

*Newfoundland*

as we could get to the amount of indebtedness incurred for purposes which would have been federal purposes.

It was for that reason that the sterling debt was assumed, and that the provincial government was to be left with its dollar debt owing to residents of Canada or of Newfoundland.

**Mr. Jackman:** May I ask whether the sterling debt of Newfoundland is held by British nationals? If so can we offset some of the sterling balances, which we own in London, against the payment of this debt?

**Mr. St. Laurent:** The debt will have to be paid in sterling, and we will be entitled to pay it in any sterling that we have. Of course, we have not endeavoured to trace the securities, but presumably they are securities that were issued in England and issued in sterling. We assumed that they were probably held in the United Kingdom, but whether or not they are held there they are payable there, and they are payable in sterling, and we can use whatever sterling we have to redeem them.

**Mr. Macdonnell (Muskoka-Ontario):** I take it the Prime Minister means not only that they are payable in sterling but that they are payable only in sterling.

**Mr. St. Laurent:** Only in sterling.

**Mr. Macdonnell (Muskoka-Ontario):** The Prime Minister referred to the wording where it says, "Stock issued or to be issued". As I understood him, that means that new stock can be issued, but only to replace existing stock. That gives rise to this question. Does that mean merely to replace stock that is lost, or does it mean that if under the sinking fund you pay off a certain amount you can then issue up to the old amount?

**Mr. St. Laurent:** No; it means it is only to replace securities originally issued. My understanding is that under the Loan Act, 1933, there were securities issued to replace former securities, and that there are some of those that have not yet been converted.

**Mr. Macdonnell (Muskoka-Ontario):** So the net result is that it will be the original amount not subject to increase, and subject to decrease to the extent of the sinking fund?

**Mr. St. Laurent:** That is correct.

**Mr. Fleming:** My question has to do generally with the financial terms, and it applies to article 23 and several of the other articles which are to be found under the general heading, "financial terms". I should like to ask the Prime Minister to supply a little more information as to the net result as far as the annual charges that will be borne by Canada are concerned. The information which has

[Mr. St. Laurent.]

been furnished to the house is not quite up to date. The document which has been circulated entitled "Report and documents relating to the negotiations for the union of Newfoundland with Canada" deals at page 70 with the question of probable revenues and probable expenditures accruing to Canada from Newfoundland. That information is based on 1947 figures, and also relates to the terms offered to Newfoundland in 1947. The figures at page 70 are a part of annex No. 4, which is annexed to the so-called "proposed arrangements for the entry of Newfoundland into confederation," which accompanied the letter of October 29, 1947, of the former Prime Minister of Canada to the governor of Newfoundland, to be found at page 57 of this same document.

As I gather it, the position under the terms offered in 1947 was roughly to this effect. Canada might anticipate drawing from Newfoundland into the federal treasury approximately \$20 million per annum on the assumption of a continuation of the 1947 level of economic activities in Newfoundland. It was calculated also that probable expenditures on Newfoundland out of the federal treasury, embracing tax agreement payments, old age pensions, family allowances and other departmental expenditures, would total approximately \$27 million. On page 71 it is pointed out that there are four items not included in the estimate of \$27 million odd. They are: first, the transitional grants; secondly, the cost of servicing that part of the Newfoundland debt assumed by Canada; thirdly, any costs in respect of the Newfoundland railway or its auxiliary steamship services taken over by Canada; and, fourthly, any capital expenditure.

I pause at that point to make this comment. In trying to arrive at the net result, it would appear that on the basis of the 1947 offer the net result to the treasury would be a deficit of roughly \$7 million as between federal revenue and probable expenditures, plus three and a half million dollars of transitional grants in each of the first three years of union, plus the other three of the four items referred to on page 71. But those are not the terms that are before the house today. The terms were revised in 1948, and the result has been to increase very substantially the amounts of the transitional grants that are offered by Canada to Newfoundland. It is proposed to increase the grants substantially during the first eight of the twelve years during which transitional grants are payable. By doing some arithmetic one finds that the total of transitional grants contemplated in the 1947 offer was \$26,250,000, whereas the transitional grants that are contemplated by article 28 of the terms of union total \$42,750,000. I assume that the amount