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| Alberta | 20e | 4e | Discours du budget | 10 avril 1986 | M. Louis D. Hyndman | Trésorier provincial | PC |

**Mr. Hyndman:** Mr. Speaker, this is the first budget initiative under the leadership of Premier Donald Getty. It also marks my eighth budget as Provincial Treasurer.

It reflects Alberta's deep strengths and bright future. It is a budget of reassurance and justified confidence to and through the '90s.

The temporary oil price uncertainties are a concern, but Albertans have shown they can tough it out through adversity.

By pulling together in partnership with a government that has a realistic game plan, Albertans know they can handle problems that are thrown their way and can look ahead to opportunity.

The circumstances that caused the 1982-83 downturn are not present now. Interest rates and inflation have fallen dramatically, the national energy program has been replaced by the Western Accord, and the Alberta energy incentives of June 1985 and April 1986 are in place. Lean and trim, our provincial economy is no longer built on unreasonable speculation. The Canadian economy is strong and growing.

Through these last eight years my objective has been to balance steady economic progress and increased standards of living with the goal of fiscal responsibility. This budget continues that balance.

Nineteen eighty-five was a banner year for Alberta economic performance. Our private-sector strengths powered the recovery to solid growth. We have the momentum to carry us forward. The fast recovery in our economy in 1985 showed just how quickly this province can rebound from temporary adversity. Alberta's economy is in fighting shape, and our entrepreneurs will capture new opportunities. Despite world oil price instability, Alberta is still one of the best places in the world for oil and gas development.

**Alberta's Economic Outlook — Confidence is Justified**

Last year was marked by a renewed spirit of confidence in the basic strength and future of Alberta's economy. The recovery continued to broaden. Alberta's overall economic performance was the best in years.

Restored investor confidence was clearly evident in our key oil and gas industry. The federal/provincial Western Accord, Alberta's June 1985 changes to the royalty and incentive system, and the agreement on natural gas markets and prices improved our oil and gas producers' cash flow. By reducing the industry's fiscal load and deregulating markets, these major policy changes significantly strengthened Alberta's oil and gas industry.

The new fiscal and regulatory environment has provided momentum and flexibility. This enables the industry to cope better with lower oil prices. It also creates a favourable environment in which to plan the development of new energy supplies for Canada.

The current national and international economic scene is a challenge for Alberta businesses. World oil prices are volatile, competition in natural gas markets is vigorous, and agricultural prices are uncertain.

Alberta's private sector is pulling together to meet these challenges.

Alberta is not an island. The performance of our economy depends on developments outside our borders.

Although the world's major industrialized market economies expanded in 1985, their overall growth was modest and uneven. The United States economy slowed its rate of expansion, reflecting the federal deficit, an overvalued currency, and a large trade deficit. Positive actions have been taken. Domestically, the American government is dealing with its budgetary deficit. Internationally, successful cooperative action has been taken by the five largest western economies to lower the value of the United States dollar and restore more balanced international trade flows. This international co-operation should help stave off protectionist sentiments in the United States.

The impact of these developments is potentially far-reaching for Alberta. To prosper, we can and must trade in foreign markets. Alberta industries would be strengthened by strong economic growth in North America and overseas. That will happen if there is international co-operation in the design of economic policies and a strong world commitment to freer trade.

Renewed federal/provincial co-operation in setting trade and economic strategies based on regional strengths and private-sector initiatives will boost investment and create jobs.

The Canadian economy performed well in 1985. Bolstered by a resurgence of consumer confidence and a much improved investment climate, real economic growth averaged 4.5 percent last year. With continued growth in the United States and most other industrialized countries and the strong commitment of our 11 governments to work co-operatively to achieve key national economic goals, the prospects are for further national economic expansion in 1986. Alberta will benefit from that expansion.

Canadian economic expansion will be led by consumer and investment expenditure this year. Employment growth and low inflation will further strengthen consumer demand. Investment activity will be sustained by the momentum of four years of national economic growth.

In its February budget the federal government made further progress in reducing its deficit. Restoring integrity to federal finances is essential to the maintenance and enhancement of Canada's long-term economic prospects. Further improvement in the federal government's budgetary situation is needed to sustain consumer and investor confidence and reduce interest rates. Because the Alberta economy is capital-intensive and our competitiveness is seriously impaired when we have interest rates higher than those of our main trading partners, lower and more stable interest rates must be a clear federal government priority.

For the first time in years, Mr. Speaker, a medium-term plan for Canadian economic renewal is taking shape. The start of negotiations for a free trade agreement with the United States is historic. Federal and provincial governments are working together to identify national goals and devise policies that set the stage for the private sector to achieve those objectives. The foundation is being laid for high levels of investor confidence.

The Alberta economy pushed ahead with renewed vitality in 1985. Albertans must not over-react to the swirl of speculation in world energy markets. By pulling together we can meet the challenges facing us in 1986.

In 1985 the Alberta economy expanded strongly. Despite the drought that depressed crop yields, our real gross domestic product increased by about 4 percent and virtually all sectors other than agriculture expanded. Total investment grew by 12 percent, with investment in the oil and gas sector increasing by an impressive 29 percent.

Over the last 12 months the number of Albertans with jobs increased by 56,000, and the unemployment rate dropped a full 1.8 percentage points.

Albertans know that they cannot be shielded from international developments. The recent turbulence in world oil markets is a concern, as are soft markets for our primary grains. But we must not over-react. Despite these worldwide developments we should all remember that Alberta's economy is basically strong and vibrant and will continue to expand. With the positive momentum gained in 1985. I expect the Alberta economy to register real growth this year.

Both exports and consumer expenditure should lead the economic expansion this year. Assuming favourable weather conditions, grain shipments should post a healthy increase when the harvest is marketed. Exports of natural gas and manufactured goods to the rest of Canada and the United States should also continue to improve. Higher employment and increased take-home pay should see high real consumer expenditure being sustained. Private investment, already at high levels, should remain stable in 1986.

