

LEGISLATIVE ASSEMBLY OF ALBERTA

Friday Evening, March 2, 1973

[Mr. Speaker resumed the Chair at 8:00 o'clock.]

MR. MINIELY:

I beg to move, seconded by Mr. Hyndman that the address be engrossed and presented to His Honour the Honourable the Lieutenant Governor... pardon me, Mr. Speaker, I have the wrong message.

Mr. Speaker, I have received certain messages from His Honour the Honourable the Lieutenant Governor, which I now transmit to you.

[The House rose.]

MR. SPEAKER:

In the absence of, and on behalf of His Honour the Honourable the Lieutenant Governor, the Administrator transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1973 and recommends the same to the Legislative Assembly.

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Please be seated.

CRDERS OF THE DAY

GOVERNMENT MOTIONS

Mr. Miniely proposed the following motion to the Assembly, seconded by Mr. Hyndman:

That the Messages of His Honour the Honourable the Lieutenant Governor, Estimates, and all matters connected therewith, be referred to the Committee of Supply.

MR. MINIELY:

Mr. Speaker, I beg leave to table a copy of The Estimates of Expenditure.

[The motion was carried.]

Mr. Miniely proposed the following motion to the Assembly, seconded by Mr. Dowling:

That this Assembly approves in general the fiscal policies of the government.

MR. MINIELY:

Mr. Speaker, this is the second budget of the Progressive Conservative Government of Alberta. It reflects the responsible fiscal climate which our government established in the 1972 budget and the performance of our government in providing for the new directions required to meet the needs of our citizens.

This budget provides further support for the programs established as immediate priorities in our first budget. It reflects our continuing determination to assist senior citizens, the handicapped and the mentally ill,

to maintain the family farm, to provide improved employment opportunities for Albertans, and to diversify economic activity in the province.

This budget provides for the implementation of the new policy directions of phase two of our government's administration -- the direct reduction of property taxes and the establishment of new and long-term finance plans for basic and post-secondary education.

This budget reflects the fair return on the sale of our natural resources which the people of Alberta will receive as a result of our new energy policies.

In order that members of the Assembly and the people of Alberta may be fully informed on the financial affairs of their government, the Budget Statement is accompanied again by an appendix which provides information on the expected budgetary outcome for the current fiscal year, the projected revenues for 1973-74 and other summary financial statements. An appendix reviewing the economic situation in the province has been provided to reflect the importance of the economic environment in considering fiscal policy. The Expenditure Estimates which have been tabled also contain further improvements in the presentation of information on public expenditures. In particular, a number of departments have reorganized appropriations into functional groupings to provide a better understanding of the relationship of individual expenditure programs.

Review of 1972-73 Progress and Performance

The budget which our government presented a year ago reflected our determination to establish a responsible fiscal climate in Alberta and to direct our available resources into high priority areas. This redirection of resources has been established. Permit me to review briefly the major accomplishments of our first budget.

Assistance to Senior Citizens: Assistance has been extended to senior citizens by way of the shelter assistance program and the removal of premiums for medical, most drug and optional health services.

Agriculture: The Department of Agriculture has undergone a reorganization and a redirection of emphasis to establish a solid foundation for meeting the needs of Alberta's agricultural industry. Of particular significance was the establishment of two new divisions -- the Family Farm Development Division to strengthen the viability of the family farm and the Marketing Division to seek new and better marketing opportunities for our agricultural products.

The Agricultural Development Corporation: This corporation has been established. In addition to ordinary farm loans, assistance has been provided for such diversified agricultural enterprises as greenhouses, peatmoss operations, food packaging and processing, guest ranches, and seed cleaning plants. By the end of December, 1972, the corporation had approved 155 loans totalling \$3.3 million. In addition, 10 applications totalling \$1.5 million had been approved for guarantee through a commercial lender.

The Handicapped and Mentally Ill: The return of former institutional patients to their communities and the provision of preventative mental health services at the community level is being facilitated by new and expanded Community Mental Health Centres. More adequate care and opportunities for handicapped children and adults is being provided by community residences, sheltered workshops and day training centres.

