

*Newfoundland*

could afford. They are schools established under this government system whereby the cost is provided by the central government.

**Mr. Bentley:** I thank the Prime Minister for his reply. I still think that the situation should be carefully watched and reviewed again. I believe the Prime Minister has been honest, honourable and sincere in his reply. I still do not think the system is as good a system as the Canadian provinces have.

**Mr. St. Laurent:** That will be a matter for the people of Newfoundland to settle themselves according to their views.

**Mr. Bentley:** But to this extent we are becoming a party to the agreement.

**Mr. St. Laurent:** The only thing to which we are becoming a party is the writing into the constitution of a guarantee that the rights of denominational schools not to be discriminated against will be preserved.

**The Deputy Chairman:** Shall section 24 carry?

**Mr. Macdonnell (Muskoka-Ontario):** No. I should like to ask a question on paragraph (a) of subsection 2 of section 24. As I understand it, the basis of this paragraph is that one-third of the surplus is set aside and is to be used to supplement income over the eight-year period.

**Mr. Abbott:** That was put in at the request of the Newfoundland delegation. According to last estimates, the surplus expressed in terms of Canadian dollars, will be \$26,243,035.06. That is being retained by the province of Newfoundland. In view of the difficulty of accurately estimating provincial revenues and provincial finances generally, the Newfoundland delegation felt it would be wise to insert in the terms of union a provision that one-third of the surplus should be kept during the period available for possible deficits in current operations. The remaining two-thirds is available for capital expenditure or development, or whatever may be desired. The representatives of Newfoundland themselves suggested that that condition should be inserted in the terms of union.

**Mr. Macdonnell (Muskoka-Ontario):** Am I right in assuming that a calculation was made, and that figures were available showing at what rate it would likely be used up?

**Mr. Abbott:** No; the figure would not indicate the rate at which it would be used up. It was contemplated that certainly in the early years there would be deficits, and it was believed that this sum at any rate should be held available for that purpose.

[Mr. St. Laurent.]

**Mr. Macdonnell (Muskoka-Ontario):** I do not wish to be persistent. Perhaps I might change my question somewhat. Were there or were there not figures, produced perhaps by the Newfoundland people themselves, which would have suggested that that amount would be in fact used up before the termination of the eight-year period?

**Mr. Abbott:** The figures submitted by the Newfoundland delegation during the course of the discussions did indicate that probably there would be deficits in the early years. I would not be prepared to say however that this one-third would be exhausted at a particular time; and I do not think the estimates submitted by the Newfoundland delegation would necessarily indicate that.

**Mr. Macdonnell (Muskoka-Ontario):** Again, if in fact—and this was my understanding—figures were produced showing that this would be used up in anticipated deficits before the end of the eight-year period, what would happen then?

**Mr. Abbott:** After all, two-thirds of the surplus is available for any purpose, including the taking care of deficits. It does not have to be used for capital expansion, or any other purpose. But it was felt by the Newfoundlanders themselves that, perhaps as a safeguard against a too rapid expenditure of this \$26 million surplus, at least one-third of it should be set aside for the purposes I have indicated.

**Mr. Hazen:** I suppose the public services referred to are those which would come within the jurisdiction of the provinces, under section 92 of the British North America Act. It would not include wharves or lighthouses?

**Mr. Abbott:** No; my hon. friend is correct in his assumption. What is contemplated here is a possible deficit in the early stages in provincial budgets, from the provision of services falling within the constitutional responsibility of the new province. It would not relate to services which have to be taken care of out of federal votes.

**Mr. Jackman:** I do not quite understand this provision. I presume, in the first instance, it is placed in the agreement at the request of the delegation from Newfoundland. No doubt there are different points of view in Newfoundland, and also different points of view in the delegation itself. Newfoundland finds itself in possession of \$26 million; and there is a fear on the part of some that whatever group formed the first government in the province might be tempted to spend the money all at one time.

What do these various provisions mean by way of restriction upon that possibility, if I am correct in my assumption? Does it mean