

be persuaded that it will be 1½%. If they made that \$18 million profit based on 6 cents per ton profit, our portion that would accrue to the Newfoundland treasury on 5% of the net profit, would be \$900,000 over six years, whereas we would have got \$30 million with 10 cents per ton.... I don't know what advice the government had at that time, or whether they could not see far enough. They made an error of judgement, I would say, in changing over from that 10 cents per ton to the 5% basis....

The point is that this transportation company can be put in a position whereby they can haul the profits out, and leave the producing company showing a very small balance and this country won't benefit from it....

Mr. Higgins In answering that I would refer you to the 1938 act, paragraph 39, which you have before you. I will read it for your benefit.... That answers your question. They have the right to apply, but subject to such conditions and terms as to rental, etc., as the government may fix.

Mr. Smallwood That's in 1938?

Mr. Higgins That section of the 1938 act is still in force.

Mr. Smallwood Clause 7 of the 1944 act. Does that seem to bear on it? Section 1.

Mr. HigginsThat's only over private properties, it has nothing to do with obtaining the rights. That would be where there would be properties and land over which they put the railway.

Mr. Smallwood How do we stand then?

Mr. Higgins They have the right to apply to the government for the right-of-way for a railway, and the government will grant it on such terms and conditions as may seem reasonable and equitable. Their application has been made, and I presume the government is forging what will be reasonable and equitable terms.

Mr. Smallwood In the 1944 act, page 5, it speaks of things on which they are exempt from customs duty, and the things on which they have to pay it. Have they got to pay duty on the railway?

Mr. Higgins That would be one of its operations. In the 1938 act, page 19: "The operations of the Company referred to shall include only the following ... transportation of such minerals." That would be one of the operations of the company, and would come under a deduction.

Mr. Smallwood "They shall be exempt for a

period of 20 years ... in Labrador." All duty free. **Mr. Hollett** It includes railway too if you follow on, Mr. Smallwood.

Mr. Higgins On replacements they can only get up to 20% of the value.

Mr. Job I am going to ask the chairman of the Committee if he could tell me whether the royalty on Bell Island ore of 10 cents has been paid all along and is being paid? My reason for asking is that it would seem that if Bell Island with its ore, which is 52%, can stand a royalty, surely this other ore, which is 62%, can stand it.

Mr. Higgins There is a limit in Bell Island as to how much royalty they must pay.

Mr. Job That's an interesting point, but no doubt a better basis from a Newfoundland point of view, would be a definite royalty per ton rather than a very indefinite 5% on the profit. It seems a pity we don't know where we are.

Mr. Higgins Obviously the 1944 act from the point of view of the company is very much better than the 1938 act. They had the best advice they could get both times.

Mr. Job On the face of it it seems not very satisfactory. We don't know what Newfoundland is going to make out of it.

Mr. Higgins That's the point the Mining Committee did not agree about.

Mr. Job Can you tell us where the disagreement comes in?

Mr. Higgins They are not satisfied that Newfoundland is getting a good deal on it.

Mr. Penney That was the point I was going to raise, Mr. Chairman. I wonder could you tell us, do you believe Newfoundland has proper protection in the agreement with the Labrador Mining Company?

Mr. Higgins I would much prefer to wait until I can give you all the facts. I am afraid I will not be able to answer the question. We will either have to have another session, or we will put it in a supplementary report. I would not like to give you my own opinion.

Mr. Penney I did not think you would. I have been listening to the debate this last several days, and the impression I have is that Newfoundland has not got proper protection in the agreement. The Grand Falls of Labrador is situated in the heart of unexplored territory believed to contain precious mineral deposits as well as timber areas, and is therefore the key to future development.