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| Alberta | 20e | 1re | Discours du budget | 24 mars 1983 | M. Louis D. Hyndman | Trésorier provincial | PC |

**Mr. Hyndman**: Mr. Speaker, this is a resurgence budget of cautious confidence, based on a step-by-step economic recovery leading to durable growth for Alberta in the '80s.

It sustains the Alberta economic resurgence plan and supplements that initiative by assisting our private sector to market oil, natural gas, grains, red meats, forest products, and manufactured goods in Canada and throughout the world.

This budget stresses a prudent, responsible approach to public-sector financing with a dramatic reduction in the rate of growth of government costs so that we can continue to respond to Alberta's longer term needs.

It maintains high-quality health, education, social, recreational, and cultural services with no increases in personal or corporate taxes and no gasoline tax. Even with a restraint approach, there are no cutbacks in the support for these services.

The budget reinforces the increasing number of positive economic signals emerging in the United States, other parts of Canada, and Alberta.

It supports job training and retraining, especially to assist young Albertans to upgrade their abilities and skills in preparation for a return to the work force.

Although the start of the economic recovery in Alberta has been delayed, and although the worrisome unemployment trend may continue, with reasonable stability in world energy prices there is justification for balanced optimism and realistic confidence.

After a decade of unprecedented economic growth and prosperity, 1982 was a disappointing year for many Albertans. Last year's budget speech warned that Alberta would not be immune to the national and international economic downturn. Our citizens now know that this province is not an economic island; we are a trading province that relies on healthy Canadian and world markets for prosperity. Decisions made outside our country affect Albertans more than any other Canadians. The current instability in world oil markets is clear evidence of this fact.

To protect Albertans from the full force of the global economic downturn, we introduced last March a stimulative budget containing a dramatic increase in capital construction spending and no tax increases.

Further leadership, one month later, saw the introduction of the Alberta economic resurgence plan with the oil and gas activity program. Then, in early September 1982, the Alberta Heritage Savings Trust Fund interest reduction programs were introduced to assist Alberta homeowners, small business men, and farmers. In this way, over the past year, the Alberta government has put in place a workable economic recovery plan that has helped Albertans to cope and has set the stage for sustained recovery. The economic resurgence plan is unique in Canada.

Budgetary expenditure has risen dramatically over the last five years as the government responded to the demands of a fast-growing population for improved services at a time of significant surplus revenue. But budgetary revenue has not kept pace with expenditure. The global recession has reduced the demand for oil and natural gas, and energy prices are softening. The result is an imbalance between budgetary revenue and budgetary expenditure, which has led to a record budgetary deficit in 1982-83, the drawing down of accumulated surpluses, and the need to borrow for the first time in 10 years.

The uncertainty surrounding the world energy scene is troubling. It has made budget planning and forecasting very difficult. Alberta's economy and finances are vulnerable to a fall in world energy prices. Significant economic diversification has occurred in Alberta since 1972. Much of it has been energy related. Realistically, this will continue. However, even in the long term, tax revenue from diversification will not entirely replace provincial resource revenue.

A key thrust of the 1983 budget is expenditure restraint by government - a hold-the-line approach. Expenditure must be brought more in line with revenue, or we will all face the prospect of much higher taxes in future. Government cannot be out of step with the economic realities being faced by individual households and small businesses forced to curtail their expenditures. This adjustment must start now; it is not fiscally responsible to pay for day-to-day needs out of savings or borrowings.

Government spending restraint in 1983 will be tempered by our ongoing commitment to continue to provide among the best public services in Canada and to care about those Albertans who require special assistance.

The beginning of economic recovery is difficult to pinpoint. There are signs that the Alberta economy is on the mend, although a number of weak areas remain.

Many enterprises are now lean, trim, and ready to take on new marketing and productivity challenges in Alberta and the world. The recovery will depend to a significant degree on the extent to which there is confidence in the energy industry and a rejuvenation of consumer demand.

If interest rates continue at lower levels and if the energy situation stabilizes, we can look ahead with measured optimism.

In almost every part of the world there was economic decline in 1982. Slower growth resulted in lost jobs and increased unemployment. Declining sales of consumer good and commodities meant reduced cash flow, lower profits, and the resulting deferral or outright cancellation of investment plans for expansion of plant and equipment. This world economic downturn sharply curtailed the demand for such basic Alberta products as oil, natural gas, grains, red meats, petrochemicals, and forest products.

If in 1981 any Albertans doubted that their economy was dependent on American and world trends, they realized with a jolt in 1982 that jobs, wages, profits, and economic prospects here were directly affected by a sluggish United States economy and by virtually no growth in most of the rest of the world.

As 1982 progressed, the timing of the economic recovery was pushed back. The much-awaited American recovery of late 1982 did not materialize. Now, however, there are positive signs. U.S. interest rates have fallen. Inflation has returned to more acceptable levels. Stock markets have hit record levels, mirroring a new and growing confidence.

Economic recovery in the United States and the developed world is essential for a sustained recovery in Canada. The key to a recovery in the United States is the release of pent-up consumer demand, and there are signs that consumer demand is strengthening. However, there is continuing concern about the size of the American budgetary deficit, which could push up interest rates and delay recovery.

Leading indicators point to a United States upturn in 1983, with real growth there of about 3 per cent and with most of that growth occurring during the second half of the year. This is a lower growth rate than in other post-war recoveries but, for sustained economic growth in the '80s, a measured pace of recovery should result in a more stable economic scene.

The world economic recession had an even more serious impact on Canada. The Ottawa energy program had been inflicted on the country prior to the international economic downturn. It seriously weakened Canada's crucial energy industry and made foreign, job-creating investment capital unwelcome here.

Last year Canadian economic performance was the worst of the seven largest western industrialized countries. Real gross national expenditure declined by 4.8 per cent. By the end of 1982, Canada's economic activity had fallen for six consecutive quarters, the worst performance since quarterly data were first collected in 1947.

The heaviest and most visible toll of the recession was on jobs. The national unemployment rate averaged 11 per cent in 1982 and had reached 12.8 per cent by year end.

Although both interest rates and inflation dropped significantly during 1982, Ottawa's artificial propping up of the Canadian dollar kept Canadian interest rates higher than necessary.

Low demand caused a fall in business activity. Combined with high interest rates, this led to a sharp drop in corporate profits. Real private business investment declined by 11.5 per cent during the year.

The June 1982 federal budget reversed some of the harmful anti-investment measures proposed in November 1981. This encouraging sign needs to be reinforced in a new federal budget that stresses confidence, stability, and reassurance for risk-takers, consumers, investors, and businessmen.

Alberta has played a lead role in promoting coherent national economic policies. At the August 1982 annual premiers' conference, Alberta released recommendations in a document entitled The Road to Recovery: Restoring Investor Confidence. The policy recommendations in that document are still timely. They focused on: restoring investor confidence through tax incentives, returning stability and predictability to federal fiscal and monetary policies, easing the restrictions on foreign investment, increasing federal/provincial co-operation, restraining operating expenditure by all governments, and streamlining regulatory processes.

