

[ANNEXE 8 À LA PIÈCE JOINTE/SUB-ENCLOSURE 8]

SECRET

July 27, 1948

SECOND CONVERSATION WITH GOVERNOR AND
COMMISSIONERS POTTLE, QUINTON AND WALSH

Mr. MacKay said that he had formed the impression that to decline to accept Newfoundland or even to say that Canada would like to have Newfoundland as the tenth Province but that it was nevertheless felt that it would be best to have a Responsible Government in Newfoundland with which to negotiate the terms, would be to invite a very serious situation. The Governor said that he agrees with this estimate of the position. He said that no matter how tactfully the Canadian Government might put a negative reply it would be understood by the great majority of the Newfoundland people simply to mean that Canada didn't think Newfoundland's vote was good enough and most of the people would feel it as a terrible rebuff.

The Governor said it is true that if Confederation is proceeded with there may possibly be some trouble but if there is it will be the work of a few political agitators. This could happen no matter how large the majority in favour of Confederation might be. If there should be trouble, it will be the Newfoundland authorities who will have to deal with it in any case and they on their part are prepared to face any possibility of such trouble occurring.

To decide not to go ahead with Confederation would, in the Governor's opinion, result in even worse trouble for the Newfoundland Government. The country in his view would be far worse divided by such a development than by a firm decision to go ahead with Confederation.

The vast majority of the people of Newfoundland are not at all concerned about the constitutional question of which the die-hard advocates of Responsible Government are now making so much. Nor have the leaders got the support of very many of the Responsible Government supporters at the present time.

Mr. MacKay raised the question of whether or not there might be unemployment in St. John's this winter which would have a bad effect on the situation. It was replied that there is always a certain amount of seasonal unemployment in St. John's during the winter and it is impossible at this point to tell whether or not it would be worse this winter than normally. It was at the same time felt that anything that could be done in the transitional period to alleviate any hardship which might exist would be extremely helpful. For example the Canadian tariff, etc. might be made to operate in such a way as to give Newfoundlanders the Canadian price for flour. Likewise Family Allowances might be paid in advance of the date of union. Legal difficulties might be overcome by some system of repayment.

It will be important, the Governor said, to have a forthcoming and fairly full statement made by the Canadian Government at the time that their decision is announced. The statement should give the impression that the Canadian Government expects to discuss with the Newfoundland delegation some matters of substance which will be of importance to Newfoundland even though these matters would not affect the main financial provisions or reopen the terms *de novo*.