measures designed to get control of this serious problem and ultimately bring it down to a much more manageable level in relation to the size of the economy and our ability to finance the various programs represented by these borrowings.

As all Members know from the discussions we went through last autumn on Bill C-11, we must come before the House to request supplementary borrowing authority to provide the funds necessary to complete this fiscal year. As I stand before you today, I am very proud to reflect on the progress we have made over the past eight months, as well as being proud of the very important role that the Prime Minister (Mr. Mulroney) took in a strong and compassionate demonstration of his leadership to take the tough but fair, and I believe very appropriate, measures necessary to end the irresponsible borrowing patterns which have been building up over the past 10 years. It has not been easy; there have been some difficult decisions taken, but I believe we have made some progress.

In the Budget last week, I think we reinforced the measures which were set out originally last November. This first Budget of the Conservative Government faced head on the two major challenges of high unemployment and high budget deficits which are facing this country. We still face unacceptably high levels of unemployment and we still have a spiralling debt problem. As I said last week, these problems are a bit of a vicious circle because high deficits constrain our ability to deal with the job problem and high unemployment in turn reinforces the very high deficit. The Budget itself does propose some realistic, fair and effective actions to break this vicious circle.

[*Translation*]

This Budget puts special emphasis on the need for promoting a spirit of entrepreneurship, by proposing measures designed to encourage risk-taking by small- and medium-sized businesses and farmers, and thus promoting new investment so as to give Canadians more opportunities to participate in the economy, to innovate and to succeed.

[*English*]

As Hon. Members are aware, interim borrowing authority for this fiscal year was provided in Bill C-11 last year. In her speech on that Bill, the Minister of State for Finance (Mrs. McDougall) stated that further legislation would be introduced after the Budget to seek the balance of the borrowing authority needed for this fiscal year. This is the legislation now before us. There can be no doubt about the timing of this legislation; it is right, and follows directly on the financial requirements set out in the Budget. Under the Financial Administration Act, statutory borrowing authority must be obtained from Parliament in order for the Government to increase its outstanding debt. Part IV, Section 36 of that Act requires that:

> No money shall be borrowed or security issued by or on behalf of Her Majesty without the authority of Parliament.

This refers to new money only, because under Section 38 of the Act, there is continuing authority to borrow funds to repay maturing debt while Section 39 provides for short-term, temporary borrowings.

I would now like to discuss the Bill itself and explain how the amount requested has been arrived at. Clause 2(1) seeks $18.2 billion of borrowing authority for the 1985-86 fiscal year. The major portion of that money is composed of the difference between the total of $28 billion in financial requirements for 1985-86, as I set out in the Budget, and the borrowing authority granted under Bill C-11 for $12 billion even. To this $16 billion must be added another $2.2 billion, resulting from the use of Section 39 of the Financial Administration Act last February. You will recall, Mr. Speaker, that the use of that Section was directly related to the delay in the passage of Bill C-11 in the other place. The request for an additional $2.2 billion is really quite technical in nature and results from the way the relevant Sections of the Financial Administration Act are structured.

• (1240)

Section 39 provides for the Governor in Council to authorize the borrowing of money if, in the opinion of the Governor in Council, it appears that funds will not be sufficient to meet disbursements from the Consolidated Revenue Fund. This action is designed for short-term temporary use only as loans are limited to terms to maturity not exceeding six months, and each borrowing must be approved by the Governor in Council.

Section 38 provides for the normal raising of money to refund maturing debt and, since there is no increase in the oustanding debt, does not require borrowing authority. The Financial Administration Act, however, specifically excludes securities issued under the authority of Section 39 being refunded pursuant to Section 38. Thus, specific borrowing authority is required to refund maturing debt issued last February under Section 39. I hope you followed that all very carefully, Mr. Speaker.

Mr. Nystrom: Could you repeat it please?

Mr. Wilson (Etobicoke Centre): I don't think you want it again. If the passage of Bill C-11 had not been delayed last February, the $2.2 billion would have been charged to regular borrowing authority and it would not have been necessary to seek this additional amount this fiscal year. As it was, $2.3 billion of regular borrowing authority was cancelled at the end of fiscal 1984-85 because the Government was unable to use it.

I assure Hon. Members that it was essential to use Section 39 last February. Members will recall that at that time there was some downward pressure on the Canadian dollar as a result of the unprecedented strength of the U.S. dollar and foreign exchange intervention was required, causing a run-off of our U.S. dollar foreign exchange reserves. These U.S. dollar reserves had to be replaced by employing Section 39 of the Financial Administration Act to draw on Canada's standby credit facilities with the Canadian chartered banks and the international banks. Section 39 was also used to raise $200 million in the domestic capital market through the issue of