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| Alberta | 20e | 3e | Discours du budget | 25 mars 1985 | M. Louis D. Hyndman | Trésorier provincial | PC |

**Mr. Hyndman:** Mr. Speaker, this is a budget of economic recovery and renewed growth.

The indicators of employment stability and growing confidence are increasing. Alberta's economy, powered by the energy sector, is expanding at a sustainable pace. Albertans are looking ahead with self-assurance and recharged enthusiasm. Nineteen eighty-five will see most sectors of our economy broadening and expanding.

Realistically, some sectors are not yet on the recovery track, and sadly, some Albertans are still facing difficult problems. Major economic transition is never easy. Structural change is a wrenching experience. But this government has done more than any other to help cushion its citizens from the worst of the adjustments of the past two years.

Alberta is a trading province. When there is a tremor in world commodity markets, we feel the aftershocks good and bad. Short-term uncertainties surround our key export commodities. But this should not diminish our confidence, because the Alberta outlook is bright. This is a province of opportunity; we are now poised for years of steady growth and of job security.

The objective of this budget is to keep the wheels of recovery moving towards the goal of steady, long-lasting growth. This budget sustains the momentum of recovery not by "quick fixes" but by building on strengths. It is based on responsible financial management. It continues to constrain government expenditure and reduce the size of the public service. However, there is no sacrificing of our quality people programs or assistance for those in need. This budget provides unparalleled employment aid and student financial assistance. It supports permanent, new jobs by continuing a stable, low-tax climate conducive to private sector expansion, investment, and job creation.

Alberta has an open economy. We export one-half of all resources extracted, goods produced, and services generated. As a result, our economic performance is heavily influenced by economic developments outside our borders.

There were major improvements in the external environment in 1984. Alberta's largest trading markets, the United States and the rest of Canada, experienced solid economic growth.

The United States economy grew at an exceptionally strong rate of 6.7 percent in real terms. The Canadian economy benefited greatly from its strong trading ties with that country, posting real growth of 4.7 percent for 1984. Another major plus was the reduction in inflation throughout the industrialized world.

There were some negative factors at work in 1984: real interest rates remained relatively high, energy markets were unstable, and markets for petrochemical products remained soft. Grain and livestock prices were artificially low due to the subsidization policies of some of our major competitors.

Conditions outside Alberta should improve in 1985. The United States economy is forecast to achieve real growth in the range of 3 percent. Although this is a more moderate rate than last year, the expansion will be broadly based and will provide stimulus to most of Alberta's exporting industries. Continued growth is also expected in Pacific Rim countries which will provide Alberta exporters with opportunities for increased sales.

The Canadian economy is forecast to continue expanding in 1985. Real growth is estimated at 2 percent. Perhaps the single most important development in the Canadian economic outlook is the renewed sense of confidence in the country. This has been bolstered by such positive factors as the ending of the Foreign Investment Review Act, a favourable business attitude by the new federal government, and prospects for improved federal/provincial co-operation.

In a federal system such as Canada's, it is essential that first ministers work together in a spirit of co-operation. Recognizing that differences are inherent in a diverse country such as ours, it is very important that first ministers strive to find a consensus on national economic policies. At the Regina Conference of First Ministers in February, investors and consumers clearly observed an atmosphere of co-operation. The tough issues to resolve, though, are still to come.

Some negative external forces persist in 1985. World oil markets continue to be jittery, interest rates remain high, and protectionist positions are more visible in some countries.

In looking back at Alberta's economic performance in 1984, what stands out is our basic economic strength relative to other parts of Canada. Alberta has

-the highest family income after provincial taxes,

-the highest per capita construction expenditure,

-the highest proportion of working age population employed, and

-the highest retail sales per capita.

With the exceptions of the building construction industry and agriculture, all other Alberta economic sectors performed well in 1984. Improvements were increasingly evident as the year progressed and the pattern of recovery became clearer. This recovery was not simply a burst of temporary activity in a single sector. It was broadly based; it was a consolidation of past economic gains throughout the economy. It marked progress toward our goal of stable and long-lasting economic prosperity. Further progress will be made this year. Alberta should grow at a healthy and sustainable pace in 1985 and 1986.

Real gross domestic product is expected to increase by 2 percent to 3 percent in Alberta in 1985. Exports, led by oil and natural gas sales, posted strong growth in 1984 and are expected to increase further in 1985. With higher levels of oil- and gas-related investment, total Alberta investment is forecast to grow this year by 4 to 7 percent in. real terms. Total consumer expenditure should grow by about 1 percent after adjusting for inflation, and per capita retail sales should continue to be among the highest in Canada.

Low inflation was one of the economy's bright spots last year. The average of the Edmonton and Calgary consumer price indices increased by only 2.6 percent, compared to 4.4 percent for Canada as a whole. Inflation should remain below the national average this year, at between 3 and 4 percent.

The oil and gas sector is a mainstay of Alberta's economy and will remain so for the foreseeable future. Its performance in 1984 improved, and prospects are for further progress this year. Drilling activity increased by over 20 percent last year, and the momentum should continue in the current year. Petroleum lease and licence bonus payments in 1984 showed a 45 percent increase over the 1983 level, a clear indication of renewed investor confidence in this industry. Cash flow from upstream operations has improved significantly as a result of the 1982 Alberta oil and gas activity program.

Production of crude oil and equivalent increased by an estimated 5 percent last year. A further production rise of 2 to 5 percent is expected this year as output of synthetic and experimental oil is forecast to reach an all-time high.

Alberta natural gas sales rose by over 8 percent last year, with increased penetration in all markets. Sales in Alberta were spurred by the increased feedstock requirements of our petrochemical industry. Major gains in national industrial activity and more normal weather conditions boosted sales in the rest of Canada by 10 percent. The new market responsive pricing regime for sales to the United States helped increase natural gas flows south of the border despite extremely competitive market conditions.

