

92. Mr. Smallwood felt that Canada would be prepared to give favourable consideration to a request of this nature but not if it was founded on the contention that Newfoundland's "fiscal needs" were such as to warrant an increase in the Grant. The Federal Government of Canada has consistently refused any requests from the Provinces for additional monies for the express purpose of meeting their fiscal needs and would undoubtedly adopt the same attitude towards Newfoundland. True, in some cases Provinces have received additional grants from the Government for this reason, but the purposes for which the grants were made have been so well camouflaged in the Annual Estimates as to defy detection and the Federal Government has exercised every precaution to conceal the fact so as to avoid trouble with other Provinces. If the delegation is to be successful in its negotiations in this respect, it must devise some formula or present some argument in support of its request which is apparently applicable to Newfoundland only, although, in fact, it need not necessarily be.

93. The Chairman considered that the argument already given in Clause 13 for the present scale could be applied with equal accuracy and force to any increase therein, i.e. "to facilitate the adjustment of Newfoundland to the status of a province and the development by Newfoundland of revenue-producing services."

94. Mr. Bradley was of the opinion that a strong case for increasing the Grant in the first year of Confederation, at least, was to be found in the statement of the Secretary for Customs that Customs revenue had been decreasing at a high rate due in part to the hesitancy of local importers to import goods in the usual quantities because of the Confederation issue. (See Minute 39). Equally strong arguments could be advanced in favour of an increase in the Grant for other years, some of which the delegation had already discussed.

95. The Chairman said that the delegation's hand would also be strengthened considerably if it could be shown that the figures of revenue and expenditure set forth on page 16 of the Grey Book were incorrect and that, in actual fact, the Government of Canada would spend less money in Newfoundland and receive more money from Newfoundland than was estimated. This view met with general approval. As far as Canada's expenditures in Newfoundland are concerned, the delegation had already discussed ways and means whereby these could conceivably be less than estimated. With regard to revenue received by Canada from Newfoundland, it was difficult at present to ascertain the true situation. The only figures available on the matter were those prepared by the Canadian Government which various members were not prepared, *ipso facto*, to accept as correct. It was agreed that these figures would have to be thoroughly checked before further progress could be made along these lines.

96. Mr. Smallwood doubted that the situation envisaged by the Chairman in Minute 95 above, even if it could be substantiated by irrefutable evidence, would carry much weight with the Government of Canada as regards increasing the Transitional Grant. Other members of the delegation, however, felt that, whether it would or not, it would at least dispel the belief, so widely held throughout Canada and elsewhere and which well may place the delegation at a decided disadvantage in its subsequent negotiations, that Canada is being extremely generous to Newfoundland in the terms of Confederation which it has offered to us.