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June 18, 1923

Mr. M. S. Sullivan's Speech on the Humber Resolutions.

Mr. Chairman—I must congratulate the Prime Minister on the very thorough Biography of the Sir W. G. Armstrong Whitworth Company Limited which he gave this House when introducing the Resolutions now under discussion: he certainly deserves great credit for the tremendous amount of research work that must have been installed in securing the interesting and valuable information contained in his speech, as to the necessity of taking up so much time of the House in giving us the History of this well known Company, there is probably a devery of opinion.

Every man in public life in this country to-day is well aware that any Contract that this firm enters into, they are financially able to carry it out to a satisfactory finish. Speaking for myself, I think it is unnecessary for the Prime Minister to use up valuable time in practically apologizing for having to guarantee the interest and Principal on the amount of \$3,000,000, which this country is called upon to guarantee.

The British Government has made very thorough enquiries as to the soundness of this undertaking as to its commercial possibilities and after the most searching examination into every detail by the best Experts obtainable in Canada and Great Britain, they have come forward and offered to guarantee the Principal and interest on a similar amount of \$3,000,000, which will only give temporary employment in England. If this proposition is good enough for the British Government, then I, for one, am prepared to take a chance on a similar guarantee for Newfoundland. The expenditure of this amount in Newfoundland will not only give employment, as in Great Britain, for a few months, but it will mean employment for the next half century at least.

You, Mr. Prime Minister, went to the Country on May 3rd, the Humber Development Scheme was THE Plan in your Manifesto, the electorate sent you back with a good working majority to carry out their mandate, to put the Humber Proposition through, and the people of this country are looking to you to-day to get a move on and see that the work of construction is rushed so that some of the thousands who are looking for work may get it.

The Opposition also promised to pass the Humber scheme if elected and I pledged my support to this measure to my constituents, and that pledge I am prepared to carry out provided my constituents are not discriminated against and get their share of work on this big development scheme.

I fail to see Mr. Chairman, how any man on either side of the House, who knows the conditions of the people in this country to-day can jeopardize the passing of the necessary Legislation to legalize this development scheme or even to delay it. If there is any one, I would like to hear what alternative they can put forward to take its place, we must all ask ourselves, would we be justified in doing so under the present existing conditions? I think not!

Since this Humber proposition was first mooted, I have been a consistent supporter of the measure; I feel that the Government is to blame for not bringing this matter before the House at the last Session and enacting whatever Legislation was necessary to get this great industry established in Newfoundland, if this had been done eighteen months ago, three thousand men would be working to-day on construction work and probably last winter, the Company would have been able to take on an extra 2000 men in the lumber woods, never was labor wanted worse than it has been for the last 18 months.

We all realize that the Fishing industry can no longer be looked upon as being sufficient to take care of our people, look at the condition of the fishermen and laborers of this country to-day and contrast it with conditions four or five years ago, then they were happy, contented and prosperous; while to-day, people in many parts of the country are hungry and half naked, and every young man who can get sufficient money to take him out of the country is leaving the home-land.

Every Member sitting in this House must realize the conditions under which the people are trying to exist, because they are not living, it is only existing; members who went through the last Election campaign saw sights that could hardly be credited in what was once a prosperous country, and it is because of the condition of the people to-day, we should all be prepared, irrespective of party, to take a chance

if necessary in developing our resources, so that a portion of our countrymen at least, will regain some hope of being able to keep their families once again in comfort if not in luxury and get rid of that feeling of hopelessness and misery which unfortunately exists in many parts of Newfoundland to-day and is demoralizing the people.

Although I do not anticipate that the Humber Development is going to cure all our misfortunes, still it will be a great asset to Newfoundland. We all realize what the establishment of that great industry by the Anglo-Newfoundland Development Company at Grand Falls meant to Newfoundland in her darkest hour; what we want in this country to-day is more Humber, more Grand Falls, and we should do everything in our power to induce capitalists to come in to this country and develop our resources.

I would like to ask you Mr. Prime Minister what is the reason why more men are not being employed at construction work on the Humber at the present time? The people were told that within One Week of the return of the present Government, work would start up on the Humber and that some thousands of men would be employed, why the delay? There is lots of preliminary work that could be done, it is now the people who cannot get supplies need work, why not put on large numbers of men on the 10 1/2 miles of railway that has to be made across the low lands, which will be flooded when the dam is completed? I understand a number of men are working on this piece of railway at the present time, but from what I just learn, there is room to employ some hundreds more.

sidings are required at each end of this new section of railway which is now under construction, sidings are required at the dam site, and at the canal. A water supply line could be opened up for a distance of 2 1/2 miles at Corner Brook a siding could be put into the Quarry and the Quarry opened up so that the crushed rock necessary for the construction of the buildings and main dam would be available when required. A lime stone quarry in connection with this plant is also needed, sidings are also required there, sewerage scheme started and roads built, etc., at the town site Corner Brook.