In 1982 Alberta was hit simultaneously by the full aftershock of the Ottawa energy program, record high interest rates, a Canadian and world recession, falling energy demand, and softening oil prices.

Albertans now realize that our economy was flying artificially high in recent years. There was excessive growth in some areas. Credit was very easy to obtain. A few may have felt that Alberta had somehow become insulated from world business cycles.

The Alberta government anticipated the slowdown in early 1982. It was apparent that our outward-looking economy could not escape the grip of the worldwide recession. A unique plan was formulated to assist Albertans and to respond to the economic problem. It included: major capital spending to help retain many jobs, particularly in construction; royalty reductions to stimulate more job activity in the oil and gas sector; protection for home-owners from high interest rates, to encourage consumer spending and retail trade and to sustain jobs in the service sector; shielding of small businesses from high interest rates, again to help sustain jobs; and interest expense reductions for farmers to help offset the fall in net farm income.

In the March 1982 budget, capital spending was increased by more than 30 per cent to over $2 billion, and there were no tax increases. The Alberta economic resurgence plan was put into effect in April 1982, with the knowledge that the deficit could rise to over $2 billion in the 1982-83 fiscal year. A key component is the Alberta oil and gas activity program, targeted to increase the industry's cash flow by approximately $5.4 billion over five years. It includes royalty reductions for conventional crude oil and natural gas, the 19!\2 well servicing and drilling incentive grant, and a substantial enrichment of the royalty tax credit primarily for small producers. Almost one-half of the total benefit flows to the industry in 1982 and 1983.

These measures, Mr. Speaker, set the framework for sustained jobs in the oil and gas sector, which is vital to Alberta's economic health. Already there are positive signs of recovery, with increases in industry cash flow. Virtually the entire province has a direct or indirect stake in employment in the energy sector.

Also as part of the first phase of the economic resurgence plan, the farm fuel distribution allowance was more than doubled to help protect farmers from our high fuel prices, a major farm input cost. To assist our primary agricultural producers, their natural gas rebates were doubled. Noting problems being faced by the trucking industry, licence fees were reduced by 50 per cent for 1982-83.

Over the summer of 1982, the provincial economy and federal monetary policy were closely monitored. In early September, when home-owners were facing mortgage rates of 17.5 per cent and higher, and with businessmen and farmers having to borrow at similarly high interest rates, the heritage fund mortgage interest reduction program and the small business and farm interest shielding program were announced. Both programs run for 24 months. They provide stability and certainty, and help to stabilize consumer confidence and assist retail trade. The programs reduce the interest expense paid by our farm operators and help to sustain small businesses through these difficult times.

Last fall, with the prospect of a difficult winter facing small Alberta contractors, the government implemented the special highway winter works program. With attendance rising dramatically at our postsecondary institutions, due to the economic downturn, we provided special additional enrolment funding.

No other government has undertaken such a major economic program, either in size or scope, to assist its citizens to fight the economic downturn.

Overall, the level of economic activity in Alberta was down in 1982 over 1981. The real gross domestic product decreased by 3 per cent to 4 per cent. Some decline was probably inevitable because the extraordinary growth of 1979 and 1980 could not be sustained. However, the downturn was compounded by the coinciding of misguided federal policies on energy and investment, weak markets for Alberta's exports, and high interest rates.

Real private-sector investment, which has in the past represented over a third of Alberta's overall economic activity, was down by about 9 per cent in 1982.

Early last fall, most economic forecasts held out the promise of imminent recovery in North America. Alberta's economy was expected to be the strongest of any province in 1983. The government's assessment of the economy in September 1982 noted the unemployment stresses arising out of the years of high in-migration, over-building in certain sectors and. on the positive side. a start to recovery in the oil and gas industry.

Three energy-related events came to a head in the past few months and have delayed Alberta's economic recovery: the world and United States demand for energy, especially oil, declined sharply; the inability in January of OPEC to reach agreement on production quotas and prices set in motion a downward trend in world oil prices; and low-priced residual fuel oil in the United States captured a significant portion of Alberta's industrial market for natural gas. These developments have adversely affected our basic oil and gas industry. Economic recovery has been delayed. The forecast for Alberta is for modest real growth in 1983.

In 1983 a priority will be to continue economic policies that assist the private sector in achieving economic recovery while recognizing that a return to the surging growth of 1979 and 1980 is neither likely nor particularly desirable if a durable recovery is to be achieved. The focus will be on developing a sustainable, positive economic climate. Confidence by consumers, investors, and businessmen is the vital ingredient to recovery.

During most of the last decade, Alberta enjoyed the lowest rate of unemployment of any province despite very large in-migration from other provinces and other countries. Many observers consider a 3 to 4 per cent unemployment rate as virtually full employment. That was certainly the view of many Alberta businessmen who experienced great difficulty in finding tradesmen and skilled personnel over the past few years.

In-migration to this province accelerated in the late '70s in response to an incredible average increase in employment of over 5 per cent per year, more than double the Canadian average. Policy planners in Alberta became concerned about the proportion of newcomers working in sectors such as construction, which were not likely to be sustained as the inevitable cooling-off and adjustment period occurred. It was just unrealistic to believe that a small province like Alberta could continue to provide the major growth outlet for most of Canada's expanding labor force.

Therefore, there is bound to be a large overhang of unemployment for some time as certain sectors adjust to the new realities. Only private-sector economic recovery, primarily in areas such as oil and gas, will significantly reduce this unemployment carry-over. In any event, there will be a time period during which Alberta must absorb the effects of overbuilt and overheated economic sectors.

Within our financial limitations, the Alberta government will be helping to minimize the problem in a variety of ways: funding for more enrolment at postsecondary institutions, a large capital construction program. the priority employment program. the summer temporary employment program, the highway winter works program. and joint Alberta/federal job-creating programs. The key to jobs, though, will be private-sector activity supported by current provincial government incentives to improve cash fl0w and marketing support in the conventional oil and gas industry.

Alberta will continue to lead the nation with more jobs in proportion to the total working age population than any other province.

Inflation as measured by the Calgary and Edmonton consumer price indices was 11.4 per cent in 1982, down from 12.9 per cent in 1981. During the last six months of 1982, the combined Calgary and Edmonton consumer price indices grew at an annual rate of only 4.1 per cent. The indices actually declined in January 1983 over December 1982, a good sign for rebuilding confidence.

The government has little influence over inflation in the short term, except in relation to public-sector wages and salaries. Recent arbitration awards are a matter of serious concern, given today's economic realities. Alberta's wage and salary guidelines for 1983 will help to inject reality into this aspect of the public sector. Current trends in private-sector wage settlements are encouraging.

