

Mr. James said that he is not suggesting that better financial arrangements should be forthcoming, but rather he is asking for technical assistance in the business of raising, by means of taxation, the rather substantial new amounts which he believes would be required by the provincial government. He agreed that, on the face of the figures used in Ottawa, the provincial budget would be balanced for all practical purposes. On the other hand, he is inclined to think that our estimate of revenue remaining to Newfoundland may be a bit inflated and that the delegation's estimate of expenditure is distinctly on the low side. The latter condition, Mr. James says, arises out of the fact that no account has been taken of the items listed under the heading Reconstruction Expenditure. These items, he pointed out, are paid out of current revenues in Newfoundland, and many of them would inevitably be continued into the post-union period. He mentioned, by way of example, the construction of school buildings, loans to the fishing industry, expenditure on the development of the fisheries and of rural areas, construction of roads and public buildings (particularly hospitals, some of which are still under construction) and further loans to the St. John's Housing Corporation to complete work already under construction. He also made the point that the Newfoundland provincial government, unlike the existing provincial governments, would have to meet the cost of such essential and expensive services as education, public health and road construction almost entirely unaided by local government.

In connection with the Housing Corporation, Mr. James remarked that, since the Newfoundland Government had found it necessary to curtail its outlay for housing, the Corporation has frequently been on the point of resigning. He is inclined to think that they are keeping themselves in being largely in the hope that the Canadian Government will find a way to afford them financial assistance.[. . .]

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Mr. James' main point is that, no matter how much one may reduce expenditures, a certain number such as those he mentioned would inevitably have to be carried on by any Newfoundland Government, be it an independent government or a provincial government. He did not suggest how long such expenditures might be expected to continue but he felt that the sum total involved would likely be such that the provincial authorities should have adequate taxing machinery at their disposal from the start for the purpose of raising new revenue.

I told Mr. James that I felt sure that the Canadian Government would be prepared to provide technical assistance of this kind. At the same time, however, I endeavoured to emphasize that the responsibility for any measures adopted would rest entirely with the provincial government.

With respect to Mr. James' main point regarding the inadequacy of the revenue in view for the provincial government, I did not feel disposed to question the position he had described. I did think, however, that I should go so far as to hint that, when considering the question of a provincial budget in Newfoundland, we on the Canadian side had not simply accepted the delegation's estimate of expenditure on faith but had done some figuring of our own as a means of checking their appraisal of the situation.[. . .]