



**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**HOUSE OF ASSEMBLY**

---

**Volume 1**

**Number 40**

**4th. Session**

**34th. General Assembly**

---

# **VERBATIM REPORT**

**TUESDAY, APRIL 21, 1970**

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

The House Met at 3:00 P.M.

Mr. Speaker in the Chair.

MR. SPEAKER: Order!

HON. J.R. SMALLWOOD: (PREMIER) Mr. Speaker, I have the honour to announce that the hon. the Minister of Labrador Affairs, the hon. member for Labrador North has become Acting Minister of Fisheries, in place of Mr. Aiden Maloney. Or perhaps the correct statement is, that he has become Minister of Fisheries Acting.

Mr. Speaker, I am sure I speak for every hon. member and for every Newfoundland, when I say that we mourned the tragic death of some twelve persons in the lost of the Steamship Patrick Morris, and the ~~Sander~~ Enterprise. We mourn especially the death of Captain Penny, the Captain of the Morris. This is one of the most tragic things to happen for a long time. And I know our hearts go out to the relatives and friends of these twelve men, in their tragic loss.

Mr. Speaker, I wish to extend a word to the whole House, a word of cordial welcome to some fifty students of Grade IX from Queen Elizabeth High School of Foxtrap, in the custody, if that is the word, of Mr. George Evans. I must say that they have picked quite a day to come. They could not perhaps a more interesting day, in this whole session than they have done. And there are large numbers I understand of adults down in the main lobby of the building waiting their turn to get in. And so the galleries will be filled by them as soon as the students go. But the students of course are terribly welcome here, and I hope they will remain as long as they feel like it. And I am sure I speak for the whole House, when I say that.

Mr. Speaker, by consent of the House I would like to move a Resolution and if the Resolution be adopted, I would suggest that the ordinary preliminaries be dispensed with today, and I understand the Opposition have indicated a generous willingness on their part, should the need arise, to forgo their right to private members day tomorrow, provided it can be held on Friday. So provided they do not lose a day this week, in case it is needed, so that if

MR. SMALLWOOD: the House feels any desire to go on with the meetings, with these gentlemen whom I have invited here, today and tonight they may do so, and tomorrow, Wednesday private members day, Thursday is of course, Thursday afternoon is Budget Day. And that takes precedence I think over everything. But I wanted to be quite clear that the Government are entirely at the disposal of the House with regard to the length of time the House may desire to have to meet with these gentlemen whom I have invited to come here today.

The Resolution is as follows, if the House agrees, and dispenses with notice:

Whereas the House of Assembly by Act No. 86 of 1968 entitled an Act To Ratify, Confirm And Adopt an agreement made between the Government, and Newfoundland Refinery Company Limited and other companies, and to make provision respecting other matters connected therewith. Authorized the Government to enter on certain conditions into agreements relating to the construction of an Oil Refinery at Come-by-Chance;

And whereas it is expedient that the members of the House be enabled to question the progress achieved since the passage of the Act, and the economic viability of the project;

Be it resolved that the several persons involved in the project now without the bar of the House, be invited to enter onto the floor of the House, to enter such questions as members may wish to put to them for the aforementioned purposes.

I have the honour to move that Resolution. Seconded by the Leader of the House, the President of the Council, and the Minister of Justice.

MR. ANTHONY J. MURPHY: (Leader of the Opposition); Mr. Speaker, possibly just before we deal with the motion, I would like to join with the hon. Premier in the expressions of very deep regret at the very tragic accident that happened on our ferry, the Partick Morris. And perhaps, Mr. Speaker, what makes it more personal to me at this time, is the fact that the hon. member for Gander happens to be a first cousin of the deceased Captain, and grew up with him

~~Mr. Speaker~~ on Indian Islands before he lived in Lewisporte, and the member phoned me this morning, that due to having make some arrangement with the family, that he would be a bit late and he drove in, and just arrived in the House, just now. And I am sure we all join with the Premier, and all the people of the Province in our sympathy to the relatives, not only of Captain Penny, but of all those people who so tragically lost their lives.

I would also, Mr. Speaker, welcome the students from Queen Elizabeth High School, and I am sure the Premier said, this might be perhaps the most faithful, most important days, in the history of our Province when we are here to discuss with those concerned a very vital matter of establishing an industry at Come-by-Chance.

And possibly if I may speak a word on the motion, Mr. Speaker, and I think I am entitled too, I would just like to set the record straight, that we here will direct such questions as we think are in the best interest of the Province to those people concerned. Because after all, Mr. Speaker, we are dealing with now the future of many thousands, perhaps hundreds of thousands of the people of our Province, when we are considering such a huge project this is. And I would like to make it perfectly clear, that we on this side have no copies whatever of any agreements that have been made recently, we just have the Bill that was passed in 1968, I think, to go on. Unfortunately it was not seen fit to furnish this side of the House with copies of agreements where we could perhaps discuss it far more intelligently than we may today. But, Mr. Speaker, I will say that we will do the best we can with what material we have to question, probe if you like, and discover just what information we can get for the people of the Province. And as I said earlier with what tools we have at our command.

MR. JOHN CROSBIE: ~~Mr. Speaker, before just a few minutes ago~~



April 21st., 1970      Tape no. 546      Page 1

~~Mr. Speaker~~ Mr. Speaker, before just speaking briefly on this motion. I would like to join on behalf of the Independent Liberal group and the House in extending our condolences to those who lost their lives from the Patrick Morris and the Enterprise, Captain Penny and the several other engineers who were lost on the Patrick Morris. If there is any conciliation for their family, there can be none really, it is the fact that they lost their lives while doing the noblest thing that a seaman can do and that is going to the rescue or help of others who are in trouble on the high seas; so although that is not much condolence, they have lost their lives in the great tradition of seafaring, and I think that we should recognize that and certainly we feel very deeply for their relatives and friends, as all members of the House do. We would also like to welcome briefly the students from Queen Elizabeth High School in Foxtrap, part of the district of Hr. Main. I think we can be sure that they should find this interesting at today's session.

Now, Mr. Speaker, on this resolution, we are, of course, heartily in accord of the resolution. One of my colleagues, the hon. member from Humber East, and myself were engaged in the task of drafting the agreement that is attached to the Act that was passed in 1968 and in all do modesty, I think we can say that it was a well-drafted agreement. What we are going to discuss today is not the agreement that was drafted in 1968. but what has happened since, under the terms and conditions of the legislation and the agreement. What has been the progress to date? What are the new, under that agreement, many new contracts have to be entered into? What contracts have been entered into? What is the progress? What is the change in the cost of construction and all the other information that will be of great interest to the people of this Province and to the people even of Canada for that matter, because this is one of the biggest projects ever to be undertaken with the help or the assistance of the Government of Newfoundland. We will all be seeking information today, Mr. Speaker and I

hope that we will have a very interesting session. We have a lot of questions to ask, not in a spirit -- not in anyway being against the project or wanting to damage it. Any questions we ask and that the party feel that they cannot make public at this time, of course, they are at liberty to say as private information and they cannot release it at the present time. It is a big project and there is a lot of information now, that after two years, needs to be made public. We are heartily in accord with the resolution and we will support it, when it is voted upon by the House.

MR. JOHN MAHONEY: Mr. Speaker, if I may join with the previous speakers in, and I am sure that I am speaking for all Newfoundlanders in expressing our deepest sympathy to the families of those men who lost their lives on the Patrick Morris and on the Enterprise and I would particularly express my sympathy to the hon. member for Gander, in his families loss.

I do, Mr. Speaker, as member for the district of Mr. Main, express a warm word of welcome to the fifty Grade IX students from Queen Elizabeth Regional High School in Foxtrap. Perhaps it is not known generally, but this beautiful new high school now is the successor to the first regional high school in Newfoundland which was constructed at Foxtrap and is still serving the people of the district as a junior high school. The scholastic record of the students from that high school is known certainly throughout the district of Mr. Main and throughout Newfoundland. I have much pleasure in welcoming these students and their teacher, Mr. George Evans, with them to the House this afternoon and I hope that they find the session both instructive and informative.

MR. BURGESS: Mr. Speaker, I too would like to join in the expressions of sympathy for the families of the seamen who lost their lives in the last tragic two days. There are no words that can adequately describe and console the families of these people except as the hon. member of St. John's has said, they lost their lives in a very valuable cause.

I would like to take the opportunity of welcoming the students of

Queen Elizabeth High. They certainly did, as the hon. the Premier said, they picked a good day to come here, because they will get a good insight, as to exactly how their money is being spent. The money of the people of the Province, and I hope it is a very revealing insight.

I also would like to extend congratulations to the - I do not know if it is sympathy or congratulations to the hon. Minister of Labrador Affairs in that he has assumed an additional portfolio. I am glad to see that the hon. gentleman is at last gainfully employed, because there has been very little happening in Labrador Affairs anyway. I hope that he does a good job in the Fisheries Portfolio.

On the motion, I am heartily in accord with what will transpire in this hon. House today, and as we can see by the packed galleries so also are the people who are as vitally interested as everybody here in this hon. House are. Thank you.

MR. SPEAKER: Has the hon. minister leave to introduce this motion?

On motion resolution carried.

Will the Sergeant-at-Arms escort these members who have been invited to the floor to take their place, please?

MR. SMALLWOOD:

Mr. Speaker, while they are obtaining more chairs I should like to present these gentlemen to the House individually by name and by title and by function. On this side of the House are representatives of the Shaheen Petroleum People with one representative of their Paper Mill plans and on the opposite side of the House are the representatives of Procon, the English company who are going to build the Refinery. And also on that side of the House the last two gentleman down representatives of Jacobs Engineering Company of California. The firm who have been retained by the Government to examine the UOP feasibility report and to update it, two separate functions.

Here immediately in front of me is Mr. John M. Shaheen who perhaps might stand so that he could be seen. Mr. Shaheen is 53 years of age. He is an American citizen. He attended the University of Illinois and the University of Chicago. He was a captain in the United States Navy. He is President and chief executive officer of Shaheen Natural Resources. He is the President of MacMillian Ping Free Oil Company Incorporated. He was formerly the director of Ultramar Company Limited of England, and President of Golden Eagle Refining Company Incorporated which he founded and which built the oil refinery at Holyrood. Thank you, Mr. Shaheen.

Mr. Homer White, 51 years of age is the President of the oil company. Mr. White is a chemical engineering graduate of the University of Oklahoma, he is a southerner. He was an officer in the United States Navy serving as middle East petroleum supervisor for America in World War II. Mr. White has been with the Shaheen Organization for eight years. He has had twenty-nine years experience in the oil industry, and he is also an executive vice-president of Shaheen Natural Resources. Previously, Mr. White was the Refining Supervisor, for Golden Eagle Refining Company of Canada and in that capacity he built the oil refinery at Holyrood. Mr. White is the man who built the Golden Eagle Refinery at Holyrood. Before that he served as manager of technical services with Continental Oil of the United States and before that refining supervisor for Creole Petroleum in Venezuela. Thank you, Mr. White.

Mr. Albin. W. Smith, 44 years of age, is senior vice-president of the company. He is a graduate of Kenyon College, a vice-president of Shaheen

Natural Resources and he is also the President of Newfoundland Ammonia & Refining Company. This is the company that is to build the Anhydre Ammonia Plant at Come by Chance. Mr. Smith has been with the Shaheen Group for four years. He has had seventeen years experience in the oil industry. All marketing activities production activities and chemical interests of the Shaheen group report to him. He was formerly the assistant manager of the International department of Phillips Petroleum and was also a director of Phillips Oil Products, Limited, and Liquified Petroleum Gas Limited. And before he was with Phillips Mr. Smith was with Shell Oil Company. Thank you, Mr. Smith.

Mr. G. H. Cook, 56 years of age is a director of the refining company. Mr. Cook has had thirty-three years experience in the international oil industry with Standard Oil Company of New Jersey. He has had extensive background in development and construction and in the operation of oil refineries. For six years he was supply and refining director of Esso's Italian affiliate company. He was previously concerned with new project development and directing refining. Thank you Mr. Cook.

Mr. Charles R. Granger, is well-known to all of us here. He is a vice-president of the company, 57, He is vice-president of Shaheen and of the Newfoundland Refining Company and of the Newfoundland Pulp and Chemical Company and of the Newfoundland Ammonia and Refining Company, He is a former member of this House and a former member of this Government. A former member of the House of Commons and a member of two federal cabinets and he is the co-ordinator of international activities of this company.

Mr. Oscar A Blake, 35 years of age, is the financial and legal co-ordinator of the enterprise. He is a graduate of Cornell University Law School and a member of the New York State Bar. For seven years he was legal counsel with W.R. Grace Company. And for two <sup>years</sup> a legal counsel with Ashland Oil and Refining Company, of Ashland Kentucky. His experience with these companies was primarily in negotiating, evaluating and consummating corporate acquisitions. He is the head co-ordinator for financial activities and legal matters both domestic and foreign for the company. He served in the United States Army from 1951 to 1954. Thank you, Mr. Blake.



Brigadier General Otto Lessing, of the United States Marine Corps Reserve, 63, he has had 37 years in the oil industry both domestic and foreign. Including 20 years with Standard Oil of New Jersey and affiliates. He was formerly chief engineer of American Independent Oil Company. Project Manager, the Lummus Company; and Chief Engineer, Kuwait National Petroleum Company. He is now stationed in Newfoundland and spends his time in St. John's and at Come by Chance. Thank you, General.

Mr. William F. Zimmerman, manager of the contract of Contract Administration, age 39, graduate of Drexel Institute of Technology, Philadelphia, Pa. He has had 16 years experience in the petroleum industry. He was employed by Sinclair Refining Company for 13 years in mechanical engineering. His responsibilities included purchasing of major equipment for domestic refining and foreign operations. Mr. Zimmerman worked for three years with the Atlantic Refining Company as a mechanical engineer in the Engineering Research Division of the Engineering and Construction Department of that great company. Thank you Sir.

Mr. Donald C. Severs, refinery operations manager, I think he is the gentleman who used to manage the plant at Come by Chance. The General Manager of the plant at Come-by-Chance. He graduated from the University of Toronto, He is a Canadian, in 1956 with a B.A.Sc. degree in Engineering and Business Administration. He was employed by Esso Standard Oil from 1956 to 1969 in their Aruba refinery in the Netherlands Antilles. That is to say the Dutch West Indies. Mr. Severs responsibilities during that period covered unit operations, product blending and shipping, marine terminal operation, process engineering, mechanical engineering, construction coordination and process computer applications. It sounds like a lot of experience to me but I do not know too much about it. Mr. Severs will assume direct responsibility for the operation of the Come-by-Chance refinery. Thank you, Sir.

Mr. Norman Inkster, assistant vice-president age 30, Seven years field engineering experience, seven years, graduated from the University of Alberta. He too, I believe, is a Canadian, graduated in Civil Engineering. Mr. Ingster

is concerned primarily with the site engineering work at Come-by-Chance.

Raymond B. Osmond, age 42, inter-plant coordinator at Come-by-Chance. Mr. Osmond attended University of New Brunswick, He spent 18 years with Domtar Limited of Quebec in the pulpwood and newsprint industry and Mr. Osmond is in charge of pulpwood operations or to be in charge of pulpwood operations for the paper mill at Come-by-Chance. Thank you, Mr. Osmond.

Captain Wallis, is a master mariner he is to be in charge of the tugs and marine works the shipping of oil products from Come-by-Chance and the ships coming into Come-by-Chance. He is to be in charge of the whole port, he is to be a sort of port manager and marine superintendent. for I believe he is an Englishman by birth. Is that correct? Scottish, well, that is as close as you can get. Thank you.

Mr. Cecil R. Soper, manager of community relations in Come-by-Chance. He is to be the man who is to try to keep the people happy representing the company sort of communications man. Thirty-eight, Newfoundlander, former Town Manager of Clarendville and a member of the International Association of Municipal Clerks and Managers. He is appointed by the Lieutenant Governor. in Council as a member of Local Improvement District of Come-by-Chance. on July 22, 1969. Thank you, Mr. Soper.



MR. SMALLWOOD: on the opposite side of the House are first seven representatives of Procon. Procon are the English Company owned by an American Company, the English Company who are building the Oil Refinery. Mr. William Cripps, Project Manager of Procon Great Britian Incorporated, and he has been in the Refinery Construction Industry for more than twenty years. Thank you, Mr. Cripps.

Mr. John Trett, Senior Project Engineer, Procon (Great Britian). He has spent twenty-two years in process and project engineering. Thank you, Sir.

And finally, two other gentlemen, Mr. Robert Brown, is the vice-president of Jacobs Engineering Company of California. He has had twenty-five years experience in Oil Refineries. He has many engineering administrative and executive position with major oil companies, including nine years at processing and project a new plant startup, management, seven years line supervision of major process units and off-plot facilities, and ten years executive management of total refinery process operations. It sounds like a lot of experience.

He served as General Superintendent of Operations of a major oil company's 110,000 barrels a day Los Angeles Refinery and 55,000 barrels a day San Francisco Refinery and as Manager - Refinery Program for their Eastern Division. In the later function he was responsible for organizing and coordinating the initial planning and analysis for a new 150,000 barrels a day grass-roots refinery. And I have learned in the last day a grass-roots job means, that a job; you start from the ground up, where you build a refinery from the grass-roots up. A grass-roots refinery. Thank you, Mr. Brown.

Mr. George J. Figge, is the chief economist of the Jacobs Engineering Company. The Chief Economist, responsible for preparation of economic evaluations, including project and process studies, acquisition and investment analyses, and profitability reviews of existing operations. To develop methods and techniques to measure and express profitability, sensitivity, and risk. To collect cost and market related information on processes, industries, and geographical areas. And to follow general economic environment, including

~~Mr. Shasheen~~ tariffs, import regulations, tax legislation and interest rates. He was formerly with Rexall Chemical Company and Shell Chemical Company as their Senior Project Evaluator. Thank you, very much, Mr. Figge.

Mr. Speaker, these are the gentlemen whom I have invited to come here today to be questioned by members of the House. I propose to put two or three basic questions having the same rights as any other hon. member of the House, I am a member of the House, and I have a right to put questions and I propose to use my right, as I hope all other hon. members will do. And there are two or three basic questions, I would like to put to Mr. White who is the President of the Company and the man who is putting this whole thing together, this whole project, Mr. Shasheen, being the principle owner and the father of the thing, but Mr. White being his right hand and maybe his left hand men as well, the man who is really putting the whole thing together. I want to ask him, one question which is tormenting many people in Newfoundland, and that is, why it is that a 100,000 barrel oil refinery at Come-by-Chance, 100,000 barrels crude oil today, it is costing so much more money than another 100,000 barrels a day crude oil refinery near the city of Quebec, is costing? There as we know Golden Eagle a company founded by Mr. Shasheen, a company that has built an oil refinery and is operating it, very successfully, at Holyrood. There, that company now is building an Oil Refinery with a 100,000 barrels a day, the same number of barrels. Why is this Oil Refinery in Quebec costing so very much less than the Oil Refinery in Come-by-Chance, this is tormenting a lot of people and we must have an understandable answer to it.

Then we want to ask some other questions, many other questions without the shadow of a doubt, we want this afternoon to know, this afternoon or tonight, and tomorrow and the next day and the day after, as long as the House may wish you gentlemen to be here, and we want to ask you to tell us what progress has been made since this House passed the Act two years ago, this House passed an Act, and what has happened since then? Are you doing the things that were provided for in the Act? Are you living up to the conditions? What progress are you making? How does the Refinery stand today? And when

~~MR. CROSBIE~~ is it going to open? How many people is it going to employ? What wages are you going to pay? Is it going to be profitable? Or is Newfoundland in any danger of being stuck to meet the guarantees that we are giving? We want to ask all these questions and we might start Mr. White, if you will please, and everyone who asks a question will you please remember that there are four microphones two on this side, and two on that side, and if it is necessary for you to move closer to the microphone, than you are, do not hesitate to do so, the House will not mind, in fact if you speak into the microphone, we will like it very much more. Why is the refinery in Come-by-Chance costing so very much more than the one in Quebec?

MR. HOMER WHITE: Mr. Speaker, and hon. gentlemen, this question I think will require a rather lengthy answer, because it is a rather involved and somewhat technical question. But, let me

MR. CROSBIE: Mr. Speaker, ..... what this Refinery is going to cost, we do not know yet, what this one is going to cost. Just very roughly.

April 21, 1970

Tape #549

Page 1

MR. WHITE: I honestly do not feel that this sort of information should be made public at this time. This is a very easy thing for the other competitors in the market to find out just what our costs are. I think that in the press there have been a number of stories of what the cost will be. And I do not feel that we should really make a public announcement at this time.

MR. SMALLWOOD: Mr. White, if you will allow me to interrupt? I am afraid we have to know this. The House and the people of Newfoundland have to know what the Oil Refinery is going to cost, because it is not enough to explain to us why it is costing so much more than the one in Quebec. We have to know how much more it is costing, because the public statement has been made that the Oil Refinery in Quebec is going to cost \$70 million. It is a 100,000 barrel refinery, and some statements have been made about the cost of the one in Come-by-Chance, talk of \$130 million and talk of \$160 million, and talk of other large amounts. We really must know because you see the Newfoundland people and the Newfoundland Government and the Newfoundland credit are tied up in it. So we really must know, and if you will not tell, and I cannot force you. If you will not, I will. I know so you might as well tell because it is going to come out. What is it going to cost the Refinery in Come-by-Chance, and you might, while you are at it, spell out, well you must because I have asked you. Why is it costing so much more than the one in Quebec? What is the difference in these two? And why is one costing seventy or seventy-five, and the other is costing a lot more than that? Would you be frank and tell us? Never mind your boss now.

MR. SPEAKER: Before Mr. White continues his answer which he already started, I should make it clear right at the very beginning so that there will be no misunderstanding later on. That when one of these gentlemen is asked a question, I think he should give his answer uninterrupted. If anybody wishes to have a clarification of his answer, he can ask a supplementary question a little bit later on. But I think in all justice to the people who are answering the questions, they should be asked to answer one question at a time without interruption, and then if there is any point that needs explanation

or clarification it should take the form of a supplementary question. I think that should be agreed right at the very beginning, because otherwise the questioning may get out of control.

MR. WHITE: Mr. Speaker, it seems that we will have to go into the price, or have someone else tell it anyway. The announcement that was made in the press of a contract of £60.3 million sterling is the size of the financing required for this plant. This will be the size of the contract with the Procon people. Now this will convert into Canadian dollars, approximately \$155 million. This covers a lot of things other than just the hardware of the plant. This covers such items as catalyst and chemicals, spare parts and a lot of other necessary things, things that are not normally considered, when you consider just the building cost of the plant. But we do have with these people a contract for a complete refinery. This is not any part of a refinery, but they will build a complete refinery in operating condition, and turn it over to us for the contract parts. So there is no question about the amount of money needed for completion. If their prices go up we do have that type of protection, and Procon have agreed to do this job for us under specifications which have been written and spelled out in very much detail.

To get back to the differences in these refineries. The Refinery that we are building is a quite modern plant, not just a fuels refinery, this is to form the core, the nucleus for a petro-chemical complex. Now you can have various types of Oil Refineries, the same as you can have different automobiles. You can have a very simple automobile, or you can have a bicycle, or you can have a cadillac. We have the same basic type of things in the refining business. The refinery that we are building will contain ten major processing units. These are ten different processes to convert the crude oil into gasoline, jet fuel, heating oils and a very small amount of what we call residual fuel oil, or black oils, the heavy materials burned in power plants for road asphalt and that sort of thing. Now the other refinery that has been referred to to be built in Quebec is also a 100,000 barrel a day plant. It only has four major processing units. It does a very simple job of producing a little gasoline, some jet fuel, some middle



April 21, 1970

Tape #549

Page 3

distillates, and a sizable portion of the yield is the residual fuel which is fairly low-priced material. Now to put it in another way, the product value from our oil refinery will be in the neighbourhood of a dollar a barrel more than the product value from the other refinery. This is a decision that we had to make and in our engineering judgement, our economic judgement, analysis of the markets, we felt that this is the only type of refinery that would be economically viable and would accomplish the purpose that we set out to do, which was just not to build a refinery. Our whole purpose in this thing is to build a petrochemical complex here. If it were just a refinery, we could have possibly gotten by with some simpler units, and that sort of thing.

However, we do have another facet of this refinery that you want to take into consideration. That our plant will be able to use a very wide range of crude oils. We can use heavy crude oils from the Persian Gulf. We can use Kuwait or we can use Venezuelan crude. We can use crude from the Far East or the Middle East, or from the Mediterranean. Now the other plants that do not have all of this more sophisticated processing type of units will be much more limited in the type of crude that they can run and the products they can make from it. Because you have to make salable products, you cannot have anything left over when you refine a barrel of crude. There is just nothing you can do with it if you cannot sell it. You cannot even dump it in the Bay, because I think the Fisheries people and the local residents would not like that. So you have to sell everything you make and therefore, it has to meet certain specifications. The products that we sell will all be low sulphur. We will remove the sulphur from all of our heating oils, gasolines, jet fuels and that sort of thing.

Now to give you a little idea of the product mix from our refinery, and this is the way the refinery talks about it. It is how much steak and how much hamburger you get when you butcher the cow. We say how much gasoline, how much heating oil do we get when we manufacture the fuel from our crude oil. ~~W-549-1~~

2386

~~XXXXXXXXXX~~

We will make approximately thirty-per-cent gasoline from our crude which is a moderate amount of gasoline but if we had a very simple refinery such as some of the others that are built they would only get fifteen, ten, ten-per-cent, fifteen-per-cent gasoline from this same type of crude. We will make a very high yield of jet fuel; we will make about, of the aviation turbo-fuel which is the commercial grade, we will make about twenty-five-per-cent yield on a barrel of crude. Now a part of that gasoline that I have told you can also be jet fuel that is the gasoline type of the military jet fuel. So this leaves about a thirty-per-cent yield of heating oil that we will make and a very small amount of this heavy residual fuel. Now the other people, the other refineries and there are a number of refineries like this, it is not just one, there are several building and being built, that will make maybe ten or fifteen-per-cent gasoline, five to ten-per-cent of kerosene and aviation turbine fuel and maybe twenty-per-cent, twenty-five-per-cent of heating oil. The balance of their production will be residual fuel.

