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| Alberta | 18e  | 1re  | Discours du budget | 30 mai 1975 | M. C. Mervin Leitch | Trésorier provincial | PC |

**Mr. Leitch:** Mr. Speaker, three years ago on March 17, 1972, my colleague, the Hon. Gordon Miniely, had the honor of presenting the first budget of a Progressive Conservative government of Alberta. I am sure that all members will join me in congratulating him on this outstanding service.

As Provincial Treasurer during the past four years, his accomplishments will make my task much easier than it otherwise might have been.

It is not my intention this evening to propose any basic changes in the fiscal policies of the government for the coming year. Our February 7 budget proposed a sound fiscal plan to meet the social and economic needs of Albertans in 1975 and beyond. That fiscal plan was enthusiastically endorsed by the Alberta electorate on March 26.

I would like to provide members with a current assessment of the fiscal and economic climate in the province, and to propose some important modifications to our 1975 budget arising out of our election commitments and the restructuring of the provincial government, which has been undertaken to meet the challenges of cur second term of office.

The Alberta economy remains strong in 1974 as evidenced by an increase in the provincial gross domestic product of slightly more than 18 per cent. Increases in all major income categories indicate that this economic prosperity was broadly distributed among Albertans. Despite a national inflation rate of 10 per cent, real personal disposable income in Alberta increased by about 4.5 per cent. Even though the labour force continued to increase rapidly, a 6 per cent growth in employment reduced the average unemployment rate to 2.6 per cent, the lowest unemployment rate in Canada. Investment in new productive capacity provided a major stimulus in 1974, increasing by 24 per cent from 1973 levels.

Nationally, a combination of forces began to reduce the rate of growth of the Canadian economy in the second quarter of 1974, and a significant drop in real output occurred in the fourth quarter. Preliminary indications are that a further drop occurred in the first quarter of this year, and it is anticipated that little or no real growth will be achieved in the Canadian economy during 1975, although recovery should begin toward the end of the year.

Despite Alberta's basic economic strength, recent statistics indicate that Alberta is being affected by the weakness in the national economy. For example, the unemployment rate has risen since the beginning of the year, although it remains more than three percentage points below the national rate. We are encouraged by the recent moderation in the rate of inflation, although it is too early to be optimistic that the moderation will continue. In addition to concerns about continued high inflation rates, we are also concerned about the low level of housing starts. The decline in crude oil production due to export sales reductions is adversely affecting the cash flow of the oil and natural gas industry.

These problems, however, must be viewed in the context of the relative strength of the Alberta economy. Although investment intentions indicate some reduction in the rate of growth of investment, Alberta continues to be one of the strongest provincial economies in this vital area, illustrating investors' confidence in Alberta's economic future the stimulative measures contained in this budget will help to relieve short-term problems and provide the basis for future growth.

The substantial personal income tax reductions proposed in the February 7 budget will be included in amendments to be announced this session to The Alberta Income Tax Act.

The proposed general reduction in the personal income tax rate from 36 per cent to 26 per cent of federal basic tax will increase disposable incomes of Albertans by an estimated $115 million in 1975 and provide an average tax reduction for each Alberta taxpayer of approximately $140.

The proposed selective personal income tax reduction provides an additional $8 million increase in disposable income to Albertans with taxable incomes below $4,000, and removes entirely the provincial personal income tax for individuals with taxable incomes below $1,400. This substantial improvement in the equity of the provincial personal income tax will improve the position of one-third of Alberta personal tax payers.

Albertans' take-home pay should rise substantially in July as a result of these tax reduction measures as the full amount of the tax reduction for the 1975 taxation year will be reflected in source deductions for the last half of 1975.

These relatively large tax reductions are proposed in view of the budgetary surplus generated by crude oil and natural gas revenues. In addition, the measures will provide incentives for private initiative by individuals and will significantly stimulate the Alberta economy.

We proposed two corporate tax measures as part of the Alberta petroleum exploration plan of December 1974. Those measures will offset the substantially negative impact on the oil and natural gas industry in Alberta of the federal government's change in the federal Income Tax Act, which now no longer permits the deduction of royalties and other payments to governments from a taxpayer's income for the purposes of determining income tax.

