

Chapter 2



Expectations as We Joined Canada

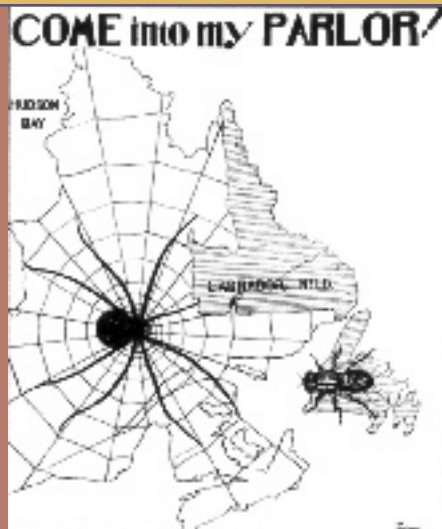
The Commission's terms of reference require a review of the expectations of the people of Newfoundland and Labrador prior to joining Canada. Some may question the wisdom of looking to the past at the beginning of a forward-looking final report. In the opinion of the Commission, it is critically important. One of the most interesting and enriching stages of the Commission's work was a focused discussion with a group of Newfoundlanders and Labradorians who were adults at the time of Confederation. This Expectations Roundtable reminded the Commission of an obvious but often overlooked fact. The process of joining Canada remains part of the living memory of this place. It continues to shape and explain our expectations for Newfoundland and Labrador's place within Canada. Canadians need to understand that memory and the unique perspective it continues to inspire.

This chapter examines two different types of expectations. The first are those that were held by the people of Newfoundland and Labrador. Unlike other provinces, the decision to join Canada was made by the people. Those who decided to vote in favour of Confederation did so with certain hopes and expectations. The extent to which those hopes and expectations have been met shape Newfoundlanders and Labradorians' collective assessment of this province's place in Canada today and what it should be into the future. The second type of expectations relates to the manner in which the federation would function – how the federal and provincial governments would interrelate on an ongoing basis to address challenges facing Newfoundland and Labrador. Newfoundland and Labrador, like British Columbia and Prince Edward Island before it, negotiated the terms upon which it joined Canada. The negotiation of the Terms of Union, as much as the written terms agreed to, created an expectation regarding the nature of the country Newfoundland was about to join.

Becoming Canadian

Before proceeding further, it is necessary to set out briefly the processes and events leading to the two referendums of 1948. In a paper prepared for the Commission, historian Melvin Baker provides a detailed overview of these processes and events.¹ The paper also discusses ongoing controversies, such as what influence was exerted by Canada and the United Kingdom and whether the process was engineered to ensure Newfoundland's entry into Confederation.²

While Newfoundland and Labrador today can be said to be a country in spirit, it is important to remember that prior to Confederation it was one in fact.³ That Newfoundland would sacrifice its political independence to join Canada was not a realistic possibility prior to the late 1940s. In fact, the choice was rejected in the Newfoundland general election of 1869, two years after the formation of Canada. Newfoundland's focus, then and for many decades thereafter, was on building its economy and maintaining political independence.⁴



Posters used during the Confederation Debate

Expectations as We Joined Canada

Newfoundland's progress toward an independent place in the world was dealt a severe blow by the world depression, which started in 1929. Newfoundland was in a particularly vulnerable position due to the large public debt it had amassed. The size of the debt was attributable to financing railway construction and maintenance, the costs associated with Newfoundland's participation in the First World War and loans taken out in the 1920s for public works expenditures.⁵ The depression battered the Newfoundland economy, with exports being cut almost in half between 1930 and 1933. The numbers of persons requiring government assistance for basic necessities swelled dramatically. With greater social needs and a declining ability to pay, the public debt soon grew out of control. By 1933, interest charges on the debt accounted for 65 cents of every dollar spent by the Newfoundland Government.⁶

Faced with the real prospect of bankruptcy, the Newfoundland Legislature made a formal request to the British Government to suspend Newfoundland's Constitution until the country became self-supporting again, and to replace the Legislature with a Commission of Government. On February 16, 1934, the Constitution was suspended and a British-appointed Commission of Government (consisting of three Newfoundlanders, three Britons and a British governor) assumed office.⁷

The request made by the Newfoundland Legislature and the legislation that instituted the Commission of Government⁸ reflected the understanding that responsible government would be returned on request from the people when Newfoundland was again self-supporting. But, many questions remained unanswered, such as what constituted "self-supporting" and the procedure by which Newfoundlanders and Labradorians would make such a "request." What seemed clear, however, was that only one alternative to the Commission of Government was possible – a return to responsible government.

