

on an agency fee basis but which are owned by the Newfoundland Government rather than by the Railway?

5. At the time of union there may be owing to the Newfoundland Government tax arrears of the order of about \$1,000,000. (a) Under the terms of a tax agreement, Newfoundland would presumably be entitled to these arrears. (b) Would it be necessary for the Newfoundland Government to maintain a Provincial Assessors Department to look after the collection of these arrears or could the present Assessors Department, which Mr. James anticipates would be absorbed into the Department of National Revenue, do this work? In this case, apportionment of revenue accruing to Newfoundland would perhaps be merely a matter of bookkeeping.

6. Would the terms of a tax agreement allow the Newfoundland provincial government to collect the 5% royalty on the operations of the Labrador Mining and Exploration Company which is provided for in the agreement between the Newfoundland Government and that Company? The royalty in this case is calculated as a percentage of the net profit.

7. The Newfoundland surplus remaining in dollars is now something less than \$12,000,000. This amount will probably be further reduced by several million dollars this year as a result of the financing of fish sales to Europe. In this connection, the sterling which is accumulating in London to the credit of the Newfoundland Government is being held in a blocked account, and it is tentatively understood that it will in due course be applied to the paying off of a portion of the 3% 1943-63 stock. Furthermore, a substantial portion of the Newfoundland surplus is held in London as an interest-free loan. The Newfoundland provincial government would desire to possess as much as possible of its surplus in dollars. (a) If the United Kingdom Government were to write off a portion of the 3% 1943-63 stock equivalent to the amount of blocked sterling lying to Newfoundland's credit in London, would the Canadian Government pay this portion of the debt to the Newfoundland Government in lieu of assuming it as an outstanding liability?

8. With reference to Clause 14 of the terms, is there any question that a Royal Commission would be appointed at any time within the eight-year period that circumstances would seem to warrant it?

9. Could the fishing industry expect to receive assistance from the Canadian Government in the form of loans or as might be necessary to facilitate the sale of Newfoundland fish in European markets?

10. It appears that the Newfoundland provincial government will be unable from the outset to balance its budget. The gap between revenue and expenditure is difficult to estimate but, in Mr. James' opinion, it is likely to be considerable. It would therefore be essential that the provincial government should have at its disposal from the outset effective means of raising additional revenue by taxation. Administratively the raising of new revenue by taxation in Newfoundland would appear to be extremely difficult. It would therefore be highly desirable that the Canadian Government should make available to the Newfoundland Government at the earliest practicable date the advice and assistance of taxation experts who would help the Newfoundlanders to work out methods of raising revenue.

Mr. James said that he feels that points 5 (a) and 6 are clearly provided for in