The first measure -- the refund of tax on royalties -- refunds to corporations the additional amounts of income tax which Alberta would receive as a result of the federal measures to tax royalties and other payments to governments since these measures also apply to the provincial income tax. The second measure -- the royalty tax credit for smaller explorers -- provides corporate tax credits up to $1 million for a full taxation year in respect of petroleum and natural gas royalties receivable by Alberta. As a result of this tax credit plan, the average effective royalty rate on petroleum and natural gas will be reduced by up to 30 per cent for many of the smaller producing companies. This represents a very substantial increase in the returns and cash flow of this segment of industry, which has been responsible for much of the exploration activity in Alberta.

I am pleased to say that arrangements for the administration of these tax programs under the tax collection agreement essentially have been completed with the federal government. Corporations should be able to apply for these tax credits to Revenue Canada with respect to 1974 soon after the Alberta Income tax Act is amended.

We have considered the position of individuals who have direct investments in the oil and natural gas industry, and who are also adversely affected by the amendments to the federal Income Tax Act. We have concluded that the position of individuals has been very seriously affected by the amendments to the federal Income Tax Act I have earlier referred to, and that measures are required if direct investment in the oil and natural gas industry is to be an attractive proposition for individuals. For that reason, I will propose amendments to The Alberta Income Tax Act to provide a refund of provincial personal income tax on royalties and other payments to governments, and a personal royalty tax credit based on royalties on petroleum and natural gas receivable by Alberta that an individual is required to include in income for purposes of determining income tax payable. The details of the proposals will be contained in the amendments to the income tax act, but in essential respects, they are similar to the corporate tax measures dealing with the taxation of royalties. These proposed measures are consistent with our general objectives to provide tax incentives for personal investment in Alberta's economic opportunities and to provide an attractive tax climate for Alberta's small businesses.

The expenditure program presented on February 7, 1975, proposed operating expenditures of $2,068 million, and capital expenditures of $371 million, a 17 per cent increase over forecast expenditures for 1974-75. Essentially, this evening, I am reintroducing expenditure programs proposed in that budget. The expenditure estimates have been restructured to reflect the cabinet and government reorganization announced by the hon. Premier on April 3, 1975. While the basic features of the reorganization are reflected in the revised expenditure estimates being tabled this evening, it must be recognized that full implementation of a reorganization plan will require considerate time. In a limited number of cases, it will be necessary to transfer the administrative responsibility for expenditure programs under the authority of The Public Service Administrative Transfers Act. The expenditure estimates provide detailed notes regarding the changes which have been made to reflect the departmental reorganization.

In addition to resubmitting the February expenditure program, we are proposing an additional $86 million in the operating budget and an additional $11 million in the capital budget.

I would now like to review the most significant features of the expenditure program for 1975-76.

To offset the impact of inflation, we are proposing a number of important adjustments in our expenditure programs. We recognize the need to maintain the real income of persons dependent on fixed incomes. To this end we propose:

- an additional $2 million to the Workers' Compensation Board to increase by approximately 33 per cent the minimum compensation payments for permanently disabled workers and their dependants. This increase will bring Alberta workers' compensation payments to the highest level in Canada.

- an additional $11.1 million to increase basic allowances for public assistance by approximately 15.6 per cent.

To ensure that our social institutions, despite inflation, are capable of maintaining a high standard of service, we propose:

- $51 million, a 15 per cent increase, in the provincial contribution to The School Foundation Fund.

- $102 million, a 31 per cent increase, for Alberta's health care system and to improve incomes for Alberta's hospital workers. This amount includes an additional $33 million to the $69 million increase proposed in the February budget to reflect those contracts of hospital employees, which have been negotiated since February.

- $7 million to increase fee payments to Alberta physicians to 6.5 per cent.

- $23 million, a 25 per cent increase, in grants to universities, which in addition to meeting the inflation costs will pay for increased enrolments and provide new and improved programs.

A large element of these increases will result in higher salaries for many Albertans.

In addition to ensuring that the real incomes of persons dependent on fixed incomes are maintained, and that our social institutions do not suffer because of inflation, we are taking direct measures to increase disposable incomes of all Albertans. As previously indicated, we are reintroducing our proposed tax changes, directly increasing the disposable incomes of individual Albertans by $123 million. In addition, $91 million will be paid to Alberta consumers under The Natural Gas Rebate plan and The Public utility Income Tax Rebate plan to cushion rising energy costs. Funding of the Natural Gas Rebate Plan has been increased by $14 million over the amount proposed in February, to a total of $70 million. The one-third reduction in fuel taxes provided in 1974 and the rebate of 5 cents per gallon on the purchase of farm fuels and domestic heating fuel provides the lowest gasoline tax in Canada and should ensure the lowest prices at the pump.