Now these are the reasons why the plant is going to cost more. We can, actually we have reviewed this thing very carefully, we have gone into the cost of all of these plants and we have been able to reconcile our figures against a lot of other figures and we can say very positively that this is about the way the economics works out. Now our economics on a plant of this size is good because we do get a fairly high yield of the more high priced products. This alone repays for the high capital cost and gives us the flexibility and gives us the refinery that we want.

When we go to talk about how much the other people are paying I do not want to do their engineering for them but I feel certain that the announced figure that I have heard around of some \$70. million, Canadian, is only the construction of the refinery. I am sure that there are a lot of other things that are included in our costs that must be included in theirs before we come up with a figure. Also some of these contracts were made fifteen, eighteen months ago. Now knowing that there was some concern and there was some



~~MR. SMALLWOOD:~~

concern on our part on this thing, we have asked the engineering people, who by the way are building both refineries, to give us a little bit of some numbers on this. They told us that there has been an escalation in cost of approximately twenty-per-cent between the time that refinery was bid and priced on and between the time that ours has been done so that you could certainly add this escalation cost on there in addition to the additional cost of the much more sophisticated units.

MR. SMALLWOOD: Before you sit down, you say that the one at Come By Chance will have ten and the one in Quebec will have four, you said units or ten something and four something. Would you explain that, ten what and four what?

MR. WHITE: This is the engineers way of expressing the various operations that we perform on this crude oil and to try to simplify it a little I say every refinery has to have the initial separation stage. That is a unit where you bring the crude oil in, you separate it into a light gasoline component-- some middle distillates and some residues. Then the Quebec Refinery will have at that point a second unit, that is one unit, they will have a second unit which will be quite a small unit but will take a little of the residue fuel and reduce it a paving asphalt which they will sell also.

What I am telling you now is, I am not revealing anything that we have particular access to, this has all been in the trades publication, so it is public knowledge that I am giving you now and honestly this is all I know about that plant is what I have read in the journal. But they do have the crude unit which is one, they have a small vacuum unit as we call a vacuum unit for the preparation of asphalt. Their third unit is what we call a reformer, this takes the raw gasoline component which have a fairly low octane number and are not satisfactory for use in a modern automobile and chemically change that material into a high octane gasoline which can be burned in the car with a certain amount of lead. Now I understand that with the controversy over the lead in gasoline this is even more important that we get the octanes by reforming rather than by adding tetraethyl lead. Now you have either route

~~Page 4112~~

but in order to get this octane you have the reformer which is a process unit and is one of the things that we have in our refinery and they also have one in the Quebec Refinery. Ours is more than twice the size of theirs because we are making more gasoline and we will also have a higher octane capability because our design work came along at about the time the big agitation started for the removal of lead so that we will be further along, we will have more capability for producing a lead free gasoline than the other people.

The fourth unit that these other people have announced is a unit for removal of sulphur from the middle distillate, from the heating oil, so that the oil that you use in your homes, in the stores and buildings like that will have the sulphur removed. Sulphur is a rather odorless compound and when it burns it makes a rather acid gas which is unpleasant and helps to form smog. Now a lot of the municipalities, states and provinces are beginning to limit the amount of sulphur that can be allowed in the fuel. They will have this unit for the removal of sulphur from the middle distillates the same as we will have. Now that is the four units they have.

We have six units in addition to that really that add to our complexity and I am going to refer to a note here for a minute on that because I have just more or less estimated what these units will cost us as a part of our contract, what they have added to the cost of our contract. Now our vacuum unit for the preparation of asphalt or the heavy oils is as I say much larger and we will really have two of these units. That particular unit being much larger, you can almost consider that a second unit, and that will add an additional \$5. million over what the basic plant would require.

Then instead of making asphalt we are adding another unit which we call the viscosity breaker because this asphalt that you get out is a very heavy material, you pour it on the ground and it solidifies, but in order to make that useable as fuel because really there is not enough road work in all of the Maritimes and in Quebec I think to absorb the amount of asphalt that we would make in this refinery. We would make an enormous volume of asphalt

~~XXXXXXXXXX~~

and we will use this unit to convert that into a usable residue fuel oil and that is the product of that unit is the residue fuel that we are selling, some six to eight-per-cent of our total production will be that.

The reformer that we have is two and a half times as large although this breaker, by the way, will add about \$4 million to the cost of this plant. The reformer that we are putting in will add an additional \$4 million dollars.

~~When we reduce all this material to asphalt we get a heavy~~  
oil. It is too heavy to burn as a number two oil or a home heating oil, and yet it is too valuable to sell as a residual fuel. Now in the other plants they just do not take this oil out, and it is sold as a residual fuel. We will put in one of the very modern plants to convert this material. This is called a hydro-cracker. It actually chemically converts this very heavy viscose oil into gasoline, jet fuel and a number two heating oil. This unit is designed to give us a very high yield of jet fuel.

Now I have heard in the past that people have said "oh you cannot make more than eight, nine ten per cent of jet fuel from a barrel of crude oil." Well you cannot if you just distill it, but with one of these hydro-crackers you could really make fifty or sixty per cent into jet fuel if you really wanted to. We are actually making about twenty-five per cent of this material, of the total into jet fuel range material. By the way, this jet fuel is exactly the same thing that some of you know as stove oil or kerosene, that burns in the lamps.

That unit, that "Isolmax Unit " which is the trade name for the hydro-cracker will add \$24 million to the cost of this plant. Now to supply hydrogen for that plant, in the process this material absorbs a lot of hydrogen which is a light gas, and which gives a lot of energy to this lighter fuel oil. We have to produce that hydrogen, we have to make it in the refinery from some of our other materials so that we can use it for this hydro-cracker. Now that plant alone for the production of hydrogen will cost around \$17 million, with all of the off sites, the boiler plant and everything that is required.

These two plants alone are very large, very complex, very advanced units. Of these hydro-crackers I think there are some fifty or sixty that have been built and a lot of them are being built now to make this new low sulfur fuel oil and to make the higher octane gasolines that are required. Some of the Canadian refineries that have had big refineries for a long time are just now getting their hydro-crackers built, because the process has only been commercially proven and in operation on large scale for about six years

I would say. It actually is a very old process, but the engineering techniques and the metallurgy required in this have only been really developed in the last ten years.

Now another plant that we are putting in which we could leave out I guess, if we did not want to recover it, and we did want to go into a little problem on atmospheric pollution is a sulfur recovery plant. Now we are going to spend about \$3.5 to \$4 million to build a plant to recover the sulfur that we have taken out of all these distillates. To give you some idea of how much it is, we will recover about 135 tons a day of sulfur. Now this would normally be sulfur that would be either vented up to a flare and burned or burned in the furnaces, or in the homes in the gasoline. We are putting that plant in to recover the sulfur.

We are not doing that entirely to hold down on pollution while it does help, we also can sell that sulfur at a fairly decent price. We do not make as much money on that plant as we would by putting that same amount of capital into additional oil refining facilities, but we feel that we should put this plant in in the beginning to where it will be making a very minimum of material that would cause pollution and give us problems down the line.

MR. CROSBIE: Can I ask a question before

MR. SMALLWOOD: (J.R.): Will you let me, you have our

MR. MURPHY: Mr. Speaker, I would not like to see this conversation monopolized

MR. SMALLWOOD: It is not going to be monopolized, if we are going to be here for three or four or five days, I said I had some basic questions to ask, and I am still asking that one and the answer is for all. I am asking it but he is answering but I am not the only one getting the answer.

Now I want to ask you this question. What we are discussing is why one refinery is costing more than another and all your answers are dealing with that. The refinery in Quebec will have four things and this one will have ten and you have explained. The area, the space, if you go and look at the one in Quebec when it is finished and the one in Come-by-Chance when it is finished will they look different, will they cover, will one be much bigger than the other? Will one cover more acreage than the other? Will it be

obvious to anyone that this is a far bigger plant?

MR. WHITE: Yes, Sir, I think particularly to an experienced refinery man, he could spot the difference immediately to the lay man, yes he would see a lot more towers, vessels, ladders and that sort of thing around. The tanks will be about the same and really tanks are what take up a lot of the area. The volume of oil to be held will be about the same in the two plants, but the processing units themselves will be, there will be a lot more of them.

For instance, we just roughed through this sort of thing, we will have about three times as many pumps and compressors, we will have more than twice as many towers, these long tall towers, some of them going up 100 to 150 feet and that sort of thing. Yes it would be very obvious that this is a larger more complex refinery to anyone just driving down the road.

MR. SMALLWOOD: Did I understand you to say that we would take 100,000 barrels of crude oil every day of the year. That that oil when you do what you do with it in the Come-by-Chance refinery, that oil will be worth one dollar a barrel more than the same oil in the refinery in Quebec, the Golden Eagle one. One dollar a barrel more you will get for it, you will sell it for one dollar a barrel more that is \$100,000 a day every day for 365 days by having a more complicated and expensive refinery. Did I understand you to say that?

MR. WHITE: Yes, Sir

MR. CROSBIE: Mr. Speaker, I would like to ask several questions at this point to.

Mr. White, you said that the refinery is going to cost \$155 million, or that is your contract with Procon. Does that \$155 million include the financing costs and all cost in connection with the refinery including repaying the interim financing, the \$5 million advanced? Is \$155 million the total cost, including everything?

MR. WHITE: The \$155 million is the total cost yes, Sir.

MR. CROSBIE: Including interim finance?

MR. WHITE: All financial charges including all spare parts, catalysts, chemicals everything yes.



~~everything else.~~

MR. CROSBIE: All costs including duties. The \$155 million is the whole thing interest and everything else. When that is finished they turn over a refinery ready to operate, to use, is that the position?

MR. WHITE: Yes

MR. CROSBIE: What will the gross sales of this refinery be a year? A 100 barrels of crude to take in, what do you estimate the gross sales per year to be of all these products?

MR. WHITE: Well I have told you the volume of products and I think that this type of information is certainly getting into the business field which I do not think should be made as a part of a public statement like this. This is included in the feasibility studies, the contracts which have been reviewed by a number of different people, and the annual sales revenue has been determined from these contracts and from the volumes of sales and prices, and this has all been given to the engineering people who have worked up the feasibilities. It has been shown to the directors of the building company, and the members of the Cabinet. I feel that it is not anything that should be given out because of the competitive nature of this thing. We do not want to tell anyone what our costs are or what our sales prices are.

MR. CROSBIE: Mr. Speaker I am not asking ~~what their sales prices are~~ .....



~~MR. WHITE:~~    what the sale prices are. I am asking what are the anticipated gross sales of the refinery a year? That can tell nobody nothing. It does not tell them what their sale price is or what their costs are. I am only asking what is their anticipated gross annual sales from the refinery a year? Will be it \$100 million or \$150 million? In what area will the gross sales be?

MR. WHITE:    I can state this: that the gross sales in this will be sufficient and the profit will be sufficient to make this venture an economically, viable project.

MR. CROSBIE:    Mr. Speaker, I am not doubting that, but that does not answer the question. What will the gross sales be a year; presumably, of the House? No, not in barrels, in dollar volume. I submit that the question should be answered.

MR. WHITE:    I am not at liberty to give any more detail...

MR. SPEAKER:    If I may interject here, I have to say this: that the nature of this inquiry is such that a person asking a question may answer the question or he may answer it in a way that is not satisfactory, actually, to the person who asked. But, we should not start a debate on whether the answer should be insisted on. I do not think anybody can insist upon an answer. The people of hearing are not witnesses. They are not brought before the House. They are here by invitation to give information, and they will give information; if they say they do not deem it advisable for business or other reasons that the answer cannot be revealed, then, of course, hon. members cannot insist that the question be answered. They can be persistent, but they cannot insist that the question be answered. It may have to be rephrased and put in another form.

MR. NOLAN:    Mr. Speaker, I wonder if I could, just for a matter of correction in answer to a question posed by the hon. member for St. John's West and that was when Mr. White was answering, I believe, he may have mentioned that the total price included the import duties. I would assume

that the import duties would be extra and not involve the \$100 million or \$150 million. I think it is essential that we make that clear so we would not be - what would the import duties be, for example, Sir?

MR. WHITE: This is one of the reasons that we would like to go to the British financing, the import duties were not included in that because they will never be financed by anyone else. However, since we do get the preference, the Commonwealth preference on import duties, a lot of this material is not manufactured in Canada and a lot of it would be duty free anyway. The duties will be a fairly small amount. This would be considerably less than the duties that would be coming in from the other European, you know, the Germans and that sort of thing. I would estimate that the very maximum, the maximum amount that our people have estimated on this, and we have had a consultant in Ottawa, who has looked over our entire list of equipment and has discussed this with the Internal Revenue people there that the very maximum it would be, would be less than \$2 million, and we think we can get it for less than a \$1 million total.

MR. MURPHY: Mr. Speaker, arising out of the answer by Mr. White to the hon. Premier, with reference to the comparison of costs, between Golden Eagle in Quebec and the Come-by-Chance refinery, I just jotted some notes as the gentleman was going through, and possibly he could correct me. At Come-by-Chance our production will be approximately thirty per cent gasoline, as I made it: twenty-five percent jet fuel, thirty per cent heating oil, fifteen per cent residual or I would say, bunker sea - would I be right in this?

MR. WHITE: No, sir, the residual fuel will be in the range of six to eight per cent. The balance of this is plant fuel that we will use up. Material that will be consumed in the operation, and the shrinkage that we get. So that if you are adding up exactly what we had, you should get about ninety-three per cent of the crude. In other words, if we charge a 100,000 barrels a day, we should get about 93,000 barrels a day of product exclusive of our plant

fuel. This is something we consume in the plant. So I hope my figures add up to that amount. Well actually there is about one-per-cent of this will be what we call LPG or propane, which we will sell also. There will be about a 1,000 barrels a day of that. So the numbers I have given, have, of course, been rounded off somewhat, but they should add up to approximately 93,000.

MR. MURPHY: The reason I asked the question, Mr. Speaker, was the fact, and I did not allow for any shrinkage or loss in the processing. I made it up 100 per cent. But in comparing this with the Quebec one and in this day and age, it rather strikes me as being short-sighted on someone's part in Quebec; particularly, whereas I see it now and I have made up 100 per cent again. In Quebec, they are only manufacturing fifteen per cent gasoline, five per cent jet fuel, twenty-five percent heating oil and the balance will be in this residual, and this, of course, explains the reason why our plant costs so much. You know, I am rather doubtful about erecting a plant that its greatest production is purely, almost valueless, <sup>oil</sup> if I am speaking of bunker sea, which perhaps sells for two or three cents a gallon. I think I am right on this and another question arose with this question of sulphur. Would this be commercial sulphur such as: ERCO is importing say from, I think, the Texas area that is bringing it into Come-by-Chance.<sup>?</sup> Would this be the same type of sulphur that could be used in ERCO, in the ERCO plant there?

MR WHITE: On the sulphur question first. Yes the product that we make will be regular, actually we will ship it out as molten sulphur in the liquid form, but it will be a good commercial grade of pure sulphur. The paper mills here use it. The acid plants over in New Brunswick. There are a number of different plants in the area that consume sulphur and we will sell it, of course, locally and take advantage of freight savings.

Now as to the other plant,--I think with the numbers that you have written down, I think, you have done a very good job of analyzing exactly the

same thing that it took us a long time to conclude after a number of case studies. So basically this is the case. There will be a lot of the lower costs oils, the crude oil will cost more for the less complicated plant. I believe that was all your questions.

MR. BURGESS: Mr. White, I am sure the Leader of the Opposition is very comfortable in the knowledge that he can secure a job with your company in the event that he is defeated in an election. In explaining, Sir, the difference in cost, in answer to the Premier's question, wherein he outlined the facts that it was alleged that the operation of Quebec will cost \$70 million and wherein you stated that the refinery here will cost \$155 million and this is explained because of the fact that there are six additional processes in the Come-by-Chance operation.?

Now may be I missed something, when you were explaining the additional processes. I only noted five, but I think you mentioned that there were two units in one place, but you made reference to certain amounts of money that these additional processes were going to cost and you said that for a vacuum unit, \$5 million; for asphalt a usable residual fuel oil, \$4 million; for hydro-cracker, \$24 million; for a hydrogen producer, \$17 million; for a sulphur recovery unit, \$4 million. Now this is all I have noted down, and I think this is the only figures that you quoted actually, and if you add those up it comes to a total of \$54 million, which leaves - the difference between \$70 million and \$155 million as you quoted, is \$85 million and the total of the figures which you quoted in explaining the additional processes was \$54 million; so there is \$29 million which is unexplained. Now did you have any additional information in order to make this clearer?

MR. WHITE: Actually there was one unit that you missed, and that is the additional reformer that was so much larger. There was an additional \$4 million there, so that brings your \$58 up to ..

AN HON. MEMBER: \$54 million.

MR. WHITE: Yes. Now I do not want to stand here and actually calculate all

of the economics and all of the cost for the other people's plant. That is their concern, but as I pointed out, under present day conditions, costs are about twenty per cent higher now than they were then. As far as the number of units are concerned, when I said six units, the sulphur recovery plant that I put in, really is two plants. One is a plant for the scrubbing of the gases. It has to clean up all of the gas and concentrate this gas and then it brings that into a sulphur plant. It has to prepare the feed for the sulphur plant, so that gives you the six additional units that we are talking about. The cost as I estimated is around \$58 million more. You add that to the \$70 million and you get \$128 million. Then if we take another twenty per cent and add it on to that, I think you are getting pretty close to the same numbers that we have, and as I told you before, the \$70 million, there are a lot of things that are not included in that; at least, if they have not been announced that they were included in that job, because they normally are not. The price we got from Procon on this particular job was a little unique in that they have included everything, because we wanted to be <sup>adequate</sup> sure that we had financing, that we did not have to go back to anyone to get anymore money to do this job, so we have told them things that we normally, as the owner's representative would see to it that we got and that we would buy for the owner of the plant. It is up to them to buy it and have it in there; to have our warehouse stocked with spare parts, when we get there; to have the chemical tanks all filled up and ready to go for us; to have the catalyst and all this sort of thing; all of the supplies in the laboratory; even some canned goods in the commissary so that when we go to serve lunch, we will have something there; rags; oil everything.

This will be a complete turn-key plant which is a little unique in that regard. It is not something that has not been done before, but it is something that is not ordinarily done in the regular plant construction.



MR. BURGESS: It is quite a sizable chunk of money. What you are saying in essence is give or take \$25 million on this overall project, and that does not make sense.

MR. WHITE: I do not see where you get \$25 million really, because you add up to a \$128 million if we just add the units together. Then if we add twenty percent on top of that, that will give us another \$25 million, and \$25 million added to \$127 million, comes up to \$152 million, now I think that is pretty close.

MR. WELLS: Mr. Speaker, at this stage we are only talking about generality. I would be more interested, Sir, getting some details on what has happened recently in Europe? And I wonder, if Mr. White or somebody else would advise me the names of the companies, I think I know but I am not certain, so I would like to be certain, the names of the companies that will actually borrow \$155 million, and the amount each will borrow? And as well, Sir, I would like a list of all the agreements that have been signed since January of 68 when the original agreement was signed, particularly those signed recently in Europe. I would like a list of all the agreements that have been signed, and the party that signed them, with some kind of an indication in brief terms of what they provided for. In other words if there is an agreement signed obligating the Government of this Province to \$45 million with somebody, I would like to know about it? And I am sure the people of Newfoundland would. So if it is not Mr. White, it is somebody else can give us the information as to what companies will actually borrow what amount? And from whom? And a list of the agreements that have actually been entered into recently? This is key information, before we can discuss further.

MR. WHITE: In the city of London we are dealing with Kleinwort Benson Limited a commercial banker, in our application the E.C. G.D. we named them as our banker. Now they have the prime responsibility of putting together a syndicate of banks to raise money both in sterling and Euro dollars to support this project. The amount of money they are raising in sterling is £39.1 million. In Euro dollar \$6.9 million, total \$46 million. Both

~~MR. WELLS:~~ sums are being raised with a non-conditional guarantee from E.C.G.D. And additional amount of Euro-dollars is being raised independently by Kleinwort Benson and that number escapes me, it is less than \$30 million,

SOME HON. GENTLEMAN: Roughly 14million.

MR. WHITE: That is correct, roughly 14 million.

MR. WELLS: Dollars or pounds?

MR. WHITE: Euro-dollars. That is right it is Canadian dollars being raised in Euro-dollars.

MR. CROSBIE: The last gentleman, would he just follow it up, Mr. Speaker, you say that the Kleinwort Benson are raising \$46 million, are in Euro dollars. Are these fifteen year bonds? or just what are they arranging and could you tell us what the interest rate is? And whether or not the Newfoundland Government - where is the Newfoundland Government's \$30 million that they are suppose to guarantee, where does that come into the picture?

MR. BROKAW: I will defer that question, and I will answer one of your other ones. The \$39.1 million sterling, is being rasied at five and a-half percent. And Kleinwort Benson is wheeling a syndicate of bankers, the actual banker is putting the money up will be the British Clearing Banks of which there are numbers. The 6.1 million in Euro-dollars to be used for cost incurred in Canada, also guaranteed by E.C. G. D. will carry an interest rate, which is yet to be determined. We are looking at a rate that will be equated to the six month inter Bank rates for Euro-dollars.

MR. WELLS: Inaudible.

MR. BROKAW: Yes.

MR. CROSBIE: Is this long term....

MR. BROKAW: Terms? The terms of the \$39.1 repayment of principal and interest commences in month 36, and is in-equal semi-annual installments with in month 132 from contract awards. The 6.1 million repayment of principal and interest 136, repayment a months 96. The question with respect to the provincial building equity money, I will deferred to others.



MR. WELLS: Sir, in my original, I have further information, but my original question has still not been answered. And may be I did not make it clear enough. What company, Provincial Building Limited, Provincial Refinery, Newfoundland Refinery Limited, Shaheen Natural Resources. Who is borrowing the money? And what are the obligations of the Government of this Province in respect of it, and what amount? And what agreements have actually been entered into, that in any effect this project? A list of them that is what I would like to have if I may.

MR. WHITE: As far as the borrower of the money, of course, this is strickly in accordance with the Act. This will be Provincial Building Company.

MR. WELLS: The entire amount?

MR. WHITE: The entire amount, is the Provincial Building Company. This money will then be paid into Provincial Building for the construction of the plant. As a matter of fact this is not really money paid in this is a credit expansion, we are buying / equipment, we are buying these services on an installment plan. And we start paying 36 months after we sign the contract to build the plant, and we will continue paying it off at the rate that Mr. Brokaw has explained to you. The borrowing will by Provincial Building Company. This is in accordance with the Act.

MR. WELLS: What are the agreements that have been entered into to date? Can you list them and the parties, and just an indication just what each one does?

MR. WHITE: I think in the Act, Newfoundland Refinery Company, Shaheen Natural Resources were required enter into three agreements, with the Building Company, with Provincial Refining Company,

MR. WELLS: I am familiar with the requirements of the Act, as Mr. White probably knows, what I want to know is what were the numerous pages of agreement that the Premier mentioned that he signed and was going into in Europe. What were the actual agreements that were signed, this is what I want to know?

MR. WHITE: Well, I am afraid that I do not quite,

MR. WELLS: What agreements were entered into with Newfoundland Refining Company Limited? What agreements did they enter into? If any?

MR. WHITE: Newfoundland Refining Company, not recently but some time back, has entered into three agreements, as provided in the Act. We have entered into the

~~The~~ one agreement with the Provincial Building Company for the supervision of construction of the refinery. We have entered into a second agreement with the Provincial Refining Company for the management of the Provincial Refining Company Refinery at Come-by-Chance. We have entered into a third agreement a Sales Agency agreement with Provincial Refining Company. These really are the only three agreements that we have entered into with Government Companies at this point.

MR. WELLS: Mr. Speaker, to me much of this is meaningless until we know what the obligations are or what the agreements were. All we are doing is going over the old Act. Before we proceed any further and waste any time, if none of these gentlemen can provide the information, can the Government provide a list of the agreements that were actually entered into?

MR. ROBERTS: Mr. Speaker, if I may. The Government Provincial Buildings which is a Crown Corporation of which I am a director, entered into two agreements in Europe, in London actually the other day. One was with Procon UK Limited, and dealt with the contract to construct the refinery at Come-by-Chance. The second agreement was with Kleinwort Benson and Company, and dealt with the raising of the money. Those are the only two agreements entered into, Sir. They were entered into not by Mr. White or Mr. Shaheen, but by the hon. the Premier, the Minister of Justice, the Minister of Supply and Services, the Minister of Community and Development and myself, in our capacity as directors of the Crown Company.

MR. WELLS: Would the hon. minister also advise us whether or not these agreements are available for our examination?

MR. ROBERTS: Mr. Speaker, the agreements have not been tabled, and at this time we are not able to table them.

MR. WELLS: Can we anticipate that they will be tabled in a few days before -

MR. CROSBIE: On a financial point here, Mr. Speaker. We are told that the size of the contract with Procon is \$135 million and there has been 46 million arranged Euro-dollars with Kleinwort Benson. And another \$14 million is going to be arranged separately - \$14 million which is roughly four or

five million pounds, so that would be about ~~51~~ 51 million. And there would appear to be another nine million that have to be paid Procon that has not been accounted for yet, so where is the other nine or ten million, which would be \$30 million. Now is that the Newfoundland Government guarantee, and where are they going to obtain the money from? Who is lending that money and where does it come from? Can somebody answer that?