This year natural gas production should improve significantly. The largest sales gains are expected in the United States market, where our natural gas is now more competitively priced. Further sales gains in the Alberta and Canadian markets are also expected.

Despite its fundamental strength, our oil and gas industry remains vulnerable in the short term to the fragile world energy situation. Decisions taken in the Middle East can have a direct impact on the industry's short-term perform . However, with non-OPEC oil production peaking, Alberta's intermediate-term prospects look good.

From a longer term perspective, Alberta's oil and gas industry will remain a secure supplier for decades to come. Additions to our conventional reserves of oil exceeded production in 1983, proof that there is more oil to be found in Alberta. Synthetic oil production continues to increase. The numerous non-conventional oil sands extraction operations now being built are a clear recognition of our province's position as one of the world's most secure sources of fossil fuels. The shrinking gas bubble in the United States combined with the new export pricing policy speak well for the future of the natural gas industry. The oil and gas sector will continue to be a pillar of Alberta economic strength.

A combination of factors made 1984 a difficult year for Canadian farmers. In Alberta a severe drought in the south, an early snow cover in most of the province, and weak world grain prices combined to reduce farm incomes. Over the past few years, prices of agricultural products have not kept pace with costs of production. Foreign agricultural subsidies have kept many commodity prices artificially low although costs of production have increased year after year. As a result, some farmers are now in financial difficulty.

A return to more normal weather conditions should increase agricultural output this year which would strengthen farmers' balance sheets. Many of the province's agricultural support and input-cost assistance programs will be especially helpful in the year 1985. In particular, the farm fuel distribution allowance will continue to provide significant help in containing farm input costs.

As the government's successful drive to increase food processing keeps expanding, agriculture will become an increasingly significant creator of jobs for Albertans.

Federal leadership in the implementation of a national tripartite red meat stabilization program would go a long way towards improving the security of our red meat industry.

The longer term prospects for our agriculture sector remain bright if we maintain our aggressive marketing efforts around the world. A reduction of trade barriers in the United States and the Pacific Rim would be particularly positive for Alberta agriculture.

Engineering, industrial, and institutional construction was sustained in 1984. Major private-sector projects with large job-related impacts in 1985 include

- Syncrude's expansion and Suncor's upgrading of their oil sands plants in Fort McMurray,

-ESSO Resources' Cold Lake heavy oil extraction facilities,

-drilling activity in preparation for the Husky oil upgrader, and

-gas plants and enhanced oil projects.

This sector of construction should be up about 5 percent over the 1984 level when combined with our capital programs to be outlined later.

Due primarily to the excess inventory of apartments and commercial offices built in the late '70s and early '80s, building construction activity was low in 1984 relative to the past. This oversupply is being absorbed gradually and the worst is over. However, we have to accept the fact that our existing building construction capacity exceeds our probable future peak requirements.

Housing starts totalled 7,300 last year and should remain at this level or be slightly better in 1985. Renewed activity in the residential and commercial sector will not bring a return to the unrealistic levels of the late '70s and early '80s. What we should experience this year is the first step in the return of this sector of Alberta's construction industry to more stable long-term growth.

Despite the building construction industry's excess capacity, total construction expenditure per person in Alberta is still the highest in Canada and is forecast to remain so.

Manufacturing activity improved in 1984, and further gains are expected this year. The total value of manufacturing shipments rose by 7.3 percent, and most components of the manufacturing industry experienced an increase in the value of shipments. In the food and beverage area, shipments were up 9.4 percent even with the problems in meat packing. As the petrochemical industry works through the feedstock pricing situation, indications are that 1984 output levels will be sustained.

The outlook for manufacturing is positive for the year ahead. The five-year Alberta manufacturing and processing tax rate reduction, to take effect April 1, 1985, is evidence of the government's continuing commitment to stimulate the upgrading of our natural resources and the diversification of our economy.

The expansion of our manufacturing sector will require aggressive efforts to promote our products in the world marketplace. Opportunities exist in food processing, petroleum and petrochemical products, and our emerging high technology industry. We have made important inroads in key foreign markets over past years, and these successes must be consolidated and expanded. The Alberta government's commitment to worldwide promotion of Alberta products will help to ensure the steady expansion of manufacturing through the balance of the '80s.

In the intermediate and longer term, a comprehensive free trade arrangement with the United States would provide substantial new job opportunities in Alberta's manufacturing and processing sector.

The state of Alberta's labour market is too often gauged by looking only at a single statistic, the unemployment rate. In isolation it gives an inexact picture of the underlying strength of the Alberta economy as a generator of jobs. In 1984 Alberta had the highest number of persons employed in proportion to the population of working age. Our economy's performance in creating jobs - a key indicator of strength - is the best in Canada.

Unemployment in building construction remains a serious concern. But this sector of the construction industry is working through its high inventory, and by the end of 1985 the situation should be improved.

Total Alberta employment should increase modestly this year as a result of the expected increases in overall levels of economic activity in our province and the government's significant employment initiatives and large, job-intensive capital programs.

As Alberta enters the second half of the '80s, our economy is poised for lasting growth at a rate above the national average.

But Albertans cannot be complacent. That is why we initiated the white paper Proposals for an Industrial and Science Strategy for Albertans 1985 to 1990.

We must continue our efforts to penetrate foreign markets, particularly the United States and the Pacific Rim. We must upgrade in the province a larger proportion of our natural resources. We shall meet our potential by relying on the private sector as the engine of growth and the creator of jobs. Our Alberta entrepreneurs have the talent and the imagination to be competitive in the world marketplace given reasonable access for their products and services.

Critical to our ability to develop Alberta's economy is meaningful federal/provincial dialogue on national economic strategies. We are a trading province and require federal policies that sustain and expand our market access.

We have world-class strengths in key areas such as agricultural production and processing, synthetic oil technology, oil and gas extraction, petrochemicals, medical research, certain high-technology fields, and tourism. If we build on these strengths, we will prosper and grow. Albertans can look to the second half of the decade with well-founded optimism.

