



PROVINCE OF NEWFOUNDLAND AND LABRADOR

HOUSE OF ASSEMBLY

Volume 1

Number 125

4th. Session

34th. General Assembly

VERBATIM REPORT

TUESDAY, JULY 21, 1970

SPEAKER: THE HONOURABLE GEORGE W. CLARKE

The House met at 10.30 a.m.

Mr. Speaker in the Chair.

MR.SPEAKER: Before we take up routine Orders of the Day, I take the liberty of drawing the attention of the House to the fact that we have in the galleries in the visitors galleries today some fifty or more Girl Guides, half of whom are from outside of the Province and the other half from our own Province. They are celebrating their, I understand they are celebrating their sixtieth anniversary of Guiding in Canada. I know that I speak for everybody when I give them a hearty welcome to this House and hope that their visit will be enjoyable. (Applause)

NOTICE OF MOTION:

MR.T.BURGESS(Labrador West): Mr. Speaker, I give notice that I will on tomorrow move the following Resolution: WHEREAS there is a great deal of dissatisfaction with reference to the recruitment of workers for the Churchill Falls Project; AND WHEREAS there is a great deal of dissatisfaction with respect to the treatment of workmen at Churchill Falls, including in connection with the administration of justice at Churchill Falls; AND WHEREAS it appears that the present Union contracts in effect at Churchill Falls and the enforcement of those contracts on the workmen involved is not resulting in effective protection for the workmen involved; BE IT RESOLVED that this House request the Government to appoint a Commission of Inquiry to investigate the labour situation at Churchill Falls and the administration of justice in connection therewith and to report with recommendations as soon as possible.

ANSWERS TO QUESTIONS:

HON.J.R.SMALLWOOD(Premier): Mr. Speaker, I table the answers to the following questions: Nos. 249,284,285,286,287, all in the name of the hon. member for St. John's West; No. 289 in the name of the hon. Leader of the Opposition. Nos. 310, 337, 338, 348 all in the name of the member for St. John's West.

ORDERS OF THE DAY:

MR. MARSHALL Mr. Speaker, I should like to answer the hon. Minister of Social Services and Rehabilitation, in the absence of the Minister of Mines and Resources, if he could supply the House with details of a possible re-opening of the mines at Bell Island including the name of the proposed operator and such other details which were mentioned by him publicly yesterday.

MR. SPEAKER: I suggest that this question go on the Order Paper.

MR. CROSBIE: Mr. Speaker, I have a question for the Minister of Finance. Is it correct that the Province has just floated, or within the last few days floated a \$15 million bond issue? And if so would the minister tell us what the terms of the bond issue were, the interest rate and the term of the bonds and so on. And ^{at} what price it was sold?

MR. JONES: Yes, Mr. Chairman, as a matter of fact we floated a \$15 million bond issue yesterday, on the Canadian market. I am not quite sure of the details, we do not know from Aimes & Co. yet, it was in two sections. One section of the one, trans as they call it, of the bond issue has a retractable phrase in it, that can be recalled in five years and the other will go for the full term of twenty years. The respective interest rates was nine and three-quarters and nine and one-quarter. I will be in a better position, probably later today or tomorrow, to give the specific details. We started the issue yesterday morning and it was sold by yesterday afternoon. I am waiting for word back from our financial advisers as to the exact details. I will be quite happy to give the House the details when I get them in a matter of a few hours maybe.

ORDERS OF THE DAY:

MR. BURGESS: Mr. Speaker, I would like to address a question to the Minister of Justice, Could the Minister of Justice inform as to the present status of the two provincial people who were discharged from Churchill Falls for allegedly being the cause of a disturbance and whose case was subsequently

dropped in Grand Falls, not too long ago. Have these people been returned to the site?

MR. CURTIS: Mr. Speaker, in answer to that question, we are not returning them to the site. I do not know whether they got back on their own.

MR. BARBOUR: Mr. Speaker, I would like to direct a question to the Minister of Labour: Is there any negotiation going on between Parker & Monroe Limited and the employees?

MR. KEOUGH: Mr. Speaker, not that I am aware of at the moment, Negotiations had been going on since last December. As of the moment they are stalemated. There are no negotiations that I am aware of.

MR. CROSBIE: Mr. Speaker, could the minister tell the House whether or not the Government has made a decision to take over the distribution of beer from the breweries of Newfoundland?

MR. H. COLLINS: Mr. Speaker, before we get on with the Orders of the Day, I have a question for the Minister of Municipal Affairs or the Minister of Community and Social Development. I do not know to whom I should direct it, but possibly one of them could answer. When is it proposed to call tenders for the second phase of the Bishops Falls water supply?

MR. DAWE: Mr. Speaker it is under advisement. I do not know exactly. It is in the negotiating stage. We hope within a week or two they will call tenders for the second phase of the development.

Adjourned debate on Bill No. 94:

MR. BURGESS: Mr. Speaker, just very briefly, the amendments before the House, on the Come by Chance Agreement, while they do improve the original agreement to some degree they are in no way adequate, to my way of thinking, I therefore cannot support the principle of this Bill.

MR. COLLINS: Mr. Speaker, first of all Sir, let me congratulate the hon. members on this side of the House who did such a magnificent job, in my opinion, and it certainly shows the knowledge that those people have. In my opinion they have

done a good job in bringing the Opposition's case to this House and to the people of Newfoundland. Now, Sir, there is not too much I can say to add to what has already been said, I would suspect that anything I might say would be more or less rehash of what has already been expounded. However, I would like to go on record, Mr. Speaker, as being opposed to this particular amendment, for two reasons. First of all there has not been adequate information tabled or made available to members on this side of the House for us to intelligently be able to reach a conclusion, reach a decision. This, in my opinion, Sir, puts us in a very awkward position because by virtue of that fact we find that we cannot in all conscience vote for it. We also find it difficult to vote against it because I can see that the Premier from here on will be accusing us all of being anti-Newfoundland, of being unpatriotic, being everything but something good. However, as I said; without the information which we need we certainly cannot reach an intelligent conclusion and because of that we find that we must oppose it.

Sir, as I said; I do not want to rehash what has been said in the past couple of days. I am sure that all of the members would not want to hear that.

I would just say, in my few remarks, that possibly we could all be assisted to a great extent, certainly be assisted to the extent whereby we could look at this thing from an intelligent point of view, if the Premier would agree - I know this is a dangerous thing to say possibly but I wonder would the Premier agree to having a secret session or closed session, whatever you might call it, of the House of Assembly, with all the members present, and table all of the information which the Government has? Now on that basis I am sure hon. members would be in a position, after a day or two days, after studying the various agreements which have been signed or about to be signed, on that basis we could reach a conclusion and be able to vote intelligently.

Now I know that is not a popular thing to come up with, because people generally resist the thought of a closed session anywhere, either in a council meeting or in the House of Assembly or any other governing body. But in the

circumstances, since the Premier is so adamant that he will not table any of the agreements - he has said -

MR. SMALLWOOD: We tabled two here yesterday.

MR. COLLINS: The two that were tabled here yesterday Mr. Speaker, tell us very little. The fact -

MR. SMALLWOOD: I tabled four -

MR. COLLINS: There are a lot of agreements that we do not know anything about and the Premier has said that he will not table them. He has almost gone so far as to say that he would not trust hon. members on this side of the House with some of the information. And he always hides behind the smokescreen that, were the information made available, then competitors of the oil refinery at Come by Chance, Shaheen's group competitors, would be given an unfair advantage. Of course, as I said, there is a smokescreen and a red herring, if ever I saw one. I would challenge the Premier now, Sir, to consider what I have said and, in a private session of the House, make all of the information available, so that all hon. members can study it and, on that basis probably, we can reach a more intelligent conclusion. Until that is done, Sir, I will have to take the position, as has been taken by hon. members on this side of the House, of voting against it. In doing so, I know we will be criticized as being against jobs and against Newfoundland and everything else, but I consider myself to be just as patriotic a Newfoundlander as any member on the opposite side, certainly just as interested providing jobs for Newfoundlanders. I think that the people of Newfoundland will understand and agree with that. Until we have more information Sir, we must oppose the amendment.

MR. BARBOUR: Mr. Speaker, I am just going to take one moment, if I may, Sir, at My district is only about two hours, the farthest from Come by Chance. This means that when the oil refinery becomes a reality and it will, there is no doubt about that, a number of my constituents will be looking for jobs and a large number of them, I am sure, will find them because it is not only

the oil refinery it is the other chemical complexes that will be added to
Come by Chance as the years will come. Because of that, Mr. Speaker, it is
not only the five or six hundred people who will find employment after the
project is built and starts, it means that they will be feeding the mouths
of many more. This means it is not only the four or five hundred people who
will be finding work, they will be feeding the mouths of their families.
Any hon. member in this hon. House who has the audacity to stand up on his
feet and not say that it is going to bring employment to the people of New-
foundland is not grown up. Something must be wrong with him.

I was amused at the hon. member for Humber East. Lukewarmly he did say
this amendment has something in it but he could not go all the way and
support it. I was very, very intrigued with the hon. member for Burin, who
said that the Government, the Premier of this Government, was afraid to go
to the Province because he would not get approval. Sheer nonsense, ridiculous,
foolish, silly, stupid!

MR. HICKMAN: Try it!

MR. BARBOUR: Try it! I hope to God he would try it and you would get your
answer. The hon. member for Fortune said; when he was in England (I wish
I could get a trip to England, Mr. Speaker) the hon. member said; -
I like to draw fire, I like to draw fire. The next contract, no, it will be
the signing up of the contract that will be the end of it. Mr. Speaker, the
hon. member for Fortune said when he was in England, people said that they
were very happy to know that the Conservative Government had won. But the
posters did not say this, the straw vote did not say this, public opinion
did not say this. Public opinion had it, prior to the election, that the Labour
Party would lead, under -

MR. EARLE: The people were delighted the first time a straw vote -

MR. BARBOUR: Mr. Speaker, you have had your say, I am having mine - Mr.
Speaker, they are now saying that this party, the great great Liberal Party,
the Whigs are saying, Mr. Speaker, that we are finished, if we go to the country
and call an election.

MR. NEARY: The member for St. John's West resign this morning?

MR. BARBOUR: Mr. Speaker, I am coming to him later. I can assure every hon. member in this House that the working people of this Province do not care how much anything cost if, by it being put there, they can find employment.

Any man, any hon. member of this House, who will stand on his feet and try and bar a man from getting a job, again I say is not grown up.

The hon. member for St. John's West said he was going to resign and he was standing on this by-election concerning the project in Come by Chance. I know the people of St. John's West. I know that little Bonavista Bay lives in St. John's West. And I know that little Bonavista Bay will support this project, the same as the other forty districts in Newfoundland will support it. I am quite surprised that the member for Gander, an outharbour man like myself - who can - I am proud of it too but I am not proud of the hon. member, who stood on his feet just a few moments ago, the way he talked, I do not mind the junior, I do not mind the man who is not wet behind the ears, from St. John's East, I do not mind him because he has a lot to learn. But by the time he is in this House as long as I am, and that is a little over a decade, it is eleven years, he will find out who the people want. He will find out which is the best administration for Newfoundland. That Mr. Speaker, is not the Whigs, that is the Liberal Government. If any hon. member in this House thinks that Come by Chance is going to be the downfall of the Liberal Government in the next election, whenever it is called, is making the mistake of his life.

AN HON. MEMBER: Prove it.

MR. BARBOUR: We will prove it when the election is called - take off that cap. We will prove it when the election is called, Mr. Speaker, I said I would not retard the progress of the House. Mr. Speaker, as I said many times, he is my member I am his constituent but I did not vote for him.

Mr. Speaker, I just want to say this I am very pleased with this amendment. I know the legislation will pass. I know in September a number of people will

July 21 1970 Tape 1332 page 8.

be employed. I know in October, November, December, and all through the year --

MR.WELLS: What year?

MR.BARBOUR: This year 1970 and 1971 and the years that lie ahead. So, Sir, I am very happy indeed, indeed, indeed to support this legislation.

MR. SPEAKER: Is the House ready for the question? If the hon. the Premier speaks now he closes the debate.

MR. SMALLWOOD (J.R.): Mr. Speaker, I have to say, in the first place, that I am especially grateful to my colleagues and other firends, on this side of the House, for their patience and forbearance in this debate. They believe strongly in this great Come by Chance project, and every instinct in them impels them to enter the debate in support of it. The pressure has been tremendous. Everyone wants to get into the debate, to support this project, but, in the interest of shortening the debate, they have, for the greater part, allowed me to speak for them. I thank them for it.

The last time that this House was called to meet in mid-summer, was for the purpose of giving to this Government authority to float a large bond issue, to raise the millions of dollars needed to build a railway in Labrador, to Wabush Lake. We were trying to get the iron mines opened at Wabush at that time. We were very bitterly attacked, savagely attacked for that. At one point I, myself, was not actually physically assaulted but only escaped physical assault because someone stepped in between my would-be assailant and me. Well, we warded off all attacks of all kinds, verbal and otherwise, at that time, and we stuck to our guns. We got the House to give us the authority to raise that bond issue, to build that railway ^{at} the staggering sum, at that time, of seventeen and a-half million dollars.

What was the result? The result was that the railway was built. The result was that a great iron mine was opened at Wabush Lake. The result was that a great new town was built at Wabush Lake. The result was that a great new iron mine was opened and a great mill was built. What was the result? The result was that Labrador City was built. The result was that a mine was opened there too, three miles away. The result was that a big mill was built there as well. The result was that, in the two places, between then and now, something between eight hundred million and one thousand million dollars has been spent. As a result of the last calling of the House together in mid-summer, to give the Government authority to proceed with certain industrial developments, hundreds of men have been employed, tens of millions and hundreds of millions of dollars

of wages have been paid out, and today this Province is, not immeasurably but vastly stronger because of our action, the last time we called the House together in mid-summer.

Now the Opposition opposed us then, They opposed us strongly. The Opposition was wrong then and we were right, just as the Opposition are wrong today and we are right again. A somewhat amusing feature of the present debate is the fact that, of all the persons now sitting on the other side of the House, of them all, when this project was first brought before the House, a couple of years or more ago, of all those who now sit on the opposite side of the House, only four; only three of those who now sit on that side of the House, only three voted against it. There was a fourth who voted against it, Mr. Ottenheimer, but he does not sit on that side or any side of the House at the present time. Of all who sit on that side of the House at this moment, only three of the eleven voted against the deal, only three of the eleven. Two of those, on that side of the House, though they had just gone across a week or less than a week before, refused to vote against it. The hon. member for Humber East and the hon. member for St. John's West both refused to vote against the deal, Two years ago they refused to vote against it. The only people who voted against it, at that time, were the four members of the Opposition of whom three are still here, One has resigned.

Two on that side of the House today are two hon. members who crossed the floor. Even though they have crossed the floor, they did not vote against the deal that was brought in here two years ago. The hon. member for Burin and the hon. member for Fortune Bay voted for it.

MR. EARLE: (Inaudible)

MR. SMALLWOOD: They both voted for it. They could not have been against it or they would have left. Those who were against it left, but even they did not vote against it. Only three hon. members on that side of the House today, of the eleven only three voted against it, of the eleven.

Now Mr. Speaker, we have brought before the House tremendous improvements, tremendous improvements, running to tens of millions of dollars additional revenue for our treasury, tens of millions of dollars additional revenue over and above what they voted for two years ago, and they tell us they

are going to vote against it. Truly, the Gods must be laughing on Olympus!

Now I am a little tempted to describe the Opposition's attitude, in this whole matter, as being the worst example that this House has ever seen, of wrong-headed antagonism to an industrial development project. I am tempted. However, I have to resist this temptation. I remember the history of the Tory Party and their friends, in all of the earlier proposals for industrial development. This present case is by no means the worst, not the worst, bad enough but it is not the worst. So far as we can judge, the Opposition members, and their friends across the way, are really opposed to the Come by Chance project. As far as we can judge, they really are opposed to this Come by Chance project. As far as we can judge, they do give every appearance or almost every appearance of being sincere in their opinion that the deal is not a good one for Newfoundland. So felt the Opposition, so precisely felt the Opposition when the Grand Falls paper mill project was brought in by Sir Robert Bond. So they felt then, So they felt when the Corner Brook paper mill deal was brought in by Sir Richard Squires. They felt exactly the same then as they do now. So they felt when I brought in the Brinco, Churchill Falls project. They gave every appearance then, as they do now, of being bitterly and sincerely opposed to it.

Again, when I brought in the Stephenville, third paper mill project, they were opposed to it. In all of these projects, of large scale industrial development for Newfoundland, the Tories and their friends have always been true to their convictions and to their nature, that is, they have been opposed. Their record of persistent and consistent opposition is a perfect one - a flawless one. It is without flaw - persistent and consistent and always wrong.

Mr. Speaker, there is something quite amusing about the Opposition's point blank refusal to confront the reality of the British Government's guaranteed loan being advanced by the syndicate of British banks. This loan of \$125 million is for a period of eight years, and, throughout its whole life of eight years, it is guaranteed, unconditionally, by the United Kingdom Government. It is not guaranteed by the Newfoundland Government. It is not guaranteed by the House of Assembly. It is not guaranteed by the any legislation of this House. It is purely and simply a loan advanced by British banks and guaranteed by the British

Government, and this is the only guarantee. Yet, in the face of this fact, what do we find the Opposition doing? We find them ignoring this fact, pretending that it does not exist. Rather, we find them pretending that this is Newfoundland's money, Newfoundland Government money, money advanced by the Newfoundland Government, pretending that it is money guaranteed by the Newfoundland Government. We find them putting forth suggestions of other things that this same money might be spent on, just as though we had a choice between spending it on British made machinery and other articles for the oil refinery on the one hand, or say, on the other, badly needed roads and school or municipal services.

After all, if this is Newfoundland money, Newfoundland Government money, why not? If we have a choice, why did we choose to spend it on an oil refinery and not on roads and schools and municipal services and public needs all over the Province? As one hon. member said; "why not start a thousand little industries?" If this is Newfoundland Government money, if we are free to spend it any way we like, as is hinted or even broadly said on the ^{other} side, why not, why not on anything that is needed and, God knows, many things are needed? Why do we not take that \$155 million, \$125 million, guaranteed by the British Government, and the \$30 million that we lend ourselves, why not the Newfoundland Government take the \$155 million and spend it on things that are so badly and admittedly badly needed? Indeed, we heard that precise suggestion made by one hon. member of the Opposition, the member for St. John's East. The new member for St. John's, East said; (and I jotted down his words) "after all, we are expending, we are" (and he emphasized the word 'are') "we are expending \$155 million of our dollars." Now he did not underline the word "our" but he used it. He said; underlining the word "are" "we are expending \$155 million of our dollars." Again he said, "\$155 million of our money." "Our money,"

Again we heard the Leader of the Opposition say, and I quote him precisely; "We have all heard hon. members stand up here in this House and read petitions asking for this little road here and that little road there, we have heard them," he said, "standing up in the House here, reading petitions, asking for little roads here and little roads there," with a strong implied suggestion, by the Leader of the Opposition, that it would be far better if we spent this

\$155 million on such things rather than on the refinery, the suggestion being that it is our money, it is Newfoundland money, it is Newfoundland Government money, ignoring the fact that it is money advanced by a syndicate of banks in England, guaranteed by the British Government for the very purpose described by the hon. member for Labrador West, here in this House yesterday, to create jobs in England.

Why is it that the Government of Germany, through Hermes, guarantees export credit? If you go to Germany today - to West Germany, and place an order for machinery to be manufactured in Germany, the German Government will guarantee payment to the manufacturers, so the manufacturers in West Germany are glad to accept the order. They will fill the order, they will employ Germans, they will keep the factories busy, they will manufacture the machinery. Why? Because the German Government guarantees repayment of the cost of the money they put out. The French Government do the same thing. The British Government do it, You know, Mr. Speaker, that the Canadian Government do it? The Canadian Government will guarantee exports, if a Canadian manufacturer can get an order for the delivery of machinery in South America, in Africa, in Southeast Asia or anywhere in the world, The Canadian Government will guarantee payment of that money to the manufacturers. This is done to promote Canadian exports. This is done to create jobs in Canada, Similarly, the United Kingdom Government, through E.C.G.D., Export Credit Guarantee Department of the British Government, will guarantee money at five and a-half percent interest.

Why do they do it? To help British industry, to give jobs in British factories, to keep Britain going. That is why they do it. The suggestion comes from the Opposition - they have never gone so far as to put it in blunt words and say, 'look, take this \$155 million of your money, of Newfoundland's money, of the Newfoundland Government's money, of the Newfoundland people's money, of the public money, take the \$155 million and build roads with it.' They have not said that but their words are capable of no other interpretation. The powerful suggestion is made that we have a choice, in the Newfoundland Government, of taking that \$155 million and spending it on roads and schools and one hundred other things or even a host of small industries, we can take that, that Britain will provide it for that purpose.

We know that Britain will provide it, as Germany will provide it, as France will provide it, only to create jobs in their own land, and that we have no choice. We take this \$155 for an oil refinery or we do not get it. Now Mr. Speaker, we have heard some whimsical statements made by the Opposition, on the question of the Come by Chance project's profitability. The hon. gentlemen have been blowing hot and cold on this. They have tried to have it both ways. They cannot seem to make up their minds what it is they believe. In one moment, or at any rate in one speech from one hon. member, they argue that there will be no profits. They talk then of the ghastly mess there would be when the project collapsed for lack of profits. At another moment, or at any rate in another speech from another member, we hear fearsome talk of the incredible profits that are to be made out of this great project. You get both from the same Opposition, in the same day.

No profits, therefore, a mess, The Government of Newfoundland will be ruined, will be dragged down into disaster - disasterous ruin. In the next breath, from the same side, on the same day, you get the suggestion of incredible profits that this great project is going to make. One hon. member, across the way there, put it at \$500 million profit. Another hon. gentleman, across the way, put the profit at over \$1000 million. In fact, he spelled it out even a little more precisely. He did not say \$1000 million, he said one thousand and twenty million dollars, He went just over, he went across the line, he went just above the billion, the \$1000 million profit. From the same side, who claim that there will be no profit, that the Newfoundland Government will be dragged down into disasterous bankruptcy!

Now Sir, I will come back to that.

MR. SMALLWOOD:

The hon. the member for St. John's Centre, the Leader of the Opposition, who is not here at the moment, said, (and I took his words down) "A huge amount of our people's money, for a piddling few jobs. A huge amount of our people's money for a piddling few jobs." Then he spoke of these piddling few jobs as being the return, the reward we get, the return, these piddling few jobs, the return for selling ourselves into what, selling ourselves into what? Into bondage. The Leader of the Opposition thinks that going ahead with this great oil refinery project means that we sell ourselves, this Province sells itself into bondage, Bondage to whom? He did not say. Bondage to what? He did not say. Just bondage, slavery, we become bondsmen, slaves.

Then, however, he got a little generous. He wanted to show that he was not one-sided, that he was big in his thinking, that it was not entirely black, the picture, not entirely black. There was a little glimmer of bright lining to the dark cloud. I infer that from a remark he made, which I took down,

He said it in his own quaint way, and this is the exact quotation: "There maybe \$10.00 bill in this project now, it is not all black, it is not all bad, it is not all dark, it is not all dismal." We maybe selling ourselves into bondage but after all that is not the last word on it, He has another word to add and his other word is; "there maybe a \$10.00 bill or a \$20.00 bill, coming to the Treasury, over and above what came under the old agreement. There may indeed be a \$10.00 bill or a \$20.00 bill in it for the Treasury, compared with the old deal passed a couple of years ago. There maybe a \$10.00 bill or a \$20.00 bill but it is not enough, it is just not enough."

This amount I have already given and I will repeat it, this amount, this \$10.00 bill or this \$20.00 bill that there maybe; (he does not say there will be but there maybe. I am not sure though of the tone) this maybe a concession. He maybe admitting in fact that there will be a \$10.00 bill or a \$20.00 bill, The word he used was "May" but I think he said it in this tone. Well, so what? So there maybe a \$10.00 bill or a \$20.00 bill but there should be a \$20.00 bill or a \$50.00 bill. I think, in fact, that he was admitting that there would be a little come into the Treasury, over and above what came in under the old agreement.

MR. SMALLWOOD:

But his real feelings were shown, Mr. Speaker, in this remark, the Leader of the Opposition, "It might be," Now I have often been heard to describe Confederation as the greatest gift that God has given to the people of Newfoundland, next to life itself, which, of course, is the great gift, Without life what is the good of anything? But the greatest gift, next to life, is Confederation. I am know to believe strongly in that, this is what I believe, and I believe that a great many people share my view. But the Leader of the Opposition has something to add. He says; and I took his words down, "It might be the greatest blessing to this Province since Confederation." Now you think he is going to mention Churchill Falls, 'the greatest blessing to Newfoundland since Confederation.' Confederation was the great blessing but the greatest blessing since Confederation, the greatest blessing to Newfoundland is Churchill Falls? No. It is Wabush City? No. It is Labrador City? No. It is the new mines opened here in this Island? No. It is the building of Trans Canada Highway? No. You are wrong. You are not even getting warm. It is the building of a thousand new schools? No, that is not it. That is not the greatest blessing since Confederation. It is the building of thirty new hospitals? That is not it. You are not even getting warm. What is the greatest blessing to befall Newfoundland since Confederation? Is it is the starting of the great university? Is it the fisheries college? Is it twelve new trade schools? Is it the technical college? No. Is it the building of 5,000 miles of new roads? No. Is it the paving of 1,500 miles of roads? No, that is not the greatest blessing since Confederation. The greatest blessing, let me read it; "It might be the greatest blessing to this Province since Confederation if this deal went down the drain."

The death of this great industrial project at Come By Chance might be the greatest blessing to befall Newfoundland, to come to Newfoundland since the greatest blessing of all, the blessing of Confederation. Enough said on that.

Now we had a statement from the new hon. member for St. John's East. I did a quick flip, to use a slang, My mind did a quick, quick flip and I said, "is my hearing getting to be defective? Is my mind slowing? Did I really under-

MR. SMALLWOOD:

stand him aright?" I wrote the words down. The new hon. member for St. John's East, "We do not know if the refinery is feasible. We do not know and we have nothing to show us. We have nothing to show us." Well, Mr. Speaker, we have and the hon. gentleman has, he has something to show him, all hon. members of this House have something to show them that this project is feasible. They have the Jacobs report, the report of Jacobs Engineering. They know or at least they have been told that the Canadian Government examined it and approved it. They know that the British Government examined it and approved it.

AN HON. MEMBER: (Inaudible).

MR. SMALLWOOD: Who cares? Who could care less, who could care less? He is not the Canadian Government. I know what he is better than the hon. gentleman knows. I know what he is, far better than the hon. gentleman has any idea of. I know all about him.

AN HON. MEMBER: Tell us what he is?

MR. SMALLWOOD: No, I leave that to those who know and, those who do not know, ^{it} perhaps, is better for their piece of mind that they did not.

MR. ROWE: He did not have too much influence on the Canadian Government, did he?

