

repayment of loans from the Housing Corporation. That is in exactly the same category, it is a repayment of a loan, and is not earnings. That makes a total for those two items alone of \$375,000.

Now the total revenue under the provincial set-up for the first four years is shown as \$13.9 million, and if you deduct that \$375,000 you will find that you have a net revenue of \$13.6 million. There was a deficit on the first four years anticipated by Mr. Smallwood at somewhere around \$1.2 million, and if you add this \$375,000 you will find that on his figures there would be a deficit of \$1.5 million, but that deficit is based on an expenditure of only \$15 million for the province. I contend, sir, on the figures I gave in the beginning, and they must necessarily be only estimates at the present time, the expenditure will be \$19.5 million, call it \$19 million, and the revenue should be \$13.5 million; that leaves you a deficit on the provincial accounts of \$5.8 million, or call it \$5 million; not a deficit of \$1.2 million, but over \$5 million.

I realise that in mentioning reconstruction, Mr. Smallwood did say, when the question was raised on roads, that \$3 million would be withdrawn annually from the surplus of \$28 million which would be deposited with the Canadian government, as provided in the Grey Book, at an annual interest of 2 5/8%.... If we withdraw that amount for eight years we would withdraw \$24 million. Now the surplus is only \$28 million. On page 3 of the Grey Book we have to freeze one-third of that, which we can't touch. That's part of the terms. If we freeze one-third, that's over \$9 million, that brings it down to \$18 million surplus. So you can only draw your \$3 million a year for six years, not eight, and the last two years you can't have anything to draw, if I understood his explanation yesterday.... I contend that we should not touch that surplus; it should be there for some day when we may need it. There has been no large amount provided for emergencies, or able-bodied relief. I hope we won't see the dole, but there is nothing for that. Because if times are going to be poor, and there's going to be bread lines or soup kitchens, no matter if we are on our own or with Canada or the United States, our surplus should not be touched. We should not start off presuming that we are going to use \$3 million of it each year. If we do that,

and there is no provision in this budget for reconstruction other than using the surplus each year, I am afraid that we have built our last hospital and our last mile of roads.

As I said at the beginning, these remarks are only general because I have not had time to go into it; but this struck me at a glance, if this budget was to be the one we would use under confederation, I can very well see why one of the clauses was put in, that in eight years they would set up a royal commission to review the financial position of Newfoundland, and to recommend the form and scale of additional financial assistance, because we will need one. We will be insolvent, or so close to it that, perhaps, our only "out" would be to transfer the Labrador, for a price, to Quebec or the Canadian government. If that is the best budget that can be brought in, and the best hope for our people, I can't hold out very much hope for it. I would say that it was rather a defence of the terms offered. I can't see any equitable basis in that budget. I can see a deficit that we will have to withdraw \$3 million a year from our surplus to meet, not for reconstruction but to pay off a deficit.

There was another question, the gasoline taxes, licenses for motor cars and drivers as a source of revenue, which Mr. Smallwood anticipated would be considerably increased, particularly in the last four years of the first eight. I don't know how we are going to increase it with our present mileage of roads. The estimate in the budget brought in by Mr. Smallwood shows \$1.25 million for roads, expenditure for the year. The current estimate of the Commission of Government shows just over \$3 million. Now that's been cut practically \$2 million. I realise that we can use some of the withdrawals from the surplus to build roads, but I contend that our surplus should not be touched for that purpose. I fail to see where we can, out of revenue, do any construction on roads, or any other such service. Those taxes we are going to collect from motor cars and gasoline, clear of the fishermen's tax — I can't agree that we are going to get as much as Mr. Smallwood anticipates. The license for a car is only \$12, and the driver's only \$3, and we have got to have quite an influx of tourists, and a personal income of the people that is going to be exceptionally high, to be able to increase the income from gasoline and licenses, unless we