the benefit of their shareholders. What can be the purpose of all these legal actions and delaying tactics? Well one can only speculate

MR. CROSBIE: on them, one can only speculate on that, Mr. Speaker. It is going to take the trustee in bankruptcy, the receiver, he is going to have to spend some \$7 million to moth-ball that refinery, \$7 million Mr. Shaheen has not got, nor any of his companies, apparently. It is going to cost the trustee, and that will be the first off the top when it is all sold eventually as we hope it will be, \$7 million to moth-ball the refinery. So that these assets are all protected and will not just go into dust down there. If Mr. Shaheen was still in charge of the refinery there would be no crude going through. He would have no money. The whole operation would be stopped. The assets would be wasting and in danger of diminishing. But the trustee is arranging with the assistance of the creditors to get credit to moth-ball the refinery and it is going to cost, it is estimated, \$7 million to the end of June to do that.

Mr. Shaheen

MR. CROSBIE:

could not even do that and protect the property. Then it is going to cost from the end of June to the end of December another \$1.5 million or so to keep it in a cartaker's status unless it can be sold before that time. So it is at least \$8.5 million between now and the end of the year just to protect these assets so they are ready there, so they are salable, so you can sell them again. Only the trustee can do that with the assistance of the creditor because Mr. Shaheen cannot raise a plugged nickel any longer no matter what he could do in the future. So these actions are damaging. They are against the interest of this Province and they are against the interest of the people who work at Come By Chance. Why they are being done? I do not know. Why oppose a bankruptcy petition and then on the last day of the trial put in a proposal in bankruptcy up in Halifax. If you make a proposal in bankruptcy it means you are admitting voluntarily you are bankrupt, you are insolvent. After fighting down in our Supreme Court in Newfoundland from Monday till Friday a proposal is put in to the receiver, official receiver in Halifax admitting that the two companies are bankrupt but asking for their own auditors Coopers and Lybrand, their own auditors, to be appointed as a trustee under a proposal in the Bankruptcy Act. An inpropriety to say the least, improper for the auditors of a company to join in a proposal and suggest that they themselves be made a trustee in bankruptcy or the receiver under the proposal. Why was that done?

AN HON. MEMBER: I thought Arthur Young represented Shaheen companies.

MR. CROSBIE: No, Arthur Young was brought in by the Japanese group in Ataka to go through the books. But the auditors of P.R.C. and N.R.C. are Coopers and Lybrand down in the States.

Now a preliminary look at the affairs of Provincial Refining and Newfoundland Refining shows huge amounts of debt owed.

MR. ROBERTS: Does the hon. minister think he is going to be at least until five thirty?

MR. CROSBIE: Yes, I will, yes. - Shows very substantial amounts of

MR. CROSBIE:

money owed by these two concerns. Now in connection with P.R.C., just to explain the long term debt, and I am quoting this now from the proposal that was filed by P.R.C., by the company. It shows Kleinwort-Benson Limited owed \$61,840,000 under the first mortgage in dollars, Kleinwort-Benson owed \$9,215,000 on the first Eurodollar issue; Kleinwort-Benson owed \$6,048,000 on the second Eurodollar issue which is guaranteed by Procon or U.O.P., not by E.C.G.D. So E.C.G.D. are involved in the first two amounts, roughly \$71 million. Then U.O.P. is guarantor in the next amount of \$6 million, the Province of Newfoundland's second mortgage \$41 million. The Government of Canada, Department of Public Works, \$23,295,000.

AN HON. MEMBER: That is the wharf.

MR. CROSBIE: That is the wharf. S.N.R. Dover Incorporation, re Ataka, \$15,256,000; S.N.R. Dover Incorporated, re the First National Bank of Chicago, \$10,171,000. Those two amounts are both under the first mortgage making a total long-term debt or secured debt of \$166,860,000. Then as I say they filed a, without going into all the details, a proposal was filed showing that the company is no longer able to meet its financial obligation generally as they become due in an affidavit from Roy Furmark signed on that very Friday and put into the official receiver in Halifax, shareholders resolutions to the same effect. The proposal does not really propose anything. It just says the secured claims will be paid as is arranged between a company and the holders of secured claims. The ordinary creditors just have to wait. All ordinary creditors extend the time of payment to the 30th of September, 1976. In my opinion it is nothing but a delaying action and nothing else, putting in a proposal at that late date.

