

time to time, and in recognition of its special problems as an Island with a sparse and scattered population. These statutory subsidies which aggregate about \$1,542,000, will be included in the computation of a tax agreement if Newfoundland elects to enter such an agreement after union. The irreducible minimum payment under a tax agreement is estimated at about \$6,200,000 and a payment for 1947 at about \$6,800,000.

"Provision is also made for a series of diminishing Transitional Grants to give Newfoundland time to develop new revenue-producing services. The transitional grant will be \$3,500,000 for the first three years and will diminish thereafter by \$350,000 annually. These transitional grants will not be included in computing tax agreement payments.

"In view of the difficulty of predicting at all accurately how Newfoundland will fare financially under federation, provision is also made for a review of its financial position within a period of eight years by a Royal Commission with a view to recommending what additional financial assistance, if any, Newfoundland will need to enable it to carry its provincial services at then existing levels without resorting to heavier taxation, having regard to capacity to pay, than that of the Maritime provinces.

"Representation of Newfoundland in Parliament is covered by existing legislation. The British North America Act of 1915 provides for six members in the Senate, The British North America Act of 1946, which provided for representation in the House of Commons on the basis of population, when applied to Newfoundland, provides for seven members in the House of Commons.

"The 'Proposed Arrangements' also provide that Newfoundland will be brought within the Maritime region so far as the regulation of freight rates is concerned. It will thus come under the Maritime Freight Rates Act which provides for a 20% reduction in freight rates on goods moving within or out of the Maritime region. Provision is also made for extending unemployment insurance benefits to workers in insurable employment, should they lose their employment within six months before or six months after union. Oleo-margarine may also continue to be manufactured and sold within Newfoundland but not exported to the rest of Canada.

"It is anticipated that the 'Proposed Arrangements' will be presented today to the National Convention in St. John's. The National Convention is entrusted with the responsibility of making recommendations to the United Kingdom Government regarding future forms of Government for Newfoundland, the ultimate decision to be made by the people in a referendum. It will thus remain with the National Convention to decide in the first instance whether confederation on the proposed basis should be put before the people and, if so, for the people to make the ultimate decision. The Prime Minister's covering letter to the Governor states:

'The Government of Canada would not wish in any way to influence the National Convention nor the decision of the people, should they be requested to decide the issue of confederation. Should the people of Newfoundland indicate clearly and beyond all possibility of misunderstanding their will that Newfoundland should become a province of Canada on the basis of the proposed arrangements, the Canadian Government, subject to the approval of Parliament, would for its part be prepared to take the necessary constitutional steps to make the union effective at the earliest practicable date.'