Oil and gas drilling activity in 1982 returned to the levels experienced in 1977 and 1978. The start of the $5.4 billion oil and gas activity program in 1982 was a positive development. It offers ongoing improvements to producer netbacks and cash flows. In 1983 Alberta's energy sector is well placed to pursue a more normal path of development. Having reduced its debt, the industry is in a better position to take advantage of further activity as markets improve.

The volume of natural gas production in 1982 increased by 3 per cent to 2.35 trillion cubic feet, primarily a result of the flow of gas through the new prebuilt section of the Alaska pipeline.

Largely as a result of price increases under the energy agreement, the total value of natural gas production increased by 18 per cent to $6.5 billion. Shut-in gas reserves remain a problem to producers and a challenge to our marketing skills. Realistically, total production of natural gas is expected to remain stable in 1983.

Production of conventional crude oil decreased in 1982 by about 4 per cent. But due to price increases under the energy agreement, the value of conventional crude oil production increased by 26 per cent to $8.4 billion. Shut-in oil averaged 71,000 barrels per day in 1982 and remains a major area of concern. The National Energy Board decision to allow light and medium oil exports is a step in the right direction, but more action is needed to solve the shut-in oil problem. Conventional crude oil production is forecast to remain stable in 1983.

Despite the temporary oversupply, oil today is being consumed faster than it is being discovered. In a world where energy demand will inevitably grow and where supplies are inevitably depleting, the medium-term future is promising. Given unstable Middle East sources, Canada remains a promising future source of oil supply. Energy will always be in demand; Alberta has it in abundance.

Coal production in 1982 was up 6.5 per cent over the previous year, with the total production value holding steady at about one-third of a billion dollars.

Although forest product industries in the province operated at below capacity levels in 1982, the total value of this important industry's production is estimated at approximately half a billion dollars in 1982. About 60 per cent of the value is accounted for by pulp mills, 30 per cent by sawmills, and 10 per cent by plywood mills. Recent events have improved significantly the prospects for Alberta's forest products industries.

In recent years about 20 per cent of Canada's new housing has been built in Alberta. It is unrealistic to expect that this pace can continue in an adjustment year. About 20.000 to 25,000 housing starts are expected in 1983. Remarkably, with only 9 per cent of Canada's population, this figure will still represent about 15 per cent of the national total. Given the current high vacancy rates, the stock of unsold new units, and the expected reduction in the rate of population growth, Albertans should have a healthy supply of housing this year.

Commercial construction continued unabated in 1982, mainly due to a carry-over of private-sector projects initiated in 1981. There is now excess commercial space, which must be absorbed prior to significant new activity.

As noted, government construction spending was up dramatically last year. The total value of all public and private construction and engineering activity reached $13.4 billion in Alberta in 1982.

The current pace of industrial construction activity will continue through 1983. Petrochemical projects and refineries worth an estimated $3.2 billion are under construction now, the highest level of activity ever. Natural gas processing plants valued at $489 million are currently under construction. Utilities construction in 1983 should add a further $2 billion in new plant and equipment

Agriculture continues to be a strong base sector. Sales of Alberta's agricultural products outside the province have an annual export value of $3.5 billion. They are marketed in more than 60 countries.

While farm cash receipts totalled a healthy $3.85 billion in 1982, rising expenses led to softening in net farm income to about $760 million for the year.

The situation for livestock producers improved during 1982, partly due to the Alberta beef cattle and sheep support program. Cattle slaughters increased slightly and were accompanied by higher average prices. Hog prices were sharply higher. As a result, cash receipts from cattle, calves, and hogs improved. Cash receipts from dairy products also rose significantly. Overall, cash receipts from livestock and livestock products were 8 per cent higher in 1982.

Cash receipts from crops receded somewhat from 1981 record levels but were still much higher than the levels of the late '70s. A real problem for our farmers is the large surplus of grain supplies in United States bins.

Manufacturing and processing shipments, after two years of very strong growth of about 20 per cent per year, declined in 1982 but remained over the $12 billion mark. On average over the last five years, Alberta significantly outperformed Canada as a whole in terms of growth in manufacturing shipments. Agricultural processing accounts for slightly over one-quarter of Alberta's manufacturing industry. Long-term progress partly depends on the satisfactory resolution of the Crow rate issue in a way that strengthens prospects for Alberta products.

Progress on economic diversification continues, and recent activity in high technology is a promising new development.

In 1982, gross tourism revenue increased by 6 per cent over the previous year. It is expected to increase further in the year ahead.

The transition from an overheated economy to one of more measured, sustained growth involves new budget realities for Albertans.

Over the last five years, Alberta's population grew by 21.5 per cent, nearly four times faster than the national population increase. This brought demands for more and better services and facilities of all kinds. A massive hospital construction program was initiated. To meet the need for more affordable shelter, the heritage fund provided over $3.1 billion in housing assistance. Property tax payers were aided through the unique $1 billion municipal debt reduction program. Three hundred and twenty-nine million dollars of hospital debt was retired. To reduce bottlenecks and provide the foundation for continued growth, the fastest growing capital spending program in Canada was initiated in Alberta. Capital construction rose from about $400 million in '77-78 to over $2 billion in 1982-83, a fivefold increase. As a result of these pressures, budgetary expenditure rose at an average annual rate of 23 per cent over the last five years.

On the other hand, ordinary budgetary revenue over the same five-year period grew by only 8 per cent per year. Unlike expenditure, revenue depends primarily on external factors beyond our control. Alberta's non-renewable resource revenue was seriously affected by the ill-conceived Ottawa energy program and by weak demand for oil and natural gas as a result of the world recession.

Roughly one-half of revenue is directly tied to the production and sale of our non-renewable resources. As was so graphically evidenced in 1982, market conditions largely beyond our control can cause unpredictable changes in our revenue. While we are closer to receiving fair market value for our resources, our revenue situation is more volatile than ever before. Fiscal planning and forecasting is therefore more difficult.

In the 1976 Budget Address, the hon. Mervin Leitch made the following comment regarding Alberta's dependence on non-renewable resource revenue:

Alberta's current prosperity, its high level of government services, and its low tax rates all stem from the large sums of revenue flowing from the sale of non-renewable resources. These resources are finite, and we must plan and prepare for the day when revenue from the sale of non-renewable resources will form a smaller percentage of provincial government revenues.

That message and the actions taken since 1976 accurately anticipated the problems which Alberta would face in the future. In last year's budget speech, I noted:

Future revenues depend heavily on international oil prices and the United States market, both of which are factors beyond our control.

One of the other major reasons why revenue has not kept pace with expenditure is because there have been no increases in personal or corporate income taxes or consumption taxes and because Alberta does not have a gasoline tax or sales tax.

The updated financial plan for 1982-83 for the province, released last month, presented clearly the impact of the new budgetary realities facing Alberta. From a surplus of $41 million in '81-82, a deficit of over $2 billion is forecast for '82-83.

