

Buyer meets seller with Guardian Want Ads. Dial 8506 ask for classified ad taker, for quick results.

Clear with little change in temperature. Light winds. Low-high 23 and 40. Outlook for Good Friday, Sunny.

Edward Island Like The Dew

ST. JOHN'S, Nfld., THURSDAY, MARCH 26, 1959

16 PAGES

NOT MORE FIVE CENTS THAN

Mild Round Of Tax Hikes Seen Possible In Budget

OTTAWA (CP)—Finance Minister Fleming may propose a mild round of tax boosts in his next budget, to be introduced in Parliament at 8 p.m. EST, Thursday, April 9.

While the exact nature of his plans are still in the realm of speculation, there are strong indications that if tax increases come, they would be aimed principally at making the old - age pension fund self-supporting and thus help reduce the size of the next budget deficit.

Current talk in informed quarters is that boosts would be designed to produce about \$300,000,000 in revenue, additional to that which might result from economic growth.

FINANCED BY TAX

The pension fund, out of which the \$55 monthly payment is made to all those 70 years and over, is financed by a two-per-cent tax on personal and corporation incomes and commodity sales.

Indications point to the possibility that the two per cent may be raised to three per cent. Informants said this would eliminate the fund's deficit, currently amounting at about \$190,000,000 a year. This loss is borne by the budget itself. This year's budget deficit is estimated at \$90,000,000.

If this plan is carried out, tax rates on personal incomes may rise by one percentage point, say, to 18 per cent from 17 in some income brackets.

Corporation income taxes would rise to 46 per cent from 47 for those showing profits of more than \$25,000, and to 21 per cent from 20, for those showing profits of less than \$25,000. The 10-

per-cent sales tax would rise to 11 per cent.

STILL SEE DE-FITTE

While suggested tax increases would narrow the size of the next budget deficit, there is no talk in federal quarters of trying to balance the budget completely.

Reduction of the deficit and re-employment of a high pace of national growth may be emphasized by Mr. Fleming in his April 9 budget.

Experts suggested Canadians should not be too surprised if Mr. Fleming forecasts a rise of six per cent in the 1959 gross national product—an increase of almost \$2,000,000,000.

They emphasized that this would not mean elimination of unemployment. Large - scale unemployment would still exist for most of 1959, though the total was predicted to drop sharply by the fall.

Smallwood Claims Nfld. Is 'Betrayed' By Ottawa

ST. JOHN'S, Nfld. (CP)—Premier Smallwood said Wednesday night the federal government's financial proposal announced Wednesday in the Commons was a betrayal of Newfoundland.

Prime Minister Diefenbaker announced the federal government will have fulfilled special financial agreements with Newfoundland under the 1949 terms of union when it has paid the province special grants amounting to \$36,500,000 between now and March 31, 1962.

In a statement Mr. Smallwood ordered all government buildings in the province draped in black and declared Newfoundland to be in mourning.

He said it was the third time in as many months that Newfoundland was "betrayed by Mr. Diefenbaker."

"He said the federal government had failed to fill vacancies in the Newfoundland Supreme Court."

"He has violated Canada's solemn contract to supply peace officers," he said. "Now the greatest betrayal of all."

Giving the province the \$36,500,000 over a period of five years was a violation of term 29 of the British North America Act. It was a further violation to put a time limit on the payments, he said.

He said Newfoundland's representative in the federal cabinet should resign.

OTTAWA (CP) — A new row is brewing over Newfoundland—this time about finances.

Prime Minister Diefenbaker announced Wednesday in the Commons that the government will have fulfilled special financial agreements with Newfoundland under the 1949 terms of union when it has paid the province special grants amounting to \$36,500,000 between now and March 31, 1962.

Opposition Leader Pearson said the assumption that no federal obligation will exist after 1962 is "quite unwarranted."

He added in a statement outside the Commons: "The proposal of the government to stop the payments in 1962 is a breach of the spirit of the terms of union with Newfoundland."

J. W. Pickering (L-Bonaville-Twillingate) said every person in Newfoundland will regard the 1962 stoppage "as another breach of a solemn contract."