Perhaps it would be of interest to the House to know that 380 pounds of limestone will have to be used in making every ton of sulphite. The amount of sulphite required will be about 40,000 tons annually that is assuming that you have 30 per cent. sulphite and 70 p.c. groundwood. This means that 12,000 tons limestone will be used at the Humber plant annually, in making sulphurous acid which is required in the manufacture of sulphite; in other words, 600 carloads containing 20 tons each will be required annually. This limestone will be quarried on the Humber not very many miles from Mill Site.

In connection with the manufacture of 40,000 tons sulphite about 300 tons sulphur to each ton of sulphite is required which means 6,000 tons of sulphur will be used annually, the quarrying of the limestone loading and discharging same, the discharging and handling sulphur will mean that considerable money will be spent annually on these two items alone. When we consider that thousands of tons of China clay, large quantities of lime, soda ash, smaller dyes, coal, grind stones, felts, wires, spare parts and the other thousands and one things required in a plant of this size; one can easily understand what a benefit this will be to even the ordinary laborer or Longshoreman. In providing labour.

It seems to me that the season is slipping away and this is the time now when the Contractors should have every man available working on the job. It is all very well to say "They are waiting for the steam shovels and it takes time to assemble necessary plant," work which I have mentioned could be done with pick and shovel, possible some steel, dynamite and striking hammers may be required. It is up to the Government to urge the Contractors to get a move on and to employ as many men as they can, as soon as they can, this would be to the mutual benefit of the Contractors and the people. The summer is short and conditions in winter are not ideal for construction work.

State guarantees to industrial enterprises is now generally admitted in most countries, more particularly since the War, and curiously enough, State guarantees have been mainly given to develop power resources, since it is recognized that abundant and cheap mechanical power is essential to National prosperity.

Under the Trade Facilities Act, where State aid was given, in England twenty-nine of the projects were for electric or hydro-electric work and included proposed development overseas. One project promised assistance under this Act is a large water power development in Scotland under the Gramplan Electricity Bill, and it is stated that the Company obtained the promise of a guarantee of the Principal and interest on £2,000,000; if the British Government is prepared to guarantee this large Power development in Scotland without any royalties, I think we are perfectly justified in guaranteeing an industry which will mean so much both directly and indirectly to the people and the Government of Newfoundland.

In the case of the Humber Development we get a royalty on the develop-

ed water power, we get an Export Tax of \$1.00 per ton on paper, which, on an output of 120,000 tons per year, means an addition to the Revenue of \$120,000 annually for all time, and we receive indirectly, at least \$325,000 per year on the duties collected from this industry on the materials used in manufacturing news print. Indirectly we receive from the purchasing power of the people \$900,000 per annum; this figure is arrived at by estimating the

	Per Annum
Pay Roll of the Plant, @ \$2,000,000	
Pay Roll of Woods Operators, @ 900,000	900,000
Pay Roll of Real Estate and indirect labour, such as Lime Stone Quarry, @ 100,000	100,000
Total Pay Roll	\$3,000,000

The people who earn this money must spend it to buy food, clothes, etc., 30 p.c. of this amount will certainly come back into the Treasury. Many people who seem panicky about guaranteeing the Principal and interest—Let us analyze this and see what it means—Look at it in the worst light and assume we will be called upon to provide the interest of \$450,000 after the first two years, then after a further three years the sinking fund of \$28,252 or roughly \$446,000 in all we are liable for \$896,000 per year until the Sinking Fund provides for the redemption of the bonds in twenty years.

If we had to pay this amount of \$896,000 annually, what do we receive in return? In the first place we receive a Tax of \$1.00 per ton on the Export of Paper.

	per year
Which is estimated to be about	\$120,000
We receive on account of Royalty on water power development	30,000
We receive duty on material used manufacturing	325,000
We receive indirectly from the purchasing power of the employees 30 p.c. of \$3,000,000, which is	900,000
This makes a total estimated receipt of	\$1,375,000
Interest charges and sinking fund	896,000
Leaving a credit balance in our favor of	479,000

besides going a long way to make our people contented, happy and prosperous once again.

My estimate of the amount that will be collected in duty on materials is based on the average duties collected at Grand Falls, Bishop's Falls and Botwood from 1909-10 to 1921-22, which figure out at \$163,312 annually, as the Humber Mills will have twice the capacity of the Grand Falls, it is fairly safe to assume that there will be twice the amount of duty collected which should be in the vicinity of \$325,000 annually. This does not take into account considerable duty that must have been collected at Millertown as this will probably effect duties collected at Bishop's Falls, which were paid in connection with A. E. Read Company Plant.

Now let us look at the other side of the picture. Why should the Government of Newfoundland ever be called upon to pay interest and Principal on \$3,000,000? Personally I do not anticipate such an event, why? Because I have faith in the sound commercial possibilities of this enterprise—you may ask what makes me so optimistic? I will tell you: We can make Paper in Newfoundland as cheap as anywhere else in the world, in fact we have to make it cheaper because we have to compete with Canadian and American Mills, who have practically no duties to pay on material used in manufacturing news print. On the other hand Paper Manufacturers in this country have to pay duties equivalent to \$3.00 per ton on every ton manufactured, this should not be.

Accepting the figures quoted by the Prime Minister the promoters of this big paper making plant figure they can make paper at a cost of \$40.00 per short ton, and that they can sell same for \$45.00 per short ton F.O.B. the Mill. This gives a profit of \$5.00 per short ton, which on an output of 120,000 tons per year is a clean profit of \$600,000 annually; assuming that the maximum and sinking fund charges for Newfoundland and the British Government amount to \$2,000,000, the company should show even then a profit of \$1,000,000 after providing for all interest and sinking fund charges.

Mr. Speaker, I believe the Company's estimate cost of manufacturing News Print at \$40.00 per ton, and selling at \$45.00 per ton is most conservative, and I have no hesitation in saying that it can be manufactured for less than \$40.00 and sold for at least \$75.00 per ton.

In 1912 in properly equipped Mills run in business like manner news paper was made for considerably less than \$30.00 per ton, but let us assume that \$40.00 manufacturing cost is correct, the F.O.B. Price should be \$75.00, this would mean a profit of \$35.00 per ton of 2000 lbs. and on an output of 120,000 tons annually, it would give a profit to the Company of \$4,200,000. Under those circumstances, and with labour conditions as they are, should we worry over the possible chance of having to pay the guarantee? I think not.

The next question is what about the water power and timber resources connected with this development scheme? It is to be supposed that the engineers who reported on the water power of the Humber Valley knew what they were talking about, and no Company of the standing of the Sir W. G. Armstrong Whitworth Company, Limited, would accept a report from any group of engineers unless the data submitted was absolutely reliable, so I do not propose to take up any more time in dealing with the water power development scheme, more especially as the Prime Minister informed us that all data submitted has been verified by the best experts obtainable.

As to the Timber land included in this scheme—what is the area of it? How is the land acquired? What number of cords per acre will it yield and in how many years will a mill of 400 tons of paper daily capacity be assured of sufficient wood supplies to keep that mill operating? Reliable answers to these questions are very necessary if the country is to be protected against having to pay interest and sinking fund charges.

In the first place we must bear in mind, so far as the Newfoundland Government is concerned, it is only necessary that they should have an absolute assurance, that there is sufficient pulpwood on the timber properties controlled, to keep the mills operating for twenty years after the mill is completed; this means that an assured pulpwood supply of at least 3,000,000 cords is on the land, because the sinking fund will reduce the bonds in 20 years and this country will be free from any other obligations of interest and sinking fund charges.

No sane business men would go ahead with a development scheme of such magnitude unless they knew they had or could acquire sufficient timber for from seventy to one hundred years. By reference to the map tabled one can easily see the holdings controlled and under option and also the large areas that can be acquired by the company.

I have spent sixteen years in the interior of Newfoundland. I know our timber resources I think as well as any man in the country, and I am absolutely certain that the timber limits controlled by the company will give them sufficient pulpwood if never another tree grew for fifty years. I have been over several large tracts of this area, and while I have not cruised nearly all, still I am convinced that some of the very best timber areas in the country are included in this scheme.

