

Newfoundland

any considerable expansion of the fishing industry in the maritime provinces and on the Atlantic coast a continuing and regular supply of suitable fish will have to be provided. The only basis upon which that expansion can be built is the proper use of trawlers. Far from destroying the shore fishing industry, the proper use of trawlers will contribute to its prosperity.

Mr. Hazen: I have had the opportunity of looking at this pamphlet containing the statements of questions raised by the Newfoundland delegation. On page eight it is stated that Newfoundland trawlers will be permitted to fish to the three-mile limit off the coast of Newfoundland. Will that be for the next five years or for a longer period?

Mr. Mayhew: When union is consummated Newfoundland will be a part of Canada, and normally the laws of Canada would apply. Throughout the rest of Canada trawlers must operate beyond the twelve-mile limit, but we are saying that as far as Newfoundland is concerned its fishermen may continue to fish up to the three-mile limit. Legislation will be brought in to make that legal.

Section agreed to.

On section 23—*Debt*.

Mr. Macdonnell (Muskoka-Ontario): I think it would be desirable that a statement should be made to the committee with regard to this section. It reads:

Canada will assume and provide for the servicing and retirement of the stock issued or to be issued—

I refer particularly to those latter words.

Mr. St. Laurent: I think it is desirable that there should be some explanation of this clause for the information of hon. members and the public generally. The expression "issued or to be issued" refers to the replacing of certain securities by other securities. There is a provision for the replacing of securities issued under the loan act of 1933 without changing the amount at all.

On the basis of conversion at the rate of \$4.04 to the pound, the amount outstanding under the loan act of 1933 is \$71,911,467.24. There is a sinking fund amounting to \$9,326,650.26, which leaves a net outstanding debt of \$62,584,816.98.

Mr. Probe: Is that dollars or pounds?

Mr. St. Laurent: It is dollars converted at the rate of \$4.04 to the pound. According to the latest information available, the amount of the internal debt was \$10,465,593, with a sinking fund of \$879,368, leaving a net internal debt of about \$9,500,000 as of December 31, 1947.

Mr. Brooks: Would the total debt be \$72 million? I do not just understand the difference between internal debt and national debt.

Mr. St. Laurent: Securities were issued in sterling in the United Kingdom, the net amount of which at the present time is \$62 million. Then securities were issued in Newfoundland in dollars, the net amount at the end of December, 1947, being approximately \$9.5 million. An attempt was made to determine what portion of the total debt incurred in respect of the services would have been in respect of federal services had union taken place before the expenditure was made, and what proportion referred to services which would have been provincial services had union been in effect. According to the report of 1933 it was estimated that approximately \$67.5 million of the debt at that time was the result of capital expenditures and current deficits in connection with the railway enterprise and war expenditures.

We reduced that \$67.5 million in the proportion in which the total debt existing at that time had been reduced over the years and it was found that that brought the amount down to \$54.8 million. The Newfoundland delegates represented, and after consideration it was found that their representations should be accepted, that there had been issued for war purposes during the last war a total of \$6.5 million in war loans and savings certificates. That added to the \$54.8 million made a total of \$61.3 million.

That figure was found to correspond quite closely to the debt owing in the United Kingdom in sterling. It was agreed that in bringing about the union Canada would take over, as a debt incurred for what would have been federal purposes, an amount equivalent to the United Kingdom debt, and that the government of the province of Newfoundland would retain the debt of approximately \$9,500,000 as a debt incurred for purposes which would have been provincial. There was this slight discrepancy. In making the mathematical computation we arrived at \$61.3 million whereas the amount of the sterling debt was \$62.5 million. It was pointed out to us, however, that in connection with the railways and the war, not only had there been capital expenditure of a federal nature, but that a portion of it had been incurred presumably for the erection of public buildings, and that the public buildings were going to be distributed according to the space in them occupied for what would be either federal or provincial services. It was found therefore that the fairest approximate calculation that could be made would show that the amount of the sterling debt was just about as close