

because of its interference in a provincial jurisdiction. As a result, the varying methods by which the municipal governments have charged their residents taxes is now a matter of no concern because there is to be for all householders the same deductibility for municipal taxes. I would only make the point that I have already heard municipal officials saying that of course that will make it a little easier for them to raise municipal taxes and take back from the home owner the moneys he is receiving from the federal government.

The third point, and the most important point of all, was my strong objection to the marginal tax rate variation which meant that persons in the higher income brackets were receiving a much greater advantage. That has been taken care of by the tax credit.

Having apparently scored on three points, I want to go into some of the other arguments in the hope that eventually we will be able to make some sense out of this measure. The average number of dwelling units built in the last ten years was 235,000 a year. The last three-year average was 249,000 homes a year. These figures do not suggest a depressed housing market. However, a further analysis is necessary. The ten-year average of single detached dwelling units is 109,000 a year. In 1978 the figure was 110,000, and this is the category of dwelling units which is to benefit most from the Tory plan. This rate of construction has been maintained despite a sharp fall off in the construction of single detached homes in Quebec. In 1976, for example, 37,000 units were constructed, in 1977, 29,000 and in 1978, 23,000.

Continuing the analysis, one notes that the ten-year average for apartment units is 92,000, but it is in this category that one can see the major fall off in construction. Only 77,000 units were built in 1978. This category of housing construction will not benefit from the Tory plan and could possibly suffer if funds are diverted for remortgaging. Interest rates could increase because of an increased demand for money for single family homes. Competition for financing for multi-family dwellings will increase interest rates if the supply of funds for this type of construction has been depleted.

In this connection, because of rumours that are rife on the Hill, I proposed a motion to the House last week which was an attempt on my part to bring to the attention of the Minister of Finance (Mr. Crosbie) that he should not further withdraw assistance for rental accommodation. The motion, which was not approved by the government side of the House, read as follows:

That this House approves the deduction of capital cost allowance for new multiple unit residential buildings against any source of income at any time, and would view with alarm any attempt by the Minister of Finance to terminate the allowance in his budget speech.

Quite obviously what I am getting at here is that if we are going to give an even greater advantage to the home owner over the renter, then we must not at the same time take away some of the tax measures which will tend to stimulate the multiple family residence construction. I would like at this point also to emphasize that when we go ahead with a measure such as is being proposed in Bill C-20, obviously we tend to

increase the value of single family residences, and by doing so, by comparison we decrease the value of rental accommodation. Thus we are swinging the balance—which may be the Tory intention—in favour of single family residence construction and we are taking away some of the impetus for the construction of rental accommodation. As I was saying a couple of moments ago, it is in rental accommodation that we see the major fall off in construction, and that is the one sector of the economy which surely needs assistance at this time.

Few will dispute the fact that the only two major considerations for the purchaser of a single family residence are the amount of down payment and the monthly carrying charges. By requiring only a 5 per cent down payment, or by other proposals of the vendor, the amount of the down payment can generally be arranged to accommodate the serious home buyer. However, the vendor can do nothing to reduce the amount of the monthly repayment of the principal and interest, particularly when repayment terms have already been extended to a period of 30 years and sometimes longer. Thus the effective reduction in monthly payments attributable to the tax concession could stimulate sales. Any price reduction in a product is likely to stimulate sales. However, it is generally recognized that stimulation by tax reduction is temporary, and that after the initial buying splurge to take advantage of the reduction, normal market forces come back into play. This is distinct from the possible stocking up on reduced price products, because obviously one is enticed to buy only one house.

The highest figure that has been reported as additional sales resulting from the deductibility plan is 20,000 and, of course, such a stimulation in the construction industry at this time would be most beneficial. But a look at the home construction statistics previously stated indicates that such a stimulation is an improbable dream and therefore could be an expensive exercise for the amount of benefit received.

There is also the additional difficulty that the deductible tax would be a delayed benefit coming only after a tax return has been submitted, claiming as a deduction the mortgage interest paid in the previous year.

Thus, because there has been no appreciable drop in the rate of construction of single detached dwellings and because any tax benefit will not be readily apparent in the initial monthly repayment program, any increase in sales resulting from a lower monthly cost may be entirely illusory.

While the down payment as a percentage of cost of the lower to medium price house has been maintained at a low level, the increase in demand for funds that is inevitable with the Tory plan could logically result in an increase in the amount of the down payment as a means of providing additional security and reduced risk for the lender. This would have a negative effect on the rate of new construction.

One of the advantages we have had in the last few years is that it has been possible to buy houses in the lower cost bracket with a down payment in the order of 5 per cent. Thus it has been possible for persons in the suburbs of big cities such as Montreal to purchase homes with down payments in the order of \$2,000 to \$3,000, a figure which it has been possible