debt which will involve higher general municipal taxation, but rather to assist the municipalities by means of an exceptionally low interest rate to provide those facilities either by means of service charges paid by those benefiting, or in the alternative, or possibly in addition, by the reduction in maintenance charges which are now very high on certain classes of obsolete municipal services in many municipalities.

The maximum amount of loan to be provided by legislation will be $30,000,000, but there will be a provision that the governor in council may fix a date after which no further loans will be made. The rate of interest on the loans will be two per cent, and the term of the loans will not be longer than the useful life of the project, with complete amortization during the life of the project. It is impossible, obviously, to give a definite term for the loan, because the life of one project will differ from the life of another; but the intention is to bring about self-liquidating undertakings.

I spoke of the purpose of the loans to finance the construction, improvements, extensions, or renewals of self-liquidating projects. A self-liquidating project is one which will increase the net revenues of the municipality sufficiently to pay interest on the loan and amortize the principal during the useful life of the project. Net revenue may be increased either by increased receipts from those benefiting from the service, or by decreased operating and maintenance charges. Again there must be demonstrated to the satisfaction of the government, first, the need for employment, and second, an urgent need for the project itself. The security taken by the government will be the debentures of the municipality. The loan, as I indicated before, must be guaranteed by the province in which the municipality is situated, and the project must be approved by the government of the province.

Mr. BENNETT: Will that constitute the determination of the question as to the work being necessary?

Mr. DUNNING: No, not entirely. It will be one of the factors. The original consideration is the need for the work in the municipality.

Mr. BENNETT: Who determines that?

Mr. DUNNING: The information must come to the Minister of Finance with the information gathered from the provincial government indicating its approval and a confirmation of the facts therein stated. It is proposed in the bill—I do not think the resolution deals with all phases of the bill, although I tried to make it as complete as possible—that the allocation of the $30,000,000 among the municipalities of the dominion shall bear the same relationship to $30,000,000 in each case that the population of the municipality bears to the population of the dominion as determined by the 1931 census. That is to say, the limit on the amount which may be lent to any one municipality under this act will be the proportion which the population of that municipality bore in the last census to the total population of the dominion.

Mr. BENNETT: Well, shortly it is only $3 per head.

Mr. DUNNING: Yes. That introduces a difficulty which faces one in devising legislation of this kind, namely, that the smaller municipalities obviously would not be able to borrow a sufficient amount to be of any use in attempting to meet the problem either of providing work or of providing municipal facilities of a self-liquidating kind.

Mr. HEAPS: How about the larger ones?

Mr. DUNNING: Will my hon. friend let me make my statement?—and then of course I shall submit to questioning. I am trying to comprehend the whole thing in my mind at once.

As far as the smaller municipalities are concerned therefore it is hoped to overcome the problem represented by the statement I have just made by providing in the bill that notwithstanding the population provisions set out, a loan may be made to any municipality to the extent of $200,000. If hon. members will figure that out approximately on the basis indicated by the right hon. leader of the opposition it will be plain as to how that feature of the bill will work out.

As to the cost to the dominion, that of course will be represented by the difference between an interest rate of two per cent and the interest rate at which the dominion government is able to borrow from time to time for a length of time corresponding as nearly as possible to the term of the loan. It is however impossible to state positively just what the average term of these loans will be, based as they are upon the principle of self-liquidation within the useful life of the project. I can therefore give only an approximation of the cost to the government. The government actuaries have made certain estimates. Obviously if the loans on the average are for a term for which the dominion could borrow at a two per cent rate, then the cost to the dominion will be nil, provided no municipality defaults on its obligations.