In describing Alberta's economic prospects for 1985, I outlined some of our major strengths. Our financial position is an additional strength in a world where credit card living by governments has become the rule.

The quality of a government's financial management is basic to a province's strength. Prudent financial management by government is essential to the encouragement of new, job-creating private investment in our province. This is so because such management gives private-sector investors the confidence that large tax increases will be unlikely during the period required for a return on their investment.

This government's financial management record is credible and responsible. In 1983-84 we recorded a budgetary deficit of $59 million, a nearly balanced budget. This compares to a budgetary deficit of over $2 billion in 1982-83. This dramatic turnaround was brought about by two initiatives.

Firstly, our farsighted 1976 decision to establish the Alberta Heritage Savings Trust Fund paid off. When the "rainy days" hit, we were able to open up the heritage fund umbrella. All the earnings on heritage fund investments have been channelled to our day-to-day operating account which provides an unmatched array of services to Albertans. We also reduced to 15 percent the amount of resource revenue allocated to the heritage fund. As a result of these two policy changes, we were able to provide interest shielding programs for Alberta's homeowners, businesses, and farmers and at the same time help finance the deficit.

The second measure that was taken was to introduce a hold-the-line expenditure strategy two years ago. This measure was so successful that we came in under our own restraint target. Actual expenditure in 1983-84 was $450 million below the budget estimates and $858 million below total authorizations - proof positive of our commitment to leaner, more efficient government.

For the year ending March 31, 1985, we are forecasting a budgetary surplus of $613 million. No other Canadian government has been able to record a surplus during this fiscal year. How was it done? On the revenue side we had the continuing helping hand of the heritage fund. As well, natural resource revenue was higher than originally expected.

Oil production was up, land sales increased, and the American dollar soared, which increased our Canadian dollar return on our natural gas and crude oil exports.

But the major achievement has been our very real success in holding down total government expenditure. We expect total Alberta government expenditure in 1984-85 to be below the level of the previous year. No other Canadian government has been able to demonstrate this degree of restraint. No other government has reduced year-over-year expenditure.

Debt servicing costs are a key indicator used by the international financial community to judge a government's financial strength and fiscal integrity. In 1984-85 Alberta's interest payments on our debt comprise less than I percent of our budgetary revenue. This compares to an average of about 10 percent for the other nine provinces. In the case of the federal government, approximately 35 cents of every dollar of revenue goes to pay the interest on the federal debt.

The net asset position of the General Revenue Fund at the end of this month is forecast to be $835 million, a major increase from last year. In addition, the income earning assets of the heritage fund will total approximately $12.2 billion. There are few governments in the world, Mr. Speaker, which can match the financial strength of the province of Alberta.

We must not squander this strength. We must sustain our reputation for careful, responsible management of the public finances. Employment security and new job opportunities will be the result.

The fiscal strategy for 1985-86 takes into account our financial position and the state of the Alberta economy. Its four elements are to broaden and accelerate the momentum of recovery and build toward the goal of durable economic growth; to provide job security and a broad range of employment initiatives, especially for young people; to help those Albertans in need and continue the delivery of top quality people programs across the province; and to maintain our hard-earned reputation for fiscal responsibility.

No one wants a return to the economic roller coaster ride of the recent past. The goal of Albertans is steady, broadly based economic growth that endures. Relying on the private sector as the engine of growth will enable the province to reach that goal of durable growth. This approach is the foundation of Alberta's economic strategy for the years ahead.

But this does not mean, Mr. Speaker, that government should be an idle onlooker. We cannot sit back passively in this highly competitive world. Government can help set the stage for private sector risk-taking. There are areas where, for valid reasons, the private sector is unable to invest in projects which make good sense. A prime example in Alberta is the Syncrude project. By reason of this government's decision to support that project, thousands of Albertans have jobs here.

This budget reinforces the recovering private sector maintaining the most attractive tax environment in Canada, continuing fiscal and economic policies that are known and are understood, by assisting in the creation of pools of private-sector risk capital, by supporting trade initiatives, by expanding our range of high quality capital facilities, by building on our strengths, and by stimulating research and development, a key thrust of the white paper.

Although the recovery is spreading through the economy, it takes time for businesses to hire aggressively again.

Typically, this takes place later in the recovery cycle. We continue to be deeply concerned about the unemployment situation. Our government has the best record in Canada for assisting employment through the transition period.

However, the permanent job creator is the private sector. Lasting jobs come from private-sector investment. This budget continues to ensure the most attractive fiscal and economic climate in Canada for that private-sector investment.

Some Albertans are not able to share in the economic recovery. This budget will support disabled Albertans, the disadvantaged, and our elderly citizens to an even greater extent than before. It will ensure that they can continue to lead their lives in dignity and security. Compassion for those who need help will continue to be a priority of this government in all our policies and all programs.

This budget will also continue to ensure that all Albertans receive a range and quality of public services unmatched in Canada. There are no cutbacks in people services. However, it would not be responsible to widen further the gap between our already high service levels and those provided in other provinces. Albertans must be realistic in their expectations of what government should provide. Personal self-reliance and individual initiative must be encouraged.

Maintenance of our strong financial position is fundamental to Alberta's overall fiscal strategy. Our present financial strength did not happen by accident. It happened because

- we instituted resource and royalty policies that balance our ownership position with job activity,

- we established the Alberta Heritage Savings Trust Fund, and

- we held the line on government expenditures.

Owning a natural resource does not mean that it will automatically generate substantial royalties. We live in a global market where competition for resource development is keen. This government has carefully planned a successful economic and fiscal climate that encourages private-sector resource development and ensures a fair return to the owners of the resource, the people of Alberta.

At the centre of our financial strategy is the heritage fund. Since September 1982 every dollar of the income earned on its investments has been used to fund programs for Albertans. Through 1985-86 the fund will provide the dollars for health, education, employment, and other social programs for two months of the 12. By next spring, the income from the heritage fund will total $5.5 billion over four fiscal years.

