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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Alberta | 18e  | 4e  | Discours du budget | 17 mars 1978 | M. C. Mervin Leitch | Trésorier provincial | PC |

**Mr. Leitch:** Mr. Speaker, the budget which I have the pleasure of presenting tonight is part of the continuing evolution of our government's long-term financial plan. The essence of any long-term plan is a set of goals and objectives. Our objectives are clear:

- to provide a high level of government services to the people of Alberta in keeping with our present and future capacity to do so;

- to distribute equitably the benefits from our non-renewable resources between present and future generations;

- to ensure that the operations of the government sector complement, rather than detract from, the initiatives of the private sector which maintains our growing and vibrant economy; and

- to maintain the strong financial position of the government.

I think it is important to realize, Mr. Speaker, that the existence of a long-term plan does not embody a year by year detailed plan fixed in advance. We must be prepared to adapt to changing economic circumstances and to accept our responsibility to co-operate with other governments in achieving the best possible economic future in all parts of Canada. Finally, not all the long-term goals can or should bear equal emphasis in a given year.

The 1978 budget reflects a number of these factors. We have, over the past several years, while significantly reducing the tax burden on Albertans, achieved a level of government services which ranks among the highest, if not the highest, in Canada. As a result we were to implement firm expenditure guidelines over the past two years which did not jeopardize these levels of service. The guidelines were necessary for a number of reasons:

- to emphasize that expenditure increases which were necessary between 1971 and 1975 to bring government services in Alberta to an appropriate level were neither planned nor financially feasible for the longer term,

- to ensure that the government sector did not begin to impede on the private sector's ability to expand, and

- to take a leading role in combating the then prevailing inflation psychology.

As I announced on December 12, 1977, no explicit expenditure guideline had been adopted for 1978-79. As will be evident in my later remarks, this does not mean unrestrained growth in budgetary expenditures. Indeed, in many areas expenditure increases have been held below those approved last year. This reflects the need to restrict the rate of growth of provincial expenditures in order that the private sector in Alberta has sufficient room to continue to take the initiatives which will ensure our future economic prosperity.

Our success in holding expenditure increases down over the past two years, however, enables us to increase expenditures in selective areas where growth or cost pressures have been particularly acute. In addition, we are in a position to assist the economy to adjust to the completion of the Syncrude project by accelerating necessary public capital projects. Finally, I will be announcing this evening certain tax measures which will enable all Albertans to enjoy today additional benefits from our strong financial position and will have a direct impact on reducing the effects of inflation.

Mr. Speaker, before outlining the details of this budget, I would like to outline the economic circumstances as we see them at this time.

A review of international economic prospects indicates that little change in the growth rate is expected for the western industrialized nations in 1978. Of the major western economic powers - Japan, Germany, and the United States - it would appear that only the latter has been able to produce what may be termed a sustained economic expansion. As well, given the weak to modest performance of the other major industrialized countries, it appears doubtful that real economic growth will be much higher in 1978 than it was in 1977 unless further stimulus is provided. Inflation rates continue to vary across the spectrum of OECD countries, and indications are that performances of individual countries are not expected to change appreciably in 1978. With prospects lacking for strong growth in 1978, no significant inroads into the current world rates of unemployment can be expected.

In many respects the Canadian experience has paralleled that of the economic community of which it is a member. Some relative improvement is foreseen for 1978. While in 1977 the growth rate in the Canadian economy was well below the average in an international context, it is anticipated that real growth of 4 to 5 per cent will be achieved in 1978, which is higher than the anticipated average growth for other industrialized nations. Unfortunately, this expected improvement in overall growth is unlikely to permit any improvement in the unemployment rate because of the anticipated growth in the labor force.

On a positive note, it is expected that inflation, currently reflecting price increases for imported goods due to the recent depreciation of the Canadian dollar, will moderate.

Two main demand components are expected to lead to modest economic expansion in 1978. Exports should show above average growth as a result of the lower value for the Canadian dollar. Consumer expenditures should also be relatively strong, provided the expected reduction in inflation is realized and current high saving rates moderate. Government expenditures, because of the need for continued government restraint, will not contribute in any major way to recovery.

One of the primary areas of concern, and one of the chief reasons why only modest growth in the Canadian economy is expected in 1978, is the investment outlook. The consensus of forecast opinion is for less than 3 per cent real investment growth in 1978. With continuing low rates of capacity utilization and generally poor performance of corporate profits over the past three years, significant increases in investment expenditure from the business sector are not likely to materialize.

Inextricably linked with the investment potential of our country is a concern over Canada's cost competitiveness vis-a-vis our trading partners in general and the United States in particular. A recent study has shown that, over a large number of industries, Canada has moved beyond wage parity with the United States after accounting for exchange rate movements, yet our productivity is less than 80 per cent of the productivity of our major trading partner. That productivity gap has been narrowing since the 1940s but it has not kept pace with the rapid rise in Canadian wage levels. Canada's lower productivity and higher wage levels are the major causes of our current economic difficulties.

A graphic and disturbing picture is provided in Chart 1, which accompanies the text of this address. For the period 1973 to 1975, negotiated wage settlements in Canada provided increases which, over the life of the contracts, were approximately double those negotiated in the United States. Indeed, in mid-1975 the Canadian increases were almost two and one half times those negotiated in the United States. Subsequent to the introduction of the anti-inflation program, much more modest settlements have emerged. Relative to the United States, however, even under mandatory controls our wage settlements exceeded theirs. The result is that by September 1977, average hourly wages in Canada were higher than those in the United States by 16.4 per cent in mining, 12.6 per cent in manufacturing, and 22 per cent in the construction industry.

Canada's balance of payments provides a good example of the problems we are creating with unrealistic demands on the economic system. Our balance of payments in 1976 was in deficit by $4.2 billion. Within this total we had a $5.8 billion deficit in services - interest payments, travel expenditures, and the like - while on merchandise trade we managed a $1.1 billion surplus. While one might be inclined to take some satisfaction from the surplus on merchandise trade, it is in fact precisely in this area where our potential problems can be observed most clearly. For if we look at a breakdown of this number, we find that it is composed of a $10.2 billion deficit in manufactured goods and other end products, as compared to a $3.6 billion deficit in 1971, offset by an $11.3 billion surplus on raw material and partially processed resources. In other words, Mr. Speaker, Canada is competitive primarily only in those areas where we have resources which are not found in sufficient quantity elsewhere to satisfy demand.

The international reaction to our competitive situation was brought home with some force during 1976 and 1977 with the depreciation of the Canadian dollar by more than 10 per cent in relation to the American dollar.