With the outbreak of the Second World War, unemployment virtually vanished and Newfoundland's fiscal position improved to such an extent that it was able to provide interest-free loans to Britain. The principal cause of this dramatic turnaround was the significant presence and expenditures of the Canadian and American military, both of which had established military bases on the Island and in Labrador to defend North America from attack. This wartime boom did not change the fact that Newfoundland still faced daunting economic and social challenges. The enormity of the task is illustrated by the cost of a proposed postwar reconstruction program developed by the Commission of Government, which in 1944 had a projected cost of \$100 million.⁹ Nonetheless, the relative prosperity prompted many to turn their minds again to Newfoundland's constitutional future.

On December 11, 1945, the Prime Minister of the United Kingdom, Clement Attlee, announced the process by which Newfoundlanders and Labradorians would determine their future place in the world. A National Convention of elected Newfoundlanders and Labradorians¹⁰ would be convened to:

...consider and discuss amongst themselves, as elected representatives of the Newfoundland people, the changes that have taken place in the financial

situation of the Island since 1934, and bearing in mind the extent to which the high revenues of recent years have been due to wartime conditions, to examine the position of the country and to make recommendations to His Majesty's Government as to the possible forms of future government to be put before the people at a national referendum.¹¹

The National Convention assumed its mandate on September 11, 1946, and dissolved on January 30, 1948. All elected delegates to the National Convention were male, as the two female candidates were not elected.¹² In the course of its work, the National Convention sent a delegation to Ottawa to ascertain the basis that might exist for the union of Newfoundland and Canada. The discussions were detailed and resulted in draft terms of union proposed by Canada, which were introduced to the National Convention prior to the two referendums of 1948. The National Convention also authorized the sending of a delegation to London to ascertain the support Newfoundland could expect from the United Kingdom should there be a return to responsible government. The response to the Newfoundland delegation was clear. If Newfoundlanders and Labradorians returned to responsible government, there would be no financial assistance forthcoming from the United Kingdom.

On January 22, 1948, the National Convention unanimously passed a resolution recommending to the British Government that two options be put before the people of Newfoundland and Labrador: a return to responsible government, or maintenance of the existing Commission of Government. The leading proponent of Confederation, Joseph Smallwood, introduced a motion to include union with Canada on the ballot, based on the draft terms of union proposed by Canada in 1947. The National Convention, however, rejected this motion by a vote of 29 to 16.¹³

Despite this rejection, the British Government placed Confederation on the referendum ballot. On March 11, 1948, it announced that three options would be put before the people:

- Commission of Government for a period of five years;
- Confederation with Canada; and
- Responsible Government as it existed in 1933.

If one option did not receive a majority of support, the option receiving the least votes would be dropped from the ballot in a second referendum. While economic union with the United States was not an option placed on the ballot (or recommended by the National Convention), a party advocating this option campaigned in favour of responsible government, as it was seen as the first step toward greater economic ties with the United States.¹⁴

The Expectations Roundtable provided the Commission with first-hand recollections of the passion and intensity of the campaigns that preceded the 1948 referendums. The campaigns were hard fought and created a great deal of strain within our society. Bitter divisions developed at the family, community and regional level. The decision to join Canada was not an easy one for the people of Newfoundland and Labrador.

The results of the first referendum, held on June 3, 1948, did not favour Confederation with Canada. A return to responsible government received 45 per cent support, followed by Confederation and Commission of Government at 41 per cent and 14 per cent respectively. In the second referendum, held on July 22, Confederation with Canada narrowly defeated a return to responsible government. By an extremely slim margin – 52 per cent vs. 48 per cent – Newfoundlanders and Labradorians decided to have faith in a future within Canada.

Popular Expectations

In considering a future union, Newfoundland and Canada held different expectations for life together. Canada's analysis was more bureaucratic than personal. The decision to unite (whether it be yes or no) had little chance of having an appreciable and immediate impact on the lives of most Canadians. That said, Canada wished to have a clear understanding of both the advantages and disadvantages of union with its smaller neighbour. In May of 1946, an interdepartmental committee of senior civil servants was formed to gather detailed information on Newfoundland in preparation for possible future negotiations. A cost-benefit analysis was prepared,¹⁵ which indicated that the projected cost of financial assistance to the new province would be about \$15 million dollars annually. However, it must have been great comfort to look at some of the prospective benefits to Canada:

- The addition of Newfoundland to the territory of Canada would fulfill the dream of the Fathers of Confederation in 1867 of a nation stretching from “sea to sea.”
- Newfoundland was Canada's eighth largest customer of its goods, and Confederation would increase the average annual worth of the Newfoundland market from \$25 million to about \$40 million.
- Newfoundland would also provide Canada with substantial fisheries, forests, mineral and hydroelectric resources, especially in Labrador.
- With Confederation, Canada would no longer have to worry about its defence and civil aviation rights in Newfoundland, or the use an independent Newfoundland might make of the American presence to extract future concessions from Canada.

