tion's operation has been promised for three years. What guarantee is there that this is not another empty promise? The minister responsible has stated that this organization will have an operational budget of $75 million. This is both ironic and petty, when one considers that its budget was cut, when it was not even operative, by more than this sum. That was in the June 23 budget.

● (1650)

I should like to speak, now, on the provision of the $1,000 per unit grant to municipalities which approve minimum-density AHOP and rental assistance price limits, and the inclusion of loans for water facilities and mains under the federal land assembly program. There is no doubt that one of the main factors contributing to the housing crisis is the prohibitive cost and the unavailability of serviced land. The Progressive Conservative party has advocated the injection of $500 million to meet the crisis. Considering the fact that it costs approximately $30,000 to $35,000 to service an acre of land which would accommodate, on average, five single-family dwellings or eight multiple dwellings, it is quite apparent that the government's $1,000 per unit grant will not even come close to solving the problem of opening up serviced land properly. The problem of serviced land also rests on jurisdictional considerations. Municipalities are reluctant to zone property for low-cost housing because they will lose property tax dollars through the diminished property value.

As can be seen, the problem is very complex. The government's program, however, has done nothing to overcome these complexities by recommending consultation or co-operation with the municipalities and provinces. If anything, there is mounting evidence that municipalities are viewing the government's restrictions and stipulations as federal coercion. The result of this could be that little co-operation will be forthcoming from the municipalities on this aspect of the problem.

In introducing this discussion, it was stated that the basic thrust of the housing policy was relatively sound in so far as it attempts to stimulate supply. The encouragement of additional mortgage funding, while basically without clout, is nonetheless a worthy pursuit. The Federal Mortgage Exchange Corporation is a much needed organization that is long overdue. At the same time, it is imperative that more serviced land be made available in order that over-all construction costs can be kept down. The problem is that in this package the government has also inflated demand relative to supply.

In summary, many points in the program are counterproductive, cancelling each other out. Similarly, other programs are simply "more of the same". The government has assumed they can solve the housing problem through quantitative means, that is merely by extending or broadening existing programs, rather than looking for qualitative changes which can be exclusively aimed at real problems with long-term goals in mind.

On the subject of construction costs, at the present time, based on experience during the preceding year, construction costs are shown to increase at 2 per cent per month. The upper limit for AHOP assistance in Winnipeg is presently $33,000. The builder accepting an order today at that upper limit, and starting construction immediately, would find himself six months' hence with a completed house that, ready for occupancy, costs $36,960. In other words, he would have lost $3,960 on the sale.

Under the new federal housing program, rental subsidies under ARP are increased to $1,200 per rental unit per year. It is my understanding that such subsidies are interest-free for the period during which they are received. It is my further understanding that these subsidies become repayable to the federal government at such time as the rental building is refinanced at an interest rate and repayment periods still to be determined by the federal government. Receipt of these subsidies enables the owner to ease the financial burden of rent for occupants, charging rents lower than those normally required to maintain the economic viability of the project. By the end of five years, the difference between economic and market rents is estimated to be more than 20 per cent.

By the end of the same five-year period, the mortgage loan on rental projects must be refinanced because of five-year terms on such mortgages. Based on past experience, it would seem inevitable that such refinancing would have to be at considerably increased rates of interest, and this means an immediate increase in debt service costs. Therefore, the owner, at the end of five years, has a higher mortgage debt service cost, a loan of $6,000 per unit—$1,200 per year for five years—that he must repay to the federal government, and a rent structure that, with this added debt load, could be as much as 30 per cent below the economic rent.

These are some other fears expressed by builders in the Winnipeg area. They point out that there is no incentive for private members to co-operate in helping to ease the housing bottleneck. In fact, the government is very punitive in its implied course of action should the private lending institutions not follow the government's dictum. They say there is too much red tape in approving housing construction, and that this causes delays.

This is a point that I have raised numerous times in the House. A couple of years ago some of the developers in the Toronto area pointed out that the cost of housing could be cut in half if all the red tape were removed from the three levels of government. They pointed out that single-family housing could be provided in and around metropolitan Toronto at half the present cost of $40,000 plus, which is the average price, if only developers received co-operation from the government instead of restrictions and outright hostility. I have pointed this out to the Minister of State for Urban Affairs (Mr. Danson) on a number of occasions, but I do not know whether it has been discussed at the trilevel government meetings.

Developers in the Toronto-Montreal area made three main points. They recommended, first, provincial government financing of water and sewer services for privately-held land ready for development, aimed at flooding the market with serviced land so as to drive down the price of a serviced lot, now at a record high of $22,000 on average. Second, relaxation, at least in specified areas, of a long list of restrictions on new subdivisions, such as minimum lot sizes, the requirement of elaborate local servicing, and stipulations as to the type of building materials used. Third, elimination of federal and provincial sales taxes on