

Newfoundland

tional requirements would not have been covered. It was thought that for greater security they might want to be sure that for at least eight years they could have the terms of the tax agreement. We told them that, if they wished to have that, they would have the option of taking it; but if they took the security, if they made a bargain for eight years, it would be a firm bargain. We did not think that we should give them the right to have it extended for a period of eight years and also give them the benefit of having it revised if we were making any other kind of agreement with any of the other provinces.

We said: If you want a firm deal for a period of eight years we will not ask you to take an option, but after you have a government with a legislature to which it is responsible and that government and that legislature wish to have a deal made in a firm fashion for eight years, we will not object. If, however, you make a deal for eight years, you should realize that you will not be entitled to a review. They said: Does that mean that there will not be any possibility of making a revision? We told them: There will not be any right to require a revision to be made, but if it is felt at that time that one is in order it can be made, provided the government of the day takes the responsibility of recommending the modification to parliament.

The leader of the opposition knows that, under the present tax agreement with the seven provinces, if something is granted to one as a right it is acquired by the other six. That is the thing against which we provided by this option. We said: If you want to make a firm agreement it will be the kind of agreement that will not automatically give you what any other province may get under a new bargain. It may very well be that if my hon. friends are over here or if we are still here, another arrangement might be made with the provinces which would also extend to Newfoundland, and the government of the day would take the responsibility of recommending to parliament the consequential appropriation. It seems to us that if the new government of Newfoundland, responsible to its legislature, wanted to make a firm contract for a period, it should be a firm contract.

The Deputy Chairman: Shall the section carry?

Mr. St. Laurent: May I supplement the information that I gave about schools. I have been informed that, under the legislation as it exists in Newfoundland, compulsory attendance is required by children of school age, but if a child is not of the same denom-

[Mr. St. Laurent.]

ination as the school he does not have to remain in the school while religious instruction is being given.

Mr. Knowles: What are you carrying, the whole section or just the subsection?

The Deputy Chairman: Section 27, tax agreement.

Mr. Abbott: We have completed the purely financial sections and I had hoped that it might be possible to conclude those and pass on to some others in order that I might attend a meeting of treasury board which I arranged for this afternoon. I think there is another section under which the railroad could be discussed. If that meets the convenience of the committee, it would be an accommodation to myself.

Mr. Knowles: That is quite satisfactory to me provided you do a good job at treasury board, particularly on behalf of the superannuated civil servants. I would be glad to ask what I want to ask under section 31 or section 37.

Mrs. Strum: If the existing schools cannot accommodate the pupils and new schools are required on the island, what provision will there be for needed educational facilities?

Mr. St. Laurent: Nothing in this provision would hamper in any way the legislature of Newfoundland in establishing as many new schools as the condition of the province would require.

Mr. Castleden: Subsection 1 of section 27 reads:

The government of Canada will forthwith after the date of union take an offer to the government of the province of Newfoundland to enter into a tax agreement for the rental to the government of Canada of the income, corporation income, and corporation tax fields, and the succession duties tax field.

Subsection 4 reads:

The government of the province of Newfoundland shall not by any agreement entered into pursuant to this term be required to impose on any person or corporation taxation repugnant to the provisions of any contract entered into with such person or corporation before the date of the agreement and subsisting at the date of the agreement.

Does that mean that, if the federal government wished to enter into an agreement with the province with regard to income or corporation taxes, they would be prevented from doing so if no corporation or income tax were imposed at the present time?

Mr. Abbott: I answered that question yesterday in indicating that when Newfoundland becomes a province of Canada its residents will be subject to Canadian law, including the taxation law.