There is every reason why this should be so, because the timber areas were systematically and intelligently selected by competent engineers between 1895 and 1900; under the 1893 Railway Act all lands adjacent to the Railway Line were reserved until the Reid lands were selected, consequently the Reid lands had the best lands in the country to select from, and they certainly had the two best men that could be secured to make the selection, and events have since proved that the late W. Scott, Vice-President of the Anglo-Nfld. Development Co., and J. P. Powell, C.E., who made the selections, were worthy of the trust and confidence placed in them by the Reid.

Roughly I understand the lands for which the pulpwood would be cut for the Paper Mills are situated and yield as follows:—

	Cords
In the Humber River watershed area 520,000 acres containing	3,700,000
This figures out at a little over 7 cords to an acre. Along the railway from Little River to Curling 660,000 acres containing	5,500,000
This only figures out at a little over 5 cords to the acre. On the Northern Peninsula 530,000 acres, containing 2,250,000 cords. This figures out at about 4 cords to the acre. Adjacent to Bay of Islands and Bay St. George on the coast 150,000 acres, containing	263,000
This figures out at 1 1/2 cords to the acre. This makes a total of 1,180,000 acres yielding . . . 9,750,000 cords of pulpwood. Allowing about 1 1/2 cords of pulpwood to the ton of newsprint and a production of 120,000 tons per year, the consumption will be about 180,000 cords of pulpwood annually; the yield from the above areas will supply the mill for fifty years.	

The intervening and surrounding lands available in the same vicinity and as well wooded amounts to fully another 2,000,000 acres. This land should easily yield another 10,000,000 cords, and the combined yield of the two areas should supply the mill for about 100 years, without taking into account natural growth during that time, and there is no reason why the mills should not be as constructed so that this output could be increased 50 to 100 per cent. a short time after the present mill 400 ton capacity is completed.

We have only to go back and review what happened when the Anglo-Newfoundland Development Company started in 1905; first they only acquired the timber limits owned by the Timber Estates and the Reid Nfld. Co.

and what was known as the Martin area. Later they purchased large areas from H. J. Crowe, J. B. Miller and other large holdings, to-day they have unlimited timber resources for their mills and need not worry about timber supplies for the future.

The estimated yield per acre which I understand the Company is counting on, is in my opinion a conservative estimate, reports made by the most reliable cruiser in Canada on land immediately North and adjoining the Humber Valley lands, show a production of 40 to 50 per cent more per acre than the figures of the estimates which I have quoted; surveys in other parts of the country over Reid lands, included in other properties generally show a greater yield than the other lands in the same vicinity; this is no doubt accounted for by the careful selection made by the Reid Engineers when they were locating the Reid blocks.

For the information of the House I am giving you the average pulpwood cost per cord for five years in Canada:—

	per cord
In 1917 the average cost was	\$5.56
" 1918 " " "	10.64
" 1919 " " "	12.33
" 1920 " " "	15.23
" 1921 " " "	16.16
" 1922 " " "	12.38

Wages cost in every Province of Canada were increased last winter, and the average cost of pulpwood this year will probably be somewhere between the cost of 1921 and 1922, or roughly, pulpwood this year will be costing in Canada about \$14.24 per cord.

I should think that the cost of rough wood delivered at the Plant Humbermouth for some years will not exceed \$5.00 per cord. If another thirty per cent. be added and the cost of wood be placed at say \$8.00, the cost of Newfoundland wood will even then be fifty per cent. lower than Canadian cost, so that there is every reason to hope, with the advantage of cheap wood, with a surplus of cheap electric power and with mills at Tide Water that the paper mills at the Humbermouth will turn out newsprint at the lowest possible cost, the cheaper paper can be made the less chance there is of ever being called upon to pay the interest or the Sinking Fund charges. Improvements in paper making machines are reducing the quantity of wood per ton used. Mills with modern machinery to-day are using 50 per cent. wood less than machines manufactured even ten or fifteen years ago, therefore the mill with the most up-to-date machinery cannot but make cheap paper provided the management is what an industry of this kind should have, namely the very best that can be obtained.

As to selling price of newsprint—the F.O.B. price to-day at the Mills in Canada and the United States is \$75.00 per ton and instead of the price of newsprint falling, I would not be surprised to find five years from now that the F.O.B. price of newsprint will be in the vicinity of \$100.00 per ton.

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The election of the Rhodes Scholar for 1924 will be completed in the last week of September next, when candidates must be prepared to appear before the Committee.

Applications with ten typewritten copies of certificates and recommendations must be lodged with the undersigned not later than Saturday the 15th of September next.

The following are the conditions under which candidates are eligible to compete:—

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A. WILSON, Secretary,
Council of Higher Education.
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