Why is the 1982-83 budgetary deficit so large? First, we implemented a highly stimulative job-retention budget last spring. Then we initiated the Alberta economic resurgence plan, which involves over $1 billion in expenditure and revenue reduction programs in 1982-83, not including the major royalty reductions. In addition, oil and gas revenue was lower than expected as a result of continuing shut-in oil problems and soft demand caused by the global recession.

A new financing strategy was devised. Investment income earned by the heritage fund will be transferred to the General Revenue Fund effective September 1, 1982, for 24 months. The transfer of $860 million in estimated investment income between September I, 1982, and March 31 of this year reduces the forecast 1982-83 deficit to about $2.4 billion.

As a result, the heritage fund will grow by the reduced amount of approximately $1.9 billion in 1982-83. This amount is not available to reduce the projected $2.4 billion deficit because it will all be committed to the fund's capital projects and to the Crown corporations that provide financing for agriculture, small business, and shelter programs. In fact, in the near future, external borrowing may well be needed to meet the capital needs of these Crown corporations. The heritage fund is tied up in mortgages; it is committed to loans for years ahead until repayments by home-owners and other borrowers become available in significant amounts.

Actions have already been taken to secure other capital funds for needed programs. Some money market securities and bonds were sold. A successful new Alberta treasury bill program was initiated. A revolving line of bank credit was established. In addition, the Alberta Municipal Financing Corporation went to the public market twice in recent months.

These are the new realities that have to be taken into account in preparing the 1983-84 budget. Adding to the complexity is the uncertainty of the world energy scene, which directly affects our principal revenue source. We are at a turning point in Alberta's financial planning, a turning point which will affect revenue and expenditure decisions for years to come.

The fiscal strategy for 1983-84 has four interrelated objectives: sound financial management; economic recovery; the maintenance of quality educational, health, and social services; and a reduction in the size of the public service.

Given the large budgetary deficit in '82-83 and the prospect of slower resource revenue growth in a changing energy world, a central objective of the 1983 budget is to safeguard the province's finances and thereby preserve Alberta's fiscal credibility.

To reach this goal, the growth of government expenditure will be restrained in 1983-84. As well, additional revenue will be raised through selective tax increases. Also, changes in heritage fund policy will be made to reduce the budgetary deficit and minimize borrowing requirements for budgetary purposes.

The central pillar of Alberta's financial management strategy is the Alberta Heritage Savings Trust Fund. It was set up in 1976 to smooth the transition from a situation in which government revenue was derived largely from depleting natural resources to one where services must be financed by more conventional revenue sources like taxation. Implicit in the design of the heritage fund was the notion that it would be available for a rainy day.

To increase the moneys available to the General Revenue Fund and thereby reduce Alberta's borrowing requirements for budgetary purposes in the Canadian and international capital markets, the investment earnings from the heritage fund assets, similar to the interest earned on a personal savings account, will be transferred to the General Revenue Fund over the period September, 1982, to August 31, 1984. Albertans understand that it would not be prudent to use savings to finance daily operating expenditure on a permanent basis.

Another policy change will see the previous 30 per cent annual transfer of non-renewable resource revenue to the heritage fund reduced to 15 per cent for the two fiscal years beginning April 1, 1983.

Albertans can be assured that their unique heritage fund will be maintained in concept and practice. It will simply grow at a slower rate. The fiscal prudence and foresight of establishing the Alberta Heritage Savings Trust Fund to assist Albertans in changing times is now clear.

The second fiscal strategy objective is to continue to promote economic resurgence and private-sector job stability and training. A key element of the strategy, the Alberta economic resurgence plan, will continue through 1983 into 1984 and is targeted to assist home-owners, small business men, farmers, truckers, students, retailers, and the job producing oil and gas sector at an estimated cost of nearly $850 million in 1983-84.

In 1983-84 the government will devote priority time and attention to the marketing of Alberta's agricultural and energy products in Canada and the world.

We will continue solid support for private-sector risk-takers, the driving force in the economy, by maintaining a consistent economic strategy and the most favorable tax environment in Canada.

Significant extra funds were provided recently to postsecondary institutions to reflect the increased enrolment of students not in the work force. The Alberta employment picture in 1983-84 will be assisted by the continuing high level of capital project activity contained in this budget and by other initiatives such as the priority employment program and the joint Alberta/federal new employment expansion and development program. But in the final analysis, it is private-sector investment and activity that will create and retain jobs in Alberta. Costly, one-shot government make-work projects provide only short-term and illusory assistance, unfairly raise expectations, and ignore the structural changes that must occur in this economy if we are to be competitive in the years ahead.

The third objective is to continue to maintain high-quality health, social, educational, and other facilities and services for all Albertans. At this time of budgetary restraint, further new initiatives or more enriched services cannot be justified. They would place an unacceptably high tax load on future Albertans.

The fourth objective of the 1983-84 fiscal strategy is to reduce the number of permanent, full-time public service positions. Manpower costs are a major expense of government. Over the years, Alberta has had a consistent policy of holding the growth in permanent, full-time public service positions to the rate of increase, on average, of the labor force. For 1983-84 the number of permanent, full-time positions will be reduced by 237, the first reduction in decades.

In keeping with today's budgetary realities, expenditure in 1983-84 will be kept to the minimum necessary to support the economic resurgence plan, essential ongoing operating programs, and the needed capital construction projects. This is a hold-the-line budget. There are very few new programs or enrichments, and those few have been approved only where offsetting reductions have been put into effect.

Total budgetary expenditure by government in 1983-84 will be held to less than $9.7 billion, a 7.5 per cent increase over the 1982-83 comparable estimate. This 7.5 per cent contrasts with an increase of nearly 35 per cent last year, relative to the previous fiscal year, and marks a very significant reduction in the rate of total expenditure growth by government.

The province's very large expenditure base grows significantly in dollar terms every year just to maintain current standards of health, education, social, and other services. In 1983-84 the increase in spending just to maintain these current programs is $678 million, about $286 for each and every Albertan. Over one-half of this amount is required to provide for the public-sector wage and salary increase component.

Even though the rate of budget increase is being limited, Albertans will continue to enjoy a wide range of programs of unparalleled quality. Alberta's expenditure per person is more than 30 per cent above the national average. It is doubtful, Mr. Speaker, whether that high a percentage above the national average can be maintained.

The total '83-84 operating budget for government departments will increase by 14.7 per cent over the '82-83 comparable estimate. This percentage is less than one-half the 31 per cent increase last year. Virtually all of this year's increase is necessary just to meet the current funding requirements of existing programs.

Wages and salaries represent about one-half of the provincial operating budget. Budgetary expenditure, therefore, depends critically on the size of wage increases for the public sector. As announced in January, the government expects that wage and salary increases for the public sector will be funded within an overall 5 per cent increase in basic grants for hospitals, schools, postsecondary institutions, and other funded agencies. Contracts and arbitration awards in place will be honored.

