

PRELIMINARY

UNEDITED

TRANSCRIPT

HOUSE OF ASSEMBLY

FOR THE PERIOD:

10:00 a.m. - 1:00 p.m.

MONDAY, MAY 9, 1977

The House met at 10:00 a.m.

Mr. Speaker in the Chair.

MR. SPEAKER: Order, please!

PRESENTING PETITIONS

MR. SPEAKER: The hon. the member for Trinity - Bay de Verde.

MR. ROWE: Mr. Speaker, I beg leave to present a petition on behalf of thirty-one residents of the community of New Harbour in the electoral district of Trinity - Bay de Verde. These residents, Sir, live in eighteen homes. I wish to read the prayer of the petition which is really in letter form. "We, the undersigned residents of New Harbour in the area known as Up-Around-The-Pond, have been without a supply of water for the past ten to fifteen years. New homes have been built in this area and the few surface wells that were used have become polluted. We have tried for government assistance to have artesian wells drilled for the past four to five years. Other areas of New Harbour have had artesian wells drilled and are receiving good service. Our area has not had any attention as yet!"

"There was a good supply of water just recently installed to service the two fish plants in New Harbour. We understand this supply will be operated by the Department of Municipal Affairs and Housing and the water service division. If we were considered - as I feel they should - and permission was granted for the eighteen families to have two inch lines connected to this water supply, a distance of approximately 1,700 feet, we all agree to pay the rate for water as is being charged to the fish plant, where a meter has been installed. This would solve our problem. Could you arrange with the department of government concerned to have permission for us to connect to this new system and advise us of the necessary action we should take to get this project

MR. ROWE: started."

Now, Sir, this is a very small petition from one section of New Harbour and it does point out the desperation of people living in large but unincorporated communities. It also points out, Sir, the confusion that the people experience with respect to what division, or what avenue, or what area of government to approach for the purpose of getting water services brought to their homes.

Now, Mr. Speaker, this is a case where we have eighteen families - and there are other groups and pockets in New Harbour, and in fact, in Green's Harbour and other unincorporated communities where the people have a water line going past their houses to, in this case, two fish plants - and reasonably they cannot understand why they could not connect up to these water lines and pay the same water rates as the fish plants are paying to the Department of Municipal Affairs and Housing when the Department of Municipal Affairs and Housing agreed to take over the running of that particular water line.

But, Sir, areas or communities such as New Harbour with 188 homes, 188 households, and Green's Harbour with approximately the same number of households, should not have to depend upon the Water Services Division of the Department of Municipal Affairs and Housing for a water supply. In fact, that one community alone, New Harbour, I would suspect, if they had every request granted in New Harbour would take up the total vote for the Water Services Division, certainly the two communities concerned would. So what I am getting at, Mr. Speaker, is the desperate need for incorporation of communities the size of New Harbour and Green's Harbour and other similar communities, not only in Trinity - Bay de Verde, but other similar

MR. ROWE:

Province.

communities throughout the

Now I realize that the minister probably has good reasons for not incorporating on a massive scale, last year or this year or the next year, and I would suggest that the minister - I hope that he would reply to the petition because

Mr. Rowe: I think an explanation is required if for no other purposes, for informational purposes so that the people of New Harbour and other similar communities realize what the situation is with respect to try to get water services to their homes when they are in fact not incorporated but they belong to a relatively large community, which should be incorporated, and the only thing I could plead with the minister and his administration to do, Sir, is to incorporate communities the size of New Harbour so as the people then can qualify for the various grants and get government guaranteed loans and this sort of a thing so that they can in fact get these water services brought to their homes.

There are two aspects of this, Mr. Speaker, if I may just briefly close - two aspects of it; number one is, the economic situation of the Province and the ability of the Province to incorporate communities. I think the people should be given a clear explanation of that; and secondly, that people in unincorporated but large communities where waterlines to fish plants are passing by their door should be given some explanation of the difficulties or the reasons why they cannot in fact connect up to this fresh water running by their homes, and they have to go out and use polluted wells to wash their clothes in and then they have to take their trucks and go off ten, fifteen and twenty miles to get unpolluted water for drinking purposes which they would have to boil anyway. So it is a hard situation to believe in this day and age, but, Sir, I do give this small but important petition - and by the way, I might add, Mr. Speaker, there have been a number of other petitions from New Harbour and Greens Harbour signed by all residents asking for virtually the same thing, this is simply one little pocket of New Harbour that are asking what a large petition asked for before. Sir, I ask that this petition be placed upon the table of the House and referred to the department to which it relates and I give it my fullest support.

ORAL QUESTIONS

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

MR. ROBERTS: Mr. Speaker, a question for the Premier arising out of a very happy conclusion of his visit to Grand Falls. I did not hear the Premier's statement so I will be pardoned, I know, if I quote it incorrectly. What I understood him to have told the people in Grand Falls, the Hospital Board, was that their hospital or the expansion of the hospital would be given the first priority in the government's hospital programme when it resumes. If that is not so, perhaps the Premier could correct it.

My question is this, Mr. Speaker, where does that leave the Burin Peninsula Hospital and the Clarenville Hospital, both of which are large regional structures?

MR. SPEAKER: The hon. the Premier.

PREMIER MOORES: Mr. Speaker, what I said at Grand Falls, which I will gladly say now, which I think I probably said here the other day, was that the Department of Health will be proposing all those health needs for the Province, not just for acute bed hospitals, but also for convalescent hospitals and clinics. This will be brought in based on two things; first of all, the health needs for the various regions, and how they are incorporated in the general provincial plan; and also the cost of those, and which ones are physically able to commence first. Regarding the people in Grand Falls, they were advised that they were on the priority list. Certainly I do not want to commence the construction because they are the only ones with the plans finished. However there is no commitment at this time until the government has the funds to allow us to go ahead.

MR. ROBERTS: A supplementary, Mr. Speaker.

MR. SPEAKER: A supplementary.

MR. ROBERTS: I thank the Premier. Where does that leave the hospitals on the Burin Peninsula and in Clarenville? And then I might as well ask a further supplementary while I am on my feet: where in turn does that leave the hospitals at Placentia, Channel-Port aux Basques and Bonavista, all of which have been told

Mr. Roberts:

by various ministers, and by the Premier himself perhaps, from time to time that they were the first priority?

MR. SPEAKER: The hon. the Premier.

PREMIER MOORES: Mr. Speaker, as I said this plan when it will be announced this year will involve all these plus some of the smaller hospitals that are presently not operating at capacity. It will involve health clinics,

PREMIER MOORES: where they should be and what type they should be so that everybody in the Province will know exactly when and how their hospitals will be constructed.

MR. ROBERTS: A further supplementary, Sir.

MR. SPEAKER: A supplementary.

MR. ROBERTS: I thank the Premier, and just so that the House understands it correctly, is the Premier really saying this, that the government are preparing a plan for the development of hospital construction - you know, the big capital projects in the next little while, and will that be announced shortly? And if that is the case Sir, are we then to assume that at this stage no priorities have been set? Because the Premier will not indicate or has not indicated - whether he will or will not is another story - has not indicated just what the government's priorities are in the capital construction field.

MR. SPEAKER: The hon. Premier.

PREMIER MOORES: Mr. Speaker, it is far from that. The health question in this Province is very much a priority and those hospitals that the Leader of the Opposition mentions are all priorities. The fact is in the last five years we have spent something over \$118 million, I think it is, in capital construction on hospitals. The five hospitals mentioned by the Leader of the Opposition will cost approximately \$70 million, so hopefully we can bring it on in a more rational manner so that it can be spread over a five, six or seven year period, Mr. Speaker, and this is what will be done at that time.

MR. ROBERTS: Double talk, double talk.

MR. SPEAKER: Hon. member for LaPoile followed by the hon. gentleman for Trinity - Bay de Verde.

MR. NEARY: Mr. Speaker, my question is for the hon. the Premier. Will the hon. the Premier indicate to the House that because fifty per cent of those who are unemployed, looking for jobs in the Province at the present time, are in the age group

MR. NEARY: between seventeen and twenty-five and the obstruction in the way of their getting permanent jobs is the fact that they do not have any experience when they go to an employer to look for a job, would the Premier indicate what action, if any, the government have taken to overcome this problem so that these young people can get the necessary experience to get permanent jobs?

MR. SPEAKER: The hon. Premier.

PREMIER MOOPES: I think what the hon. member for LaPoile says is absolutely true, Mr. Speaker, and it is a very real problem. We have talked to the Federal people about it and equally we have talked to employers about it. I think one of the problems is particularly in the field of vocational training, the young men or women or whatever go in and come out and, as you say, they have no - and as the member says they have no experience. I think probably one of the ways around that is if we could come up with a government programme to do some kind of a sandwich course, where the government paid so much during the training period until the people became adapted in a job and so on, not unlike the old apprenticeship system but certainly geared towards that particular problem which the hon. member mentions, which is a very severe one.

MR. NEARY: A supplementary question, Mr. Speaker. Would the hon. the Premier indicate to the House if action will be taken along the lines that the Premier just indicated, in view of the fact that thousands will be coming out of the College of Trades and University, the vocational schools and high schools in the next month or so, and would the Premier indicate - I will make it a double-barrelled, Sir, so that I will not have to ask another supplementary - if the Premier has directed his Minister of Manpower to appoint an individual or a group within the department to work with Canada Manpower to get more on the job training programmes going?

MR. SPEAKER: The hon. Premier.

PREMIER MOORES: I will answer the second part of the question first, Mr. Speaker. I certainly will do it; I have not spoken to the hon. minister about it yet but I understand the department is working on it, plus the fact that we have had formal meetings with the federal government on it, not just for the immediate, which is also a concern, but to look at the curriculum of the vocational and technical schools to see if we cannot change it to get more practical input into some of the curriculum so that when they do graduate they are already part of a work force rather than just a graduating student looking for his first job.

MR. WEARY: Mr. Speaker, the answer was a fairly good answer. I wish to debate it during the late show on Thursday, just to be helpful more than be destructive.

MR. SPEAKER: Hon member for Trinity-Bay de Verde.

MR. ROWE: In view of the enthusiastic support given by the Minister of Municipal Affairs and Housing after presenting the petition this morning, would the minister care to indicate what the department's plans are with respect to the amalgamation of the multiplicity of water committees within unincorporated communities?

MR. SPEAKER: The hon minister.

MR. DINN: Yes, Mr. Speaker. First of all, I might apologize. I thought there might be someone on the opposition side that would support your petition and therefore I could get up after that. But with respect to that, in the department we are attempting to get a more formalized policy for a starter on water committees within communities and possibly have that before the end of this session.

MR. ROWE: A supplementary, Mr. Speaker.

MR. SPEAKER: A supplementary.

MR. ROWE: The minister of course is aware of the fact that people are still going down to the water services divisions to get applications for the setting up of water service committees, is there going to be an embargo or halt put to that in view of the fact that something is going to come up before the end of the session?

MR. SPEAKER: The hon. Minister of Municipal Affairs.

MR. DINN: Mr. Speaker, it is very difficult to say now what is going to happen, but the fact of the matter is we got a fair amount, if and when we get our estimates through the House, for the Water Services Division with respect to unincorporated communities and we are attempting to get a policy with respect to how much per family we will supply as a government and so on.

MR. ROBERTS: But there will not be a change in the basic concept of water committees as such.

MR. DINN: No, that is right. Outside of the fact that we are hoping that one water committee would represent a community rather than have four or five or six within a community.

MR. ROWE: A further supplementary, Mr. Speaker.

MR. SPEAKER: A supplementary.

MR. ROWE: Could the minister indicate, Sir, in view of the fact that the Budget indicated that the local councils are going to be expected to take a greater responsibility for financing their own affairs, would the minister indicate whether communities the size of New Harbour and Greens Harbour, with, you know, approximately 200 households will be incorporated within the near future or whether the present freeze on incorporation will continue for some period of time?

MR. SPEAKER: The hon. Minister of Municipal Affairs.

MR. DINN: Mr. Speaker, we have quite a number of requests for incorporation in the department right now and we are attempting to look at all of those with the view to incorporating different communities. We like to see strong support from the people in the community indicating that they want, for example, a community council or a town council or what have you and we have gone through the list now of the, say, thirty, there are about ten that have what we consider to be the requirements for incorporation. There are some that, for example, setting up a community council you have to have in that community a majority of the people out to a

MR. DINN: meeting and then a majority, sixty per cent plus one, voting for incorporation. So we have not got that in a lot of cases and until we get that of course we will not incorporate.

MR. ROWE: A further supplementary.

MR. SPEAKER: A further supplementary, the original questioner.

MR. ROWE: Could the minister be a little more specific, Sir? He has just given the House the information that we already know, but he did say that, you know, approximately ten in fact are qualified to be incorporated. They have met all the requirements. Could the minister give some specific indication of the time when he thinks he will be able to have these communities incorporated, you know, the month or the week possibly, or the date of the month.

AN HON. MEMBER: The year.

MR. ROWE: Even the - well a year, I mean, that is obviously a breakthrough.

MR. DINN: Mr. Speaker, with respect to those ten, I would hope before November so that we could have elections when the elections are called this year.

MR. ROBERTS: Mr. Speaker.

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

MR. ROBERTS: Mr. Speaker, a question for the Minister of Finance, Sir, in his capacity as the - I am not sure: in his capacity as the Chairman of the Linerboard Limited, or as chief disposal agent, whichever is the correct one - can the minister tell us, Mr. Speaker, whether he has met with the union or the representatives of the union, which in turn represents the employees at the mill, and whether the question of the severance pay has been settled. I understand that there are questions, perhaps there are even differences of opinion, that the plan announced by the minister here in the House last week does not in the opinion of many meet the need as well as it could. So could the minister perhaps tell us where we are on that now and if it is not settled what

MR. ROBERTS: steps are being taken to resolve it?

MR. SPEAKER: The hon. Minister of Finance.

MR. DOODY: Mr. Speaker, I have been notified by the Minister of Manpower and Industrial Relations that the union has asked for a meeting and we have agreed to meet with them tomorrow morning at nine o'clock in your office and at that time we will discuss the problems, whatever they might be, and hopefully resolve them.

MR. ROBERTS: A further supplementary.

MR. SPEAKER: A further supplementary.

MR. ROBERTS: I thank the minister, Mr. Speaker. Could the minister tell us whether the announcement he made here in the House last week about the severance pay, which I understood him to say at that time was based on some contingency planning which had been done some little while before the government decided to close the mill at Stephenville, can the minister tell us whether that represents the administration's final position or is that subject - I do not want to use the word negotiation because it is not a normal union/management situation, but is that subject to change and improvement as a result of further consultations?

MR. SPEAKER: The hon. Minister of Finance.

MR. DOODY: As I indicated, the paper that we circulated which outlined the termination policy of the company was indeed the termination policy of the company and I also

MR. DOODY: indicated at that time that if there were anomalies, or if there were certain discrepancies there which had not been foreseen, we would be willing to discuss them. Presumably that is what we will be doing tomorrow morning. But the company policy is as I outlined it at that time. Certainly nothing is iron cast or concrete.

MR. SPEAKER: A further supplementary.

MR. ROBERTS: I hope nothing is ironclad, including the decision to close the mill. Mr. Speaker, a further supplementary for the minister. Was there any consultation with the union or with mill management before the severance policy was worked out, the policy as was announced? Of course, the minister says it was the company's policy and that is fine, but in this case, I think, the policy decision, the decision-making part of the process was on the government side of Labrador Linerboard as opposed to the operating of the Stephenville side. Those decisions, in other words, were taken here in St. John's by the minister and by his colleagues in the Cabinet and so forth. Can the minister tell us whether there was any consultation, first of all with the union and secondly with the management at Stephenville, Mr. Sweeney and the men with him, as to the form this policy should take, or the details, once it was decided which form it should take?

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

MR. DOODY: The government certainly discussed it with the management of the mill, and the detail as worked out. As to the discussion at the mill between management and staff, I cannot verify that one way or the other, I honestly cannot say, Sir.

MR. ROBERTS: (First part inaudible) management out there (inaudible).

MR. DOODY: I would accept that as normal

MR. DOODY: business procedure. I did not think it necessary to -

MR. SPEAKER: The hon. the member for LaPoile followed by the hon. the member for Trinity - Bay de Verde.

MR. NEARY: Mr. Speaker, would the Premier indicate to the House whether the weather is warm enough yet for the two by-elections, one in St. John's West and one in Ferryland?

MR. SPEAKER: The hon. the Premier.

PREMIER MOORES: The weather is improving all the time, Mr. Speaker.

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

MR. SPEAKER: A supplementary.

MR. NEARY: Mr. Speaker, will the Premier indicate to the House whether the by-elections will be called before my hon. friend the member for Twillingate (Mr. Smallwood) resigns from his seat, or will the Premier wait until my hon. friend resigns and then call the three by-elections at the same time?

MR. SPEAKER: The hon. the Premier.

PREMIER MOORES: Mr. Speaker, if that was a promise or a threat I am not sure, but either way it will have no bearing on the two by-elections. Certainly the hon. member's mentioning the member for Twillingate resigning, I think, Mr. Speaker, a lot of us have heard that before. Running, resigning, leading, all these things that he has done at different times, we are still waiting, Mr. Speaker.

MR. SPEAKER: A supplementary.

MR. NEARY: I know my hon. friend has resigned more times than Mohammed Ali but I believe he really means it this time. Mr. Speaker, would the Premier indicate if the stadium will be started on the Southern Shore before the by-election is called?

PREMIER MOORES: The what?

MR. NEARY: The stadium that was promised in the last two by-elections, if that will be started before the by election is called?

MR. SPEAKER: The hon. the Premier.

PREMIER MOORES: I have no idea, Mr. Speaker, at this present time, but I would seriously doubt it.

MR. SPEAKER: The hon. the member for Trinity - Bay de Verde.

MR. ROWE: Mr. Speaker, in view of the confusion caused by certain educators recently, with respect to the undersupply or oversupply of teachers, I wonder if the Minister of Education would enlighten the House as to whether or not we have presently at this point in time an undersupply or an oversupply of teachers, and what is anticipated in the months and years ahead with respect to under and oversupply of teachers?

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

MR. HOUSE: Mr. Speaker, we have been getting reports from the university that in two or three years there could be a shortage of teachers. It stated 'maybe', they were not definite about it. We have been doing research at the Department of Education, in the Statistics Division, that shows that we are going to continue to have an oversupply of teachers. I believe there were something like 565, last year, teachers drawing unemployment insurance, they could not get jobs.

MR. ROBERTS: Teachers who had been teaching and who subsequently were laid off?

MR. HOUSE: Right. Or quit for some particular reason and then qualified for unemployment insurance.

MR. NEARY: We should shut the university down for five years.

MR. HOUSE: There were a number of young teachers who are trained -

MR. ROBERTS: Give is some thought 'Frank', you could save \$40 millions a year right there.

MR. HOUSE: - we do not have the statistics on that but we know there is a sizable number trained, working in -

MR. ROBERTS: Tempting, is it not?

MR. HOUSE: - other jobs, such as in the Avalon Mall and well,

Mr. House:

all around the Province.

MR. ROWE: Some of them are in politics.

MR. HOUSE: And some of them are in politics, of course.

So it does not seem to us from the research that we have done that we will have any problem with teacher shortage. And nationally and internationally, I read an article a few days ago where the United States will have by 1981 four million qualified teachers to fill two million jobs.

MR. ROWE: A supplementary, Mr. Speaker.

MR. SPEAKER: A supplementary.

MR. ROWE: I tend to agree with the minister's analysis of the situation, Mr. Speaker, and therefore I wish to ask him the following question. In view of the fact that there is obviously an oversupply of teachers at the present time—I would think that we are going to have it for a number of years - when does the minister intend to implement a third phase of the student-teacher ratio, Mr. Speaker?

MR. SPEAKER: The hon. Minister of Education.

MR. HOUSE: Mr. Speaker, it has been deferred for this current year. The third phase consists of two parts; one was the one to twenty-five ratio, and the other was another 30 per cent more specialist teachers. I think that may be a little further in the future. The one to twenty-five is just about in effect now. As I said the other day in the House of Assembly, in this House rather, that it would give us another one hundred teachers in the Province if we had the one to twenty-five ratio, which represents an average of three per board. And most of these would go to the larger boards.

MR. ROWE: A supplementary, Mr. Speaker.

AN HON. MEMBER: A supplementary, Mr. Speaker.

MR. SPEAKER: The original questioner has a supplementary.

MR. ROWE: Now I think I might have forgotten the question or the supplementary, but -

AN HON. MEMBER: Did it have to do with cost?

MR. ROWE: Yes, cost. Right. Mr. Speaker, would the minister indicate whether or not finances are the reason why we do not have implementation of the third phase of the student-teacher ratio?

MR. SPEAKER: The hon. Minister of Education.

MR. HOUSE: Mr. Speaker, perhaps indirectly. I think perhaps it is desirable, we may think it may be desirable. I do not think, and the department does not think that the implementation of the one to twenty-five ratio would have a profound effect on the quality of education, but there are other priorities in education that we have to look at. You know, we have to try to improve the special education programmes, and it cannot all be done at one time. So while it may be directly related to cost it is not for the exact cost of these numbers. We have to try to implement other programmes and that is where we want to direct our effort.

MR. ROWE: A further supplementary, Mr. Speaker.

MR. SPEAKER: A further supplementary. A final supplementary.

MR. ROWE: Whilst I agree with the minister with respect to the probably oversupply of teachers at the present time, Mr. Speaker, I was wondering if the cutbacks on scholarships to the University whether it is an anticipated possibility of a shortage of teachers caused by that, because students may in fact go to other universities indicated by a number of educators - go to other universities in Canada and probably not return to the Province and this might be one of the reasons suggested for a possible undersupply of teachers in the years ahead?

MR. SPEAKER: The hon. Minister of Education.

MR. HOUSE: Mr. Speaker, I do not think it will have any affect on the teachers supply, or the students attending the university.

MR. ROBERTS: Mr. Speaker?

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

MR. ROBERTS: Mr. Speaker, a question for the Minister of Fisheries, and I would like to come back to L'anse-au-Loup where I asked him

Mr. Roberts:

sometime ago a question about the development of herring processing facilities at L'anse-au-Loup. And he was kind enough subsequently to have one of his officials call me and give me some information and the undertaking then was that the minister would make a further statement. The minister has not yet, Sir, and I wonder if he could tell the House precisely what is going to be done this year. It is his decision, or the government's decision, as to whether there are going to be any, and if so how many herring operations in the Southern Labrador part of my district. I have suggested to the minister that there ought to be three on the experimental basis this year, one at L'anse-au-Loup, one at Red Bay, and one at L'anse-au-Clair. There were two operating last year, as the minister knows, at L'anse-au-Clair in the South and Red Bay to the North, and there were some problems which I think would be moved towards resolution by having one at L'anse-au-Loup. Could the minister tell us, please, whether there is going to be an operation at L'anse-au-Loup this year? And if so, can he assure us that there will be no effect upon the operations at L'anse-au-Clair and Red Bay in that they will continue to operate? There is a question of product supply and that can only be resolved by putting it to the test.

My feeling, Sir, as I have indicated to the minister, is that we ought to have all three operations this year, including the one at L'anse-au-Loup. Could the minister tell us what he is going to do, Sir?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. W. CARTER: Mr. Speaker, I apologize to the hon. member, I did promise to make a public statement, release a statement in this House in that regard, but he will have to maybe bear with me for one more day and I promise that I will have it ready tomorrow morning for him.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, my question is for the Minister of Transportation. Spring has sprung and the grass is ris, would the minister tell us now what is going to be done with the Trans-Canada Highway? Has there been an agreement yet with the Government of Canada to repair, widen, repave and upgrade the Trans-Canada Highway?

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

MR. MORGAN: Mr. Speaker, the indication was received, in fact on Friday past, that the federal government's Cabinet decision will be relayed to this government, to this administration in a matter of days, so we will be hearing hopefully this week with regards to the agreement.

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

MR. SPEAKER: A supplementary.

MR. NEARY: Would the minister indicate if tenders are ready to be called for the bad sections of the Trans-Canada Highway because we are now getting into the construction season and it is rather urgent that everything be ready to roll if Ottawa gives a favourable reply.

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

MR. MORGAN: Mr. Speaker, if we get the green light-and hopefully it will be a green light, we have received no indication otherwise to date from Ottawa- if we get the green light we can commence work immediately and we plan to zero in, and when I say we, the department, to zero in on the worst sections of the Trans-Canada. Two areas we are concerned about; one is in the Western part of the Province, in the Crabbes River - Georges Lake area, and the other is in the area just west of the national park boundary towards Gander, in the Gambo - Glovertown area. So these are the two worst sections, but of course we can go on with other sections that are in real bad condition as well in

MR. MORGAN: the Rantem area out there and sections between - oh there is a whole list of sections we have listed off in priorities with regards to the worst sections. So if we get the green light this week, Mr. Speaker, we can call tenders almost immediately, Within a matter of days, we can arrange to call tenders and commence work on the worst sections.

MR. ROBERTS: A supplementary to the Minister of Transportation and Communications.

MR. SPEAKER: A supplementary.

MR. ROBERTS: The minister talks about this green light and this is very encouraging. Could he tell us whether the light will be bright green or sort of a dim green? And what I am getting at is, is this going to be fifty - fifty money from Ottawa, or seventy-five - twenty-five, or will we reach the Valhalla of ninety - ten, the ninety obviously being the Ottawa share of it? And growing out of that, Sir, could the minister tell us how much in his official understanding is involved in this project? Just what are we talking of? Hopes are being raised, and I hope validly, because the road is in incredibly bad shape and something has got to be done and the government have deferred all action and are awaiting word from Ottawa and the minister tells us word is coming. Well what kind of word is it going to be? Are we talking fifty - fifty money, as I heard, or are we talking seventy-five - twenty-five or even ninety - ten, which would be my hope?

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

MR. MORGAN: Mr. Speaker, we are hoping for a very bright green light. The proposal put forward by the four Atlantic Provinces back in March 1966, that proposal was calling for a ninety - ten participation, federally - provincially and we have received no indication from Ottawa, no official indication of any kind with regards to not accepting that proposal. Of course if they come less than ninety - ten we could not look at

MR. MORGAN: too much participation ourselves, simply because we cannot afford it. And I am sure this view is shared by my counterparts in the Provinces of Nova Scotia, P.E.I., and New Brunswick. At our meetings together as ministers we have told Mr. Lang, the federal minister, in no uncertain terms we wanted ninety - ten and we could not see how we could not participate much below that because if we were offered an agreement along the lines of less than that from Ottawa that the provinces simply cannot afford to put their allocation in this year and it would mean very little work being carried out.

So we are looking forward to a bright green light from Ottawa, a ninety - ten basis.

MR. ROBERTS: Mr. Speaker, a further supplementary.

MR. SPEAKER: A further supplementary, the hon. Leader of the Opposition, and the hon. member for LaPoile has a supplementary I believe.

MR. ROBERTS: I think we are getting a little closer to it, but can the minister— and I thank him for the information, I assume he gave it as minister and not in any personal or unofficial sense. I was glad to see he met his fellow ministers as minister, I do not know how else they could have met, Sir — but Mr. Speaker, my question is this; have the Province taken the position that unless it is ninety - ten it is simply too rich for our blood and we cannot afford to go into it? Or are we

Mr. Roberts:

negotiating - you know, there is that monster in Intergovernmental Affairs, and I do not mean the minister, the minister is no monster at all, Sir. I would not dream of calling the minister a monster, but, you know, that monstrous secretariat down there - are they talking 75-25 or even 50-50 money, or is it 90-10 or nothing?

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

MR. MORGAN: Well, Mr. Speaker, I cannot disclose any possible or potential negotiations that might take place. And we have had no discussions -

MR. ROBERTS: Nor your officials?

MR. MORGAN: - with regards to the financial participation based on the fact that we have not received any indication from Ottawa that they will not accept the 90-10 proposal.

MR. SPEAKER: The hon. member for LaPoile.

MR. NEARY: Mr. Speaker, would the minister - a supplementary then - would the minister tell the House if the Government of Canada comes through with the 90-10 deal, as the minister hopes they will, in the priority areas along the Trans-Canada Highway, will they be just upgraded, reconstructed and repaved? Or will there be widening of the Trans-Canada Highway in those areas to make it a four lane highway in certain sections of the highway from here to Port aux Basques?

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

MR. MORGAN: Well, Mr. Speaker, the amount of funds that we are talking about in the proposal put forward by the four Provinces in the Atlantic Region, the amount of funds itself would indicate, if we are talking about a fairly substantial reconstruction and upgrading job on the Trans-Canada, the proportion of Newfoundland's involvement in the submission made to Ottawa is \$250 million, approximately a quarter of a billion dollars, around that figure,

MR. NEARY: Over what period of time?

MR. MORGAN: We are talking, for example, -

MR. NEARY: Over what period of time?

MR. MORGAN: four laning some - initially we talked about a ten year programme because looking at \$25 million to \$30 million per year allocated for this particular work, this work project on the Trans-Canada Highway, we are talking about now four laning some sections in that proposal and primarily a widening out of the Trans-Canada all the way from St. John's to Port aux Basques. We are not just talking about upgrading the bad sections, we are talking about widening out and recapping and four laning some sections.

MR. NEARY: Mr. Speaker.

MR. SPEAKER: The hon. member for Port au Port.

MR. J. HODDER: Mr. Speaker, a question for the hon. the Minister of Fisheries. I understand that negotiations are going on with the Federal Government over a lobster insurance plan. I wonder if the minister could tell us at what stage these negotiations are at present?

MR. SPEAKER: The hon. Minister of Fisheries.

MR. W. CARTER: Mr. Speaker, about a year and a half ago the Federal Government indicated that they were going to introduce a lobster pot insurance plan. They requested certain participations on the part of the Province, to which we agreed, and later for some reason or other they decided to defer the implementation of the plan. But certainly my understanding of it, it is still under consideration, certainly the Province, we have indicated our intention to go along with it, and the moment they are ready to move we will certainly be there with them.

ORDERS OF THE DAY

MR. SPEAKER: Motion 6.

The hon. Minister of Finance.

SOME HON. MEMBERS: Hear, hear!

MR. DOODY: I rather suspect that the desk thumping was more in sympathy than in congratulations, Mr. Speaker. The motion before the House, Sir, we are to move: Whereas Labrador Linerboard Limited, a Crown Company, has operated the Linerboard Mill at Stephenville since 1973 pursuant to The Stephenville Linerboard Mill (Agreement) Act, 1972;

And Whereas Labrador Limited has suffered serious financial losses in each year of operation, which loss in 1976-1977 amounted to Forty Million Nine Hundred Thousand Dollars (\$40,900,000.00);

And Whereas a review of the marketing and financial outlook of the Company made by the Province and an Advisory Board of experienced businessmen has concluded that further substantial financial losses would be incurred in future years of operation;

And Whereas Government has decided to phase out the operations of the Linerboard Mill at Stephenville;

Be It Therefore Resolved that this House debate the closing of the Linerboard Mill so that government may have the opinions and the assistance of hon. members in its efforts to assist all persons involved in the operations of the Linerboard Mill.

MR. DOODY: Mr. Speaker, it is my duty at this time to present to the hon. House the series of events which led up to this government's difficult but necessary announcement in the recent budget of a few days ago of the proposed shut-down of the Labrador Linerboard operations in Stephenville. It is not a very pleasant duty, Sir, and it is not one that I welcome. It is probably the most difficult task that I have been assigned since accepting office here in this administration.

I propose, Sir, to give a brief outline of the history of this unfortunate and ill-starred mill, how it came into being, and the events leading up to the present time. This is not to say I mean to place or attempt to place blame, or question motives, or use the divine gift of hindsight. Such a course of action, Sir, would, in my opinion, not help the situation as it applies to the Bay St. George area and to the Goose Bay - Happy Valley area. The digging up of the Melville - Doyle, etc., details will not help one little bit, except perhaps illustrate once again our unfortunate, tragic history of trying to place an industrial base in our economy. The John Doyle story is a matter of record. So let it be for me, for purpose of this debate at least.

The question facing this House, Sir, is the frightening fact that this Province is now approximately \$300 million committed to the mill, and would be expected to provide at least \$55 million for the coming year to keep it going. I hope to demonstrate, Sir, that even this figure of \$54.8 million is a very sensitive and very optimistic figure. I will hope to demonstrate this in my few remarks, and will show that the mill, historically, has been, unfortunately, far out in its budgeting forecasts. Witness last year's budget of \$25 million, Sir, which ended at close to \$40 million. These are staggering sums of money, Sir, and no responsible administration could conceivably continue to commit the taxpayers of this Province to such sums.

I realize for many of the hon. members of the House, the history of this mill is well known. But I feel that an understanding of the steps involved in the establishment of Labrador Linerboard

MR. DOODY: Limited is essential before the necessity of the decision taken by this government can be fully understood.

The first step, Sir, in what was to result in the establishment of a Linerboard mill at Stephenville took place in 1967, when, as a result of discussions between Melville Pulp and Paper Limited and Melville Forest Products Limited, subsidiaries of Canadian Javelin, and the provincial government of the time, legislation was passed authorizing the government to enter into certain agreements with these companies. As a result of this legislation, the government entered into an agreement, in 1969, with Canadian Javelin and three of its subsidiaries, under which the government was to guarantee the debt associated with the construction of a Linerboard mill in Stephenville and a wood-cutting operation in Goose Bay, Labrador, in return for a first mortgage on the assets of the mill. Construction of the project commenced in late 1969. As a result of cost overruns and construction delays, the total estimated construction costs of the project increased from the original estimate of \$53 million to \$91 million by March of 1971, at which time the Province's liability was \$75.5 million. The costs of the project continued to escalate, and by May, 1971, a study commissioned by government indicated that the total overall costs of the project would be approximately \$123 million, up from the original \$53 million.

In January of 1972, the newly elected administration was confronted with clear evidence that the project was in serious difficulty. The forecasted annual wood supply of 469,000 cords from Goose Bay was substantially less than the maximum achievable wood supply due to limited docking facilities, a short shipping season, and some errors in the judgement of the amount of harvestable wood available.

MR. DOODY: There was evidence that the forestry operation was in poor shape and it was also clear that additional funds would have to be provided if the project was to be completed. Government decided at that time that every aspect of the project would have to be studied and re-evaluated and detailed and a further study then by consulting engineers was commissioned for this purpose. Steps were also taken by government which led to the repayment by Canadian Javelin of the \$24 million in loans which had been obtained from the Newfoundland Industrial Development Corporation. The consulting engineers, having studied the total project including the woods harvesting facilities - the cost of which as well as initial working capital requirements of the entire project had not been included in the original cost estimates of the project and other related facilities, submitted their report in March of 1972 which stated that the estimated cost of the completion of the project was approximately \$150 million, including \$21.4 million for initial working capital requirements. By that time, Sir, financing guaranteed by this Province for the project had been obtained in the amount of approximately \$94 million.

Mr. Speaker, by this time this government was gravely concerned about the Province's financial exposure in the project through its guarantees. This concern, along with the government's desire to generate employment opportunities in the Bay St. George area and to fully utilize the forestry resource, resulted in negotiations with Canadian Javelin Limited in order that the Province could assume control of the project. As a result of these negotiations legislation was introduced in May of 1972 which authorized the takeover of the project by the Province and a total consideration to be paid Canadian Javelin Limited of \$5 million. The legislation also authorized the continuation of the construction and the additional expenditure of up to \$50 million. The legislation was passed with the full support of the House and the Province

MR. DOODY: assumed control of the project. This government, Your Honour, in assessing the situation felt it had one and only one alternative at the time and that was to take over and continue the operation. Having that much money of the Province invested in the project, having the expectations of the people of Bay St. George - Stephenville and Labrador areas raised to the peak that it was, we simply could not walk away from the mill without giving it a fair try. In fact, Your Honour, the opposition of the day, the Leader of the Opposition, Mr. Rowe, Mr. Woodward and others felt that it was the only sensible and reasonable thing to do. In fact, Sir, the opposition spokesman stated that the Liberal Government in its dying days of that administration were considering taking over the operation themselves. It was stated, and I can quote from the Hansards of the day, quite clearly that the Liberal administration would be forced to take the same steps as the PC administration subsequently did.

It was stated that the Linerboard mill was in serious financial difficulties back in early 1971 -

MR. MURPHY: Whose statement was this?

MR. DOODY: The opposition statement? I think it was Mr. Rowe at that particular time, although several opposition spokesmen - the Hansards were quite clear and are quite clear and are available.

AN HON MEMBER: (Inaudible)

MR. DOODY: Yes, and it was stated then that the Linerboard mill was in serious financial difficulties back in early 1971 and it was forecast that even then there was little likelihood that the mill would be a paying proposition. Nevertheless, for the reasons stated we felt we had no choice but to put in the extra money to give the mill a chance to prove itself.

The construction phase of the project was completed in

MR. DOODY:

March of 1973 at a total cost of \$155.4 million, far in excess of the \$53 million originally forecast. Since that time the Province has -

MR. ROBERTS: (Inaudible) notes so I will not throw him off.

AN HON MEMBER: Yes.

MR. ROBERTS: Mr. Speaker, my question is this; the minister said just now it was \$155 million to complete, or at completion, as opposed to \$53 million original. Those statements are both correct as I understand them, but what was the figure to complete estimated in May 1972 when the government assumed responsibility for the project? In other words, was the \$155 million what they said it would cost to complete or was it greater or was it lesser?

MR. DOODY: They say the approximate cost of completion of the project was approximately \$150 million including \$21.4 million for initial working capital, so that would be about -

MR. ROBERTS: So, it was finished -

MR. DOODY: At that time -

MR. ROBERTS: more than five per cent over what it was originally budgeted.

MR. DOODY: Well, the original budget was \$53 million.

MR. ROBERTS: Five per cent over what the government estimated when they took it over in May, 1972.

MR. DOODY: That is right - over the latest, or later, or last study of consulting engineers.

As I have said, Sir, since that time the Province's investment in the mill, excluding advances for the purposes of repaying the debt, principal has grown to a total investment of \$255 million as of March 31, 1977, during which time, the mill has incurred cumulative operating losses of \$96.2 million. In a province the size of this, Mr. Speaker, these are absolutely staggering sums of money.

Mr. Speaker, I would like to address some of the reasons for the mill's operating losses, which arise partly as a result of the mill's market position and partly a result of its cost structure and for other reasons.

The mill has never generated a sufficient sales volume, Sir, to allow it to operate at full capacity, or mill nets sufficient to cover its manufacturing costs - mill nets sufficient to cover its manufacturing costs, exclusive of its debt costs. The sales volumes for the mill were approximately 137,000 tons, 203,000 tons, 105,000 tons and 130,000 tons for the four fiscal years respectively ending March 31, 1977. On these sales, Sir, the mill received average mill net selling prices of \$162, \$236, \$240 and \$200 respectively for each of the four years, and these are rounded out. Given the company's cost structure, which I will discuss later, this resulted in operating losses, and operating losses, Sir, for 1975, 1976 and 1977, was \$21.3 million, \$55.3 million and \$40.9 million, respectively.

MR. DOODY: Mr. Speaker, this mill has not been receiving the mill nets it needs, and clearly requires, to cover its operating costs, quite exclusive of its debt redemption.

The company has had a particularly difficult marketing problem, in that it entered the marketplace as a non-integrated mill at a time when market conditions were beginning to deteriorate. The company has been unable to develop long-term contractual relationships with enough major customers for a sufficient percentage of production capacity to protect itself against adverse market conditions.

Government has recognized the company's particular marketing problem, and, as a result, has attempted to allow the company sufficient time to build a reputation and a customer base in the marketplace. However, in the past four years, Sir, the company has still to obtain a market for its production, or for its product, which would allow it to achieve any production level approaching capacity. The sales forecast by the company, which have been reviewed and accepted by the Advisory Board, are forecasting sales volumes for the next three fiscal years, ending March 31, 1980, of 166,000 tons, 228,000 and 265,000 tons, respectively. The forecasted mill nets for the same year - same three year period, Sir, are \$188, \$230, and \$268. And, shortly, Sir, I will demonstrate the costs of producing the product, which we are forecasting the sales for, of \$188, \$230, and \$268 mill nets.

Mr. Speaker, the sales volumes and the mill nets forecasted do not approach the level where the company would achieve even a cash break-even point, given the company's cost structure, its cost of production. Therefore, Mr. Speaker, the company cannot expect an improvement in mill nets or sales volume sufficient to make it a long-term, viable operation.

MR. DOODY:

In view of the fact that the company has little control over the mill nets it receives, the company has to attempt to reduce its cost of manufacturing to a level which will allow it to operate on an economic basis. Therefore, Mr. Speaker, I would like at this time then to review the company's historical and forecasted cost of production with perhaps a few words on the marketing agency of Labrador Linerboard Limited before I go into the cost of production.

The marketing agency of Linerboard was a company called International Forest Products Company an associate of Rand - Whitney Corporation of the United States. It was decided by government to go this route as this company undertook to devote its entire sales effort to Lab Linerboard Limited's production, and expressed an interest in later on acquiring an equity position in the company with a view to eventually buying the mill from the government. Obviously, Sir, this has not happened, nor did we ever approach a position where the equity question was seriously debated because of the ongoing losses and the down-the-road-forecasts.

At the time that International Forest Products Company was selected as the marketing arm of Labrador Linerboard Limited, government was faced with a choice between it and the possibility of attracting an established forest products company. I think the major one that we had discussions with at that time was MacMillan Bloedel. We debated and weighed the pros and cons of going with an experienced company that was known in the marketplace, but which had a vested and prior interest in selling its own product and then perhaps looking to Labrador Linerboard's production, or going with a new company which had experience in the field through its association with Rand-Whitney but which was

MR. DOODY: dedicated exclusively to the sale of Labrador Linerboard Limited's production. That, together with the prospect of eventual equity participation, tipped the scales in favour of International Forest Products Corporation, and once again, only hindsight can tell us whether or not that was the correct decision.

The sales contract of International Forest Products has been tabled in this hon. House; the detail is available in the files, or in the Library, or in the Registry or wherever. Indeed, I have no doubt that hon. members have obtained copies of it. I have some detail of it here which I can provide if so required.

Mr. Speaker, with regard to the cost structure of the product of the mill which I touched on a few moments ago, there has been a great deal of publicity about the high wood costs experienced by the company. Indeed, Sir, the company's wood cost has been a major contribution to its annual operating losses. The high cost of wood from the company's Labrador woodlands operation has been cited as a major cause of the high wood cost, because approximately fifty per cent of the company's wood supply had been obtained from Labrador. The company maintained its Labrador woodlands operation as a result of its inability to obtain an economical wood supply on Island sufficient to sustain capacity production, assuming, of course, that the company could sell its capacity production. If the mill was ever to become economically viable then a wood supply sufficient to sustain capacity production was essential. It became clear last Fall, however, that closure of the Labrador woodlands operation was necessary to reduce the financial support required from government in view of the fact that market prospects for sales volume indicated that existing wood supply available to the company on Island was

MR. DOODY: sufficient to meet forecasted production during the nine month period during which the government expected completion of its study of the inventory of on Island wood resources. The Advisory Board on its establishment assumed the responsibility for completion of this report. Although the Advisory Board has not financed its report on on Island wood resources, the preliminary estimates of wood supply proportionate to cost do not forecast sufficient reductions in wood costs.

It has been stated on several occasions, and I have no doubt that it is true, that there is sufficient wood on the Island to sustain the operations of the three mills. It has never been demonstrated that there is sufficient wood economically available under the present circumstances to sustain

Mr. Doody:

economically the production of all three mills. And in there there was a vast difference, Your Honour.

The historic wood cost per ton of production for the four fiscal years ending March 31, 1977 were \$119, \$145, \$127 and \$130 respectively. If you compare these wood costs figures with the mill net figures which I gave a few minutes ago, you will see that the wood costs themselves bear frightening resemblance to the actual mill nets that the company received for sales of its product.

The Advisory Board has forecasted that using the most economical wood sources, both on Island and from off Island sources, the wood costs per ton of production for each of the three fiscal years ending March 31, 1980 will be \$123.40, \$131.14 and \$137.74, Now, Sir, that is per ton of production, and it includes a substantial amount of off Island wood, something in the nature of 150,000 cords of wood which has been suggested that be bought from Nova Scotia and New Brunswick and this would be spruce budworm kill wood, and also using a secondary fibre content both of which would preclude the sort of employment in the woods operation of the Province which was one of the primary purposes establishing the mill in the first place.

