

will have our system of taxation. It is not because one province does it one way that all provinces must do it the same way, and I am prepared to argue it. There is a tremendous variation in some respects from one province to another. We would be still another variation. We have our ways of doing things. There is one limit laid on us, one condition laid down, and it is a good condition. No province is allowed to put any taxes on its people except direct taxes.... Indirect taxes are not allowed. Now with that one condition ... it is entirely our own business as a province how we levy our taxes, what kind of taxes they will be, and how much we will collect in each kind of tax....

Mr. Bailey could stand here for three hours listing the different kinds of taxes they have in the different provinces, and that would have just as much to do with Newfoundland as if he had spent the time talking about the different kinds of taxes they have in Timbuctoo, Somaliland, Tanganyika, Nyasaland or out in the Gobi desert of China. Let them have what kinds of taxes they want, we will have the kinds of taxes we want, so long as they are direct taxes. That's our business, and Mr. Bailey can save himself an awful lot of trouble if he will only remember that it is up to the House of Assembly of the Province of Newfoundland....

[Short recess]

Mr. Bailey Mr. Chairman, I want members to turn to page 4 of the Grey Book, "Reassessment of Newfoundland's Financial Position". Now I take it that this paragraph is a deliberation of the delegation to Ottawa, and as such each and every man who went on that delegation is responsible for what is there. I want to read this clause 14:

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.

Mr. Chairman Before you go on Captain Bailey, I don't find myself in agreement with your observation that the Ottawa delegation, as such, are directly responsible for everything in this, and that the members of the Convention are indirectly responsible.... It must be remembered in fairness to the members of the delegation, and to the members of the Convention, that this document was prepared and forwarded to the Convention some considerable time after the delegation had left Ottawa. Had this been presented to the delegation before they left Ottawa and they had then approved it in principle, then I feel that your criticism that they would be responsible to this Convention for everything that went into this document would be a perfectly fair statement to make.

Mr. Bailey If they had accepted it, sir?

Mr. Chairman If this had been placed in the hands of the delegation before they left Ottawa and they had accepted it, either expressly or without disagreement, in any way, shape or form, then I would say, "Yes, they are directly responsible for everything contained therein." But that is not the position.

Mr. Bailey But if we accept it, I should have added that. As far as it stands now it is a pig in a poke.

Mr. Chairman All right, on that supposition, all right.

Mr. Bailey Now Prime Minister King says:

I feel I must emphasise that as far as the financial aspects of the proposed arrangements for union are concerned, the Government of Canada believes that the arrangements go as far as the government can go under the circumstances. The Government could not readily contemplate any change in these arrangements which would impose larger financial burdens on Canada.¹

Now then...

Mr. Chairman You want to go on. It says:

On the other hand, with respect to those matters which are primarily of provincial concern, such as education, the Government of Canada would not wish to set down any rigid conditions, and it would be prepared to give reasonable consideration to suggestions

¹Volume II:510.