It is difficult to bring together in a statement or list the expectations Newfoundlanders and Labradorians had for Confederation. Through written submissions and public meetings, the Commission heard that there was a wide spectrum of expectations – both positive and negative – for what life within Canada would bring. That diversity is illustrated by the expectations shared with the Commission by participants in the Expectations Roundtable:

- Access to Canadian social programs such as family allowances and old-age pensions, which would improve the standard of living for many.
- Improved public services such as health care, education and transportation services (e.g., the ferry and the railway).
- A decrease in the cost of many goods due to the lifting of tariffs and customs that had been imposed on Canadian goods entering Newfoundland.
- Economic growth and prosperity from the development of known natural resources, especially the mineral resources of Labrador.
- Treatment within the Canadian family as “equal partners, not poor cousins.”
- Increased taxation and regulation.
- Labrador Inuit expectations that their language and culture would be recognized.
- A loss of local manufacturing with the influx of cheaper Canadian-made goods.

From the Expectations Roundtable the Commission also learned that the people did not have a good understanding of the draft terms of union proposed by Canada. It was a more general sense of what Confederation would mean for their daily lives that inspired a majority to have faith in Confederation. People appreciated that there were many risks, ranging from increased taxation to a weakening of local

identity. But people hoped that Confederation would bring a standard of living comparable to that of Canadians and provide a real chance for Newfoundland to realize its true economic potential.

Expectations of the Federation

As stated previously, the Commission is of the view that the process of negotiating the Terms of Union, as much as the written terms agreed to, created an expectation regarding the nature of the country Newfoundland was about to join. In a paper prepared for the Commission, lawyer Stephen May provides an overview of the Terms of Union with insightful analysis into the forces that gave shape to the final document.¹⁶ The Commission's thinking on this matter was also assisted by the Honourable Gordon Winter, a participant in the Expectations Roundtable. As many people in Newfoundland and Labrador will know, Mr. Winter was a member of the Newfoundland delegation sent to negotiate the final Terms of Union in 1948.

Mr. Winter advised that the 1948 Newfoundland delegation had developed a long “shopping list” of matters they hoped could be included in the Terms of Union. The delegation, however, had three non-negotiable items that it wanted addressed before discussing other matters.

- The first was an assurance that the Government of Canada accepted the Judicial Committee of the Privy Council's 1927 Labrador boundary decision, and that, within Canada, Labrador would form part of the Province of Newfoundland. While it is hard to imagine that Canada would disagree with the constitutional entrenchment of what its highest court had determined, it did take some time to consider this matter. In the end, Canada agreed.¹⁷
- The second was that the ferry between Port aux Basques and North Sydney would be an essential part of Newfoundland's union with Canada, and should therefore be taken over and paid for by the Government of Canada. On this point, agreement came quickly, as the ferry service would be advantageous to both Canada and Newfoundland.¹⁸
- The third was an assurance that Newfoundland would be able to continue to manufacture and sell margarine. After some debate, Canada agreed to constitutionally protect the manufacture and sale of margarine in Newfoundland, but retained its powers to prohibit and/or restrict the export of margarine from the new province.¹⁹

Mr. Winter explained that Canada then issued its bottom line; one which would severely limit the type of constitutional arrangements Newfoundland could expect to negotiate. Canada was unwilling to negotiate terms that would constitutionally provide Newfoundland with special treatment, as such a move would upset relations with the other provinces. Subject to only a few exceptions (such as Newfoundland's non-negotiable items, none of which caused Canada any great concern and all of which could be defended by existing precedents),²⁰ the Terms of Union should be limited to facilitating Newfoundland's transition to the status of province on a basis equal to that provided for the other provinces. The constitutional shape of Canada was not up for negotiation.