MR. SMALLWOOD: "We do not know if the refinery is feasible, we have nothing to show us." But the same hon. gentleman said, almost in the next breath, something which shows that he really knows and that he knows, not only knows but knows well that it is a profitable enterprise. He said something that shows that he knows. Now try to put these two sentences together, try to reconcile them. "We do not know if the refinery is feasible, we have nothing to show us." Shaheen will make a kit and caboodle." How can he make a kit and caboodle if it is not feasible? How can you reconcile these two statements? How do you bring them together, how do you reconcile them? How do you get a balance? How do you get a balance?

AN HON. MEMBER: (Inaudible).

MR. SMALLWOOD: We know what he gets. We know what he gets. Then he goes on to make it completely clear as to what he means with this sentence, "The Province gets absolutely nothing in return. The Province gets absolutely nothing in return, absolutely nothing the Province gets, absolutely nothing."

MR. SMALLWOOD:

I was astounded to hear the hon. member for St. John's West suggest to this House and, even now that I am repeating his words, I find it hard to believe that he actually said them, that Shaheen can put up the price of the crude being delivered to the oil refinery. He was showing us how it could happen that the Government of this Province would get nothing out of the refinery, proving the words of the hon. new member for St. John's East. Here are the two ways in which Shaheen could see to it that the Province would get nothing. (1) He could put up the price of the crude, the crude oil coming from the oil wells, in on the great ships. He could put up that price on the crude being delivered to the oil refinery or, and he might have said "and/or" and in addition, he could do this or alternatively he could do it but what he said was "or." He missed a chance there. Why should Shaheen limit himself just to putting up the price of the crude? Why should he do that or why should he limit himself just to putting down the price of the finished product? Why should he not do both? If he can do one, if he can do each can he not do both? If he can do the one or the other, can he not do both together and do us out of even more income; or he can lower the price of the finished product manufactured in the refinery?

Now does the hon. gentleman not know, does he not know, does he not, does he not know that the crude oil has already been contracted for with British Petroleum, which is one of the world's two or three largest oil companies, which is controlled by the United Kingdom Government? Does he not know that there is a contract under which B.P. will supply the crude oil? Has he not been told? He has not been permitted to read the contract but many have read it. Does he not know that the contract is for a fixed price? Does he not know that Shaheen, even if he wanted to, cannot raise that price, with regard to the finished products of the oil refinery going out for sale to this airline and that airline and the other airline, to this great wholesaler and that great wholesaler, to this country, that country and the other country, does he not know? Maybe this is hardly a fair question because he could very honestly say: "No, I do not know."

If I were to ask him, "Does he not know that contracts, take-or-pay

MR. SMALLWOOD:

contracts have been made, signed, sealed and delivered for the sale of the finished products for sixty-five, seventy or more per-cent of the output of the refinery, at prices fixed?" He could answer, "No, I do not know that." But I will ask him another question: "Has he not been informed of it?" I will go one further and remind him of this fact, that UOP examined the contracts. They could not have written the report without doing so. UOP satisfied themselves that the contracts were solid, were bonafide. The Canadian Government examined every contract and satisfied itself of the validity of them. The British Government examined the contracts and satisfied themselves of the validity of them. The syndicate of nine banks in England and Scotland, headed by Kleinwort-Benson, whose Deputy Chairman, who actually was the man who did examine it for Kleinwort-Benson, is now to be the Chancellor of the Exchequer, probably, in the United Kingdom Government, and was the Chancellor of the Exchequer when that same party were in power before.

If UOP examined these reports, these contracts for the sale of the finished products of the oil refinery, to a number of airlines and wholesalers, on both sides of the Atlantic, at a number of seaports, if UOP examine them and report favourably on them, if the Canadian Government report favourably on them, after examining them, and the British Government examine them and accept them and they have a better way than anyone to find out their soundness, through their ownership or their control of British Petroleum, one of the world's great petroleum companies, if the banks in England have the opportunity and embrace the opportunity and they are all satisfied and the Newfoundland Government, the Cabinet of this Province, for two days, morning and afternoon, for two days, examine these contracts, their lawyers examine the contracts and on all hands, on all sides, on both sides of the Atlantic, all the authorities concerned agree that these are strong and binding contracts; (a) for the purchase of the crude oil (b) for the sale of the finished product; how then can an hon. gentleman, the member for St. John's West, stand in his place in this House and suggest that the Province may get nothing, through this five per-cent of the gross profits, because there may indeed be no gross profits, because Mr. Shaheen will put up the price of the crude or put down the price

MR. SMALLWOOD:

of the finished products? What kind of reasoning is this?

AN HON. MEMBER: Simple. It can be done very easily.

MR. SMALLWOOD: "Simple. It can be done very easily." The hon. gentleman has had so much experience doing it, he knows exactly how it can be done. He knows how to run a great oil project. He knows how to cheat the Government. He knows how it can be done. He knows how the income tax people can be fooled in a matter like that. He knows how the Department of National Revenue of Canada can be coddled and fooled and the wool pulled over their eyes. He know all about that. He knows that the Canadian Government do not care a hoot whether they get any corporation income tax out of it, which they can get only if there are profits, and if there are and the Canadian Government can get them then before they get a nickel we get ours, because ours comes off the top, ours is on the gross profit. The hon. gentleman from Humber East, with his profound knowledge of law and his vast experience in business and commerce, he knows how it can be done and, if he does, it will be his duty to tell this Government how they are doing it and no doubt, as a patriotic Newfoundland, he will.

He knows how the Government can be cheated out of its rights by Shaheen and, if he knows, it will be his clear and bounded duty to come and show us and tell us, so we can do something about it.

AN HON. MEMBER: (Inaudible).

MR. SMALLWOOD: Well, we would not hesitate to retain him. We would not hesitate to retain anyone. We would retain an even worse enemy if it would help the people of Newfoundland and help the Treasury of this Province.

AN HON. MEMBER: (Inaudible).

MR. SMALLWOOD: I would appoint, but it would not be inspectors. No, Mr. Speaker, no, no, Sir. There is no way on this earth, there is no way on this earth whereby Mr. Shaheen or his associates can change the price of the raw material coming into the refinery or the price of the finished products pouring out of the refinery. The suggestion of the hon. gentleman indeed is unworthy, it is quite unworthy of him because one thing one has to say about the hon. gentleman, who represents St. John's West temporarily in this House, one thing one has to say about him is that he has brains. There is no question about that. No one

MR. SMALLWOOD:

questions it, No one but a fool questions the fact that he has brains, He has brains. He has cool, except when he is making speeches, he has cool, cool; cold, icy cold brains and he can think. He is a thinker. Now the thinking sometimes, well in everything except politics, it is clear but in politics it becomes clouded, it becomes faulty, it is badly flawed, indeed sometimes it is so laughable that to sit and pretend to be listening seriously to him and gravely and really listening, as one should listen to an hon. member of this House, who gets up to impart his wisdom to the House, it is difficult to keep a straight face at some of the things he says.

For example, as I just quoted; "Shaheen can see to it that we will get nothing out of the oil refinery because he will see that no profits are made." How will he see that no profits are made? By putting up the price of the crude, going to the British Government, going to the owners of British Petroleum, the Royal Navy and saying to them, "Look, we have a contract with you for crude oil from Kuwait or what have you, we have this contract, the price is laid down." I know what the price is, by the way, and I heard absurd figures quoted here. Oh, how absurd these figures are. If I could be completely certain that I could give the figures, completely certain that I could give them in confidence, I would do it just to watch the hon. gentleman's face.

We know that it is a profitable enterprise, we know that five per-cent off the top, off the gross profits coming to the Treasury of this Government, badly needed money, will be a substantial sum and that there is no way, but no way, there is no way for Mr. Shaheen to end the profits and our share of the profits by seeing that there are no profits, in those two ways: (a) putting up the price of the crude (b) putting down the price of the finished product, Now there is another way, that the hon. gentleman did not mention, to make sure there would be no profits but that way, unfortunately, would not only make sure that there were no profits for the Newfoundland Government it would at the same moment make sure that there were no profits for anyone; and that is just inefficient management of the refinery, that is all,

July 21 1970 Tape 1335 page 1.

inefficient management of the refinery, poor technical management or poor salesmanship around the world or poor shipping or some poor practice, mechanical practice ,commercial,financial operation of the refinery. And it would have to be pretty poor,by the way, When you look at the price of the crude and you look at the price of the delivered products and you look at the cost of turning one into the other,of processing it, it has to be pretty inefficient management to cause the profit to disappear.

Now, there was also some discussion between the hon. member for St. John's West(I know he can hear me though he is outside of the Chamber at the moment. I would pass over and wait until he came back but I know that he can hear me) There was some discussion,for a few moments. goatees waving,beard and all, he is there, you cannot miss him, impossible to miss him, That beard, however. I am not jealous. I am not jealous,if I tried hard I could raise a beard, I am sure I could raise a beard,if I tried hard. It would not be on top of my head,it would be around the side anyway. I am not jealous. I know I can raise a beard,therefore,I am not jealous. If I can raise a beard and I choose not to raise a beard,why should I be jealous of someone who raises a beard? I have various ways of attracting attention to myself,without raising a beard. I can get attention in Newfoundland,you know,much more easily-although sometimes I think that raising a beard is easier than not raising a beard. But if you do not raise a beard, you have to shave every day and,if you have the kind of a tough beard that I have,sometimes you have to shave twice a day. On the other hand,if you do not shave and you save the trouble and the discomfort of shaving,what is it like always to look - what? Is there any real gain in looking hirsute? Is there really? It is a hairy and a hirsute questinn.

There was some discussion between us here,while he was speaking I asked him if he would yield . Courteously,he did yield. I asked him this question and we had a little discussion about the matter of a possible default

on the \$125 million loan guaranteed by the British Government. Now that is an eight year loan. It is to be paid off in eight years, by the refinery, together with interest at 5½ per cent. This has to be done out of the profits of the refinery. And if there are no profits, then they cannot pay it. So, suppose that happened. Suppose that did happen, within the eight years. It cannot happen after the eight years because in eight years the loan is paid off, principal and interest, the mortgage is torn up and the great refinery is there, owing only, at that point owing only what was left of the \$30 million loan made by this Government.

Suppose within the eight years of the term of that British loan, the refinery is not able to pay it. Now, it is pretty difficult for us in the Government to see how that could arise, knowing, as we know, the economics of the refinery. Just as the Canadian Government knows the economics and the British Government knows the economics and the British Banks know the economics of it, So we know the economics of it. Thus we find it terribly difficult to imagine a moment coming, in the eight years, when the oil refinery could not meet its obligations and thereby in the eight years not discharge them completely and tear up the mortgage. But suppose, in spite of our inability to see it, suppose, in spite of everything that is foreseeable, in spite of everything that is arguable, suppose, in spite of all they do in the third year, the fourth or the fifth or the sixth or the first or the seventh in any one year of the eight years, suppose it should happen that they cannot service the debt. Interest will be payable twice a year, every six months. A six - monthly payment of interest and principal coming up, and they have not got it, they cannot pay it. Now, under the agreement, they are required to notify bondholders, have to notify the banks, in England, that when the debt comes due, three months from now; sorry but we are not going to be able to meet it. So they had so many months notice. The banks immediately go to the British Government and say; look here, that loan you guaranteed, that we made to come by chance, that loan looks, ^{is} getting a little

sour, We have been notified that they do not think they are going to be able to meet it.

So, what happens? In fact, what happens? What are the mechanics? Now what is likely to happen, in fact? The oil refinery notify them, the Banks in England, from whom they borrowed \$125 millions. "Sorry, old man, sorry, we deeply regret it, (it will be couched in more polite words than those) "but we cannot meet our payment." British Banks promptly inform the British Government, ^{the} ECGD, British Government have guaranteed it. If the oil refinery cannot pay, the British Government will have to pay. That is what guarantee means, They have guaranteed, the British Banks. That is, ^{if} Come by Chance do not pay it, pay it all, principal and interest, pay every nickel of it, if they do not the British Government must. That is what the guarantee means. Principal and interest! Unconditionally guaranteed!

So they are notified of a default, of a prospective default. What do they do? They promptly send - probably the first thing they do is call in BP, call in the management of British Petroleum, who are one of the world's mountainous companies, with perhaps ten, fifteen, twenty thousand retail outlets, with more oil reserves than any other company in the world, far bigger than Burma oil, far bigger than Texas Gulf, far bigger than Standard Oil, bigger than any other oil company in the world, in the amount of oil reserves they have, in more countries and more varieties of oil reserves in the wells down in the bowels of the earth, with large numbers of oil refineries around the world and tens of thousands of retail outlets. They bought a chain in the United States the other day - I do not know, seven or eight thousand of gas stations around the United States - just pick them up like that. And the British Government control them. The first thing they do, obviously, is call in B.P., to advise them.

Now, they had their choice, at that point, of saying to BP; all right, you take them over and run them." Because, if the oil refinery cannot meet

the debt obligation, then they can foreclose. So, foreclosing means that they can adopt a number of courses, anyone of a number. One is to put British Petroleum in there to run it. Now, Come by Chance would be run by one of the two or by one of the three mightiest oil companies on the earth, Royal Dutch Shell, Standard Oil, Burma Oil, British Petroleum, one of the giants of the earth. Nothing particularly wrong about that. If Shaheen cannot produce, if he does not make a success of the oil refinery, there are others who can and others who would be charmed and delighted to have the chance to do it. Or, if they thought they should do it more at arm's length, they have Royal Dutch Shell to deal with, which is a vast British-Dutch Company, a company partly owned in England and partly owned in Holland, Royal Dutch Shell, probably the second biggest of all the oil companies of the earth. They have them. They have Burma, they have all kinds of oil companies to whom they can go, everyone of whom would be interested in taking over this large project, which is, strategically, so magnificently placed. Heaven's Sake! Mr. Speaker, surely there is no need, at this stage of the game, to point to the superb location of Come by Chance on the Atlantic Basin.

If you look at a globe, you will see that the Atlantic Ocean laps the shores of the United Kingdom and the Continent of Europe, right down to the Rock of Gibraltar, then the whole western shore of the Continent of Africa and the whole shore of Canada and the United States, Central America the Caribbean and South America, this vast Atlantic Basin. If you look at that on a globe, you will see that almost in the dead centre of it is Come by Chance that, as of this moment I am speaking here today, we are halfway across the Atlantic from New York. In the dead centre of the Atlantic Ocean you will build a great oil refinery at the head of a great bay, at the head of a great harbour, with vast amount of land, thousands and thousands of acres, ships as large as will ever be built, will ever float on the oceans of the world, will be able to go into Come by Chance, up to five hundred thousand tons each, carrying six, eight, ten million barrels of oil per trip, ships even of

that size capable of going in, with a straight line run of thirty miles in which to slow down to get to the refinery. With such a location, with such a site for a vast oil refinery, there is not a great oil company in the world today that would not be delighted to step in and take it over and take on all the liabilities of it from the British Government and from the Newfoundland Government. Because, do not forget, the Newfoundland Government would have a say in the matter as well, as the holders of the second mortgage. Indeed, Sir, the Newfoundland Government would have the opportunity, if it wished to exercise it, to come to the rescue and take the British Government out of the picture, take itself out of the picture by making its own deal with a great oil company. Nothing to stop us doing that. We would not be poor, dumb beasts waiting humbly and patiently and silently to see what the British Government were going to do. This would be the life and breath of Newfoundland and we would be deeply concerned about it and about its future.

We do not think, for one moment, that that is going to happen, but if it happened we can handle it. A great oil refinery, in a great location, situated on the Atlantic Basin, will not go begging for an owner, will not go begging, if poor management by the Shaheen people unexpectedly and unbelievably should produce a failure there now. No, Sir, there will be no failure. I will tell you what there will be. I will tell you now what there will be at Come by Chance, in that oil refinery. It will start off at 100,000 barrels a day. Before you know it, before you know it, it will be 200,000 barrels a day. Before you know it, it will be 300,000 barrels a day, it will be the same size as the one the minister for Supply and Services and I visited in Rotterdam, precisely the same size, 300,000 barrels a day, and, before you know it, that is what you are going to have at Come by Chance. Not in a month, not in a year; four or five or six or eight years, 300,000 barrels a day. That is what you are going to have, not failure but brilliant success, because it has in it, this project has in it the seeds of success, not the seeds of death, not the seeds of failure. It has in it all the elements and all the

potential of success and profit. Why should not Shaheen want to succeed?

Now, let us face here, man fashion, the suggestion that by chicanery, by subterfuge, Shaheen, somehow or other, can do us out of our share, let us face that. I reject it completely, from what I know of Shaheen. He may not be a very diplomatic individual. He may not be the man to come in on the floor of this House and with his excessive politeness, which oozes contempt rather than politeness, Shaheen may not be that kind of a man, but he can be a brilliantly, capable and clever operator just the same, and he has proved that he is that. Any man who goes a couple of times a month, with his wife, to the White House and shares a meal with the President of the United States, in that Nation of 220 millions, any man whose wife is appointed, the other day, by the President of the United States, to the latest great artistic commission that he has appointed, a very talented and brilliant and gracious lady, I do not think for one moment, not for one moment do I think that Shaheen wants to do us in or to cheat us. Not for a moment, but let us suppose it, you can suppose anything no law against supposing. Let us suppose that Shaheen, once this thing is done an hour, and the money is raised and the contract is let and the refinery is built and it begins to operate; let us suppose, for the sake of argument, that he wants to do us, can he? He wants to, but can he? He is determined to do us in, to cheat us, can he in fact do it?

Well, let us give him credit, with the help of clever lawyers, with the help of clever tax lawyers, with the help of clever corporation lawyers, that he is able to find a way to do it, is that the end? Is that the last word? Where will the last word always be spoken about Come by Chance? Here on this floor, that is where the last word will always be spoken. Let there be the least, let there be the slightest hint or suggestion there of chicanery, of deception, of double dealing, let there be the slightest hint of it and, if I am Premier, I will go to Mr. Speaker and ask him to call the House together, so fast as to make people dizzy and to make Mr. Shaheen, in particular, more than dizzy.

I have respect for John Shaheen, I think he is an honourable man, not the most diplomatic; hot-tempered, sharp-tongued but a brilliant and a capable man and a man with tremendous drive; and I like a man with drive - that is one of the things that I like about the hon. member for St. John's West. I do not believe he has a lazy bone in his body - now, God knows, he uses it sometimes, you know, not in the best way, but there is nothing lazy about him - and there is nothing lazy about Shaheen. There is nothing lazy about me, a startling combination, Crosbie, Shaheen and Smallwood, what a combination. At any rate, we have that much in common. We are not lazy, and Shaheen is not lazy. He is a driver. He is a man who drives. He drives his team through their collars - they sometimes feel like killing him. He will never ^{leave} the office any time, before eight o'clock at night. They never go out to lunch except to entertain. They have sandwiches brought in. The meeting goes on and it goes on until eight o'clock, and they would all get up and go out and eat together. A driver, an American driver and a sharp and a capable trader, of Lebanese descent but a third generation American. All right. I do not believe, for one moment, that he would try to do it, but God help him if he ever does. God Help Him if - it will take God to help him and God will not. He will not, God will not side with Shaheen against Newfoundland. He is not going to side with Shaheen and his company against the people of this Province. He will not be able to get any help from God.

Now what are we frightened of, what are we afraid of? Are we afraid of bigness? I never met an American yet who was afraid of bigness. I am not afraid of bigness and I am not overawed by the biggest man I ever met, since I have been born, and I have met some awfully big men, big men who could put me in their pockets, who could put me in their mouths and chew me up and spit me out, who could devote one-thousandth part of one per cent of their wealth and they would buy me nineteen hundred times over. I have met them and talked to them and I have never been overawed by them. I have never met any one yet. Churchill did not overawe me. I was humble, I was grateful. Who would not be?

The Queen did not, the Prime Ministers of Canada did not, when I said that it was necessary, in Newfoundland's interest, to slug it out, to the last ditch, with the Prime Minister of Canada. Whether I was right or wrong in thinking he was our enemy, it is immaterial at the moment. When I thought he was, I slugged it out with him. I will slug it out with anyone, in Newfoundland's behalf, that is my job. I would be a traitor if I did not. I am not afraid of John Shaheen because he is a big man and a clever man, and I say to him, God Help Him, that is all who could, if he ever tried to do us in. I do not believe, for one minute, he ever would and if he ever thought of doing it and - I do not think he would even think of it - but if he did think of it, there are men sitting in this Chamber today, and there have been sitting here, would tell him, "John, for God's Sake, do not get up against that buzz saw."

We have had men, in this House, announce that they would nationalize the industry. We have men in this House who have announced, here in this House, in this present debate, that another Government would re-negotiate the whole thing. Do you think these words do not go to Shaheen? Do you think he does not know that? Do you think he have not got to be on his best behaviour? Do you think he is a fool? Do you think he can defy Newfoundland and defy this House and defy the Government? Yes, he would try, if he was a fool. He is no fool.

Mr. Speaker, just one other word on this point, this point of the possibility of the refinery failing: That other thing that I want to say is this: There is no record in human history of a large oil refinery ever failing. Never happened. Are we going to start making history in Come by Chance, ^{is} this going to be the ^{first} large oil refinery to fail? There never has been a large oil refinery to fail since time began, or at least since the oil industry began. They have not only not failed but they have made staggering success. Not only have they had staggering success, Sir, but they have had tremendous profits and tremendous success and endless, absolutely endless growth and success.

July 21 1970 Tape 1335 page 9.

I am going to propose to the Shaheen people something that will make the hon. new member for St. John's East famous for all time. I am going to suggest something which, if they will do it, will mark out his name as long as Newfoundland lasts. It would affect more than just the next election, this honour that I am going to suggest being conferred on him, it would have ^{an} effect on many elections, next and many after that. He said, as I reminded the House, the Province gets absolutely nothing in return, nothing from the refinery, nothing. "Province gets absolutely nothing in return." Now what I am going to suggest is this; I am going to suggest, to the Shaheen people, that when the refinery is built, when it is completed, that they take the main building, the one into which all the workers would go to punch the time clock or even, preferably, the one into which they will go to get their cheques, their pay cheques, that in that building, they would take that building and over the main entrance to ^{it} they would put a large sign, a very large one, say, eighty feet long and say fifteen feet deep, a huge sign right across the front of that building, so that every worker who goes in it or out, they go in and punch the clock and come out with their pay cheque, looking at it, see what they earned in the last fortnight, \$380.00, for the fortnight, grumbling a little because it is not \$480.00 or more and they go out.

As they are going in they see this vast sign, "Confucius says the Province gets absolutely nothing in return," but it would not be Confucius, the hon. gentleman's name, full credit would be given to him, his full name and title and even his address and then, if we could not put both words there, in imperishable letters, at least they could take on their staff an artistic painter, whose job would be to freshen up the paint with the inscription,

MR. SMALLWOOD (J.R.): To freshen up the inscription every year so that - in fact it might be with luminous paint- so that it could be read night or day.

MR. MURPHY: Neon.

MR. SMALLWOOD: No, I would rather see a flat surface, painted on a great sign, "the Province gets absolutely nothing in return," in fact, it might even be better if we put it up on the Trans Canada Highway, where the road leads down. Come by Chance oil refinery, petro chemical complex, paper mill and so on, and then underneath that this imperishable, this deathless utterance, "the Province gets absolutely nothing in return." I promise the hon. gentleman that I will do all in my power to see that these words of the hon. gentleman become imperishable, that people will have every possible opportunity to be reminded of them, and that he will have every possible opportunity to defend himself against what he has said. By the way, we might also put another sign from his leader, his momentary leader, his House leader, that the greatest blessing that could come to Newfoundland since the coming of Confederation would be for this to go down the drain. What a beauty that would be, what a magnificent one that would be. As you drive into Come by Chance and a hive of industrial activity is there, and many men are getting a decent living, but the greatest blessing that could happen would be for it to go down the drain, down the bog, down the drain, just disappear.

I am passing up a lot of these notes because I do not want to detain the House. We have all been reasonably brief, except for one hon. bearded gentleman, who does not know his own strength. In fact, he can take either way he likes, he does not know his own strength.

Well Mr. Speaker, let me summarize. One, this House, with only four of its members then voting against it, this House, more than two years ago, adopted the Come by Chance refinery project. We passed it, not unanimously - four voted against it, two years ago. Between then and now, the Government have negotiated - The date of the election, do you want me to tell them now? Shall I tell them the date of the election now? Should I give the date now? If we could have a caucus, go out now for a while - would the House be willing for us to go out for a while and have a private caucus? I will get authority from my friends, whether or

not I am to announce the date. Will the hon. gentlemen take a chance on it?

They will take a chance on it?

SOME HON. MEMBERS: Yes.

MR. SMALLWOOD: They know what they are doing, they know I am not going to announce it, so they can be brave. Oh they can be so brave about elections. They were not brave last fall, Mr. Speaker, when they expected the election any moment. The hon. member for Labrador West announced that it was going to be in January, then it did not come in January, then somebody said it was going to be February, February passed and then the election was coming in March, then it was tied into the Budget, it was not going to come until the Budget came down, but, as soon as the Budget was over it was coming down, then it was tied into the Tory convention. Month for month, November, December, January, February, March, April, May, June, that is eight general elections, or eight prophesies of general elections.

It did not come, so now they have become brave, now they are demanding it, they know it is not coming, before they were walking on egg shells, before they were walking in fear and trembling. You see, they did not want to hear elections mentioned, now they have come to the conclusion wolf, wolf, you know, cry wolf, now they say there never will be an election. Like the old lady who saw the train, it will never go, it will never go, and when it started she said; 'it will never stop.' They are the same with the election, now they have become awfully audacious, they are demanding an election now. What a fright they would get if we gave it to them.

Between the adoption of this scheme, two years ago, and now, the Government have gone out and negotiated with the other parties to the agreement, the Shaheen people, for an improvement in the terms of the project, an improvement to the treasury.

Three; in the agreement, as it stood before we brought forward the present amendment, the Provincial Treasury would receive, as result of the existance of the refinery, approximately \$88 million in the first thirty years of the refinery's life.

Four; the Treasury of the Province will receive an additional seventy-

six million dollars, over and above the \$88 million, in the first thirty years, making a grand total of approximately \$164 million altogether, into the Treasury directly and indirectly, flowing from the refinery in the first thirty years. \$164 million. Thereafter, at least an equal if not a larger amount of revenue would continue to flow into the Treasury.

Five; five percent of all the enterprises gross profits would come into the Treasury for ever-and-a-day. Forever-and-a-day, after the eight year first mortgage of \$125 million was paid off.

Six; they will pay to the Provincial Treasury, after the mortgages are paid off, a sum of \$10 million, not provided for in the original agreement.

Seven; the subsidy to be paid to the Power Commission, by the Newfoundland Government, for the first fifteen years of the project, will not in fact be paid by the Newfoundland Government but will be paid by the Shaheen interests, in a way that is set forth in a letter that I have tabled in this present session.

