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| Alberta | 22e  | 4e  | Discours du budget | 13 avril 1992 | M. Archibald Johnston | Trésorier provincial | PC |

**Mr. Johnston:** Mr. Speaker, this budget addresses the uncertainty surrounding the economy and recognizes the fiscal realities that lie ahead. Premier Getty promised an economic action plan this year to boost confidence and get the economy moving. This budget delivers on the Premier's commitment to Albertans.

This budget also sets out for Albertans the magnitude of the fiscal problem we must face together. As well, strict new legislative controls on spending are proposed to reinforce our commitment to expenditure management. Within the proposed limits this government, together with Albertans, will have to make difficult choices to bring spending in line with revenue.

**The Economic Outlook**

To put the Alberta economy in perspective we need to review the economic situation in the United States and the rest of Canada, our two largest trading partners.

*North America Waiting for Recovery*

The Canadian economy has been mired in recession since the spring of 1990. The Bank of Canada's single-minded fight against inflation in central Canada caused the current economic downturn. Once the recession began, the Bank of Canada reduced interest rates too slowly. The imposition of the federal GST in January 1991 seriously damaged consumer confidence. It also imposed a real burden on businesses across Canada. The Canadian economy did show some signs of growth at the time of my budget speech last year. However, the recovery faltered in the second half of 1991, dashing the hopes of unemployed Canadians.

The United States went into recession in late 1990, about six months after Canada. Their downturn has been shorter and shallower than ours. However, the U.S. recovery, like Canada's, has been very sluggish. Economic weakness is also evident in the United Kingdom, Germany, and Japan. The gloomy news from outside the province has affected Albertans' confidence. As well, the weak performance of our major trading partners has directly affected Alberta.

*Commodity Markets Weak*

Depressed world commodity markets have also hurt the economy. International subsidy wars battered grain prices and pushed 1991 realized net farm incomes to their lowest levels in 20 years. The energy industry had to cope with difficult circumstances in 1991. Over the last few years expectations of rising natural gas prices have driven energy activity. The sharp decline in prices last year dramatically changed these expectations. Oil prices were also disappointing. In response, Alberta's oil and gas industry has laid off staff and cut back investment.

*Alberta Continues to Grow*

Despite these problems Alberta has been able to avoid the worst of the North American recession. I estimate that Alberta's economy grew by .5 percent in 1991. While modest, Alberta's growth compared very favourably to the 1.5 percent decline for Canada as a whole. The Alberta economy performed well in the ways that really count: generating income and creating employment for Albertans.

Last year employment income in Alberta increased by 5.6 percent to over $33 billion. This was the fastest growth in Canada. It was more than double the Canadian average and six times the growth in Ontario.

*14,600 Jobs Created in 1991*

Continued employment growth was a key reason for the relatively strong increase in income. The number of employed Albertans increased by 14,600 last year. This is 2,600 more than I forecast in last year's budget. Alberta was one of only two provinces where employment increased in 1991. Because of our favourable employment picture, net in-migration totaled almost 19,000 people last year.

While employment grew at a reasonable pace, the labour force grew even faster. As a result, our unemployment rate averaged 8.2 percent in 1991, an increase of 1.2 percentage points. Nevertheless, Alberta continues to have more of its working-age population employed than any other province. Over 66 percent of all working-age Albertans had jobs last year. This compares to less than 60 percent for Canada. A record 1 and a quarter million Albertans were employed in 1991, an increase of 122, 000 since 1985.

As you can see, Mr. Speaker, despite some difficulties there was a lot of good news for Alberta in 1991. Opportunities for 1992 and beyond are promising.

*Farm Income Improves*

For the first time in years there are signs of improving conditions for our farmers. International wheat prices have increased by 30 percent over this time last year. Oilseed prices have also firmed. Livestock production should continue to grow, contributing to a diversified agricultural sector. In 1992 there will be substantial payments to our farmers and ranchers from the gross revenue insurance plan, the net income stabilization account, and other farm support programs. Overall realized net farm income should more than double from the very low levels of last year.

There is renewed hope for a GATT agreement that would significantly reduce agricultural export subsidies and further strengthen export prices. It appears likely that such an agreement would require changes to the Crow benefit. We will continue to urge the federal government to pay the Crow benefit directly to producers.

