

its own right. Dr. Herzberg, who continues to work in this field, is an example of the quality of this work.

The Algonquin Radio Observatory has a 46 metre fully steerable parabolic reflector. This reflector was constructed over 20 years ago, and it needs major refurbishment which will involve replacement of the steel reflecting surface of the instrument with a more precisely manufactured surface. The upgrade would have made the telescope capable of operating at millimetre wavelengths instead of centimetres. The telescope is expensive to operate.

Two decisions have impacted on the telescope. First, the estimated cost of the refurbishment rose from \$7.9 million to \$11.7 million. This excludes the engineering design study which has already been paid for. Refurbishment would also increase the cost of ongoing support. Thus, at this time the plans have been cancelled to refurbish the telescope. Second, NRC management allotted a significant budget reduction to its astronomy division, the Herzberg Institute of Astrophysics. This reduction will affect about 21 people working with the Algonquin Radio Observatory.

NRC management reviewed this decision with the Associate Committee on Astronomy, and other representatives of Canadian users of astrophysical facilities. Further to recommendations from these groups, NRC held discussions with a U.K.-Netherlands group which is completing the construction of one of the world's best sub-millimetric telescopes on the summit of Mauna Kea in Hawaii. This facility will be called the James Clark Maxwell Telescope. Mauna Kea, a 4,300 metre mountain in Hawaii, is one of the world's best astronomical sites with very dry and stable atmospheric conditions. For this reason, a growing number of major telescopes operate there at visible, infra-red and millimetric wavelengths. This allows a beneficial sharing of facilities and expertise.

NRC has now reached a preliminary understanding which would allow Canadian astronomers to buy 25 per cent share of the JCMT in exchange for a contribution of approximately \$10 million spread over 10 years.

The JCMT will be operational in June, 1987. By buying a share of this world-class millimetric telescope, Canada will give its astronomers immediate access to one of the most exciting new areas of research in astronomy. Refurbishing the ARO would have required another five years of difficult and more expensive technical work.

This decision is expected to be strongly endorsed by the Canadian scientific community.

**BANKS AND BANKING—CHARTERED BANKS' INTEREST RATES—
SPREAD BETWEEN BANK AND PRIME RATE**

Mr. Reginald Stackhouse (Scarborough West): Mr. Speaker, I wish to return to the subject that I raised some weeks ago during Question Period, namely the spread between the bank rate and the prime rate. The bank rate set by the Bank of Canada is the rate that it will charge for supplying

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money; the prime rate is that which is set by the chartered banks for their most favoured customers. Over the years, traditionally there has been a three-quarter per cent difference between those two rates.

● (1810)

Today we find that the Bank of Canada rate is set at 7.54 per cent and the prime rate at 9.25 per cent. Thus there is a spread between the two rates of 1.71 per cent. I have asked to debate this point again for reasons I will outline in a moment. However, at this point I should like to indicate how the situation has steadily deteriorated over the past several years, to the point where it has now reached critical magnitude.

For example, the spread is now 31 per cent higher than it was for the 1986 average monthly spread. It is 82 per cent higher than it was for the average monthly spread during 1985. Now it is more than double what it was for the 1984 average monthly spread.

In February 1978 the bank rate was 7.5 per cent, which was very close to today's bank rate of 7.54 per cent. At that time the prime rate was 8.25 per cent or a full percentage point lower than it is today. Because interest rates have come down, especially in recent months, we appreciate that related rates have been brought down, such as mortgage rates, consumer loan rates, and the rate charged businesses seeking more capital.

However, we should ask the following question: How much more benefit would there be to Canadians seeking more capital if we closed some of the gap between the bank rate on one hand and the prime rate on the other? It is not of much value if, through the initiative of the Government and the soundness of its economic policies, the bank rate comes down unless the full benefit is passed on to the consuming public. That is not the situation today. Certainly much of the benefit is passed on to the public, but not the full benefit. That is the point of the question I raised and why I asked that we return to it today.

If the spread were to be closed, perhaps mortgage rates would be a full percentage point lower. There would be opportunities for small business people to obtain capital at a rate one percentage point lower than they must now pay. There would be increased benefit to the persons who receive employment opportunities through the spinoff from raising capital and initiating enterprises. I believe it is one of the critical economic questions which must be asked.

What is the answer? I hope the Government and Parliament has some influence with the chartered banks and the other lending institutions in Canada. I hope we could raise questions with them about why in 1978 we could have a prime rate of 8.25 per cent and a bank rate of 7.5 per cent whereas now we have a prime rate of 9.25 per cent and a bank rate of 7.54 per cent.

Some people suggest that the Canadian consuming public is being asked to help the banks faced with the instability of \$25 billion in loans to the Third World, and that the banks must