Eight; this estimated sum of \$164 million, to be received into the Treasury of this Province, in the first thirty years, this estimated \$164 million does not include any other revenue that would come into the Treasury as a result of a doubling or even a trebling of the size of the refinery. This \$164 million also does not include any additional revenue that would come into the Provincial Treasury, as a result of the operation of petro-chemical factories that would follow the establishment of the refinery itself.

This amount of revenue, into the Treasury, of \$164 million dollars, does not include the additional revenue that would come into our treasury, as a result of the operation of a paper mill at Come by Chance. This sum of \$164 million refers only to a 100,000 barrel oil refinery and nothing else. As such, Mr. Speaker, as such, it is one of the greatest business deals ever made by the Government of Newfoundland, since its establishment in 1832. This is the greatest \$30 million expenditure ever made by the Government of Newfoundland.

For these reasons and others that I could put forward, if we were not so pressed for time, I appeal to every hon. member of this House, every hon. member, in the name of Newfoundland, in the name of Newfoundland people, to vote for these

amendments, not against, to vote for this great project, not against it. to vote for the great developments that will follow upon the establishment of an oil refinery, not against them. When this vote is taken, after my remarks, let us all vote for Newfoundland.

MR. SPEAKER: It has been moved and seconded that this Bill be now read a second time. Those in favour "aye," contrary "nay," In my opinion the "ayes" have it.

SOME HON. MEMBERS: Divide.

MR. SPEAKER: Call in the members.

Those in favour: The hon. the Premier, the hon. Minister of Labour, the Hon. Mr. Lewis, the hon. Minister of Highways, the hon. Minister of Municipal Affairs, Mr. Noel, Mr. Smallwood, the hon. Minister of Labrador Affairs, Mr. Hodder, Capt. Strickland, the hon. Minister of Education, the hon. Minister of Public Works, the hon. Minister of Finance, the hon. Minister of Community and Social Development, the hon. Minister of Provincial Affairs, the hon. Minister of Public Welfare, Mr. Canning, Mr. Barbour, the hon. the Minister of Health, the hon. Minister Mr. Hill, the hon. Minister of Supply, Mr. Lane, Mr. Saunders, Mr. Wornell.

Those against the motion; Mr. Marshall, Mr. Collins, Mr. Earle, Mr. Hickman, Mr. wells, Mr. Crosbie, Mr. Myrden, Mr. Burgess.

MR. SPEAKER: I declare the motion carried.

Before we proceed further, it has been moved and seconded that this Bill be now read a second time and the motion is carried. When shall this Bill be referred to a Committee of the Whole House?

MR. ROBERTS: That would be by leave, Mr. Speaker, but we would then propose to adjourn the House until 2:30 p.m.

MR. SPEAKER: Is it agreed?

SOME HON. MEMBERS: Agreed.

MR. SPEAKER: We will read the Bill on the second reading.

A Bill, An Act To Amend The Government Of Newfoundland Refining Company Limited (Agreement) Act, 1968, And To Ratify, Confirm And Adopt An

July 21, 1970, Tape 1336, Page 5 — apb

Agreement Made Between The Government, Newfoundland Refining Company Limited
And Other Companies And To Make Provision Respecting Other Matters Connected
Therewith.' (Bill no. 94).

On motion, Bill read a second time, ordered referred to a Committee
of the Whole House presently by leave.

On motion, that the House at its rising do adjourn until 2:30 p.m.,
Mr. Speaker left the Chair:

8061



PROVINCE OF NEWFOUNDLAND AND LABRADOR

HOUSE OF ASSEMBLY

Volume 1

Number 126

4th. Session

34th. General Assembly

VERBATIM REPORT

TUESDAY, JULY 21, 1970

SPEAKER: THE HONOURABLE GEORGE W. CLARKE

The House resumed at 2:30 P.M.

HON. E. M. ROBERTS: (MINISTER OF HEALTH): Mr. Chairman, before we begin the committee consideration of Bill No. 94, the matter before the committee, perhaps we will agree in committee, normally a schedule to a Bill, as Your Honour is well aware, is called as a schedule and adopted or not adopted as the committee wishes. Since this schedule is quite complexed and indeed as is most of the printed Bill we have before us, we, in the Government, would prefer to have it called clause by clause, then a clause could be discussed and, if there was to be an amendment, it could be offered and it then could be voted and put to the vote.

If that is the committee's wish, could we proceed that way, Sir?

MR. CHAIRMAN: Order!

"A Bill, An Act Further To Amend The Refinery Act, 1970."

On Motion Clause I carried.

MR. WELLS: On Clause II, this is really covered in the Bill and I suppose there is no point in debating it twice. It is the provision for the Government loaning, directly to the promoters, the \$30 million, instead of the original requirement that they raise it. This is the provision of the Bill, to alter the provisions of the previous Act, that would require the money to be raised by Shaheen as one of the prior conditions. Our position on this is well known, that we oppose it, and oppose it strongly - but it can be more thoroughly dealt with as the other aspect of it is contained within the schedule.

MR. HICKMAN: Mr. Chairman, during the debate on this Bill there is a pretty clear indication given to this hon. House that this loan is being guaranteed by E.C.D.G. and not by this Government. And, I feel, Mr. Chairman, that should be spelled out, with great particularity, in section two.

I would, therefore, move that there be added to sub-section two the following sentence; following after the word "company" - "provided however that Her Majesty, the building company or any crown corporation shall not guarantee directly or indirectly any loans, bonds or any securities made or to be made under the agreement for any sum in excess of the said \$30 million."

MR. ROBERTS: Mr. Chairman, from this side of the House we will not be able to accept that amendment, I am afraid. I think the Amendment, there may be a point in making it, and I think the point is made, so be it. But, as I understand it on the advice of our law officers, we are not able to guarantee any sums of money, as the Government, at anytime without expressed legislative authority. Legislative authority can be contained in a number of legislation enactments, supply Bills, or a Bill such as this and so forth. But the fact remains that under this Bill, as it is drafted, if it becomes Law, we are only going to be able to guarantee \$30 million Canadian, that is that. Therefore, the Amendment, I really submit, is not of any value. The hon. gentleman may disagree. He may very well be quite strong in his disagreement, but the point is we are not in the position to accept the Amendment. We do not think it is needed and, therefore, we tend to oppose it.

MR. WELLS: Mr. Chairman, I do not know why it only sets forth what the Government says is the position anyway. I cannot understand the minister's refusal to accept the amendment. Basically I agree with the opinion he has given or quoted on the Law that the Government's obligation under a guarantee can only arise by virtue of a statute.

Now we have a general statute on the Books of this Province, called "The Revenue and Audit Act," which we amended two or three years ago to allow the Lieutenant-Governor in Council to give a guarantee without the specific statutory approval in an individual instance, so that -

MR. ROBERTS: We can do it under the Industrial Development Corporation. There are a number of general statutes.

MR. WELLS: In theory and in practice and in fact, if the Government wanted to, ^{it} could give a guarantee on behalf of the Province and the Province would be bound either under the provisions of The Revenue and Audit Act or under the provisions of The Industrial Development Corporation's Act. That could happen.

MR. ROBERTS: No, Sir.

MR. WELLS: It could in fact happen.

MR. ROBERTS: It cannot happen.

MR. WELLS: The Amendment proposed by my hon. friend, the member for Burin, would certainly prohibit that because it would be an expressed statutory statement to the contrary. So that it could happen that, if, for example, the financing, as it is now proposed, is not sufficient and the building company wanted to borrow another \$20 million, the Government could guarantee it without calling this House together, under the provisions of the Industrial Development Corporation Act and the Revenue and Audit Act would not bar it because we have had an amendment, two or three years ago, that permitted this to be done. So that is the purpose of the Amendment proposed by the member for Burin, and I agree with it. And if the Government is prepared to stand on what they said as being the case, then they should not be, in the slightest, reluctant to accept the Amendment.

MR. ROBERTS: Mr. Chairman, to speak to the legal point, we have authority under a number of Acts to guarantee money. However, any money advanced or guaranteed under those Acts must still be approved by an Act of the Legislature and I specifically mentioned Supply Bills, any money that we advanced

MR. WELLS: After the event.

MR. ROBERTS: It can be indeed, Mr. Chairman, if the House is not opened, of course it can be guaranteed as such, Mr. Chairman, as the hon. gentleman will well recall, we pass all of these, by Order-in-Council, subject to ratification by the Legislature, If in fact they are not ratified to Guarantee Sales, the banks who accept the guarantees know that, so be it. We have no intention -

MR. WELLS: Not under the Industrial Development Corporation Act.

MR. ROBERTS: The Industrial Development Corporation has no funds for that and funds must be provided by means of either an estimate or a supplementary estimate. In each case Legislative action ...

MR. WELLS: After the event.....

MR. ROBERTS: Of course, if the House is not in session, the Government cannot be -

MR. HICKMAN: The Industrial Development Corporation can borrow funds.

MR. ROBERTS: That is right. Of course the Government of Newfoundland can borrow funds.

MR. WELLS: On the Government's guarantee.

MR. ROBERTS: It may help the hon. gentleman to know that we have been told by the Law officers, with respect to this Act or any Act, where we have a special statute involving a project, that is our entire power, to guarantee for that project. That is with special reference to the N.I.D.C. in this case.

Mr. Chairman, the Amendment is really quite meaningless, We do not propose to accept it. The only guarantee by this Government, direct or indirect, is \$30 million Canadian - that is all the Government's money will be in it. It will be secured by a second mortgage. That is what we undertook to do right at the start. That is what we are doing now. The only difference in this section and the early one is the first one, Mr. Shaheen had to shop around and find buyers. We have now undertaken that obligation and, as Mr. Chairman has seen from today's Evening Telegram, we have recently sold, very successfully, a bond issue of \$15 millions Canadian. The \$30 millions - we only have to find \$25 million because, of course, we have \$5 millions in already - the \$5 millions with which my friend from Humber East District is intimately familiar - causing his leaving the Government.

MR. WELLS: For that reason, and that reason only.

MR. ROBERTS: I agree. I would not want to misrepresent the hon. gentleman in any way.

MR. SMALLWOOD: For that reason and that reason only.

MR. WELLS: That is the only reason why I am intimately familiar with it, because of my having left the Government.

MR. ROBERTS: So we have to find \$30 millions, of which we have found \$5 millions, at least, \$25 millions to go. We raised an issue of \$15 millions early this week, Mr. Chairman, on very good terms. Our financial people tell us really you know, we have no problems. It is far better this way. This is an advantage, Mr. Chairman, far better this way than to have our paper being flooded about the markets, as has happened, not with Mr. Shaheen but it has happened to other people in the past.

MR. HICKMAN: Mr. Chairman, I still do not quite follow the hon. minister's argument. It states categorically that there is no intention, but no intention on part of Government, to guarantee, directly or indirectly, persumably that word "indirectly" covers the Crown Corporations as well.

MR. ROBERTS: We could not guarantee indirectly, . . .

MR. HICKMAN: That there will be no guarantee directly or indirectly by the Government of Newfoundland in excess of \$30 million. Now this proposed Amendment covers that very situation. Mr. Chairman, it is not meaningless. And I do this, do accept the fact that the principle of the Bill has been approved. And I would assume that it is Government's desire and anxiety, as much as it is on anyone on this side of the House, that all the safeguards and provisions will be written into this Act, to assure that the clear-stated intention of the Legislature is carried out. And I submit, Mr. Chairman, this is precisely what this Amendment does, it carries out, beyond any shadow of a doubt, the clear intention of the Legislature, in voting for this Bill on second reading this morning.

MR. CHAIRMAN: The motion is that Clause II be amended by adding the words "provided, however, that Her Majesty, the building committee or any Crown Corporations are not guaranteed, directly or indirectly, any loans, bonds or securities made or to be made under the agreement for any sum in excess of the said \$30 million.

Shall the Amendment carry?

The motion is defeated.

Shall Clause II carry?

8006

MR. CROSBIE: Clause II, Mr. Chairman, the new Clause II replaced the original Clause II, naturally, of the Bill that was passed in 1968. (I am sorry section five of the Bill of 1968, the original Bill). There are several substantial difference. I do not know whether this question has been asked, because I was a bit late getting into the House this afternoon. The new Clause starts of, "notwithstanding anything to the contrary contained in the Revenue and Audit Act." I do not know whether anyone as yet explained why it is necessary to put that clause in "...or any other Act of Law that Her Majesty may lend or cause to be lent to the building company."

AN HON. MEMBER: Inaudible.

MR. CROSBIE: Right, but if you would just note that. I have a couple of more points to be made.

MR. ROBERTS: Inaudible.

MR. CROSBIE: Well, all right then go ahead.

MR. ROBERTS: Simply, Mr. Chairman, I asked the draftsman exactly the same question and was told that in their advice and their view it was necessary for the purposes of the drafting. I do not understand why.

MR. CROSBIE: But, why?

MR. ROBERTS: I, Mr. Chairman, I do not know, but the men who drafted this, the Government's law officers, told us that is the way the Bill should read. Therefore, that is the way it does read. As the Premier just put it, that is the way the Deputy Minister advised us that it read. Now we take the responsibility for it, of course; it is our Bill. But we are acting on the advice of the law officers. This was drafted by our own draftsmen, not by anybody else.

MR. COLLINS: Perhaps the Minister of Justice could read it.

MR. ROBERTS: Mr. Chairman, I do not know if my colleague wishes to speak on it or not.

MR. WELLS: Mr. Chairman, let us remember what the Revenue and Audit Act is. The Revenue and Audit Act is the financial Bible by which the Government

MR. WELLS: lives. It is the trustees by which they have the authority to manage the funds of the Province and the specific terms under which they collect taxes and manage the funds and spend it on behalf of the people of this Province. Now we are putting a clause in here saying, "notwithstanding the Revenue and Audit Act." So that goes out the window, no longer are they bound by the provisions of the Revenue and Audit Act, which basically governed what any Government must do with the funds belong to the people, We are saying now "notwithstanding that or any other law, this will be done." Unless there is a specific reason for it, I do not think it should be there - one with which the House will concur. Now for the minister to stand up and say; the law officers say we should put it in, why that is not the reason. Before we concur with it, I would like to know why, the real reason.

MR. ROBERTS: Mr. Chairman, the real reason, as I understand it, is just what I said, But if the committee wants to let those words stand, I am quite willing to check again with the law officers, to see what is necessary. We will have the law officers brought up and we will check on that.

MR. WELLS: So we will let those two lines stand.

MR. ROBERTS: Yes. the operative part is "Her Majesty may, pursuant to and in accordance with the Agreement." But, I certainly do not know why they are there, except I was told that they were necessary. If my learned friends opposite feel perhaps they are not necessary, I again will confer with our law officers. I will be bound by their decision, Mr. Chairman.

MR. CROSBIE: Well, Mr. Chairman, the hon. minister is going to check into that. But, as far as I am concerned, I do not think any legislation in this House should pass, which states that "notwithstanding anything to the contrary contained in the Revenue and Audit Act anything should be done. Everything done by this Government should be done in accordance with the Revenue and Audit Act. That is the reason we have a Revenue and Audit Act.

MR. CROSBIE: I will move an Amendment so that those words will come out, but we will wait first to see what the law officers of the Crown state. I just note this, that in the original Act of 1968, those words are not there. The section just starts "Her Majesty may for the purpose of the agreement lend or cause to be lend." The words did not have to be there in 1968, the law officers of the Crown did not recommend them in 1968, and I fail to see why they are recommending them now.

MR. ROBERTS: The words are completely different, the original Bill said "for the purpose of the agreement," and this one says "pursuant to and in accordance with the agreement."

MR. WELLS: Essentially similar.

MR. ROBERTS: Lawyers who sent their children to University.....

MR. CROSBIE: Mr. Chairman, I would prefer while I am up that I would speak and then when the minister is up he speaks, or when he is finished speaking I will get up, and I speak. I think it will be clearer.

Now other parts of this Clause. There is a fundamental difference between this clause and the old clause five and that is this - there are several fundamental differences. The old clause five "gave Her Majesty power to guarantee a sum of \$30 million, the loan or the bonds to be for a term of fifteen years." Now the clause that we are considering gives the Government power to lend or cause to be lend to the building company or to guarantee any bonds or other securities whatsoever of the building company." In other words, it is not now restricted to bonds or other securities, it can be promisory notes.

MR. ROBERTS: Of course.

MR. CROSBIE: It can be something far less than bonds. It can be a bank loan itself. And it goes on to say "to be for such term, at such rate of interest and so on, as the Lieutenant-Governor in Council decides." The original says to be for a term of fifteen years. So now, if this clause is passed, the Government can lend this money or guarantee this money for any term, that the Government decides. It could be for two years. It could

MR. CROSBIE: be for one year. It could be for six months. It could be for fifteen years. It could be for thirty years. It could be for any length of time. It could be for fifty years. That is not good enough. Why, Mr. Chairman, should this House surrender to this Government the power to decide for what length of time the \$30 million is going to be loan to this project? When this project was originally being discussed the promoters of the project told me, as I said in second reading yesterday that, this project - the whole indebtedness to the project would be repaid within two and a-half to three years, there is such a cash flow from an oil refinery. That the whole thing could be paid off within three years, but certainly by five years. They said then that they wanted twenty year loan from the Government, because they wanted the use of the money during the twenty year period, although the project could have had paid off the Government's loan in five years. It was settled then that it would be fifteen years, as a compromise. But now, as the fifteen years is taken out, and as I said yesterday on second reading, and the Government has not yet explained, unless they explained it before I came into the House this afternoon, what is the term of this \$30 million loan going to be? Is it correct that the Government now have arranged a two year or three year bank loan?

MR. ROBERTS: No, that is completely wrong. That is not correct.

MR. CROSBIE: Well the minister can answer. Is there a loan now arranged by the Government, is that \$30 million loan now arranged, if so, what are the terms? Under this clause here it can be a one year or a two year or a three year loan and some future government, the Government of 1972 or 1973, will then have to arrange to borrow \$30 million to repay the bank or whoever the short term lenders are, to go on the money market, in 1972 or 1973; have to raise \$30 million to repay a short term loan, or is the loan arranged to be for fifteen or twenty years? This is wrong, Mr. Chairman.

MR. CROSBIE: The Government should face the obligation itself of raising this \$30 million loan on a long term bases, so that some future government is not going to be crippled in two years or three years time by having to go out to the bond market and raise \$30 million for this purpose, in addition, to raising the money they are going to need to carry on public services and to do other things. So that needs explanation. The term of the loan should not be left like this. In the original Bill it was fifteen years, there should be a specific term of the loan now decided by this House.

MR. ROBERTS: May I deal with that point. Well, Mr. Chairman, the hon. gentleman is quite correct when he points out the difference between Clause II and section five of the original Bill. I have already touched on that, in my remarks with the hon. the member for Humber East a little earlier.

The term of the loan is not set. The term of the loan, from us to Provincial Building Company Limited, the loan which will be secured by the second mortgage, the Government will be the mortgagees of that loan, Provincial Building Company which is a Crown Corporation will be the mortgagor. The equity of redemption under the agreement will be assigned by Building to Operating, which is another Crown Company.

The term of the loan will be a maximum of fifteen years, with prepayment clauses. Because, Mr. Chairman, the sooner this loan can be paid off the sooner we are off the hook. We are anxious, naturally, to have the loan paid as quickly as possible.

MR. WELLS: Why is not that maximum in the Bill?

MR. ROBERTS: Because, Mr. Chairman, we were bound before to fifteen years and there is no such thing as fifteen year money.

MR. WELLS: This has got nothing to do with the markets now.

MR. ROBERTS: Mr. Chairman, I

MR. WELLS: The Government is lending this....

MR. ROBERTS: If the hon. gentleman will give the same courtesy that his colleague asked for himself, I will try to deal with it.

The only two parties in this deal now are us and us, Provincial Building on one side, being a Crown Corporation, the Minister of Finance presumably, on the other, in behalf of the Government. The loan will be advanced, it will be secured by a mortgage. It will be secured by a mortgage that provides for the repayment within a maximum of fifteen years. It is not put in here as such, Mr. Chairman, simply because it may be that it is fifteen years and a month. Fifteen years from when? Fifteen years from today? Fifteen years from the pay-out period?

Mr. Chairman, would the committee be relieved to have the assistant deputy minister of Justice?

Well, anyway that is why it is not there.

The other point, Mr. Chairman, I believe the hon. gentleman raised was, why are the words, bonds or securities or so forth, again these are the words that are normal in this thing. We intend to issue Government bonds, as a matter of fact we have already raised most of the money we will need for this and we have our own cash flow, Sir. Again, we cannot be bound, our financing at any given time is a combination of long-term bonds and short-term bonds, bank credits and so forth. This is quite normal, Mr. Chairman, it would be quite wrong to bind the Government any other way.

Mr. Wells.

Mr. Chairman, we are talking about two different terms.

In one instance, we are talking about the terms for which the Government will borrow the money. In the second instance, we are talking about the term for which the Government will loan us..

MR. ROBERTS: I agree but the hon. gentleman...

MR. WELLS: Just a minute. The minister has now said that under no circumstance will it exceed fifteen years. Well, okay, put it in there, Put it in there and that, in no way, affects the Government's ability to borrow - in no way. Put it in there that it is not to exceed fifteen years, if his statement to the committee is correct. Put that in there and it will in no way hamper the Government's borrowing of the money. They can still borrow it on a two year term or a ten year term because, as far as the lenders are concerned, it has no bearing on this proposal at all. It is just borrowing for the Government.

What the minister is saying has no bearing on it at all...

MR. ROBERTS: I am trying to deal with the other point the hon. gentleman...

MR. WELLS: That it will be repaid within fifteen years. If the term will certainly not exceed that, ^{then} there is nothing wrong with putting it in there.

MR. ROBERTS: Mr. Chairman, if it is to be put in, it should be more appropriately in Clause (8) because, of course, the mortgage is subject to Clause (8) of the agreement. I was dealing with two points only, because the hon. gentleman's colleague had raised two quite different points: how we find the money, on the one hand, and how we lend it to put Building Company in funds, on the other.

MR. HICKMAN: Mr. Chairman, again while we are on Clause (2). We have been told that the total borrowings, by someone, presumably the

Mr. Hickman.

building company, for the project, will be \$155 million, of which \$30 million will be raised and guaranteed - or raised or guaranteed pursuant to Clause (2), which is presently before the Committee. This leaves \$125 million to be raised through ECDG and the total amount of \$155 million will then be spent on the Come-by-Chance proposal.

Now there is a danger, I suspect that Government would be most anxious to avoid. That would be that next week or next month Government borrows \$30 million, under Clause (2), lends it to the building company or to Shaheen Natural Resources or both - they start work and use up the \$30 million, without touching the \$125 million that is to be raised through ECDG. To guard against that - I have not got the words in front of me, but I have seen it in other legislation - there is a provision, a legislative provision where this only forms part of a larger sum. I am sure that the Assistant Deputy Minister of Justice can recall these types of Bills and agreements. It is provided that when the funds are raised, the total funds, and the total funds should be completely raised, the full \$155 million should be raised before one cent of this \$30 million is handed out to anyone. The draw-down then ranks, *pari passu*. In other words; if \$30 million is twenty-one per cent of the total borrowings, the progress payment is required for \$5,000. Then twenty-one per cent of that amount comes out of the Government's direct borrowing and the remainder comes out of the borrowings from ECDG. If that is not done, if that legislative protection is not written in, Mr. Chairman, Government could very easily find itself in a most embarrassing position, where the \$30 million of the Government's monies are gone, spent, and ECDG money still has not been raised or there is a change of policy in England. There is a change of interest rate in England. The interest rate increases to

Mr. Hickman.

suddenly render this project unviable or there is a completely new policy decision, made as a result of the international, this European group of financiers, who go back to the British Government and say; "if you are going to join us, we have got to draw in our horns on our credits that we are now advancing to create jobs in our various countries." Where is Newfoundland left then? Newfoundland is left not only holding the bag but having sunk the \$30 million in of its money first. It has no choice then but to go ahead and complete it itself.

The amendment is quite simple. Simple, if you were a draftsman like the Assistant Deputy Minister of Justice. The provision is made. No. (1), the total amount of \$155 million must be borrowed before one cent is advanced. No. (2), when that is done, as progress payments are made on account of the loan, the progress payments be made in direct ratio to Government's involvement and ECDG's involvement. I would like to hear from the hon. minister as to whether or not he agrees that that is the safeguard which is necessary to protect the Province.

MR. ROBERTS: Well Mr. Chairman, it is a necessary safeguard. It is not necessary in the Act, in my view or in our view. These two agreements - let us be clear, Mr. Chairman, let the committee be clear. I thought my hon. friend was but he did not seem to be too clear. The project will be built by Provincial Building Company, Limited, which is a Crown corporation - 100 per cent of the shares are held by the Crown. I believe there are only three. One is held in my name. One in the name of the Premier and one in the name of the Minister of Justice. There are, I believe, five directors. My colleagues, the Minister of Community and Social Development, Supply and Services, Justice, the Premier and myself. We will build it. We will sign the contract with Procon; U.K.

Mr. Roberts.

Limited or Procon Great Britain.

We will sign, also, the two financing contracts. One with the Kleinwort Benson Syndicate, which is guaranteed by ECDG - the British Government's Export Credit Guarantee's Division - and the other a mortgage which we will sign in behalf of Provincial Building, with the Government. They will be signed back to back. I can assure the hon. gentleman that there is no possibility of our signing any documents which will leave the project short of funds. It is a real danger. You know, it could happen. If we were just to put \$30 millions tomorrow into Provincial Buildings - take it out of our cash reserve - put it into Provincial Buildings, you know that could happen then. It could be another Cape Breton - the terrible one that Bob Stanfield and Mike Smith got Nova Scotia into. All the feasibility studies in the world, all the experts, the millions of dollars, all down the drain.

This one; we will have a turnkey price, which they did not have in Nova Scotia, and the project will be fully funded, Mr. Chairman, before another nickel is put into it by the Government. Of course, the first call on our \$30 million, Mr. Chairman, is the \$5 million paid under Section 6(1) of the original Act. So, I do not think it is needed. It is a real danger, but I can assure you that it is ^{of which} one we are aware. We have the draw-down schedules. Our financial people have them. We are arranging to have the funds necessary, as we need them. When we sign the financing agreements, they will be back to back.

MR. HICKMAN: Will the draw-down agreements provide for pro rata?

MR. ROBERTS: Yes, they will. They might not be exactly pari passu.

Mr. Roberts.

You know, I do not know what they will be until we can sit down with Kleinwort in detail and work out the precise financial agreements. We will have to sit down with Procon and see in precise detail how much - you know, will they require \$5 on signing or \$5 million on signing. You know, really, these are the construction agreements that we want to get at.

MR. HICKMAN: That is a completely different issue, how much Procon requires.

MR. ROBERTS: It is but it is relevant - we have the draw down schedules. We know how much is needed, and we have the money available. It will be going in close enough to pari passu but it will not be - not necessarily worth \$30 millions - let us say four to one. We are not going to say that out of every dollar put in, twenty cents is from ours and the rest of it, eighty cent, is from the British ones. As needed the money will be available. Some of the money is to be spent in Newfoundland. It will be raised in one form of currency. Some of the money spent in the U.K. will be in another.

