

BORROWING AUTHORITY BILL, 1985-86 (No. 2)

FIRST READING

The Hon. the Speaker *pro tempore* informed the Senate that a message had been received from the House of Commons with Bill C-51, to provide borrowing authority.

Bill read first time.

SECOND READING

The Hon. the Speaker *pro tempore*: Honourable senators, when shall this bill be read the second time?

Hon. C. William Doody (Deputy Leader of the Government), with leave of the Senate and notwithstanding rule 44(1)(f), moved that the bill be read the second time now.

He said: Honourable senators, Bill C-51 is the borrowing authority bill, which follows Bill C-11 which some honourable senators may remember.

My second reading speech on that particular bill was just as dry, mundane and technical as this one will be; but I certainly hope that it will not have the same emotional, political and social consequences that the previous dry dissertation provoked.

In any event, I will take honourable senators through the various mechanisms of this very necessary piece of legislation, in the hope that it will not have the effect that the last one did.

The timing of this bill is appropriate since the request for borrowing authority is directly related to the financial requirements set out in the budget.

Honourable senators are aware that in order for the government to increase its outstanding debt, statutory borrowing authority must be obtained from Parliament. Specifically Part IV, section 36, of the act states that no money shall be borrowed or security issued on behalf of Her Majesty without the authority of Parliament. This refers to new money only, because pursuant to section 38 the government has continuing authority to raise funds to repay maturing debt. While section 39 provides for short-term temporary borrowings, statutory borrowing authority must be obtained from Parliament in order for the government to continue with its regular debt program to meet its financial requirements.

Thus the total amount of borrowing authority required for 1985-86 is the sum of the financial requirements for this year, plus the amount borrowed last fiscal year under section 39, which must be rolled over in 1985-86.

The financial requirements for 1985-86 were set out in the recent budget presented by the Minister of Finance. In his speech he stated that the government's estimated budgetary deficit for 1985-86 is \$33.8 billion. Taking into account non-budgetary receipts of \$5.7 billion, the government's financial requirements for 1985-86 are, therefore, \$28 billion.

In light of those financial requirements for 1985-86, clause 2(1) of the bill seeks \$18.2 billion of borrowing authority for this fiscal year. The major portion of this amount, namely, \$16 billion, is composed of the difference between the 1985-86 financial requirements of \$28 billion and the \$12 billion of borrowing authority already granted under Bill C-11. To this sum must be added the \$2.2 billion resulting from the use of section 39 of the Financial Administration Act, which was used in February. The use of that section was directly related to the delay in the passage of Bill C-11.

Honourable senators, it is with some trepidation that I note that Senator Stewart is now making notes.

Senator Stewart: I am writing a letter.

Senator Doody: Had the passage of Bill C-11 not been delayed last February, the \$2.2 billion would have been charged to regular borrowing authority, and as the debt matured, borrowing authority would have been provided under section 38. Thus it would not have been necessary to seek the additional amount this fiscal year.

The use of section 39 also had the impact of lessening the use of section 38 borrowing authority during the last fiscal year. Thus \$2.3 billion of regular borrowing authority was cancelled at the end of the 1984-85 fiscal year.

Let me assure honourable senators that the \$2.2 billion requested in the current bill will not permit a further increase in the outstanding debt beyond the \$28 billion financial requirements in this fiscal year. It simply permits borrowing to maintain the level of outstanding debt that was established by the use of section 39 in the previous fiscal year. I would note that it was essential to use section 39 last February. At that time the Canadian dollar was under downward pressure. Foreign exchange intervention caused a large run-off of U.S. dollar foreign exchange reserves. These U.S. dollar reserves had to be replaced by drawing on Canada standby credit facilities with the Canadian chartered banks and with the international banks.

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Section 39 was also used to raise \$200 million in the domestic capital market through the issue of Treasury bills. In addition, as I already mentioned, the equivalent of \$2.2 billion was raised under section 39 in 1984-85. The government will have a total of \$32.2 billion of borrowing authority for fiscal 1985-86 once this bill is passed. I can give honourable senators a breakdown on that figure if they require it.

Honourable senators, I would like to outline how the government has utilized the borrowing authority granted by Parliament for the 1984-85 fiscal year. The total amount of authority provided for 1984-85 was \$31.9 billion—\$24.6 billion provided by the Borrowing Authority Act, 1984-85; and \$7.3 billion provided by the Borrowing Authority Act, 1984-85. (No. 2.) During the 1984-85 fiscal year, domestic borrowing operations used about \$26.7 billion of borrowing authority. Of this \$10.4 billion was raised through the issue of Treasury bills, \$12.5 billion through the sale of marketable bonds and \$3.8 billion through the sale of Canada Savings Bonds.