The commission Chief Justice John B. McNair of New Brunswick, chairman; the late Sir Albert Walsh, chief justice of Newfoundland; and John Deutscher, then a financial expert in the finance department—submitted their report last year recommending additional financial assistance after the transitional grants.

Mr. Diefenbaker said both Ottawa and St. John's "entertain serious reservations concerning the basis of the conclusions reached by the commissioners."

"The vague nature of the commissioners' recommendation as to the duration of the payments has also occasioned difficulty for both governments," the prime minister said.

Subsidy For Freight Rates Seen Aggravating Problem

OTTAWA (CP) — Lionel Chevrier, former transport minister, said Wednesday the government's proposed \$20,000,000 subsidy to reduce the effect of the latest freight rate increase is a stop-gap measure that will aggravate rather than solve the problem.

The subsidy, said the Liberal MP for Montreal Laurier, is the sort of solution the Progressive Conservative government finds for all its problems. It lets them reach the stage of a crisis, then writes a cheque.

He called on Transport Minister Hees to make a clear statement of the government's transport policy.

Mr. Hees said Tuesday night a long-term study will be made, possibly by a royal commission.

Speaking in the same Commons debate on a resolution preceding introduction of the freight subsidy bill, CCF House Leader Hazen Argue accused the government of tossing the "hot potato" of freight rates to a royal commission behind which it would try to hide the fact that it has not lived up to its election promises.

The subsidy, to reduce to an estimate 10 per cent the increase of 17 per cent granted the railways last fall, was a repudiation of Prime Minister Diefenbaker's 1957 election promise to equalize freight rates.

The increase was awarded by the board of transport commissioners to enable the railways to meet the estimated \$60,000,000-a-year cost of contract demands sought by 130,000 non-operating employees, who were prepared to go on strike over the issue.

The cabinet refused to disallow it despite an appeal from all provincial governments except Ontario and Quebec.

SEES NO DIFFICULTIES

In response to Mr. Chevrier's contention that it would be virtually impossible to apply the rate-reducing provisions of the \$20,000,000 bill, Mr. Hees said chief commissioner Rod Kerr of the Board of Transport Commissioners had stated this would be feasible and foresaw no difficulties.

Hon. Mr. Clark at the time was presiding on behalf of the Minister of Public Works during the passing of the estimates. He said it was true that no amount appeared in the 1959 budget but there was a special fund in the bank amounting to \$200,000 for this purpose.

On top of this Mr. Clark said he was hopeful that 80-90 thousand dollars would be made available from the Canada Council fund.

No extra building space would be required for the administration of the Hospital Insurance plan, Mr. Clark informed the Opposition. He said ample space was available without renting. He did not indicate, however, where the office would be set up.

INFIRMARY

Frank Myers (PC-1st Queens) expressed satisfaction that \$6,000 would be spent on improved facilities at the kitchen and dining room of the infirmary. He urged the department to begin this work as soon as possible.

-R. R. Bell: "You should erect a plaque to Mr. Myers at the infirmary."

P.W.C. Student Residence Is Assured For This Year

The students' residence at Prince of Wales College will definitely be built this year. This information was contained in an answer to a question asked by Leo Rossiter (PC-2nd Kings) who inquired of the Minister of Education whether or not the building would be constructed since no amount was seen in the estimates.

Hon. Mr. Clark at the time was presiding on behalf of the Minister of Public Works during the passing of the estimates. He said it was true that no amount appeared in the 1959 budget but there was a special fund in the bank amounting to \$200,000 for this purpose.

On top of this Mr. Clark said he was hopeful that 80-90 thousand dollars would be made available from the Canada Council fund.

No extra building space would be required for the administration of the Hospital Insurance plan, Mr. Clark informed the Opposition. He said ample space was available without renting. He did not indicate, however, where the office would be set up.

INFIRMARY

Frank Myers (PC-1st Queens) expressed satisfaction that \$6,000 would be spent on improved facilities at the kitchen and dining room of the infirmary. He urged the department to begin this work as soon as possible.

