

provision for sinking fund. In 1947, as at 31 March, the interest payment was \$3,545,000, and it included a sinking fund provision of \$903,380. The point I am making is that there is a permanent and continuous benefit as at today of over \$2 million, the amount that we will not have to pay out for interest. If we had had that \$2 million which we were paying out prior to that time it would have made a very great difference to the future of this country. I suggest that on that point alone we ought to watch very carefully, because we now have a continuous benefit of something like \$2-2.5 million, and it is being reduced all the time. Further than that, it looks as if the sinking fund payment can be kept up for the foreseeable future. I am not going to try to define the foreseeable future, but we are reducing our debt by \$8-900,000 a year, and we only have to find, as at March 31, \$2.6 million against \$5 million in 1934....

Mr. Hollett Major Cashin, may I ask a question through you to Mr. Butt? What was the sinking fund provision in 1947?

Mr. Butt The sinking fund provision for 1947 was \$903,000.... The real point is that we have a continuing benefit.

Mr. Cashin I think I ought to further explain this sinking fund. When the Financial Act was passed in 1933 the sinking fund was to be paid in 1937, amounting to 1% of the total sterling indebtedness. The total sterling indebtedness is £17,790,000, therefore the annual sinking fund amounted to £177,950, or in dollar exchange (at that time it was \$4.80) it amounts to \$854,160, but the point I am trying to make is this, that each year the sinking fund went across to Great Britain. It was invested, as we are told in the Auditor General's report at any rate, in the actual payment of the debt. In other words they got it in, but the following year that amount was not taken off the principal. I agree with that to a point, but the following year we sent over more money paying interest on the debt we had redeemed, and what is the result? Today I estimate, sometimes I make mistakes, but I estimate that Newfoundland has lost \$1 million on that sinking fund loan during the past ten years, because if you take £177,000 and compound it annually at 3% you will find that if you work it out at present dollar exchange it will go over \$9 million.... In all, we have paid in sinking fund approximately \$10

million, that is if you include interest on it, but we have only got the benefit today of \$8.5 million on the other side, consequently Newfoundland has lost by the handling of that sinking fund \$1.5 million since 1937.

Mr. Smallwood Would you take that step by step and explain, if that is so?

Mr. Cashin Take down £177,000 yourself and figure it out for yourself, because you don't believe what I tell you. Somebody take it down. £177,000 at 3% annually, and compound it for ten years, and find out what it is and check it with the present sinking fund in London, and see where you are. I have gone to the trouble to do it, and I have had it checked by the bank, and I think I am fairly accurate. I state now that we have lost \$1.5 million.

Mr. Smallwood Not the mathematical total of it, but in principle, how did we lose \$1.5 million? If we have, it sounds like a crime that has been committed against the country. Has this country been robbed?

Mr. Cashin I don't say it has been robbed.

Mr. Smallwood But it has been done out of \$1.5 million. Will you explain it?

Mr. Cashin All right, I will explain it to you. You have a note agreement for \$1,000 and at the end of the month you pay \$100 and you renew it for another month. Is the bank going to charge you interest on \$1,000 when you go to pay it the next time? No, on \$900, but we have been paying it out, sending the actual interest on the sinking fund over to England. I will explain in my opinion what is happening: the money was sent across to England and it bought in our principal; when it went over the next time they were not able to buy it in, and they did not invest the sinking fund to bear interest, and that's where we lost money, and they did not reduce it from the principal. You can take these estimates for the last ten years and under the consolidated fund services you will find that the 3% guaranteed stock for this amounts to £17,790 to date.... I hold that when that stock was bought in, that the next year when we bought in £177,950 worth, it should have been deducted off here, and that's where I say we lost \$1 million at least.

Mr. Smallwood Well, is this the picture? To put it very simply, we will say I owe \$1,000, say I borrowed \$1,000 from you...

Mr. Cashin You couldn't. I haven't got it!