We are also proposing a very significant increase in the incomes of our senior citizens. Shortly after the February 7, 1975 budget was presented to the Legislature, the government undertook a review of the Alberta Assured Income plan. This review is now complete, and I am pleased to announce this evening that under the revised Alberta Assured Income Plan, single and married senior citizens receiving old age security and the guaranteed income supplement will receive a minimum monthly income of $255 and $495 respectively, rather than the minimum of $235 for every senior citizen, proposed in February. The revised plan adds $14.1 million to the $23.2 million proposed in February and increases financial assistance to Alberta senior citizens to $37.3 million from $9.4 million in 1974-75. This will maintain for Alberta senior citizens the highest level of income support and, by a substantial margin, the highest aggregate benefits of any province in Canada.

In addition to this direct assistance to senior citizens, a total of $18 million is proposed for extended health care benefits and other benefits, which will have the effect of increasing the disposable incomes of all senior citizens. An additional $1.8 million under The Alberta Property Tax Reduction Plan will increase senior citizen renter assistance grants to $150 per annum from $100. The budget also includes $25 million for new housing projects for senior citizens.

Our government's commitment to increased opportunities and services for all Albertans is reflected in proposals for improved social programs.

$77 million is proposed for home ownership programs, including $65 million for direct lending programs, $6.6 million for native housing programs, and $5.5 million for rural housing programs for farm families. Our commitment to provide adequate shelter for Albertans is reflected by the creation of a Housing and Public department and our policy statements regarding the development of a starter home program.

In Education, the budget proposes an increase of 50 per cent, to a total of $14 million, to fund further development of our early childhood education program. The Educational Opportunity Fund will provide $5.6 million to upgrade the quality of education in grades 1 to 6 and improve programming for disadvantaged pupils in grades 1 to 12. A new program costing $11 million is proposed to move towards equalization of supplementary school requisition revenues.

$4 million is proposed to commence implementation of the government's position paper on public assistance. The funds will be used to expand day care programs, increase public assistance earnings exemptions, and assist recipients of public assistance to find and retain employment.

$65 million is proposed to enhance the quality of life in Alberta through improved recreational and cultural programming. Included in this total is $20 million for the first year of a 10-year program for the development of major recreational and cultural facilities throughout Alberta.

We are also proposing substantial improvements in our law enforcement, correctional, and justice system, including $1 million in thrust funds to commence implementation of the recommendations of the Kirby Board of Review.

In recognition of the needs of local governments, total direct financial assistance to Alberta municipalities will be increased by 35 per cent. In addition, the former restrictions on the amounts of financing made available from the Alberta Municipal Finance Corporation have been removed, and the effective interest cost of loans for general municipal requirements will be maintained at 8 per cent.

This budget also includes $12.7 million for new unconditional grants to municipalities. It is our government's hope that the municipalities will use these funds to improve law enforcement throughout the province as the grants are being made, as a result of this government's recognition of that need.

Our 1975-76 expenditure program reflects the priority which the government attaches to ensuring improved economic opportunities for all Albertans in the coming decades. Our economic programs are designed to develop a stable, diversified, and decentralized economy.

To achieve this goal, we must improve our regional services, and provide rewarding employment for Albertans in all areas of the province by developing incentives for business and removing barriers to the development of an efficient transportation system.

In transportation, we are proposing:

- an increase of 26 per cent, to $26 million, for the development of Alberta growth roads;

- $1.4 million for the continuing development of northern, community, and industrial airports;

-a total of $62 million to assist municipal governments in meeting local transportation needs.

The importance of transportation to all Albertans has been emphasized by formation of the new ministry of transportation.

This government's commitment to improve services outside of the metropolitan centres, as an encouragement to diversify economic development, is reflected through provision of:

- $16 million for The Rural Gas Expansion Program to provide natural gas service to over 10,000 Alberta households in addition to the 14,000 rural households serviced to date. Funding of the program has been increased by $4.5 million from the amount proposed in February 1975 to meet increasing costs.

- $3.5 million for new capital projects to develop improved municipal water supplies, as well as $2 million in the operating budget to reflect the acceleration of municipal water supply programs.

- $15.7 million for development of government service centres throughout the province. Further encouragement to Alberta business and industry is reflected by:

- $22 million for additional funding of the Alberta opportunity Company,

- $9.1 million for marketing development programs,

- $2.5 million for a new guaranteed loan program for Alberta publishers.

