

Honourable senators will remember that the reason for the annual arrival of a borrowing authority bill is the Financial Administration Act. 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.

Consequently, in order to borrow new money to meet the government's financial requirements, statutory borrowing authority must be obtained from Parliament each year. Authority is not needed to pay off old debts, but it is needed to raise so-called new money.

Honourable senators do not need to wrestle with that weight-lifter's pile of documents under our desks, because Bill C-111 received third reading in the other place this afternoon, so it is quite short, as these bills usually are.

The bill consists of two clauses, the second of which has three subclauses. Clause 2(1) is the borrowing authority and sets out the amount. Clause 2(2) stipulates the expiration date, which is an aspect of the provision that I mentioned that flows from the Financial Administration Act because, under the system, all borrowing authority remaining unused expires on March 31 of each year. Clause 2(3) is essentially technical in nature, making it clear that there is authority to borrow "in a currency other than that of Canada".

Coming back to clause 2(1), the bill is seeking authority for \$6.6 billion. As I mentioned, all unused borrowing authority obtained under the Borrowing Authority Act, 1981-82, to the extent that it exceeded \$3 billion—and I will explain that in a moment—was cancelled on March 31, 1982, and without new borrowing powers the government will not be able to borrow the necessary funds to meet the financial requirements for 1982-83. The new borrowing authority of \$6.6 billion being requested represents the estimated budgetary and non-budgetary financial requirements for 1982-83, as set out in the budget which was presented last November. Therein lies the origin of Senator Flynn's comment that it might be more than annual this year.

In addition to the programmed cash requirements and as has generally been the practice, the government will require some margin for contingencies such as those related to foreign exchange operations.

Honourable senators, in recent years—perhaps it was for 1976-77 or earlier—this contingency has amounted to approximately \$3 billion, and that amount was normally added to the total borrowing authority being sought. However, this year \$3 billion of the borrowing authority obtained for 1981-82 was exempt from automatic cancellation at the end of the fiscal year and was carried forward. That is the explanation as to how the government survived a borrowing authority past the normal automatic suspension period. This amount of \$3 billion was to have been the contingency for 1982-83. However, since there has been no borrowing authority granted for 1982-83, the government so far this year has been charging both its

domestic and foreign debt operations to this contingency amount.

Clause 2(3) refers to the ability of the government to borrow and repay loans in foreign currencies. This provision has now been included in the last four borrowing authority acts. Over the years Canada has borrowed and repaid funds in a number of currencies. However, in recent years this clause has been added to confirm Canada's right to borrow in foreign currencies.

Honourable senators will remember that Bill C-96—which has received first reading in the House of Commons,—proposes certain amendments to the Financial Administration Act, including an amendment to clarify the government's ability to borrow and repay in foreign currencies. Once this amendment is made we will not have to have it every year because it will give general authority to borrow in other than Canadian currency, assuming, of course, that the general authority has been given.

I now come to the question of whether additional borrowing authority will be needed. The Minister of Finance, in his appearance before the Standing Committee on Finance, Trade and Economic Affairs in the other place, pointed out that the deterioration in the economy since last November will have an impact on the financial requirements for 1982-83. Since the projections were made for the budget of November 12, there has been a severe slowing down of economic growth in all the major industrialized countries. In Canada the depth of this recessionary period has been more severe than was anticipated when the budget was being prepared. As a result of these developments, the minister told—

**Senator Flynn:** I thought everything was going well.

**Senator Frith:** Well, it was going better. We had that annual 5 per cent growth rate which disappeared in the first quarter. Of course, Senator Flynn is right that—

**Senator Flynn:** I am speaking of the optimism of Senator Olson.

**Senator Frith:** Literally, what Senator Flynn has said is right—things were going a lot better at the time of that budget.

As a result of these developments, the minister told the committee that the government expects the financial requirements will be larger and, consequently, will have to ask Parliament for additional borrowing authority for 1982-83 sometime before the end of the fiscal year.

The minister stated that it was his intention to make a statement on the economy and on the financial requirements for this fiscal year before Parliament recesses for the summer. This statement will provide the House of Commons and the Senate with the information they need to act on a request for additional borrowing authority.

● (1630)

In summary, honourable senators, the bill before us is a request for borrowing authority to cover the projections in the November 12 budget. If changes are made and additional