

Housing

April were running at an annual rate of about 180,000. The minister himself has admitted over and over again that we need at least 210,000 starts as a minimum objective. We on this side of the House believe that a target of 250,000 starts is not an unrealistic objective for a government which really cares about housing and is prepared to give it some priority.

● (1210)

This sharp reduction in residential housing activity is bad enough in itself for Canadians seeking to enter the housing market and who now face the prospect of being unable to acquire a new house at the currently inflated prices, but it has even broader economic implications. Employment in the construction industry is down about 20 per cent from a year ago, and we all know that slack in the residential construction industry has a very real rippling effect on other sectors of the economy, including suppliers of household furnishings and building materials. Indeed, it should be obvious even to the government that housing is one area where we can consider expansionary programs without the threat of setting off new inflationary pressures.

There is plenty of slack in this industry now, and it could be taken up without adding to inflation. It should be taken up as one answer to our growing unemployment problem, and to meet the basic housing needs of the Canadian people. But as things now stand, lack of any government leadership to stimulate the Canadian housing industry is going to have an adverse effect on inflation in this country. I would remind the minister of that very forcibly because he is well aware, I am sure, that real estate experts are already telling us that without an immediate improvement in new housing construction we are in for a new round of housing price escalation before the end of this year. I am told that in some markets, at least, unless conditions improve housing prices will rise by at least 15 per cent within a year. That is hardly a pleasant prospect for a country in which housing prices are already far too high for many thousands of its citizens.

Housing prices will in fact have a double impact on inflation. Not only will the price of housing increase but more pressure will be put on wage and salary earners to demand even higher increases to meet escalating costs for this largest single item in the family budget. So there is a double impact on inflation. Surely, on these grounds alone, putting aside whether he even cares about the housing needs of the Canadian people, one might think the Minister of Finance (Mr. Turner) would show more interest and more concern in dealing with this problem than he has to date.

The other major housing problem of the day is the sheer cost of it. Costs have continued to rise in most of the component areas of housing: land, servicing and construction. But unquestionably the major factor in pricing housing beyond the reach of so many Canadians is the high cost of mortgage financing. Indeed, no element in the present situation is more disturbing than the fact that mortgage interest rates, rather than falling are actually on the upswing again. After a drop to about 10¼ per cent they have risen to 11 per cent and beyond, and there are now predictions that rates may well go to 11½ per cent or 12 per cent before the end of the year.

[Miss MacDonald (Kingston and the Islands).]

The effect of such increases, of course, is to add significantly to the monthly carrying costs faced by a home purchaser to the point where many Canadians simply cannot entertain the possibility of buying a home even if they are prepared to devote 30 per cent or more of their income to shelter costs. That is the tragic situation which exists at this particular time.

In a very real sense, then, these rising mortgage rates mean that Canadians, in their housing budgets, are being asked to bear the financial brunt of the international balance of payments difficulties now facing the government. With the prospect of a current account deficit as high as \$5 billion this year, the government is forced to maintain interest rates at a very high level in order to attract short-term flows of foreign capital. Whether that is the proper policy from a balance of payments point of view is one question, but there is no question that this high interest rate policy is a disaster as far as Canadian housing needs are concerned.

As I have already noted, high mortgage rates are preventing many Canadians from buying homes. One has only to talk to builders to know that mortgage rates are probably the single most important factor in deterring new residential construction in this country. Builders simply are reluctant to put new housing stock on the market as long as prospective buyers will have to face interest rates as high as 11 per cent or more; and, I might add, as long as we have a government in Ottawa in which the building industry, along with so many other Canadians, has no faith with regard to getting inflation under control.

Given the fundamental importance of housing to Canadians and to the Canadian economy, and given the magnitude of the problems now facing the country, it is certainly an understatement of the first order to describe this government's response to the housing crisis as inadequate. Indeed, with this government it is not even a case of recognizing the urgency of the problem, but of initiating the wrong response. As far as the housing crisis is concerned, this government simply has made no response.

We have discussed on many previous occasions the inadequacy of the CMHC capital budget. The year to year increase in it has been barely sufficient to offset the costs of inflation, yet the remainder of the federal spending program—we only have to look at it—continues to grow by leaps and bounds. So much for housing as a priority concern with this Minister of Finance and this government. We only have to look at the expenditures on housing compared with other sectors to know that it has a very low priority indeed.

In recent days we have seen yet another indication of the little importance which the government attaches to the whole question of housing. The Minister of State for Urban Affairs (Mr. Danson) had invited the provincial housing ministers to Ottawa on Wednesday of this week to discuss further housing initiatives, in advance—one presumes—of a new budget. He even asked them to bring along revised spending forecasts for their provincial housing budgets. At the last minute, with no real explanation, the minister cancelled the meeting. Why? Was the Minister of State for Urban Affairs slapped down again by his colleague the Minister of Finance? Has housing been