

expenditures annually. It will save consumers directly \$280 million in taxes this year, and on top of this the substantial markups on these taxes which result from the normal business practice of calculating percentage markups on tax-paid costs.

Let me say to the business community—and to wholesalers and retailers particularly—that the purpose of this measure is to help the people of this country by reducing prices. I am confident that in most cases these benefits will be passed on to the consumer. However, I intend to ask my colleague, the Minister for Consumer and Corporate Affairs (Mr. Gray) to monitor prices of clothing and footwear and to report his findings to me. If these tax cuts do not get reflected in prices, then I undertake to recommend that the government take action, in one way or another, to ensure that the consumer does gain and that others are not allowed to appropriate the benefits.

Complementing the tax increases I announced earlier on high-energy consuming vehicles, I propose to remove the sales tax on buses and other public passenger transportation equipment purchased by local governments. This will provide important assistance to municipalities in supplying more effective transit systems to reduce reliance on the private car, reduce total energy consumption and abate pollution.

Further in the sales tax field, I propose to abolish the tax on bicycles. The advantage of this will be self-evident to Canadians in large numbers who are adopting this popular and healthful form of recreation.

#### Tariff Changes

In last year's budget there was a reduction in customs duties for a one-year period on a broad range of consumer goods. These reductions affected trade valued at about \$1.6 billion in 1973. There is before the House Bill C-21 which, if implemented, would continue most of these temporary reductions until June 30, 1974. Given the delay in proceeding with the GATT negotiations, I am now proposing that except for one item only, these reductions should be extended until December 31, 1974.

#### Exchange Rate

Some further relief on our price structure is resulting from the rise of the exchange rate on the Canadian dollar, which stems from the good over-all performance of the Canadian economy and world confidence in our future. The government has not sought to bring this appreciation about; it has resulted from the underlying forces at work in the exchange market and we have intervened in this market only to maintain orderly conditions. We will continue to be concerned that the competitive position of our industry is not impaired. However, there can be no question that the appreciation that has taken place is providing some relief in moderating the increase in the cost of living.

#### Housing

An important aspect of the recent inflationary experience in Canada has been its impact on the cost of housing and the ability of the average Canadian, particularly young people and people of modest income, to meet their housing needs. The government has put in place a number of important programs and measures to ease both supply and cost aspects of the problem. These measures are reflected in the expansion of the budget of Central Mortgage

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and Housing Corporation to \$1.2 billion per year. Special assistance to low-income families has reduced the net cost of their mortgage financing. Indeed, in cases of demonstrated need, the amount of the assisted home ownership grant is such as to reduce the effective rate of interest paid to almost 6 per cent. The programs to assist municipalities with land development and servicing have also been extended and improved to speed up the whole process of bringing additional serviced land onto the market.

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Tonight I wish to announce several further measures to improve the housing situation. Before doing so I should refer to certain popular suggestions in this regard, specifically the cancellation of the sales tax on building materials, subsidized interest rates, and the deductibility of mortgage interest for tax purposes. Apart from problems of cost and inequity in these suggestions, in the present environment of a sellers' market they all suffer from the fatal defect of overstimulating demand, raising prices, and providing benefits which are almost certain to be captured by builders and sellers. In contrast, my objective is to help home buyers by the following proposals.

First, one tax factor which may be holding back the flow of land for housing is that a taxpayer, personal or corporate, may claim against other income the carrying charges on land which is being held for future development. This sheltering of other income has lowered the financial cost of carrying undeveloped land and, therefore, reduced the pressure for early use.

I am proposing that the carrying costs on land awaiting development may not be charged against other income but be taken into account only as the land is sold. This new rule for carrying charges would not apply to land which is being held primarily to earn rental income in the year, or to land which is used in the course of carrying on a business other than a real estate business. This measure, which is estimated to yield the federal government about \$10 million this year, will assist in bringing land for housing onto the market more quickly.

Second, I propose to remove the sales tax on a range of construction equipment including excavation and earth-moving equipment, tower and climbing cranes, air compressors and pumps, equipment for preparing and spreading concrete and asphalt, and several other categories of goods used in the construction industry. The effect of this measure will be to exempt from sales tax all major classes of construction equipment purchased by contractors and local governments.

Third, to provide assistance to municipalities which are also struggling with the housing problem, I propose to abolish the federal sales tax on articles and materials purchased by local governments for use in the construction of water distribution systems.

The foregoing two measures will reduce costs by \$50 million directly in a full year, and by a further considerable amount through indirect effects.

Fourth, together with my colleague, the Minister of State for Housing and Urban Affairs (Mr. Basford) I propose to take steps to assure the fullest possible allocation of mortgage funds to lower-cost housing. In addition to the use of the mortgage insurance provisions of the