Over the next five years total program spending will grow on an average by only 3 per cent a year. These budget measures are being implemented with a responsible and a prudent fiscal plan. It is important to understand that reallocating resources to meet new priorities will not compromise deficit reduction.

The deficit will be substantially reduced. It will be held to $31.4 billion in the 1991-92 fiscal year which ends in another month. It will be reduced by almost $4 billion, to $27.5 billion next year and another $5 billion in 1993-94, to $22.5 billion.

The net public debt will begin to shrink as a proportion of the economy in 1993-94, and that is the first time that has happened since 1973-74, 20 years ago.

Mr. Peterson: Promises.

Mr. McDermid: Look, I listened to the hon. member for Willowdale whose brother when he was premier increased spending by government at 10 per cent a year over the four years he was in there. If anybody knows about government spending, it is my hon. friend from Willowdale. It probably runs in the family.

Continued spending restraint will help bring about a major reduction in government borrowing.

Mr. Peterson: Get out of the dirt; elevate the level of this discussion.

Mr. McDermid: Listen to him bleat, listen to him.

The government's financial requirements will be reduced to zero in 1995-96. The government will then begin to reduce its outstanding debt in the financial markets for the first time since 1969-70.

Let me now turn to Bill C-61. Like borrowing bills in recent years, this bill contains three basic elements: financing authority to cover the financial requirements for 1992-93, exchange fund account profits, and a contingency reserve.

In total, the government is requesting authority to borrow $24.7 billion for the 1992-93 fiscal year. In addition, there is a provision for an additional borrowing authority of $3.9 billion to provide for the borrowings conducted in this fiscal year under section 47 of the Financial Administration Act.

There are also a number of technical changes to tie the bill more closely to the fiscal year. Let me touch briefly on the main provisions.

First, there is the provision for authority to cover our anticipated requirement for borrowing to meet the net financial requirements set out in the budget.

Second, there is a provision in the bill to cover exchange fund account earnings which gives rise to additional Canadian dollar borrowing requirements. This is because these earnings are retained in the exchange fund account to provide the government with the capacity to intervene in foreign exchange markets.

Third, there is a $3 billion reserve, the same amount requested in borrowing authority bills of the last five years. This reserve provides for unseen contingencies such as foreign exchange transactions, seasonal swings in borrowing requirements, and delays in passing the future year borrowing authority act.

As I indicated, there is an additional provision this year to cover the refunding of bills issued in 1991-92 under section 47 of the Financial Administration Act up to a cap of $3.9 billion. The 1989 act had a similar provision without the cap. Members should note the bill provides that were we to issue less than the $3.9 billion requested the residual would be deducted from the 1992-93 authority.

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As reported in the budget, financial requirements for 1991-92 increased by $5.9 billion. With the $3 billion contingency reserve already provided, we are requesting $3.9 billion of additional authority. This includes a $1 billion reserve against uncertainties associated with factors such as foreign exchange transactions. Within this clause, refundings of bills issued under section 47 authority would be charged against regular 1992-93 borrowing authority even though the money was raised in 1991-92.

The bill also contains some minor technical changes that more clearly link fiscal year borrowing authority with the fiscal year borrowing requirements. One provision provides that 1992 borrowing authority may only be used after the 1992-93 fiscal year begins. Another provision stipulates that the borrowing authority cover the full fiscal year beginning April 1, thereby ensuring refunding authority for the securities maturing in the fiscal year 1992-93 but before the bill receives royal assent.