We recognize that some Albertans are being hurt. Being out of work is a devastating experience. We, too, are concerned and will help wherever we can. We will provide support and work together with the private sector to assist in reducing the unemployment problem. Over 10,000 new jobs will be created this year.

Partly as a result of a stable wage and salary climate, inflation last year in Alberta was below the Canadian average for the third year in a row. It should average a low 3.5 percent in 1986.

Oil and gas are building blocks of the Alberta economy. The long-term world energy fundamentals favour Alberta and should be the focus for investment today to ensure Canadian energy self-reliance.

By deregulating oil prices and phasing out or eliminating five federal taxes, the Western Accord dismantled what was left of the national energy program. The result was substantially improved cash flow for oil producers.

Last June a major Alberta royalty reduction and incentive package was introduced to encourage our oil and gas industry further. It included a reduction in royalty rates on oil and gas production, royalty holiday programs for new oil and gas wells, and an increase in the Alberta royalty tax credit designed particularly to assist small producers. These measures ensure that the benefits of oil price deregulation flow to the industry.

Earlier this month a further enrichment of the royalty tax credit from 75 percent to 95 percent and a new $300 million temporary exploratory drilling assistance program were announced.

These Alberta initiatives improve producers' cash flow, encourage drilling activity and jobs, and reward those who invest in the future of Alberta's promising energy resources.

Over the past 12 weeks world oil prices have fallen. It is too early to predict prices in the months ahead, but these lower prices must be put into proper perspective:

— Major policy changes over the past year have significantly improved the industry's financial ability to withstand the impact of lower and volatile prices.

— United States gas markets will improve over the next few years, resulting in substantial rewards for the industry and Alberta's economy.

— Our economic growth is now more broadly based than it was before the 1982-83 downturn and is better able to cope with a softening in energy investment.

— And, most importantly, the medium and longer term prospects for energy prices are positive. Oil is a depleting resource. Alberta has it.

The future development prospects for our energy resources are unequalled given

— the basic strength of the industry,

— our favourable taxation and royalty regime, and

— our firm commitment to a policy environment which maintains rewards for successful investors.

These longer term fundamentals, Mr. Speaker, are unaffected by current short-term oil price weaknesses. The proposed Husky upgrader and Syncrude expansion projects are examples of oil investment decisions that should not be dependent on temporary price fluctuations. Investors have shown that they have confidence in Alberta's longer term future as an important source of secure oil and gas supplies. This government is firmly committed to working with investors in planning for major future energy investments.

A review of the energy industry's 1985 performance shows its strength and vitality. Development footage drilled rose a remarkable 36 percent; exploratory footage drilled rose 20 percent. A total of 7,623 conventional wells were drilled, a new all-time Alberta record.

Development of Alberta's huge oil sands deposits accelerated in 1985. Major in situ projects such as Esso Cold Lake, BP Wolf Lake, Dome Lindbergh, and Amoco Elk Point raised the production of bitumen to 43,000 barrels a day. New capacity should further increase production this year. Syncrude and Suncor pushed production of synthetic oil to 168,000 barrels a day, a 25 percent increase over 1984 levels. With a stable output of conventional oil, Alberta's total production of crude oil and equivalent should increase further this year.

Natural gas producers increased their sales volume by close to 10 percent last year despite strong competition in the United States and eastern Canadian markets. These volumes should rise again this year, although average prices could be lower than in 1985. The agreement on natural gas markets and prices is helping our producers to achieve further penetration in all markets, and Alberta gas producers are well positioned to reap substantial benefits when the current United States gas surplus is absorbed.

This government is committed to the long-term health of our energy industry. We will work with the industry to ensure that every potential option is considered.

This government stands foursquare behind its commitment to agriculture as a way of life and as a key Alberta industry. It is our primary renewable economic strength.

The family farm remains the historic foundation of our province. We are committed to the long-term health and strength of agriculture in Alberta.

There are two basic ways in which our government can assist: by providing a safety net to stabilize the industry and reduce risks and by lowering farm and ranch input costs. World prices and demand are factors beyond our control.

Last year the volume of grain production fell due to a very dry early season, grasshopper infestation, and heavy rains in much of the province during harvest. Poor weather also reduced the average quality and the value of the crop. These two years of very adverse weather conditions, coming after a period of hardship created by high interest rates and falling land prices, left many Alberta farmers in difficult circumstances.

The Alberta government has acted quickly to increase support to the agricultural community and to help our farmers. Major program initiatives were introduced, including funds to facilitate payment of crop insurance claims, enrichment of the Alberta farm fuel distribution allowance, the Alberta feed grain market adjustment program, and the Alberta supplemental livestock assistance program. Partly as a result of these initiatives and ongoing provincial and federal income stabilization programs, the decline in Alberta farm cash receipts was held to less than 3 percent last year.

Assuming a return to more favourable weather conditions this year, grain production should rebound by as much as 25 percent, but there are still longer term problems. Average wheat prices are expected to remain soft due to high world inventories and subsidization of production by most major producing countries. Oilseed prices are under pressure due to competition from soybean and tropical oils.

Livestock results were mixed last year. Receipts from the sale of cattle and calves rose more than 2 percent in 1985 but may soften this year due to herd liquidation. Long-term prospects of the livestock sector have been significantly improved by the creation of the national red meat stabilization program. Hog production increased by 12 percent, but lower prices caused total hog receipts to fall. Improvement is expected this year.

Mr. Speaker, Alberta is not a two-dimensional province. Our economic base is broadening year by year.

Most other sectors of the increasingly many-sided Alberta economy grew last year. Coal production was at record levels. Sulphur enjoyed an outstanding year. Lumber production exceeded one billion board feet for the third consecutive year. The real value of Alberta's manufacturing shipments grew by over 5 percent. The upgrading of our resources here in Alberta broadens our economy and creates jobs for Albertans.

