

Newfoundland

of the transitional grants was increased in the interval between 1947 and 1948 for the purpose of making the terms of union more acceptable to the people of Newfoundland, and perhaps to meet some of the opposition that had been encountered there towards confederation.

I should like to ask the Prime Minister if he is in a position to give to the house now up-to-date figures as to the probable net result to the federal treasury of union based on the figures on pages 70 and 71 as varied, first by the increase in the transitional grants, and, secondly, by any possible changes arising from the use of 1947 figures as basic. It may be the government is in a position to give us more recent figures than those used here.

Mr. St. Laurent: I should not like to attempt to go into the details of those calculations. Those estimates that were made are contained in this annex 4. They were rough estimates and it was found that, in many respects, more precise information could be supplied than had been available in 1947. It was found that, in order to leave the provincial government in a position to carry out its responsibilities and give to the people of Newfoundland services that would be progressing up to the scale of services provided in other provinces, without imposing taxes which it would not be practical to try to make effective at once, additions in the transitional grants were required. It is because of that feature that those increases in the transitional grants were provided.

I think the Minister of Finance and his officers did make calculations before recommending to the committee the reasonableness of the proposals, and I think he would be in a much better position than I to give my hon. friend such information as his officials were able to obtain.

Mr. Abbott: As the Prime Minister has suggested, perhaps I might follow that up, Mr. Chairman. When the first delegation was here discussing terms of union, certain figures were made available as to the probable revenues in Newfoundland. It was on the basis of those figures or estimates that the original financial proposals were made.

Following the holding of the plebiscite and the arrival of the new delegation a good deal of additional work had been done with respect to the probable revenues and expenditures in Newfoundland. The Newfoundland delegation had retained the services of a very capable accounting firm. A careful analysis had been made of the probable revenues in Newfoundland and an attempt was made to forecast a probable provincial budget. As the committee will appreciate, it was rather difficult to do that because of the difficulty

of assessing the extent to which the federal services would accomplish what, in the past, had been done by the province, and just how much would be carried on by the province. That was, of course, on the expenditure side.

On the revenue side of a proposed provincial budget, it was necessary to take account of the fact that union would effect a rather revolutionary change in the tax sources of Newfoundland. Up to the time of union, the major sources of revenue were sources which either were exclusively within the purview of the federal government or would be shared by the federal and provincial governments. The major source of revenue in Newfoundland has always been the customs duty. This revenue would no longer be available to the new provincial government. Income taxes, corporation taxes, succession duties and the like are fields that are shared by the two governments. The difficulty in assessing what the revenues would really be was considerable.

It was, of course, realized by the Newfoundland delegation and by the Canadian delegation that it would be possible and necessary to develop new sources of revenue, in the light of those which are utilized in other Canadian provinces, but that inevitably it would take some time to develop those sources of revenue. For that reason, it was decided it would be necessary to increase the transitional grants which, as the committee will have appreciated upon looking at the terms of union, commence at the figure of \$6.5 million for the first two years and diminish to nothing at the end of the twelfth year.

It was upon that basis that these additional transitional grants were arrived at, and that was the consideration which prompted the Canadian government to recommend these increased grants. The Canadian government felt they were fair and were necessary in order to enable the new provincial government to have a reasonably adequate budget to provide a scale of provincial services necessary in the new province.

Mr. Fleming: I appreciate the real difficulty in arriving at very precise estimates of the probable revenues and probable expenditures in a situation like this, which has some novel features about it. If the minister would be kind enough to clarify this matter, I should like to ask him whether my understanding of the situation is correct in so far as the net cost to the Canadian treasury is concerned. The anticipated total annual revenue from all sources after union, which will include the personal income taxes, corporate taxes, succession duties, customs duties, import taxes, as well as all the other forms of taxes which