

Message to the King

7. The Prime Minister submitted and read a draft telegram to His Majesty on behalf of the new Ministry.

(Telegram No.1929, External Affairs to Canada House, London, Nov.15, 1948).

8. The Cabinet approved for immediate despatch the draft message submitted by the Prime Minister.

Newfoundland; progress of discussions;
report of Cabinet Committee

9. The Minister of National Defence, referring to discussion at the meeting of November 9th, reported that it now appeared probable that agreement with the Newfoundland delegation on all major points could be reached within the course of the next day or two.

Certain members of the delegation might then wish to return temporarily to St. John's while the final draft of an agreement was prepared with a view to returning in a week or ten days for signature.

10. The Prime Minister, for the information of the new Ministers, pointed out that the major change in the agreement now proposed as compared with the arrangements put forward in 1947 would be a supplement to the transitional grants.

It would be recalled that the 1947 proposals contemplated a special transitional grant of \$3½ million for three years, decreasing annually thereafter by \$350,000. A Royal Commission was to be appointed at the end of the eighth year after union to report on the general situation.

11. Mr. St. Laurent said that careful examination of estimates of Provincial expenditure had made it clear that, even with this special financial assistance, a provincial government after union would not be able to carry on effectively. Time would be required to develop new sources of provincial taxation.

For this reason it was likely that final arrangements with the Newfoundland delegation would have to be based on an additional payment of \$16½ million to be spread over the first eight years after union. Even this payment would still leave a deficit on current account which would have to be met by some new provincial taxation such as a sales tax.

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