The forecasted wood costs also incorporate the assumption that in terms of on Island wood the Price and Bowater mills will agree to rationalize harvesting on their limits to achieve the lowest possible wood costs for each of the three mills. The Advisory Board, Sir, in conjunction with the company's management, have reviewed the other elements of manufacturing cost, Now though certain areas of cost reduction have been identified, the forecasted cost of manufacturing is still well in excess of the forecasted mill net sales revenue. The forecasted cost of manufacturing is still well in excess of the forecasted mill net sales revenue. And once again we exclude the mammoth debt of the mill from these figures.

Mr. Doody:

Mr. Speaker, the Advisory Board submitted a preliminary report in which they have forecasted mill net sales revenues for the three fiscal years ending March 31, 1980 of \$31 million, \$52 million and \$71 million respectively. They have also forecasted the cash manufacturing costs for the three year period, of which they have incorporated the cost of the most economical wood supply available and incorporated every area of cost saving they could discover. The Advisory Board forecasts, Sir, for each of these three years show a cash requirement from this government, from the taxpayers of the Province, from the Treasury of the Province, of \$54.8 million in 1977-1978, of \$38.4 million in 1978-1979 and of \$24.6 million in 1979-1980 for a total cash requirement of nearly \$118 million.

It must be emphasized, Mr. Speaker, that this forecast by the Advisory Board assumes, and this is a great assumption, Sir, it assumes a declining cash manufacturing cost per ton in these days of inflation and an increasing sales mill net per ton. Against this background, this government had no option but to act in a financially responsible manner and announce the close out of the Linerboard Mill.

Mr. Speaker, I have no doubt that charges of mismanagement, waste associated areas will be made. I have no doubt that some of the rumours or reports are true. However the amounts of millions of dollars involved in operating losses are so large as to negate the possibility, even if it were demonstrated to be true, that there was negligence or wrongdoing.

I would also like to bring to this House's

MR. DOODY: attention now, Sir, that if such are brought to the attention of the House, of negligence, or mismanagement, or wrongdoing, it can be assured that these charges will be investigated and the necessary action taken. But, Sir, these facts - if indeed there are such facts - are not of a magnitude to affect the huge costs numbers involved in the continued operation of the Labrador Linerboard mill or indeed of the costs structure of manufacturing the product at Labrador Linerboard.

Mr. Speaker, allow me to illustrate the horrible situation, the magnitude of the problem faced by the company in Stephenville. The production costs of Labrador Linerboard Limited of 1976-1977, the actual costs compared with those of a Southern US mill, actual cost of a southern US mill but for 1975 - now I emphasize that the Labrador Linerboard numbers are for 1976-1977, the southern US mills which are actual costs obtained from a mill for 1975, both of these have obviously gone up and changed somewhat since that time, but for demonstration purposes, I think they should be brought to the attention of the House.

1976-1977 Labrador Linerboard Limited budgeted costs numbers assuming sales of 228,620 tons was \$365.25 total costs. The southern US mill with whom they are competing had a total cost of \$130. Cost of production in Stephenville, including debt interest and repayment, was \$365 as opposed to the southern US mill actual cost of \$130. Mr. Speaker, it is obvious that when times are good and the marketplace is in great shape, the southern US mills can cream off a killing, they can make a bundle. When markets are bad - as they have been the past several years - they can cut their prices and still come out with a very, very, serious affect on the returns to Labrador Linerboard Limited.

I may say, Sir, that that budgeted figure of \$365.25 included wood costs of - and I should not say wood costs, I should say

MR. DOODY: total costs, total direct materials costs, which includes the wood and all the other ingredients that go into the manufacturing, the total cost per ton of direct materials is \$184. total actual cost of the finished product in the US mill was \$130, The total cost of direct materials per ton in that southern US mill that year was \$61 per ton as apposed to our \$184.45.

One of the major differences and difficulties of course is the regenerating cycle of the southern US pine -the wood reproduces itself much more quickly; also they get a return of - it takes 1.6 per ton of their product as against 2.2 cords for our product. The mills are designed to take secondary fiber, sawdust, waste and other materials, and ours are not so designed. And there were other reasons but the facts remain and they sit there. We can never compete with them properly because we are never in a cost position to do so. Grant you that the cost of these US mills were built at a lower cost than ours, which is also a great benefit to them. They had debt interest and repayment figures included in their production costs of \$14.50 as apposed to our \$80.38, That is certainly not the cost of the Stephenville mill but it is a fact of life.

Our marketplace then was in Europe. We had to go to Europe to try and sell the product. The major consumption area of course has been in the United States.

MR. DOODY: In times of economic recession the United States would dump its product in Europe and we of course would suffer the consequences. To further complicate the matter now, Sir, we have Scandanavians, particularly the Finns dumping their product into Europe, and although their wood costs are comparable with ours, their industry structure is completely different insomuch as it is an integrated industry which uses everything from the needles on the trees to the roots. Unfortunately we are not that sophisticated and as a result of which we find it very difficult to compete with the Scandanavians.

And a new element has entered into the marketplace in Europe, Mr. Speaker. We have the Russians in there now for the first time, selling in Germany where we manage to dispose of some of our product. They have developed a method of making linerboard from the chaff that is left over after harvest. When they harvest their wheat or whatever they use, the by-product, the chaff that is left in the fields, the straw, as the basic ingredient in the manufacture of linerboard and with the controlled state economy combined with a type of cheap material it is very, very difficult for for Labrador Linerboard to compete in her traditional marketplace in Germany and France, but particularly in Germany.

Many people, Sir, will probably say, "Under these conditions why did you keep the mill going at all? These facts were known to you some time ago." Well, Sir, there is hope. There is a big investment. More importantly, there is a lot of people and so we tried and tried and tried to find a way to rationalize spending that kind of money in a Province such as ours where we have demonstrated just a few days ago in the Budget, as has been repeated over and over again by hon. members of this House, that that kind of money just is not available. If there was a lightdown at the end of the tunnel it may be a different figure. But, Sir, the projections of

MR. DOODY: the Advisory Group, the industry, our own Finance people, the Federal Finance and Industry, Trade and Commerce people, did not give us reason to believe that the Linerboard situation will change to a profit picture.

Mr. Speaker, let me refer to that \$54.8 million budgeted figure for the operations of the mill for the coming year. Much has been made of the fact that it would cost \$55 million to keep the mill going. But it will cost the Province almost \$27 million to shut it down. This figure, Your Honour, concludes of course the shut-down cost and losses of \$8.4 million. It does give us a positive working capital position because the inventory will be sold and it will give us an incremental cash benefit of nearly \$6 million.

The important element in this is the long-term debt retirement, the bank line of credit retirement, the interest on the long-term debt, the interest on the short-term debt, the NIDC repayment on principle and interest and the interest on the cash requirement of \$26.7 million.

So to close the mill down will cost nearly \$27 million, to keep it open will cost \$55 million. So much has been made of the fact that it is going to cost you half as much to keep it going as it would to close it down. As I said, Sir, much has been made of this fact and indeed much should be made of it.

It has been the core of the dilemma facing this government for the past weeks and indeed, Sir, the past months. The decision delayed the presentation to this hon. House of the budget document by some six weeks. And I will offer in a few moments, Sir, some numbers to illustrate the effect on the Budget and on the financial position of the Province in a few moments having decided to provide the additional funds.

MR. DOODY: But first of all, Sir, the cost of operating the mill: With the most optimistic forecast assumptions possible, all of which have been questioned and called unrealistic by our own financial people in the light of historical performance of forecasting by the mill, by the Federal Government's Department of Finance, by the Federal Government's Industry, Trade and Commerce people, and by third party industry people. But any way we look at these three numbers, these figures, optimistic though they might be, and compare. I will take a moment or two of this House's time, with Your Honour's permission later on, to demonstrate the sensitivity of these numbers. If they are only out one per cent or two per cent or three per cent and so on what happens, Sir, to the Province's financial position?

MR. DOODY: To a province of our size, Sir, ten or fifteen million dollars is a gigantic sum of money, and we have to learn to realize it. We know how strapped we are from our recent budget, and I perceive to keep the mill operating over the next three years up to 1980, as I have said, it will cost \$54.8 million projected in 1978, \$38.4 million in 1979, and \$24.6 million in 1980 projected for a total of \$118 million, approximately. And so it would seem, Sir, to allow the mill to operate for the next three years, it will cost this Province about \$118 million. To shut it down will still cost this Province about \$90 million. \$118 million - cost to the Province to continue to operate the mill. \$90 million, if we close down the mill. It is money that we will have to provide anyway. So, Your Honour, the mathematics are simple.

MR. SMALLWOOD: The net loss of \$10 millions a year?

MR. DOODY: Pardon?

MR. SMALLWOOD: The net loss of \$10 millions a year.

MR. DOODY: That is what I am coming to now. And, so, Your Honour, the mathematics -

MR. SMALLWOOD: You would lose about \$20 million?

MR. DOODY: No.

MR. SMALLWOOD: What is the ratio?

MR. DOODY: That is all in that report that was tabled last week, Sir.

And so, Your Honour, the mathematics, as the hon. gentleman from Twillingate (Mr. Smallwood) points out, appear to be simple, or they seem to be simple. This Province, assuming the operating costs are correct - and we know the closedown debt charges to be pretty well on - it would seem that for \$9 million or \$10 million per year for the next three years, we can see the mill through until 1980, when the forecasters, who have, sadly, never been right, say that we, the taxpayers, will only have to provide \$25 million.

MR. SMALLWOOD: Would the Hon. minister say how long is left for the bond issues? How long do we go on servicing the debt?

MR. DOODY: We finish it off in 1983 - 1984.

MR. ROBERTS: That is the German debt.

MR. DOODY: Yes.

MR. ROBERTS: Where is the money that -

MR. DOODY: But the money that we have already paid out and that does not include the Provincial debt of course; that is in there, and we are carrying that anyway.

As I said, it would seem that for \$9 million or \$10 million per year for the next three years we will see the mill through until 1980 when we shall only have to provide - and I say, only have to provide - \$25 million, of which only about \$6 million would be incremental cash requirements. The other \$19 million or so would be debt retirement and interest and such.

However, Sir, this is a simplification which we devoutly wished were true. But a very sad fact is that to keep the mill open this year would cost at least \$55 million; next year, at least \$38 million; the following year, as I have said, at least \$25 million, and where do we go from there? No one knows, Mr. Speaker.

Given the record of the mill, the down side risk to the people of this Province as a whole - for the sake of the future of the Province, for the sake of the credit of the Province, for the sake of productive development of the Province, and our financial responsibility generally, we could not accept the cash cost and commit the money that we do not have.

For the past number of years, as hon. members are no doubt aware, the cash advances to Labrador Linerboard Limited were paid back by Labrador Linerboard, in theory, to the Province by the issuing of revenue bonds. These bonds were to have been redeemed from the future profits of the company. As a consequence of this, cash advances to the company were considered capital and were so shown. Well, we have been advised

MR. DOODY: by our fiscal agents and by our other advisers that this accounting treatment is no longer acceptable. Indeed, I would suggest, Sir, that any reasoning, sensible person could not help but agree that since nowhere down the road has a profit been projected; so, Sir, the monies advanced from government to Lab Linerboard Limited, from this year, and from this year on, could only be construed as operating grants in aid. This fact, although it makes no difference, I am sure, and it is of little warmth or help to the people in the Stephenville area who are watching the mill close or phase down, but it is a fact of life that that extra money in the current account of this Province and this budget this year would have an impact that is absolutely enormous.

This Province, Sir, cannot exist without a current account surplus. With a current account deficit we cannot expect to borrow money, or no reasoning person can expect us to be able to borrow money to pay the interest on money that we already owe. It would be as foolish as for me to go to the Royal Bank to ask them to give me a loan of money to pay the interest on a debt that I already have with them. So it has been stressed and stressed again that as long as we keep our current account in reasonable shape, and our capital requirements in the marketplace under reasonable control, that the Province can continue to survive.

So Linerboard and the Linerboard situation brought into very clear focus the financial problem of this Province. It is not a new problem. It is not something that has not been said before, but I underline it now, and outline it now, Sir, to demonstrate again the dilemma with which we were faced. A current account contribution in aid of the magnitude that we speak of would have made the difference of the \$8 million current

MR. DOODY: account surplus to something of the nature of a \$20 million current deficit.

No matter how hard we cut and trimmed, no matter how hard we economized, the fact remained. I know many hon. members are going to say that you could have cut otherwise, you could have trimmed otherwise, you could have taken it from other places. That is not the opinion -

MR. SMALLWOOD: Would the hon. minister mind? When he insists that a current account surplus is necessary, imperatively necessary, and not a current account deficit, when he does that surely he means, does he not, a current account surplus of \$1 million or \$500,000 or \$250,000, but at least to balance the budget, the current account budget if it is balanced, if there is a bit more - better if there is a lot more - but if there is a bit more in than is spent. Just balanced with a bit of a surplus, that will satisfy the money market. Not as much as a big current account surplus would do, but it is not imperative, is it, to have a sizeable - it is desirable but not necessary to have a sizeable current account surplus.

MR. DOODY: The hon. gentleman is absolutely correct, it is obviously very, very desirable to have a current account surplus. I am sorry I used that word because obviously it is not a surplus, it is a small contribution to capital account. We have not had a surplus in the Province of Newfoundland since -

MR. SMALLWOOD: It might be used to retire debt; it does not have to be used to capital account.

MR. DOODY: That is right. But to use the -

MR. SMALLWOOD: It is nice to have.

MR. DOODY: - word 'surplus' it sounds nice in the marketplace when you head out looking for money.

MR. SMALLWOOD: Yes.

MR. DOODY: To say that a sizeable contribution would be desirable but not essential is absolutely correct. We do not have a sizeable - if one looks at the numbers of our budget for this year, this billion dollar number, and look at an \$8 million contribution to capital account, one is looking at a very insignificant amount of money. It is infinitesimal. The slightest fluctuation in the equalization programme can distort the whole picture.

MR. SMALLWOOD: Absolutely it is a large amount, relatively very small.

MR. DOODY: That is right. If the government of Alberta decides to lower its tax - if it can find the tax tomorrow our equalization formula switches and we get less payment from Ottawa. It is eggshells.

MR. ROBERTS: Equally if Ontario increases their taxes.

MR. DODDY: Exactly, exactly. And so the \$8 million contribution is what we ended up with. It is not a sizable amount in terms of the huge budget that we have in terms of actual cash. It is a large amount of money. But if you look at a \$20 million deficit, to turn that around you are talking about a \$40 million switch. That in this province, even in this budget, is a huge amount of money. That is the situation. The impact, as I say, then on switching from capital to current account is not a very sound reason from where the people sit in Stephenville. It is not a very sound or rational reason for the people who are looking at the phasedown or the closedown of the mill. It is not a very happy position to have to outline to this hon. House. But, Sir, if we are to have some responsibility for the future and some responsibility for the fiscal position of the province and some responsibility to our province as a whole, then this decision has to be taken and I am prepared to undertake to announce it.

Now, Sir, we had to weigh the social and economic situation which the closing of the mill will cause in the areas affected, against the provincial responsibility of government. That, Sir, was not an easy decision. As hon. members opposite and hon. members on this side of the House know and can appreciate the agony and the agonizing that went into the decision.

I spoke earlier, Mr. Speaker, of the \$55 million figure and of the sensitivity of the figure. That number, Sir, incorporates the assumption of rising mill nets, \$188 in 1977-1978 to \$268 in 1979-1980 which is a compounded annual gross rate assumed for mill nets of almost 20 per cent. That is in the historical history of the mill a very, very optimistic forecast. It incorporates the assumptions of generally declining cash operating cost. As a matter of fact, it incorporates a compounded annual decline of about 2.6 per cent in operating costs at the mill over the next three years. It is difficult

MR. DODDY: to imagine in these days of rising costs and rising expectations that costs are going to go down, but these are the experts' figures so we accept them and build them into the \$55 million. But as I say, they result in conservative estimates of cash requirements. On the sensitivity of that \$55 million. Sir, as it applies to the cash position of the province, just one per cent of the variance in the sales volume or the mill nets represent approximately \$300,000. A one per cent variance in the 1977 - 1978 \$55 million cash operating costs represent approximately \$460,000. So the sales volume is down, say, 3 per cent, it is going to cost another million dollars. Three per cent is not a great sales variance in any business. If the costs only go up 2 percent and the company is expecting them to decline, and assume that they decline 2½ per cent, so even if they stay constant you are looking at 460,000 times two another million dollars.

So, as I say, Sir, the down side risk to the province and to the province's financial position is a huge risk and a risk that I do not think that we are prepared or able to accept with any degree of responsibility, with any degree of clear conscience.

Now, Sir, with these numbers and these choices and these options and these unfortunate facts and figures and statistics in mind, we headed once again, as is the usual procedure in this province, to visit our good friends in Ottawa. We explained to them the situation as it is. We presented to them, Sir, the preliminary Advisory Board Report.

MR. DOODY: We presented to them the numbers, simplistically as they can be interpreted, \$10 million a year for three years and we may possibly see some light down the tunnel. But we wanted it front-end loaded. We needed the \$30 million this year because this is the year where it hurts. This is the \$54 million-\$55 million year. We met, the Premier and I, with Mr. Jamieson and Mr. MacDonald to explain the situation to them in great detail and I cannot help but say that a more responsible, receptive and sympathetic audience was never granted to anybody. Mr. Jamieson in particular was magnificent. Mr. MacDonald summoned in his officials and told them to try to find a way out of this dilemma particularly for this year. And they went to work on the numbers and they went to work on them very quickly. They dropped everything because of the time constraints our budget was delayed. The people in Ottawa understood that and they understood the impact on the employment situation. They knew what the employment figures were in the Province. As a matter of fact, the amount of information that they had about the Province and the mill was absolutely astounding.

Some of the finance people from the advisory committee, some of the industry people, went to Ottawa shortly afterwards with people from finance here to explain the figures in detail with the IT and C people and the finance people in Ottawa, and went over the projections and the costs and the problems. And as I said, Sir, our request was very simple but it was very expensive. It was a grant of \$30 million to get us over this year's budgeting problem at the mill and indirectly the problem in the Province, and give us a breathing space to look at next year because by that time the advisory board may possibly, hopefully, have come up with possible alternative suggestions for operating the mill or indeed any one of a number of things may have happened in this. Unfortunate but true, the people in Ottawa were not in the position to help us. I do not say that in a manner of trying to blame them or criticize them. I understand their position although I would have preferred

MR. DOODY: to have had the money, obviously, just as every other Newfoundlander would have.

Mr. Jamieson particularly took a very active interest in this. I remember him learning of a sub-committee Cabinet meeting to discuss Labrador Linerboard Limited while he was in Burgeo, and he left the meeting in Burgeo to be at that meeting himself so he could present Newfoundland's case. But unfortunately the officials in finance and IT and C in going over the costs, the history, the sales projections, the marketplace- and they have an overview of the market place in Industry Trade and Commerce and in the woods industry and the forest industry because of the huge Canadian involvement. They could not recommend that our request be accepted. There are various mills in Canada in trouble today and they had, as they explained, if they could see some light at the end of the tunnel they may be able to find a way to justify advancing the money but they could find no way. And I honestly believe they tried.

Mr. Speaker, the outcome of that trip was-I heard somebody in this House refer to as a bail-out trip and I did not comment on it at the time, but the simple truth of the matter is that is exactly what it was. We went to Ottawa in the hope that we could be bailed out of this one but they could not find any rationale under which to bail us out.

Mr. Speaker, a mill whose costs of production are in the \$400 area and whose returns are in the \$200 area cannot continue to operate. I know, Sir, that it will be said that we are at the mercy of the gnomes of Zurich or the barrons of Bay Street or the something or others of Wall Street and I think that that is probably true, Sir.

MR. DOODY: We have to present a responsible position, and as I have said earlier, that is scant consolation and cold comfort for those people whose jobs are endangered. But cut it as you will, Sir, the fact remains that the Province, this Province, the Province of Newfoundland and Labrador cannot afford this kind of operation.

It has been estimated that the cost per job at the mill, assuming 640 people working, and taking interest, debt retirement payment, cost of production and so on, it would work out to this Province in excess of \$80,000 per job. It is just not reasonable. If we managed to get the mill up and the woods operation going, and brought the numbers of people employed to 1,800, the costs would be in excess of \$30,000 per job.

What is the total cost per ton to make linerboard? About \$400. What is the cash cost per ton to make linerboard in 1977? \$325 a ton. What is the mill net return to the mill projected? \$188 a ton. What is the total cost to government to date operating? About \$100 million. Debt and interest \$255 million. The Province will be repaying, as I said earlier, the principal and interest on the Hessische and Lazard debt until 1983-84, and that totals now - the balance outstanding on interest and principal is about \$80 million.

I know, Sir, that this is a very difficult time and a very difficult position to place a group of conscientious and hardworking people in. I know perhaps more than anybody on this side of the House, or perhaps as well as anybody on this side of the House, how hard the people at the mill worked, and I speak particularly of the unionized people, strangely enough. I do not know why that should be strange, but it appeared to me in the meetings that I had with them out there that they were more dedicated to the survival of that mill

MR. DOODY: than any other segment, of management, or of the town, or of any other group that I met with. They just would not accept the fact that the work, and the hours, and the time, the trades that they have learned, the effort that they have put in, should go down the drain. That is why we went - and of course we did, we did not accept our own numbers or our own figures - and had this report done by the Advisory Board. As I have said, it is a preliminary report but the numbers in it are inescapable.

It has been suggested that, Why not take the wood from Bowaters? Why not take the wood from Price? Why not? There are several reasons why not, Your Honour. The viability of two towns: Would they be affected? Would Bowaters be adversely affected if government walked in and took some of their wood rights? I think it has been no secret. Hon. members opposite and hon. members on this side of the House know that from time to time Bowaters have expressed some concern over their continued operation. I would not want to be responsible for endangering the operation in Corner Brook. I would want to be very, very sure that the thing could be made to work in Corner Brook before I took any strong-arm steps in that direction and toward that end. As I say, the Task Force on woods study is ongoing under the direction of the advisory group and it is made up, not only of people from industry, but there are also people from federal and provincial forestry, government people, on that Task Force.

Quite apart from that, Sir, of course, we have agreements, statutory agreements with these two companies. One does not walk in and tear up statutory agreements and still expect to have any respect either in the business, or the political, or the social

MR. DOODY: or any other community in the
Western World.

The people at Price and
Bowaters have, Your Honour, been co-operative up to the
point of jeopardizing their own operations. Whether or
not their own operations could or would be jeopardized
by an exchange of wood rights remain to be seen.
Hopefully that

MR. DOODY:

will be demonstrated during the next four to six months. A cost benefit analysis was prepared and presented to government and this was done some time ago. Speaking with members of the Opposition on Friday, I undertook to get the background on that study for them. I spent the weekend trying to locate it and unfortunately I have not been successful as yet.

MR. ROBERTS: (Inaudible.)

MR. DOODY: They may or may not be. They were done some time ago. Their conditions in sales and in mill nets and so on have worsened and the numbers of people employed have become less. And so I would suspect that the update will show a more negative cost benefit result than the one that we have had. But I think it was the rationale leading up to these decisions that were of more interest to us than the actual numbers themselves. But as I say, during our discussions on Friday with members of the Opposition that was one of the points which I undertook, one of the pieces of information which I undertook to provide and which unfortunately I have not been able to get and I can only apologize.

I might say this government has tried to provide as much information as possible to hon. members opposite in preparation for this debate because the importance of the debate to the people in the areas affected is immense. I would much rather have hon. members on both sides properly armed and properly equipped. As I have said the advisory group studies are ongoing not only in the woods studies but in the conversion option. And they have looked at some alternatives and have felt that they are not economically feasible. They have rejected several options, including newsprint, on the basis of market forecast and conversion costs and production costs on accommodation of these factors. And so the major options presently under review are linerboard and variations of Linerboard such as sack, bag paper, white top, mottle board, semi bleached craft pulp or fully bleached

MR. DOODY:

craft pulp, wood-free commodity grade paper fully bleached, which would appear on the surface to have small employment content in the woods operations of the Province but could perhaps be an option for the mill. As I said, these studies are ongoing and well, if it is not possible for the advisory board to conclude an economically viable alternative product line exists. The board is currently investigating, with the aid of independent consultants, the most promising alternative product line which potentially could be economically viable. If such a product line is found, then, Mr. Chairman, we will certainly examine it very carefully and do whatever we can to put it into effect. I am not trying to raise the hopes of anybody in this particular situation because I have no facts to substantiate optimism. But as I said, I have hope.

Mr. Speaker, this Province has financially supported this mill for the past four years in recognition of the fact that a new operation requires a start-up period in which to resolve production problems and efficiencies, to develop a presence in the international marketplace, and to develop the most economical sources of supply for its cost elements of production, it is not possible, Sir, for anyone to claim this government has not allowed this mill a sufficient period in which to demonstrate its capability. However, no government can longer justify further financial support when studies by government both federal and provincial, by independent consultants, by industry and finally by the special advisory board to the company all conclude that the mill in its present state is a non-viable operation. This government has explored every possible avenue to enable it to continue operations.

MR. DOODY: It has engaged the best independent consultant expertise available. It established an advisory board, composed of the best management expertise available to evaluate the operation, and gave it full operational control. It requested and received evaluations and recommendations from companies in the industry, and government officials have spent an enormous amount of time in analysing every aspect of the company's operations. The result has been unanimous agreement that the mill was, and is, a non-viable, long-term operation.

This government, as I have said, then approached the federal government to determine whether the federal government could provide financial assistance to maintain operations, but the federal government was unable to find rationale to supply the necessary economic support.

Mr. Speaker, this government does not want to close the mill, but it can make no other decision if it is to exercise its responsibility as the government of the Province. Continuing operations would have forced this government to either increase the tax burden on the people of this Province, or to bring down a budget which, as I have said, would have had an unacceptable, large, current account deficit. A deficit current account in this Province, is clearly, unacceptable.

MR. SMALLWOOD: It would be disastrous.

MR. DOODY: It would be disastrous. That is right. The disaster in Stephenville, I think, Sir, could be multiplied throughout the whole Province if this had happened.

MR. SMALLWOOD: I would not wish the minister to assume, from what I said, that I am in agreement with his argument on the mill. I say, just of its own, by itself, a current account deficit for Newfoundland, at this stage, would be a disaster. I agree completely.

MR. DOODY: That is right. And the dilemma, as I have said earlier, Mr. Speaker, in this Province is trying to separate the cost of the operations of the mill and the servicing of the debt from the budget of the Province, it was an impossible proposition. The two are inexorably tied. You cannot separate them. We tried every God knows which way to do it. We tried to find some way to separate Labrador Linerboard Limited out of

MR. DOODY: the budget area problems of the Province, or the budget area challenges of the Province. But the simple fact of the matter remains that it is a Crown corporation, and the Crown has to accept responsibility for it. And the Crown, in this case, is the Government of Newfoundland, the taxpayers of Newfoundland, the Province and the credit of Newfoundland. And accordingly, Sir, this government has come to the only responsible conclusion possible under the circumstances. And that is, Sir, as I announced earlier, to shut down the company's operations over the next three to four months. During this period, the wood and other production materials will be converted to finished product and those people employed by the mill will have a three to four month period in which to seek alternate employment. During this period, the Advisory Board will finalize its report and complete its analysis of possible economically viable alternative product lines.

The federal government has indicated a willingness to assist the government of Newfoundland and Labrador and the Advisory Board to evaluate the economic feasibility of converting to an alternate product line, and the government has certainly and gladly accepted their offer of assistance.

This decision has probably been the most difficult this government has made during its term of office. It was a difficult decision forced on government by the necessity of exercising its financial responsibilities after it had exhausted all other options, Your Honour. We may, perhaps, be faulted for keeping the operation going too long in terms of pure financial considerations. This may be true, Sir. Sir, we had to be aware, also, that the main concern is this, and I suppose, in all major and minor decisions of government, has to be the people involved. The effect of government decisions on people, straight accounting, straight financial decisions, are fairly easy to make. When the lives of people are affected, as they are here in this decision, then, obviously, the decision becomes that much more difficult, when, indeed, Sir, it takes on an entirely different aspect, an entirely different dimension.

MR. DOODY: But, Sir, in the final inescapable analysis as demonstrated by the various groups who have studied the problem, the major overriding consideration had to be in the context of what is best for this Province as a whole, and of the future of the Province.

Many hundreds of people will be affected in the areas mentioned by the closedown decision. The entire Province would be adversely affected if it were to remain open. I have stated, Sir, that it is hoped that the effect on the area will be as short as possible and to this end the various levels of government have already taken the first steps to find alternative employment for those people affected.

It must seem strange to some that we are taking this sad decision at a time of record high employment in our Province, but Sir, the answer to the problems of this Province is not jobs at any cost. That is the road to ruin. The answer has to be jobs that are productive and that add to the economy and not put further strain on our already overburdened debt position.

Mr. Speaker, various parts of our Province had undergone social and economic shock before and have endured, certainly Stephenville will endure. The amount of money that this Province have invested in the mill has been a major demonstration of our concern over the faith of the people and of the town. I do not think the tragedy is as great really as has been experienced by some other parts of the Province in the past. I know once again that that is scant comfort to the people at Stephenville.

Mr. Speaker, there is little more that I can add at this present time. I have demonstrated to the best of my

MR. DOODY: ability the options that government was presented with, the options that remain open, the eventual cost to government as the projections demonstrated, the actual cost per job to the people of the Province, the total cost to government to date, the total cost to government in the future.

I know that there will be numerous questions asked, numerous charges presented, we should do our best to answer them, Sir. But I can only say with a feeling of profound regret the responsibility for the statement that I have made here this morning, the argument that I have presented has not been an easy one but I can think of no other way of preserving the financial integrity of the Province under the conditions that we find ourselves in at the present time. Thank you, Sir.

SOME HON. MEMBERS: Hear! Hear!

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

MR. ROBERTS: Mr. Speaker, we have all listened with the greatest of interest to the minister's statement with respect to the motion now before the House, and I do not think anybody in the House - and I know that nobody on this side - has any joy or any happiness in any degree with the situation which confronts this Province today with respect to Linerboard Limited, the Linerboard mill, the situation which was outlined by the minister and which has emerged from the other documents and statements which have been made.

I appreciate very much, Sir, the way in which the minister has gone at this matter. I think he gave the House quite a deal of information, some of it perhaps was new to many of the members; some of it in fact was new to me, and I have made a study of the Linerboard mill and tried to keep abreast of it. I think that the minister should also be complimented, and I wish to do so, because of his willingness to allow a number of his officials, and I gather the Premier concurred in this

MR. ROBERTS: decision and I would thank him as well, to allow a number of his officials to meet with us in the Opposition, and on Friday past in the afternoon we spent two or three hours, the minister and one of his colleagues, the Minister of Manpower - they have changed it again - the Minister of Labour, I guess he is called now, but the gentleman from Menihek (Mr. Rousseau), in any event,

Mr. Roberts:

together with two or three of their senior officials, and we asked a number of questions, and I think they were all answered as best they could be. I want to record that we did not ask any questions at that meeting that were not answered to the extent possible. Now because of the groundrules that were established and they were proper groundrules they were established by agreement between the minister and myself - we did not get into policy decisions or into areas of controversy, but questions on facts, questions relating to some of the financial statements arising out of some of the documents that had been tabled and made public. They were asked, and they were answered. And I do want to say to the minister that we do appreciate it. I think it is enabling, or that it will enable the discussion here in the House to proceed with a great deal more information on both sides, and accordingly, I believe, will be a great deal better discussion.

Similarly, I think, the minister's approach was one that I welcome. He could have come into the House and made a different type of speech, and he perhaps may have thought of that. If so, I am glad he rejected it. We are accustomed to Mr. John Crosbie, and I do not like taking swipes at those who are absent from our midst, but since I said the same things when he was here I will be pardoned I hope for saying them again. Mr. Crosbie made a number of speeches on Linerboard which were filled with vitriol and vituperation and which cast considerably less light than did the minister, if a great deal more heat. Mr. Crosbie was a master and perhaps is a master of vitriolic and violent and vicious debate. That is the man's style. I do not hold that against him, because he always stood up quite publicly and said what he had to say. He also said it equally publicly outside the House, behind the curtain, and other places. But the result of his speeches was inevitably to increase the temperature of the debate without in any way adding to the lucidity of it. And I would think that is just the approach we do not need in this debate. I think that the situation which confronts the House and the Province

Mr. Roberts:

now is a very serious one, and one that requires the earnest attention of all members.

A number of my colleagues intend to speak in the debate, and they will speak with passion and with conviction because the matter for some of them is particularly close to home. My friend from Stephenville (Mr. McNeil), my friend from Port au Port (Mr. Hodder) and my friend from St. George's (Mrs. MacIsaac) have all lived with the Linerboard Mill in a very real way in the last two years since they sought election to the House and were returned by the people of their constituencies to be the members for those districts. They have lived with it in a very real way, and, of course, now they must live in a very real way with the catastrophic results which will come from the government's decision to close it. And in human terms these are the three members who more than any others, Mr. Speaker, will have to live with it, day by day, the tragedy of having districts whose people have seen their lives shattered, what they believed were secure futures, futures on which a man could plan, on which a man could plan to raise his family and buy his home and all the things that are so much part of what we all want for all of our people. Those dreams, Sir, have been shattered, and it is far worse, Sir, to have a dream shattered than never to have the dream at all. The effect of the mill coming into Stephenville in the last three or four years has been to give that town a new lease on life. And I think that lease on life is extended to all of Bay St. George. And it is the three members from these districts, Sir, who more than any other will have to be there to pick up the pieces. I am glad they are there. Each of them, I know, has a very real and a very genuine concern, and a very real conviction and a determination to do what can be done.

They will speak in the debate, Sir, and I think that we should all listen with great care to what they say. They know a great deal about this mill, a great deal about the way in which it has been run, and a great deal about the situation which confronts it

Mr. Roberts:

now, and a great deal about the prospects of it. And they have a great quantity of very valuable information. Some of it I will touch upon. But even the material which I touch upon I hope will be expanded upon when my friends speak in this debate, and there are other members on this side, Sir, who I think have quite a bit to bring to it.

Mr. Roberts.

The overall situation, Mr. Speaker, in my view is a tragedy that need not have happened. It is a tragedy. That is beyond argument. We have a mill on the West Coast now which is the economic life's blood of an area of 25,000 people, because really the mill is the only significant economic activity between the Port aux Basques area, the upper part of the Codroy Valley to the South, and Corner Brook to the North. There is nothing in that great stretch of coast; that great stretch of this Province. There is nothing of significant ongoing economic activity, basic productive activity except the Linerboard mill, and the economic benefits that are generated from it.

Equally in many other parts of the Province the Linerboard mill was of significant impact, in my own district in the community of Main Brook and in the community of Croque, in the district represented by my friend from Baie Verte - White Bay (Mr. Rideout), the Roddickton area, in Lewisporte district, in Green Bay district, in Labrador itself, particularly in central Labrador, in the district represented by the gentleman from Naskaupi (Mr. Goudie). All these parts of our Province, Sir, will feel very directly and very severely the effect of the government's decision, and I do not say that in any pejorative sense, I say that to set the frame. I do not want anybody in this Province to think that the decision to close Linerboard is only hurting Stephenville. It will hurt every part of this Province. It will hurt the areas that I have named directly, and there may be others. It will also hurt every single citizen of this Province. I have heard of people here in St. John's in the last week or so say, in effect, "Well, the devil with them. You know, let them go if it is going to cost that much money." And that is a very understandable attitude perhaps, but it is a very narrow and a very short-sighted one and ought to be condemned. This Province is not so big that we can afford the luxury of standing by and watching one part of it go down. What affects one affects all.

MR. DOODY: No man is an island unto himself.

MR. ROBERTS: My friend the Minister of Finance says, No man is an island unto himself. And I would give him the second part of that couplet from John Dunne, Ask not for whom the bell tolls / It tolls for thee. And that may well be. It may well be the tolling of the knell. I do not think the minister had any joy in the speech he gave, but I, in my eleven or twelve years, whatever it is now, as a member of this House, have never heard or read of a minister who - he did what he had to do; he did what he must do - but gave such a confession of failure and a complete dirge. I do not want to get into the kind of angry, heated debate that I do not think would serve the purposes of the House or the people, but if I could - or I mean to say if I would, if I wanted to, I am sure I could. There is certainly a lot which could cause anger back and forth. The minister in turn, and his colleagues, would probably find some angry points to make as well. But I do not want to be angry. The minister did not set out to be that way, and I will respond in kind, because I think it is the right way to go. But I think the minister will agree that his speech was as mournful a dirge as was ever given by any minister in this Province perhaps with the single significant exception - there may be two. There was a budget brought down in 1932 or 1933 - my friend from Twillingate would perhaps recall it - where the education vote was cut in half, from \$1 million to \$500,000 a year.

MR. SMALLWOOD: No.

MR. ROBERTS: Was it not?

MR. SMALLWOOD: If my friend would allow me. I remember it so vividly. It was cut from \$1 million, which it had been for about two years, back to three-quarters of a million dollars, and the following year, a new administration were in headed by Mr. Monroe and it was then cut to half a million dollars.

MR. ROBERTS: My friend from Twillingate, whose knowledge of the period is infinitely greater than mine, I thank him.

Mr. Roberts.

The Minister of Finance who made that budget speech was giving a dirge that perhaps was comparable and then, of course, there was the day in history when the then Prime Minister, the late Mr. Alderdice, Mr. Frederick Alderdice moved a bill that, in effect, put the colony or the dominion, to use our correct title conferred upon us by Westminster, the Dominion of Newfoundland out of existence. But short of that I think this speech the minister has given, you know, will rank - and I do not say this to be unkind to the minister. I do not think the minister wanted to make this speech. I think he did what he had to do. He has done his duty.

MR. SMALLWOOD: He is not the one to blame.

MR. ROBERTS: No, my friend -

MR. SMALLWOOD: The one to blame is not here.

MR. ROBERTS: My friend from Twillingate has some strong views as to who is responsible. I have strong views, and they are not that different from my friend from Twillingate's.

Mr. Roberts: but the fact remains that the Minister of Finance has inherited a situation from his predecessors, and has done what, I believe, he believed he had to do. And I do not fault him for that. I may fault what he has done, but I do not fault the way in which he has done it.

As I have said, Sir, I think, the whole story of the Linerboard Mill is a tragedy, a tragedy that need not have happened and a tragedy for which the present government are fully and completely responsible.

Now the history of it is well known, Sir. The minister did not go into it in detail, and I do not need to as well. He referred to the original legislation which was enacted here in this House back in 1966-1967. It was amended in 1968. The legislation was quite straightforward. It enabled the government to enter into certain guarantees. My friend from Twillingate (Mr. Smallwood), who was Premier at the time, will speak of it in, I understand, some detail and give the House some information because I would hope my friend for Twillingate, and I understand he tends to do this, will knock on the head once and for all a foul and a base canard that has been spread about this mill. And that foul and base canard is that the original project was ill-conceived, that the ill-product - the original project, I am sorry, was entered into without adequate and thorough study. You can always, I suppose, Mr. Speaker, say that additional studies ought to have been done. You can say that additional studies ought to have been done on anything that was ever undertaken by anybody.

But the original document was well documented, and that is not something I am making up or something I am advancing as an opinion, Sir. That documentation was made public here in the House.

The Hansards of the periods in question of the debate on the original bill are not available. They have not been printed. They are presumably typed - now I am referring, I say to my friend, back in 1967. The bill was enacted - it was enacted as Act No. 44 of 1966-1967 and it received assent on April 25, 1967, so it is reasonable

Mr. Roberts: to assume that the debates were in March and April 1967. And I am told that those Hansards are not available.

But as I recall it and other hon. gentlemen who were in the House at that time will recall it, I am sure.

MR. SIMMONS: The typescripts are done.

MR. ROBERTS: Yes, my friend from Burgeo-Bay d'Espoir (Mr. Simmons) says, "The typescripts are done", but we have not had access to them. I hope we will be able to get either them or the newspaper cuttings in due course. But - the minister has the typescripts of the original debate there?

AN HON. MEMBER: No, but I saw them though.

MR. ROBERTS: That is good. I would like to see them. But as I recall it, and I think my memory is very good on the point, the original bill, which became the main Melville Act, was amended subsequently to increase the amount involved, but that did not change the principle of the bill. The original bill was sponsored in this House, in a ministerial sense it was a government measure, of course, - by three gentlemen, three of them, The Premier, as I recall it, spoke very briefly in that debate. The burden of the bill, the burden of explaining the bill and explaining the project, was undertaken by three ministers; the then Minister of Justice, who is still the Minister of Justice, he has undergone a transformation, I would not call it a reformation, but he has gone a transformation since that time.

MR. NEARY: The three blind mice.

MR. ROBERTS: The then Minister, I guess he was, of Municipal Affairs and Housing, Mr. John Crosbie, who has undergone several transformations, not of which can be called a reformation.

MR. NOLAN: Political resurrection.

MR. ROBERTS: And the then Minister, I believe, of Labour - he may have been Minister without Portfolio at that time -

MR. SMALLWOOD: Minister without Portfolio.

MR. ROBERTS: Minister without Portfolio at that point in time, Mr. Clyde Wells, then the member for Humber East. Mr. Wells subsequently, at least for the time being, has retired from active politics, No doubt

Mr. Roberts: he will be back again, and I hope he will be, but he has withdrawn from active political life, and that he retired before the 1971 election, retired from his seat and has not contested an election since. He may. I hope he will.

But if one were to read those speeches, Mr. Speaker, one would see in some detail, and the minister, if he has them there doubtless has read them through, and has gone through them - and see in some detail the original project as it was conceived. I do not intend to go into the details of it, because I do not think it would very much help the point of this debate, but I do want to say, and my friend from Twillingate (Mr. Smallwood), I hope, will say it in more detail and with more explicit knowledge, that the original

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project as it was outlined then was as well conceived as any of the projects which have come before any Legislature in this country, It got the support, I believe, of every member of the House at that time, Opposition and Government alike. And my friend from St. John's Centre (Mr. Murphy) was sitting in Opposition then. I do not think he was Leader of the Opposition. The then member for St. John's East (Mr. Ottenheimer), who is now our Speaker, was the Leader of the Opposition. But - my friend from St. John's Centre (Mr. Murphy) can correct me if I am wrong - as I recall it every member of the House - there were probably thirty-nine to the Speaker's left then and three to the Speaker's right at that point in time - every member of the House voted in favour of the original Melville agreement. My friend nods acquiescence.

MR. MURPHY: The reason I gave the other day is that you would be something less than patriotic if you did not. This is straight fact.

MR. ROBERTS: The minister did what he believed best -

MR. MURPHY: That is all.

MR. ROBERTS: - and I respect him for that, and I do not quarrel with his reasons.

We who were on the government side - I was not in the government; I was a backbencher as was my friend from Conception Bay South (Mr. Nolan), and my friend from LaPoile (Mr. Neary) and my friend from Fogo (Capt. Winsor) - we voted for it for essentially the same reasons, that we believed it was the right thing for the Province to do, and, you know, there is no quarrel with the minister's decision.

MR. NOLAN: And our friend from Burin - Placentia West.

MR. ROBERTS: Oh, I am sorry. My friend from Placentia West (Mr. Canning) - or now Burin - Placentia West; he was then the member for Placentia West - was also, of course, a member, and voted for it, all because we believed it was the right thing to do.

Mr. Roberts.

Well, the mill project went on from its beginning in 1969 - or 1970 I guess the actual construction began - and in May of 1972 the government took it over. They took it over essentially in the circumstances the minister outlined. If it were of any value I could quarrel with some of the minister's statements, but I do not see much point in it. I think they are matters of emphasis and matters of degree. The fact remains that in 1971 or 1972 the mill had not been completed. It was well under construction, and there were considerable difficulties in raising funds that were going to be necessary to complete it. We had kept the mill construction going, and we had advanced considerable funds to the mill project. I understand - and I am speaking from memory - that at the time the government took over the project in May, 1972 there was about \$100 million invested in it. The government of the day, the present administration, assumed two things. First of all, they assumed the debt. Now the debt at that point was composed, as I recall it, of money which had been borrowed from German banks. There were a number of loans. I call them for convenience sake, the Hessische Landesbank loans. They were German loans that had been incurred under the authority of the legislation, and I have a repayment table here for them. I do not think there have been very many repayments on them, but those loans were assumed by the government. They had been borrowed originally by what was called Melville Pulp and Paper, or as it subsequently became, I believe, Javelin Paper Company Limited, the same company by another name, and they had been borrowed under government guarantee.

So the government undertook the servicing of these loans, something for which they were responsible anyway. And then there was also an amount of \$24 million or \$25 million which the government had lent, as the minister said, directly through the Newfoundland Industrial Development Corporation. And that is money which was advanced over the Spring and Summer of 1971. And if it had not been advanced,

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the construction would have halted. The money was advanced, as I recall it, about \$1 million at a time. And in any week in which the money had not been advanced, construction would presumably have come to a halt.