The Alberta Opportunity Company: The fund was established to provide financial and technical assistance to commercial enterprises within the province to meet the objectives of promoting the development of resources and the general growth and diversification of the economy. Priority is given to Albertans, small businesses, centres of small population and job creating projects. The fund has attracted great interest throughout Alberta. The company received 178 applications for assistance and approved loans totalling \$7.8 million during the second half of 1972. By far the majority of these loans had their impact in rural Alberta. Applications totalling \$7.9 million were in process as of December 31, 1972.

Employment Programs: The Priority Employment Program, which our government initiated in the fall of 1971, was successful in providing a significant number of jobs and training for members of the Alberta labour force who would otherwise have been designated as unemployed. The program entailed direct provincial expenditure of \$8.3 million and created an estimated maximum monthly employment of 1,100 persons. It provided for a

level of 3,600 maximum trainees. Expenditure of \$2.5 million under the Summer Temporary Employment Program resulted in employment of an additional 3,300 students by the province. An estimated 10,000 students were assisted in finding summer jobs through various placement programs supported by the province. To meet the current winter employment problem, \$12 million has been allocated to the 1972-73 Priority Employment Program which was announced in October. Over \$3 million has been allocated to the Department of Advanced Education to provide training opportunities for unemployed people to up-grade their skills; \$8 million has been directed toward departmental projects for immediate job creation; and \$1 million has been allocated for assistance in the construction of capital projects such as arenas and exhibition buildings by agricultural societies. It is estimated that the program will provide employment and training opportunities for over 6,000 Albertans during the winter months of high seasonal unemployment.

In keeping with our commitment to report on financial and economic developments during the current fiscal year, I would refer hon. members to Appendix A which presents the details of the revenue and expenditure forecasts for the fiscal year ending March 31, 1973. A short review of economic conditions in Alberta is presented in Appendix B.

Our forecast for the financial outcome for 1972-73 is summarized in the accompanying table. You will note that the original budget I presented last March forecast an income account surplus of \$500,000. Mr. Speaker, we are now forecasting that surplus will be \$68.6 million.

In the budget I presented last March I forecast cash requirement for capital purposes on departments of \$178 million and we are now forecasting that will be \$172 million. The budgetary cash requirement was forecast at \$177.5 million and, Mr. Speaker, that now is forecast at \$103.4 million. When adding the net cash requirement for loans and advances, Mr. Speaker, the overall cash requirement was originally forecast last March at \$199 million and we are now forecasting \$131.9 million.

Mr. Speaker, I would like to make the following points with respect to these forecasts which I have just reviewed.

Firstly, the overall cash requirement, as I indicated, is forecast to be about \$132 million for the year concluding this March 31 - a very substantial reduction from the cash requirement of \$199 million which I had forecast originally.

Secondly, a current account surplus of nearly \$70 million is anticipated. Current account revenues are expected to increase by \$64 million, of which \$31 million is accounted for by increases in personal and corporate income tax receipts. This includes an adjustment payment of approximately \$20 million for the 1971 tax year with respect to the corporate income tax. Payments on account for 1972 income taxes were revised upwards during the course of the fiscal year by approximately \$11 million, due, Mr. Speaker, to more buoyant economic expansion in Alberta than we originally anticipated.

Thirdly, total budgetary expenditures are expected to be about \$9 million below the 1972-73 Expenditure Estimates. The total of Special Warrants during the current year was \$30.9 million as compared to \$94.9 million the previous year. This reflects the responsible attitude towards budgeting which I indicated when presenting the budget in March, 1972.

We have been able to meet our cash requirements for the current fiscal year without resorting to the long-term bond market. Substantial improvements have been made in the management of the government's cash balances and the acceleration of government deposit receipts, thereby mobilizing a significant amount of financing at relatively low cost. Part of this involved accelerating claims and receipts under shared-cost programs with the federal government. At the same time, the government has made use of short and medium-term lines of credit at low interest costs. Similar financing was required to meet the \$25 million of Alberta Resources Railways' debt which matured during the past year, and to meet the financing needs of Alberta Government Telephones. The net cash requirement for loans and advances includes \$20 million which was borrowed on behalf of Alberta Government Telephones.