Again, Mr. Chairman, we must have - the point the hon. gentleman raised, is valid. It could happen. But I can assure him that it is not going to happen because we will not be party to any agreements otherwise.

MR. CROSBIE: Mr. Chairman, that is all very unconvincing.

MR. ROBERTS: I would not know how to convince the hon. gentleman.

MR. CROSBIE: If the hon. gentleman is able to convince me - if he is reasonable and sensible and makes sense...

MR. ROBERTS: The hon. gentleman is beyond convincing.

MR. CROSBIE: I will agree, but in the last agreement, that is now being amended, it was provided that the money the Government was advancing, the \$30 million and the other monies to be put up, raised by Mr. Shaheen, although they would be monies owed by the Building Corporation,

Mr. Crosbie.

would be advanced pari passu.

MR. ROBERTS: No! No!

MR. CROSBIE: Yes.

MR. ROBERTS: What was the clause please?

MR. CROSBIE: It is in the agreement.

MR. WELLS: It is in the agreement.

MR. ROBERTS: No, give me the clause of the old one. I honestly do not know it. It is not (8).

MR. WELLS: It is to be advanced in accordance with the first..

MR. ROBERTS: Ah! hah! It is the same clause as in here.

MR. WELLS: No it is not.

MR. ROBERTS: Yes it is.

MR. WELLS: In accordance with the terms of the second mortgage.

MR. ROBERTS: First and second mortgage.

MR. WELLS: No!

MR. CROSBIE: I can look up the second. We will come to it later.

MR. ROBERTS: Yes, all right. It is not (8). You see (8) is the repayment clause.

MR. CROSBIE: And I see no reason why that should change just to give the hon. minister flexibility - flexibility to put our \$30 million in there before the \$125 million. That is the flexibility that is required.

Now there are other questions which need to be answered. Under the interim financing arrangement, \$5 million was advanced to the project, to the Shaheen group, or between \$4 million or \$5 million. The hon. minister says that out of this \$30 million that the Government is to raise to loan to the project that money will be deducted..

MR. ROBERTS: The first \$5 million, yes.

MR. CROSBIE: Or the Government will be repaid. But what is to happen

Mr. Crosbie.

with other monies owed down at Come-by-Chance now, in connection with the work that has been done there to date? There has been more than \$4 million to \$5 million work done down there. There are contractors and others owed money down there who have not been paid out of that \$4 million or \$5 million. There are some suggestions that there has been, perhaps, \$8 million or \$10 million spent on this work already. Where is that other...

MR. ROBERTS: No! No!

MR. CROSBIE: Well several millions.

MR. ROBERTS: No, not even several millions.

MR. CROSBIE: Well, perhaps, the Government would guess. It is at least over \$1 million. Let us say it is \$1 million. Suppose the Government gets back its \$5 million and this project is now going to cost \$155 million, and there is \$125 million to be raised in England and \$30 here, suppose there is only \$1 million more spent at Come-by-Chance - where does the other \$1 million - where is that going to be paid from? Because the Jacob Study says that the cost of the thing is \$155 million - the Procon contract is \$155 million and that excludes the two large tanks down there now and certain other works done there. So where are these extra monies coming from? That is the question I have for the minister.

MR. ROBERTS: Well may I deal with that?

My understanding, Mr. Chairman, is that the price with Procon, (which is what? \$155 millions) includes sufficient funds to pay the bills that are outstanding at Come-by-Chance now. They amount to - I do not have an exact figure. It is, as the Premier says, over \$1 million. It is not \$50,000. My understanding is that the contract with Procon, which includes a substantial number of Canadian dollars for use on so-called local costs, as defined, will be paid.

Now if I may slip back for a moment to another point made by the

Mr. Roberts.

member for St. John's West. He said that in the original agreement it was provided..

MR. CROSBIE: Page fifteen.

MR. ROBERTS: I got it in front of me, and I will read it. Because what it says is that when the Government loan is made, the \$30 million, advances thereunder to the building company, shall, subject to the first mortgage and the second mortgage, be promptly made as required from time to time as progress payments for the construction and equipping of the plant.

Mr. Chairman, as far as I know, we do not propose to amend that but I am looking through the Bill.

MR. WELLS: Page eleven of the new Bill.

MR. ROBERTS: The new one the Government loan shall be advanced to the building company in the manner prescribed in and pursuant to the second mortgage for the construction and equipping of the plant.

MR. WELLS: No indication of progress payments or anything.

MR. ROBERTS: Mr. Chairman, you know, I agree. The words, "progress payments" are in one. They are not in the other. I do not think there is any significance difference in it.

MR. WELLS: I do.

MR. ROBERTS: Well the hon. gentleman may. The words are different.. I agree, the words are different. But the amendment - well let us speak to that amendment when we come to it. We are getting somewhat confused. We will come back to Clause (2). The price with Procon, Mr. Chairman, I am told, includes provision for all bills properly incurred, now outstanding.

MR. MARSHALL: Mr. Chairman, if I may direct a question to the minister. I am not quite clear on this \$155 million, which we were told was the turnkey price. Now is Procon, therefore, going to be paid less than \$155 million.

Mr. Marshall.

Do we rededuct then from the \$155 million, the \$5 million out of that has been previously paid - is this correct?

MR. ROBERTS: Procon will either assume the liability for the outstanding accounts of Provincial Building, which I think is the mechanical way it will work, but I am not sure again, Mr. Chairman. We have not been able at this stage to get at the firm construction agreements. So, I cannot say whether the money will be paid from Provincial Building to Procon or from Procon to the present creditors or whether it will be paid directly from Provincial Building to the creditors on assignment from Procon. I am told that the \$155 millions price does include provisions for the so-called local costs. It does not include the \$5 millions. That has been paid.

MR. EARLE: Mr. Chairman, would the minsiter, perhaps, sum it up this way. When the gentleman from the Shaheen organization and others were before the Chamber, there was a question asked as to how the \$155 million was arrived at? One of these gentleman in replying, I think it was Mr. White, totalled it up how the increase had been arrived at, and he got it up to about \$135 million. In so doing, he had added twenty per cent on to the final cost of the project rather than on to the original cost. The original cost was something like \$86 million. The final cost was \$155 million. So, there is a difference of several million in his calculation.

Now I am wondering if this several million, which we questioned at the time is to take care of all this additional money which has been spent to date? In other words, is there a slush fund provided in this \$155 million to pick up all the odds and ends which are around?

MR. ROBERTS: Mr. Chairman, I do not have nor have I seen a detailed

Mr. Roberts:

breakdown of how Procon arrived at their price. I do know three things: (1) that the price is a reasonable one for the facilities which Provincial Buildings are to acquire for the project; (2), that we are told that it includes all costs necessary to put the project in a state of operation. I said a little earlier, including those entailed to date, of course properly incurred. If any were improperly incurred, I do not know of any. If there were, then that would not be covered. They do include local costs, for argument's sake. They do include labour and so forth and so on, (3), Mr. Chairman, I do know that the price we have in Procon or from Procon for the construction of this project is sufficient. How do I put it? The income that we will get, the income the company will earn from its sales, is sufficient to amortize cost to Procon, within the period of time to be provided by the first and second mortgages. I may add, sir, that not only are we satisfied to that, and people will doubtless cast aspersions upon our satisfaction, and so be it! You cannot do anything about that, Mr. Chairman.

But I might add that the Government of Canada have looked at this, from particularly that angle, and also, most importantly, the Kleinwort Benson group in London, who are putting up the money and even more so the gentleman at the ECDG, because if it is not repaid, according to the terms of the first mortgage, which is eight year from the start of operations, as defined, then the call can be made upon the Export Credit Guarantee Department to pay. So, they are the people who will have to be satisfied. They are satisfied, and so be it!

But I think the slush fund is really quite an offensive fund. In any event, Mr. Chairman, I am told that it covers any costs - local costs.

MR. HICKMAN: There is one, Mr. White, Mr. Homer White - if hon. members will refer to Hansard of the 21st, it gave some indication of what Procon - I believe this was the only real indication we got of what the Procon contract will cost and this is found on page 2385.

Mr. Chairman, it seems that we will have to go into the price ^{one} or have some, else tell us anyway. The announcement that was made in the press, of a contract of \$60.3 million pounds sterling is the size of financing required for this plant. This will be the size of the contract with Procon. 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, chemicals, spare parts and a lot of other necessary things - things that are 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. Mr. White did not volunteer at that time - maybe it was because he was not asked.

MR. ROBERTS: It is a wonder he was not asked, because he was really asked just about everything else.

MR. HICKMAN: Well after a while, when you were not getting any answers, you might as well quit.

MR. ROBERTS: I do not think the hon. gentleman wanted answers so much.

MR. HICKMAN: It is most unusual - I am sure the hon. minister will admit - it is most unusual in a building contract, with a contractor who is not directly concerned itself with the financing. I presume, so long as Procon is satisfied there will be in the till sufficient monies to pay the \$155 million that they would charge for building this plant, they are not too concerned where it comes from.

MR. ROBERTS: They want to know it is there.

MR. HICKMAN: It is most unusual to include in a building contract an undertaking on the part of the builder that he will assume responsibility for paying past debts that have been incurred.

MR. ROBERTS: No it is not.

MR. HICKMAN: Well where do you draw the line?

Will the hon. minister tell us this? Will the past debts that have been incurred - are these just for local debts - debts for labour and materials bought in Newfoundland or will it be caught up in a proposal that it covers the full development costs?

MR. ROBERTS: No it does not cover. It does not cover.

MR. HICKMAN: I am sure the hon. minister is aware of the trouble - the American interpretation of development costs and the Canadian are poles apart.

MR. ROBERTS: The answer, Mr. Chairman, and I am only too familiar with what the hon. gentleman is referring to. My understanding is that it covers cost of the project and that would not include development costs. The project is defined in the agreement at some length and that is the cost of it. What Procon are doing, in effect, is taking over a project, you might say, under construction. Although the construction has been completed and it might be .05 of 1 per cent, they are still taking over a project which has begun and the work that has been done, insofar as it effects the overall things on site, is, of course, in accordance with the Ralph M. Parsons etc., etc., designs which we own and which Procon are going to build to .

MR. HICKMAN : On the same theory - to follow the same argument, then Procon should also pick up a percentage of the \$5 million, not all of it, but whatever amount of that \$5 million is related to what is on site.

MR. ROBERTS: What difference whether Procon picks up the \$5 million and gives it to us or whether building company gives it to us? We

Mr. Roberts.

get our \$5 millions back and then the \$5 million is built on to the debt. The building company pays it off.

MR. HICKMAN: The original intention, Mr. Chairman, as I understand it, was that out of the \$30 million that would be raised, the first charge on that \$30 million would be the \$5 million that had been advanced by way of interim financing.

MR. ROBERTS: That is not only an intention. Section 6 (1) of the original Act requires that.

MR. HICKMAN: It follows, therefore, that, when the \$30 million is raised, there will only be \$25 million available for the construction of the plant.

MR. ROBERTS: That is correct.

MR. HICKMAN: But under this new proposal, I am correct on this. Under the new proposal none of that \$30 million will be used to repay the \$5 million.

MR. ROBERTS: Oh yes! Oh yes! Five millions of it is used.

MR. HICKMAN: If \$5 million out of the \$30 is used, there will be \$25 million plus \$130 million.

MR. ROBERTS: I honestly do not have it in front of me and I am not going to trust my memory to the amount of the first mortgage financing.

MR. HICKMAN: Let us accept this..

MR. ROBERTS: But I know what the cost of the project is? It is \$155 million.

MR. HICKMAN: The cost of the project is \$155 million not including the \$5 already spent. Is that correct?

MR. ROBERTS: I cannot answer that. I do not have the feasibility in front of me.

MR. HICKMAN: This is what the Jacobs Engineering report indicates - it reports that it is \$155 plus \$5 million.

MR. HICKMAN: Plus all the other expenses, so that if the \$155 million is the fixed price, and the \$5 million is not to come out of the \$155 million, how can any of the \$5 million come out of the thirty raised by Government if there is only \$125 coming from E.C.G.D.? How can it?

MR. ROBERTS: I did not hear, could the hon. gentleman try again?

MR. HICKMAN: May I go back again Mr. Chairman?

I know it is only \$5 million, but when you get caught up and talk about \$155 million, you sometimes might be inclined to drop \$5 million on the floor somewhere and forget it is there.

MR. ROBERTS: Does the hon. gentleman think I took the \$5 million?

MR. HICKMAN: The simple fact is this, we are told, and why I repeat it is because I would like the hon. minister to correct me when I go wrong, that the total contract price with Procon is \$155 million, fact one.

MR. ROBERTS: That is correct.

MR. HICKMAN: Fact (2), out of that \$155 million, Procon will not repay the \$5 million interim financing.

MR. ROBERTS: That is my understanding, yes.

MR. HICKMAN: Therefore, fact (3), we are raising \$30 million, by way of second mortgage bonds, and \$125 million from E.C.G.D. to total \$155 million.

MR. ROBERTS: No, I do not know, the hon. gentleman has got the \$125 million, I do not know.

MR. HICKMAN: But what ever, we are raising the difference.

MR. ROBERTS: The difference between.....

MR. HICKMAN: Well the difference between \$155 million subtract \$30 and you get \$125 million, first mortgage.

MR. ROBERTS: That is the first mortgage.

MR. HICKMAN: Therefore the \$5 million must be added on to the \$155 million, and must not be coming out of that \$30 million that is not.....

MR. ROBERTS: Hold on now, the hon. gentleman's logic is quite lost.

MR. HICKMAN: It has to be, you need \$155 million for Procon.

MR. ROBERTS: Huh?

MR. HICKMAN: You need \$155 million for Procon.

MR. ROBERTS: Correct, and we get it from two sources.

MR. HICKMAN: That is right, and we know the sources. We are told that Procon is not going to repay that \$5 million

MR. ROBERTS: Right, so that comes off the thirty million which then becomes twenty-five million.

MR. HICKMAN: But if it comes off the thirty million Mr. Chairman, then you only have twenty-five plus the one hundred and twenty-five left.

MR. ROBERTS: No, no, the hon. gentleman keeps dredging up the figure of one hundred and twenty-five. I would say that the first one is the difference between what the second mortgage is and what the project costs. The project cost is roughly one fifty-five.

MR. HICKMAN: But is it the difference between the second mortgage and what the project costs, or is it the difference between the second mortgage less five million and what the project costs? That is a difference of \$5 million.

MR. ROBERTS: I see the hon. gentleman's point, it is the latter. It is the difference between the first call on the thirty million, section 6(1) of the old Act.

MR. HICKMAN: Yes.

MR. ROBERTS: It is to repay our \$5 million, which comes flowing back into the treasury and I.D.C. have lent it, and I.D.C. get their money back and I.D.C. discharge the debt. Provincial building then owes the Government \$5 millions, which is part of \$30 million. The other \$25 millions is available to go into the rest of the project.

MR. HICKMAN: So that, if the project costs \$155 million, then it is \$130 million that will come from E.C.G.D.

MR. ROBERTS: That is the difference, sure.

MR. EARLE: Mr. Chairman, I would like to be absolutely sure that the Minister has made it quite clear. Am I correct in this, that the E.C.G.D. guarantee of whatever sum of money it may be, one hundred and twenty-five or one hundred and thirty million dollars, we will pick up the tab for all the money that has been spent to date on the project so far, did I understand him correctly to say that?

8087

MR. ROBERTS: No, no, that is not what was said at all.

MR. EARLE: That is not correct?

MR. ROBERTS: No, no, no, because the Shaheen organization has spent eight or ten millions on the project and they do not get reimbursed at all. You know, they have to recupe that out of their profits over a period of years.

MR. EARLE: That will come out of the profits of the project.

MR. ROBERTS: Out of their profits, not out of the Provincial Buildings, but you know, they get sales fees.....

MR. EARLE: I want to get this perfectly clear, that is not included in any E.C.G.D. guarantee.

MR. ROBERTS: In my understanding there is no payment to the Shaheen outfit for all these development expenses.

MR. EARLE: It only makes sense, I do not see E.C.G.D. for a moment guarantee past expenses, of course they are only interested in providing.....

MR. ROBERTS: If there is a half million dollars worth of site work that is being done and not paid for, that will be swept up yes, but you know not Roy Fermar's forty trips across the Atlantic negotiating with E.C.G.D.

MR. EARLE: In other words, what we have spent the \$5 million on, or are prepared to spend the \$5 million on, will not be picked up by E.C.G.D.

MR. ROBERTS: That is correct, but it will be picked up under the \$30 millions.

MR. EARLE: (Inaudible)

MR. ROBERTS: Sure.

MR. CROSBIE: Mr. Chairman, in connection with this clause, one would expect that the English money raised in England, \$125 million, is going to be spent over in England or on this new construction, not to pay back to contractors at Come by Chance or Mr. Shaheen or anybody else, money that has already been spent to date at Come by Chance. That position is verified by the Jacobs feasibility study, which states specifically that Procon has a contract. We are told in this House that it is a \$155 million contract, and it goes to say that the two six hundred and five thousand barrel tanks now at Come by Chance, and the site work done at Come by Chance, and the engineering done up to that date, and so on, are all expenses that are not included in the Proncon contract.

MR. ROBERTS: Of course, that is ,.....

MR. CROSBIE: That all has to be paid for outside the \$155 million Procon contract.

MR. ROBERTS: That is right, sure.

MR. CROSBIE: Procon has \$155 million, a turnkey contract to build Come by Chance.

MR. ROBERTS: Correct, correct.

MR. CROSBIE: And not a cent of that \$155 million is for what is being spent in the heretofore.

MR. ROBERTS: Correct, exactly, so what?

MR. CROSBIE: So, in the heretofore these is being spent at Come by Chance, our \$5 million,

MR. ROBERTS: Yeah,

MR. CROSBIE: And we know that there is another million or several million in bills that have not been paid.

MR. ROBERTS: That other million.....

MR. CROSBIE: That is not going to come out of the \$155 million.

MR. ROBERTS: Oh no, oh no, that is where the hon. gentleman is wrong, that does come out.

MR. CHAIRMAN (NOEL): Order please, I wonder if we could get back to a little more formality, one speaker finish and then the other begin.

MR. CROSBIE: Well it appears, Mr. Chairman, that this is not coming out of the \$155 million, so it has to come either - Procon has not \$155 million of a contract or the project is already costing say \$162 or \$165 million. That much seems to me to be very clear.

Now, when the hon. minister says "do not be worrying about anything, this has been checked by E.C.G.D. and this has been checked by the English Government, and they are satisfied about the \$125 million," the hon. minister is forgetting that they have a \$30 million cushion. They have the first mortgage. E.C.G.D. may very well be satisfied, and the English banks may be satisfied, they have their guarantee, and the English Government may be satisfied, but do not forget that there is a \$30 million second mortgage. If anything happens to this

project, and E.C.G.D. or any bank has to foreclose on the first mortgage, our \$30 million is gone, it is only protected by a second mortgage so they have a \$30 million cushion and they come ahead of Newfoundland. They have a \$30 million cushion, if anything should happen to the project. So we should pay no attention Mr. Chairman to this apple sauce. "We do not need to worry about a feasibility, E.C.G.D. has passed it all, and the English banks have passed it all." I say; "Yes, they have passed it all because they know that we have a \$30 million second mortgage that will go first, it gives them a cushion, and number 2, it is a Newfoundland Crown Corporation, that is the same as the Newfoundland Government will have to pay up. That is why they are not worried."

If the E.C.G.D. and the English banks have done such wonderful studies, feasibility and the rest of it, and show the whole thing to be wonderful, why has not one of them been tabled in this House? We have had nothing tabled in this House but a thrown page of Jacob's Engineering feasibility study.

MR. EARLE: (Inaudible)

MR. CROSBIE: I am referring to the \$30 million Mr. Chairman, that we will lose immediately if there is a default on the first mortgage. I will bet the hon. member for Burin agrees with that.

MR. HICKMAN: I agree with it, do not forget the Newfoundland study.

MR. CHAIRMAN: (First part inaudible) I think we should restrict ourselves to -

MR. CROSBIE: Mr. Chairman, the thirty million dollars referred to in clause (2) as being raised by Government, to be loaned or given to the Come by Chance project, and this is what I am discussing, the \$30 million. So, to sum up the objections to this - another objection, the hon. minister says that out of the \$30 million, \$5 million is going to pay back the interim financing. He has not explained how it is going to be done. He is all mixed up on it.

MR. ROBERTS: What do you mean, how is it going to be done?

MR. CROSBIE: He will surely mix up the whole country, if they listen to this debate. He has mixed me up.

MR. ROBERTS: That is different, you can lead a horse to water but you cannot

make him drink.

MR. CROSBIE: Do not forget you are referring to the chap who was referred to this morning by the hon. the Premier as having all the brains.

MR. ROBERTS: I am not responsible for the Premier's statements.

MR. CROSBIE: I cannot understand.....

MR. ROBERTS: I am not responsible for the Premier's statements, only on matters of Government policy.

MR. SMALLWOOD: Brains, but twisted brains.

MR. CROSBIE: Mr. Chairman, the \$5 million, the hon. minister says that \$5 million of the \$30 million, that they are going to raise, is going to pay off the banks, this interim financing.

MR. ROBERTS: Do you want me to explain it again?

MR. CROSBIE: No, I could not stand it.

MR. ROBERTS: Could not understand it possibly, could not understand it.

MR. CROSBIE: I do not think the hon. minister could make it any clearer, I could not stand it.

MR. ROBERTS: We cannot tell if the hon. gentleman is coming or going these days.

MR. SMALLWOOD: The hon. gentleman must understand one thing, that the Minister of Health can explain to the hon. gentleman, but only God in Heaven can give him the brains to understand it when it is explained.

MR. CROSBIE: Thank Heavens the hon. Premier said I had them this morning!

MR. SMALLWOOD: The wrong kind.

MR. CROSBIE: He confirmed it this morning.

MR. SMALLWOOD: The wrong kind, the wrong kind.

MR. CROSBIE: Now Mr. Chairman, the \$5 million, the hon. minister says he is going to pay off the \$5 million and he is right, The hon. minister has not said that there is an audited report of what that \$5 million was spent on, that the hon. minister is going to table it in the House.

MR. ROBERTS: I did not say we would table it. I said there is a report.

MR. CROSBIE: There is \$5 million of the taxpayers money of this Province has been spent either at Come by Chance or New York or in Liechtenstein or in

Montevideo or somewhere, we do not know where. The Government had an audit - asked for an audit to be done of it. The former Minister of Finance says that he could not find out where the money was spent, that he had invoices that would be sent to him for \$76,000. no detail, so he refused to sign them. Auditors went to New York but could not discover what had happened to the money. Where is this five million that the minister is now going to repay? What was it spent on? Was it spent on services down at Come by Chance or airplane tickets for around the world flights for Shaheen and company? What was the \$5 million spent on? I do not want to see that \$5 million, I want to see somebody sued for that \$5 million if it was not spent properly.

When is the minister going to explain to the people of Newfoundland what the \$5 million was spent on, and what the audit report says? Will the minister explain that for us.

MR. ROBERTS: Mr. Chairman, the \$5 million has been spent by the Provincial Buildings Company Limited which is a Crown Corporation.

MR. CROSBIE: Paid out to Shaheen.

MR. ROBERTS: It has not been paid out to Shaheen, Mr. Chairman. The Shaheen company have been paid only, I do not know the figure, they have been paid so much a month - that is what my hon. friend from Fortune Bay referred to yesterday, an amount, I think it was \$114,000. a month, from memory.

MR. EARLE: The total expenditure was close to \$5 million.

MR. ROBERTS: The total expenditure, Mr. Chairman, of course it would be close to \$5 million, but I am talking about what has been paid to the Shaheen company, if my hon. friend would not parade his confusion.

MR. EARLE: (Inaudible)

MR. ROBERTS: No, it was about \$114,000. Do you remember now?

AN HON. MEMBER: No, not really.

MR. ROBERTS: I look to the deputy, because he advises that company legally. Provincial Buildings Company, Limited accounts, like those of any Crown company, will be audited by the Auditor General and will appear in the Auditor General's report.

MR. HICKMAN: As the minister knows, that is a waste of time.

MR. ROBERTS: Why?

MR. HICKMAN: May I answer why it is a waste of time?

MR. ROBERTS: That is right.

MR. HICKMAN: Would you like to know why it is a waste of time?

MR. ROBERTS: The Auditor General's report will be made public and tabled and that is the proper thing.

MR. HICKMAN: Would you like me to tell the Committee why it is a waste of time?

MR. ROBERTS: When it is in order.

AN HON. MEMBER: Yes.

MR. HICKMAN: All right, well I will tell them.

MR. ROBERTS: Provincial Building Company is a Crown company. It has paid out money on a number of heads, paid out on bills, we have had reading of it. The hon. gentleman used to be secretary of it, when he was in the Government.

MR. HICKMAN: That is right, I would love to be able to see the minutes.

MR. ROBERTS: We had meetings, the hon. gentleman would write the minutes, and after he had written the minutes his secretary would bring them around to me and we would sign them. In fact, we would even have a cup of coffee.

MR. HICKMAN: Why do you not table them?

MR. ROBERTS: Table the minutes?

MR. HICKMAN: Yes.

MR. ROBERTS: Sure, when it is the appropriate time I will be glad to table them.

MR. HICKMAN: It could not be more appropriate than it is now.

MR. ROBERTS: Come back to the \$5 million. The minutes are no different now than when the hon. gentleman was there. To come back to the \$5 million Mr. Chairman, Provincial Buildings Company, Limited, will raise \$30 million on a loan. Provincial Buildings Company, Limited, will take \$5 million of that and will pay it to the Newfoundland Industrial Development Corporation, who hold a note from Provincial Buildings Company Limited. That is how Provincial Buildings Company Limited will put in the funds. That is how the \$5 million will be repaid. The

\$5 million has not gone to Mr. Shaheen, I do not know the total amount that has gone to Mr. Shaheen. We have paid nothing at all to any part of the Shaheen organization since July a year ago. We have paid nothing at all, ny expenses they have incurred since then have been on their own hook, on their own credit, on their own

MR. CROSBIE: That is why they did not pay the salaries.

MR. ROBERTS: I am sorry?

MR. CROSBIE: That is why they could not pay the wages.

MR. ROBERTS: Well I, Mr. Chairman, I do not know why the Shaheen did or did not do, or what they did or did not do, I will merely say that the last payments from Provincial Buildings, I think, were on account of the month of July.

MR. HICKMAN: At the rate of \$150,000.,.....

MR. ROBERTS: Yes, it was roughly \$150,000. a month.

MR. HICKMAN: \$156,000.

MR. ROBERTS: That was it, and that was an amount computed and agreed upon by the company. I was ^{not} director of the company at the time it was done, but I know it was done by the company. It was done sometime before I became a director.

MR. EARLE: Mr. Chairman, perhaps the hon. minister, he was not a director at the time and he does not remember, and he certainly does not remember the figures that were paid to the Shaheen organization.

MR. ROBERTS: No, I do not have those figures.