MR. NEARY: Thirty million dollars in December, 1971.

MR. ROBERTS: Yes. The \$30 million which again was from a German bank - I think the Dresden Bank, if I am not mistaken. I have a vivid recollection of a number of events connected with that, but there was also another \$30 million, most of which I would remind my friend from LaPoile (Mr. Neary) was destined to be used to repay the \$24 million which the government had advanced. And in fact that is what happened. When the present administration came into office, they found that that \$30 million was secured under what amounts to a form of lock and key.

MR. NEARY: It was held in trust.

MR. ROBERTS: It was held in trust by a lawyer here in town who was acting for the Javelin interests, and by the then deputy minister of Justice, Mr. McCarthy. Two signatures were needed before a cheque could be drawn against that amount, and I have no hesitation in saying that Mr. McCarthy would not have drawn the cheque unless he felt it was right and proper so to do, and I have no doubt that the lawyer acting for Javelin equally would have protected his client's interest. So the money was in the kitty, and it was used to pay off, as it was intended to, the \$24 million. And then

MR. ROBERTS: the rest of it went into the project along with a lot more dollars. The point I am making, Mr. Speaker - and it is such a vast project and the sums of money are so vast and there has been so much history on it that it is difficult at times to how directly to the points that one wishes to make - the point I am trying to make here in that when the government took over the mill they assumed the debts and they also assumed responsibility for completing it. They did so with the support of all members of the House. We criticized on this side some aspects of the legislation. The Hansards will make it quite clear the position we took at that time, but we did support the legislation. I think we supported it because it was the only course we could see, because we believed then, as we believe now, that this mill can be made to operate profitably. And I will put quotations about "profitable" because I will come back to that. We also believed then, as we believe now, that the mill must be made to operate. The government felt they had to take it over. We were not the government. We had been quite decisively told by the people of this Province they did not want us to be the government; instead they wished the hon. gentlemen opposite to assume the responsibility of being the Queen's government. We felt that government had the right to carry out this plan and we for our part supported them, not that it would have mattered in that there were, I believe, thirty-four members supporting the government and there were eight in the Opposition. We would not have defeated them in the House on the issue. Their move to take it over was - what? - within a month of the election. The election, I believe, was April 1972.

MR. NOLAN: March.

MR. ROBERTS: March 1972 and by the end of May, sixty days later, they had put the necessary legislation through the House and had taken it over. At that stage the government's investment, the public investment was about \$100 million. Whatever the Javelin Company had invested in it, and they claimed to have invested quite a deal of money,

MR. ROBERTS: but whatever they had invested in it was gone with two exceptions: First of all the Javelin interests were paid \$5 million for their "equity," for whatever their rights were worth they were paid \$5 million. Additionally, the government and Javelin in the agreement which was made part of that legislation undertook to reimburse Javelin for certain expenditures which Javelin had incurred and those came, as I recall it, to about \$4 million or \$4.5 million and there was a provision that if there were further expenditures which Javelin claimed, but which the government were not willing to accept, the matter would be referred through to arbitration. I understand that has happened and has not been settled.

MR. DOODY: It has been settled.

MR. ROBERTS: No, it is before - There have been a couple of court actions and some points to be resolved, but I understand that the matter has not been settled. There is still, if you wish, Mr. Speaker, a contingent liability on the Province of several millions of dollars if the Javelin claims are accepted under the terms of the arbitration process. Now I do not know whether they will be or not, and I really do not care. I mean, if the Javelin Company have a legal right to receive some money they ought to receive it, and if they do not have the legal right then they ought not to receive it. That is quite straightforward.

The government undertook the money, as I have said, Mr. Speaker, and if they had walked away from it at that point, if when this government had assumed office after their victory in March of 1972 they had walked away from it and just said, "All right it is a horrible error. It is a diastorous mistake. It ought never to have gone ahead. It will be a monument out in Stephenville just like the monument on the Terra Nova River just above Glovertown." My friend from Terra Nova has doubtless seen it many times, a pulp mill, a great concrete shell. It is a three or four storey building. You cannot see it from the main road but if you drive down through Glovertown, where the road goes from Glovertown into Glovertown South

MR. ROBERTS: and crosses the Terra Nova River near its mouth, you can see quite clearly this immense building, immense building that was begun back in the twenties -

MR. SMALLWOOD: Blackstad.

MR. ROBERTS: It was part of the Blackstad.

MR. SMALLWOOD: Blackstad a Norweigan.

MR. ROBERTS: It was part of a project, as I recall it, to put a mill on the Gander. We had the Hum on the Humber and the Grand Falls mill on the Exploits -

MR. SMALLWOOD: No -

MR. ROBERTS: Am I wrong? My friend from Twillingate tells me I am wrong. Anyway whatever the reason for putting it there it was there and it never operated or if it operated it operated for a very brief period of time and it stands there now as a monument to something or other. Not a monument to progress but a monument to something not desirable.

If the government had decided not to complete the project, had decided just to walk away from it, to forget it, to say, "All right, that is something that the Liberals did, that Smallwood and the Liberals did,

MR. ROBERTS: We will damn them for it, will walk away from it." They would have left about \$100 million. Add \$1 million here or take away a \$1 million there but it would have been about \$100 million. The government did not do that, Sir. They were right not to do it. But they did not do it. They made studies, the minister referred to some of them here this morning, and they decided to complete the project and to operate it. They made it their project. It no longer was a project that had been conceived by others, and partially executed by others. It was a project that became a project of the present administrations. Now I am not here to debate history. I said we supported that decision and I mean it. We did support it. And I think if we had our time back I would probably vote again to do it. I think it was the only option which the government put before the House in my view, was a viable option.

But it was the government's project now and in the three or four - or the five years, in fact, since then it has been the government's operation. For better or for worse, for richer or for poorer, the government have made it their operation. They have not made it, to carry on the words, "till death do us part" unless it be the death of the Bay St. George area. They have not stood by it, and I will go further: It is my strong opinion, which I believe is supported by mounds and mountains of evidence, that the government of this province, the present administration, once they took over this project did not with heart and soul try to make it work. They did not.

They put a lot of effort into it. They put vast sums of money into it. I do not quarrel with either, incredible sums of money. Actually they have put in about \$175 millions by my figures over and above the \$100 million that was in it at the time they took it over.

MR. SMALLWOOD: It is of the order of \$92.5 million.

MR. ROBERTS: My hon. friend from Twillingate is going to be a little more precise than I am, and I hope he will speak in some detail when he goes into debate. But the present government then added over \$175 millions in monies they have put in the project. You cannot deny that, it is there. Every cent of it has been spent. Every cent of it is gone. It may or may not ever be recaptured.

MR. SMALLWOOD: How much of that would have been for -

MR. ROBERTS: I will come to that. I have some figures on wages, Mr. Speaker. The government did not really try to make it work, Sir. The whole history of the mill since - I am not speaking about before the government took it over. One can criticize that if one wants, have great sport with it - but the fact remains that the government took it over and in taking it over they made it their mill, their project. They were responsible. The whole history, Sir, of the five years since then has been a chronicle of mismanagement, a comedy of errors, and just a tragic tale of mis-administration, bad administration, mal-administration improper administration, just a classic example of how not to run an enterprise. I do not want to go into it in detail again because it is history but I will make a suggestion as to how I think it ought to be handled.

Let me just mention a few of the points and let me mention them briefly. Because, Sir, one of the reasons why we today are confronted with this tragedy, one of the reasons why we are looking at closing a mill that is the life's blood of 25,000 people, 25,000 of the people of this province, 5 per cent, five out of every hundred of our people. Why we are looking at a situation where a \$175 million is gone, irretrievably, and to hear the government talk little chance of getting it back.

One of the main reasons we are there Sir, is that this government did not do their job properly. The minister when he spoke touched upon the question of sales. He said it was one of the big factors. That is a very reasonable and a very correct statement for

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MR. ROBERTS: the minister to make. It is no good making the product if you cannot sell it. The minister said the mill was non integrated and that is true. It is one of the few linerboard mills in the world, in my understanding, that is not part of what is called a vertically integrated operation. An operation which essentially sees the linerboard sold to another firm or another part of the same firm that

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makes it into the boxes, the board that comes from linerboard and from corrugated paper when the two are put together. It is not unique. In the newsprint business many mills are integrated. The New York Times owns a mill, I think, in Chandler, Quebec. The Washington Post owns half the mill in - that Bowaters own in Mersey, Nova Scotia. I am not sure who has fifty-one or who has forty-nine. I think The Washington Post has fifty-one and Bowaters have forty-nine, but it is a joint venture with one side having, you know, a casting vote. Our mill was not integrated. It never has been integrated. To hear the government talk it never will be integrated now. So what did the government do knowing that fact, knowing it was essential? Not being integrated meant that we did not have our own market. We had to go scurrying around the world to try to find a spot sale here or a spot sale there or even a bit of a contract, maybe for three or four months. What did they do? Did they make any steps to try to get it an integrated mill or to work it into a system with others? Yes, they did, Sir. In fact, they had gone so far as to make a deal, a contract, an agreement, with one of the largest operators in Canada. The Minister of Finance named the MacMillan Bloedel people. He did not say they had a contract made. They may not have signed a document, but they had a deal made. A deal was made whereby MacMillan Bloedel - I suppose the giant of the forest industry in Canada, a very large firm with a great sales force, with great expertise, great knowledge - whereby they would undertake to sell the Linerboard mill's production. They would not have integrated it necessarily. They had their own linerboard mills as the minister mentioned.

But none the less they would have undertaken it in a serious way, and there would have been a commission in it for them if they had sold it, doubtless, and I am prepared to believe that they would have done an infinitely better job than did the government's other choice.

MR. SMALLWOOD: Was not the proposal not merely that MacMillan Bloedel would market the output of the mill but that they would manage the mill?

MR. ROBERTS: I say to my friend from Twillingate that there were a number of variations, but the government - Mr. Crosbie just refused to make information available. For awhile he tried to pretend there was no deal made, but that was exploded, and one of the points I am going to make a little later, Mr. Speaker, will touch upon this question of the sales contract, because I think it is very essential to the dilemma in which we find ourselves today.

Now I am not just being wise after the fact. If the Minister of Finance wants to go back to the relevant Hansards, he will see where all of the points I am making now were made, especially the sales contract, in the House time and time again by a number of us on this side, and asked very serious questions, because the government did not go through with the MacMillan Bloedel deal. They did not take the chance to get involved with a company that had a vast standing in the markets of the world, a vast international network of sales agents, a vast internal need for linerboard. Instead they chose to deal with a company that was incorporated for the specific purpose of selling linerboard mill product. It was a subsidiary of a relatively small corporation, the Rand Whitney Corporation, a reputable company as far as it went, but a peanut among the giants of the linerboard world, and a contract that was incredibly one-sided, incredibly one-sided.

It is not without great significance, Sir, that the first move that the advisory board took, as I understand it, when they were brought in last Fall to do whatever they were supposed to do, the first move was to recommend that the contract with International Forest Products Corporation be terminated, be wiped out. The minister told us the other day that there is now litigation. If the matter has been disputed it may well go to litigation, but the gentlemen who run IFPC are claiming more money than the government wish to give them. Well I am glad the government are digging in, and I cannot help but wonder, Sir, how much better the situation would be today for the Linerboard mill if the government had never got into bed with IFPC. And there are a lot of questions which ought to be answered, and which I hope in due

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course will be answered, but I do not think they can be answered here. I would like to see the full circumstances of IFPC's involvement spread right out before the public eye, because I have long been skeptical, and I have long expressed by skepticism. The minister said one of the reasons we went with IFPC was they did not have a conflict of interest. They

Mr. Roberts: did not have any interest at all. They never in their lives sold a ton of linerboard. IFPC was set up specifically for the purpose of dealing with our own Linerboard Mill. Rand Witney - I have not got the figures here, but we brought them out at the time - Rand Witney are a smallish company. Was it \$6 million a year they were selling? I forget the figures, but they were in the Hansard. They were a very small company indeed. And the whole arrangement just smelled, I will go further, it stank, and the stench is still with us.

For example, the minister then said, Well there was an undertaking to buy equity. And he quite rightly punctured that for the load of nonsense it was.

MR. DOODY: It was an undertaking.

MR. ROBERTS: Well it was an undertaking, but it was an undertaking in such wide and vague words as to be meaningless, and again at the time we questioned that. I remember the then member for Placentia East, Mr. Fintan Aylward, C.C., now a director, I believe, of Churchill Falls Labrador Corporation, saying, "Oh", and he saying "I have 104 years at the Bar" or whatever he had at that point in time. And Fintan Aylward is a very good lawyer indeed. But saying, "This is a great commitment by this great company." And, of course, Mr. Aylward is as well known as a staunch supporter of Mr. John Crosbie's, they practiced law together for a number of years, close personal friends, good buddies, he was obviously defending his buddy here in the House. But the undertaking by the IFPC people to buy equity was a load of nonsense and balderdash. And that was one of the reasons given by the government for entering into that contract. Well, that has been exploded. They have not put a nickel into that operation. In fact, Sir, and this is the other point about our friends at IFPC, they had a guaranteed minimum of 200,000 tons a year they undertook to sell, and as far as I know, they never made it. They never made it. But they had a guaranteed fee in return. And their fee varied, it was a little more for sales overseas than for sales in the States, but that firm got between \$600,000 and \$800,000 each year during their

Mr. Roberts: business with the Province whether they sold a ton of linerboard or not. Again the scale of losses is well beyond those amounts of money but let it be recorded, Sir, that that firm made a disastrous botch of the selling efforts. And the minister will have to confirm that because what I say is true. They came in, they got a lot of money. Perhaps \$600,000 or \$800,000, Mr. Speaker, is not a lot of money when compared to the overall losses of the mill or the overall investments sustained by the Province in the mill. But it is a lot of money to give to a company that has no experience, has no expertise in the business, no knowledge in the business, a company that had been selected over MacMillan Bloedel. And I have always felt that there were circumstances there that have not yet seen the light of day, and I hope they will, because, Sir, as I said the stench is around the sales contract, and we today are paying the price. Because one of the real reasons why Linerboard is in such desperate shape today is that the selling effort was never an adequate one or a proper one.

MR. SMALLWOOD: Yet the man does not even have to answer. He is not here any more.

MR. ROBERTS: Mr. Speaker, I am not saying that we could have sold, you know, 350,000 tons of linerboard a year, but we could have got a better price for it. I am not an expert in the linerboard marketing business, but I have talked to people who are, and they tell me, and they have told me consistently, that our sales effort was never a proper one, that these people who had been retained in these somewhat unusual circumstances did not know what they were doing and never made a proper effort to get out into the marketplace. They never sold the guaranteed volume. They got their guaranteed fee as far as I know.

MR. NOLAN: How much did they collect, do you know?

MR. ROBERTS: I do not know exactly but it was between \$600,000 and \$800,000 a year, and I think they get expenses on top of that.

MR. NOLAN: For how many years?

MR. ROBERTS: For four years. So between \$2.5 million and \$3.2 million went to that firm. And I would not regret that, I say to my friend for Conception Bay South (Mr. Nolan) if they sold the product.

MR. SMALLWOOD: If that is why they were practicing -

MR. ROBERTS: But they did not sell any product, and indeed they got the royal order of the boot as soon as a new crowd moved in to take them over. And the whole thing was highly questionable. It was questioned here in the House time and time again, and I am sure if Mr. Crosbie and Mr. Aylward and others who spoke in that debate in defence of it, were to read their words now they would hang their head in shame, Because the IFPC move was a desperately bad one, and it has had ramifications far beyond giving that money to that firm.

MR. NEARY: Did we ever find out the real owners?

MR. ROBERTS: No, I say to my friend for LaPoile, we never found out the real owners. The company is still not registered to do business in this Province.

MR. NEARY: It is registered in Boston.

MR. ROBERTS: It is registered

MR. ROBERTS: somewhere in Boston, in the States. And I made wide enquiries throughout the industry at that time and nobody had ever heard of them. The Rand Whitney firm is a reputable firm but a very small firm in the overall operations. I think they were selling \$6 million a year of product at that point on a broker basis or having a small mill of their own, and here we were talking of a mill that ought to produce say \$60 million, \$70 million, \$80 million a year worth of product. Sir, sales are the life's blood of a mill. If you cannot sell the product then you cannot make any money, and by retaining this company the government strangled that mill slowly but surely right from the start. The mill never had a chance because the government, for whatever reason - and I could speculate, Sir, but I do not know and so I will not speculate - but for whatever reason the government insisted on that firm despite all the advice they got, despite all the arguments that were made, and despite all discretion and all wisdom.

I would like to see that investigated, Sir, completely and fearlessly and frankly and totally. I think there are all sorts of questions of maladministration and I do not intend to go into them in any detail. The minister conceded that there would be a great number of these and I do not intend to bring them up at any length. Many have been raised and others we have never bothered raising. We had the case of the contract with the gentleman up in Baie Verte, a man who is not to be criticized because he lived up to his obligations, but that cost him - what was it, \$400,000? - bad management, a management error, \$400,000 just gone. We had the question of the political interference in behalf of contractors. Millions of dollars spent to subsidize or to keep going certain woods contractors, some of whom were politically allied with the present administration. Now ought they to have closed the woods operations and put people out of work? It can be argued that by keeping the woods operations going they were providing work in some of the rural areas of this Province. But, Sir, ought those charges have been charged

MR. ROBERTS: against the mill? Ought the venture, Labrador Linerboard Limited, be made to pay the price? I think that those charges should have been charged against a department of government and then if they were authorized by the House they could have been spent. But I say that there were several millions of dollars spent, and I believe my friend from Stephenville, he is not in the Chamber now, has documentary evidence to back this up. My friend from Port au Port, I think, and my friend from St. George's are familiar with it. Millions of dollars wasted to keep going woods operations for political reasons, though the reasons may or may not have been valid, Sir. You can certainly argue that they were, but there is no valid reason why those expenses ought to have been charged against Labrador Linerboard Limited, and they were.

The mismanagement of the Labrador woods operations - you could write a book on that, Sir. I am told that if the truth was ever to come out about the way in which Linerboard Limited ran their operations in Goose Bay, Sir, it would make Mein Kampf look like a beginners effort.

MR. SMALLWOOD: The way John Crosbie ran it!

MR. ROBERTS: Well, Mr. John Crosbie was Labrador Linerboard. He was Labrador Linerboard. He was the minister responsible. I mean, I will not go into the details from my colleague's mike but I would say there are millions and millions of dollars that were wasted in Labrador by the management, and the management in that sense was directly responsible to Mr. John Crosbie. I have seen a memorandum put to Mr. Crosbie in which-what? - forty ways of saving money were - I understand from the hon. member for Stephenville, forty ways of saving money were outlined, forty ways in which the government could save money at Linerboard and as far as we can find out none of these were implemented.

MR. SMALLWOOD: Because he was not in love with that mill.

MR. ROBERTS: I am told - One of my friends just passed me a note, Sir, that to show the sort of mismanagement - \$1.5 million in food

MR. ROBERTS: and other stores were in inventory at Goose when the shutdown came, \$1.6 million. I understand they have been disposed of by some sort of fire sale process, \$1.6 million. I know that the way the operation was run, there were people going out with wives for the weekends in Montreal, that was part of the deal, and all sorts of lovely fringe benefits and all sorts of strange goings on.

The shipping contract, Sir, ought to be looked at. The contract between Goose Bay and Stephenville ought to be looked at, and I am told that the shipping contracts out of Stephenville in the cases where the mill paid the shipping charges as opposed to others. Well, Sir, these are all -

MR. NEARY: I tried to get at the bottom of the other one too but -

MR. ROBERTS: Well, my friend did not get at the bottom because he could not dig deep enough in the mire that surrounded ~~those contracts~~.

Mr. Roberts.

those contracts. Now all this has been said before, Sir, and I do not intend to go over it again. It is all essentially history, but it is valuable history, because we are where we are today because of where we have come. One hundred million dollars - remember that, Mr. Speaker - in round figures, one hundred million dollars was the commitment the government took over in May of 1972. If the mill had been closed then, if the Premier and the administration had said, No, we are not going to do anything with it; it is a disaster; it is a mistake, it ought never to have gone ahead, and we are stopping it now, it would have cost about \$100 million give or take a million or two, a lot of money to give or take, but in the overall sum, it would have been about \$100 million. That is what we would have walked away from.

Today, Sir, after five years of this government's management or mismanagement of the mill, it is \$275 million - \$175 million, \$35 million a year each year for five years, and a large part of that I do not know how much, but a large part of it stems directly or indirectly from the way in which this government have run that mill. There has been political interference at every level. There have been decisions taken that unfairly increased the cost of the mill's operations. And the decision on the sales contract, which has never been justified in this House, never, the decision on the sales contract meant that the mill never had a chance on the selling end. And, of course, it is not just my opinion, Sir, nor is it just a new opinion. It is an opinion which many on this side have advanced from time to time over the last few years. It is also the opinion of a man like Mr. Sweeney, a man who has no axe to grind of which I am aware, a man with thirty years experience in the paper and linerboard business with a large firm, Consolidated Bathurst, a subsidiary of the Power Corporation, a company or a man with experience at all levels, a man brought in by the government, and Mr. Sweeney has given it as his opinion that the mill has never been given a chance. I asked if we could question Mr. Sweeney,

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if we could bring him before the House, the bar of the House, and address questions to him, and the Premier refused. The government are not willing to allow that. I think I know the reason why. They believe Mr. Sweeney would tell the truth, as I am sure he would, and they would find that that would be embarrassing to them.

MR. NEARY: Mr. Sweeney, I believe, was brought before the bar over the weekend.

MR. ROBERTS: Well, he might well have, but I tried to see if Mr. Sweeney would be in Stephenville the weekend. I would get on an airplane and go out, but I was told he was away in Montreal all weekend. Yes, he was out of the Province. I daresay he needed to go to Montreal to talk to a man who is an employee of this Province, in effect. He works for a corporation of which we are the only owners. So there we are. You know, the fact is quite straightforward. The government have not given the mill a chance. I do not know whether they tried to or not. I am not going to impute to them the Machiavellian motive as saying they wanted to kill it right from the start. But they never did the things which they ought to have done.

Take the woods situation. Again the Minister of Finance touches on it, and it is central, the woods supply, the wood costs have been very, very high. What have the government done about? They have been warned about it. It has been raised. Their task force report back in 1973 raised it. In fact the government were so anxious not to deal with it then that they took the unusual action of scissoring, taking the scissors and cutting out the two or three pages of the task force report that deal with Linerboard. The report as it was tabled here in the House did not have those sections in it, though they quickly became public, because in the age of the Xerox, nothing is secret any more. But the government were worried - were warned, I am sorry - then. They were not worried obviously.

MR. NEARY: Did I get blamed for -

MR. ROBERTS: My lips are sealed, I say to my friend from LaPoile.

Mr. Roberts.

He may have been blamed for it, but beyond that my lips are sealed. I only know that I did not do it, and I do not know who did it. I only know that I did not. The fact remains that it did become public, and the two or three pages about Linerboard were subsequently published, and there was nothing in them that was harmful. There was a lot in it that could be embarrassing, because it said to the government that you have got to do something about Linerboard, about the woods supply. Well the government have done nothing about woods supply since then. They have dithered; they have dothered, and it is not just Linerboard. We are talking here today about Linerboard. In five years or ten years, Mr. Speaker, this House, whoever is here, and there will be a House - this House could be talking about Bowaters. The minister touched upon it. It is not strictly speaking germane to the debate so

MR. ROBERTS: I will not go into it in detail. We all know that Bowaters have expressed grave doubts about their ability to carry on for the next fifteen, twenty, thirty years given the combination of the cost of wood and the budworm problem, the spruce budworm and the destruction it is causing. The government is apparently doing nothing about it. I am not sure the Minister of Forestry knows there is a problem. He has given no evidence of it. But Linerboard has staggered on for four or five years with wood costs being one of their essential problems and being told time and time again that, "Oh, well, we are going to do something," but nothing has been done. It has been up to Cabinet, - what? - a half dozen times. We have I think three separate cabinet papers where suggestions were put to Cabinet. For one reason or another-I do not know the reasons-I did not know the decisions-I only know no action was taken. For one reason or another the decisions did not go ahead. No action was taken.

We are back today where we were four or five years ago. Nothing has happened except \$175 million has been spent and the lives of 25,000 people have been shattered. The government have done nothing. So, take the mis-administration a number of millions there obviously, take the sales, take the wood supply, it covers all the areas of the mill. They were not given an opportunity to get their basic raw material as cheaply as possible. I know costs are high, and the minister talks of southern wood, and the Premier talks of southern mills, and they are right. But they neglect one other fact, that our paper mills manage to compete on an operational basis with southern mills.

In fact, Bowaters have two great mills in the southern United States, Kataba and Calhoun, which function on southern pine, and were built out of the money they earned in the Corner Brook Mill. The Corner Brook Mill is still competitive. The Minister says they have capital charges of much lesser nature than we do because Corner Brook Mill is largely paid for and Grand Falls Mill is

MR. ROBERTS: largely paid for. One has been operating for 50 years and the other for 70 years. Then I would point out that given the debt structure of Linerboard now, Linerboard effectively has much of its debt paid for in the sense it is directly assumed by the government, the so-called revenue bonds. You know, our paper mills can compete with southern paper, with products made from southern pine in the southern United States. I do not accept the argument that Linerboard cannot if it is given half a chance.

So we never got an adequate wood supply. The wood supply question was never resolved, it is still there today, still ticking over like a time bomb waiting to explode. The sales were crippled, hamstrung right from the day one. A bunch of amateurs put in a bunch of amateurs with no real knowledge and no real experience in selling linerboard, not on this scale. A bunch of amateurs who had a contract in their pocket worth between \$600,000 and \$800,000 a year whether they sold a ton or not.

MR. SMALLWOOD: An amateur selected by Mr. Crosbie to manage a \$200 million mill, had never run a mill in his life.

MR. ROBERTS: Then the whole question of, touched upon just now by the gentleman from Twillingate, the whole question of mis-management. The mill never had a chance. Is it any wonder that Mr. Jack Sweeney after six months running the mill, after 30 years experience in the business, says the mill has got to have a chance. What is the Premier's response, he says, Oh, Mr. Sweeney is a little carried away. I only wish to God the government, Sir, were equally carried away with belief and enthusiasm. They put the money in, sure, but they have not put the spirit in and they have not done what had to be done and ought to be done, and still has to be done with that mill.

Now, Sir, that is all by way of background, all part of where we are today and why we are where we are. Why are the

MR. ROBERTS: government closing the Mill? Just what does it mean? Now the minister gave us a lot of facts and figures, and let me say quite clearly that the minister to my knowledge has not mistated any figure or has not misreported any figure. But I do not think Sir - I do not blame him for this. I might do the same in his shoes, I hope I would not, but I might - I do not think the minister has put the matter fairly and squarely. For example, he fell into this trap of \$80,000 a job. The Premier used it first. It is a clever little PR device, a very cynical little PR device, saying there are 600 people at the mill, \$55 millions and you divide 600 into the \$55 millions and you get \$80,000 a job. That is supposed to cause nightmares, shivers of apprehension to run up and down the backbone of anybody who hears that debate, or hears that figure. When they watch

Mr. Roberts: the Premier looking solemn on the television and saying, "We could not keep it going because it would cost \$80,000 a job." That one argument was supposed to have hundreds of thousands of Newfoundlanders saying, "That is right, close her down, shutter her up." But the minister - and, you know, the arithmetic is correct; 680 into \$55 million is near enough to \$80,000 a job, or whatever the precise figures are - but the minister neglected to mention the fact - he may or may not have neglected to overlook it. He did not mention it - but we are not going to save \$55 million a year by closing that mill. The \$80,000 figure would be correct only if, if, first of all we save \$55 millions a year, and if there were only 600 jobs involved. There are 1,800 jobs involved in Linerboard, 1,800. That has been the average over the last three or four years. And the cost to this Province is going to continue, It will be \$20 million or \$30 million or \$40 millions a year, and I am not counting as yet the servicing the \$175 million have gone, I am talking about the operating losses.

MR. SMALLWOOD: Not counting the multiplier jobs.

MR. ROBERTS: No. The gentleman for Twillingate (Mr. Smallwood) -

MR. SMALLWOOD: At least one for one.

MR. ROBERTS: - again says it is not counting the multiplier job, In fact, when we come to the benefit cost analysis it will be shown quite clearly that the people of this Province are going to be millions of dollars out of pocket by closing the mill as opposed to opening it.

But I would think that the administration's use of that \$80,000 figure - and I am surprised the minister used it, it was a cynical, cheap, little PR trip. It is accurate but it only half the truth, And the oath which is administered in the courts of this land, Sir, is a very good one, and says, "Do you swear to tell the truth, the whole truth and nothing but the truth." What the minister said was true but it was only part of the truth.

But let us look then at the reasons why they have closed it. And the minister today came far closer to giving the full story

Mr. Roberts:

than his colleagues have before, and I will give the rest of this story before I finish.

Let us first of all dispose of the Advisory Board report. It will not take a very long time to dispose of it. It is a very slim document, In fact, it has eight or nine pages only, nine, and a couple of tables embodied in it. It really tells us very little. It was obviously done hastily. I have heard reports as to how it was done and where it was written and why it was done and what was changed, but those are all at this stage speculation and matters of opinion. It is a very slim report. It is very carefully worded. It does not really say close the mill.

Again when I heard the Premier's statement on the television - now the minister in his Budget speech said very little on Linerboard, it was about a page and a half - when I heard the Premier's statement and he quoted from the report, I think he quoted it accurately, I felt, Well there it is now, the Advisory Board have said, Thumbs down. That is not what they said at all. When I got the report, when it was made public a day or two later and I had the opportunity to read it, it is not what the Advisory Board report says, Anybody can read it. It says, and I quote "The Board can only conclude under present conditions - a big if - present conditions the company is not a viable linerboard operation, and the Board cannot recommend continuing operations in their present form." That is that word again. "The terms of reference of this Board do not include an analysis of the social implications of the adoption of a particular course of action. The Board's conclusions were therefore arrived at in parameters of prudent business decisions." And the report is the product of a number of businessmen, good businessmen, some of them operating very large enterprises.

But the words I have just read, which I think the minister will agree are the operative conclusion of the report or the substantive substance of it -

MR. DOODY: I read it here.

MR. ROBERTS: Yes, the minister read them here. At no point have I ever accused the minister of misquoting or misreading. I do not think he has. If I thought he had I would be the first to say it, but since he had not I am equally the first to say he has not. He did read the words here. He has acted throughout openly and honourably and I think the minister very much regrets the role in which he has been cast. It is not a happy task he has, and I think he is doing it the best he can.

MR. SMALLWOOD: John Crosbie is holding up in Ottawa.

MR. ROBERTS: Well.

MR. SMALLWOOD: He escaped scot-free.

MR. ROBERTS: Mr. Speaker, the report of the Advisory Board does not justify the government closing the mill. It does not. Nothing in that report justifies closing the mill. If the closing is justified it cannot be on the basis of that document. All that document says is that under present conditions a group of businessmen without any concern

MR. ROBERTS: for social implications would not carry it on, and I have no doubt that is true. I have no doubt that if it was Bowaters or Price or the Iron Ore Company or anybody else looking at it as a group of businessmen they would not carry on that mill. But, Sir, we are not a group of businessmen. This Province is not a business. It is not a store. It is not a factory. If we were a business this Province would have been declared bankrupt twenty-five years ago, if we were just a simple business looking at a profit and loss statement, a balance sheet. I know we must be prudent in finance. I am not suggesting we should not be. I know we can only borrow within our limit of our capacity to repay and we must get out debt value for our dollar and all these things. We are not a business. This government, this House is not a Board of Directors. We are not a group of shopkeepers or merchants or factory owners or even a group of financiers sitting around the table be it in Zurich or be it in Lombard Street or St. James Street or Bay Street or Wall Street. We are a group of men and women trying to administer the affairs of a Province.

I would think, Sir, that that recommendation by the Advisory Board was couched very carefully. I venture to say it was not the first draft. I venture to say a first draft said something like, The mill ought to close and the Advisory Board said, No, we cannot agree to that. We can only give our judgement as businessmen without regard to social factors. And when we come to look at the broader thing we will see, in my view, why the mill ought not to have been closed at this time for the reasons the government has given. But the Advisory Board report, Sir, let it be recorded, does not command the government to close the mill, it does not justify it. All it says is that a group of businessmen looking at it as a business decision under present conditions - and we will talk about some of the present conditions when I resume after lunch - a group of businessmen would not carry it on. But I venture to say, Sir, and I ask the minister to contradict me if I am

MR. ROBERTS: wrong, that if a group of businessmen were asked to make a similar analysis of the Province they would probably come up with a similar recommendation. We are not a business. We are a Province. We are a government. And if the minister says not so well then I think the minister is wrong.

MR. DOODY: They do an analysis every year.

MR. ROBERTS: They do analysis after analysis, yes.

MR. DOODY: They continue to loan us money.

MR. ROBERTS: Of course they continue to loan us money, and at the interest rates we are paying they are doubtless glad to have the opportunity to do so. But the fact remains this was a group of businessmen, the Advisory Board, who made a business recommendation and I am not going to fault them on that although some people have. But I am simply saying that that report, the preliminary report dated April 25th, the white document, is not in itself a justification for closing the mill. What it was was an attempt by the government to bolster a decision which they had already taken. I think the Minister of Finance may have touched upon in a very vague way the real reason when he spoke a little earlier in the debate.

Now, Sir, it is one o'clock and if it is in order, Your Honour, we could call it one and we will be back at three, and I understand we are to carry on with this debate. I have maybe another half an hour or so I will need, and then other members I hope will speak and we will listen with interest to what they have to say.

MR. SPEAKER: It being one o'clock I leave the Chair until three this afternoon.

PRELIMINARY
UNEDITED
TRANSCRIPT

HOUSE OF ASSEMBLY
FOR THE PERIOD:
3:00 p.m. - 6:00 p.m.
MONDAY, MAY 9, 1977

The House resumed at 3:00 p.m.

Mr. Speaker in the Chair.

MR. SPEAKER: Order, please!

Before recognizing the hon. the Leader of the Opposition, who was speaking at one o'clock, I would like to welcome to the House of Assembly twenty-three students in the Basic Training for Skill Development course at the Bell Island Vocational School.

MR. NEARY: Hear, hear!

MR. SPEAKER: They are accompanied by two teachers, Mr. Lester Rose and Mr. John Pinsent. I know all hon. members join me in welcoming these students to the House of Assembly.

HON. MEMBERS: Hear, hear!

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

MR. ROBERTS: Mr. Speaker, when the House -

MR. NEARY: In case they do not know who their member is, maybe I should tell them and point him out to them.

SOME HON. MEMBERS: Oh, oh!

MR. FLIGHT: Who is their member?

MR. NEARY: I do not know, somebody over there is.

MR. ROBERTS: Mr. Speaker, when the House rose for lunch I had made at least the first part of what I wished to say in response to this resolution moved by the Minister of Finance, the gentleman for Harbour Main - Bell Island, and I had, I think, got to the point where I had made the point that the report of the Advisory Committee, set up by the government to advise them with respect to Linerboard, that that report in itself did not justify closing the mill. I had got to the point after reviewing some of the history - and by the way, a

MR. ROBERTS: fact which I can add to the history, a fact which the minister omitted to mention this morning: He talked of the original cost of the mill as being \$53 million, and I think that was the figure the minister used. the

MR. DOODY: The original estimate.

MR. ROBERTS: The original estimate. Well, Sir, that was not correct, and it is an important point because if you look at the \$53 million estimated cost as originally given by the minister - or given by the minister as being the original cost estimate, and then you look at the \$155 million which the mill cost to bring on stream, it seems as if you have a threefold escalation. Well the escalation was bad enough, but it was nowhere near a 300 per cent cost escalation, it was closer to 50 per cent. Because a reference to the original debates in the 1966-67 session, in April 1967, showed that the estimated cost then, including working capital but excluding the ships - in other words, in each case comparing apples and apples - the cost at that stage was estimated at \$96 million and if you wanted to add on the \$5 million that was hoped to come from Ottawa under the old - I think I have the alphabetic name straight - ADA, Area Development Agency, one of the programmes the federal government had briefly and it was hoped to get some money under it for the Linerboard mill. That did not come through -

MR. DOODY: I mentioned that \$21 million was operating -

MR. ROBERTS: Yes, but the fact remains that it was \$96 million in the original estimates and it went to \$155 million, and, you know, that is escalation enough. That is a very substantial jump of 50 per cent from, in round numbers, \$100 million to, in round numbers, \$150 million, that is a \$50 million escalation and that is a

MR. ROBERTS: very large escalation indeed.

It is not much larger than we have become used to in other projects. The Health Sciences Centre, that the gentleman from LaPoile raises from time to time, the escalation of that has been, I think, of the order of 50 per cent. When all is said and done I think we will find that 50 per cent is not far out. The Carbonear Hospital cost escalated by more than 100 per cent. The Twillingate Hospital escalated by more than 100 per cent.

MR. NEARY: Three times more to build it than the original estimated cost.

MR. ROBERTS: The Carbonear Hospital, the gentleman from LaPoile says it was three times as much to build it as the original estimate. All of them lessons, all of them examples, and none of them taking away the fact that the Linerboard mill cost considerably more than it was estimated to cost.

But the fact remains, in 1967, in April, the House was told by the then Premier, the then Minister of Justice, who is now the present Minister of Justice, the Minister of Municipal Affairs, Mr. John Crosbie, was told that it would be \$96 million to bring it on stream. And those estimates were repeated a year later in 1968 when the original legislation was amended to account and permit the project financing to be moved from France to England, from the French Government Guarantee Agency to the British, our old friends at ECGD, and from the French contractor, I believe it was Schneider - Creuset, to the British contractor, the McAlpine firm who subsequently, of course, built the mill. That

MR. ROBERTS: was \$96 million plus the \$5 million, it was \$101 million then, the \$5 million for ADA, so you know the escalations were very, very substantial. But I do not want the House, and I am sure the minister does not want the House to be labouring under the misapprehension of the costs, that the costs went from \$50 million in round numbers to \$150 million in round numbers when in fact it went from \$100 million to \$150 million in round numbers. That is not counting, of course, the remainder of the money, the \$125 million or \$130 million—whatever it is now of millions of dollars that are in the project as the operating losses including debt repayment because we have been capitalizing debt repayment. And I think, Sir, that ought to be stressed as well. I will be dealing in some detail in a few moments with the losses and with the way in which the losses have been handled, but let it be noted that we are re-capitalizing much of the debt and that is being shown as a loss - the repayment by the government to the German people of the original loan. \$34 million has been repaid on principal account and that shows in the alleged losses.

Now, Sir, I had made the point, I had made the point that in my view, and I think my view on it is a sound one, I think it is bolstered by the facts and by the evidence which we have, there is nothing in the Advisory Board report which requires or commands the government or even justifies the government in deciding to close the Linerboard mill. The Advisory Board report does show quite clearly that if we were running a business and if it were to be regarded solely and simply as a business it would close. But I had made the point that in my view - I hesitate to interrupt hon. gentlemen opposite, Sir-

SOME HON. MEMBERS: (Inaudible)

MR. ROBERTS: I am not yielding the floor but I -

MR. SPEAKER: Order please! The hon. gentleman is finding the

MR. SPEAKER: conversation distracting.

MR. ROBERTS: Sorry. The penetrating voice of the gentleman from Twillingate with the penetrating voice of the gentleman from Grand Falls, Sir, together penetrate beyond their intent. In any event, Sir, the action of the Advisory Board cannot be relied upon by the government - some of my colleagues will deal with that in a little more detail-but the Advisory Board report is not in itself, in my submission, in my view, in my opinion, justification for the government closing the mill. And I think the minister, to his credit, will agree with that. The real reason why the government closed that mill is not the reason which the Premier gave in his television address. It is the reason which I shall touch upon, the reason which the minister skated about, and it is the reason which is hinted at in the Budget Speech, but it was not in the Premier's address. The Premier's address to the Province really did not give anything like the true, truthful, full and complete reason why this government had taken the action they did. To hear the Premier on television the night of the budget, you would think the reason for closing it was the Advisory Committee's report and so forth. Well that is just not so. The real reason for closing Linerboard has got nothing at all to do with the Advisory Board and I think the quicker we realize that the better the debate will be and the more to the point it will be. The Advisory Board have said - let it be repeated, that if they were looking at it as a business they would not recommend its continuance. And they are quite clear on that, and I am not a businessman but some of my best friends are, as the saying goes, and I can understand their view in a narrow, technical, precise, business sense nobody could recommend opening Linerboard or continuing under its present conditions. But we are not talking about a business, Sir, and if

MR. ROBERTS: we are running this Province as a business, simply and solely as a business, then we are not running the kind of Province that I want to see run or that ought to be run. There is no government in Canada, Sir, or in the world that runs strictly as a business. If ever that was true, it was true hundreds of years ago and it is now gone. There are other considerations that are just as valid and just as vital and just as important, and in this case outweigh the business decisions and considerations.

Now, Sir, if they did not close it on the basis of the Advisory Board's report, what then did lead them to close it? We are closing it, let it be noted, at a time when the market forecast are good. The market for linerboard has gone down, it is now on the way back and I am told it is rebounding strongly. In fact,

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some of the advice given to the Advisory Board confirms this very strongly. I have here a copy which came to me by legitimate means-that we will not go into of-a document that has not yet been made public, and it is the progress report of the Alternative Product Lines Committee, confidential to the Advisory Board, Labrador Linerboard Limited, April 18, and it is a draft copy. I do not know whether it was a redraft or whether this is the final copy or not. But I do know that I have here a genuine progress report, and this is one of the sub-committee reports that together the Advisory Board uses for the basis of their report. It may be an internal working document. It is about to become very external, because I intend to make it public. I will table it if anybody wants it. But I am going to read only the sections of it that I think are relevant to the point I am making.

It is an internal one. It is a draft one. It may or may not be the final draft. I do not know who wrote it. But I do know - or I am prepared to believe that it is a genuine document. This is a copy of a real document, a photostatic copy. There are a lot of them floating around. As I said repeatedly, in the age of the Xerox nothing is secret.

Now this was a - the Alternative Product Lines Committee - it was April 18, Sir, which was just a few days, a week in fact before the Advisory Board report, before this particular document was put together. It is quite a lengthy document. It is forty or fifty or sixty pages. And I do not need to read it all. Some parts of it - I suspect The Daily News had a copy of this or certainly had access to the information in it. They did not get it from me, but some parts of it are public. It begins logically enough with the introduction. "We - now I do not know who we is, but the committee - we reported in a preliminary way December 22, 1976 meeting on alternative product lines undertaken for us by Harold Moorhead of Sandwell."

Mr. Roberts.

I do not know Mr. Moorhead, but Sandwell, the great firm of B. K. Sandwell in British Columbia are perhaps 'the' leading experts in Canada on paper and consulting in the forest industry, and they have done a lot of work for the government at the mill, and they have worked, I know, for Bowaters and I guess for all sorts of companies. They are topknotch people. In any event, Mr. Harold Moorhead, a senior employee of Sandwell had done some preliminary work. "The options then identified were compared in financial terms with the status quo situation, Linerboard, and then another alternative, Linerboard with selected capital improvements having a very quick pay back. Sandwell were asked to study another combination. Their report is attached as Appendix A with an updated financial forecast."

Now they go on and do not recommend any particular change. Indeed they do recommend that the alternative products are not a line which ought to be followed. In fact they come to this conclusion. "In the course of our work we have come to the conclusion that high wood costs and the Labrador Linerboard Limited high power costs, which will escalate rapidly over the foreseeable future, are enough to reject newsprint as a cost competitive grade for manufacture at Stephenville. It also requires excessive new capital and associated debt servicing." They turn thumbs down on the newsprint option. "A second tentative conclusion has also been made, the operation of a single machine alternatively on two dissimilar product lines." And, of course, there is only one paper machine in the Linerboard mill. It is a massive one. It may be the biggest of its kind in the world, but there is only one machine there. "But the operation of that single machine alternatively on two dissimilar product lines does not justify heavy capital expenditure for process and equipment which would be utilized only half time." They closed the door on that as an alternative product that could be produced. They list a number of major options now under consideration. Linerboard and variations of

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the linerboard such as sack/bag paper and white top mottled board and they talk about SBK or BLK as full-time operation. Apparently they are kinds of linerboard product, and they talk about wood free commodity grade papers fully bleached. Again that is apparently an alternative they still want to look at. They go on. "In all of the cases listed above, it is considered essential to take full advantage of cost saving potentials inherent in the craft process and primarily associated with raw material, supply and energy,

MR. ROBERTS: being a series of smaller incremental investments which would relate to any of the three options utilizing the modern craft pulping facilities already in place." What I understand that to mean is that in the opinion of the committee, and these are the expert advisors who have been at it for months, people from Linerboard, people from Bowaters or Price or Consolidated Bathurst, experts in the industry, it was an internal document, as the minister says, but it was not an in-House document. It was done, I have no doubt, by experts and I am reading from page two if the minister is following along with me.

