

in acquiring the Gander areas for Corner Brook and were prepared to expand that mill if the Reids would sell the properties. I was informed by one of the directors of the International Company that they had made a tentative offer to the Reids for the Gander areas amounting to some \$6 million. The Reids, however, had faith that the Gander could be promoted and a mill established and refused this offer. Negotiations continued for some time between the Reids and other interests but nothing materialised. This placed the Reids in a very awkward position from a financial standpoint, and they had practically arrived at a position where they would be forced to sell their interests to the International Paper Company. The government of the day, of which Sir Richard Squires was Prime Minister and Minister of Justice, then took a most important step, they immediately placed writs against the properties and thus held the properties from being sacrificed to either the International Company or any other company.

During the early thirties the newsprint business was in a state of stagnation. Prices of newsprint were falling at an alarming rate because of the absence of any demand, and long established mills both in Canada and the United States were forced to suspend business. At Corner Brook, feeling the results of the widespread depression in the newsprint world, operations were severely curtailed and hundreds of employees were laid off. Operations continued on a very restricted scale. It was not until 1937 that there was any evidence of an increased demand in the newsprint world.

It was this same year that the Bowater people of London, England, sent their agents to Canada for the purpose of acquiring from the Québec government timber areas from which to export raw wood for use in their English mills. Their advances, however, were turned down by the Québec government, and as a result they came to Newfoundland and secured from the Commission government options on certain Labrador areas. They also acquired options on the Gander areas, with the distinct idea of constructing a pulp and sulphite mill in that territory. However, their principal purpose at that time was the export of raw wood to Britain. Their survey on the Labrador was completed in the autumn of 1937 and their options were never exercised, because

in the meantime they had begun negotiations with the International Company for the acquisition of the mill at Corner Brook, and eventually closed a deal for the purchase of all the common stock of the Corner Brook company for a sum in the vicinity of \$5 million, which was \$3 million more than International had paid for this stock ten years previous.

Having acquired the Corner Brook mill, the Bowater people came back to the Commission government and intimated that it was not economic to build a mill on the Gander. But they countered with the proposition, that if they could acquire the Gander areas and incorporate them with the Corner Brook company, they would build a sulphite mill in Corner Brook and, further, they proposed to export some 130,000 cords of raw pulpwood annually to their mills in England. This, in effect, was the "Gander deal." Through the lifting of these writs, placed on the properties in 1930-31, Bowaters acquired the Gander areas, incorporating them with Corner Brook, and because of the fact that the Corner Brook company had a concession given them originally in 1923, and again in 1927, whereby the annual profits taxes amounted only to \$150,000, we find that the operations on Gander result in no profits taxes and that thus the Newfoundland treasury has been deprived of not less than \$750,000 a year in revenue.

Everyone here this afternoon knows that public indignation at the time of the passing of the Gander deal in 1938 was rampant. Meetings were held in various sections of the country protesting against the legislation. The Board of Trade passed resolutions condemning the enactment, but the Commission government with the approval of the Dominions Office ignored the protests and rights of the people, and this iniquitous legislation was passed into law. To show you that this was not an isolated case, let me give you one more example of the consistent threat to our country's resources while they remain under the control of our present form of government.

We now come to another phase of the story of the activities of the Bowater people in Newfoundland. In 1927, legislation was enacted whereby it was provided that before any dividends would be paid on the common stock of the company, a sum of at least \$2.5 million would have to be available as a surplus in the company's