This increased activity, coupled with the fact that many producers sold their goods in intensely competitive markets, is clear evidence of the growing strength of our industries and the quality of Alberta products. Our businesspeople have proven that they can meet challenges and prosper in the competitive world environment. Our citizens frequently overlook, Mr. Speaker, this surging growth and this momentum in the marketing of our products and services outside the province of Alberta.

Based on our fundamental resource strengths and the talent of our citizens, the future is bright for Alberta. We can be reassured in planning ahead for ourselves and our families.

Decisions taken in Ottawa, New York, Tokyo, or Geneva will continue to shape Alberta's economic prospects. I'm optimistic that national and international policy developments will lead to stable inflation levels and lower interest rates.

Deficit reductions in the United States and Ottawa will allow real interest rates to fall and inflation to remain in check. Co-operative international actions to achieve better fiscal and monetary policy co-ordination and more stable exchange rates will help to ensure sustained international economic performance.

Finally, the co-operative spirit in which the federal and provincial governments are working to set forth national economic goals should continue to build investor confidence. That confidence is the single most important ingredient of a strong and prosperous economy.

Our private sector emerged from the '82-83 downturn stronger and leaner than ever. Albertans have shown that they can take on the world and expand sales abroad through aggressive marketing. The Alberta government will continue to assist the private sector to penetrate international markets.

Compared to other provinces, in 1986 Alberta will be at or near the top in key performance indicators such as

— retail sales per person,

— family income after provincial taxes,

— the proportion of working-age population with jobs, and

— per capita construction expenditure.

Even with the temporary uncertainties in oil prices, Alberta's economy will continue to expand. Based on the momentum of the 1985 recovery and fundamental strengths of our economy, we can achieve stable, sustained growth through to the '90s.

**Fiscal Situation and Strategy — A Balanced Plan of Action**

Alberta's unique financial strength has been developed through the responsible management of public funds.

Like the basically sound economy I've just described, our provincial finances have been kept in shape through prudent financial management.

In 1982-83 we faced a budgetary deficit of over $2 billion. This was turned around to a budgetary surplus of $1 billion in 1984-85 through two initiatives:

— First and foremost, the helping hand of the heritage fund was there when we needed it. Beginning in late 1982 the income earned on the assets of the heritage fund was used to supplement budgetary revenue.

— Second, Mr. Speaker, we bit the bullet on government spending. This resulted in an actual drop in budgetary expenditure of $263 million in 1984-85 over the previous year. No other government in Canada has done that.

For 1985-86 I expect a budgetary deficit of $340 million and a combined general revenue and heritage fund surplus of $83 million. Our debt servicing costs will be the lowest by far of any government in Canada. We have been able to achieve this even though assistance to our agricultural sector increased massively and even though we started to phase down royalty rates and offer new energy incentives. While these actions were costly, they represent investments in our long-term strengths. They will pay dividends down the road.

Although we enter the new fiscal year facing uncertainty in world oil prices, we set out with an accumulated budgetary surplus of over $900 million and a unique heritage fund containing over $12 billion in income-producing assets.

Other oil-producing provinces and states were spending every dollar of oil income, but we saved through the Heritage Savings Trust Fund. Mr. Speaker, while others borrowed large sums in the anticipation of future oil price increases, we maintained a responsible live-within-your-means policy. The international investment community recognizes this financial strength. That is why they like to do business here. Jobs for Albertans are the result.

The fiscal game plan for 1986-87 stresses realism, compassion, and moderation.

The fiscal strategy for '86-87 is based on two fundamentals:

— The basics of the Alberta economy are strong, despite short-term problems in agriculture and oil price uncertainties.

— Secondly, our financial footings as a province are solid, although caution must be exercised.

After carefully weighing the situation, we propose a balanced fiscal action plan for 1986-87 which will do these things:

— assist our farmers and livestock producers.

— stimulate small business job creation and maintain the momentum of economic growth.

— reach out to Albertans who are less fortunate.

— continue our quality people programs and facilities,

— further streamline government, and

— maintain our success-oriented, low-tax environment.

Crucial to our ability to offer this fiscal strategy is the continued use of heritage fund investment income for day-to-day operating purposes. The heritage fund is our confidence-builder; it is our financial safety net. We will continue our commitment to the integrity of the fund by maintaining the 15 percent resource revenue transfer this year. We must always remember that this transfer increases the budgetary deficit when revenue is low.

**Expenditure Plan — Focus on People and Jobs**

Based on the fiscal strategy just described, our budgetary expenditure package for 1986-87 is moderate, balanced, and realistic.

This year's plan calls for a total budgetary expenditure of $10.7 billion, only 4.1 percent over the 1985-86 forecast or 5.9 percent over last year's comparable estimates. Applying Alberta's expected inflation rate, real expenditure growth is targeted at less than 1 percent.

Streamlining government remains an ongoing priority. Our goal — to manage better with less.

I stress that the increased expenditure will not result in increases in government bureaucracy. On the contrary, we are continuing to downsize the public service. In 1986-87 we will trim a further 311 permanent positions from the rolls. The past four years have seen a total reduction of almost 2,000 permanent positions. We will also continue the momentum of privatization.

The lion's share of this budget covers the operating costs of people programs that enrich the lives of all Albertans.

By far the largest proportion of our operating costs is composed of grants to hospital boards, school boards, post-secondary institutions, and municipalities. Over 40 percent of our operating expenditure goes to these major grant recipients, and about 80 cents of each grant dollar goes to pay wages and salaries such as those of nurses, teachers, professors, and municipal employees.

For 1986-87 we propose to increase these major basic grants by 4 percent, an increase which for the first time in four years surpasses the rate of inflation. Accordingly, these grant increases should reduce the pressure on municipalities, school boards, and hospital boards. All taxpayers will benefit.