MR. DOODY: You are reading from a draft.

MR. ROBERTS: Well it may be. The draft I have is dated April 18th and the minister is welcome to a copy of it and I am reading all of page two under the heading - Capital Improvements. They had said, in the paragraph I just read, that whatever alternative is taken, the three which they outlined, it is considered essential to take full advantage of cost saving potentials and they go on. "It seems obvious that if the mill is to continue to operate that most of these capital expenditures should be undertaken as soon as possible to maximize the return and put the operation in a more viable position quickly to improve its competitiveness under a forecast Linerboard market price/volume improvements in 1977-78 and the following years." Now I will come back to the question of capital improvements. The fact I wish to make there is to underline the fact that this committee expects forecast linerboard market price/volume improvements in 1977-78 and the following years. And equally there is found on page fourteen of the second appendix, appendix (B) to this document, and appendix (B) is the Sandwell Report prepared. There is a letter from Mr. Moorhead, I believe. Appendix (A), appendix (B) is a document prepared by Sandwell and attached to this document - No, Arthur D. Little, March 9, 1977 - the great American firm of Arthur D. Little sent a letter to Mr. Sweeney, the president, Mr. Jack Sweeney, and on page fourteen

MR. ROBERTS: of that particular letter as reproduced in this we are told that the linerboard markets are going up and the linerboard markets are improving. And then they come back again to this capital cost item. "We speculate that with capital expenditure of only a portion of the cost of shutdown, employment in the Province will be increased, stability of the economic base in Western Newfoundland will improve, sunk money may be returned and this appears to be the surest way to regain the lost millions, To reiterate, ensure the continuity of operation by obtaining fiber in the most economical matter and establish firm markets to make the long-term venture a profitable one." That is their conclusion. That is under the heading - Future Labrador Linerboard Limited - Economics.

The same thing, Sir, the same conclusion will be found on page three-if I have not lost my place in this mass of documents that have been assembled here - page 3 of another sub-committee report: one sub-committee, the Alternative Product Lines Committee came to the conclusion that modest capital improvements could result in the mill being turned around, modest capital improvements in the light of improving market conditions. The market forecast report, by the way, apparently has not been done as yet. If it has, I gather it has not been submitted to the Linerboard Advisory Committee, In any event I have no hesitation in saying that it has not come to us. So I venture to believe it is not yet in existence. I mean it may be in existence but the Linerboard Advisory Committee tell us in their report that committees were set up in the areas of marketing, wood supply, financial guidelines, alternative product lines and capital requirements - five committees. To my knowledge two of them have reported. The first one is alternative product lines, and I have just referred to their report and some of my colleagues will refer to it in a little more detail.

But the point of the Alternative Products Committee is that some alternative products are not attractive but that with a reasonably small investment of money the mill can be made immensely

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Tape 2361 (Afternoon)

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MR. ROBERTS: more profitable and in fact can make an operating profit. So that leads to the question, Mr. Speaker, what capital improvements? Well, by chance, as luck would have it, and wind's of fate

Mr. Roberts.

the gods and winds of fate have now brought us a copy of the preliminary report of the Capital Requirements Committee, which is confidential to the Advisory Board Linerboard Labrador Limited, April 18, 1977, a draft, and it may be the final draft, I do not know. All I know is, again, it is a genuine document, and it has been -

MR. NEARY: Has it reached the minister's desk yet?

MR. ROBERTS: I do not know whether it has reached the minister's desk or not, but I can assure the hon. gentleman from LaPoile (Mr. Neary) that it has reached ours.

MR. NEARY: Would the hon. gentleman let them have a copy?

MR. ROBERTS: Well sure. If anybody wants a copy as we have, you know, ample, and we would be happy to make them available. Because this is a most interesting document, most interesting. And I think it is worth reading a page or two or three, because it makes a rather important point, Mr. Speaker. Now remember the government are telling us, Sir - let us put this into perspective - the government are telling us that they have to close the mill down because they cannot see any way to making an operating profit. That is one of the lines of argument they are using, and they are relying for support on a somewhat mealy-mouthed recommendation by the Advisory Board, not a firm recommendation, not a categorical 'shut her down' - a bunch of men who have qualified a judgement and said, It is a business judgement under present conditions, and then specifically put in the rider or the disclaimer that, we are not capable of talking about social conditions. Well we in this House ought to be quite capable of talking about social conditions, because it is our duty; it is our duty, Sir, to consider those questions. We are not just a bunch of bankers. We are not a bunch of men with ice water in our blood, or red ink and black ink for keeping the debt and credit sides of a ledger. We are a bunch of men and women who are concerned, and ought to be concerned, and properly must be concerned with the fate of this Province.

Mr. Roberts.

So the government have given this as one of the reasons. Well now we are looking at the expert advice they were given, not just by Labrador Linerboard Limited. I understand the methodology of these committee reports was that Labrador Linerboard had input. Consultants had input, and the companies associated with the principals on the committee, Bowaters, Price, Consolidated Bathurst, all had input in their specific areas of expertise. So I think it is fair to say, Sir, that these reports represent the concensus of the best advice that can be got in the field.

Now, Sir, let me read the preliminary report. Capital Requirements, Labrador Linerboard Limited, April 18, 1977, ten days before the roof fell in. I will not read it all. But let me read summary recommendations and comment. It is only a page or two, Sir, and it goes right, in my view, right to the heart of the whole question, and it shows conclusively, Sir, that this mill does not have to close, that this being is not being closed now for any business or any linerboard reason. Whatever the reasons, they have nothing at all to do with the economics of Linerboard Limited or the linerboard business.

MR. NEARY: Mr. Moody is the main reason.

MR. ROBERTS: Right.

"This preliminary report on studies of capital requirements - I am reading from it now, of course - to achieve significant cost reductions in the existing product line, linerboard, and/or an alternative product emanates from the directive of the Advisory Board in their meeting on December 5, 1976. As indicated in a companion preliminary report on selected alternative products - one which I just referred to, Sir - it has become increasingly clear that conversion of the Stephenville plant in whole or in part to newsprint

Mr. Roberts.

production is not a viable alternative. The conclusion is based on the heavy capital cost, the very high cost of softwood, and increasingly prohibitive cost of power. The newsprint at Stephenville would be more sensitive to the escalating power - the Newfoundland Hydro Commission - costs than to projected wood costs. The conclusion follows that the mill must continue to produce craft based pulp paper products which would benefit from in-house processed steam powered generation related only to the craft process. Tentatively however we have concluded that operation of the mill alternatively on two dissimilar craft product lines, EGLB - whatever that may be - and BLK - whatever that may be - does not justify the heavy capital expenditure for process and equipment modification which would be utilized only half time, as for instance the \$34 million bleach plant associated with BLK pulp in the parenthesis above. It follows that any capital expenditure programme for cost reduction should initially be directed to cost items which are common to all remaining options thus precluding expenditure on improvements which might become redundant if a major craft product line change was initiated before pay back has occurred."

Mr. Roberts: Very sensible! Any capital money that goes into the plant now ought to be put in to improvements that would be useful no matter what product it makes. That is what they are saying, and it takes a few more words to say it, but that is what they are saying. If we are going to put any money into the plant let it be into something that will be useful no matter what it makes.

They go on. "The craft product lines which remain as potential options for alternative products are: (1) improved linerboard; (2) bleached commodity grade fine paper; (3) bleached and/or semi-bleached pulp." And then it talks a little about the various characteristics of these three types of product. And then it goes on to give recommendations. "Capital cost and pay back summary for the recommended programme is as follows." Now what they are saying, Mr. Speaker, what they are saying is that if the government - and only the government can provide the money, there is no other money in linerboard at this stage except that government - the government makes some modest investments, they will quickly pay back and start making money. They have said, for example, that an investment of \$3.3 million this year will generate \$2.2 million in cash leaving a net - Mr. Speaker, the Minister of Fisheries and the Minister of Social Services, I have no doubt are discussing very great ideas indeed, but I would ask them please to discuss them a little more quietly. I do not mind them talking, I mean that is fair game, but the minister is speaking loudly and I am sorry I cannot help but over hear him and I do not want to be privy to his private conversations. But cash in or an investment of \$3.3 millions will generate a cash return of \$2.2 millions leaving a net investment in 1977-1978 of \$1.1 millions. In the next year, 1978-1979, they have recommended \$5 millions going in in cash, turning out \$4.2 millions in immediate cash benefit, leaving a net investment of \$1.8 million. So there is a total of \$1.9 millions invested net over two years in these improvements. The third year, \$4 millions in, \$5.7 out, so \$1.7

MR. ROBERTS:

millions to the good. And the final year, \$2 millions in, \$8.2 millions out, \$6.2 millions to the good. So with the investment of a relatively small amount of money the government can be making an extra \$5 million or \$6 million or \$7 million a year.

There is a comment attached from the Committee, "It is important to note that a programme such as this for \$12.3 million will pay for itself by 1980, And starting at that time will also generate cash which equates to the remaining bonds in the amount of \$28.4 millions outstanding as of March 31, 1980. It is also seen to provide cash to support a continuing normal improvement programme estimated to require about \$2 million a year from 1980-1981."

So what we are told, Mr. Speaker, in so many words in this report is that for a relatively modest investment the mill can be made much more efficient. Given that, Sir, given the improving market forecasts, it is not at all hard to see how Mr. Sweeney, Mr. Jack Sweeney makes a statement that was in The Daily News, saying "The mill could be made viable and it should be increasingly so

subsequently in two or three years it could show an operating profit. John Sweeney, President and General Manager of Labrador Linerboard Limited, made the comment to The Daily News, and added that he is enthusiastic for its operation. He point out that he had verbally said the same thing to the Premier and senior financial people in the government. He said the job is to protect the government's interest in the Linerboard Mill, and minimize losses as best as possible. But he said he is 'not a quitter' and there is 'an element of hope'. He said, he is sure the government will do the best thing for the Province's whole financial picture." Well I am not sure they have. Mr. Sweeney may be, but I am sure that Mr. Sweeney is right when he says the mill can be made viable. And, you know, that fact has been coming crystal clear. This mill does not have to close. There is no reason inherent in the Linerboard Mill why this mill must close. There is no reason inherent in the Linerboard operation why the mill must close. Wood costs can be reduced. Market forecasts are up. Operating losses can be cut. And in the opinion of this Committee, can be turned around. I am

MR. ROBERTS: relying upon opinions and relaying opinions, I am not an expert. There is a cutting here, I do not know from what newspaper it comes,

AN HON. MEMBER: The Financial Post.

MR. ROBERTS: The Financial Post: "Labrador Linerboard boss fighting mad about closing." I have not read it but I understand copies have been sent around to members to read for themselves. "Sweeney is not pulling any punches. Sweeney told the Post this week - now I do not know the date, it must be a recent issue - that the mill shutdown results from manipulation of numbers by provincial bureaucrats who decided two years ago that the mill should close down." Now we are beginning to see why Mr. Sweeney will not be allowed to come before the Bar of the House to answer questions.

AN HON. MEMBER: (inaudible)

MR. ROBERTS: "The government has been sucked in, Sweeney says. The problem is to convince the politicians against the advice of bureaucrats who know nothing about the pulp and paper business and who are deliberately distorting the true facts playing a numbers game. Someone should be fired."

I am not sure the ministers have been sucked in. But I think there is a lot of truth in what Mr. Sweeney says, based on what I know. But we will come back to that, Sir.

AN HON. MEMBER: How do you fire a government?

MR. ROBERTS: How do you fire a government? No, Mr. Sweeney is talking to bureaucrats. Mr. Sweeney is talking to bureaucrats and we are not going to get into the bureaucrats because they are faceless in the sense of appearing in the House. It is the ministers who must answer for them. But I suspect in a sense it is probably the same gentleman, the secretariat with whom we have had so much to do, and I assume the finance department has naturally had a major input. It is the ministers who answer and only the ministers. It would be cowardly of any minister to hide behind his officials. The minister are elected, the ministers are responsible, the ministers must answer.

MR. ROBERTS: Now, Sir, let me just make that point. The government has given us an original reason for closing the mill, the Advisory Board's Report. That was exploded when we looked at the Advisory Board's Report. There is no such justification in there. Then they have to counter the further arguments that the expert committees, and the Advisory Board does not comment on that, it just says it is only a preliminary report, we have only got two of our five committee reports yet. I am only aware of two. I have produced two and both will be tabled if hon. gentlemen wish them. Lots of copies around, Sir. Anybody who wants to look at them is welcome to, and I have attempted to give the salient points and anybody who wants to look at them to see if I have correctly reported them of course is welcome to do so. The government have not made them public but they have come to us by the usual very reliable sources.

Then we have the manager of the mill - not the man who was running it for three or four years - he went his separate way - but the man who was brought in by the government six months ago a man of stature in this industry - I wish I had the Premier's statement here he made when he announced that Mr. Sweeney was coming in - a man of great stature, giving his opinion to the newspaper, flat out and I had not seen this cutting in the Financial Post - the Financial Times but making it quite clear on that subsequent interview that the mill is not closing. The mill is not closing for any reason connected with Labrador Linerboard Limited. I think that must be recorded and that must be agreed. Whatever reason that mill is closing has nothing to do with Labrador Linerboard Limited. The company has problems. It has immense problems. They are not insurmountable, Sir. We have been told we cannot question Mr. Sweeney. We have a Royal Commission to look into a television set. We have a Poyal Commission to look into a few allegations about some land dealings over in Bonne Bay, near the park. We are told we cannot question the man who has been running one of

MR. ROBERTS: the biggest businesses in this province, running it for us - us, the people, the guys who put up \$275 millions - and the man who has said publicly, and you must admire his courage in doing it, admire his courage in speaking out, saying the mill is viable, the government have no right to close it. Let us just look at the affect for a moment, Sir; of closing the mill. It is a death blow to the area, not to mince words. The minister said in his closing remarks something like, Well, Stephenville will endure. Well, maybe it will, but no thanks to this government, Sir. This government have condemned the Bay St. George area as much as if they had taken a gun and put it to the head of every person in the area and in turn pulled the trigger. If they endure it will be no thanks and no credit to this administration or this government. It is a death blow to the area Sir. They have put nothing in the place to, nothing suggested to replace it. We have - what? out of 25,000 people in Bay St. George between the Bill of the Cape and the Valley, 25,000 people and the government have not anything, anything to show for it. Anything to put in its place. Just they can go away, they can draw their Unemployment Insurance or draw their welfare, but nothing more than that. No hope,

MR. ROBERTS: not from the government. The minister says they will endure. Well maybe they will. I hope they will. It will not be because of the minister or his colleagues. All the talk we have heard about planning and priorities these last five years, and these immensely swollen bureaucracies that are allegedly producing plans and telling us what our priorities are have led now to the death knell of an area of 25,000 people - One out of every twenty people, five per cent of the people of this Province, and add on Goose Bay which got the dart. That is what it is going to mean and let us not gloss over it. My colleagues have to live with it day by day, men and women whose dreams are shattered who do not want to leave Newfoundland even if they can find work elsewhere, whose homes are here and whose investments are here and they want to spend their lives here and they are being sacrificed, Sir, they are being sacrificed by a government that closes a mill that does not have to close and they have no case, no reason for closing it.

Now let me look at the financial side, Sir.

MR. NOLAN: They have made a case.

MR. ROBERTS: No, they have not made a case, I say to my friend from Conception Bay South. It is not even a case weak enough for a first year law student to put up in a moot court.

MR. NOLAN: It is not a good case either.

MR. ROBERTS: My friend is right when he says it is not a good case.

MR. NOLAN: Or an honest one.

MR. ROBERTS: I do not even think it is an honest one. I think we are getting closer to the truth. When the Premier talks of \$80,000 a job he is not telling us the truth. He is not. He is not levelling. He is not being square and honest with the people of this Province. Well, now let me look for a moment, Sir, at the financial side. I can get very emotional about the affecting human terms but I will leave my colleagues from Bay St. George to speak, Sir. They know the area. Two of them have spent their lives there, born and grew up there and

MR. ROBERTS: the third, the gentleman from Port au Port, has made all his adult life there, made his home there, his children are born there. Let them speak, Sir. Let them speak of what it means in human terms, an administration that condemns 25,000 people and just says, well that is it. Sorry we cannot do anything for you. We are sorry we have been in office for five years, we have commanded the government, we have all the power areas in planning and thoughts and advice but we cannot do anything for you. Forget the fact the Advisory Board Committee says a few million dollars can make it viable, forget that; forget the fact the markets are rising, forget the fact the mill has never had a chance, never been given a chance, condemned from the start to a marketing set-up about which there was a stench - never was done adequately, never done properly, a fact which was brought out in this House time and time again, saddled with wood operations -

I walked out of the cafeteria down here at 1:15 P.M. after having had another of those delicious CNIB meals,- one of the joys of being a member of the House of Assembly is to get to eat in the CNIB cafeteria. As I walked out a couple of men came over to me and they said, "You are Ed. Roberts." I said, "I am." He told me his name and the man's name is irrelevant at this point. I will not mention it. He said, "I was up listening to you in the House for a while today and you were saying, you are finally finding out the truth about Linerboard," and I said, "We are and we are telling people." "Well," he said, "I worked for three years for Linerboard in Goose Bay and all I did," he said, "I was driving a tractor." He said, "My job was to dig holes so they could push in the wood they had that they had paid for that they were not going to use." True. I believe the man who said it to me. I believe he believed it. He believes it to be true. True. I suspect there is a lot more truth than poetry in it. I suspect if the truth were known about the way in which Labrador Linerboard Limited - Forget John Doyle! - John Doyle, if you want to rake him over the coals do, but John Doyle has not

MR. ROBERTS: figured in this drama since 1971, five years and more gone by. This government ran it and ran it into the ground, millions and millions of dollars wasted, and now the people of Bay St. George and the people of Goose Bay and the people of the Northern Peninsula and Central Newfoundland, all the taxpayers of this Province, Sir, are going to pay the shot.

Let us just look at the narrow financial side for a minute now. Can they justify it on financial grounds? The minister referred to the Advisory Board Committee and he said - the Advisory Board and their report points out - I think it is Table 1 - that it will cost \$118 million to keep the Labrador Linerboard Limited open for the next three years. And that is correct in that those are the figures which they give. It is found on Table 1 and I am sure every member, Sir, has had a good long look at it. That includes, I might point out, interest and debt repayment charges which of course are going to have to be paid anyway whether it is open or shut.

So the Advisory Committee points out it will cost \$90 million even if it is closed.

MR. ROBERTS: So we are not talking of \$55 million in even three years, we are talking of \$28 million in three years..And the government are talking of \$55 million and they put the fear of the hereafter in the people throughout this Province by saying,"\$55 million to keep her going." Well let them point out, Sir, let them point out that over the three year period it is not \$55 million in total to keep it going, it is \$28 million in total which comes out to \$9.5 million a year. I will talk for a minute; it is not even, a lot of money has to go in this year according to the forecasts.

But they have tried, and I do not know if this was deliberate, Sir, I hope it was not because if it was deliberate on the government's part it is the scurviest trick I have ever heard of. They have tried to say \$55 million to keep Stephenville going, \$80,000 a job in the hope that people will say "Gosh, you cannot do that for Stephenville, what about us? You know our tax is going to pay that. Boy, you cannot do that. That is too much" We stand by our brother Newfoundlanders but only so far, that is the response that is being evoked and I do not think it is being evoked deliberately. I do not believe the Minister of Finance would be a party to that.

But the Premier did say on the television \$55 million, \$80,000 a job and left the impression that that is what it would cost. But, Sir, that is a half truth and I am being kind, I am being kind. The Advisory Committee report says that even if the mill is to close this year it will cost \$26.7 million. So open or shut there is \$26 million gone. Mr. Speaker, we are not talking of \$55 million.

MR. NEARY: How much

MR. ROBERTS: Actually I will deal with this. It comes into a net profit in the next couple of years. It is more expensive to close it than it is to keep it open.

MR. COLLINS: Tell me how much would it cost to keep it open?

MR. ROBERTS: It will cost over three years, it will cost \$90 million as opposed to \$117 million to keep it open, \$119 million to keep it open, \$28 million over three years. But almost all of that is this year. In the next two years it will be less costly to keep it open than to close it, something the government have not even touched upon to hear them talk. We are talking about \$9 million a year on the average. Now it is true, Sir, the expenditures are not uniform. According to the Advisory Board report this year it would cost \$55 million to keep it open and \$27 million to close it. There is a difference there of \$28 million. Next year it will be \$36 million to keep it open and their estimate is against \$36 million to close it - even-stephen - and we are only talking government expenditures, we are not back to a benefit cost which I will touch upon, we are just talking of government cash. So next year would actually break even by the Advisory Board's own recommendation. Forget everything else, forget taxes and welfare and all these things I will touch upon. Mark that well, Mr. Speaker, this government are closing the mill even though they are told that in 1978-1979 year, ten months away, it will cost them as much to keep it closed as to keep it open. The year after it will cost more to keep it closed than to keep it open. It will cost, according to the Advisory Board, \$27 million to keep it closed and \$25 million to keep it open. \$2 million in the difference? Staggering, staggering, and that is without putting in the \$12 million that the Advisory Committee Committee - the Advisory Board Committee tells us can produce \$5 or \$6 million a year within a couple of years. Just staggering. You know, on the strength of this alone the government cannot justify closing the mill. There is a bad cash problem this year, \$28 million, but there are no real savings, Sir, there are no real saving to be made. If you just look at the narrow in-out entries

MR. ROBERTS: for Linerboard, there are \$28 million. But let us look at the true costs, Sir. Let us look at the benefit cost analysis and these, Sir, are the government figures as given to me by the officials with the permission of their minister last Friday. They may or may not be up to date, they may or may not be complete, I do not know. I only know that these are the figures which I was given on Friday last by the minister's officials - in fact in the minister's presence and at the minister's direction. Perhaps I should say a word on benefit costs. When the gentleman from Twillingate was Premier and first brought

MR. ROBERTS: in this kind of analysis he was hooted at and laughed at by those who then sat here on the Opposition side.

Since then the gentlemen who sat here and some others have entered into the ministerial benches and they have now realized the validity of the concept. The concept is a very sound one. It simply says, Closing the mill is more than closing the mill. You have 1,500 or 1,800 people out of work, you have lost taxes, you increased welfare, you have increased unemployment insurance, all of the economic activity that is generated by the mill. What is the true benefit and the true cost to the Province? Bear in mind it is not the \$55 million that we have heard; that cost has been exploded as being a myth. In fact, the net cost to the Province this year will be of the order of \$28 million on the Advisory Board reports, still a staggeringly large amount of money. Oh, I agree, a very large amount of money, of course, a frightfully large amount of money, but only half of \$55 million.

Then when we look at the true benefit cost - let us look at it: Now these, Sir, are the government's own figures, they have very kindly supplied them to us. These show that in - and again I would be happy to table these if anybody wants them. The minister may have lots of copies - these show, Sir, that in 1976-77, the current year - no, the 1977-78 year, so we will have to move all these figures up. These figures were obviously done last year - assuming a scrap value of the mill of \$65 million, assuming that the mill, if sold in the greatest fire sale of all times for \$65 million, that the net present value to the Government of this Province in closing the mill will be \$67 million

MR. ROBERTS: in pocket. That is actually not right because it does not take into account debt service charges, but it is - I will compare apples and apples. If you disregard the scrap value of the mill it is \$9 million. And the year after, it is \$2.4 million. And the year after, \$10.2 million, and the year after that, on a four year projection, \$10.7 million, \$32.2 million in pocket by closing the mill. That is without scrap value. With scrap value it is \$91 million, the difference, of course, being accounted for by the scrap value of the mill, \$85 million. And if the figures do not balance it is because they are using a factor called the net present value which is a means of putting a value today on money that you do not spend in the future, and there are standard tables and the officials have used them in calculating them. I do not know how the tables work, but they do work like all those mathematical things and they are accurate.

So that is where the Government of the Province stands, Sir. If you - what makes up these? Well, you take on the operating loss that has been avoided and you take the increased welfare costs which go up to \$11.5 million a year, they are figuring. By 1979-80, we will be spending an extra \$11.5 millions a year in welfare as a result of the mill and that is \$23 million in total, because, of course, welfare is split fifty-fifty. The net loss in provincial tax revenue is \$2.9 million, lost stumpage \$1.1 million, the unspecified cost to the shutdown varies at \$9 million this year and according to these figures it goes down to \$300,000 in four years. Then they take a present value factor and they get a net present value, as I said, over four years, without taking the scrap value of the mill, it comes to \$32 million.

MR. ROBERTS: That is the Province. But there are two governments in this country. There is also the federal government who will have to pick up some of the shot because, of course, every man in Stephenville working in the mill will qualify for unemployment insurance. It may be for a longer period, it may be for a shorter period, but he will qualify for it. What is the picture there? Will they change drastically, Sir? These figures now combine the federal and the provincial figures together and they show the - it is an analysis benefit cost shutdown total operation federal-provincial point of view.

The figures are the same except when it comes to the adding in the federal figures. For example, welfare which was \$11.5 million before is now \$23 million. The loss of tax revenues which was formerly \$2.9 million is now \$18.7 million, and these are for the 1979-80 year. Stumpage is unchanged, the unspecified costs of shutdown does not change, but I will tell you what has changed, it is the final net present value without scrap value. It was \$32.2 million, favourable. The government over four years without taking the scrap value of the mill into account would be \$32 million in pocket. It could be said, Sir, that that is the price for which they have sacrificed 25,000 people in Bay St. George, if you want you could say that, 25,000

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people, \$32.2 million, because that is by their own figures what they will be in pocket after four years, \$32 million; 25,000 people - what is that? - \$1,500, no, one and one-third, \$1,300 a person. That is what the government will gain by sacrificing this mill. But, Sir, when you compare the federal and provincial ones together, the picture is dramatically the same - dramatically different, I am sorry - dramatically very different. Instead of \$32 million benefit, it is \$51 million cost, an \$83 million turnaround. So by closing the mill, in four years the governments, federal and provincial together, will have lost \$83 million. And I stress, Sir, that that does not take into account the debt service charges which are not anywhere shown on this. The debt service charges will still have to be borne. Let me just repeat those figures, Sir, because to me they are startling. Looking at it provincially, only from the standpoint of the benefits to and the costs from the treasury of this Province, the government will be \$32 million in pocket over four years. And for that they are sacrificing the futures of 25,000 people. If you look at the cost to both governments, federal and provincial, they will be \$51 million - there is an \$83 million difference - \$51 million out of pocket in four years. That is the true measure of the decision taken by this government on Linerboard - \$51 million.

The gentleman from St. John's North (Mr. J. Carter) is shaking his head. I do not know whether he is shaking it in wonderment or in disagreement, but I will tell him these are figures supplied by the Minister of Finance.

MR. J. CARTER: You are playing.

MR. ROBERTS: No, the hon. gentleman is wrong if he thinks I am playing with figures.

The federal/provincial point of view, the analysis benefit cost, shutdown total operation in millions of dollars, federal/provincial point of view 1979-1980 - now it is 1979-1980, comes to \$50.9 million negative, minus. And if the hon. gentleman wishes I will

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go through it in any detail he wants.

MR. J. CARTER: May I have a copy?

MR. ROBERTS: Yes, I would be delighted to. If somebody would make a copy, I would be delighted to let the hon. gentleman have copies of them. Let me have a few minutes, because these are the only copies I have here. Do any of my colleagues have these tables with them? We all have them, because they were made available to us, but I will table them or provide them to any hon. gentleman who wants them. I would be delighted to do it. You know, I will need them for the next few minutes. They are the only ones I have. If my friend from Burgeo - Bay d'Espoir (Mr. Simmons) has them, perhaps the page could get them from him and if copies can be made, let them be circulated to the press and everywhere else.

And I cannot stand by the figures. I can only say that they are supplied to me by the Minister of Finance. I accept them. I do not doubt their - and this is the information on which the Cabinet took the decision. That is the astonishing part. When they sat around that table and gave the death sentence to Bay St. George, this was the information they had: An \$83 million turnaround, \$51 million net cost over four years - that is a cumulative figure - to the governments, federal and provincial. I would like to see the figures wrong, because it would at least make the decision comprehensible. I do not think the figures are wrong. If anything I think they are on the side of too high in benefits and too low on costs. A Province with 65,000 or 75,000 people unemployed what hope is there of these 1,600 to 1,800 men getting any work? What hope is there? There is none at all. There may not even be work for them in Canada. I do not know what the pulp and paper industry is right now. It is very cyclical. It goes up and down. I know that - was it the Kimberly people who were in Stephenville on the weekend and hardly anybody even went out to talk to them?

MR. MCNEIL: Some.

MR. ROBERTS: Some, but not a lot. Men do not want to leave.

It is their home. They are Newfoundlanders. They had hoped they would have

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a secure career there. They may have to leave. Your know, Fort MacMurray in Alberta is soon going to become one of the largest towns in Newfoundland if we keep it up. My friend from Conception Bay South (Mr. Nolan) had a marvelous comment the other day when he said, "You know, this government claimed to have ended resettlement. That is nonsense. They have got the biggest resettlement programme of all. Send them to Alberta, you know." But there are no real savings, Sir. If anything there is a real cost to the public chest, a staggering cost.

Mr. Roberts: And in the light of that the government have persisted in trying to close the mill. It is hard to understand, Sir.

So then, Mr. Speaker, why did they close it? Why did they strip away the Premier's evasions and the Premier's attempt to set Newfoundlander against Newfoundlander, and the half-truths and all these tactics? Forget the Advisory Board, because that was only a smoke screen. That had nothing to do with the government's decision. Nobody could question that any more. That does not even need to be debated any more. The decision to close Labrador Linerboard had nothing at all to do with Labrador Linerboard or the operation or its future or anything else. All sorts of evidence that it could have been turned around, even if the government had really made an effort to make it work, and I do not believe they have. You know, they have not dealt with these other points, these committee reports, the very strangely worded way of the Advisory Board report, the market forecast, the opinion of Mr. Sweeney, the man whom they are keeping muzzled, refusing to allow him to appear before the House or a Committee of the House to talk.

Well, Sir, that was the question that has haunted us right from the day of the Budget, because we did not believe the government would close it. We did not see any reason to close it, we did not see any case to close it. We know there are problems. You would have to be blind, deaf, dumb and stupid not to know that were problems at Linerboard. But we did not believe they would close it, because it made no sense to close it. We might not have had all the information which we have had in the last few weeks but we had a lot of it. We certainly had enough to know there was no justifiable reason for this government deciding to close Labrador Linerboard Limited. But we knew the situation. So we began to look and think and ponder, and finally think we found the answer.

The minister this morning came close to giving it to us. He did not quite, he skirted it, he went around it, he hemmed

MR. ROBERTS:

and he hawed, but he did not quite come out with the reason why the government have closed Labrador Linerboard Limited. There is a reason, Sir. Your Honour would not for one minute think that the government would have acted as they did without a good and sufficient reason. And they have a reason. I do not think it is a good one, and I do not think it is a sufficient one, but they have a reason that they consider good and sufficient. It has nothing to do with Labrador Linerboard Limited. Nothing to do with the future of linerboard markets, nothing to do with the losses, nothing, Sir, to do with anything at Stephenville. The simple truth, Mr. Speaker, is that this government, this administration have closed the mill because it is the price that they have to pay for their bungling and their mismanagement of the Province's economy the last five years. That is the reason. The people of Bay St. George are being sacrificed on the altar of financial expediency. This government have mismanaged the Province's economy horribly, callously, carelessly, and now it is the people of Bay St. George who are being asked first to pay the price. That is why Linerboard is being closed. It has nothing to do with the operations of Labrador Linerboard or nothing to do with anything except what the bond market has told these people. And I suspect that Mr. Sweeney, whether he knows it or not, is far closer to the truth than many people would have suspected when he said in that newspaper article, in the Financial Post or Times, "The government has been sucked in."

They have closed Linerboard, Sir, as a sacrifice to the bond markets. They are asking 25,000 to see their jobs and their incomes disappear. The only economic support in that whole area from South of Corner Brook to West of Port aux Basques, that whole area in between sacrificed on the altar of expediency in the bond market. A harsh thing to say. Sir, they are not my words, they are not my thoughts. One of the ministers of the government has said the same thing. It is not the Minister of Finance.

MR. J. CARTER: If that is true, what is the alternative?

MR. ROBERTS: I beg your pardon?

MR. J. CARTER: Supposing that is true, what is the alternative?

MR. ROBERTS: I will deal with the alternative.

AN HON. MEMBER: He should resign.

MR. STRACHAN: Resign.

MR. NEARY: That is the alternative.

MR. ROBERTS: The people of Newfoundland ought to do to them what the government did to the hon. gentleman from St. John's North (Mr. J. Carter).

AN HON. MEMBER: Right. The royal order of the boot.

MR. ROBERTS: Let me, Mr. Speaker, read a statement made by a minister of the Crown at a public meeting -

AN HON. MEMBER: (Inaudible)

MR. ROBERTS: - with the Minister of Labour, the hon. gentleman for Menihek (Mr. Rousseau), and

MR. ROBERTS: I have here a transcript, and I may add we have in our possession the tape of the meeting. There was a meeting held on the West Coast on May 3rd between the minister, representatives of the Bay St. George Joint Councils, the Harmon Corporation, the Harmon Tenants Association, the Bay St. George Regional Impact Council, the Stephenville Chamber of Commerce, the member for Stephenville, and the member for Port au Port. At that meeting Mr. Fred Stagg, formerly a P.C. member of the House of Assembly for the district of Stephenville, twice elected, 1971-72, asked a question of the minister and this I am told is a verbatim transcript of the minister's answer. The question I do not have verbatim but the note I have is - Mr. Stagg asked the minister a question involving Labrador Linerboard Limited, the financial state of the Province, what "the Moody's people" were saying, the borrowing power of the Province etc. The minister's answer, "I should have mentioned that at the beginning because I mentioned it at both meetings this morning (with management and union) so that it is not a put-on question." I am glad the minister is in his seat. The minister doubtless remembers it. He may not have known it was being taped, although I am told a microphone was in the middle of the table. In any event it was taped and we have the tape and this is a verbatim transcript.

"The closure - the announced closure of the Labrador Linerboard Mill - was not Labrador Linerboard in itself. It was the total budget of the Province and I think it is safe to say, I do not know what the exact dates were, that if this was not the latest budget ever brought down it certainly was close to the latest budget ever brought down. The problem was solely one with Labrador Linerboard Mill. That was the decision that we had to make before the budget was brought down. Now we skated around in the House of Assembly because we did not want anybody to know what we were doing - a frank confession by a member of the Cabinet - because we were carrying on some talks."

MR. ROUSSEAU: The Minister of Finance said the same thing.

MR. ROBERTS: Maybe. I am reading what the Minister of Labour said and I am reading it verbatim. "I know, for example," the minister went on, "for certain the Premier talked to the Prime Minister about it when it became a budget problem and there were meetings in Ottawa in respect of Federal Government possible assistance for the Linerboard Mill operation. But it came down from a Provincial point of view this problem that, as you know, the Provincial Budget operates in two aspects. One is called the current operating expenditure and the other is called the capital operating expenditure. For the expenditures in capital account it is normally a borrowing programme that goes on in the Province and I think we are somewhere around \$200 million, \$250 million, about \$250 million we have to borrow this year."

"Now the Quebec situation has made borrowing on the national and international market a little more difficult because people who are not familiar with Canada, of course, they hear the press reports going out as a result of the Parti Quebecois election in Quebec, the possible separation of this country."

It is not terribly dramatical but it is no less dramatical than my speech is when it is recorded verbatim. The minister was not reading a text. He was speaking in answer to a question. And he went on, "And that has become very difficult when it comes to borrowing on the money markets of the world. However, in order to borrow money you have to have some amount of current operating expense to contribute to capitals expense. Closing Labrador Linerboard Mill we had an \$8 million surplus. In other words, \$8 million that we may be able to, hopefully, if that is not eaten up somewhere between now and the 31st of March 1978, we may be able to contribute, at least we estimate will be contributed to capital account. If we had to continue to put the amount of money we were putting in the Labrador Linerboard Mill as a cash outlay, then of course, obviously, there was not an \$8 million surplus, there was a substantial deficit in the current operating expense account of this Province. And I would think that the

MR. ROBERTS: people who are lending money would be very reluctant to loan money. We would have had a great number of problems trying to borrow the money we needed for capital expenditures of this Province which, as I say, go anywhere from \$200 million to \$250 million of borrowing requirements we have this coming year."

"Also of course every time you float a loan there is a meeting that the Minister of Finance has to go to, whoever he may be - I do not know if the minister has some information about some changes in the Cabinet - whoever he may be, and it is called a due diligence meeting in which he has to be very truthful with the people who are buying the money of the Province. And I know that there has been increasing pressure on him about the situation at Labrador Linerboard Mill. We are now amongst the lowest rated Provinces in respect to borrowing in the country

MR. ROBERTS: and with a current account deficit there was just no way, in the opinion of the people who advise us in respect to borrowing, that you would have been able to borrow without extreme difficulty the money we needed to carry on the capital expenditures of this Province. Now that is my simple explanation, Maybe Bruce—and I think this refers to Mr. Waterman, an official in the department—might add to that if he wants to, because finance man he is, that in effect— that is in effect the situation, and it has been complicated, as I say, by the Quebec situation. But I could say to you, not with certainty because I am not a financial man, but from the information I have and the way things are going that if we had gone to borrow money on the international money markets and we had had a deficit in current account expenditure, which we would have had because Labrador Linerboard mill has to be put in current account; now if we could put it in capital account I think maybe we could have gilded the lily in such a way that we might have been able to hide it away in there and the same problem would not have arisen."

I am reading, for the benefit of the Finance Minister, a verbatim transcript of an answer given by his colleague, the Minister of Labour, at a public meeting in Stephenville less than a week ago. I think the Minister of Labour has so far confirmed the accuracy of what I have been saying. But we have the tape. I mean, there are a lot of copies of the tape around.

MR. ROUSSEAU: (Inaudible)

MR. ROBERTS: Yes, well that is it. The minister went on, "But the guides along the line at the due diligence meetings kept saying, 'It is in operating,' we had it in capital account, 'it is an operating expenditure, you should have had it in the operating expenditure budget,' It was an operating expenditure, current account deficit, you know it would have been - this Province in effect might well have become a standstill Province because we just would not have been able to borrow the money that we have to borrow to continue with the capital programme of this Province. That may be

MR. ROBERTS:

oversimplified and it is from a non-finance man but that is how I understand it. Bruce, if you have anything to add to it, add it." Apparently the gentleman named Bruce spoke, but his few words were inaudible, at least they are not reproduced. All I have is a note they were inaudible. Then Mr. David Callahan who I believe is president of the union -

AN HON. MEMBER: Yes.

MR. ROBERTS: president of the union. The beginning of Mr. Callahan's statement was inaudible but it picks it up. "Would it be a fair statement to make then - now this is getting close to the crunch." would it be a fair statement to make then that the main reason for the announced phase out at this point in time is because Labrador Linerboard is crippling the borrowing power of the Province."

AN HON. MEMBER: Oh, oh!

MR. ROBERTS: And the minister replied. "Not really. A correct statement would be to make in the estimation of government-and government may include Cabinet or the people in Finance and everybody else who determine the budget-that the Province could not continue to pour the amount of money into Labrador Linerboard mill that it was pouring into it without having some extreme borrowing difficulties on the market place of the Province as well as of course not having that money. You know, it could have been, we do not have, for example- and again I am reading it verbatim, Sir- You know, it could have been, we do not have, for example, if you look at the budget and when you see it you know there is a lot of things. I am sure 'Jim'-the member for Port au Port, and 'Bill'-the member for Stephenville-and all the other members would agree, you know, the lot of us would like to have paved roads and water and sewerage and all the other social amenities that do not provide resource dollars for us. We have cut them back quite a bit, but you

MR. ROBERTS:

cannot cut them down. People still expect some of this work. It would have been easy to say "Look, okay, no paving this year." That might have saved us, I do not know, \$10, \$15, \$18 million, I do not know what is in the budget for it. We could have cut out all water and sewerage. We could have probably come up with the money, but there has to be some balance. And I can say to you that, you know, my argument is that, you know, I do not want to see all the money go to resources either, right? You know there has to be a balance; you still have to build roads for people because women who wash clothes do not like to have the dust of roads on their clotheslines it is very important to them. You still have to try and cope with the water and sewerage problems and the health problems you have across the Province."

"So you have, you know, merits. Like, it is just like a household budget; you got so much money coming in and that is all you can spend. Now we had other alternatives too, by the way, we could have kept the mill open by raising the sales tax two or three percentage points, you know, by taxing liquor more, by taxing anything more, putting more tax on it, come up with the extra money necessary. You sit around the table and in government you with your advisors try to make a decision and in the end result the final decision was that it is impossible to carry on this Province in this financial year, we just could not afford to keep Labrador Linerboard mill operating the way things were." That is the end of the transcript which I have.

I think it is accurate, Sir, I think it is accurate. I think that is a logical thing for the minister to say; no doubt he believed it and no doubt that his colleagues in the Cabinet believed it. I have no doubt, Sir, that is what they were told. And I can see where it would cause their bowels to move, I can see where

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it would cause them to go weak-kneed, and I can see where eventually it would cause them to agree, "All right, close it!" They would not have looked beyond that. That is the analysis as it was presented to them. And so that is why the mill is closing, Sir. No talk of advisory boards or anything else. The mill is closing because the government are in such bad shape in the financial markets that they had to sacrifice it. Forget the fact that it will cost - well, it will cost a lot of money this year to open it as opposed to close it, but next year it will cost as much money to keep it closed as opened, and the year after it will cost more money to close it than to keep it open. Forget that. Forget the 1,500 jobs. Forget the 25,000 people who directly or indirectly draw their livelihood. Forget all that. The bond market, they are the people who are determining the fate of this Province now, Sir, not the government. Now I am among those who believe we must be responsible. The Province's credit - yes, and I will talk about the Premier and the Minister of Energy, \$80 million they have poured into the sink hole of the Lower Churchill, \$80 million they could find for the Lower Churchill for nothing and \$25 million they cannot find for 25,000 people on the West Coast. That is the priorities of this administration - a wild pipe dream, \$80 million gone in Lower Churchill. We saw a warrant for \$75 million the other day - never debated, and they can find \$75 million for a dream, a half-baked, picayune, petty dream with no substance to it, they have not been able to put together, and never were able to put together. And in an effort to try to get themselves re-elected they took the \$80 million and they poured it into the Lower Churchill, and now it is the people of Stephenville and Bay St. George and the Port au Port Peninsula and the Codroy Valley who will pay the price, because their jobs are gone. This Province cannot find, they say, the money. The bond market closed in on us and yet this government have wasted this Province's credit, Sir, dissipated it, spent it foolishly, \$80 million.

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I voted against it in this House, so did most of us on this side, so did the gentleman from St. John's East (Mr. Marshall) and the gentleman from St. John's North (Mr. J. Carter). They went ahead - \$80 million gone and nothing to show for it in a wild, foolish dream, a dream that may some day come true, but not the way that this crowd are going at it, Sir. One hundred and sixty million gone into the Upper Churchill and it will not even pay for itself. That investment in Upper Churchill that gave us not one inch more control over the Upper Churchill than we had to begin with.

