

Hotel, Posts and Telegraphs, and Broadcasting. Others, such as the Railway, Civil Aviation and War Pensions, would involve a considerable financial drain. The Provincial Budget will obviously be under strain and Canada should be asked for an assurance that in the event of delay in transfer owing to purely administrative difficulties and to the number of problems to be handled, the Dominion would be prepared to accept some financial responsibility for transferred services before the actual date of transfer. This would involve an agreement by Canada not to insist on too literal an interpretation of the phrase "after it is taken over" in the first sentence of paragraph 5.

The financial basis of transfer would need consideration. Presumably Canada would take over from the date of transfer all assets, outstanding claims (except title to repayment of loans and advances under paragraph 10) and outstanding liabilities, provided there were no evidence of deliberate deferment.

Pending a settlement of this question, Newfoundland departments are in a difficulty about incurring commitments on services liable to be transferred, and it would be helpful if an early understanding could be reached and communicated to Finance Department.

6. *Trade*

Under Confederation Canada will gain

(a) by increased outlets for her products arising from the removal of customs duty on Newfoundland's imports of Canadian goods; and

(b) by an increased contribution of U.S. dollars from Newfoundland to the Canadian Foreign Exchange Control Board arising from the reduction in imports from the United States of America which may be expected to follow from (a). These matters are only indirectly the concern of Finance Department, but they are worthy of mention as good bargaining points.

7. *Date of Union.*

The date of union will presumably be decided on political and other factors, including the exigencies of the United Kingdom and Canadian parliamentary timetables. Subject to allowing adequate time for final negotiation of the terms, there can be little doubt that the country's interests require that every effort should be made to shorten the present period of uncertainty. In considering this question the Delegation may like to bear in mind the following financial factors.

From the standpoint of Government finance, the most convenient date would be 1st January, because Supply has already been voted up to 31st March, 1949, and the three months' interval would afford the Provincial Government time to prepare estimates for the full year. But that is impossible, and the choice evidently lies between 1st April and some later date. This would entail some special machinery for the provision of funds to cover the period before the elected Provincial Government can vote Supply. This may be done either by

(a) the outgoing Government voting a lump sum to cover a limited period; or

(b) the issue by the Governor of Special Warrants under the Consolidated Revenue and Audit Act; or

(c) a combination of (a) and (b). Any of these alternatives would be practicable, but would involve some loosening in the control normally exercised over