Spending on agriculture is investing in a long-term strength. This government does more than any other for its farmers and livestock producers, and a key thrust of our expenditure plan is agriculture.

The importance of agriculture cannot be measured, Mr. Speaker, just in terms of bushels per acre or head of livestock. It is more than economists' figures can convey; it means people working the land. Agriculture is a way of life. It reflects a closeness to the earth.

Our commitment to agriculture is deep and lasting. This government, acting for all Albertans, has as a priority a strong and healthy agricultural industry.

To achieve this goal, we are taking action in two areas:

— firstly, income maintenance, by providing a strong safety net through stabilization programs and strengthened insurance initiatives, and

— secondly, input cost reductions for farming and ranching through less expensive fertilizer, energy, and credit.

Overall, our existing programs in these two areas are unmatched. Farmers know realistically that we have little control over world prices and demand for their products.

We will continue to expand our steadfast commitment to agriculture. Because drought had dealt a cruel blow to our agricultural community for a second straight year, beginning last August we responded with an extensive two-year action plan to provide special support for farmers and livestock producers:

— $162 million facilitated the payment of crop insurance claims.

— Crop insurance rules were eased to retain livestock feed in drought areas at a cost of $13 million.

— $29 million in provincial funding allowed crop insurance coverage to be restored to pre-drought levels; a further $35 million is provided in this budget.

— $25 million was allocated to the Alberta-Ottawa livestock drought assistance program, and a further $12 million is budgeted for this year.

— The supplementary livestock assistance program was implemented at a cost of $41 million, and a further $22 million is allocated for 1986-87.

— $3.5 million was paid to cover one-half the cost of insecticides to fight the drought-induced grasshopper outbreak.

— Emergency water supply programs received $11 million in financial support, including the new farm water grant program, which has a three-year budget of $16 million; and construction of the $58 million Forty Mile Coulee reservoir was accelerated.

Our agricultural sector has also been adversely affected by market instability and distortions. To assist producers, we responded:

— $47 million in additional funding was paid to neutralize the impact on feed grain pricing of Ottawa's decision on the Crow rate, with a 1986-87 budget for the feed grain market adjustment program of $86 million.

— $42 million was spent under the interim red meat insurance program, pending implementation of a national program, and this budget provides $20.5 million for participation in the national red meat stabilization program for 1986-87.

Input costs are a major concern of our agricultural sector. Again this government responded:

— The subsidy for purple gasoline was doubled retroactively starting January 1, 1985, through to March 31, 1987. The total program is estimated to provide benefits of $133 million annually.

— A program to reduce fertilizer costs was introduced at an estimated cost of $22 million in 1985-86, and this budget includes a further $24 million.

— The program to assist farmers who use natural gas in agricultural production has been extended through 1987 at an estimated cost in 1986-87 of $4 million.

An extra $3.6 million will be provided to the Agricultural Development Corporation in support of the farm development loan guarantee program.

The massive new Alberta farm credit stability program will provide $2 billion of long-term 20-year money at predictable 9 percent interest rates. Farmers and ranchers will be able to plan ahead with certainty as to the cost of credit.

Fixed 9 percent interest rates for two decades will provide newfound stability to family farms and will remove uncertainty by flattening out the risk of roller coaster interest rates. Existing farm debt can be restructured and consolidated, and new loans secured for up to $200,000 per farm family.

With this new stability in credit costs, our farmers and ranchers will clearly have the lowest overall input costs in North America.

Responsible fiscal planning has made this credit program possible. We have two unique strengths: the Alberta Heritage Savings Trust Fund and the highest provincial government credit rating in Canada. To help our farmers, these special strengths will be used now.

A separate budget document highlights this government's priority commitment to agriculture. Alberta ranks number one in Canada in terms of support for farmers and ranchers.

This year the total budget for agriculture is $567 million, up 77 percent from the comparable budget figures for '85-86 and double the amount of two years ago.

Jobs will result from government initiatives that broaden and strengthen Alberta's economy.

Our economic development strategy is clear: build on strengths to achieve the goals of sustained growth and a more broadly based economy.

Mr. Speaker, that strategy works. The June 1985 royalty reduction and incentive package built on our strengths in energy. The 1985 package and the more recent package of April 1, 1986, demonstrate a major long-term commitment to that key industry. These initiatives will assist the oil and gas industry in weathering the current market instability.

Alberta is a province of small businesses. They provide most of the jobs and by far the largest proportion of new jobs.

Wide-ranging support for jobs in small businesses is provided:

— The Alberta small business corporate tax rate is among the lowest in Canada.

— The five-year tax holiday for small businesses primarily involved in manufacturing and processing helps to broaden our economy and create jobs.

— The Alberta Opportunity Company has assisted thousands of small businesses.

— The Alberta small business equity program has made available $200 million for investment.

— The new Alberta stock savings plan will strengthen the smaller businesses and create jobs.

— Vencap is initiating positive employment spin-offs.

— The Economic Development department and its small business component provide one-stop shopping.

We will continue to respond to the needs of small business and to boost this provincewide, job-creating sector of the economy.

To sharpen the edge of our economic diversification efforts, three new departments were recently created: Tourism; Technology, Research and Telecommunications; and Forestry. They will provide leadership and act as catalysts to broaden the economy and stimulate even more private-sector jobs.

Alberta's beautiful and varied terrain and its man-made attractions make tourism a natural building block. Expo 86 in Vancouver and the 1988 Calgary Winter Olympics are springboards which will make Alberta even better known as an exciting tourist destination. The tourism promotion budget will receive a major increase for 1986-87. Funding will be provided to establish a tourism standards council. Over $15 million will be spent on new tourism development initiatives under a recently signed five-year agreement with Ottawa.

A new $4 million festival marketplace program will enhance the attractiveness of the downtown cores of Calgary and Edmonton.