MR. EARLE: Neither do I, to be quite frank, but I do know that very close to the total of \$5 million was paid out. Something like four million eight hundred and some odd thousand dollars.

MR. ROBERTS: Yes, but not paid out to Shaheen.

MR. EARLE: No, in the expenses, which were paid, and the bills which I would not sign were monthly amounts of eighty and ninety thousand dollars which were being paid out, were covered merely by engineering expenses and statements such as that, no detail at all.

Now out of the total of \$5 million, which has been paid out, there was the cost of the tanks.

MR. ROBERTS: Cost of which?

MR. EARLE: Cost of the tanks.

MR. ROBERTS: Yes, of course they were paid for out of the \$5 million.

MR. EARLE: But by far, I think something over \$3 million was paid to the Shaheen organization.

MR. ROBERTS: No, no! No, no! No, no!

MR. EARLE: No? This is the very reason why I think this House should be told that that audit, which was made in New York, was satisfactory, that every detail of that expenditure has been accounted for. I cannot understand the Minister's reluctance to produce that audit, because, this is the basis of good faith. After all, if you give somebody \$5 million and the House does not get the evidence, satisfactory evidence, as to how that was spent, how in Heaven's name can we agree to advance another \$30 million of the people's money for something for which we have not even had an accounting in this House for the first \$5 million?

MR. ROBERTS: We have the audit, Mr. Chairman, we are satisfied.

MR. HICKMAN: But you said.....

MR. ROBERTS: I said we are satisfied.

MR. HICKMAN: Mr. Chairman, the hon. minister asked me to explain why an audit of Provincial Buildings Company, Limited would not be worth-while. The simple reason is this: Provincial Building Company, Limited, advanced, over a period of time, the sum of \$5 million. A fair proportion of this.....

MR. ROBERTS: No, no, Provincial Buildings spent....

MR. HICKMAN: Spent, well spent, advanced, or spent, or however. Spent by way of advance if you wish to make it.....

MR. ROBERTS: No, no, no, it was not.

MR. HICKMAN: Approximately we will say \$2 million to the Shaheen Natural Resources.

MR. ROBERTS: That sounds better, yes.

MR. HICKMAN: Not less than two and more than three.

MR. ROBERTS: No, it was not that much.

MR. HICKMAN: And then certain monies were spent, as everyone knows in this hon. House, on the site at Come by Chance, in site clearing and building tanks. But

for an audit to be meaning - it is not the audit of Provincial Building we are concerned about, it is an audit of Shaheen Natural Resources, to see how the \$2 million or \$3 million or whatever amount was advanced to Shaheen Natural Resources was spent, and was it spent completely and entirely on the Come by Chance proposal, not on the Come by Chance proposal but on the Come by Chance oil refinery proposal.

That is where I say, Mr. Chairman, that the hon. the member for Fortune Bay is correct when he say that there has not been a satisfactory audit of that account of Shaheen Natural Resources. That is why I suggest and submit, Mr. Chairman, to this committee, that no one is being out of order to ask that whatever audited statement is presently available be tabled. This obviously cannot be refused on the grounds that it would give information to competitors. That is the only reason why, as I understand it, that information has been withheld from this House. Competitors in the oil industry are dying to find out what is going on in the Shaheen proposal and development. Obviously an audit is a statement showing what has happened to the money that went down to New York and showing and verifying that all the monies have been spent in connection with an oil refinery at Come by Chance. It does not give information that is worth anything to the competitors in the oil business. but it does give a certain amount of reassurance to hon. members in this House and to the people of this Province that this company is being operated, that Shaheen Natural Resources is being operated in such a manner that we can now entrust to them an additional sum of \$155 million.

I would expect that Government, in its anxiety to obtain the confidence of the people, and to obtain the confidence of the lending institutions in the ability - or to retain it, or to acquire it in the ability of the Shaheen group to manage this plant and finance this plant, would be breaking their necks to table it.

MR. ROBERTS: Mr. Chairman, let me deal with this point because it is really the money, which Provincial Buildings Company, Limited, advanced to the Shaheen organization, was advanced under the provision of an agreement dated July 12, 1968,

between Provincial Buildings Company, Limited, on the one hand, and Shaheen on the other hand. As a matter of fact, I was not even in the Government when that agreement was made but, you know, so-be-it, the agreement is valid.

The agreement said that we would pay a certain amount - we, Provincial Buildings, would pay to Shaheen a certain amount each month, for development expenses. It was about \$150,000., I forget the figure.

MR. HICKMAN: \$156,000.

MR. ROBERTS: \$156,000. the figure I am told, you know, Mr. Chairman, I come to this very lightly, the hon. gentleman has far more - he was the director of the company and he was a member of the Government at that stage, I was neither, I was a back-bencher, very humble and quite and meek.

MR. SMALLWOOD: And never humble since.

MR. ROBERTS: I did not know what happiness was, Mr. Chairman, until I ceased.....

MR. CROSBIE: Uriah! Uriah! they call the wind Uriah!

MR. EARLE. The hon. member is in a very convenient place.

MR. ROBERTS: Ah, Uriah, he lives supreme from Fortune Bay. Now Mr. Chairman, the amount I am told was subsequently agreed upon between Mr. Groom, at that time Deputy Minister of Finance, and between Mr. Formack, in behalf of the Shaheen organization. (Really I can do without that today thanks, I will not have much chance to read it today.) So Mr. Chairman, I do not know why the amount was set - I am told the amount was agreed - I know that it was paid according to the terms of the agreement and so-be-it! You know, that is why the money - now Mr. Chairman, if the hon. gentleman wants - what he is really saying is "did we pay too much to Mr. Shaheen, and should we pay...."

AN HON. MEMBER: Did we?

MR. ROBERTS: I do not know Mr. Chairman, but the answer to that I would think is, why did the hon. gentleman pay it, month after month, if it was too much? I do not know Mr. Chairman, I inherited it. I came to it late and unwillingly.

MR. HICKMAN: Do you want me to answer that question?

MR. ROBERTS: Yes I would love the answer to the question, I did not pay the money.

MR. HICKMAN: I will tell you why it was paid; because there was supposed to be

an audit which we never did get, and there never was.....

MR. ROBERTS: Mr. Chairman, I have seen an audit since then.

MR. HICKMAN: A satisfactory one?

MR. ROBERTS: I have seen an audit since then. I am not an auditor, I am not in a position to say whether it is good, bad or - just hold on now, one at a time. I have seen an audit since then, Mr. Chairman, and you know I am not aware of this agreement about an audit, I will have that checked. All I am saying is the money was paid, pursuant to an agreement dated, I believe, July 12, 1968, and there has been no money paid for over a year - well not over a year, since last July anyway.

MR. EARLE: Mr. Chairman, might I make one statement perfectly clear. The Minister said, "Why was this money paid?" At the time I refused to pay it, I refused to approve the bill and this is why I raise the question. I put the onus on the building corporation to approve those bills and on their approval I okayed it, but I told my Deputy Minister, at the time, that I would not pay bills with such flimsy and sparse information in them, because there was no information in those bills which would justify payment of them.

MR. MURPHY: Who went over the head of the Finance Minister?

MR. ROBERTS: Mr. Chairman, perhaps Provincial Building Company Limited -

MR. CHAIRMAN: I am trying to follow this and I must say that if the effort is to enlighten, I am just dreadfully confused. I would like to see how this is related to the clause.

MR. CROSBIE: Mr. Chairman, this relates to the clause because this \$30 million, \$5 million of it is going to be paid back to the Government, the \$5 million they have spent in interim financing and that money, if it has not been spent properly, the Government should not be paying back, it should be taking legal action to collect. If several millions of dollars went to Shaheen, for example, and he spent it on nothing to do with the Come By Chance project, if that happened the money should come back to us, we should not be paying for that, and the audit is for the purpose of pointing out whether the Shaheen organization spent the money on regular things to do with development of the oil refinery project or not.

MR. SMALLWOOD: But it does so.

MR. CROSBIE: But the Government will not table it in the House, as the Government says it does so. That is the relevance of that. But with reference to this clause, we do not want to be all afternoon on it. Just to summarize the objections I have to it and why I am going to vote against it; (1) Mr. Chairman, it gives the Government carte blanche that the Government can loan \$30 million to the oil refinery project or borrow it itself and loan it to the building company for any term. It might be anywhere from one year, six months to thirty years to fifty years as there is nothing in the bill to restrict the Government at all and I do not agree with that because I am convinced the Government is

MR. CROSBIE:

going to make a two or three year bank loan that is going to leave some succeeding Government stuck with it or the Government will make a twenty year loan or a twenty-five year loan. There should be a specific term in the clause. I object to it on that basis. It no longer restricts the borrowing of bonds. It says, "Bonds or other securities which can be for any rate of interest upon any such terms and conditions as the Government decides." It is too wide open and I am against it for that reason.

I am against it, Mr. Chairman, because we have had no explanation, clear explanation of how Procon can have a contract for \$155. million, a turnkey contract and at the same time the Government is going to raise \$30. million and take \$5. million out of it to repay interim financing and there is another several millions owed down on the site and the Government will not admit that the cost of the refinery is not \$155. million but \$155. million plus all those amounts.

MR. ROBERTS: The hon. gentleman is quite wrong on that point. The Government -

MR. CROSBIE: I will bet the hon. Minister any amount at all that when this is finished it is not going to cost \$155. million, not \$165. million, it is going to be \$175. or \$180. million.

MR. ROBERTS: Well I do not have \$155. million, maybe the hon. gentleman does.

MR. SMALLWOOD: Or \$200. or \$220. or perhaps \$750. million.

MR. CROSBIE: It went from \$97. to \$155. million, it went overnight from \$130. to \$155. million.

MR. SMALLWOOD: There is now a turnkey contract.

MR. CROSBIE: For \$155. million.

MR. SMALLWOOD: Right.

MR. CROSBIE: \$7. or \$8. million is being spent at the site.

MR. ROBERTS: No, that \$155. million includes that.

MR. SMALLWOOD: I will answer the hon. gentleman.

MR. ROBERTS: It includes every penny of it.

MR. SMALLWOOD: I have the information.

MR. CROSBIE: Okay, fine. Well go ahead then.

MR. SMALLWOOD: The information, Mr. Chairman, is this that the \$155. million

MR. SMALLWOOD:

is what it was said to be from the beginning, a turnkey contract.

MR. ROBERTS: Including everything.

MR. SMALLWOOD: It includes everything including the kitchen sink. Everything is built in with one exception, the \$5. million is built in, everything is built in and is included in the \$155. million. There is one item that is not built in and not covered in the \$155. million and that is a matter which is presently being negotiated with Ottawa, namely the customs duties that may or may not be payable on imports into Come By Chance from the United Kingdom. Now, with regard to customs duties, I am able to assure the House that if, as and when they are paid they will not, I repeat they will not, affect the cost of the construction of the, they will not affect the amount of money required to construct the oil refinery. If a satisfactory arrangement can not in fact be made with the Government of Canada, with the Customs Department of Canada, then the payment will not be added to the cost of the construction. The \$155. million is a turnkey price with everything built in, with the sole exception of customs duties.

MR. HICKMAN: Including the \$5. million.

MR. SMALLWOOD: I said everything.

MR. HICKMAN: Including the \$5. million.

MR. SMALLWOOD: I said everything. Everything means everything and I named one exception. I named one only exception, one exception only, one. One - customs duties, all else, including the kitchen sink.

MR. HICKMAN: Why did you not tell the Minister of Health before he told -

MR. SMALLWOOD: Because the information just came a moment ago, confirmation of what we were confident of.

MR. ROBERTS: I was erring on the conservative side, for once, and not saying it was in until I was sure.

MR. CROSBIE: Mr. Chairman, in connection with what the Premier says: Now if the Premier is correct this time it sounds fairly good. If the Premier is correct this time, but one day it is one thing and the next day it is another thing, I mean, we have memories. Now here is the Jacobs Engineering study the Government is so proud of, May 6th, 1970 - proves the feasibility of the project

MR. CROSBIE:

we are told, in it, it is a wonderful study and confirms the feasibility.

Section 7, we understand that Procon has a firm price contract to build the refinery including the plant itself. Now we were told that the firm-price contract, (in this Chamber right here, by the Procon General Manager or whatever he was) was \$155. million, by Mr. Homer White. The firm-price contract to build the refinery, including the plant itself, spare parts inventory, maintenance equipment, initial charge of catalyst and chemicals and financing charges during construction, the fixed price excludes, (not "in" - "ex"), excludes the cost of two 605,000 barrel crude tanks, some site preparation and tank foundations and engineering up to this point. Also this price does not include Federal and Provincial tariffs, if any.

Now here is the Jacobs study, telling us that Procon has a firm price contract which does not include those two huge tanks down at Come By Chance and the site work up to date and so on - it does not include. That leaves \$3. or \$4. million dollars worth of work done down at Come By Chance, that is what Jacobs says, and does not include tariffs. Now the Premier gets up, since this issue has been raised, and says that the \$155. million includes everything except this one item, tariffs. Now the Premier and Jacobs cannot both be right. The Premier today is either right today and wrong last March or wrong last April, he cannot be right both times, the Minister of Health cannot be right. This is the kind, in a huge project like this of \$155. million or \$165. million, contradictory answers, Every day you keep probing, and we are supposed to go along with it and blindly accept it. Either Jacobs study is not worth a darn, it is not worth a fig or it is accurate. If the Premier is right, Jacobs is wrong. Let us have another feasibility study. If the Jacobs is right, the Premier is wrong. Let us have the Premier resign. I do not know which would be better.

MR. SMALLWOOD: or a new Premier.

MR. CROSBIE: I do not know which would be better.

MR. SMALLWOOD: Would the new one be bearded, I wonder?

MR. CROSBIE: One never knows, Mr. Chairman. Quite seriously.

MR. SMALLWOOD: I made a bearded study.

MR. CROSBIE: Mr. Chairman, when we see the Premier go off on a tangent we

MR. CROSBIE:

know they are hitting him in a vital spot: "Let us talk about the beard, well the beard wants to talk about the feasibility study and how it disagrees with the Premier. Now they are not both right, Mr. Chairman, so it is just not good enough. Here is this gigantic project and members of this House blindly going along. We are supposed to go along with all these explanations. The project is going to cost, if Jacobs is right, a minimum of \$165. million and, if the Premier, is right \$155. million, they are not both right.

AN HON. MEMBER: (Inaudible).

MR. CROSBIE: That part, the \$5. million dollar audit, mere nothing. Who cares or who worries about \$5. million? Nobody apparently. The past Minister of Finance and the past Minister of Justice were both involved in this, right up until last fall, and have said they could not get a satisfactory audit from the Shaheen people as to what had happened to the \$2. or \$3. million dollars they were paid by Provincial Building. Despite these public statements, by two ex-Cabinet Ministers, the Government will not produce, to the House, the satisfactory audited report showing where the money was spent, and we are being asked to put into the hands of the same people, Mr. Shaheen and his group, \$155. million dollars worth of the assets of the people of Newfoundland. Do the members of this House not care what the records show as what they have done with the \$2. or \$3. million assets they had.

We have the next Minister of Finance, who says they did not provide a satisfactory audit report, the records were not there, and the Minister of Justice. Yet this Government thinks the people of Newfoundland will tolerate having all the rest of these assets -

MR. SMALLWOOD: All they said was that up to the time they left last fall the audit had not come in, but since then it is seven or eight months, and it has come in and the Government are quite satisfied.

MR. CROSBIE: I say that when the Government first sent their auditors down to New York to audit these accounts, they could not find proper accounts to audit.

MR. SMALLWOOD: That is not so.

MR. CROSBIE: That is one hundred per-cent so and they had to be sent down here

MR. CROSBIE:

to build records up and everything else. This House should be shown their results of the investigation, was there a proper audit done? Do not try and kid us that Procon and the english money is paying back what is being spent on the site so far, it is not going to pay it back.

I move, in any event, Mr. Chairman, that the first two lines of the new clause (1): "Notwithstanding anything to the contrary contained in The Revenue and Audit Act or any other Act or law - - "

MR. SMALLWOOD: We asked to have that stand. It was agreed that it would stand.

MR. ROBERTS: Will the clause stand until we can find out whether it is, in the opinion of our Deputy Minister, to let it stand?

MR. CROSBIE: Has the Minister got the answer now?

MR. ROBERTS: Well, we are getting the answer, My colleague is getting it.

MR. CROSBIE: Well, it is no point in moving it.

MR. ROBERTS: Move it if you want to, but let the clause stand.

MR. CROSBIE: I will leave those points to be answered and if, Mr. Chairman, the Government is brazen enough not to explain these discrepancies or to tell us why we cannot have the audited statement, the whole world will know why we are not going along and voting for this clause.

MR. SMALLWOOD: Trying to find an excuse now for voting against it?

MR. CROSBIE: There is no need to look for an excuse, as there are a thousand we have reiterated already.

MR. SMALLWOOD: The hon. gentleman maybe does not intend to stay in public life, but all who do intend will have a bit of a job to do explaining.

MR. CROSBIE: Mr. Chairman, if I could speak for a moment: I have every intention of staying in public life till the electorate retires me. I am willing to resign my seat in St. John's West tomorrow, if the Premier will agree to a by-election in three weeks, on this Come By Chance deal, and we will see how the electorate of St. John's West thinks. I will resign tomorrow, if the Premier will give me his assurance that the writ will be issued.

MR. SMALLWOOD: We saw what St. John's East thought, the hon. gentleman saw what St. John's East thought.

MR. CROSBIE: They elected a member dedicated against this one-sided deal. I

MR. CROSBIE:

will resign tomorrow, if the Premier will agree to a by-election.

MR. EARLE: Mr. Chairman, with all this cross-fire it is pretty hard to keep your mind on the subject, but there is one significant point in the Premier's remarks that I would like to query. The fact is that the financing of this thing, up to the \$155. million, has all been accounted for. We are to get our \$5. million dollar interim financing back. Now the Premier says, if there are to be any duties assessable to this project -

MR. SMALLWOOD: Any what?

MR. EARLE: Any duties, any customs duties assessable to this project or any of the imports therefrom that will not be an expense on this present financing, either the Government's \$30. million or the ECGD money. It will come from some other source.

MR. SMALLWOOD: Right.

MR. EARLE: Now this House has not been told, to this point, as to where the working capital for this company is going to come from and how it is going to be provided.

MR. SMALLWOOD: Everybody in this House knows that.

MR. EARLE: I would like to ask the hon. the Premier, if this amount of duty does amount to a substantial sum of money and it could or it maybe relatively small, who is providing that money and has the agreement been signed that they will provide it?

MR. SMALLWOOD: Mr. Chairman, the working capital of \$10. million dollars is being provided by John Shaheen or the Shaheen Company. I thought the Committee were well aware of that.

MR. EARLE: Yes, but there was no evidence shown in the House though.

MR. ROBERTS: It is Clause 6 of the agreement, the conditions

MR. SMALLWOOD: The \$10. million dollars working capital is being provided by Mr. Shaheen and is at the bottom of the heap, it is the last to be recovered, it is at the bottom of the heap. As a matter of fact, the hon. members for St. John's West and Humber East will recall, vividly no doubt, the day we left the big building in Toronto, where the conference was held, and walked to the hotel and in the walk between the two buildings, I do not know but the then

MR. SMALLWOOD:

Minister of Justice was one of them, I think perhaps he was with us.

MR. HICKMAN: (Inaudible).

MR. SMALLWOOD: Well, in that case it was the member for St. John's West and the member for Burin, Those two and I walked along the street and we settled it there as we walked along the street with John Shaheen, that his \$10. million would be at the bottom of the pile, that it would be the last money to be taken out of the total capital, \$155. million plus \$10. million working capital. That is not \$10. million added on to the cost of the project, that is \$10. million working capital which is provided by John Shaheen, and he gets it back when all else is gotten back, and that is at the bottom of the heap.

Now, so far as the customs are concerned, the negotiations are going on with Ottawa and it is thought that these may amount to as much as \$1.8 million, \$1.5, \$1.6, \$1.7, \$1.8 million, perhaps, something less than \$2. million dollars, it is proposed, and there is a practical way to do it, it is proposed that the cost of the customs duties shall be excluded from the capital cost of the project. Now I am free to say how that will be done. There are two ways, one or the other, not two ways together but one way, and if that is not acceptable to the parties concerned (and the party would not be this Government or the British Government) if that way is not acceptable to the two parties involved, then one of the two parties will find the money, apart from this \$155. million.

MR. EARLE: It would not be the Newfoundland Government?

MR. SMALLWOOD: I said, no, not the Newfoundland Government, not the British Government, not ECGD, not the British banks.

MR. BURGESS: Mr. Chairman, in answer to some very probing questions from people who participated in the drafting of this agreement, we are told, on this side of the House, the hon. the Premier stands up and he said; "I can assure the House that this turnkey contract is going to cost \$155. million dollars with the exception of tariff duties." He can assure this hon. House, is it in the same manner that we were assured a year ago that all obstacles had been removed, as far as this project was concerned, that Mr. Shaheen had raised the money? Is this the same kind of an assurance, and we are supposed to sit back and say; "Well, we will not ask any more questions because we have been assured by the

MR. BURGESS:

Premier." Now I am very impressed with the ability of the hon. Minister of Health, his manner in explaining the intricacies of this agreement, but I am sure that even he does not feel healthy about the answer that he is required to give when he is asked a question as to exactly how the \$5. million, which prompted these individuals to cross the House in the first instance, and he cannot, he has to say; "Well, they have seen audited statement and that they are satisfied with this audited statement as to where this \$5. million went." Now I am sure that he does not even feel healthy, to have to give an answer of this nature.

It is very basic, it is very basic to require the Government to outline to the people of this Province, not to the people on this side of the House but to the people of this Province, how that \$5. million, which promoted all this controversy, was spent. I do not think, I cannot see how answers of that nature can be passed back and forth across this hon. House.

MR. MARSHALL: Mr. Chairman, I want to speak on a number of things, with relation to this Section 2. We have the assurance of the hon. the Premier that the project will not cost any more than \$155. million and I shall leave that point at this particular time. However, I do and I had noticed in the passing of the legislation and I agree with the comments of the hon. member for St. John's West with respect to the terms of the borrowing of this \$30. million. To my mind, Mr. Chairman, we should not be prepared to borrow \$30. million without the terms of this borrowing being known to this House. There have been too many Acts passed by this House, delegating duties with respect to borrowing powers to other agencies of this Government, when, at this time in the Province, the financial condition is such that this should cease - it should never have occurred anyway.

Therefore, Mr. Chairman, because it is very, very pertinent as to the terms of the \$30. million, I would move that Section 2 of the Act be amended by deleting the words, "By the Lieutenant-Governor in Council" in sub-section (1) of Section 2 and substituting therefor: "By the Legislature." I think this is absolutely and completely imperative for this to happen. It is beyond belief really that at this time, when we are told that the contracts

MR. MARSHALL:

can be signed at the end of July, that these terms are not known now to the Government. They ought to be known by the Government, if the project is to go ahead. In any event, whether or not they are known, they should be known and this hon. House should be informed and the people of Newfoundland should be informed of the terms and conditions, with respect to the \$30. million being borrowed. I so move, Mr. Chairman, this amendment.

MR. CHAIRMAN: The motion is that Clause 2 be amended by deleting the words, "the Lieutenant-Governor in Council", in the fourth and fifth lines on the top of page 3, and by substituting therefor the words, "By the Legislature."

On motion amendment lost.

AN HON. MEMBER: Divide.

MR. ROBERTS: Mr. Chairman, you cannot divide in Committee.

AN HON. MEMBER: You can call back the Speaker.

MR. ROBERTS: You cannot call back the Speaker.

MR. CROSBIE: Mr. Chairman, I would like to refer to Beaulieu, page 204. "When a vote is taken in Committee of the Whole or in Committee of Supply or Ways or Means the members rise and are counted by the clerk assistant, who declares the numbers on each side, no names are recorded, the Chairman has a casting vote." Could we have that procedure followed, because I would like to see who is voting for the amendments and specifically who is voting against them? I would like to see a head-count on these important amendments, Mr. Chairman.

MR. CHAIRMAN: Those in favour of the amendment please rise? Those against the amendment please rise?

On motion, amendment lost.

Shall Clause 2 carry?

MR. MARSHALL: Mr. Chairman, I would like to bring up one other point, I lost the last one so we will try again. With respect to this \$30. million, I also feel that this \$30. million has been given out on a refinery that may or may not bring about a petro-chemical complex employing a certain number of people. I would move then, Mr. Chairman, that Clause 2 be amended by adding after the words, "Agreement" in sub-section (1) of Section 2, the following words, "And

MR. MARSHALL:

provided that there shall have first been proven feasible the establishment of a petro-chemical industry or industries utilizing the core chemicals to be produced by the operating companies and employing no less than 10,000 people." This is the amendment that I propose, Mr. Chairman, to this Section 2. I feel that we should not be contemplating entering into agreements of this nature, that this Section 2 should not provide for the expenditure of \$30. million unless we have living proof of the petro-chemical plant being operational.

MR. CROSBIE: Mr. Chairman, I would like to speak in support of the amendment.

AN HON. MEMBER: Is the amendment in order?

MR. MURPHY: A point of order has been raised but I did not see anybody standing up.

MR. CROSBIE: I am speaking on the amendment that has not been ruled out, so I do not see how anyone can vote against it.

MR. CHAIRMAN: Order please! The amendment has not been read from the Chair. The motion is that Clause 2 of the agreement be amended by adding after the word "agreement", in the fourth line, the following: "And provided that there shall at first been proven feasible the establishment of a petro-chemical industry or industries utilizing the core chemicals to be produced by the operating company employing no less than 10,000 persons" and I rule that out of order. It is the matter of -

MR. CHAIRMAN: The principle has been laid down here and we are here now on an amending Bill. It is very difficult, in the case of amending Bills, to decide exactly what the principle is. But, we must remember that the Bill that is to be amended provides for certain things and that we are dealing here now with a clause which in effect deals with a method of financing. This particular amendment here goes to whether or not the oil refinery would actually be established. And, I think, the principle of the Bill that went through second reading was to the effect that the oil refinery would be established or guaranteed within a certain scope. I think the only thing that is opened to the committee now, is to deal with these section and to deal with the scope of the thing. This is something altogether different.

MR. MURPHY: Mr. Chairman, if I may, I think it is only an extra proviso, there is nothing against the principle.

MR. CHAIRMAN: Order, please!

MR. MURPHY: Am I not permitted to argue, to put forth our side or ..

MR. CHAIRMAN: I would just like to state the position that the Chair finds itself on these rules of order. When a matter comes before the Chair, the Chair is suppose, of its own motion, to decide whether the thing is in order or not in order. If the Chair does not notice it, some hon. member may ask the Chair or may suggest to the Chair or move that something is out of order. The Chair then considers it. If the Chair wants the advice of members, the Chair gives some indication that it does. There is no debate on a point of order. Once the Chair rules on the point of order, then it is very discourtesy for members to stand up and say that the Chair is wrong. If members wish to challenge what this Chair has decided, they make the usual motion for an appeal to the House.