*Natural Gas Exports Grow*

The outlook for natural gas export volumes to the United States and to the rest of Canada continues to be promising. The environmental superiority of natural gas as a clean-burning fuel bodes well for future gas demand. The use of natural gas for cogeneration by electric utilities is rising. Western Gas Marketing Limited has recently signed two supply agreements worth $1.6 billion to Alberta producers over the next 20 years.

The Iroquois pipeline to the U.S. northeast is now complete. This pipeline has the capacity to ship over 200 billion cubic feet per year of Alberta gas to this rapidly growing market. I also expect that gas export volumes to California will benefit from the construction of at least one additional pipeline.

Alberta's natural gas export volumes to the United States should increase in 1992 to 1.5 trillion cubic feet. By 1995 I expect that our U. S. gas exports will have grown to nearly 2 trillion cubic feet, giving us close to a 10 percent share of the United States market.

*Diversification Continues*

Alberta's forestry industry will be another source of strength in 1992 and future years. Investment totaling $1.9 billion has taken place in the past five years. In addition, Alberta-Pacific is constructing a major pulp mill near Athabasca at a cost of $1.3 billion. After work on the pulp mill is completed in 1993, Al-Pac plans to build a paper mill worth $300 million.

Alberta has emerged as one of Canada's major forestry producers. Using state of the art technology, Alberta companies are minimizing the environmental impact of forestry projects. I expect that the volume of pulp and paper exports will increase by 10 percent this year and by another 35 percent over the next two years.

Prices have begun to recover from their 1991 lows. Prices increased earlier this year and are expected to increase again by the summer.

Our growing pulp and paper sector is generating substantial spin-off investment, further diversifying our economy. To meet the needs of the forestry industry, Alberta companies have invested about $275 million in new chemical facilities. These plants will also supply producers outside the province.

Alberta's petrochemical industry continues to expand. Construction of a $350 million gasoline additive plant near Edmonton has recently been completed. In Fort Saskatchewan Dow Chemical is building an $800 million world-scale petrochemical facility to produce ethylene and its derivatives for domestic and international markets.

Exciting developments are also taking place in industries that are becoming new engines of growth for the evolving global economy. In the aerospace field Pratt & Whitney is building a plant in Lethbridge.

In the area of medical research Alberta's accomplishments have been impressive.

* The University of Alberta has been named the top research centre for diabetes in North America by the U.S. Institutes of Health.
* The University of Calgary has opened a world-class centre for arthritis and joint injury research.
* An Alberta biotechnology company has announced an agreement with a major international firm to develop anticancer drugs.

Alberta's successes are due in part to this government's support for science and technology. The Alberta Heritage Foundation for Medical Research, the telecommunications research laboratories, the networks of centres of excellence, and the Alberta Research Council all support pioneering research.

We are encouraging Alberta industry to develop and utilize advanced technology. The commercialization of research will generate high-skill, high-paying jobs for Albertans.

*Lower Inflation and Interest Rates*

Perhaps the most important economic development over the past year is the drop in inflation. In January 1991, following the introduction of the GST, the rate of inflation reached nearly 7 percent. Since then, the inflation rate has fallen to about 2 percent, a level that Canadians have not seen since the 1960s. Most inflationary pressures have subsided, and virtually all analysts expect that inflation will remain at low levels for several years.

The Bank of Canada's fight against inflation, however, was waged at a very high cost. Over 350,000 jobs have been lost in Canada since the recession began. We must ensure that we do not give up the inflation gains that have cost unemployed Canadians so much. Some recent public- sector wage settlements in Alberta have not reflected the new low- inflation environment. The public sector must not trigger a return to high inflation and thereby undermine Alberta's competitiveness.

Lower inflation and the weak Canadian economy have led to a sizable decline in interest rates. Since the summer of 1990 the prime rate for business loans has dropped by over 6 percentage points. The decline in nominal interest rates has allowed the dollar to fall from a high of over 89 cents U.S. to around 84 cents. The lower dollar will benefit Alberta's export oriented economy. However, it remains overvalued relative to its U. S. counterpart. Of greater concern is the high level of inflation- adjusted interest rates. Canada's real rates have risen sharply in recent months and are among the highest in the major industrialized nations. High real rates discourage industry from making the investments needed to respond to the challenges of the global marketplace. I will continue to press the federal government to bring about lower interest rates and allow a lower exchange rate so that Canada's economy can realize its full potential.