Research and development and the commercialization of research efforts will be even more important to our economy in the future. Alberta is developing world-class strengths through the Alberta Heritage Foundation for Medical Research. We receive international recognition through the Alberta Oil Sands Technology and Research Authority. Nineteen eighty-six will see the completion of the $53 million Alberta Research Council building, which also houses the Electronics Test Centre. This year the council will receive $23 million in funding for research work. On a per-person basis Alberta spends almost three times as much on research as any other province.

Forestry is gaining recognition as an important strength, and the recent Forestry Futures paper plots an exciting course. World leadership in oriented strandboard technology is here. Hardwood technology holds promise. Our economy can be broadened with future initiatives led by a separate, high-profile forestry department. A five-year agreement worth $23 million has been signed with Ottawa to accelerate efforts in reforestation, marketing, and research on new manufacturing opportunities for Alberta's extensive stands of prime timber.

This budget also marks the beginning of a new forest industry development initiative which will provide $3.5 million in funding for trade promotion and product commercialization.

This government funds job creation and training programs which are second to none. Education is critical to obtaining a job. High levels of support are provided.

There are few frustrations greater than those faced by a person who wants to work and cannot find a job. A job contributes to a sense of self-worth and brings stability to family life. There is no substitute for meaningful employment.

In 1984 we launched the unique 30-month employment initiatives program, the major focus of which is youth employment. For 1986-87 we are budgeting $99 million for this special initiative. In addition, the budget of the Alberta vocational training program will be increased by 58 percent to $29 million to provide further retraining and skill upgrading for unemployed Albertans. In total this budget contains $178 million for job creation and employment training programs over the next 12 months.

The key to job creation is the private sector, not make-work projects or government quick fixes. Just as the private sector must adapt to the changing world economy, so too must our labour force. Today and especially in the future the right education is essential to securing jobs. Albertans will need to be well educated to compete in the rapidly changing and increasingly sophisticated world economy.

This government provides high-level support for education. The 4 percent basic grant increase exceeds inflation. For 1986-87 per-pupil grants to school boards will increase in total by $38 million to over four-fifths of a billion dollars. An extra $5 million will be provided to begin development of the important high school New Basics curriculum initiatives.

Our self-governing postsecondary education institutions will receive basic operating grants of $658 million. Five million dollars in funding will be provided for contemporary new courses and the operation of new facilities. Special enrollment funding for postsecondary institutions will reach $21 million in 1986-87, an increase of 13 percent.

To ensure that financial problems do not deter young Albertans from attending higher learning institutions, this government provides student financial assistance beyond compare anywhere in Canada. For 1986-87 $143 million is budgeted for student financial support, and $40 million in new student loans will be guaranteed.

Through our top-ranking support for education and training, we invest directly in our most important resource, people.

Albertans have access to top-quality health care services. Policies to reduce health costs are working. The provision of one of the finest health care systems in the world is another reflection of this government's commitment to people.

But that commitment is expensive. For 1986-87 this budget provides $2.3 billion to cover both the operation of our health care facilities and the services of health care professionals. Including capital expenditure, this amounts to about $1,100 for each Albertan.

The operating expenditure associated with our modern hospitals and nursing homes will total $1.7 billion in 1986-87. Over the last few years we've been working with trustees, hospital administrators, and citizens to reduce the rate of health cost increases. That hard-fought campaign is working.

After a two-year freeze in doctors' benefit schedules, this year the fee schedule is increased by 3.7 percent.

Again this year there are no increases in health care premiums. It marks the third budget without a premium increase. The total cost of medical services is $831 million; less than 25 percent is paid for by premiums. To meet the deficit of the Health Care Insurance Fund, over half a billion dollars in funding is provided from budgetary revenue.

Community health programs are an important part of Alberta's total health care assistance package. Local health units will receive a basic grant increase of 3 percent plus an additional $7.3 million for specific needs including home care. The overall budget for community health programs will be $214 million.

This government stands by those Albertans who are less fortunate by, providing the widest range of assistance programs in Canada.

We continue our comprehensive support to those Albertans who are disadvantaged and require special assistance.

Support for the assured income for the severely handicapped program will increase by 13 percent. Funding for the day care operating allowance and day care subsidy programs will increase by 14 percent. Funding for the family and community support services program will jump by 25 percent. The total budget for all social service programs will rise to $1.1 billion.

Nineteen eighty-six/eighty-seven will see the first full-year operation of the Alberta maintenance enforcement program at a budgeted cost of $3 million. An additional $1 million will be set aside for emergency shelters for women. Legal aid is targeted to receive a 14 percent increase. The new impaired drivers repeat offenders program will receive $2 million.

Uniquely, Alberta widows and widowers of limited means between the ages 55 and 64 are eligible for all senior citizen programs. In addition, we provide a pension to those widows and widowers who are in need, at an estimated cost of $16 million in 1986-87.

To assist in ensuring the availability of shelter at affordable rates this year, the government will provide $334 million in various forms of selected housing assistance to Albertans in need.

Older Albertans form an ever-increasing proportion of the population. They should be able to live with dignity. Unparalleled health, shelter, and income support benefits are provided.

We pledge to ensure that our elderly, who have contributed so much, are able to live with dignity. The programs offered by this government are without equal in Canada:

— premium-free health coverage and other health benefits,

— assured annual income,

— social allowances for the elderly,

— property tax rebates and renter assistance grants,

— self-contained and lodge accommodation,

— special home heating grants, and

— home improvement grants.

Every year the average age of Albertans goes up. We recognize this long-term trend and invite Albertans to be partners with us as they move toward retirement.

I'm pleased, Mr. Speaker, to confirm three enhanced initiatives to assist seniors:

— First, the job-creating seniors' home improvement program, scheduled to terminate this year, will now be extended to the end of 1989 with additional grants of $48 million.

— Second, the successful and cost-effective home care funding program will receive total funding of $33 million, an 18 percent increase.