The crux of the issue is jobs - continued jobs for those now in the labor force and new jobs for those entering the labor force in the years to come. Certain industries are already experiencing significant layoffs, and others have avoided doing so only through policy measures which have reserved a portion of the domestic market for them. Such protectionist measures are neither desirable nor feasible for the longer term or in broader application.

There are two potential outcomes to the situation we now face. If we continue to increase wages and prices at rates which are out of line with our productivity and our trading partners' performances, then Canada will continue to experience poor employment prospects and a depreciating currency, in short a reduced average standard of living. The alternative, to restrain our collective demands on the system, may be difficult to accomplish but it is imperative if the Canadian economy is to grow and prosper.

Mr. Speaker, Alberta took a leading role at the recently concluded first ministers' conference on the economy in proposing new directions for the Canadian economy. The Premier focussed on the need for a new attitude in Canada toward the private sector, a renewed appreciation of the role of the risk taker and the necessary rewards that must accompany risk taking. Alberta stated the position that we must aim to reduce the share of total output consumed by government, to constrain public sector wage settlements to levels that the private sector can afford, to reduce unnecessary government regulation, and to provide incentives for viable economic enterprises rather than permanently subsidizing marginal activities. In addition, Alberta stressed the need for action to reduce Canada's dependence on imported crude oil and in general to build on our natural strengths.

These Alberta positions were adopted as part of the joint communique at the close of the conference. Should appropriate action be forthcoming from other governments in Canada, following up on the common position taken at the conference, we believe that the necessary climate of business confidence will be created which will provide a healthy recovery and a brighter longer term future for the Canadian economy.

To date Alberta has been able to avoid, to a large extent, the economic problems facing the rest of the country. This above average performance is expected to continue through 1978 at a pace comparable to that experienced in 1977.

At the root of this sustained growth have been the continued high levels of investment which Alberta has attained over the past several years. At present, investment in Alberta accounts for about 17 per cent of the Canadian total which compares favorably with our 8 per cent share of population. It is clear that good investment opportunities, coupled with the favorable investment climate in the province, have been effective in maintaining Alberta's economic vitality.

In contrast to the Canadian forecast, in which investment is anticipated to be weak in 1978, investment in Alberta is expected once again to be a major contributor to real economic growth. Despite the completion of the Syncrude project, it would appear a dramatic slowdown in investment in 1978 should not occur. This evaluation is based on the fact that for most of the large petrochemical projects, 1978 will be the peak construction year. Further, the value of issued commercial and industrial building permits has risen dramatically in recent months. This important indicator of investment, as well as construction activity, implies that what we may be witnessing is a rescheduling of a number of smaller projects which were delayed because of the demands upon the economy of larger projects such as Syncrude. In addition, measures I will be announcing tonight should help ensure a strong investment performance for 1978.

An important aspect of investment in Alberta is drilling activity. Recent government auctions of leases and licences in 1977 have netted revenues well over three times the previous annual high. This interest indicates strongly that accelerated drilling activity in 1978 can be expected. The initiatives taken by this government under the Alberta petroleum exploration plan have contributed in no small measure to this activity.

The high level of business activity has led to a condition of rapid job creation in Alberta with employment growing by 4.5 per cent in 1977, as [37,000] new jobs were created in Alberta during the year. At the same time, labor force growth was 4.9 per cent reflecting the high levels of in-migration Alberta is still experiencing, as well as the highest labor force participation rate in the country. Even with this rapidly expanding labor force, in 1977 Alberta, at 4.4 per cent, had the lowest unemployment rate in Canada.

The generally buoyant business and labor conditions have been translated into higher incomes for Albertans. Average weekly wages and salaries in 1977 were 10.5 per cent above the level recorded in 1976 in Alberta, still in advance of the registered Canadian increase of 9.5 per cent for the same period. While it is pleasant to be able to report that Albertans are benefiting from the strong performance of the provincial economy in this way, I would caution that the comments made earlier about the Canadian competitive situation apply equally to Alberta. We are in a period of adjusting the economic structure of the province to reduce our alliance on the sale of unprocessed resources. As new entrants in many of the markets we hope to penetrate, our cost competitive ness will be critical in determining success or failure.

The generally good performance in 1977 was common to most sectors of the economy. The agricultural sector, however, experienced some difficulties. Over the past two to three years, farmers have been faced with weak or declining world prices for their output while at the same time input costs have been rising. Some improvement in prices for agricultural products was evident throughout 1977, however, and I will be announcing later in this address a major policy move to reduce farm input costs.

Mr. Speaker, agriculture is viewed by this government as a most important sector of the Alberta economy, both now and for the long-term future. At the recent first ministers' conference, which I alluded to earlier, the Premier led the discussion on agricultural policy. At the conclusion of the conference, first ministers recognized the need for an improved transportation system, a grain marketing strategy for Canada, increased upgrading and processing of agricultural products in Canada, the expansion of access to international markets for Canadian agricultural products, and the importance of expanded agricultural research. These positions were proposed by Alberta and accepted by other first ministers. Our government will be actively pursuing these objectives in the months ahead to ensure that the agricultural sector in Alberta can contribute in a substantial way to the economic future of Alberta and Canada.

In 1978, Alberta should again experience among the lowest rates of unemployment in Canada, well below the national average.

In brief, the outlook for Alberta in 1978 is for continued strong growth. This growth should be sustained across the broadening base of the Alberta economy and will be led by the large petrochemical projects currently under way, increased drilling activity, and an increased number of smaller capital projects. Once again Alberta is expected to outperform the other provinces in all major economic indicators.

Mr. Speaker, a detailed description of our revenue sources follows. But first, I would like to refer to the tax action to be taken this year.

Each budget cycle is characterized by a review of our own source revenue structure. Alberta is in the unique and enviable position of having the financial flexibility to reduce taxes, to adjust the distribution of the tax burden among our residents, or to alter the mix of taxes. This flexibility can be attributed to two sources: the important contribution of non-renewable resource revenue to our financial position and the successful efforts of this government to restrain expenditures.

Mr. Speaker, the per capita disposable income in Alberta in 1976 stood at $5,611, slightly more than double its 1971 level. The net result of the following taxation proposals, some of which I am presenting for the first time, will be to increase further the discretionary income of Alberta taxpayers by an estimated $124 million, or roughly $65 per capita, in 1978-79 and, in so doing, to significantly ease the tax load on lower income Albertans.