Then Newfoundland Refining, the second company, where they admit that the company is insolvent also by making a proposal, the company is in financial difficulty. Both companies are no longer able to meet their respective financial obligations generally as they become due. Then the sworn statement of Mr. Furmark confirms,

Mr. Crosbie:

it has never really been denied, does confirm that NRC owes Ataka America Incorporated at least \$238 million because that is the amount given here for NRC alone, \$238,200,000 with another \$75 million shown in Appendix A, that is, \$313 million altogether shown by their own statement that they owe Ataka.

But also showing something even more interesting, Mr. Speaker, and that is showing themselves that Newfoundland Refining Company Limited is owed by Shaheen Natural Resources Company Incorporated, the parent company, \$46,450,000. In other words, Shaheen Natural Resources Company atop of this pyramid owes Newfoundland Refining, which was one of the two companies involved at Come By Chance, \$46,450,000. Then they go on to say, date when due 1985. They are alleging that this debt is not due to be repaid by Shaheen Natural Resources to NRC until 1985. Imagine! NRC just advances this money to Shaheen Natural Resources and it is not even repayable until 1985.

AN HON. MEMBER: What about the rest they owe?

MR. CROSBIE: Pardon?

AN HON. MEMBER: What about the other debts?

MR. CROSBIE: Yes, I am going to come to that now, there is some indication. Then it shows also receivables; Canadian Caribbean Oil Company Limited owes NRC \$640,000.

AN HON. MEMBER: Who owns that?

MR. CROSBIE: These are all owned by Mr. Shaheen. Founders Corporation owes NRC \$570,000; Newfoundland Pulp and Chemical Company Limited owes NRC \$2,235,000; the old Newfoundland Pulp and Chemical owes them \$2,235,000; Provincial Refining owes \$240 million, that would be for oil; SNR Limited, U.K., owes \$275,000 to NRC; and John M. Shaheen himself personally owes \$520,000 to Newfoundland Refining, for a total of \$244 million. So Mr. Shaheen himself owes NRC \$520,000, but Shaheen Natural Resources owes it \$46,450,000. Now, Mr. Speaker, that is a situation that cries out for a little independent investigation, such as will be done by a trustee in bankruptcy once he is installed, properly

Mr. Crosbie:

installed to carry it out. Those advances were made - and this \$46 million is not just a loan, you see, these advances were made over three years. At the end of 1973 it was \$17,581,000 that Shaheen Natural Resources owed NRC; at the end of 1974 it was \$35,658,000, and at the end of 1975 it was \$45,504,000. So the money was advanced over three years. And now according to this document field they say it is not repayable until 1985.

AN HON. MEMBER: All of them?

MR. CROSBIE: Does it make any sense? The lot. That is what they are saying now, it is not repayable. For months they would not say why the money was being advanced and what the terms were for repayment, but now in this proposal filed on that particular Friday they say it is not repayable until 1985. Well that is something that naturally the trustee as soon as he gets control of the company and gets established in his legal position in New York is going to pursue. It cries for elucidation. to put it at its most polite. To put it at its lowest requirement, it calls for elucidation, as to why these monies were advanced, and how come it is 1985 and so on and so forth. And any trustee in bankruptcy that has no conflict of interest is going to pursue that matter, It is one of the first things he is going to do. But the trustee in bankruptcy now has to take legal action in New York State to get into the offices of PRC and NRC and get access to the books, And they are in that process now. And they got an order permitting them into the offices and getting at the books, and it is being appealed to a higher court and on and on it goes. Now what is the reason for all of that? It calls for some explanation. It certainly does call for some explanation.

MR. ROBERTS: Are there any records for PRC and NRC?

MR. CROSBIE: Pardon?

MR. ROBERTS: Are there any records of PRC and NRC?

