

The Controversy About Saskatchewan's Finances

Much publicity has been given to the controversy between the Hon. George Langley (Minister of Municipal Affairs for the Province) and the Canadian Bond Dealers' Association through one of its officers, Mr. W. L. McKinnon, regarding the municipal finances of Saskatchewan. The controversy would seem to be based on the suggestion that the Provincial government should make itself responsible for debts of certain municipalities which had failed to meet their interest charges. This the government cannot see, and because of its refusal to fall into line with the arguments put forward by the Bond Dealers' Association there was a deliberate boycott against Saskatchewan's securities. In an evidently studied statement the bond dealers' spokesman denied the charge of boycott, but that "something a great deal worse than a boycott" was stopping the sale of Saskatchewan's securities, that something being that investors have lost confidence in them, because of lack of proper control over municipal expenditures by the provincial authorities, though in the same statement it is frankly admitted "that on the average the financial position of Saskatchewan municipalities is very sound. The most exacting critic would not ask for more security than that which really exists behind the debts of Saskatchewan's municipalities on the average."

In other words Mr. McKinnon maintains that while the financial standing of the municipalities of Saskatchewan is good on the whole, this standing has been discredited because one or two small municipalities have been allowed to default on their interest charges; that this would not have happened had proper oversight been made by the provincial government, consequently it is the duty of the government to assume the payments. While it is true that the default of a single municipality will affect the credit of a whole district, and a number of defaults a whole province, it would be against the first principles and certainly not in the interests of municipal government for another authority—even a superior authority—to step in and assume local debts. It would be tantamount to an assumption of authority that had already been granted by charter to a community. The provincial government was quite right in refusing to pay, for it was outside its province.

At the same time the bond holders have a real grievance against those municipalities that have defaulted, and the unfortunate part is that, to quote Mr. McKinnon "suing a municipality for payment is a long drawn out affair that produces little or nothing for the bond holders, and that while the remedy is being applied the arrears of interest keep piling up so that each year the debt position becomes worse and worse." The question is what has the Local Government of the Province done or is doing in the matter? This board, which is a judiciary body the members of which can only be moved for cause by the legislature, was established to examine carefully into the finances of municipalities desirous of borrowing. As we understand it the borrowings in default were made before the establishment of the board, consequently with its present limited powers it cannot be held responsible for the delinquencies, but it seems to us that, being created for the purpose of checking borrowings down to

bare necessities, even with proper security, is not enough to safeguard the financial credit of the municipalities of the province. We believe that the Local Government Board should not only have power to examine, through its own officers, the finances of any municipality in the province at all times, but that in the case of a delinquency, or even danger of a delinquency, it should also have the power to compel the delinquent municipality to increase the tax rate sufficient to pay off all interest that may be overdue. Such a measure would of course be drastic, but drastic measures are absolutely necessary in defaulting municipalities if the splendid credit of Municipal Canada, and particularly that of the municipalities of Saskatchewan, which has taken many decades to build up, is to be kept intact.

In a recent address, Mr. J. N. Bayne, late deputy municipal minister and now a member of the Local Board of Saskatchewan, stated that out of 730 municipal institutions in Saskatchewan, less than 12 had experienced difficulties in meeting their debenture coupons, and that the few defaulting municipalities were making honest efforts to meet their payments. If this is the case, and Mr. Bayne's statement must be accepted as one of authority, not only because of his responsible position, but because of his recognized integrity, the bond holders must have patience, particularly as they bought the bonds at high rates of interest. Undoubtedly the delinquent municipalities will meet all payments ultimately, because they will not be able to borrow again until they do. It must be remembered that the delinquency is in the interest only, not in the principal which is secured by every piece of public and private property in each of the municipalities affected. We are of opinion that there has been placed too much emphasis on these defaults, which while bad in themselves do not represent the spirit of western municipalities generally. To meet their interest payments and provide the necessary sinking funds the western cities and towns have taxed themselves to the limit, in some cases up to forty-five mills on a fairly high assessment. What is more there is very little defaulting in tax payments on the part of the citizens. This spirit cannot be too highly commended.

THE AUTOMOBILE CLUB OF CANADA

The Automobile Club of Canada is very much alive today. A weekly news letter not only gives much valuable information to the members but describes the many activities of the club. These activities cover quite a large field; for instance, traffic regulation is a subject on which much valuable information is gained for the benefit of the authorities, and good roads and their upkeep is another subject continually under consideration. Among its presidents have been Deputy Minister McLean, of Ontario, and Deputy Minister Michaud, of Quebec, and the present president is J. A. Duchastel, City Engineer of Outremont and an ex-president of the Canadian Good Roads Association. Mr. George MacNamee, the energetic secretary, is also secretary of the Canadian Good Roads Association. Much credit is due to this association for the good road spirit that for the last ten years has prevailed in Canada.