This government has consistently held the view that health care insurance premiums should reflect, in a reasonable way, the level and growth of basic health care costs. For these reasons, premiums are to increase by 8.5 per cent effective July 1 this year. Mr. Speaker, I would like to note that this increase is significantly less than the 11.3 per cent and the 10.2 per cent increases in 1976 and 1977 respectively. The growth rate this year is only indicative of the forecast growth in the basic health care deficit of premium paying registrants; to completely offset the deficit would have required a considerably greater premium increase. Effective July 1, 1978, the premium rates will be $91.80 for single persons, and $183.60 for families.

However, as in the past, we recognize that premiums are a substantial cost for lower income taxpayers. We have recently announced in the Legislature that we are significantly expanding the coverage of our premium subsidy program at an incremental cost of roughly $9 million in the 1978-79 fiscal year. As noted by the Minister of Hospitals and Medical Care, approximately 168,000 Albertans will benefit. This expansion will ensure for most taxpayers that no premiums will be payable by those who do not pay income tax. For example, a family of four with a taxable income under $3,000, which corresponds roughly to an earned income of $9,200, will be exempt from premiums. Moreover, the taxable income range over which partial subsidization is available has been raised and expanded. A family with a taxable income between $3,000 and $4,000 will benefit from a reduced premium of $93.60. Parallel adjustments will also be made for single premium registrants.

In the context of reducing the tax burden for lower income persons, Mr. Speaker, it is worth noting that we moved last fall to enrich our selective rate reduction on personal income tax to meet the federal initiative for this 1978 taxation year. That enrichment, at a cost of $3.5 million, will safeguard our policy that no Alberta income tax is payable where there is no federal income tax payable.

The property tax reduction program, which is delivered as an expenditure program by Alberta Municipal Affairs, was initiated in 1973. You may recall, Mr. Speaker, that this program was implemented in conjunction with the removal of the education foundation levy on all residential property. Effective retroactively to January 1, 1978, the benefits of this program are to be increased, primarily for Alberta senior citizens, in order to protect those on relatively low or fixed incomes from the pressure of increasing property taxes and other basic living costs. This enrichment essentially will remove supplementary school property taxes, as well as the foundation levy, from senior citizen, owner-occupied residences. At an estimated incremental cost of $13 million in 1978-79, the grants delivered under this program are to increase as follows:

(1) the minimum education tax refund for senior citizen home-owners is increased from $200 to $400 and is extended to all senior citizens regardless of their income level;

(2) the renter assistance grant, to which all senior citizens in rental accommodation are entitled, is increased from $150 per annum to $250; and

(3) the minimum home-owner tax refund, which was $100 in 1977, will be $200 in 1978. Those living in small, older homes will be the principal beneficiaries of this change.

Mr. Speaker, the effect of these measures will be to shield senior citizens from the impact of probable increases in property taxes and utility rates. Further details respecting these changes will be included in a detailed statement to the Legislature by the Minister of Municipal Affairs.

At this time, Mr. Speaker, I am pleased to announce a measure that will benefit all Albertans. Effective midnight March 31, 1978, we will eliminate the fuel oil tax on virtually all gasoline and diesel fuel purchased in Alberta. Fuel used in railway locomotives and aircraft will continue to be subject to a 3 cent per gallon tax. By removing the fuel oil tax, today's Albertans can further share in a tangible and immediate way in the current income provided by our resource wealth. The estimated 1978-79 budgetary cost of eliminating the tax, currently 10 cents per gallon on gasoline and 12 cents per gallon on diesel, is $95 million. You may recall, Mr. Speaker, that the gasoline tax was reduced to 10 cents from 15 cents per gallon in 1974. It had been increased to 15 cents from 12 cents per gallon by the then government in 1968. Albertans, already in the enviable position of having no sales tax, will now have the double advantage of no sales tax or gasoline tax, truly a unique and fortunate position in Canada.

Finally, Mr. Speaker, in view of the decline in real net farm income, we are substantially increasing the farm fuel distribution allowance by 50 per cent, from 8 cents per gallon to 12 cents per gallon. As you are aware, this allowance is payable to farmers on fuel used in their farm operations. I estimate the reduction in fuel costs which will result from this measure to be roughly $164 per farmer, at a 1978-79 budgetary cost of $9 million. This will bring the total

1978-79 program cost to $27 million. Significantly, Mr. Speaker, we are the only province providing benefits of this type or magnitude to farmers.

The following table, which compares 1978 taxes paid by a representative family of four earning $17,000 a year in Alberta with a similar family in other provinces, dramatically illustrates the additional discretionary income available to Albertans. Moreover, Albertans pay substantially lower utility costs and municipal taxes than do most other Canadians.

Mr. Speaker, I am sure all of us will agree that there is a continuing need for Albertans and this government to review the appropriate allocation of non-renewable resource revenue between people living in Alberta today and those who will be living here in the future. As all of us are aware, 70 per cent of the revenues from those resources are being spent for the direct benefit of today's Albertans, with the remaining 30 per cent going to the Alberta heritage savings trust fund. In view of the very favorable taxation levels in Alberta, the current high level of government services, and the significant budgetary surpluses forecast for 1977-78 and 1978-79, there may be a need for further evaluation of the appropriateness of that allocation.

While there will undoubtedly continue to be pressures to further reduce taxes, this government holds the view, which we believe is supported by most Albertans, that today's Alberta residents should make a reasonable contribution, through taxes and other levies, to the cost of providing government goods and services. Only in this way can we allocate some of the revenues from the sale of non-renewable resources for future generations. Moreover, taxes provide a tangible indication of the costs of government goods and services. This conditions our expectations and helps to maintain overall government expenditures at a level that present and future Albertans can afford.

Total revenues for 1978-79 are estimated at a record $4,557.6 million, an increase of 9.2 per cent over the 1977-78 forecast of $4,173.2 million. It should be noted, Mr. Speaker, that in addition to incorporating the tax measures just outlined, this estimate also incorporates a change which, effective January 1, 1978, transfers revenues received under the public utilities corporation income tax from general revenue to a special fund.

As has been the case in recent years, non-renewable resource revenues will continue to form the largest single budgetary revenue source for the province. Based on known prices, this source will contribute an estimated $2,440.9 million or approximately 53.6 per cent of total revenues. This share does not include the estimated $1,046.1 million allocation to be transferred to the Alberta heritage savings trust fund.

Total tax revenues are estimated at $1,050.5 million or 23 per cent of total revenue. Personal income tax revenues are estimated at $630.1 million, an increase of 10.8 per cent over the 1977-78 forecast of $568.8 million. It is significant to note that this increase is entirely attributable to economic growth, as no increases in personal income tax rates have been introduced. In fact, certain income groups will enjoy reductions in their personal income taxes. Corporate tax revenues, on a net basis, are expected to be $281.6 million, up 23.8 per cent from 1977-78 forecast. This rate of increase is more than double the anticipated growth rate for total revenues. Other tax revenues are expected to show growth consistent with current economic conditions.

