

Municipal Loan Fund

P.C. 1963-1594 dated October 31, 1963, which parallel the provisions of the provincial agreements.

In order to administer loans to municipalities in the provinces of British Columbia, Alberta, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, in accordance with section 6 of the act, the board has entered into an agreement with Central Mortgage and Housing Corporation for the use of its branch office personnel, facilities and services.

The signing of agreements by Quebec, Ontario, Manitoba and Saskatchewan, and the making of the necessary regulations and arrangements with the other provinces, has cleared the way for operations under the act. The board is now prepared to process applications.

I should like also to announce that the governor in council has prescribed an interest rate for loans made by the board. For the last quarter of 1963 an interest rate of 5½ per cent has been established. This rate will be reviewed quarterly. Because repayment of 25 per cent of the federal loan may be forgiven for projects completed on or before the 31st day of March, 1966, the effect will be to provide funds to municipalities at an effective rate ranging from 2.05 per cent on a 20 year loan to zero interest on a loan of only 10 years. This is the feature we expect will prove most attractive to municipalities and encourage them to accelerate their capital spending.

The chairman of the municipal development and loan board is Dr. K. W. Taylor, special adviser to the privy council. Mr. Jean Miquelon, under secretary of state is vice chairman. The other members of the board are Mr. R. B. Bryce, deputy minister of finance, and Mr. Stewart Bates, president of Central Mortgage and Housing Corporation. Mr. J. C. Kerr is executive director and secretary.

Hon. Michael Starr (Ontario): This statement seems to be one in a long series of announcements in respect of this municipal loan fund that the government has been making from time to time over the past number of months. I think it has been their intention to bring into focus this policy of the municipal loan fund to provide the answer to the unemployment situation in Canada. I can well understand why they are making this announcement and framing this particular municipal loan fund in this way, because to date the government have not brought forward any policy to deal with unemployment in this country in a constructive way.

[Mr. Gordon.]

I am not one who wishes to be a pessimist in respect of this matter, although it is a very serious matter in this country at any time when people are unemployed. However, I do want to point out that in my opinion the municipal loan fund is not going to create any new jobs in this country at all. That is borne out by the fact that the municipalities are not going to take on any new projects. The municipalities are not going to incur new debts, because the capital debts of the municipalities are pretty high now. However, they are going to take advantage of this in simple projects for which they had anticipated and planned. They will be able to get a lower rate of interest, and of course the forgiveness clause is an asset to the municipalities also. Therefore in that respect the municipalities are going to benefit as a result of this. But as far as jobs are concerned I want to say now that in my opinion this municipal loan fund will not provide any new jobs at all.

Mr. R. W. Prittie (Burnaby-Richmond): Mr. Speaker, we in this party are pleased that the government have concluded arrangements with the provinces in this matter. I suppose this is a good example of co-operative federal-provincial action; four provinces have gone one way and six another. Nevertheless we are pleased that these arrangements have been made. The only criticism we would make would be that made at the time the bill was given second reading, namely that the fund is really too small to make a very great impact on unemployment. It is useful for municipalities who can afford to borrow, and there are reasonably favourable interest rates. But we repeat what was said earlier, that for a dramatic impact on unemployment in Canada the fund should be larger and have more forgiveness clauses than it has at the present time.

[Translation]

Mr. Maurice Côté (Chicoutimi): Mr. Speaker, we welcome the announcement just made by the Minister of Finance (Mr. Gordon) on the implementation of this new municipal development and loan board because on many occasions we advocated the setting up of that body in the past, and we consider it is a move in the right direction.

It seems that this board will surely be helpful. If you consider that the rate of interest is 5½ per cent, that in itself is an improvement on the money market rate.

I note that the government has concluded an agreement which avoids intruding upon provincial autonomy, and that is an excellent thing indeed. On the other hand, I submit that this might not resolve the acute unemployment problem we have at present, and