

The Bell Island Ore Tax Agreement.

A Bad Bargain For Newfoundland.

NOTE—The paragraph in Mr. Morine's letter yesterday referring to duties on ore fixed by the Contract should have been expressed as follows:

(a) Upon ore shipped to any part of Canada, up to 1,000,000 tons per year, the duty shall be 25c. per ton;

(b) Upon all ore shipped to Nova Scotia the duty shall be 25c. per ton;

(c) Upon ore shipped to any part of Canada above one million tons, and upon all ore shipped elsewhere than to Canada, no duty shall be payable, except on certain details by the Companies.

Editor Evening Telegram.
Dear Sir,—The more I study the contract between the Government and the Bell Island Companies, the more amazed I become. It gives much and gets nothing, in reality. Its draftsmanship is execrable. Upon its face it bears marks of having been framed by the companies themselves, with the object of disguising its true meaning.

"WITHOUT RESTRICTION."
By Section 1 the Government agrees that for twenty years the export tax on Ore to Nova Scotia shall be 25c. per ton, and that "the exportation of said Ore shall be made without restriction during the said period." This latter part may have a sinister meaning. Suppose a restriction becomes necessary for war purposes, to prevent Germany, for instance, getting Ore; if the Legislature were to impose such a restriction, would not the companies have an action for damages against the Colony. It seems so to me. Or suppose the Colony became part of the Dominion of Canada, and an export duty to Nova Scotia thereby became unlawful, would not the Colony be restrained by the Contract from imposing the tax of 25c. per ton as a "royalty." Or yet again, suppose the Companies failed to supply the Colony with coal for its needs, would not this Contract disable the Colony from bringing the companies to terms, as Sir John Coakley once did. I think, by threatening to stop exportation of ore.

BEWARE OF GERMANY.
By Section 2, the Government undertakes that the export of Iron Ore to all the world, except Canada, shall be free from duty; that is to say, that Germany, the great competitor with British speaking people shall obtain

interest, and should be sold at slightly above production cost.

WHAT DOES THE COLONY GET?
Now that I have mentioned the outstanding gifts by the Colony to the Company, I turn to the enquiry—What has the Company undertaken to do for the Colony? Section 2, sub-section (a) provides that the Company shall before the 1st day of January, 1926, expend \$3,000,000 in the Colony "in improvements and extension of plant and equipment, and the development of mines at Bell Island." It is stipulated that if the Dominion Company develop the Colinet water powers, and build a coal depot at St. John's, the sum spent on those two works shall be included in the \$3,000,000. What lack of accurate draftsmanship is here exhibited! The "development of mines" is constantly taking place by mining, and "extension of plant" is necessary as the mining goes on. The provision as to the three millions, therefore, amounts to nothing more than this—that the Companies shall expend on labour and materials at Bell Island not less than \$2,000,000 in five years and not even that amount, if the Colinet water powers are developed, and a coal depot constructed at St. John's. What does the provision for a coal depot here amount to? How large a depot? What is it to cost? What kind of coal is it to supply? What quantity of coal is to be provided in the depot? To allow the Companies to build a coal depot at St. John's would be to place the monopoly of the coal business in the hands of those Companies. They will supply under the cost to other dealers. Their ore boats will cut under other shipping in freights. By modern machinery in the depot they will destroy almost the need of labour. By the use of motor lorries they will make ordinary cartage unnecessary. The provision for a coal depot here by the Companies is a handing over to those Companies of a very valuable privilege which, if exercised, will destroy a very large percentage of the carrying trade and of the labour given in St. John's, and all this may be done with a very inferior quality of coal, because the Companies can send what kind of coal they like to the depot, and they can prevent competition by anybody here by their control of the coal supply.

RESERVE "WHITE COAL."
Before the Great War, ore was sent from Bell Island to Germany. That War has deprived Germany of Alsace-Lorraine, and probably of Upper Silesia also, where she formerly got most of her iron ore. As a result, Germany may very largely be dependent on supplies from Bell Island. Has the blood of the Colony's sons been spent for this end? Are we anxious to promote such a treason as to give the ore free even of duty? By the provision not to impose "restrictions" on the export, the Colony may ever put in force the Act to enable the Government to prohibit exports passed for this very purpose at the request of the British Government.

In Section 6, the Dominion Company is given "the water power rights" of the Colinet River, and it is provided that the Company shall have a period of three years to commence the development, and a further two years to complete the same, and thereafter shall pay a tax on the horse power developed, subject to forfeiture for the non-performance of the conditions. But what does the undertaking to "commence" amount to, and what is the "development" which is to take place? What is a commencement? How much development? No care has been taken to ascertain the maximum capacity of the River, and there is no provision that the maximum shall be developed. I have already pointed out the exceeding great value of this River as a producer of light, heat and power, and in this way as a competitor of the Companies in the supply of coal. To give such a possible producer of light, heat and power to a Coal Company is to give such a Company a monopoly of one of the necessities of life in the Colony. Competition should be promoted, not monopoly. No river power capable of producing electricity in large quantity should be given to anybody, least of all to a Coal Company. The power should be developed in the public interest, and should be sold at slightly above production cost.

