

growers had forwarded new proposals for increased government assistance.

In the circumstances, however, it was not felt that the government should go beyond the original proposal, approval of which was now recommended.

(Agricultural Prices Support Board memorandum, undated - Cabinet Document 749)

17. The Cabinet, after discussion, agreed that the proposal submitted at the meeting of September 29th on behalf of the Minister be approved and that an Order in Council be passed authorizing the Agricultural Prices Support Board to proceed accordingly.

Newfoundland discussions;
report of Cabinet Committee

18. The Acting Prime Minister, reporting on discussions between the Cabinet Committee and the Newfoundland delegation, stated that the principal financial problem involved in the negotiations would require early consideration.

It was now evident that a provincial government in Newfoundland would not be able to function on a reasonable basis without some modification of the financial conditions of the proposals made by the government in 1947. The delegation had submitted a statement indicating a \$10 million annual deficit in the provincial budget under the 1947 proposals.

This gap could be reduced somewhat since it was based on an under-estimate of about \$1 million in the payment to be made by the federal government under a taxation agreement. Capital development expenditures amounting to some \$2½ million might also be separated and financed out of the provincial surplus or by borrowings. And other expenditures might be reduced slightly, leaving an over-all gap at about \$6 million. Of this a provincial government might be able to obtain between \$2 and \$3 million through a sales tax if an adequate system of collection could be devised. It was quite clear, however, that a substantial deficit would still remain. In the circumstances, unless some substantial additional assistance were forthcoming from the federal government, it was likely that negotiations would have to be broken off.

It was fully recognized that any substantial change in the federal proposals would create a difficult situation for the government particularly, vis-a-vis, the Maritime provincial governments.

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