*The 1992 Outlook*

The fundamentals for a modest economic recovery in North America are now in place. Unless there are further adverse developments in interest rates, I expect the Canadian and U.S. economies to strengthen by the summer of this year. Overall, the economies of both countries should grow by 2 percent in 1992. The Alberta economy should also strengthen this year. Exports, responding to the recoveries in the United States and the rest of Canada, are expected to be a significant source of strength. Natural gas will lead export growth.

Alberta's diversification will continue in 1992. I expect that Alberta businesses outside the energy sector will increase their real investment by nearly 10 percent this year. Oil and gas investment, however, is projected to decline by over 15 percent. As a result, total business investment is expected to increase by about 1 percent this year. The outlook for consumer-related spending should be brighter, provided Albertans' confidence in the economy improves. Lower interest rates have made houses, automobiles, and other consumer durables more affordable. The recently announced reductions in down payment requirements and changes in RRSPs have also made it easier to buy a house.

Taking into account these factors and the initiatives that I will be announcing in this budget, I expect Alberta's real gross domestic product to increase by 2.5 percent in 1992, to nearly $67 billion. Our economy should create over 15,000 new jobs.

**Economic and Fiscal Strategy**

Confidence is critical to economic growth this year. Albertans are taking a cautious approach to spending because they are concerned about their jobs. Businesses are waiting for better sales before they expand employment. Action is required to inject confidence and create jobs. However, the government faces a very difficult fiscal situation.

*Resource Revenue Shock*

Alberta suffered a resource revenue shock last year. Natural gas prices were the major disappointment. Most analysts had expected gas prices to rebound last year. Instead, the average Alberta wellhead price dropped sharply, to about $1.30 per thousand cubic feet, the lowest level in 15 years. Prices were almost 25 percent lower than estimated in last year's budget. Oil prices averaged about $20.75 per barrel in U.S. funds, well below the budget estimate. The overvalued Canadian dollar compounded the weakness in energy prices. Reflecting the problems in the energy sector, bonuses and sales of Crown leases plummeted and corporate income tax revenues dropped sharply. Non-renewable resource revenue in 1991-92 was down nearly $1.2 billion from the '91 budget estimate, and corporate income tax revenue was $200 million lower. As a result, the deficit was over $1.5 billion last year.

Our 1992-93 fiscal plan assumes that there will be no recovery in resource revenue. A lower exchange rate and higher natural gas sales volumes will assist resource revenue this year. However, oil prices are likely to average only $19 per barrel, down over 8 percent from last year. Natural gas prices are expected to decline by a similar percentage to about $1.20 per thousand cubic feet. This means that the deficit will increase in '92-93.

*Choosing the Sensible Course*

Some would argue that drastic action is required to offset the unexpected drop in resource revenue. That would be unwise this year. This government will not hurt Albertans by sharply raising taxes or slashing health, education, or seniors' programs when the economy is struggling.

Others would argue that massive government spending is required to strengthen Alberta's economy. This would be an even more serious mistake. We must not compound the fiscal problems resulting from low resource revenue by abandoning this government's tight control of spending. As Albertans and other Canadians have learned only too well, it is easy to add spending but very difficult to cut it.

This government has chosen the sensible course for these difficult times. As I said earlier, Mr. Speaker, the world economic slowdown has affected our economy and eroded Albertans' confidence. In addition, the resource revenue collapse has led to a serious fiscal imbalance. We have adopted a dual strategy to deal with the two problems, a struggling economy and large deficits.

* Our economic strategy addresses the current economic concerns of Albertans. This budget announces Economic Agenda '92. Our agenda has four initiatives to build confidence and create jobs. To keep the economy growing, we'll be forced to tolerate a high deficit this year.
* Our fiscal strategy addresses the fiscal imbalance over the medium term. We will introduce firm spending limits starting this year. We will continue to restructure programs and cut internal government operations.

More could not be done this year without jeopardizing the economy. Tough choices lie ahead as we move to restore fiscal balance over the business cycle.

**Economic Agenda '92: Confidence and Jobs**

Mr. Speaker, I will first describe the details of Economic Agenda '92, our four-point plan to strengthen the Alberta economy and create more jobs for Albertans.

*1. A Tax Cut for Albertans*

At the First Ministers' Conference on the Economy Premier Getty proposed a co-operative approach among governments to spark economic growth. He was the only national leader to call for a personal income tax cut. The federal government responded by reducing federal income taxes in its February budget.