NO PENALTY IMPOSED.
Section 2 (a) provides for an expenditure of \$3,000,000 in five years, of which not less than \$500,000 shall be in each of the five years, but while the penalty is imposed that if the whole amount is not expended in the five years, a duty of ten cents per ton shall be payable on ore exported elsewhere than to Nova Scotia, as penalty is imposed for not making the annual expenditure provided for. That is to say, for four years the Companies while making no part of

the proposed expenditure may export without paying duty, and then escape all penalty by making the total expenditure in the last year, or, at the worst, if making no part of the expenditure at any time, may save the interest for five years on back duties.

PROMISE AGAINST REALITY.
Section 2, Sub-section (b) provides: If the Companies by the 1st January, 1926, shall not have given notice of intention to erect a smelting plant, they shall be liable thereafter to pay 10c. per ton on ore exported elsewhere than to Nova Scotia; and

Section 2, Sub-section (c) provides: If the Companies shall not have erected the smelting plant by the 1st January, 1928, the Companies shall be liable to pay the said duty; and

Section 2, Sub-section (d), provides: Despite failure to give notice, or to erect a smelting plant, the Companies may at any time within twenty years erect the plant, and escape liability to pay duty thereafter.

The net results of these three provisions is, that (1) during the next seven years failure to erect a smelting plant shall not of itself impose any penalty upon the Companies; and (2) that the implied provision to erect such a plant, never enforceable upon the Companies, is used as an inducement to secure the right to pay 10c. per ton less on ore exported elsewhere than when to Nova Scotia. The Colony gets a promise, a shadow; the Companies get remission of taxation, a reality.

LEFT TO GUESS WORK.
In Section 2, (d), it is provided: At any time after 1st January, 1926, the Companies may give notice of intention to erect a smelting plant, and be thereafter free of duty for two years upon ore exported elsewhere than to Nova Scotia, provided that if within two years after the date of the notice the plant has not been erected, a duty of 10c. per ton on such exports shall be collectable. It is not said, but conclusively implied, that if the plant be erected, no duty on ore thereafter shall be collectable. It is one of the stupidities of the contract that this, if meant, is left to obvious implication, instead of being affirmatively specified, and it is a still greater stupidity that this may be the implied result even though the expenditure of \$3,000,000 provided for by Section 2 (a) has not been made, a result which one would guess was not intended.

SMUGGLED VIA ST. PIERRE.
And finally, Mr. Editor, I wish to draw attention particularly to this fact—that all the ore destined for Nova Scotia may be exported to St. Pierre, and from that place taken on to Nova Scotia, without liability to the payment of tax provided for ore intended for Nova Scotia, because St. Pierre, which lies on the very track of the ore from Bell Island and Sydney, is not a part of the Dominion of Canada. There is nothing in the contract to prevent an arrangement by the Companies with St. Pierre for the calling of passing steamers, and their departure to Sydney. In certain events the Companies might become liable years afterwards to pay 10c. per ton upon ore exported to St. Pierre, but the happening of these events is so extreme that the Companies might never become liable to pay anything whatever.

GENERAL REMARKS.
In all my life I have never read a document so amazingly full of blunders and uncertainties. Regarded merely as a piece of draftsmanship, it is discreditable to all concerned in it for the Colony. Regarded in its greater aspects, it is one of the most dangerous propositions that has ever been placed before the Legislature.

The Supreme Court, by a majority, has just decided that a contract made by the Government with the Nova Scotia Steel and Coal Company, in 1910, relating to Bell Island Ore, does not mean what the Company says it means. The Chief Justice agreed with the Company's contention. This illustrates in its case such contracts as the one now before the Assembly should be made. I understand that the Premier and the Attorney General were not in the Colony when this contract was made. Their responsibility for it, therefore, is in the present, and as lawyers they will see the force of my objections. Aside from the principles involved, the contract is unspcakably bad. If principles are ultimately assented to, surely they can be plainly, simply and accurately expressed. I urge, therefore, that the pending contract be withdrawn, and a creditably drafted one be substituted.

Yours truly,
ALFRED B. MORINE.
May 2, 1921.

Successful Student.
One of Newfoundland's talented sons in the person of Rev. J. G. Joyce, B.A., S.T.B., has just arrived from Harvard University, where he has met with great success in the pursuit of his special studies. Rev. Mr. Joyce, who is a native of Carbonear, is a member of the Newfoundland Methodist Conference and purposes resuming ministerial work in his native land. The Telegram extends a hearty welcome home.

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