MR. CROSBIE: No there are some records locally I believe, you know, at Come By Chance and in St. John's, but the main records, books, and documents of the company are down in New York City, and then you have got to go the New York courts to find out, you know, to get



MR. CROSBIE: access, if they dispute you having access. On Tuesday, April 6 - wait now, that is actions here, and actions are being taken here through say, proceedings and the like. Clarkson Company have retained U.S. counsel. They have applied to the courts in New York and commenced actions to get possession of the offices and the records, and so on. So all these things are in legal process. But instead of the trustee being able to get in, an extraordinary proposal is made on the last day this contested petition filed in Halifax, and everyone comes up to St. John's and the judge is asked to stay proceedings which he did not do.

The person who they request to have confirmed as their trustee, the person to look after this proposal - and they admit they are insolvent - are their auditors, Coopers and Lybrand, which is most - to put it as its kindest, it is most unusual for the auditors of a debtor who makes a proposal under the Bankruptcy Act to suggest himself as trustee because there must be a conflict of interest. I would not doubt but it is contrary to the ethics of the profession.

AN HON. MEMBER: Was Coopers consulted here?

MR. CROSBIE: Pardon?

AN HON. MEMBER: Is that with Cooper's consent?

MR. CROSBIE: Oh, yes. The documents are filed with their consent. Now, Mr. Speaker, I am just about through here.

So the present situation is that the trustee and bankruptcy is being - oh, yes now the timing. The petition of bankruptcy was filed, I think, on February 13. On February 25 notice was given by Kleinwort-Benson that they were moving under the first mortgage to give a notice of default. Ten days had to run, we also gave notice of default. On February 25 they appointed Clarkson-Gordon as receiver under the first mortgage. On February 27 we appointed them as receiver under the second mortgage. So that action was also taken under the two mortgages.

Now, Mr. Speaker, what then of the future? Well, what is desirable for the future for to be done? Our objective has been all

MR. CROSBIE:

along to keep this plant operating, and to do what we could to assist Mr. Shaheen and his cohorts in reaching that objective. We did not know until October what a desperate state they were really in although we certainly had good intimation at the end of May that they were in a pretty shaky state of affairs. But only in October did it really come to our attention how bad this was. We did everything we could to co-operate with Mr. Shaheen and his cohorts. There was no attempt made by the Newfoundland Government to put him out. This narrative that I have given to you certainly proves that beyond doubt. Every quality of mercy was strained to try to keep the thing going with Mr. Shaheen and his crowd in there. We have no reason to put him out.

But they are finished in this oil refinery. They cannot continue. They do not have the finances and no one is going to give them the financing. So what we have got to do now is to find another purchaser and there are some people who have indicated they are interested. But you do not know how valid they are until you have looked into it, until they have gotten all the facts and done their own studies, until you have run them down to ground. There are going to be a number of wild goose chases but there are at least several reputable outfits that are in touch with the trustee and the government and have to be pursued. But this is going to take time. That is why we cannot risk telling the people who work at Come By Chance that this may be quick, because we just do not know. It may be, you know, three to six months if you were really lucky and someone put something together that has got validity and they have got the financial strength and the organization, because you do not want to give it to somebody who has not got the necessary strength and ability to carry it on. You do not want the same thing happening in a year or two or three years. It has to be somebody who has good promise in being able to operate that refinery, and that is going to take time.

MR. CROSBIE:

Now, it might happen during 1976, but you cannot count on it. We cannot fool the people who live down there that this may occur this year, although it has got to be hoped that it will because the costs of mothballing and caretaking are high and the interest costs are going to be terrific. On March 31 we are going to be owed ourselves - I forget the exact amount, I gave it here the other day - another \$3 million or \$4 million in interest. And ECCD is going to be owed, and the people in the first mortgage on March 31 are going to be owed another, oh, something like \$12 million or \$13 million in principle and interest payments. Then you have to start charging interest on the payments that have not been made. In six months time a whole lot of more interest becomes due. So you are going to be building up interest charges on this refinery on the secured debt, the longer it is before the debt is sold. It is just as well to be frank, and the unsecured creditors will hear this when they go to their first meeting of creditors on April 5, the likelihood of the unsecured creditors being paid anything is remote.