-R. R. Bell: "You should erect a plaque to Mr. Myers at the infirmary."

The Opposition Leader said he had not heard of any temporary instruction being given in the schools. He asked what was being done with the \$5,000 grant

which the government had made to the PEI Temperance Federation.

Premier Matheson said the government did not exercise any control over the activities of the Federation. He said that although the Federation was required to give an account of their spending to the government, for the most part they were given a free hand.

Cars purchased by the government for a number of the employees were cheaper than paying mileage. Hon. B. Earle MacDonald informed the committee during the tabling of the estimates. He said the government due to the non-payment of taxes on new cars could make a very satisfactory trade-in on their used cars.

Mr. Bell wanted to know whether all government cars were purchased from the same dealer or were tenders called.

Mr. MacDonald said, tenders were not advertised, if that is what the Opposition Leader meant, but letters were sent to a dealer of every make of car sold on the island with the exception of the smaller cars.

MAYOR'S LETTER

Mr. Clark made reference to a letter of Mayor Johnstone's which appeared in the public forum of the Guardian. He said Mayor Johnstone's suggestion that \$598,444 was given to rural school districts for the construction of schools was very much in error.

He said the actual amount given during the time in question, was \$144,831 and of this (Continued on page 5 col. 3)

Premier Orders Black Drapes

ST. JOHN'S, Nfld. (CP)—Premier Smallwood said Wednesday night the federal government's financial proposal announced Wednesday in the Commons was a betrayal of Newfoundland.

Prime Minister Diefenbaker announced the federal government will have fulfilled special financial agreements with Newfoundland under the 1949 terms of union when it has paid the province special grants amounting to \$36,500,000 between now and March 31, 1962.

In a statement Mr. Smallwood ordered all government buildings in the province draped in black and declared Newfoundland to be in mourning.

He said it was the third time in as many months that Newfoundland was "betrayed by Mr. Diefenbaker."

"He said the federal government had failed to fill vacancies in the Newfoundland Supreme Court."

"He has violated Canada's solemn contract to supply peace officers," he said. "Now the greatest betrayal of all."

Giving the province the \$36,500,000 over a period of five years was a violation of term 29 of the British North America Act. It was a further violation to put a time limit on the payments, he said.

He said Newfoundland's representative in the federal cabinet should resign.

OTTAWA (CP) — A new row is brewing over Newfoundland—this time about finances.

Prime Minister Diefenbaker announced Wednesday in the Commons that the government will have fulfilled special financial agreements with Newfoundland under the 1949 terms of union when it has paid the province special grants amounting to \$36,500,000 between now and March 31, 1962.

Opposition Leader Pearson said the assumption that no federal obligation will exist after 1962 is "quite unwarranted."

He added in a statement outside the Commons: "The proposal of the government to stop the payments in 1962 is a breach of the spirit of the terms of union with Newfoundland."

J. W. Pickering (L-Bonaville-Twillingate) said every person in Newfoundland will regard the 1962 stoppage "as another breach of a solemn contract."

The commission Chief Justice John B. McNair of New Brunswick, chairman; the late Sir Albert Walsh, chief justice of Newfoundland; and John Deutscher, then a financial expert in the finance department—submitted their report last year recommending additional financial assistance after the transitional grants.

Mr. Diefenbaker said both Ottawa and St. John's "entertain serious reservations concerning the basis of the conclusions reached by the commissioners."

"The vague nature of the commissioners' recommendation as to the duration of the payments has also occasioned difficulty for both governments," the prime minister said.

Tenders Called For Two Scows, And Landing

OTTAWA (Special) — An announcement of two calls for tenders was made Wednesday by Fisheries Minister J. Angus MacLean.

One call was for tenders for construction of two steel hopper scows of 60 cubic yard capacity for use at the Government Wharf at Charlottetown. Closing date for tenders is April 29.

The other call was for tenders for construction of a landing at Howard's Cove in Prince County. The closing date is April 22.