MR. WELLS: Are we to gather, Sir, from Your Honour's ruling now, that it is not in order for members to move amendments that establish conditions, which in effect has^{been} done? I ask Your Honour this, I am not debating the ruling that Your Honour has given, I am asking this for guidance for the remainder

MR. WELLS: of the Bill. Are we now to conclude that it will be no longer in order to move amendments that would establish conditions upon which these things would be done? I agree the principle has been agreed upon in second reading. But, surely, I submit to Your Honour and I ask Your Honour to rule on this point, that it is open to the members of the committee to move amendments that would establish conditions upon which these things may be done.

MR. CHAIRMAN: I think the committee will know the Chair cannot rule on hypothetical questions. But the present situation is this, that the Chair is dealing with Section (2) of the Bill. And Section (2) of the Bill says "may guarantee money," That is the gist of it. And then the amendment put in was "provide that there shall have first been proven the feasibility of establishing a petro-chemical industry or industries utilizing the core -chemical produced by the operating company and employing no less than ten thousand persons.."

Now my contention is and the ruling I made is based on the fact that the whole principle of this Bill is that there would be this oil refinery established. This is not the first time it has come before the Legislature. The things was put through in a previous session and this is amending legislation. Under Beauchesne, para.406, amendments are out of order if they are not relevant to the Bill or beyond its scope. That is the ruling I make.

MR MARSHALL: As the mover of the Motion, Your Honour, and with the greatest of respect I have to appeal the Ruling on the ground that this amendment does not go to the principle of the Bill but goes to the conditions of the financing.

On motion that the Committee rise and report

Mr. Speaker returned to the Chair:

MR NOEL: MR. Speaker, the Committee of the Whole have directed me to rise and report that, upon studying the Clause 2 of the Bill, the hon. member for St John's East moved that the Bill be amended by adding the words: "...and provided that there shall have first been proven feasible

MR. ROWE: the establishment of a petro-chemical industry or industries utilizing the core-chemicals to be produced by the operating company in employing no less than ten thousand persons," which amendment the Chairman of Debates rules to be out of order.

The hon. member for St. John's East thereupon asked for an appeal.

MR. SPEAKER: Hon. members have heard the report -

MR. CROSBIE: Mr. Speaker, to a point of order - under our rules the Chairman is supposed to report to Your Honour in writing. I refer to the Standing Orders, page 34. The Chairman is supposed to put his point of order to Your Honour in writing, not verbally.

MR. NOEL: I have.

MR. SPEAKER: The question before the House is that the ruling of the Chairman of Committees be sustained. Those in favour of the motion please say "aye," contrary "nay."

In my opinion the "ayes" have it and the Ruling is sustained.

On motion that the House return to Committee of the Whole,

Mr. Speaker left the Chair:

MR. CHAIRMAN: Order, Please! The first two lines of Clause 2 were left standing.

HON. W. N. ROWE, (MINISTER OF COMMUNITY AND SOCIAL DEVELOPMENT): Mr. Chairman on that, while my hon colleague was ably defending the clause as a whole, and I think convinced everyone on the other side of the validity of it, I was busily finding out, taking his, seeking advice on the first two lines of Sub-section (1) of Section (2).

Mr. Chairman I have been referred, by the Deputy Minister of Justice, on whose advice and the advice of the Attorney General these two lines were put in the Act, that owing to the existence of Section (4), Section (28) and Section (29) of the Revenue and Audit Act there would be some doubt as to whether the Government could in fact pay out this money from the Consolidated Revenue Funds, if these words were not put in. In strict Law it is probable that the Government would be permitted to pay out the \$30 million, without these words in, but in order to allay any doubt and to get

MR. ROWE, W.N.: rid of any doubt or question about the legal capacity of the Government to pay out that money, these lines are in and we are putting them in on the advice of the law officers of the Crown.

MR. WELLS: What are in those sections of the Revenue and Audit Act?

MR. ROWE, W.N. Well, Mr. Chairman, I can read them, should the committee desire. The Act is readily available to all members of the House.

MR. WELLS: I would be pleased to hear them.

MR. ROWE, W.N.: Section (4) of the Revenue and Audit Act says "no issue of public monies shall be made out of the Consolidated Revenue Fund except under authority of the Legislature."

MR. WELLS: That is okay.

MR. ROWE (W.N.) This probably is the legislative authority necessary, but there may be some doubt and, in order to save this whole Act giving to doubt in the future, or going to the Courts of Law, why not provide for it now?

MR. WELLS: Surely this is the authority of the legislature.

MR. ROWE, W.N. That is right. That is one aspect of it. The other one says that, (Section 28) "all monies raised by the issue and sale of any security other than the expenses connected with such issue and sale shall be paid into the Newfoundland Exchequer Account to form part of the Consolidated Revenue Fund, and Section (29) says, except as provided in Sub-section 7 of Section 21 of Section (21b, 21c), 25, 25(a), 26 and 32. Nothing in this Act authorizes any increase in the public debt without the express authority of the legislature.

Now, Mr. Chairman, far be it for me to argue on a point of Law with the Law officer of the Crown, the highest law officer of the Crown, directly below the Attorney General, that we have, his opinion. He has advised us that to get rid of any doubt whatsoever we should have these words in. Hon. members may argue on a legal point. The same argument could arise in a Court of Law, two or three years from now, to get rid of such doubt, we intend to provide, notwithstanding anything to

MR. ROWE: The contrary contained in the Revenue and Audit Act or any other Act or Law, Her Majesty may pursuant ^{to} and in accordance with the agreement lend or cause to lend etc."

MR. CROSBIE: Mr. Chairman, as far as I am concerned, there is something wrong with the Revenue and Audit Act. If it is too strigent, if these provisions, there is something objectionable to these provision in the Revenue and Audit Act, then the thing to do is for the Government to bring in an amendment, to the Revenue and Audit Act, removing these objectionable provisions. I do not think that we should agree to any Act going through saying that, no matter what is the contrary contained in the Revenue and Audit Act, such and such is going to be done.

MR. ROWE, (F.W.) This is not a precedent surely.

MR. ROWE, W.N. Before the Minister of Justice knows how common this is....

MR. CROSBIE: It is the first time I have seen this in any piece of legislation that came before the House. And, I, therefore, move Mr. Chairman, that the first two lines of Clause I "notwithstanding" down to the word "law," be deleted from this new clause II, on the grounds they are unnecessary in Law, and, apart from Law, repugnant in any event, because the Government should observe the Revenue and Audit Act in this matter, as in all other matters. And I draw the attention of the committee again, Mr. Chairman, to the fact that two years ago, when the previous Bill No. 65 went through this House, no law officer of the Crown said one word about the Revenue and Audit Act or that this should be put in Clause V. Clause V, in the last time this came before the House, starts out "Her Majesty may for the purposes of the agreement." It did happen before "notwithstanding anything to the contrary contained in the Revenue and Audit Act or any law," it was the same Deputy Minister of Justice, the same assistant Deputy Minister of Justice. The situation has not changed.

MR. ROWE, W.N. Is the hon. member insinuating that I am stating something concerning advice received that I did not in fact receive from the officer of the Crown.

MR. CROSBIE: The hon. gentleman is far too sensitive.

MR. ROWE, W.N. Well, I mean -

MR. CROSBIE: I am just saying that the same law officers of the Crown who have apparently changed their opinion in the last two years,

MR. ROBERTS: One of the payments were out of CIF and the others were not.

MR. CROSBIE: Whether they have changed their opinion or not, then I recommend to the Government that they change the Revenue and Audit Act, not say that for this particular project "notwithstanding anything to the contrary contained in the Revenue and Audit Act." Do away with the Revenue and Audit Act for this project? Why should we accept that? No, if it is not in accordance with the Revenue and Audit Act, do not borrow the \$30 million. And I move that amendment, Mr. Chairman.

MR. CHAIRMAN: The motion is that the first two lines of Clause 2 be deleted.

MR. WELLS: I would like to support that motion, Mr. Chairman.

MR. SMALLWOOD: It is a surprise.

MR. WELLS: Yes, may be it is a surprise. But on the basis of what the Minister of Community and Social Development read out, in each of those Clauses it says, unless there is the specific authority of the legislature. Well this whole Bill is the specific authority, so why wipe out the Revenue and Audit Act, as far as this is concerned?

AN HON. MEMBER: Inaudible.

MR. WELLS: That is not necessary, to do that. If the legislature is speaking out, subsequent to the passage of the Revenue and Audit Act, do not forget that, subsequent to the passage of the Revenue and Audit Act and the legislature is presumed to know what it is doing, The Courts presume this, even though they may not be justified, but they nevertheless do make that presumption in law.

AN HON. MEMBER: Inaudible.

MR. WELLS: If he would show a degree of courtesy -

MR. SMALLWOOD: Inaudible.

MR. WELLS: Well speak a little lower, so that - I am on my feet at the moment.

MR. MURPHY: On a point of privilege of this House. The House consented to admit two strangers into this Chamber, and I think it is highly improper for the Premier to say to those two men "listen to what is being said" and trying to shame or make fun of an hon. member of this House. I think it is entirely out of order.

Now, Mr. Chairman, I would like for you to make note of it and use your authority.

MR. CHAIRMAN: I think it suffices to state that a member should be entitled to speak without being interrupted and that hon. members should keep their voices low, if they have to speak at all.

MR MURPHY: Thank you!

MR WELLS: I thank the hon. Leader of the Opposition for his courtesy, which does not seem to emanate from other quarters. Nevertheless, Mr. Chairman, what I have said, with all due ^{respect} to the law officers of the Crown, both of whom I respect greatly, and I do not challenge either of them as individuals.

^{been}
The sections that have, quoted by the minister can in no way affect it. As the hon. member for St. John's West said; this is the way it existed before. Well now, may be there is a reason to change an opinion. But I am justified and quite within my rights and within my duty too, to advise this committee of the opinion that I hold on this matter; that this is not necessary and the effect of what we are doing is with respect to the whole of Clause I, not just the direct lending or borrowing, but the manner in which it is supervised and handed out. The whole of the Revenue and Audit Act is wiped out in respect of that Clause, for everything else is contained in it, including the amount and terms and conditions or the advancing of the fund, the Revenue and Audit Act has no control over. This is not necessary and should be removed. I am in full agreement with the motion made by the member for St. John's ^{East}. At the very least, at the very least, all that should be

MR. WELLS: there, even if the opinion that I am expressing is totally wrong and I do not deny that with remote possibility, but it may well be, I do not think it is or I would not be expressing it. But, even if it is totally wrong, then surely all that is necessary to say is, notwithstanding sections four, twenty-eight and twenty-nine of the Revenue and Audit Act and leave out another Act or Law, just, "notwithstanding sections four, twenty-eight and twenty-nine" which then leaves the remainder of the Revenue and Audit Act in effect, as it should be.

Now I do not even agree that that is necessary, that it is necessary to do that. But if the law officers of the Crown feel strongly, and it is necessary for purposes of the project, perhaps we could live with the watering down of our financial Bible to that extent. That is just what the Revenue and Audit Act is, and everytime we say that, in any statute, we are saying to the public; we are going to ignore all the rules by which we handle your money in this respect. We are going to forget them, notwithstanding the Revenue and Audit Act. So at the very least it should be limited to notwithstanding Sections 4, 28 and 29. But I do not think that is necessary either and I would support the Amendment. There is no reason certainly to go beyond that.

MR. HICKMAN: Mr. Chairman, may I direct a question more than a comment to the hon. Minister of Health? A few minutes ago when we were debating this same section and another Amendment, and it was agreed on both sides of the House that it was most desirable and it was the Government's fixed intention not to borrow more than \$30 million, nor to guarantee direct or indirectly more than \$30 million, that this was found not to be necessary, to pass the Amendment to ensure beyond all doubt that Government could not borrow more than \$30 million on account of this project?

Now, I assume, from what the hon. the Minister of Social and Community Development has said, that this section is now in there just to be sure, beyond all reasonable doubt, that the Legislature has the authority to

MR. HICKMAN: borrow this money. Well surely, if that argument is sound, it is equally sound the other way, that to assure this Legislature beyond all reasonable doubt that Government cannot borrow more than \$30 million, that the other Amendment is equally valid and is equally sound and is equally necessary. Because we have not had the assurance that Government cannot borrow more than \$30 million, nor as the hon. the member for Humber East has pointed out, where you have a general exclusion of the Revenue and Audit Act in this section, it is simply more than the four sections that the hon. minister just read. It is a general exclusion and exemption from the controls that the Revenue and Audit Act, what is left of it, seeks to impose on Government. Really what it is, is that the Legislature, through the Revenue and Audit Act, imposes or tries to impose some reins on Government and says to Government "this way you shall spend and this way only." Now this section as I see it goes a bit further than simply trying to remove from beyond all reasonable doubt the right to borrow \$30 million. What it does do is say that the Revenue and Audit Act beyond, no matter what it is, that the reins of this Legislature shall not apply to this \$30 million. As I said in the beginning, "what is sauce for the goose is sauce for the gander." A few minutes ago Government was not disposed towards satisfying this Legislature beyond all reasonable doubt, that we could not go beyond \$30 million. Now we have the same reasoning and the same reasoning only to this section being in there.

MR. ROBERTS: Mr. Chairman, I am sure the hon. gentleman does not want to, nor did he intend to misrepresent my position, but I think he might have. I told the committee, Sir, that I had been informed by the law officers of the Crown that Government cannot spend more than \$30 million by way of guarantee direct or indirect under this Act, without statutory authority. I think that is correct.

MR. ROWE: W.N. You will not even be able to spend this \$30 million.

MR. ROBERTS: Right, we cannot even spend this \$30 million, Mr. Chairman, if the Bill is not given the full treatment by the House and given assent by

MR. ROBERTS: His Honour, the Governor.

Now, I think, basically, the whole argument on this Amendment is quite a simple one. We are advised by our Law Officers that these words are necessary. My colleague has explained quite fully, the explanation that he has been given, we understand it. With all deference to my hon. friends opposite, the hon. gentleman from Humber East may be right, I do not know. I do not think he is, but then again that is only my opinion against his. He may be right. He may be wrong. I think the essential point is; we are told by the Law officers that these must stay and therefore, we will ask - the Government will vote to keep them in and we will ask our supporters to support it on that point.

Let me add just one brief thing, these words were not in the original Bill, the Bill which we have amended. But, I think, there is a difference in substance between it. In the original Bill, or the original Act, the monies to be raised would not have passed through the Consolidated Revenue Fund, or need not necessarily have passed through CRF, because they would have been raised under a guarantee. In this Bill, Mr. Chairman, if it becomes Law, the money of course will pass through CRF, because the money will be paid out of the Government's normal cash balances, as a charge against our capital account. Now that may account - I am not saying that it does account.....

MR. WELLS: In the previous one there was authority to lend or cause to be lent

MR. ROBERTS: Correct! Correct! Correct! But I also said need not necessarily. I am quite familiar with 5 (1). I can give it from memory 5 (1) and I can also give 5 (a) and 5 (b) from memory. But, I think, Mr. Chairman, we feel that the words should stay and

MR. SMALLWOOD: hearts of some of us.

MR. ROBERTS: It is also on the backs of some of us, Mr. Chairman. I do feel perhaps the issue has been quite thoroughly ventilated, and if the people of Newfoundland, who are represented by hon. gentleman on this side as well

MR. ROBERTS: as by hon. gentleman opposite, perhaps can be assured that the matter has been thoroughly ventilated. Perhaps we could proceed to vote on the Amendment - we will see what the committee's pleasure is and then we can proceed with further debate as the committee wishes.

MR. WELLS: Why not limit it to exempting from Sections 4, 28 and 29?

MR. ROBERTS: Mr. Chairman, I would not -

MR. WELLS: Are they not the sections with which the Government are concerned?

MR. ROBERTS: I would not presume to get into an legal argument with my friend from Humber East and I am quite serious about that. Maybe at another time, another place, we will either have legal arguments or arguments of a different nature. But here today I am, my colleague and I are acting on the advice of our Law officers, and that is the advice we must take.

Mr. Chairman, I repeat, we are acting on the advice of the Law officers, the most competent lawyers we can get, They are very experienced and they know more about this than anybody in this House, I suggest Sir. And, therefore, we stand by their advice.

MR. CHAIRMAN: Shall the Item carry?

On motion the item, as amended, lost.

MR. WELLS: Mr. Chairman I move that Clause II of the Bill be amended by inserting in the portion "notwithstanding anything to the contrary contained in the Revenue and Audit Act..." there be inserted after the word "contained" and before the word "in" contained in Sections 4, 28 and 29 of the Revenue and Audit Act "be added and that the word -

Mr. Wells.

and that the words, "or any other Act or law " be deleted.

In support of that amendment, Mr. Chairman, I say if the reason given by the Government is totally valid and totally correct and there is no other reason beyond that, beyond those three sections that were referred to, the Government cannot but agree with it. Otherwise, by refusing to agree with it, they simply say to the people of Newfoundland; in respect of this \$30 million, we want to be free to do as we please and we do not want to be guided by the financial restrictions that we are normally guided by in handling public funds.

Now if there is no other reason, they cannot but agree with it.

MR. CHAIRMAN: The motion is that the clause be amended by inserting after the word, "in" in the second line, section (4) (28) (29) of and by deleting the words, "or any other Act or law" in the second line of Clause (2).

On motion amendment lost.

MR. CROSBIE: Mr. Chairman, before Clause (2) is voted on, I have a final question. The hon. the Premier mentioned the point about tariffs - possible tariffs on the equipment and materials that come ^{from} England are not included in the \$155 million and will have to be settled separately by some other body, not by the Government.

It was reported in the press, (I have not been able to locate the clipping) about six weeks ago, a statement by the hon. John Jean - Luc Pepin, the Minister of Trade and Commerce, in which he said that the Government was investigating, with respect to dumping, the question of financing of exports by the English Government and other governments, in the way in which this deal is now being financed. The English Government - ECDG - the loans in England are at 5½ per cent interest, when the true interest

Mr. Crosbie.

rate over in England is probably, I do not know, nine or ten per cent - the same as it is here. The English Government, in effect, are subsidizing export goods from England, to get around the tariff barrier. It is the same thing, in effect, as dumping - allowing goods to be sent abroad at an artificially low price.

The minister of Trade and Commerce said that the Canadian Government was looking into this, with a view to putting a stop to it. Has this been brought to the attention of the Newfoundland Government or are the Government anticipating that this may have an effect on tariffs here?

MR. SMALLWOOD: Mr. Chairman, I am very familiar, I am sorry to say, with that whole situation. The Minister of - the President of the Board of Trade, which is a department of the British Government - the Board of Trade in Britain is not a Chamber of Commerce. It is one of the departments of state. They call the Minister of Commerce Trade and Commerce, in the British Government, the President of the Board of Trade. They do not call it the Department of Trade and Commerce. They call it the Board of Trade. The President of the Board of Trade is really the Minister of Commerce in the British Government. He visited Ottawa some weeks ago, sometime before the election in the United Kingdom. While he was in Ottawa, he was given a point of view by the Government of Canada or at any rate - yes, I would say by the Government of Canada, through the lips of Mr. Jean-Luc Pepin, Canada's Minister of Trade and Commerce.

There was a discussion of the British practise of promoting the sale and export of British goods - British manufactured goods - machinery such as the machinery for Come-by-Chance, and encouraging such exports by giving long credits, eight years, at very low rates of interest - 5½ per cent. It has been argued by the Canadian Manufacturers

Mr. Smallwood,

Association and other bodies in Canada that this is a form of dumping. That this is a form of getting goods into another country in the same way that they would get them in by just cutting the price of the goods. When you cut the interest rate on the money that is borrowed to build machines in another country, then the country to which the goods go may be said to be the victim of dumping. This is the argument.

Now a counter-argument has been put in Ottawa, very powerful one, to the effect that this is a way of developing free trade. This is a way of promoting exchange of goods. This is very much in line with the modern thinking about world trade. It is very much in line, i.e., with the Kennedy round. It is very much in line with GAT - the general agreement on trade and tariffs - is that it? GAT. If Canada were to reject the British practice of giving low rates of interest on loans made in London; made in England, to pay for goods manufactured in England, it would be an attack of a protectionist character, anti-free trade, anti-free flow of trade between countries. If in fact the Canadian Government said to the United Kingdom Government: "Look! we will not allow your goods to come into Canada, if those goods are manufactured in England and paid for with loans that you make, that you guarantee to the British banks. We will not allow you to do that, if the rate of interest is as low as it is now; namely, 5½ per cent." This is true. But this view point has been thought out in Ottawa, and I can tell you this. I can tell you this, Mr. Chairman, that there would be a savage battle in Ottawa and part of that battle would originate here in Newfoundland, if any attempt is made to cheat Newfoundland, to cheat her out of the right that she now has to go to the United Kingdom, get \$125 million, as in this case for the oil refinery, on loan from the syndicate of British banks, \$125 million guaranteed by the British Government at 5½ per cent interest - a loan for eight years, which will enable this refinery to be built and a paper mill to follow after it and which enabled the big paper mill to be built

in Stephenville. That, too, is getting 5½ per cent money. That too, is guaranteed by the British Government - the British banks - nine of them that put up that money and did so at 5½ per cent because, and for no other reason, because the British Government guaranteed that loan for eight years.

Now if that is stopped, then our chance in Newfoundland of going to Britain, of going to France, of going to Germany and getting these deals to develop this Province would be smashed, murdered. We will fight it. Nova Scotia will fight it. New Brunswick will fight it. All provinces in Canada that are underdeveloped, underdeveloped or undeveloped, that desperately need development, will fight to continue to have the right, that we now have, to get these deals in those countries.

Now it is true that Canadian manufacturers, who would like to be sheltered behind a high tariff wall, put up a high tariff against British goods or the equivalent of a high tariff, put up the rate of interest on the loans. If that is done, it may be not a death blow to be struck at these underdeveloped provinces but a grievous one. I had lunch yesterday with a very great financial man, whose name is known around the world. He is not unknown in this Chamber. I had lunch with him yesterday, and we discussed this very matter. He told me that there is a suggestion of 7½ per cent money - 7½. Now 7½ per cent money would cost \$10 million extra for this oil refinery. Instead of 5½ per cent for eight years on \$125 million, if it became 7½ per cent, it would cost \$10 millions extra, additional in the cost of the grant, because up would have to go the price. The banks, the nine banks, would have to charge this money because that is all the British Government would guarantee the loan for, 7½ per cent. Up would go the price to the 200 factories in England - 200 that will manufacture the various things going into this plant at Come-by-Chance - 200.

I can tell the hon. gentleman this, that in the midst of this argument that went on in England, to get ECDG to guarantee this loan, the

Mr. Smallwood.

Leader of the Tory Party in England, who is now the Prime Minister of England, went to top authority in Britain and said ; "look, in my constituency that elected me to this House, House of Commons, there are so many factories that will get orders for this oil refinery." See you do not have one factory in Britain that will manufacture that whole oil refinery. You do not have \$125 million going into one factory. It will go into 200 factories - 200, and thousands of men will get work in this factory, for a month in that factory, for two weeks in the other factory, for three months, depending on the size of the order and the size of the machinery.

So, the banks in England are now joining with the manufacturers in Canada to get the rate raised. I was told yesterday the bad news, that it would probably go to 7½ per cent. Please God, we will get this thing signed - agreed to here in this House this week, the committee. If we get it done and we get our lawyers to get cracking, to get over, the lawyers, the law officers of the Crown, these two brilliant young lawyers there, get over to England, authorized ...

Yes, I am referring to those two young whippersnappers - the hon. member for Labrador South is not a lawyer, but we are all becoming lawyers in this House with the tuition of the hon. member for Humber East. He is educating us. We are rapidly becoming good lawyers.

MR. WELLS: I try. I cannot guarantee success.

MR. SMALLWOOD: That is right. If you have the brains to understand, it is just fine. If can get this thing adopted this week, it looks as though we might, although we are only at Clause (2). We got Clause (1) passed. That is good! Yes. All right! If we get this thing adopted here, these gentlemen and hon. gentlemen get over to England and we get this thing signed up on the 30th of this month, then the deal is on, and provided that the rate does not go up in the meantime.

Now we have some reason to believe it will not go up, and the death of the chancellor of the exchequer last night - who says that God is not on our side? All I want in London is a little delay. Speed here in

Mr. Smallwood.

this Chamber, and slow in London. I do not want that rate to go up until we get this deal signed in London.

Now they say that the new Chancellor of the Exchequer may be Mr. Maudling, who was chancellor of the exchequer before, in a former Tory Government, and was, until he became a minister the other day in the new ministry, was the Deputy-Chairman of the Kleinwort Benson - the people who are the leading banker in charge of this syndicate of nine banks. They are the leading bank in this thing and it was Mr. Maudling who arranged all this deal.

Now he may become the Chancellor of the Exchequer today. He is Home Secretary at the moment. Anyhow the more delay there is in London and the more speed there is here, the better chance we have of holding on that 5½ per cent. If we do and if we can get it signed up before it goes to 7½ per cent, we will save \$10 million. If we do, before it goes to 6½ per cent, we will save \$5 million. I fear that it may go to 7½ per cent.

MR. MARSHALL: The Premier is in the hands of the Tories on both sides.

MR. SMALLWOOD: Well we are in the hands of the Tories and the pseudo-Tories or the pseudo-Liberals. We are in their hands in this Chamber, as to getting it adopted this week. If it is not adopted this week, we are in dire danger. We are certainly in the hands of the Tories in England - not raising the rate before we get the agreement signed. But I do not mind. I trust the Tories in England. I trust the Tories in England. If I were in England, I would not mind too much being a Tory. I would not mind too much being a Tory in England. Here, God save me, protect me, God protect me! Do anything you like to ward off that evil.

MR. CROSBIE: Mr. Chairman, in connection with the Premier's comments,

Mr. Crosbie.

the only point - the point he makes about the interest rates is one thing I cannot understand in that, as I understood it, ECDG and the Procon contract, the financing contracts, were all entered into in March or April.

MR. SMALLWOOD: Right!

MR. CROSBIE: Now there has been some delay in it. I would naturally assume that they are committed. There has been no change in the amount of the financing they have to do. They are already committed to do all this at 5½ per cent. So, if the interest rate changes, it would not exculpate them from going ahead with this at 5½ per cent anyway.

MR. SMALLWOOD: Yes, but the hon. gentleman knows why, does he not?

MR. CROSBIE: Why it is going up?

MR. SMALLWOOD: Why we have to go there and sign two other agreements.

MR. CROSBIE: No!

MR. SMALLWOOD: Well the reason is quite simple. If the legislation that was passed by this House a couple of years ago had not had in it these two conflicting sections, that is the agreement and the legislation, and we did not need to change it in this House...

MR. CROSBIE: Fifteen year bonds, you mean?