Payments from the government of Canada are estimated at $544.6 million, virtually unchanged from the 1977-78 forecast of $542.9 million. It is anticipated that the share of total revenue provided by federal transfers will drop to 11.9 per cent in 197879, as compared to 13 per cent in the 1977-78 forecast. As was noted last year, this represents a desirable trend in that as the relative importance of federal transfers declines, greater flexibility is available in determining the province's overall revenue level as well as its composition. Before leaving the subject of revenue received from the government of Canada, I would like to point out, Mr. Speaker, that revenues from the federal tax on public utility corporations no longer appear in general revenue. Instead, those revenues will now be allocated directly to the same special fund as provincial revenues received from the public utilities corporation tax.

All other revenue sources will account for an estimated $521.6 million, approximately 11 per cent of total revenue. The increase of $91.4 million over the 1977-78 forecast of $430.2 million is largely attributable to increased interest earnings. As a result of the surpluses expected in 1977-78 and 1978-79, it is anticipated that interest earnings will be $124 million in 1978-79, almost double the 1977-78 forecast of $69 million.

The composition of total revenue as estimated for the 1978-79 fiscal year is presented in the following table. Corresponding data is also shown for the 1977 -78 forecast. Detail is of the revenue estimates are provided in the supplementary information in Appendix A.

Mr. Speaker, the 1978-79 Estimates of Expenditure were formulated on the recognition that population growth and inflationary pressures affect different programs in different ways. Even though continued restraint in the growth of operating expenditures is to be our basic policy objective for 1978-79, the government has identified two major priority areas which must receive special recognition during the coming year. Firstly, it is essential that our expenditure programs be responsive to changes in Alberta's socioeconomic conditions, and even though our general prosperity will continue, not all Albertans are able to fully enjoy its benefits. Recognizing this, Mr. Speaker, we have provided for several new and expanded programs which will primarily aid low-income Albertans.

Our second priority is in the area of public sector capital works. In order to ensure a high level of construction activity in the province in 1978-79, we have provided for a significant increase in our capital spending. I will be dealing with this aspect in greater detail in the capital programs section.

Based on these priorities, and with an explicit policy of limiting public sector compensation increases on average across different salary levels to 6 to 7 per cent, we are pleased to present 1978-79 Estimates of Expenditure totalling $3,789.1 million. The estimates include $3,777.8 million dollars to be voted by the Legislative Assembly and $11.3 million in statutory expenditures. The 1977-78 comparable estimates totalling $3,315.4 million reflect the following adjustments to the 1977 -78 estimates tabled March 11, 1977:

(a) elimination of $35 million for the utility tax rebate program, which will be a non-budgetary item in the 1978-79 fiscal year; and,

(b) an addition of $21.3 million for statutory expenditures, which reflects a change in accounting of the net additional requirement for revolving funds and compromises and write-offs.

The comparable estimates do not include the 1977-78 supplementary estimate of $130 million for Alberta Education, a one-time allocation to the school foundation program fund which does not need to be carried forward into the 1978-79 or subsequent years.

The 1978-79 estimates to be voted provide for operating expenditures of $3,214.4 million, an increase of 12.2 per cent over the comparable 197778 operating estimates of $2,863.7 million. The 1978-79 capital estimates total $563.4 million, an increase of 30.9 per cent over the comparable 197778 estimates of $430.4 million, and reflect the government's priority in this area for the coming year.

It should be noted, Mr. Speaker, that the 12.2 per cent increase in the 1978-79 operating budget represents a greater degree of restraint than was exercised in the 1977-78 operating estimates, which increased 14 per cent over the previous year's estimates. Of the 12.2 per cent increase, over four-fifths is required to accommodate anticipated inflationary increases and the increased demand on provincial services by our growing population, which last year increased by 3.4 per cent compared with a population growth of 1.3 per cent of all of Canada. The remainder is to provide for a number of innovative programs as well as significant increases in the quality of service in existing programs.

When combined, the operating and capital portions of the 1978-79 estimates to be voted represent an increase of 14.7 per cent over the comparable 197778 estimates.

Provision for 951 additional permanent full-time employees has been made in the 1978-79 estimates, an increase of 3.4 per cent over the 1977-78 establishment, representing a growth which is comparable to our population increase. Approximately two-thirds of this increase is for social, educational, and law enforcement programs which are very labor-intensive and must be responsive to Alberta's growing population.

I would now like to highlight some of our government's major program priorities for the 1978-79 fiscal year.

Mr. Speaker, our government's continued priority on ensuring an adequate standard of living for Albertans who are in need of financial support is reflected in an additional provision of $32 million for social assistance. This represents an increase of 20 per cent over the 1977-78 estimates. Apart from approximately $21 million required to maintain the purchasing power of those persons on assistance, $11 million is to accommodate increases in case loads.

This upward trend in expenditures highlights some of the socio-economic problems faced by our government. On the one hand, inflationary pressures necessitate our providing additional funds for persons in need and, on the other hand, misconceptions regarding job opportunities in Alberta have given rise to rather substantial increases in social allowance case loads.

Though Alberta has a low percentage of its population on social allowance in comparison with other provinces in Canada, we are concerned about the difficulties of single-parent families on assistance, which represents 41 per cent of those receiving social allowance. In many instances they have been burdened with responsibilities which inhibit their ability to participate in the work force. For this reason, and also to meet other needs, we are pleased to confirm the announcement that an additional $6 million has been provided for an expansion in day care, including a program of support for parents in need. This represents a rather significant increase in government expenditure over the 1977-78 estimates and demonstrates our commitment to provide opportunities for persons now on social allowance to become employed, and to encourage those with marginal income to remain in the work force.

Mr. Speaker, the budget also provides funding for several important new and expanded social programs, including:

(1) $3 million allocated for the development of a province-wide co-ordinated home care program in the coming year and rising to an annual allocation of $14 million by 1981-82. As announced by my colleague, the Minister of Social Services and Community Health, this program will allow Albertans to receive needed health and home support services while they continue to live in their permanent residences in the community.

(2) increased financial support totalling $500,000 to local health units in order to expand our commitment to those persons with speech and hearing problems. This increased spending will primarily benefit rural Albertans since such funds will be allocated to local health units responsible for services in rural areas of the province.

(3) $772,000 to provide sheltered accommodation and day activities for persons with mental problems discharged from hospital. This expenditure reflects our concern respecting the social needs of persons with mental problems who require a semi-protective environment to assist them in adapting to community life.

