have our doubts about the soundness of those assumptions. If the economic picture as drawn by the Government in the budget documents does not come together as anticipated, then obviously the consequences are different. The Government is having some good fortune now with respect to interest rates which, in the Budget, are forecast at 9.5 per cent for this fiscal year. However, we are less than two weeks into the fiscal year and it remains to be seen whether today's encouraging trend will stabilize. Each percentage point over the Government's forecast adds another $1 billion to the deficit, according to the Government's own figures. The Conference Board of Canada, as one reputable forecasting agency, is predicting interest rates of 10.4 per cent in 1986.

Another of the Government's assumptions which has drawn skepticism is its projected oil price of $22.50 a barrel. Since the Budget was brought down on February 26 we have seen a steady decline in oil prices which, to begin with, were less than the Government's projected price. How credible then is the 22.50 a barrel figure when, for example, the Economic Council of Canada assumed a price of $19 in its forecasts, and the Conference Board of Canada based its forecasts on $18 a barrel in the second trimester of this year? As a rough rule of thumb, for every one dollar a barrel fall in the price of oil, the Government's revenues from the PGRT drop by $110 million. If the Government is indeed losing that much tax revenue for every dollar drop in the price of a barrel of oil, it would seem likely that it stands to lose $1 billion in tax revenues this year based on current prices.

In the legislative committee I asked the Minister for her forecast and indeed she confirmed that if oil prices averaged $10 a barrel less than forecast, that is $12.50 a barrel, the Government would lose $1 billion in oil and gas tax revenues. That is only in direct revenue from the PGRT. The fall-out as a result of regional problems in the oil-producing provinces could have other effects. In committee the Minister suggested that lower oil and gas prices would have a beneficial effect on the economy this year. There will be beneficial effects on the economy from lower oil prices, but I think it would be more realistic to say that those are long term rather than short-term benefits.

Today we are discussing borrowing authority for the present fiscal year, a term in which we cannot expect to see much of the advantage of lower world oil prices. The Economic Council of Canada, in their appearance before the Standing Committee on Finance and Economic Affairs, and also in documents they subsequently released on the economic impact of falling oil prices, said that the loss of revenue from the energy sector would raise the deficit for the first two years and not until three years thereafter would the loss of revenue be offset by the higher taxes generated by a stronger economy. So at present it looks as though Canadians will have to pay the consequences of the Government's unrealistic oil price assumption this year and that the advantages of the situation are further down the road than the Government would have us believe.

The Budget also predicted growth in investment of approximately 7 per cent in 1986. However, StatsCan figures on business investment intentions this year are very much lower, showing around 2.5 per cent growth this year over last. That is a very large discrepancy. A shortfall here also has serious consequences for the deficit, because if economic growth does not match the Government's expectations the deficit will be another $1 billion higher for each percentage point in growth under the projected figure.

[*Translation*]

Consideration must be given as well to the structure of the Canadian debt which is made up of a large number of instruments whose terms and other characteristics are quite varied. For example, 5.2 per cent of the Government of Canada debt on December 31, 1985 was in foreign currency. It can be reasonably argued that this percentage will increase during 1986 since the Government had to contract huge loans on foreign markets to shore up the value of the Canadian dollar.

When the Government borrows on foreign markets, interest must be paid to foreigners and these funds are therefore no longer available to keep the Canadian economy rolling.

Although foreign market interest rates are now lower than on domestic markets, the Government has to keep in mind that the situation can change. The Government must repay these loans over the next five or ten years and, since the Canadian dollar value against foreign currencies may very well decline, real interest rates might be higher than those on domestic borrowings.

[*English*]

In other words, since not all the Government's borrowing is done in domestic markets, domestic interest rates are not the only interest rates that could throw off the Government's calculations. Money borrowed on foreign markets has interest payments at prevailing rates. What our Government pays also depends on the value of our dollar in international markets.

Economic projections in any case are something of a guessing game, no matter what the information available and no matter how sophisticated the model. I acknowledge this and I am not faulting the Government's projections as such, but what concerns me and a number of my colleagues is the credibility of these projections when compared to past performance and the projections of other agencies. The issue of credibility is directly related to this Bill requesting borrowing authority and to the Government's entire budget strategy.

● (1230)

The Government's approach to the Budget was obviously to gain the confidence of the international community in order to stabilize interest rates, and the dollar, and bring the deficit down. How impressed was the international community by the Budget whose tax increases this year far outweigh the expenditure cuts? How impressed were outside observers by