

The Budget—Mr. B. Clarke

boost by paying a tax only on the amount they spend. Similarly, those on low incomes would pay little in tax, and high-living Canadians would pay their fair share based on their high expenditures.

This government by its registered home ownership savings plan has taken another step toward my suggested goal, and I suppose I should feel grateful. And I would be, if the minister did not continue to permit so many glaring inequities to persist in our tax system.

We can see another example of the government's bungling in its attempt to solve the housing problem of Canadians. The government has reduced the sales tax on building materials—something Progressive Conservatives have long advocated—from 12 per cent to 5 per cent, providing a good saving on an average house, but leaving about \$500 in sales taxes payable.

In the meantime, the Minister of State for Urban Affairs (Mr. Danson) has announced that he will give purchasers of new, moderately priced homes a \$500 grant. Now, of course, this is just another empty offer because of the lack of new homes in the price ranges given. But, Mr. Speaker, the government has retained all of the bureaucracy of the sales tax department, and you can be sure that it costs just as much to collect a 5 per cent sales tax as it does one of 12 per cent, and it will create a whole new bureaucracy to administer the \$500 grants. The net effect to the purchaser would be the same if the 12 per cent tax were wiped out entirely, and we would eliminate a double bureaucracy.

This housing minister's predecessor was horrified last session when I said the government should get out of housing. My views were echoed only two months ago by the Vancouver *Province* newspaper, which said:

... our housing difficulties, particularly in the rental field, compose a classic case of problem creation by government.

It continued:

We did not begin to experience real rental shortages in this country until the federal government removed the tax incentives that channeled a lot of private money into rental accommodation.

Finally, the badly needed incentive to entice high-income Canadians to invest in housing has been restored, if only for 13½ months. Of course the government needs the private sector to solve the housing problem, and has shown repeatedly that government-provided housing is unacceptable or unavailable to those people the government says it wants to help. But, typically, the government's plans to help the needy must fail because the really needy cannot afford to take advantage of the plans offered.

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Many of the factors in the high cost of housing can be traced to the action of some level of government. For example, not too long ago municipal governments used to approve sub-divisions with gravel roads, septic tanks and drainage ditches. Improvements were put in gradually and paid for over decades through local improvement taxes. Now they require pavement, curbs, underground wiring, street lights, storm and sanitary sewers before the first house is occupied. The municipalities were saved, but the purchaser had all these costs added to the purchase price of his new house. Today delays of two years in obtaining all approvals are common, and this can add 25 per cent or more to the cost of raw land in a subdivision.

[Mr. Clarke (Vancouver Quadra).]

This government did its share in escalating housing prices. For example, CMHC refused to lend on non-sewered lots. The government's inflation has caused interest rates to skyrocket, which magnifies borrowing costs for housing in an incredible fashion. A typical 7 per cent mortgage for \$40,000 carries monthly payments totalling \$84,000 over the term, but a 12 per cent mortgage of the same amount requires payments of \$124,000, a \$40,000 increase.

If one doubts that inflation is a factor in interest rates I should remind hon. members that the Liberal government sold 3 per cent perpetual bonds in 1936. These bonds are still outstanding and worth about one third of their face value in 1936-dollars, or about 10 per cent in terms of purchasing power. This year the government sold Canada Savings Bonds at 9¼ per cent, and these carry an immediate cash redemption guarantee.

Bond yields offer an interesting aside here, Mr. Speaker. The minister, early in his budget speech, referred to the increase in the average yield of outstanding Canada Savings Bonds, which is now 10½ per cent if held to maturity. No mention was made of the yield on marketable government bonds maturing after 1980, with rates that vary from 4½ per cent to 6¼ per cent and with present market values ranging from \$69 to \$81 for a \$100 bond. No, the minister would only adjust interest rates when it was to his government's advantage. In order to stop the flood of redemptions on Canada Savings Bonds he had to increase their yields. But the poor holder of the marketable bonds has to suffer the effects of the government's inflation policies right up to the maturity date of the bonds he bought in good faith.

Holders of Canadian government annuities find they too are locked into long-term agreements at rates of 4 per cent, and they, along with the holders of the 3 per cent perpetual bonds, are having their pleas for justice turned aside. When it suits the government the minister claims sanctity of contract, to the detriment of patriotic Canadians who loaned their money to the government. Truly the government has been the big inflation winner.

Before the increase in yields on Canada Savings Bonds was found necessary the minister told an annuity holder that an increase in annuity yields would require "a tax increase for all taxpayers to subsidize a minority of Canadians who are holders of government annuities". In the same letter he said:

Certainly, if any action of this nature were to be contemplated, it seems to me it could hardly be restricted to government annuities, and not extend to holders of government bonds.

Now this highly-principled government has done a complete about-face and given special consideration to the holders of some government bonds, but no consideration to annuity holders and holders of other government bonds. It reminds me of the government spokesman who, in reference to the principles involved in resource taxation, said that the federal government had backed down half-way on its principles and that the provinces should do likewise. That is so typical of members of this government. They do not realize that if a principle is involved it should be worth defending, and there is no backing down.

Let me return to the contribution the government has made to the high cost of housing. Naturally an investor