Without this heritage fund support, Albertans would face tax increases or severe cuts in grants and programs. The commitment to a savings fund is not impaired; the fund will merely grow more slowly. The integrity and existence of the Alberta Heritage Savings Trust Fund is secure.

But the heritage fund cannot be expected to shoulder all the load of protecting our enviable financial position. This budget will continue the momentum, started two years ago, to constrain government expenditure and streamline the public service.

Now that I have outlined the underpinnings of our fiscal strategy, here is our expenditure plan in concrete terms.

Two years ago in our hold-the-line budget, we began to step on the expenditure brake. We surpassed our own expectations. Spending grew by only 2.3 percent in 198384. Last year we put the expenditure brake pedal to the floor. Expenditure was targeted to decline, the first decrease in over 40 years. We will meet that target: expenditure in 1984-85 will be lower than last year.

In this budget I propose to continue the momentum of spending restraint but with a slight easing of the pressure. The expenditure plan for 1985-86 calls for a 4.2 percent increase over the previous year's comparable estimate. Given Alberta's expected inflation rate, real growth in expenditure is targeted at less than I percent.

The hundreds of components of the operating budget provide a multitude of services and touch virtually every Albertan. Many may not realize that approximately one-half of all government operating costs are in the form of grants paid to hospital boards, school boards, postsecondary institutions, and municipalities. Approximately 80 percent of these grants go to pay wages and salaries. Accordingly, public-sector wage restraint is essential to our economic recovery and job prospects. We must ensure that public sector wages do not lead those in the private sector.

The operating budget is 5.3 percent higher than last year's target. Frankly, this is greater than I would have liked. But the increase is necessary to provide extra assistance for our unemployed, for students, and for the health care system.

-An extra $250 million is necessary to fund new programs and program improvements. This includes $100 million to provide full-year funding for the new employment initiatives and $50 million in transitional assistance to our petrochemical industry, which will help secure jobs.

-An increase of over $104 million is required to meet the increased demand for student financial assistance and allowances for those in need and looking for a job.

-Approximately $102 million is targeted in the form of modest grant increases to schools, postsecondary institutions, hospitals and nursing homes, local health units and municipalities.

- An increase of $74 million is necessary to meet the operating costs of new capital facilities, notably hospitals, all over the province.

We continue to hold firm to our commitment to reduce the size of the public service and streamline government operations.

Two years ago we eliminated 235 permanent, full-time public service positions which were unnecessary. Last year a further 876 positions were trimmed. For 1985-86 we are eliminating 523 positions. Given reduced population pressures and increased departmental efficiencies, there will be no reduction in service levels to the public.

Some of the reductions I have mentioned are related to privatization initiatives involving a dozen departments. The public sector is leaner and more efficient. I welcome constructive comments from Albertans on ways in which we can continue to downsize government operations.

To reach the goal of sustained economic growth, we must continue to diversify and strengthen our economic base. The right approach, as stressed in the white paper, is to build on strengths.

Our private sector, and especially our small-business community, is a growing strength. This government provides the most attractive tax climate in Canada for private-sector investment. Effective this April and lasting for five years, small businesses whose primary activity is manufacturing and processing will be given a five-year tax holiday; larger companies will be taxed on their manufacturing and processing income at a reduced 5 percent rate. This incentive is unequalled in Canada and will spur diversification and create jobs here. It will cost approximately $65 million per year in terms of revenue forgone. Details of the program are contained in an appendix.

We know, Mr. Speaker, that small businesses should not be fettered by excessively complex tax regulations. In 1982 we eliminated the need for small businesses to make monthly income tax installments. In this session I propose to parallel recent federal moves and simplify the taxation of Alberta businesses that are Canadian-controlled, private corporations. Alberta rules and paperwork will be minimized for about 28,000 taxpaying corporations, and about 3,000 additional companies will become eligible for the lower Alberta tax rate of 5 percent on small businesses. This measure will reduce corporate income tax revenue by approximately $10 million per year.

The small business equity corporations program, introduced in last year's budget, has proven to be a major success in stimulating privately owned and managed pools of capital for investment in Alberta. In the past seven months, 142 new equity corporations have been formed, with approximately $50 million available for investment in rural and urban Alberta. The original $15 million the government committed to the program will create or preserve over 2,000 jobs.

We are pleased to announce that the previous total funding limit on the program will be changed, and legislation will be introduced to raise that limit so more funding can be provided.

Another major strength of the Alberta economy is tourism. Our province, with its rich diversity, presents a wonderland of experiences for Albertans and visitors alike. The world has come to know Alberta through such success stories as the Commonwealth Games and Universiade. The international competition for tourist dollars is fierce. We must improve our competitive position especially if we are to derive the maximum tourism benefits from British Columbia's Expo 86 and our upcoming 1988 Winter Olympics.

Tonight I am announcing, as a major government thrust, a number of new and expanded tourism initiatives totalling, nearly $7 million.

-The tourism advertising budget will triple.

-A new, in-province travel campaign will be developed.

-A new Tourism Marketing Development Fund will be established.

-Training courses will be provided and through Travel Alberta will be significantly expanded.

-Hospitality training will be boosted.

Energy and agriculture remain the foundation on' which to diversify our economy and create jobs. The energy sector is financially sound owing largely to the timely $5.4 billion oil and gas activity program introduced by this government in April 1982. A successful area of diversification flowing from the energy sector is the Alberta petrochemical industry. This budget provides $50 million to facilitate the transition of our ethane-based industry to market pricing.

Agriculture is enduring tough times brought on by factors such as subsidized competition and faltering commodity prices. This government has long recognized the fundamental importance of agriculture and in 1985-86 will continue to provide major support through a wide range of programs unique in Canada.