MR. SMALLWOOD: Mr. Speaker, the Government under the law are required either to guarantee a second mortgage bond issue for fifteen years, or to see that the money is provided. We are doing that. The Company are doing that. We are not in a position to give any detail on it today. The thing is being done, it is being done by the proper people, the proper financial agents, and it is very much a matter not for tabling at this stage. It would be very wrong. It is in the midst of being done and in the midst of being negotiated in the financial world, and it is no moment to deal with that. The Government are required under the law to guarantee or to find, to guarantee itself or to provide the money, \$30 million second mortgage fifteen years, and this we are doing.

MR. CROSBIE: Mr. Speaker, under Section 5(a) of the agreement, <sup>it is</sup> the obligation of Refining to arrange the Government loan to sell and distribute, on behalf of the Government, bonds or other securities in the amount of \$30 million. The obligation under the agreement is on Refining to arrange then for the Government, within two years of signing of the agreement. If that is underway and you do not want to show us the details, well that is quite acceptable. But it is Refining who have an obligation under the agreement.

MR. SMALLWOOD: We are very familiar with the Act and with that Clause, and we are acting fully in conformity with it.

MR. CROSBIE: Well the answer given by the hon. the Premier did not sound like he was thoroughly familiar with that point. Now, Mr. Speaker, I would like to ask the financial gentleman, he said these funds were guaranteed by E.C.G.D. which the English Export Credit Guarantee Department. Do they guarantee these funds? The people who put up the money or the Procon people are guaranteed by this English agency. If there is any default they will receive their money. Is that the effect of it? And if so does that apply to

April 21, 1970

Tape #554

Page 3

the whole eight years the period of the loan? And do we have to give them any guarantee ourselves? How does it work?

MR. BROKAW: Kleinwort Benson is guaranteed by E.C.G.D. and E.C.G.D. makes the facility available to us as a British supplier, that they actually guarantee the banks and in turn the clearing banks, and for that reason they can loan five and a half percent money. I would like you to ask me your second question again.

MR. CROSBIE: ECGD guarantees to you, to Kleinwort Benson that you will receive repayment of this money, but the Provincial Building Company Limited, presumably will then be indebted to E.C.G.D. if E.C.G.D. had to do anything in connection with the matter. Is that correct?

MR. BROKAW: There will be a guarantee made by Provincial Building to ECGD and to Kleinwort Benson, or guarantee that is satisfactory to E.C.G.D.

MR. CROSBIE: Is there any guarantee requested from the Government other than from this Crown Corporation, from the Government of Newfoundland?

MR. WELLS: I have one further question before we get away from this 5 (a) Mr. Speaker. If I might read the first part of it. It will make it quite clear what it says. Refining, that is Newfoundland Refining Company Limited, hereby covenants and agrees with the Government that (a) within two years from the date of ratification of this agreement Refining shall for the purpose of providing the amount of the Government loan sell and distribute. Now the obligation is on Refining, what I am asking is not what the Government is doing, will Refining be able to discharge their obligation under that clause by the middle of this coming month, which would be two years after ratification of the agreement? Will they be in a position to do that?

MR. WHITE: The answer is to that question is a very simple yes.

MR. WELLS: If I may now ask Mr. Shaheen if he would answer these questions. They are related, so I will ask them both at once. Why was it that Shaheen Natural Resources would not guarantee, would not take responsibility for repayment to the Government of this Province of the \$5 million interim financing advanced under Section (6) of the Bill. They refused to guarantee this. This is supposed to come out of the first \$30 million, but Shaheen Natural Resources

April 21, 1970

Tape #554

Page 4

would not take responsibility. Why was that? And why was it that Shaheen Natural Resources would not take responsibility for the obligation of the Newfoundland Refining Company Limited, which is the company that the Government has entered into the agreement with. But it is a paper company. Why was it. Shaheen Natural Resources would not guarantee their obligation?

MR. SHAHEEN: I understand your question. ~~You are referring to some old history.~~



2407



~~MR. CLARKE:~~

Actually you are referring to some old history. This is not a current matter, it is something that is -

MR. WELLS: It is very important as far as I am concerned.

MR. SHAHEEN: I know that, I am trying to understand the time sequence. Is this something historical to which you refer, Sir?

MR. WELLS: I will clarify it for you. Under the Act that was passed in 1968 Section 6 of which provided for an advance by the Government to the building company of \$5. million, why was it that Shaheen Natural Resources would not guarantee repayment of this amount to the Government if the building company could not do it and a related question, why, in general terms, was it that Shaheen Natural Resources would not guarantee the obligation of Newfoundland Refining Company Limited with whom the Government entered into the agreement, but this was basically a paper company, why would not Shaheen Natural Resources take responsibility for their obligations if necessary?

MR. SHAHEEN: Mr. Speaker, you mean outside the Act?

MR. WELLS: Put in within, it could have been put within the Act but it did not go because Shaheen Natural Resources refused to do it. Now why?

MR. SHAHEEN: Not in the Act, is it? I think we have lived up to the Act.

MR. WELLS: Why was it that Shaheen Natural Resources would not go along with it?

MR. SHAHEEN: Sir, we have lived up to the Act. Are you asking me why we did not do something that is not called for in the Act? And I am only really trying to understand the sense of the question, Sir.

MR. WELLS: Abundantly clear.

MR. SPEAKER (NOEL): We have to have some terms of reference here. The terms of reference that we have are to take the thing forward as it were, the progress achieved since the passage of the Act, in other words what is the status of the project and the economic viability of the project and I really do not see how negotiations leading up to the Act or to the agreement that is incorporated in the Act are material at this stage?

MR. WELLS: Well I will put the question this way, Mr. Speaker. I agree I will not go beyond as Your Honour has directed. Will Shaheen Natural Resources now

~~MR. WELLS:~~

guarantee the obligation of Newfoundland Refining and execute such a guarantee in favour of the Government.

MR. SHAHEEN: I understand that question very clearly and I think that our answer would be one to be made directly to the Government with whom we are negotiating. If the Government puts a question like that to us we will treat with it at that time, Sir.

MR. WELLS: But you refuse to answer the question.

MR. SHAHEEN: I have answered the question directly. Our negotiations are with the Government under Law 86, Sir.

MR. CROSBIE: On other financial matters under the agreement that was entered into, Section 5 (h) has stated, yes Section 5(h), it was stated that there would, well, first under Section 5 (c) - Refining, that is Newfoundland Refining has to have assets of \$10. million which can be converted into cash in advance to the oil refinery as working capital. I would like to ask Mr. Shaheen has this been provided? That is the first part of my question and I can come back to the second part. The other thing I was going to ask, you can remember this with your agile mind, I am sure. Under Section 5 (h) it was contemplated that there is going to be an aida grant of \$5. million and if the \$5. million was not forthcoming from the Area Development Authority of the Government of Canada you were obliged to find that \$5. million, what is the position on that \$5. million also?

MR. SHAHEEN: The answer to the first question, Sir, is that we have arranged and provided and satisfied the Government about the \$10. million cash, we have so done. Number two, Sir, I do not think there is any aida grant available to this Crown Corporation and we have arranged the additional \$5. million exactly in accordance to the Act under 5 (h), Sir, we have so done.

MR. WELLS: Is that included in the \$155. million?

MR. BARBOUR: Sir, may I ask Mr. White the following question? When your refinery is complete could you tell the House how many people will be employed and how many during construction period and how long will it take to complete the project at Come By Chance? Why I am interested in this is because I represent a district

~~MR. BARBOUR:~~

where there are a lot of people who will no doubt find work at this.

MR. SPEAKER (NOEL): Order please. I do not think we can get into a speech on this thing.

MR. BARBOUR: I just want to qualify my question. May I proceed?

MR. SPEAKER (NOEL): Ask your question.

MR. BARBOUR: The question is how many people will be hired after the refinery is built? May I also add, after the wharf has been built, and how long it will take and how many people will be working in these projects and other complexes after all the complexes are completed?

MR. WHITE: In the refinery itself during the construction period we look at a work force of approximately 2,000 men. Now this will cover everything from the labourers to the welders, all the craftsmen, the engineers and this will be employed both by the prime contractor, by sub-contractors and others working in the area.

MR. BARBOUR: Not the wharf?

MR. WHITE: No, Sir. This is for the refinery. The wharf I understand will have at a peak around 450 people working on that and after the plant is in operation the refinery itself with all of the ancillary services that will be required will hire 125 people. Now this will include the operating people in the refinery, the people working around the docks, the people on the tug boats and that sort of thing.

As the complex develops further into a petro-chemical operation there will be a much higher number of men employed but I think that we could look forward over a long period of time to a very sizeable work force, however in the beginning 425 at the refinery.

MR. NEARY: I wonder if the prospective manager of the refinery, I think it is Mr. Severs, just to take the heat off Mr. White there for a second, I wonder if he could tell us if the top management and the middle management rolls will be filled by Newfoundlanders and if he does not think it would be a good idea if they are going to be filled by Newfoundlanders to send Newfoundlanders elsewhere now to get on the job training to help guide the management of the new plant and

~~MR. HEARY:~~

as I come in contact daily, Mr. Speaker, with people who because of their lack of skills are forced to apply from time to time for social assistance, has the company any plans for defining in advance the type of skills that may be required for the rank and file worker and are any steps being taken to provide these people with the training in skills and attitudes that will make them suitable workers and perhaps when Mr. Severs is answering this question he could also indicate what wages will be paid to workers in the refinery?

MR. SEVERS: Mr. Speaker, your question of course is quite complex. First of all as to the matter of top management I assume you mean management in Newfoundland. Our current plans are to staff the total refinery in Newfoundland with all Canadian force if possible.

MR. SMALLWOOD: All Canadian or all Newfoundland?

MR. SEVERS: All Newfoundland, if possible. All Canadian second if it is not possible to start with all Newfoundlanders. Only if we cannot find qualified Newfoundlanders will we go outside Newfoundland. As for the operating personnel, these we anticipate will be, the vast majority will be Newfoundlanders trained here. We have had some discussions through General Lessing with the education officials here who have assured us of their corporation in setting up whatever training courses are required. The operating personnel, of course, will not be required until two to four months prior to start up of the refinery. So we do have some time at our disposal yet. As for the wage and salary scale, all I can say is that we will pay competitive wages.

MR. SMALLWOOD: Yes, but you can say more than that. What will they want, roughly, what will they average for the 425 men, what will they average in a year?

MR. WHITE: I wonder if I could help Mr. Severs out on that because we have been working with the economics of this plant fairly closely. The average wage for all of the workers, this does not necessarily mean any particular one, but the average for all of them in this plant would be approximately \$8,000. to \$8,500. per year. Now that is a pretty good wage right now. You will have to remember that some of these people are highly skilled technical people, the graduate engineers and that sort of thing. However, even the plant operators will make a good rate of pay as you can see from this wage scale.

The oil refining industry does have a good wage rate, and I think you can just look out at the Holyrood refinery and get a pretty good comparison. However, this is something that we are going to have to arrive at with, as we go along and develop the exact hourly rate for each person, or the monthly rate depending on their scale. To amplify a little what Mr. Severs said on the staffing of this plant with Newfoundlanders primarily, a few of our people will have to have years of experience and this is the only way we can entrust millions and millions of dollars of plant to these people. Of course, we have to get the best qualified people we can in our top management, and we will make every effort to train the Newfoundland people.

Now this is not necessarily anything unusual on our part we always try to do this because, we have found that the best people, the best workers that we get are the people who live in the community. The people who are not someone who has just come in to get a good paying job for six or eight months, earn some money and then go home. We do not want that kind of worker in the plant. It takes us a long time to train them, and it takes a long time to get them to where they are really the kind of people we can trust with this complex, highly technical plant. We make every effort to have steady employment, to keep people on for a long time. I think <sup>if</sup> you will look at the history of this type of process plant you will see what I mean. It is nothing like the seasonal employment that you get in some industries.

HON. J.A. NOLAN (Minister of Supply): I would like ask a question of Mr. White please, in two parts: (1) I realize there are a lot of technical questions and



financial ones here today, but there is one very basic one that I think most people in Newfoundland would be interested in, or a lot of them, one is, when do you anticipate actual start of construction on the refinery, and the second question I would like to ask is, that since we have had an indication that the wharf will be built by the Federal Government at a possible cost of \$16 million or maybe \$18 million, and since there have been some questions raised as to the viability of the refinery, did the Federal Government ask for and get a close study of all that is required to make this refinery go, and did they arrive at a decision that it was a viable proposition before committing themselves to \$16 million or \$18 million for the wharf?

MR. WHITE: Yes, Mr. Speaker, the first question concerned the time that we would be in a position to start some actual construction work on the site. Well in the past, some work has gone on, a sizable amount of work has been accomplished there already. A lot of the engineering work has been done. In our review here we will get a much clearer answer in the next few weeks because, the Procon project manager and their field people are here, there will be more of them here to see just exactly where they stand and to be ready to call for tenders for some of the local work. We expect actual work to start on the site within a period of a few weeks.

Now we certainly will have to move fast to try to get all of our work done that we can during the good dry season that we can anticipate this summer.

MR. SMALLWOOD (J.R.): How long will it take from the time you start until you begin refining oil?

MR. WHITE: There again we will have to see what the delivery schedules out of England are on certain vessels and sort of thing. We have a tentative target of, we would really like to see an eighteen month period between the time we plan the contract and get it in operation. I think that the critical materials will delay us longer than that, so in order to be conservative we think twenty-four months is from the time of the contract, is a good time period for us to shoot at, to be sure.

Now the dock itself will require approximately this same twenty-



four months of time to get it in. I think that some of the marine engineers have estimated that they could probably do it in about nineteen months, but you have to be sure and pick the right months when you work in that deep water because we will be in water one hundred feet deep.

MR. CROSBIE: What is the rate Mr. White on the dock? The Federal Government apparently is going to construct this dock, can you tell us what it is supposed to cost, and whether you are going to pay for it over a period of time by user charges, or just exactly what is the arrangement?

MR. NOLAN: Mr. Speaker, I wonder if Mr. White could answer the second part of my question.

MR. SPEAKER (JOEL): Order please, I think you might just as well answer the question from the hon. member from St. John's West and then revert to answer the hon. Minister of Supply.

MR. WHITE: As far as the assurances on the dock, this is something that is handled between the governments, and we would not be free to comment on the actual arrangement between the two Governments. However, we have provided in our economics that the dock will be a cost of around \$16 million. This was done by some of the engineering companies, we have had a number of companies review the engineering plans and specifications for this dock, we have had about six proposals given to us for this construction, and under these specifications it looks like a cost of approximately \$16 million, and about nineteen months of construction time will be required.

Therefore in the economics and the planning that we have done for projecting the profitability of this plant, we have assumed the cost to be \$16 million, and we have assumed that the Federal Government through one arrangement or another would require that we repay this capital that we return this money to them over a period of time. Therefore, we have provided in our economics an annual or semi annual payment to the Government which will amortize the total cost of this dock plus the interest, carrying charges and the whole thing over a period of twenty-five years.

MR. SMALLWOOD:(J.R.): Mr. Speaker, I would like to set Mr. White straight and the answer he gave is perfectly truthful and honest so far as he is concerned

but he is wrong. It is not between two Governments unless you can say, if one Government asks another Government to do it, and the other Government does it, then that is between two Governments. The only thing the Newfoundland Government had to do with that great wharf in Come-by-Chance is to ask the Canadian Government to do it and they have said "yes." We have used our best efforts as we are required to do, and they were successful. We did get Ottawa to build the wharf. But, they are building it at their expense and they will collect from you, not from us.

MR.CROSBIE: Are you required to pay the Government of Canada five per cent of your gross profits every year until the wharf is repaid. As Mr. Arthur Laing has been quoted in the paper as saying.

MR.WHITE: I can say no we are not required to pay the Government of Canada or anyone else five per cent of this, for the use of this dock. As I have told you the usage that we have tentatively planned and we expect, we have reason to believe this is the way it will be because we have discussed it, with several of the cabinet ministers in Ottawa that they would allow this dock to be repaid over a period of twenty-five years. As long as , to a users charge or some type of charge the details of this are still under negotiation we are not completely settled except that we do have it set.

MR.J.NOLAN: I could repeat the second part of my question again. In view of the fact that the Federal Government have agreed to build the wharf at a cost of sixteen or eighteen million dollars or whatever it is. Was it necessary for you to satisfy the Federal Government of the total viability of the plant at Come by Chance and if you were, were you successful in doing so to their satisfaction?

MR.WHITE: Yes, we met with members of the Federal Government in fact with the Department of DREB (Department of Regional Economic Expansion) and have discussed this on a number of occasions. They required that we show them evidence that we were capable of financing this project. That we were capable of procuring the crude, buying the crude, selling the products and all of this. They actually went through the agreement much the same as we have gone through it with others and we have established the viability of this project, we have allowed them to review our sales contracts in with their economics department there was two gentlemen there who went over all our sales contracts, our crude contracts, the whole thing, They reviewed all of our financing arrangements and they reviewed our cash projections. They prepared numbers on their own and have reviewed these. I have not seen any report that they have written that says it is good or bad. We have been assured by a news release that was put out recently that the Federal Government is in fact going to do it so I think we can , from that we can draw the inference that the review that

they performed was successful. And I might add, Mr. Nolan, that the Federal Cabinet Minister in Ottawa were not the only people who have looked at this. The people in England, the ECGD economists and underwriters have spent a lot of time reviewing this same thing, going over all of our contracts, going over all our plans, our specification yields and all of that, and they have arrived at this conclusion. This was also done by the European financing people, Hermes in Germany, Poface in Italy and \_\_\_\_\_ in France, the Control Bank in Austria, the Swiss Bank, they have all reviewed this thing and have all agreed to the financing.

So I think that we can say that our economics and our contracts have been reviewed by a number of different people, and they have all, apparently, given them a clean bill of health, because they have all agreed to enter into the financing on the basis of what we have given them.

MR.WELLS: Mr. Speaker, can I ask Mr. White if he would tell us what if anything Newfoundland Refining Company did since February 23, of this year to alter the opinion earlier expressed by Mr. Arthur Laing, the Federal Minister of Public Works when he indicated on, at least he was reported as indicating on February 23, that to qualify for federal assistance in any deal of this kind that it must be proved that the operation is economically viable and that there is real earnestness on the part of the developer, now those are basically Mr. Laing's words and he said that Mr. Shaheen's relatively small investment did not indicate that this was present. What if anything did Newfoundland Refining Company do to alter Mr. Laing's opinion since February 23, 1970?

MR.SMALLWOOD: Mr. Speaker, the relations between, the relations with the Government of Canada were between the Newfoundland Government and the Government of Canada and they were conducted mainly by me on our side and Mr. Jamieson on the Canadian Government side and Mr. White would not know anything in the world, wide world except second hand about that.

MR.WELLS: Mr. Speaker, my question was what if anything did Newfoundland Refining Company do and that is the company with which Mr. White is President of I believe. What if anything did that company do to alter the opinion earlier expressed by Mr. Laing after February 23, 1970?

MR.WHITE: I have never met Mr. Laing and I have never met with him. I met with Mr. Jamieson and members from the department of DREE and economics department and Mr. Marchand. As far as any statement I have heard that Mr.

Laing had made some statements that they had not completed their review at that time and as a matter of fact in February they had not completed their review of the contracts and the review of the whole thing we were right in the middle of this review at that time. I do not know that he ever changed his mind, I do not think his mind was ever made up. I do not think the mind of any of the ministers was made up until they had a final review. I do not see how they could until a report had been made to them by their Deputy Ministers.

MR. WELLS: I can take it then that Newfoundland Refining did nothing between February 23rd 1970, and now to alter the ministers opinion. The minister has not denied these statements and he has been quite clearly quoted in the newspapers as refusing the project. What I want to know, his statement was this is on February 2, his statement was that the companies financial involvement will have to be several times what it is in the original proposal and that the company would have to reapply, their present application was turned down, now what I want to know is what if anything are Newfoundland Refining or Shaheen Natural Resources did between those dates, between early February and now. Can I conclude they did nothing and that it is still going ahead anyhow?

MR. WHITE: We were never notified, we were never advised that anything was ever turned down. I cannot say that we did nothing, we worked with the economists, we worked with the people answered the questions that they posed to us, and allowed our case to rest at that point. However, I can say that Newfoundland Refining nor no one in Newfoundland Refining nor anyone in Shaheen Natural Resources ever had any contact with this gentleman. All of our contacts were with Mr. Marchand and with Mr. Jamieson.

MR. WELLS: Thank you Mr. Speaker, and I thank the hon. gentleman. These statements made or attributed to Mr. Laing have given rise to some very grave doubts not only in my mind but in the minds of a lot of people and I would ask Mr. Shaheen if he would tell the members of the House exactly what equity he has in the project and advise us on the matter that he mentioned earlier we did not get a full answer to, he was not asked a full answer but a supplementary question on that. The five million dollars that was in lieu



of the ADA grant is that included in the \$155 million? Is that included and what equity does Shaheen Natural Resources have in this project?

MR.SHAHEEN: Mr. Speaker, I think there are two questions. The five million is included in the one fifty-five Sir, and the equity that Shaheen Natural Resources has in it will be in exactly in conformance with the Act. The contract which was later enacted into legislation by this body Sir, Law 86 as we call it.

MR.WELLS: Would Mr. Shaheen mind telling the members of the House in dollars the public of this Province are putting up \$155 million or borrowing, -in dollars? what is the equity of Shaheen Natural Resources in dollars in this project?

MR.SHAHEEN: Exactly what is called for in Law 86 which is

MR.SPEAKER: Order please, order please, we are not having an argument we are just asking questions and asking for information.

MR.SHAHEEN: Exactly in accordance with the Law 86 Sir,

MR.CROSBIE: Mr. Speaker, on the same point.

MR.MURPHY: Mr. Speaker, these are a few questions I would like to put forward regard to the feasibility study. I think some of the answers may be apparent I think it would be nice to get them on the record, and to find out just what the actual situation is. Did the Universal Oil Products Limited carry out a feasibility study for Shaheen Natural Resources for the Come by Chance oil refinery? Has the contract for construction of the refinery been signed with Procon (Great Britain) Limited? Is Procon Limited a subsidiary of Universal Oil Products Limited? What competitive bids were received for the construction of the refinery? From what firms were competitive bids received - possibly that will do for that part and I do not know if anybody would like to answer these questions as I go along, I do not want to rattle them all off and then have someone stand up and we have to go back over them

The first one:

Did Universal Oil Products Limited carry out a feasibility study?



MR. WHITE:    Mr. Speaker, yes, Universal Oil Products. They performed the first feasibility study on this plant sometime ago, and have continuously worked with us as our plans have developed. They have followed this whole thing, and we do have a feasibility study now prepared by Universal Oil Products on the most recent information and based on the firm contracted prices. Yes, sir. The Universal Oil Products Company does have a subsidiary, Procon and Procon G.B. is a part of that family of companies.

MR. MURPHY: The contract and construction - was that put on tender? Were competitive bids asked for on this?

MR. WHITE:    On a project of this size, allow me to explain a little of the practise of the industry, sir. A contract of this size is usually negotiated after it has been discussed and proposals received from various engineering companies. Now it would cost, to prepare just a fairly basic proposal, it would cost an engineering approximately \$100,000 just to prepare that. If they were asked to prepare a proposal on a firm price for a refinery that they would stick to and guarantee the plan, it would be at least \$250,000. Now you cannot go out and expect eight, ten, twelve, twenty engineering companies to all spend this kind of money and give you a good price. They just could not afford to do it. There is too much work involved. So we have selected and negotiated with about seven different engineering and construction firms. We have compared all of the proposals that they have put forward: how they can do this thing; what their relationship is; what their completion dates are and one other thing that is unique, I think, in our industry and that is their relationship with our competitors.

Now they are professional people and all that, but we pick those people that we can trust with our secrets, because they get our inner-most secrets. They get the inner-most workings of the company and our plans, before the plans have really had a chance to be formed up and carried out to where they cannot be frustrated. So we have to be very careful in selecting the engineering construction firms to do this. We have, as I say,

we have negotiated through several stages, through very serious and second stage negotiations with several of these companies. There was only one that I am free to mention, because I do not think that we should go out and tell people, well we talked to all these different people, but we did not give them the job. There was something wrong with them. I do not want to do that, because I am going to have to go back and negotiate with these same people again. I can tell you, though, that in the end the negotiation narrowed down to two competitors and it was a very close negotiation as even some of the gentlemen over here can tell you, the Premier and several of the ministers sat through the final stages of this negotiation and it went right down to the wire. The other group was the European group, a consortium headed by the the Thyssen Mannesmann firm in Germany.

Now the other people, since we did not get that far, there was no publicity on them. I do not feel that I am free to tell you who they were, but I can assure you that we did go through a number of companies with this proposal and talked to them. Others we eliminated either because of their connections with competitors or because of the work load they had or other reasons that were good and sufficient to us.

MR. CROSBIE: They have not been in any detailed plans yet, have they? I mean this is only a <sup>re</sup>proposal. Mr. Speaker, it is on the same topic, and if we are going to skip over ...

MR. MURPHY: I was going to carry on..

MR. SPEAKER: The hon. Leader of the Opposition has the floor to finish his question and then we can come around.

MR. CROSBIE: In connection with the hon. leader's question..

MR. SPEAKER: We will let the hon. Leader of the Opposition ask his question.

AN HON. MEMBER: He does not know what it is.

MR. MURPHY: I am not aware what the hon. member's question is, but I am aware

of what mine is. With reference to this question, MR. Speaker, we are not at the stage where Universal Oil Products did the feasibility study and they consulted with several engineers and then their subsidiary company took the contract. In other words not like tendering for a public building, this is an immense thing, as the gentleman pointed out. But he speaks about plans of \$100,000 so on and so forth and costing - but if you take the percentage of preparation of plans for this great oil refinery which was \$155 million compared to what draft plans are for some smaller thing, you know, you are not too far out.

