

*Newfoundland*

minister referred to section 27. Subsection 4 of that section reads:

The government of the province of Newfoundland shall not by any agreement entered into pursuant to this term be required to impose on any person or corporation taxation repugnant to the provisions of any contract entered into with such person or corporation before the date of the agreement and subsisting at the date of the agreement.

As I see it, union with Newfoundland would mean that any agreement made by a Canadian corporation with the government of Canada would not be affected. I was glad to see, when the committee studied that particular bill in 1947, that they made the provision that it would be subject to the companies getting approval of their charter powers, and to consent of Newfoundland, the dominion of Newfoundland or the province of Newfoundland. Is that not so? I should like to find out from the minister if that is not so.

**Mr. St. Laurent:** I listened as attentively as I could to the hon. member's questions, and they are quite involved. I should like to be as accurate as possible in giving an answer, and I think it will be necessary for me to see and consider the context of his questions in order that I may supplement what I am prepared to say at this moment. I think the hon. member is under a false impression if he feels that any agreement was made in 1947 between the applicants for a railway charter and the government of Canada. There was no such agreement. In conformity with the requirements of the constitution, and the requirements of the Railway Act, persons wanting to construct a railway connecting any part of Canada with another country, or which would be interprovincial, have to get a charter from this parliament. The charter they obtain from parliament does not give them rights in any property. It merely gives them the capacity to exercise the powers of a railway company in accordance with the Railway Act. In 1947, when these applicants were given a railway charter, it was expressly provided that, although they would have the capacity to operate a railway outside Canada, we were not giving them the right to operate one. We were just creating them as a corporation which would have the capacity to operate a railway in Newfoundland territory if it secured permission from Newfoundland to do so. We could not give them any rights in Newfoundland territory, but we could give them the capacity of a corporate body which might receive from the government of Newfoundland the right and privilege of operating a railway there.

With respect to the hon. member's reference to subsection 4 of section 27, I think it might

be better to deal with that when we come to section 27. It is something that is not designed to apply to that railway at all, but to enable the government of the province of Newfoundland to respect any agreements it may have made with any company, and to provide that it will not be required in making a tax agreement to impose taxes upon corporations with whom it may have an agreement not to do so. The hon. member will remember that, in the tax agreements with them, the Canadian provinces were required to impose a five per cent tax on the income of corporations derived from business transacted within their limits. The Newfoundland delegation said, "We have certain agreements whereby we have commuted the taxes of commercial corporations." They said that they did not want to enter into an agreement that would require them to commit a breach of any previous agreement. Subsection 4 of section 27 was put in for that purpose, but it was not contemplated in any way that it would apply to running rights that may have been granted by the government of Newfoundland, over territory of Newfoundland, to this railway company that was incorporated by parliament in 1947.

**Mr. Knowles:** I should like to say something further about this same subject, namely, the Quebec, North Shore and Labrador railway, but it does seem to me that the Prime Minister is right, that it hardly comes in here. Perhaps we can discuss it under section 37, which has to do with natural resources, or at least on some section more appropriate than this one.

**Mr. St. Laurent:** Perhaps it could be brought in incidentally under subsection 4 of section 27, which refers to agreements made by the government of Newfoundland. My view is that this subsection was not specifically designated to affect the Quebec, North Shore and Labrador company, but it may be there were contracts that are still in existence, and to which the language of subsection 4 could apply.

**Mr. Knowles:** I should be glad to leave it until we reach that section.

**Mr. Nicholson:** I should like to have the ear of the Minister of Transport for a few minutes. He was not present yesterday when I raised the problem of transportation in Newfoundland. I drew attention to part II of the report of meetings between the two delegations, which mentions that in connection with the railway it will cost approximately a million dollars a year for the next ten years to place the railway in condition, and \$7 million for rolling stock. There is a note to the effect that the deficit for 1944-45 amounted to \$525,000, and for 1945-46 it amounted to \$698,000.