Mr. Speaker, this budget cuts provincial personal income taxes for Albertans. The Alberta basic income tax rate will be effectively reduced by one percentage point, starting with July paycheques. Our generous selective tax reduction will provide additional tax benefits to low-income Albertans. Our objective is to stimulate the economy as quickly as possible. This government will put $35 million back in Albertans' pockets in this second half of '92. The combined provincial and federal tax reduction will total $65 million this year. In 1993 our tax cut will be worth over $70 million to Albertans. The Alberta and federal tax cuts combined will amount to over $200 million next year.

This will be a powerful confidence builder for Alberta consumers, Mr. Speaker. Albertans will have more money to spend. More spending will mean more sales for businesses and more jobs for Albertans. We will put dollars in the hands of Albertans and let them make their own spending decisions. Albertans already pay the lowest personal income taxes in Canada. They do not pay a provincial retail sales tax. This budget enhances Albertans' already substantial tax advantage. Alberta will continue to be the best place in Canada to live and work.

*2. Improving Alberta's Competitiveness*

The intense global competition for manufacturing jobs requires that our corporate tax rates be competitive. Over the last few years the competitiveness of Canada's corporate tax system has been eroded. I am encouraged by the measures in the recent federal budget that reduce taxation of manufacturers and processors. Unfortunately, some provinces are likely to move in the other direction this year. One already has.

This government will spur investment and the creation of quality jobs for Albertans. The corporate income tax rate for large manufacturers and processors will be cut from 15.5 percent to 14.5 percent, in two stages. The reduction will be half a percentage point on July 1, 1992, and a further half a point on January 1, 1993. Smaller manufacturers will continue to benefit from Alberta's 6 percent tax rate for small businesses. We will also increase the capital cost allowance rate on purchases of manufacturing machinery and equipment from 25 percent to 30 percent, effective February 26, 1992. This parallels the change announced in the recent federal budget.

Our measures will reduce taxes on Alberta manufacturers by about $7 million in '92-93 and $15 million next year. This government is improving the competitiveness of our corporate income tax system. We are concerned, however, about the overall burden of commercial and industrial property taxes levied by municipalities, school boards, and the provincial School Foundation Program Fund. Alberta is the only province where machinery and equipment are included in the property tax base. We are reviewing possible changes as part of the local government financing review. As a first step, this government has frozen its mill rate on commercial and industrial property for this year.

*3. Support for Small Businesses and Rural Alberta*

This government is committed to working in partnership with our farmers, ranchers, and businesses. In November 1991 we announced additional support over 16 months for our agriculture industry. Through the end of '92-93 Alberta's commitment to the net income stabilization account program will cost $40 million. We are providing nearly $60 million to extend the Crow benefit offset program. An additional $23 million has been committed to maintain grants under the Alberta farm fuel distribution allowance at 4 cents per litre for gasoline and 10 cents per litre for diesel fuel. In this budget we will provide $91 million for Alberta's contribution to the gross revenue insurance program. This is nearly double last year's funding. Our total support for agriculture will exceed $730 million in '92-93.

Last November we also introduced royalty holidays for oil wells drilled by March 31, 1993. By encouraging oil exploration and development, this program is assisting Alberta's energy producers and service companies.

In this budget I am pleased to announce Alberta's participation in the new western economic partnership agreements. A total of $120 million will be provided over the next four years in co-operation with the federal government to encourage further diversification of our economy. This budget includes $25 million for the first year of this program. The agreements will target support to selected priorities. Agriculture and food processing and geological research will be encouraged. Our expanding tourism, culture, and communication technologies will be assisted. Funding will be provided for businesses, community, and northern development. Reforestation and forest management will be expanded. Funding allocations for some of the agreements are still subject to final federal approval. This initiative will strengthen rural Alberta. Small businesses will be helped to expand their markets and take advantages of new opportunities.

*4. Capital Works Job Creation*

At the First Ministers' Conference, Premier Getty proposed that work- intensive capital projects be accelerated to provide jobs as quickly as possible. Alberta's municipal leaders have also recommended that high priority be given to investment in local public works. Mr. Speaker, I am pleased to announce a special Alberta local employment transfer. This year we will provide $200 million in onetime per capita grants to municipalities to support infrastructure improvements and increase employment. This transfer represents the present value of the remaining payments that have been scheduled for the next five years under the Alberta municipal partnership for local employment. AMPLE has provided $276 million already over the last six years to our local partners. This year's transfer fulfills our commitment to AMPLE. To finance the Alberta local employment transfer and help boost the economy, we will transfer a surplus of $300 million from the Alberta Municipal Financing Corporation to the General Revenue Fund. This is the right time to use the surplus retained earnings to create jobs for Albertans.