Of course, the gentleman tells me again that he cannot disclose perhaps various names and what not and I will accept his answer for it, but basically it means that one company carried out the feasibility project. They consulted with a subsidiary company and says; look this here is a job for you, we will get \$155 million for it and now someone else may get \$120 million, but look all right this is it. So basically this is the answer I wanted to get.

Now, with reference to this, there is more questions here that have been passed on; Jacob's Engineering Company.

MR. SMALLWOOD: The hon. Leader of the Opposition would he, before he goes on to Jacobs or anyone else, would he allow this question to be asked? If E.C.G.D. British Government guarantee this money, do they insist that the building must be built, the refinery must be built by an English company?

MR. WHITE: MR. Premier the answer to that is 'yes.' They do require that the plant be built by an English firm or a U.K. firm. It must be someone in the U. K. and I think to go on with the things that you have mentioned, I do not think that U.O.P. exactly went to Procon and said; look fellows here is a job you can have, because as a matter of fact. we had gone pretty far in our negotiations with the Thyssen Mannesmann consortium at the time

that we started talking with Procon seriously about this matter. The engineering was done, the preliminary engineering was done by Universal Oil Products and then this was furnished to the Ralph M. Parsons Company. Now Ralph Parsons did a lot of engineering. These prices are not established on the basis of a few sheets of paper. They are established on the basis of many, many hours of engineering time, of process know-how and of all of the things that go in the making of a plant. This right now - the cost of the engineering work alone on this plant has run about \$1.5 million, to this point, and will be several millions before we are finished with it, because it is a highly engineered plant.

As far as how fair the allowing of the two people to make their prices, they were furnished identical sets of specifications for the refinery, Procon and the Thyssen Mannesmann group were working with exactly the same specifications and were given the same information on the site and all of the things like that. They were even furnished identical copies of the assay of the crude. We tried to work this thing as completely fair as we could, to not let either one have any advantage over the other one, because we wanted to give all the information and get the best price we could out of the people that would give us a good job.

MR. MURPHY: Thankyou very much. I do not know if the hon. gentleman is aware, but calling of tenders is a very tender subject in this Province. I understand there were four bids on the Quebec plant, whether it is right or wrong, possibly that might mean the difference, some of the difference in the cost.

MR. SMALLWOOD: How many bids were there on the Come-by-Chance plant?

MR. MURPHY: Two.

MR. SMALLWOOD: How many bids were there? How many firms were approached?

MR. WHITE: Mr. Speaker, we actually negotiated the building of this plant with six firms, negotiated seriously with six firms and furnished them all

preliminary information. Four of these firms were actually eliminated in the early stages of bidding, before they had really expended too much money for, as I say, good and sufficient reasons. We had a very good relationship with the Snam Progetti people. We had a very good relationship with the Procon people, but as I say, we could not ask five or six people to prepare this type of bid without reimbursing all of them for preparing it, because it just involves too much money and too much time, and they would not have done it. The engineering companies just cannot afford to do this.

Now I do not know very much about what went on with the Golden Eagle plant, but I am sure that they followed very much the same procedure. Mr. Grosse apparently has something to say, so I will...

MR. GROSSE: Procon bid on the Golden Eagle job with one other competitor. It was Snam Progetti in Italy.

~~MR. GROSSE: One other competitor Snam Progetti in Italy.~~

MR. SMALLWOOD: Speak up we cannot hear you.

MR. GROSSE: I said there were two bidders on the Golden Eagle job, Procon and Snam Progetti of Italy.

MR. SMALLWOOD: Two, one from Italy and one from England.

MR. CROSBIE: Were these people bidding? Are all the detailed plants and specifications for the Oil Refinery completed when they bid? And if not a provision in your contract with Procon, that if when they call tenders themselves in various phases, that they can have this done a lot more cheaply. Are you to get any reduction in price then?

MR. WHITE: The engineering plans and specifications are all written for this plant. As I say this is the plant that Procon has bid on, they have given us a firm price, they will deliver us a plan in working conditions already to go for this price. If the people in Procon are able to make some saving, then they will make that much additional profit. If in the meantime inflation runs even faster, and they lose money, well this is one of the risks they have to take in their business. We did have very spirited bidding, then we went right down to the end, and I think we probably got just about every concession we could out of Procon. I know we had gotten our very last concession out of the other people before we made our final decision.

MR. COLLINS: Mr. Speaker, I would like to ask a question to Mr. White. One of these things which is suppose to be selling this Oil Refinery making it worthwhile and get people all enthused about it, is the fact that we are suppose to have a great large, huge petro-chemical industry follows, now Sir, where is the raw material to come from for the petro-chemical? I presume it is coming from the refineries. You have not got much residue left when in the refinery which you propose to build at Come-by-Chance. You have about even per-cent or something?

MR. WHITE: Yes, Mr. Speaker, as I stated before the real object of this is to develop a base for a petro-chemical industry here. Now petro-chemicals come in all sizes, shapes and conditions. From the very lightest of gas to the very heaviest of resins. The feed stock for petro-chemical plant is quite varied, some of the best feed stocks for the plant, are the gasoline compounds and the light hydrate carbons that we will be producing.



MR. WHITE: comes in all sizes, shapes, and conditions. From the very lightest of gas to the very heaviest of resins. The feed stock for petro-chemical plant is quite varied, some of the best feed stocks for the plant, are the gasoline components, and the light hydrate carbons that we will be producing. Now as

MR. WELLS: When you consider residue.

MR. WHITE: Not necessarily, no, Sir. In a technical term residue, what we call residue is the heavy black residual left from the distillation. No this is normally not used in petro-chemical operations. The most common feed for that is the light gas, like the LPG, the propane, naphtha and certain of the gas oils which will be available. Now petro-chemicals are not made in the volumes that fuel products are. Fuel products are sold by the barrel, petro-chemicals are sold by the pound and there is a great difference in price, there is a great difference in the processing that is used to upgrade. Now if four or five percent of the output of a refinery final winds up as a petro-chemical, that is a fairly, highly developed petro-chemical plant. Ten percent is extremely high. I would imagine that world wide now only one or two percent of all our petroleum hydrated carbon reserves go into petro-chemicals. So that really you have to have the refinery to produce the feed stock. Because they are very highly selective you have to go through an awful lot of gasoline to find the specific components that you need for your petro-chemical operation. So you have to have a large refinery to back it up. But you still even with a petro-chemical operation have a large production of fuel. Now this does not mean to say that we are struck at exactly 100,000 barrels from now on. This plant will operate as we begin to need more materials this is the very best thing we could have, it to have to expand this plant. I would love to have this plant in a year, if we had enough petro-chemical products requirements to have to do that. We would be very happy too.

MR. EARLE WINSOR: Mr. Speaker, I would like to ask Mr. White, we understand the ships to be used in transportation of the raw materials will be other than Canadian bottoms, and will be chartered. My question is what will the position be regarding the tug-boats, will they be privately owned, and will

Mr. Winsor; they be manned by Newfoundland crews? Or will they be constructed in Newfoundland?

MR. WHITE: Mr. Speaker, yes the ship transporting the crude oil will probably be of foreign registry because they are in international trade, however the tug-boats will all be Canadian registry, certainly will have to be Canadian built, and certainly could be built right in the Province. I understand we have investigated this, and I think the Marystown Shipyard has the capability of doing it. However,

MR. SMALLWOOD: What size shall those tugs be?

MR. WHITE: The tugs that we need for each ship, according to our marine advisors are 2700 horsepower each. Now this is a pretty large tug, we will require three of these tug to dock the large vessel. We do not intend to own these tugs, we would like to charter them from some operating preferably a Newfoundland company to allow them to have the tugs built and operate them for us, for a fee. In all of our studies we have made provision for chartering these tugs as apart of our marine operation. Our policy along this line has ordinarily been, if we can contracted it up with someone else, we would rather let them do it, because we are in the oil refinery business we are not in the tug operating business. We would rather let some local contractor who is in the shipping business operate the tug, for two reasons; (1) he knows a lot more about it, than we do, and that is his principal business. He puts his full time on it, and not just the odd few minutes that we would be able to give it. He will would have his full time. And the other one is, that it gives us a lot more local identification. It helps us to be in the local scene, and also this fellow has a bigger crew of labour, he has the seamen and all of that, we do not have to worry about a crew. He can spell these off with other people that he has, and gives us a lot more flexibility in keeping a crew.

MR. SMALLWOOD: How many men .....

MR. WHITE: With this operation we are estimating about forty-five men will be required for the tug operation.

MR. SMALLWOOD: What could you use the tugs for?

MR. WHITE: The tugs will be used mainly for docking and undocking the large tankers, because a large tanker in these restricted waters is not very manoeuvrable, cannot make a short turn and that sort of thing. It has always been the practice of the ship operators with big ships to bring them in and work them with tugs and to handle the lines. Now the ships that we will be bringing in are 225,000 250,000 dead weight tons. Now this is an enormous vessel. It is over a thousand feet long. It will be over a hundred and fifty feet wide, have a draft maybe of seventy feet. You can just imagine this sort of thing moving through the water, so you have to have tugs to control it, and you have to have tugs even to take the lines out, because the lines are so big and heavy a launch would sink them, they could not handle them, they would have to be pulled out and handled with a tug, so that there is a lot of this kind of work. Additionally there will probably be some local shipping in barges and that sort of thing, that we can utilize the tugs for when they are not actually engaged in docking and undocking the ships.

MR. H. COLLINS: Mr. Speaker, before Mr. White takes his seat, maybe he could explain to the members of the House just what the precautions have been taken in terms of an accident by the pier, oil going into the water, and what precautions have been taken in terms of pollution and the land surrounding the plant?

MR. WHITE: Mr. Speaker, this alone is a question that we could spend a lot of time on. I think it is a very very valuable thing. We have to look at it. And let us start with the statement that whenever you handle oil or water or anything else, there is always the possibility you will get it spilled. There is always the human element that comes into this thing. I do not care how well you design anything. We cannot guarantee absolutely that there will never be a drop of oil on the bay. To do this would be silly. We could not do it. However, we can design, to minimize this sort of thing, to try to avoid this type of accident. The ships themselves of course are

coming in to a fairly open Bay. We have had the marine people. We have had the Canadian hydrographic service look this bay over. We have checked the approaches. We have checked the radar returns from the cliffs. We checked all this sort of thing. Captain Wallis has spent a lot of time on this, and feels that there is a safe approach to the harbour, that the ships will be able to come up even in heavy fog and wind and in perfect safety, right up to a safe anchorage. They will only be docked at the dock when weather conditions are reasonably safe, so that the ships will not be in any peril whatsoever, once they clear the Cape St. Mary, I believe it is, where you take your departure. From Cape St. Mary up. The provision for handling, now this would be prudent -

MR. SMALLWOOD: Before you go any further, you come around Cape St. Mary's and you are heading into Come-by-Chance in a 250,000 ton ship with what a million barrels of oil?

MR. WHITE: Closer to 2 million Sir.

MR. SMALLWOOD: Now between Cape St. Mary's and Come-by-Chance, it is all very well to have a nice harbour in Come-by-Chance, but what is there between the harbour and Cape St. Mary's to constitute hazard or danger for that ship.

MR. WHITE: It is a very good, very open channel, quite deep, that the ship can come up with a hundred fathoms of water under her keel right up to the entrance of the bay. There is only two slight course changes required to get the vessel all the way up there. These are not abrupt course changes, and there is sufficient manoeuvring room all the way along. So from the navigation point of view, we have a very good harbour. We have I think a whole lot better than any of the other deep-water harbours in North America. Now I think down at Point Tupper in Nova Scotia, they have to go through a pretty narrow straight there, and it is a pretty hazardous navigation in our opinion to get in there. We have avoided this in Come-by-Chance because of the configuration of the bay. They plan to bring 250 or even 312,000 tonners in there too Sir.

MR. COLLINS: Could you tell us Sir, what precautions have been taken in terms of the possibility of leaks in the tanks on the land surrounding

April 21, 1970

Tape #560

Page 3

the plant?

MR. WHITE: Well let us get the oil at the dock. Let us get the oil into the tanks from the tanker. At the docks, we will not have rubber hoses, which are the old way of doing this, but we will have all metal flexible connections, so that there will be flexible connections all the way from the ship, right on to the dock and through a steel line which has been hydrostatically tested and is certainly adequate for this service and much more than adequate. The pumps on the ship will be manned continuously by the ship's personnel. We will have people right on the dock at all times watching this thing. We will have motor operated valves right at the dock, right in the tank farm, and along the line, and we will have separate communication. We will have a regular telephone system and a separate communication signal as well as instrument indications if there ever is a leak. Now all this does, if there ever is a blow-out of the line or anything like that which is quite remote, but there is always that possibility. There would only be a small volume of oil, only the amount that is in the line could get out, because we do have the motor operated valves. You do not even have to depend on a man to do it, because that takes quite a bit of time. These large valves have to be driven by motors, because they are so large and require a lot of effort to get them closed tight. There will be these valves on the ship itself. It has these valves and right at the dock just beyond the flexible connection we have another one. We will have other valves on the shore, so that at any point along this line, we can shut these valves, if there is any indication of a leak. Now sometimes as you disconnect these flexible connections a little oil will spill out <sup>you have</sup> to unhook the ship. Now there we will provide hands under the connections to catch the oil and we will provide facilities to drain these lines before they are even disconnected into a regular receiving area. Now once the oil is in the tanks, the tanks themselves of course will be built strictly according to standards. In the oil industry we have strict standards for metal for all of our construction, and these tanks will be built in accordance with these specifications, and will be on good firm soil which has been tested.

MR. SMALLWOOD: Are they built on bog? The tanks out there now, are they built on bog?



April 21, 1970

Tape #560

Page 4

MR. WHITE: No Sir, the tanks that are out there right now are built on rock.

MR. SMALLWOOD: Then you took the bog away?

MR. WHITE: Yes Sir, the bog has been removed some time ago. This is a part of the preparation of the cite that we have done. We have removed anywhere from two to seven feet of bog from this whole area, and got it out so that the land has had a chance over the past year to drain real well and is not wet. Now to get on back to the rest of your question, and that is what happens if there is a leak in the tank? What happens then? Our tanks sit up on a hill at an elevation of approximately eighty-five or ninety-five feet above sea-level. And this oil will drain down the hill. Now we have designed this whole area so that there will be diversion dykes. Dykes along the side to divert any flow that might come in, whether it be rain water, or oil leakage from the tank which we probably will never have, but some day if there ever is a problem, the oil will go right down to these dykes and will go into a large empounding base. And they will just flow down to the lowest spot on the property. Now this thing will be sized to this big basin, that is the only place it can go as it flows downhill, it will go right down to the basin. That basin will be sized to hold at least one and two-thirds times the volume of the largest tank in the area. That means that if the whole tank were to fail and drop down, the basin would still be just a little over half full. And we then have ~~pumps that we could~~



MR. WHITE: pumps that we could recover this oil from the basin before it ever got outside the plant. Now in addition to that water will run down and if there is a little oil spilled along the land there because of leakage or somebody drops a bottle, a sample bottle or something the water washed this oil right down into this same impounding basin. We have that equipped with skimmers so so that as the water sits there the oil will float to the top and we can skim it off. We take the water out of the bottom to put it into the bay, because that is just rain water that is run off, but it has had to opportunity to be separated out so that it will never get any oil into the bay, or from that point of view.

Now the rest of the refinery is process units themselves, which are designed with what we call an oily water system because, you do get oil and water mixed up and we bring it in to a complete treating facility and we will treat the water and separate the oil out which we will recover, and then the treated water will go into these impounding basins before it finally runs out into the ocean, so that we have a very elaborate system for recovering and treating water or any possible oil spills that might occur.

MR. CROSBIE: Mr. Speaker, I would ask

MR. COLLINS: Is this Government satisfied that every precaution has been taken and that they are adequate for the purposes?

MR. SMALLWOOD (J.R.): On that may I say that we are not satisfied, no. How can we be? The Government of Canada right now today in Parliament have introduced legislation which as Mr. Hon. Jack Davis says has sharp teeth in it to look after pollution on the water. We for our part will have engineers to examine their plans, and we will call in the university, and we will call in anyone we can find to make sure that on the land, and that is what we are responsible for, on the land that there will be no pollution. But it is 6:00 p.m., and tonight let us discuss pollution, and let everyone ask every thing that he can think of tonight and make sure that we are satisfied in our own minds that everything is being done, and will be done to see that there is no pollution. We can do that tonight after we meet at 8:00 p.m.

MR. CROSBIE: Before we adjourn Mr. Speaker, I would like to make a suggestion Mr. Speaker, that I would suggest that if we follow the agreement here we could get more orderly questions in so that we are not jumping from subject to subject.

We start it out with the beginning of this agreement and go through it. Then we can ask all the questions we want on each different topic as it comes up. The way it is going now, we are jumping from pollution to financing to something else. I suggest that if we did that we would be better off than we are now because, we are jumping all over the map and not getting much I do not think information.

The House at its rising recessed until 8:00 p.m.



PROVINCE OF NEWFOUNDLAND AND LABRADOR

HOUSE OF ASSEMBLY

---

Volume 1

Number 41

4th. Session

34th. General Assembly

---

## VERBATIM REPORT

TUESDAY, APRIL 21, 1970

SPEAKER: THE HONOURABLE GEORGE W. CLARKE

The House Resumed at 8:00 P.M.

SPEAKER: Order!

MR. SMALLWOOD: Mr. Speaker, Before we resume may I in behalf of all hon. members express a word of warm welcome to some twenty-two young ladies who are in the galleries, Girl Guides District #11 in charge of Miss Miller and Mrs. Hawkins. We are very happy that they are, we are very proud to have them as our guest, we hope they will enjoy the meeting here tonight.

In the second place Mr. Speaker, may I say this that as the House is aware the Budget is to be brought down on Thursday afternoon. It is customary though not absolutely essential, but it is customary that before the budget for the new year is brought down, and this budget will be for the year that began April 1st. past. It is customary to bring down Supplementary Supply, to request Supplementary Supply for the year that is past.

Now, Sir, I have Supplementary Supply with me and I have a letter from his Honour the Lieutenant Governor, certainly I do not want to intrude tonight on the proceedings of the House to ask the House tonight to consider Supplementary Supply. And Wednesday is private members day, and we may wish to go on all day tomorrow, and tonight, tomorrow night with this present business. But I do ask the House to do me the favour, I am acting as Minister of Finance in the absence of my colleague, and I ask a favour of being permitted before 3:00 P.M. on Thursday to present Supplementary Supply for the year that is gone. Now I know it is prefunctionary and it is ceremonial, but nevertheless, constitutionally, it is utterably and absolutely necessary. And perhaps my hon. friends across the floor will consider this problem, and assist me to solve it, in a way that will not for one moment that will not reduce the opportunity of hon. members to question these gentlemen who have come from across the Atlantic and as far a way as California to answer questions and bring us up to date on this great Oil Refinery Project.

2434

MR. SMALLWOOD: And thirdly, and finally, may I before we begin in comment on a remark made or suggestions made by my hon. friend, the member for St. John's West, just before 6:00 O'Clock, namely; two years ago, this House passed legislation giving the Government of the Province authority to go ahead with Mr. Shaheen and his organization in the building of a vast Oil Refinery at Come-by-Chance, this Law was passed, it was passed by this House two years ago, it is the Law of the Land today. In that Law it is laid down that certain things must be done before the Refinery can be built. And there are six of these things; and until these six things are done there can be no refinery. And it is imperative, it seems to me, Mr. Speaker, it is absolutely essential that the House be informed on the occasion of their visit here tonight or tomorrow, whenever it is, that the House be informed and through the House the people of Newfoundland be informed as to whether these conditions have been met. And there are six of them, I think, or may be it is seven conditions precedent, things that must be done, and until they are done there will be no refinery. They are (1) That the Mr. Shaheen's organization, let me abbreviate it by calling it the Shaheen organization. (1) The Shaheen Organization must have foreign unbreakable contracts or contracts for the supply of crude oil. You cannot run a refinery without a continuing supply of crude oil. (2) That they must have contracts, take or pay contracts with people, reputable people, reliable people who have money, who if they will say to take the products of the refinery, will pay for them whether they will get them or not, take or pay contracts. Because it is no use getting crude oil in if you cannot sell your products. They must have take or pay contracts for the sale of not less than 60,000 barrels a day out of the 100,000 barrels. They must have take or pay contracts for that. (3) They must put up \$10 million cash as equity for working capital. That is three, I mean the Shaheen people must put up \$10 million. (4) They must get the first mortgage money, and this is the money you know from the British Banks, through E.C.D.G. And the Euro-

MR. SMALLWOOD: dollars they will raise. And (5) they must get the \$30, million which the Newfoundland Government are authorized to guarantee, that is fifteen year bonds, second mortgage, \$30 million, that is five. (6) Is this, if the Canadian Government fail to give the \$5 million ADA money, (Area Development Agency) or from any other source in the Canadian Government, if the Canadian Government fail to put up that \$5 million, Mr. Shaheen and his outfit have to find that \$5 million. That is six. Am I forgetting one? Am I forgetting one, Mr. Shaheen? Is that it, six or is it seven? Oh, yes, a very important one making number seven, that they have to produce a feasibility report to the Government, showing that this whole idea of an Oil Refinery at Come-by-Chance is viable, which is a fancy way to say profitable. That it will pay its way, that it will be profitable enough to be able to pay off all the money it cost to build. These are seven conditions precedent, the things that have to be done first, without these seven conditions being met there will be no Oil Refinery.

Now, Sir, I can say in behalf of my colleagues in the Cabinet, in behalf of the Government of this Province, that six of the seven have been met. The seventh one of the seven has not been met and that is that \$30 million of second mortgage money, for fifteen years bonds, this has not been met. This is the money the Shaheen people are to find and the Newfoundland Government are to guarantee. This condition has not been met. It is being met, we had a conference in my office last week of financial people, from both sides to the Atlantic and it is now presently being met. This is the seventh condition and six of them met, seven have not, but it is presently in course of being met.

Now, if any hon. member on either side of the House wish to ask questions on these matters, it is their right and their privilege to do so. My hon. friend the President of the Council, the Minister of Justice who is a Director of the Crown Corporation, reminds me that I ought perhaps to tell the House, why this seventh condition has not been met. Why the Shaheen people have not floated a bond issue of \$30 million, fifteen years



MR. SMALLWOOD: Years, term second mortgage to be guaranteed by the Newfoundland Government. Why they have not done that? The reason they have not done it is that they were ordered not to do it.

Our financial advisors Aimes and Company who were the managers, the financial managers of our financial syndicate, who handle all our public finance advised us, and we informed Mr. Shaheen and his people that they were not, I repeat, they were not to attempt to sell that \$30 million fifteen year bonds, second mortgage bonds in the United States. They were not, I repeat, they were not to do so in Canada. They were not, and I repeat, they were not permitted to do it in the United Kingdom, and they were not permitted, and I repeat, they were not to be permitted to raise it in Europe. And they not being allowed to raise it on either side of the Atlantic Ocean they were left with Communist China, Hong Kong, the West Indies, Jamaica, South America, Central America, and really practically speaking they were not able to do it when they were barred from doing it by the Government in the places where the money was.

Now Sir, we do not regret that we refused them permission, we do not regret that we said "no you shall not raise it in those markets," we had our own money problems, we had our own needs, our financial needs, we had our own bonds to place for schools and for water and sewage, and for municipal purposes and for roads and all the rest of it, and we did not want Mr. Shaheen muddying the waters. We did not want him going anywhere near the financial markets until our needs were met, and until the market got better. Well the market has got better, and every thing now is going ahead as scheduled, there is no obstacle left and the money is being raised and that \$30 million is now, not exactly in hand, but we have no doubt in the Government of our having it, and of his having it, and our guaranteeing it. All seven conditions will have been met in the course of the next, this is Tuesday, a week, ten days, it is very, very much in hand and I just wanted the House to have that information. It may save some trouble on the part of hon. members in asking questions.

There are seven conditions precedent that must be met by the Shaheen people before the Government will go ahead with the oil refinery. Six of them have been met. I say here now, as Premier of this Province, as Leader of the

Government, surrounded by my colleagues, six of them have been met. The seventh is being met and we have no doubt at all that it will be met completely within a relatively few days.

MR. CROSBIE: Mr. Speaker, I would like to welcome the Girl Guides here tonight also on behalf our group in the House. I hope they enjoy the session.

Mr. Speaker, I want to make our position on Supplementary Supply very clear. The Government can introduce Supplementary Supply any time. Supplementary Supply is the money that the Government spent in the financial year that ended March 31st. 1970, the year that went from April 1st. 1969, to March 31st. 1970, that the Government in excess of the estimates that were approved by this House last year. That is what Supplementary Supply is. We know there were Lieutenant Governor's Warrants for some \$21 million that is a Supplementary Supply. Now the Government can introduce Supplementary Supply in this House any time they wish tonight or tomorrow, but Mr. Speaker, we are not going to agree. Speaking for myself and my colleagues, we are not going to agree to pass the Supplementary Supply without debate on Supplementary Supply, and asking questions on Supplementary Supply, and taking ample time to find out why this additional expenditure was made, for what purposes and for what reasons.

We are by no means going to agree to Supplementary Supply going through in three, or four, or five minutes no matter what the purpose. Because, the Government has had since the House opened at the beginning of February to introduce Supplementary Supply and certainly since the end of March. I would like to make our position on Supplementary Supply quite clear.