I move adjournment of the debate. It should only take a few minutes for me to finish up next time.

MR. SPEAKER (DR. COLLINS): As this is Thursday and five-thirty o'clock, a motion to adjourn is deemed to be moved and seconded. The hon. member for LaPoile has indicated his wish to debate the matter of our educational system, this is in answer to an oral question on March 19th. to the Minister of Education, our educational system training and plans to canvass employers. The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, no one in this hon. House can deny the fact that over the past twenty-six or twenty-seven years since Confederation that a great deal has been done in this Province in producing the hardware for education in this Province in turning out large numbers of certified teachers, in putting up big buildings, providing all kinds of classrooms and furnishings and audio-visual equipment and so on. And since 1967, Sir, since we had the Royal Commission on Education we have had a huge development take place in this Province. We have seen a superstructure of bureaucracy in education the likes of which we have never seen in this Province before -

MR. SMALLWOOD: Or dreamed of.

MR. NEARY:- or ever dreamed of, Sir, with all kinds of experts occupying not only desks as they did heretofore in Confederation Building, but in key points scattered throughout the whole Province, Sir. Yet, Mr. Speaker, even with all of this, everywhere I go among students, Sir, I find very little appreciation of the opportunities for education and training to which they are exposed in this Province. And among employers, Sir, I find all kinds of complaints about both the attitudes and the ability and the competency, if you want to put it that way, of the graduates of our high schools and of our training institutions in reading and writing and arithmetic.

Mr. Speaker, I suppose here in Newfoundland, as everywhere else in Canada, there is hardly a day or a week goes by but we do not hear the head of some educational institution, some university, voicing the same complaints that I have been hearing over the past few years, and that particular institution or university compelled, forced to take remedial

MR. NEAPY: action, Our own university had to do the same thing here a few years ago.

Mr. Speaker, I would strongly suggest to the Minister of Education that he is a new broom, Sir, immediately take steps, and I have discussed this, Sir, outside of the House with the hon. the minister and I must say I find him to be very congenial, very co-operative and I have tremendous faith in the hon. minister. I think he is a very fine Newfoundlander, Sir. But I would urge the minister, Sir, to take steps immediately to do a survey and find out amongst our employers the real needs in the employment market in this Province, and find out just what the attitude of the employers are towards the graduates that are coming off the assembly lines in our vocational schools and in the university and in the College of Trades and Technology.

Mr. Speaker, I believe this is urgent. I think it should be done now, Sir. I think that unless we do it, unless we take a good hard look at our post-secondary education in this Province, Sir, that we are going to continue to short-change the student, the parent and the taxpayer through a department, Sir, that takes the largest share of our Provincial budget.

Mr. Speaker, the new Minister of Education could really make his mark, Sir, in the history books of this Province, if he could persuade his colleagues in Cabinet of the necessity to take immediate action to have an independent, impartial, fact-finding study done along the lines, Sir, that I have suggested, by someone, Mr. Speaker, other than an academic, other than somebody who is involved into the system. The minister should undertake to do this, Sir, persuade his colleagues that this is urgent, that it must be done immediately to see if we are really getting the best value for our educational dollar in this Province, Sir.

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

HON. W. HOUSE: Mr. Speaker, I am very delighted with the hon. member from LaPoile (Mr. Neary) in showing his interest in education. I am delighted when I hear anybody relating education to productivity. There are two or three points, of course, he mentioned and one is the appointment of an outside, independent group to tell us what is wrong with our education system. I think that that is going on continuously, We are trying to find out within and without what is wrong with our education system, if there is anything, and trying continuously to improve it. I do not think that anybody can deny despite the allegations made that there has been tremendous strides made in education in Newfoundland in the last seven years, and I say in the last seven years since we set up the superstructure that was talked about there have been more done in education than there was in the last twenty-five years.

