

Mortgage Tax Credit

the mortgage is insured by the government agency, Canada Mortgage and Housing Corporation.

An hon. Member: And they're still losing money.

Mr. Herbert: Mr. Speaker, I was not going to interject at this point because my time may be running out, but I will only say this. In the Canada Mortgage and Housing Corporation fund at this time is a sum of some \$650 million which has been accumulated from this insurance charge. To suggest that this money is ever going to be used—I know what the objection is going to be and I will come to that in just a moment—for the purpose that it was originally intended, which is as insurance on mortgages for single family residences, is just preposterous when you take into account the appreciation in the value of homes, plus the fact that as the years go by these mortgages are being reduced.

In fact, the only reason there is an apparent reluctance on the part of the government to talk about using this particular fund at this time to help the home owner is that a large part of these funds has presently been committed as a result of the acquisition of homes under the Assisted Home Ownership Program. I am well aware that there are persons who are not particularly happy to talk about the fact that there have been so many acquisitions under this program. All I would say at this stage is that these acquisitions represent a relatively small proportion of the total number of houses built under this program, and in each case the individual involved has had the advantage of the program for the period in which he has lived in the house.

The fact that some of these people have been unable to meet the increased payments necessary at the end of the five-year period, through no fault of their own, is a shame. Nevertheless, the 90 per cent to 95 per cent who have been able to use the program to advantage, and as a result now occupy their own homes, in my opinion makes the program extremely well worth while. In no way does it bother me that some \$400 million has had to be used out of the \$650 million insurance fund for the acquisition of these homes. This money is not lost. When one acquires a home for a certain sum, one must spend those dollars in order to acquire the property. But one then sells the property, and it is only the difference, if there is a difference, between the selling price and the purchase price that is the loss. The actual anticipated loss in any one year would not exceed \$60 million. The maximum loss of \$60 million to the Assistant Home Ownership Program in one year, if one considers the funds which are being funnelled in by continuing insurance charges year after year, is nothing at all to be ashamed of. I think one of the finest things which the previous government did was to give the opportunity to low income persons to acquire their own home.

● (1600)

Thus the suggestion that we cannot use this fund either to reduce to one-half of one per cent or even eliminate entirely the insurance charge but continue with the coverage, which would immediately give everybody a reduction in their month-

[Mr. Herbert.]

ly payments, and that this would have no immediate effect on the fund, is quite right. Of course, it would result in a decrease in the amount going into the fund, but it would then only be necessary to make more of an effort to sell these houses that have been acquired by Canada Mortgage and Housing Corporation. If there is a shortage of housing accommodation, then this is the route to take. It is the least expensive to the public since it involves no additional expense to the government whatsoever.

I also suggested that we eliminate the remaining federal sales tax on building materials as a one-time stimulus for construction activity. The minister's answer was:

—not all of the price reduction resulting from a cut in federal sales tax would be passed on to the consumers.

I think that it is a disgrace to make such a statement. I am ashamed of the suggestion that the market now is not sufficiently competitive, and that it would force salesmen and the companies selling building materials to reduce their prices if the government was to take off the remaining federal sales tax on building materials. Surely that is one very effective way to stimulate construction.

I also talked at some length about giving a stimulus to the building industry by proposing other deferred tax advantages to builders who at the present time are carrying very high inventories. The comment by the minister to this particular suggestion was:

New residential construction activity has been lagging throughout 1978 and 1979.

I acknowledge the lag, but as I said earlier, this does not apply to single family residences, but mainly to rental accommodation in multiple family highrises and other types of multiple family units. He goes on:

The lower level of activity can be attributed to a number of factors. The first major factor has been the over-production in some market areas of certain types of dwellings resulting mainly from the AHOP and ARP programs. As inventories grew beyond normal levels, builders have had to reduce new production. To compound this problem, mortgage interest rates remained at high levels throughout the latter half of 1978 and in 1979.

The minister goes on to say on the following page:

The current low level of new production cannot therefore be attributed to a lack of productive capacity on the part of the builders. Rather, it is more because of a weakness in demand that housing starts are at such low levels. Thus, I believe there is a greater need for the mortgage interest and property tax credits to stimulate demand than there is for the granting of deferred tax advantages to builders at this point in time.

That may be so, provided there are still builders to build the houses should there be an increase in demand. The situation in which we find ourselves at the present time is that the builders have inventories and houses for sale in most parts of the country. In fact, I was reading a pamphlet of the Housing and Urban Development Association of Canada which said in part:

Much of the country reports soft markets except Newfoundland and Ontario which say that the single detached demand is buoyant.

I find it interesting that they would mention the provinces of Newfoundland and Ontario because Newfoundland is referred to as the area in this country with the highest percentage of home ownership but the fewest number of homes on mortgage.