I would like to review briefly economic developments in 1972. In 1972 the Alberta economy recorded the strongest performance since 1969. The expansion which began in late 1971 gathered considerable momentum during 1972 and preliminary indications are that the Alberta economy experienced a stronger expansion than the national economy as a whole. Total personal incomes in

Alberta rose by nearly 12 per cent in 1972 while personal income per person increased by 10 per cent. Consumer expenditure surged ahead by 15 per cent largely on the strength of spending on durable goods. If new capital investment intentions were realized, investment in the private sector showed a larger gain than in 1971 -- particularly in the manufacturing sector where investment intentions were 38 per cent higher than new investments in 1971.

Manufacturing shipments from Alberta recorded a 14.3 per cent increase, higher than any other province except Newfoundland. The farm sector experienced relatively favourable conditions -- both farm cash receipts and realized net incomes advanced in line with the substantial increases achieved in 1971.

Increases in oil and gas production were substantial -- 19.7 per cent for crude oil and 11.6 per cent for natural gas. Crude oil exports to the United States increased by nearly one-third. Exploration in the oil and gas industry experienced a turn-around in 1972. The number of new field wildcat wells completed and the footage drilled increased by 59 per cent and 67 per cent, respectively. An important factor in the turn-around in exploration activity was the government's Exploratory Drilling Incentive System which became effective on August 1, 1972.

Mr. Speaker, reflecting the strong performance in the economy, growth in employment moved ahead at double the pace set in 1970 and 1971. However, despite a very sharp improvement in the rate of job creation, the unemployment rate did not show a corresponding decline as the increase in employment was largely offset by a substantial influx into the labour force. The growth of the labour force would appear to have been influenced by the new Unemployment Insurance scheme and the provisions of tax reform. Nevertheless, the average unemployment rate for the year dropped from 4.7 per cent in 1971 to 4.4 per cent in 1972 although during the second half of the year, the rates were slightly above year earlier levels.

Mr. Speaker, unemployment statistics must be interpreted cautiously. Firstly, the statistics for Alberta are subject to a relatively large margin of error. Secondly, the statistics provide relatively little information on the characteristics or location of the unemployed. Our government is taking steps to eliminate this information deficiency so our employment programs can be designed to meet our special unemployment problems more effectively. At the same time, our economic and fiscal policies are being directed toward continued economic expansion and diversification to ensure the creation of new job opportunities for those presently unemployed and for our rapidly growing labour force. Our government is committed to a policy of ensuring worthwhile employment opportunities for all Albertans having a desire to work. The total number of jobs created in Alberta equalled 24,000 in 1972. This compares with just 11,000 in 1971.

The Canadian economy appears to have recorded a strong advance during the fourth quarter after a weak performance during the summer months. The major strengths in 1972 were consumer and government expenditures, investment in new machinery and equipment and residential construction. The major policy problem regarding the performance of the Canadian economy is the persistence of price and cost increases and the continuance of high unemployment levels in the context of an expanding economy. We welcome the initiatives announced in the recent federal budget to improve this performance, and particularly the measures taken to reduce the burden of inflation on low income earners and senior citizens through reduced personal income taxes and increased pensions.

Before presenting the budget proposals for the new fiscal year, I would like to mention briefly the discussions at the recent finance ministers' meeting. We were pleased with the general tone of the discussions, particularly relating to the question of opting-out of conditional shared-cost programs and additional provincial sharing of the personal income tax field. There was more support by other provincial governments for these concepts, which our government has been advocating vigorously, than has been the case in the past. We are encouraged by the undertaking given in the recent federal budget speech to enter into close consultations with the provinces to "work out better arrangements which...fully respect the rights and responsibilities of both levels of government."

Objectives for 1973-74

Mr. Speaker, the budget which I am presenting tonight is directed to the achievement of the following basic objectives:

1. To reflect the immediate priorities of phase two of our government's administration:

to ease the burden on property taxpayers for social services through the Alberta Property Tax Reduction Plan and increased assistance to municipalities, in recognition that property tax is a regressive form of taxation not related to our citizens' ability to pay;

to establish new and longer-term education finance plans for basic and post-secondary education in Alberta; and

to realize a greater return to Albertans from the sale of our natural resources.

