

Housing

The majority of households up for mortgage renewal have sufficient equity in their houses to allow them to take steps to reduce the substantial increases in their payments on 21 per cent mortgages. Even so, these households, on average, face increases in the order of \$300 to \$350 per month. These higher payments will force significant realignments in household budgets.

These householders will manage but will be angry about having their standard of living set back by something totally beyond their control.

For the remaining, from 100,000 to 110,000 households, the increased payments beyond 30 per cent of income will place unmanageable burdens on household budgets. They are already paying a high proportion of income for housing and have little equity. For these households hardship results. Their major asset, their homes, will be lost because of the luck of the draw as determined by the timing of their mortgage renewals.

That quotation is taken directly from the government's position paper, prepared by officials in the minister's own department, with respect to the severity of the housing problem in Canada today. This was a pre-budget forecast of the difficulty to be faced by Canadians, and the minister initially set out to say that he was prepared to meet the challenge, but it did not take long after a few cabinet meetings with his colleagues before his horizons were lowered to the point where all he could offer Canadians was to try to use his office to exert what he called moral persuasion on the banks of Canada, in the hope that they would go a little softly in terms of foreclosure proceedings against real and living people in Canada.

Mr. Cosgrove: Plus \$350 million.

Mr. Hnatyshyn: Mr. Speaker, the minister's imagination in terms of his contribution always amazes me.

I want to speak about rentals because a prospect was held out for renters in this country. The forecast in the government's own position paper was equally bleak.

Rental investment will thus dry up in most markets and vacancy rates in most markets will approach zero by 1983.

A black market will develop with the phenomenon of "key money" becoming prevalent.

You know, Mr. Speaker, what key money is. It is payment. It is a black market arrangement by which people are able to get access to accommodation in spite of the lack of suitable rental accommodation there is in Canada. I am not talking about the Soviet Union or Moscow. I am talking about Canada where it is getting ever so difficult to get suitable rental accommodation for those who cannot afford their own private home accommodation. Again I quote from the minister's own departmental papers:

Tight markets will produce waiting lists for rental units and force doubling up with family and friends. We will witness a substantial regression in housing conditions following 35 years of gradual improvement.

Those were the forecasts the government, the Minister of Finance and certainly the minister responsible for housing knew well prior to the budget. Indeed, the minister responsible for housing put his seat on the line by saying if there was not help in the budget for the home owners of Canada, he would resign. That is an honourable position for the minister to take, a minister who is sincere and determined to help home owners in Canada, and I applaud the minister for taking that position—

An hon. Member: But!

Mr. Hnatyshyn:—but after the expectation about assistance in that budget was raised by the minister, the minister was clearly undercut by his cabinet colleagues.

As we are well aware, the budget upset the plans of home owners and renters across the nation. What is remarkable about the budgetary proposals is how they could be drawn up with so little regard for their practical application and probable repercussion. We have seen this demonstrated with respect to the myriad of issues which come up in the question period day after day. My colleagues have asked questions as to what the Minister of Finance meant by certain budgetary proposals. Why were certain other provisions not made? In this particular context, why have the home owners of Canada been let down so severely? The answer of the government was to provide \$50 million this year either to guarantee to repay deferred interest up to \$3,000 if a home owner has substantial equity or to pay all or part of the interest deferred to a maximum of \$3,000 in cases where the home owner has little equity. This funding covers mortgages renewed between September 1, 1981, and November 12, 1982, a period which does not take into consideration the record high rates on renewals during this past summer. As a result, even though there are 920,000 home owners renewing their mortgages in the applicable period, a relatively small number of those will qualify, and all those home owners who had renewals during the summer are left high and dry.

● (2030)

What did the budget do for renters, Mr. Speaker? As the minister prophesied, unless something is done in terms of providing rental accommodation, the housing industry will be decimated by the budget. By tying the deduction of interest expense to investment income, the industry loses a major incentive to expand. The provision doing away with the deduction of soft costs for MURBs has the same effect. It makes for stagnation in the industry at a time of unprecedented demand and shortage of supply. The 15,000 units that the Minister of Finance promised will not begin to fill the gap that these tax measures opened. With a little incentive, private industry could have done the job itself. Perhaps, after having had to battle with his colleagues in cabinet the minister will now understand that the government has little regard for the private sector of the economy.

The net effect of the budget will probably be a reduction in housing starts. The MURB program has been cancelled. We should remember that it is a program that was responsible for the construction of some 25,000 rental units last year, which is 10,000 more than the 15,000 units the government expects will be built under the program provided for in Bill C-89. Meanwhile, the government will reduce its commitment to subsidizing social housing in 1982 from 30,000 to 25,000—a drop of 5,000.

I wanted to go into more detail on this, Mr. Speaker, but I am sorry that I do not have the time. The minister has been under attack from many sources. I should like him to know