

Act. The sterling debt to be assumed in this manner is about \$63,000,000 net. Newfoundland is to retain its financial surplus accumulated during the War and post-war years, subject to certain conditions.

A fixed annual subsidy of \$180,000 and an adjustable annual subsidy of 80 cents per head of population of the Province (see Public Finance Chapter XXIV) is to be paid by the Federal Government for the local purposes of the Province and the support of its government and legislature, with the proviso that in no year shall the sums payable be less than those payable in the first year after the date of union. An additional subsidy of \$1,100,000, payable for the same purposes as the various fixed annual allowances and subsidies paid from time to time to the Maritime Provinces, is to be paid to the Province of Newfoundland in recognition of its special problems by reason of geography and the sparse and scattered population.

In order to facilitate the adjustment of Newfoundland to the status of a Province of Canada and the development of revenue-producing services, transitional grants are to be paid for 12 years, after the date of union, to the total amount of \$42,750,000. For each of the first three years the transitional grant is to be \$6,500,000. It will, thereafter, be reduced each year so that in the twelfth and final year it will be \$350,000. A Royal Commission is to be appointed by the Government of Canada within eight years from the date of union to review the financial position of the Province and to recommend the form and scale of additional financial assistance if necessary.

Tax Agreements.—The Government of Canada after the date of union will make an offer to the Province to enter into a tax agreement for the rental of the taxation fields for personal income, corporation income, corporation taxes and succession duties. The offer will be generally similar to that made to the other provinces (see Public Finance Chapter XXIV). An agreement to this offer as applying to Newfoundland would expire at the end of the fiscal year, Mar. 31, 1952, or at the end of the fiscal year, Mar. 31, 1957, at the option of the Government of Newfoundland. If the Government of the Province accepts the latter option the agreement will provide that the subsequent entry into a tax agreement by the Government of Canada with any other province will not entitle the Government of Newfoundland to any alteration in the terms of its agreement.

Welfare Services.—The welfare and other public services provided from time to time by Canada for the people generally are, by the Terms of Union, to be extended to Newfoundland on the same basis and subject to the same terms and conditions as in the case of the other provinces. These include unemployment insurance, family allowances, veterans' benefits, merchant seamen's benefits, assistance for housing and, subject to Newfoundland entering into the necessary agreements or making the necessary contributions, financial assistance under the Physical Fitness Act, health grants, and contributions under the Old Age Pensions Act for old age pensions and pensions for the blind.

Miscellaneous Provisions.—Public services and works including the Newfoundland railway, steamship and other marine services; postal and telecommunication services; civil aviation; customs and excise; defence; certain technical surveys; protection and encouragement of fisheries; public radio-broadcasting system; and other public services of a nature similar to these provided at the date of union for the people of Canada generally, are to be taken over by the Federal Government, and the Province of Newfoundland is to be relieved of the public costs incurred for these services.