2. To provide for the continued development of the new programs and policies established as priorities in our government's first budget.
3. To develop fiscal policies designed to maintain economic expansion, diversification, and the creation of jobs through an appropriate level and distribution of public expenditures and programs, while restricting our cash requirements to a level which will not jeopardize future financial flexibility.
4. To establish long-term financial and program planning procedures designed to ensure:

that provincial expenditure commitments are consistent with the financial and economic capabilities of Alberta;

that the effectiveness of government expenditures is continually improved; and

that both private and public institutions which are influenced by provincial budgetary policy are able to plan their activities with a maximum degree of certainty respecting provincial policy and to participate in the process of establishing these longer-term plans.

Our progress in establishing these longer-term plans is already evident. Financing plans have been announced for primary and secondary education and for our university system. We also have made significant progress in improving planning and budgeting procedures for our highways capital program.

In the coming year we intend to continue these efforts, and expect to develop much improved planning procedures for our public works programs and to develop a long-term financing plan for provincial health services.

Mr. Speaker, we are confident that all hon. members and the people of Alberta will find that the budget proposals, which I am about to present, reflect these objectives.

The 1973-74 Financial Plan

This second budget of our government calls for income account expenditures of \$1,312 million and departmental capital account expenditure of \$187 million for a total expenditure of \$1,499 million compared with a forecast of \$1,320 million for 1972-73, representing a 13.6 per cent increase. Excluding the additional \$34 million provided for the Alberta Property Tax Reduction Plan, because this is a direct tax reduction to our citizens, Mr. Speaker, the proposed expenditures are 11 per cent higher than the forecast for the current fiscal year, approximately the same rate of growth as forecast for the Alberta economy as a whole. The proposed expenditures will be financed by income account revenues of \$1,387 million and capital account revenues of \$7 million. This leaves a budgetary cash requirement of \$105 million. In addition, I am projecting a net cash requirement for loans and advances of \$34 million for a total overall cash requirement of \$139 million.

The financial plan is summarized in the accompanying table.

On operating accounts, revenue is projected at \$1,386.9 million, expenditure \$1,312.5 million. Mr. Speaker, I'm pleased to say we will have a surplus on operating account of \$74.4 million. On capital account for departmental purposes we expect revenue of \$7.2 million. We're projecting expenditure on capital account of \$186.5 million, and are, therefore, projecting a cash requirement for capital purposes of \$179.3 million. But, Mr. Speaker, when we apply our operating account surplus against those capital requirements, we anticipate a budgetary cash requirement of \$104.9 million. We expect repayments of loans and advances totalling \$12.1 million. We project disbursements under loans and advances of \$46 million, providing a net cash requirement for loans and advances of \$33.9 million. Mr. Speaker, the overall

cash requirement we are, therefore, projecting for net requirement for capital purposes and for loans and advances is \$138.8 million.

The presentation clearly identifies the net cash requirement for loans and advances. This has been done in order to distinguish these transactions, which are essentially financial in nature, from the operating and departmental capital expenditures. Loans and advances reflect the government in a financial intermediary role, and outstanding loans and advances are carried on the government's balance sheet as assets and as such are clearly distinguishable from government expenditures on goods and services. The major loans and advances which have been included in the 1973-74 financial plan provide government financing as follows:

1. \$25 million for the capital requirements of the Alberta Housing Corporation for an expanded program of direct housing loans to Alberta's lower income citizens. Major emphasis, Mr. Speaker, of this program will be in rural Alberta.
2. \$10 million for the Alberta Opportunity Fund to continue this government's objective of diversifying Alberta's economy.
3. \$5 million for the Agricultural Development Fund --

[Applause]

They didn't let me finish -- to continue our support for Alberta agriculture.

4. \$5 million for disbursement under The Municipal Land Loans Act to assist cities in the acquisition of land for urban transportation requirements.

Funds required for the retirement of public debt have been excluded from the current operating expenses of government and the overall cash requirement of \$139 million. Rather than contributing to cash requirements, this item will be offset against the sources of financing. Since receipts from the issue of public debt are excluded from budgetary revenues and because the expenditures financed from borrowing have already been included in government expenditure, it clearly is inconsistent to include the retirement of public debt in budgetary expenditure.