Public-sector wage restraint is fundamental to economic recovery and to responsible management of Alberta's finances. If public sector settlements are reasonable, then a hold-the-line budget will be possible without the need for a reduction in education, health, and social services.

Most of the economic resurgence plan will continue through 1983. To protect farmers from high energy input costs, the farm fuel distribution allowance was more than doubled to an estimated total cost of $75 million in '83-84. Natural gas rebates will be doubled under the new primary agricultural producers' natural gas price protection plan, which will run from January 1, 1982, to the end of 1984 at an estimated cost of $4.5 million a year. Truckers will benefit from the 25 per cent reduction in truck licence fees at a cost of $8 million in '83-84.

To date, about 120,000 Alberta householders have received cheques under the Alberta heritage fund mortgage interest reduction program, which reduces mortgage rates to 12.5 per cent for two years ending August 31, 1984. Almost $100 million has already been approved. In '83-84, $198 million is budgeted. Many Albertans tied into high rate mortgages will continue to benefit, and all home-owners can plan ahead with certainty and confidence. Recent initiatives will encourage the renegotiation of mortgages at today's lower interest rates.

The heritage fund small business and farm interest shielding program provides a stable 24-month borrowing benefit at a rate of 14.5 per cent. Over 32,000 applicants have received assistance under the program. Nearly $76 million is forecast to be spent in '82-83. Given lower interest rates, I estimate that the program will cost $31 million next year. Hundreds of small businesses have benefited, and the program has provided very real support for farm operators by reducing agricultural input costs.

To help postsecondary education institutions cope with the many extra students preparing for a return to the work place, an extra $10.4 million will be made available in '83-84. Recently $6.5 million in extra funds was provided to these institutions.

Alberta provides a comprehensive package of programs for senior citizens in recognition of their remarkable pioneering contribution. For the first time, a pension will be available to widows and widowers of limited means who are in the 55- to 64-year-old age group, many of whom have lost a wage-earning spouse. They will be eligible for the programs and benefits previously limited to those 65 years and over. Alberta is the only province to extend such major benefits to this special group in need.

To better protect senior citizens from rising shelter costs, the minimum property tax rebate benefit will be raised from $600 to $1,000 in '83-84, and the senior citizen renter grant will increase from $1,000 to $1,200 per year. The total program cost will be about $110 million, an increase of over 58 per cent.

The new seniors home improvement program will provide even more assistance than its predecessor, the popular pioneer repair program. Grants of up to $3.000 will be available. Approximately 51,000 senior citizens are expected to benefit at an estimated cost of $31 million in 1983-84.

Our pioneers will also be assisted with home fuel costs under the new senior citizen home heating grants program, which will provide grants of $100 for an estimated 75,000 Alberta senior citizen home-owners.

The budget for the Social Services and Community Health Department will be close to $1.2 billion in 198384. Department staff will be reduced by 154 permanent, full-time positions through attrition, cancellation of vacant positions, and other moves.

Funding for the child welfare program will increase to over $131 million. The unique extended health benefits program and the generous aids to daily living program will increase by over 21 per cent to almost $27 million in '83-84.

Due to the large increase in the numbers of unemployed becoming eligible for support, the social allowance program will increase by almost 70 per cent to over $472 million. Local health units will receive in excess of $81 million in 1983-84.

In recent years the government has given a very high priority to programs that bridged the affordability gap faced by home-owners and renters. Albertans receive unparalleled shelter assistance, have more shelter choices, and are, on average, better accommodated than virtually all other Canadians.

Direct subsidies to lower and middle income families under the Alberta family home purchase program will increase by over 43 per cent to $66 million in '83-84. Indirect subsidies to renters under the core housing incentive program are budgeted at $61 million, up almost 77 per cent. The heritage fund mortgage interest reduction program benefits thousands of home-owners. The enriched renter assistance tax credit, effective January 1, 1983, will provide annual benefits of about $85 million.

Albertans have access to a wide range of first-rate health care services. In '83-84 the operating budget for active care and auxiliary hospitals and nursing homes will reach a record $1.4 billion, an increase of almost one-quarter of a billion dollars over the 1982-83 comparable estimate. This includes more than $32 million for the operating cost of new and renovated hospitals.

Wage and salary settlements are a major component of escalating health care costs. To provide for the arbitration awards handed down in 1982 to nurses and other health care workers, supplementary funding of $72 million had to be provided. Almost one-half of the total increase in '83-84 health care operating costs is attributable to wage and salary increases.

Since 1973 the government has accepted responsibility for deficits incurred by hospital boards. This year over $19 million in supplementary funding was necessary to eliminate the '8] -82 hospital deficits. Added cost efficiency must be built into the system to protect provincial taxpayers. As announced recently by the Minister of Hospitals and Medical Care, the province has discontinued its policy of automatically covering hospital deficits. New revenue sources for hospital boards are being considered.

On a per capita basis, Alberta continues to be among the top contributors to basic and advanced education. The budget this year is almost $1.75 billion, up from $1.5 billion in 1982-83.

Given the high quality of basic and advanced education services currently being provided, the new budget realities, and the need for restraint, grants to school boards and all self-governing postsecondary institutions will be increased by 5 per cent in 1983-84. This will add more than $86 million to those systems this year. There are no cutbacks.

To focus on employment issues, the new Department of Manpower will receive a budget of almost $54 million in '83-84. This budget includes an initial appropriation of $13 million for special job retention, employment creation, training, and retraining programs including the new employment and expansion development program, the priority employment program, and the summer temporary employment program. The government's capital budget this year will provide as many man-days of work as did the record capital budget of 1982-83.

To maintain the quality and efficiency of our judicial system, more than $51 million will be spent on court services in 1983-84. Financial support for legal aid will increase by almost 53 per cent to over $10 million.

Municipal police assistance grants will amount to over $30 million in '83-84, an average increase of 5 per cent. Funding for services of the Royal Canadian Mounted Police under the federal/ provincial agreement will rise to almost $51 million.

Edmonton will be the proud host to the World University Games in July. The province will provide operating assistance totalling over $7 million. A $1 million operating grant will support preparations for the 1988 Winter Olympics to be held in Calgary.

Funding will be provided to maintain Alberta's uniquely creative cultural programs supporting the fine and performing arts, libraries, and historical preservation.

The Native Venture Capital Corporation has been launched. 1983-84 is the second year of a five-year development program to provide industrial, recreational, and water / sewer projects to eight Metis settlements at a cost of $1.4 million.

Residents in Alberta's municipalities enjoy among the lowest property taxes in Canada, due in large measure to special provincial funding and the continuing benefits of the $1 billion municipal debt reduction program of 197980. Unconditional assistance grants to municipalities will increase by 5 per cent in '83-84 to a total of $92 million.

The only-in-Alberta municipal debenture interest rebate program is forecast to increase by over 36 per cent to a record $118 million in '83-84. Municipal taxpayers benefit in a major way from the shielding of interest costs on the eligible debt of the cities, towns, villages, counties, and municipal districts in which they live. No other province provides this reduction in property taxes. The total provincial subsidy committed to assist our municipalities during the years ahead is about $1.4 billion.