Other major capital projects will also add to construction employment. We will provide $68 million to continue construction of the new Grant MacEwan Community College campus in Edmonton and the professional faculties building at the University of Calgary. Over $175 million will be spent to construct and modernize health facilities. Redevelopment of the Royal Alexandra hospital and the Cross Cancer Institute in Edmonton and the Holy Cross hospital in Calgary will continue. We will spend $61 million on housing projects for senior citizens and low-income Albertans. Over $40 million of this expenditure will take place in rural Alberta, as will $66 million in spending on irrigation and water management projects.

In total, this government will support $1.4 billion of capital construction this year, an increase of more than 15 percent from '91-92.

*Economic Stimulus for Alberta*

Mr. Speaker, Economic Agenda '92 will provide economic stimulus at a time when it is needed. We are assisting entrepreneurs and rural Albertans. We are improving the tax competitiveness of Alberta manufacturers. We are accelerating local employment initiatives. We are cutting Albertans' taxes. Our economic action plan will protect current jobs and provide new jobs for Albertans.

**Protecting Essential Services**

This budget also protects Albertans' essential services. Total funding for health, education, and social services will increase by 5 percent this year. As announced in January, health care institutions will receive a 4 percent grant rate adjustment in '92-93. Schools and postsecondary institutions will benefit from a 3 percent grant rate increase. These increases exceed the expected inflation rate of about 2 percent. We're giving health and education organizations time to prepare for the new fiscal realities. Our resources are limited. Alberta taxpayers cannot afford open-ended programs where spending is driven solely by demand. We must continue to restructure our programs to control costs.

*Health Care: Maintaining Access and Affordability*

Health care is the largest expenditure area of this government. In 1992-93 over $4.3 billion will be spent to meet the health needs of Albertans. Health costs across Canada have more than doubled in the last 10 years. This rapid increase is threatening Canada's health care system. The problem has been compounded by the significant decline in federal support for health care. Our government is committed to protecting the universality of Alberta's health care system. This requires action to ensure that our system remains affordable. We are working with health organizations and professionals to manage available resources more efficiently and target those resources to the areas of greatest need.

Progress is being made. Two years ago we began implementing our new acute care funding plan. The plan reallocates funding among hospitals, based on the severity of patient needs, and rewards hospitals that make the most effective use of their resources. As a result, hospitals are consolidating administrative functions, eliminating unnecessary duplication of services, and reassessing their capital spending requests. Preventative and community care programs offer cost- effective alternatives to institutional care. In this budget we will increase funding for more home care by nearly 10 percent, to $72 million.

The government has already reached an agreement with the Alberta Medical Association that puts an expenditure limit on insured medical services. The government and physicians will work together to control spending pressures while protecting the quality of care Albertans receive. In accordance with our policy that health care premiums must cover 50 percent of the cost of basic health services, premiums will increase on July 1, 1992. The new rates will be $27 per month for singles and $54 per month for families. This is an increase of less than 4 percent. Seniors and low-income Albertans will remain exempt from paying premiums.

Action is being taken to ensure an affordable and more efficient system of health services in Alberta, a system that will meet changing needs in the 1990s.

*Education: Meeting the Challenges*

Quality education is critical to our long-term prosperity. Educational institutions must ensure that students receive the training needed to succeed in the rapidly changing economy. Canada spends more of its national income on education than almost all other industrialized countries. Alberta's total spending on education is the second highest per capita in Canada. This government's funding of basic and advanced education will exceed $3 billion in '92-93. We must continue to improve the results that Albertans are getting for their tax dollars.

Provincial funding for education will be increasingly tied to performance. Far too many Alberta students fail to complete even a high school education. Beginning with the '92-93 school year, the province will introduce a two-count system for payments to school boards. Grants will be based on student enrollment not only at the start of the year but also near the end of the year. This will provide an incentive to keep students in school. We will also develop a new student information system. This system will enable the province and school boards to track and assess student performance more accurately.

This government is encouraging increased private support of our postsecondary institutions. The Universities Foundations Act, which was passed last year, provides more generous tax incentives for contributions for universities. Legislation will be introduced this session to extend these provisions to public colleges, technical institutes, and the Banff Centre. We must find new approaches that will improve the quality of education and training in Alberta within available resources.

