

trustees for both, and their job is to administer that sinking fund. What they do is this: the government pays the 1% — £178,000 sterling — into the sinking fund. The trustees take that £178,000 and they go out on the market and go to John Jones and Thomas Smith or John Brown in England. John Smith is a man who has a Newfoundland bond. He owns that bond, he has paid for it, but he now wants to turn that bond into cash — he wants to sell it, so the trustees buy the bond from him, and they buy all the bonds they can get every year, up to the value of over \$750,000, up to £178,000 sterling. In other words, when the Newfoundland government pays the trustees that 1% every year into the sinking fund, the trustees use the money to buy those very bonds. Now when they buy them, they own them, and the position today is that the trustees have bought year after year more and more of our Newfoundland bonds. But these bonds were not cancelled.

Mr. Chairman That was what I was asking you about.

Mr. Smallwood Yes, sir. They were never cancelled. They are not going to be cancelled until 1963, when they will all be cancelled. They will all be cancelled then, but until then the trustees every year take that 1% and use it to buy Newfoundland bonds in England from anyone who wants to sell them.... Every year when the Newfoundland government pays interest on that £17 million sterling of our guaranteed stock, the interest goes to the bondholders. Who are the bondholders? No. 1, all the public of England who happen to buy those bonds. No. 2, the trustees of the sinking fund. There are two classes of bondholders now — the public and the trustees of the sinking fund. The trustees receive their interest every year. What do they do with that interest? They don't put it in their own pockets. They use that interest to buy still more bonds. All that income from the sinking fund, whether it be the 1% they get from the government, or the 3% interest on those bonds that they buy, all that income goes to buy still more Newfoundland bonds, so what is happening? What is happening is this: the sinking fund is growing every year. It is growing on the one hand, and on the other hand the number of public bondholders is falling year by year. Carry it on long enough, and finally our whole public debt would be owned by the trus-

tees, because they will have bought it in from the public. Is that good for Newfoundland or bad? That is the crux of the matter.... I claim it is a good thing to build up a sinking fund as much as you can, and have so much saved up to meet the whole principal when it comes due in 1963. Let us say they could have adopted half a dozen other ways of handling that sinking fund. The question is not whether that the right way, the best way, the question is who is doing the plundering, and how is the plundering being done?.... I for one am heartily sick ... of hearing statements made that the government — whom I do not like — is plundering and looting when it is not true and cannot be proved. I challenge any man to prove to us ordinary, simple-minded Newfoundlanders that the sinking fund of \$1.75 million was plundered out of this country. I say now, on the authority of this document which is the official answer of the government, that every year since 1938 the trustees of that fund have used that money to buy in Newfoundland bonds. The Newfoundland government is paying interest on the bonds the same as they pay any other bondholder, and that interest is used by the trustees to buy still more bonds and pile up the sinking fund and make it grow as fast as possible, so when it comes due in 1963 they will have a good sizeable amount accumulated in the sinking fund to pay over. I say not one cent has been robbed. Not one cent has been plundered. The statement has been made that Newfoundland has been plundered of \$1,730,000. It is a shocking statement.... If that kind of statement is allowed, and it has been going on for two years, you cannot blame the people for believing it, if it is not contradicted. There is as much truth in that accusation ... as there was in all the wild crazy statements that have been made in politics in the last 25 years about plundering, looting and graft. It is not made surely, without any sense of responsibility; surely not made in calm, reasoned tones or feelings, surely not. If Major Cashin can prove to us — he does not have to prove it, all he has to do is to give us a good case.

Mr. Chairman I want to remind members that we are not sitting as a court of judicature. We are a fact-finding body.

Mr. Smallwood I agree with your remark ... we are a fact-finding body. One of the facts is, has Newfoundland been plundered of \$1.75 million