The Agricultural Development Corporation will receive a 26 percent increase in funding to over $100 million. This includes funding for the new farm development loan guarantee program announced by the minister in January.

The Agriculture department's 1985-86 budget will total $108 million. It provides for the new, five-year farm financial management training and counselling programs announced in January.

The large subsidy of purple fuel for agricultural use, a unique program for Alberta farmers, will cost an estimated $73 million, keeping farm fuel input costs the lowest in North America.

The primary agricultural producers natural gas rebate program will be continued to 1987 at a total three-year cost of $7.5 million. It provides assistance to farmers who use natural gas in livestock, dairy and poultry operations, alfalfa processing, greenhouses, irrigation, grain drying, and sod and peat moss businesses.

The marketing of Alberta's agricultural products will be stimulated through both our overseas offices and the effective joint efforts of the ministers of International Trade and Agriculture.

Our full range of international exports, involving a total of over $11 billion of resources, goods, and services, are vital to Alberta's economic development and contribute about one-fifth of our gross provincial product. Initiatives will be undertaken in 1985-86 to capture further export opportunities, particularly in the United States and the Pacific Rim. Alberta is participating in Expo 85 in Japan, and we will be a major participant in the newly created Asia-Pacific Foundation. For Expo 86 in Vancouver Alberta will establish a world-class presence to provide a showcase for Alberta products.

In the advanced planning stage is the significant new export services support program that will provide an incentive to Alberta companies interested in export projects. The program will involve a sharing of private-sector costs incurred in bid preparation on international projects. This week the Minister of Economic Development will make public the elements of this important new initiative.

An emerging economic development strength for Alberta is the "brain" or high-tech area. This budget, in combination with the heritage fund, will assist Alberta's developing electronics industry with funding of over $14 million. This will include an electronics information centre, a telecommunications research centre, and microchip design and fabrication facilities. The Alberta Research Council will receive $26 million, which will include funding for joint ventures with private-sector firms. The Alberta Heritage Foundation for Medical Research and the Alberta Oil Sands Technology and Research Authority are ongoing examples of our major commitment to research. This government has the largest per capita expenditure on research in the country.

The economic initiatives I have described will strengthen the recovery now under way. Employment growth traditionally lags behind the initial phases of recovery. Because we are deeply concerned about the unemployment situation, we have initiated more manpower training, employment, and student assistance programs than any other government.

Last October the minister announced a package of new and expanded employment and manpower training initiatives. The package will require expenditure of nearly a quarter of a billion dollars to the end of March 1987, an expenditure without equal in Canada. Nearly $144 million is budgeted in 1985-86 for

- the Alberta youth employment and training program, - the wage subsidy program,

- the summer temporary employment program,

- the priority employment program,

- the Alberta training program,

- the special needs employment program,

- the Alberta environment employment program,

- the private vocational schools program, and

- the career hotline information service.

This level of funding is expected to generate approximately 44,000 direct jobs throughout the province.

Although these programs will reach a cross section of Albertans, youth training and youth employment are stressed. In a downturn and during the early stages of recovery, young people are hit particularly hard because of their lack of experience. The Alberta youth employment and training program, a major new initiative, will help them gain experience. It provides a 50 percent wage subsidy; nearly $47 million is available in the upcoming year.

Tonight I am announcing a new program which will provide significant job opportunities for Alberta graduates of faculties of education who cannot find a permanent teaching position. Beginning teachers will be employed by school boards in training positions which will help them bridge the transition from students to full-time teachers. This two-year pilot project will start this September, with first-year funding of up to $11 million to employ as many as 900 recent graduates.

In addition to these unmatched manpower programs, the 1985-86 capital budget will provide a large number of job opportunities.

A key element of the provincial development strategy is to build on our human resource strengths. Albertans are aware that there is a dramatic industrial restructuring taking place. If our children are to compete successfully in the economy of the future, education is the key. This government has always placed a priority on education. Our spending on basic and advanced education is among the highest in Canada on a per capita basis.

For the first time in Alberta's history, school boards will receive a total of $1 billion in basic grants from the school foundation program fund. Per pupil grants will increase by 2 percent, with a total of $780 million budgeted to ensure that education services for our children are maintained at current high levels. In addition, we are providing an extra $27 million to effect qualitative improvements in programs, to ensure greater equity among school jurisdictions, and to support all other aspects of basic education.

Basic operating grants to our self-governing postsecondary education institutions will increase by 2 percent to $628 million. A further $7 million in new funding will be provided for enhanced course programs and new facilities that will open this year. In addition, over $5 million in extra funding will be provided to reflect enrollment increases, raising total special enrollment funding to $17 million.

We know that many students who want to attend higher learning institutions encounter financial problems. This government provides student financial assistance that is second to none in terms of the amounts available and the payment conditions. For 1985-86 we are budgeting $124 million for student assistance, an increase of 23 percent over this year's expenditure. This includes close to $10 million in scholarships and awards from the Alberta Heritage Scholarship Fund. Additionally, almost $50 million in Alberta student loans will be approved and guaranteed by the provincial government during 1985-86. These programs will help 56,000 students with their education costs this year.

Health care, like education and manpower training, is an investment in our people. Albertans benefit from health care services that are among the best anywhere.

However, these services come at a very high cost. If we are to meet the objective of responsible fiscal management, we must continue to address the difficult problem of reducing the rate of escalation of health care costs.

There are two aspects of the health care cost issue: the utilization of doctors' services and the use of hospitals. The cost arising from the services of physicians and other health care professionals has been climbing. However, last year there was an encouraging drop in the rate of increase. In 1984-85 there was no change in the doctors' benefits schedule, and no change is planned for 1985. Even with no change to that schedule, the deficit of the Health Care Insurance Fund is expected to increase to $426 million, up over $54 million from this year's forecast deficit.

This budget contains no increase in health care premiums, which are lower than those in Ontario and British Columbia.