— And nursing home quality improvements will total $18 million, an increase of 16 percent, and 600 new nursing home, auxiliary, and lodge spaces will be provided.

Overall, Mr. Speaker, this government will provide approximately $830 million in benefits to our senior citizens in 1986-87.

A partnership approach between the provincial and municipal governments will benefit all Albertans.

The Alberta government works in tandem with local governments to advance the province's economic and social development. We are elected to serve the same citizens. We want a partnership of joint action in such areas as transportation, social services, community health, libraries, parks, and policing.

In 1986-87 our unconditional grants to municipalities will increase by 4 percent to $102 million. Interest relief on municipal debt is budgeted at $120 million, the new seven- to nine-year, $500 million Alberta municipal partnership in local employment program is one of a kind in Canada. It will create jobs and reduce pressure on property tax payers. In total, over $768 million in provincial support will be provided this year to local governments and local service agencies for a wide variety of services.

We are conducting a priority review of our municipal funding policy. The goal — to make more of that funding unconditional.

Municipalities will also benefit from the new fines collection program. Outstanding fines from parking tickets and traffic offences will be automatically added to the bill payable by vehicle owners and drivers when they renew their vehicle registration or drivers' licences. An additional $4 million is expected to flow to municipalities from this initiative.

Our operating budget, Mr. Speaker, for people programs in 1986-87 is targeted at over $3,800 per Albertan.

To summarize, our spending on operating programs that directly assist the almost 2.5 million Albertans is budgeted at $9.1 billion for 1986-87. This represents a 6 percent increase over last year's revised forecast, or a 9 percent increase over the comparable estimates. It ensures that Albertans will continue to have available high-quality hospital and medical services and educational instruction at all levels. It also provides generous benefits for seniors and those in need.

The capital budget, combined with the additional building activity flowing from the heritage fund and Crown corporations, will generate thousands of jobs for Albertans.

This year our capital budget is targeted at $1.5 billion. Also, over $330 million will be provided for construction projects from a new capital fund. Additional capital funding of $205 million will flow from the heritage fund, and the capital construction activity of Crown corporations is expected to reach $740 million in 1986-87.

This overall level of capital activity, involving $2.8 billion, occurs at an appropriate time as construction costs remain reasonable. It will provide thousands of new and continuing jobs; the resulting incomes will strengthen the economy.

We provide cities and rural areas with state-of-the-art hospital facilities. Our education facilities are among the most modern anywhere.

For the last several years Alberta has financed its hospital and postsecondary education construction on a pay-as-you-go basis. This was an appropriate policy in times of surpluses.

Now, with our budgetary position less certain, it makes sense to return to the debenture financing system. Similar to home mortgage financing, it simply means that the cost of projects is spread over their useful lives. Most provincial governments use debenture financing, and we have always financed schools this way. The change will in no way affect the continuing efficient operation of our hospital boards or the boards of our self-governing educational institutions.

To implement this return to debenture financing, legislation will be introduced to create a capital fund.

Albertans enjoy the most modern and efficient hospitals in Canada. State-of-the-art facilities and quality hospital care are provided in cities and rural areas. Since our major hospital expansion program started, projects have been approved in 38 communities outside Edmonton and Calgary — another example of our commitment to quality of life for all Albertans. The total operating cost of all rural hospitals is only 21 percent of the total provincial hospital operating budget.

We have given the green light to the Northern Alberta Children's hospital. Funds will be provided in this year's budget for planning purposes.

For 1986-87 the province will provide $281 million for capital construction funding for health care. Approximately $83 million will be made available for the continuing construction of the two urban hospitals in Edmonton and Calgary. Rural hospitals will receive capital support in the amount of $93 million. To keep our hospital system up to date with technological advances, a further $28 million is provided for equipment.

Alberta's educational facilities are among the best in the world. This year our universities, colleges, and technical institutions will receive total provincial capital support of $52 million to fund the construction of 19 new and previously approved projects on 12 campuses throughout Alberta.

I'm pleased to confirm that $80 million will be made available over the next five years for a new and revised advanced education endowment fund. The new fund will continue our generous program of grants to match donations to our public postsecondary institutions.

For the basic grades 1 to 12 education system we are budgeting $154 million for capital debt retirement, and $10 million is planned to assist schools to purchase new equipment.

Alberta's exciting and high quality recreational and cultural facilities are a major attraction for Albertans and their visitors.

Ours is an activity province with much to offer Albertans and visitors alike. Our citizens enjoy a comprehensive and growing inventory of parks and other recreational facilities.

In its second year the streamlined community recreation/cultural grant program has a budget of $48 million.

Calgary will host the world for the exciting 1988 Winter Olympics. This much-prized winter sporting event will focus the attention of the world on Alberta. We will capture this once-in-a-lifetime opportunity to expand our tourism and our export potential. In this budget the province will provide $19 million in capital support as part of our total planned Olympic capital commitment of $128 million. Construction is on time and on budget.

The new Tyrrell dinosaur museum in Drumheller is a stunning success that brings Alberta's past to life for all, particularly our young people. This year $7.5 million is targeted for other historical sites and facilities.

This government has developed an efficient transportation system which links all parts of the province and spurs economic growth.

Our farm-based communities are supported by a well-maintained and comprehensive transportation network. That road system also spurs economic development, and enables Albertans and tourists to experience all areas of the province.

This year more than three-quarters of the Transportation department's nearly $680 million capital budget will go toward the construction and maintenance of highways. A program which will assist local jurisdictions in financing improvements to local resource roads is being introduced. Funding is also provided to begin widening the highway from Edmonton to Fort McMurray. Our progressive commitment to the twinning of highways 1 and 16 will be continued.

To assist our urban centres in coping with modern transportation challenges, $127 million in capital support is included in this budget. Total capital support from the province to Edmonton and Calgary over the past 10 years exceeds $820 million.

