

build the railway, or operate it, or both?

**Mr. Higgins** It will be a separate company as far as the legal entity is concerned, but obviously it will be only for serving these two companies.

**Mr. Smallwood** How will that company be affected insofar as it operates in Newfoundland Labrador? How would it be affected by the 1944 act?

**Mr. Higgins** It is not in any way affected.

**Mr. Smallwood** What rights have they?

**Mr. Higgins** They have no rights under the 1938 or 1944 act to export power for this railway.

**Mr. Smallwood** But have they got permission to develop it? Can they use that water-power, without any more legislation, on the railway within Newfoundland Labrador?

**Mr. Higgins** I believe that for the railway in Labrador they would have the power to use it, provided they develop the mine sufficiently to warrant it.

**Mr. Smallwood** They can only develop the water-power if they start mining. But if they develop the mine they can use the water-power on the part of the railway in Newfoundland-Labrador, but to use it on the rest of the railway they have to get a special act?

**Mr. Higgins** That's right.

**Mr. Smallwood** Suppose a separate company is formed, a railway company, is it true that it will be owned by those two mining companies?

**Mr. Higgins** I should imagine.

**Mr. Smallwood** But although it is owned by them, it is a separate company.... I was thinking of taxation. Often the franchise to run a railway is worth something to the government that carries the franchise. Would there be any possibility of getting out of that railway company taxes that we cannot get out of the 1938 act and the 1944 act in regard to mining? Let us suppose, for the sake of argument, that the government has made a serious mistake ... and that where they might have got something out of the 1938 act, under the 1944 act they will get nothing. Now along they come looking for a franchise to run a railway; would the government be in a position to re-open the whole matter of taxation — use the application for the railway to remedy any mistake they made in abolishing that 10 cents per ton royalty?

**Mr. Higgins** Not in my opinion. Remember we have no knowledge except insofar as Mr. Cook had told us. I assume that the application is with

respect to the export of power to be used on the balance of the railway not in Labrador.

**Mr. Smallwood** Have they the right to use a railway in Labrador?

**Mr. Higgins** In my opinion they have the right to use it in Labrador.

**Mr. Smallwood** They can start a railway now and no one can stop them, is that the position?

**Mr. Higgins** That's the particular part that has met with a lot of non-agreement among the members of the Committee. That's part of it. My recollection is that they can now run the railway on the power of Grand Falls, the railway that's in Labrador, but not in Quebec, provided they develop the mine enough to haul the ore over the railway.

**Mr. Smallwood** But you must first establish the fact that they have the power to run a railway there.

**Mr. Hickman** I am glad Mr. Smallwood raised that question, because I was going to raise it too, with a definite object in mind. If this railway is going to be a transportation company owned by the mining company and hauling their ore out, the haulage charges could be very great indeed with a consequent loss, or very little profit out of the mining end of it, and our 5% on that might be very little. I can appreciate that any company going into an investment or gamble such as this must be assured of a certain profit but it strikes me that this quotation referring to Lake Superior was six cents, which was the low. I notice they don't give what the high would be. The way it seems it might be a bit of a red herring drawn across the deal. The inference that I get from the report is that the present company could not possibly operate under the agreement, and they would have to withdraw if a different form of royalty could not be worked out. The inference is that they would not be making the 10 cents profit. Let us assume that they were going to make 6 cents on it. Further on, in the letter Mr. Timmins states that there should be a known quantity of at least 300 million tons, of which they will take out a minimum of 5 million tons a year. If they take out 30 million tons they will make a profit of \$18 million over a period of six years. That, on the original investment, would bring it about 1½% profit per year as a return on their investment. I can't believe they are going into it with that profit. They have got to see a return on their investment, and I can't