

The other two-thirds would be for the use of the province for developmental purposes.... There are two other points about that — one is that the one-third, for eight years after we became a province, would have to be put in trust or it could be put on deposit with the Government of Canada drawing interest. And there is this point — the whole amount of the dollar surplus, and the sterling surplus if we can get it turned into dollars, can be placed on deposit with the Government of Canada for as long as we wish to leave it there, up to ten years. That must begin within one year after becoming a province; while there the provincial government would draw interest at the rate of $2\frac{5}{8}\%$ per year. One other point only needs to be drawn to your attention. No part of the surplus can be used to subsidise production or sale of Newfoundland products in unfair competition with similar products of other provinces. That does not prevent the Government of Newfoundland from helping industry by such means as development loans on reasonable conditions or by the ordinary provincial administrative services; it must not be a direct subsidy on similar products sold in competition with other provinces.

Mr. Butt Naturally, the question of the surplus did come up when the delegation was discussing these questions with Canada. I wonder if the delegation could tell us why any restrictions at all should have been put on the use of our surplus by the province, if we did become a province?

Mr. Smallwood The practice in the case of every province that joined the Canadian union was for the federal government to take over a certain share of the province's public debt and its the accumulated cash surplus and assets. In our case they have not done that; they have left the surplus untouched. They could, on all the precedents established by all other provinces, take over the cash surplus in an amount corresponding in principal to the amount of the debt taken over. They have not done that. They said they did not want to do so. In fact, they know that if we were to lose our surplus the people of Newfoundland would not consider confederation. So the surplus is left intact to us; but one-third of it is earmarked — not for them, but for us, for the ordinary purposes of provincial government for the first eight years. There is to be a whole review and reassessment of the position within the eight

years. In the eight years, one-third of the surplus is ours, but we must use it only in a certain way, for ordinary purposes, road building, if you like, or building hospitals; any purpose which we wish to spend it on. The other two-thirds is for developmental purposes. Subsection (2): Canada will pay to the Province of Newfoundland the following statutory subsidies:

(2) \$1,100,000 annually, in lieu of the various fixed annual awards, allowances and subsidies provided by statute from time to time for the Maritime Provinces or any of them, and in recognition of the special problems created for the island province of Newfoundland by geography and a sparse and scattered population.

That means only that the Government of Canada would pay to Newfoundland \$180,000 a year and also 80 cents a head of all our population, and that would increase as our population and scale of grants increased. And, secondly, would pay to our government \$1.1 million a year; and that is to take the place of certain statutory awards made to the Maritime Provinces. These statutory awards, as you undoubtedly know, are the Duncan-White award made to the three Maritime Provinces in 1927. Nova Scotia, I think, got \$1.3 million; New Brunswick, \$900,000; and Prince Edward Island \$300,000, I think, a year — according to the population of the province. These particular subsidies are perpetual: \$180,000 a year and 80 cents a head of the population — \$1,300,000 — these would have to be paid to the Government of Newfoundland every year, for all time; at least that much. I do not know if there are any questions to be forwarded to Canada on that.

Mr. Fudge I would like to ask Mr. Smallwood for what reason, if any, did you take the 1942 year population?.... We are told the population today is 320,000.

Mr. Smallwood They have a decennial census; the last census in Canada was 1942. All their financial statistics are based on their 1942 census; all their subsidy payments are computed on the basis of the 1942 population.

Mr. Fogwill I have not got that clear: \$180,000 a year and 80 cents a head — and the total amount would be the perpetual amount?

Mr. Smallwood That is right. Wait now! The \$180,000 is a fixed amount ... but the 80 cents a