

Newfoundland

were enumerated on page 70, will be in the neighbourhood of \$20 million.

Mr. St. Laurent: That was our estimate.

Mr. Fleming: Yes, I understand this was the estimate of the Canadian government. Against that, there are anticipated expenditures of approximately \$27 million per annum. The tax agreement payment, which I presume is the subsidy payment which is provided for in article 26, is estimated at \$6,820,000; old age pensions, between \$2 million and \$2,600,000; family allowances, \$8,350,000; other departmental expenses, \$9,400,000. This makes up the total I mentioned. There would appear up to that point to be an annual deficit of \$7 million in round figures.

The increase in the transitional grants from \$3,500,000 to \$6,500,000 would bring the deficit up to \$13,500,000, approximately, per annum, but that does not include three other figures: first, the costs of servicing that part of the Newfoundland debt assumed by Canada; secondly, any costs in respect of the Newfoundland railway or its auxiliary steamship services taken over by Canada; thirdly, any capital expenditures. Could the Minister of Finance give any estimate at all of those three latter factors, as to what they might be expected to amount to, and could he say a word as to the anticipated additional cost of defence, so that we will have as complete a picture as it is possible to draw at this stage of the net result for the treasury of Canada?

Mr. St. Laurent: Before the Minister of Finance gives his estimate, possibly I should give the estimate that was brought back to us in 1948 by the Newfoundland delegation. They disputed our estimate of the revenues as being too modest. Our estimate of what Canada would derive in 1949 was \$20,185,000. Their estimate of what would be derived on the level of economy of 1949 was \$26,922,000. They made that as their estimate of what Canada would derive from those various sources—personal income tax, corporation tax and so forth. They also disputed the \$27,150,000 because that included the old age pensions payment at \$2,600,000, and they said it would not exceed \$2,400,000. So they came back this time telling us that our estimate of the revenue Canada would get, on the level of the economy of 1949, was too low, that it should amount to \$26,922,000; and that our estimate of the expenditure on these items was a little bit too high and would be \$26,970,000, practically balancing each other. Of course those figures are merely estimates. Before the Minister of Finance gave his own figures, I thought I should give to hon. members the representation that had been made by the delegation from Newfoundland.

[Mr. Fleming.]

Mr. Abbott: I forget for the moment what other things my hon. friend had in mind particularly.

Mr. Fleming: I went on to deal with the factors enumerated at the top of page 71 of the booklet. I asked if the minister could give any estimate at all as to factors 2, 3 and 4, which are as follows:

(2) Costs of servicing that part of the Newfoundland debt assumed by Canada;

(3) Any costs in respect of the Newfoundland railway or its auxiliary steamship services, taken over by Canada;

(4) Any capital expenditures.

I also asked whether the estimate of their expenditure, this figure aggregating \$27 million in round figures, took any account of the increased burden of national defence. There is an item here entitled "other departmental expenditures", but it is an amount of only \$9,400,000. Does that take any account of the increased burden of national defence which will now fall on the federal treasury with respect to the defence of Newfoundland?

Mr. Abbott: No. I have not any revised figure as to probable federal revenue from Newfoundland, and I would prefer not to hazard any further statement on that matter at this time. We are, however, in process of preparing estimates to be included in what would be the main estimate in order to provide services in Newfoundland. While those are not completed yet, they are fairly well advanced. Those expenditures, including expenditures for veterans' benefits and one thing and another, which are not included here, will be substantially higher than the figure of \$27 million shown on page 70. Including all those special items, I think it will probably be something of the order of \$50 million, including additional estimates for defence and the like.

Mr. Fleming: I should like to be clear with regard to that figure of \$50 million. Is that in addition to the \$27 million?

Mr. Abbott: No. What I am saying is this. Of course, before union is completed I shall be bringing down the main estimates for the fiscal year from April 1, 1949, to March 31, 1950. Therefore I have decided that, in the main estimates, we should not include Newfoundland items, but that they should be brought in as special supplementary estimates. I think it is an advantage to deal with the matter in that way, in that it will show to members of the house in detail the additional expenditure which it is contemplated will be necessary for Newfoundland. Those estimates will be brought in. My present intention would be to table those estimates on or about March 31, on the assumption that