Over the last number of weeks I have carried out an extensive analysis of the balance of benefits accruing to both corporate lenders and small business borrowers using different interest regimes through the proposed Small Business Development Bonds. On the bases of these calculations, the following observation can be made.

If the conventional loan rate formula is prime plus 1 per cent or 2 per cent, then the banks charging a risk administrative premium of 2 per cent above prime on Small Business Development Bonds will increase their after-tax interest income by a slightly smaller percentage than the small business borrower will have reduced his after-tax cost of credit.

Put another way, perhaps a bit more simply, the small business borrower will benefit relatively more than the corporate lender from the use of a Small Business Development Bond when the rate formula is prime and less than 2 per cent. However, if the conventional loan rate formula is prime plus 2 per cent or more, then banks charging a risk administrative premium of more than 2 per cent, that is prime plus 2.5 per cent, 3 per cent or perhaps even more in some cases, will increase their after-tax interest income by a larger percentage than the small business borrower will have reduced his after-tax cost of credit.

Put another way again, the corporate lender will derive relatively more benefit from the use of Small Business Development Bonds than a small business when the rate is prime and more than 2 per cent.

In order to get a better idea of how benefits from the small business development program are likely to be distributed between small businesses and corporate lenders, I surveyed the average conventional small business loan rates and Small Business Development Bond rate currently offered by a representative sample of banks right here in Ottawa.

It is clear from these interest rate quotations that the chartered banks will be adding sufficient risk administrative premiums above half prime on Small Business Development Bonds to ensure that the benefits under this program is in their favour.

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In other words, the real beneficiaries of the small business development bond are the banks of Canada. At the rates they are charging—half prime plus 2 per cent, 3 per cent and 4 per cent—the great beneficiaries are the lending institutions themselves.

Mr. Peterson: Why do you want them extended to other types of small businesses?

Mr. Knowles: Go to your seat if you want to speak.

Mr. Riis: Although the Small Business Development Bond will provide badly needed financial assistance only to a minority of small and medium-sized businesses in Canada, at the most 40,000 it is a step in the right direction—again I recognize that it was not the kind of step the Tory government was prepared to take—in providing recognition that interest rates for small businesses are too high. However, the main beneficiaries will be the banks of Canada. Hundreds of thousands of other businesses in Canada, employing over 2.5 million Canadians, will continue to suffer the burden of high interest rates resulting from the Liberal government's misguided monetary policy.

What is this government saying to the small business community in Canada with this and other policies? Where is the leadership, vision and substance that Canadians have been searching for, hoping for and suffering without for over a decade?

I am a new member of this House. I am also my party's spokesman with respect to matters pertaining to small business, but I find my job of representing the concerns of my constituents and providing responsible input into the legislative process in order to help build a more effective and prosperous small business sector compounded not only by the difficult nature of our economic problems, but also by the secretive and misleading way this House and this country are being manipulated by this government.

Let me give a concrete example of what I mean by being misled and misdirected by this government. We debate today a bill to provide interest rate relief to small business in Canada through the introduction of Small Business Development Bonds. I hope I have been successful in showing that the benefits of this legislation will go to large corporate lenders in the form of higher after-tax profits and a small percentage of Canada's small businesses in the form of lower effective borrowing rates.

The lost revenue to the federal government, approximately \$100 million to \$200 million, will be made up by Canadian taxpayers.

Only two months ago the Liberals, together with the Conservatives, voted in this House together, over the objections of New Democrats, to pass Bill C-6, revisions to the Bank Act. Our objections centred around the certainty that the legislation, as amended, would not make the banking system in Canada more competitive and would not provide Canadian depositors and borrowers with better services at more competitive and reasonable costs.

What has been the legacy of Liberal and Conservative banking legislation in Canada over the past few decades? Let us have a look at this. An article on the performance of Canadian banking has just been published in the latest issue of the *Canadian Journal of Economics*. What is interesting about this article is that the study was completed while the author was working with the Economic Council. Though Parliament was considering the latest ten-year revision to the Bank Act, Members of Parliament were never apprised of or provided with the results of this vital and critical analysis. What did the study show? Permit me to quote from the report as follows:

> In this study I have supplied quantitative estimates of the costs to the Canadian public of market power and protection in banking. Although a number of approaches are used, all point toward the existence of extensive market power in Canadian banking markets and the fact that banking services would be priced lower in a more competitive environment.