

Income Tax Act

Another important conclusion in the report is that the federal government is a party to, and apparently gains from, the maintenance of this protection provided to the banks of Canada. In his conclusion the author says, and I quote:

The current status of bank legislation appears to raise costs to Canadian firms and households.

Mr. Orlikow: Who is the author?

Mr. Riis: The author is a fellow by the name of George Lerner. What has been the cost? The cost to Canadians of an uncompetitive banking system is not in the thousands or millions of dollars, but in the hundreds of millions of dollars annually in excessive charges to Canadian businesses and Canadian consumers. The author calculated these costs for the year 1969 through 1973 to be hundreds of millions of dollars.

In 1973, for example, Canadian consumers and businesses paid \$686 million too much—I emphasize too much—for loans and other bank services provided by Canada's chartered banks. Of this total, \$504 million represents excess charges and profits, net of taxes, resulting from the monopolistic structure and practices of the chartered banks. In addition, more than \$182 million in excess taxes were paid by the banks to the government on their super-profits. Let us look at what the Bank Act in its amended form has done for Canadian banks. Investment advisers across this country are advising investors, yes, to purchase a number of energy stocks—perhaps mining stocks in certain parts of the country—but there is one stock with which there is no risk attached, and that is stock in Canadian chartered banks. That should tell us something. That should tell hon. members opposite particularly something about what this new legislation has done in terms of protecting Canadian consumers and Canadian borrowers.

Mr. Evans: May I ask a question, Nelson?

Mr. Riis: In a moment. For decades Liberal and Conservative governments have hailed successful revisions to the Bank Act in the name of greater competition, better service and lower cost to Canadian businesses and consumers.

But that has not been the case. They have created in Canada a banking system which in 1973 overcharged Canadians \$686 million, and that allowed the federal government to share in that plunder to the tune of \$182 million. These figures are for 1973. In that year the excess charge was equivalent to one third of domestic value added attributable to Canadian chartered banks. I shudder to think what the magnitude of such excess charges are today in 1981. They are likely in excess of \$1 billion.

How can the Minister of Finance (Mr. MacEachen) come before this House in good conscience and with a straight face telling the Canadian people he is concerned about the cost of living, inflation and the high interest rates small businesses and consumers have to pay? Out of one side of his face the Minister of Finance introduces the Small Business Development Bond to provide limited interest rate relief, and out of the other side of his face—with, I might add, the support of the Tory party—he puts in place banking legislation which will

ensure that Canadian small businesses and consumers will be over-charged perhaps billions of dollars in the next ten years for the loans and services the banks will provide.

This is not responsible government. This is government manipulation on a colossal scale. This government has become a master of the politics of wilful deceit, opportunism and certainly of financial irresponsibility. This government has deceived the Canadian people and manipulated the Canadian people, kept from the House of Commons critical information during the debate on the amendments to the Bank Act and throttled the Canadian economy for over ten years with bankrupt and counterproductive economic policies. When one examines the alternatives to small business funding in Canada, one finds that a number of changes are required. I want to take a moment or two to articulate three or four of these. All hon. members of this House who have a great deal of sensitivity would recognize that the Federal Business Development Bank has some problems attached to it in terms of the services it provides to the small entrepreneur.

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Here is a bank which started out with excellent intentions and with a mandate to provide that risk venture capital which provides innovative opportunities for Canadian entrepreneurs, and yet I think that unquestionably all members of the House would now recognize that the Federal Business Development Bank has not been successful in carrying out that mandate and that serious changes are required of it.

In my own riding, for example, serious limitations arose recently when a number of very innovative entrepreneurs with a most interesting concept to establish a manufacturing firm, which would certainly assist Canada in the deficit in its balance of payments, went to the Federal Business Development Bank and obtained a loan at an excessively high interest rate which was locked in for a considerable length of time just when the new legislation, the Small Business Development Bond legislation, was being brought forward. They qualified for that relief and then returned to the FBDB and asked to be let out of the commitment they had there, but were told that it would cost them about \$35,000 to get out of the commitment. It seems to me that this is the kind of conflict we often find within government where one arm of the government is going one way to provide some assistance and another arm is going another way to provide a similar assistance, and yet there is conflicting legislation which, in a sense, hinders and frustrates the small entrepreneur.

In talking with members of the House from all parties, it becomes clear to me that providing an opportunity to the small entrepreneur to obtain working capital at a lower rate than is possible at present is highly desirable. I urge the Minister of State for Small Businesses (Mr. Lapointe) to give serious consideration under the Small Businesses Loans Act to provide changes in the act to make available similar opportunities for entrepreneurs to obtain working capital. That is one of the handicaps of that act at the moment, and some changes would