

Grants to Municipalities

to be left basically up to the minister, and it will be the minister's prerogative to set the value. I think that is in clause 2 of the bill.

As I read clause 2(1), we still have a problem between assessed value of property of a municipality and its accepted value. According to this legislation, the minister will determine the "effective rate". This will in effect be left to the opinion of the minister. Perhaps in committee we will need a little further amplification as to what the terms of reference or definition of "effective rate" is going to be, because in some ways if an effective rate does not relate to the assessed value, that might destroy some of the intent of the legislation, and that is to broaden the very basis for the grant in lieu of taxes. That is one area on which we need further explanation, and hopefully that can be done in the committee.

As I understand it, the second matter has been largely cured by this bill. With respect to properties which had a tax-exempt status, under the terms of this bill there will be an expansion and a very wide definition of the properties to be covered. Such properties as parks, historic sites, museums, art galleries and the like and defence bases are going to be included, so in large measure I think both this government and the previous government went a long way toward removing the complaint of the Federation of Canadian Municipalities that too many federal buildings were not even involved in the grant program.

As the minister stated today, and as I mentioned, the expansion of the grants in large measure has been clarified, and certainly if the clarification is not wide enough, perhaps by the time we come to the committee other municipalities which feel that it is still a little loose as to whether some property in their areas will be covered by the expanded grant may let us know. This is an unusual bill. Perhaps there will be many bills which will have this joint paternity, but the problem of the exempt properties has been largely rectified in the provisions of this bill.

I think the problem which is left up in the air the most, for perhaps very justifiable reasons, is the third problem which the Federation of Canadian Municipalities brought to the attention of the government in 1977. It has been passing resolutions on it since 1977 at its annual meetings. I refer to the question of the business tax or the commercial tax or the occupancy tax—call it what you will. Under the bill even as it is presently before the House, there is still not going to be, as I understand it—again there is a place, perhaps committee, for further clarification of this—any allowance for a business tax that the municipality imposes.

As we know, municipalities have a very limited source of revenue, be it from real property taxes, business taxes or commercial taxes. I appreciate the reasoning of the federal government that a business or commercial tax is such a variable thing, depending upon the municipality and/or the province, that there could not be a standard set across the country on the basis of which the federal government could give a consistent grant in lieu of taxes. I appreciate there are many variables in this equation. The lack of uniformity in respect of commercial taxes extends all the way through from

different assessments, criteria and stock in trade to rental value, sometimes on the basis of square footage, and other times on the basis of storage capacity or assessed value of real property. Often it is done on the basis of a flat rate. Because of these variables in these municipal taxes across the country, the federal government felt there was no way it could pay a fair grant in lieu of taxes.

● (1540)

One of the reasons we have not made progress in respect of this bill is that it has been difficult enough in the past for municipalities to obtain a grant in lieu of property taxes. This bill, in effect, bites the bullet in respect of property taxes. It has, in effect, provided for grants and opens up areas in relation to property that are more difficult to assess in terms of property tax; for example, historic parks and defence bases. The government is apparently prepared to move in that direction, with all the difficulties involved.

The only other real source of income for a municipality is taxes on businesses or commercial endeavours. As I understand this bill, there will be no recognition of grants in lieu of income from business tax.

I do not run a business at my constituency office, but in my municipality I am confronted with a business tax. I objected to paying it, but I found out I was going to have my furniture hauled away if I did not pay it. The tax is assessed on the basis of the fact that I am located on the front, main street of my home town.

In similar fashion, I understand the federal government feels that, because it is not in a business, it should not pay any business tax or give any grant in lieu of such a tax. If that is the case, perhaps the minister will be able to expand upon that situation when the bill reaches study in committee.

Part of the dilemma in that argument is that departments do not carry on businesses, but some Crown corporations and agencies of government do, in effect, carry on businesses, often in direct competition with others in the private sector. Perhaps when we get to the committee stage the minister will be able to distinguish between a department which does not carry on a business and a Crown corporation or an agency of government that does. I can understand the government's argument in respect of departmental activities, but what is the situation in respect of a Crown corporation which carries on a business within a municipality? There is no problem that I see as to why the government has not moved to recognize a grant in lieu of some business or commercial tax in respect of departmental activity; but that reasoning does not apply to Crown corporations or other government agencies carrying on businesses, as I say, often in competition with others in the private sector.

With that situation, should there not be a recognition of some flat rate?

An hon. Member: \$100 million.

Mr. Nowlan: The minister mentions from his seat "\$100 million". I think Crown corporations are giving grants in lieu