Alberta's communities have a better quality of life as a result of this government's support of utilities and public works.

Utilities, like transportation, are essential for economic and social development. In this budget $77 million in capital support is directed to water and sewer programs, which, since their inception in 1979, have assisted 370 communities through a total investment of $740 million.

The rural gas program will receive a budget of $21 million. Since its start in 1973, over 89,000 farms and other rural customers have been helped through grants totalling $277 million.

The expansion of the extended flat rate telephone program from 34 miles to 40 miles will provide new convenience to thousands of Albertans.

Mr. Speaker, this year our public works' budget will provide $195 million for a wide range of projects, more than two-thirds of which will be in smaller centres.

Heritage fund capital projects are investments in the future of the province.

To start a new tourism and recreation initiative and continue or complete other projects, heritage fund investments of $205 million will be recommended this year.

Over $100 million will enable work to continue on major irrigation projects, agricultural research, grazing reserves, and flood control. To date, close to half a billion dollars has been invested in these areas.

Jobs and tourism opportunities will result from the new four-year, $10 million municipal recreation/tourism areas program. This brand-new heritage fund initiative will see 100 recreation areas established over the life of the program.

With an estimated expenditure of close to $17 million, parks in Alberta's major centres and our unique provincial mountain park, Kananaskis Country, will be virtually completed this year.

Future-oriented oil sands and enhanced oil recovery research will receive $66 million from the heritage fund and the province's general revenue.

Support for health care, including cancer research in the world-class Walter C. Mackenzie Health Sciences Centre, is planned to exceed $38 million.

Funding will also continue for reforestation, land reclamation, and electronics research and testing. All of these heritage fund projects will provide new jobs and will retain existing jobs.

The activities of Alberta's major Crown corporations will help create jobs for Albertans.

Alberta's five major Crown corporations will make capital commitments totalling $911 million in 1986-87. This will result in direct capital construction activity of approximately $740 million in '86-87, creating and maintaining employment for Albertans.

The Alberta Mortgage and Housing Corporation will provide direct funding for the construction of 680 rental housing units, primarily for senior citizens and low- to middle-income Albertans. Under the family home purchase program, the corporation will commit $4.5 million to finance the construction of 75 new housing units for low- and moderate-income families.

An estimated $380 million in capital projects undertaken by cities, towns, school boards, and other local entities will be financed through the Alberta Municipal Financing Corporation. Because these loans will be provided at our comparatively attractive borrowing rate, local authorities and Alberta property tax payers will receive significant cost savings.

During 1986 Alberta Government Telephones will continue to expand and improve its telecommunication services to Albertans and will also maintain its world-class position by making a capital expenditure of $231 million.

This government is deeply concerned about the unemployment situation. We will continue to help our jobless citizens find meaningful, long-term work.

Our high level of support on the job-creation front is unparalleled.

In the fall of 1984 we launched the massive quarter of a billion dollar package of new and enriched employment and training initiatives. Nearly two dozen programs will receive a funding commitment of $178 million in 1986-87, and they range from the Alberta vocational training program to the summer temporary employment program to the career information services.

Our capital building program will maintain and create thousands of jobs for Albertans. The table outlines the capital activities supported by government departments, the heritage fund, and Crown corporations. During the period 1984 to 1987, capital expenditure tied directly to job creation will total over $7 billion.

This government also boosts employment through programs that strengthen our dynamic small business sector, which is the major employer in Alberta. These innovative programs include

— one of the lowest small business tax rates in Canada, including a five-year tax holiday for small manufacturing and processing businesses,

— the Alberta Opportunity Company, which provides alternative financing to small business,

— the Alberta small business equity corporations program, which stimulates reinvestment in Alberta of privately owned and managed capital,

— the export guarantee program,

— the farm implement dealers guarantee program, which, through government guarantees, encourages chartered banks to extend loans, and

— the Alberta Agricultural Development Corporation, which extends loans to agribusinesses to encourage local processing of our primary products.

In addition, the province indirectly creates jobs using strategies that promote investment by providing a stable environment and offering needed incentives. Investment in Alberta is assisted by having fiscal and economic policies that are known and understood. A stable economic environment is also made possible by our unique Heritage Savings Trust Fund. Investment is stimulated by such incentives as the new Alberta stock savings plan.

Jobs in the future will result from the wide range of technological building blocks that we have put in place or assisted recently. They range from the Centre for Frontier Engineering Research to the Alberta Laser Institute to the Alberta Heritage Foundation for Medical Research to the Food Processing Development Centre.

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

While this budget contains the largest job effort in the history of the province, Mr. Speaker, the real creator of permanent jobs is the private sector.

**Taxation — The Lowest Rates in Canada**

In this budget there are no new taxes nor any increase in existing tax rates. This is not the time to impose tax hikes on our citizens. The economy must have breathing room to continue to expand. We want to maximize available consumer dollars. Jobs will be encouraged through investment if taxes are kept low.

Alberta individuals and businesses continue to enjoy the most favourable tax environment in Canada. This assists in the retention of existing jobs and creation of new employment as well.

Albertans pay the lowest personal income tax rate in Canada. Unlike residents of other provinces we pay no sales tax and no payroll tax. Albertans also pay no gasoline tax. This has allowed our citizens to take home more of their paycheques than other Canadians. In dollars and cents this means a family in Alberta would have at its disposal $1,475 more, after provincial taxes, than a comparable family in Ontario.

Alberta businesses also benefit from the most attractive tax structure in Canada. This government views the corporate tax system as a tool to encourage private-sector risk-taking and create jobs. Last year's manufacturing and processing rate reduction broadens the economy. The small business simplification initiative eases the paper burden. Both these measures mean that approximately $75 million per year remains with Alberta businesses.

Earlier this year we introduced the new Alberta stock savings plan, which will also broaden the economy and create jobs. Clearly, Alberta has one of the best investment environments in North America.

