2. The direct effect is clearly positive; that is, changes in interest rates lead to changes in debt servicing costs, in the same direction, given no change in the government debt portfolio.

Indirect effects of interest rate changes on national debt servicing costs can also occur. For example, rising interest rates may lead to decreased economic growth which, in the absence of policy change, would reduce government revenues and increase government expenditures thereby raising the level of the stock of government debt or changing the composition of the government debt portfolio toward higher yield debt instruments. This would also increase the cost of servicing the debt.

A full response to the question would require consideration of the causes of changes in interest rates, over-all economic responses to these changes, and government policy and program reaction to both the direct and indirect effects of interest rate changes.

GARRETT MANUFACTURING LTD.

Question No. 252—**Mr. McKinnon:**

Did the Department of National Defence award a contract, valued at $489,-000, to Garrett Manufacturing Ltd. of Rexdale, Ontario for the repair and overhaul of the CF-18 aircraft air conditioning systems and, if so (a) was this repair and overhaul necessary because of some defect in the air conditioning system (b) did the Department pay for the repairs and, if so, for what reason (c) does this contract apply to (i) the 20 planes received from McDonnell Douglas (ii) aircraft not yet received?

Hon. Charles Lapointe (Minister of Supply and Services): The Department of Supply and Services awarded a contract valued at $498,000 to Garrett Manufacturing Ltd., on behalf of DND to supply long lead time accountable advance CF-18 air conditioning system spares as part of the normal repair and overhaul support program for DND aircraft. Actual repair and overhaul work on an as-required basis is not due to start until October, 1984.

[*Translation*]

Mr. Evans: I ask, Mr. Speaker, that the remaining questions be allowed to stand.

Mr. Speaker: The questions enumerated by the Parliamentary Secretary have been answered. Shall the remaining questions be allowed to stand?

Some Hon. Members: Agreed.

[*English*]

Mr. Speaker: Orders of the Day. The Hon. Member for Comox-Powell River (Mr. Skelly) rises on a point of order.

Mr. Skelly: Mr. Speaker, were petitions called?

Mr. Speaker: Yes, I did call them. I regret but there will be an opportunity for the Hon. Member to present his petition tomorrow. We are at Orders of the Day.

Excise Tax Act

GOVERNMENT ORDERS

[*English*]

PETROLEUM AND GAS REVENUE TAX ACT

MEASURE TO AMEND

Hon. Roy MacLaren (Minister of State (Finance)) moved that Bill C-14, an Act to amend an Act to amend the Excise Tax Act and the Excise Act and to provide for a revenue tax in respect of petroleum and gas be read the second time and referred to a Committee of the Whole.

Mr. Speaker: Is it the pleasure of the House to adopt the motion? The Hon. Member for Comox-Powell River.

Mr. Skelly: Mr. Speaker, I am under the impression that we are commencing debate on Bill C-14.

Mr. Speaker: That is so. The usual practice at this point would be to recognize the Minister introducing the Bill and then the Hon. Member. The Hon. Minister of State for Finance.

Mr. MacLaren: Mr. Speaker, the Bill before us amends the petroleum and gas revenue tax to reflect measures announced almost two years ago as part of the National Energy Program update and in the Budget of last April. The specific changes set out in the Bill include the following: a one-year reduction in the basic rate of petroleum gas revenue tax from 16 per cent to 14.67 per cent; an annual credit for small producers of $250,000 against their PGRT liabilities of a corporation on Division I production and processing revenues; a provision allowing the reduction of eligible capital expenditures in an enhanced oil recovery project from production revenue of eligible projects, and technical amendments, designed among other things to reduce the paper burden on taxpayers.

As the House will recall, fiscal and pricing measures were announced in the National Energy Program update in 1982 in response to a number of economic forces affecting the petroleum industry. The economic slowdown in the United States reduced natural gas export markets; falling demand for oil and natural gas in Canada lowered industry returns; and the high interest rates of 1981 and 1982 created difficulties for many firms. In addition, there has been continuing uncertainty about world oil prices over the next decade.

Accordingly, the National Energy Program update provided a package of measures valued at some $2 billion in improved cash flow for the petroleum sector. Moreover, the April Budget and recent amendments to the energy agreements with producing provinces are expected to add an additional $700 million to industry cash flow.

The tax measures in this Bill account for about $1.3 billion in relief to the petroleum industry. The temporary reduction in the petroleum and gas revenue tax on production and royalty income is estimated to have increased industry cash flow by $200 million over the relieving period from June 1, 1982, to May 31, 1983.