As I have said on several occasions, there is a supply problem and a cost problem in housing. The Minister of Finance addressed himself to neither in his budget. On Friday, the Minister of State for Urban Affairs addressed himself to the supply problem without ever tackling the cost problem. Obviously, he had hoped that his colleague the Minister of Finance, would deal with the cost problem in his budget—that is, the high cost of money, the shortage of money, the high cost of land—and in that way get him off the hook. He was disappointed, as are many Canadians. Surely both ministers must realize that on the cost side, clearly, the foremost problem affecting builders and buyers alike is the cost of mortgages. High mortgage rates discourage builders from constructing units which they know they cannot sell or rent economically.

Lest the minister think I am biased in my view as to the shortcomings of his budget in meeting the housing crisis, let me cite what more objective critics have to say. On June 24 of this year, the day after the budget, Arthur Mingay, president of Canada Trust Company, said:

> Average house prices will jump another 15 per cent this year. Mortgage financing is likely to become costlier because the interest rate necessary to attract term deposits will rise.

In addition, he said:

> With a strong demand and a supply well below our real potential, a shortage of housing and rental units is inevitable, probably through the remainder of the 1970s.

On June 24, 1975, again the day after the budget, the Conference Board in Canada, in its statement "Economic Implications of the Federal Budget" stated:

> But the stimulus here, to the extent that it really operates, is more likely to stimulate demand than supply of new housing—and could conceivably push the economy even more quickly to a severe housing shortage within the next year. The key issue of finding increased stimulus to expanding supply of new housing has not been directly addressed in this budget.

These statements come from concerned and objective critics, yet the Minister of State for Urban Affairs had the audacity to say on Friday:

> Now builders see that the financing is there, the market is there, and they are building successfully to that market, providing good housing and not continuing to construct homes that Canadians can no longer afford.

What rot! What fantasyland is the minister living in? What could possibly lead him to say, as he said on Friday:

> There are programs for which people are actually lining up. The success has been phenomenal.

When he talks about the success of these programs as being phenomenal, all he has to do is look at the success rate, which falls 50,000 units short of his target this year and leaves hundreds of thousands of Canadians with restricted and inadequate shelter. When is the Minister of State for Urban Affairs going to get serious about this problem? The minister, in his harried search for scapegoats, also turned on the provinces on Friday when he stated that the provinces have used up only 54 per cent of their allocations from CMHC, and urged them to take up their funds. The implied criticism that the provinces are responsible for this situation is not only unfair but misleading and malicious. The minister knows full well that the provinces have urged the federal government to make commitments on a longer term of three to five years so they can plan their programs to achieve maximum advantage of their funds, yet the government refuses to meet this very reasonable request.

Moreover, the minister knows full well that the cost-sharing projects must in the final analysis have the approval of CMHC, but the red tape, the bureaucracy and the lack of sense of urgency in the citadel of CMHC does more to prevent the provinces taking advantage of their full allocation than, as the minister would imply, their tardiness. I would not for one moment accuse the powers that be in CMHC of being devious, but it does seem to me very odd that the CMHC direct lending programs have an 80 per cent or better approval rate from the corporation, while provincial programs are only running at a 54 per cent approval rate. One can only wonder if the minister and the president of CMHC are trying to make their records look good at the expense of the provinces.

Surely we should be able to expect a greater measure of sense and sensitivity to the housing crisis than the minister exhibited in his speech on Friday and as we had from the Minister of Finance in the housing proposals in his budget. The most baffling thing about the Minister of Finance's inadequate housing measures is that this was the one sector of the economy where a significant stimulus would have attacked the twin problems of inflation and unemployment. Increasing the supply of housing would be deflationary. In fact, without a substantial increase in the housing stock, prices are bound to continue to rise. Moreover, thousands of workers now unemployed could have found jobs if there had been more stimulus given to housing.

What stimulus did we get? We got a $200 million promise that, in typical fashion, was revised downward to $125 million before the minister had finished his speech. That is $125 million to stimulate the residential construction industry, a sum to be divided among several programs and many provinces, a sum far below what the provinces asked for in January for public housing alone, and a sum that will provide perhaps 5,000 starts when 50,000 are needed. Can anyone, the Minister of Finance, the Prime Minister (Mr. Trudeau) or the Minister of State for Urban Affairs, explain why the government's commitment to housing was a mere $200 million, when it saw fit to allocate $285 million to that social employment-cum-patronage program known as LIP? Can anyone explain this government's perverted sense of priorities? There are priorities, and I want to cite them for the minister. They are the need to reduce the burden of high interest rates, the need to increase housing starts, the need to increase the flow of mortgage funds, and the need to increase the supply of serviced land.

First, to meet the need to reduce the burden of high interest rates we would propose that the cost of mortgage interest payments in excess of 8 per cent would be deductible from personal income taxes, up to a maximum of $1,000 annually. This policy is designed primarily to ease the heavy burden on family budgets caused by current high mortgage interest rates, more than 11 per cent, which are a direct result of the government's massive balance of payments deficit and the accompanying need to maintain domestic interest rates at a high level. While it would not directly stimulate new housing starts, this measure undoubtedly would help to restore consumer confidence in

[Miss MacDonald.]