(4) $890,000 for new and expanded preventive social service programs at the municipal level, including services for senior citizens, communities, families, and volunteer groups.

The provincial contribution to the school foundation program fund provides for an approximate 8 per cent increase for the per pupil instructional grants.

Overall, the total financial assistance to schools provided through direct provincial grants to school boards plus school foundation program fund grants to school boards will be $671.4 million, an increase of $63.2 million over the comparable 1977-78 forecast, adjusted to exclude the $130 million one-time payment, to bring provincial financial support into phase with the school fiscal year. This growth in the budget includes $9.5 million to provide for retroactive adjusting payments to school boards for January to March in respect of 1978 financial assistance rates. Excluding the budget increase for retroactive adjusting payments, the actual increase in financial assistance to schools for all education programs will be 8.8 per cent over the comparable 1977-78 spending forecasts.

Total direct provincial financial assistance to schools will be $583.7 million, an increase of $35.4 million or 6.5 per cent over the comparable 1977-78 forecast. This increase reflects a projected decline of 2,600 students in total primary and secondary school enrolments for the 1978-79 budget year, as well as a significant growth in the total tax levy directed to education spending from the receipts of the SFPF commercial and industrial property education tax. This growth in receipts reflects the positive results of the province's economic diversification and has allowed a consequential reduction in the growth of direct provincial assistance to schools.

The budget also provides funding for several new and expanded education programs to further improve the overall quality of education in Alberta. They include:

(a) an increase of $191,000 for curriculum development for the learning handicapped and instructional materials to further assist visually impaired students,

(b) an increase of $300,000 to expand and improve Alberta's French language education program,

(c) an additional $350,000 for the Education North project for community based development of curriculum programs more suited to the unique needs of students in northern communities,

(d) an increase of $263,000 in grants to private schools to increase assistance from 50 per cent to 55 per cent of the SFPF rates,

(e) an increased budget provision for early childhood services to accommodate enrolment increases and a maintenance of parity with elementary school per pupil assistance rates,

(f) budget provision to allow for the establishment of 120 additional teaching positions for special education classes. The Minister of Education will set forth the details of this significant thrust in a statement to the Legislature.

In line with our government's encouragement and active support of our culture and the arts, the budget provides $2.5 million for direct financial support to the performing arts. This is an increase of $910,000 or 56.6 per cent over the 1977-78 estimates and ensures that government assistance will keep pace with the tremendous growth of public interest and patronage for the performing arts in our province.

The budget also provides $2.8 million for assistance to libraries to continue the provincial support of $1 per capita for libraries in Edmonton and Calgary and $1.50 per capita for other libraries. This budget is an increase of $233,000 or 9.1 per cent over the 1977 -78 estimates and represents an increase of over 500 per cent in the last two years.

This budget provides $62.6 million, an increase of 9.6 per cent over the 1977-78 base, for unconditional assistance grants to municipalities in recognition of the needs of local governments. We also recognize that several municipalities are experiencing financial difficulty in coping with unprecedented growth and therefore have included $1.5 million for special assistance to "growth centres". This demonstrates that our government is continuing its efforts to assist local governments in the provision of essential services.

The budget also provides $11.5 million or an increase of 26.4 per cent over the 1977-78 estimates of $9.1 million to continue the municipal debenture interest rebate program initiated in 1974. Under this program certain debenture borrowings from the Alberta Municipal Financing Corporation, and advances under The New Towns Act and on municipal land loans, are subsidized by rebating to municipalities interest charges in excess of 8 per cent. Since the inception of this program in 1974, our government has rebated nearly $16 million to municipalities.

In recognition of the vital role played by the agricultural sector of Alberta's economy, this budget reflects the government's commitment to the farmer and the livestock producer in the form of continued support through the provision of $18.7 million for production, marketing, and rural development grants.

Mr. Speaker, this support is supplemented by the five-year, $10 million "Farming for the Future" program funded through the capital projects division, Alberta heritage savings trust fund, announced last fall. This research program is aimed at improving our production and processing of grains, forage, and livestock. These measures are in addition to the very significant impact of the tax measures previously referred to which will reduce farm input costs.

This government's continuing priority to ensure that Albertans pay less per thousand cubic feet of natural gas than people anywhere else in Canada is evidenced by the provision of additional funding in 1978-79 and the continuation of the policy whereby natural gas price increases are shared by the province and the consumer on a 75/25 basis respectively. A total of $110 million is being proposed for the natural gas price protection plan in this budget. This is the equivalent of 6.5 points of personal income tax.

Mr. Speaker, in recognition of the environmental concerns raised in the House last spring regarding soil erosion control in northwestern Alberta, this budget provides $473,000 and additional manpower to commence implementing a number of recommendations put forward to and adopted by the Legislature.

This year we have committed ourselves to the further implementation of the improvements to the justice system in Alberta recommended by the Kirby Board of Review. Funding has been provided for the development of an improved system of dealing with traffic violations, and in the near future we will see improvements to the juvenile justice system in Alberta.

In the area of corrections, provision has been made for the expansion of facilities such as forestry camps to promote rehabilitation of inmates. The emphasis is to train individuals to become self-reliant and employable, thereby reducing the number of chronic offenders.

This government, in recognition of the importance of safety with respect to the operation of school buses in Alberta, will be implementing a public awareness safety program in conjunction with an increased school bus inspection program.

As a result of the increased volume of investment activity taking place in Alberta, reflecting the strong position of our economy, this budget provides for a significant increase in manpower and funding for the monitoring of investment activities in the province through the Alberta Securities Commission.

Mr. Speaker, during the past three years, the Alberta economy has remained buoyant despite national and international economic problems. The level of activity in the construction industry has contributed in a significant way to the maintenance of our position as the strongest economy in Canada. Estimates for 1977 indicate that the total value of construction was a record $5.9 billion in current dollars; however, the industry will be hard pressed to maintain existing levels of activity during 1978-79, particularly in view of the completion of several major construction projects including Syncrude. Consistent with our program priorities, we are proposing a large increase of 30.9 per cent in provincial capital construction and in provincial support to local authorities for capital facilities to offset a probable downturn in the construction industry during the 1978-79 fiscal year. In addition, we feel that it is appropriate to begin construction now on necessary provincial capital projects in the expectation that many of them will be completed before construction begins on major projects such as the northern pipeline in the early 1980s.

Mr. Speaker, I would now like to highlight some of the major thrusts in terms of capital expenditures proposed for the 1978-79 fiscal year.

