

possible to have the British government take over this debt. Let me point out at this juncture that this debt is held in sterling funds and that the only benefit accruing to Great Britain with respect to dollars in this connection, is that the interest is paid to Britain in dollars, and it is for this reason that the United Kingdom government does not see its way clear to conceal the debt. They also told us that the matter of its conversion to a lower rate of interest has been under consideration by the Commission government for some time. Such a statement, in my opinion, is far from the truth, and I have no hesitation in saying that neither the Commission government nor the Dominions Office had any intention of reducing our debt charges until the matter was brought to their attention through the efforts of this Convention. Again I repeat what I have so frequently stated before, that all the efforts of the Commission government have been devoted to increasing the expenditures of the country in every branch of the service. The policies now being adopted and put into operation by the Commission can only result in the ultimate spending of all our treasury balances. No effort whatever has been made to curtail unnecessary expenditures, and each succeeding year for the past six years finds the maintenance of government consistently rising.

The Dominions Office informed us that upon the conversion of our 3% sterling debt to 2.5%, the sinking fund now lying to our credit in the Bank of England would be deducted from this particular debt. This sinking fund amounts to around \$7.5 million at the present time, and as there will be another payment made to this fund on July 1 next, the total amount will then be approximately \$8.25 million. It has been stated definitely in the Financial Report¹ presented to this Convention, that these annual sinking fund payments should have been deducted from the principal of our debt each year, as the monies were used for the purchase of our outstanding 3% stock. I say now, that by the manipulation of this sinking fund, Newfoundland has lost in the vicinity of half a million dollars, and that the decision of the United Kingdom government to use this sinking fund for the reduction of this sterling indebtedness is no concession on their part, but really an obligation which they should have carried out yearly since 1937-38. Neverthe-

less, by the conversion of this debt to 2.5% and the deduction of the sinking fund, the Newfoundland treasury will save in the vicinity of half a million dollars annually, and our total sterling debt outstanding will then be approximately \$63.5 million.

It will be seen from the memorandum we sent the United Kingdom government, and their memorandum to us, that the matter of the disposition of our interest-free loans to Britain was discussed. It will be observed that the United Kingdom government informed us that on the advice of the Commission government, it would not be prudent to use the balance of these loans for the reduction of our sterling indebtedness, as such monies may be required for development purposes. Neither would the United Kingdom government undertake to pay the Newfoundland treasury any interest whatever on these loans, although the treasury of Newfoundland today is paying 3% per annum on these very loans.

Our delegation took the position that these loans should be used for the purpose of reducing our sterling debt, and we pointed out to the United Kingdom government that we could not understand the attitude of the Commission in this matter. The Secretary of State had consistently pointed out to us that, owing to the shortage of dollars in Great Britain, they were not in a position to devote this money to the reduction of our debt; whilst on the other hand the Commission government had intimated that they might need the money for future development purposes. It can be seen how inconsistent the Commission government and the Secretary of State were, because to be of any use for development purposes in Newfoundland, this money would have to be converted back to dollars, whilst under the present circumstances it would not be necessary to find dollars for the purpose of reducing our debt, as this debt is principally held in the United Kingdom and our loans are now in sterling currency. The Dominions Secretary advised us that it would be a matter of policy for the future government of Newfoundland as to the disposition of this money, and this was concurred in by both Mr. Bradley and Mr. Keough. Five of us delegates took the position that it would be good business to use this money to reduce our debt, as it would mean a further reduction in interest and

¹Volume II:369.