

says that he knows Labrador, and that it has cost him \$500,000 in the period which he claims he has been interested in it, incidentally adding that he expects to be repaid. He said that Canada is justified in paying \$100,000,000 for Labrador, plus \$10,000,000 to meet, I understand, possible claims arising from some difficulty about timber leases issued, as well as commitments by the Government of Newfoundland re leases not yet issued, and of which the Commission has been furnished no definite information. What I particularly wish to draw to your attention is his statement that the \$110,000,000 is only about one-eighth of the Labrador's value. At times I had difficulty in following him, but I believe I am quoting him correctly.

In view of what has happened in the past, Canada's desire to bring Newfoundland into the Canadian family on a certain basis, while to-day unwilling to accept it on the same terms—assuming of course that the Island would be prepared to enter the Canadian Confederation—as well as the loose statements made by a few Canadians at odd times as to Labrador's great value, I think you should go to some trouble to clear up any misconception the United Kingdom may have re Canada's position in respect to Newfoundland and Labrador.

It at once raises two questions:

(1) Has Canada any responsibility to Newfoundland other than as a member of the British family, and our desire to have a prosperous neighbour?

(2) What liability, if any, has the United Kingdom to the Island? It appears to me that it has, though I appreciate it is about as difficult to determine the amount as it is to arrive at the value of Labrador.

If Newfoundland is to default and be allowed to work out its own salvation, it looks as if that should be made clear without loss of time, otherwise its security holders will probably hold back, pursuing a wait and see policy, thereby accentuating the Island's difficulties.

Should you contemplate going any farther in this matter, a policy that appeals to me is a three year plan, as for instance:

(a) A three months' investigation by competent men connected with the Public Services of Canada and Newfoundland to determine what capital expenditures, if any, are necessary to vitalize St. John's and those scattered fishing communities, and providing as far as practicable that such expenditures be a charge against the interests benefited.

(b) The Government of Newfoundland immediately make a frank statement to its security holders as to its financial position; that it has arranged for a three months' investigation looking to the betterment of conditions on the Island, when it is hoped the Government will be able to make a partial payment together with a definite proposal as to future payments.

(c) Providing the results from (a) are satisfactory and the amount of money is such as can be found, Canada and Great Britain to under-