Adequate housing at affordable prices is a matter of prime importance to this government. Our housing program seeks to stimulate an increase in the supply of housing units, to improve the affordability of housing, and to encourage home ownership and pride in home ownership by promoting the repair and renovation of existing homes. Mr. Speaker, I would like to review the progress our government has made in achieving these objectives. My colleague the Minister of Housing recently announced that the number of housing units commenced annually since 1975 has increased by 54 per cent, the highest in Canada. In 1976 and 1977, the number of housing starts in Alberta exceeded 38,000 - despite our smaller population - the third highest among the provinces in Canada. The level of accommodation for all Albertans is only 3.1 persons per dwelling, which indicates that by almost any standard the people of Alberta are among the best housed citizens in the nation if not in the world. Mr. Speaker, these are but a few of the many indicators of the performance of our government in the housing area. Through the auspices of the Alberta Housing Corporation, the Alberta Home Mortgage Corporation, the Department of Housing, and with the co-operation of all levels of government, special low-interest lending programs have been devised which encourage home ownership and help to provide increased rental accommodation at affordable prices. Our inventive policies of financial assistance in the form of grants and subsidies benefit many Albertans, particularly low and average wage earners, senior citizens, persons on fixed incomes, and citizens in remote areas and rural Alberta. The record speaks for itself.

Mr. Speaker, we are pleased to announce this evening a new program of financial assistance to the physically handicapped, the home adaptation program. This program will provide a grant of up to $1,000 to handicapped individuals or their families whose total income is $19,500 per annum or less. The Minister of Housing will outline the parameters of the program in the Legislature shortly.

This budget provides $7 million to continue the highly successful senior citizens home improvement program. This program, initiated during 1976-77, provided a $1,000 grant to senior citizens earning $6,000 per annum or less to renovate or improve their homes. The program was extended during the 1977-78 fiscal year to include senior citizens earning $9,000 per annum or less. We are pleased to report that to date our government has committed approximately $32.5 million to over 32,000 senior citizens in Alberta. The result is a significant upgrading of our housing stock throughout the province.

The Alberta Housing Corporation has commitment authority for up to $185.5 million for approximately 3,180 housing units. This program includes:

(a) $45 million for 1,000 public housing units which provide rental accommodation to low income Albertans. These housing projects are administered by local housing authorities and operating deficits are shared by the three levels of government.

(b) $58.8 million for 1,548 units of senior citizens self-contained housing. These housing projects are sponsored by non-profit societies, foundations, or municipalities, and provide apartment style accommodation in which senior citizens can prepare their own meals and manage their own housekeeping.

Mr. Speaker, many of our efforts are directed at improving housing for citizens outside the metropolitan centres. I would like to summarize some of the programs for low-income citizens residing in rural and remote areas of the province:

(1) Transitional Housing is a program to assist families in acquiring housing when it is necessary to relocate to improve one's job opportunities. It is proposed to expand this program, in conjunction with the Department of Advanced Education and Manpower, to provide 52 units in the 1978-79 fiscal year.

(2) The rural repair program provides financial assistance to Metis families in Alberta for home repairs. The 1978-79 budget provides $90,000 for this program.

(3) The emergency trailer program provides housing to needy families with inadequate housing or no accommodation resulting from losses through no fault of their own. This budget provides $2 million in funds for 100 housing units.

(4) The Metis colony and the isolated community housing programs are self-help programs

which provide assistance to enable Metis residing in the eight Metis colonies and seven isolated communities in northern Alberta to produce housing appropriate to their needs. The budget provides $850,000 for these programs.

(5) This budget provides $15 million for the supply of housing units under the rural and native housing program. This program provides low income families living in rural or remote areas with modest housing and involves citizens in planning of the housing to be produced.

Our ability to complete these programs depends upon the co-operation of local governments and involved organizations to give speedy approval. The provision of funds is not a provincial commitment to complete.

Mr. Speaker, I am pleased to report that during the past three years we have delivered or commenced a total of 595 housing units to citizens in rural and remote areas of the province.

The Alberta Home Mortgage Corporation's 1978-79 capital budget provides $292 million for mortgage lending programs to be directed at 7,750 housing units, 750 mobile-home pads, and the development of 2,500 residential lots. The corporation administers a number of mortgage lending programs designed to enable residents in the low and average income brackets to own their own homes or to encourage the construction of rental accommodation to be marketed at reasonable [rents].

To encourage home ownership, the 1978-79 budget provides a total of $141 million dollars for 3,600 units to be utilized for mortgage lending programs. Mr. Speaker, the above includes $88 million for our direct lending program, which is unique in Canada in that no other province offers a lending program of this magnitude. We are also proposing to provide $50 million for 1,300 housing units under the starter home ownership program, and $3 million for 100 units under the farm home lending program.

In the area of rental accommodation, the success of the modest apartment program is reflected by the continuing increase in multiple-family dwelling units. This is a program that provides funds to builders for the construction of small apartment buildings primarily in smaller centres. The 1978-79 budget will be increased by 25 per cent to $30 million for 1,250 apartment units. The core housing incentive program will be expanded to $70 million for 2,250 rental units, and $10 million will be made available for nursing home construction.

Mr. Speaker, we believe our record clearly demonstrates our concern for fulfilling our objectives. There is not a provincial government in Canada even close to Alberta in funding commitments to housing.

Total capital development proposed in this budget for universities, colleges, and provincial educational institutions will reach $65.5 million for 1978-79, an 87.7 per cent increase over the comparable estimates of [$34.9] million in 1977-78.

Major new facilities will be started in the coming year at many postsecondary institutions. The Minister of Advanced Education and Manpower will shortly announce to the Legislature the projects to be supported by this very substantial program.

In recognition of the increasing demand being placed on local governments for the provision of transportation services, we are proposing significant increases in financial assistance as well as the introduction of new programs to ease the burden of local governments in this area. The 1978-79 budget provides:

- $4 million, an increase of 167 per cent, for grants to towns and villages for the improvements of streets and roads. Mr. Speaker, this program will provide additional assistance to smaller rural centres experiencing rapid growth which reflects our priority for promoting the economies of centres outside the major metropolitan areas;

- $16.5 million for grants to counties and municipal districts, representing an increase of 22 per cent which includes provision for a new $2 million program for the development and upgrading of industrial roads and a new $1 million program for the development of park access roads; and

- $15 million for the urban throughway program, to provide capital grants to the cities of Edmonton and Calgary for the continuation of construction of major thoroughfares. This represents a $5 million increase over last year's budget. Mr. Speaker, it should be pointed out that in addition to the $10 million budgeted for this program during 1977-78, this government has provided an additional $15 million in supplementary funding during 1977-78, bringing the total funds available for this program to $40 million for the two-year period ending March 1979.

