

some adjustment could be made, the Newfoundland delegation would not likely be able to reach agreement with the Canadian government.

18. Mr. St. Laurent said that various courses had been considered. One of these involved a request to the United Kingdom to assume part of the sterling debt which, under the arrangements proposed in 1947, the Canadian government had agreed to take over. If the U.K. government did this, Canada could make available to the Newfoundland provincial government an amount in cash equivalent to the part of the debt taken over by the United Kingdom. There was doubt, however, whether the United Kingdom would be willing to accept this suggestion or whether it was feasible to proceed with it unless the Canadian government were prepared to say that this represented the only possible solution without which negotiations must fail.

The majority of the members of the Cabinet Committee had felt that it would be preferable to offer an additional transitional grant to the provincial government. An over-all figure of \$16½ million had been suggested to be spread over the eight-year period following union. At the end of the period, a Royal Commission was in any case to be appointed to review the situation.

19. The Cabinet, after considerable discussion, agreed that the Cabinet Committee be authorized to explore further with the Newfoundland delegation the acceptability of an additional transitional grant along the lines indicated by the Minister of Justice.

A.D.P. Heeney,  
Secretary to the Cabinet.

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