

Termination of Municipal Loan Legislation

applicable in these areas would be inappropriate.

Furthermore, it would be quite impractical to endeavour to continue indefinitely to apply the "additionality" test in respect of municipal projects, and this is the key feature of this legislation. Such a test, though difficult, can be applied in respect of a temporary program covering a short period such as this was meant to be. It cannot be applied on a permanent basis.

I should remind hon. Members that this legislation was never intended to be a permanent source of loan finance for municipalities. It has of course been a most helpful source of finance for them during this period when acceleration of their programs was desirable.

The effects of the Canada and Quebec pension plans will be to build up funds available to the provinces. In the future these funds may be used to assist very substantially in the financing of capital projects both of the provinces themselves and, directly or indirectly, of the municipalities. These funds will be available at interest rates comparable with those provided for under this legislation. Consequently we see no need to continue this in a modified form simply as a source of loanable funds for municipal purposes.

Some suggestions have been made that the period during which forgiveness on the loans could be earned should be extended to enable some municipalities which did not take advantage of the loans at an earlier date to secure the benefit of this. The Government has considered this proposal and has come to the conclusion that to adopt it would not be fair to those municipalities which made great efforts to expedite their work in accordance with the essential purpose of the legislation. Moreover, we must recognize that if we introduce proposals such as this, intended to expedite projects at a time when additional work is desirable, and then modify them to make the benefits available over longer periods, we tend to undermine the effectiveness of any such action in the future.

If at some future time a change in economic circumstances should make it appropriate or necessary for the Federal Government to offer inducements to expedite capital projects generally or those in any particular field such as municipal projects, the Government will be quite prepared to consider them and to consult with the Provincial Governments concerning them. Should the result

[Mr. Gordon.]

of such consideration and consultation lead to the conclusion that action along these lines would be desirable, we will not hesitate to place proposals before Parliament designed to attain this end. It would be best, however, if such proposals were specifically tailored to the situation then prevailing, taking into account the experience we have had with the Municipal Development and Loan Act as well as with other measures that have been introduced in the past two years and in earlier periods.

Hon. Michael Starr (Ontario): Mr. Speaker, two years ago when the Minister of Finance announced the Municipal Development and Loan Act he did so with the aid of a tremendous propaganda machine which inflated the plan all out of proportion in the minds of the people and gave the impression that something was going to be done together with the provinces to provide employment in Canada. The plan was actually inflated beyond its real worth, because only two years later the Minister is now telling us he is going to drop it.

Only 1,000 out of some 4,500 municipalities in Canada have participated in the plan and the reason they did so was that they were able to get at a lower rate of interest the same loans they would have obtained in any event, and in addition there was a 25 per cent forgiveness clause. Even so, only 1,000 out of some 4,500 municipalities took advantage of the plan. This in itself shows that the plan has been a complete failure—

Some hon. Members: Oh, oh.

Mr. Starr: —because no work was undertaken under the plan that would not have been undertaken ordinarily, since municipalities do not obtain loans or undertake projects they do not need. These projects would have been undertaken in any event, and the benefit the municipalities derived was in the fact that they were able to get a low interest rate and forgiveness of 25 per cent of the cost of the project if completed by March 31, 1963.

I do not see the reason for dropping this plan at this moment, because I feel that those who would like to participate in it should have been given an opportunity to do so, even though the plan has not been a success in any manner or form, nor has it lived up to the propaganda the Minister attached to it.

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, there will be widespread disappointment at the announcement which has just been made by the Minister of Finance to