In recognition of the vital role played by cur agricultural industry in the economic life of Alberta, we are proposing:

- $25 million for additional funding of the Agricultural Development corporation,

- $2.3 million for The Livestock Water Supply Program.

Our economic potential will only be realized if Albertans are able to participate fully in the employment opportunities of our developing economy. To ensure that they will to able to do so, our 1975-76 expenditure program proposes:

- $36 million, an increase of 15 per cent, for technical and vocational training;

- $5.6 million, an increase of 43 per cent, for manpower development programs, including a 24 per cent increase for apprenticeship training;

- $6 million for the 1975 Summer Temporary Employment program to provide summer employment for more than 7,500 students;

- $850,000, an increase of 105 per cent, for employment opportunities in isolated Alberta communities under the opportunity corps program.

To ensure that our economic progress is accomplished while maintaining and enhancing the quality of our environment, this budget proposes an increase of 33 per cent in the operating budget for environmental programs. Included is $2.5 million for a new Alberta oil sands environmental research program to ensure that resource development is compatible with environmental protection.

This brief review of our 1975-76 expenditure program clearly shows our government's conviction:

- that all Albertans should share equitably in the Province's opportunities,

- that all Albertans on fixed incomes, and those not in a position to secure adequate gains in incomes are protected from rising costs and prices, and

- that Alberta's resources are effectively managed to ensure a growing prosperity and an improving quality of life for all Albertans.

The budget proposed on February 7 clearly indicated the solid financial position of the province. The strong position permitted the presentation on February 7 of a surplus budget which included very substantial tax reductions while at the same time contemplating the establishment of the Alberta heritage savings trust fund.

The same position is reflected in this budget. My estimates of the budgetary and non-budgetary position are outlined in the accompanying table, which indicates an overall budgetary surplus of $39 million and a combined budgetary and non-budgetary cash requirement of $218 million.

The Estimates propose budgetary expenditure of $2,536 million, an increase of $97 million over the February 7 proposals, and $453 million higher than budgetary expenditures for 1974-75. Operating expenditures for provincially administered programs show an increase of only $84 million, an increase of 15 per cent compared to the 23 per cent increase in total operating expenditures. The salary estimates provide for 885 new permanent positions, a growth of only 3.3 per cent over forecast 1974-75 permanent positions.

In view of our intention to propose, during the fall sittings, plans to establish the Alberta heritage savings trust fund, incremental conventional crude oil royalties have been excluded from the budgetary accounts. Although these incremental royalties will flow into the General Revenue Fund until they are appropriated to the heritage savings trust fund by legislation, we will propose that the initial transfer to the fund be equivalent to the oil export tax proceeds received by Alberta and the accrued incremental royalties at the date of the transfer. I estimate the amount as of March 31, 1975, of oil export tax proceeds and incremental royalties to be $822 million. Based on current production levels and the existing average crude oil price of $6.50 per barrel, I expect that the incremental crude oil royalties for the full 1575-76 fiscal year will be in the order of $500 million. Therefore, I estimate the assets available for transfer to the Alberta heritage savings trust fund, depending upon future production and price levels, to be, at the end of this fiscal year, between $1.3 billion and $1.6 billion.

Accompanying my address, as supplementary information on the fund, are parameters proposed by the hon. Premier in a statement of March 12, 1975. In conclusion, Mr. Speaker, this budget provides additional benefits not proposed in our February budget, in several very important areas:

-an additional $14 million under the Alberta Assured Income Plan to increase the incomes of Alberta senior citizens,

-$12 million for new unconditional assistance to Alberta municipalities with the objective of improving law enforcement,

-an additional $33 million to reflect recently negotiated contracts for hospital employees,

-an additional $14 million to cushion the expected increase in natural gas prices under The Natural Gas Rebate Plan,

- $6 million for the 1975 Summer Temporary Employment Program,

- $2.5 million for a new Alberta oil sands environmental research program,

-an additional $4.5 million for The Rural Gas Expansion program,

-new tax incentives for individuals adversely affected by the taxation of royalty payments under the federal Income Tax Act.

Mr. Speaker, this budget presents to the people of Alberta the benefits of our policies over the past four years. The fiscal policies proposed in this budget provide a firm foundation for meeting the economic and social opportunities before us in 1975. These policies will provide the fiscal and economic potential to continue the vigorous and rewarding society now possible in Alberta.