

Supply—Finance

victory loan in 1946. As my hon. friend will appreciate, these victory loans were in substantial amounts. Engraved bonds, with all the security precautions, had to be prepared; and the Bank of Canada, as the fiscal agent of the government, arranged with the bank note companies to prepare the necessary bonds for a tenth victory loan issue. It was then decided that that would not be required. Those bonds have been held ever since. They are of no use for further bond issues; and this item is simply to write off that item in the books.

Mr. Knowles: Could they not be sold as wallpaper?

Mr. Abbott: I dare say.

Mr. Macdonnell (Greenwood): When this item was called, I was on my feet to ask a further question concerning item 568. I thought the hon. member who then spoke was going to make some further comment on that item. I wish to ask the minister a broader question which arises in connection with the municipal situation. This is a matter that was dealt with by my colleague, the hon. member for Ontario.

My question is this: Recognizing the difficulties with which municipalities are faced, quite apart from the special situation of government property which does not pay taxes, and which I shall not take time to discuss now, by reason of the fact that their sources of revenue have not expanded with their obligations, would the minister say a word as to whether the government feels that is a matter which would be a proper subject for consideration and discussion in the near future? Does he feel the whole question, that affecting the plight of the municipalities, is one which ought to be gone into?

Mr. Abbott: I am not quite sure what my hon. friend wishes me to say. It is clear that all three levels of government—federal, provincial and local—have problems in raising the necessary money to defray the costs of the services their people demand. The municipalities undoubtedly have difficulty. I sympathize with the councils of municipalities who have to raise these moneys, because I know something of the problem, myself. Having to raise funds necessary to pay federal expenditures, I have known the problem for a long time.

The municipalities are the creatures of the provinces, as we know. They can obtain from the provinces such taxing powers as those provinces see fit to confer upon them within the constitutional limits imposed by the provinces. I have always felt it was improper that there should be direct financial discussion between the federal government and the municipalities because, as I have said,

the municipalities derive their power from and are the creatures of the provinces. Any discussion as to financial requirements of municipalities must, in the first and every instance, be directed to the legislative body which brings them into existence. Then in the discussions which take place from time to time between the provincial and federal governments it is quite proper of course to take into account all those discussions concerning the requirements of the junior taxing bodies in the provinces.

But, other than that, I do not think it would be proper for me to express any opinion. I would feel strongly that there should not be any general discussion as to the division of taxing authority between federal and municipal authorities.

Mr. Knowles: Speaking again with respect to item 569, may I ask how much money there is in this consolidated deficit account?

Mr. Abbott: I am afraid I would have to take that question as notice.

Mr. Low: It is a minus quantity.

Mr. Abbott: I can assure my hon. friend it is not carried as an asset.

Item agreed to.

The Chairman: Item 570.

Mr. Macdonnell (Greenwood): I suggest that we take items 570 and 571 together.

Some hon. Members: Agreed.

570. To provide for a government contribution to the superannuation fund in an amount equal to the estimated current and arrears payments of individual contributors in the previous fiscal year—further amount required, \$532,715.

571. To authorize and provide for a further special government contribution to reduce the unamortized portion of the civil service superannuation account liability, \$25,000,000.

Mr. Macdonnell (Greenwood): Would the minister tell us exactly where the fund stands. Is the amount of \$532,715 actuarially correct? Where does the contribution of \$25 million leave the actuarial position?

Mr. Abbott: The \$532,715 is required for the current year contribution, and really represents an underestimation in the main estimates. The additional amount required is due primarily to some salary increases, and more particularly to the fact that there are a number of civil servants who have been given permanent status during the year, and therefore a larger amount is required for the current government contribution.

Then, as to the status of the fund itself, perhaps the committee would like me to give a brief review of the situation as it is at the moment. At December 31, 1947, the total