Mr. Speaker, this government recognizes that in order to accommodate our expanding provincial economy, it is necessary to have in place a first-rate transportation network. In response to the current high level of activity and in anticipation of expanded economic activity in the future, this budget provides for significant development of the province's transportation system.

I would now like to outline some major thrusts in our provincial capital construction program:

- $96.1 million, representing a 26 per cent increase over the comparable 1977-78 estimates, for the construction of primary highways;

- $41.6 million, representing a 38 per cent increase, for the construction of secondary highways;

- $7.4 million, representing a 15 per cent increase, for the construction of roads in isolated communities and improvement districts; and

- $7.9 million for the construction of airports, including $6.6 million, representing an increase of 39 per cent for the development of community owned airports.

This government's commitment to improving the quality of life in rural Alberta is reflected in this budget through provision of:

- $4.4 million for the municipal waterworks assistance and municipal sewage treatment assistance programs, a 40 per cent increase. In 1978-79, it is estimated that an additional 101 communities will be assisted, bringing the total number of communities that have participated in these programs since 1972 to 213.

- This budget also contains $24.5 million for the continuation of the capital grant assistance program to rural gas co-operatives. Since the inception of this program in 1974, approximately $84 million has been provided by this government to gas co-operatives for the construction of gas distribution systems for nearly 45,000 new rural users, over 175,000 rural Albertans.

- In addition, Mr. Speaker, $1 million has been provided for the continuation of a capital grant reconstruction program to rural electrical associations. Grant funds are available up to 75 per cent of the cost of rebuilding REA electrical systems which are experiencing safety or continuity of service problems. The program's objective is to ensure that rural Albertans have access to a safe source of electrical power.

With the creation of the Department of Hospitals and Medical Care, significant improvements in the planning and cost control processes for the construction of hospital facilities will be implemented.

In keeping with the government's priority on construction activity to be undertaken in the province during 1978-79, hospital and nursing home projects with total end costs of over $500 million will be under construction this year. Of this amount, $91 million of the 1978-79 construction expenditure will be funded through the Alberta Municipal Financing Corporation. This represents an increase of 112 per cent over the 1977 -78 forecast construction expenditure of $43 million. Also, $68.6 million has been appropriated from the Alberta heritage savings trust fund for 197879 for other major provincial medical facilities. Thus the total proposed capital expenditure for 1978-79 on hospital and nursing home construction is $159.6 million.

Hospital facilities outside Edmonton and Calgary currently under construction include Fort McMurray, Red Deer, Hinton, Brooks, and Peace River.

On a program basis, Mr. Speaker, we will continue the priority we have given to extended care needs in rural Alberta.

Our total rural hospital replacement and renovation program, including extended care, will average approximately 150 beds per annum over the next three years. This compares with approximately 65 beds per annum during the five-year period ending in 1969.

Tenders on hospital construction have been more competitive in the last several months. With the expiry of the holding pattern on hospital construction on March 31, 1978, several additional health care projects will advance to construction stage during the coming fiscal year, consistent with departmental planning procedures. Each project must of course meet satisfactory functional and cost parameters.

Mr. Speaker, while substantial funds are being allocated for renovation and replacement of many hospitals in Alberta, hospital construction programs in the future should not be based solely on bed counts but rather, in keeping with modern health care treatment concepts, larger portions of our capital funding should be directed to the development or expansion of outpatient, day care, and emergency services in hospitals.

At a time when other provinces in Canada are, with minor exceptions, at a standstill in approved additional hospital construction, this represents the most ambitious program in Alberta's history.

To further improve senior citizens' accommodation throughout the province, the Alberta Home Mortgage Corporation, in conjunction with the Department of Hospitals and Medical Care, will be for the first time making available $10 million in loans to voluntary, non-profit organizations for construction of 400 additional nursing home bed units. This program will make financing available to several organizations which could not previously obtain funds, and will ensure a high level of nursing home care.

Mr. Speaker, $4.3 million has been provided in this budget to commence implementation of a water management program in the Red Deer River basin. These funds are for land purchases and engineering of the dam, and for flood erosion control works along the river system. The overall program will continue through to 1984 and will bring substantial benefits to the Red Deer River basin, assuring the long-range stability and growth of this part of Alberta.

Continuing the government policy of decentralization of services to the people of the province, the program of construction of provincial buildings will be extended for the 1978-79 fiscal year.

These buildings will provide the office and other special use accommodation required by the various departments and agencies to deliver services to the public. Budgetary provisions are made for continuation or completion of projects at 12 locations where construction is already under way. Construction is expected to commence on new buildings at 14 other locations, while a program of renovation work, including two major projects in Edmonton, will also be undertaken.

Mr. Speaker, a total of 29 provincial buildings have been completed or commenced since 1971. This represents initiation of twice as many provincial buildings over the past six years than during the 12 years prior to 1971.

The 10-year, $200 million major cultural/ recreational facility development program is proceeding, with impressive participation by municipalities. To date, 105 recreation boards have taken advantage of the program by initiating more than 440 capital facility projects. We are providing $23 million for this program in 1978-79. The result is provision of recreational and cultural facilities across the province unequalled for Canadians in other parts of the nation.

In accordance with the recommendations of the Kirby Board of Review, this program is continuing. Provincial courts in 30 communities will be under planning or construction at a cost of $12.1 million. All of these courts will have improved facilities for the public, court staff, and the judiciary.

Correctional Institute, Lethbridge: this new facility will replace the outdated existing facility and will provide accommodation for 300 inmates. Planning will proceed in 1978 and construction will commence in 1979. Total cost will be $17.3 million.

Community Corrections Centre, St. Paul: an existing building will be renovated to provide accommodation for 80 inmates and staff. This corrections centre will relieve centralized facilities elsewhere. Construction will commence in the summer of 1978 and be concluded in spring 1979 at a cost of $2.5 million.

Construction will continue on this project in the coming year at a cost of $10.6 million. Occupancy is expected in late 1979. This facility, when complete, will provide Albertans with environmental protection research and planning facilities second to none in Canada. To this end, the building has many flexible features, enabling rapid change of scientific projects without construction involvements. Provision has also been made for the environmental treatment of waste, and most of the water used will be recycled.

The development of this project will continue over the next three years at a cost of $2.8 million. It is intended to preserve historical resources which show the culture and way of life of those early Ukrainian pioneers who contributed in great measure to the development of Alberta.

This project involves the moving of the forestry facilities from what has become a residential area in Slave Lake to a more suitable and functional location adjoining the airport. Cost will be $4.4 million, and construction will start in October 1978 and be completed in the winter of 1979.

