It cannot do this if it has to rely on a tax base restricted to property taxes. Property taxes are not growth taxes. Local levies grow at a rate of 4 per cent to 5 per cent each year while spending responsibilities grow at a rate of 10 per cent to 12 per cent per year. At the same time, cities have had to cope with a doubling of the inflation rate in the past ten years and a decline in the Canadian dollar to its lowest level in 45 years. The declining Canadian dollar is costing Edmonton an extra $6 to $7 million this year which means that the residential taxpayer is paying $30 a year more than he should be—and getting not a bit of extra service for this amount. Meanwhile, the federal government goes merrily on its own way with an expanding source of revenue; personal income tax revenue has quintupled in the decade of the Prime Minister (Mr. Trudeau).

In order to make up the difference between tax revenues and expenditures on services, municipalities have traditionally relied on federal and provincial grants. The Alberta government announced in January a trebling of provincial support to the urban transportation requirements of its cities. This welcome measure will alleviate some of the stress on Edmonton's budget and allow the city to continue improvements to its public transportation system.

We can now look to the early extension of the light rail transit system to the south side, including the university area and eventually Mill Woods. This excellent provincial support is in contrast to the federal government's slippery evasion of support by narrowly defining interurban transportation to exclude the intraurban Edmonton system. That is a problem we have gone over many times in this House so I shall not dwell on it now.

The federal government's contribution through grants to Edmonton's revenue last year was $6.4 million. All of these grants were conditional, restricting Edmonton in the use to which the funds could be put and financing projects which were often not high on Edmonton's list of priorities but which were politically convenient for the federal government.

With my colleagues from Edmonton I was in a meeting last week with Mayor Purves and the city aldermen and personally examined their protest that the government does not consult with municipalities before starting up short-term employment or social services projects, and yet the municipal governments bear the public complaints when these programs are terminated. This kind of ad hockery does not help the city to plan rationally to meet present and future demands.

The reliance of cities on federal and provincial transfer payments for a substantial part of their revenue—32 per cent in 1974-75—is affecting their ability to govern themselves. The Canadian Federation of Mayors and Municipalities in its study of Canada's system of public finance states:

> Increasing conditional grants from the provinces and Ottawa can only mean derailment for our concept of civic self-government.

Local self-government is important because of its proximity to its citizens. This closeness leads to a greater degree of democratic accountability, but only if municipal governments do not become overly dependent on outside governments.

[Mr. Roche.]

Not only would a more decentralized system of government be attuned to the needs of its citizens, but it would also cost less. Administrative costs per capita for municipal governments are less than one-third the size of federal government administrative costs per capita. It would be hard to argue that local governments would waste tax money, when the federal government has presided over an increase in the federal public service of 44 per cent, despite the Prime Minister's promise to cut the public service by 10 per cent.

When federal and provincial grants do not meet the needs of the municipalities, they resort to borrowing. This borrowing is applied primarily to the construction of vitally important capital facilities such as roads, sewer and water systems and recreational facilities.

The recently announced $1 billion municipal debt reduction program in Alberta will provide Edmonton with $239 million to retire 90 per cent of its debt. The province of Alberta's serious concern over the debt situation in its municipalities is to be commended. The level of the program—$1 billion—and this concern expressed by Alberta are indications of the seriousness of the debt situation which municipalities face across the country. These special grants underscore the real need in municipalities for a systematic allocation of funds.

Of course, the need of municipalities in the other provinces that do not have Alberta's wealth remains as acute as ever. They cannot wait for cash surpluses. They need the revenue now to cancel their debts and they need the revenue in the future to prevent the accumulation of debts. Municipalities cannot continue to operate at a deficit with the hope that the money will eventually come from somewhere if they wait long enough. They need to have control over when that money arrives.

In the longer term, cities will have to obtain a more fixed and predictable form of revenue than property taxes, grants and borrowing. Direct access by the municipalities to revenue would not involve an increase in the level of taxation. Instead it would require a shift from one level of government to another. The Canadian public finance system is capable of raising enough tax revenue to pay for all public services provided by the three levels of government, even in the face of expanded demand. Although there is enough revenue to meet all expenditures, cities have had persistent deficits in their financing, while federal and provincial governments have shown a surplus over 20 years, even taking into consideration the deficits the federal government has run in the past couple of years.

The Canadian Federation of Mayors and Municipalities at the 1973 tri-level conference stated:

> We are firmly convinced that the tax revenues of government in Canada today are more than adequate to support the costs of managing growth. In fact, the existing tax revenues should be adequate to offset the costs of many additional responsibilities, if the methods by which fiscal resources are allocated among the three governments can be rationalized. Primarily, they require substantial re-deployment downwards to the local level of government.

● (1720)

That statement remains valid in 1979.