

*Municipal Development and Loan Board*On clause 8—*Provincial approval.*

Mr. Sharp: I think it is quite clear from the text of my colleague's remarks, and he repeated this on many occasions, the purpose of the bill is to increase employment within this period. It is only those expenditures which are additional to those which would otherwise have been made within the period that are eligible. When my colleague referred to acceleration, he meant acceleration by bringing forward projects within the period covered by the bill.

Mr. Chatterton: The explanation just made by the Acting Minister of Finance makes it, in my opinion, even more necessary that clause 7(1)(a) be deleted. The answer given makes it clear that those municipalities that have capital budgets will be penalized. If the municipality planned projects before this bill was introduced, these projects would not be eligible because they had planned them in advance. Other municipalities that do not have a capital program would not be penalized in this way.

Furthermore, because the municipalities' buildings are now subject to sales tax which was not anticipated, there is more reason than ever that this clause should be amended.

Clause agreed to.

Clause 8 agreed to.

On clause 9—*Limit on single loans.*

Mr. Smith: The financing of most capital projects, speaking of the municipalities in Ontario at least, is done by issuing debentures for 100 per cent of the cost of the project. This clause contemplates that the loan fund or loan board will purchase two thirds of the debentures issued relating to the cost of an approved project. What does that mean? Does it mean that a municipality will have to issue two sets of debentures in relation to one project? If they sell debentures in the open market, they may require for one third of the debt an interest rate higher than they would for those being sold to the government?

Mr. Sharp: Yes, my hon. friend is right. If a municipality is not able to finance the one third out of current revenues—

Mr. Smith: Very seldom are they able to finance even one third.

Mr. Sharp:—then it would be necessary for this municipality to issue a different form of security.

The Chairman: Shall clause 9 carry?

Mr. Barnett: I rose on clause 8.

The Chairman: I would need the consent of the committee to return to clause 8.

Some hon. Members: Agreed.

Mr. Barnett: I wonder whether consideration might be given to some different form of regulation than that which I understand applies under the sewage loans legislation. As I read this provision, it is rather similar to the provision in respect of securing provincial approval for borrowing authority as applied under the sewage loan legislation. I do know that rather practical difficulties have existed during the period while I was a member of one of the smaller municipal councils in British Columbia in respect of the ability of the municipality to present the necessary bylaw to its ratepayers.

Under the sewage loan legislation, and I think it would be similar under this measure, it was impossible for a council desiring to present a bylaw for approval of the ratepayers to get any assurance prior to the submission of the bylaw that the project would qualify under the legislation. While it was possible, I know, to get some sort of unofficial indication that approval might be granted if the bylaw passed, nevertheless I think the minister will realize that the principal question in determining whether or not a municipal project which would create employment will go forward is the ability of the council to indicate to the ratepayers that the project can be financed on favourable terms.

I wonder if the minister could give to the committee some indication of how this clause will operate in that connection? It seems to me that the operation of this clause, particularly in conjunction with the provisions of clause 7, will make it difficult to have some projects go forward. I do not believe there are too many municipalities in this country, unless they have satisfied some sort of capital development fund and built it up over a period of years, who could go into the kind of project that would be allowed under this measure, except by some form of borrowing of the total amount. In effect this means that the municipalities have the complication of selling at least part of their debentures on the regular money market. I feel that if there were some way in which it would be possible for the municipalities to get official assurance that in fact a particular project would be approved, it would make it simpler for many municipalities to qualify under this provision. In my own thinking it would have been a lot simpler if it had not been necessary for the municipalities to be involved in two methods of raising the money.

Mr. Sharp: I have been looking at these clauses while the hon. gentleman has been speaking, and I do not think there is anything in clause 8 that would in fact interfere with