MR. SMALLWOOD: Would the hon. gentleman allow me to say that the last thing I suppose on this earth I expected, I do not to die, that would be the last thing, but the second last thing I expected was that the House would be willing to vote us Supplementary Supply for last year without thorough debate. I was not expecting that.

MR. MURPHY: Mr. Speaker, I planned to stand and extend a welcome to the young ladies who are with us this evening, but I did not have their motto quite close to me. I was not prepared before the hon. member stood up. With reference to **2438** the Premier's statement on Supplementary Supply, I can only say that our feelings

have been that plenty of time has been available to introduce Supplementary Supply. We have passed Interim Supply, which perhaps, I do not know if it is usual, but I do not think that it is too often that we pass Interim Supply before we pass Supplementary, and it is sort of putting the cart before the horse. I feel that we would like to have a discussion on Supplementary Supply and just find out for the people of the Province, not for ourselves just where the \$21 million went that was spent over and above the budget last year.

Now when this Supplementary Supply Bill will be discussed I do not know, I do not know if it is mandatory or a rule that it must be passed before the budget is brought down. It is not. Well I suppose there is a long cool spring ahead of us, and a couple of warm months the summer, and a nice fall. I guess we can spend our time at it if it is in the interest of -- No better place could I know of than to be in such congenial company as we have here this evening, very particularly, and Mr. Speaker, as I was saying and perhaps the people did not get my words with the interruption from the other side. There is plenty of time, we will discuss it at some length and then we will decide whether we will overthrow the Government on that measure or let them carry on in their staggering way for another few months.

MR. EARLE: Mr. Speaker, I must apologize for having missed this afternoon's session of the House. I left at five o'clock and drove to see some of my constituents in Burin, and returned at five thirty this afternoon. So if my questions are not as clear as they should be I beg your indulgence.

However, on the hon. Premier's seventh point on the seventh condition precedent, there is one question which I would like to ask for clarification. At the time when as the Premier says we forbade Mr. Shaheen going into the market, it was very clear indeed that we could not have interference with our regular channels of finance, and I remember at the time there were some quite harsh words spoken over that particular matter. But, I am wondering how the condition has changed at the moment. No doubt on Thursday when the budget is brought down we will see that there will be considerable capital required in the coming year, possibly somewhere between \$50 million or \$80 million if the pattern of last year prevails. It would seem to be indicated by the Premier's

remarks that they are working very closely with our financial advisors. I would like to ask the question, does this mean that Mr. Shaheen is now going to our regular sources of money? If so has he got the full approval of our financial advisors, and further if this \$30 million is raised on our guarantee what if any effect will it have on our normal financing for the Province's needs on capital account for the coming year?

MR. SMALLWOOD: Yes Mr. Speaker, I can answer these questions quite readily, by saying in the first place that the floating of this \$30 million, fifteen year bonds, second mortgage is being done by Mr. Shaheen through the Government's own financial agents. With their knowledge, consent, cooperation and close and intimate collaboration. That is how it is being done.

Secondly, because you see Mr. Speaker, we were quite determined from the beginning that we would not permit Mr. Shaheen or anyone else, not only Mr. Shaheen, we would not permit the Municipal Financing Corporation, or the Newfoundland Industrial Development Corporation, or anyone. We would not permit anyone, but anyone to go into the financial markets to raise any money in Newfoundland's name that would have Newfoundland's name connected with it. Even if someone else was raising it if Newfoundland's name was connected with it because Newfoundland was guaranteeing it. We would not permit anyone to do it in the last two years as my hon. friend knows. He was Minister of Finance and he is well aware of the fact of the great care we took not to permit any muddying of the waters. Anyone, Mr. Shaheen could have raised that money twenty times if we had permitted him to do it. It is being done now through the instrumentality of our own Newfoundland Government financial agents. That is the answer to the first part of my hon. friend's question.

The answer to the second part is, that it is being done without in the least, in the slightest interfering with the Governments ordinary and other finance needs. The best evidence of that is the fact that both are being done by the same people. That is to say, this, that Mr. Shaheenis having his part done, his requirement under the Act done by the same people that the Newfoundland Government employs to do its work, so the same people are doing both. They are doing it for Mr. Shaheen and for the Newfoundland Government. What the Newfoundland Government

needs they will do, what Mr. Shaheen needs they will do, the same financial people are doing both, and they naturally are going to it in a way and at a time, and staged in such a fashion as to preserve and protect the Newfoundland credit status in the financial markets.

MR. EARLE: Mr. Speaker, the Premier's statement there needs further clarification because, first of all I assume that Aimes and Company are presently aware of what our current year's capital needs are, and at this stage I believe it must be impossible for Aimes or anyone else to tell what effect the raising of \$30 million or guaranteeing \$30 million will have on our future requirements, because, the bond market may change from day to day, and we do not know when we go into the market now, six months time, eight months time, and ten months time what effect the raising of \$30 million at the present time will have on our future ability to borrow.

MR. SMALLWOOD: Mr. Speaker, I have found for a number of years past, four or five or whatever it is, that the Newfoundland Government have, may very wisely and very safely leave it to our financial agents, a whole chain, a whole assembly of banks and financial houses across Canada, headed by Aimes and Company. Aimes and Company the biggest investment dealers in Canada are only the managers of our financial syndicate. The financial syndicate includes two of Canada's great banks and a number of financial houses across Canada, that is the syndicate, and the head of it, the managers of it are Aimes and Company. We have found over a number of years that they have advised us well, they have served us well, they know the market intimately and we are happy to put ourselves in their hands. In this matter as we have done for a number of years, especially the years during which my hon. friend was the Minister of Finance when he raised scores of millions of dollars as Minister of Finance he had great confidence in Aimes and Company, and the financial syndicate of which they are the managers. Well we have the same confidence.



MR. EARLE: Ames & Co, but I think it should be remembered that one time last year Ames & Co. had to withdraw from the market and I would not like to see that situation develop again.

MR. SMALLWOOD: That was one occasion when we went, they went into the United States for us and having raised some eight or ten million of an issue decided to pull back from the market. That was a time when the American market was so bad the bond market was so bad in the United States that the Province of Nova Scotia came right back altogether without raising a single dollar. And some other province in Canada failed utterly to raise a single dollar and pulled out of the American market and we went straight from America to Germany and we raised it in EURO dollars other provinces followed suit We were the first government in North America, ~~the~~ <sup>first</sup> Canadian province, first American state, first Federal Government, first government of any kind in North America to go to Europe and raise money in Europe. We were then followed by many provinces, by the Government of Canada, and by many American states. But we were the first in North America to do so. and we were very wise and very smart and we had good financial advice. We still have the same financial advisers, the same, the same syndicate, and we feel quite, quite confident with them.

MR. CROSBIE: Mr. Speaker, I would like to ask a question.

MR. SPEAKER: Before we proceed further, may I say this. I humbly suggest that we are now going into a debate on a certain aspect of this thing which is not the prime purpose of our meeting at this particular time. It is a debate which has been engendered, I know and I will be the first to admit that it is somewhat relevant, but I think it is defeating the purpose for which this session has been called here tonight and I wish that hon. members would now proceed to the questions and the answers for which we have been called together.

MR. CROSBIE: Mr. Speaker, I wish to ask a question, and I have been attempting for some time to ask a question of Mr. Shaheen. Mr. Shaheen, we are told this afternoon that the oil refinery complex at Come-by-Chance is going to cost \$155 million. The first part of my question is this: Of that \$155 million are you or any of your companies putting up one cent of that one hundred and fifty million dollars as equity?



MR.SHAHEEN: Mr. Speaker, we are following Law 86 literally, lively to the letters the words in Law 86 are being carried out exactly as our attorney's interpret it and in conformance with the Attorney-Generals interpretations.

MR.CROSBIE: Is it that of the \$155 million that is being arranged for in England that not one cent of that \$155 million is being put up by you yourself or any of your companies?

MR.SHAHEEN: Those are not my observations Sir, I did not say that.

MR.CROSBIE: I am asking you a question, whether or not it is a fact that the \$155 million cost of refinery not one cent of that is being put up by you or any of your companies, that is the question?

MR.SPEAKER: That is a very leading question and that is not need to be answered.

MR.CROSBIE: Mr Shaheen is avoiding answering my questions by saying that he is speaking to the agreement. Many members in this House and certainly the public of Newfoundland do not know all the details of what is in that agreement and I am putting it to him, I am suggesting to him that it is a fact that of the \$155 million not one cent has been put up in equity by him. Now surely he can say either yes or no to that question.

MR.SPEAKER: I will say this on the point of order, that we are in this position that we have questions asked, answers are given, there may be supplementary questions, there may be supplementary questions to the supplementary question but there must not be any questioning of the correctness or the sincerity or otherwise of an answer and the question should not be framed in such a way as to suggest its own answer I also say that.

MR.SMALLWOOD: Mr. Speaker, may I apropos the same question that the hon. gentleman from St. John's West has asked. May I ask Mr. Shaheen this question? The Newfoundland Government are guaranteeing a bond issue of \$30 million, second mortgage fifteen year bond issue, you are putting in ten million dollars equity capital, cash.

MR.CROSBIE: Mr. Speaker, on a point of order, I was asking Mr. Shaheen a question. My point of order is this, Mr. Speaker, I was asking Mr. Shaheen the question. We have just had a point of order on that I am not finished

with my question I have other questions to ask in the same, in the same trend including the point that the Hon. the Premier wants to ask now so I would like to continue with my question to Mr. Shaheen.

MR. SPEAKER: I think I said this afternoon I think we should have one question time that the person to whom the question is directed answer the question then he sits down. Then whoever gets the floor and whoever I recognize answers the next question. I am not going to allow, at least I do not think I should be allowed to have the questions coming from one two or three particular choices when there are forty members in this House who are seeking the Chair. They are seeking to catch the eye of the Chair in order to ask a question. The hon. the Premier asked his question and when he is finished the hon. member for St. John's West may ask his.

MR. SMALLWOOD: Mr. Shaheen, there are three sources of money to build this and run this oil refinery, Ten million cash from you as equity working capital to pay wages and run the plant. Thirty million dollars from the Newfoundland Government Bonds that the Government are floating are guaranteeing. And a hundred odd million dollars of first mortgage money that the British Banks are putting up headed by Kleinwort Benson syndicate of English Banks guaranteed by the British Government. My question to you is this: You submitted your whole project to the British Government all your contracts, your feasibility report, the whole show, the whole deal you submitted to the British Government They agreed to guarantee the first mortgage money, which is the bulk of the money. The Newfoundland Government are not guaranteeing a nickel of it not a single dollar of it. My question to you is this: What caused the British Government ECGD to guarantee to the British banks this large sum of money was it the contracts you had for the supply of your power, crude oil, you had contracts for the supply of the crude oil from a company of which the British Government controls, British Petroleum. British Petroleum was supplying you for ten years with there supply of crude oil, you produced that contract, and then the contract

MR. CROSBIE: On a point of order. This is not a question, this is supplying or attempting to supply information of the House in the guise of a question. If we are going -

MR. SMALLWOOD: To that point of order, Mr. Speaker, I wish to speak to that point of order. This is not an ordinary parliamentary question. If this were three of the clock in the afternoon and a point where hon. members are asking questions and ministers are answering them we would be subject to certain rules. Here we are in Committee of the Whole, let us not forget that our rules here are the rules of Committee of the Whole, which are far more informal and not the formal position that exists when the House opens and we are not in Committee of the Whole. We are in Committee of the Whole and I am putting a case. I am putting a position to Mr. Shaheen and I insist on doing it.

MR. CROSBIE: A point of order, Mr. Speaker, I have just been restricted by Mr. Speaker with respect, it was stated that I was asking a leading question well if we are to be allowed to put any kind of questions we like in this informal session I must insist on my rights to put that question back to Mr. Shaheen.

MR. SPEAKER: The question addressed to any person should have preamble sufficient to make the clarifying, the question itself to make the purpose of it known, I do not think that any hon. member of this House stands in the position where he can frame a question in such a way as to suggest its own answer. I think that there should be sufficient point or sufficient clarification made in the beginning to make his question intelligible and state the purpose for which the question is being asked. But other than that I do not think we should have anything any further.

MR. SMALLWOOD: Mr. Speaker, accepting your ruling of course, completely and absolutely my question is this: With Mr. Shaheen putting up ten million, Newfoundland Government putting up ~~ten~~<sup>thirty</sup> million, that is forty million, of a \$165 million, that is \$155 for the plant and \$10 million for the equity, \$165 million, that is ten million working capital. The difference between forty million and one hundred and sixty-five million is, \$125 million, that \$125 million, that is what I want to ask on what are the British Government guaranteeing the British Banks? That money, is it the contract, that you produced to them or the fact that it is Newfoundland, the fact that it is the

Newfoundland Government that owns the Crown Corporation. What caused the British Government to agree, apart from their desire to get business to get manufacturing business for their industries to promote their economies apart from that what caused the British Government to agree to guarantee this money?

MR.SHAHEEN: Mr. Speaker, it is the sound and economic of the project as reviewed and approved by the ECGD and prior to that by the other Continental Government Credit Agencies who also over a period of the last year and a half have reviewed the project, studied all the documents and ran through the seven basic points which you Sir spelled out a few minutes ago. And each of the approvals, was conditional they were not one single unconditional approval. Each approval was conditional and made it mandatory that we comply with those seven requirements . I think listed under five and Law 86, Sir.

MR.CROSBIE: Mr. Speaker, in connection with this \$165 million of which the Premier says you are to put up \$10 million in equity. My first question is this: Is not the \$10 million that you are putting in being put in under as subordinated debentures with interest charged thereon which you will be repaid by the project if the project is successful? That is the first part of my question. The second part of my question is this: Under your sales agency agreement between you and the Crown Corporation that is going to operate the plant are you not to get 5.1 per cent each year of the amount of gross sales of the operating company and will not that mean that your ten million dollar you will have back again within one to two years at the most, or perhaps you could tell us ~~what~~

April 21st., 1970      Tape no. 565      Page 1

what is anticipated 5.1 per cent of the gross sales per year would amount to.

MR. SHAHEEN: In answer to the third question, that was covered by Mr. White, sir. We are doing exactly what Law 86 calls for which is putting up \$10 million in cash fully subordinated, full subordination, sir, which means that is underneath the first mortgage, underneath the second mortgage. It is fully subordinated and has all of the characteristics which satisfied the first mortgage lenders, the second mortgage lenders, the people who are putting up the real money, not talk money, real money, sir.

MR. CROSBIE: Subordinated debentures, does that not mean, Mr. Shaheen that this is an interest bearing loan. to this complex which you are to be repaid unless there is a default under the project and if that is so, can you properly describe it as equity?

MR. SHAHEEN: I can properly describe it as equity because those gentlemen who wrote this law, wrote in the section, sir, that this fully subordinated debenture so called shall have: "such rate of interest and such other terms and conditions as shall be satisfactory to the Government." We do not know if we are getting one per cent interest, a half of one per cent of interest, a tenth of one per cent of interest. We do not know what the terms and conditions are on this, and we have made no effort to make that determination, because we have considered it as equity. We have approached it in that manner, because the law is deliberately written and it was written by the lawyers who prepared this document, sir.

MR. CROSBIE: Mr. Speaker, the second part of my question is not answered yet, that Mr. Shaheen advises what the gross sales of the refinery are likely to be per year and, therefore, what 5.1 per cent of the gross is likely to mean in the return to him per year under that clause of the agreement. Would not that be somewhere around \$10 million per year?

MR. SHAHEEN: It would not, and I do not wish to amplify it any further than that, because Mr. White laid down the policy on that this afternoon. Thank you, sir.



MR. CROSBIE: You are not going to answer that question, is that the policy?

MR. SHAHEEN: We are not going to give out any commercial information about sales, sir, except to the Government and those people with whom we have been directly dealing, the British Government, the continentals, who now are not in it and the Canadian Federal Government, sir.

MR. CROSBIE: Newfoundland, should not they know what...

MR. SHAHEEN: I assume that a constituted government have their representative of whom we dealt with

MR. WELLS: Mr. Speaker, this is further to this point. Before I present my question, I would remind Mr. Shaheen that of the \$155 million that this project is going to cost to put there, of that \$155 million, \$155 million will be borrowed by the people of this Province; \$30 million of it borrowed by means of a Government guarantee; the remaining \$125 million being borrowed by Provincial Building Ltd., a crown corporation, the shares of which are held in Her Majesty's name, in the right of this Province, and that is the people of this Province. We are putting up the entire \$155 million with no return. Now, sir, will you kindly tell us just so that we will know whether or not we can expect that there will be sufficient sales to repay that? And so that we can judge whether or not those sales will be sufficient as it is our duty to do, so that we can judge that, will you kindly tell us how much those sales will be per year? It is our money, all \$155 million.

MR. SHAHEEN: Mr. Speaker, Mr. White answered that question this afternoon, twice in two different forms. I think a review of the questions and answers this afternoon will show that Mr. White had that question very clearly put to him and he very clearly answered it, sir.

MR. MURPHY: Mr. Speaker, a question, just a little bit different from what we have been pursuing and I think I will refer to Mr. Inkster, who I think is



the engineer, the site engineer.

This is a question addressed to Mr. Inkster with reference to work on site at Come-by-Chance. What work is being performed to date? The value of that work? Who did the work? Were tenders called for the work that is being done to date?

MR. INKSTER: Mr. Speaker, there has been work performed on site. All to my knowledge has gone out on tender basis, as far as the refinery is concerned. The value of the work, I do not have the exact figures, but I would say it is in the category of \$3 million for the refinery. There have been in the neighbourhood of one dozen contractors on site, on the refinery project. This includes the contractors involved with the wharf. There have been two separate contractors involved in soil investigations. There have been two separate contractors involved in site preparations that is: earth work, bog removal, rock excavation; tankering foundations. There has been one contractor involved in the construction and erection of two - 600,000 barrel tanks. There has been a contractor involved in x-raying and testing of these tanks. We have engaged a contractor on our behalf to check the contractors welding inspection team. Our fellow had the final approval.

On the wharf, we have had the Canadian Government Hydrographic Ship, the C.S.S. Maxwell, on site for approximately eight weeks doing a complete hydrographic study of Come-by-Chance Bay. We have had Huntec from Toronto doing a seismic survey which involved sub-bottom profiles. In other words, they were finding the depth of over-burden and bedrock. We have had Racey MacCallum involved in a core-boring program on the wharf, which they drilled seven holes and got the engineering data necessary for the design of the wharf superstructure and substructure. We have had a local company engaged in the catering for the camp during the tank construction. We have had temporary power lines run in again with local

contractors, and I would say that the value of this work without actually adding it all up, I would say is in the range of \$ 3 million.

On the refinery? Well this is the question, I think, was asked what we had spent on site, and that is what I have been involved in. I think there has been a considerable amount spent off-site. This is in feasibility studies, engineering designs, etc. I do not know if there are any other questions, which .....

MR. EARLE: In connection with the bridge financing which I presume provides most of this money which is being spent on the site and over which two of my former colleagues left the Cabinet. While I was Minister of Finance, there was an audit instituted in New York to try to determine how much money was spent. I would not approve any of these Bills, because in my knowledge they were not detailed enough, and they insisted on an audit. Now up to the time that I resigned as Minister of Finance, that audit had not come in. I wish to ask Mr. Shaheen, has that audit been completed and is the Auditors' Report available to this House?

MR. SHAHEEN: Mr. Speaker, this is a matter between the auditors and the Government, and I do not wish to add any further comment except that we co-operated with the auditors and I believe they were quite happy with the report. We do not have the report. I think that is a matter between the auditors and the Government.

MR. CALLAHAN: Mr. Speaker, I have been trying to get on my feet since about 4:30 this afternoon. May be I am on your Honour's blind side, but I would like to have an opportunity.

MR. SPEAKER: The hon. member for Gander has the floor. I am sorry that I did not recognize the hon. member.

MR. COLLINS: Mr. Speaker, we are to believe what is being said here this afternoon and tonight, evidently, this refinery at Come-by-Chance is supposed to be a really big thing. Probably one of the biggest things that has

hit Newfoundland for sometime.

I am not sure it is right, but this is the impression which has been left. I would like to ask Mr. Shaheen that when the refinery has been in operation for six or seven or eight or ten years whatever it might be, and all of the debts are paid off, what does Mr. Shaheen pay to obtain ownership of that refinery?

MR. SHAHEEN: Mr. Speaker, I do not recall - I am not avoiding questions, sir. I do not avoid direct questions. I do not know of any seven or eight year cut-off point, but I think the Act has detailed and is full of legalistic stuff, but I think it does cover all the contingencies of what happens upon transfer, sir.

MR. COLLINS: I do not want to put words in Mr. Shaheen's mouth, and the Act does say

MR. COLLINS:

right in Mr. Shaheen's mouth and the Act does say, does Mr. Shaheen agree, that he can obtain full rights to that particulat refinery for the sum of \$2,000?

MR SMALLWOOD: The hon. member can read the Act.

MR SPEAKER: The hon. the Minister of Mines, Agriculture and Resources:

MR. CALLAHAN : Mr. Speaker, I would like to put a question to Mr. White. He did so well this afternoon I think we should give him another opportunity and it likely will be in three parts, Mr. Speaker, because it really refers to other questions that were asked and points that I think should be brought out in connection with those questions this afternoon.

Mr. White, in the first instance, I think you said this afternoon that the fesibility study, the UOP fesibility study on the refinery had been approved by the Government of Canada in evidence of this was their decision to build the dock, is that correct?

MR. WHITE: Mr. Speaker, yes, Sir, I did say that, that the economics, the contracts, all the documents had been reviewed and they obviously were satisfied because they have announced that the dock will be built as was requested by us and with the help and encouragement given by the Newfoundland Government.

MR. CALLAHAN: Mr. White, this is important because the question, I think one of the really important questions here today is the question of the fesibility report which you have said, and I think I understand your reasoning, you have said should not be tabled because of competitive problems in the industry and I think you said the same applies to the contracts but the contracts necessarily are part of the fesibility. You either have the contracts or you do not and if you have them then that is part of the fesibility and the fesibility is good.

Because the report on the contracts cannot be tabled I think it is essential that the House and the people of the Province know that the fesibility of the project is good and therefore in addition to the Government of Canada this afternoon you indicated that other persons, I think I wrote it down, I think you said other persons had been shown the report. Would you tell the

MR. CALLAHAN:

House, Sir, in detail who these other persons were and particularly if they were agencies of, or were in fact other national Governments than the Government of Canada.

MR. WHITE: Mr. Speaker, yes the contracts and the feasibility study along with a certain amount of the engineering data on our plans was presented to the economics division of the Hermes Group which is the German Credit Agency to the French organization known as Coface.

MR. SMALLWOOD: The credit agency of the Government of Germany.

MR. WHITE: Yes, Sir, the central bank of Germany the same as the ECGD in England.

MR. CALLAHAN: Which is the Government of England.

MR. WHITE: Which is the Government of England.

MR. CALLAHAN: What other central Governments or their agents?

MR. WHITE: In France it was submitted to the representatives of Coface which is the French Government Agency, in Austria it was reviewed by the credit bank which is the same agency there. It was also reviewed by the Swiss Bank which I do not recall the name of that particular organization but they reviewed that in conjunction with the Hermes Group and assured themselves of that. Later this same information along with a few more sales contracts, which we happened to get after that first review, were shown to the economists and the underwriters in the ECGD. These were reviewed by them in detail and after that we got the financing commitment from the ECGD.

MR. CALLAHAN: So somehow, Mr. White, the feasibility of this project was approved, was recognized by the Government of Canada, the Government of England, the Government of France, the Government of Germany, the Government of Austria and the Government of Switzerland.

MR. CROSBIE: Mr. Speaker, I was not permitted to ask a leading question so called and I must object to this one. There could be nothing more leading than that question.

MR. SPEAKER (NOEL): This is rather a leading question where the answer is suggested in the question itself, I must rule that.

MR. SMALLWOOD: He is not making an answer he is summarizing Mr. White's answer.

MR. CALLAHAN: May I then, Mr. Speaker, simply ask -

MR. SPEAKER (NOEL): Has the hon. member finished his questioning?

MR. CALLAHAN: No I have not.

MR. SPEAKER (NOEL): Continue.

MR. CALLAHAN: Mr. Speaker, may I then rephrase the question and ask Mr. White to name the six national Governments whose agencies approved the feasibility of this project, the six national Governments?

MR. WHITE: Mr. Speaker, the Governments that have reviewed the story, the Canadian, the British, the French, German, Swiss and Austrian Agencies.

MR. CALLAHAN: And all were prepared to enter into the arrangement, all approved it?

MR. WHITE: Yes, they have all approved the deal.

MR. CALLAHAN: Now following the same line, Mr. White, the suggestion was made this afternoon and I think in fact the hon. the member for Labrador West made a remark to the effect give or take twenty-per-cent, I think that is what he said, in terms of the amount of the financing compared with the amount you were, I think, comparing the financing with the amount of the financing and the nature of the refinery, the Golden Eagle Refinery in Quebec. And later, I think, the hon. the leader of the Opposition ask a question and made a remark in which he suggested that UOP and Procon perhaps were in bed together and there was some hanky-panky there in terms of the contract.

Now let me ask you this, Sir, this is the question. Would you agree that if these suggestions are correct that this in fact means over-costing, over-capitalization and over-capitalization in fact would destroy the feasibility if these suggestions were true, if there is over-capitalization would you agree that this would destroy in fact the feasibility of the project?

MR. WHITE: Mr. Speaker, I think that when you say over-capitalization you mean that it costs too much, that it costs more than it really should. Yes, if the plant costs more than it should it certainly will have an adverse effect on the



MR. WHITE:

feasibility of the project. You can get the price so high that you just cannot pay it off, this is very true. However, as I said before, this price was arrived at by some fairly spirited and competitive bidding and some negotiations that went right down to the very last minute and the fact that the Procon group is also owned by the same company that owns the one that did the feasibility study I think has really no bearing on this because they have the feasibility report was made long before Procon got into it. Procon took this on just as an engineering and construction contractor the same as anyone else. We went through the whole engineering design before Procon ever came into this picture, the Ralph M. Parsons Company had done all of the design work and had prepared all of the specifications which were then reviewed by both parties and the proposals were made by each of them.

