

*Supply—Finance*

**Mr. Fleming (Eglinton):** No, he has not done anything of the kind. On the contrary, the officials appointed to that committee by Premier Frost and representing the Ontario government have taken an active part in the committee and played a very useful role in its deliberations.

As to the other point raised by the hon. member for Vancouver East, I may say that when he speaks favourably of the commonwealth parliamentary association and the role it plays he is, so far as I am concerned, speaking to receptive ears. Over the years I think no one has been more active than I in the commonwealth parliamentary association, certainly in the 12 years I was a private member of the house, and I think it is an institution that has a most remarkable record of constructive achievement. I think the hon. member will perhaps accept my assurance that I have good reason to wish to see the work of the commonwealth parliamentary association carried forward and flourish.

As to the remarks of the hon. member for Outremont-St. Jean, I point out that he dealt with two subjects. The first had to do with the responsibilities of the respective levels of government in this country with regard to refugees. That is not a matter on which I think I should comment. It is a subject which engaged the attention of the committee of supply, I believe, on the estimates of my colleague, the Minister of Citizenship and Immigration, and also when the estimates of my colleague, the Secretary of State for External Affairs, were under consideration.

I pass to his second subject which concerns the financial problems of the municipalities of this country. I do not think I need to parade my sympathy with the municipalities. I devoted seven years of service to the municipal level of government in this country, and since undertaking my present responsibilities I think I have shown my concern for the problems of the municipalities, not least of all this year when we have taken strong measures with a view to assisting the provinces and municipalities to meet their financial problems.

As to his proposal for the establishment of a national loan fund or a national loan bank for the benefit of municipalities, let me simply remind him that this is not a new idea. It was raised before the present government came into office. To my knowledge it was raised in the house and was commented upon by at least one of my predecessors in the former government. I think I recall two of them dealing with this subject. They pointed out, as I recall, that issuing loans through such an institution would mean that

[Mr. Martin (Essex East).]

the federal institution would be dealing presumably directly with something like 5,000 municipalities in this country, all of them with varying credit standing, and that this would create inescapable problems for any such federal institution, particularly as the greatest need on the part of municipalities would probably be on the part of those whose credit was weakest. I recall their pointing out as well, that this would necessarily mean, if low interest rates were to be provided, a direct federal subsidy.

As to exemption from income tax in respect of interest payable on municipal bonds, again I say this is not a new subject but was raised in the days of my predecessors and rejected by them on the ground that it would be discriminatory. I recall their taking issue with the idea of issuing obligations at any level of government, federal or otherwise, where the interest would be exempt from income tax. Attention was drawn to the danger that in that event there could be accumulation of large amounts of these bonds in the hands of persons who were in a position to accumulate them and in that way would derive very substantial benefits in respect of income tax. I simply draw the hon. member's attention to what has been said by my predecessors in this regard.

**Mr. Bourque:** The minister said that the matter was dealt with by two previous ministers but at that time there was not very much discrepancy between the share of taxes that the different governments were getting. As I have said before, in 1933 the federal government got 39.4 per cent of total taxation and the municipal governments got 41.7 per cent, or more than the federal government. In 1958 the federal government got 61.8 per cent and the municipalities only got 16.9 per cent. So the condition has changed very materially. I can understand why the idea might have been turned down at that time but now that conditions have changed the picture is entirely different and I think the federal government should look into the matter very carefully.

**Mr. McIlraith:** Mr. Chairman, I wish to address myself to one point in the minister's remarks having to do with his reply to the hon. member for Welland concerning interest on the unmatured debt. The hon. member for Welland pointed out the very sharp discrepancy between the estimates of the interest charges on the unmatured debt since the present minister assumed the responsibilities of his office and the amount actually indicated by the budgetary papers. Notwithstanding the minister's rather strong language in giving his opinion of the competence of the hon. member for Welland, the minister