

Newfoundland

The Chairman: When the committee rose last night, section 23 had been allowed to stand.

On section 23—*Debt*.

Hon. Douglas Abbott (Minister of Finance): When the committee rose yesterday afternoon I had promised the hon. member for Rosedale (Mr. Jackman) that I would get and give to the committee information respecting estimates of federal revenues and expenditures in Newfoundland. I am prepared to give those estimates now.

First, may I say that it is with some hesitation that I put these figures on the record, because, unless one understands the basis upon which they are prepared, they may be misinterpreted and misunderstood. It is extremely difficult, in fact almost impossible, to make an accurate calculation of revenues derived from a particular province. It is difficult enough, as I have reason to know, to make an accurate calculation of future revenues from the whole of the country. But to determine, for example, the matter of customs duties derived from a particular province is almost impossible. In that respect, at best it can only be an informed guess.

In the case of Newfoundland it was particularly difficult to make an accurate forecast, because substantial changes will occur in the economy of the province at the time of union. The whole course of trade may be altered to some extent through the elimination of tariff barriers between Canada and Newfoundland. In addition, the Newfoundland statistics are not as well developed as statistics here in Canada. However, when the delegates from the national convention were in Ottawa in 1947, we did endeavour to make a rough estimate of the probable additions to Canadian revenue as a result of the union. Those are the figures which appear in the white paper of October 29, 1947. At that time our knowledge of the Newfoundland economy was somewhat less complete than it is today, and some of the estimates were based on faulty assumptions.

The most important reason for making alterations in the figures, however, is not the improvement in the sources of information, but the continued rise in the national income of Newfoundland, which was not foreseen in 1947. As hon. members will recall, our own budget estimate of revenues for that year was on the low side, and for exactly the same reason. As was indicated the other day, when the Newfoundland delegation were in Ottawa last summer they submitted revised estimates of what they considered would be the additions to our Canadian revenue. Officers of my department have gone over those

estimates, and they are inclined to think that they are probably much closer to the truth than the estimates prepared the year before. This is partly due to the fact that the Newfoundlanders themselves have a closer acquaintance with local conditions and also that revenues were higher in 1947 than we had estimated and have risen still higher. I should like to place on *Hansard* a statement giving the comparative figures for the two years. The statement follows:

Heads of Revenue	Original Canadian estimate as in white paper October 29, 1947	New- foundland estimate
	1947	estimate
Personal income tax	\$3,200,000	\$6,183,000
Corporation income tax including withholding tax	7,500,000	7,500,000
Succession duties	320,000	100,000
Customs and import duties	2,000,000	3,415,000
Liquor taxes	400,000	602,000
Tobacco taxes	500,000	2,857,000
General sales tax	4,000,000	4,000,000
Miscellaneous excise duties, etc.	1,500,000	1,500,000
Post office	750,000	750,000
Bullion, coin, etc.	15,000	15,000
	\$20,185,000	\$26,922,000

If any of the revised figures for revenue were to be criticized I would be inclined to think that the personal income tax figure is on the high side. But as I have said, these can at best be but guesses and subject to errors which might well run into several million dollars. Moreover, they are based on present rates of taxes and are therefore valid just as long as the present rates are in effect. That is another reason why I hesitate to put them forward as indicating permanent sources of revenue over the long pull.

Then with regard to expenditures, first of all I would draw the attention of the committee to the fact that the figures to which some hon. members have referred and which were given to the delegation from the national convention were based on estimates of the cost of extending federal services to Newfoundland in a typical year rather than in a particular year. If hon. members will examine the table in the white paper that follows they will see that that point is brought out very clearly. Therefore, none of the temporary or unusual expenditures that might be expected at the time of union could be included.

That is one reason why the figures are quite different from the 1947 estimates. Let me put it another way. The 1949-50 estimates were made when most of the costs could be foreseen and provided for, whereas the 1947