MR. NOLAN: Twenty-five million a year to service -

MR. ROBERTS: That \$25 million a year to service that - gone - \$80 million gone in the Lower Churchill. Gull Island Power Company now owes the Province \$78 million or \$79 million - gone forever. We are going to have to pay the interest for it. We are going to have to pay back ourselves to pay back - the government are going to have to give Gull Island Power the money to enable it to pay back the government, to pay back the bond market. That was their policy, and now we are seeing the results. The people of Bay St. George are being sacrificed now. Twenty-five thousand of them sacrificed to pay for it, and let the Minister of Mines and Energy hang his head in shame. Let him hang his head in shame. That is their policy, Sir. That is their policy. They have done it. Look at their record. The debt in five years has gone from \$950 million to \$2,400 million, and what have we got to show for it? A Trans-Canada Highway that is cracking and crumbling, industries closed everywhere, \$80 million in the Lower Churchill - nothing to show for it - \$160 million in the Upper Churchill - oh, we have some shares. Fifty-seven per cent of the shares we got. The dividends we are going to get on them, Sir, into the foreseeable future will not service that debt. And if the Minister of Finance talks about business decisions and business parameters, let him table the feasibility study showing that the purchase of the Upper Churchill shares was a business decision, and he cannot

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because there is no such study! It was an insane,-not an unworthy, not an ignoble - but an insane dream. They entered into it against all advice , entered into without heed of the consequences, and now, Sir, the people of this Province - today it is Bay St. George. Who will it be tomorrow? Who will pay the price tomorrow for this government's financial policy? Twenty-five thousand people on the West Coast pay it now. Who pays it next? Goose Bay has paid the price. This administration's

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insane financial policy! I will not say it with any glory or pride or happiness. It is not just the chickens are coming home to roost, Sir. The fox is in the chicken roost now. That is why Linerboard must close, Mr. Speaker. That is why this government are closing it. The fate of this Province is no longer being determined by the elected government. The Minister of Finance does not decide it any more. All the Minister of Finance does is convey to the people of this Province what the bond market tells him. We have come to that point now. Now what do we do about it? Well, here we are. The government say that they cannot find \$28 million to keep Linerboard going this year. Next year they will not need to find anything to keep it going, anything more than they would have to find anyway, and the year after they would be money in pocket. It would cost them less to keep it open even with the losses, even if they did nothing to change that situation, less to keep it open than it will to keep it closed.

... That is the men of vision and courage and faith. They can find \$80 million to sink into the Lower Churchill - \$80 million! - and we are no closer today, Mr. Speaker, to delivering the Lower Churchill, to developing it and putting that power into Labrador and here on the Island, than we were ten years ago. We are no closer, not one inch closer. And we are not going to get any closer the way this government are going at it, Sir. We are not going to get at it. They have made a catastrophic horror, a horrible, horrific mess of it. They can find \$80 million for that, \$8 million or \$9 million or \$10 million alone for interest on that this year. One hundred and sixty million for the Upper Churchill, and we do not get enough from it to pay its way. But they cannot find the money for Linerboard. So they are closing it. They are closing it, Mr. Speaker. They are going to shut it down. Twenty-five thousand people getting the shaft now, as a result of five P. C. years. All the hopes of the Premier and his ministers and his colleagues in five years have now come to that.

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They have spent \$175 million out there, misspent it, allowing Mr. Crosbie and his minions - and I do not know how deeply the Premier was involved. He may have said, Mr. Crosbie is a strong man and an able man, we will leave it to him. Twenty-five thousand people now are paying the price. And who is next, Sir, in this Province? Eighty thousand dollars a job they tell us. That is sheer nonsense. I am not allowed to say what I say it is, but shall I say it is not true. The facts do not support it.

Mr. Speaker, it is a sad, sad day. The costs are there forever. As of the end of March - we do not have audited statements, I guess they are not available yet - the House will be interested to know that the government's total investment in Labrador Linerboard is \$272 million of which roughly \$100 million was on the debit side when the government took it over five years ago. Take off the disposal of assets which I am told might be worth as much as \$30 million or \$40 million, current assets, and you are down to - I am sorry - \$272 million when you take off the current assets. It is actually \$305 million before you get to the disposal of assets. Take off the \$33 million that the balance sheet shows as being the current assets, and you are left with a net investment of \$272 million. To service that, Mr. Speaker - the House I am sure will be interested to know - will cost \$40 million a year to service the Labrador Linerboard debt borne by the government, forgetting any other operating losses, forgetting any other losses. Approximately \$21.5 million of that is directly built into the debt of the Province. The other \$17.7 million is the amount that is going to service the German debt. That amount will be reduced in the next few years. I have a table here. Well, it does not matter. The debt will be reduced in the next few years.

So that is the sorry result, Sir. That is the result of this government's financial policy compounded with the way in which they have run Linerboard. It is an incredible, stunning

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admission. After five years, Sir, they have driven the Province to the brink. My friend from Twillingate has been saying much like that for years. I was inclined not to agree with him. I am not sure even now I agree with him. I do not think the Province is bankrupt. But I do feel, Sir -

MR. SMALLWOOD: I have never yet said that the Province is bankrupt. I said we are in peril. I have never used that word.

MR. ROBERTS : Of that I am thankful to my friend, and I agree with him. We are in peril,

MR. ROBERTS: and it is the people of Stephenville now and the Port au Port Peninsula and Bay St. George who are going to pay the price, the first people to pay. Who is next? We have got no hospitals being built this year. The Premier goes out to Grand Falls and makes some sort of commitment but we are not sure what the commitment is. Perhaps he is not.

The Trans-Canada Highway is falling to pieces. We are hoping Ottawa will bail us out. The debt of the Province now is taking a much larger proportion of our revenue than it ever did to pay for. It is gone in five years from \$950 million to \$2,400 million. Linerboard, and the immense investment -

MR. SMALLWOOD: If the hon. gentleman wants to have it right, it is \$700 million. When we went out of office our debt was around \$700 million, not \$500 million.

MR. ROBERTS: Well the hon. gentleman from Twillingate (Mr. Smallwood) and I perhaps should get together on the figures. My understanding is \$950 million.

MR. SMALLWOOD: Is what?

MR. ROBERTS: \$950 million at the time the present administration came into office.

MR. SMALLWOOD: \$950 million?

MR. ROBERTS: \$950 million. Well we will go back. It is less than this government spend in a year and we had a lot more to show for it. It took twenty-three years to run the debt up and that was all the schools and hospitals and roads and everything else built during twenty-three years, including the Bay d'Espoir power development, all the other things done in the first twenty-three years of our life as a Province.

In the five years since then the debt has gone from \$950 million to \$2400 million. And what have we got to show for it? It is a question that members of the House would do well to ask. We have now come to the point where we have a mill in Stephenville, a mill that has never been able to pay its way, a mill that has never been given

MR. ROBERTS: a chance to pay its way. I do not know if it could pay its way even then, although I do believe what I am told, that it can be made to pay its way on an operational basis. And given the fact, Mr. Speaker, that the money which the Province has invested is gone, it is there, it shows on the balance sheet as revenue bonds due from Labrador Linerboard to the Province, but I mean that is just so much paper. The Minister of Finance might as well paper an office down in the Department of Finance with those bonds because as it now stands they are not worth even the paper they are written on. I think I have the pro forma balance sheet of the company here as of the end of the 1976-77 year, so much on it but there were approximately \$200 million in those revenue bonds outstanding. The audited statement for the end of the 1975-76 year showed \$210 millions in those bonds and there would be another \$30 million or \$40, \$240 million or \$250 million in bonds held by the Province. What was the figure?

MR. DODDY: \$193.75 million.

MR. ROBERTS: As of the end of the 1977 year.

MR. DODDY: Pro forma -

MR. ROBERTS: Yes, they were up from \$154 million and then you add on the loans. So the Province is holding now \$194 million, \$195 million in revenue bonds issued by Labrador Linerboard to the government or to NIDC and there has been no revenue on them and there will be no revenue on them ever, unless the mill becomes a thriving success.

So in that sense that money is gone, be it for good, bad or indifferent.

I believe the mill can be made to operate, Mr. Speaker. I think it can be made to operate profitably. I do not think the government have shown, I do not think they have shown any case at all that justifies their decision in closing it. I accept the fact they have a financial problem. There is no difficulty on my part in accepting the fact that the bond market does say to the

MR. ROBERTS: Minister of Finance that you know, You are going to have trouble raising some money. Bond markets always say that. I guess it is what they are paid to say. They may or may not be right. I do not know. The Minister of Finance and the government obviously feel they are right. But I think it ought to be recorded that that is the reason that Linerboard is closed today or closing today. It is not closed yet. The reason it is closing has nothing to do with Labrador Linerboard Limited as such. It has got everything to do with the financial position of this Province, and that in turn is a direct result of the way this government have run this Province the last four or five years.

If we can find \$80 million for Churchill with nothing to show for it, what do we have in the way of a tangible asset or a valuable asset? We may have a few volumes of studies or feasibility reports of some form kicking around.

Mr. Roberts: \$160 million in the Upper Churchill. It does not give us any more control of the Churchill watershed than we had in law, it does not pay for itself in fact. The revenue which we will get in dividends over and above what we would have got anyway under the lease is not going to be enough to pay the way. We do not even get cheap power from it. The power of course is still going to Hydro-Quebec, and all the court actions in the world are not going to change that in the foreseeable future.

So, Mr. Speaker, that is the happy pass that we have come to. We have a resourced based industry, a resourced based industry that cannot be made to work, so the government say. But what future is it for the Province? What do they hold out? The Minister of Finance stands up and he says, Stephenville will endure. I believe the people out there will. I hope they will and I believe they will. The government are doing nothing for them at all. They are still walking away from the woods industry, from the refusal to rationalize the woods resources of the country. I say to the government they are going to face up to it. Bowaters are now saying they are running out of economic wood, and then the spruce budworm problem is becoming worse. I do not think there is any quick answer to it, and I am not pretending there is, but the government are the government and they must govern, and if they cannot govern then let them stand aside and let others govern. As long as they hold the Queen's commission they must carry the Queen's rifle. And let them come to grips. They have done nothing. They have been warned for years about the wood supply problem in this Province.

Our investment is gone. Do we just forget it? \$270 million now, \$170 millions more than when they started. And as I demonstrated at the start, they took it over. \$21.5 million a year to service that debt, Sir, leaving aside entirely the German loan, the Hessische Landesbank loan, all of that built in. Well what about the future of Bay St. George? Do we just write off 25,000 people? Write off a town of 12,000 people? Just write them off and forget it? Say, tough! Are they to join Bell Island? Are they to

Mr. Roberts:

join Goose Bay? All the other long list of places that apparently have no future and no presence. What about Labrador Linerboard? Just let it rot out there, try to sell it for scrap and get \$65 million for a plant that has cost us \$270 million. Is that what we are going to do? Given the fact that experts say, it can be turned around. Given the fact that it can be made profitable.

Mr. Speaker, I began by saying the whole instance, the whole Labrador Linerboard action, the whole story is an immense, an immense tragedy, a tragedy of gigantic proportions. The government took it on, I believe - not I just believe, I am certain - they took it on in an effort to try to make it work. But their will failed along the way. They did not do what they ought to have done and they knew they ought to have done. They did not allow the sales organization to function properly. They did not come to grips with the wood supply problem. They did not do a thousand things they ought to have done to make the mill run efficiently. There was political interference at every level time and time again. Let an inquiry be held if anybody doubts that. But everybody in Stephenville given the examples of it, hundreds of it, and elsewhere around the Province, let the government have a full and impartial inquiry. I believe groups out there have asked for it. A royal commission is not the solution to the troubles. A royal commission could simply tell us who is responsible for what. That is fine, if we want to have such an inquiry let us have it; it may be the only way that some of these rumours may be put to rest, if they are rumours. And as long as the inquiry is not held there will be persistent, and, I believe, substantiated, reasonable doubts that the government have not done the right thing.

The financial position of the Province is another story altogether. I can talk about the government's Lower Churchill policy. I mean it was a hoax. It was done deliberately to try to fool the people of this Province during the election. That was all that was behind it. It was never any substance to it. The Premier took part in it. Mr. Leo Barry took part in it. It was

MR. ROBERTS:

a hoax. There was no substance, no hope of it going ahead. They knew it at the time or ought to have known the legal test of negligence. They served their end in that they did get re-elected, and I suppose they feel that the end justifies the means. A dangerous doctrine in philosophy, but perhaps a good one in politics. I do not subscribe to it, possibly that is why I am Leader of the Opposition and not Premier.

But that money is gone, the \$80 millions is gone, sunk without a trace. We will only get it back if we can ever get the Lower Churchill to go as a project, and even then I predict the \$80 millions will not be

MR. ROBERTS: built into the project costs, it will be absorbed some other way. The taxpayers of the Province now will have to pay the price for that folly. The \$160 millions in the Upper Churchill is gone. We will never get enough money back in dividends, extra dividends for that 57.5 per cent of the shares, we will never get enough money, according to the forecasts, to pay our way.

Those are all facts. It is a fact that the Province is in very bad shape on current account. If the Province were forced to add \$20 million or \$21 million to the current account this year it would make a current account deficit, and that is a very, very unpalatable thing indeed.

So what are the options? Well I guess there are only three, Sir, and I confess quite candidly I do not have all the options. I do not have access to all the officials. I have had the privilege of an afternoon with them but that is only the beginning. I do not have these vast briefing books that the Minister of Finance and the Premier have. That is one of the privileges of being in office to have access to that kind of information. I have not seen all the studies. I have referred to most of the information which I have seen, my colleagues have others. We cannot dissipate the credit of the Province any more, enough damage has been done to that.

So, we can go to Ottawa, and a half-hearted attempt was made, half-hearted by this government, not half-hearted by Ottawa. But a half-hearted attempt was made by the government. The Premier rang the Prime Minister and subsequently a meeting was arranged with the Minister of Finance, some talks were held and some officials were put to work. But we did not provide Ottawa with what we ought to have provided,

MR. ROBERTS: a justification for putting the money in. I think Ottawa were willing to help us, but Ottawa said, Look, if we do it for you how many others are we going to have to help? And our skill and tricks had to be in providing them with a way to do it where they could have done it without having to help any other mills in dissimilar circumstances. And if the secretariat in Intergovernmental Affairs, or whatever it was called, was doing anything, if they had done that they would have justified their existence, but they did not.

Mr. Jack Marshall was quoted, was he not, in the papers as saying the government never made any substantial approach to Ottawa. Mr. Jack Marshall is a fine man but politically he and I follow different paths, Sir. He certainly cannot be accused of making a statement in support of those of us on this side. He was making a statement in behalf of his constituents. We can do that. We could try a meaningful approach to Ottawa, a real approach. We can go back to the bond people and tell them the facts and give them the truth. I have dealt with the bond market on and off, and when I was a minister I had some connection with them, not as a Minister of Finance but as a minister in the government who occasionally was involved in some of these issues. They are sensible, logical people. If we can show them this industry will turn around next year, as the Advisory Board's own forecasts are, I think they would be willing to ride with us one year longer, one year longer for the sake of 25,000 people.

We are talking \$28 million for 25,000 people. That is what we are talking for this year. Over three years we are talking \$27 million for 25,000 people. For \$26 millions, \$26 million

MR. ROBERTS: over three years, a little under \$9 million a year averaged over the three year period of the projections. It is true that most of the cash need falls in this year, but a lot of that can be handled, a lot of that is repayment of debt, it is not all actual cash. If we can refinance debt a lot of that will be carried and that is no different than what the government do day after day, day in and day out in all sorts of their activities.

In the 1977-78 year \$17.8 million is repayment of debt. Of the losses which are being tacked against Linerboard, for which Linerboard is being made to bear the blame, \$58.7 millions are repayment of capital and payment of interest, legitimate charges. An accountant quite properly puts them against the long-term debt repayment of the company, but when we come to look at operating losses let us look at operating losses and let us look at what operating losses really are. That debt is there on the debt of the Province whether the mill operates or not. If it never makes another ounce of linerboard, if it never makes another inch of any kind of product, that debt will have to be repaid, \$17.7 this year, \$14.5 next year, \$13.7 the year after, \$10.2 the year after, \$9.6, \$7.3 and \$6.1 millions of dollars. Millions, and millions and millions.

So that is the story of Linerboard, Sir. I do not think the government have made an honest effort to make it work, I do not think it has to close, and I do not think the government have told the truth about why they have decided to close it. The resolution before the House,

MR. ROBERTS: The resolution before the House, Sir, is not one really which requires a vote. It is merely a debating resolution. I do not even have it in front of me. If one of my friends has an Order Paper?

MR. SIMMONS: It says that it be debated.

MR. ROBERTS: It says that the motion or the matter be debated. The motion is even inaccurate. It refers to, for example, \$40 million in losses when there were only \$30 million last year. I mean, little things like that. But the motion itself does not require a vote.

I would think the government, Sir, ought to make it a matter of confidence and while I will not be moving an amendment I will ask one of my colleagues at the appropriate time to move an amendment and we will make it a matter of confidence so we can test the House. I do not think there is anything in the Linerboard mill history that anybody can really be proud of. It ought to have been a natural for this Province, a resource based industry using one of the few natural resources that we have. We have a lot of our natural resources but they are few in number. Basically we have fish and we have minerals and we have water power and we have the forests. We may or may not have oil and gas in commercial quantities. Certainly we do not have them at present in anything like commercial quantities.

The mill was born in difficulty, born in controversy. It has gone through its life in ups and downs and controversies and fights and battles and wars. I hope now the final chapter has not come and I say it has not. I would hope this mill, Labrador Linerboard, is back in this House again for debate. I hope the government in fact will change their mind on reconsideration. I think there are approaches they can take. I know they feel there are not, and I do not think they decided to close that mill until they felt they had exhausted all alternatives. But I give it as my view, and while I have not had access to the information which they have had and have not been as close as they have, I have access

MR. ROBERTS: to a great deal of information and I tried to follow this closely. I think there are still options open and I think the government owes it to the people of this Province and the people of Bay St. George to follow those options, Sir.

The government have made no case to close the mill, Mr. Speaker. They have made no justifiable case. They have not, I think, convinced anybody in this Province. They may not even have convinced themselves. The Minister of Labour made it clear that he did not believe it had to close for anything other than financial reasons. And so if it is to be simply a financial decision then why do 25,000 people of Bay St. George have to bear the brunt? Why have they been singled out? I think that is a question, Sir, to which the ministry must address themselves. Equally they must tell us what the future is, what we can expect not just in Bay St. George but in the whole Province. If we cannot make Linerboard work, Sir, then what hope is there for us, the people? I believe we can make it work, and I can say that the government have not made it and I say, Sir, that if they do not make it work then let them take it back to the people and let the people of this Province decide whether they approve of what this government are doing. Let them take to the people, Sir, the question of the financial policy of the government, the wisdom of their actions and the desirability of what they propose to do.

I say they are wrong, Sir. If this was a motion of confidence I would vote against them on this issue. It is not yet a motion, Sir. When it is I shall vote against it. Thank you, Sir.

MR. SPEAKER: The hon. member for Twillingate.

MR. SMALLWOOD: Mr. Speaker, we are suffering in Newfoundland today from one of the worst blunders ever committed in our long history of nearly 500 years. Everyone in this Province, not only the people

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MR. SMALLWOOD: of Stephenville, not only the people of the Port au Port Peninsula, not only the people of the whole of Bay St. George, but the people also of Green Bay and White Bay and the people of Goose Bay in Labrador, and not only those but the people in all the cities, towns and settlements, the whole population of Newfoundland, this House, the Government, the Opposition, there is no one in Newfoundland who will not suffer from this disaster, some grievously, some much less so, suffer from one of the worst blunders ever committed in Newfoundland. One man committed that blunder. One man brought that disaster on us. His name is Crosbie, John C. Crosbie. He it was who bulldozed through the nationalization of that great paper mill in Stephenville,

MR. SMALLWOOD: as it was he who bulldozed through the nationalization of Churchill Falls, succeeded in bulldozing through both great blunders and became at once the supreme boss over both of them for five years, until just seven months ago Chairman of the board of both enterprises. The most expensive Newfoundlander in 500 years of history, half a billion he has cost Newfoundland: Quarter of a billion at least for the paper mill and quarter of a billion at least for Churchill Falls. No wonder the Premier, the day that John Crosbie resigned from the Cabinet, had said of him by me when I was asked to comment that I was sure the Premier was the happiest man in Canada that day, the day that John Crosbie left here and headed off in the direction of Ottawa.

Mr. Speaker, it has been said that the building of the mill was a blunder in the first place. The blunder, it has been said, was not in the government's nationalizing it but in the previous administration's putting it there in the first instance. It ought not, so it is argued, it ought not to have been put there. It ought not to have been built. There ought not to have been such a great Linerboard paper mill. The second biggest on the earth it was when it was built. It is the great central machine in it being short by I think two inches from being the largest of its kind on the earth. But, Sir, when it is suggested that the administration of that time that I led, and which contained within its ranks as Minister of Justice the present Minister of Justice, and when that administration which had in its ranks John C. Crosbie and had Clyde Wells, the present Leader of the Opposition, the present member for LaPoile, the present independent Liberal member for Port de Grave, the present member for Fogo and other distinguished Newfoundlanders, when that administration decided to come before this House and seek the House's authority to go ahead and build that great mill or enable it to be built, when that was done it was not, as is sometimes suggested, a mad something on the part of the government, thoughtlessly, recklessly, a government recklessly and stupidly and almost

MR. SMALLWOOD: criminally building a mill without proper study, without proper and adequate information, stupid, foolish, even criminal.

But, Sir, rarely in this Province's history, or this country's history when we were a country - the Grand Falls paper mill industry, the Corner Brook paper mill industry, the Buchans industry, any other industry - rarely in all our history was any project so thoroughly and exhaustively studied, so thoroughly exhaustively briefed, so many thorough-going reports written on it by outstanding authorities, rarely in our history was there such a study made. And those studies, first put into the hands of the government and studied by the government to enable the government to decide whether they wanted to back that enterprise or not then were tabled in this House

Mr. Smallwood:

so that every hon. member of the House, all Opposition members, there were only, I think, three at the time, and all on the government side, all were given copies of these reports. Here is one of them. Here is another of them. Here is another of them. Here is still another. Here is yet another. And another. And another. And yet one more. And still another. And still another. And still another. Reports, Mr. Speaker, numbering twelve, and containing 1,193 pages, eight of them being reports on the timber resource of Labrador upon which in the main the mill was to depend for its source. Over a period of fifteen years some of them were made, in 1951, in 1953, in 1954 by the Government of Canada, by the Government of Newfoundland, and then in March 1966 a new one, in April 1966 another new one, in August 1966 still another, on the 25th. of October another and on the 27th. of October in the same year still another. Five reports in one year, made by some of the outstanding forest people in North America. They are all there on my desk. I am not going to quote from them. I have only one copy of each for my files. I only recently had them returned to me, quite recently. I propose to give them to the University.

Then in addition to those eight reports by the Government of Canada, and the Government of Newfoundland, Newfoundland and Labrador Corporation, Julianne Forest, Hugh Cole, Hugh Cole the famous forester from Millertown who was -

AN HON. MEMBER: The Badger Drive.

MR. SMALLWOOD: - yes, who was the chief forester or forestry manager of the AND Company, Hugh, the father of -

MR. NEARY: The Chief Returning Officer.

MR. SMALLWOOD: - the Chief Electoral Officer of Newfoundland.

There was one in 1965, one in 1968 and one in 1969. Reports on the technical side of the mill. The question of transportation, the economic side and the financial side. Those reports were compiled primarily by E and B Cowan, one of the great companies in the whole of Canada in the field of pulp and paper mills. They designed

Mr. Smallwood:

pulp and paper mills all across Canada, E and B Cowan, C-o-w-a-n of Montreal. Radar Newmatics of Portland, Oregon, Parsons and Whitmore, the great pulp and paper mill people, that is the Carl Horndigger, is that the name? Walmsleys of England, Walmsleys of Burry England, they are owned, they are very ancient English company, very great, very honourable, and they are owned now by Beloit of Wisconsin. A report by Walmsleys, a report by Greyhound Leasing, a report by Schneider-Creuset, one of the five Arminian kings of the world, Vickers in England, Schneider-Creuset in France, Krupps in Germany, and what is the name of the one in Czechoslovakia?

AN HON. MEMBER: Skoda.

MR. SMALLWOOD: Skoda in Czechoslovakia; Schneider-Creuset, with whom I negotiated over a period of months, own their own bank; they own factory after factory including a great construction company who were at first to do the building of the mill; Lazards Bank in London -

MR. SMALLWOOD:

these reports, Mr. Speaker, were considered carefully by the government as it was their duty to do, and based on these reports the government decided that the mill proposal was a good one, sound and solid. So they came into the House and asked the House to vote approval, which the House did unanimously, all members on both sides. The principle, I introduced the bill, but the principle speechifying was done by John Crosbie, who was then minister of something or other, the then Minister of Justice, who is still the Minister of Justice, the hon. member for Grand Bank (Mr. Hickman) and the Minister without Portfolio, I think at the time, Clyde Wells. They did most of the speaking. It was spoken to by the then Leader of the Opposition, His Honour, the hon. the Speaker of the House today. So that this thing that was negotiated over a period of several years based on reports that had been the result of studies made over a greater number of years, this decision by the government and supported by this House unanimously, I believe was not in any shape or form hurriedly done, carelessly done, but done most carefully, most thoroughly. Indeed I do not know of any industrial project that received such careful study and produced such careful reports over so long a period. The government were quite certain that what they were proposing to do was the right thing.

Of course, there were really only three basic issues. Number one, is there pulp wood to support such a mill. And remember this mill, though allegedly a mill of 1000 tons a day, was in fact designed to produce 1200 tons, the intention being to enlarge it to 1800 tons and finally to 2500 tons a day. And the first question arising obviously was is there the pulp wood to support that mill. That is why there were so many studies and so many reports on forest and wood and wood handling and wood transportation and wood processing. Secondly, was it possible in the world to find engineers and designers

MR. SMALLWOOD:

who could design a first class paper mill. And thirdly - I should have said four - thirdly, would it be possible to get first class people to run the mill. And finally, would it be possible to get good markets for the product of that mill. Those are the four questions - pulpwood, design of the mill, expert, tip-top management, and markets. They put together a superb team of men to manage the mill. E. and B. Cowan designed it.

Mr. Speaker, do you realize that that mill is, even as of today, one of the world's biggest paper mills, one of the world's biggest producing that kind of paper commonly called linerboard. It is a superb mill, magnificently designed, magnificently built by Whamsley for the most part in England and magnificently constructed by Sir Robert McAlpine and Sons of England, English manufactured and English constructed because so much English capital was in it and because E.C.C.D. were backing it financially by way of guarantee. I said when I introduced the matter on April 10, 1967, I said that the market as of that day, as of that year was 5 million tons a year for linerboard paper, in Europe; in the

MR. SMALLWOOD: U.S.A., 16.5 million tons, in South America 750,000 tons. That was 22 million tons a year then being consumed. But, all the economic forecasts at that time for the future put the probable consumption for 1975 - and this was 1967, looking forward seven, eight years - the probable consumption would be 34 million tons in Europe, North America and South America, not counting Asia where there is another very big market. The Near East, Middle East, Far East, Southeast Asia and Japan - not counting that, the forecast by the experts at that time for the future market was 34 million tons for 1975 as against 22 million actually sold in 1967. If that had been reached, that increase in consumption of linerboard paper, it would have become necessary in the intervening years - those seven or eight years - to meet the demand from 22 million to 34 million tons a year, that additional 12 million tons, it would have been necessary to build, somewhere in the world, thirty-three additional mills of the same size as Stephenville, namely 1,000 tons a day, thirty-three! Now that was the prospect when we brought the measure before this House in 1967 on the 10th of April. Certainly it looked good, it looked good. We know now, looking back, that by 1975 it had not, in fact, reached 34 million tons. I do not know what the consumption was in 1975, or last year, or what it will be this year, but it was forecast to reach 34 million tons.

AN HON. MEMBER: (inaudible)

MR. SMALLWOOD: Now, Mr. Speaker, we had no doubt about the volume of the forests. Well, we had no doubt about that. I have no doubt of it now. None. We had no doubt about the skills, the experience and the capacity of E. and B. Cowan to design the mill, and I have none now. We had no doubt about the ability to get tip-top management. It was not got, but we were not in office. They did get a man for general manager who had never run a mill in his life before. He was getting - what was he getting? - \$75,000 a year towards the end, plus some fringe benefits, and these fringe benefits ran perhaps to another \$8,000 to \$10,000 a year.

MR. NEARY: \$100,000 in fringe benefits and salary.

MR. SMALLWOOD: The hon. member from LaPoile (Mr. Neary) estimates - I do not know if he has the information or if he is just -

MR. NEARY: The Minister gave us the information -

MR. SMALLWOOD: - approximately \$100,000 a year for a general manager of the mill itself; a man who had never managed a mill in his life up to then. So that, though we were confident that tip-top management could be got, it was in fact not got. Though we were confident that magnificent marketing could be organized, it was in fact not organized. The two things for which we were responsible were done, and done well, that is to say, superb studies of forest wealth, superb design of the mill, superb manufacture of all the machinery in it, and superb construction, although the construction was not complete when we went out of office.

The next two things were: management of the mill - this was got after we were out of office; and marketing - and this was done after we got out of office.

The manager put in there at \$75,000-plus a year, who had never run a mill in his life, that was bad enough. If he had been an assistant manager of a big mill, that might have passed. I do not think he was that either. But the marketing, Sir, the marketing

MR. SMALLWOOD: was put into the hands of a company that had no experience, none at all. They had never in their lives marketed even a ton of linerboard paper. Think of that. Just think of that. Here is a vast enterprise, tens and tens of millions of dollars it cost, a vast enterprise and the marketing of its output was absolutely crucial to its success, was it not? Was it not? And they gave the marketing of the output to an outfit that had never marketed any in their lives. In fact they were organized, they were incorporated for the purpose of taking over the contract. And the Leader of the Opposition told us here today a fact that I was not aware of - I did not know that until he said it, I assume it is correct - that it was to receive, that little company were to receive a fixed minimum payment regardless of whether they marketed any paper or not. It is incredible. Mismanagement - Andrew Crosbie - I have said this publicly. I said it out in Stephenville when I spoke to Rotary, I think it was the Rotary Club - and I said it there, that Andrew Crosbie had told me in my home, on a visit to my home one night, that the management of the Linerboard Paper Mill was the most atrociously bad he had ever heard or read of.

So we have this tragedy. Mr. Speaker, I think it was the Leader of the Opposition who uttered a striking thought, a thought that was striking to me, and it was this, that if Newfoundland cannot make a go of an industry based on her own natural resources, an industry for which virtually no imports have to be made, a little perhaps - sulfur, I think. Do they use sulfur? Some chemicals, a few things have to be imported - but the great basic raw material of the paper mill is here in Newfoundland and Labrador, namely pulpwood, forests, and if we cannot make a go of an industry that is based four square on the natural resources that God gave us, then what can we make a go of? It is tragic, tragic.

In my autobiography which I wrote in Florida, I forget what year. Let us see. In 19- At this writing, well I do not know just - At this writing, I say here.

MR. NEARY: 1972.

MR. SMALLWOOD: 1972 I guess. No that is the year I went out of office.

MR. SMALLWOOD: I began to write it that same year, I guess in Florida. I told the story of that mill. Doyle's first thought was to build the mill on Lake Melville, a large inland sea inside Hamilton Inlet, close to the wood supply. That would seem to be a pretty logical thing to do, would it not? Instead of bringing the wood to the mill, bring the mill to the wood and that wherever it can be done is the obvious thing to do unless in so doing you raise problems that are insuperable. He abandoned that idea when it became apparent that as Lake Melville would be closed to navigation for five or six months of the year, vast warehouses would have to be built to store the production of those months. Interest charges would add further to the cost. Doyle then had studies made of a mill operation at Sandwich Bay out on the open Labrador Shore where only the drift Arctic ice would present a problem of navigation. A light railway would bring the wood from Lake Melville to the mill. He abandoned that idea and then because,

MR. SMALLWOOD: you see, you still have the drift ice, you have the question of insuring the ships. The insurance companies take a very dim view indeed of insuring ships in drift ice or in any kind of ice. He abandoned that idea and then concentrated his studies on Forteau, on the Labrador side of the Straits of Belle Isle. This would be open to navigation for most of the year. The plan was to bring the pulpwood south from Lake Melville, to the mill by pipeline. I remember well the day the head of Canadian Bechtel came to see me and outlined for me the pipelines that they had all around the world, that they had built, including iron ore. You crush the iron ore into a sort of powder and you flush it through the pipeline, pulpwood, all kinds of products a distance of nearly 200 miles the pipeline would be.

The Canadian Bechtel Company and other concerns were confident that such a pipeline would be practical. In the end Doyle decided on the basis of all the studies that the mill should be built at Stephenville on Newfoundland's west coast. The great advantage of Stephenville was that ample land was available. The harbour was there and all the infrastructure of a comfortable town already existed. The principle disadvantage of this site was the distance of the source of the pulpwood supply from the mill. Now, that is not nearly as disadvantageous as it might appear. If you were to examine all the pulp and paper mills in the world today who get their wood supplies from considerable distances away, by ship or by rail or by truck, the distance from Goose to Stephenville would not appear so serious as it is.

The original concept, Mr. Speaker, of a 1,000 ton mill would cost \$72 million. The original concept. The wood shipping plant would cost an additional \$4 million. Development of the forest building, woods roads and acquiring wood harvest equipment would cost another \$14 million. Docks and shipping facilities would cost a further \$10 million. That was a total of \$100 million. Working capital would amount to \$10 millions. The ships would cost \$27 millions.

MR. SMALLWOOD: The whole project, according to the careful engineering estimates of the mill's designers E. and B. Cowan of Montreal, who had engineered numerous pulp and paper mills, would thus cost \$137 million. An amount of about \$5 million which Ottawa was to have contributed failed to materialize. The new concern that swept across Canada to prevent pollution cost the enterprise an additional \$6 million. An amount of \$4 million was added to the cost by the withdrawal of the Greyhound Leasing Corporation and by subsequent changes in location plans.

Another \$4 million was added to the cost when 3,000 tons of steel had to be added to the mill because of the earthquake hazard that was afterward found to exist in the area. In other words, they had designed the mill, they placed the orders for the steel, when Ottawa comes up with a report pointing to a degree of earthquake hazard around Stephenville that made it absolutely necessary to put in an additional 3,000 tons of steel at a cost of \$4 million.

These totalled nearly \$20 million of overrun. But the overrun came within the estimated overall cost of \$137 million. In December 1970, in connection with the bond issue that we were about to sell, a conference was convened in St. John's by our Department of Finance to explain to the underwriters in the banks what our needs were. John Doyle appeared before that meeting and gave the figure of \$140 million as the total cost of the enterprise to completion. In the summer of the following year our auditors, Peat Marwick and Mitchell, the mill's designers E. and B. Cowan, and D. D. Dick,

MR. SMALLWOOD:

the engineering firm that the Newfoundland Government had engaged to be our eyes and ears throughout the construction of the mill, all agreed on their carefully estimated cost of completing the mill to the point where production would begin. Their figure was \$139.5 million, almost identical with Doyle's estimate of the year before, \$139 million. And then it goes on to tell of the sequel that the government went out before the construction was completed, the new administration took over and decided almost immediately in their career as a government to nationalize the mill. Tragedy, tragedy, tragedy piled on tragedy!

Now, Mr. Speaker, when the Labrador Linerboard mill is producing full time its salaries, wages and benefits amount to \$24 million a year to approximately 1,600 employees, direct employees on the payroll. But Statistics Canada points out that in the pulp and paper mill industry for every productive worker employed there are three other persons who get work in the multiplier effect, and at \$10,000 a year average that would be another \$48 million. If you employ 1,600 people in the pulp and paper mill industry, if you do that then the multiplier effect is three to one. In Corner Brook, by the way, it is three and a half to one. In Grand Falls it is three to one. And there is nothing in Grand Falls except a paper mill. That is all that is there. The multiplier is three to one, in Corner Brook three and a half. But in Corner Brook in addition to the paper mill you have a cement mill and a gypsum board mill, three and a half to one. Canada Statistics says the average is three to one. So if you have 1,600 getting the \$24 million, you have another \$48 million. Now that makes a total of \$72 million a year because there would be people here in St. John's who never saw the sky over Stephenville let alone be in the paper mill, who would not know a single soul who works in the paper mill or lives on the West Coast, there would

MR. SMALLWOOD:

be people here in St. John's who get a portion of their income from that mill. If an employee of that mill in Stephenville or St. Georges or Port au Port or anywhere, if a logger in Green Bay or White Bay or Goose Bay or anywhere buys a biscuit, a block of margarine, buys anything that is made in St. John's, then part of the wages of the workers in that factory, part of it - it may be only a small part - comes from that industry.

MR. SIMMONS: Even a pack of savoury.

MR. SMALLWOOD: Yes, even a pack of savoury. So what we have, Mr. Speaker - have I much time left.

SOME HON. MEMBERS: By leave, by leave.

MR. SMALLWOOD: Maybe five minutes, I think, will enable me to finish. I am not making any attack on the Minister of Finance. I am not. I have not said a word to condemn. I have not said a word to condemn the Premier. I have not said a word to condemn anyone on that side of the House or this side either. It is not a time for condemnation. And I will say in a moment why. I do condemn one man, the most expensive Newfoundlander that ever trod shoe leather on this Island. It is just unspeakable.

Now two other points before I sit down, and the first one is this. Here is a story that appeared - when? the last day or two? in a newspaper published in Stephenville, May 7 -

MR. SIMMONS: The Financial Post.

MR. SMALLWOOD: The Financial Post of Toronto, and it is

MR. SMALLWOOD: by Randall Litchfield, Litchfield, and is datelined Stephenville, Newfoundland and he quotes the headline "Labrador Linerboard boss fighting mad about closing" and he quotes him as follows - among other things he quotes - what is his name?

AN HON. MEMBER: Jack Sweeney.

MR. SMALLWOOD: Sweeney, "in the short time he has been at Stephenville, the former vice-president of Consolidated Bathurst has managed to save the operation \$6 million. In addition" now hear this, Mr. Speaker, "in addition, he - that is Sweeney is betting his thirty-five year career - not like the gentleman who recently left there, he did not have thirty-five years, he did not have three years, he did not have three months experience running a great mill -

MR. DOODY: He did not have three hours.

MR. SMALLWOOD: but here is a man, he says "he is betting his thirty-five year career of pulling unprofitable paper mills out of the red, thirty-five years experience pulling unprofitable paper mills out of the red and making them pay. He bets that he can get the mill's operating loss down to \$14 million a year by year end 1977, - well this is 1977 - \$6 million to \$8 million next year and turn a \$3 million to \$6 million profit in 1979-1980."

Now here is a man who is the general manager of that mill and has been for some months past. He is part of the force that has been put in by the government to study the mill and run it in the meantime and make recommendations, He is the active manager of it and now that John Crosbie is gone he is the actual boss, I would assume. I would assume that the ministers, that the Minister of Finance, who is the Chairman of the Board in trying to fill the footsteps - which he never will do, thanks be to God, of his predecessor - even he does not

MR. SMALLWOOD: try to be the boss of that mill as his predecessor did. Here he is, says this mill can operate and loose on the operation, that is not counting the service of the debt, but the cost of operating the mill, loose in the current year \$14 million, \$6 to \$8 million next year and a profit of \$3 million to \$5 million in the year after. Now he is no slouch, he is no jack-ass, if he is he is not much credit to the government who brought him in and put him and put him there in charge. And it is this present administration, not the one that was there when John Crosbie was there, it is a different administration with him out of it. They brought him in and he says that publically in the Financial Post, the great financial newspaper of Canada, which brings me to my final words, that I cannot, that I do not and that I will not believe that this magnificent, modern papermill, one of the world's largest is destined for the graveyard, mark my words.

SOME HON. MEMBER: Hear, hear.

MR. SPEAKER: Is the House ready for the question?

MR. NEARY: Mr. Speaker, I would like to just have a few words on this resolution. Mr. Speaker, there is not much point in rehashing what has already been said today by the Leader of the Opposition and my hon. friend the member for Twillingate who covered the ground fairly extensively in going over the history of the Linerboard mill and the logging operation at Goose Bay and bringing us up to date on all the financial of the close down versus the continuation of the Linerboard mill at Stephenville.

Mr. Speaker, I think in the later part of his remarks the Leader of the Opposition, probably put his finger on the most significant aspect that led up to the decision to close the Linerboard mill and that

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MR. NEARY: decision, Mr. Speaker, was not made in this Province. That decision, Sir, was made in the boardrooms of the skyscrapers in Montreal, Toronto and New York. The decision to close down the Linerboard mill, Sir, was not a decision that was made freely in this Province, but a decision that was dictated to the government, not by Doody, but by Moody.

AN HON. MEMBER: (inaudible)

MR. NEARY: No, Sir. I have no text. I do not need a text, thank God for that! I can get up and speak off the cuff in this hon. House anytime I want to. The hon. gentleman is limping, today, when he - I think he must have injured himself, trying to get to the television to turn it up, when he heard that the hon. member from Twillingate, the former Premier, was going to resign - and probably twisted his leg, in the bargain.

MR. SMALLWOOD: Why would he do that?

MR. NEARY: The hon. gentleman loves the hon. former Premier so much.

MR. SMALLWOOD: Who -

MR. NEARY: I am talking about the member for St. John's North.
(Mr. J. Carter).

MR. SMALLWOOD: He is not a member.

MR. NEARY: No, that is right.

Mr. Speaker, this government has sold our birthright, and they sold it, Sir, for a massive debt, over the last five years. And, now, Sir, they are just a - the administration is just a rubber stamp for decisions that are made outside of this Province by the great financial corporations, by the shylocks of high finance. They could see, Mr. Speaker, they could see that keeping the Linerboard mill operating could cut into the huge interest rates that they could get out of loaning money to this Province. And that is the real reason, Sir, why the Linerboard mill - why the decision was taken to close the mill. And that has been confirmed by a transcript of a tape - of a speech that was taped in Stephenville, when the hon. Minister of Labour and Manpower was in attendance. It was a meeting. Well, it was a speech. The hon.

MR. NEARY: gentleman was speaking, I suppose, when it was taped.

AN HON. MEMBER: (inaudible)

MR. NEARY: Mr. Speaker, as a result of a combination of the unnecessary takeover of The Churchill Falls Corporation, and foolish spending in this Province over the last five years on frills and non-essentials, spending on things that were unnecessary, extravagance and waste, the Moores administration, Sir, has sold itself into the mawmmon of iniquity. And now, Sir, now the administration has to conform to the wishes and the restrictions that are laid down by the financial corporations outside of this Province.

SOME HON. MEMBERS: (inaudible)

MR. NEARY: Mr. Speaker, if I wanted to, Sir, I could give a list the length of your arm, Sir, on the extravagance and waste in connection with the operation of the Linerboard mill at Stephenville. I think, now, probably for - well, for five years, Sir, I have been - at least, during one sitting of the House, for the last five years, I have brought to the attention of the administration all kinds of examples of mismanagement and extravagance and waste, in connection with the Labrador Linerboard mill and the logging operations at Goose Bay. Unfortunately, my complaints fell on deaf ears. Old bullyboy was here then - would not listen.

MR. SMALLWOOD: Who put that name on him?

MR. NEARY: I do not know who put that name on him, but I put the name 'Mutton-Chops' on him.

MR. SMALLWOOD: I first called him 'bullyboy', the first one.

MR. NEARY: I think it was the hon. former Premier.

AN HON. MEMBER: (inaudible)

MR. NEARY: But he just would not listen, Mr. Speaker. When he talked about the shipping contracts, my hon. friend used to thumb his nose at the Opposition.

MR. NEARY: And I did considerable research on these shipping contracts, Sir, and I must say I ran up against a stone wall. But I do know this, Mr. Speaker, I did find this out, that somebody here in Newfoundland was receiving a cheque from a bank in Nassau in connection with that contract. I do not know who it was. I could not find out. I had somebody to try to find out from the lawyer in Nassau. Mr. Speaker, somebody here in this Province was receiving a cheque from a law firm in Nassau. I do not know who it was. I could not find out.

AN HON. MEMBER: Then why bother mentioning it.

MR. NEARY: I am mentioning it because, Sir, because it is very, very important, Mr. Speaker.

MR. DOODY: Is that the shipping company that brings the wood from Goose to the Jebson Shipping Company?

MR. NEARY: Yes, Sir. And I, Mr. Speaker, in my research I went half way around the world and back again and I finally ended up back in Bremin's Shipping in Montreal. I could not find out the owners. I do not know if anybody has ever tried to track down the real owners of shipping companies. It is the most frustrating type of research that you could do and I have done a lot of it in the last ten years.

AN HON. MEMBER: (Inaudible).

MR. NEARY: Well, this particular case I started out with Bremin and I went, oh I ended up in London. Not me personally now, but my research, in Greece, in the Scandinavian countries, in -

MR. DOODY: Panama.

MR. NEARY: No, not in Panama, Nassau, I think, and then back - ended right up back in Montreal to Bremin again.

And, Mr. Speaker, the reason I started my research I was told that that contract, that charter was put together right here in this Province and I wanted to get to the bottom of it and I never did, but I did find that much out. And I tried to find out from the law office in Nassau who was receiving the cheque here in this Province and I never

MR. NEARY: did find out. It was private and confidential information, I was told.

