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Le gouverneur de Terre-Neuve au secrétaire aux Dominions
Governor of Newfoundland to Dominions Secretary

DESPATCH 215

St. John's, August 5, 1944

My Lord,

I have the honour to refer to your Despatch No. 267 of 8th September¹ and your Despatch No. 386 of 28th December, 1943¹ regarding the proposals for a revision of the Agreement with Labrador Mining and Exploration Company Limited. In our Despatch No. 63 of 4th March, 1944¹, we advised you of the consideration given by the Commission to the suggestions in your Despatch relating to the calculations of royalty on iron ore and to the means by which the Government would propose to deal by means of Security Regulations with the question of the assignment or transfer of leases.

2. Following receipt of Telegram No. 255 of 4th May² containing an informal message on the matter of the sliding scale for royalty, this point was re-opened with the Company by the Commissioner for Public Utilities and Supply during discussions held in Montreal on May 27th and 28th, 1944, and arrangements were then made for discussions between the Company and the sub-committee of the Commission of Government, appointed to discuss this matter, in St. John's during the early part of July. As the Government was anxious to make every possible effort to have the outstanding matters dealt with in the best way possible, it was decided to request the presence, at the discussions, of Dr. Charles A. Camsell, Deputy Minister of Mines, Ottawa, Canada. Dr. Camsell is a member of the Mining Law Technical Committee of the Imperial Institute and, as such, he had already submitted his views on the matter of royalty to the Imperial Institute, which views were subsequently forwarded to us, with a demi-official letter N.602/2 of 5th October, 1943.¹ Owing to illness Dr. Camsell was unable to attend the conference but he sent as his representative Mr. E. S. Martindale, Chief of the Division of Mineral Economics of the Department of Mines and Resources, Ottawa, who had originally submitted to Mr. Camsell the memorandum forwarded with the demi-official letter noted above.

3. Conferences with officials of the Labrador Mining and Exploration Company Limited took place in St. John's on 4th and 5th July, 1944. The Company strongly objected to a sliding scale for royalty on the ground that such a scale, together with the possibility of a rise or rises in the rate of Income Tax, would make the financing of the whole Labrador development so unattractive to investors as to make it impossible to carry out the very substantial financing programme that would inevitably be necessary for the development of the Company's areas in Labrador. Mr. Martindale pointed out that royalty payment was, in effect, a payment to the Government of a

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¹ Not printed.
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