Our effort to improve the cost consciousness of the hospital system by requiring hospital boards to be responsible for deficits and permitting boards to retain surpluses is working. No hospital has yet implemented user fees. Hospitals are making ends meet by taking a hard look at their operating costs. In fact, most hospital boards have been able to record surpluses. Trustees are to be congratulated for their efforts.

Funding for both the operation of health care facilities and medical services in 1985-86 will rise by 4.5 percent. This compares to a 10 percent increase the year before. This reduction is a major accomplishment and consistent with our goal of prudent fiscal management. Nonetheless, the Alberta health operating budget will move past the $2 billion mark this year and will account for approximately one-quarter of the total government operating budget. The continuing co-operation of all those who use and manage the system is needed to keep costs at a realistic level.

Many disadvantaged, disabled, and elderly Albertans are not able to share in the economic recovery. This budget will provide support at greater levels than ever before and will help give them a greater sense of independence and security.

The budget of the Department of Social Services and Community Health will increase by 6 percent, which is more than the expected inflation rate, to nearly $1.3 billion. This will provide an unrivalled level and range of services. Social allowances are budgeted to increase by $26 million to $461 million to provide for benefit rate increases for food, clothing, and household expenses.

The assured income for the severely handicapped program will receive $93 million, an increase of nearly one-third. Funding for the day care subsidy and operating allowances programs will rise by 25 percent to $51 million.

The William Watson Lodge in Kananaskis Country has been highly successful. It provides handicapped and senior citizens who have special needs with a mountain recreational experience they could not otherwise enjoy. Tonight I am announcing a doubling of the capacity of this facility. Details will be provided in supplementary estimates for the capital projects division of the heritage fund.

The continued contribution of our senior citizens to the development of Alberta has not been forgotten. This government provides an unequalled package of programs for our seniors including

- premium-free health coverage and other health benefits,

-home improvement grants,

-self-contained and lodge accommodation,

-property tax rebates and renter assistance grants,

-assured annual income, and

-social allowances for the aged.

I am pleased to announce that the special home heating grants for 85,000 senior citizens living in their own homes will be extended through to the end of 1987. The estimated total cost is $25 million.

In total, our wide array of senior citizen programs will provide approximately $400 million in benefits to them in 1985-86.

Alberta widows and widowers aged 55 to 64 and of limited means are eligible for all senior citizen programs. This initiative is unique to Alberta. Also, we are the only province to provide a pension to widows and widowers in need. In 1985-86 the benefit rates will increase, and a total of $16 million has been budgeted.

An area of ongoing priority is to encourage the availability of shelter at affordable rates for homeowners and renters. No other province provides the range and level of support available in Alberta. This budget provides over $290 million in direct and indirect housing assistance for Albertans.

Low cost, royalty-free energy to heat homes and operate businesses has been a unique Alberta program since 1974. As announced recently by the Minister of Utilities and Telecommunications, the natural gas price protection plan will be extended for three years at a total cost exceeding one-third of a billion dollars. A typical Alberta homeowner will save approximately $115 each year. This major shielding program leaves Albertans with higher disposable incomes, boosts our business and industrial sector, and provides our citizens with the lowest cost natural gas in Canada.

The Alberta Electric Energy Marketing Agency pools electricity generation and transmission costs. The government will maintain the current level of shielding through 198586 at a cost exceeding $50 million.

Local government plays an important role in Alberta's economic and social development. In 1985-86 approximately three-quarters of a billion dollars in conditional and unconditional funding will flow to municipalities and local service agencies from a dozen government departments for a wide variety of purposes including social services, community health, transportation, parks, and policing.

Unconditional municipal assistance grants for 1985-86 are budgeted at over $97 million, an increase of 4.2 percent. The amount budgeted for interest relief on eligible municipal debt is $122 million, up 6.1 percent from 1984-85.

In response to requests from municipalities and municipal organizations, the province will commence payment of $2.4 million in grants-in-lieu of taxes on government-owned units for senior citizens. Also provided are $800,000 in grants to municipalities for the equivalent to municipal taxes payable on privately owned, non-profit units for senior citizens.

As a result of the provincial government's ongoing high level of support to municipalities, including the legacy of the $1 billion municipal debt reduction program, Albertans continue to enjoy among the lowest property taxes in Canada.

Thousands of jobs will again flow from our large capital budget.

Capital projects have a double-barrelled impact: they provide necessary infrastructure for social programs and economic development; they also provide many direct and indirect jobs.

In preparing this capital budget, our goal was to maintain jobs until private-sector activity speeds up during the recovery. For 1985-86 departmental capital spending will reach almost $1.7 billion, virtually the same as the current year's large capital budget. It will create at least as many jobs in construction, perhaps more, as were created by the massive capital spending programs of each of the past two years.

Additionally, Crown corporations will support new capital activity of $750 million, and heritage fund capital projects will total over $250 million.

On a per person basis, Alberta's capital works budget will probably be the highest in Canada.

With construction costs moderating, now is the ideal time to build needed capital works. Maximum value for the public construction dollar can be secured. There is a "window" to use capital projects to provide jobs before private sector expansion places pressure on construction costs.

As part of the budget preparation process, we reviewed all the potential public works capital projects to determine which ones could be accelerated to take advantage of this "window". Examples of capital projects which have been accelerated include the replacement of the Fort Saskatchewan Correctional Centre and the Grande Prairie Alcohol and Drug Abuse Facility.

With this capital budget and the employment programs and student financial assistance mentioned earlier, Alberta leads the nation in programs to stimulate jobs and assist young people.

Alberta has built up an efficient transportation network linking all parts of the province. For 1985-86 this job creating budget recommends $691 million for capital improvements, up 5.7 percent from the previous target.

Record volumes of road construction will be carried out on primary, secondary, and resource roads. Highway construction and maintenance is budgeted at $545 million.

