

Mortgage Tax Credit

need to allocate more resources to housing, but even if there was, the vehicle chosen will not accomplish that objective. On this basis, the policy is inefficient.

I reiterate that that letter is from the chief economist of the Canadian Construction Association. In another letter from this same association but written by the director of public affairs to another individual can be found these words:

—the government is about to let a measure expire that could have helped a rental situation. Many contractors have expressed concern over the expiration of the capital cost allowance on multiple-unit residential buildings.

This, I fear, is likely what the government will introduce tonight. The letter goes on:

In the budget speech of November 18, 1974, the Minister of Finance announced that the owner of a new multiple unit residential building . . . would be permitted to deduct capital cost allowance against any source of income at any time.

The allowance terminates on December 31, 1979. Further on in the letter we come to the words:

If the capital cost allowance is not extended, a further bias against the construction of rental units will be introduced into the system. The Government's mortgage interest deduction scheme will, in the opinion of the Canadian Construction Association, cause a one-time drop in rental construction. The combination of these two factors—elimination of capital cost allowance on MURBs and mortgage interest deductibility—could have a serious negative impact on rental construction.

To try to head off this eventuality, I proposed a motion in this House on November 20, but it was negated by the Tories. We will know from tonight's budget how serious the Minister of Finance is about assistance to the housing industry. When speaking in this House on November 26, I was not accorded the usual courtesy of being allowed to finish my remarks. I wanted to quote from an editorial in the *Canadian Builder* which reads:

The mortgage interest deductibility scheme, which raised such high expectations during the election campaign, has become as explosive as other hastily improvised 'promises' of that time such as the embassy move to Jerusalem and the privatization of Petro-Canada. The reasons are the same: mortgage interest deductibility was a badly conceived idea, proposed for the wrong reasons, and introduced at the worst possible time.

Mortgage interest deductibility has been condemned by virtually every serious study. Benefits are limited and temporary, but the costs are massive and perpetual. It is a cumbersome, discriminatory and counterproductive allocation of capital resources. It will distort the tax structure, rental sector and the money markets. And it will increase house costs, interest rates, property taxes, inflation, individual debt and federal deficits.

● (1550)

The reason for this massive subsidy is unadulterated political patronage—the purchase of a few votes in the last election, and a stubborn insistence on paying the 'debt' with public funds.

To keep this one promise, Mr. Speaker, the government has been forced to renege on three much more important promises. The article in the *Canadian Builder* goes on to say:

The federal government must implement its crucial economic promises and set aside election bribery.

Another construction organization, the Housing and Urban Development Association of Canada, reports in a June newsletter, when speaking of 1979 housing construction starts, that a major drop in dwelling units will occur in multiple dwellings with single detached types slightly ahead of 1978 but not

[Mr. Herbert.]

sufficiently to make up the difference. Then the newsletter says that 1980 looks like a better year.

Mr. McDermid: A point of order, Mr. Chairman. I find it very interesting to listen to the hon. member quoting from all those magazines. However, the hon. member for Winnipeg-Fort Garry must be getting a little uneasy, as none of his colleagues is discussing the amendment he has proposed to the bill. The opposition has complained that the committee will not listen to their amendments, and now the amendments are before us they do not discuss them. I think you should order the hon. member to discuss the amendment to clause 1.

The Assistant Deputy Chairman: Order, please. I have been following the remarks of the hon. member for Vaudreuil. While he has strayed very slightly, he has returned to the subject. The hon. member for Vaudreuil.

Mr. Herbert: Mr. Chairman, quite obviously members of the government do not like to hear the few words of wisdom we offer in our effort to convince them that they should approve their own suggestion that there be a sunset clause in such bills.

I was quoting another construction organization, the Housing and Urban Development Association of Canada, which reports in a June newsletter, when speaking of 1979 housing construction starts, that a major drop in dwelling units will occur in multiple dwellings. The newsletter also says that 1980 looks like a better year.

The key point is that it is the multiple dwellings that need help. The government is going to take away whatever assistance presently exists and is pouring billions of dollars into the sector that least needs assistance.

In conclusion, Mr. Chairman, I should like to refer again to a letter written in October by the minister responsible for the Canada Mortgage and Housing Corporation. He writes as follows:

In the view of the lending institutions, an NHA insured mortgage backed by the guarantee of the government, represents a lower risk than a privately-insured mortgage.

Let us not, then, hear any further word about turning over the highly lucrative mortgage insurance business to the private sector.

The minister also writes—and this comment is worthy of repetition—that home ownership is a desirable goal for Canadians, and few will dispute that statement. But then he adds:

A sunset clause in the program could only be justified if home ownership were to cease to be a social goal at some future time.

If we applied that reasoning to every program, then surely it would be rare indeed that a sunset clause would be included in any bill. The minister says, and I quote again as follows:

I would not be in favour of including a sunset clause in the program at the outset.

I emphasize those last three words "at the outset". That very phrase acknowledges the principle of the sunset clause,