With respect to the quality and the calibre of our high school students, we must bear in mind that our philosophy is not to have a standard of education, one standard, our philosophy is to educate people to the best of their ability. And right now we are turning out-60 per cent of our people entering school are finishing Grade XI, that compares to about 20 per cent about fifteen years ago. Now there is nobody going to deny that when we are mass-producing students that all the Grade XIs are going to be of the same calibre. But I say this, and I think that we can back it up, that the top students are better today than ever they were before. Somebody may say, well, should you give everybody a Grade XI diploma? Well there are pupils with low abilities, relatively low abilities, and it is better for these pupils to go in school for eleven years and come out with a lesser diploma, if you may call it that, than drop out at Grade VI, because, remember, they have to operate in a society where it is not only reading and writing and spelling, but 85 per cent of their work is done through oral communications, and we contend that it is better to have them in school than to have them on the streets at the Grade VI or VII level.

Mr. House:

With respect to the trade schools, I might say this - trade schools and vocational schools-you do not develop Ryerson Colleges overnight. And we recognize the fact that our trade schools and the College of Trades and Technology and the Fisheries Colleges are relatively new, and it is only this last two or three years we have been able to attract the top students. And the vocational schools, for instance, are finding that now we are getting some top calibre people. These trades are, of course, administered by the Department of Education and the Department of Manpower. And we do recognize the fact that there problems, and one of the basic problems we have is with the apprenticeship programme, the mechanism is not so good as we would like. But that is being worked on continuously any effort is being made to improve it.

With respect to the values and attitude towards work, Mr. Speaker, there is nobody any more conscious and cognizant of that problem than I am at the present time. As a matter of fact, during my Education Week visits around to schools one of the things that I talked hard and long about was the relating of education to the work ethic, the need to develop good work habits and attitudes. The total department is geared to that. For instance, we have now 24 per cent of our high school students who are taking pre-vocational programmes, and the idea of these pre-vocational programmes are to teach the value of work and to try to develop the right attitude towards work. We have work experience programmes in the schools that are doing the same thing. And we would like to have all of our schools, pupils doing pre-vocational education, and we are working towards that, but we have to take it in its stride and within our economic means.

So, Mr. Speaker, we are cognizant of this, and the people from within are working on it, all of the time trying to improve the quality. And I do not see the need of appointing the semi, quasi independent body who is going to go around the Province and just tell us something that we already know. I think we are doing a tremendous job in improving the quality of education.

MR. ROUSE: One other thing, Mr. Speaker, that we must bear in mind is that education does not develop to work ethic. If there is a poor work ethic in this Province it has not been caused because of the schools. It has been because of the system of the past twenty years who played down the work ethic and I would say the hon. gentleman played an important part in that, too.

SOME HON. MEMBERS: Hear! Hear!

MR. SPEAKER (DR. COLLINS): Order, please! In regard to an oral question directed to the Minister of Municipal Affairs On Tuesday last, the hon. Leader of the Opposition indicated his dissatisfaction with the answer and wished to debate the question.

The hon. Leader of the Opposition.

MR. ROBERTS: Thank you, Mr. Speaker, The root of this matter, Sir, goes back to August 26th., 1975 when the gentleman from St. John's West, acting, I have no doubt in his capacity as Minister of Fisheries, called a press conference here in St. John's and made a statement on several matters which the government had decided to adopt in an effort to help the City of St. John's.

The press release was headed "New Provincial Programme for Assistance to the City of St. John's Urban Area," and it was made on the morning, as I recall it, of the 26th. In the afternoon the Premier waited upon His Honour the Governor and certain events followed. And I may add the cynicism of the minister's action, or the administration's action, may have been unconnected with the fact that while he and his colleagues won every seat in the St. John's area the share of the Tory vote was the lowest I believe it has been in the last six or seven elections. That is not my concern here today, Sir. My concern is with one of the announcements made by the minister, the specific portion in which he said that the government, and I quote from his press release, Sir, "The government have decided that the Province will accept financial responsibility for seventy-five per cent of the cost of the road improvements agreed to within the Pippy Park area and the government will reimburse the city for seventy-five per cent of the cost of repairing existing pavement along the Parkway as agreed upon during this present year until the major programme



MR. ROBERTS: can be implemented."

Those road improvements were basically, and to speak generally, the Parkway running across the back of St. John's from Portugal Cove Road in the East to the beginning of the Trans-Canada in the West.

