

social services considerably, as well as our educational facilities. However, I feel that in view of the present necessity for these various services, that our people are not prepared to accept anything lower and again I express the opinion that the amount of \$15.5 million forecast by Mr. Smallwood is ridiculous.

Now let us see how this money can or will be raised in order to pay these expenditures. Let us review Mr. Smallwood's estimates of how this revenue is to be raised and see what deficit will accrue.

To begin with, let us set aside the \$3.5 million annual transitional grant, as it is not a continuous source of revenue; but in summing up the eight year period covered by Mr. Smallwood, we will take this transitional grant into account. The federal government of Canada agrees to pay to the provincial government an irreducible minimum of, say, \$6.2 million. In addition, we would collect approximately \$500,000 annually from various government departments such as Finance, Natural Resources, Post and Telegraphs, Public Works and Public Health. Also the Department of Liquor Control should show a profit of \$1 million, whilst the gasoline tax would give us an annual collection of \$1 million. Therefore our total revenue would be under the various headings as follows:

Finance	\$ 175,000
Posts and Telegraphs	87,000
Assessor	20,000
Education	60,000
Justice	30,000
Natural Resources	300,000
Public Works	500,000
Public Health	300,000
Board of Liquor Control	1,000,000
Gasoline tax	1,000,000
Can. govt. subsidy	6,200,000
Total	\$9,672,000

In addition to this amount of revenue aggregating \$9,672,000, we are to receive what is called a transitional grant of \$3.5 million yearly for the first three years of union; thereafter reducing itself by \$350,000 annually until the grant disappears at the end of the 12th year of union. The Grey Book tells us that this particular grant is given in order to help us along the road until adjustment of our sources of provincial revenue.

However, it will be seen that, for the first three years, when we add this \$3.5 million annual transitional grant to our revenue as outlined above, we will have a deficit of over \$6 million each year; that consequently after the third year, this deficit will increase by \$350,000 annually. These deficits for the first three years will be met in part, no doubt, by the application of the one-third of surplus which is to be set aside in trust as outlined in the Grey Book, section 9, sub-section (1)¹ — unless extra taxation is imposed on the people. Let us see what this will mean in the period of eight years which Mr. Smallwood has estimated his forecast to cover. It works out as follows: eight years' revenues, as already referred to, will amount to \$77,376,000. In addition, we will receive an amount of \$22,750,000 in transitional grants from the federal government, making a total, in all, of \$100,126,000. Now, if we take eight years of expenditures in administration of the affairs of the province and at the rate of not less than \$19.5 million, it will amount to \$156 million or a deficit of nearly \$56 million. This deficit will be met from the \$10 million trust fund set up at the beginning of union, whilst additional taxation of \$46 million will have to be imposed on our people in the form of direct taxation in order to pay our accounts.

However, Mr. Smallwood in introducing his so-called budget tried to avoid, and did avoid any reference to the introduction of any new taxation. He pointed out that the repayment of our loans to Britain would go against these deficits, but I want to point out that the repayment of these loans and the application of any other outstanding loans is not revenue, and it has not been devoted towards the repayment of loans which they borrowed, but it has been stuck in as revenue to bolster up the budget. When Mr. Hickman took Mr. Smallwood to task for including the repayment of the Housing Corporation advances and other advances outstanding since they were not regular revenue, and should not be shown as such, Mr. Smallwood replied by pointing out in so many words to Mr. Hickman, that whilst he was a good businessman, he did not understand public finance, and that the repayment of such loans would and should be considered as revenue. I want to tell Mr. Smallwood that he does not know what he is talking about — that he himself has had no ex-

¹Volume II:512.