MR. SMALLWOOD: Yes. If that had not been in, we would have had that money long ago, and the construction would be going on now, full blast, in Come-by-Chance. We would have had our 5½ per cent money. But we could not do it. We could not. We had to amend the legislation, and I said that I would not come to the House to amend it. I said flatly, "no." My colleagues will support me on that. They were just as emphatic as I was. They as I - and I as they, we were all completely emphatic. We would not come into this Chamber and ask the House to amend just that one awkward clause that was there. No! Would not do it! We said; "we will go into the House and ask for the necessary amendments only if we can upgrade the legislation - upgrade the deal - bring in many, many

Mr. Smallwood

more millions to the Treasury of this Province than we were going to get out of the old deal. It took us a week in New York and a week in London to get the final consent and get the thing drafted, the agreement, this legislation drafted. Then, not only that, it was only agreed to in principle in New York and London and the actual wording of it was done here in St. John's - well not all of it - a lot of it was done in London. It was finalized here in St. John's - for a whole week after we came back from London. When was the last - perhaps, the Minister of Health can tell me? When were the last touches put to this legislation?

MR. ROBERTS: Wednesday night. We got it about 7, and then the policemen....

MR. SMALLWOOD: It was delivered around - the Justice Department called the police, the quickest messengers they could think of, and had copies of it delivered around to hon. members, Wednesday night and Thursday morning, as the House met on Thursday. So, it was not until sometime late on Wednesday that it went to the printer. We got it back rather late Wednesday night and delivered it that night and Thursday. So, we could not have come here before. We would not. We could but we would not. We refused point blank. We said; "no," to Mr. Shaheen. We said; "no, we will not do it." Now if we did not do it, we could not get the \$30 million and without the \$30 million the agreements in London, that we signed, were not worth that. So, now the agreements are being redrafted. One covering the banks and the Bank of England, the Export Credit Guarantee Department, ECGD and the other with Procon, covering the construction. These two final agreements are to be signed on the 30th of this month. Then she is done. Then she is done. Does that answer my hon. friend's question?

MR. HICKMAN: Would the hon. Premier indicate to the House why the Procon agreement has not been signed.

MR. ROWE (W.N.): This is the final one.

Mr. Smallwood.

Because it is back-to-back.

MR. HICKMAN: That agreement is already signed.

MR. SMALLWOOD: No! No! It is back-to-back. It has to be back-to-back. What is the use of signing a construction agreement, if you have not got the money? What is the use of signing the money agreement, if you have not got the construction contract, to be signed together, simultaneously. We will all gather. We will not all - two ministers. I hope I will not have to go because everybody knows how I hate travelling. I detest travelling. In any case, if I do travel, I want to go in another direction. They will go and they will be assembled there and they will sign all these documents together, back-to-back. That is the way it is.

MR. EARLE: Mr. Chairman, just a few comments on the Premier's remarks about interest rates. I think he may be expressing undue concern and emphasizing this to force the issue through the House at this stage. I recall reading many papers, which gave both sides of the story in England, on the prospect of interest rates going up or not going up. Since that, you will have read in the press that there has been a very drastic reduction in the exports of Great Britain.

Now the Exports Credit is very sensitive to this because exports are encouraged by money provided by ECGD..

MR. SMALLWOOD: Guarantee not provided. The money is provided by the banks but guaranteed by the British Government.

MR. EARLE: The point is, I think, if you can believe what you read in the foreign press today, particularly in the English press, the pressure is somewhat less at the present moment because English exports are falling drastically, and doing everything within their power to try to keep these exports up.

MR. SMALLWOOD: "Times of London."

MR. EARLE: I also read this article. I read many others which gave

Mr. Earle.

the other side of the argument.

On motion Clause (2) carried.

MR. MARSHALL: On Clause (3), I should like to ask the hon. the Minister of Health the reason for it, if I may, Why are the two extra shares now going ⁱⁿ to the hands of the Newfoundland Refining Company?

MR. ROBERTS: Mr. Chairman, I believe we dealt with that at second reading, but I will be happy to repeat it or to say it again. We ask the House for authority to sell two of the twenty shares of the holding company - ten per cent. As long as the Premier gets his ice, Mr. Chairman, it is the new look of the Government - we keep cool. We propose to sell them ten per cent of the shares and, in return, the numbers of directors are being increased from two up to four. There are fifteen directors of the holding company, as the hon. gentleman knows, and we formerly had two. We now propose to have four. In either case, I think, these you might say are window dressing. They were put in at the request of the other party. We conceded the point because, as far as we are concerned, ten per cent of the shares of a company is absolutely nothing. The essential point that concerned us was the right to get back the shares. There is a very long and very strong string attached to the two shares, which we will sell assuming everything works well, when the project is completed and in operation. But basically that is it. Four out of fifteen directors is just as - you know I do not use, political or partisan. It is, in my view, of no importance. It is meaningless on either side. Four sounds better than two. Ten per cent sounds better than nothing. It does not change the realities of the corporate dynamics at all.

On motion Clause (3) carried, Clause (4) carried, Clause (5) carried.

MR. CROSBIE: Clause (6), Mr. Chairman. Clause (6)

refers to the new agreement that is attached to this legislation.

It says that the agreement, executed and delivered and so on, under this Act, between the minister, Newfoundland Refining, Provincial Building, Provincial Refining, Provincial Holding, dated as of the 22nd. day of May, 1970. Now, Mr. Chairman, we all know that this agreement was not entered into on or before the 22nd. day of May. In fact it was only entered into within the last several weeks. But the agreement is to be dated the 22nd day of May, 1970. Why is this? Because Mr. Shaheen or Shaheen Natural Resources and Newfoundland Refining were in default under the 1968 agreement on May 23rd., 1970, when they had not carried out their obligations under Clause (5) of the old agreement. Those obligations were outlined in Clause (5) of the agreement that we are now amending. They were, i.e., that Newfoundland..

MR. WELLS: The Government are now waiving ...

MR. CROSBIE: That Newfoundland Refining was to raise this \$30 million - Shaheen was to raise the \$30 million in fifteen year bonds, conditions satisfactory to the Government and certain other - \$30 million at 15 year bonds - things that Mr. Shaheen wants to do. Mr. Shaheen had two years from May 23rd., 1968 to do these things, Mr. Chairman, and failed to do them. Under the agreement, if he failed to carry out these conditions, the Government were no longer obliged to go ahead with Mr. Shaheen

MR. CROSBIE: When May the 22nd. came or May 23rd. and he had not raised this money and met the conditions precedent, the Government was quite free to start all over again with Mr. Shaheen and negotiate a much better deal for Newfoundland, and that is why there are some changes now. The changes are not good enough, as we have gone into on second reading.

Now, there is one our Government allowing Mr. Shaheen. The changes that are in the agreement are what I want to refer to Mr. Chairman, and they are this: It is not, as the Government pretends, all one-sided. Essentially there is one improvement in these amendments and that is five percent of the gross profits after the eight years. That is the only basic improvement, the rest is window dressing. The Government neglects to state that Mr. Shaheen is getting very large concessions out of these amendments. One of them is that Mr. Shaheen no longer has to raise the \$30 million for the Newfoundland Government. Not only that, but Mr. Shaheen was committed to raise that money by private placement. When this whole thing was done, in 1968, it was pointed out to Mr. Shaheen that this \$30 million was going to interfere with the rest of Newfoundland's borrowing on the bond market, and Mr. Shaheen said he had people who were prepared to buy these bonds. He had private people, private oil companies and so on, who would buy this \$30 million worth of bonds, and the Newfoundland Government would never have to go to the market to sell them, therefore, it would not interfere with Newfoundland's borrowing in New York or London or Canada.

AN HON. MEMBER: Who would not have to go to the market.

MR. CROSBIE: He would not have to go to the market. He had people lined up to buy them. That was in 1968. He had two years to sell the \$30 million to all these people and did not do it.

MR. SMALLWOOD: He was not allowed.

MR. CROSBIE: It was not that he was not allowed, Mr. Shaheen could not perform. Let us not have that apple sauce, that he was stopped from doing it. If Mr. Shaheen had come up at any time with a Texas oil millionaire, who would have bought those \$30 million worth of bonds privately, as Mr. Shaheen had promised he could do, the Government would have allowed him to do it. But Mr. Shaheen could not find

any one to buy those bonds for a fifteen year term, or the bonds in any event. It was not the Government, Do not give us this nonsense that for two years, from May of 1968 the Government said repeatedly to Mr. Shaheen; 'you are not going to sell those bonds.' If week after week and month after month Mr. Shaheen came to the Government and said, 'I have Clint Mercherson or some of my great oil pals ready to buy the \$30 million privately,' and the Government said, 'no you cannot do it,' What trash! We were not born yesterday. We know that Mr. Shaheen did not perform. Now he may have come to the Government in the last few months, two or three months, and said to the Government; 'gentleman, I want to go to the bond market with your bonds.' That is not what he agreed to do, but I do not doubt that in the last few months he came to the Government and he said; 'I want to go on the market publicly with your bonds, your \$30 million,' and the Government said; 'no you cannot do that, you will interfere with our German loan, or you will interfere with this loan or some other loan we are negotiating.' I do not doubt that the Government did that, But the Government did not stop Mr. Shaheen from performing under this agreement, Mr. Shaheen was unable to perform.

He assured us that \$30 million would go in private placement, he had the people lined up to buy them privately, and that it would never interfere with Newfoundland's credit. Now, under this new agreement, the clause that we are discussing now, to be dated May 22nd., 1970, to get around the fact that Mr. Shaheen defaulted, he has all that obligation taken away from him Mr. Chairman. Who said that these amendments are just for the benefit of Newfoundland? Apple sauce, they are equally as much for the benefit of Mr. John Shaheen.

MR. WELLS: More so.

MR. CROSBIE: It is "Shaheenry." Any agreement that is one-sided as much as this agreement is one-sided should be called a piece of 'Shaheenry,' in the future. This is "Shaheenry" not

MR. WELLS: Hear, hear, I like that.

MR. CROSBIE: Not "slievaenry," 'Shaheenry.'

MR. WELLS: A new word is born into the language.

MR. CROSBIE: So, Mr. Shaheen is getting a big concession from our Government.

MR. SMALLWOOD (J.R.): In a couple of years he will be very proud of that title.

MR. CROSBIE: I hope he will, I hope we all will, I have my doubts. Mr. Shaheen did not - now, here is this hard bargain that the Premier talks about, this wonderfully hard bargainer. Now he bargains. He does not need to bargain hard, not with our Government. He just needs to default on his obligations and our Government will jump in and take them over for him. Why should he bargain hard? What nonsense!

AN HON. MEMBER: He is crying in his beer.

MR. CROSBIE: Mr. Shaheen is not crying in his beer. We have taken all the responsibility off his shoulders. He is crying in his champagne glass because he was not able to get more, not in his beer.

AN HON. MEMBER: It is an empty champagne glass.

MR. CROSBIE: It is not going to be empty, it is going to be full of shackles. It is going to be full of shackles once that refinery is built. The point is; here is an agreement dated not - it is not going to be dated July this week, on Thursday, July 24th. 1970, but May 22nd. 1970, to cover up the tracks that Mr. Shaheen did not meet his obligations.

Now look at these agreements, look at these other agreements that were tabled in the House yesterday. Construction supervision agreement, management agreement, sales agency agreement, every one of these agreements that the Government entered into in 1969 and 1968 are also subject to Mr. Shaheen carrying out his obligations under the old agreement. Everyone of them have a clause in them saying that.

MR. WELLS: Not only does it say they are voidable but they are void from the beginning if he does not.

MR. ROBERTS: We should not perhaps debate that until later because, there is a clause a little on revalidating them. You know, in the schedule the hon. gentleman will find the clause.

MR. CROSBIE: Well I am now debating this clause to do with the amending agreement and I am debating the amending agreement, and I am just.....

MR. ROBERTS: Yes, but is the hon. gentleman not going to debate the schedule?

Seriously, we said we would call the schedule clause by clause so you could debate it.

MR. CROSBIE: I am not going to debate it, I only want to mention it in passing.

MR. ROBERTS: All right, go on then.

MR. CROSBIE: Only in passing.

MR. ROBERTS: The hon. gentleman's passing.....

MR. CROSBIE: Every one of those agreements were subject to Mr. Shaheen carrying out all his obligations.

MR. ROBERTS: Of course they were.

MR. CROSBIE: Mr. Shaheen has not carried out all his obligations.

MR. ROBERTS: Of course he has not, as the hon. gentleman should be aware.

MR. CROSBIE: So this agreement means nothing, But this Government is going to date this agreement May 22nd. 1970 so that all of these are still valid.

MR. ROBERTS: Of course we are.

MR. CROSBIE: And what are we getting in return?

MR. ROBERTS: Five percent of the gross, five percent of the net.

MR. CROSBIE: Five percent of the net comes after fifteen years, if we are lucky.

MR. ROBERTS: Five percent to a sum and no power subsidies.

MR. CROSBIE: They are not paying - they are only paying - I will not go into it now we will become involved. I want to point that out Mr. Chairman, I am going to vote against that section because it is a section that excuses Mr. Shaheen from his default in his obligations that were contained in the 1968 agreement.

Anyone who voted for this agreement in 1968 Mr. Chairman, could have voted for this agreement in 1968 thinking that we were dealing with a person who would meet his obligations.

MR. WELLS: We were told he would.

MR. CROSBIE: We now discover that we did not deal with a man who meets his obligations. If I had voted for this in 1968 I would not hesitate today to vote against it because, we are entering into an agreement with a man who has defaulted on his obligations, a man who told us that the thing was going to cost \$97 million, and then \$103 million, then \$130 million, now \$155 million, Who

knows what it will be in the next few weeks? We have learned, over the past two years we have learned from our experience of watching the paper over the last two years, that these are not the people we should be dealing with on this. It is too one-sided and they will not - they have shown they will not carry out or cannot carry out their obligations.

MR. SMALLWOOD (J.R.): (First words inaudible) arguing against the principle of the Bill adopted?

MR. WELLS: This is the ratification of the agreement clause.

MR. SMALLWOOD: This is arguing about the Bill that has been adopted.

MR. CROSBIE: Mr. Chairman, even had I voted for this in '68, I would be perfectly, one hundred percent, in order to vote against it in 1970, knowing what I now know. Any gentleman on the other side who voted for it in, that was in '68; open your eyes, look at the experience of the past two years and vote against this iniquitous clause and the rest that follows it. Vote against it on third reading.

MR. ROBERTS: Mr. Chairman, I thank the hon. gentleman for his clarification of his position. We were obviously in some doubt as to what his position would have been. We are very grateful he has sort of summed it right up. We do appreciate it. The hon. member from Burin?

MR. HICKMAN: The only question I want to ask the Hon. Minister of Health is; it is a fact that this has been dated to secure a default has it not?

MR. ROBERTS: Mr. Chairman, I am not prepared to say that there was a default. What I will say is that we had the power, I think, under 4n - 10n, I am sorry, to declare a default, but at any rate it has been back-dated in the event that at sometime it may be decided that there had been a default. Of course, the agreement has been dated as of May 22nd. just as the original Bill which was enacted by this House on May 23rd. 1968 and given assent by the Governor. At that time it was back-dated from May 23rd. when it received third reading, until sometime - the 23rd. day of January. Not an uncommon provision at all I am told, in legal matters.

MR. CROSBIE: (Inaudible)

MR. ROBERTS: Mr. Chairman, I am not saying that there is any default. Hon. gentlemen opposite are entitled to their opinions. All I have said is that the agreement was back-dated as of May 22nd. and one of the reasons for it was definitely that if there was in fact a default, this secured it. We have made no secret of this, Sir, right from the start. The quid we gave to Mr. Shaheen was that we would undertake to find \$30 millions instead of having him find \$30 millions on our credit, for our direct issues, and in return for it we got five percent of the gross and five percent of the net to a sum certain, plus the removal of the power subsidy. but that is second reading, we have been through that road before.

MR. EARLE: Mr. Chairman, just one point; this question which has been raised as to whether or not Mr. Shaheen could have raised the \$30 million: I say quite straight forwardedly that he could not at the time raise the \$30 million. What happened, in effect, was that Mr. Shaheen tried in innumerable ways to raise the \$30 million and was not successful. He then started to go into the regular money channels which we had. This was brought to our attention and the Government had no course but to stop Mr. Shaheen, because, at that time we had just issued a \$25 million bond issue for the Power Commission. and, in that respect, it was stated that we could not go into the market again for another loan, through our regular channels, without prior agreement.

The Government had no other course but to tell Mr. Shaheen to lay off. It was not the case that Mr. Shaheen ^{had} the money and we stopped him, it was the fact that he could not get the money. Under our previous bond issues, we had to tell him he could not go into our channels.

MR. SMALLWOOD: The hon. gentleman will agree that we stopped him in the United States, Canada, the United Kingdom and Europe, but we told him; if he wanted to go to Communist China, say, he could go, but not in these two continents.

MR. EARLE: The point was, Mr. Chairman, as the Premier said, we had no other course but to stop him, under our bond agreement.

MR. ROBERTS: We had the right to do it, We had the right to do it under 5b of the original agreement.

MR. EARLE: But that is not the point. Mr. Shaheen was going around trying to get the money in our regular channels and we had to stop him.

MR. SMALLWOOD: We did not want that, we had to stop him.

MR. HICKMAN: Mr. Chairman, I am sure the hon. Minister of Health will agree that that was always contended from the very start - that Mr. Shaheen was never to go into our normal borrowing institutions.

MR. SMALLWOOD: There is no default in the legislation, that said nothing.....

MR. HICKMAN: No, no, Look up the Act, look up the Act.

MR. ROBERTS: Mr. Chairman, when my friend from Burin launches into.....

MR. HICKMAN: May I just put

MR. ROBERTS: Of course, if that is a promise.

MR. HICKMAN: That is a promise. The impression is being conveyed that Mr. Shaheen was stopped from meeting his obligations under 5a. That is not so, Mr. Shaheen, from the very beginning, had not the slightest intention nor the slightest interest, so he said, of ever going into the normal market that is used by this Province to raise funds. He was going to get his money from private sources and the Government of Newfoundland was given authority to guarantee the funds that he was raising. He could not do it - it was as simple as that. There is where the default was, There is where there was a failure to comply with the Act. It is not correct to say

MR. SMALLWOOD: Comply with the Act?

MR. HICKMAN: Comply with the agreement, 5a.

MR. SMALLWOOD: There is no failure in that.

MR. HICKMAN: There was the clear intention - anyone, the hon. Minister of Health knows that what I am saying is true; that Mr. Shaheen was not going to go into the market. We was never going to muddy the waters, This was only a safeguard in case he might do as he subsequently tried to do and said he would not do. It is as simple as that.

MR. ROBERTS: Mr. Chairman, I was not privy to the original negotiations and I have no knowledge. All that I can say is that 5b, of the agreement says, in effect, that Mr. Shaheen was not able to raise money unless he had reported to us in **8138**

advance and we had agreed to all those things, That is 5b of the original agreement. We did in fact exercise the right conferred upon us, and the member for Fortune Bay has just outlined some of the circumstances.

We have acted on the advice of our financial people, I think we did the right thing. What the original intention may have been or may not have been I do not know. All I can ^{say} is that I know what the agreement says. The original agreement gave us the right to bar Mr. Shaheen, for that matter, from any market. We did in fact bar him from access to the Canadian - American - European and United Kingdom markets. Whether or not he intended to raise it privately or any other way I do not know. I just do not know, I was not privy then. I do know what the Act says - the original agreement says, I do know what we did, which was to bar him, on advice of our financial people, and good and sound advice it was. As I said; the agreement is back-dated to May 22nd. and certainly one of the reasons for that could be that if there was a suggestion of default this removes it. This is the reason for the 22nd. of May as opposed to the 24th. of May or the 14th. day of July.

We made no secret of it, there was nothing to be kept secret, there was nothing to be ashamed of, it was part of the whole scheme that was thrashed out at second reading Sir.

MR. WELLS: Mr. Chairman, I do not want to repeat, but confirm what was said by the hon. member for St. John's West, that this is clearly the understanding and this is clearly what the agreement refracted - that Mr. Shaheen would not have to go to the public market. He had the sources available to him and he clearly defaulted under the agreement. There is no question in my mind whatsoever in my mind about that. Before we do vote on section 6 of the Bill, Mr. Chairman, this is a Bill which validates the schedule that is attached to it, as the clause which would do this and give it the force and effect of law.

I do not want any hon. member opposite to say that we have already done this by voting on clause 6 and now we cannot move this amendment because we are sold on this clear understanding, otherwise, they would let it stand aside.

MR. SMALLWOOD: Move what amendment?

MR. WELLS: Move any agreement that is opposed to the agreement.

MR. SMALLWOOD: There cannot be an agreement that will change the principle.

MR. WELLS: I am not talking about changing the principle.

MR. ROBERTS: Mr. Chairman, leaving aside an amendment that cannot change the principle, which would be out of order, we at the start of this Committee session said that we would ask that the Bill be called - the agreement be called clause by clause. That is not the normal procedure in the House, in Committee, but we asked to have this done and I assume that there was agreement with the - if the hon. gentleman.....

MR. WELLS: We did agree but I do not want to be barred by reason of somebody saying that we have already voted on this.

MR. SMALLWOOD: On the principle, you cannot change the principle.

MR. ROBERTS: There will be no cry on this side on any amendment that is in order. As the Premier just said, an amendment that changes the principle is out of order, but that is a matter for the Chairman to decide.

MR. SMALLWOOD: Not because he objects to it, the rules of the House forbid it.

MR. ROBERTS: Any amendment that is in order may be moved on the debate in Committee on the schedule which we will do clause by clause. We will debate it and put it to a vote etc.

MR. WELLS: Read paragraph 408 of Beauchesne.

MR. CROSBIE: Before we leave this point, Mr. Chairman, I want to make it quite clear - I read to the House certain conditions that Mr. Shaheen had agreed to in 1967 including that - that this condition, (this was taken down after the meeting) in connection with the \$30 million to be raised, Mr. Shaheen has arranged for purchasers of these bonds. These purchasers will be the companies who have agreed to supply crude oil and equipment to the refining company. The bond issue will be a fifteen year bond issue. It was clear to Mr. Shaheen, from 1967 on, that he was going to sell the bonds and he had private purchasers lined up for them. He defaulted on that and the Government might as well frankly admit it. It was not that the Government stopped him, The Government stopped him from going into the public markets where he was not supposed to go in the first place.

MR. CHAIRMAN (NOEL): Does clause seven carry? Carried.

MR. CROSBIE: Mr. Chairman, I have an amendment I would like to move, okay? I think Sir, that the hon. member for Burin has the same kind of clause, Mr. Chairman. I would move that we add to the Bill, as clause 8, the following clause; "every agreement, trustee, trust indenture, guaranteed contract undertaking or any other agreements of every nature whatsoever entered into, executed, and delivered pursuant to this Act, shall be laid by the minister before the legislature within fifteen days after it has been so entered into, executed and delivered if the legislature is then in session, and if not, then within fifteen days after the commencement of the next ensuing session."

Now Mr. Chairman, there is a

MR. ROBERTS: Mr. Chairman, we will accept this amendment as clause 8 of the Bill. It is headed 3 here. The only thing I will ask, is that the law clerk look at it to make sure all is in order, you know, the normal thing. We will accept it in principle. No problem, delighted to table it.

On motion section 8 added to the Bill.

MR. HICKMAN: Mr. Chairman, I have another amendment to move, to be clause 9, to read as follows; "the Government undertakes to cause the building company, the prime contractor and all sub-contractors in the construction of the plant as defined in the agreement to erect or install all modern equipment, apparatus, devices, mechanisms and structures which will cause pollution of the air, land or sea to be reduced to an absolute minimum and will require the building company and the operating company, as more efficient means of such reduction becomes available, to erect or install the same and will at all times use such erected or installed equipment apparatus, devices and mechanisms and structures, and keep the same in good and efficient operating condition."

MR. SMALLWOOD: Would the hon. gentleman read that aloud again.

MR. HICKMAN: (Repeated) That Mr. Chairman, is the standard antipollution clause that is now being used, and I think has been accepted by industry. May I say that if that section had been in the ERCO Bill. it would not have had the same trouble with pollution. I know that I have used the word "sea" and some hon. members may argue that the "sea" is outside the jurisdiction of the Province. "Sea" is the proper usage there because it is the discharge into

July 21, 1970, Tape 1343, Page 11, - - apb.

Mr. Hickman:

the sea that comes under the control of the Province. True it is that the Province has no jurisdiction over what happens at sea and beyond the seashore but it is a fact that there can be discharge effluent from the plant which could pollute the sea. This, in my opinion, is a reasonable section. It is one that has received acceptance in other Legislatures and one that has been accepted by other industries. Whether it has or not, our experience in this Province has been sufficiently unfortunate, in the past two or three years, that I do not believe we should take any chances and this should be under the authority of the Legislature.

MR. SMALLWOOD:

if we may take it as read, Your Honour has put it has he?

MR. ROBERTS: No, no. Oh, take it as read, yes.

MR. SMALLWOOD: Has Your Honour put the motion? So may I speak to it?

It does not really matter whether we have this amendment or not, not really, because what is going to control it is the Parliament of Canada, and the Government of Canada have announced that they are bringing in pretty stringent legislation on it. Okay, but whether they do or not, I think it is perfectly all right for us to have this amendment in the legislation. We are quite agreeable, but I want to make it clear that, even if we do not, it will be done anyhow under Federal law. The Federal Government have announced that, if the Provinces agree that is fine but if they do not agree it is still fine, as they are going to do it anyhow. They are laying down very stern Federal minimum requirements for the control of pollution. As the hon. gentleman says, this is a perfectly normal and standard clause, and we have no objection whatsoever to it.

MR. ROBERTS: Mr. Chairman, with deference, I wonder could we let it stand until Thursday. In principle we can accept it but I would like our draftsmen, I do not support the hon. gentleman's drafting at all but -

MR. HICKMAN: There is one word there, maybe it should be "shall" instead of "undertakes."

MR. ROBERTS: Well, let us have a look at it and I will undertake, on behalf of our law officers, to have them in touch with the hon. gentleman, if there is any change from the amendment as he has moved it.

MR. HICKMAN: Can we approve the principle of it now, subject to change in it?

MR. ROBERTS: Well, Mr. Chairman, we accept it in principle but we are not going to finish the debate now.

AN HON. MEMBER: (Inaudible).

MR. ROBERTS: Oh, no we do not finish this committee stage today.

MR. SMALLWOOD: We have an understanding that we now adopt this. It is the clear understanding that the wording may have to be changed, without changing the principle. Could we move it that way?

MR. ROBERTS: If that is in order, Mr. Chairman, we would be delighted to do that.

MR. SMALLWOOD: We may have to reopen this to get other wording than the one we adopt now.

MR. CHAIRMAN: Can the amendment proposed by the hon. member for Burin be allowed to stand.

MR. HICKMAN: Mr. Chairman, could I move an amendment, a very simple standard one?

AN HON. MEMBER: (Inaudible).

MR. HICKMAN: No, it is not my bill, Mr. Chairman, I can move an amendment.

AN HON. MEMBER: It is your bill.

