

*Supply—Labour*

[English]

**Mr. Johnston:** Mr. Chairman, a few months ago parliament increased the bank interest rate. At that time we were told, particularly in the finance committee, that if we took this one step money would become available. The small income earner who wanted to buy land would have to pay less for his money. Some of us were rather suspicious of that reasoning at the time, and I think our suspicions were borne out yesterday with the announcement by the Minister of Labour of the increase in the N.H.A. mortgage interest rate. Obviously the money has not become available for less than it cost before we took that step.

We must seriously consider what will happen when we adopt interest rates like this. I hoped yesterday that someone would do the arithmetic involved and, of course, someone has. In today's *Globe and Mail* we find that on an \$18,000 maximum loan at 8½ per cent the total payment over the full term of 25 years is \$42,084. In other words, the interest charge is \$24,084 or \$6,084 more than the original loan.

This additional money is not required for labour or for materials in the house but strictly to pay for the loan. We might ask where that extra money is to be found. It certainly does not come from increased productivity. New money is created annually to a certain extent, and this has something to do with productivity, but this extra can only be derived by borrowing from the future. We are becoming involved in spiralling interest rates which will destroy our economic system unless very serious consideration is given and certain steps taken to stop this at some point.

The minister in his statement yesterday and today during his elaboration referred to urbanization being responsible for the housing crisis. He said, "The government tends to devote a larger portion of resources to trouble spots resulting from the fantastic urban growth which has taken place." There has been a fantastic urban growth, much of which has taken place in our large cities where land costs are high. Far too much of the money that is ostensibly being spent for housing must first be spent to obtain a bit of land on which to build the house.

One thing that bothers me is the number of regulations imposed by the government or its authorities which have the effect of increasing building costs, because this accelerates the move to the city. Extremely stringent rules apply to N.H.A. housing with regard to lending money for houses to be built on lands that are not connected to sewers. This

affects the availability of money for housing. Some years ago the government attempted to tackle this problem and funds were made available for research in order to come up with something that would help. I suspect that a great deal of the money was put into market research rather than practical research, because the result of all this effort was something called the "convertito" unit.

• (5:10 p.m.)

A regulation was made which provided that no money would be lent in respect of houses being built on unsewered lots unless a convertito unit was put in instead of the conventional sewage disposal unit, the septic tank. There is really nothing wrong with the idea but there is a great deal wrong with the economics of it because this unit costs \$600 to \$800 more than a conventional unit. This regulation has had the effect of forcing people to move into urban areas. It has also had the effect of increasing the cost of housing in Canada. If you take \$600 to \$800 and work out the interest at 8½ per cent over 25 years you will have the true picture of the cost involved in this unit.

If it were satisfactory and did anything to solve the problems of pollution, I would not for one moment raise my voice against it in this chamber. But I know that health units have serious second thoughts about the ability of these units to do the job they are supposed to do. There are health units in British Columbia that refuse to have anything to do with the convertito unit. This means there is land which cannot be built upon with an N.H.A. loan because the health unit will not give permission for a convertito unit to be installed and C.M.H.C. will not give permission for the conventional septic tank to be used in that type of building. So there is a bit of a bind there.

I raised this question with the minister and his reply was that C.M.H.C. had placed a freeze on all lending in respect of unsewered lots whether or not they had a convertito unit. I doubt very much whether that action had anything to do with the convertito unit. I imagine it had a great deal to do with the fact that the fund had dried up and the freeze was already in existence.

I seriously urge the minister and the officials of Central Mortgage and Housing Corporation to consider this matter very carefully and take steps to alleviate the situation. This is one of the constructive steps the minister asked us to suggest in order to help him. I suggest that the health units be given