

in England today. There's going to be another \$5 million or \$6 million this year spent out of this surplus to pay for fish, that's \$15 million, consequently you have \$5 million left of your accumulated surplus in Newfoundland. Now the way road building is going these days, \$5 million is not going to increase it very much, and unless and until you got your sterling converted into dollars, and we have not been told in any of these terms here whether or not the Canadian government is going to convert this sterling back to dollars for us, I can't see how you can do much road construction with \$16 million in Great Britain and just \$5 million here in capital account, a lot of which will have to be taken probably for various other matters of capital expenditure.... That's the point I want to know, if there is any arrangement between the Canadian government, Newfoundland government, and the Ottawa delegation to the effect that all this money we have in sterling will be converted back to dollars, and when it will be converted; because if you have not got it converted you can't build many roads, because you have no surplus on your provincial budgeting, you have deficits.

Mr. Smallwood I appreciate the point made by Major Cashin, and the gentlemanly way in which he has made his point. Major Cashin and I are becoming like...

Mr. Chairman We will stop this commotion in the galleries right away. Members will please remember that this is an investigation of a very serious matter by the members of this Convention and no members, or anybody outside this Convention is entitled to participate in the debate at all, therefore we are not concerned with the approval or disapproval of any person in the gallery, and I don't want to hear any further commotion there. Go ahead, Mr. Smallwood.

Mr. Smallwood Mr. Chairman, as I said here on Monday, this where the note on page 2 says, "This assumes that the accumulated cash surplus of \$28 million has been converted into dollars and placed on deposit at 2 5/8% with the Government of Canada, and that an average of \$3 million a year is withdrawn during the first eight years of union for the purpose of development in Newfoundland."

Mr. Cashin Excuse me, in order to get 2 5/8% from Canada, you have got to convert it into

dollars. How is that going to be done? Is the Canadian government going to do it, or is the British government going to find the dollars when we become a province? Because you can't find it unless you convert it first.

Mr. Smallwood I agree that that is true. Major Cashin will understand, and he will appreciate the position I take, when I say that in view of his very well-known stand that we will never get back our interest-free loans from Britain, and that it will never be converted into dollars, that I feel like saying as little as I can humanly say on that point, as to how the sterling will be converted into dollars and by whom. I will say this, that I have no doubt whatever that our sterling, that part of our accumulated surplus that now lies in sterling or will lie in sterling at the time of union, will be converted into dollars; because, as Major Cashin points out, the Government of Canada agrees to receive on deposit from Newfoundland at 2 5/8% interest, only the part of the surplus in dollars.... It is important therefore, that the sterling be converted to dollars. I have no doubt, none at all, that that will be done. I don't want to say more than that, and furthermore I am not going to be forced to say any more than that.

Mr. Higgins May I go on? If Mr. Smallwood will not answer me maybe someone else will. I am still on this road question, and I would point out to you that the gasoline tax has been increased from the amount we figured it at, \$750,000, to \$1 million, that is \$250,000 more, and there is \$75,000 more on the items that I outlined a minute ago, and that \$325,000. I still ask Mr. Smallwood where are the roads coming from in four years, or eight years, to make that increase.

Mr. Smallwood Mr. Chairman, was Mr. Higgins not in the House when I said...

Mr. Hollett Before we go into that, as we have only one reporter, could we have a recess for a few minutes?

[Short recess]

Mr. Smallwood Mr. Chairman, I would just like to say a word or two in general about this question of roads. This year, on June 24, the Cabot Highway was opened.¹ This year they began to complete the road from Gander to Lewisporte, and the road from Corner Brook to Port-aux-Basques, and they had planned to con-

¹The Cabot Highway which ran from Clarenville to Bonavista was completed in June 1947.