MR. HICKMAN: Your bill, Sir. As Clause, I guess it is now Clause 10, it will be the final clause, "this Act shall come into force on a day to be proclaimed by the Lieutenant-Governor in Council," a standard proclamation clause not at all unusual or new. It gives us, shall we say, protection above and beyond what we already have. We do not really need it but we would like to have it anyway.

MR. CHAIRMAN: The motion is that there be included in the Act, as Clause 10, a clause to read, "This Act shall come into force on a day to be proclaimed by the Lieutenant-Governor in Council."

On motion, Clause as amended carried.

MR. ROBERTS: I might add we do not propose to ask the House to sit this evening and we do not propose to ask the House to sit tomorrow, so when we adjourn at 6 o'clock we will ask leave to adjourn until Thursday morning, at 10:00 or 10:30 in the morning if we could go on.

MR. SMALLWOOD: If the hon. member for Humber East cannot come here for Thursday, let us settle it now or, otherwise, I do not think he can come on Thursday, I do not think he will be here, I do not think it is possible for him to be here.

MR. ROBERTS: Mr. Chairman, could we begin the schedule and let us see how we will get on, I think we will finish it tonight.

MR. CHAIRMAN: Order please! Hon. members will note that the schedule consists of the recitals and agreement clauses, and it is proposed that we commence on page 6, and do the recitals afterwards, with Clause 1.

Schedule - Clause 1, carried.

MR. CROSBIE: On Clause 2, Mr. Chairman, deletes Clause 2 of the original agreement and substitutes a new one. The new Clause 2 says, "Upon refining fulfilling its obligations under Clause 5 the Government undertakes to do certain things and one is to cause a grant to be issued to the building company by the Lieutenant-Governor in Council and to provide the land, down at Come By Chance, for the site." Now the first thing to be noted, of course, is that the site is being changed extensively from what it was under the old agreement, three years later, and there is now to be an entirely new site down there. We have not been told when that decision was made exactly and, basically, we have not been told the real reason why. It can only be that the old site turned out, from the engineering point of view, to be unsound to carry such structures, presumably.

MR. SMALLWOOD: It cost more to move the bog than to build on a new spot.

MR. CROSBIE: In this Clause the Government has to transfer title and possession. If any land down at Come By Chance, under Section (a) of the Clause, if any land in the Come By Chance area, which is needed for the refinery, is not owned by the Government then the Government has to expropriate the land and transfer it to the building company without cost. So even with respect to the land at Come By Chance, Mr. Chairman, the Shaheen people are not to pay anything even if it costs us money.

Now it would be interesting to know from the Minister whether it is anticipated that private lands are going to have to be expropriated down at Come By Chance and, if so, what is the estimated cost involved for the Government to turn that land over without cost, after it expropriates it?

MR. ROBERTS: Mr. Chairman, as far as we now know we do not anticipate we will have to expropriate. There maybe a question of some old telegraph lands. This is a long standing question that has been around for "X" years, The value of them is nominal at best. It might be of interest to the Committee to note, Sir, that the Clause 2(a), the one that the hon. gentleman so ably read just now, is, I am told, for a substantially smaller area than we had previously agreed to give the building company without any cost. The new area, I am told,

MR. ROBERTS:

is about 330 acres. The old one was over 1,000 acres. So this is now one-third of the land. The reason for it, of course, Mr. Chairman, -

MR. HICKMAN: Is this in addition to the 1,000 acres?

MR. ROBERTS: No, no, it replaces the 1,000. We now give them 330. The reason for the difference, of course, Mr. Chairman, is that two years ago or more than that, when the original bill was drawn and enacted it was not possible to determine what it is now possible to determine namely; the exact location and the space requirements for the refinery process units, the tank farm, the rights-of-way for pipe lines, the roads, wharf approach and so forth. So we are only giving them 330 acres. We do not anticipate any expropriations or we have in fact expropriated the land to clear the title, That is the standard for the purposes of clearing the title. I am told that there are a couple of old shacks, that is not a legal description, Mr. Chairman, but it might be a graphic description. We do not anticipate any substantial cost. The land is crown land, We have expropriated to clear the title and we do not anticipate having to buy out. We have on occasions expropriated and it has been very expensive but we do not anticipate that here, Sir.

MR. HICKMAN: Mr. Chairman, one point on this Section 2. The old section that it replaces, 2C(3) has now been replaced by 2B(3). The original clause read: "..... Cause the prime contractor to invite tenders for structural work on the plant." That has been replaced now to read: "..... to invite tenders for structural work on all permanent buildings comprised in the plant." This maybe a very subtle distinction. Mr. Chairman, as I said earlier, in my opinion this type of clause, as it now stands, does not give Government the protection that was intended when this clause was first inserted in the Bill. The intention obviously was, from the Bill, (and this has not proven to be satisfactory) that there would be two completely independent, preferably, local construction companies, to be given the right to tender as subcontractors under this turnkey contract.

MR. SMALLWOOD: There was no turnkey contract in the first agreement.

MR. HICKMAN: Well, whether there was a turnkey contract or not, Mr. Chairman, the original Bill refers to the prime contract, am I right?

MR. SMALLWOOD: Right but that prime contract was not necessarily a turnkey price.

MR. HICKMAN: Well, whether you call it a prime contract or whether you call it a turnkey contract, again, in this new section that is before the Committee again, reference is made to the prime contractor and the intention of the Legislature, and I know the intention of the Government, was (and I am sure it would still be) that there must be an opportunity given to local contractors to bid on these jobs, that the bids must be fair and there must be no affiliation or no advantage given to any one contractor over another. I do not believe, Mr. Chairman, that that Clause, as it presently stands, in light of the past experience, gives the protection which Government intended and still intends at this time. With that in mind, Mr. Chairman, I would move that Clause 2B(3) be amended by deleting "(3)" and substituting therefor as (3) the following: "..... cause the prime contractor to invite public tenders for structural work on the plant that is to be subcontracted from not less than two subcontractors who are not affiliated in any manner whatsoever, who shall where possible be resident in the Province, with the bids of such contractors to be publicly opened in the presence of a representative of all contractors who submitted a bid and the lowest responsible bidder shall be awarded such contract."

Now, Mr. Chairman, I am sure the hon. Minister of Health will agree that what is intended here is to have completely free nonaffiliated bidding by local contractors, and there is a very simple device if one contractor wants to get the business and he have a section like this, which provides for at least two bids, that he have two of his companies bid, one against the other; and that is not a genuine bid at all. Again there should be a provision and, as we know, it is public knowledge that there was some bidding during the construction of part of the plant out there, that was not at all satisfactory. Where the bid, that has now been made public and was awarded, said that you can have this for \$150,000. on the understanding that, if you lose money, you can pick it up somewhere else along the line.

MR. ROBERTS: That was for the wharf and had nothing to do with this operation at all.

MR. HICKMAN: I know, I realize that.

MR. ROBERTS: It was for an entirely different project.

MR. HICKMAN: But it was connected with the Come By Chance development.

MR. ROBERTS: No, except physically it is in Come By Chance, . For that matter, so is the hospital.

MR. HICKMAN: Yes, and it was a Shaheen enterprise.

MR. ROBERTS: The hospital is not with the Shaheen enterprise.

MR. HICKMAN: But does not the Minister of Health agree that that is not the kind of bidding that is desirable?

MR. ROBERTS: The hon. gentleman is too good a lawyer to ask leading questions.

MR. HICKMAN: I am sure he just has to agree.

MR. ROBERTS: The hon. gentleman is too good a lawyer to ask leading questions.

"Has he stopped beating his wife?"

MR. HICKMAN: No, but, very seriously, this section is designed to provide free, honest bidding on this job, and there is one way to do it and that is to prohibit two affiliated companies from going in and working a deal and saying; "The two of us will bid and one of us will get it because we know what the other bid is going to be." There is nothing wrong, yet this does not give information to competitive oil companies, it does not even give information to competitive bidders other than those who actually bid.

Mr. Chairman, I believe that this section, that is now moved, will eliminate any possibilities of there being any shenanigans in the bidding by the subcontractors and let the subcontractor who has the lowest bid, and hopefully it will be a Newfoundland subcontractor, get the bid. his is precisely what the Legislation intends but the Legislation is not clear.

MR. SMALLWOOD: Mr. Chairman, on that proposed, well of course Your Honour has not put it - we may assume that it has been put? I do not think that we can accept it. We could accept, I believe, an amendment that said that the prime, (I think we could) that the prime contractor must call for tenders locally, so as to express a sort of preference for Newfoundland contracting firms. But what we have to remember is that this is a turnkey contract. Procon will deliver that oil refinery for a certain price, a turnkey price,

MR. SMALLWOOD:

that is firm. If Procon had a contract for the construction of this oil refinery, a contract of this nature namely; that they were to get cost-plus or they were to get cost plus a fixed named fee, a stated fee, it might be a different situation, but they are entering into a contract for the construction, on the delivery of this refinery for "X" amount, turnkey price.

Now they will, in their own interest, they have to deliver that refinery for that price and they, in their own interest, will get that built as economically as possible. It is up to us to see that it is not built too economically, economically, that is, in the sense of inferior quality of workmanship or of material or of machinery going into it. It is up to us to see and we will see. We will have top people there supervising everything connected with it, as the owners representatives, but provided always that quality is not lower, workmanship is not lower, quality of material is not lower, provided these conditions are strictly enforced, it is none of our business, strictly speaking, what the subcontracts are like or the prices of them because, no matter what they are, if Procon is foolish enough to give a contract to a subcontractor that will drive their costs up, Procon's costs up, it makes no difference to us. They have a delivered price, a turnkey price, and the only thing we would be justified in doing here, by way of amendment, is to put in something like Brinco has in the Brinco agreement - that local labour, local materials; only you cannot put local materials because the British Government will not pay for local materials.

In the case of Stephenville, ECGD insists that all the material going into that paper mill shall come from the United Kingdom. Now they had a shortage of steel in the United Kingdom, Newfoundland shipped steel, reinforcing steel from St. John's to England, Thousands of tons went over from St. John's to England, Yet, under ECGD, British steel has to come to Stephenville, and it was the work of the world to try to get a trading deal, a trading deal made, that an English steel mill would buy steel in Newfoundland and that would become British steel and that would be the steel that would be sold for the mill in Stephenville, because of the shortage of steel. But the insistence of ECGD is that all the material that is bought, with the British money, shall be British

MR. SMALLWOOD:

material, That is why there is an ECGD, that is why they give these guarantees, that is why they give this low rate of interest. All right, therefore, what Procon have a right to demand, they have no choice, they must, they cannot avoid it, they have to have this, they have to carry out the ECGD requirements that it be British material. Allright, so provided they do that and provided we insist that from our point of view the quality shall be right, the price does not matter for this, that or the other part of it. What the steel will cost them, what this machine will cost them, what those motors will cost them, what those transmission lines will cost them, what one hundred other things from two hundred factories in England will cost them, none of our business.

What is our business is, (a) that the whole thing shall not be more than \$155 million and (b) that the quality of material and workmanship are okay. Now what we have another right to demand is what we demanded in the Brinco legislation namely, Newfoundland workers but not Newfoundland material. We cannot demand that, We cannot put a requirement in, as we did in the Brinco Act, that Newfoundland material and Newfoundland workers, both, shall be employed. We did it in the Brinco Act, and it is not very much Newfoundland material that is used in Churchill Falls, not very much, precious little - cement, we have sold a lot of cement to Churchill Falls and I do not think an awful lot else, although we have a special arrangement that the Churchill Falls Power Company will absorb the cost of the freight.

The freight on a Newfoundland product from Newfoundland to Churchill Falls is freight free. Churchill absorbs that freight so that all that a Newfoundland manufacturer, wishing to sell to Churchill Falls, has to do is compete with the FOB price, Montreal or somewhere else. If he can deliver goods here, to a boat here in St. John's or in Corner Brook, (no there are three places, I think, St. John's, Lewisporte and Corner Brook) if he can deliver goods in either of those three ports destined to Churchill Falls, at a price FOB equal to the mainland price, the Newfoundland firm gets the business. But it is precious little material that has gone and there will be precious little Newfoundland material going into the mill at Stephenville, unless it is reinforcing steel and then only because Britain is very short of reinforcing

July 21st, 1970

Tape 1344

JM - 9

MR. SMALLWOOD:

steel. Indeed she has even bought it from St. John's - not the other way, We have reversed the flow from St. John's to England. Now we are trying to arrange a similar deal with ECGD, whereby the cement going into the paper mill in Stephenville will be Newfoundland cement, and we will try in the same kind of way to get Newfoundland cement going into the oil refinery at Come By Chance. But we cannot demand it, We have no right to demand it. Now all -

8151

all this boiled down to this:-(1) It is a turnkey contract and what they pay for all the constituent things and parts going into it, none of our business financially. Our business is that it is \$155 million, That is it. It has to be that. (2) Quality and workmanship shall be okay. We will have top people there to see to that. (3) We have a right to express strong preference that Newfoundland labour shall be employed. But I do not think we should demand the right to have anything to do with their subcontracts except to express not a mandatory obligation on them but a powerful wish, in some way or other if we can find words to express that wish, that they will give local contractors every possible chance to bid, but we cannot make it an obligation on it. We cannot. It is a turnkey contract. They are not just acting as agents for us, they are taking a firm take-or-pay contract, a firm delivery, a package deal, a turnkey contract, So they must have freedom to get such subcontracts as they like. We, on the other hand, for our part should, as far as possible without imposing the obligation on them, expect them and show that we expect them, where they can employ not only local workers but local firms that they will do so. This is absolutely too rigid, too rigid altogether and I think it is not practical, I doubt if Procon would accept it, I doubt it very much.

MR. HICKMAN: Mr. Speaker, I believe the hon. the Premier has missed the point. May I read to him what is now before the House. The section has now been signed -

MR. SMALLWOOD: The section now what -

MR. WELLS: What is in the Bill the Government has already -

MR. SMALLWOOD: Read the section in the Bill.

MR. HICKMAN: Here it is right now. "Cause the prime contractor to invite tenders for structural work on all permanent buildings comprised in the Plant that is to be subcontracted from not less than two subcontractors who shall

MR. SMALLWOOD: That is in what Bill?

MR.HICKMAN: This is in the Bill that we are now presently debating.

MR.SMALLWOOD: Before the House, okay.

MR.HECKMAN: And the agreement -

MR.SMALLWOOD: That was in the old one too.

MR.HICKMAN: It might change but not -

MR.SMALLWOOD: Nothing substantial -

MR.HICKMAN: 'That is to be subcontracted for not less than two subcontracts who shall where possible be resident in the Province, and the lowest responsible bidder shall be awarded such subcontract.'" So that we have made it mandatory that there be bids in the Province where possible by two subcontractors and we have made it mandatory -

MR.SMALLWOOD: We should stop right there -

MR.HICKMAN: No, but we have done this and more than have we done it, no but having done it the agreement has been signed by Government and by all the parties to this agreement, so apparently there is no objection to it. My amendment does not disturb that principle at all, All I want to do, and I am sure that this is not unreasonable, that where two bids are called in the Province, say two subcontractors in the Province, that there be no affiliation between the two, that there be no possibility of monkey business, of the two of them getting - taking two companies, both affiliated with each other, and comparing bids - Then it does not make any difference who gets it but the person who is going to get hurt is the person who is calling for the bids.

Not that there be public opening - although there is nothing wrong with public opening of tenders as such - but if there are two bidders that they both have the right to be present. I know the hon. minister of Finance knows from experience and Federal-Provincial projects that this is normal practise, that those who bid have the right to be present at the opening. That is all this amendment calls for. It does not change the principle that

has been signed sealed and delivered and agreed to in this agreement but rather it eliminates possibility of any shenanigans. The other thing is the hon. the Premier says that we have a turnkey contract and therefore it does not make any difference what is paid to subcontractors -

MR.SMALLWOOD: Would not make any difference to us in the price, We are not going to pay less than \$155 Million nor more than \$155 Millions. That is a fixed price for us.

MR.HICKMAN: But Mr. Chairman, this is legally, technically correct. But how many people have found themselves in a position from time to time on big contracts, big, big contracts, probably almost as big as this, where you have your fixed prices, you have your fixed contract and where the turnkey contractor or the prime contractor has paid too much money to subcontractor and suddenly he finds that, because he has extended ^{himself} more than he had intended, because he has paid more to the subcontractor than he expected that he now finds himself in a position that, regardless of his legal obligation to complete the work, he is not in a financial position to do so. And that is why that clause went in there in the beginning. That is why there was not that much objection from those who were called on to sign the agreement at that time, This is why I would ask the hon. the Premier if he would reconsider the position that he has just taken, in the realization that it is already in the agreement now.

MR.WELLS: Mr. Chairman, on this matter there has been a change, a change of some substance from what was there before in the subclause 3. The original said: "To invite tenders for structural work." Now the structural work is limited to structural work on all permanent buildings, where tenders are to be invited for structural work on all permanent buildings they are to be invited from at least two people and preferably resident in the Province and so on, but now it is limited to structural work on permanent buildings. If Procon wishes to call tenders otherwise, they call them on whatever terms and conditions they see fit. The real limitation on this is such work as is to

be subcontracted. Now Procon subcontracts none of this at all, no tenders at all, and they are perfectly within the terms of this. This only applies to work that is to be subcontracted, and only Procon can decide that.

MR ROBERTS: That is not a change.

MR WELLS: No, no! That is not a change. That is as it is. What I am saying is that there is no need for any limitation. It is the same such work as is to be subcontracted, (period) shall be, tenders shall be invited in this way and in the manner suggest by the hon. member for Burin.

But, Mr. Chairman, what is really behind this - it is not sufficient, just to look at the overall. Procon themselves are not bidding for a contract, they have it. They have been given it.

MR ROBERTS: That is right.

MR WELLS: The original price of this whole proposal was something like \$95 million or \$98 million, \$97 million. Then it went up to \$103 million, then \$130 million and now \$155 million. How does that sound? A sweetheart deal with Procon? Maybe. Remember, Procon is wholly owned by UOP or vice versa, I do not remember which, people who were doing the engineering and feasibility studies. Strange? Maybe I am too suspicious, but in the light of the increase of about sixty per cent in the proposed price.

MR ROBERTS: The Germans wanted \$30 more than that.

MR WELLS: I do not care what the Germans wanted. Maybe they are more greedy than Procon, I do not know. But in the light of this increase of about sixty per cent in the propose price of it, over a period of three years, maybe there is just such a sweetheart deal with Procon. Just maybe there is, when you consider as well the relationship between Procon and UOP.

Why have we not a requirement that tenders be called for the main contract? Now I realize the requirement that it has to be British. Fine! Call it within Britain. There are no problems there. It is not just to cause the prime contractors, if all these arrangements had been worked out beforehand, as to who is going to get what contract to do what, we could do nothing about it. Maybe this is what has been done. Maybe this is where some of the cost have come in. I have heard other suggestions a lot more wild than that; efforts that have been made along these lines by the promoters of this project. Is there a sweetheart deal with PROCON?

Am I justified in having those doubts? I think we can see the relationship of the consultants and engineering firm and see the increase from about \$95 million to \$155 million in three years. It makes one naturally somewhat suspicious.

That is where the real problem is. That is the root of it, back there, that there were not tenders in the first place. I know it is not unusual for contracts of this magnitude to be let without tenders or by private arrangements. This has been done before. But when you see these kind of changes in the figures and you see the kind of relationship that does exist, it is easy to understand the concern of the hon. member for Burin, in proposing the amendment that he just proposed.

To quote the hon. member for St. John's West; "a lot of Shaheenary has gone on or is going on." This looks like, it is an example of it. I do not know, I have no way of knowing, I can only look at these things and see the increase of fifty percent in three years and see the relationship of the prime contractor and the engineering and designers and consultants. This whole clause, subclause (D), should be changed along those lines, to require a bid from the beginning, albeit it has to be an English firm - agreed, if ECGD is to guarantee it. But if we are going to protect our interests - look, the chances of the thing bursting or the degree of profit it is going to make is far greater if it is going to be built at exorbitant prices. It is up to us to try and insure that it is built at the most economic prices and, therefore, give the thing as great a chance as possible to live, survive and make money and repay its indebtedness and present what we call in our guarantee and assure us of some return on our investment, if indeed Shaheen does intend to give us any return on the five percent of gross profit and five percent of net profits, which may well amount to nothing.

It is in our interests to see that this is being done. Now why were not contracts called in the first instance, albeit from British firms, and

invite tenders in Britain only. If that is the requirement of ECDG, okay, do that. But how do we know that this is not inflated by fifty to sixty per cent? There have been suggestions that other similar efforts were made along these lines. How do we know it is not done here. When we look at the relationship of the parties and look at the price concerned, this is a likely thing to be. What is proposed by the hon. member for Burin is ample reason for doing it, complete justification for it. We are at a complete loss to understand the Government's reluctance to do what appears obviously in the best interest of the over-all project and in the best interest of the Province. Why is the Government so reluctant to invite public bids or to cause public bids to be invited, not just for any subcontract work but for the over-all project? Why not, if we can cut down the cost and enjoy a greater return? Has there been a sweetheart deal? What kind of an arrangement does Procon have with Shaheen Natural Resources? We do not know. We have no idea what kind of a private arrangement they have. But it makes one awfully suspicious when we see what is there and we see the reluctance to do anything about it or to do it properly in the first instance.

I am wholeheartedly in support of what the hon. member for Burin said.

MR MARSHALL: Mr. Chairman, I also support what the hon. member for Burin said. I would point out that even though there may be a turnkey contract in this instance, and the arguments of the hon. Premier; that this complex is being built from money which may have to be repaid in total by the Provincial Government. It has the Provincial backing. Therefore we should assure in all instances that the head contractor uses every possible means to insure that the subcontracts are awarded in a fair and proper manner. We do not want, we should not get into a situation where we can get any cozy-corner deals, and the amendment of the hon. member for Burin just purely and simply goes to prevent this. He wants independent bids from various people. We cannot afford the type of situation as occurred with respect to the wharf down in Come By Chance, with respect to the wharf down in Come By Chance, and it is to be borne in mind that the same people

who are to supervise the building and the construction of this site are the persons who were in charge of the contract for the construction of the wharf down in Come By Chance.

For these reasons and the reasons of fairness to the people of this Province, in consideration of the fact that public funds are being used, that we should use every effort possible to assure that subcontracts are awarded in a fair and proper manner. For this reason I heartily support the amendment of the hon. member for Burin.

MR ROBERTS: If we do not agree that the clock is a little fast, otherwise we will be here tonight, Your Honour. The clock is a little fast, I think.

MR HICKMAN: Let us adjourn until tomorrow.

MR ROBERTS: Or do we want to vote on this before we adjourn?

MR CROSBIE: You know, there are other points besides from this one in the clause.

MR ROBERTS: Well, let us dispose of the amendment.

MR CROSBIE: I might suggest this. I gather from what the Premier says that Ready-Mix are trying to get it reversed. But ready-mix concrete or whatever goes into the structure down at Come By Chance is to come from England. Does the Premier have any idea how much of this construction, the value of construction work is going to be done, say, in Newfoundland, as compared to what is going to be done over in England?

MR SMALLWOOD: Well, I do not know, but we are hoping that all the construction will be done in Newfoundland, by Newfoundland firms - the actual construction. All the material is going to come in, and some key personnel will come in, but the actual work will be done by Newfoundlanders and Newfoundland firms. Not only that but we are going to put tremendous pressure on them to see that it is so. That is why we want Come By Chance.

MR HICKMAN: Mr. Chairman, would the hon. Minister of Health indicate what is involved in this present amendment?

MR SMALLWOOD: Because the present bill, as agreed, is okay as it is.

MR HICKMAN: But, Mr. Chairman, this does not change the principle at all.

All it does is try and prevent having happen what happened last year here on the bid. In that bid Mr. Dinkle, I think, was an employee of Mr. Shaheen - at that time?

MR ROBERTS: No! No! I honestly do not know.

MR HICKMAN: And there was a bid called for work at Come By Chance, and the bid that was allowed was \$150,000. It was unrealistically low and it was written right in the contract that, if you lose money (and this is public knowledge. You can find it down in the courthouse) you can make it up later on.

MR ROBERTS: If I were advising the bidder I would be tempted to ask what happens if there is no second contract?

MR HICKMAN: Now, that is a very good answer. But this is the sort of stuff that we want to prevent, and I cannot see anyone on the Government side not wanting to assure beyond all reasonable doubt.

MR SMALLWOOD: We have a turnkey, \$155 million, contract.

MR HICKMAN: You have a turnkey, \$155 million contract. You have the Government, the Provincial Building. You have the Newfoundland Refining. You have Shaheen Natural Resources intervening, all agreeing that there shall be bids from two subcontractors, where possible, and preferable Newfoundland companies. And you have them all agreeing that the lowest responsible bidder shall be awarded such subcontract.

This amendment simply goes one step further.

MR SMALLWOOD: We have not consulted Procon. They know nothing about it. Who said they will agree to it?

MR HICKMAN: Is the hon. the Premier seriously suggesting that Procon has violent objection to a section to eliminate Sheehanigans? Or for hon. gentlemen to try to provide beyond any reasonable doubt that the bids would be genuine? Obviously if Procon are to be consulted, they must have agreed already that there shall be bids by two subcontractors.

MR SMALLWOOD: They agreed to that. They had not agreed to the amendment.

MR HICKMAN: But the only difference in the Amendment and what is here is that the two subcontractors are not to be affiliated. Now, what is so wrong with that? What is wrong with that? Not that there would be a public opening of tenders but that if two contractors bid they both have the right to be present at the opening. Now, what is wrong with that? If Procon is the kind of company that would object to that kind of protection, then I suggest that we had better have another look at them, Mr. Chairman.

Obviously, Procon is a part of the industrial (what ever they call them) associations that have this open bid and tenders and they will not object to it. No one can object to it, if what we are looking for is fair and square bidding. We probably can get it under Section D(3), but we can get it beyond all reasonable doubt if this amendment carries.

This does not go to the principle of the Bill. This is simply asking hon. members whether they want this to be completely and absolutely above board, a simple question.

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

On motion that the Committee rise, report progress and ask leave to sit again, Mr. Speaker returned to the Chair.

On motion report received and adopted; Committee ordered sit again on tomorrow.

MR SMALLWOOD: Mr. Speaker, I give notice that I will on tomorrow ask leave to introduce a Bill, 'An Act Further to Amend the Agreement Made in Pursuance of the Government-Newfoundland Pulp and Chemical Company Limited Authorization of Agreement Act, 1960, to make certain statutory provisions relating to that agreement.

This, I may explain, is what I said earlier in the sitting here - there might have been one or two members absent but I said that I hoped that the House would pass one simple amendment, of one word or two words or something, here on Thursday.

MR WELLS: Inaudible.

MR SMALLWOOD: BUT I did also ask that I would ask the House to amend that Act, if not there is NO PAPER MILL.

MR CURTIS:Mr. Speaker, I move that the remaining Orders of the Day do stand deferred and that the House at its rising do adjourn until tomorrow, Thursday, at 10:30 of the clock, and that the House do now adjourn.

On motion that the House at its rising adjourn until tomorrow Thursday, at 10:30 A.M., Mr. Speaker left the Chair: