

million revenue to the country. They came down here after the Labrador Exploration took over and they cajoled our mining experts — got them to change that section and gave them under the new act 5% net profits. What the revenue hopes to get out of this 5% tax is absolutely nil.... The company is allowed to take 15% of all monies which they put into this area before they start to calculate the profits. I maintain whoever was responsible did not know what they were talking about. For some reason or other somebody was persuaded to have this go through. The only thing we as a country will get from the development of these mines is the payment for the labour, and probably some income tax from the men who laboured. Royalty might just as well be cut out.

**Mr. Higgins** The difference between the 1938 act and the 1944 act is very great. In the 1938 act there were no deductions provided for....

**Mr. Smallwood** Page 3 of the report — “or to be developed.” Are they going to pay 15 cents per hp on horsepower that they have not developed, but which may be developed?

**Mr. Higgins** That paragraph would have to be read in conjunction with “power required for efficient conduct of the operations.”

**Mr. Smallwood** ....Surely the tax in Quebec on water-power is more than 15 cents per hp?

**Mr. Burry** As far as the 15 cents is concerned, I notice that the Convention is jumping to the conclusion that 15 cents will be the tax charged.... It may be 80 cents, or it may be \$1 which is the price in Quebec. We feel that when the government goes into the question, they will take nothing less than \$1. I wish you would not stick too close to the 15 cents.

**Mr. Smallwood** The 1938 act says 15 cents. Surely this is an act of parliament? Is that amended in the 1944 act?

**Mr. Higgins** No.

**Mr. Smallwood** Surely the government cannot argue themselves out of that.

**Mr. Burry** We are not defending the Commission of Government or making any excuse for the company. We understand that when it was drawn up the government did not know what figure to put in there for that isolated area. They did not have much to base its recommendation on. They probably thought 15 cents was all right. It is still

wide open.

**Mr. Smallwood** The point is the matter is not wide open. It is a matter of law.

**Mr. Higgins** I am afraid I have to agree with you.

**Mr. Smallwood** Page 5 — Rent. If you are going to pay a tax on net profits, you must know the gross receipts. Less 3% in Quebec; 5% in Newfoundland. So far it would look as if the government made a better bargain.

**Mr. Higgins** It is provided in the Quebec act<sup>1</sup> that all iron mined in Quebec must be milled in Quebec.

**Mr. Smallwood** In the Commission of Government neither of them is an industrialist; neither a financier; neither a man accustomed to dealing with mining corporations in Canada. Did they find out exactly what the equivalent company on the other side of the border would have to pay to Quebec?

**Mr. Higgins** In answer to that we were informed the government got the best advice possible. We did not follow that up. The Quebec act was passed in 1946. There was no copy in the country; only through the courtesy of Mr. Cook did we get one.

*[Mr. Higgins read the Quebec act]*

**Mr. Starkes** We talk about 15 cents per hp. I wonder did they find what they usually charge private individuals? I understood it was \$65 per hp per year.

**Mr. Higgins** In St. Lawrence the power is supplied. In Labrador they have to develop it. It is an extremely isolated part of the world.

**Mr. Reddy** Who advised the government?

**Mr. Higgins** We were told they had the best advice possible. I would like to comment on one section of the report, page 6, Reduction of Royalties. We point out there, “Your Committee does not find itself in a position to accept this explanation.” With reference to the 1944 Income Tax Act,<sup>2</sup> “Where an incorporated company conducts its business....” That is up to the watchdog of the income tax department. The meaning of our paragraph is that the iron ore was not being sold for fair prices, but was sold to a parent company and not at regular market prices. The Assessor will go into the business of the company and make the company pay the difference.

<sup>1</sup>An Act to Promote Mining and Industrial Development within New Quebec, 10 Geo. VI, c42, 1946.

<sup>2</sup>An Act Respecting Taxes Upon Certain Incomes, 8 Geo. VI, c53, 1944.