

86. The Chairman, in review, said that the position apparently was that the amount of \$1,100,000 specified in the Clause was made up of (i) an amount based on the Maritimes Awards Act and (ii) an additional amount over and above that Act granted by the Canadian Government for reasons applicable to Newfoundland only and to no other Province. The amount under (i) was fixed by Statute but evidently (ii) was not and he wondered whether it would not be advisable to have it so fixed.

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87. It was agreed that the Government of Canada should be requested to extend the period within which the option to enter a tax agreement must be exercised, from "six months" to "nine months" after entry into Confederation because of possible delays in holding Provincial elections in Newfoundland, and arranging for an early session of the Provincial Legislature to consider this question after the date of union.

88. It was further agreed that when final negotiations were being conducted in Ottawa the terms agreed upon should be so worded as to make it unequivocally clear that Newfoundland was being given the right only to enter into a tax agreement but was in no wise obligated to do so. Whether or not this right was eventually exercised was a matter for the Provincial Government to decide.

89. Mr. Smallwood explained the significance and effect of subsection (2) of this Clause in the event that members had not had an opportunity to study it.

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90. The Chairman enquired as to the exact basis upon which the scale of diminishing Transitional Grants set forth in this Clause was calculated. Mr. Smallwood, in reply, informed him that no fixed basis was followed in this respect. In the early negotiations in Canada, the amount of the Transitional Grant to be paid to Newfoundland and the amount of subsidy under Clause 11 (2) varied considerably from time to time. At first, the former was much lower and the latter much higher than as at present provided. As negotiations continued, however, the subsidy under Clause 11 (2) was decreased to its present figure and, in order to compensate for this reduction, the Transitional Grant was increased up to the point set forth in Clause 13.

91. The Chairman stated that it appeared to him that the Canadian Government, in drawing up this scale, evidently assumed that the Transitional Grant and other payments from Canada, together with such revenue as the Provincial Government of Newfoundland might otherwise collect, would be sufficient to support the Province. The Canadian Government must also have anticipated that, as the grant diminished, the Province would increase its revenue by new or additional taxation. He suggested that if evidence could be submitted to Canada showing beyond doubt that the Transitional Grant plus these payments and other revenue collected was not sufficient to support the Province during its early stages or that it was impossible, for various reasons, to impose new taxation or to increase existing taxation, then Newfoundland was justified in requesting that the Transitional Grant should be placed on a higher scale, e.g. \$5,000,000 for the first three years decreasing thereafter at the rate of \$500,000 annually.