MR. CALLAHAN: Are you saying that at the point where the actual negotiations began or took place that the UOP had been discharged and had no connection with the project at that point?

MR. WHITE: No, Sir, UOP had not been discharged but UOP had performed its service, they had prepared the study, they had prepared the report, they had planned the process scheme and had written the specifications that they were required to write and submitted them to the design engineers who in turn had designed the plant before any talk of the price had been made.

MR. CALLAHAN: Their work though, in fact, was done, Is that the reason.

MR. WHITE: Yes, Sir, their work was done.

MR. CALLAHAN: One final point, Mr. Speaker, if I may. One final point, Mr. Speaker, has to do with again the comparison because this affects the feasibility the comparison which has been made between refineries. Now up until this point the comparison has been as between Come By Chance and the Golden Eagle Refinery in Quebec on the basis of both consume or each will consume a hundred thousand barrels a day crude forgetting for the moment the process.

Now let me ask this, Sir, is it possible Mr. White that there is in existence just completed, or under construction or about to be undertaken anywhere that you know of and can you tell us about it if you do, a refinery similar

MR. CALLAHAN:

perhaps identical, or certainly closely similar to Come By Chance which has a similar price tag, can you tell us if there is in fact a valid comparison somewhere?

MR. WHITE: Yes, Sir, the Humble Oil which is company owned by the Standard Oil Company of New Jersey just completed a refinery in the San Francisco Bay area at a place known as Benicia. It was built on the land of the old Benicia arsenal in San Francisco Bay. This plant is somewhat smaller than the Come By Chance refinery and is oriented strictly toward producing gasoline. This produces gasoline for the West Coast, the California market and that plant cost somewhat more than our present plant, at least the announcements that were made, after the plant was built, read that the plant cost considerably more than the present plant that we are looking at. This plant also did not have quite the crude running capacity that we have and does not have the capability of going into petro-chemicals the way we do.

MR. CALLAHAN: Although it still cost more than the Come By Chance?

MR. WHITE: This plant was built of course to major oil company standards, which in our own competitive business, we feel a little more than is required. We think they put a little bit too much, as we call it in the trade, we call that gold plating. There is no use to gold plate all of the equipment. You just paint in and that is good enough.

MR. EARLE: Mr. Speaker, may I ask Mr. White a question which is related to the assumption of the Hon. the Minister of Mines, Agriculture and Resources. I would like him to explain to the House clearly, the functions of these bodies known as ECGD, Hermes and European etc. I do not know too much about it, but in my knowledge these people guarantee the payment of the bills of suppliers to the plant. Is that correct? Let me finish. Now the Government agency guarantees that these people who export machinery equipment and so on, will not be stuck. Therefore, naturally they take an interest in the liability of the plant, but their interest is not all that deep, when they know that the Government of Newfoundland is behind every cent of this. And I feel that the granting of this credit and the assurance from ECGD and Hermes, was mainly based on the fact that the Newfoundland Government was into this right up the hilt.

MR. WHITE: The function of the Credit Guarantee Departments of these various governments is basically to encourage the export of machinery and goods from whichever country is doing them. And in order to do this encouragement, they try to give you a low interest rate by working through the central banks. Now this is all controlled under a special international treaty known as the Treaty of Rome, a number of nations have entered into this Treaty. And they have agreed to abide by certain guidelines, however they differ greatly in detail of how they administer their granting of this type of credit. The British ECGD was an institution that was established right after the first world war, in order to get England back into the Export market to allow the nations that needed this credit, and the companies that needed this credit to buy their machinery and get it back into production. Now it works in a very simple way. The engineer or the supplier, the person who we have engaged on our behalf to build this plant, makes an application to the ECGD and they state the amount in this case, the UK goods and service. The materials and

the services and all of this is going to be performed in the UK, how much freight will be involved if it is on British Flag Ships, or whatever. They examine all of this, and they examine the liability of the project, and if they agree to grant this credit, the ECGD will then issue a commitment to the commercial banker, in our case it is the Kleinwort Benson group. And they will head a financing syndicate. Now this does not mean that the money is just loaned at that point. The engineers of Procon will call tenders to any particular piece of equipment. They want to buy this piece of equipment. They will call for tenders, and they will go <sup>to</sup> all of the manufacturers within the UK, who do build these sort of things, and they will ask them to bid on this job. Now the successful bidder on the job will then be informed that this is a financed job through the ECGD. And when he produces the piece of equipment, he submits an invoice to the engineer who then inspects the equipment and says yes this is good, this is approved. He then approves the invoice, forwards it to the bank, Kleinwort Benson who are the head of the financing agreement. The Kleinwort Benson then take this invoice to the normal clearing bank, the commercial bank that this particular manufacturer usually uses, usually patronizes it. And this bank then loans this money, advances this money, pays the invoice to this supplier, or through the engineer, to the supplier. He gets his money. At this point the debt is owed by the Building Company. This money is owed to that particular bank. Now this bank then looks to Kleinwort Benson to collect their payments and their interest regularly, and to pay this money out proportionately to whichever bank receives it. Now I have not been too long-winded and devious in that. As far as the credit is concerned, it amounts to a credit extension by this bank, guaranteed by ECGD. Now if we fail to perform. If the provincial Refining Company fails to pay this debt the Kleinwort Benson then calls on the ECGD to reimburse them for this money so that the debt is paid off. In the meantime, the ECGD have a first mortgage on this property. If we fail to meet the payments, the Provincial Refining Company fails to do this, then they move in and take over the operation of the Refinery which ECGD then disposes of or operates to recover their money. As far as the credit is concerned, the credit has been issued to the Provincial Building Company, and will then

be passed on in accordance with the Act to the Provincial Refining Company after the plant has been turned over to them. Now there was no guarantee by the Province of the first mortgage money, only a guarantee by the Provincial Building Company.

MR. EARLE: Would not ECGD demand their money?

MR. WHITE: From Provincial Building? Yes Sir, if Provincial Refinery fails to make their payments, then ECGD can demand their payment. If the payment is not made, then the Refinery is taken over. There is a foreclosure and the Refinery is taken over by the ECGD for whatever salvage they can get for it.

MR. HICKEY: Mr. Speaker, I have two questions I would like to direct to Mr. Shaheen. I will make an observation first of all Sir, to say that the proceedings up to this point I can only term them as an excellent job of managing the news. I was of the impression that you gentlemen came all those miles to give some frank and honest answers to clear up a lot of possible misunderstandings in the minds of Newfoundland people. If we continue along the lines we have so far, I am afraid you are going to go back having accomplished very little, except managing the news. I am getting to my question. My first question is; in the light of statements that have been made by various - coming from various sources, both in the House and out, that the Newfoundland Government have put up or back the entire investment for the Come-by-Chance Refinery. And that Mr. Shaheen and his company have not invested one cent. I think Sir, that it is in the interest of Mr. Shaheen and his group, and I mean this very sincerely, as well as in the interest of Newfoundland people, that he answer one simple question. What is his personal investment to date in this project, or by the time it will be - the project is complete? I am not thinking in terms of what monies might have been borrowed for which the Newfoundland Government will go on the back of any note. But his own or his company's personal investment as such. Another question; ~~what would~~



MR. HICKY: What would he feel the value of the refinery, what would the value of the refinery be, approximately? I am sure I do not expect he would have any exact figure but he would have an approximate figure of its value, assuming all goes well, in approximately, say, ten years operation?

MR. BROKAW: MR. Speaker, I might add, after the comment about managing, realizing that these are two perfectly fair questions that were put to me, I will be delighted to answer them directly. As I recall how much does the Shaheen Company or how much the Shaheen have in these projects? And what might the value be in ten years? I can tell you that the Shaheen Companies will have the \$10 million which under Law is required to put in, and that will really have spent in addition to that of our own funds, other than the \$10 million approximately \$8 million. That is not the \$8 million which was referred to on the other side of the House a few minutes ago. I am not familiar with that particular number. But I am telling you directly \$8 million is our number. As to the second question, we think were profits and share and to look into the future, I honestly cannot tell you what this refinery will be worth ten years from now. I can tell you what it will be worth the day we go on stream, it will be worth exactly what we pay the Procon Company plus the \$10 million that we will put into it, Sir.

MR. NEARY: Mr. Speaker, it seems to me that we have omitted to question the two gentlemen in the Chamber representing Jacob's Engineering Company who I understand are doing a feasibility study, on the feasibility study. Now, Mr. Brown is a man with twenty-five years experience in refinery and he has held many engineering administrative and executive positions with major petroleum companies including nine years project and new plants, startup management and so forth. Now I would like to ask the Government representatives who are doing the feasibility study on the feasibility study, if they could give us now an interim report, could they tell us, I know they have not had time to go into the thing in any great depth, and it will probably be a week before they will be able to give us the final reports.



~~MR. BROWN:~~ But just looking at the whole package now, what do you think of it, Mr. Brown, do you think it is a good deal, is it a bad deal? Can you compare it to some of the other jobs that you have seen done? Just what do you think of the refinery for Newfoundland?

MR. CROSBIE: ..... meticulous answer, could we have a clarification? Is the report of Mr. Jacob's Company to the Government going to be made accessible to members on this side of the House, to all members of the House, the Report of Jacob's Engineering?

MR. SMALLWOOD: I am prepared to answer that question, yes we are quite prepared to make public one part of the report of the Jacob's Engineering Company of the part which will tell us that the UOP Report is a bound report or is not, as the case might be, but we are not prepared to make public the updating part of their report because the updating would be the same to make that public, would be the same as making public the UOP Report. UOP Report and the updating of the UOP Report are the cash flow, the balance sheet of the refinery. But their opinion of the soundness of it yes, we will be very happy to make that public. And in saying that of course, I hope fervently that their report is sound. I do not know what it is going to say. I will be interesting in hearing now, the answer to my hon. friend, the Minister of Social Services, to see what they do say.

MR. BROWN : Mr. Speaker, as the hon. gentleman has said we are going to review the feasibility study of the Universal Oil Products. Up to this point we have not completed our work, and we expect to do it in about three weeks. I would like to say though,

MR. SMALLWOOD: Three weeks more?

MR. BROWN: Three weeks more from now. I would like to say though, that we have done the following; we have looked at the project in total. We have looked at the overall configuration of the refinery. We have looked at the arrangement of the building blocks, of the units that Mr. White referred to earlier today. Now there are several options that a designer has in putting these building blocks together. We have looked at these options and the arrangements that Parson Company, UOP have accomplished and the arrangement

~~MR. BROWN~~: is much as we would have done it ourselves. And as a matter of fact, we have our company. Jacob's Engineering Company is working on a project much like this. We are doing a definity of engineering through the definity's estimates of a smaller, but perhaps equally sophisticated refinery, Fortklien, in the Hawaiian Islands.

MR. SMALLWOOD: Where?

MR. BROWN: In the Hawaiian Islands.

MR. SMALLWOOD: Where?

MR. BROWN: Hawaii. The Island of Oahu, Sir. That refinery incidentally is much like this only about half the size. So with regards to the total configuration overall arrangement of processing units, we find that this point, be quite like what we would do. Secondly, we have looked admittedly in a cursory manner that this point at the individual unit, the building blocks and we are familiar with these units that are employed. Most of them are Universal Oil Products licenced units, tried and true, most of them I operated myself in one place or another.

MR. SMALLWOOD: How? At what?

MR. BROWN: At various capacities, Sir, going back as a startup engineer, trying to find out which route opened to manager of the entire operation. So I find that these units as we look at them in a cursory manner, appears sound. They are quite reasonable units and there is every expectation that they should do what is said of them.

Further we have read the product sales contracts. We have read the crude purchase contracts. We have read the tanker charter contracts. We have not completed our complete analysis of those but to this point we see nothing out of order. We have to subject then to more legal scrutiny. But at this point they seem quite in order and as representative.

We have not up to this point looked at the capital investment and of necessity with our very small study that we are making we are not going to make a great capital estimate of this project. What we are going to do is

MR. BROWN: a check

MR. SMALLWOOD: What do you mean by that?

MR. BROWN: Capital expenditure estimates, Sir.

MR. SMALLWOOD: The cost is a reasonable cost?

MR. BROWN: We will examine to try to conclude for ourselves and for you of course. That is a reasonable cost. That is amount the extend up to this point.

MR. SMALLWOOD: Could you, before you sit down, would you tell us something of what your company have done, I mean what are your credentials as a company. How valueable will your opinion be when you give it to the Government, goodness knows it is costing us a lot. Will we get good value? Are you going to give us a report that this Government and the people of Newfoundland can feel, you know, pretty good about it, if it is a favourable report, that we can feel pretty good about it. What are your credentials?

MR. BROWN: Categorically, yes, Sir, and I will simplify it. We are an engineering and construction firm, perhaps you might even say, a small engineering construction firm, our corporate offices are located in Pasadena, California. Of course our regional office in Pasadena. We have regional offices in Chicago and Linden, New Jersey. We have a total of about at this time, about 350 professional type people at these three locations. And we are engaged in a modest sort of way, in the same kinds of work that UOP is engaged in, that Procon is engaged in and that Ralph M. Parson is engaged in. We do the same kind of work, not as much of it of course. We compete with these companies in our modest way. We have ~~employees~~

MR. BROWN: Have employees who are former D.O.P. people, former Parsons people, former Procon people and I am sure vice versa. We, as I say are engineering consulting and construction firm, and we have a wholly subsidiary Refinery Management Company of which I am the operating head, which has a somewhat unique function in that we offer specialized consulting services to the industry, and we like to feel that we are more operations oriented than the typical engineering company. To put it another way, we think maybe we are a little more practical because we have been around the course a couple of times.

Now the types of work that we have done, of the, roughly 150 refineries in the United States we have had as

MR. SMALLWOOD: What is that again? What?

MR. BROWN: Approximately 150 refineries in the United States

MR. SMALLWOOD: Oil refineries?

MR. BROWN: Not refineries, refiners. Some of them may have several refineries. Refining companies, yes

MR. SMALLWOOD: 150, in the U.S.

MR. BROWN: Yes Sir.

However, it might be said that there are so many, many of them, there are 5,000, 10,000, 15,000 barrels a day that they are, and many of them are very old and very small, and it brings the average refinery in the United States down to about \$40,000 barrels a day which I think should be of great interest to you when you consider how fine a plant that you will have and how competitive your plant has got to be. Anyway of the 150 refining companies in the United States, we have on our list our present and past plants, some thirty to forty of those refiners refining companies have been our clients in one manner or another. Perhaps a small engineering job, perhaps a large job, it has varied.

MR. SMALLWOOD: Does that include any of the majors, and of the big oil companies?

MR. BROWN: Yes Sir, it includes Stand Oil of California. That was a field job, an absorption plant job, it includes Shell Oil, it includes Signal Oil, Gillingham we are proud of because we brought that project to Gillingham, that is the one in Hawaii. We have worked for Getty

MR. SMALLWOOD: Paul Getty?

MR. BROWN: Getty Oil, yes Sir, Tide Water Oil

MR. SMALLWOOD: The father or the son?

MR. BROWN: The father Sir

MR. SMALLWOOD: The old man

MR. BROWN: Uh, huh

And we have doen work for the old Tide Water Organization.

MR. SMALLWOOD: Tide Water

MR. BROWN: Tide Water Association uh huh.

And we have had as clients many of the smaller companies which in our view represent a very potent, and very, very important force in this petroleum economy. We like to feel that we do a lot of work for the smaller refineries. Specifically we have done for job for MacMillan Oil before I came with Refinery Management we did a very small feasibility study for MacMillan Oil. I cannot really say much more about individual clients, or individual feasibility studies.

MR. SMALLWOOD: Would you tell me this? If I were to say to you that you cannot possibly be very good, your company, because there are only four companies in the United States that are any good at all at that kind of work. Studying an oil refinery project, or making a feasibility study, or appraising a feasibility study, only four and you are not one of them, would that not mean that your report would be useless because, your company is useless? It is true? How many companies are there in the United States competent to take any kind of an oil refinery project and do the engineering on it or examine the engineering on it by others, or the economic feasibility of it, or study the economic feasibility made by other. How many companies are there in the United States? I do not mean an exact number, I do not suppose the exact number would be known by you.

MR. BROWN: I do not even know an approximate number I am sorry to say. This is a list of my competitors you might say, there are many, many engineering companies in the United States going all the way from a one man consulting firm, and if that man is a good man it is a good firm, to the block busters like Procon and a few others. I really cannot answer your question Sir.

2465

MR. SMALLWOOD: Are there dozens?



MR. BROWN: Oh dozens, yes, yes

MR. SMALLWOOD: Are there hundreds?

MR. BROWN: I would guess that there would be less than one hundred capable companies yes. Now any company, and my company is no exception, is no better and Procon is no exception, is no better than the team you put on the job. If Procon puts on their fourth team it is not a good job, and if we put on our second team it may not be a good job, but we have the first team.

MR. MURPHY: Mr. Speaker, I do not know if the gentleman is finished, but before he sits down, as I see it Jacobs Engineering is now conducting a feasibility study on the report of U.O.P.'s feasibility study, I am right on this eh? So U.O.P. has done a feasibility study for Shaheen, everything is all right so they engage Procon which incidentally is a subsidiary of theirs to do this job. Now we the Government have called in Jacobs to study the study that has been studied. Now, if these gentlemen say in their wisdom, in their experience, we do not agree with this, this is out. Now the contracts have been signed, but this gentleman says " look in our opinion this feasibility study is not proper, the proper work has not been done and so on and so forth, and we feel that the Newfoundland Government has gone astray on all this." What the would be the result of this gentleman's report? Would we accept it, and when I say we, the Government, the people here of the Province and say we must cancel, all these contracts now remember have been signed. This has been done, more or less we have built the building, and then we called in this gentleman and say " look, should we have built this building?"

MR. SPEAKER (Noel): Order please, Is there a question coming up here somewhere?

MR. MURPHY: The question is this, what would be the effect of an adverse report from Jacobs on the feasibility report of Universal Oil Products?

MR. SMALLWOOD: Mr. Brown answered that question. May I ask, and this is by way of amplifying my hon. friend's question. They will fit together, one will help the other so to speak. This U.O.P. Universal Oil Products, now you are rivals, Procon are rivals, and U.O.P. have lots of other rivals, but as one rival to another so to speak, tell us about U.O.P. Are they big? Are they reputable?



Are they famous? Are they one of the great ones?

MR. MURPHY: If the hon. Premier is supplementing my question, I am well aware how big U.O.P.'s. I would just like to ask

MR. SMALLWOOD: I would like him to tell us, I am not sure that I know how big they are. I would like to know.

MR. MURPHY: Once the gentleman has answered my question, I think then he can go on to further ones.

MR. SMALLWOOD: All right, fair enough.

MR. BROWN: With all respect Sir, I really cannot answer your question directly, because, I do not know how you would receive an adverse report. If I were in your shoes, with all humility I do not know what I would do either. I would

MR. MURPHY: No the money is gone, so there is not much you can do about it

MR. BROWN: I would look at this report and say "what is it worth, what is the person worth who is giving it?"

MR. SPEAKER (Noel): Order, order please. I think this question is a little hypothetical and not quite

MR. MURPHY: It is not hypothetical, I asked the gentleman Sir, if he has ever done this type of report. I think that this is a very practical question to ask.

MR. SPEAKER (Noel): I thought the question was what would be the result if his report was adverse.

MR. MURPHY: This was the original one to the Government, now I ask this gentleman has he ever been engaged in this manner, to come in after a feasibility report has been made, and a contract signed, and then to study the feasibility report of another company. I think that is a pretty direct question.

MR. BROWN: We have done one job very nearly like this Sir, and it turned out to be feasible. We gave a favourable report. I am sorry I cannot name the client it was confidential, but it was a feasibility study for a \$50,000 barrel a day refinery, not quite as sophisticated as yours, but in that case we gave a favourable report. We have given negative reports but in other circumstances. We have made feasibility studies, not of feasibility studies, but our business is making original ones. I mean that is our main business of course, and we have given

negative feasibility studies.

MR. WELLS: I have a supplementary question for Mr. Brown. When he has completed the work that he is presently undertaking, apart from commenting on the feasibility study done by Universal Oil Products, will he be able of his own knowledge, or knowledge that he has gained, will he be able to confirm the feasibility of this project or not as the case may be?

MR. BROWN: We propose Sir, to take the data as we have it and as we update it, and as we evolve it, and apply our own information. We plan then to make an independent economic analysis and determine independently a right of return on the project, and entirely independent and using our own calculation means.

MR. WELLS: Will you be able to say to the members of this House, and to the Government to whom you will be reporting, I do not mean the, say.....

MR. WELLS: Say the Universal Oil Products Report is good or bad or indifferent, will you be in a position that you can say to us this whole project at Come-by-Chance is feasible or it is not feasible? Will he be in a position then to do that?

MR. EARLE: Mr. Speaker, I am not sure, if Mr. Brown is the right one to address this question to, but somebody surely can answer it. I am not clear - the rate of capacity of this plant is 100,000 barrels per day. Does that mean the output of the plant or does it mean the actual output plus the recirculation of other products. There is refining, refining and refining. What is that?

MR. WHITE: Mr. Speaker, the 100,000 barrels a day that we have been using regularly means that this plant will charge a 100,000 barrels a day of crude, every calendar day, every day of the year. That does not necessarily mean the plant will run 365 days a year. It will not. We know it will not. It will have come down for maintenance. But on the average over a year's period or over a long period of time, this plant will run at the rate of 100,000 barrels per day.

That question I answered earlier this afternoon, I think, in which I told you that the salable product from this plant will be approximately 93,000 barrels per day. The balance of the material going into plant fuel and other needs around the plant itself.

MR. CROSBIE: I would like to address a question to Mr. Shaheen. We have heard about this Universal Oil Products Feasibility Study and Mr. Shaheen's company has done its own feasibility study and six governments have looked at it and approved it, all of which would indicate that the project will make money. Will Mr. Shaheen tell us what the estimated profit from this oil refinery will be over the fifteen years life of this agreement? What would the neighbourhood of the profits be over that fifteen year period, and if he will not do that, would he advise the House whether or not it is necessary for this project to get electric power at two and one half mills per kilowatt hour which is about one half what the power costs, so that the people of Newfoundland will be subsidizing its power at the rate

of about one million a year. Is not the project feasible enough? Will not there be sufficient profits for at least to pay costs for the electric power consumed and what is the estimated profit over the fifteen year life, before Mr. Shaheen can exercise his option.

MR. SHAHEEN: Mr. Speaker, I think Mr. White covered the first question this afternoon, when he said that the project would throw off enough profit to advertise of the debt and the second question as to electric power, if I have been following the press and listening to this, the press has given this matter some attention. I find it a very controversial one and I prefer not to comment on the electric power situation. Thank you.

MR. CROSBIE: Mr. Speaker, in oil refinery projects of this type, would Mr. Shaheen agree that in this type of industry, where there are rapid technological changes, you cannot afford fifteen or twenty year pay-outs, that you had to have your money back within four or five years and if he agrees with that, is it not true that in this project, the whole pay-back will only take four or five years?

MR. SHAHEEN: Mr. Speaker, we have to have our money back in the time period the loan agreements call for.

MR. CROSBIE: MR. Speaker, the ordinary oil refinery project, is it not a principle of your company or business organization that you need your money back within four or five years and that you maximize your profit in a minimum length of time?

MR. SHAHEEN: We have to get our money back in whatever period of time the lender demands it back, sir.

MR. CROSBIE: In this particular case, is it not true that you are going to be receiving 5.1 per cent of the gross profits every year - gross sales per year and 27.8 per cent of the net profits of the refinery each year for fifteen years, so is it not true that your \$10 million will be back certainly within four or five years of the operation of the refinery?

MR. SHAHEEN: I think that the law answers those questions, sir.

MR. CROSBIE: The law does not answer those questions. This is a question which has nothing to do with the law. This is a question that has to do with the 5.1 per cent you are going to get each year of the gross sales and the 27.8 per cent of the net profits, and whether or not you will have your \$10 million investment back within several years after the refinery commences operating?

MR. SHAHEEN: I hope we have it back within several years, and the other point as to percentages and numbers, I think are contained in Law 86, which the lawyers prepared some three years ago, when this was enacted by the House. We have been living by this law and the lenders have been paying very careful attention to the law. I think we have gotten something like 100 printed copies, which we furnished to the various lenders who have been studying the feasibility and very aggressively pursuing all the details of it before they would make a decision to lend us a rather large amount of money, sir.

MR. CROSBIE: The lending of this large amount of money, shows it must be going to be a profitable operation. Now would Mr. Shaheen care to divulge to the House and the people of Newfoundland how profitable the operation is going to be?

MR. SHAHEEN: If I were to divulge to this House and to the people of Newfoundland how profitable this operation is going to be, I might just as well go to Toronto and deliver the package to Imperial Oil tonight, sir.

MR. CROSBIE: How could Imperial Oil take over the project, when you have a binding legal agreement. I mean that is no answer at all.

MR. SHAHEEN.: It is a very direct answer, sir. It is the competitive factor which Mr. White very carefully explained several times this afternoon that we cannot get into any commercial items concerning sales, concerning profits, concerning customers and give any information which would give aid and comfort to the competitors, sir.

MR. CROSBIE: We know what Imperial Oil Limited makes each year in its



operations. They are a public company and they send out statements. Yours is a private company, and this is not a public company at all. You still feel you cannot give any information on what the profits might be over the fifteen years that the Newfoundland people are putting the money up for.