**Revenue — A Moving Target**

For the 1986-87 fiscal year our total tax revenue is estimated at $2.7 billion. Even though Alberta has the lowest tax rates in Canada, taxation will account for approximately one-third of our budgetary revenue inflow.

With current volatile world oil prices, non-renewable resource revenue is impossible to forecast with any precision.

The estimated total of non-renewable resource revenue is comprised of many variable components: the prices and volumes of crude and synthetic oil, and domestic and exported natural gas; proceeds from the bonuses and sales of Crown leases; royalty rates and the exchange rate.

As I stated last year, events halfway around the globe can have a direct impact on Alberta's finances. With the combination of volatile world oil prices and energy deregulation in Canada, it is impossible to predict with any precision non-renewable resources royalties over the next four quarters of the fiscal year.

In the past the relative stability of world oil prices enabled me to estimate resource revenue based on reasonably predictable oil and natural gas prices, volumes, and activity levels. That is not practical this year. Accordingly, the most realistic general estimate at this time is that total non-renewable resource revenue to the province over the next 12 months will be approximately one-third lower than last year.

The cost of the significant incentive packages we introduced last June and earlier this month are contributing factors in the expected decline in our resource revenue. Generous new oil and gas holidays are in place, the major enrichment to the royalty tax credit began the first of this month, and our royalty rates are being phased down. Since 1980 we have reduced our net royalty rates from about 35 percent to 20 percent.

The heritage fund umbrella continues to shield Albertans.

Helping to protect us from the skittish world energy situation is the heritage fund. Every dollar of investment income from the heritage fund will be used to assist in creating jobs, operating hospitals, paying for medical services, running our education system, providing benefits to seniors, and generally cushioning Albertans from the effects of the current internationally generated problems.

In 1986-87 the income from the heritage fund will total almost $1.5 billion. This will be about 17 percent of total budgetary revenue during the year, enough to pay the costs of people services and facilities for almost two months.

Since 1982, when the heritage fund umbrella was first brought out and opened, through to the end of this fiscal year, the heritage fund will have provided a total of over $7 billion in protection and stability to Albertans in all walks of life.

To get a more complete picture of the province's revenue position, resource revenue transferred to the heritage fund should be included.

I'm estimating overall budgetary revenue at $8.5 billion, which is 14 percent below the revised forecast for 1985-86. However, this does not account for all the revenue which is expected to flow to the government. The heritage fund receives 15 percent of resource revenue. In 1986-87 this heritage fund resource revenue is estimated at $440 million, bringing the combined revenue of the province to $9 billion in 1986-87.

**The Financial Plan — Realistic and Manageable**

In past years the province's budgetary transactions have been separated from heritage fund transactions. The purpose was to distinguish between day-to-day budgetary operations and the long-term savings and economy-broadening objectives of the heritage fund. This year I am combining the revenue and expenditure of the two funds to provide an overall picture of the province's financial position.

Let me recap our revenue and expenditure estimates. Budgetary expenditure is estimated at $10.7 billion, which, together with heritage fund outlays on capital projects of $205 million, brings combined expenditure to $10.9 billion in 1986-87. Budgetary revenue is estimated at $8.5 billion and heritage fund resource revenue estimated at $440 million. The combined revenue of the province's two major funds is therefore $9 billion. As a result, I am expecting a combined deficit of $1.9 billion in 1986-87.

While this is a large deficit, Mr. Speaker, it should be remembered that Alberta moved from a combined deficit of $1.1 billion in 1982-83 to a combined surplus exceeding $1.5 billion in 1984-85.

The deficit is manageable given our unique financial strength. We enter 1986-87 with an accumulated budgetary surplus of over $900 million and $12 billion in income-earning assets in the heritage fund. Our per capita debt levels are by far the lowest of all Canadian governments.

Responsible fiscal management in previous years will keep our debt servicing costs down to approximately 2 percent of revenue in 1986-87.

**Summary and Highlights**

The highlights of the 1986 Alberta budget are these:

— no new taxes, no increases in existing low tax rates, and no increase in low health care premiums;

— agriculture a priority, with a 77 percent budget increase and the long-term cost of money stabilized through the new 20-year, $2 billion Alberta farm credit stability program;

— a commitment to the imaginative new $500 million provincial/municipal partnership program and a new heritage fund municipal recreation/tourism areas program, both of which will stimulate construction and jobs throughout Alberta;

— a three-way boost for our senior citizens through

— a $48 million extension of the seniors' home improvement program,

— major additional funding for home care, and

— 600 new spaces for auxiliary, nursing home, and lodge residents throughout Alberta, and major quality improvements to existing nursing homes;

— more than $4 billion in grants, with higher than inflation increases of 4 percent to support basic and advanced education and hospitals and medical care;

— further broadening of our economy and new jobs through priority support for tourism, forestry, research, and technology;

— continued trimming of the public service and further initiatives in privatization and deregulation; and

— a combined deficit of $1.9 billion with only 2 percent of provincial revenue to be used to pay interest on debt.

In conclusion, Mr. Speaker, this budget provides steady reassurance to Albertans at an admittedly uncertain time.

Alberta's fast economic recovery in 1985 showed just how quickly we can bounce back from temporary adversity.

Agriculture receives priority support through a range of initiatives unmatched by any province. We have responded and will respond as necessary to energy industry problems.

Dozens of programs will help maintain existing jobs and create new employment. As well, benefits from this budget will flow to seniors, students, workers, taxpayers, women, consumers, small businesspeople, and investors.

A responsible fiscal balance is achieved while holding down taxes. Even with a large deficit our debt costs will be the lowest in the nation.

Living with uncertainty is never easy, Mr. Speaker, but in Alberta in 1986 we can be reassured in the knowledge that our deep and broadening strengths mean jobs and growth in the opportunity years that do lie ahead.