Then there was the purchase of the equipment, Sir, in Goose Bay and when the Linerboard logging operation was provincialized in comes the government and cleans out all the old equipment that was there and brought in all new equipment. I would not be a bit surprised but the equipment was changed three times when the logging operation started in Goose Bay. The old stuff was put in storage. Somebody got a pretty hefty order, in return for what I do not know, and then the equipment was changed again and the same thing happened here on the Island of Newfoundland. Equipment was left in the woods to rust. It was a sloppy operation, Sir, a bad piece of business. I am told that a lot of the equipment that was bought was either unnecessary or never used and the same thing happened here on the Island of Newfoundland. You can go down to Stephenville today, Sir, I was down yesterday, my hon. friend knows. I went down and I drove around the Linerboard mill and all in around all the equipment they have out there and I bet you there is nothing less than \$5 million, \$4 million or \$5 million worth of equipment laying on the tarmac and parked out in Stephenville.

MR. DOODY: What year?

MR. NEARY: Purchased only recently, a lot of it. The Mack trucks are practically new, purchased last year, I believe. My hon. friend, the member for Stephenville, when he speaks in this debate can probably give the House a better rundown than I can. But I drove all around and looked at the model of the equipment, the names on it and I will be doing a little research over the next few months to see who the agents are in this Province.

AN HON. MEMBER: (Inaudible).

MR. NEARY: Yes, Sir, every time I go down to my district I have to pass through Stephenville and that is quite often. I was out this weekend. I had a speaking engagement in Rose Blanche. I spent several hours in Stephenville yesterday. I talked to about 150 people when I was

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MR. NEARY: there and if hon. members do not believe me or the hon. gentleman when he speaks, they should go down to Stephenville and talk to the ordinary people down there if they want to get examples of inefficiency, gross mismanagement and extravagance

MR. NEARY:

and waste. Why I was talking to one gentleman who worked in the mill and he said all you could see there for the past five years is white hats and each one of them had to have a pickup. And in the Wintertime in the back of the pickup they all had to have a ski-doo, compliments of the taxpayers of this Province, compliments of the management of the Linerboard mill. And that was brought to the attention, that and dozens and dozens of other things were brought to the attention of the government, of the Linerboard mill management only to fall on deaf ears. Mr. Speaker, Crosbie is a stubborn man. Crosbie laid the law down to Mr. Ingram when he was manager of the Linerboard mill that no decisions were being made without prior consultation with Crosbie. The poor man was out there, even though he came to the Linerboard mill, as my hon. friend pointed out, very poorly qualified, but he could not make any decisions. Crosbie was the one who had to say yes or no. The Linerboard mill for five years almost was being run by remote control.

MR. SMALLWOOD: Would the hon. gentleman allow me? If he has considered the fact that it is incredible, and I cannot believe it and the hon. member cannot believe it and nobody can believe, but the fact that the two boss men, Crosbie and the manager out there, both of them were completely inexperienced in running a big paper mill! Both Crosbie and - what was his name?

MR. NEARY: Howard Ingram.

MR. SMALLWOOD: - Ingram, neither one of them had any experience at all in running a big paper mill.

MR. NEARY: Mr. Speaker, that goes without saying. But Crosbie, the kind of an arrogant ignoramus that he is, wanted to be the boss. Crosbie wanted to be the boss.

MR. SMALLWOOD: He always wants to be the boss.

MR. MORGAN: That is not fair. Come on.

MR. NEARY: That is fair, Sir, a complete ignoramus when it came to operating a Linerboard mill or knowing anything about pulp and paper, just the same as the hon. gentleman is a complete ignoramus when it comes to engineering of highways in this Province. That is right, Sir. And neither was Crosbie a Linerboard expert.

AN HON. MEMBER: Inaudible.

MR. NEARY: Mr. Speaker, I will let that go. I will not respond to that, Sir. So, Mr. Speaker, there was the matter of the purchase of the equipment. And I understand there has been a number of P.C.M.P. investigations going on in connection with some of the skullduggery that was involved in the Linerboard mill, not enough to my liking - just a tip of the iceberg. They are not getting at the real skullduggery at all, Sir. Mr. Speaker, it seemed over the past four or five years, Sir, that it was useless to bring these matters to the attention of the administration. Buying camps and not using them, using the Linerboard vehicles, running around hunting, shopping, providing everybody and his dog with a pickup truck and a vehicle. It should have been stopped long ago, Sir. They are almost as bad - of course they were getting the example, I suppose, from the administration. They are almost as bad as the misuse of government aircraft and government equipment that is carried on by the members of this administration. I am talking, Mr. Speaker, about the vehicles that are parked down in front of the schools that belong to the taxpayers of this Province.

MR. MORGAN: Name them.

MR. NEARY: No, I will not name them.

MR. MORGAN: (Inaudible.)

MR. NEARY: No, I will not name it. If the hon. gentleman would care to come with me tomorrow when I go to pick up my kids, the hon. gentleman will not need me to name names.

MR. DOODY: Did not see me there.

MR. NEARY: Yes, the hon. gentleman knows what I am talking about.

MR. DOODY: In my car.

MR. NEARY: In the hon. gentleman's own car. That is right. The hon. gentleman knows what I am talking about. But anyway, Sir, that is getting away from the Linerboard mill argument. Mr. Speaker, these charges were not exaggerated.

MR. NEARY: There have been millions and millions and millions piled on millions of dollars wasted, through foolish extravagance and gross inefficiency and misuse and abuse of power and of linerboard equipment. It should have been stopped long ago. Unfortunately it was not. It probably added, Sir, substantially to the deficit.

Mr. Speaker, now that is probably enough about the past. What happens now in the future, Mr. Speaker? What will happen in the future? I am inclined to go along with my hon. friend the member for Twillingate, that somehow or other, Sir, I cannot except the fact that that huge investment on behalf of the taxpayers of this province is going to be put in mothballs, to rust and to corrode over the next several years. I cannot accept that fact, Mr. Speaker. I am not going to accept it. I am not saying, Sir, that there is a bit of a power play going on by the administration. I do not think there is. I do not think for one moment that the Premier announced the bad news first, then will announce the good news later on. Unless, Sir, there is something going on that the hon. gentleman does not know about. That could be.

Mr. Speaker, it was unfortunate that the government put representatives of Bowater and Price on the Advisory Board. These gentlemen could not write a report because they would be in a conflict of interest situation. My understanding is they did not make a report. I would like to hear the explanation for that. Whether or not these gentlemen, whom I presume are hon. men, found themselves in a very difficult position when they were representing two other paper companies that they were unable, according to the dictates of their conscience, were unable to look at the linerboard mill objectively and make any contribution to the report that we have seen tabled here in this House, that is rather unfortunate, Sir, if that is a fact.

MR. NEARY: I understand that it is a fact. Perhaps the minister can straighten us out on that, when the hon. gentleman closes the debate. But, Mr. Speaker, I have a feeling in the back of my head somehow or other, rightly or wrongly, that there are big corporations, big conglomerates both here on the North American continents and in Europe that are keeping a watchful eye on that linerboard mill. They may be expecting to pick it up at a bargain basement price. I do not know. I hope not.

MR. SMALLWOOD: Crosbie said no one in the world would pay a dollar for it.

MR. NEARY: Well, Crosbie says more than his prayers sometimes.

The reason, Mr. Speaker, the government had the linerboard mill in the first place was because of the great hatred that Mr. Crosbie had for Mr. John C. Doyle. He was a skinful of hatred. He hated Doyle, Shaheen, Joey, Lundrigan, He hated anything that did not belong to the Crosbie's.. He hated anything and everybody that stood in his way of becoming Premier of this Province.

MR. SMALLWOOD: (First part inaudible) he was not happy.

MR. NEARY: No he was not exactly happy . I did not deliver the delegates on Bell Island to Mr. Crosbie. Mr. Speaker, I submit to this House that Mr. Doyle should have been left to stew in his own juice as far as that linerboard mill was concerned. The original owners, Sir, should be left to stew in their own juice.

Mr. Speaker, my hon. friend is over there with his snarky remarks again. Well, Sir, it may happen. It could happen that Mr. Doyle may be the only one that can take over that linerboard mill and operate it. Would my hon. friend object to that?

Mr. Speaker, Crosbie is up there

MR. NEARY: in Ottawa now, still carrying on, still crusading on his hatred for John C. Doyle. Mr. Speaker, Crosbie - he was just blinded with hate, and his hate for Doyle and all the others will cost the taxpayers of this Province, I tell you, plenty. It is going to cost the taxpayers close to \$300 million. Three hundred million dollars worth of hate. To get his satisfaction and his revenge, he forced and bullied this Government to take over the Linerboard Mill.

MR. SMALLWOOD: That is on account of Churchill - -

MR. NEARY: Well, that is right, but we are just dealing with the Linerboard Mill now; the other things we will deal with

AN HON. MEMBER: (inaudible)

MR. NEARY: Three hundred million dollars worth of hate, and to give Crosbie a chance to get revenge against Mr. Doyle. I do not know what comes over a man, Sir, to do that, and then, Mr. Speaker, I am not like the member for Twillingate (Mr. Smallwood), I just do not shrug it off and blame the whole thing on Crosbie. The Administration, the whole, total Administration have to take the blame for it - not only Crosbie, although I think Crosbie was the instigator, and Crosbie is probably the one that forced the issue, but the whole Administration has to take the blame, Sir. It is not the decision of one man. It is the decision of a group of men, taken down here on the 8th floor, and I fought against it at the time.

MR. SMALLWOOD: A few weeks after the new Government took over he was their boss again.

MR. NEARY: That is right. Right, they were scared of him, he was the boss, and he was the boss right up to the time he left here and went to Ottawa, although the hon. the Premier was getting pretty fed up with him. The showdown was coming. Crosbie was going around behind the Premier's back, and often passed a remark to me about the hon. gentleman. I would not repeat what Crosbie told me over at the Arts and Culture Centre about the hon. the Premier. But I could see the showdown coming. It was coming fast, and Crosbie

MR. NEARY: decided to get out while the going was good. Go to greener pastures, and that is why he headed in the direction of Wellington Street.

MR. SMALLWOOD: They are not turning out to be very green.

MR. NEARY: No, they are not turning out to be very green, that is for sure.

So, Mr. Speaker, the colossal blunder has been made, but now, what is going to happen in the future? Will the Linerboard Mill be left there to rust? Will it really be put in mothballs? Or is somebody waiting in the wings to come in at the nth hour and make an offer to the Government to take it over and operate it? Is the fact that Bowaters and Price have refused to budge on their exchange of timber rights, is that a reason why a new operator would not come in? If so, Sir, it is about time - and we have been saying this in the hon. House as long as I have been here, and I have been here fifteen years - we have been talking about forcing Bowaters and Price to exchange timber rights so that we could have not only a third mill, we were talking about a fourth mill at one stage -

AN HON. MEMBER: It was all one big bluff.

MR. NEARY: No, Sir, it is not all one big bluff.

Are we afraid of Price and Bowaters? Mr. Speaker, if that is what is necessary, if that is what needs to be done to continue the operations of the Labrador Linerboard Mill, then maybe Bowaters and Price will take it over and operate it seeing they have all the timber rights. Maybe our friend, Consolidated Bathurst, that we have been talking about, where Mr. Sweeney came from - Mr. Sweeney was vice-president - a subsidiary of the big Power Corporation of Canada, the most powerful corporation in the whole of Canada. Power Corporation, the hon. Premier's buddy, Paul Demeraiis, and Brian Mulrooney, the

MR. NEAPY:

gentleman that ran for the leadership of the Tory Party and did not make it, now down running the iron ore operations down in Labrador City, maybe these gentlemen will come to the rescue. Somehow or other, Sir, I cannot swallow it. I cannot accept the fact that that Linerboard mill is going to be just closed down, the windows boarded up, abandoned and left to rust.

Mr. Speaker, one of the more important fact, I suppose, that has been brought out in this debate, and one on which the Leader of the Opposition focused attention, is how the government of this Province has boxed itself in financially, where the government, Sir, got itself into such a financial mess, so we are told and it has been confirmed by the Minister of Labour, that they had no alternative but to take the decision that they did on the Linerboard mill, they had no alternative but to conform to the wishes of these shylocks of high finance in Montreal, Toronto and New York, and the Leader of the Opposition was wondering how much more of this we will have to take. We have lost our rights, Sir, to make free decisions in this Province. Is that not the first step, Sir, to getting us back to the 1932 situation?

Mr. Speaker, we cannot help but feel regret over this decision. And we cannot help, Sir, but feeling deeply for the people who live in the Bay St. George area. Yesterday when I was there, as I say, I talked to about 150 of these people. I know how they feel. I have gone through it myself. I saw it happen on Bell Island. In 1959 a mine closed, 1960 a mine closed, 1962 a mine closed and in 1966 the final mine closed leaving 2,250 miners economically marooned. And I was one of them who lost his job, by the way. I was on the payroll of DOSCO up until 1966, even though I was in this hon. House. And when I first came in here we were getting \$3,500 a year. And I used to take leaves of absence from DOSCO when the House was sitting

MR. NEARY:

and when the House was not sitting I would go back and work for DOSCO, and if anything came up when I needed a leave of absence without pay I would take it. So I was on the payroll of DOSCO up until 1966 when I lost my job when the industry was shut down. So I know what these people are going through, Sir. I know the frustrations. I know what my hon. friends, the three members from that area are going through, and I know especially my hon. friend from Stephenville. The only advice I can give my hon. friend is this: They have all been in there battling for their constituents, is be honest and level with the people and they will not let you down. I got elected twice after DOSCO pulled out of Bell Island - no, I got elected three times, 1962, 1966, - I got elected twice.

AN HON. MEMBER: Did you ever find that agreement?

MR. NEARY: Yes, Sir, I found the agreement, and a lot of other things that were on the desk. Mr. Speaker, my hon. friend does not realize that the agreement did not mean a thing. I went back twice after that and got re-elected, twice, even though the certain spokesmen in the Tory rank for ridiculing the hon. the Premier - but the agreement was there, Sir, and they did not get stabbed in the back. I gave them pretty honest and pretty fair representation. I worked pretty hard for that district, just the same as my hon. friends are doing now, Sir, from the West Coast. And I want to congratulate them for the way they approached this Linerboard problem, Sir. Right up till today I cannot say and I do not think any member of this House can point a finger of suspicion at either one of my hon. friends and say they played politics with it, because they did not. As a matter of fact they went out of their way to avoid making a political issue out of it, especially my hon. friend from Stephenville who I went to visit

MR. NEARY: several times in his office in Stephenville to talk about this matter. The hon. gentleman played it low key, played the game all the way, because the hon. gentleman did not want to be accused of playing politics with people's livelihoods and I congratulate him for that Sir, and the member for Port au Port (Mr. J. Hodder), and the member for St. George's (Mrs. MacIsaac). The member for Port au Port probably had a higher profile in this whole thing than my hon. friend who deliberately - my hon. friend told me; I said, Why are you not right in there boots and all? My hon. friend says, "No, no! I am not going to turn it into a political hassle, a political wrangle with the Premier and the administration," and I congratulate him for that. And my hon. friend will not regret that, Sir. My hon. friend will see over the next couple of years that the people of the Bay St. George area, the Stephenville area will not blame my hon. friend or the other members for the closing of the Linerboard mill.

Be honest, level with the people. Get in there and battle for them. Do a good job. Work hard. Be conscientious and people will not let my hon. friend down.

I do not like the attitude of the administration at the present time, led by the Minister of Labour and Manpower and going out and trying to persuade the people - and this is something else that was thrown at me. How much criticism did I have to take from that hon. crowd when they were on this side of the House, trying to move the population off Bell Island, trying to move them up to Ontario. Night and day that is all I could hear, the bellyaching from the hon. member from St. John's Centre (Mr. Murphy). Now who is leading the pack in trying to move people out of Newfoundland and find jobs on the Mainland?

MR. ROUSSEAU: Not before they -

MR. NEARY: Yes, yes, yes, Sir. I did not say the hon. gentleman did, but I heard a spokesman.

MR. ROUSSEAU: Mr. Speaker, here is one hon. gentleman who would not be on this side of the House, who would not be in this House if anybody was going to be moved out of anywhere. Now that is not an accurate statement. What the hon. minister over here did on behalf of this government was to go out and to find out in the event that the Linerboard operation phased down that the impact on the people would be a soft one, to try and help the people, not certainly to try and move the people. This hon. member does not want any Newfoundlander or any Labradorian moving out of this Province for another job, nor would he facilitate it unless it was absolutely essential for a period of time.

MR. NEARY: Mr. Speaker, that is not a point of order. That is a matter of opinion between two men, Sir.

MR. ROUSSEAU: Come on now, come on now, you play better games than that.

MR. NEARY: Mr. Speaker, the administration, Sir, have put Canada Manpower in place for one reason and one reason only, and that has already been stated by a spokesman for the administration and that is to try and find jobs across Canada for those who will be displaced and laid off as a result of the Linerboard mill closing down.

That has been said, Sir. I did not hear the hon. gentleman say it publicly, but I heard other spokesmen for the administration say it publicly.

MR. ROUSSEAU: Manpower -

MR. NEARY: Mr. Speaker, my hon. friend need not be so sensitive. People will do the right thing. If people want to go, they will go. If they want to stay, they will stay. That is the way I found

MR. NEARY: it on Bell Island and that is why it did not wash. That is why, Sir, the criticism did not effect my political future in any way, shape or form. The people themselves decided what they wanted to do. And the people in the Bay St. George area will decide what they want to do.

MR. ROUSSEAU: You were in the Cabinet.

MR. NEARY: Mr. Speaker, incidentally just to set the record straight, Mr. Speaker, I was not in the Cabinet. I was not a member of the Cabinet, Sir, when the decision was taken to build the Linerboard mill at Stephenville. I did not come into Cabinet, I was six and a half years sitting over there as a backbencher. I was supporting the government but I did not come into the Cabinet until 1968, and I think it was in the Fall - no it was during the salmon season, I was down on the Lomond River when my hon. friend, the former Premier, tracked me down. I was down salmon fishing on the Lomond River and I had grown a beard, if my hon. friend will remember, and when I came to the hon. gentleman's house I do not think he knew me.

MR. SMALLWOOD: I almost turned you out.

MR. NEARY: Yes, he almost turned me out. So I was not there, Sir, but when I did go in the Cabinet -

MR. SMALLWOOD: Did you hear that? That is why you got appointed.

MR. NEARY: When I did go in the Cabinet, Mr. Speaker, I did not get kicked out.

Mr. Neary: I stuck it out for three and a half years until the administration was turfed out. I never had that disgrace brought on me, Sir. And I would be ashamed to ever show my face, Sir, in this House or in politics again if I was turfed out of the Cabinet for being so ultra conservative and so Victorian and so obnoxious and so useless to mankind. That is something, Sir, that I do not have to live with thank God.

SOME HON. MEMBERS: Oh, oh!

MR. NEARY: Three and a half years, Sir, I served this Province as a Cabinet minister. And I must say I had some dealings with the Linerboard Mill because it was still going on when I became a minister. The story probably has not been told, but I do not know if the hon. former Premier is aware of it, two of his colleagues almost resigned in December 1971 over the \$30 million that was allegedly floating around Europe. The hon. Leader of the Opposition and the hon. gentleman who is running now for the Leadership who is outside of the House, these two hon. gentlemen almost left the Cabinet. Almost resigned which would have brought the government down in December instead of January over the Linerboard Mill controversy.

AN HON. MEMBER: It is in the Hansard.

MR. NEARY: I beg your pardon.

AN HON. MEMBER: It is in the Hansard.

MR. NEARY: Well no, it is not in the Hansard. It is the first time it has ever been told.

MR. SMALLWOOD: No.

MR. NEARY: Yes, Sir.

AN HON. MEMBER: The hon. Leader of the Opposition --

MR. NEARY: I do not ever recall the hon. Leader of the Opposition saying that he almost resigned over that \$30 million. Two hon. gentlemen threatened to bail out, to pull a John Crosbie, two in December 1971. And I would say to a large degree I was responsible for keeping them in, and keeping the government together at that time when my hon. friend was down in Florida, I think, for Christmas. It happened between Christmas and New Year's, or just

MR. NEARY:

shortly before Christmas.

So, Mr. Speaker, we all feel deeply for the people of the Bay St. George area who have been economically marooned by this decision. The decision, as I said, Sir, earlier is a sad fact of life, but the decision was not made here in Newfoundland, it was made in the Board Rooms in Montreal, Toronto, and New York. And God only knows, Mr. Speaker, God only knows, unless we can get our financial house in order here in this Province, how many more decisions are going to be made affecting industries in this Province are going to be made outside of the Province. My heart bleeds for the people of the Bay St. George area, Sir. They are the pawns, they are the ones that are caught up in this high financial wheeling and dealing. They are the ones who are suffering because of the government's extravagance and waste and frills over the past five years, and the unnecessary takeover of the Churchill Falls Corporation, and the unnecessary takeover of the Linerboard Mill for that matter. I fought against that at the time in this hon. House, if gentlemen will go to the Hansard. I fought against that takeover.

So, Mr. Speaker, I do not think there is any thing further that I can add to this debate. Except to say, Sir, that we can dwell all we want on the past but we have four to six months now before the doors of the Linerboard Mill are locked. We have approximately six months. We should not sit back and just coast on our oars, we should not just sit back and take it for granted that she is going to close. We should be working night and day, tooth and nail, we should be in there now battling trying to get some other operator to come in and take it over. It has been pointed out repeatedly here this afternoon, and Mr. Sweeney thinks the Linerboard Mill has a great future. Mr. Sweeney is the Vice-President of Consolidated Bathrust, which is a subsidiary of one of the biggest corporations in the whole of Canada, in the whole of North America. Maybe they will come in -

May 9, 1977

Tape 2393 (Afternoon)

PK. - 3

MR. SPEAKER: Order, please! It being 6:00 o'clock I am obliged to leave the Chair until 8:00 o'clock this evening.

PRELIMINARY

UNEDITED

TRANSCRIPT

HOUSE OF ASSEMBLY

FOR THE PERIOD:

8:00 p.m. - 11:00 p.m.

MONDAY, MAY 9, 1977

The House resumed at 8 P.M.

Mr. Speaker in the Chair.

MR. SPEAKER: Order, please! The hon. member
for LaPoile.

MR. NEARY: Mr. Speaker, it is interesting to note that before the House rose at 6 o'clock three speakers from this side had participated in the Linerboard mill debate and only one, the gentleman who moved the resolution, the Minister of Finance, only one speaker so far from the government, and Your Honour almost put the resolution this afternoon.

AN HON. MEMBER: (Inaudible)

MR. NEARY: Yes, Mr. Speaker, Your Honour almost put the resolution. So, Mr. Speaker, I hope that the hon. gentleman will participate in this debate and I hope, Sir, that not only will the Premier participate in the debate but that the Premier will go out to Stephenville and hold a public meeting and address a public meeting in Stephenville. The people that I spoke to yesterday are expecting the hon. the Premier to come out, the Chief Executive Officer of this Province, the top man in the Province to go out if for no other reason to reassure the people in that area that they are not forgotten.

AN HON. MEMBER: The time is up.

MR. NEARY: No, Mr. Speaker, the time is not up. So that, Mr. Speaker, that they will be reassured that this House, the elected representatives of the people, are interested in their welfare and are not going to abandon them in their hour of need. Now, Mr. Speaker, down in Goose Bay where the Labrador logging operation went on for several years and they were unable to ship the wood to Stephenville economically, there is a flying dutchman in there talking about shipping the wood over to Europe to feed the mills in Europe. Well, Sir, I do not know

MR. NEARY: if this gentleman is still there, but if he is then the government should cancel all further contracts to send wood to Europe to feed the mills in Europe, keep it here, it does not create any employment worth-while, keep it in the Province, Sir, to feed our own mills and find out how they can ship pulp to Europe to feed the mills over there and why we cannot ship it from Labrador down to Stephenville. What is the problem?

Mr. Speaker, to end up my few remarks, Sir, I only have a couple of minutes left, to end up my few remarks my only hope is, Sir, to echo the words of William Ewart Gladstone, that great Liberal thinker of the last century who spoke in the House of Commons in 1897, that I hope, Sir, that before this hon. crowd do further harm and further damage to this Province that we will get rid of those under whom two major industries, Sir, have collapsed within a few months of one another. To quote Mr. Gladstone, Sir, I think he put it very well, I would like to quote him to end my few remarks, Sir, "That one and all, bag and baggage shall I hope clear out from the Province they have desolated and profaned"

MR. MORGAN: That is very-

MR. SPEAKER: Hon. Minister of Mines and Energy.

MR. PECKFORD: Mr. Speaker -

SOME HON MEMBERS: Hear, hear!

MR. PECKFORD: I heard, Mr. Speaker, the latter part of the debate this afternoon, I did not have the opportunity to hear the Minister of Finance this morning when he led off the debate on this very important topic. I think, Mr. Speaker, first of all it is extremely significant to quote the hon. member for LaPoile that there was only one speaker from this side of the House so far in this debate. I think it is very, very significant because it points up not only is this administration willing to provide a

MR. PECKFORD:

full, wide-ranging debate on this very important topic, but that we are not on the one hand saying you can debate this important issue and then try to bamboozle all of our own members into speaking so that we would effectively curtail the time and the kinds of things that could be said by hon. gentlemen and lady opposite.

MR. PECKFORD: So when the hon. member from the other side tries to infer that the lack of speakers on this side indicates our moving away from a position that we took two or three weeks ago to close out a major industry in this Province, does not indicate that at all. It indicates that we are willing to sit back and listen to some of the concrete suggestions, points, that can come and that do come from the opposite side of this House. It is a far cry from the days when the hon. member for Twillingate (Mr. Smallwood) sat on this side of the House and conducted and ordered the business of the House as related to industry. And there were many industries closed down, Mr. Speaker, long before the P.C. Party formed the government of this Province, many, many more than have closed down since we, the P.C. Party, took over to run this Province. So I think it is extremely significant that only a number one speaker, before yours truly, has spoken on this important debate. I think that it is incumbent upon all members of the Opposition, whose job it is to oppose, to stand up and say where they sit on this very important issue.

Now, Mr. Speaker, perhaps in listening to the debate this afternoon, listening to the wind-up remarks of the hon. member for LaPoile (Mr. Neary), the overall, overriding tone and style, as well as what was said in a lot of the speeches, was this, as I read it, one of the most important things coming out of it was this: Government, the present government, has done nothing to try to keep Labrador Linerboard going in Stephenville. That is one of the points that the Leader of the Opposition mentioned - both specifically, and his overall tone - done very little to assist the Bay St. George area through the Labrador Linerboard mill. That is one of the things that came through in the hon. member for LaPoile's speech, came through in the hon. Leader of the Opposition's speech.

Well, Mr. Speaker, I mean, let us get a bit serious about what this government has tried to do to keep that mill open.

MR. NEARY: (First part inaudible) taxpayer's money, too.

MR. PECKFORD: We have spent a lot of the taxpayer's money, and we have tried, very valiantly, to make that enterprise a success. And from

MR. PECKFORD: 1973 or 1974, when the mill went into operation, to this day, as everybody knows, tens and tens of millions of dollars were poured into that industry. And everybody recognizes and acknowledges that there were management problems, which contributed to the large subsidy that had to be paid. But, Mr. Speaker, the salient point is, allowing for all of the mismanagement of whatever degree, allowing for all of the problems at Goose Bay - Happy Valley, or at Stephenville, or anywhere else in the Island where wood was bought, allowing for all of those factors that could, in some way, reflect back upon the management - overall management of that whole enterprise - the simple, concrete, hard-nosed fact is that mill could not, even under the best of conditions, with the best management in the world, operate, even at a break-even point - totally impossible, and has been over the last couple of years - totally impossible.

So, let us dispel, once and for all, that this government deliberately, almost, set out to - as the Leader of the Opposition said, this afternoon - condemn twenty or twenty-five thousand people in the Bay St. George area. You know, one gets the impression that some of the phraseology used on the other side - that our whole intent, as a government, is to ensure the closedown of an industry on the West Coast, that we are deliberately trying to do this because we want to shut out of our minds forever a group of twenty or twenty-five thousand people. Now, you know, that is pretty hard stuff for somebody to infer in what they have to say. That is pretty tough stuff. You know, there are a lot of people in this hon. House and a lot of people in the Province could say that about administrations since 1900, when industry failed. I never, ever heard, not to my knowledge, that in my own district, back in 1970 and 1971

MR. PECKFORD: when Tilt Cove closed down -

MR. NEARY: It was not run by the Government.

MR. PECKFORD: No, it was not run by the Government. That is why it closed down when the economics were out of it, or when Little Bay closed down, or when Whale's Back closed down, or when Gull Pond closed down, or when Bowaters hauled out its operations - 800 or 900 or 1,000 people out of work - and all the rest of the industries, Bell Island included. We are not indicating now that within four or six months, unless something comes up in the meantime to make it more viable, that we want to condemn 20,000 or 25,000 people in the Bay St. George area. What an indictment on a group of individuals who ran to serve their Province! Forget the politics of it. Forget the politics of it. It is untrue. It should not be repeated by hon. gentlemen on the other side to attach that kind of motive or that kind of design upon a group of individuals who are serving in this hon. House and happen to sit on the Government side at this present moment in time.

Three major points on the financial aspect of the whole Linerboard operation are worth repeating that bear directly upon its future. One is the whole cyclical nature of the industry, and that nobody can deny that in the pulp and paper industry in general that is true, and it is even truer and more applicable to the linerboard market, the linerboard industry in the world. We happen to be competing additionally with some very fierce competitors in the Southern United States and even some in Scandinavia where wood costs are a lot lower. Why, for example, would sales of linerboard in 1974 be 137,000 tons; in 1975, 203,000; in 1976, 104,000; and in 1977, projected at 130,000. That is proof positive that the whole nature of the business fluctuates dramatically in a very short space of time. It is difficult to get a handle on what is going to happen to the sales of linerboard over a number of years. We have proof of that not only in the number of tons sold in a given year, but in the number of dollars that we have extracted from the public treasury to

MR. PECKFORD: keep the mill going on the advice and on the indications in the market place that things were going to improve. One of the elements of the Newfoundland psyche seems to be that we want to trap ourselves into some kind of hope that we hope in our own heart and soul will never come true, but, boy, we are going to go on hoping. We are going to go on hoping. And somewhere down the line, that just gets a tiny bit doubtful when you start looking at some balance sheets, unfortunately. So, point number one, the whole linerboard industry, by nature, is extremely crazy. You cannot predict from one year to the next how much you are going to sell, or at what price. That is reflected, therefore, in the kinds of subsidies that Government has had to put into linerboard - \$21.3 million in 1975; \$55 million in 1976; and around \$40.9 million in 1977. It is so easy to roll over a few million - \$21 million, \$55 million, \$40 million. In three seconds, you can roll over hundreds of millions of dollars as if it was nothing.

Number 2: The whole marketing effort in the last four or five years: Anybody

MR. PECKFORD: can be criticized, any government or any industry or any group or any agency or any individual can be criticized for who they hire to do something if what they hired them for does not turn out as good as it should have turned out. That is the normal human response. And so in May 1977 it is easy, oh how easy is it, to say, Government you now hired the wrong people to market Linerboard product. It is easy to say. It could have some legitimacy, but it cannot have legitimacy until you could establish that with some other firm, who had that same product from Stephenville, also tried to market it for three or four years, then compare the result and you cannot do it against some other firm who has marketed Linerboard somewhere else. It will not be a valid comparison or contrast.

The simple fact of the matter is that the Labrador Linerboard Limited have been unable to establish long-term contracts to give some stability for a large percentage of their product. They have not done that. They have no base from which they can move upward. They have no base of an 80,000 or 90,000 or 100,000 tons so that then they could go bargaining for the remainder, which would give them a good base from which to operate knowing full well that each month for three years they were going to manufacture 80,000 or 90,000 tons because they had a market for it. So they were unable to do that right to this day and they have had to go on the spot market and to sell it, not only less than cost, but less than what they dreamed they would ever sell it for.

Number three -

MR. SMALLWOOD: Would the hon. minister allow me to ask him -

MR. PECKFORD: No, not right now.

MR. SMALLWOOD: Might it not be because they had no experience at all?

SOME HON. MEMBERS: Oh, shame!

MR. PECKFORD: Okay, ask the question.

MR. SMALLWOOD: Might the failure of the marketers arise from the fact that they had absolutely no experience in marketing Linerboard or anything else anywhere on earth?

MR. PECKFORD: From what I have been told that is not true that they have not had any experience marketing products before.

MR. SMALLWOOD: A brand new company that did not exist.

MR. PECKFORD: A brand new company, but the individuals who made up that company were individuals who were involved in other companies who marketed product, Rand-Whitney.

AN HON. MEMBER: Peanut operation.

MR. NEARY: Bull's-eye shop operators.

MR. PECKFORD: Yes, hello bull's-eye shop operators.

AN HON. MEMBER: You should have a bull's-eye shop.

MR. NEARY: All the bull comes from over there.

MR. PECKFORD: Mr. Speaker, that is why the figures given now which look pretty good, that the Advisory Board says for marketing in 1978, this is the whole business of the fluctuating market - 166,078 they say is a reasonable amount of tonnage going to 228,000, going to 265,000 in 1980 and even at that level, you know, even if you assume, Mr. Speaker, even if you were to assume, and you have to assume here because our experience for the last three or four years shows that the best people in the world who predicted the Linerboard market were wrong, we are still farther down than they had told us we would be, assume that that is correct, assume that the 166,000 and we are going to sell that, this year we are only projecting perhaps 130,000, assume that we are going to get \$188 a ton for it and right now we are getting what a ton for Linerboard?

AN HON. MEMBER: \$188.

MR. PECKFORD: \$188 now? The cost to produce it is \$403!

MR. PECKFORD: We are still talking about a fairly big subsidy there. Go on through seventy-nine, eighty even given the costs being as the Advisory Board says or better which are very optimistic apparently. But assuming that they are true, assuming that everything goes perfectly, there is no great strike, there is no big down-turn in the market, the costs stay up, everything stabilizes, the whole economy, the whole picture in the Linerboard market changes from what it has been over the last three or four or five years, there is no more fluctation, there is a steady upward turn, there is no down-turn at all, everything goes perfect, absolutely perfect, you are still talking about a difference in what it will cost to manufacture your product and what you will get when you sell it. And that is looking at it very, very optimistically.

Now if we never had, Mr. Speaker, the experience of the past to go on, if we were only starting Linerboard now, because that can be given as one of the arguments of why we kept it open or bought it in the beginning, because we are taking the same kind of approach now as apparently some of the members of the Opposition are taking. We said then, Let us give it a try. It looks like it can work. We will put massive sums of money in there and so we go into Goose Bay as well to try to give employment there, which increased the wood costs. And experience has shown in the market place, in the manufacture of the product, that it is very, very difficult for this kind of operation to be viable in the foreseeable future. That is what experience has taught from a lot of different people involved in the business. And number three, the wood costs, The wood costs apparently are at about the lowest point you are going to get them in the next three years. As I understand it the wood costs now are around \$129.00 a cord. The Advisory Board says in 1978 the wood costs will be around \$123.40 a ton, I am sorry. \$131.00 in 1979 and \$137.74 in 1980.

AN HON. MEMBER: A cord.

MR. PECKFORD: No, a ton. A wood cost ton.

MR. SMALLWOOD: In modern ways they call it cunits, not cords. How much is a cunit? All the modern terms - That is the modern term in the woods industry.

MR. PECKFORD: So, Mr. Speaker, number one, government has done a lot to try to keep this industry open over the last four or five years and nobody can deny that fact. Three major factors in looking at Linerboard today, May 1977, concern the nature of the business and how fluctuating it is and all reasonable estimates would think that that is the way it will continue in the foreseeable future. The marketing problems that are there, and that are going to be very, very difficult to solve; the wood costs that will continue at a fairly high amount. And unfortunately, because I suppose this industry relates directly to a given group of people in the Province, nobody has bothered to, up to this point in time in the debate, to try to ask ourselves the question, Is this not a crucial time in the economic history of this Province? Are we ever going to decide that perhaps massive industrialization based on a lot of government involvement might not be the way for this Province to go? You know, we heard as enunciated by the hon. member for Twillingate as Liberal policy for decades the develop or perish syndrome that

MR. PECKFORD: this was to be the panacea to our economic ills, this is the way for Newfoundland to go. In the last four or five years this present administration has been taking a different approach and saying to go back to basic resources. The hon. Leader of the Opposition said if Linerboard cannot work, that is wood, that is trees, that is Newfoundland trees. Therefore, My God where are we ever going to go as a province.

SOME HON. MEMBERS: Oh, oh!

MR. PECKFORD: Mr. Speaker, it is not as - the fact that you have Bowaters and Price, which are private enterprise people in there that can make money on it is the way that we should be looking for future woods industry in this province.

MR. SMALLWOOD: Not nationalization

MR. PECKFORD: We cannot continue. We forced into nationalization that time but we can have an argument about that or -

AN HON. MEMBER Both sides of the House agreed.

MR. PECKFORD: Yes, and both sides at the time agreed. But in any case the question has to be asked, one, at what point does government decide that it can no longer subsidize in a massive way an industry in this province? At what point that is one question. We have answered that to our own satisfaction on this side of the House. Hon. gentlemen no doubt will answer it from where they sit. Two, how and perhaps more importantly even though I could be accused of saying good-bye to the people of Bay St. George area in a narrow way, But the more important question is: how as leaders of this province, this Hon. House, how do we view Newfoundland going in the future economically? Is this the kind of way we must go, we must continue to go by subsidizing industries, woods industries or whatever it must be, or should we try as much as possible to attract whoever may be to come in and where we have any flexibility to put it into those basic kinds of resources like the fishery, like rural development, where we can continue to maintain the kind of lifestyle that

MR. PECKFORD: we have had over the years or over the centuries, to develop a fishing resource which has fantastic promise which has been ignored by all levels of government for the longest time, Or should we continue to bring entrepreneurs in here with major concessions, major guarantees? That is the question we have to ask ourselves. This is what Linerboard points up again. This is what Come By Chance points up again. It is that kind of thing. It is very interesting. The budget speech of 1970 is a very interesting document. A picture in there of the Hon. member for Twillingate, hon. member for Conception Bay South, hon. leadership candidate now for the Liberal Party, and the hon. Leader of the Opposition, I think. Pictures there of them. They talked about all the great industrial enterprises that were going to really be something in this province, that we were going to contribute in the net way in this province using that great multiplier effect and all the rest of it. Here is where they hung their hopes:

(1) Linerboard Mill at Stephenville; (2) Mohawk hockeysticks enterprise at Stephenville; (3) sawmill enterprise at Stephenville; (4) Sawmill and wood factory at Hawkes Bay; (5) oil refinery at Come by Chance; (6) paper mill at Come By Chance; (7) phosphorus plant at Long Harbour, where we are subsidizing power to the tune of \$4 or \$5 million a year and going up each year.

AN. HON. MEMBER: (Inaudible)

MR. PECKFORD: No, it was done in another way. Done in another way. The whole point of it all, Mr. Speaker, is simply - and we were supposed to get the net benefit. It was supposed to be to the province. Let us start from 1971 or 1972 when they all get on stream. 1971 the net benefit to the province was \$9 million; 1972, \$3 million; 1973, \$4 million; 1974, \$6 million; 1975, \$6.7 million; 1976, \$7.2 million; 1977, \$7.7 million. These are the industries like linerboard now we are in for \$270 million or \$300 million, we are out that much money - Linerboard. (2) Come By Chance, where we have a guaranteed loan of \$45 million to \$50 million including the interest now, I think it is

MR. PECKFORD: \$42 million up to around perhaps \$46 million or \$47 million. And if we had not changed the agreements under the Come by Chance enterprise we could be in there for three or four hundred million dollars which we are guaranteed because of the Crown corporations and somebody tries to pretend that an economic policy based on those kinds of principle. Here is experience again, Mr. Speaker. There is experience again. No, Mr. Speaker, the future of this Province does not lie and cannot lie in massive government involvement in highly industrialized enterprises. It cannot. The Province cannot afford it.

When I, as most hon. members do, visit my constituency every weekend and listen to people wanting, as all hon. members can testify, for improved water and sewer facilities, improved transportation facilities, improved communication facilities, improved housing facilities and on goes the list, and when we have an involvement in the economy socially like we have, the massive structures through Federal-Provincial programmes in housing, in transportation, in water and sewer, in all kinds of infrastructural things, in health and hospitals and all the rest of it, when we have that kind of structure in place which costs massive amounts of money just to maintain let alone increase the capital cost of a hospital accrues on maintenance within two or three years. In other words, what the Carbonear Hospital, which was \$12 million or \$15 million or whatever it was, within three years the maintenance cost on that facility will equal the capital cost. When you are in to those kinds of dollars we are at the stage where we have to start asking, and the demands and the aspirations of the people are continuing to rise for even better facilities, then you have to start asking yourself a few pretty basic questions. How far can you afford to continue down the economic road of government involvement on a massive scale especially in industries like Linerboard, albeit based on a natural resource? How far down the road can we go with that kind of subsidy? Or anything else?

MR. PECKFORD: On the one hand we borrowed too much. We have borrowed from \$900 million to \$2400 million - \$2 billion \$400 million we are up to as a Province. The highest per capita debt in Canada. On the one hand you have borrowed too much and on the other hand give me more subsidies for this, and give me more water and sewer for that, and you cannot have it both ways. And, Mr. Speaker, you can forget your frills. That is not where the action is. Then there are frills in every government that perhaps should not be there and I would be the first to recognize it, but if you want to get at the gut issue do not use that and inflate that to be some motherhood issue that every citizen in the Province is going to listen to because it is just not true because it just does not pan out when you look at the balance sheet. You can take out your ten or fifteen Norma and Gladys's and it will do very little to constructively divert funds to do something meaningful in any part of this Province industrially or socially. That is not where the action is and hon. gentlemen who get up and try to espouse those kinds of motherhood precepts are only fooling themselves because they know better. That is not where any of the action is. And you are just trying to fool the Newfoundland people into thinking something which is so simplistic that they are going to suddenly swallow it hook, line and sinker and become a part of that kind of philosophy in the next four or five years. People are too wise to adapt to that kind of psychology these days. They know the difference. They have their own household budget to look after and they know how hard it is to meet it.

So unless, Mr. Speaker, we are willing to address ourselves not only to the Linerboard situation, which is current today and which is diastorous and tragic for a lot of people,

MR. PECKFORD: but if we are really serious about the Province, if we are really serious about the Province we have to ask ourselves some basic questions. And that is, in which way do you want to see your Province go in the next five or ten years? Are the people of Newfoundland willing to sacrifice job opportunities in the short-term for more meaningful opportunities in the long term, and that is what has to be asked. And that is what the Newfoundland people have to be asked and then let them decide.

MR. NEARY: They will when the time comes.

MR. HICKMAN: - ten years ago.

MR. PECKFORD: Mr. Speaker, as I said I am familiar with closedowns and they are tragic and they are socially disruptive to the Nth. degree, absolutely no question. Some of my best friends right now are in Elliott Lake, and Baffin Island and British Columbia, some of my best friends, next door neighbours and are still my friends. And I have seen it happen to whole communities, I have seen it happen to the community that I live in, when an industry closes down. In one fell swoop Gullbridge Mines closed down in twelve hours!

MR. NEARY: A different thing altogether.

MR. PECKFORD: Twelve hours! And the whole community was gone and everybody had to go to Sudbury, Lynn Lake, Thompson, Elliott Lake, Baffin Island, British Columbia. Then, Mr. Speaker, if it is decided, after we ask ourselves some basic questions, and if it is decided that this Province, because of its geography and history and culture and all the rest of it, in order to provide enough jobs, so you have ninety-two or ninety-four per cent of your population working all the time and not just in a seasonal job, if the answer to that kind of a question is, Yes we must have that kind of a society in the 1970's and 1980's and that there must be some government involvement, which we say no to now.

MR. PECKFORD: in the massive scale that Labrador Linerboard is going to mean it, but if the answer to the larger question is yes, government has a responsibility and must because of the kind of Province we live in, then I say, Mr. Speaker, that there has to be a re-evaluation of federal-provincial relations to allow greater tax room in the provincial sector to raise the kinds of funds that are going to be needed to subsidize those new industries. If you want to go left wing on it, you had better go back to the Newfoundland people too and you had better decide that we are going to need a different arrangement in Confederation that we got now. Because this Province is not going to be able to afford it if the answer to the question is yes. We are going to need a lot more tax money that is presently going in the federal coffers to bring that kind of thing about. It cannot be done by this Province. We cannot continue to build roads and build hospitals and build schools even on just increasing it by six per cent or seven per cent a year. You cannot continue to use thirty to thirty-five per cent of our revenues going into salaries. I think it is a fair percentage. And who is to say that teachers are getting paid too much, or hospital workers getting paid too much, or highways workers getting paid too much?