*Help for Those in Need*

Our social assistance program is facing serious cost pressures due to high in-migration and unemployment. Social assistance spending in 1992-93 is expected to reach $940 million, an increase of more than $220 million since the national recession began. The federal government has shifted more of the cost of helping the unemployed to the provinces. Ottawa has restricted eligibility for unemployment insurance and imposed a ceiling on federal cost sharing of social assistance programs in Alberta, British Columbia, and Ontario. The total cost to Alberta of this federal cap on social assistance payments will exceed $80 million by the end of this year.

This government will continue to help Albertans in need; however, our ability to pay is not without limit. Available resources will have to be stretched further. We must continue to restructure our programs to keep them affordable. Changes to benefits under the supports for independence program will be implemented later this year while continuing our commitment to provide a basic level of support to those Albertans most in need. At the same time, we must make better use of our social assistance dollars to encourage clients to re-enter the work force. Disincentives and barriers to training and employment will be addressed.

Alberta seniors receive an unmatched range of programs and services. Many of these programs are unconditional and benefit seniors regardless of their income or need. As our population ages, the costs of these demand- driven programs are rising. At the same time, more people are retiring with comfortable incomes and considerable assets. We believe that after consultation with seniors, our programs can be adjusted in ways to ensure that our available funding is better targeted to those who require assistance. Albertans' tax dollars must be directed to those most in need.

*Meeting Special Needs*

Despite our limited resources, Mr. Speaker, some special priorities require funding this year. In this budget we will

* increase funding of initiatives to deal with family violence by 25 percent to $8.5 million,
* provide $2.4 million more to continue foster care reforms,
* increase by almost $10 million income support under the widows' pension and assured income for the severely handicapped programs,
* budget $3.6 million more to expand community-based services to disabled persons,
* provide $2 million to assist the town of Peace River and the residents affected by the recent flood, and
* add over $6 million in funding to clean up abandoned industrial sites and conduct testing on possible Edmonton area waste disposal sites.

*Directing Resources to Essential Services*

This government has reallocated resources to Alberta's essential services. Spending on health, education, and social services will rise by almost $350 million this year, bringing the total increase since 1985-86 to $2.2 billion. These programs now account for 70 percent of our program expenditure, compared to just over 60 percent seven years ago. Expenditure on other programs and government administration has been reduced by over $400 million since 1985-86.

*Cuts in Federal Support for Essential Programs*

Over the past decade the federal government has off-loaded part of its deficit problem onto the provinces. Ottawa has unilaterally cut federal cash transfers for health and advanced education on numerous occasions and has discriminated against provinces like Alberta on social assistance payments. In 1992-93 alone these federal actions will cost the Alberta government over $850 million in lost revenue.

This severe erosion of federal support for Canada's most important programs is unacceptable. Clearly, new arrangements for fiscal federalism are required. Provinces must have the means to fulfill their constitutional responsibilities. The federal government has ignored provincial demands for reforms. I will continue to press hard for a transfer of additional tax room from the federal government to the provinces in exchange for a reduction in cash transfers. This would place our essential programs on a more secure and stable financial basis.

**Restoring Fiscal Balance**

Mr. Speaker, I have already described our economic strategy and plans to protect essential services in this transition year. I will now turn to the second major focus of this budget, restoring fiscal balance. The objective of our fiscal strategy is to bring expenditure in line with revenue over the medium term. As I said earlier, the '91-92 deficit was over $1.5 billion. The deficit will increase again in '92-93 to nearly $2.3 billion. This is clearly a very serious problem. The deficit must be tackled with determination and a strong collective will. The problem cannot be solved overnight.

The key difficulty has been resource revenue. After the energy price collapse in 1986-87, private-sector experts expected that oil and natural gas prices would return to an upward track within a year or two. By 1990-91 resource revenue had recovered by about $1 billion, or 67 percent, from the low of four years earlier. We expected a further increase last year. This was based on the widely held view of energy experts that natural gas prices had bottomed out and would rebound in '91-92.

The experts were wrong, and so were we. Rather than increasing, natural gas prices dropped sharply last year. In addition, oil prices weakened more than expected in the wake of the Gulf war. As a result, resource revenue fell by over $600 million in '91-92, wiping out more than one half the gain achieved since the revenue collapse in '86-87. Resource revenue will be a serious problem again this year. I do not expect any recovery from the decline of almost 25 percent last year. Resource revenue in '92-93 is forecast to be about the same as it was in 1988-89.

