

satisfied.

Mr. Ashbourne I think the Newfoundland government bought over the Newfoundland Railway some years ago for a couple of million dollars. Did they not take over the airport for \$1 million? Is not that the present day value?

Mr. Butt They did not take over the airport for \$1 million.

Mr. Chairman We are getting into very dangerous ground. There are, when dealing with property, three angles from which to approach it. If you are going to determine values in the light of what it cost to erect a building, that is one thing. Then again, looking at it from the angle of replacement cost, that will depend upon the price at the moment. If prices are higher, it will be more.

Mr. Higgins This is selling as a going concern.

Mr. Chairman That is right up my alley. If I build a house for \$50,000 and I can only realise \$5,000, then the value of the house is \$5,000. Or conversely, if it is costing me \$5,000 and I can get \$50,000 for it, that is the realisable value. The actual realised value depends upon what I can get and is not necessarily related to the actual cost of construction.

Mr. Vardy As I view this, it is not so much what it cost; neither should it concern us today in this Convention, what we could get on a forced sale. We should ask ourselves what is it worth today to the people of Newfoundland, as a going concern. That is the value — not what it cost; not what we would get if we sell out. We are not going to sell out. We are discussing a partnership....

Mr. Chairman Speaking for myself, I have always felt that the manner in which the public approached the thing is all wrong. For example, the operating deficits on the Railway have been met by the government exchequer. Assuming, for argument's sake, that the operating deficit for the year would be \$1 million, everybody blandly assumes that it cost the country \$1 million. We must bear in mind the fact that the Railway is the largest employer of labour. And remember, on every article of foodstuffs and clothing, every Railway employee is indirectly, if not directly, paying revenue to the government. He pays his income tax. So that when we come to consider what the government raises in return ... it might well be that the contribution they make to the tax

structure might outweigh considerably the operating deficit.

Mr. Higgins What value did the Government of Canada put on these assets?

Mr. Smallwood I have no idea. Clause 9. *Accumulated Financial Surplus*.

Newfoundland will retain its financial surplus accumulated to the time of union, subject to the following conditions:

(1) One-third of the surplus at the time of union shall be set aside during the first eight years of union, either in trust or on deposit with the Government of Canada at Newfoundland's option, withdrawable by the Newfoundland government as required only for expenditures on current account in order to facilitate the maintenance and improvement of Newfoundland public services, any unspent portion thereof at the end of the eight-year period to become available for the unrestricted use of Newfoundland.

(2) The remainder of the surplus shall be available to the Newfoundland government for developmental purposes within Newfoundland.

(3) No part of the surplus shall be used to subsidise production or sale of Newfoundland products in unfair competition with similar products of other provinces, it being understood that this proviso does not preclude assistance to industry by such means as developmental loans on reasonable conditions or by ordinary provincial administrative services.

Newfoundland will have the right within one year of union to deposit with the Government of Canada all or any part of the surplus held in dollars and to receive with respect thereto interest at the rate of two and five-eighths percent annually during the maximum period of ten years after union on the minimum balance outstanding at any time in the year preceding payment of interest.

That seems to be fairly clear. We have a surplus of so much at the date on which we become a province, if we become a province, and all the surplus would belong to Newfoundland; but it would have to be divided into two parts. The first part would be one-third of that amount. That one-third would be earmarked to be used by the provincial government for ordinary purposes.