Mr. Speaker, I think it was right that the government should put money into that project. I believe that, and so said at the time, that particular road I believe is a Provincial responsibility, much more than it is a municipal responsibility. And it is a Provincial responsibility as well, not is it a major road and I believe the Government of the Province have a responsibility for major road, but it is a Provincial responsibility because most, if not all of the traffic on that road has been generated by Provincial Government institutions, Confederation Building here, the university, the CBC is not a Provincial Government institution but a Federal Government institution, the new buildings which are being built along the Higgins Line and so forth. It is a major traffic artery and it is a major traffic artery which carries much traffic generated by the Government of the Province. Those are two good reasons. So I think the government should put money into it.

The problem, Mr. Speaker, is that nothing definite appears to have been done since then. Now I use the word 'appears' because I do not know. I do know the City Council have made considerable and consistent efforts to try to get some information. I have read of the reports in the newspapers, heard them on the radio. I know the Minister has had a number of meetings or conversations with members of the Council and representatives of the Council. I believe his officials have met with Council officials. But apparently nothing is to be done this coming year. And that is what I want to know.

Now the Minister of Energy shakes his head. Tomorrow is the Budget, we may know a little more tomorrow. The point is as far as we know today, we only know what we know today, Mr. Speaker, nothing is to be done this year. I hope something is done. I believe

MR. ROBERTS: the traffic is becoming so very heavy and when the new hospital and Health Sciences Centre come into use, within a matter of months, the Confederation Parkway will become an impossible route, an impassible route and of no use at all. So I believe something must be done this year.

MR. MURPHY: Only at peak periods of the day.

MR. ROBERTS: The gentleman from St. John's Centre (Mr. Murphy) says only during peak periods, that is true, Sir. None of our roads are busy at three o'clock in the morning, and all are busy at nine o'clock in the morning. But the fact remains, Sir, when the road is busy it is busy, it is extraordinarily busy, Sir, and it is busier than almost any other road around. I believe the Province have an obligation. He obviously disagrees with the policy which his administration have adopted. That, Sir, is a matter I cannot go into in the limited time I have.

Mr. Roberts.

Mr. Speaker, the problem is that there are large sums of money involved and unless and until the government have indicated in a concrete way what they are going to do, the planning cannot be done and the work cannot begin. I am told we are talking between \$3 million and \$4 million to fix up that road and to widen it and to make it four lanes, to put in the necessary acceleration and deceleration lanes, and I believe the work must start now, and that is why I put this question down today, Mr. Speaker. I ask the minister to tell us the government's position. I asked him at the Oral Question Period and I got a most unsatisfactory answer, an answer which I felt was unsatisfactory, an answer which any impartial observer would have agreed was unsatisfactory. All I ask now is, what are the government going to be doing this year? The government made a commitment. What we want to know, Sir, is when will the commitment be kept? We want to know what is to be done and how quickly the work can begin. The problem grows more urgent. Mr. Speaker, that is my question. It is a very simple one. I would ask the minister for a simple and a definitive answer.

SOME HON. MEMBERS: Hear, hear!

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

MR. PECKFORD: Mr. Speaker, the exact question asked by the Leader of the Opposition the other day in relation to this was - I was reading from the tapes that were given to me upstairs - "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, 23 August or 24 August last year under which the government of the Province would pay seventy-five per cent of the cost of upgrading the Parkway which runs from Portugal Cove over to the Trans-Canada Highway at the interchange with Freshwater Road?" That is the exact, precise question as given by the Leader of the Opposition the other day. First of all, Mr. Speaker, let me say that the share of the P. C. vote or the Liberal vote in St. John's has little to do with this project and with the question that the Leader of the Opposition asked the other day. It is completely irrelevant,

Mr. Peckford.

and has no bearing at all upon the question if he wants to talk about Parkway improvements or improvements anywhere in this Province. The election is over, done with. The people of Newfoundland have seen fit in their wisdom to re-elect the P. C. Party and that is that and there is nothing he can do about it here or anywhere else.

SOME HON. MEMBERS: Hear, hear!