Mr. Speaker, I hope that over the next four to six months, and this is the way in my opinion it has to be done, over the next four to six months somebody will come along with a proposal and we will go after them. We will try to keep it open, we are not eager to see that place close down, and present a proposal to us to keep that mill operating. Well we will have to pay off the debt as the hon. minister says. I do not think there is anybody in this House, on the floor of this House or in the galleries, or anywhere in St. John's or

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MR. PECKFORD: in Newfoundland or in Labrador who wants to say we have to close it down or we should close it down. But we cannot continue to pump millions of dollars into an industry at the rate that we have been doing and what our experience shows projected in the future could very well happen on into the next three or four years.

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MR. PECKFORD: It is just impossible. So what we need are some reasonable entrepreneurs to come forward to put some reasonable proposals on the table. Obviously we are not very afraid of subsidies, we are not very afraid of throwing money into an industry. Just looking at Labrador Linerboard itself proves that. We have not been all that unkind in our dealings in trying to keep industries going in this Province. We certainly were not responsible for the Come-by-Chance closedown, as much as we might try to be tainted for it. That was not this Government's fault. That is for sure. Nobody can accuse us of that. And if they do, they had better start putting their facts on the table and making a case.

No, Mr. Speaker, if this Province is to survive, we are to survive as a people, we have to make some pretty basic decisions on how we want to go in the future. I say those decisions, that we must separate as much as possible in the near term, private involvement and public involvement. We must isolate a number of areas. It is not black and white. We must isolate a number of areas where jobs are going to be great, where the promise of return can be demonstrated, and that is like in the fishery. We must continue to encourage mineral development, forest development, primarily by the private sector; that we must, also, as a Government - we have a social responsibility if we believe in the kind of distribution of population we now have - we have a responsibility to bring monies into rural development. We must continue that. That is the way we must proceed in the future, unless or until we get a different arrangement whereby we can have additional monies coming to the Provincial coffers to do all the other things on a massive scale.

I was interested to read over the past couple of months the left wing Levesque Government in Quebec and Industry A comes and says, "We have to close down, Mr. Levesque". Mr. Levesque says, "I guess you will have to close down". That is the socialist leaning Government of the Province of Quebec who can ill-afford to see industries close down, let alone move their head offices to some other province of Canada.

MR. PECKFORD: So, Mr. Speaker, we realize that there is a large and heavy and onerous responsibility on us on this side of the House for decisions we have made - the decision we have made on Linerboard - and I, for one, as a Cabinet Minister, as a member of this House, and as a citizen of this Province, believe that we have made the right decision based on the facts as I have them - information as I have. Rather than think that this is a terrible moment in the economic history of this Province, I would like to think that it marks a great turning point in how we are going to look at future economic development in this Province. I would rather look upon it as our chance to - in the future when we are talking with industrialists or other people who want to invest in industries in this Province, that this will mark the kind of tone and tenor that we want to take in the future. Yes, you are welcome. Yes, you can utilize our resource on our terms with good business practice, with you putting just about all - if not all - the money up in that enterprise, so that then there is some return - some real return - to the Province. So you do not have to get into all the little nitty gritty technicalities of multiplier effects and go out of your way. You almost have to expend - talk about paper - expend a lot of time trying to grapple. Somewhere some expert said that every job means three, that the cost benefit analysis for this industry is such that when you have to go and stretch that degree, you are treading on very dangerous ground.

AN HON. MEMBER: You have to apologize for -

MR. PECKFORD: Exactly. When you have to go out of your way and to go to all the economic theorists to get all that kind of airy-fairy stuff to substantiate the existence of something, then you are threading on dangerous ground. And what we want are people to come and invest with their money, given a proper political and economic climate that we can create, and in this industry we can look forward to some good return for the Province. If we are ever going to be somebody, if we are ever going to be what all Newfoundlanders sort of say that they want to be, to be real proud Canadians and take a real stand-up-and-be-counted attitude as it relates to their economics and their financial wherewithal, surely that is the way to do it. Surely it will not be done by continuing the kind of financial practice and policy that we have done in Linerboard. I mean, if you take it to its logical conclusion, if that is what we should be doing, then I should be getting after some entrepreneurs out in Green Bay district to come in to government and say, "I have got a proposition that is going to give me this many jobs multiplied by three with the cost benefit analysis that it does. Therefore you owe me \$5 million. I owe you \$1 million. And I am going to have an industry employing 260 people in Robert's Arm in six months time." I mean that is the hard cold facts of the situation. And somebody, Mr. Speaker, has got to say it and I do not mind saying it, not a bit, not a bit.

When this government, and I sure every member of the House, took over Linerboard and tried to make it work, it was not on the grounds that in 1977 we would still be paying a \$40 million or \$50 million subsidy. It was on the grounds that given the situation we should try, make a valiant effort to make it work even if we had to go into big subsidies early on to make it work. We were willing to do that. And I remember hearing, well it looks like Linerboard market is going to be better in the next six months. It looks like it is going to take a turn-up, Well great, fantastic! I hope it does! Loggers in my district work at Labrador Linerboard, you know, are cutting the wood, four or five contractors, 300 or 400 people. You know, that is great.

MR. PECKFORD:

I hope it does, I hope it does so that I can see that subsidy go down a little bit, at least to make it liveable. But it has not happened.

MR. SMALLWOOD: Would the hon. minister yield.

MR. PECKFORD: Yes.

MR. SMALLWOOD: I do not want to interrupt the flow of the minister's spirited speech which is easy to listen to even if one disagrees. But has he read the declaration of the general manager of the mill - Mr. Sweeney, is that his name? - who says -

MR. PECKFORD: You know his name as well as I do.

MR. SMALLWOOD: No. I do not know the man, never heard of him in my life. He does not mean a thing to me.

MR. PECKFORD: I heard you say his name today.

MR. SMALLWOOD: I said it, yes. But I do not always remember it.

MR. PECKFORD: Yes, I did too.

MR. SMALLWOOD: - that operating loss this year of - what is it? - \$14 million, a smaller one next year and a profit the year after. Can we ignore that? Can the minister ignore it? It is no ignoramus!

MR. PECKFORD: No, I do not ignore what Mr. Sweeney has to say. Obviously I do not ignore it.

AN HON. MEMBER: It does not jibe what you are saying.

MR. PECKFORD: It does not jibe what I am saying. It does not jibe with what the Advisory Board said. It does not jibe with our experience over the last four or five years. You know, you have got to make a decision. There comes a time when you weigh the factor. That is all. I have heard people in the woods industry three years ago that I talked to, three or four years ago it was Bowaters and Price, predict what was going to happen in the Linerboard market and in the paper market. And they were out like you would not believe, like you would not believe. I hear people talking, predicting the price of copper six months ago, what the price of copper was going to be in May, 1977,

MR. PECKFORD:

reputable world figures in the base metal market, both in London and New York and so on. And they have not been further - they are way out, way out. Well then, you ask yourself who are you to believe and you have a decision to make based on the best interests of the Province as you see them from where you sit,

MR. PECKFORD: and that is what I guess all ministers on this side did. But, Mr. Speaker, to sum up the whole question of Labrador Linerboard, and the decision to close down in itself is very important and tragic and it only goes to pose once again that great, large question as to how Newfoundland should develop in the next ten years; whether we should continue to involve ourselves in the way we have in Labrador Linerboard or whether we should be far more selective and let private capital come as it will if industries are prone to be viable by then. And it is in that kind of mix that we must be very careful in the future otherwise we will find ourselves again in a like dilemma we found ourselves in a couple of months ago.

SOME HON. MEMBERS: Hear, hear!

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

MR. STRACHAN: Mr. Speaker, I admire the minister's ability to argue on substantive issues, but I must admit it is the worst speech I have heard him make and I am rather disappointed because he usually argues so well. The minister blamed us in the Opposition here for accusing the government for doing nothing. He blamed us for accusing the government that its whole intent was to close down the mill. In part, Sir, the very opposite is our case. The very opposite has been our case for many, many months. In fact one of the real problems with the mill is not the fact that government did nothing but was the fact that the government interfered too often. A mill or a business in order to operate has to operate guided by business decisions. That mill never had a start. It was never guided by business decisions. We have evidence upon evidence upon evidence in writing of political manoeuvring, of political decision making affecting the management of the mill. We have memorandums upon stacks of memorandums showing that when the management indicated to government, indicated to the minister that they should cut back on certain things an opposite decision was made. The management was told to go the opposite way.

The member for Stephenville, who for the last year and a half has been studying the mill and who has amassed a great deal

MR. STRACHAN: of information, has made little use of it because he felt, rightly or wrongly, he felt that the mill was the lifeblood of his area of Stephenville and that he did not want to get involved in a morass of political argument about the operation of the mill. He may regret that sometime but now he has opportunity. The decision is now made. He has now opportunity to use that information that he has and to explain and show that many of the decisions made in that mill was not made by management in the best businesslike sense but was made by politicians who were affecting it.

We have, for instance, and we can show that many of the figures that are being quoted, and there has been statistics and statistics and lies and arguments on figures, and I do not intend to get into the costs and so on of the mill -

AN HON. MEMBER: Mr. Speaker, they were not lies.

MR. STRACHAN: I was using that -

AN HON. MEMBER: It is still unparliamentary.

MR. STRACHAN: - in the descriptive sense.

MR. SPEAKER: Order please! A point of order, I understand, has been raised in regard to the use of the word "lies." If the word applies in any way to an hon. member of the House of course it should be withdrawn immediately.

MR. STRACHAN: To that point of order, Mr. Speaker. It certainly did not refer to anything that was said from the minister or anyone else or from anyone from this side. What I meant was that there are statistics and figures and you can adapt them whichever way you wish and it did not mean in essence that the minister - referring to the minister making a lie.

MR. SPEAKER: I understand an adequate explanation has been given.

The hon. member for Eagle River.

MR. STRACHAN: But what we do know of is that the government was advised on a number of occasions that for instance inventory was too high,

MR. STRACHAN: the inventory at the mill, Labrador Linerboard Mill at Stephenville, was something in the region of four times the inventory of any other mill. A mill that size is expected to carry an inventory of \$1.5 million to \$2.5 million worth of material. The total carried by the mill in December 1975 was \$9.5 million worth. \$6,547,000 at the mill, the Goose Bay stores alone \$1,618,000 in December, 1975. When the government had been informed that they wanted to cut the inventory down, the finished goods for instance on hand in 1972 - 1973 was \$1,581,000. That rose in 1973-1974 from \$1.5 million to over \$4.5 million. In 1974-1975 it was the same \$4.5 million. In 1975-1976 the finished goods on hand was \$5.7 million.

The operating and maintenance supplies, for instance, we look at that, it is all referred to management, directed to management what has been going on. The operating and maintenance supplies were \$3 million in 1972-1973 and by 1975-1976, three years later, \$13 million worth of operating and maintenance supplies on hand. These are actual figures that were given to the minister and given to the Cabinet.

We see in many cases that when the mill people, the management, wanted to cut back on inventory, wood inventory, when they wanted to get back to 150,000 cords on inventory instead of the 400,000 cords they had, the very opposite was done. They were instructed to increase inventory. In fact, they cut out the Bay St. George area the inventory from there, the wood from there, they cut it out. The first place to go, the place where they got the cheapest wood. They bought wood from the most expensive places.

There could be a whole story told on the whole idea of the management here. We believe very fundamentally that government should not be in the business of running any operation. How the government got into it is history and I do not intend to argue that at all. Government was into it but unfortunately it did not allow

MR. STRACHAN: the management to make the decisions on the mill. The mill was virtually run by remote control. The minister stood up and spoke, that allowing for all the mismanagement whatever the degree. That is the Minister of Mines and Energy statement tonight, that the mill would go down, it was not viable. He said not even with the best management in the world could it operate and break even. I will agree with him on the best management in the world if controlled and the decisions, day to day decisions, are made here in St. John's and are not made there on the plant floor in Stephenville. You cannot run a business by remote control nor can you influence the decisions. I can understand the feelings of the vice-president of Consolidated Bathurst who took over six months ago, Jack Sweeney.

When he took over an understanding was his attempt to make this mill turn around. And for the first time in Stephenville, the first time in the Labrador Linerboard history it looked as though somebody had the guts to stand up and start making the necessary cuts and start looking at the mill and make it run and run it from a mill point of view rather than run it from a political point of view. Six months later he was rewarded for leaving his previous employment, he was rewarded with the mill being closed down under his feet. And to a professional man in his position one can understand why he writes the Financial Post that he is fighting mad about the close-up. One can understand a man of that standing being totally upset for the fact that six months after he is given a mandate to make that mill viable the feet is stricken out from underneath him. I can understand Stuart Hollands. Stuart Hollands who went to Goose Bay, when every time I saw him apologized for the massive inventory that existed in Goose Bay, that it was not his doings, it was all there before he came. Since he came he tried to isolate it and tried to get Goose Bay on a good financial footing and was making very serious attempts and getting close to it sometimes. I will not get into the argument about using Labrador

MR.STRACHAN: wood for the Linerboard here.

MR.SMALLWOOD: An inventory of what?

MR.STRACHAN: Oh, the inventory consisted of trucks, bulldozers spare parts, there is enough, I do not know if it is before the courts but there was enough orange juice to give every man a gallon of orange juice for the next ten years.

MR. STRACHAN: I do not know if it is before the courts. There was some investigation so I would rather not get into it. I think it is an ongoing investigation. But there was a tremendous amount of equipment. There has been a good deal of theft because they felt the Government owned it and the Government did not care about it. So, therefore, people just walked off with it. In many places, people just felt generally, in the years past, management was loose and they felt they could just take it and go off with it, and that was explained very clearly to the Minister in a number of memoranda. People thought that because the Government was running the mill, that they did not have to worry too much about the finances, there was no tight control. There was subsidized housing in Goose Bay, for instance, costing \$50,000 a year. You could travel for so many trips a year out of Goose Bay, and your wife was on the expense account for foremen and all supervisory staff. People could use trucks to do their shopping with and people could drive the weekend using trucks and so on. This is symptomatic of the whole thing of the Linerboard, that unless there is tight management - and I do not buy the argument that if you started clamping down on that and started narrowing in, that all you have to do is save \$500,000 here or \$1 million there, and it would not make any difference in the end. I disagree totally with that, because unless you run a business and you run it tightly and manage it strongly, unless you indicate it all the way through productionwise, unless you do that then the whole thing opens up and everything starts to run through the seams.

I have had experience of running a fish plant operated by the Government in Labrador, and they lose money at it. They lose money when they should be, and could be, making a vast profit. But, because it is Government, the people who were working with it at that time felt they could live on strawberries and cream instead of beef and potatoes.

Instead of tightening up this thing and understanding, instead of the management moving on these lines and trying to tighten up these massive mismanagement mistakes, there was

MR. STRACHAN: political influence causing many of these things, not the management wanting to do it. Recently, just when everything was turned around and was turning around, and Jack Sweeney, for instance, took over, and they tightened up all these things, then, just when it has a hope and a chance of trying to live in the marketplace, the feet goes out from underneath it.

The Minister mentions the business is cyclical by nature. Of course it is cyclical. It is because of the fact most renewable resources are cyclical. It is because it is cyclical that management has to be top-notch and on top of the job, and management cannot be interfered with. Management must make the decisions based on good business considerations, not decisions influenced politically. Because when the mill is down low, when the product is low, then that is the time when management starts to show. When the product is reaching a fair price in the world markets and the marketplace, then management can be a little lackadaisical, a little easy. But it is when it is cyclical, when it is in a downswing, then is a time when there must be tight - very tight - control. Management was never given this opportunity because many of the decisions were made not in Stephenville, not in Labrador Linerboard, not in Goose Bay, but were made here. I am sure the hon. member from Stephenville (Mr. McNeil), if he wishes to show some of the information that he has, or could, would show that over the years there were decisions to increase inventory when the mill management wanted to decrease inventory,

MR. STRACHAN: when they wanted to spend a capital sum of money to complete the dry line system. It is estimated, for instance, and this is the estimation given again to the minister, it was estimated that if they had completed a dry line system they would have saved between five and ten per cent of the wood shipped to Labrador Linerboard in Stephenville. Five per cent of 400,000 cords is 20,000 cords, or ten per cent is 40,000 cords. In other words, what it would save in money value, completing the dry line system, would be between \$1,340,000 and \$2,680,000 per year. At the same time there could be an elimination then of the boom boats, elimination of the operators which were from eighteen to eighty people at a saving to the mill.

There are many, many situations like that and we can quote them ad infinitum. When this was explained time and time and time again, and all to no avail because nobody paid any attention or else the decisions were made the opposite way, the way the management wanted decisions.

The whole thing comes down to that you cannot run a business of this nature by remote control, nor can you run it by being on top of management and always making management feel that whenever they are going to make a decision you can reverse it or will reverse it. And this is what was obviously happening here on many, many occasions. It is sad, in fact very sad, if someone is going to spend the time and go through the mound of material that has been collected over the last four or five years in the mill.

The minister makes points, and I agree with his points, on the fact that we have to look at the whole new way of handling the resources in this Province. In fact, today was a sad day in many ways because what we have admitted is that we cannot handle a renewable resource within this Province.

MR. STRACHAN: The minister's argument fell down, fell down badly when he tried to relate a renewable resource with a non-renewable resource, when he gave all the examples of mines closing down and related it to Labrador Linerboard. A mine closes down for definite reasons and very different reasons, and not the reasons why Labrador Linerboard closed down. If we cannot take one of our renewable resources in this Province and make it work, then there must be something wrong, fundamentally wrong with the way we are approaching our resource development within this Province.

I believe, and I think the minister does too, I think that what he was doing tonight was making or trying to make as best a defence as he could possible for a decision had been taken. Regardless of whether he had facts or not he was trying to argue and fight on a basis of defending the decision. And it is obvious his heart was not in it, because many of his statements were contradictory to much of what he said previously.

The minister virtually admitted, on his feet he virtually admitted the failure of International Forest Products, the market, the wood supply. Roughly speaking with Labrador Linerboard there are three areas, the wood supply, the operation and the marketing. We have heard conflicting reports, the report that the wood is costing us too much, yet we know for instance that Labrador Linerboard was paying more to contractors to supply the wood than Price and Bowaters were paying.

Then we heard that the wood costs were so high that were we to cut out the Labrador operation. Then I will buy a certain part of that, but then we heard recently that the wood supply was not any problem. We heard blame on the markets, and the marketing site and a defence all the time of the International Forest Products were doing their best to market the product and yet now we hear the minister virtually admitting failure of International Forest Products and function in

MR. STRACHAN:

such a way that the only way we can judge them is to get McMillan and Bloedel, for instance, to market our forests for a similar period of time, for the next four years, and compare what they have done to what International Forest Products have done. Regardless of what it is it is an admission of failure, that the marketing of Linerboard from this Province could not compete on the world markets. And we can give all kinds of reasons for being competing against massive companies and massive corporations. But the fact is that the marketing was ineffectual.

The minister then went on to argue on a whole idea of resource development. And on that I can certainly argue with him on many areas of it. I agree with him when he says that we must not and cannot rely on massive government involvement in business. And I agree totally with that. The dry socialist world who wanted to see government involved in business, of running business and so on should take heed from some of the countries around the world where these businesses immediately they are taken over, crumble to the wall and often the countries go with them. We should in the North American system encourage companies to come in here. But I disagree with the fact that we should encourage them to come in and give them major concessions. We should not concede our resources at all. Our resources we own. We give them rights to develop it, but we always retain ownership. Because the very system we are faced with now in Labrador Linerboard in which we have an argument over timber rights by Bowaters, timber rights by Price and we cannot get at some of the good timber is because we do not own the resource. We conceded it away. And I believe fundamentally that we must own the resource and give the rights, contract the right only, contract to develop it, but we keep the ownership totally and absolutely with us, with the Province. And I can get back into the old argument that half this Island part of the Province, fifty-two per cent,

MR. STRACHAN:

conceded over the years, the last fifty years; forty-one per cent of Labrador is also conceded, that we give it, conceded outright.

And then when we try to develop another industry or something else we have got to fight to try and break old contracts to get part of it back, which is totally wrong. We must never therefore concede. We have the case, I believe, in the timber rights of Reid Newfoundland who are now trying to sell back to us their very sole part of it, I think \$3.5 million or something for the timber rights. And they are looking for \$31.9 million for the mineral rights for ten per cent of this Province on a contract, on a concession given many years ago. We must never make the mistake again.

I think one of the things that I expected of this government, and I thought very highly of this government for the first two years when I came in, one of the things I thought it was really going to do was attempt to re-orient, rationalize the concessions within this Province. It is a very tricky thing to do. You cannot, of course, stand on Bowaters because Bowaters have threatened on a number of occasions to get up and leave and you would be left with Corner Brook in a very desperate situation. So obviously there must be some negotiations taking place in which there is a rationalization of the forest industry so that three mills can operate because we do have the wood for three mills to operate if it was distributed evenly and proportionately and they could get cheap wood.

So we have therefore got to get into a whole thing, and if the minister wants to look down the road five or ten years, that if we are not going to see a continuation of this year after year after year of our resource based industries going to the wall because we got in there the wrong way, then we have got to come to grips with it very quickly. And Labrador Linerboard is symptomatic of what is going to happen in other industries. Labrador Linerboard, as far as we believe, and we believe we

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MR. STRACHAN:

are correct and it has been admitted by the Minister of Manpower,
Labrador Linerboard in many ways

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MR. STRACHAN: is a sacrificial lamb. Yes, we had to close down Labrador Linerboard and the decisions were made by people elsewhere. They were not made by the people of this Province. Labrador Linerboard essentially closed down because of financial mismanagement, that we did not have the funds to put into a renewable resource industry and yet we see funds, the same funds that could keep that renewable resource going, the same funds being spent in other areas of the Province which develop nothing for us.

We feel very strongly, Mr. Speaker, that the minister in his reply today and his response outlined nothing new and did a very poor job of defending the decision to close Labrador Linerboard. We believe fundamentally the decision was not made by the Province but the decision was made outside the Province because of the financial situation. You have little control - We had little control. Why would you hire someone of well respected mind and business six months ago, hire them and take them on, set up an advisory board but not wait for its completed reports, not give the management time to turn the mill around, and he has professed and believes strongly that he can turn the mill around, not give him a chance to do it, not wait for the final reports from the Advisory Board but get the first preliminary report and take a sentence out of it and say, They advised us to close the mill? We believe that the Advisory Board as such was a smoke screen. We believe the decision was probably made a long time ago, the decision probably out of the hands of government that the financial situation of this Province was so desperate.

But we still believe and we still lay at this administration's feet the blame for the mismanagement and the tremendous losses suffered in the mill in the last four or five years. With the good management that they have now, with a good marketing company and the rationalization of the wood supply this mill could work and could have been supporting the whole area of Bay St. George

MR. STRACHAN: and could have been an example. It is an excellent mill. It could have been an example of a renewable resource which did work in this Province. We feel strongly that in the last four or five years it was never given one opportunity. It was doomed more through ignorance. It certainly was not doomed because the government did not do anything. They did. They poured money into it, a great deal of money, and for that we understand and appreciate. But as well as the money they also poured in advice and control and political management rather than business management.

I hope that in the debate with the speakers that follow, especially the member from Stephenville, that he will lay on the table of the House to members who do not believe it opposite - It was obvious today the member from St. John's North had to ask the Leader of the Opposition for information which came to us from the Minister of Finance, it is obvious then that many members opposite have not had the opportunity

MR.STRACHAN: to get that information. I hope that the member for Stephenville will lay on the Table of the House some of the information that he has showing the types of management and decisions which were made, and the interference which was made on the downfall of this tremendous project, this tremendous development on the West Coast. We believe that it can be turned around. We believe just when it had opportunity and came to the time to be turned around, for reasons without this administrations control, we believe this administration was allowed and could have juggled the figures, that they would have done everything in their power and I believe that, everything in their power to try to maintain that mill to keep it going for another six months or another year in order to wait to see the markets turn around.

We believe that the decisions, the final decision was not made by the administration opposite, but was laid down for the administration by people outside, by the financial people outside.

MR.NEARY: Maybe as the result of their incompetence.

MR.STRACHAN: The member for LaPoile gives his reasons for it. But we believe strongly that that is absolutely true, that that is the facts of the matter, that had the administration control of the finances total control of their finances and not been pushed by the finance markets that they would have continued to try and turn that mill around, knowing that for the first time for many years they had good management, that they had a good advisory board and something could occur. The markets could increase. They could cut out some of the expensive parts of the operation and the mill looked as though it could go ahead.

Before summing up there is one point I would like to raise here that the minister raised. It is astonishing, and the minister mentioned here Long Harbour and the phosphorus plant, we find it astonishing that the electricity rate for the phosphorus plant at Long Harbour is subsidized, is subsidized! And yet the mill,

MR.STRACHAN: the Labrador Linerboard pays three times -

AM.HON.MEMBER: (Inaudible)

MR.STRACHAN: No, what we are

AN.HON.MEMBER: (Inaudible)

MR.STRACHAN: No, none at all. But it amazes us that a private corporation running one operation gets subsidized electricity while at the same time the mill at Stephenville pays three times the electricity bill than other mills in this province.

That to us does not make much sense. Anyway, Mr. Speaker, the point we were making here, the point we wish to make was the fact that the Labrador Linerboard Mill at Stephenville, just when it has opportunity, just when we believe it has opportunity, just when the management themselves believe they managed to turn the whole thing around, the axe falls on it. We are sympathetic, very sympathetic in some ways with the administration because we feel strongly that they had little choice, little choice in the decision they had to come too; that they had to satisfy the bond markets and the bond market dictated the action they had to take. In other words, the decisions on resource development in this province no longer lie within the elected people of this province, they lie outside of this, totally completely outside of this in the bond market.

We wonder then as to what is going to be next. That if we continue to go along borrowing this kind of money I would have rather seen the government turn around and say that we have to cut out some of the services we have to give to the people in the province. Cut out the social services and some of the things we give.

AN.HON.MEMBER: (Inaudible)

MR.STRACHAN: The civil service alone, what is the increase in the civil service alone?

MR.MORGAN: What about the \$1 million worth of paving in your district?

MR. STRACHAN: Yes, increases over the last years.

MR. PECKFORD: We have dropped down from last year.

MR. STRACHAN: No; not at all.

MR. STRACHAN: We believe that you could cut back and cut back elsewhere rather than cut back in resource development. And you could save the money which would make the mill go and make the mill viable. But regardless, it shows then to us, and we believe, that the whole thing is an abdication of the right, an abdication of the responsibility, an abdication totally by this Province to control its own resources that are now being controlled elsewhere.

Thank you very much, Mr. Speaker.

SOME HON. MEMBERS: Hear! Hear!

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

MR. J. CARTER: For once, Mr. Speaker, I am disappointed that there is not any amendment being proposed to this motion because I do not think forty-five minutes will be long enough to say all the things that I feel ought to be said.

I was interested in what the former speaker said about members on this side not being fully informed as to the various figures. The hon. gentleman from Eagle River (Mr. Strachan) is no doubt referring to this mish-mash of figures showing that Canada as a whole is worse off if the mill is closed down. That I could be prepared to accept but my reply would be, well if that is the case then it should not be all that difficult to prove it to Ottawa and let Ottawa come to our help. There is a strong argument I suppose for provinces not existing at all. Holland is a much more populated country than Canada and yet that manages -

MR. MCNEIL: If the member would permit I can probably answer that question for you?

MR. J. CARTER: Well if he wants to certainly I will yield.

MR. STRACHAN: You are going to give your information again!

MR. MCNEIL: The member of Parliament for Humber - St. George's, Jack Marshall, in a paper and I think it was the Humber Log stated that, I will just read it out for you now, "One of the most astonishing disclosures was made by Mr. Jack Marshall, M.P., who found that the provincial government had never sought assistance from the federal government in seeking markets for the mill's product. Canadian trade offices are scattered across the world and their service could be invaluable. What else has this government failed to do?" That is from Jack Marshall.

SOME HON. MEMBERS: Hear! Hear!

MR. J. CARTER: I thank the member for his information. But my own experience with the federal departments that are presumably set up to assist trade, my own personal experience with them is that they do more to hinder trade than to expedite it. But anyway, Mr. Speaker, I am not exactly unprepared for this debate. I have a knowledge of the West Coast that goes back to 1950 and I have had conversations, fairly lengthy conversations, with Monty Lewin, who was the Manager of Bowaters many years ago, with Mr. Tony Ballack, who was a very highly qualified official with Bowaters, and also with Dr. Persinch who was a Latvian engineer who was invaluable in the Bowaters operation.

MR. NEARY: All the high mucky mucks.

MR. J. CARTER: These were people I happened to meet at various functions and they discussed, I was only a young man then, but they discussed the problems of pulp and paper and the industry generally and I guess it made quite an impression on me because I can still remember many of the things that they said.

I am sorry that the President of the Council will not be hear to participate in this debate because as a long standing resident of the West Coast he could confirm many of the conversations that - I know for a fact that he has had extended

MR. J. CARTER: conversations with many of these same gentlemen and is very knowledgeable about these problems. I am only sorry that he is not able to participate.

AN HON. MEMBER: He will be here tomorrow.

MR. J. CARTER: I have just heard that he will be here tomorrow and I hope that he will take part in this debate. I know that he would certainly be able to shed a great deal of light on the problems of the West Coast.

MR. SMALLWOOD: Would the hon. gentleman say (inaudible.)

MR. J. CARTER: I cannot now but I am sure that it is somewhat improved. I hope it is.

MR. SMALLWOOD: He had an operation, I think on his eyes.

MR. J. CARTER: Yes. Yes. Eye problems.

I also have seen the Grand Falls mill and the Corner Brook mill in operation and had complete tours of these facilities, not once but many times. And I did see the Stephenville mill when it was under construction so I know where the various parts of that mill are located and how they relate

MR. J. CARTER:

one to the other. I have some knowledge of woods, our own woods particularly, and the problems of logging and cutting wood. And I also have some familiarity with the revolution that the chain saw has brought about. Hon. members might be surprised to learn that much of our woods is much older than we think. We are told that the regrowth period is seventy to eighty years. But there are trees on the Labrador that are much older. And there are even trees on the Island, really big woods that you come across on the Island, are considerably older than eighty years.

MR. SMALLWOOD: Would the hon. gentleman allow me?

MR. CARTER: Yes, certainly.

MR. SMALLWOOD: In Grand Falls which opened, I think, in 1906, there are areas - I do not mean in the town of Grand Falls, but on the Grand Falls timber properties - there are areas that have been cut over for the third time in - how many years is that? - 1906 - 1971 three growths.

MR. CARTER: Yes, I can easily answer that. They may easily be able to be cut over once every twenty years because a pulp stick is not a saw log. It does not have to be eight or twelve inches in the butt. And it can be cut, if it is economical for the operator to cut small wood - no pun intended - then he will do so.

MR. SMALLWOOD: Well for pulpwood, five or six, seven, eight inches is plenty.

MR. CARTER: I will return to that because the hon. member has made a good point. I also have some understanding of economics and cost benefit, and this whole business has interested me over the years. And I can certainly discuss the multiplier. and I would like to. I do not want to get involved in a long harangue with the hon. gentleman from Twillingate (Mr. Smallwood), but I feel his use of the term 'the multiplier' is incorrect because when he says that one job in a mill means two, let

MR. J. CARTER:

us say, for argument sake, two jobs somewhere else, they are not two complete jobs somewhere else because if there were two complete jobs somewhere else then for each job there would be two more jobs and you get to the ridiculous situation where one job means millions of jobs.

MR. SMALLWOOD: No, no, the multiplier, if the hon. gentleman would allow me, the multiplier is in reference only to productive jobs, jobs in productive industry, fisheries, mining, forestry, manufacturing and so on. But a doctor or a teacher or a member of the House of Assembly or a shop clerk or an office worker, not being in economically productive jobs, they do not have any multipliers. They are the multipliers.

MR. CARTER: They are the multiplied.

MR. SMALLWOOD: They are the multiplied.

MR. CARTER: I have always understood the multiplier to be the reciprocal of the marginal propensity to save. But I do not want to get into involved economic theory. The multiplier is the reciprocal of the marginal propensity to save. That is to say, money that is spent has not just all disappeared down in the sink hole immediately. Some of it is saved, it is passed on and it peters out after it has changed hands three or four times.

Also I have some understanding of business and business problems. And lastly, but not leastly, I was in on the Linerboard decision, the decision to take over the Linerboard mill. And without letting any cats out of any bags the decision that we had to make at that time was either to withdraw from the project, and I sometimes feel that it is a pity we did not, and let Mr. Doyle have been burnt, because he most surely would have been burnt, financially that is, or to have established a trusteeship, or to have done what we did which was to take over the mill. Well it is grand to have the knowledge of hindsight. No one can say that we did not try to run the mill. But what does all this say about feasibility studies? Just to list the feasibility studies of the past

MR. CARTER:

is to note their low fruition rate: The tunnel across the Straits, the Lower Churchill, offshore oil, I often wonder whether the experts know what they are talking about when they say there are so many barrels, so many million barrels, so many trillion cubic feet of gas, so many this, so many that. I wonder, I really wonder. Now as far as I am concerned the big problem with the mill is that the mill was misplaced

MR. J. CARTER: in the same way that the steel mill was misplaced. All the wood had to be trucked or brought in by train to the mill site. Now that cannot, cannot pay. If you can contrast that situation with the situation at Grand Falls and Corner Brook, after a stick of wood is cut in the woods in either the Corner Brook area or the Grand Falls area as soon as it gets into the water it is never touched again by human hands. It is floated down to the mill, graded by a boom -

MR. SMALLWOOD: Very little of it gets in the water, precious little.

MR. J. CARTER: Yes, all of the area around Grand Lake, the wood is thrown into Grand Lake. There is a little flume brings it from Grand Lake to Deer Lake -

MR. SMALLWOOD: Practically all wood now is taken in by truck or train.

MR. J. CARTER: And therein lies the cost and the problem and this is why -

MR. SMALLWOOD: It costs too much to float it because too much of it sank. It is what they call hot wood - it is cut and almost immediately taken by truck or train to the mill.

MR. J. CARTER: Yes, but then the problem, Mr. Speaker, is that, as the member says, hot wood then it has to be barked, whereas if it has been soaked and lying in water it merely goes into a drum barker and the bark comes off very quickly.

MR. SMALLWOOD: The cost of barking it compared with the loss of wood, hundreds of thousands of cords of wood lying now on the bottom of Deer Lake, hundreds of thousands of cords.

MR. J. CARTER: Quite a few hundreds of thousands of cords get marooned around the edges, and the paper companies used to send out crews every spring to throw the extra logs back into the water so they could be floated down to the mill. Anyway it is practically impossible to pay to truck wood the immense distances, and especially to truck wood in Labrador, then to put it aboard a ship and then to bring it down

MR. J. CARTER: to Stephenville. I cannot see for the life of me how that particular operation can pay.

MR. SMALLWOOD: It is taken all the way across to Europe.

MR. J. CARTER: And the figures -

MR. PECKFORD: Why are the Europeans not buying it from the US.

MR. J. CARTER: Yes, but they go by boat, directly by boat, directly over to -

MR. SMALLWOOD: How do it get to the boats?

MR. NEARY: How do it get from Labrador, by dog team?

AN HON. MEMBER: (Inaudible) interruptions.

MR. J. CARTER: No. I am delighted for the interruptions. It is no problem to deal with them. I assure you, Mr. Speaker, if any hon. gentleman across the way want to get up and mislead the House deliberately I am quite willing to play their game.

Now the deeper reasons, as far as I am concerned, that the mill was put in the Stephenville area, the West Coast area, is that for a long time the myth of very heavy woods existed on the West Coast. And this was true, the woods do seem to be larger over there and the growth of - it is not birch it is really a witch hazel tree - they are much larger and especially when you get up close and examine them the trees are much, much larger on the West Coast and it is not hard for the myth to become believed that all you have to do is place a mill anywhere over there and there will be tons of wood very close. There is very, very heavy wood South of Grand Lake and East of Stephenville Crossing, but the topography of the land is so hilly, so steep that the only way to get wood out of there would be with a sky-hook and of course it has not been bothered.

Another problem, of course, the member for Twillingate discussed all the wood that is on the bottom of Deer Lake and Grand Lake and the various rivers. One of the problems with wood is all the bark, and once the bark is removed where do you put it and of course in Corner Brook they threw it in the harbour. So without meaning to

MR.J. CARTER: be funny this is the case of the bark in the bight.

MR. SMALLWOOD: - burn it and generate energy.

MR.J. CARTER: Grand Falls mill,I believe,burns it and generates a fair porportion of its power.

MR. SMALLWOOD: Or just steam.

MR.J.CARTER: But the Minister of Finance I think proved,at least to my satisfaction,that we cannot compete with the Southern mills, the mills in the Southern United States. The regrowth there I am told, especially when you are talking about pulp sticks,is as short of time as fifteen years. The forests are privately owned. People cut them themselves and the wood is brought right to the mill and sold directly what they call FOB mill site,and the fibre content is greater -

MR. SMALLWOOD: That is not FOB, that is CIF.

MR.J.CARTER: Well, CIF. It is brought right to - Anyway members know what I mean. It is brought right to the mill. The mill always knows what its costs are going to be. They do not have to get involved with costly transportation of wood with all the problems that involves. Nor do they have our very difficult harsh winter conditions to contend with. So they are able to operate on a predictable basis year around.

MR. J. CARTER: I take our own government to task frequently when I criticize them for not allowing large private lots. I think that this would be one way out of our difficulty and I will return to that later.

The other problem, Mr. Speaker, is a much deeper one and that is I think there is a lack of demand for linerboard. Not that from year to year there may not be some slight increase in demand, but there is not the increase in demand that was believed to be possible when this mill was first conceived. The time this mill was conceived, something else was conceived which was going to have a drastic effect on it, and that is the growth of containerization. Linerboard is used to make cardboard boxes. Cardboard boxes are used for packing cans of beans, and canned goods, and fish and all the various articles that our modern industrial society provides us with. But nowadays, most of those articles are packed in a sealed container and that whole container is either put aboard a railroad car, or a truck, or a whole pile of them are put aboard a ship and brought to a dock, unloaded, put aboard a truck and delivered right to their destination in that container. Of course the point there is that there is not nearly as much cardboard required.

At the same time you see a tremendous growth in the use of plastic.

MR. SMALLWOOD: Would the hon. gentleman?

MR. J. CARTER: Yes.

MR. SMALLWOOD: If you have pork and beans, or bottles of catsup, or bottles of beer, or bottles of soft drinks, or cans of anything, that are delivered to tens of thousands of shops in dozen packs and half dozen packs. You just do not put them in a big container, you put in the cartons in the container. You still have the cartons.

MR. J. CARTER: The hon. member certainly has made a point, but he would be surprised and it would be worth his while to go down to the freight shed and look at the number of items that instead of being packed in cardboard are strapped and put on pallets and put in containers. Now perhaps the example of cans of beans is a poor one. But it would be worth hon. gentlemens' while to go down to Clarke Traffic Freight shed and just see, look at the lack of cardboard that is used, if that expression makes sense.

Also, of course, at the same time there has been a tremendous growth in the packing of goods in plastic and styrofoam. The demand for linerboard, I feel, is going to go down, and down, and down. I will return to that later too, if I may. But there is a problem. Now, I still think there is a future for Labrador wood. If hon. gentlemen will bear with me I will try and go into the chemistry of paper making very, very superficially.

A log of wood consists of fibres bound together by a substance called lignin and this is either dissolved chemically by sulfuric acid and other chemicals, or it is removed from the lignin mechanically by what is called a method of groundwood. That is to say, the logs are soaked for a period, barked and then pressed up against a slowly revolving grindstone, an enormous grindstone, and the pulp or the fibre is actually ground off the log. It is ground away to nothing, almost as one would sharpen a pencil. It is mixed with water and it is in sort of a pulpy - or it has the consistency of porridge. It can be pumped and shipped. All good paper contains a certain percentage of groundwood; in fact, groundwood pulp. In fact, it is impossible to make paper, certainly the good quality paper like this,

MR. J. CARTER: without putting a good percentage of groundwood pulp in it, the reason being that the groundwood pulp fibres are always longer than the chimically separated pulp.

MR. SMALLWOOD: And in black spruce the longest of all.

MR. J. CARTER: Yes, the black spruce is one of the most valuable. It is interesting to note too that there is a grain to paper. For instance, this paper is much easier to fold this way than to fold that way. It is quite awkward to fold this way. The production of paper is a fascinating study.

 It may be possible, using cheap power that is available in Labrador, at least our recall power, to establish a groundwood mill and to cut the Labrador wood and

MR. J. CARTER: turn it into groundwood pulp right then and there. Groundwood pulp is very much in demand and can be used, shipped all over the world, to Europe, to the United States. I do not see anything wrong with shipping out groundwood pulp. It is not the same as shipping out a raw resource. We are shipping out a fibre product plus power, if you like, and it commands a very high price especially, as one of the members has said, that black spruce has some of the longest fibres of all. The groundwood black spruce pulp would probably attract a premium price in the market, and this would be one recommendation that I would have.

MR. SMALLWOOD: Would the hon. gentleman agree that if it does not pay to manufacture paper, any kind of paper, not just pulp but paper, in Labrador because of the short shipping season and the need to store, warehouse your stuff at enormous interest costs, that would apply even more to pulp which is a less valuable product than the paper which is made from the pulp?

MR. J. CARTER: Mr. Speaker, when I am talking of groundwood pulp it is quite a different animal than chemically separated pulp. Groundwood pulp is a necessary component for all paper. I am not sure of the percentage that is used, it is not a very large percentage.

MR. SMALLWOOD: Less valuable than chemical pulp.

MR. J. CARTER: I doubt that, Mr. Speaker. Good groundwood pulp -

MR. SMALLWOOD: Groundwood is the cheapest of all products made from wood, except kindling.

MR. J. CARTER: - there is a large power component in groundwood pulp. Anyway, it is a suggestion,

MR. J. CARTER: it should be looked into.

It has not been tried yet as far as I know. I have not heard the suggestion made.

MR. SMALLWOOD: If the hon. gentleman would allow me. He is being very courteous in allowing me. May I remind him that Nelson Rockefeller's IBEC, International Basic Economy Corporation was brought to Newfoundland by me, went to Labrador and made a report on the use of Labrador wood. They suggested that the only possible way to make it pay there, if you were going to manufacture it there, is to fly the finished product right into the market in flying box-cars. Now there are better and bigger aircraft than there were then. The flying boxcar was the big thing then. But as for manufacturing it and warehousing it, that is really out of the question.

MR. J. CARTER: I think, Mr. Speaker, the hon. member is speaking of something that was looked into quite a few years ago. There is no doubt about it, the situation has changed quite dramatically, even in the last five years, so something like that could certainly be re-evaluated in the light of present market conditions. Anyway that is just one suggestion that I will just toss out. It may be good and it may be bad, but I think this is a time for making some concrete suggestions and for perhaps, trying to inject a note of hope into this debate, and I think, a note that has so far been missing.

I do not feel all that pessimistic about the future of Newfoundland, but I think we have done a lot of foolish things. Now one of the problems is that the cost for maintaining the Labrador Linerboard mill, in its present form, is a very high current account cost. Now this government has said, and I think they have meant it, that if there has to be a high capital cost, a further high capital cost incurred

Mr. J. Carter:

destroyed or dismantled, it will be there. But I very seriously question the hon. gentlemen's ability on the other side to do any more than has been done. And I think this government, if it can be criticized, can be criticized very severely for having waited so long. An awful lot of money has gone down the plughole since this government first had some stirrings of doubt about the viability of the Stephenville Linerboard Mill. Had it been closed a year or two years ago a lot of money would have been saved and we might now be further down the road to some long-term solution, some change. Perhaps the answer lies in a specialty paper, very high grade specialty paper for the Linerboard Mill, something with a high degree of cost, something where the shipping costs are not as important, where they form a much smaller percentage of the value of the total product.

In any event, Mr. Speaker, there is a long road back to sanity, and along that road lies a tremendous amount of work in improving our woods. Most of our woods in Newfoundland now unfortunately are trash. The fir especially, it is rotten in the center, brown-hearted, I think, they call it, a lot of it is wind shook. The woods have been allowed to regrow so thickly that the spruce budworms had a field day, a lot of it is bug killed, a lot of it is infested. Our woods, Mr. Speaker, are a mess. And if the government is looking for a source of employment for all Newfoundlanders they do not need to look any further than to take on the task of straightening out our woods. This would take the resources of all the unemployed many, many lifetimes to sort out our woods. And yet I feel that this is certainly a justifiable ambition. I feel that this is a worth-while undertaking. We are unable to fully utilize all our woods at the moment, but that is not to say that we should not think in terms of a specie change, of proper woods management, of establishment of more wood roads, of fire breaks, forest protection services, and all the many hundred

Mr. J. Carter:

and one things that go to promoting a good forest resource.

