

Mr. Cashin If half our population moves to western Canada, and we have 150,000 people left, what happens?

Mr. Smallwood You lose a lot of subsidy. Major Cashin has lost all his faith. You make Newfoundland a nice place to live, and we will bring them back. It never gets out of their blood. I talked with a Newfoundlander in Montréal, he has been up there 61 years — Lewis Taylor — he made a lot of money, and he is now coming back to Newfoundland. We will bring them back in their thousands and drive up the subsidy.

[Short recess]

Mr. Smallwood Clause 13. Perhaps I might be permitted to go on to that.

13. *Transitional Grants.* In order to facilitate the adjustment of Newfoundland to the status of a province and the development by Newfoundland of revenue-producing services, Canada will pay to Newfoundland each year during the first twelve years of union a diminishing transitional grant payable as follows:

1. The sum of \$3,500,000 annually during each of the first three years after union;*

I have nothing particular to say about that, except that it is to be considered in the light of clause 14; and as the two are very much together, perhaps it might be as well if I read clause 14 now.

14. *Reassessment of Newfoundland's Financial Position*

In view of the difficulty of predicting with sufficient accuracy the financial consequences to Newfoundland of adjustment to provincial status the Government of Canada will appoint a Royal Commission within eight years of union to review the financial position of Newfoundland and to recommend the form and scale of additional financial assistance, if any, which may be required by the Government of Newfoundland to

enable it to continue public services at then prevailing levels without resorting to taxation more burdensome, having regard to capacity to pay, than that of the Maritime Provinces.

The first is clear enough. Special grant of \$3.5 million a year for the first three years; after that dropping by 10% each year. I would ask you to note why that grant is offered. It is in order to facilitate the adjustment of Newfoundland to the status of a province and to facilitate the development by Newfoundland of revenue producing services.... But it is the next clause that is really important, because as they say there, it is a difficult thing to foretell with enough accuracy just what the financial consequences would be to Newfoundland in adjusting herself to the status of a province of Canada. So these subsidies offered, including the \$3.5 million, may or may not be enough. Therefore the Government of Canada ... says within eight years of our becoming a province they would appoint a royal commission to review our financial position as it appeared at that time. In doing that, the royal commission would be bound to take two things into account in deciding whether we need a bigger subsidy or not. It would have to take into account whether the province at that time was taking in enough to pay its way — taking it in two cases, first, subsidies from the Government of Canada and taxes on the people of Newfoundland. Was it breaking even? Was it paying its way? Was it balancing its budget? Was the Government of Newfoundland getting enough subsidy to enable it to keep up its services to the public? And secondly, they have to have a yardstick to measure that by, and the yardstick is the rate of provincial taxation in the Maritime Provinces, those provinces being most nearly similar to the conditions in Newfoundland. These would be the yardstick. However, it is agreed here that the Government of

*	In the fourth year	\$3,150,000;
	In the fifth year	2,800,000;
	In the sixth year	2,450,000;
	In the seventh year	2,100,000;
	In the eighth year	1,750,000;
	In the ninth year	1,400,000;
	In the tenth year	1,050,000;
	In the eleventh year	700,000;
	In the twelfth year	350,000.