MR. PECKFORD: To his comment that it is right that the provincial government should do something about the Parkway, is the very reason why in August the government saw fit through a press conference by the minister representing St. John's to make this announcement, we saw fit long before the Leader of the Opposition saw fit. We saw fit last August. He sees fit today to support this kind of policy which was a written policy. It was not an oral commitment, but written and given at a press conference publicly to the people of this area. So we are glad to see that finally the Leader of the Opposition agrees with our policy even though it is months late in coming.

MR. ROBERTS: That is the Leo Barry debating style.

MR. PECKFORD: Mr. Speaker, the Leader of the Opposition says nothing definite appears to be done. Well if that is true, Mr. Speaker, it means that the Leader of the Opposition is not doing his work very well. He is not following statements being made by ministers. He is not contacting City Hall, or the Department of Public Works, or the Department of Municipal Affairs and Housing, or the Department of Transportation and Communications, because he could find out from all those sources just what action has been taken to date. A team of officials representing these departments as well as the city and the city engineer have been working very diligently over the last few months to develop design work on the Parkway from beginning to end with

Mr. Peckford.

the city. And when the Leader of the Opposition says that the city council made efforts to get information, I challenge that statement. Who in City Hall, what councillor, what official has made efforts to get information and has been unsuccessful? I would like to know the names, the times, when that official or councillor approached my department looking for information. I suggest, Mr. Speaker, that no efforts have been made by city council because city council are fully cognizant of the fact that this committee has been established, that the city is going to do the design work on the Parkway, and then when the costing is in on that design work the government will live up to its commitment given to city council in the press conference referred to earlier. There is no indication on government, there is no suggestion by government that we will not live up to our commitment. The commitment has been made. A policy has been established that we will follow through with seventy-five per cent of it. So if the Leader of the Opposition wants to make vague, general statements about city council made efforts to get information, I reject that. They have not made efforts to get information. They have all the information. They are a part of the decision making process as it relates to this policy that was established in August.

Apparently, Mr. Speaker, he says, the Leader of the Opposition, apparently nothing to be done this year.

MR. PECKFORD:

There is a budget, Mr. Speaker, coming down tomorrow which will outline the spending of the government.

MR. CROSBIE: Did you carry out the rest of it?

MR. PECKFORD: Yes we did carry out the rest of it on the transportation system for the city. We carried out that part of the policy, and we will carry out the others. Tomorrow, as the Leader of the Opposition knows, there is a budget coming down for expenditures by the government on various programmes and policies that we have enunciated in the last twelve months and for the last few years, and it will be seen at that time what policies will be followed up with money. I ask the Leader of the Opposition to wait, as we all must, until that is brought down.

He goes on to say, until given concrete action nothing can be done. That is not true. Concrete action has been done. We are following through. We cannot commit monies to a project until we know exactly what the project is going to cost, whether you have to phase it in over a number of years or whether you can do it all in one year. As you can tell, by trying to upgrade this Parkway it will take a number of years just by the nature of the Parkway itself, the kind of traffic that will be generated because of the Summer Games, because of the kind of traffic that will be generated when the new hospital comes on stream over here. So for all these reasons the comments by the Leader of the Opposition are completely out of line and really irrelevant to the whole policy that was enunciated in August, 1975, as far as I am concerned.

Not only that of course, Mr. Speaker, the city has to come up with their 25 per cent of the cost as well.

MR. CROSBIE: Would the hon. minister permit a question?

MR. PECKFORD: Yes.

MR. CROSBIE: Would the hon. minister describe the hon. Leader of the Opposition's question as footling and inconsequential?

MR. SPEAKER: Order, please!

MR. PECKFORD: I would say that would be extremely valid, Mr. Speaker.

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

The time has expired.

In connection with an Oral Question to the Minister of Transportation and Communications today concerning Affiliated Metal Works, the hon. member for LaPoile has indicated his dissatisfaction with the answer.