Alberta's stable and efficient agriculture industry is an anchor of Alberta's economic and social life. Our twin goals are to sustain net farm income and to promote the family farm. The economic resurgence plan provides unmatched protection for farmers from high input costs and stabilizes interest rates for them to an extent unique in Canada.

The Department of Agriculture's budget for '83-84 will be over $191 million, an increase of more than 15 per cent over the '82-83 comparable estimate.

The operating grant for the Agricultural Development Corporation will increase by almost 12 per cent to more than $65 million. It provides attractive interest rebates which shield beginning farmers and other agricultural operators.

The feed freight assistance program will be extended to May 30, 1983, at a cost of $1.1 million. In '82-83, supplementary funding of $6 million was approved to assist drought-stricken livestock producers.

The beef promotional campaign will receive $1 million. The one-time beef cattle and sheep support program provided more than $137 million to the industry.

Funding of the high-risk subsidy provided to agricultural producers in northern Alberta who are part of the all-risk crop insurance program will increase nearly threefold to $5.5 million in '83-84. This enhancement complements the northern drought disaster crop assurance program, implemented in '82-83 through supplementary funding of more than $26 million.

In 1983-84 a further $10 million in temporary assistance will be available to Alberta canola crushers.

Alberta's successful economic strategy has been to build on our natural and human resource strengths and to provide a climate which will enable the private-sector economy to diversify in a balanced way. Although significant progress has been made over the past decade, the goal will take time. Realistically, much of the diversification has been and will be energy related. Economic diversification will not fully replace depleting resources as a source of government revenue.

In September 1982 the province announced its intention to establish a new venture capital corporation which would provide financing to entrepreneurs seeking to develop innovative or high-technology businesses. The newly created corporation, Vencap Equities Alberta Ltd., will aid job creation and further diversification of our economic base. To finance the corporation, $200 million will be invested by the Alberta Heritage Savings Trust Fund. To be operated at arm's length from the government, the corporation will also secure financing in the form of debentures and shares to be sold to the public.

The budget of the Economic Development Department will rise by more than $37 million to almost $95 million in '83-84. A large part of the increase involves Alberta's $65.5 million share of the ongoing construction costs of the Prince Rupert grain terminal facility, which will benefit Alberta grain farmers for decades to come. As part of the province's ongoing diversification effort, supplementary funding of $5.6 million was provided in '82-83 to finance special projects in the medical, pharmaceutical and energy sectors.

The Department of Tourism and Small Business will receive funding to continue assistance to our significant tourist industry, which is expected to generate about $1.5 billion in gross revenue this year. The Alberta Opportunity Company has helped to sustain businesses during these times, in addition to pursuing its traditionally successful role.

To assist further lumber and sawmill operators, $1 million is provided in Energy and Natural Resources' budget for the completion of the timber salvage incentive program.

Albertans pay the lowest energy prices in Canada. The natural gas price protection plan reduces the price of natural gas to 65 per cent of what other Canadians pay for our gas at the Alberta border. In '83-84 an estimated $164 million in rebates for citizens will be paid out under the plan.

The Alberta Electric Energy Marketing Agency, which started operations last fall, has a mandate to implement fair energy pricing across the province. Through the provision of annually diminishing grants, temporary shielding is provided to assist consumers. For 1983-84, provision is made for a maximum of $78.2 million in grants.

Over the past five years especially, Alberta has had record increases in capital construction for hospitals, roads, schools, and other needed facilities.

Albertans now have in place or under way most of the capital projects needed to provide quality services. Though the 1983-84 capital budget will decrease by II per cent over last year, lower costs and increased productivity mean that this year's $1.9 billion capital budget will produce at least the same man-years of work and activity as last year's capital budget.

Once again, Alberta will have one of the largest per capita capital construction programs in Canada, providing and retaining thousands of jobs. At approximately $19 billion, the '83-84 capital budget is more than double that of only four years ago.

Albertans have access to health care facilities that are second to none, and even further improvements are being made. Currently under way are hospital construction and renovation projects valued at over $2 billion. In '83-84 capital funding will reach a record level of close to $400 million, an increase of almost 24 per cent over last year's comparable estimate. This ongoing hospitals construction facility program, which includes new equipment, is unmatched in Canada.

The Heritage Savings Trust Fund will continue its major support of health programs in Alberta. One hundred and two million dollars will be provided in1983-84 for the construction and equipping of specialized hospitals in Edmonton and Calgary. A further $5.4 million will be committed to applied cancer research.

Capital spending on the province's transportation network reached record levels in 1982-83. Over 2,400 kilometres of primary and secondary highways were upgraded.

The capital budget for transportation for 1983-84 will exceed two-thirds of a billion dollars.

Ten million dollars will be provided for construction of the highway south from Grande Prairie. A further $10 million is budgeted for the economic stabilization program, and almost $45 million will fund the continued twinning of trans-Alberta highways nos. I and 16.

Capital spending for universities, colleges, and technical institutions will amount to over $151 million in '83-84 compared to almost $180 million in the last budget. All previously approved capital projects are continuing on schedule with close to $45 million provided to complete or continue major construction projects at the University of Alberta, Athabasca University, Lakeland College, and Mount Royal College. Planning will commence for a new central core at Lethbridge Community College, and upgrading will be carried out at Olds, Fairview, and Lakeland agricultural colleges.

Nearly $26 million of capital construction spending on cultural and recreational facilities is approved for 198384. Work on the Tyrrell museum in Drumheller, the Ukrainian village near Elk Island park, and the Buffalo Jump visitors' centre near Fort Macleod will be continued. Construction will begin on an oil sands interpretive centre in Fort McMurray. Capital construction relating to provincial parks will total nearly $9 million in '83-84. Five million dollars in planning support will be provided for the '88 Winter Olympics in Calgary.

To assist the city of Edmonton to finance the Edmonton Convention Centre, the province provided a capital grant of $20 million through supplementary funding in '82-83. The Citadel Theatre received $5 million for a children's theatre, to be financed as well by significant volunteer efforts.

Funding for the Alberta municipal water supply and sewage treatment grant program in 1983-84 will be $70 million. This program is reduced from last year and will be more modest in the years ahead. The regional utility program will receive a 25 per cent budget increase to $50 million in '83-84.

Alberta Government Telephones is expected to invest $315 million in capital construction in 1983.

In recent years, Alberta's overheated economy and the large in-migration contributed to an undersupply of affordable homes and apartments. Massive financing for the Alberta Home Mortgage Corporation and the Alberta Housing Corporation was provided by the heritage fund. By the end of the 1982-83 fiscal year, these corporations will have committed over $4.3 billion to homes, apartments, condominiums, duplexes, senior citizen housing, and nursing homes for Albertans. Given the adjustment in Alberta's economic growth, the current budget realities, and dropping in-migration, it is now appropriate that the government reduce its support and look to the private sector for a larger role, especially since interest rates have declined.

