

we must accept the position as we find it.

The birth of the pulp and paper industry in Newfoundland was when the government of the day under the premiership of Sir Robert Bond opened negotiations with the Harmsworth interests of London, England, for the purpose of developing the timber areas in the Exploits Valley.<sup>1</sup> From an original capacity of 200 tons per day, the intervening years have seen this industry increased to around 500 tons daily, and I have been reliably informed that this same company<sup>2</sup> has under consideration the further expansion of their operations, with the object of further increasing their production to 700 tons daily. This envisages a proposition which will distribute some \$8 million dollars in earnings to our people annually. And so, in looking to the future of our country we see that we have in this Grand Falls project a reasonably sure and permanent asset, which will give the means of a decent livelihood to thousands of our people.

We now come to the other great industrial development at Corner Brook. This did not start until nearly 20 years later, and the details of this undertaking have been adequately outlined in the report. When the present expansion plans of this company are completed, it is estimated that the total annual earnings of Bowater employees will be in the vicinity of \$11 million. We see, therefore, that in these two enterprises alone, Newfoundland can look to a total annual earning of around \$18 million. This does not include profits tax paid the government by both companies. It is my opinion, therefore, that such a source of income can be regarded as a permanent plank in the future economic security of the country.

I now come to another matter which has never been, as far as I am aware, fully explained to the people since it first became a live issue some seven or eight years ago. I refer to what we know as the "Gander deal." This matter has been referred to briefly in the report itself. But, in order that the Convention may be in a position to properly appreciate it, I think it advisable to give you something of the background.

It begins in the year 1927, when the International Power and Paper Company acquired the Corner Brook project from the financially sick

Newfoundland Power and Paper Co. Limited. At that time, the International Company was also interested in developing the Gander areas. As a result legislation was passed granting certain concessions to a corporation promoted by the Reid Newfoundland Company. This corporation was called the Gander Valley Power and Paper Co. Ltd., and the property was reputed to contain some 8 million cords of commercial timber. After an inspection and survey of the property and water powers, however, the International Company felt that it would not be a sound economic proposition to develop another pulp and paper mill at Gander. They were definitely interested, however, in acquiring the properties and incorporating them with the Corner Brook enterprise. The Reids were of the opinion that the promotion of another mill was a sound proposition and continued their efforts to interest other capital. Finally they succeeded in interesting the Hearst interests in the construction of a 1,000 ton mill on the Gander, and approached the Newfoundland government to guarantee the project to the extent of \$20 million. In addition, they wanted to acquire further timber limits on the Labrador, as there was not sufficient wood on the Gander areas to feed such a mill as was proposed. This was in 1930. I was Minister of Finance at that time, and together with the late Prime Minister Squires and the late Sir William Coaker, had several conferences with the Hearst representatives and the Reids in New York and Montreal.

At that time the pulp and paper industry throughout Canada and the United States was beginning to experience reverses brought about by over-production. I want to point out that the Hearst interests were the largest consumers of newsprint in the world, their publications requiring some 600,000 tons annually. It is my firm conviction that Hearst had no sincere intention of building a paper mill, but was merely bluffing in order to drive down the price of newsprint further. In addition they were indebted to the Canadian newsprint producers for an amount of around \$8-10 million, and incidentally, it has only been during the last couple of years that this indebtedness has been liquidated. The International Company, at this time, was still interested

<sup>1</sup>The Harmsworth agreement was made in 1905.

<sup>2</sup>The Anglo-Newfoundland Development Corporation, a Harmsworth subsidiary which operated the Grand Falls mill until 1965.