(Chairman); F. G. Bradley, K.C.; Chesley A. Crosbie; Philip Gruchy, C.B.E.; J. B. McEvoy, K.C.; J. R. Smallwood; and Gordon A. Winter. Of these Mr. Bradley and Mr. Smallwood had been members of the delegation the previous year.

This delegation arrived in Ottawa on October 6, 1948, and negotiations were begun with a committee of the Cabinet consisting of the following: the Acting Prime Minister, Mr. St. Laurent; the Minister of Trade and Commerce, Mr. Howe; the Minister of National Defence, Mr. Claxton; the Minister of Finance, Mr. Abbott; the Minister of National Revenue, Dr. McCann; the Minister of Veterans' Affairs, Mr. Gregg; the Minister of Fisheries, Mr. Mayhew; and the Secretary of State for External Affairs, Mr. Pearson.

Problems of Finance

Throughout the negotiations, both in 1947 and 1948, the basic problem was that of including a country, which had developed separately, within a matured federal system. The most difficult aspects of the problem were financial. On the one hand, Newfoundland could not be expected to come into Confederation unless there were reasonable assurances that it could carry on financially as a province. On the other hand, it was obviously desirable that, as nearly as possible, financial arrangements for Newfoundland should fit into the prevailing system of financial relations between the federal government and the provinces. Although all financial questions concerning union were closely inter-related, they can perhaps be most usefully examined under two heads: (a) the disposition of the Newfoundland surplus; and (b) the problem of provincial revenues.

Debt and Accumulated Surplus

At Confederation Canada took over all the debts, the liquid assets of the provinces, and, without payment to the province concerned, all public works in those fields in which jurisdiction came under the federal authority. A debt allowance was, however, provided for each province on approximately an equal per capita basis. If the colony's debt was less than the debt allowance, the new province was to receive interest on the difference. If the debt exceeded the debt allowance, the province was to pay interest on the difference. Similar arrangements were made for the provinces which were created or which joined later.

Newfoundland's debt is about $225 net per capita, whereas the highest allowed for any of the existing provinces (Prince Edward Island) was only $50 per capita. On the other hand, Canada will acquire more extensive public works in the case of Newfoundland than those acquired from any of the existing provinces at union. The arrangements arrived at in the meetings between the Newfoundland and Canadian delegations in 1947, and embodied in the final terms, are that Canada will take over the sterling debt (i.e., the portion of the outstanding debt payable in sterling and guaranteed by the United Kingdom), which amounts to about $63 million net. This amount was felt by the Canadian authorities to be a fair estimate of the debt contracted for purposes which would have been federal had Newfoundland been a province at the time the debt was contracted.

Since 1941, when revenues began to expand, largely because of the wartime expenditures in the Island by Canada and the United States, Newfoundland has accumulated a surplus which presently amounts to about $24 million. This will be substantially increased at union, since personal and corporate income taxes for 1947 will still be payable. It was felt that retention of the surplus of Newfoundland was, however, essential in order to maintain its