The problem, of course, was that Newfoundland faced unique challenges that required special treatment. In many respects, it was not on an equal footing with the existing provinces. However, whenever the Newfoundland delegation sought a constitutional approach to tackling challenges, it faced a consistent response: “We're sorry, but we have to treat all provinces alike.”²¹

Canada was not totally insensitive to the challenges facing Newfoundland, but it insisted that these matters would have to be addressed by government policy decisions on an ongoing basis, not by constitutional guarantees. Newfoundland would have to rely on the good faith, vision and courage of successive federal governments in addressing obstacles to its full participation in Confederation.

Term 29 of the Terms of Union provides a good illustration of the distinction between a constitutional guarantee and faith in future federal actions. Newfoundland was very concerned that the financial terms (23 to 27²²) together with other payments from the Government of Canada and provincial revenues would not be sufficient to allow Newfoundland to meet its new provincial responsibilities on an ongoing basis. The Government of Canada, however, refused to guarantee financial assistance fundamentally different from that provided to the other provinces. The agreed approach was Term 29:

In view of the difficulty of predicting with sufficient accuracy the financial consequences to Newfoundland of becoming a province of Canada, the Government of Canada will appoint a Royal Commission within eight years from the date of Union to review the financial position of the Province of Newfoundland and to recommend the form and scale of additional financial assistance, if any, that may be required by the Government of the Province of Newfoundland to enable it to continue public services at the levels and standards reached subsequent to the date of Union, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining generally in the region comprising the Maritime Provinces of Nova Scotia, New Brunswick, and Prince Edward Island.

Term 29, of course, only obligated the Government of Canada to appoint a Royal Commission within a specified time, nothing more. Much was left up to faith. In 1953, the provincial government appointed its own Royal Commission, chaired by Philip Lewis, to prepare the province's case on Term 29. The product was a thousand-page report which set out in great detail the challenges and needs to be addressed under Term 29. In the opinion of the Lewis Commission, the minimum level of assistance required to meet the express objectives of Term 29 was an annual grant of \$15 million.

The Government of Canada met its constitutional obligation under Term 29 by establishing a Royal Commission, chaired by New Brunswick Chief Justice John McNair. The report of the McNair Commission was disappointing to Premier Smallwood who had always expressed great confidence in the potential of Term 29 to accelerate Newfoundland's economic and social progress within Canada. Released in July of 1958, the McNair Commission's final report recommended that the transitional grants provided for in Term 28 be adjusted upwards to \$8 million until 1962, and that the same amount be paid thereafter.

As disappointing as the recommendation was, it paled in comparison to the reaction of the federal government. Prime Minister John Diefenbaker declined initially to accept the McNair Commission's recommendation regarding financial assistance after the year 1962. This decision sparked an intense war of words between Prime Minister Diefenbaker and Premier Smallwood and marks one of the low watermarks of the province's relationship with the federal government. In the end, it was not until the fall of the Diefenbaker government that Canada finally agreed to respect the recommendation in full. The inadequacy of the Term 29 award was softened somewhat by the start of a new national program in 1957 with similar objectives, which would come to be known as equalization. In a very short time, equalization payments would eclipse those made pursuant to the Terms of Union. It was a reminder that finding our place in Canada would be, as suggested in 1948, an ongoing negotiation.

Conclusions

In reflecting on the expectations of Newfoundlanders and Labradorians prior to joining Canada, the Commission makes the following conclusions:

- Newfoundlanders and Labradorians entered Confederation with the expectation that they would be full citizens of Canada, that they would share the living standards enjoyed by all Canadians, and that their province would have the financial resources to support these standards.

- Through the process of negotiating the Terms of Union, Newfoundland and Labrador came to understand that finding its place in Canada was a task that could not be fully addressed by formal constitutional arrangements or guarantees. Rather, challenges to Newfoundland and Labrador's full participation in the federation could be addressed by government policy decisions on an ongoing basis. This view of Canada as a work in progress highlights the importance of a positive, respectful and constructive relationship between the federal and provincial governments. The pathway to renewal is a course of actions and a way of thinking designed to assist Newfoundland and Labrador and Canada to meet this expectation for their mutual benefit.

“When joining this country our forefathers carried with them all the hopes and aspirations of a young, eager, and intelligent society determined to enhance the lives of their families and provide a greater promise for their children. Indeed, the possibilities were endless in the greater union of Canada, a nation still relatively young in a sea of larger nations and established empires.”

Excerpt from the Public Consultations

“Confederation brought many changes. One of the biggest and most important in my mind is an end to the poverty experienced by seniors, the underprivileged and the unemployed.”

Excerpt from the Public Consultations



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