Early Election Hinted In Jest

"You could have an election a lot sooner than you think," Premier A. W. Matheson told R. R. Bell, Opposition House Leader in the Legislature yesterday.

The remark was made in the spirit of jesting but it could be for real.

The regular business of the House had been completed and the members were awaiting the arrival of the Lieutenant-Governor to close the House at noon.

Hon. E. P. Foley, speaker of the House, took the opportunity to thank all the members for their co-operation during the session.

It was then that Mr. Bell said in jest "I was thinking of moving the House into committee to discuss the date of an election."

The Premier's reply came with a smile just as did Mr. Bell's suggestion.

U.K. Trawler Is Arrested

REYKJAVIK, Iceland (Reuters)—The Icelandic coast guard ship Thor Wednesday night arrested the 604-ton British trawler Cordella for alleged fishing inside Iceland's old four-mile limit.

The trawler immediately called up the British protection vessel Palliser which arrived on the scene and said she would resist any attempt to board the trawler.

raise their charges at the first opportunity.

The prices of feeds and flour were "away out of line," Leo Rossiter (PC-2nd Kings) declared. Bran now \$3.00 sold only a few years ago for only \$1.45 a bag, while flour now selling at \$7.50, sold for \$2.00.

There appeared to be no reason for such high prices for these commodities when the western elevators were "bulging at the seams" and grain was piled up on every back porch in the West, the Morell merchant asserted.

The Wheat Board grabbed every opportunity to jump the price and blame the result on the federal government, he added.

MTC ON JOB

In reply to Frank MacNutt (L-4th Prince), who suggested that APEC be asked to intervene, Premier Matheson said that the Maritime Transportation Commission were already working on the matter.

Though unfortunate in its present effect in this region, the Wheat Board's action was simply a move to give the western wheat grower the benefit of the decrease in freight between the Lakehead and the United Kingdom, Hon. Eugene Cullen noted. Otherwise the British customer alone would benefit.

Copies of the resolution will be forwarded to all Island representatives in the Senate and the House of Commons, the Prime Minister, the minister of trade and commerce, and the Premiers of the three other Atlantic Provinces.

Mr. Macquarrie Arrives Home

Heath Macquarrie, M.P. for Queens, arrived in the Province Wednesday evening and has taken up residence in Victoria, for the Easter recess.

While here Mr. Macquarrie will fulfill several speaking engagements. On March 26 he will address the Free Church of Scotland Mens Association at Charlottetown. At noon on April 1 he will address the Progressive Conservative Business Men's Association at Saint John, N.B. and in the evening will address the Canadian Institute of International Affairs. On April 3 he will present an illustrated lecture in Victoria hall on his trip to Europe and also on parliamentary procedure.

AFRICANS ARRESTED

BLANTYRE, Nyasaland (Reuters)—Police and troops arrested 28 more Africans in Nyasaland Wednesday and one - year jail sentences were passed on 18 others for rioting. One of those sentenced was the secretary of a branch of the banned African National Congress.

Ontario CCF Leader Rebuked For Comments On Smallwood

TORONTO (CP)—CCF Leader Donald MacDonald was rebuked Tuesday by Premier Frost and the Speaker of the Ontario legislature for accusing Premier Joseph Smallwood of Newfoundland of totalitarianism.

It came as the House considered a resolution by Liberal Leader John Wintermeyer asking the federal government be petitioned to refer to the Supreme Court of Canada Newfoundland's legislation outlawing the International Woodworkers of America (I.W.A.).

The Speaker, Rev. A. W. Downer, said the resolution "is improper in that it abuses the privileges of this House by seeking to interfere in the internal affairs of another jurisdiction." But he said he wouldn't rule it out of order.

Mr. Wintermeyer said he agreed with the Speaker and suggested the ruling be made or the debate be adjourned.

CCF LEADER PROTESTS

CCF Leader MacDonald promptly protested and the Liberal leader said he was prepared to go ahead with debate.

"I don't want my position to be construed as bowing to pressure."

Mr. Wintermeyer said he introduced his resolution because it seemed desirable "to test the right of a provincial government to violate a trade union's right to organize, bargain and pursue its legitimate aims under the given laws of a province."

