

Adjournment Debate

This rate of taxation will have an average inflationary effect on the price of new homes of some 2 per cent nationally and this could rise to as much as 3 per cent in metropolitan centres where the cost of land is very high. I am aware that the Department of Finance does not agree with these figures but the average 2 per cent inflationary increase on both new and existing homes is one that is widely accepted by housing organizations such as the Canadian Home Builders' Association.

The figure is calculated to factor in the current effect of the federal sales tax and compare it to the new goods and services tax. The assessment of the effect of the GST on housing affordability cannot be done in a vacuum. Actions by provinces and municipalities which have resulted in added financial obligations on the housing sector through land transfer tax, lot levies, processing fees and other means are also reducing the affordability question. The government promised to bear these factors in mind but it obviously did not.

The rebates that are being offered are not only insufficient to counter the inflationary impact of the goods and services tax, they are also inherently inequitable to Canadians who live in high cost areas who must pay higher prices not because the houses are luxurious but because the land costs are expensive.

The government is not acknowledging these facts. Instead, the government is clinging to its conclusion that the GST will only have a slight increase of .3 per cent on the average, to be exact, in the price of new housing. Why is this government ignoring housing organizations which claim that this government has over-estimated the burden of the existing federal sales tax on a typical new home?

The government insists that the effect of the FST on a new house is about 4.2 per cent. Other figures show that the net effect of the FST is only 3.7 per cent. This lower rate is documented and calculated in great detail.

The Department of Finance has not released any of the calculations behind its estimates. Why will the government not show how it arrived at a 1.6 per cent effect on the GST on new home prices in Toronto? Detailed calculations have been given to the government to show that the effect of the GST on home prices in Toronto is actually 3 per cent.

How democratic is this Tory government when it tells the people of Canada, "We are right and you are wrong." The Conservative government is telling Canadians it does not have to be accountable for its decisions.

The entire existing federal sales tax will not disappear entirely as of January 1, 1991, as they would have us believe. This government insists on clinging to its unrealistic assumption that all the existing FST will disappear on New Year's Day. A more reasonable assumption would be to assume that one-third of the existing FST will remain in the cost structure of new housing over the foreseeable future.

I ask this government to table the figures on the effect of the GST on housing because people want to buy homes. They need the shelter but they cannot afford to buy the homes if, in fact, the GST is having an adverse and negative effect on affordability.

Hon. Alan Redway (Minister of State (Housing)): Mr. Speaker, time and time again I have told Canadians, and I want to re-emphasize this evening to the hon. member, that my primary goal is to ensure decent affordable housing for every Canadian. That is a goal, not only of me personally, but of the government. For that matter, although it may surprise the hon. member, it is a goal of the Minister of Finance as well.

Housing affordability is something that the Minister of Finance spoke about back in the fall of 1988. He indicated at that time that with the imposition of a goods and services tax efforts would be made to protect affordability for low and modest-income Canadians.

As a result of that undertaking by the Minister of Finance, his officials and my officials at CHMC have had numerous discussions over many months. I have personally had many discussions with the Minister of Finance on this very vital issue.

Those discussions took place against the background of the whole question of introducing a goods and services tax in place of the present federal sales tax, a tax which penalizes our exporters, benefits importers, penalizes jobs in this country and reduces the gross income of Canadians as a whole.

The first goal was to get rid of that tax. The second, of course, was to find a way to protect affordability of housing against a background of discussions wherein people were saying that we should tax everything, not just new housing, and that there should be no exemptions. The proposal at that time was for a 9 per cent goods and services tax, and that there should be a 5 per