basic problems as inflation. These critics would have the government show substantial deficits, unmindful of the consequences that this would have on inflation and on already excessive interest rates. This would mean that the government would have to borrow more money on capital markets, which would create additional upward pressures on interest rates. These same critics reply that this would not necessarily occur since the Bank of Canada can increase the money supply and devaluate the Canadian dollar. However, the government believes, as we have often repeated, that such a policy is shortsighted. It would lead inevitably to a much higher rate of inflation, to higher interest rates and to worse unemployment than is now the case.

The reasonable solution is the one we have chosen. We must not only look at today's figures, but we must also lay the foundations of tomorrow's economy. As I have stated, Mr. Speaker, budgetary and non-budgetary financial requirements for 1982-83 amount to a total of $6.6 billion. In addition to forecast financial requirements, we shall need as usual some margin for contingencies resulting for instance, from exchange operations. In the last few years, this contingency fund has fluctuated around the figure of $3 billion and has normally been added to the total borrowing authority requested. This year, however, these $3 billion or what remains of the borrowing authority for 1981-82 if the difference is lower than $3 billion will not lapse automatically at the end of the fiscal year and may therefore be carried forward. The amount carried forward will therefore represent the contingency margin required for the 1982-83 fiscal year.

The provision to the effect that the government may borrow and repay amounts in a foreign currency is of a technical nature. It was included in the last four borrowing authority bills. Throughout the years, Canada has borrowed and repaid amounts in a number of foreign currencies. This provision was, however, added in the last few years to confirm the right of Canada to borrow any amount in foreign currencies. The government intends to introduce in the near future a bill to amend the Financial Administration Act, including a provision to define the power of the government to borrow and repay any amount in foreign currencies.

● (1530)

Once the amendment has been introduced and passed by Parliament, there will be no need for that kind of provision.

Mr. Speaker, I would like to comment briefly on government borrowing operations since the beginning of the current fiscal year, and the extent of borrowing authorities that have been used. The act that granted borrowing authority for 1981-82 brought new borrowing authority for $14 billion. Hon. members will recall that it was given royal assent on April 8, 1981. From April 8, 1981 to February 1, 1982, the government raised a total of $9,700 million in new funds on the domestic markets. Of that total, $9,600 million came from Canada Savings Bonds and $2 billion from marketable bonds, while net redemptions of treasury bonds lowered by $1,900 million the amounts borrowed that I have just been referring to.

The government raised $300 million on foreign markets through private placement of an issue with the Saudi Arabian monetary authority. Drawings had been made earlier in the year on our renewable line of credit with Canadian banks, but they were all repaid. There is currently no drawing in process on that line of credit nor those opened with U.S. and international banks. Taking into account the bond issue in foreign currencies, by February 1, the government will have used $10,100 million of borrowing authority, leaving an unused balance of $3,900 million. This summary of borrowing operations of the current balance of borrowing authorities should provide hon. members with the information needed for their assessment of this first part of the legislation. Clearly we will have an opportunity, during later discussions, to answer more precise questions and supply further data on these various operations, as called for in the Standing Orders, at a later stage of our proceedings.

Part II of the legislation, as I said in my opening remarks, implements the first ways and means motion, dealing with the Excise Tax Act, which the Minister of Finance (Mr. MacEachen) brought down in his budget on November 12, 1981. It provides for three technical amendments concerning the federal sales tax, and also proposes changes to the natural gas and natural gas liquids tax. The hon. members and the public had an opportunity to hear wide discussion of the principles underlying the energy policy of the government of Canada. They are also aware that, thanks to the remarkable work of the Minister of Energy, Mines and Resources (Mr. Lalonde), the Canadian government reached an agreement with the main oil producing provinces. The agreements and understandings required certain amendments to the oil and gas taxes, and further to the income tax on oil revenues.

In the bill, federal tax on natural gas exports has been removed, except on natural gas from Canada lands. The zero rate will be in effect during the period from October 1, 1981, until December 31, 1986; in other words, for the duration of the agreements concluded with the producing provinces. The bill also provides for refunding tax on ethane exported during that period. The tax on domestic sales of natural gas will be set in such a way that the wholesale price including tax and cost of transportation to wholesalers in Toronto is about 65 per cent of the average price paid for crude oil by refiners in Toronto. This will be a strong incentive for conversion to natural gas, while consumers already using natural gas will continue to enjoy substantial benefits.

As of January 1, 1982, the tax rate was 42 cents per gigajoule, and it was raised to 63 cents per gigajoule on February 1, 1982. The legislation as it stands now provides for a rate of 56 cents per gigajoule for the entire year. Thus, the