Mr. MacDonald said Premier Smallwood followed his outlawing of the I.W.A. establishing a government-sponsored union in its place.

"This is the tried and true pattern of totalitarian governments," he said.

Premier Frost then rose and said: "I don't think this legislature should indulge in attacks on the head of another government."

"That's why I made my state ment," said the Speaker. Debate was adjourned without the resolution coming to a vote.

CAUSEWAY TO BE DROPPED, IS SOURIS MEMBER'S VIEW

Evidence that the Diefenbaker government intended to renege on its pre-election promise to build the Northumberland Causeway appeared to be piling up daily, William Acorn (L-1st Kings) said in the Island Legislature Tuesday.

Speaking in the budget debate, Mr. Acorn, chairman of the House committee on transportation and communication during this session and the session of 1958, made the above observation while elaborating on the first recommendation of a six-point Atlantic development program he presented to his fellow legislators.

To develop the sagging economy of the Atlantic Region, and guarantee that the population of this important area might aspire to become something better than "hewers of wood and drawers of water" for the rest of the nation the member from Souris urged the necessity for immediate action in each of the following fields:

transportation improvement, including the construction of the Northumberland Causeway; equalization and subsidization of freight rates on goods moving in and out of the Atlantic Provinces;

extra money from the federal treasury to enable provincial governments to give more and more better services to their people;

decentralization of industry; investment capital at low rates of interest;

reciprocal free trade with the United States.

In support of his contention that the causeway project was on the way out, Mr. Acorn quoted from articles appearing recently in the Monetary Times and the Atlantic Advocate.

KILLED BY COST

Commenting on the commencement of the huge Saskatchewan River dam project, the former publication stated that the other major project touted at election time—the Northumberland Causeway—would not be built in the

Special Grants To End In 1962, PM Announces

OTTAWA (CP) — A new row is brewing over Newfoundland—this time about finances.

Prime Minister Diefenbaker announced Wednesday in the Commons that the government will have fulfilled special financial agreements with Newfoundland under the 1949 terms of union when it has paid the province special grants amounting to \$36,500,000 between now and March 31, 1962.

Opposition Leader Pearson said the assumption that no federal obligation will exist after 1962 is "quite unwarranted."

He added in a statement outside the Commons: "The proposal of the government to stop the payments in 1962 is a breach of the spirit of the terms of union with Newfoundland."

J. W. Pickering (L-Bonaville-Twillingate) said every person in Newfoundland will regard the 1962 stoppage "as another breach of a solemn contract."

The commission Chief Justice John B. McNair of New Brunswick, chairman; the late Sir Albert Walsh, chief justice of Newfoundland; and John Deutscher, then a financial expert in the finance department—submitted their report last year recommending additional financial assistance after the transitional grants.

Mr. Diefenbaker said both Ottawa and St. John's "entertain serious reservations concerning the basis of the conclusions reached by the commissioners."

"The vague nature of the commissioners' recommendation as to the duration of the payments has also occasioned difficulty for both governments," the prime minister said.

Members of the Legislature yesterday killed a bill designed to prevent the payment of taxes in more than one district.

The working of the bill was unfortunate in that it would call for considerable revisions of the school act. Hon. Keir Clark Minister of Education, observed.

R. R. Bell, Opposition House Leader, said the bill could cause a great deal of litigation "if it were passed in its present form." Assessments had already been made and sent out in some incorporated areas, he added.

An amendment suggested by Hon. Eugene Cullen proposed that no one would pay a poll or educational tax in any incorporated area or village other than where heresides.

The amendment drew support only from Harvey Douglas, sponsor of the bill; H. P. Smith, 4th Queens and Mr. Cullen.

Action Urged To Restore Flour, Feed Price Level

Federal action to restore flour and feed prices to the levels in effect prior to the increase added recently by the Canadian Wheat Board is urged in a resolution granted unanimous approval in the local House Tuesday.

