

After the establishment of the Permanent Joint Board on Defence in 1940, both Canada and the United States constructed extensive bases in Newfoundland and Labrador. Canada built an air base at Goose Bay in Labrador (leased to Canada for 99 years in an agreement between the two governments in 1944) and another air base at Torbay, near St. John's. By agreement with Newfoundland, Canada assumed control of the bases at Gander and Botwood for the duration of the war, and made large extensions to both. Canada also constructed a large naval escort base at St. John's for the British Admiralty; the base was under control of the Royal Canadian Navy throughout the war.

The United Kingdom granted the United States 99-year leases to three bases in Newfoundland (an army garrison base near St. John's, a naval and air base at Argentia, on the west of the Avalon Peninsula, and an air base at Stephenville, on the west coast). This was not, as is sometimes stated, a portion of the "destroyers-for-base" deal. Both Canada and the United States maintained coast artillery and other defence units at strategic points in Newfoundland. The total cost of Canadian and United States bases in Newfoundland was of the order of \$300 to \$400 million.

Newfoundland was probably the most heavily defended area of North America during the war. The air bases at Goose Bay and Gander played an important part in the ferrying of combat aircraft to Britain. The naval bases at St. John's and Argentia, and the air bases at Torbay and Gander were of the first importance in the Battle of the Atlantic.

The people of Newfoundland, as in 1914-18, made significant contributions to the common effort: some 10,000 went overseas, to the United Kingdom forces and in a Forestry Unit, and about 1,500 men and 525 women served in the Canadian forces; there was a heavy loss in Newfoundland shipping, and over \$12 million were loaned to the United Kingdom, interest free.

After the outbreak of war, a measure of prosperity returned to Newfoundland. In the years after 1934, despite the slow recovery of export returns and the annual saving of some \$2 million through the re-financing of the funded debt by the Commission, there was a continued annual deficit on current account: the total deficit for the six years to 1940 was about \$18 million -- met in the main by U.K. grants of \$11.3 million, by British government loans of \$4.5 million and by an internal loan of \$1.5 million. The great bulk of these loans was subsequently converted into free grants.

Under the stimulus of wartime developments (principally the large defence expenditure in Newfoundland by Canada and the United States, and later, the increased prices of fishery exports), there was a rapid rise in national income and government revenue after 1940. In 1941, for the first time since 1919, Newfoundland enjoyed a budget surplus, and continued to do so to the year commencing April 1, 1947. A cumulative surplus of approximately \$30 million, including \$12.3 million loaned to the United Kingdom, was available at March 31, 1948. As of the same date (March 31, 1948), the public debt, less the amount of accumulated sinking funds (\$8,250,000), amounted to \$73,171,000.

Recent Political Developments

In December, 1945, the United Kingdom government announced that a National Convention would be elected by the people of Newfoundland and to assist them in coming to a free and informed decision regarding their future form of government.

The Convention was elected in June, 1946, and its 45 members met in September. It devoted itself to a detailed study of the economic and financial situation of Newfoundland and issued reports containing its findings on various aspects of the Newfoundland economy. It also gave consideration to possible future forms of government. In April, 1947, a resolution that the Convention send a delegation to Washington to ascertain the terms upon which federal union with the United States might be effected, was defeated by a large majority.