Our urban centres will receive funding of $137 million for transportation programs under the new, half-a-billion dollar urban transportation financial assistance program announced last fall for a three-year period. In the metropolitan areas, the 75 percent provincial funding share will pay for the largest part of light rail transit and arterial roadway construction. This program builds on the six-year, $908 million urban transportation program, just completed, which saw major projects built all over the province.

These projects, together with the new hamlet streets assistance program and the continued town and village streets assistance program, will create a high level of employment activity in the road building sector.

A major, new automated data system will speed up the delivery of services to the motor carrier industry and the shipping public.

Utilities are sometimes taken for granted, but they are basic to economic development and quality of life. This budget provides nearly $100 million for job-intensive utility development projects across the province. Through the water and sewer program alone, over $612 million has been invested since 1979 in 613 projects located in 371 Alberta communities.

Alberta's varied and high quality recreational and cultural facilities provide a welcome outlet for Albertans in their leisure time and are a major tourist attraction.

The new, five-year community recreation/cultural grant program announced recently provides support for the planning, development, and operation of recreational and cultural facilities. It will reduce red tape by combining three existing programs. Tonight I am announcing that grants under the new program will be raised by one-third to $20 per capita. The budget for the first year is $49 million. This initiative will provide jobs in many communities throughout Alberta in the months ahead.

The Calgary 1988 Winter Olympics will thrust Alberta into the international spotlight and will assist our export and tourism efforts significantly. For 1985-86 the province's Olympic capital funding is set at $33 million. All provincial projects are continuing to be built on schedule and within budget.

Alberta's history is rich and exciting. Capital support of over $16 million is budgeted to continue work on historical projects throughout Alberta. This province's per capita operating and capital support for cultural activities is the highest in Canada. The "culture industry" of Alberta is now an important job-producing sector of our province.

To ensure that the quality of Alberta's environment remains protected, over $9 million in total funding will be provided in 1985-86 to the Alberta Special Waste Management Corporation, largely for further servicing of the Swan Hills site.

This government provides its citizens with health care facilities that are of world stature. We have established a hospital program which ensures that our rural residents can receive basic health care in their area, a factor which has helped to support the existence and expansion of many of our smaller communities.

In 1985-86 capital support for health care will total nearly a quarter of a billion dollars. This is part of an ongoing construction program which is estimated at over two and one-half billion dollars spread over more than a decade. Approximately one-half of this program will be funded in 1985-86 and future years.

Funding in 1985-86 for the two urban hospitals in Edmonton and Calgary, announced in the last budget, will total $53 million. Capital support for 25 rural hospitals is provided in the amount of $65 million.

The equipping of our hospitals with the latest in modern technology is continuing with $27 million budgeted for 1985-86.

Alberta's education facilities are among the most modern in Canada and are evidence of this government's continued support for both basic and advanced education. This budget allocates $156 million for basic education capital debt retirement; $11 million is budgeted in capital grants to assist school purchases of educational computers and other business education equipment, and a new $4.5 million operating grant for the purchase of computer software and other learning resources is also provided.

Capital funding for postsecondary institutions is targeted at $124 million. Work will start on new projects worth, in total, over $50 million including

- a major expansion of MacEwan Hall, the students' union building, at the University of Calgary;

- the complete renovation of the Arts Building at the University of Alberta;

- a new library at Olds College; and

-the renovation and expansion of the original building at the Vermilion campus of Lakeland College.

The 1980s Endowment Fund, which matches private donations to our postsecondary institutions, has been one of our most successful programs over the last few years; $80 million in provincial matching grants have already been approved, exhausting the resources of the program four years ahead of schedule. We are currently examining options to possibly extend the fund or create a successor program. Legislation will be proposed in the near future.

Alberta's major Crown corporations will make capital commitments totaling $955 million in 1985-86. This will result in direct capital construction activity of approximately $750 million in 1985-86, with many new jobs created.

Alberta Mortgage and Housing Corporation will provide direct funding for the construction of 420 shelter units primarily for senior citizens and lower income families; $19 million will be committed to finance the construction of 300 new housing units for low- and moderate-income families under the generous family home purchase program.

The Alberta Municipal Financing Corporation will finance an estimated $425 million worth of capital projects undertaken by cities, towns, school boards, and other local entities. As in the past, these loans will be provided at our comparatively attractive borrowing rate. The result will be a significant reduction in the costs borne by local authorities and Alberta property tax payers.

During 1985 Alberta Government Telephones will make capital expenditures of $208 million, mostly for new plant and equipment to maintain its world-class position in communications technology.

Last fall over $252 million was approved by the Legislature to support ongoing heritage fund capital projects during 1985-86. These projects help sustain jobs and bring lasting social and economic benefits for Albertans.

Our agricultural sector will be strengthened with over $100 million being provided for irrigation projects, agricultural research, flood control, and the development of grazing reserves.

An additional $50 million has been approved for oil sands and enhanced oil recovery research - two areas of significant importance to Albertans.

Health care will continue to be supported by almost $49 million for the continued construction of the Walter C. Mackenzie Health Sciences Centre and for cancer research.

Further development of urban parks and continued work to complete recreation development in Kananaskis Country will be supported by more than $40 million.

Other capital projects include reforestation, land reclamation, and electronics research and testing.

There are no new taxes and no increases in existing tax rates in this budget.

This is possible for two reasons. First, natural resource royalty revenue covers a large portion of the cost of services and facilities Albertans enjoy. Secondly, the heritage fund has come to our rescue by providing for day-to-day budgetary purposes all the income earned on heritage fund investments.

Albertans enjoy the most favourable tax structure in Canada by a wide margin. The facts, Mr. Speaker, speak for themselves.

-Albertans have the lowest provincial income tax rate by far, and there is no surtax on high incomes as in the other western provinces.

-Albertans do not have to pay a sales tax every time they buy something; as we know, the residents of all other provinces pay retail sales taxes.

- Albertans do not have to pay a gasoline tax; residents of all other provinces except Saskatchewan pay gasoline taxes.