During 1983-84, about 8,200 units of accommodation will be financed, compared to over 11,000 in 1982-83. New housing commitments in '83-84 will require $645 million. A commitment of $270 million will enable construction of about 4,000 single-family homes under the family home purchase plan. Approximately 1,000 rental units will be financed under the core housing incentive program and the modest apartment program at a cost of $55 million. Approximately 2,100 new senior citizen self-contained and lodge units will be financed at a cost of approximately $126 million.

As a result of the reduction in the non-renewable resource revenue transfer to the heritage fund and the transfer of all its investment income to the General Revenue Fund, significantly less heritage fund support will be available in '83-84 than has been available in recent years to meet the financing requirements of our Crown corporations. Even with the application of all the heritage fund's new '83-84 growth dollars, the total capital needs of the capital projects division of the fund and of Crown corporations cannot be met from that source.

The Alberta Home Mortgage Corporation will require new financing of $400 million, and the Alberta Housing Corporation is expected to require $353 million. The farm and agribusiness loan programs of the Alberta Agricultural Development Corporation will require $224 million, and the Alberta Opportunity Company will borrow about $60 million. Continuing investments in the capital projects division will commit $405 million, and the proposed financing of the venture capital corporation involves $200 million. In addition, $75 million is needed for the Prince Rupert grain terminal.

Mr. Speaker, these requirements total over $1.7 billion. To the extent that they cannot be provided in total by the heritage fund, the province will be obliged to seek alternative sources of funds in order to continue to deliver these programs and to ensure other existing capital project commitments are met.

The Alberta Municipal Financing Corporation and Alberta Government Telephones, which had previously been financed by the heritage fund, will now be obliged to meet their requirements by borrowing from other sources as is the case in other provinces. The Alberta Municipal Financing Corporation's expected financing requirements of $775 million will be met through borrowing from the Canada Pension Plan and public markets. Commencing early in '83-84, Alberta Government Telephones' financing requirements, which total $280 million, will also be met by borrowing in the public market. This will be the financing strategy for these two corporations for the foreseeable future.

It is the intention of the government to reduce the capital requirements of all six of these Crown corporations over the next number of years.

In 1983-84 over $400 million of new financing to ongoing capital projects of the heritage fund will help provide jobs as well as bring lasting social and economic benefits to Albertans. Irrigation expansion, rehabilitation, and improvement will receive almost $125 million. Continuing work totalling $102 million will be undertaken on hospitals and specialized health centres. Close to $70 million will be invested in oil sands and enhanced oil recovery programs. Urban parks now under development in smaller cities and continued work at Kananaskis Country park will be supported by more than $50 million. Other projects include the new food processing development centre, reforestation activities, grazing reserve work, and land reclamation.

Given the new budget realities faced by Alberta, the unavoidable option of increasing tax revenue to reduce the size of the deficit was carefully weighed. There will be no increase in personal income taxes and no increase in corporate income taxes in 1983. There will continue to be no sales tax and no gasoline tax in Alberta. However, there are other areas where increased revenue must be secured.

Alberta's tax on tobacco products has not changed since 1969. After allowing for inflation, this tax has in fact fallen substantially. It has dropped significantly relative to tobacco tax rates in other provinces. In 1982 Alberta's tobacco tax rate was 20 per cent of that in British Columbia and Saskatchewan and only 17 per cent of the tax in Ontario and Quebec. Newfoundland's tobacco tax is 10 times higher than the Alberta rate.

Effective midnight tonight, the tax on cigarettes will be increased from .32 cents a cigarette to 1.48 cents a cigarette. The tax on other tobacco products will be increased similarly. This measure will raise an additional $97 million in 1983-84.

In February the Alberta Liquor Control Board announced increases in the prices of liquor, wine, and beer, which should boost revenue to the government by an estimated $35 million in 1983-84.

While health care costs have been rising dramatically, premiums have not increased since mid-1981. It has been this government's long-standing view that Albertans should pay directly a portion of the costs of their comprehensive hospital and health care insurance programs. The premium system increases our citizens' awareness of health costs and underscores the crucial need to reduce the rate of increase of these costs.

Accordingly, effective July 1, 1983, Alberta health care premiums will rise from $9.50 per month for single persons to $14 per month. The rate for families will rise from $19 per month to $28. All senior citizens and low-income Albertans will continue to be exempt from paying premiums. Even with this increase, Albertans will pay only about 33 per cent of the real cost of their medical care. This increase will generate an extra $58 million in 1983-84.

Albertans still enjoy, by a wide margin, the lowest tax rates in the country. Alberta's personal income tax rate of 38.5 per cent of basic federal tax is the lowest in Canada and contrasts to 44 per cent in British Columbia, 48 per cent in Ontario, and 51 per cent in Saskatchewan. Albertans pay no retail sales tax, while residents of other provinces face rates that range from 5 per cent to 12 per cent. Alberta is one of only two provinces that levies no gasoline tax. Most other Canadians pay gasoline taxes of 20 per cent or more of the price of fuel.

Based on these lower tax rates, a family of four with a $30,000 income in Alberta would pay only $1,800 in provincial taxes. A similar family unit in British Columbia would pay over $2,700, and an Ontario family would pay $3,300.

The reason that Albertans enjoy the lowest taxes in Canada is, of course, the revenue from depleting natural resources. Alberta's revenue structure stands out in very real contrast to that of other provinces. In Alberta about 50 per cent of total revenue is derived directly from non-renewable resources whereas in the other provinces, on average, less than 4per cent of their revenue is derived from non-renewable resources. Personal and corporate tax revenue accounts for about 22 per cent of Alberta's total revenue. In the other provinces personal, corporate, sales, and gasoline taxes account for an average of nearly 60 per cent of total revenue.

The message is unmistakable: Alberta's high quality of services is being financed largely from non-renewable resources, not from personal and business taxes. In the past this situation has fuelled public demands for more and even higher quality services.

We must recognize that there has been a major structural change in the world demand for oil over the past two years. The result will be a much lower oil price in the world market place over the next few years than previously forecast. This reality will have two consequences for Alberta's revenue: first, the rate of increase of revenue from oil will be much less than previous years; and second, increases in the price and volume of natural gas sales will be constrained in the near term.

Therefore the government and Alberta's citizens will be obliged to respond to these new circumstances with more realistic expectations as to the capacity of the provincial government to continue to provide high-cost services without major tax increases.

The sensitivity of Alberta's oil and gas revenue to global energy developments makes current revenue forecasting very difficult. Decisions by OPEC, the United States, and the federal government have a direct bearing on Alberta's resource revenue. We will continue to devote

priority efforts to convincing the federal government of the urgent need to resolve outstanding energy marketing problems and issues.

