

Newfoundland

hood of \$2,400,000. The minister can correct me if I am wrong. Surely he knows what the experience is in operating the Newfoundland railway even with the high freight rates and passenger rates which we heard about, and possibly a lower wage scale than we have in Canada. What has been the experience there in the last few years?—because in the nature of things it is not likely that there will be too radical a change in a short time. What is the deficit on the Newfoundland railway likely to be, if there is a deficit? It may be a profit, for all I know, but I want a figure on that. I want to know exactly what other items, including the cost of veterans allowances, will go to make up the figure of \$50 million more or less which will be the cost to Canada of the first year of operation. I have not said a word about the revenues, which are estimated on the basis of 1947, I think, because that was applying the tax laws as they existed in Canada at that time, and we, representing the people of Canada, surely expect that the tax rates will be much less, therefore the tax revenues will be much less. However, I will not ask the minister to make any estimate in that regard just now. If he would throw some light on how the \$50 million probable expenditures are made up I should be very grateful.

Mr. Abbott: That question is fair enough. I am afraid I cannot give the information at once. The reason I gave the round figure of \$50 million was that I asked the officers of the various departments to segregate the expenditures in the different departments relating to Newfoundland. The other day I asked what the total of these estimates would be and I was informed that it was something of the order of \$50 million or \$55 million. I have not the details here. I will get them. This discussion will probably go on for some time. The full detail of course will be set out in the special supplementary estimate to which I referred a moment ago, but I cannot give my hon. friend a breakdown of that here now.

The major item is the extension to Newfoundland of rehabilitation grants and other veterans benefits, which run to quite substantial sums of money. That is a major item in the increase. It may well be that the gross figure which I have given also includes an estimate for deficit on the railways but I shall have to ask my hon. friend to allow that to stand and I shall try to give it to him either tomorrow afternoon or certainly before the discussion finishes.

Mr. Fleming: Going back to my now familiar problem about the net result, the minister has now said that the total probable expenditures for a full year would be \$50 million to \$55 million. The Prime Minister

has indicated that the estimates of federal revenue in a year are, on the one hand, the Canadian estimate of \$20 million, in round figures and, on the other hand, the Newfoundland estimate of, shall we say, \$27 million, in round figures. This means that, with those figures, the net cost to the federal treasury through union would be a minimum of \$23 million per annum, and might run up to as high as \$35 million, based on the assumption of the continuance of the present scale of economic activity, and also on the continuance of the present scale of federal taxation. If, as we sincerely hope, there is a substantial reduction in rates of taxation this year, the anticipated revenue from Newfoundland would be reduced accordingly, and the net charge on the federal treasury would be increased accordingly.

Would the minister comment upon that? According to my arithmetic the figures of cost would be somewhere between \$23 million and \$35 million per annum.

Mr. Abbott: That is probably right. But, as the hon. member appreciates, those are estimates. If, in fact, the federal revenues from Newfoundland are of the order of \$20 million, and if in fact the federal expenditures in Newfoundland, of one sort or another, are of the order of \$50 million, obviously there would be some \$30 million paid out more than is taken in, in direct revenue.

My hon. friend is right when he says that. But I am sure he appreciates that in the early stages of union it is perhaps not a fair test of the ultimate revenue-producing capacity of Newfoundland, nor is the amount received in revenue at the outset a fair test of the value of Newfoundland, or the contribution it may make to the Canadian federation. I do not think we can do that—and I am sure my hon. friend was not suggesting that we could. I am simply pointing out that we cannot judge this entirely in terms of either estimates or dollars and cents.

Mr. Fleming: I agree entirely with what the minister says. I would not wish anyone to think that I am basing my judgment as to the advantages of union either to Newfoundland or to Canada on these figures which have been brought out this afternoon upon inquiry. However, this is a matter of some importance, and inquiries have been made with a view to eliciting essential information. On the other side, if we were thinking in terms of a ledger balance in respect of the union, of course we would have to take account of the economic advantages accruing to both sides as a result of the increased facilities for trade, and other similar advantages. It is a separate and distinct problem.