MR. SHAHEEN: Sir, we are giving the information to the Government, which is the other part of the contract that we made. They are the other contracting party, and we are giving the Government and U.O.P. and I assume Jacobs Engineering is giving the Government full accurate detailed examinations. I might add, sir, that the Government has been most vigorous in pursuing every facet of this. They have been most diligent. They were in the days, when some other people were in the Government and they are equally diligent as this matter has become more publicized, sir.

MR. WELLS: A little embarrassed to answer these questions, Mr. Shaheen?

MR. CROSBIE: It is important, Mr. Shaheen that you control...

MR. NEARY: Point of order. Mr. Speaker, I think the ground rules that we laid down was that everybody would get a turn, to ask questions. Now my hon. friend has been on his feet now for the last ten minutes, and he has asked about seven or eight questions in a row, and I think that that is completely out-of-order, Mr. Speaker.

MR. SPEAKER: I think what we are doing is allowing the person who asked the question to make his point before switching to another questioner, and I was waiting for the hon. member for St. John's West to finish this particular point that we was on, before giving the floor to the hon. member for Bonavista South.

MR. CROSBIE: Mr. Speaker, would Mr. Shaheen agree that in this project what is of the utmost importance is the marketing of the product and if this cannot be accomplished, the project would be in great trouble.

MR. SHAHEEN: Yes, sir, that is the answer - the answer to your question is yes, sir.

MR. CROSBIE: Tell us what you can then about where the product is going to be

marketed.

MR. SPEAKER: Order please. I think now we have reached the stage where you are switching to another topic, and I would like the hon. member....

MR. BARBOUR: Mr. Speaker, could I change the subject for a moment please, because I am very concerned about men getting jobs in this Province, including Newfoundland and Labrador. I wonder can somebody tell me, Mr. Shaheen or Mr. White or any other hon. gentleman here what will be the wages paid to the carpenter, to the plumber, to the electrician, to the welder, to the painter and to the man doing ordinary labouring work. Would they receive the real genuine union pay? I wonder can Mr. White or Mr. Shaheen answer that question.

MR. WHITE: Mr. Speaker, yes, I think we can answer you a very simple yes, we will pay the regular scale, whether it will be the union scale. Whatever is the going rate on the Island, we do not intend to come in and try to hire people, take advantage of them at a lower rate of pay. By the same token we do not intend to come in and let the irresponsible in any of our business dealing. We will pay the going rate. We will negotiate with the unions where it is required. And we will abide by our contracts that we might clip them. We will also be in a position to police our contractors who will see to it, that Procon and all of Procon's sub-contractors might clear proper agreement and pay certainly the going scale whatever the unions can negotiate, and whatever Procon feels they can pay.

MR. SMALLWOOD: Before you go on, you pay the union rates, do you expect to have union organizations in the Oil Refinery?

MR. WHITE: We operate some refineries without having a union. We operate others with the unions. We learned to live, with both, and I think our results have been about equally satisfactory with the non-union plants and with the union plants. So this is really something that is not under our control. If the workers want to form a union, want to organize, have an election, and we are then informed that the majority of our people, whatever the Law requires in the Province, I do not know what the percentage is, or what is exactly the procedure, but when we are informed that these gentlemen are representing the workers, we certainly will sit down and negotiate with them in good faith. Until that time, of course, we will hire the people on our own. We will not at any time give up our rights to manage the business as we see fit.

MR. NEARY: I want to ask him another question along the same lines, as he is dealing with now. And I am being a little patriotic about this because of my own hard hit constituents on Bell Island, who will be looking forward to finding employment in Come-by-Chance. Will your company be providing board and lodgings, will they have bunk houses and so forth at Come-by-Chance. I do not know if that was mentioned already this afternoon, if it was I missed the point?

MR. WHITE: Yes, Sir. Wherever it is necessary we will, of course, we would like to hire the people where we do not have to provide either transportation lodgings or board. But to the extent that we can hire people where we do not have to provide we will do that. I am sure for certain crafts or during peak periods, we will have to bring men in and we have made provisions. The contractor has made provision to provide a large and adequate camp for the people and to provide catering facilities to feed the people. In fact we have already had to go through that in the work that has been done out there to date.

MR. SMALLWOOD: Mr. White, have you put in your budgeted cost of the Refinery at Come-by-Chance any figure, any amount of money to cover the cost of boarding and messing, (that is feeding) accommodating and feeding workers on the job? Have you got an amount and would you be prepared to give us some idea what the amount would be, if there is an amount for that?

MR. WHITE: Yes, Sir, ~~for~~ the construction and I believe in the estimates, Mr. Grosse, I think should confirm what I said, I believe we put in about \$7.5 million for camp facilities and boarding facilities. This is only for the

MR. SMALLWOOD: How much?

MR. WHITE: \$7.5 million, for the bunkhouses, and the cook shack, and all of the things that are required. Now the operation, that is above that, is it not Bill, I think Mr. Grosse should address himself.

MR. GROSSE: Our cost includes housing and messing facilities for the Procon employees employed at Come-by-Chance.

MR. SMALLWOOD: For the Procon employees. You mean all the employees on the construction, they will be your employees. They will also be employees of sub- you will have sub-contractors, and when you say, our employees do you mean just the Procon or do you mean the Procon and also employees of sub-contractors?

MR. GROSSE: I am talking about Procon hired employees. Sub-contractors will make their own provision, many of the sub-contractors will be local sub-contractors. And these people would not require housing. As we mentioned

MR. GROSSE: today we are looking at a direct employe of approximately 1500 daily at a peak period here for Procon. We have included housing, messing facilities, including food of course for these people, in our price.

MR. SMALLWOOD: If this number of 1500 is apart from the employees of others on the job, and apart from the employees of the wharf, we had it figured earlier today of about 2000 or rather more, but that included the employees of the sub-contractors.

MR. GROSSE: That is correct.

MR. SMALLWOOD: Your own direct Procon about 1500 and about 500 others of sub-contractors, that is 2000 and then 400 to 500 on the wharf.

MR. GROSSE: I do not know anything about the wharf, I would agree with the numbers yes.

MR. BURGESS: Would you like to continue, do you have something to add?

MR. WHITE: Thank you, Sir. Yes, Sir the one point that I wanted to make after I referred to Mr. Grosse's statement was perhaps a lot of the housing that we are providing we have done a lot of study a lot of investigation, as General Lessening has worked with the local housing people, so that this will not be, a lot of it will not be the ordinary bunkhouse type thing, but it will be something that can be converted rather cheaply into permanent housing so that we will not have a lot of temporary things we have to tear down, or we will not have a shack city out there. I think this kind of assurance is important because in some construction jobs they put in temporary facilities, other people try to live in it, then it becomes a real shack village which is not very good. We do not want that around the refinery. So we will make our plans to make this stuff convertible into permanent housing.

MR. BURGESS: If I may, just to break into the preamble in order to clarify my situation, the questions which I may ask. When I think back to the start of the session today, the fear that was evident in the House about the proceedings being televised, and the fact that things would be taken and televised out of context with the overall situation, there does not appear

MR. BURGESS: to be any context because nothing seems to be coming out in an orderly fashion. What is happening here today is for the education, not alone for the members of the House, but for the people of Newfoundland and they do not seem to be getting anything in an orderly sequence. Now I have heard quite a number of very pertinent questions, asked of both Mr. Shaheen and the people who are with him, and unfortunately, first of all let me say, that I must complement one and all concerned of these gentlemen for allowing themselves to go on display in the manner which they have, and I think particularly with the whole of Newfoundland watching, and the delicate situation which they are in, particularly Mr. Shaheen, when asked leading questions, which he cannot answer directly for fear of letting the competitors in on some trade secrets. Now some of the leading questions which he avoided from particularly the hon. member from Humber East and the hon. member for St. John's West, who are more intimately knowledgeable of the contract,

MR. SPEAKER (NOEL) Order, please. hon. gentlemen are not to ask leading questions.

MR. BURGESS: Mr. Shaheen was asked quite a number of leading questions and he evoked the Law, in the same manner as I have heard some people in the states, evoked the Fifth Amendment.





MR. BURGESS: expect from the hon. liberator. Well I am sorry. That was not meant to be an insult, but if some people have that kind of mind, then they can take it that way. What I want to get clear Mr. Speaker, is that first of all the reason the \$5 million in bridge financing that was made a part of this agreement. The question was asked how has this money been spent to date? And I have not received a clear answer, and I am sure nobody else has. I am not aware of exactly how this money has been spent to date.

MR. SPEAKER: Order please! Mr. Speaker has ruled on numerous occasions the that the purpose of Session today is to gain information and not to give it.

MR. SMALLWOOD: It is the rule of the House, no one needs to say it.

MR. CROSBIE: He does not take orders.

MR. SMALLWOOD: It is not a matter of orders, it is a matter of obeying the rules.

MR. BURGESS: I have been listening the hon. gentleman long enough. It is about time I had my say.

MR. SPEAKER: Order please! Now the position is this is that hon. members are permitted to ask questions. If any hon. member has a question to address to any person, would he please rise and address the question?

MR. BURGESS: The point I am trying to make if this is in the form of a question. The controversy that has been generated because of this particular -

MR. SPEAKER: Order please! Would the hon. member please be seated?

MR. HICKMAN: Mr. Speaker, I would like to get back to Mr. Brown. I do not think that the point he had been covering had been completed when we switched to another question. I would like to know from him, if in his study of the feasibility report of UOP, if his terms of reference are sufficiently broad to enable him to examine the marketing conditions and prospects of the production that will come from the Come-by-Chance plant. And in particular, I would address him to the information that I heard five o'clock when I was driving out of Burin. Twenty-five percent of the production will be jet fuel and thirty-percent gasoline. Now I am assuming that the jet fuel will primarily be sold in the United States, and that the gasoline will have to be sold

in Eastern Canada primarily, and I would like to hear his views as to what the market is like now, as to what the embargo position is with respect to Canadian petroleum products moving into the United States at this time, whether it is a fact that at this particular time there is an over-production of jet fuel in the United States, and to hear from him as to how he proposes to recommend or Newfoundland Refining proposes to sell the thirty percent gasoline. Thirty percent of its production in Eastern Canada bearing in mind the increase of production in other plants that has taken place, and is taking place right now.

MR. BROWN: Mr. Speaker, with all respect Sir, while we do do this sort of thing within our limitations, we do make market surveys. In this instance we are not making a market survey, that is not included in our assignment and it would be a very large job for us to undertake. We are restricting ourselves, and our assignment is restricting us, I should say to merely reviewing what contracts have been assembled and assuring ourselves that these in fact are valid contracts.

MR. HICKMAN: Do I not understand from you that you are studying the economics of this proposal and if the market is not there for the product, surely you will have to agree that you can it all, but laws of the United States prohibit or restricts the limitation of petroleum products. Surely any contracts that you may have seen are not worth the paper they are written on are they?

MR. BROWN: Well Sir, the contracts for example, if they are a take or pay contract, they certainly are valid within the meaning of that contract. But again I simply have to say that a market survey as such just is outside of our assignment.

MR. HICKMAN: How can you confirm the feasibility and secondly, are you examining contracts, take or pay contracts for say gasoline, the sale of gasoline?

MR. BROWN: We are examining all of the contracts which you see the amount under the terms of the Law 86 at sixty percent or more. We have read and are still studying all of those contracts to assure ourselves, that that condition has been met.

MR. HICKMAN: Apart from the condition, if you come to the conclusion that you would have to see take or pay contract say for eighty percent, or ninety percent

or all of the production of the plant, whether it complies with Bill (83) or not. Would you not come back to Government and say, this plant is not viable on the basis of sales included or allegedly included to date.

MR. BROWN: I am sorry. I misunderstood. Yes there is thirty percent we will say that must be accounted for, and we will make our best judgement as to how that can be disposed of, and this will become in our report, part of our sensitivity analysis, or so-called risk analysis. We will report upon a range of possibilities of disposal of this balance, say thirty percent, and this will give you, give the Government a range of predictability as to what the actual return of investment will be.

MR. ROWE: Mr. Speaker, I am not sure to whom I should address this question, two questions in fact. It arises from some earlier questions asked by the hon. member for Bell Island and others. The hon. member for Bonavista South. It concerns labour and specifically the supply of skill, trained qualified labour. If our past experiences are to be any guide in this, we are bound to run into the problem of finding a sufficient number of Newfoundlanders who can fill all the opportunities for trained and skilled personnel that will be available. That being so, I am wondering and I realize there are two aspects to this. There is the construction phase and there is of course the permanent operational phase. Number one; do the companies concerned both construction and operational anticipate any difficulty in this matter of skilled labour, qualified labour, and I use the word "labour" in the broadest sense. And number two, and I ask this question with very real concern because we are likely to be directly implicated in the Department of Education if my fears are realized. Have any approaches been made by any of the Companies so far to the federal to the national manpower authorities? I am not aware that any approaches on this matter or any discussions have been held with the Department of Education, which is the Newfoundland Government's agent in this matter of up-grading as we all know at Stephenville and Happy Valley, and Bell Island and other places? Have any discussions been held, if not, has it been anticipated that some will be held, and if so, when?

AM I say that question is in two parts. First, is this difficulty being

anticipated at this time, and secondly, have any discussions been held on it? I do not know to whom I should address that - probably that would require two persons to answer it. One for the construction, and one for the permanent operators.

MR. WHITE:

MR. WHITE: Mr. Speaker, your question has several aspects and I think from the educational training view point General Lessing has done a lot of discussions on this matter and I will ask him to answer that particular portion. As far as the availability of labour and skilled trades, we have done a lot of checking, we have reviewed this thing, the Ralph Parsons Company have sent their labour people up who have reviewed this, they have had a lot of experience and we have to go on their recommendations and on the recommendations of Procon. This is basically Procon's problem to get the construction labour here.

MR. SMALLWOOD: Mr. White you built the oil refinery at Holyrood. You lived out in Conception Bay and you built that refinery. Did you find very much difficulty finding Newfoundlanders who had never even laid an eye on an oil refinery in their lives, finding Newfoundlanders who could go to work and work well? How did you find Newfoundlanders in building the oil refinery in Holyrood?

MR. WHITE: Both in building the refinery and in operating it, we used, a great majority of the people were Newfoundlanders and particularly in the operation. As I recall now we had a few temporary men who were operating men who had been brought in for a two year period, we had a couple of technical men and a chemist. The rest of the people some seventy-five or eighty were hired locally and were given a training period. I do not have any up-to-date statistics on that but the last time I visited the plant which was several months ago I talked with some of the people and I think there was only one or two people who were not Newfoundlanders working in that refinery. So the plants are complicated, they require the same type of person, the same type of operation, so we have no fear of what we can get sufficient personnel for that job.

As far as the specific craft -

MR. ROWE: You mentioned that you did do some training at Holyrood of Newfoundlanders there and I think that is very well known the successful results of your efforts there are appreciated by all Newfoundlanders. Would it be your intention, I am thinking now of a permanent phase, would it be your intention to undertake your own job training program there or to do it in conjunction with Federal and Provincial authorities?



MR. WHITE: We certainly will do it in conjunction with the Federal and Provincial authorities and I will ask General Lessing to give us a little more elaboration on that subject if I might. He has been in this discussion, Mr. Severs also has spent a lot of his time in organizing the training and preparing both the staffing requirements for the plant and just what the training requirements for the various positions would be. As far as the building perhaps we will ask Mr. Grosse or Mr. Brokaw to comment on that but I would like to ask General Lessing to give us his summary of what he has done locally toward the training of people.

GENERAL LESSING: Newfoundland is traditionally known as an exporter of people and we hope to reverse this and I have in my files dozens of applications of skilled Newfoundlanders who are working outside of Newfoundland. They are waiting for this great industrial development to be realized so that they can come back. I have names of Newfoundlanders in Florida, Arizona, British Columbia, all over the North American continent and they are anxious to come back and I am very happy to be associated with a project where we can find work for them.

MR. SMALLWOOD: Would you mind if I interrupt and ask you to go a little slow on that? We still have a lot of Newfoundlanders here in Newfoundland that we have to find jobs for. Would you please remember that?

GENERAL LESSING: Yes Sir. But it shows you the attitude of the Newfoundlander, he wants to come back and if we have an industry we welcome them because they bring skills that they may have acquired outside of the Province. Anyhow I do not see any great problem. I have had very interesting discussions and very friendly discussions with the Manpower people from the Federal Government and with the education people from Dr. Rowe's department and I know we will get the fullest corporation. There is a fine trade school at Clarenville and we have all the plans ready so that any kind of a training program can be instituted very quickly. One very excellent suggestion was made by your own people and that is that the trade schools are inactive for a certain period during the summer and during those months we can have intensive upgrading courses for the



GENERAL LESSING:

crafts that will be needed by the Procon people and those same people and then later be retrained for use in the operating staff of the refinery.

So believe me gentlemen we have been giving this thing very great thought because I am out there at Come By Chance and I know what it is. They are coming in every day sometimes a dozen or two looking for work and we realize what the problem is and we will certainly do the training. I do not see any problem if we need 200 welders I am sure that we can get them so that Procon can get on with their job.

MR. NEARY: General, maybe we could learn a lesson from the Porto Ricans in this document that was placed on our desk today - The Petro-chemical opportunity in Porto Rico. There is quite an article here, productive labour a primary asset. I will just read part of it. Well, I would just like to ask the General if he has seen this item.

GENERAL LESSING: Yes, Sir, and I know what can be done. So I do not want to take any more time, we know the problem, we have studied it and we are very aware of the labour situation and we are also taking into account the situation at Argentina. This has to be done with great skill and great care as to not upset the present situation.

MR. ROWE: I have one brief question and a final one, Mr. Speaker, on this aspect of things. From your experience, General, or perhaps some other gentleman may be able to answer this, is it likely that a significant, a substantial number of the men who will be engaged in construction will actually go on to be permanent employees once the plant is in operation?

GENERAL LESSING: Well actually the general scheme on any refinery project were ones that all of us have been associated with here that the best men from the contractors force are selected well before they are phased out and the operating staff takes over. The best men, the selected ones, are then taken into the operating organization because they have intimate knowledge of how the equipment was installed, what it is supposed to do, all the different details of it and they are the best qualified then to be there with the operating crew.

MR. SMALLWOOD: Excuse me, Sir, if I may? The hon. members for Barin -

MR. SPEAKER: Humber East.

MR. WELLS: Thank you, Mr. Speaker. There is a couple of matters here that got by without being cleared up and I would like to ask Mr. Shaheen to clarify these matters. He indicated in answer to a question from some member, I am not quite sure who, that \$8. million that his company had already put \$8. million so that the equity his company would have in the project would be the \$10. million required as working capital plus about \$8. million that they have already put into it. Does not the \$8. million that he is talking about will that not be repaid to his company plus one hundred-per-cent under the provisions of Clause 4 (c), will that not be repaid -

will that not be repaid to his company?

MR. SHAHEEN: Mr. Speaker, what I said before was that we have - I did not say we have \$8 million in now. I said we would have on the completion of the Come-by-Chance development about \$8 million in it, and I certainly hope that it will be repaid. Otherwise I would not want to put the money in it.

MR. WELLS: Clause (4)(f) which requires that, I believe it is (4)(f) which requires that his company, Newfoundland Refining be repaid all their promotional expenses in connection with it plus 100 per cent. Will that not be repaid to him under the terms of that? Clause (4)(e).

MR. SHAHEEN: I am delighted that we are going to get 100 per cent, but I do not think that that is quite it, Sir.

MR. WELLS: Is that not the situation that what he has put into this, be repaid and that there is no working capital other than that?

MR. SHAHEEN: I am advised by one of my legal experts, Sir, that that is not the situation.

MR. WELLS: Mr. Speaker, I would like to refer two further questions to Mr. Shaheen. It is correct that the working capital does not have to be put up until the refinery is constructed or shortly before the completion of the construction of the refinery?

MR. SHAHEEN: Mr. Speaker, I would like to suggest that Mr. Blake who is intimately familiar with this particular document, law 86, under which we live, might answer the question. Would that be all right, Sir? Thank you, Sir.

MR. BLAKE: Under Clause(4)(c) of the agreement: "Mr. Shaheen is entitled under the agreement that was executed pursuant to this Clause to exactly what the Act says. All out-of-pocket expenses plus 100 per cent thereof. This is it. This is precisely all he is entitled to and that is exactly what the agreement says.

MR. WELLS: Out-of-pocket expenses, 100 per cent. Well is not that the \$8 million that he is talking about?

MR. BLAKE: No, Sir, it is not.

MR. WELLS:    What constitutes that \$ 8 million?

MR. BLAKE:    What constitutes the \$8 million, as I understand it, is everything that he has put into it in developing the project.

MR. WELLS:    Wait now, for what purpose? We have been told today that the total cost, the total turn-key cost with spare parts, oil cloths, cleaning cloths and everything else, the total turn-key cost is \$155 million, and that is what is being borrowed. Where is the \$8 million gone?

MR. BLAKE:    Mr. Shaheen has been paying my salary; Mr. White's salary. He has been paying all of these gentlemen's salaries for many years and until...

MR. WELLS:    Is not that included in the all direct salary costs properly incurred by refining in connection with such supervision plus 100 per cent?

MR. BLAKE:    Not unforeseen. This is foreseen says construction supervision. Under the construction supervision agreement, this is for services for supervising construction of the plant.

MR. WELLS:    Has not construction been going on for two years?

MR. BLAKE:    Some construction has been going on , but not actual construction.

MR. WELLS:    What happened to the \$ 5 million interim financing?

MR. BLAKE:    This has gone into the side. Mr. Inkster answered that earlier.

MR. WELLS:    How much of it has gone to Shaheen Natural Resources?

MR. BLAKE:    None of it has gone to Shaheen Natural Resources. None of it.

MR. WELLS:    I have one further question. I have a further question for Mr. Shaheen. Is it not correct that if a year from now when \$80 million is gone into the project and it turns out for some reason that the thing is not going to go ahead. Who has the responsibility, Shaheen Natural Resources or this Government for the \$80 million that is gone?

MR. SHAHEEN: I do not understand the question, Sir.

MR. WELLS:    Well suppose, and it is quite possible, and something with which we have to give a great deal of consideration to, before we say, yes, to this. Suppose one year from now something happens and it is determined that the project

cannot go ahead and \$80 million has been spent. Who has responsibility for that \$80 million, Shaheen Natural Resources or the Government of this Province?

MR. SHAHEEN: Such a hypothetical question, I cannot quite get a frame on it, Sir.

MR. WELLS: Are you embarrassed by these questions, Mr. Shaheen?

MR. SHAHEEN: Not in the slightest, Mr. Wells. I am not embarrassed. I am delighted and charmed with the tenor of the questioning.

MR. SPEAKER: The hon. gentleman who wished to comment on that question, if you would please give him the microphone.

MR. BROKAW: Your hypothetical question really depends on what you are talking about. If it is a catastrophe and comes under force majeure, E.C.G.D. picks up the whole tab. This is the insurance provided.

MR. SMALLWOOD: Mr. Speaker, the hon. member for Burin raised a terribly, terribly important question, vital, life and death, the whole thing is utter nonsense, this whole project, if the implications of his question are correct. I would like to put the questions to Mr. White, to Mr. Shaheen, but principally in the first instance to Mr. Shaheen.

The question is this: It was asked of the Jacobs, Mr. Brown, so you have contracts, so you have negotiated take or pay contracts, and they are signed, sealed and delivered for the sale of not less than sixty per cent of the output of the oil refinery. Fine, you have the contracts, but the United States Government passes a law that the oil from Come-by-Chance is not allowed into the United States and so, therefore, the contracts are useless. This is the inference to be drawn. (1) Is that correct? Is that true? Are your contracts likely to be vitiated altogether by any action of the Government of the United States? Is it likely that the United States Government will take any action that will render your contracts in the United States for jet, with airlines, at great airports, these contracts just null and void, just paper, just scraps of paper that we can tear up, is that so?

Will you tell us exactly what is the actual position with regard to the sale of jet, to airlines in the United States or any other airlines or any other airports any where in the world. What is the actual situation in that regard and secondly will you tell us what the situation of crude oil in Western Canada has to do with the oil refinery in Come-by-Chance? The situation of crude oil in Western Canada and the embargo on imports of Western Oil into the United States or the limitation of the amount that may be imported into the United States, what has all of that got to do with your sale of Come-by-Chance jet fuel in the United States? Will you tell us all about that?

MR. SHAHEEN: To be perfectly frank, Sir, ~~I think it has very little to do with it and the~~



MR. SHAHEEN: I think it has very little to do with it, and the contractor not likely to be initiated, because we are not selling to the U.S. I have to be very careful not to give these imperial fellows any ammunition. We are not selling any jet fuel in the U.S. Domestic Market as someone commented earlier this evening. We are selling in the U.S. Market, not Domestic Market, bonded jet fuel which goes to international carriers to aircrafts flying to destinations, first stop being foreign flag. And we have those contracts, and they have been submitted to the UOP and the various Governments. This has been a very carefully constructed case, and some of the broad generalizations, I do not think Penico, I think really questions of inquiry were not pertinent, probably because the hon. gentleman did not have the particular facts in which to frame the question. Facts which the Government has, which UOP has, which Jacob's Engineering has, and which six major state Governments have. But we are not likely to be effected by that, because bonded jet fuel does not come under that vitiation, Sir.

MR. SMALLWOOD: You are not telling us why in domestic flights in the U.S.A. the aircrafts are flying within American territory, and the American Government may very well say, all jet fuel in these aircrafts must be American jet fuel. But you are drawing a distinction. An aircraft fuels up at Kennedy or any American airport, she fuels up there to fly to London, or to France or to India or to Japan. That is an international flight, what is the Law, internationally with regard to the entry of jet fuel into any of those airports for international use, is it world wide free or what? What is the situation?