Given the state of flux in the world energy situation, resource revenue is likely to be highly unpredictable and erratic. This makes budget planning very difficult, since most expenditure programs grow more steadily; they cannot easily be turned off and on. Therefore we must now respond to a lower rate of economic growth and lower revenue with a lower rate of expenditure increase. This approach must continue for a number of years, because serious revenue shortfalls in the future would have to be made up by undesirably large tax increases.

In preparing the budget estimates of oil and gas revenue, we have assumed a Saudi market price of $29 U.S. per barrel. The price Alberta receives for oil discovered after January 1981 depends directly on world levels. Alberta's old oil is assumed to remain at its current price of $29.75 per barrel. Oil production in '83-84 should be at roughly the same level as over the past year. Based on these assumptions, conventional crude oil royalties are estimated at $2.55 billion in 1983-84, an increase of II per cent over the 1982-83 revised forecast.

Natural gas sales within Canada are expected to be up slightly over '82-83 levels. Domestic prices are, by agreement, to rise by 25 cents per thousand cubic feet in August and next February. Exports, however, are likely to be no higher than the level of the past 12 months, due to continued weak demand and stiff competition from other fuels and the United States gas producers. We estimate natural gas and by-products royalties at $2.24 billion, up 9.5 per cent over 1982-83.

Bonuses and sales of Crown leases have always been difficult to forecast and have shown wide swings from one year to the next. The estimate for 1983-84 is $400 million as compared to a forecast of $360 million this year. Petroleum incentives program payments, a deduction from resource revenue, are forecast at $500 million in1983-84.

Net non-renewable resource revenue flowing to the province in 1983-84, including the transfer to the heritage fund, is estimated at $4.8 billion. In '82-83 the comparable forecast was $4.4 billion.

World oil prices and markets may well continue to be volatile in 1983. Our revenue predictions may have to be revised.

Provincial net personal income tax revenue is estimated at $ I.5 billion in 1983-84. It is lower than the 1982-83 revised forecast because Alberta received in January about $ I 79 million in prior year adjustment payments from the federal government due to their underestimation of Alberta's share of the national tax base.

Corporate income tax revenue, net of most deductions, is forecast at $506 million in '83-84. The revised '82-83 forecast is $503 million. The royalty tax credit, primarily for smaller producers, is estimated at $657 million in '83-84 and will decline in following years.

Overall, total net taxes are projected to increase by 1.3 per cent in '83-84 to $1.7 billion.

Payments from the federal government are expected to be $964 million in 1983-84, up slightly from the '82-83 revised forecast. Our estimate assumes no change in the current federal/provincial system of financing health care and postsecondary education, although the federal government has threatened reductions if the provinces do not accept federal conditions in these provincial areas of jurisdiction. The provinces are already having a difficult enough time meeting rising costs. Reductions in health care and postsecondary education funding would make the problem worse. In these difficult economic times, governments should jointly pursue stability and co-operation.

In 1983-84, total ordinary budgetary revenue is estimated at $6.6 billion, an increase of 6 per cent over the revised '82-83 forecast.

The reduction in the allocation of non-renewable resource revenue to the heritage fund from 30 per cent to 15 per cent will add an estimated $743 million to budgetary revenue in '83-84. The use of a full year's heritage fund investment income to finance the economic resurgence plan will add a further $1.5 billion to budgetary revenue. In total, then, the two special changes to the heritage fund policy will raise budgetary revenue in '83-84 by $2.2 billion to an estimated total of $8.8 billion.

A budgetary deficit of $845 million is estimated in 1983-84. If it were not for the two special changes to heritage fund policy, the deficit would be $3.1 billion.

The financial plan set forth tonight will require borrowing in capital markets in '83-84. The capital requirements for the Alberta Municipal Financing Corporation and for Alberta Government Telephones will be met by market borrowing as is the practice in other provinces. This will be a continuing policy of the Alberta government. The borrowing program for the Municipal Financing Corporation was initiated in December '82 with a very successful $250 million debenture issue in the Canadian market. A subsequent $200 million issue was completed last month.

The heritage fund may not have sufficient funds to meet the total capital requirements of the Alberta Agricultural Development Corporation, the Alberta Home Mortgage Corporation, the Alberta Housing Corporation, and the Alberta Opportunity Company. To support the important programs offered through these corporations, some borrowing may be required. In future these four Crown corporations will be obliged to reduce the extent to which they use heritage fund financing.

Depending on market conditions, a portion of the overall requirements may be met by selling financial assets from the General Revenue Fund and from the heritage fund. The Canadian market is expected to be able to provide a large part of the financing requirements. But depending on the availability of funds and relative interest rates, part of the borrowing may be done in other markets.

Alberta's triple-A credit rating will allow us to borrow at interest rates among the lowest available to any government borrower in the world. However, this access to markets on very attractive terms relative to other borrowers is critically dependent on our ability to maintain Alberta's premium credit standing. In turn this means a continuing commitment to responsible financial management.

In the face of the significant budgetary deficit for '83-84, a reasonable question is: why did the government not cancel the resource revenue transfer to the heritage fund entirely, instead of just cutting it in half to 15 per cent? There are three main reasons:

- The new dollars going to the heritage fund are needed to finance both the capital projects division investments and the programs of some provincial Crown corporations. The existing dollars in the heritage fund are fully invested and committed.

In that connection, Mr. Speaker, I'd draw the attention of members specifically to the chart on the top of page [31] of the Budget Address. It shows, in a graphic and dramatic way, that the sources of moneys for the heritage fund this year will not cover the requirements for funds by the capital projects; for example, agriculture, Home Mortgage, Opportunity Company, and venture capital corporation commitments.

- Current high budgetary deficits are not expected to persist. It is therefore more appropriate to finance these deficits with shorter term borrowings rather than a permanent withholding of the transfer to the heritage fund.

- The 15 per cent transfer maintains the savings concept of the heritage fund, even in the current difficult economic times.

However, if there are unexpected changes to oil and gas revenue, the 15 per cent allocation may have to be reassessed.

The rate of government expenditure growth must be steadily reduced over a number of years to close the gap between revenue and expenditure. To delay this exercise in discipline would mean even more difficult decisions in the years ahead. If our non-renewable resource revenue forecasts change materially in the months ahead, this financial plan may be revised accordingly.

In summary, the budget highlights are: a major reduction to 7.5 per cent in the rate of growth of total budgetary expenditure, compared to nearly 35 per cent last year; a significant drop in the budgetary deficit from over $2 billion last year to $845 million in 1983-84; a reduction in the size of the public service; an increase in tobacco taxes and health care premiums; a $1.9 billion capital works budget creating as much job activity as last year's record public works budget; programs to sustain jobs and to reinforce confidence in the private sector; and no cutbacks in the dollar funding of people programs and services.

Mr. Speaker, in the adjustment year of 1983, this budget provides support for private-sector economic resurgence with a background of confidence, and with the knowledge that our underlying strength will enable Alberta to move steadily towards sustained economic growth in the '80s.