Much has been made of the present manager of the mill, Mr. Sweeney. He has been energetically fighting his corner. And one certainly cannot blame him for that. He says, demand will be up, costs can be reduced, and wood costs can be cut. But, Mr. Speaker, these are forecasts as opposed to reality. There is a great deal of hope, a great deal of hope.

And on page 29 of the report - at the bottom of page 29 of the report - "The cost for a ton of linerboard is something over \$400 as against \$200 sales price." And, Mr. Speaker, that is a tremendous gap to be closed. A tremendous gap to be closed.

MR. SMALLWOOD: Sweeney should know that.

MR. J. CARTER: Mr. Sweeney has a great deal at stake. It would be a great feather in his cap if he were able to turn it around- and possibly a greater feather in his cap if he were able to convince -

SOME HON. MEMBERS: Oh, oh!

MR. SMALLWOOD: A bigger feather in the Premier's cap.

MR. J. CARTER: A feather in anybody's cap if it can be turned around.

MR. SMALLWOOD: Right.

MR. J. CARTER: But I think a very big feather in the Province's cap to realize that the mill is on the wrong course, I have always felt it was on the wrong course.

AN HON. MEMBER: Yes, but (Inaudible.)

MR. ROBERTS: Stopping it on no course is not the way to do it.

MR. J. CARTER: Yes, but how can we possibly - how can you produce linerboard for \$400 a ton and sell it for \$200 a ton? How can you come out of that.

MR. MCNEIL: If you read the Advisory reports you can find out how you can do it.

MR. J. CARTER: How can we find \$55 million this year, current account?

MR. ROBERTS: They found \$80 million for Lower Churchill.

MR. J. CARTER: I do not know, I think that was capital though, presumably.

MR. SIMMONS: There is no doubt about that 'John'.

MR. J. CARTER: No. I do not like the way you have to put together a budget, but unfortunately that is reality.

I think the Opposition has a very grave responsibility here because so far, I think, this debate has been - there has been less acrimony in this debate than in most of the debates that this House sees. There seems to be something about the make-up of this House that when a member stands up to make a speech he feels obliged to insult his counterparts opposite.

MR. J. CARTER: It is possibly something to do with the layout.

MR. SMALLWOOD: The hon. gentleman does not do that, he does it sitting down.

SOME HON MEMBERS: Hear, hear.

MR. J. CARTER: The one sour note I suppose is the abuse heaped upon the one absent member, the former hon. member for St. John's West, the minister of a number of portfolios, Mr. Crosbie.

MR. SMALLWOOD: That was Crosbie who -

MR. J. CARTER: I myself feel that he was saddled with a nightmare, he did his best; his best may not have been good enough, but when you consider, Mr. Speaker, that the steel mill - the problem of the steel mill was put off for many months even though that was a terrible problem because we had so many other problems to handle. I think that puts the whole thing more in perspective.

MR. SMALLWOOD: And that one was started by five or six of the smartest businessmen and most successful in Newfoundland.

MR. J. CARTER: I am glad the hon. member has brought the steel mill into this discussion because -

MR. SMALLWOOD: I did not bring it in.

MR. J. CARTER: I do not think I will be - brought it further in because at the risk of being ruled out of order I would certainly like to discuss that very briefly, of all the places not to locate a mill, a steel mill - iron is heavy, steel is almost as heavy -

MR. SMALLWOOD: Ches Pippy did not think that, Arthur Lundrigan did not think that.

MR. J. CARTER: Well look what happened, up the spout, somebody -

MR. SMALLWOOD: It went up the spout but was that why?

MR. J. CARTER: And so far up the spout.

MR. SMALLWOOD: Location, was that why?

MR. J. CARTER: How could you possibly truck iron, bring it in by ship, unload it into trucks, truck it way up over Topsail Hill, do whatever you had to do with it and then take the product and then truck it again back down to Manuels or to St. John's.

MR. SMALLWOOD: I thought it was this side of Topsail hill.

MR. J. CARTER: You have to shift the truck into extra low gear to get it up to that mill.

MR. SMALLWOOD: The hon. gentleman knows just as much about the steel mill as he does the Linerboard paper mill in Stephenville.

MR. NEARY: He has never been outside the Overpass.

MR. ROBERTS: He used to think going overseas was going to Bell Island.

MR. J. CARTER: I have never come in through the Narrows, I must say I do not have -

MR. ROBERTS: No. unfortunately the gentleman has not gone out to sea -

MR. J. CARTER: By the way, one point that -

MR. SMALLWOOD: The most good natured time that I have heard the hon. gentleman.

MR. J. CARTER: I have the -

MR. NEARY: (Inaudible) before he sits down.

MR. J. CARTER: I am not letting any secrets out when I say that this particular Linerboard mill was legitimately and genuinely offered to a very large concern for \$1 and I am given to understand that this government was willing to write off all its capital investment in this mill and give it to some reputable firm, any reputable firm, for \$1 provided they would run it, and that firm said -

MR. SMALLWOOD: John Crosbie said that no one would take even \$1.

MR. J. CARTER: - and that firm said no, they would not take it on because it would adversely affect their stocks. Now if a firm - and I am told that it is a reputable firm, I am not at liberty to reveal the name obviously, but I think the Minister of Finance -

MR. SMALLWOOD: Would it be the Reid Company?

MR. J. CARTER: is willing to give more details. No I -

MR. SMALLWOOD: Not the Reid, he does not know about that.

MR. J. CARTER: I am not going to get into a guessing game, Mr.

MR. J. CARTER:

Speaker.

MR. SMALLWOOD: Does he know about the International Company?

MR. J. CARTER: I am not going to get into a guessing game, but the Minister of Finance has-

MR. SMALLWOOD: Does he know how Crosbie treated them when they called on him?

MR. J. CARTER: He is able to give further details that this -

AN HON MEMBER: For the drawings.

MR. J. CARTER: That this reputable company was not prepared to take on this mill even for \$1, even though this government was willing off every single penny of all its many millions of dollars of investment, they were not prepared to touch it. Now that in other words - and when you look at the figures -

MR. NEARY: What was the name of the company? Do not withhold information from the House.

MR. SMALLWOOD: The hon. gentleman is not a member of the government and he is only talking gossip now.

MR. J. CARTER: It is gossip, but I am -

MR. NEARY: Well do not try to be deceiving the House.

MR. J. CARTER: A very reliable source. In other words, when you look at the figures in this book here, this information memorandum, you could almost say that a company could be given the mill for nothing and given the wood for nothing and it would be still difficult to make it pay. This is not quite true, it would be just touch and go, a very iffy situation. If a company had the mill for nothing and had a guaranteed wood supply for nothing, then to my way of thinking if this does not prove the non-viability of this mill then nothing else does.

MR. J. CARTER: Now the members opposite, and I quite genuinely so have said that it is often worthwhile for social reasons to run a business or a large corporation that does not turn a profit because of the good and the employment and the industry that it will promote throughout the Province. But the point has to be made - how much is too much? And I think we have reached the stage where the amount that we are required to put in is too much.

Now to recapitulate, Mr. Speaker, I have seven points that I want to recap, and they are really in the form of recommendations. The first is that perhaps in the future, Labrador wood could be turned into ground wood pulp. This certainly could be looked at. Number two, perhaps the Linerboard mill will pay in the future if it is put to the task of turning out specialty papers. And by specialty paper, I do not mean dollar bills or ten dollar bills, but there are - some paper is extremely expensive because it is valuable. The paper that comes into this House - goodness knows, we are doing our part to support the paper industry. This type of paper is much more expensive than linerboard or newsprint. And it may be that the production of this type of paper would pay.

The third recommendation I make is that we start now to rebuild our shattered forests, and that is the only word I can use to describe it. I have seen a great deal of our forest resources. I know a little bit about the woods from the burnt woods of the 1960 and 1961 fires - the Indian Bay fire and the fire down in Placentia Bay - from that to the various other parts of our Province that have been burnt out, to the tremendous Labrador fires of some years ago, to the ravages of the spruce budworm to the ravages of the cut-over areas - there is a tremendous job to be done. It is a long road back, but I think we should begin, I think we must begin.

The fourth recommendation is that we should try to integrate our operations. Now one of the advantages, one of the assets, one of the good points about the Linerboard mill was that it used pulpwood from the various sawmill operators. Our saw logs are not all that big. If you cut down a tree, only the first half or the first two-thirds

MR. J. CARTER: of it are a worthwhile, millable stick. The rest of it is too small to be milled, and yet you have gone to the trouble of cutting it down and dragging it into your mill. And if you can sell the top four or eight feet as pulpwood, this can help to make your sawmill viable. So there is a great need to - In future, any pulpwood operation, any paper mill operation should try, as far as possible, to be integrated. And fifth, and again I think the Province, the government deserves full marks for their efforts -

MR. SMALLWOOD: 'John', can you speak a little more slowly?

MR. J. CARTER: Sorry.

MR. SMALLWOOD: The Premier is trying to get down all these notes, all these suggestions.

MR. J. CARTER: The Premier can have my notes if he wishes, if he can read my writing. I am having some difficulty myself.

MR. SMALLWOOD: He would rather write down his own notes.

MR. J. CARTER: I do not think that this Province or this administration can be faulted for its efforts made in forest fire protection. I have seen a number of forest fires and I have seen them being fought very actively and very successfully by a combination of water bomber and ground crew.

MR. NEARY: Why do you not go up to the University and make that speech. It has nothing to do with the resolution -

MR. J. CARTER: I -

AN HON. MEMBER: (inaudible)

MR. SMALLWOOD: Not the University - kindergarten.

MR. NEARY: Kindergarten, yes.

MR. J. CARTER: I was going to try and get through this speech without being too insulted, but I must thank the hon. member for LaPoile (Mr. Neary):

I must say, I owe him a deep debt of gratitude for pointing out to me the full and complete meaning of the term 'white trash'.

MR. NEARY: Sit down, you big, overgrown galoot.

MR. SMALLWOOD: The hon. gentleman -

MR. J. CARTER: Number five -

MR. SMALLWOOD: was never so good-natured as he is tonight. He is in a new role.

MR. J. CARTER: I was discussing the forest fire protection as the fifth recommendation -

MR. NEARY: Yes, that has a lot to do with the resolution.

MR. J. CARTER: The sixth recommendation, Mr. Speaker, is that we actively consider -

MR. NEARY: removal of the House.

MR. J. CARTER: a change of species in our forests. All woods grow very slowly. White spruce, black spruce,

MR. J. CARTER: black spruce, red spruce, fir, they are very slow growers, very slow. The Norwegian spruce is at least three times as fast and then some of the deciduous varieties, notably the white ash tree, which is a very valuable hardwood and of course is -

AN HON. MEMBER: Time to sit down.

MR. J. CARTER: I have five minutes remaining and I do not imagine I will get unanimous consent for -

MR. ROBERTS: (Inaudible.)

MR. J. CARTER: I have five minutes. I am nearly finished. The white ash tree is a deciduous tree, a hardwood, a valuable tree and of course much more resistant by its nature to ravages of forest fire. Anyway this should be considered, a change of specie is certainly indicated.

The seventh recommendation that I have is naturally that the woods holdings of the two paper companies be rationalized and that Crown land be made available for private use, for private holding. It is impossible in this Province at this time for a private individual to get a large block of wooded land to run a managed wood lot. And I think this is a pity. I think it is a tragedy. Anyway, more about that some other time. I understand it will probably be an amendment and if there is I will say some more then. Thank you.

SOME HON. MEMBERS: Hear! Hear!

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

MR. MARSHALL: Thank you, Mr. Speaker, The matter that is before the House now is the matter of very real human tragedy that I think that everybody in this House is aware that the impact of the closing of the Linerboard mill will be felt quite obviously, more greatly in the districts of Stephenville, in Port au Port and in St. George's, but certainly the impact will be felt in all corners of the Province itself, and not only would it be felt geographically but it will be felt for years to come in all of the Provinces itself if the Linerboard

MR. MARSHALL: mill or its replacement does not re-open some time in the future.

Now I draw issue, first off, Mr. Speaker, before I get into the main purpose of my remarks, with the speech made by the hon. Leader of the Opposition this afternoon where he more or less seemed to indicate, although he did not necessarily say it, that this government was throwing 25,000 people on the West Coast of this Province to the dogs, as it were, as if the people in this House, on both sides of it, did not fully care and fully, you know, have a great deal of care for the plight of the people in Western Newfoundland, and the people all over Newfoundland itself. I think such an insinuation is diabolical. It is not worthy of the Leader of the Opposition.

The fact of the matter is this is a very serious matter and it is a matter of great concern to all of the people in the Province.

Now let me say at the outset as well that as far as I am concerned we have heard a lot about Mr. Sweeney in this debate, and as far as I am concerned and as I know as far as anybody on this side of the House, and most especially the government itself, that if it could be demonstrated in real terms that the Linerboard mill could continue to operate and could continue to operate within the fiscal perimeters encompassing this Province at the present time, that not only members there opposite but members on this side of the House would gladly endorse it and gladly support it.

AN HON. MEMBER: Hear! Hear!

MR. MARSHALL: Now I do not believe, Mr. Speaker, that this mill will no longer operate ever again. We cannot have an asset of this size in this Province without it operating. It is utterly impossible and every effort has got to be made, and I know will be

MR. MARSHALL: made, to have it operational some time in the near future.

It will operate again, I would suggest, but under different character and it will never again, should it be operated I might state, if at all possible, but never again ought it to operate as a government owned and government operated concern.

Now the fact that it was operated, Mr. Speaker, and I hear our people on this side, coming back and hearing these statements made from the other side, the fact that it was operated I say is not a fault of this government and I have a very real knowledge of this having been connected at the time when this government first assumed office in a more direct way than I am today.

The failure of this mill, Mr. Speaker, and I do not think that this government need - certainly it has got to explain but it certainly need not apologize for its action because the

Mr. Marshall:

failure of this mill, as far as I am concerned, Mr. Speaker, although it is not relevant, what is really relevant is what can be done in the future, but the failure of this mill as far as I am concerned can mainly be laid four square at the foot of the previous administration.

The fact of this matter, the Leader of the Opposition gets up and he talks about we spent \$100 million, and the other side spent \$175 million, and the Province had to put \$175 million in so we are responsible for \$100 million and you are responsible for \$175 million just does not wash, because this \$175 million would not have had to be expended, or would have been expended in much more meaningful resource development if the mill had not been there in the first place.

Now let us just - I do not want to dwell too much on it because I intend to use most of my time - but just let us turn to the reason why this mill is now operated by this government. When this government assumed office it was met within about two hours of its assumption in office with the biggest crisis I suppose that has been presented to any government entering office. I was astonished to hear the hon. member for Twillingate (Mr. Smallwood) say that nationalization was a blunder, and to say that there was tip-top management available, and markets were there and could have been organized. Because this is what we found, and we found it, it was quite evident and it can be documented; there was a letter from Donald Dick Engineering Limited which was the firm, as the member for Twillingate has indicated, was commissioned to be the eyes and ears of the government in connection with the construction of the mill and bringing it into operation. But the fact of the matter was there was a report which had lain on the desk of the previous government, and it was some eighteen months old at the time, which indicated there was no management on the site. We talk about inadequate management, at that time there was no management, there was no operating staff, Eighteen months before that they had been told

Mr. Marshall:

that the provision of management and operating staff was a matter of great urgency.

There was no organization of the woods operation, as they had been told was absolutely necessary. This mill originally envisaged using 500,000 cords of wood a year, but the woods operation were in a state of turmoil and chaos. There was no marketing arrangement whatsoever, except of an agreement with Javelin Export Limited to pay it five per cent off the top for any wood that was sold. There were no shipping arrangements made, none whatsoever. There were \$30 millions, Mr. Speaker, floating between Paris and Panama, and in our first hours in office nobody knew where it was. That was the situation. We found that MacAlpine Construction was behind in construction and had not been paid. As a matter of fact, one of the interim advances given by the previous administration to Javelin supposedly to pay MacAlpine had not been so used, and MacAlpine were threatening withdrawing from the site.

We had other things. Now, you know, these were crises. And it is easy on the basis of hindsight rather than foresight to look back. But I say on the basis of hindsight as well as foresight that this government had absolutely no alternative at the time but to do one or two things; to turn around and close down the mill as it was, to take our licks, nickings, as it were, with the \$100 million that had then been spent - and what kind of a reaction would that have met? - or else to attempt to operate it and to operate the mill and to bring it into an operational position in the hopes of being able to sell it. Because the simple fact of the matter was, Mr. Speaker, at that period of time you could not sell that mill at a fire sale, you could not sell it for the sum of \$1, and something had to be done to make it a marketable commodity of interest to somebody who was prepared to operate it.

MR. NEARY: Mr. Speaker, would the hon. gentleman permit?

Do I understand the hon. gentleman to say that when the administration took over in January 1972 there was \$30 million floating around

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MR. NEARY:

Europe that nobody knew about?

MR. MARSHALL: Floating between Paris and Panama at the time.

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MR. NEARY: Well just to set the record straight that is not true.

MR. MARSHALL: Well the records will show -

MR. NEARY: The money was in -

MR. MARSHALL: I am not arguing, Mr. Speaker, on a point of order. I do not have to argue with the hon. gentleman, I have no intention of arguing with him, the record speaks for itself.

MR. NEARY: Well why do you not tell the truth?

MR. MARSHALL: If he looked at the record when he was a member of the administration rather than kowtowing, he would know what this other -

MR. NEARY: That is not true, that is a false statement.

MR. MARSHALL: Well I am not standing - I have no intention of being interrupted by the hon. member, If he wants to answer a question that is fine, I am not entering into a debate with him. Now, Mr. Speaker, there were other things that perhaps there is no -

MR. NEARY: That is not true.

MR. MARSHALL: Well one of the things, Mr. Speaker, that the hon.

MR. NEARY: Withdraw, withdraw! It is not true. The hon. gentleman is deceiving the House.

MR. MARSHALL: Well one of the things, Mr. Speaker, that the hon. member will remember is that -

MR. NEARY: Mr. Speaker, the hon gentleman is deliberately deceiving the House.

MR. MARSHALL: Mr. Speaker, you know, I could rise on a point of order -

AN HON. MEMBER: (Inaudible)

MR. MARSHALL: No. I could rise on a point of order, Mr. Speaker, but this is the type of language that we have become accustomed to the hon. member hurling across this House, and I have no intention

MR. MARSHALL: of dignifying it with a point of order. Now

I am making a speech and I -

MR. NEARY: That is not true, so why do you not withdraw it?

MR. MARSHALL: ask, Mr. Speaker, that I be heard in silence.

MR. SPEAKER: Order, please! If I understood correctly, and I was coming into the Chair when I heard it and I stand open for correction, if I understood it correctly the hon. member for LaPoile - or I am putting it as a question, Did he, or did I understand correctly an accusation that the hon. gentleman to my left was deliberately misleading the House? I heard that term, whether it was as an allegation toward the hon. gentleman who was speaking, I am not sure and therefore I ask for clarification.

MR. NEARY: When coming in the House, Your Honour, must be hearing things because -

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER: Order please! If the hon gentleman did not state it then obviously there is nothing for me to intervene in. If he did state it, even though the hon. gentleman to my left has stated he would not bring it up as a point of order, I would consider it incumbent and necessary to do so myself, but the hon. gentleman has stated that he did not make that statement.

MR. NEARY: No, I did not.

MR. MARSHALL: Mr. Speaker, there were a couple of other things, I do not want to dwell on this, for instance, Harmon buildings that had been valued at \$8 million, I understand, had been sold. We found when we examined the affairs of Peat, Marwick, Mitchell that had presented their report to us investigating inter-company transactions, we found that that building had been sold to Javelin for \$100,000 and other considerations. There was 10,300 square miles listed in the assets of Javelin of this Province that nobody knew how they got to them. Apparently it had gotten to them through a concern called

MR. MARSHALL:

Soci te Transshipping, and Soci te Transshipping had sold to Canadian Javelin some 10,300 miles of land in Labrador. Now they had no title to it, it was part of the takeover that we got, whatever title they had, but these were the startling things that, you know, hit us in the face and it is very easy to overlook them now and to talk about, "Oh it was a great blunder to nationalize " or to talk about this should not have been done, government should not have been involved in it. And I will agree government should not have been involved in it, but I know quite vividly that government had absolutely no alternative in the interests of the people of this Newfoundland but to get involved in it and get involved in it very, very quickly.

Now, Mr. Speaker, on this Societe Transshipping, that was look into and found to be a company incorporated in Liechtenstein, Three lawyers had been the incorporators of the company, The basis of the title that Canadian Javelin had relied upon was a letter signed by the hon. member for Twillingate as Premier at the particular time, Nobody knows, I have often wondered myself, who were behind Societe Transshipping; nobody seems to know about it. I do not know whether the hon. member for Twillingate would like to enlighten the House because it was a very important letter and a very mystifying letter that was written in the year 1966 or 1967 offering 10,300 square miles in Labrador at the time, so I presume the hon. member for Twillingate would know and perhaps sometime he can inform the House.

MR. SMALLWOOD: Would the hon. member yield?

MR. MARSHALL: Certainly I would yield if the hon member -

MR. SMALLWOOD: There was no such concession.

MR. SMALLWOOD: A bank, the name of which I forget, came here to Newfoundland and asked on behalf of clients of theirs, as I thought at the time, Switzerland, not Liechtenstein, for a concession on timber. We gave them, after I had consulted my colleagues, a letter giving them the right to explore and come back with a proposal, which they did not do because I think they sold out. I am not familiar with them and never met them.

AN HON. MEMBER: (Inaudible.) any rights.

MR. SMALLWOOD: No. They did not have any rights. They were not given any rights.

AN HON. MEMBER: - (inaudible)

MR. SMALLWOOD: No. I did not know the client, I knew the bank. The bank came to me here in this building and they would not tell me the name of the clients. "And in that case," I said, "you get nothing. I am not going to the Cabinet and ask for a period of two or three or four years to explore and come back with a proposal. I am not going to do that unless I know who they are." And it was only then they gave me the name of their clients, of whom I had never heard up to that minute. But the only concession they were given was the right to explore.

MR. MORGAN: What about John Doyle (Inaudible.)

MR. SMALLWOOD: Well, I do not know. You go ask him that.

MR. MORGAN: (inaudible)

MR. SMALLWOOD: Ask him that.

SOME HON. MEMBERS: Oh, oh!

MR. MARSHALL: Well, Mr. Speaker, the hon. gentleman says a bank came and they signed a letter. The letter was subsequently pedalled for \$4 million to Javelin and \$2 million, I think, was allegedly paid to Javelin. They tried to get another \$4 million - they tried to get the full \$4 million from us first, and we would not pay that. Then they tried to get the \$2 million from us and we would not pay that either. The hon. gentleman says he does not know, and obviously if he says he does not know, he does not know, except it was a bank that came in.

MR. MARSHALL: But passing strange indeed it is, Mr. Speaker, that is all I can say, that a bank can come in and get 10,300 square miles by way of a letter that was subsequently pedalled.

MR. SMALLWOOD: They did not get that. They got the right to explore.

MR. MARSHALL: They sold it. Canadian Javelin were prepared to buy it. They must have had something. They insisted they had a letter. They exhibited a letter to us. The letter is on file. Mr. Speaker, let us get back -

MR. SMALLWOOD: If the letter is on file, why not table it?

MR. MARSHALL: The letter has been tabled. It has been tabled.

MR. SMALLWOOD: What does it show? What does it say?

MR. MARSHALL: The letter showed that the hon. member - I do not remember the exact words - but that the hon. member gave the rights to 10,300 square miles of timber limits in the southern part of Labrador.

MR. SMALLWOOD: The right -

MR. MARSHALL: was styled - yes, it was styled -

MR. SMALLWOOD: You mean, to take possession?

MR. MARSHALL: to take the timber.

MR. SMALLWOOD: No.

MR. MARSHALL: To take the timber, yes.

MR. SMALLWOOD: No! Never!

SOME HON. MEMBERS: Oh, oh!

MR. MARSHALL: Yes. Subject to corrections, but I know it was sold for \$4 million, Mr. Speaker.

AN HON. MEMBER: It was not sold for -

MR. SMALLWOOD: No.

MR. MARSHALL: You know, I do not have the letter here, but I can give it to the hon. member because I am sure the Clerk of the House can get him a copy. It was tabled here at the time when the Stephenville Linerboard Mill Act was brought into existence. I am quite sure the Clerk, or the Assistant Clerk, would be quite happy to give the hon. gentleman a copy.

MR. SMALLWOOD: If the hon. gentleman will allow me. What the people in question sold was one thing. What the people who bought is another thing.

MR. SMALLWOOD: What I did was give the clients of that bank the right for a limited number of years only, not to develop, but to explore and come back to the government with a proposal. Their first proposal was that they would cut the wood and export raw wood. And I said, "No way!" They had to do some kind of manufacturing, which they never did. So they never took possession. They never had the right to take possession. They had the right to explore and come to the government within a certain maximum period of time with a proposal. Now it was that right that they had, such as it was, that was bought.

MR. MARSHALL: Yes. I agree it was that.

MR. SMALLWOOD: Now, I do not know what the amount was.

MR. MARSHALL: You know, I agree -

MR. SMALLWOOD: I had nothing to do with that and I do not know the amount.

MR. MARSHALL: I will agree, it was that right. The hon. Minister of Justice has a copy of the Hansard there in which it is quoted. Would the hon. Minister of Justice like to either read it to me or give it to me? It is not really - what I really wanted to know, is this asset was given for \$2 million to this concern called Society Transshipping - and really, my question was, who were Society Trans-Shipping? The hon. gentleman does not know.

MR. SMALLWOOD: No. I do not.

MR. MARSHALL: And the letter is here, I know, in Hansard, and perhaps we can read it.

MR. MARSHALL: The letter is dated March 3, 1965, Société Transshipping, Geneva, Switzerland.

"Dear Sirs: This is confirm that the Labrador wood reservation as per the attached map is being granted to you."

MR. SMALLWOOD: Reservation?

MR. MARSHALL: "Reservation as per the attached map has been granted to you. In it the Province reserves all areas subject to the flooding in the drainage basins etc. This wood reservation is for a period of two and-a-half years from this date with a grace period of one additional period to provide your paper interest and your technicians with ample time to make assessment of its commercial possibilities. You will be entitled to a timber lease on the same basis as other concessions now existing in Labrador, namely, an annual ground rental plus a stumpage charge of \$1.50 per cord, with a time restriction on the building of your operating facilities the same as in the NALCO Act. Sincerely yours, Joseph R. Smallwood."

MR. SMALLWOOD: Yes. Now if the hon. gentleman will allow me, it comes back very freshly to my mind. We agreed to reserve it for - they said that their clients would need some time to go down there, to investigate and make up their minds what they were prepared to do, once they knew they were not going to be allowed to take the raw wood, that they would have to do some kind of processing, either to manufacture pulp or pulp and paper, but one of the other or both but not raw wood, but they would need some time. I said, "All right, when you are ready come back." But they said, "In the meanwhile you may give it to someone else." I said, "No, we can reserve it." And we reserved it.

MR. MORGAN: Who are 'they'?

MR. SMALLWOOD: They are customers, whoever they were at that time, I did not know. I knew the bank,

MR. SMALLWOOD: the bank was supposed to be a reputable bank and the head of it, the president of it, came here to this building to me and I said, The most we can give you is a reservation. We will reserve it from you or anyone else to give your clients time to come to the government with a proposal. It was a reservation from concession.

MR. MARSHALL: What I am saying is, Mr. Speaker, it was a substantial grant, 10,300 square miles. Now the hon. the member for Twillingate (Mr. Smallwood) has scored the government for getting people in who do not know, allegedly, how to operate the mill, and here during his administration he was prepared to give a letter of 10,300 square miles to a person or group of persons who he did not even know, who were fronted for by a bank. That is something that is -

MR. SMALLWOOD: If the hon. gentleman will allow me. He wants to be fair. He does not want to be unfair.

MR. MARSHALL: No, certainly not.

MR. SMALLWOOD: What we gave them was an undertaking on our part that we would reserve that area, thousands of square miles in Labrador, we would reserve it while their clients made up their minds what proposal they would bring to the government. That is what we did, we reserved it from staking or from concession to anyone including them. It was only a reservation.

MR. MARSHALL: It is really more than a reservation, Mr. Speaker, it really was a grant, as I read the letter now, a grant for 10,300 square miles of timber rights subject to the usual reservations that would be contained in a grant of this nature. I seem to have - here we go, right here - here again, "This is to confirm that the Labrador wood reservation as per the attached map has been granted to you."

MR. SMALLWOOD: Reservation.

MR. MARSHALL: Wood reservation, woods that have been reserved for the purpose of cutting timber. "This wood reservation is for a period of two and-one-half years." And you go on to say that you could get a licence or a lease to these woods. I mean, a substantial grant without knowing who the people are, who the people were behind it, just a group of bankers and you are going to give it to the bankers for certain clients. Yet you criticize this government for having somebody in managing the Labrador Linerboard itself who does not know how to operate, allegedly, Labrador Linerboard while by the same token the hon. gentleman's administration gave 10,300 square miles out in timber reservations to somebody they did not really know. So there we go.

MR. SMALLWOOD: What does the word 'reservation' mean there?

MR. MARSHALL: A 'reservation' means an area in which a person may cut.

MR. SMALLWOOD: No. No.

MR. MARSHALL: That is what it means.

MR. SMALLWOOD: No, that is not what it meant in the letter.

MR. MARSHALL: Well, it may not be what the hon. member meant to write, but it is certainly what the hon. member wrote, and it is certainly what was peddled to Canadian Javelin for \$4 million on which \$2 million was paid. And that was the state in which we found the Linerboard mill operation when we assumed office. We had in these circumstances, Mr. Speaker, and I could go on for an hour-and-a-half regaling the circumstances -

MR. NEARY: You are trying to smear him because that has nothing to do with the Linerboard mill.

MR. MARSHALL: I could go on, Mr. Speaker,

MR. MARSHALL: Mr. Speaker, with these circumstances that we had no alternative whatsoever but to take over -

MR. NEARY: That had nothing to do with the Linerboard.

MR. MARSHALL: It did. It had everything to do, all of these things. It was the irregularities in the Linerboard itself which forced the hand of this government to take it over.

MR. NEARY: That is a smear tactic.

MR. MARSHALL: It is not a smear tactic. Listen to who is talking about smear tactics, Mr. Speaker.

Now we could not sell this, as I say, at a fire sale or for \$1.00. It was either to shut it down or get it operational, Mr. Speaker, with a view to sale. And this we proceeded to do. Now obviously it did not work for reasons some of which people have gone into here and which I will go into later on. But before so doing I would like to deal with what I consider to be a great degree of sophistry by the Leader of the Opposition this afternoon where as far as I am concerned in his speech which had certain facts which were bare facts to bring out. He at the same time used this tragedy for purely political purposes, as I interpreted his remarks, using it to pit one part of the Province against another.

MR. NEARY: The hon. gentleman has a warped mind.

MR. MARSHALL: No one was happy, Mr. Speaker, about discontinuing work on the Linerboard. Nobody was happy about taking it over and we had to. Nobody is happy about discontinuing it but there was no other alternative. And to insinuate that members on this side of the House, as I have said before, and that the government are not concerned and that the government is prepared to write off some 25,000 people on the West Coast of this Province or anywhere in this Province is, as far as I am concerned, diabolical. Some show of statesman on the part of the Leader of the Opposition who

MR. MARSHALL: Now the hon. gentleman there opposite did not get non-interest -

MR. NEARY: \$700 million interest free.

MR. MARSHALL: did not get non-interest bearing loans and the fact of that matter is that this billion dollars has been owed since 1971, and every year there has been interest on this money, \$100 million, say, a year. So if you want to translate the debt I think it is more rational to say \$1.7 plus billion of this has been caused by the hon. gentlemen there opposite. But there is no point, as I say, in talking about this. The fact of the matter is we are in a situation now where we have a very serious

MR. MARSHALL:

situation before us which we have to meet. The hon. Leader of the Opposition made much of the figures and said that only \$28 million was necessary over a three year period for the government to find, because it would have to find \$90 million anyway in debt charges and the closedown costs. But he said nothing, Mr. Speaker, about what would be required in years four, five, six, seven and so on. He said nothing of what was required in year minus one, minus two and minus three from the time the mill has started up. Correction on that, he did say we had expended \$175 million over that period of time which we had. Now the fact of the matter is you just cannot turn around and use that particular logic because this year in order to support this mill we would have to inject \$54.8 million, some \$24 million of which will have to be put in anyway. So that is \$30 million and this Province just cannot afford it. It is a fact of life that it cannot afford it this year, it cannot afford it next year or the year after. And when I am saying this, you say it with no degree of glee and with no little sympathy for the people involved in the shutdown of this mill, indeed with no little sympathy for the people of this Province because the money, as I say, is just not there. And it is not right to turn around and say it is only \$28 million over a three year period. It is considerably more than that. When you consider the record of this mill, when you consider the losses that have been sustained, when you consider the fact that the estimates being made on operating losses are minimal, are very, very minimal, and when you consider the track record of the people who were advising with respect to this in the past, it is becoming increasingly evident that it is

MR. MARSHALL:

impossible to predict with any degree of certainty the amount of the operating losses which would be sustained. The fact of the matter is, Mr. Speaker, that the operating losses, I again say, would be higher and this government cannot put itself in the position of risking even greater losses.

Much is being made, as I say, of Mr. Sweeney. It is my understanding that Mr. Sweeney was a member of the advisory board himself. This advisory board has come out with this recommendation under present circumstances. I see no dissenting report from Mr. Sweeney. Mr. Sweeney's remarks should not be ignored. I am not saying that they should be ignored. They should be considered, obviously. And I am quite sure the government has and will consider them. But the fact of the matter is that this preponderance of opinion by the people on the advisory board, by the chairman of Price Newfoundland, Bowaters, by Mr. Lewis Ayre, by Mr. Ford Ralph, I believe, Ford Hewlett and other persons whose names escape me now -

MR. NEARY: Bowaters representative -

MR. MARSHALL: Well Bowaters representative - the hon. gentleman there opposite does not allow any degree of certainty or integrity in anybody. He has just got to assume because they are Bowaters, or because they are Price, or because they are somebody in a certain position, or because they happen to be lawyers, or they happen to have some money, or they happen to have some type of position in this life somewhere along the line that they got an axe to grind. But I will take, Mr. Speaker, -

MR. NEARY: Oh! Listen who is talking.

MR. MARSHALL: Yes. I will take, Mr. Speaker, the opinion

MR. MARSHALL:

of the Chairman of Bowaters, the representative of Price and the other businessmen on that advisory board before I would be inclined to take the opinion of the hon. member for LaPoile (Mr. Neary).

MR. NEARY: Sit down, boy, and do not be so foolish.

MR. MARSHALL: The fact of the matter is, Mr. Speaker, that the advisory board said under present circumstances, under present conditions; and in an exercise of semantics the Leader of the Opposition tries to say that because they said that that they really did not say that the Linerboard mill operation ought to close down. Under present circumstances; well what are these circumstances? They are obviously the circumstances of many circumstances, but some of them are certainly the lack of markets at the present time, the fact that the mills in the Southern States can up and down their prices at will and can meet competition. As a matter of fact, we are almost like babes in the woods trying to compete with the mills in the Southern States because they have such economic advantage over us that they can afford to shut down a mill for a year or two in

MR. MARSHALL: order to bolster the price or to bring down the price or what have you. The other major thing is because of the wood situation in this Province and not something that this administration is the author of, not something the previous administration was the author of, but the fact of the matter is that woods reservations were given, timber reservations were given to Bowaters and they were given to Price many years ago. And the fact of the matter is that they have these reservations now and we have to tread very, very carefully in the recapturing or the reclaiming of those woods reservations because as it has already been said some of these concerns are not in as good a condition as perhaps we would all like to see them.

Now this government moved in its forestry management bill to bring into effect a policy of reclamation of the woods in this Province. But the benefits will not be seen for a fair number of years. The bringing into effect of this bill, I would suggest, has to be done very gingerly because we do not want to upset unreasonably the present interests. I do note though an inconsistency, or maybe it is not, but I draw to the minister's attention on this woods position in the report of the Advisory Board it is said on page five, it says, "An inability by the company to establish sufficient sources of on-island wood to sustain anticipated production capacity." Now that was one of the reasons it gave for the closure. Then on the other hand the report made up, the information memorandum prepared by officials at the Department of Finance, says that a recent review by the Province's Department of Forestry and Agriculture of the annual allowable cut of wood on the Island of Newfoundland indicated that on-island wood supply is adequate to sustain all forestry operations in the Province.

Now I do not know if one is inconsistent with the other, or one is saying there is enough wood here and the other one is saying that the company was unable to sustain enough cut on the

MR. MARSHALL: Island because they had been tied up in other reservations with other concerns. I suspect that is the situation.

AN HON. MEMBER: Enough wood but it is not economic.

MR. MARSHALL: Or it is not economic.

MR. SMALLWOOD: That is not what the Poyal Commission headed by General Kennedy said. He said there was positively enough wood on this island over and above what would be needed by Grand Falls and Corner Brook to support another mill.

MR. DOODY: That is right. It is not economic, that is what it is.

MR. SMALLWOOD: Yes, economic there and economic to harvest.

MR. MARSHALL: But as I read the report, Mr. Speaker, you know, as I read the report it says that, like the forestry task force or whichever other report the hon. member is referring to, that there is enough of an annual allowable cut on the Island to supply all forestry operations on the Island whether -

MR. SMALLWOOD: If the hon. member will allow me, I can fill in for him. We appointed a Poyal Commission to look into the forest resources of the Province, of the Island of Newfoundland. It was headed by Major General Howard Kennedy of Ontario, who had been chairman of the Ontario Poyal Commission on Forestry and the local members were, I forget their names, and they sat for about a year and they made a thorough study and they engaged Sandwell and Company from British Columbia to come and do actual forest surveys. Their report was, and their report is in the files -

AN HON. MEMBER: There were reforms or reports -

MR. SMALLWOOD: Well I am talking about the Poyal Commission headed by one of the greatest forestry experts in North America, Major General Howard Kennedy, and Roland Goodyear and some people from the forestry department. Their report was that there is

MR. SMALLWOOD: enough economic wood to support a third mill and they recommended that the Grand Falls Company and the Corner Brook Company should be asked by the government to join in the building of the third mill. I promptly cabled Lord Rothermere and Sir Eric Bowater in London, telling them what was recommended by General Kennedy's Royal Commission to which I got a reply, no, they would not do it. But the wood is there.

MR. MARSHALL: The studies - Thank you, Mr. Speaker, and I thank the hon. member. The wood is there. This is an indication in this report as well. The fact of the matter is the urgency, and the dire urgency of it is to somehow or other rationalize, because I do not think the Linerboard mill can open certainly as a Linerboard mill with

MR. MARSHALL:

the amount of wood that it is going to consume. If it takes another character, I do not know. I am not an expert on any of these things. Maybe it will take less wood. But certainly it would appear to me that one of the things in the paramount interest of the people of this Province is that as quickly as possible there be a rationalization of the woods and timber limits in the Province itself.

MR. SMALLWOOD: Is the hon. member aware of the fact that Linerboard paper mill in the use of wood can use up to twelve per cent birch, not spruce or fir, but birch?

MR. MARSHALL: Well, I am not aware. I remember -

MR. SMALLWOOD: That is true.

MR. DOODY: That has never happened though.

MR. SMALLWOOD: They have not done it, but it is so.

MR. DOODY: They have not been able to make it work.

MR. MARSHALL: As I say, I do not pretend -

MR. SMALLWOOD: Make what work?

MR. DOODY: With that much produce -

MR. SMALLWOOD: Oh nonsense!

MR. DOODY: Too short.

MR. SMALLWOOD: That is not so.

MR. MARSHALL: I do not pretend -

MR. SPEAKER: A point of order has arisen.

MR. MURPHY: It is very difficult,

Sir, in all fairness to the gentleman who has been trying to give us his ideas - I do not know what it is like. It is like you are playing a game of tennis. The words are bouncing. Can the gentleman continue and then perhaps afterwards in Question Period we can clear it up. Quite frankly it is rather difficult to follow the train of thought. And I think it is a very excellent and very practical speech.

AN HON. MEMBER: Hear, hear!

MR. MARSHALL: I thank the hon. member. But I really do not mind, Mr. Speaker, the interruptions. I find this part of the interruption anyway very helpful and informative. But the fact of the matter is, Mr. Speaker, that on an urgent basis - and I do not know the technicalities of how much birch or spruce or what have you the Linerboard mill consumes. But it is quite obvious that there must be a rationalization of our timber limits in this Province. And it has to be done on an urgent basis. An attempt was made through the Forestry Management Act. It may well be because of the hardships involved, because of the length of time that other methods, more expedient methods will have to be adopted. And when these methods are adopted though, I think you have to bear in mind that even though we have the Linerboard mill and the needs of the Linerboard mill or what we will replace it, that we have to be very, very careful with the vested rights that exist of Bowaters and Price Newfoundland because they have been there first and they have operated viable industries in this Province for quite a period of time.

Now I do not as I say, in near closing, I do not believe that this mill is closed permanently. I do not believe that this mill can be closed permanently. It should not be. And certainly I look forward to it opening up again. And I would hope that there is some hope. However, Mr. Speaker, I do express the expectation and the fond wish that no hope will be held out just purely for the purpose of holding out hope to the people concerned and get their expectations up. I would hope that the advisory board, which is continuing exploring the possibility of reconverting the mill to some other use, would come up with a practical suggestion that the government can implement within its budgetary

MR. MARSHALL:

framework to bring about the re-opening, as it were, of the Linerboard mill itself. But I want to say this and really emphasize it, particularly to the hon. gentlemen opposite in the districts themselves, that they should not feel, and I do not think it should, I think it is very wrong to give the impression that anybody, be he on this side of the House or that side of the House, no matter if his district is far away from there, if they are representing the people of Newfoundland, whether they are backbenchers here, members of the government, or members of the Opposition, they are all equally very concerned with the plight out in that area and will do certainly everything, or I can say for myself, will do everything that I could possibly do within my own limitations to assist and see what could be happen to bring this industry back into operation. The fact of the matter is I do not think the hon. members there opposite should look on this as being in isolation because it is a matter of deep and sincere and abiding concern to all of the people in this Province. And certainly if it is a matter of concern to them it has got to be of their elected members.

Now, Mr. Speaker, in closing there are a couple of other things I would like to say. There is no sense, I would think, in this debate in giving off opinions that we hear so often, and I have been guilty of myself certainly in this House from time to time in this serious matter, opinions which are uninformed. The fact of the matter is that there is no sense of trying to turn around and say the government should do this, the Linerboard Mill should do that and somebody else should

MR. MARSHALL: problem in the Province. But I think before this House itself certain accusations that are made - for instance, the hon. the Leader of the Opposition said there was a stench about the marketing contract. Accusations like that should not be made unless they are brought before the House and the House has an opportunity - because a direct innuendo has been pushed before the House and the hon. member should come out and say what he means and we should look into it.

He mentions about \$1.5 million worth of food up there, and mention is also made - the hon. the member for Eagle River (Mr. Strachan) mentioned the fact that I had been aware of this large amount of equipment that lies up in Labrador. I would like to know myself who supplied that equipment, what the price was and what was the purpose of obtaining it, this type of thing. All of that is not going to bring back the Linerbaord mill at the present time. It has to be brought back. We have an industry here that is based on our raw materials and I feel that we will be condemned to oblivion, really, unless this Province can, on the basis of its raw materials, on the basis of machinery that is out there which was supposed to be the best in the world - this is the information we got - unless with adjustments that are necessary, it can be brought back into operation. But for God's sake, when it is brought back into operation it ought not to be brought back as a government operation, it ought to be brought back as one under private enterprise because this is the only one that can possibly succeed. Thank you, Mr. Speaker.

SOME HON. MEMBERS: Hear, hear!

MR. LUSH: Mr. Speaker, it is five minutes to eleven now, if you like I will adjourn the debate until tomorrow morning.

MR. SPEAKER: Is it agreed that we call it

MR. SPEAKER: eleven o'clock? Agreed.
Does the hon. gentleman wish
to move the adjournment of the debate?

MR. LUSH: Yes.

MR. SPEAKER: It will be taken that the
hon. gentleman moved the adjournment of the debate.

It being eleven o'clock the
House is adjourned until tomorrow, Tuesday May 10, 1977
at 10:00 a.m.