



solvency during the early years of union and to permit the province to undertake a developmental programme to bring it more into line with existing provinces.

Provincial Revenues

With regard to provincial revenues, at union, Newfoundland will give over to the Canadian Government its three main sources of revenue. the customs tax and (assuming a tax-rental agreement with the federal government) personal and corporation income taxes. These three sources currently account for some 85 to 90 per cent of Newfoundland's revenues. On the other hand it would appear that the current expenditures of Newfoundland as a province will be reduced by union to only about half the present figure. Although in time new sources of revenue can no doubt be developed, the new province could not be expected to develop new sources over night, especially in view of its lack of highways, tourist facilities, and other revenue-producing assets developed in other provinces. Clearly, some sort of transitional arrangement to enable Newfoundland to reorganize its fiscal system as a province was necessary.

The arrangements finally worked out during the negotiations of 1947, and confirmed with important modifications in the negotiations of 1948, were three-fold. They provide for the following: