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| Alberta | 19e | 3e | Discours du budget | 14 avril 1981 | M. Louis D. Hyndman | Trésorier provincial | PC |

**Mr. Hyndman:** Mr. Speaker, in last year's Budget Address I offered a prediction:

An exciting 75 years ahead for Alberta is possible, provided our historic resource ownership rights are respected and provided we are fairly dealt with as an equal partner within Confederation.

Our historic ownership rights have not been respected by Ottawa. Instead of equal treatment, we have been subject to discriminatory federal taxation.

In last year's Budget Address, we spoke of the pride of Albertans in celebrating 71 years of remarkable achievement, and of our optimism in the decades ahead. Unfortunately, misguided Ottawa policies have shaken our steady pattern of growth and blurred that view of the future. Nevertheless we shall consolidate and stabilize the Alberta economy and move ahead with the pioneering resilience and rugged determination that carried this province through other difficult times.

In the Budget Address of a year ago, we emphasized building on strengths. With good prospects for agricultural processing, for the increased harvesting of our barely tapped forests, for more mining of our vast coal reserves, for tourism, for surging petrochemical development, and for pure and applied research, we can succeed by building on a diversified Alberta economy.

Mr. Speaker, I regret that this milestone budget, in the 10th year since this government undertook the responsibilities of office, is not as optimistic as those since March 1972. However, the remarkable growth in jobs and economic performance of the past 10 years will provide the stability to enable us to weather the storm.

A unique success story unfolded over those 10 years. At the heart of the story is the hard work, creativity, and enterprise of individual Albertans. Their government has provided a known, predictable climate for investment, maintained by sound budgetary and fiscal policies.

There is an underlying strength in the Alberta economy today. Economic activity in Alberta has grown significantly in each and every year of the decade. The average annual rate of expansion in Alberta's real gross domestic product has been a remarkable 7.3 per cent, with high points in 1973 and 1979 of over 9 per cent. Alberta's economy today, in real terms, is almost twice the size it was in 1971. The primary driving force behind this growth has been new capital investment, which has increased on average at the phenomenal rate of over 23 per cent a year. Acquiring new private capital investment requires a climate of government stability and consistency, and an attitude which respects and encourages the risk investor.

The hard work of individual Albertans has been rewarded by a 200 per cent increase in per capita personal income. The average annual increase in per capita personal income since 1971 has been close to 14 per cent.

After allowing for the doubling of consumer prices during the decade, annual per capita growth in income has averaged 4.5 per cent, an impressive figure. But even after that long period of sustained growth, Albertans are just now catching up to residents of Ontario and British Columbia, who were well ahead for so many years.

Alberta's population has expanded by 450,000 since 1971, reaching 2 million in mid-1980. This rate of increase is the equivalent to the addition of a new city the size of Red Deer each year. Employment has surged at an even faster pace, passing the 1 million mark in 1980. Nearly 400,000 new jobs were created for long-time Albertans and newcomers in the '70s. To accommodate this growth, 310,000 new housing units were built, an average of more than 2,500 homes each month for 10 years.

That surging record of growth will be hard to match over the next 10 years. But despite setbacks from Ottawa, the deep-seated strengths that will make for continued prosperity in a stable economic climate are there. Albertans will rise to meet the challenge.

Mr. Speaker, I truly regret what I have to say about the national economy.

Largely as a result of missed opportunities, the Canadian economy has been weak and sluggish over the past year. Regretfully, Ottawa's economic policies have condemned too many Canadians to a dull, gray economic future. The realizing of Canada's potential could generate jobs and activity in every region of the country.

Canada is one of the few industrialized nations of the world which could have been self-sufficient in oil within the decade, but Ottawa energy policies have caused that significant opportunity to be lost. In spite of its great potential for international competitive advantage, Canada is now dependent for more than a quarter of its crude oil on supplies from politically unstable areas of the world, and that dependency is growing.

More than $7 billion a year will flow out of Canada to pay for imported oil, and there will be a further loss in national output due to the multiplier effect. World leaders and a growing number of thoughtful Canadians are amazed to see a bizarre federal policy which forces Canadian taxpayers today to pay over $45 a barrel for low-quality foreign oil while refusing to buy secure higher quality oil available from Alberta at approximately $20 a barrel. The federal policy of "Buy Canadian" apparently applies to all commodities except Alberta oil.

In the face of an increasing number of objective studies showing that the Canadian economy can surge ahead if petroleum prices moved upwards at a reasonable pace, the federal energy policy sets the price that Albertans are to receive for their depleting crude oil reserves at less than half their fair value for the foreseeable future.

Canada's real economic growth has been sputtering since 1977. There was no real growth in the country in 1980. Nineteen eighty-one is expected to be another year of unrealized potential for most of Canada due to a blurred economic strategy; a low priority for research and development; an undirected foreign trade policy; a balance of payments deficit that is, on a per capita basis, one of the largest in the world, and interest rates too closely tied to those in the United States.

Unemployment remains high in many parts of the country. In the Atlantic provinces, the unemployment rate averaged II per cent in 1980. A rate of close to 10 per cent was registered in Quebec, and in Ontario the figure was almost 7 per cent. The strength in employment growth in western Canada is expected to weaken as a result of Ottawa's economic policies.

To protect a Canadian dollar made unnecessarily weak, in part by the federal government natural gas export pricing policies, the Bank of Canada has caused a rise in interest rates in Canada. These higher interest rates will clearly dampen new investment and lead to lower economic growth in the future.

The Ottawa energy proposals have taken the edge off the economy of western Canada. The rainbow has faded. Slower growth in the west has a detrimental effect on the entire country. Fewer new jobs will be created everywhere. Contracts for businesses in central Canada to supply materials and engineering will not develop.

Investor confidence in Canada, a vitally important ingredient for economic success, has been seriously shaken by Ottawa's punitive resource tax regime and the clear trend towards federal control of the petroleum industry. The investment dollars, equipment, know-how, and entrepreneurship which are quickly leaving Canada will be very difficult to bring back. The dramatic cutbacks in planned 1981 exploration budgets, announced by company after company in response to substantially reduced cash flow and poor future returns, will impact especially hard on the smaller Canadian-owned drilling and oil well servicing companies.

Following a record high level of activity in 1980, oil and gas well drilling is expected to suffer a decline in 1981 of about 25 per cent, compared to plans made prior to the Ottawa energy proposals. In 1978, 5,500 wells were drilled in Alberta. In 1979, the figure reached 5,600, followed in 1980 by about 7,000 well completions. Before the Ottawa energy proposals were announced, it was anticipated that about 8,000 wells would have been drilled in Alberta during 1981. That figure is expected to be cut by one-quarter to about 6,000 wells, 1,000 below the number drilled last year.

As of October 28, 1980, there was a fleet of 600 drilling rigs located in Canada. By early April 1981, 114 of those rigs plus 49 service rigs had crossed the border. Another 75 drilling rigs and 58 service rigs are scheduled to move to the United States by the end of August this year.

I turn now to the Alberta economic outlook, Mr. Speaker.

Prior to the Ottawa energy proposals, Alberta could look ahead to another year of exceptionally strong economic growth. Activity on virtually every front was proceeding at a fast pace. Although prospects in the conventional oil and gas industry are now dulled, the maturing Alberta economy has other strengths. In a positive climate for private enterprise, we can continue to grow and expand. There is justified confidence in the Alberta economy in 1981; there are opportunities for bold plans and successful investment.

The economic outlook in Alberta remains favorable when compared to the outlook in other parts of the country. Real growth in Alberta's gross domestic product in 1981 is forecast to be around 3 per cent, still one of the best in Canada and well above the predicted Canadian real growth rate.

Although investment activity in the conventional oil and gas industry is expected to decline, continued strength in other sectors of the economy likely will maintain the real level of investment at its current high level. New investment will continue to be the driving force behind Alberta's economic growth over the next several years.

The unemployment rate in Alberta is expected to rise somewhat to 4.3 per cent in 1981, still a relatively low rate compared to expectations in other regions.

The growing demand for skilled labor in Alberta in recent years has meant plentiful job opportunities for Albertans and other Canadians. With growth in employment expected to slow to about 4 per cent in 1981, job opportunities will not be quite as favorable as they have been. It may be necessary to advise those intending to come to Alberta that employment prospects have been reduced and that jobs for unemployed Albertans will be a priority of this government.

The rate of inflation in Alberta, as measured by the increase in the consumer price index, has moved upwards over the past two years from 8.8 per cent in 1979 to 10.2 per cent in 1980. For 1981, price increases are not expected to moderate.

The outlook for agriculture in Alberta is encouraging. The majority of Alberta farmers enjoyed another good year in 1980, the third buoyant year in a row. Farm cash receipts increased by 8 per cent to just over $3 billion in 1980, primarily because of stronger grain prices and improved grain marketing. Realized net farm income was almost $0.66 billion in 1980.

With the exception of canola, farm cash receipts from crops were up dramatically in 1980: 24 per cent for barley, 45 per cent for wheat, and 60 per cent for oats. Other bright spots were rye and sugar beets. Increased North American hog supplies held down both hog and cattle prices during 1980. Dairy products did well in 1980, registering a 17 per cent increase in farm cash receipts over 1979. With an increase of 8 per cent in production and 10 per cent in price, receipts from eggs rose by over 18 per cent.

As farmers know, Mr. Speaker, agriculture is a difficult sector to forecast. In 1981, supplies of chicken, pork, and beef are expected to increase only slightly, which should lead to higher prices for the farmer. Prices for most grains are also anticipated to be higher. With the addition of 1,000 distinctive blue and gold heritage fund hopper cars, grain movement has improved. Farm cash receipts, therefore, are expected to rise to over $3.5 billion in 1981, while expenses are estimated to be about $2.8 billion. This implies a healthy increase in realized net farm income for 1981 and solid returns for the family farm.

The growing area of agricultural processing has great potential for 1981 and for the entire decade. As a key step in the diversification of Alberta, a food processing development centre to cost more than $7 million is under way near Leduc. Funded by the capital projects division of the heritage fund, the centre will assist the industry to develop new products, improve and expand product lines, develop better packaging techniques, and apply new technology.

In 1981, major new coal developments are planned, following upon significant expansions in the past decade. Metallurgical export coal developments for 1981 include the new Gregg River mine and the expansion of the Cardinal River development. Construction of the Sheerness, Keephills, and Genesee coal-fired plants for provincial power generation is under way. A large, new thermal coal project near Hinton has been approved. Construction will commence this summer on a coal research facility in Devon, which will conduct research programs to expand the uses of coal, including coal liquefaction.

Forestry is another key element of Alberta's diversifying economic base. The pace of forestry development is accelerating. The first sawmill in the new Berland-Fox Creek project is scheduled to commence operations by the end of the year. Expanded heritage fund initiatives in forest management include major reforestation projects and the Pine Ridge Forest Nursery to produce seedlings. Initiatives regarding future commercial utilization of Alberta's sizable poplar resource will continue. Proposals for development of major forests in areas of the province not harvested previously will be considered.

Alberta's impressive gains in manufacturing and processing continued in 1980. Following an increase of 21 per cent in 1979, shipments increased by another 18 per cent in 1980. The areas showing most strength were primary metals industries, refining, and chemicals. In 1980, Alberta accounted for about 6.4 per cent of the nation's total manufacturing and processing shipments. Nineteen eighty-one growth is expected to continue at roughly the 1980 rate. The outlook is promising in Alberta, in part because of very low corporate taxes and the prospect of helpful new incentives under the Alberta business tax and tax incentives program.

One of the brightest spots in the continuing diversification of the Alberta economy is petrochemicals. Six major projects, with a total cost exceeding $1 billion, are under way; and a dozen others, involving over $5 billion of new investment over the next five years, are in the planning stages. These new developments are being located in Alberta because of our plentiful supplies of natural gas and favorable climate for investment. Much of the natural gas feedstock for these job-producing plants has been found over the past several years, one of the few success stories in Canada. The new jobs and other benefits to be derived from this industry are promising. Necessary government approvals are being accelerated to assist in sustaining Alberta's economic growth and diversification.

Construction is expected to be another area of major strength in 1981. After falling in 1980, housing starts are expected to pick up in 1981 to about 35,000 new units. Non-residential construction is anticipated to continue at record levels. In addition to the major petrochemical developments, stimulus is expected from the construction of the eastern leg of the Alaska pipeline prebuild, and the addition of more office, commercial, and warehouse space in major centres throughout the province.

I'd now like to review fiscal policy measures, Mr. Speaker.

Especially since the Ottawa energy proposals of October 28, 1980, the government has been closely monitoring the prospects for the Alberta economy in 1981. Although a significant slowdown is anticipated in the conventional oil and natural gas industry, the resilient Alberta economy is expected to perform well in comparison to other regions in Canada. Strength and stability will come from agriculture, petrochemicals, construction, tourism, housing, forestry, coal, and other areas of emerging opportunity. As evidence of increasing diversification, those sectors will be able to take advantage of the availability of skilled labor released by the oil and gas industry downturn.

A pause has other advantages. Albertans will be able to regroup to meet new challenges. The breathing space will allow those economic sectors, so vital to Alberta's future, to develop further. A more measured pace of growth will also help to ease some of the social problems which have accompanied the accelerated growth of recent years. The government will also use this pause to consolidate and overcome the shortage of skilled personnel available for our public service.

After carefully reviewing the available information, the government has come to the conclusion that there is not now a need for simulative fiscal policies of a general nature. Even with the oil and gas industry slowdown, the economy should expand sufficiently to increase employment by a healthy 4 per cent. This budget will provide mild stimulation to the economy, with a capital budget for roads, hospitals, schools, universities, and other public works which is roughly 20 per cent greater in terms of its economic impact than the amount invested last fiscal year. Together with private-sector investment plans started or ready to go this year, these capital projects should assist in sustaining a satisfactory level of economic activity in Alberta.

Accordingly, while most of the provincial capital projects reflect current and anticipated needs in program areas, there are some projects which will specifically help those regions which will be hardest hit by the federal energy policies. The special $30 million program for construction this year of rural and local roads will employ small oil field contractors in municipal districts, counties, and improvement districts.

The capital budgets of the Alberta Home Mortgage Corporation and Alberta Housing Corporation together will provide financing for more than 20,000 new housing starts in the province, generating jobs and giving a major boost to the residential construction industry. Generous subsidy programs will be maintained to bridge the affordability gap for low- and middle-income Albertans.

The Alberta Municipal Financing Corporation will again make available hundreds of millions of dollars at very favorable interest rates to finance a large part of municipal government capital expenditures. Municipal investment in transportation, assisted by the province in a major way, will provide a further boost to the economy in 1981.

The performance of the provincial economy, and especially the availability of job opportunities for Albertans, will continue to be monitored closely in the months ahead. Contingency plans will be further developed over the coming months, so that selective stimulative measures can be implemented quickly if the need develops.

I'd now like to outline this government's budgetary expenditure plans for 1981-82.

The 1981-82 expenditure plan provides funding to enrich a wide variety of existing quality programs and to introduce selective new programs. Special emphasis has been placed on programs in the areas of social services, child care, senior citizens, housing, and health care. As well, the 1981-82 estimates sustain a high level of capital construction for hospitals, roads, schools, universities, colleges, mass transit, and other public works. The expenditure plan strikes a balance between the goals of providing first-rate services for Albertans today and building for continued economic prosperity and jobs in the future.

The rate of increase in operating expenditure is a key indicator of government budgetary policy. In 1981-82, operating expenditure will be 16.9 per cent over last year's revised budget, or 17.8 per cent over last year's comparable estimates. Roughly three-quarters of total expenditure is for the operating cost of ongoing programs for Albertans, mainly in health services, education at all levels, and a host of social services. Of the 17.8 per cent increase in this year's budget, 1.7 per cent or approximately $500 million is to cover last year's negotiated wage and salary increases and the additional manpower resources in hospitals, health services, basic and advanced education, social services, and the public service.

Capital expenditure will increase by 48.2 per cent over the comparable 1980-81 estimates or 18.6 per cent over the revised plan. The capital budget provides the building blocks for social and economic progress, and is an investment for our future.

The budget translates into an expenditure in excess of $3,100 for every Albertan. Total budgetary expenditure for 198 I -82 is estimated to be $6,703 million - $6,656 million in voted appropriations and $47 million in statutory appropriations - an increase of 16.3 per cent over the revised budget of last year or 22.5 per cent over the comparable 1980-8 I estimates.

The government's policy has been to hold the average increase in the public service to the rate of growth in the province's population. Underlying this policy was the premise that the government's manpower requirements should be held at a level roughly equal to the growth of the labor force. With growth in the labor force averaging about 50 per cent higher than increases in the population over the past several years, an adjustment was necessary last year.

During 1980-81, 700 temporary positions, originally approved on an interim basis to deal with peak program periods, were converted to permanent status. They represented approximately 2.2 per cent of the public service. In responding to pressing needs in the social program field and a continuing high in-migration rate, there was no choice but to add 1,145 new positions. Adjusting to take account of these special circumstances, the growth in permanent positions for 1981-82 is 4 per cent over the comparable level last year, the same rate of increase as is expected for employment generally in Alberta.

Over the past five years, the number of permanent public service positions has grown at the same rate on average as the province's labor force. This illustrates that growth in the public service has been balanced in relation to the manpower available to the Alberta economy.

The government's 198 I -82 operating budget provides top quality services for Albertans.

The 1981-82 operating budget allows for a 17.8 per cent increase over the comparable 1980-81 estimates or 16.9 per cent over the 1980-81 revised plan. This compares to just over a 17 per cent increase in the 1980-81 estimates over the actual expenditure in 1979-80.

One of the government's key budgetary policies has been to hold the growth in operating expenditure at or below the rate of expansion in the economy generally. This policy ensures that growth in the public sector does not come at the expense of the private sector.

Social services are a continuing priority, Mr. Speaker. Following major enrichments over the years to social programs, the 1981-82 estimates for Alberta Social Services and Community Health reaffirm the government's priority in this important program area. This department's budget has been increased this year by close to 30 per cent over the comparable 1980-81 estimates. To complement the major funding increase, 1,145 new permanent positions have been approved.

Priority attention has been directed to child welfare services, reflected in a more than 55 per cent boost in funding and an increase of more than 300 new staff. There is a generous increase in the provincial funding of child welfare programs. The budget includes greater financial assistance to community residences which provide child care services under contract. For the foster parent program, training sessions will be improved and maintenance rates will be increased. Close to $3 million is budgeted to provide compulsory care services for severely delinquent children.

Nineteen million dollars is budgeted to mount the new day care operating allowance program to improve staff/ child ratios, expand space standards, and meet our commitment to shelter parents from the associated cost increases. Over 15,000 day care spaces are now available in the province of Alberta.

The budget includes $19.7 million to enrich the new family and community support services program, up from approximately $10 million in 1980-81.

Maximum benefits to senior citizens under the Alberta assured income plan will be increased from $75 to $85 per month, bringing the total cost of this program to almost $65 million.

In this, the International Year of the Disabled, Alberta leads other provinces with several new and enriched programs. Provincial expenditure for the benefit of handicapped Albertans has increased very significantly over the years.¸

The aids to daily living program will reach 14,000 Albertans, providing $7.7 million for wheel chairs, respiratory equipment, and other aids to those with chronic or long-term health disorders. Nine thousand three hundred handicapped individuals aged 18 to 65 will receive close to $58 million in benefits under the assured income for the severely handicapped program. A staff increase of over 230 will improve the staff/patient ratio in a major way at the Michener Centre in Red Deer. An additional $8.5 million is budgeted to expand the number of available spaces for vocational training of handicapped Albertans.

In the education field, there is an increase in expenditure of more than $2 million for the sensory multihandicapped and for equipment and supplies for handicapped children; $1.4 million is budgeted to further increase the number of special education teaching positions. The elementary and early childhood services programs contain a $2.3 million increase in grants for the dependent handicapped. The limit for the learning disabilities fund for large school boards will be raised from $135,000 to $250,000.

Moving to the important area of housing, in April 1980 the government announced a package of housing initiatives designed to increase the supply of housing and its affordability. The package was successful in helping to hold down rents and housing prices. With demand for housing expected to remain strong, and given today's high interest rates, the government will continue to actively encourage the construction of new housing and maintain imaginative programs to bridge the affordability gap.

The budget provides over $17 million in direct subsidies to home-owners under the Alberta family home purchase program and over $11 million in indirect subsidies to renters under the core housing incentive program.

The minimum benefit provided to senior citizen homeowners under the generous Alberta property tax reduction plan will increase by 50 per cent from $400 to $600 for 1981-82. This major expansion will materially assist senior citizens to remain in their homes. Total cost of benefits under this significant program will be $9.1 million.

In 1981-82, residents of senior citizen self-contained housing units and community housing units will continue to benefit from an equitable policy which has rent payable equal to 25 per cent of income.

Widows and widowers aged 60 to 64 whose spouse would have, if still alive will now be eligible for grants under the pioneer repair program. The senior citizen renters assistance program and the senior citizen property owner tax rebate program will continue to be available to widows and widowers aged 60 to 64 whose spouse was eligible for those programs at death. These initiatives respond to many representations by senior citizens and their children.

A continuing high priority is to provide and expand a first-rate health care system for Albertans. Grants to active care and auxiliary hospitals and nursing homes will rise to over $920 million this year, an increase of more than 25 per cent over last year's estimates. A major part of this increase is due to large salary increases negotiated last year. This year's budget provides funding for the operation of 10 new or expanded health care facilities coming on stream throughout the province. To improve diagnosis and treatment of patients, $6.6 million has been allocated to purchase high-technology equipment. Service to patients will be improved by the installation of up graded electronic data processing equipment at a cost of over $5 million.

Physiotherapy services provided by private clinics will under the Alberta health care insurance plan, and physiotherapy services will be provided to eight more rural hospitals.

Nursing home beds in Edmonton, Lacombe, and Brooks will be upgraded to auxiliary bed status with $3.8 million in funding. Nursing homes throughout Alberta will receive over $67 million in funding for 1981-82.

I'd now like to outline our commitment to basic and advanced education, Mr. Speaker. The $870 million budget for primary education this year represents an increase of almost 18 per cent over last year's comparable estimates. Continuing emphasis has been placed on special education programs for the handicapped, greater fiscal equalization to provide fairer educational opportunity, program improvement. and evaluation of pupil learning. There will be new support for native children in urban areas, student exchanges, early childhood education, and second language program transportation.

Operating grants to universities, colleges, and technical institutions will rise by more than 18 per cent over last year's estimates to $350 million. There will be continued regional expansion in postsecondary education and manpower training programs. Emphasis will be placed on meeting the skilled manpower needs of the province and providing community and personal service programs through additional funding for new courses. A more significant role in manpower training will be played by public colleges.

Direct financial aid to students will increase by $6.6 million this year to over $18 million. In addition, Albertans will be further encouraged to train as vocational teachers.

Assistance to municipalities: in 1981-82, Alberta municipalities will receive unconditional grants totalling $78.9 million, a $6.5 million increase over last year.

The municipal debenture interest rebate program will provide additional benefits of $43 million in subsidized interest costs on eligible municipal borrowing, an increase which will more than double last year's benefits. As recently announced by the Minister of Municipal Affairs, the program will be continued at a rate of 11 per cent on eligible borrowing. The program will shield costs by about 3 per cent, given present market interest rates, thus saving property tax payers in Alberta millions of dollars over the years ahead.

Provincial support to municipalities for policing costs is increased by over $5 million compared to the 1980-81 level of $22.5 million. A further $31.5 million has been budgeted to purchase the services of the RCM P.

Successful crime prevention programs like neighbourhood watch, operation identification, and block parent will continue. Funding this year for the court system will be over $34 million, an increase of $8.5 million including 100 new positions. The increases reflect the growing demands being placed on the courts.

The Alberta Gaming Commission will be in full operation this year. With the provision of $457,000 and seven positions, volunteer, charitable, and religious organizations will be assisted by the equitable regulation of games of chance for fund raising.

As for our recreation and culture plans, funding for the operation of provincial parks will increase by over 24 per cent to $28.4 million in 1981-82, to reflect higher patronage and new services and facilities resulting from recent capital development activities. Per capita assistance grants for the operation of local cultural and recreation facilities will triple.

Such popular Alberta Culture programs as library services and performing arts will receive increased funding. Work on the exciting Canadian encyclopaedia project continues, and museum expansion moves ahead.

Albertans continue to benefit from natural gas price protection. Following a comprehensive review last year, the Alberta natural gas price protection plan was amended effective October 1, 1980. The new rebate plan reduces the price of natural gas for Alberta consumers to 65 per cent of the Alberta border price on a maximum annual consumption of 1 billion cubic feet per consumer. The plan was also enriched with the introduction of the remote area heating allowance. Consumers can now apply for rebates on propane and fuel oil used for home heating in areas where natural gas is not available. Under the new, expanded plan, rebates are financed directly through a separate regulated fund.

Agriculture and agribusiness: in 1981, Albertans are realizing more than ever that our productive lands are a valuable renewable resource. As hardworking, productive businessmen, our farmers are among the most efficient in North America.

Loans to beginning farmers will be the most active area of lending by the Agricultural Development Corporation this year, with almost $ 100 million expected to be loaned to young people starting an agricultural career.

Investments to upgrade grain handling and transportation will continue. Financing for the Prince Rupert grain terminal is expected to move ahead. The three inland grain terminals financed by the province will be upgraded and will play a major role in a more efficient delivery system.

Numerous irrigation and drainage programs will continue to assist farmers in many parts of the province. Progressive policies assist farmers and ranchers involved in livestock production. A new program to assist farmers in acidic soil regions of the province will commence.

Grant assistance to international missions and livestock shows will increase by 32 per cent. Support for agricultural service boards will go up by $400,000 to a total of $3.5 million in 1981-82.

The Alberta economy continues to expand through diversification. Building on our agricultural, forestry, petrochemical, coal, energy, and other strengths, the government acts as a catalyst to overcome our economic disadvantages and encourage the development of more dimensions to our economy:

- Processing and manufacturing industries are stimulated through heritage fund support to the Alberta Opportunity Company.

- The Alberta Research Council continues its Canadian leadership and is a focus for the brainpower industries developing here.

- Another tract of unharvested forest land may be offered for responsible development this year.

- A $2 million increase in the trade and development programs will expand export markets for agricultural products, engineering services, and manufacturing.

- Support for our important tourism industry will increase.

- In co-operation with the private sector, a new entity to provide business assistance for native corporations has been established. The business incentive tax system, brought home to Alberta as of January 1, 1981, will be used to expand opportunities for smaller Alberta businesses.

- Consumer and corporate services will expand to meet the needs of our growing diversification.

Mr. Speaker, this government's capital budget will provide lasting projects for all Albertans. Because of Alberta's rapid growth in recent years and prospects for continued growth in the future, the province's capital budget has increased fourfold since 1977-78.

Hospitals, roads, schools, universities, and other public works have been built to provide top-quality services to Albertans and to facilitate the province's economic boom.

The government has employed the capital budget successfully to take advantage of lulls between major private sector projects, expediting public-sector projects so that demands for skilled labor, engineering expertise, and materials complement rather than conflict with the needs of the private sector.

The 1981-82 capital budget provides for total expenditure of $1.6 billion, an increase of more than 48 per cent over last year's estimates or 18.6 per cent over the revised plan. Allowing for those capital estimates which have little direct economic impact - for example, utility corridor land purchases - the 1981-82 budget translates into an increase of roughly 20 per cent over the revised plan for last year. This year's capital budget will have a stimulative effect and a stabilizing influence on the provincial economy for 1981. It will help to offset the adverse economic impact of the Ottawa energy proposals.

Alberta's health care facilities continue to improve. A capital construction program of nearly $1.5 billion to build new hospitals and expand and renovate existing hospitals is under way. In 1981-82, $177.3 million has been budgeted, an increase of 40 per cent over last year's program.

Construction of new hospitals and major renovations are currently under way in 23 communities, including Grande Prairie, High River, Innisfail, and Medicine Hat. Construction will start this year in 29 centres, including Drayton Valley, Barrhead, Lac La Biche, Ponoka, and Lacombe. Planning will continue for another 31 projects, including new facilities in Bonnyville, Leduc, Cold Lake, and St. Albert. Planning and design continues for two major projects in Calgary and another two major projects in Edmonton.

In the housing area, the Alberta Home Mortgage Corporation will continue to finance significant numbers of new housing starts in 1981-82. Under the Alberta family home purchase program, 8,000 homes will be built. Another 6,000 units will be financed under the core housing incentive program. The Alberta Housing Corporation will also construct 4,000 units, including 2,600 for senior citizens and more than 1,100 for low-income families. Together, these two Crown corporations will be involved in roughly one-half of the total housing starts expected in the province this year.

Through the revolving trunk servicing program, $50 million will be committed to developers and municipalities this year to help keep down the cost of land for residential housing. The land banking and development budget for the Alberta Housing Corporation has nearly tripled to $120 million for 1981-82 compared to expenditure last year, thus assisting in providing lower land costs for future Alberta home-owners.

The government's spending on capital projects at universities, colleges, and technical institutions will increase by over 41 per cent to exceed $148 million this year. The total commitment to postsecondary education projects is in excess of $250 million.

Funds will be provided for a major capital facility at the University of Alberta. A new program of student housing at the University of Calgary will commence. Phase two of the capital building program at the University of Lethbridge will be completed, and a new theatre will be built at Red Deer College. The decentralization of trade and technology institutes will require $41 million this year for the construction of new facilities.

The 1980s advanced education endowment fund sets aside $80 million for grants to match private contributions over the next 10 years. The University of Calgary is the first major beneficiary of this program. In response to an $8 million commitment from the Ralph Scurfield family and Nu-West Group Limited, the government will provide $8 million in matching funds, enabling the university to construct a building to house its faculty of management.

School construction, renovation, and expansion throughout Alberta will continue at high levels this year. The provincially supported portion of the capital construction will exceed $100 million. The Alberta Municipal Financing Corporation will provide the financing for the construction program.

Alberta Environment will provide $75 million this year for the very successful municipal water supply and sewage treatment assistance program. The original $22 million budget last year was supplemented by more than $46 million during 1980-81. The government's commitment to the northern supplementary fund will be expanded by $3.5 million for water and sewer programs. Funding to encourage local governments to implement lasting solutions to water management problems, including control of flooding, erosion, and drainage, will be more than doubled to $6 million. The province will raise its contribution toward the cost of these efforts from 50 per cent to 75 per cent.

This year will be the peak construction year for the $113 million Dickson dam southwest of Red Deer. Expenditure will be over $54 million in 1981-82. The dam is expected to be completed in time to regulate the 1983 spring run-off.

Under the solid waste management program, $2.7 million will be provided in grants to municipalities an increase of more than 50 per cent. A new phosphorus removal program, to make our rivers cleaner, is established this year with a budget of $5 million.

To better meet the needs of all Albertans, the transportation budget is increased by 33.7 per cent over last year's comparable estimates, to over $750 million.

This year a major thrust in the transportation field will be the improvement of primary highways in the province. The 1981-82 budget is increased by 36 per cent, or over $50 million, to $191.3 million.

The pavement rehabilitation program, which protects our investment in roads, will be increased by close to $13 million in 1981-82 to bring the total funding level to $34.8 million, a 58 per cent increase over last year.

The resource roads program will be increased by nearly 60 per cent to $35.9 million next year. This additional expenditure recognizes the demand placed on rural roads by resource development.

The budget contains $144 million to improve rural and local highways, an increase of over $44 million or 44.5 per cent over the comparable estimates of last year. I have already referred to the special $30 million program to employ small, local contractors in the construction of rural and local highways. This program will specifically help to alleviate the adverse impact of the Ottawa energy proposals on small contractors who normally work on well sites and other aspects of oil and natural gas development.

In 1981-82 the original six-year, $0.75 billion urban transportation financial assistance program will provide over $155 million in operating and capital support to Alberta's growing cities, an increase of 26 per cent over last year. With built-in annual increments and adjustments in funding every two years, the program is increased substantially this year. The level of support for the coming fiscal year is equal to about 81 per cent of the primary highway construction budget of the province. Over the life of this unique program, Calgary and Edmonton will receive a total of approximately $580 million. With this initiative, Alberta leads the nation in terms of per capita support for urban transportation.

Reviewing resource management, to protect our valuable forest resources an additional $4.8 million has been allotted to ensure greater success in suppressing forest fires at the initial stage

The range improvement program will be more than doubled to $3.6 million in 1981-82, for improvement projects on Crown lands used for agriculture.

The government will continue its support of programs to increase production from our vast reserves of oil sands and heavy oil and from conventional fields using enhanced recovery schemes. The government's commitment of nearly $320 million over the next five years, through the Alberta Oil Sands Technology and Research Authority, is being matched by contributions from industry.

Highlighting our culture and recreation plans, the $60 million Calgary centre for the performing arts, a joint project with the city of Calgary and its citizens, will get under way this year.

Work on the unique Ukrainian Cultural Heritage Village, near Elk Island Park, will continue.

The dinosaur research institute will be located in Midland's provincial park near Drumheller. The $25 million project, which will include a major museum displaying remains of dinosaurs and other prehistoric animals, will be constructed over the next three years, and will enhance the tourist and economic viability of the Drumheller area.

Development of a major new provincial park in the Whitney-Ross-Laurier lakes area, near Elk Point, will commence in 1981. Further development of the very popular Cypress Hills Provincial Park, 'near Elkwater, will continue this year. Construction of the parks workshop at Rimbey will begin this summer. Planning for new provincial parks near Drayton Valley and Edson will commence, and work at Cold Lake Provincial Park will be accelerated.

Estimates of expenditure for this year's public works construction program will total more than $252 million, an increase of almost 23 per cent over last year's comparable estimates.

Under the Alberta Alcoholism and Drug Abuse Commission, a new recreation centre in Bonnyville will be built, as well as a lodge and training school near St. Albert, a detoxification centre in Edmonton, and upgraded facilities at Claresholm.

A modern, consolidated facility for the Alberta Research Council will move ahead.

Two historic sites in the Crowsnest area will be developed. A major oil sands tourist centre in Fort McMurray will be started.

New courthouses are planned for Drumheller, St. Paul, Sherwood Park, Vegreville, Lacombe, and Wetaskiwin. A $60 million new facility will be constructed to replace the Fort Saskatchewan Correctional Institution. Planning has started for a new remand centre in Calgary. Construction of a new $6.3 million medical examiner's facility for Calgary, to provide toxicology and related services to southern Alberta, will get under way this year.

I now wish to outline our revenue and taxation position, Mr. Speaker. With the large but short-term non-renewable resource revenue available today, Albertans enjoy the lowest overall provincial tax rates in Canada. The personal income tax rate in Alberta is 38.5 per cent of federal basic tax, compared to 44 per cent in British Columbia and Ontario and 51 per cent in Saskatchewan. While Alberta has no sales tax, the retail sales tax ranges from 5 per cent to II per cent in other provinces. Alberta property taxes are, on average, among the lowest in Canada. Natural gas costs for home heating are probably the lowest in North America.

One of the government's key fiscal policies has been to set aside, through the Heritage Savings Trust Fund, a portion of resource revenue so that future taxpayers are not saddled with unfairly heavy taxation. Even with this allocation, today Albertans pay directly by taxation only one-half the cost of provincial services.

Particularly over the last few years, demands and expectations for provincial services have increased dramatically. This budget reflects that demand. The growth in the cost of expanded services is beginning to outstrip the growth in revenue needed to finance them. Thus we are approaching a very important decision point. Do we increase taxes? Do we reduce our savings for the future? Or do we lower our demands for expanded services?

Last month the Minister of Energy and Natural Resources announced that the exploratory drilling and geophysical incentive programs for petroleum explorers would likely be extended, with increased credits to mitigate the effects of inflation since the program was last reviewed. These highly successful programs reflect the government's policy of maintaining a favorable investment climate for the private sector and encouraging exploration and development of Alberta's resources.

As already announced by the Minister of Hospitals and Medical Care, health care premiums will be increased 9.8 per cent effective July 1, 1981. The new rates will be $9.50 per month for single persons and $19 for families. Subsidized premiums for those with moderate income will be increased commensurately. All senior citizens and low income Albertans will continue to be exempt from premiums.

The modestly higher premiums reflect the government's long-standing view that Albertans should pay directly a portion of the cost of the medicare program. The premiums will cover only 28 per cent of the cost of the program this year, compared to close to 50 per cent 10 years ago. Premiums provide a direct and visible indication to taxpayers of the cost of the health care system, thereby controlling the demands put on public services.

The transition to a self-administered corporate income tax system is proceeding smoothly. Many corporations began to work with the province in January 1981. The remainder will make the transition as they begin their 1982 taxation year.

The government continues to assess a variety of tax incentive measures. The report of the caucus committee on business tax and tax incentives will reflect suggestions put forward by the Alberta business community. Decisions on tax incentives will be made selectively, especially in the current fiscal climate. Our objective is to target incentives to those economic sectors where true gains can be made to provide, in part, a tax base for the future.

Albertans are aware of their personal stake in our non-renewable resource revenue picture, Mr. Speaker. Alberta's revenues will be affected significantly by the Ottawa energy proposals which purport to

- fix prices for oil and natural gas at less than one-half their fair value.

- inflict an export tax on natural gas, a wellhead tax on domestic gas, and a federal royalty on both oil and gas. Each of these taxes represents an infringement on the resource ownership rights of Albertans. The export tax on Crown-owned production has been held by a unanimous decision of the Alberta Court of Appeal to be beyond the powers of the federal government.

- move towards nationalization of the petroleum industry at a time when there are other viable ways of increasing Canadian ownership.

- shift exploration activity to federal lands at the expense of activity on provincial lands. These moves, Mr. Speaker, will be very negative to the Alberta revenue picture in the future.

Alberta will further reduce conventional crude oil production in the face of the unilateral federal move to set unfair wellhead prices. The reduction underlines provincial ownership jurisdiction to control the rate of production and ensures retention of a portion of a rapidly depleting resource in the ground for the future benefit of Albertans. Foregone royalty revenues are not lost to Albertans; they are simply postponed, and when the withheld oil is eventually produced it will command the higher price. The production reduction will have no measurable effect on the number of jobs in the industry in Alberta.

The 1980 conventional crude oil production declined by almost 8 per cent, primarily because of declining reserves and productive capacity coupled with relatively weak demand in eastern Canada. With the phased-in reduction in light and medium crude oil production, conventional production is expected to decline by a further 12.5 per cent in 1981.

Crude oil royalty revenue for this year is projected to be $1.8 billion, 7.5 per cent below revenue last year. The decline is largely due to the phased-in reduction in production, which will result in deferred royalties of $475 million for the year, revenue which will be recouped in the future when the oil is subsequently sold at higher prices.

Provincial royalties on conventional crude oil will be short-lived; productive capacity from existing reserves by the end of this decade will be cut by 65 per cent, compared to the 1980 production level.

Natural gas production declined by 7 per cent last year, due mainly to sharply reduced export demand resulting from buyer resistance to increased prices established by the federal government, the availability of substitute products in the United States, and a weak United States economy. Last year's natural gas exports authorized by the National Energy Board were not reached. Only 669 billion cubic feet of the about I trillion cubic feet authorized by the National Energy Board were sold in the United States last year. Domestic Canadian gas consumption volumes for 1980-81, predicted at just over 1.7 trillion cubic feet, were slightly lower at 1.6 trillion cubic feet. Reduced export volumes resulted in a significant drop in natural gas revenues in 1980-81.

Provincial royalties on natural gas and by-products will generate $2.2 compared to last year. This growth results largely from higher production levels, because under the Ottawa proposals, the domestic price of natural gas at the wellhead is effectively frozen for 1981.

Proceeds from the sale of Crown petroleum leases for 1981-82 are anticipated to be little more than half of receipts last year. This dramatic reduction reflects the downturn in exploration activity which will result from the punitive taxation of the petroleum industry and the discouragement of activity on provincial lands under the Ottawa energy proposals.

After the 30 per cent deduction this year for the heritage fund, non-renewable resource revenue is expected to decline by 4.4 per cent compared to last year, yielding $3.1 billion in 1981-82. That amount represents slightly less than one-half of total budgetary revenue.

As for other budgetary revenue, growth in net personal income tax revenue is expected to be 17 per cent for 1981-82. Net corporate income tax revenue, on the other hand, is expected to decline slightly from last year's level, in part because of the cost of the new Alberta rental investment tax credit for multiple unit housing projects by the private sector.

Remittances from the Alberta Liquor Control Board are expected to be lower this year, due to the construction of a major new warehouse and office facility financed by the retention of part of the board's profits.

The establishment of the new Pension Fund for provincially administered pension plans has two implications for Alberta's budgetary revenue. Firstly, the transfer of $1.1 billion in assets to partially fund the plans will reduce interest income. Second, under the new pension financing arrangement, employee contributions to the plans will no longer be included as part of the province's budgetary revenue.

Our overall revenue outlook is therefore not as optimistic as in past years. Significantly, total budgetary revenue this year will be lower than it was in 1980-81. So, contrary to federal claims, the Ottawa energy proposals do have a significant impact on Alberta's non-renewable resource revenue. The impact is not confined to this fiscal year. Over the next few years, budgetary revenue is expected to grow by less than 10 per cent a year.

Even when the new Pension Fund and the oil production reduction are taken into account, and the figures adjusted, budgetary revenue this year would increase less than 10 per cent. That revenue increase is less than the predicted rate of inflation and less than half the 22.5 per cent increase in estimated total government expenditure for this fiscal year.

I turn now, Mr. Speaker, to the 1981-82 financial plan. For this fiscal year, I estimate a budgetary deficit of $336 million, the first planned budgetary deficit since 1976-77, not counting the two years just past in which special, one-time financial management initiatives led to budgetary deficits. This year's deficit compares to a $1 billion budgetary surplus in 1979-80 and a forecast surplus of $682 million for 1980-81 before extraordinary expenditures. As with last year's forecast $747 million budgetary deficit after all expenditure items, this year's deficit will be covered by the shrinking accumulated surplus. To cover just the deficits of 1980-81 and '81-82, those surplus reserves will drop by 40 per cent.

This sudden reversal in our budgetary position results from significantly lower growth in budgetary revenue, coupled with a continuous high demand for expanded provincial services. Budgetary revenue for this year is expected to be less than revenue last year, and only 12 per cent higher than income in 1979-80. In real terms, there has been a significant drop in the level of revenue available to finance provincial services. While that revenue has been sliding, demands for new and improved programs and for higher salaries and wages have continued to grow. The government is concerned that expectations are' running too high, based on false perceptions that Alberta's financial resources are unlimited. This 1981-82 financial plan that I present tonight makes it clear that the province has a reduced capacity to meet requests for funding.

I estimate that the Alberta Heritage Savings Trust Fund will increase in value by $2.3 billion during 1981-82. About 60 per cent of the increase will come from the transfer of non-renewable resource revenue and the remainder from income on the fund's investments. Under these projections, total assests of the heritage fund would be about $10.9 billion at March 31, 1982. To many Albertans, that will probably sound like a large amount of money. But with revenues declining, and with two budgetary deficits in a row and another deficit expected this year, the clear need for a transition, savings trust fund is even more apparent.

Suggestions for financing from the heritage fund for this year are far in excess of the resources available. In the housing field alone, the capital budgets of the Alberta Home Mortgage Corporation and the Alberta Housing Corporation will take up nearly half the new money going to the heritage fund and available for investment. Another one-quarter is planned to be used to finance the capital requirements of municipal governments through the Alberta Municipal Financing Corporation. The government will have to be increasingly selective in the allocation of the limited heritage fund resources among the competing investment opportunities.

Sound financial and economic management is fundamentally important to every family, to every community, and to every government. Tonight I have underlined the very different budgetary position which Alberta faces for the year ahead. It is time for Albertans to lower expectations and reflect upon the reality of the provincial revenue and budgetary position. The economic and financial prospects and options over the next several years are being carefully assessed. We will continue to pursue measured and responsible budgetary and fiscal policies for the benefit of all Albertans.

To sum up, Mr. Speaker, this budget assists in stabilizing the Alberta economy for continued solid growth in the years ahead and maintains a climate for enterprise, risk taking, and individual initiative.

As well it involves a slight decrease in budgetary revenue for 1981-82, with an estimated 22.5 per cent increase in total expenditure.

It provides new initiatives and expansion to existing programs for all Albertans - particularly the handicapped, children, and those in need - through quality services in health care, housing, social welfare, and education. Over 1,400 new positions and more than $3.4 billion in total operating funding are proposed for these programs.

It increases minimum benefits to senior citizen homeowners by 50 per cent, from $400 to $600, and makes available the benefits of three program initiatives to eligible widows and widowers aged 60 to 64. The budget boosts expenditure on construction, maintenance, and rehabilitation of highways and roads by 38 per cent over last year's comparable estimates. Additionally, a 26 per cent increase in urban transportation assistance will have $155 million going to Alberta cities in '81-82.

The budget supports agriculture as our top priority renewable resource through the programs of three departments and the heritage fund by providing incentives for beginning farmers, lower farm input costs, improved grain handling and transportation, and support for agribusiness and processing. The budget reinforces financing policies which provide over 20,000 shelter units, or over $1 billion of affordable new homes, apartments, lodges, and other housing for Albertans and maintains a home building performance record unprecedented in Canada.

It includes a 25.4 per cent increase in grants, to $922 million for active and auxiliary hospitals and nursing homes, and a 40 per cent increase in capital expansion funding for 60 communities in 1981-82.

It proposes the investment of a total of more than $1.6 billion in capital projects to provide needed services and facilities for Albertans, to benefit the Alberta economy and to sustain job creation momentum.

And this budget stresses, again, prudent financial management and a responsible Heritage Savings Trust Fund to help economic diversification and carry Alberta taxpayers through the transition years in the future.

Although our steady growth pattern of the '70s has been partly slowed, the resilient, stabilized, and increasingly diversified Alberta economy can weather the storm, and we will move ahead to new opportunities balanced with realistic expectations in the '80s.