In moving the resolution H. P. Smith (L-4th Queens) said that the Wheat Board action had increased the price of these commodities by an average of 10 cents per hundred, a great burden on all consumers, particularly those with livestock to feed.

Since the people of the Island were, like all Canadians paying their share of the St. Lawrence Seaway, was required to pay this added amount, which, in the end, resulted from the decrease in freight due to the Seaway project.

FORMER VIEW

When the seaway was first talked about, all its advocates stressed the great benefit it would be to the Maritime farmer, Mr. Smith recalled. Under the present arrangement just the reverse was true.

The Pownal member said he was not against the western farmer getting more money for his products, but it seemed to him that the government of Canada should be able to devise some method of lessening the impact on the people of this region.

In seconding the resolution Fred Ramsay (L-1st Prince) observed that it might be more feasible to ask the Ottawa government to pay a subsidy on grain grown locally. At present prices it was impossible to compete with the western grower, he noted.

It seemed strange that the increased prices should be in effect, already when the Seaway did not open until late June, Harvey Douglas (L-2nd Kings) said.

price and blame the result on the federal government, he added.

MTC ON JOB

In reply to Frank MacNutt (L-4th Prince), who suggested that APEC be asked to intervene, Premier Matheson said that the Maritime Transportation Commission were already working on the matter.

Though unfortunate in its present effect in this region, the Wheat Board's action was simply a move to give the western wheat grower the benefit of the decrease in freight between the Lakehead and the United Kingdom, Hon. Eugene Cullen noted. Otherwise the British customer alone would benefit.

Copies of the resolution will be forwarded to all Island representatives in the Senate and the House of Commons, the Prime Minister, the minister of trade and commerce, and the Premiers of the three other Atlantic Provinces.

raise their charges at the first opportunity.

The prices of feeds and flour were "away out of line," Leo Rossiter (PC-2nd Kings) declared. Bran now \$3.00 sold only a few years ago for only \$1.45 a bag, while flour now selling at \$7.50, sold for \$2.00.

There appeared to be no reason for such high prices for these commodities when the western elevators were "bulging at the seams" and grain was piled up on every back porch in the West, the Morell merchant asserted.

The Wheat Board grabbed every opportunity to jump the price and blame the result on the federal government, he added.

Mr. Macquarrie Arrives Home

Heath Macquarrie, M.P. for Queens, arrived in the Province Wednesday evening and has taken up residence in Victoria, for the Easter recess.

While here Mr. Macquarrie will fulfill several speaking engagements. On March 26 he will address the Free Church of Scotland Mens Association at Charlottetown. At noon on April 1 he will address the Progressive Conservative Business Men's Association at Saint John, N.B. and in the evening will address the Canadian Institute of International Affairs. On April 3 he will present an illustrated lecture in Victoria hall on his trip to Europe and also on parliamentary procedure.

AFRICANS ARRESTED

BLANTYRE, Nyasaland (Reuters)—Police and troops arrested 28 more Africans in Nyasaland Wednesday and one - year jail sentences were passed on 18 others for rioting. One of those sentenced was the secretary of a branch of the banned African National Congress.

Ontario CCF Leader Rebuked For Comments On Smallwood

TORONTO (CP)—CCF Leader Donald MacDonald was rebuked Tuesday by Premier Frost and the Speaker of the Ontario legislature for accusing Premier Joseph Smallwood of Newfoundland of totalitarianism.

It came as the House considered a resolution by Liberal Leader John Wintermeyer asking the federal government be petitioned to refer to the Supreme Court of Canada Newfoundland's legislation outlawing the International Woodworkers of America (I.W.A.).

The Speaker, Rev. A. W. Downer, said the resolution "is improper in that it abuses the privileges of this House by seeking to interfere in the internal affairs of another jurisdiction." But he said he wouldn't rule it out of order.

Mr. Wintermeyer said he agreed with the Speaker and suggested the ruling be made or the debate be adjourned.

CCF LEADER PROTESTS

CCF Leader MacDonald promptly protested and the Liberal leader said he was prepared to go ahead with debate.

"I don't want my position to be construed as bowing to pressure."