This facility will provide improved and up-to-date fire training for fire-fighting personnel throughout the province. It is intended to provide facilities in which real-life situations such as oil fires can be created. This will provide exposure and experience in fire control and safety. Construction will commence in September 1978 at a total cost of $1.8 million.

This station, near Coleman, will provide trout eggs of various species for the rearing of fry and fingerlings to stock and restock many lakes and rivers in Alberta. It will eliminate Alberta's dependence on supply from the United States, which is limited and at times unacceptable. Total cost of the stations is $3.4 million.

Mr. Speaker, the financial position of the province resulting from this budget is presented in the accompanying table. Following from my remarks on the expenditure programs, the new category of statutory appropriations is incorporated under the budgetary account. This change, as well as another minor presentation change, impacts the non-budgetary net requirements shown in the table. These changes are explained in the Financial Appendix.

Before commenting on the 1978-79 financial plan, I would like to mention that the increase in revenues now forecast for 1977-78, as compared to the original budget estimate, is due mainly to the unanticipated increase in revenues from bonuses and sales of Crown leases. Due to the increased exploration activity, stimulated in part by the Alberta petroleum exploration plan, unprecedented bids are now being received for Crown leases. In fact, based on preliminary data, the current forecast is that bonuses and sale of Crown leases will yield $750 million in 1977-78, as compared to the original budget estimate of $180 million. The budgetary surplus for 1977-78 is now expected to be $691 million, whereas the original estimate, on a comparable accounting basis, was $227 million.

Non-budgetary requirements originally estimated at $272 million, again on a comparable accounting basis, have now been substantially reduced due to investment undertaken by the Alberta heritage savings trust fund. Of the original total, $233 million represented requirements of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation, and these will now be met by the heritage fund.

The forecast increase in revenues to be allocated to the Alberta heritage savings trust fund in 1977-78 is due to increased non-renewable natural resource revenues, primarily in the form of increased receipts from bonuses and sales of Crown leases.

For the 1978-79 fiscal year, Mr. Speaker, I estimate the budgetary surplus to be $769 million. This estimate is based on known prices for non-renewable resources. Non-budgetary financing requirements are estimated at $71 million. Combining the budgetary and non-budgetary accounts, the total general revenue fund shows an estimated cash surplus of $698 million.

Mr. Speaker, I estimate that during 1978-79 the Alberta heritage savings trust fund will increase in value by $1,341 million. Of this amount, $1,046 million is attributable to an allocation of 30 per cent of total non-renewable resource revenues to the fund, while the remainder is attributable to income earned by the fund.

At the present time, $242 million in commitments have been made by the fund for 1978-79. Of this total, $192 million represents investments approved by the Legislature for the capital projects division. The remaining $50 million are Sync rude related investments under the Alberta investment division.

While the amount available for investment in the heritage fund plus the cash surplus in the general revenue fund is substantial, the province's major agencies have significant financing needs. Alberta Housing Corporation, Alberta Home Mortgage Corporation, Alberta Municipal Financing Corporation, and Alberta Government Telephones in aggregate will require about $800 million in the next fiscal year. Details of this financing are as yet undetermined, but sufficient internal funds are available to satisfy this requirement should we decide to meet their financial needs in that way.

It is abundantly evident, Mr. Speaker, that from a financial viewpoint, the province of Alberta is in an enviable position. Its residents enjoy the lowest tax burden in the entire nation and, at the same time, one of the highest levels of government services. Not only this but, due largely to the magnitude of non-renewable resource revenues currently being received, the province is also able to show a substantial budgetary surplus and, of course, maintain the unique Alberta heritage savings trust fund. In spite of this obvious prosperity, I none the less think it appropriate to inject a cautionary note concerning the management of the province's finances.

As has been repeatedly emphasized, much of the province's current prosperity is attributable to revenues received from non-renewable natural resources. Although it is anticipated that this prosperity will continue into the 1980s, it is imperative that we not lose sight of the fact that these revenues will begin to diminish in this period. The impact of this occurrence will depend largely on what financial strategy is followed now.

Responsible financial planning therefore dictates that current plans be formulated with an awareness of what might occur in the future. Discretion must be exerted to avoid expanding operating expenditure programs beyond the province's ultimate capacity to sustain them. As such, surpluses like the ones anticipated for 1977-78 and 1978-79 should not be viewed as an indication that expenditures should be expanded merely because the funds are available.

Similarly, the size of the Alberta heritage savings trust fund will establish it as an increasingly attractive source of funds for various investment proposals. However, the size of the Alberta heritage savings trust fund must not become a reason for implementing investments that would not be considered on their own merits.

We must constantly remind ourselves that our financial circumstances today are not dissimilar to that of a person who sells a farm or a home and lives well off the proceeds today, ignoring the need to find tomorrow a replacement income. Under careful financial management, Mr. Speaker, the non-renewable resource revenues received during the next few years will pave the way for a smooth transition into that period when these revenues are diminishing. By avoiding excessive spending it will be possible for the citizens of Alberta to enjoy in the 1980s and 1990s a high level of government services without imposing crushing tax burdens.

Mr. Speaker, this budget:

(1) eliminates the fuel oil and gasoline tax on all but limited specialized uses, providing a $95 million benefit to Albertans in 1978-79;

(2) increases the farm fuel distribution allowance to 12 cents per gallon, thereby providing an average benefit of $164 per farmer at an additional cost of $9 million in 1978-79;

(3) significantly expands the coverage of our medical premium subsidy program, providing an additional $9 million benefit to lower income Albertans;

(4) provides an additional benefit of $13 million, primarily to senior citizens and those with lower incomes, through the property tax reduction program;

Mr. Speaker, these four measures are roughly equivalent to a 10 per cent reduction in all taxes levied by the province in 1978-79.

(5) increases capital expenditures by 31 per cent over comparable 1977-78 estimates, reflecting our view that necessary provincial expenditures ought to be accelerated during the interval between major private sector projects now nearing completion and those that are expected to begin in the early 1980s;

(6) increases the operating budget by about 2 per cent over what would be needed to meet inflation and population growth to maintain existing levels of service, thereby confirming our view of the need for continued restraint in the rate of expenditure increases in the operating budget; and

(7) most importantly, increases expenditures in the social program areas by 17.7 per cent, reflecting the concern of Albertans for the needs of those among us who require assistance because of personal handicaps or economic circumstances over which they have little control.

Mr. Speaker, I believe that this budget strikes an admirable balance between providing for the future and distributing today the benefits of our current prosperity.