In dollar terms, a family in Alberta earning $30,000 would take home, after provincial tax, $1,370 more than a comparable family in Ontario.

Alberta companies also benefit from the most favourable provincial tax rates in Canada which help make existing jobs more secure and assist in the creation of new jobs.

Alberta's general and small business corporate income tax rates are among the lowest in Canada.

Alberta small businesses whose primary activity is manufacturing and processing will be given a five year tax holiday effective April 1; other corporations will be taxed at only 5 percent on profits from manufacturing and processing.

Alberta small businesses do not have to pay monthly installments of provincial corporate income tax. In Alberta there is no capital tax and no. payroll tax.

Of course, if energy prices or markets erode measurably from present levels, this low-tax environment would have to be reviewed, together with the level of grants and delivered services.

Alberta secures the lion's share of its revenue from oil and natural gas - not from taxes, like the other provinces.

The prices for these commodities are determined in foreign capitals. London, Riyadh, and Washington, although far away, are like next-door neighbours in terms of their effect on the province of Alberta. No other provincial government's budget is as exposed to external events. This makes revenue forecasting very difficult and open to wide swings in estimates. A 1 percent deviation in our revenue forecast affects the budgetary bottom line by nearly $100 million.

Overall, I expect total budgetary revenue .to be about $9.8 billion in 1985-86. This is above last year's estimate but slightly below the 1984-85 revised forecast.

Non-renewable resource revenue is expected to be about the same as the 1984-85 forecast.

Gross oil royalty revenue will be relatively stable as lower world prices are offset by the move to domestic market pricing. We are expecting an increase in the industry take-up of incentives for enhanced recovery projects which will lower our net oil royalty. These incentives will provide jobs now and benefits down the road for the province.

Royalties from natural gas and by-products should stabilize. Increases in sales to all market areas are forecast, especially to the United States as a result of the new, market-responsive pricing system. Volume gains in the United States are likely to be largely offset by lower export prices which reflect the new market realities. As the natural gas surplus in the United States diminishes over the next few years, Alberta's export and associated revenue prospects are very promising.

Total tax revenue in 1985-86 is projected to rise by 3.8 percent. Corporate tax revenue is expected to be up by 2.5 percent. This understates the total growth of corporate profits as $75 million in revenue will be forgone as a result of the combined cost of the manufacturing and processing tax reduction and the new small-business tax simplification measures.

Personal income tax revenue should rise by 4.8 percent in 1985-86. Alberta taxpayers will save an estimated $40 million by indexing, the provision which reduces the impact of inflation on taxes.

Payments from Ottawa for a variety of federal/provincial programs are projected to decline by 10 percent.

In preparing its spring budget, the federal government must reject the option of cutting back federal program transfers to the provinces as a means of reducing the deficit. This option would merely shift the deficit burden from one order of government to another, and the taxpayers would be no better off.

The transfer of all investment earnings from the heritage fund to the day-to-day provincial budgetary account is forecast at nearly $1.6 billion, up slightly from 1984-85.

The extraordinary assistance from the heritage fund investment income represents almost one-sixth of total budgetary revenue. It alone is more than the total amount of personal income tax we expect to collect in 1985-86. Alberta would need a retail sales tax in the order of 7 to 8 percent to raise an equivalent amount of revenue.

The heritage fund is the reason we are able to hold the line on taxes and fund the highest level of per capita employment support and student assistance in Canada.

To summarize the expenditure plan and revenue estimate for 1985-86, expenditure is targeted at just over $10 billion and revenue is estimated at slightly under $9.8 billion. The budgetary deficit for 1985-86 is estimated at $250 million.

This is a swing from a forecast surplus in 1984-85 to an estimated deficit in 1985-86 because increased expenditure is necessary to maintain the momentum of recovery and to provide employment assistance and job security. As noted, this represents a slight easing of the restraint pressure.

Our financial position remains strong. In 1985-86 less than one cent of every dollar we receive in revenue will be required to pay the interest on our debt. On an aggregate basis, this province is not in debt. In fact, the income earned on the assets of the General Revenue Fund exceeds the interest to be paid on outstanding debt.

Mr. Speaker, the highlights of the 1985 Alberta budget

- No new taxes, no increase in existing, low tax rates, and no increase in health care premiums.

- A massive capital budget of nearly $1.7 billion to maintain existing jobs and create employment. As well, $1 billion in other capital activity will be financed through the heritage fund and Crown corporations.

- The first, full-year funding of the quarter-billion dollar employment and manpower training initiatives that are unmatched anywhere.

-A 23 percent increase in financial assistance to help 56,000 postsecondary students.

-Job-creating, five-year tax reductions to spur manufacturing, processing, and upgrading in Alberta.

-Diversion of the entire investment income of the heritage fund to help pay for social programs and job-creating capital works.

-A reduction for the third year in a row of permanent, full-time public service positions.

-Further funding for the very successful Alberta small business equity corporations program.

-$7 million to fund five new tourism initiatives.

-A one-third increase in per capita grants under the new five-year community recreation/cultural grant program.

-A record $2.2 billion in support for basic and advanced education.

-A slowing in the rate of increase in health care operating costs to 4.5 percent from an increase of 10 percent in 1984-85.

-A 4.2 percent increase in unconditional grants to municipalities.

-Less than I percent of provincial budgetary revenue will be used to pay interest on debt; no other province is in this position.

-The Alberta General Revenue Fund is expected to remain in a positive net asset position.

In conclusion, Mr. Speaker, this budget will expand the economic recovery on a broad range of fronts. It stimulates growth, strengthens the security of jobs Albertans now have, and provides unmatched levels of support for those needing employment assistance.

Highest quality people programs are sustained; there are no cutbacks. Fiscal responsibility is maintained. A massive capital works program is provided while at the same time taxes, the deficit, and borrowing are held down.

Mr. Speaker, for Alberta in 1985 and beyond, confidence is justified. Opportunity is the watchword. Alberta is on the move again.