

- (a) statutory subsidies comparable to those payable to the Maritime Provinces;
- (b) a transitional grant payable annually on a declining scale over a twelve-year period, beginning at \$6,500,000 for the first three years, declining thereafter for five years by \$850,000 yearly, and for the next four years by \$350,000 yearly, when payments cease;
- (c) since it was impossible to predict accurately Newfoundland's financial position after it had become adjusted as a province, a Royal Commission is to be appointed within eight years of union to enquire what additional financial assistance, if any, Newfoundland will need to enable it to continue services at levels and standards reached after Confederation without being compelled to resort to taxation more burdensome, having regard to capacity to pay, than that prevailing generally in the Maritime provinces.

Fisheries Administration

A further difficult problem encountered in the negotiations was that of fisheries administration, which under the British North America Act falls under federal jurisdiction. Within the past ten years Newfoundland has organized a comprehensive system of controlling, by means of a Fisheries Board, the exports of salt fish, its main fisheries product. This system of marketing is quite unlike that for fisheries exports elsewhere in Canada, although somewhat similar to that for marketing certain agricultural products. It was believed that the system has tended to stabilize the Newfoundland industry and its sudden abolition would disorganize the industry. Accordingly, after prolonged negotiations, it was agreed that the system should in general be permitted to continue for a five-year period, except that the Newfoundland Fisheries Board would be a federal board under the federal Minister of Fisheries and the Governor in Council to the extent that it is presently under the Newfoundland Commissioner of Natural Resources and the Governor in Commission.

Other Problems

A wide variety of other problems was also encountered during the negotiations, among them: (1) the problem of setting up a provincial government and legislature along the lines obtaining in other provinces; (2) the application of Canadian laws to Newfoundland; (3) protection of private rights existing under Newfoundland copyright and patent laws; (4) protection of existing rights of religious denominations to administer their own schools and to participate in public funds for education without at the same time preventing change, should the denominations concerned so desire; (5) the substitution of the Canadian "pay-as-you-earn" system of taxation for personal and corporate income, for the existing system in Newfoundland of payment in the year subsequent to receipt of income.

Extension of Federal Services

A further problem with which the Department has necessarily been concerned has been that of facilitating the extension of federal services to Newfoundland at the date of union. For many departments of the Canadian Government this will mean establishing partial staff in Newfoundland before union, or training staff on the spot or in Ottawa, and making other tentative arrangements to begin operating immediately after Union. In the main this is the problem of the various departments directly concerned, but the Department of External Affairs, as the department in charge of relations with other countries, had a responsibility for ensuring that satisfactory and co-ordinated arrangements should be made, before union, for the extension