Other general revenue is also expected to be flat this year. Heritage fund investment income will be lower because interest rates have fallen, and we're not planning any major privatization initiatives. Excluding the Alberta Municipal Financing Corporation transfer, total revenue is forecast to fall by $461 million in '92-93 on top of the $621 million decline last year. Total revenue will be almost 10 percent lower than it was two years ago.

Alberta is not alone in facing budget problems. Virtually every Canadian government is confronting a difficult fiscal situation. However, the reasons for their deficits are not the same as in Alberta. The revenue of other governments has grown on average by 7 percent per year since 1985-86, compared to an increase of just 1.5 percent per year in Alberta. The strong revenue growth elsewhere did not lead to balanced budgets because program expenditure grew almost as fast as revenue.

*Expenditure Management Record*

This government's tough expenditure management has kept spending in check. Since 1985-86 we have limited program spending growth to just 2.3 percent per year. Other governments in Canada have increased their program expenditure almost three times faster on average. We held program expenditure almost flat last year. It was only 0.4 percent above the '90- 91 level, due in part to our November restraint program.

This year program spending will increase by 2.3 percent. We are providing the funding necessary to stimulate the economy and support our essential social programs. Spending growth in '92-93 will be the same as the average annual increase in our program expenditure since 1985-86. This government has the best expenditure management record of any in Canada. Mr. Speaker, we have worked hard to get the best value for the taxpayer's dollar.

*Hiring and Salary Freeze*

In November 1991, when it was clear that a fiscal correction was necessary, Premier Getty announced an in-year restraint program to control government administrative costs. The measures started at the top. The salaries and allowances of MLAs, cabinet ministers, and the Premier have been frozen since April 1, 1989. The freeze was extended to March 31, 1994. As a result, the salaries and allowances of elected officials will be frozen for a total of five years. Other actions included

* a one-year freeze on civil service management salaries,
* one-year freeze on hiring for salaried positions, and
* cuts in discretionary spending, including travel and hosting.

In this budget, Mr. Speaker, I am announcing further actions to cut internal government operations as part of our plan to restore fiscal balance. The hiring freeze and management salary freeze will be extended to March 31, '93.

*1,000 Government Positions Cut*

Employment in the civil service will be cut by about 1,000 full-time equivalent positions this year. Because of the hiring freeze we expect only minimal layoffs. More than 2,000 permanent positions for which funding was cut in this or previous years will be eliminated. This will ensure that the positions are not filled when the hiring freeze ends. Including this year's reduction, provincial government employment will have been cut by close to 4,400 full-time equivalent positions since '85- 86. The Alberta civil service will be smaller in '92-93 than it was 15 years ago.

*Wage Restraint*

All public-sector employers and employees must recognize the new low- inflation environment and act accordingly. This government has shown leadership by its freeze on the salaries of both elected and management officials. I welcome the action by some local authorities that followed our lead. However, a few school boards have agreed to wage increases far above inflation. A recent arbitration award in the health sector is also a concern. These contracts must not set a pattern for other public-sector wage increases. This government will not ask provincial taxpayers to fund excessive contract settlements by local authorities.

*Pension Reform*

Last July the government released its proposals for reforms to the five pension plans administered by my department. After extensive consultations, the government, pension boards, and major stakeholders reached agreement last month on changes to the two largest plans, the local authorities and public service pension plans. Consultations are continuing on changes to the other three government-administered pension plans. Updated actuarial estimates for all plans and the new financing agreements for the two largest plans will cut the unfunded liability from $ 5.5 billion to $1.2 billion, a reduction of $4.3 billion. This major accomplishment enhances Alberta's fiscal position and safeguards provincial taxpayers.

Changes are also being made to the MLA pension plan. Pension contributions by MLAs will be increased by 33 percent. Former cabinet ministers and other elected officials will not be allowed in the future to receive Alberta pensions while still sitting in the Legislative Assembly or holding a government appointment.

*Government Offices and Agencies Cut*

To downsize government, we are reviewing the need for existing offices, boards, agencies, commissions, committees, and task forces. Last year we discontinued the Electric Energy Marketing Agency, the advisory council on career development, and the McDougall Centre advisory committee. We also consolidated several boards and committees with other organizations. These included the Historic Sites Board, the Alberta Fish and Wildlife Advisory Committee, the Alberta Integrated Planning Advisory Committee, and three arts foundations. This year, Mr. Speaker, we will close the Alberta government office in Los Angeles. In addition, all appointments to boards and task forces will be reduced by 10 percent where permitted by legislation.

