

HOUSE OF COMMONS

Thursday, June 10, 1965

The House met at 2.30 p.m.

FINANCE

ANNOUNCEMENT OF TERMINATION OF MUNICIPAL LOAN LEGISLATION

Hon. Walter L. Gordon (Minister of Finance): Mr. Speaker, I undertook to make a statement this week concerning the Government's policy regarding the Municipal Development and Loan Act.

This legislation was passed in the summer of 1963 as one item in a broad program to increase employment. It authorized a total of \$400 million in loans to municipalities up until the end of March, 1966. This sum was allotted by the statute among the provinces in proportion to their population. It offered an inducement for the acceleration of work on municipal construction projects by providing for forgiveness of 25 per cent of the principal amount of the loan in respect of all loans on projects which were completed by the end of March, 1966, or in respect of the amount of the loan that had been advanced up to that time for projects not completed by that date.

I am pleased to report that this legislation has been a great success. During the course of the last two years over 1,500 loans have been approved to nearly 1,000 municipalities. Municipal works projects have been accelerated in accordance with the purpose of the legislation, and employment on municipal construction projects has thereby been increased. Each loan has been made after certification by the appropriate municipal and provincial authorities that it would give rise to additional works projects that would not have been undertaken without such assistance. This test of "additionality" was one of the most important and difficult features of the legislation. I am glad to acknowledge the co-operation of the municipalities and the provinces in the administration of the plan.

The report of the Municipal Development and Loan Board for the fiscal year ended 31 March, 1965 will be tabled in the House shortly, and will contain details of the loans made.

One of the problems we have run into in the administration of the Act is the precise effect

of the termination date in limiting the amount of the loan which can be forgiven. There is no problem in respect of projects completed before 31 March 1966. However, it has been found in practice that it takes time to check on the progress of work done on projects and make advances in respect of them. Moreover, the agreements with the provinces under Section 7 of the Act provide for certain procedures which also result in some time interval before the advances can be made equivalent to the value of the work done up to any particular date.

To meet this problem I am submitting in the supplementary estimates an item to provide for the forgiveness of that portion of the principal amount of the loan that is advanced after the 31st day of March, 1966, with respect to the costs incurred on the project up to that date. I think this will meet the chief problem that has been of concern to the provinces, the municipalities and the Board in the administration of the statute.

Some projects for which loans have been made or will be made under this legislation will not be completed before next spring. This was contemplated in the legislation and specific provisions made for it, as indicated by the arrangements I have just mentioned in respect of uncompleted projects. It seems probable that the major part of the 100 million of potential forgiveness will be earned by the municipalities.

The Government has given careful consideration to whether this legislation should now be enlarged or extended. There is no doubt that it has been a success in increasing employment on municipal projects, which was the purpose for which it was introduced. The economic situation since the time the program was introduced has improved markedly. The results of other Government measures are improving and sustaining the level of employment and the rate of economic growth. The rate of unemployment declined from 5.8 per cent, seasonally adjusted, in the first quarter of 1963 to 4.0 per cent in the first quarter of 1965. In many parts of the country it is now at considerably lower levels than the average for the country as a whole. Efforts to stimulate employment in the construction industry particularly by further measures