MR. NEARY: Mr. Speaker, back in 1974 the government imposed a one dollar tax on every motor vehicle license in Newfoundland and Labrador. That was supposed to be used, Sir, to collect old car wrecks in this Province. Since that time, Mr. Speaker, cars have been collected and stockpiled at the site of the former steel plant. This luscious plum, Sir, this luscious contract to collect these wrecks was awarded to a company called Affiliated Marine Metal Salvage Limited without either inviting public tenders or calling public tenders. Now, Sir, Affiliated Marine Salvage Metal Limited is owned by a Mr. Robert Smith of Toronto. On checking with the registry office not less than about an hour ago I discovered that a young lady by the name of Gloria Knight and Jeanette Field also have one share in this company, along with Mr. Smith who holds one share.

Now, Sir, the registrar of companies sent out a letter to the company telling them that they must have their shares registered by not later than next Wednesday. The company has been incorporated since 1974. We do not yet know who the real owners are. The company was incorporated by a law firm with which Mr. Dick Green is associated. Sir, I am told that Mr. William Mullaly, a well-known party supporter, was the general manager of the company, and that he and Mr. Smith met on the Queen E. II on the way to New York and struck up a deal when the oil refinery was open.

MR. ROBERTS: Another of Shaheen's benefactors.

MR. NEARY: Now, Mr. Speaker, this is one of the weaknesses in the Company's Act but I am not going to deal with that now, Sir. What

MR. NEARY:

I want now, Mr. Speaker, is to find out what this company has done in return for the almost \$500,000 that has been paid out on behalf of the people of this Province?

I put a question yesterday to the Minister of Industrial Development about the stockpile of wrecked cars. He did not answer the question. The hon. Minister of Finance answered it, Sir, and further aroused my curiosity by stating that the company was in trouble, they were unable to move the car wrecks and that an announcement would be made in due course. Well, Sir, I am told that the company has had to submit their accounts to their bank, which is not unusual, I am told, in the business world. But, Sir, it would appear that there is some difficulty developing with regard to this company. I think now the people of this Province are entitled to a full explanation, in view of the fact, Sir, that we have so little information, that we have been told so little about this company,



Mr. Neary.

about the government's relationship with this company, and the government has refused to table the contract, the contract between the Minister of Environment and this company. I think now, Sir, that it is time that the people of this Province were given an accounting, an immediate accounting of the relationship between this company Amalgamated Marine Salvage Metals Limited. So I call upon the government and the minister to table the agreement in this hon. House immediately, and give the people of this Province an accounting for the dollar that is being collected for the last two years on their licence plates and passed over to this company, and to also tell the people what other considerations this company has received, like the Department of Transportation collecting the wrecks for the company and stockpiling them on the side of the road, having them picked up and brought into the steel plant where they are being stockpiled. So, Sir, let the government not try to hide anything in this case. Now is their opportunity - I am throwing out the challenge - to give us a full accounting of the government's relationship with this company over the past two years.

MR. SPEAKER (Dr. Collins): The motion to adjourn has been moved and seconded. Is it the wish of the House to adopt this motion? All those in favour, "aye." Those against "nay."

MR. ROBERTS: Mr. Speaker, before Your Honour leaves the Chair I wonder if I could ask the House Leader - tomorrow is the budget, but what do we propose to do Monday and Tuesday. We have the Throne Speech half begun. We have the Shaheen debate or the Come By Chance debate, you know, begun, and tomorrow we are getting the budget and doubtless the estimates will be tabled. What order of business does the government propose to follow? You know, it is becoming terribly confused.

MR. WELLS: Certainly, I think that now while we are on the Come By Chance, we should spend more time on it so I would regard that as an important priority. Also, of course, because we are getting close to the end of March we will want to get the Interim Supply Bill before the House so we may tackle that on Monday, but between that and the Shaheen matter - I mean I do not know how long the Interim Supply Bill will pass - because the budget will have been brought down and the estimates are before members perhaps it may pass quickly, because everything will be debated, of course -

MR. ROBERTS: You are allowed to debate for seventy-five hours.

MR. WELLS: Yes,

- so that may be dealt with quickly. Then I would anticipate us getting into estimates after these two matters.

MR. ROBERTS: So the Throne Speech will stand adjourned.

MR. WELLS: Deferred or adjourned for the time being while we get at these matters.

MR. SPEAKER (Dr. Collins): This House now stands adjourned until 3:00 P.M., March 26, 1976.

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