

Newfoundland

that one-third of the money will be available to the first provincial government in Newfoundland, at the rate of one-eighth per year, or can they draw it all in one year for expenditures on current account, to facilitate the maintenance and improvement of Newfoundland public services? Then, paragraph (b) states that they may draw two-thirds for either capital or current expenditures. I do not understand exactly what paragraph (a) means. Is there a restriction that they can draw only one-eighth of one-third of this surplus each year, or what is the meaning? How does the restriction work out?

Mr. Abbott: There is no limitation such as the hon. member has suggested. The only limitation, and the only effect of subsection (2) (a), is that the one-third of the surplus to which I have referred can be used only during the eight-year period for the purpose of meeting possible current deficits. It could all be used in the first year, if that were desired by the provincial government. There is no requirement that it be spread over that period.

As my hon. friend will realize, this was not a section in which Canada was primarily interested. We had no objection to it, of course; but we had no special interest in it.

Mr. Jackman: The only restriction is that one-third of the money must not be used on capital account during the first eight years.

Mr. Abbott: I think that is a correct statement of the fact.

Section agreed to.

Sections 25 and 26 agreed to.

On section 27—*Tax agreement.*

Mr. Drew: Mr. Chairman, I again earnestly seek to impress upon the Prime Minister the desirability of giving consideration to the effect of the last part of section 27 (2). As he pointed out, the limitation on the review of a tax agreement would relate to the exercise by Newfoundland of the option to have its tax payments cover a period of eight years.

To simplify the explanation given by the Prime Minister, it would seem to me that what he suggested was that, if Newfoundland was to have the advantage of this longer period of subsidy payments, it should not be open to them to have a reconsideration. I believe that argument might conceivably have some validity, if the payments over the eight-year period were on a higher level than in the shorter period. But the fact is that the subsidy payments are at the same level for either period.

That being so, it does not seem to me that Newfoundland gains anything more or gets anything less by extending the period. It seems to me Newfoundland should be in pre-

cisely the same position as any other province, at the time these tax agreements would ordinarily terminate, to have their position reviewed along with the others. I would think that, although at the present time they might take the eight-year option, the inclusion of such a limitation might well cause difficulties at the end of three years.

I would remind hon. members that in spite of the repeated suggestions outside, and the suggestion made not so often in the house since I have been here, that it was only the province of Ontario, with a certain amount of support from the province of Quebec, that objected to the tax proposals, the fact is that the premier of Nova Scotia, at the time the Nova Scotia legislature was finally called upon to accept these terms, made it perfectly clear that the government of that province would not renew the present tax agreement. He made it perfectly clear that there must be a review of taxation, or there would be no continuance; and that he was doing it only as a temporary measure. I believe the premier of Alberta has been equally clear in the matter, stating that the present arrangement is not satisfactory from their point of view. To use the exact words of the premier of Nova Scotia: The government has not seen the last of my bonnets and me.

That being so, I think it is only inviting unnecessary dispute and discussion at the end of the three-year period the agreements will have to run for those provinces which have signed them if, in the terms given to a tenth province, there is a limitation which would apply to their acceptance of a longer period. I would point out to hon. members that it is unlikely such an option would have been included, unless there had been a suggestion that it was desired. Obviously there must have been something to suggest this different arrangement with Newfoundland, and there would seem to be some likelihood that this option will be exercised. If it is exercised and if we are to take the word of Premier Macdonald and Premier Manning of Alberta, to say nothing of the fact that at the time there was such a discussion the other provinces would be considered, then I think it is most important that the province of Newfoundland should be free at that time to discuss without restraint or restriction the revision of their relationship with the dominion government in regard to the adjustment of taxes.

Mr. St. Laurent: The leader of the opposition suggests that Newfoundland should be in the same position as the other provinces. They can be in that position if they so wish. It was represented to us that three years was not a very long period and that the transi-