*Travel and Hosting Spending Down*

In 1985-86 expenditure on travel and hosting totaled $66 million. Despite significant increases in prices, we have cut travel and hosting by more than 20 percent, or $14 million. Further steps will be taken in '92- 93 to control travel costs. All out-of-country travel by ministers or civil servants will require approval by Treasury Board. Vehicle mileage allowances will be frozen. The restraint on travel spending announced in November will continue in the '92-93 fiscal year.

*Publication Costs Slashed*

The government produces a wide range of publications, including annual reports of government departments, agencies, and Crown corporations. All publications will be reviewed to determine if they are still needed. Production costs will be cut. Glossy, full-colour annual reports will be eliminated. The number of copies printed will be reduced. Our objective is to reduce the cost of government publications by 50 percent. We will balance the need to reduce costs with the public's need for information on government programs and operations.

*Reducing the Cost of Government*

Overall, funding for 11 departments and 14 government agencies, boards, and commissions will be cut in '92-93. Half of the government departments will spend less than they did in 1985-86.

*Legislated Spending Limits*

Mr. Speaker, to reinforce our commitment to expenditure management, this government will introduce spending control legislation during this session. The legislation will set firm limits on government spending. Growth in ordinary program spending, including any in-year increases from special warrants, will be limited to 2 and a half percent this year, 2 and a quarter percent next year, and 2 percent in '94-95.

In each year's budget the increase in ordinary program expenditure over the previous year's forecast will have to be less than the legislated limit. After the budget is approved, special warrants will not be allowed to increase spending authority beyond the limit. If a spending increase that would exceed the annual limit is required, the government would have two choices: reduce other spending authorizations to offset the increase, or recall the Legislative Assembly to approve a special supplementary appropriation.

The expenditure limits will ensure that Alberta does not fall into the trap of spending more when revenue improves. We will not allow what happened to other governments to happen here. Mr. Speaker, additional revenue will go directly to improving the bottom line. Periodic financial statements will be published to keep Albertans informed about the government's finances. The legislation will keep our taxes low. Increased spending in one area will have to be accompanied by cuts in other areas. The best way to guarantee taxpayers value for their money is to place legislated limits on spending.

*Tough Choices Ahead*

The spending limits will be a maximum, not a floor. We are determined to eliminate the deficit over the business cycle. Revenue growth of 6 percent per year on average is about the most that can be expected from growth in the economy unless energy prices climb sharply, Mr. Speaker. That would not be enough to balance the budget by 1996-97 if expenditure rises at the legislated rates. A further fiscal correction of $ 1.1 billion, or $275 million per year, will be required. Generating an additional $1.1 billion in revenue would require major tax increases. For example, personal income taxes would have to be increased by one-third or fuel taxes increased by 20 cents per litre.

This government will seek a better solution. If revenue growth is not sufficient, we believe Albertans would prefer even tougher controls on expenditure than specified in the legislation. After seven years of tight control, there are no easy places left to make large cuts in spending. Every program is considered important by those who receive the benefits. Health, education, and social services are already being restructured. Other programs and government administration have been slashed by over $ 400 million since 1985-86. Cost savings will have to be sought in all programs. Sacrifices will be required from all Albertans. The government will ask Albertans for their advice on what services should be reduced or ended. The Premier has directed ministers and government MLAs to consult their constituents and report back on how best to achieve our objectives. We will work together with Albertans to restore fiscal balance.

**Economic and Fiscal Renewal**

In summary, Mr. Speaker, this budget sets out a medium-term strategy to eliminate the deficit. This budget

* cuts the size and cost of government overhead,
* continues the restructuring of essential programs, and
* proposes firm legislated limits on spending.

This budget also takes immediate action to strengthen the Alberta economy. Our Economic Agenda '92

* enhances the competitive position of our manufacturers,
* assists small businesses and rural Alberta,
* provides $200 million for local infrastructure, and
* cuts Albertans' personal income taxes.

Mr. Speaker, this budget builds confidence and creates more jobs for Albertans.

The future is bright for Alberta. The inflow of investment and people into our province shows that this is the place to be. Albertans pay the lowest taxes and keep more of their income than residents of other provinces. Our people services meet the needs of Albertans. I am certain, Mr. Speaker, that in partnership with Albertans, we can make the necessary choices for a stronger Alberta.