MR. SHAHEEN: It is world wide free on bonded jet fuel, or draw back jet fuel. To give you two specific examples, I will make a generalization and then a specific example. In major U.S. International Airports, two kinds of jet fuel are sold, at two different prices, for an Eastern Airlines flight taking off from Kennedy and going to Boston, they buy domestic jet fuel, and pay

MR. SMALLWOOD: American?

MR. SHAHEEN: American.

: But on Eastern Airlines flying to Montreal, then their company, very often fueling the same aircraft, they are allowed to use bonded jet fuel, and the bonded jet fuel market in the United States, just like the bonded bunker market. I do not think they had bonded coal when they used coal in steamers but since they have had liquid fuel they have had the bonded fuel market for ships and when aircraft came on they had or now have the bonded fuel market and I would not be a bit surprised if one day down at Cape Canaveral they will have a bonded oxigan or rocket for the spaceship.

Those aircraft are allowed to buy the bonded jet fuel and one of the objectives,

MR. SMALLWOOD: From anywhere in the world?

MR. SHAHEEN: From anywhere in the world, it comes in now from Aruba, Curuá do Sul, Venezuela, and to be perfectly frank Newfoundland Refining is marketing today, because we had contracts which must be fulfilled and I can let that cat out of the bag, because Esso are having fits over it, and so are the Imperials. We are buying jet fuel as a re-seller from an accommodating refinery in Italy, Newfoundland Refining Company, bringing it to Linden, New Jersey storing it in city services tanks at Linden, and pipe-lining it under New York Harbour to Kennedy, and retailing it every day, several thousand barrels a day are being sold.

MR. SMALLWOOD: Right now?

MR. SHAHEEN: Right this minute, and have been doing it since the first of the year, Sir. Mr. Smith's gentlemen are doing that, Sir.

MR. SMALLWOOD: Bonded?

MR. SHAHEEN: Bonded.

MR. SMALLWOOD: And this could come from Come-by-Chance?

MR. SHAHEEN: That is exactly where it is going to come from under contract, we better deliver that stuff. We better deliver it, because we are contractors many years forward to that material at good prices which are economical viable, and which pay out.

MR. CROSBIE: Mr. Speaker, while Mr. Shaheen is on this question of marketing, I have another question, but while he is on marketing, the jet fuel that you are mentioning is suppose to be twenty-five per-cent of the yield for the refinery. Where are you going to sell the thirty percent gasoline, and the thirty percent heating oil and the other fifteen or twenty percent of the products of the refinery? The jet fuel is only twenty-five per-cent of the yield of the refinery?

MR. SHAHEEN: Sir, I let the cat out of the bag on the bonded jet fuel, currently being sold at Kennedy Airport, because the competitors already know. But as to the other markets, Sir, I must hold that our president's position expressed this afternoon that he did not want the name market, or customers.

MR. CROSBIE: Marketing is the whole echo to this thing. You cannot market a product, if the whole thing is bound to fail.

MR. SHAHEEN: You are absolutely right, Sir.

MR. CROSBIE: Well it is not fair to tell us where you are going to market anything but this twenty-five percent jet fuel?

MR. SHAHEEN: And I have not expressed either where all the twenty-five percent goes, Sir, I am simply being commercially cautious, not evading your question. I am known as a forth right fellow. And I am delighted to tell you and I was very pleased to tell you, when the matter is one of public record.

MR. CROSBIE: Well, Sir, can you tell me something else, in connection with Come-by-Chance, there has to be a major water supply system built there.

MR. SHAHEEN: Fresh water, Sir?

MR. CROSBIE: Yes, the oil refinery will have to have water and anything else that goes there presumably.

MR. SMALLWOOD: How much water?

MR. CROSBIE: How much water is needed? Who is going to install the water supply system? And at what cost? And how is it going to be paid for?

MR. SHAHEEN: Let me put President White on, Sir, Thank you.

MR. WHITE: Mr. Speaker, as a matter of fact this refinery is designed to use a very small amount of water. This is one of the things that we have done in our design of the plant to help on the pollution control and help on the other aspects of this environmental preservation that we are on. The quantity of water will amount to something in the order of a half a million gallons, that is U.S. gallons, that should be about 400,000 imperial gallons per day of water.

We have had hydrological studies made of the area immediately surrounding the Refinery, on the land dedicated to the project. We have found that at no time was there a run-off less than 2 million gallons from our own site. Therefore, the water that will be used there will come from right on our own site, the ponds have all been surveyed. The system has been planned and such small costs will be involved in the moving of this water and the treating of it is included in the cost of the plant. We are not going outside the plant's fence for any of our water.

MR. CROSBIE: This water system then has nothing to do with the Government of Canada, you are installing your own for the Oil Refinery.

MR. WHITE: That is correct.

MR. CROSBIE: Would that be sufficient to supply any other endeavour down at Come-by-Chance, such as a third mill?

MR. WHITE: No, Sir. A paper mill requires enormous quantities of water in comparison to an oil refinery, and this water must be treated and must be available to them at all times. Now the paper mill will require water from off the plant, and that is another subject.

MR. CROSBIE: Could you tell us- as I understood it, there was to be an anhydrous-amonia plant as part of this complex and the anhydrous-amonia plant was to be constructed before the oil refinery and was to cost about \$33 million. What is the position now in the anhydrous-amonia plant? Is this part of the \$155 million or what is the situation with respect to that?

MR. WHITE: No, the anhydrous-amonia plant is not part of the present oil

refinery. That plant was planned and we were fairly far along in our studies when we went into the market place and we found about that time capacity for the production of amonia was over-built. There was, after a feasibility study that we made, as Mr. Brown expressed it; we got a negative answer on the feasibility study, so we have deferred our plans. Eventually we will revive that plan because we know that this is a good location for it and amonia being a plant food, a fertilizer that is necessary in agriculture, there will be an increasing demand for it, and being strategically located we will be able to get back into it. But at the present time the market is just not there and, therefore, we are not pursuing this plant further at present.

MR CROSBIE: Could you just tell us what the consumption of electricity will be at this oil refinery, when it is completed? How much electricity per year will it consume?

MR WHITE: I think that would be classified as one of the items in the competitive category.

MR CROSBIE: Surely the yearly consumption of hydro-electric power by an oil refinery is not in the classification of top secret.

MR WELLS: Any more than water.

MR CROSBIE: You can quote the water at 400,000 or 500,000 gallons a day and now you say that the consumption of electricity is top secret. It will not be top secret to the taxpayers of this Province when they pick up the bill for it, if they have to.

MR WHITE: I think that we will have to wait until the units are built. This information has always been made available to the representatives of the Government, the Cabinet Ministers have had made available to them, if they want to go into it in more detail they can. The Jacob's Engineering Company has been retained by the Government and also has this information as well.



MR. CROSBIE: We have been told by the Government that at this session we can question the Government and you people and any information in this wide world that we would want to know about the Come by Chance project would be forthcoming, it would all come out, that documents were going to be given to us. Contracts were going to be given to us, so all the facts would come out, and now a simple question like the amount of

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

MR. SPEAKER: Order please, order, order please.

I wish to say this before the hon. Premier states his Point of Order. We have guaranteed I think under the terms of reference that I have here, that questions will be answered and the questions will be asked, and there will be an answer given. If the answer is unsatisfactory to the person who asked it it is not subject to debate. I think we might leave the matter there. Will the hon. member from Bell Island, who has a question I think.

MR. SMALLWOOD: I am sorry but I must rise to a Point of Order. The hon. the member for St. John's West has said that it has been declared publicly that any question could be asked and all questions will be answered. Now that is only half correct. I have said publicly that the sky is the limit, any question may be answered but, any question may be asked, but I did not say how many would be answered. That is what I said. There are tens of thousands of witnesses to that. That is what I said.

MR. CROSBIE: To a Point of Order please Mr. Speaker, what I am referring to is not statements made in the last several days by the hon. the Premier, but statements made early in March when the private members had a resolution on the Order Paper about Come by Chance, and when it was said by the Minister of Health and the hon. the Premier that it would be an opportunity to examine Mr. Shaheen and his cohorts and the Government in detail in this House on every aspect of the operation, and all information would be forthcoming then. That is what I am referring to.

MR. SPEAKER: Yes, well I will say this, that under the terms of reference which we have at the present time we have questions, it is agreed that questions will be



asked, it is also agreed that answers will be given. But the answers given will not be subject to debate. Other questions, supplementary questions may be asked. The hon. member for Bell Island.

MR. NEARY: Thank you Mr. Speaker, now maybe we can get back to some sensible questioning

SOME HON. MEMBERS: Ah, Ah, come on, ah, come now etc.

MR. NEARY: I would like to ask Mr. Shaheen or Mr. White, I am not quite certain Mr. Speaker, whether this is a fair question or not, but, if they do not want to answer well they do not have to, but, would Mr. Shaheen or Mr. White or some other guest on the floor of the House, indicate to members of the House if there have been any approaches made by any petro-chemical companies to come in to Come by Chance as a result of this oil refinery being established there?

MR. SHAHEEN: Mr. Speaker, to answer the question there is nothing top secret about it, yes there has been. As a matter of fact, this very day I met with members of the Government and also a chemical company that is very seriously considering coming to Come by Chance. The last six or eight months, my group has been soliciting business from all the Canadian chemical companies, many of the German companies, and a few American corporations. We have had very fine response. I would say that what we have to do first, before we get any chemical company to come to Come by Chance is to build this refinery.

The first question any chemical will ask you whether it is a polyethylene plant, whether it is a butadiene is, is your feed stock ready? How much it is going to cost? I go through the routine of telling them, we are planning the refinery, we expect the refinery to be on stream at a certain date, and they very politely listen to me, and they say " well, when your refinery is on stream come back and see us." This is the problem I have had.

Secondly, we have had two companies major U.S. Corporations who have offices in Canada. They are in the plastics business. Canada at the present time imports about 450 million pounds of polyethylene from the United States. These companies are very seriously thinking about coming to Come by Chance and building a polyethylene plant. They too, want to know when the refinery will be on stream.

What products we will produce. Will we be able to supply them a competitive price ethylene. All our studies say, yes. We have had nothing but encouragement from people

HON. F.W. ROWE (Minister of Education): On that point, I wonder what would be the cash value roughly, approximately of that importation of polyethylene products into Canada?

MR. SHANLEN: Of the 430 million pounds, it is split fifty-fifty practically, between low pressure and high pressure. The low pressure sells for about eleven cents a pound, and the high pressure sells for about sixteen cents a pound. Now, this comes into Canada at the present time. This is primarily the Montreal-Toronto area which would be the market we would serve. I frankly do not have that figure Dr. Rowe. I am told that it would be about \$50 million. So there is a great future for petro-chemicals at Come by Chance, but you got to get the damm refinery built first.

MR. HICKMAN: Mr. Speaker I would like to ask a question of Mr. Grosse. It is my understanding that the turnkey contract has been signed with Procon, that is the indication I got from the evidence given here this afternoon. Would he please advise the House as to the percentage of the amount covered in this contract that will be used for the structural work on the plant, and secondly, has Procon called tenders or bids yet from at least ~~two~~ local companies as is required by law for the structural work? Bids must be called, and Newfoundlanders or Newfoundland companies must get a preference.

MR. GROSSE: Well actually we have not even commenced the project yet. Our project management team is here to make our initial site visit from the engineering view point. You can be sure that we are going to use Newfoundland labour sub-contractors to the fullest extent. We will comply with all regulations obviously.

MR. HICKMAN: But you do understand that on the structural work, regardless if it comes to two-thirds of the cost of the plant you must call for bids from Newfoundland companies. Do I understand that this is your first visit of the construction team to the Province.

MR. GROSSE: Yes, we have only been awarded the job as you realize about I guess less than what, four weeks

MR. HICKMAN: Can you bid on this sort of job with absolute finality?

MR. GROSSE: We had an estimating group and team here in September last year when we first were involved in preparing the cost estimate, and so these people have been here, but this group is now from London. Because of the way the financing has been arranged the job is going to be done by our London office. The people who were here originally came from our Des Plaines, our American office

MR. HICKMAN: The same office as U.O.P.

MR. GROSSE: Well actually, let us explain a little bit about U.O.P. - U.O.P is a company engaged in research and development. Their primary product is the sale of processes and licenses to the petroleum and chemical industries. They are paid a royalty for their process. We are in the construction business, we build U.O.P. processes, we build processes that compete with U.O.P. - U.O.P. license and designs processes that are built by other contractors. Our company is completely autonomous, it is a separate corporation.

MR. HICKMAN: How long will it be, when once you complete your studies here now, the job site, and the type of materials that you are going to be working, and then you call, your next step then as you are obliged to do by law is to call bids from Newfoundland contractors, and presumably they will have to study the specifications before they can bid. How many months would you say it will take before you would be in a position to award a contract for someone to start work.

MR. GROSSE: On structural work, at least six months.

MR. HICKMAN: And structural workers then would be part of the job?

MR. GROSSE: No

MR. HICKMAN: On site jobs?

MR. GROSSE: Piping, exchangers, vessels, compressors, pumps, structural work will be very minimum.

MR. HICKMAN: But the compressors, and pumps, and the equipment will be manufactured in the U.K.

MR. GROSSE: Absolutely, they have to be

MR. HICKMAN: All they will be installed

MR. GROSSE: In order to get the financing.....

at least six months.

MR.HICKMAN: .....

MR.BROWNE: Piping vessels exchanges compressors pumps structural work will be very minimum.

MR.HICKMAN: The compressors pumps and the equipment will be manufactured in the U.K.

MR.BROWNE: Absolutely they have to be.

MR.HICKMAN: And they will be installed . They will be transported ~~with~~ all this equipment, the refinery equipment will be transported to Newfoundland installed by, of necessity, by highly skilled technicians in that field. So that when we get back to jobs for Newfoundlanders in the construction we are really talking about, the clearing the site whatever site clearing is left to be done. The structural work and some of the piping this is on your contract excluding the wharf are we not? Is not this basically -

MR.BROWNE: We are hoping that we will find welders that will meet the test. Well, we better define structural work, we think of welders as piping, pipe-fitters and rather than structural people where we call them as boiler makers in our lingo.

MR.HICKMAN: This business of when actual jobs will start and it seems to be becoming increasingly obvious that for you to comply with the law and at the same time to be prudent yourself it is going to be quite a few months before there is going to be an abundance of jobs at Come by Chance. Do you agree with that?

MR.BROWNE: Yes, I would. We are going to start work as we mentioned, Mr. White mentioned, site work will commence quite quickly. The housing is going to commence too because you have to have housing to bring people here, housing has to be done before you bring the people into this. But this job has been financed with British money and the British money is dedicated to purchase of U.K. goods and services. That is the basis the money was furnished. That is why we are doing the engineering in London because we can get the engineering financed by doing it in the U. K.

MR.HICKMAN: I do not want to, but still on the same point, Mr. Speaker,

when you pay for all the services and all the jobs and all the work that will be performed in the United Kingdom, that must be performed in the United Kingdom under their British content requirements, plus the manufacturing of the equipment, plus the work that has to be done out here by the skilled technicians. Is there going to be very much left for our Newfoundland people to work on during construction other than the site clearing and some of the structural work?

MR. BROKAW: I think very definitely. Well let me say this. We have built 14 grass-roots refineries throughout the world, in underdeveloped countries like Africa and India. We have been very successful in training people and even in Porto Rico at the Phillips Corp Project, where native people were trained <sup>to</sup> develop skills and were later employed in the project. I do not see any reason that this cannot be accomplished here and it would be our hope that we could hire people locally because this is, we find, a more successful way.

MR. HICKMAN: It is our hope to, to find jobs for a 2000 Newfoundlanders but I am becoming more and more concerned that there are going to be very few jobs for Newfoundlanders out of that 2000. It is going to the technicians and the people that want to come in. The Newfoundlanders will build the covering, the other work, the remunerative work will be done by the highly skilled technicians brought in from the U.K.

MR. BROKAW: No, not from the U.K., Sir. As a matter of fact, just as a point of interest. The Golden Eagle project there is approximately thirty per cent of the workers ~~at~~ from Quebec City, about seventy per cent outside from the Montreal area. Because there is a shortage of skills these are facts. Well, I would like to tell you that we are going to hire all Newfoundlanders we wish we could but we do have a schedule to meet and we do require the skilled, and we are not -

MR. HICKMAN: I guess there will be 2000 jobs for Newfoundlanders I thank you for straightening that out.

MR. BROKAW: I said we expect to have at a peak 1500 people employed in our direct employ.

MR. EARLE: Another question Mr. Gosse if I may, -



MR.SPEAKER: The hon. member for St. John's South.

MR.NOLAN: I wonder if I could direct two or three questions concerning employment to Mr. White. (1) How many people will be employed on the construction of the site, the total someone just mentioned now was 1500, how many will be employed on the construction of the wharf? Mr. White could you give me an answer to that one.

MR. SMALLWOOD: Fifteen hundred directly by Procon and possibly 500 by subcontractors that is 2000 and 400 to 500 on the wharf. Those are the figures that came out. All right then, continuing again on the

MR.NOLAN: All right then, continuing again on the employment situation that we are all interested in. Since we have had so much discussion on the petro-chemical plant and so on from the charts that I have read such as the one we have distributed today on the petro-chemical opportunities in Porto Rico, you do not have it, perhaps you could have mine, Sir. What I would like to ask of Mr. White if he is the one that give me the answer to this question, what phase of the petro-chemical complex would utilize the most employment? I notice in one instance here where they have a figure of something like 600 employees for the manufacture of benzine and solvent materials in various petro-chemical feed stocks. Now this might be very far advanced from where you would start initially from the grass-roots in the petro-chemical complex at Come by Chance. I am just wondering what aspect of the petro-chemical complex would utilize the greatest number of men or women to work.

MR.WHITE: Mr. Speaker, the particular illustration you chose is actually the very first step and would probably be the very first thing that would put in and that would be an aromatics plant and solvent preparation unit. Now the employment in the petro-chemical plants runs almost in inverse proportion to the distance from the primary raw material, in other words you use the lowest number of men per dollar volume of output in the oil refinery as you dip into the more expensive petro-chemical items there is more and more manpower, <sup>used</sup>/~~more~~ and more labour component until you get right down to the finished product when you make the toothbrush you use the most



labour and the least amount of material for dollar volume of product. So wherever you handle solids you can usually say that that is where the high employment will fall in the petro-chemical industry the second or third step down the line is usually before you get this type of employment. So when you look at the charts you can see the further away from the refinery it goes the more men will be employed per dollar volume of output.

MR. HICKEY: Mr. Speaker, there are two questions, I would like to direct them to Mr. Shaheen. (1) There is a figure of 3.2 million for marketing development. The amount of \$3.2 million. (2) there were three parts but I hesitate in asking one part as I think it has already been asked and you gentlemen feel that you cannot answer it. And this is in connection with the power consumption at Come by Chance. I would ask the question in the light the fact that you will not tell the House the amount or the anticipated amount of power consumption. Would you tell us what the approximate cost of the subsidy of this power would be to the Newfoundland people. I do not see in any way where this would be competitive information. And I understand in answering it, I believe it was Mr. Shaheen indicated that there has been agreement on this matter has been cleared with the cabinet, or with the Government. Sir, we have ~~some~~ experienced some difficulty in getting some information from the Government and I assume this is why you gentlemen are here.

MR. WHITE: Mr. Speaker, I am afraid I do not really understand what you say when you use \$2.3 million of market development. We have spent as far as the market development is concerned this \$8. million that will have been spent by the Shaheen group up to the time the refinery goes on stream certainly a large portion of that represents market development. Could you clarify that?

MR. HICKEY: The figure comes from the year end report of the Newfoundland Refining Company during the past year and I assume that when this figure is quoted in that report as having this amount of money having been spent I assume that someone has paid for it and I am wondering if the Newfoundland Government or the Crown Corporation had paid for it.

MR. WHITE: The Newfoundland Refining Company, I am afraid, did not make the year end report so I do not know what the source of the information is.

MR. HICKEY: Possibly we have the wrong claim but it certainly is the Come-by-Chance project.

MR. WHITE: Regardless of the amount, regardless of the dollar figure, the sales cost that we have incurred up to this point has been sizeable. I am not prepared to tell you just what it is but in total with the whole development cost we are estimating that by the time this plant gets ready to begin production we will have spent \$8. million. Now that includes a lot of travel time for us, that includes a staff of salesmen. We have a number of salesmen, we have a sales office in Europe, we have a sales office in New York, we have sales offices in other parts of the US, we have people going all around and we have a complete staff otherwise we would never have these contracts. This money is part of the \$8. million. This is money that is going into the project.

MR. SMALLWOOD: Who pays for it?

MR. WHITE: This money will come out eventually, it will either be, well actually it will stay right in. It is money that we have spent and money that we will never get back that way. We do get a sales commission, this is money that we have spent.

MR. SMALLWOOD: And your company?

MR. WHITE: The Shaheen group and -

MR. SMALLWOOD: And the Newfoundland Crown Corporation?

MR. WHITE: Not the Crown Corporation, no, Sir. The Crown Corporation has not spent this money, this is the money that has been spent by the Shaheen group in developing these markets, in bringing these contracts in. In doing this, this has not been something that we could do just out of petty cash. You understand that this is an expensive proposition. Now we will legitimately under this Act be allowed a commission on our sales. This is money that we have already put in and this money we expect to get back eventually either by some form of repayment or when we buy off the holding company and actually take title to this it will be that value in the company which is ours.

As far as the power subsidy is concerned that aspect of the question, we have an agreement which I understand is in accordance with the policy of the Province to supply us power at this rate as specified in the Act. I have no knowledge of production costs of power or the distribution cost of power that is a matter from the supplier, the Newfoundland and Labrador Power Commission as to what their costs are.

MR. HICKEY: Surely you have not come this far without knowing what you are going to pay for power.

MR. WHITE: We know exactly what we are going to pay for power.

MR. HICKEY: Would you mind telling us what that is?

MR. WHITE: Two and one-half mills per kilowatt hour.

MR. HICKEY: Will you not tell us how much it will be?

MR. WHITE: No, this is competitive information which we will not make public. This information is available in our feasibility studies. The ministers who have reviewed this have it available to them if they would like to come back and ask us again under the agreements we have with them it is available to them but not to the public.

MR. SPEAKER: I think this would be an opportune time to interrupt and call it 11:00 o'clock.

MR. SMALLWOOD: Mr. Speaker, before Your Honour leaves the Chair I wonder what is the desire of the hon. members as to when we meet again? Do we want to meet

~~MR. SPEAKER:~~

again say tomorrow forenoon or will we meet tomorrow afternoon or what and tomorrow being private member's day is it agreed that the private members of the House will forego tomorrow as their private member's day and have it later in the week, it cannot be Thursday as that is Budget day? Is that agreed? I understand that it is. If I hear no descent then I take it that we want to meet tomorrow afternoon, possibly tomorrow night and not private member's day tomorrow but go on with this same business as long as the House wants it. If that is the feeling then Your Honour in leaving the Chair now would, of course, do so until 3:00 o'clock tomorrow.

MR. SPEAKER: Unless I hear to the contrary I will leave the Chair now until 3:00 o'clock tomorrow afternoon. I would also like to have it clear because if we come into the House tomorrow afternoon at 3:00 o'clock which is private member's day I will have to recognize private member's motions unless there is an agreement between both sides of the House as to what we are supposed to do.

MR. MURPHY: Back to making agreements again now, we are quite happy with the thing but we discussed the other day about agreements being made as to any need to take a vote on the other side of the House that they are all agreed, it is unanimous that an agreement be made. You know, we have quite prepared to forego tomorrow for another day. I think that is agreed by everybody.

MR. SPEAKER: I am not being a party to any agreements made by either group but I will say this that I will accept a motion where the House directs me as to what to do but I do not recognize, the Chair cannot possibly recognize an agreement between parties because they may renege, somebody may renege. I do not think they would ever do that, of course, but at the same time the Chair can only recognize what has been put to it, in other words I can only do what I am instructed to do by the House and if I am not instructed by motion agreed upon by the House to do the contrary, I will now leave the Chair until tomorrow afternoon at 3:00 o'clock.

MR. CROSBIE: Mr. Speaker, I would like to make a few comments before the hon. Premier moves his motion. Because I choose to make my comments now when the Leader of the Opposition the hon. Premier has then I might have other comments



~~MR. CROSBIE:~~

to make when the motion is moved.

MR. SPEAKER: If this continues I will leave the Chair until tomorrow afternoon at 3:00 o'clock which I am entitled to do.

MR. CROSBIE: Mr. Speaker, I just want to put our position quite clear to the House that we are quite prepared to agree to tomorrow that we go ahead with the present business if Friday is going to be private member's day in the afternoon of Friday but we do not want to be caught in the position of having to meet Friday night. That is all I want to point out that it has not been our custom to meet Friday night and we have certain other events going on to prevent us from being here Friday night. We think that they are important that is my only comment otherwise we are quite in agreement to go on tomorrow.

MR. NOLAN: Mr. Speaker, earlier in the day the hon. member for St. John's West indicated at the beginning of the session today that it was his hope and for that matter the wish of the other members with him, I believe, that private members day indeed would be on Friday, is that so. Therefore if it is in order I would certainly make a motion that private member's day will be on Friday of this week rather than Wednesday which is the normal custom.

MR. SMALLWOOD: I move that the House at its rising to adjourn until tomorrow at 3:00 P.M. and that tomorrow not be private member's day and that private member's day be on Friday and that the House not meet on Friday night and I made that because the hon. member for St. John's West says he has other business on Friday night and if I tried hard I believe I could guess what it is, he is probably on the way to Gander. I make that motion, Mr. Speaker.

MR. SPEAKER: It has been moved and seconded and the hon. members have heard this motion. I am not going to repeat it.

This House stands adjourned until tomorrow afternoon at 3:00 P.M.