

too late. Let us then, all together, send out a warning from this assembly that will reverberate through Newfoundland and Labrador against this agreement, for it seems to me to be cloaked in sheep's clothing, yet it is in reality a wolf....

**Mr. Smallwood** When it was brought out by the Mining Committee that a very important change had been made in the taxation that Newfoundland would get out of this mining company, a change from the 1938 act of 10 cents a ton on every ton of ore that company has exported from Labrador, to the 1944 act, which cut out the 10 cents a ton and puts in its place 5% of the profits, I must admit that I shared the feeling Mr. Penney has just expressed. I too was disgusted with it, and I so expressed myself on Friday last. Since then I have been reading the 1938 act and the 1944 act and also the Quebec act, and whatever other information I could get, and today I say frankly, though I may be mistaken, I am not nearly as disturbed as I was two or three days ago.

We know, the Mining Committee tells us, that the great and wealthy iron mine of Lake Superior, the Mesabi Run I think it is called,<sup>1</sup> is coming to its end; another seven or eight or ten years, just about the time it will take to get this Labrador mine going, is about how long this great iron mine will still last in the United States. Now, to the steel mills of the United States, that is a very serious situation. Along comes this Timmins outfit of Canada. Some years ago they got the right to explore Labrador — 20,000 miles of it — and to stake out 1,000 miles of it some day to develop the iron ore. That was some years ago. We had the 1938 act and the 1944 act, but along comes Quebec, just this year, was it not?

**Mr. Higgins** Last year, but they were in there since 1942.

**Mr. Smallwood** Yes, but it's only last year they passed this act. We are told there are two mines, one on the Newfoundland side of the boundary, and the other on the Canadian side, but to all intents and purposes it is one mine, separated by a purely artificial, though legal boundary, and they have not even found out yet where it lies. They claim that they have got to develop on both sides of the boundary to make it profitable, and to do that they have got to spend one quarter of a billion dollars, of which about half would be spent in Newfoundland-Labrador and the other

half in Quebec-Labrador — New Quebec I believe they call it.

They say Mr. Timmins is a very wealthy man, and that the men he has associated with him are very wealthy men also, but nobody supposes for one single minute that Mr. Timmins and his friends are going to find out of their own pockets one quarter of a billion dollars to develop this great iron mine, which means that they have got to sell shares on the money markets. No doubt here in Newfoundland there will be hundreds of people buying shares in that great corporation. In Canada and the United States there will be thousands. It will be a great corporation with possibly tens of thousands of shareholders. Would any of us, assuming that we had money, buy those shares if we were not completely satisfied that they were a good buy, that we were going to make a profit, and that we were going to get dividends? So that to sell shares they have got to prove that the ore is there, second that it is in sufficient quantities, third in sufficient quality, and fourth that after putting in quarter of a billion dollars, that they will be able to run that mine at a sufficient profit — not the 1% to which Mr. Hickman referred on Friday; but ... around \$10 million a year since they have to sell the shares, and that they cannot do unless they can show the public that there is a good chance of making a profit.

Now the next question is whether there is a way in which they can hide that profit in such a way that when the Newfoundland government gets 5% of the net profit, that that 5% won't give them any money. Can they hide it in such a way that when the tax assessor starts to collect income tax, their profits will be so hidden that he cannot collect income tax from them? Well, maybe so. It would not be the first time it was done, but on that point we have this reassuring fact, that part of the company will be operating in Quebec, and the Government of Quebec ... is well used to dealing with great corporations. Not only that, but you have the probability of the federal government of Canada itself needing to know what profits that corporation makes. All right. Cannot the Government of Newfoundland, whether it be the present Commission, or responsible government, or confederation, could not Major Cashin for example, if he were Minister of

<sup>1</sup>Mesabi Range in Minnesota, USA.