Our plans for financing the overall cash requirement will be determined during the course of the year in light of conditions in the financial markets and the alternatives available. For the first time, the Government of Alberta will issue 91-day Treasury Bills to take advantage of the lower interest rates available in the short-term market and to provide a better balance in the composition of provincial debt.

In addition to the government's cash requirements, our financing plans will take into account the net cash requirements of the Alberta Municipal Financing Corporation, the capital financing needs of Alberta Government Telephones, including a maturing debenture issue of \$20 million, and \$50 million of maturing debenture debt of the Alberta Resources Railway for which our government will need to seek new financing.

Expenditure Priorities in the 1973-74 Budget

The details of our expenditure program are contained in the Estimates which I have tabled in the Assembly. I would like now to summarize the budgetary provisions for our major program priorities.

Alberta Property Tax Reduction Plan

The Alberta Property Tax Reduction Plan reflects the valuable work done by the members of the Government Task Force on Provincial-Municipal Fiscal Arrangements. The plan has two major parts.

It provides a direct tax reduction to owners and renters of residential property.

In the case of owners, this budget requests \$54.2 million for the Homeowner Education Tax Refund. The assistance to owners of residential property provides for a refund of up to \$216 of the provincial education foundation levy on residential property, which includes farmland and mobile homes.

In the case of renters, for the first time in Alberta, it is recognized that renters contribute to education property taxes through their rents. The assistance to renters will be in the form of a credit, against the provincial personal income tax, of up to \$100, with the amount of the credit determined by the annual rent paid and the individual's taxable income. It is estimated that the amount of assistance extended to renters will total \$12 million, which will be a direct reduction in the personal income tax revenues of the province. The credit will be extended when the 1973 personal income tax returns are filed.

The increased assistance to municipalities consists of three parts.

Firstly, \$14 million to finance a larger share of social services at the local level, namely, 100 per cent of local hospital requisitions, 100 per cent of local health unit requisitions, and 90 per cent of municipal social assistance costs.

Secondly, \$14.5 million for unconditional assistance grants to municipalities distributed on the basis of a new formula which more adequately takes into account the relative needs of various municipalities.

And thirdly, \$19.5 million in unconditional incentive grants, which will be distributed according to a formula based on the 1972 Supplementary Requisitions for education.

The total magnitude of this assistance to municipalities is \$48 million -- a substantial 14.3 per cent increase over the 1972 municipal assistance grants of \$42 million. Mr. Speaker, this compares with a real, or true, increase of 11 per cent in provincial expenditures.

Early Childhood Education

Mr. Speaker, an early childhood education program is provided in this budget in the amount of \$4.9 million for the launching of a phased, comprehensive early childhood program. The program will be unique, voluntary and available to rural areas. Services for disadvantaged and handicapped children will be an important part of the program.

Education Finance Plans

\$260 million is provided for the first year of the new three-year school financing plan announced by the Minister of Education. The plan involves four major principles.

The instructional portion of the School Foundation Fund will be escalated each year by up to 7.5 per cent.

Instructional grants to school boards will be made on a per pupil basis.

An Education Opportunity Fund with an initial funding of \$4.5 million will improve educational services and programs in selected areas.

Guidelines to control school board supplementary requisitions will continue, but the plebiscite requirement will be dropped.

The new plan directs relatively more resources to elementary education and simplifies the determination of government support for local schools by shifting from group grants to more equitable per pupil grants. An important feature of the plan is the sharply increased support for special education. Support per pupil in retarded children's schools will increase by 26 per cent in 1973-74, while grants for opportunity classes will have increased by 50 per cent in two years.

The Minister of Advanced Education will be announcing a three-year scheme for operating grants for universities. The plan is intended to provide the four universities and the Banff Centre with the lead time necessary for effective and efficient planning. This budget provides \$99.4 million for operating grants for universities for 1973-74 -- a 9.1 per cent increase. This additional support will allow the universities to adjust their level of services during a period of stabilizing enrolments. The province's six community colleges will receive \$13.2 million in operating grants -- a 20 per cent increase -- if the expected enrolment growth materializes. The capital construction program at the universities has been reduced by 50 per cent and at the colleges by 35 per cent.

The provision will allow approved capital buildings to proceed, but there will be no major new construction at the universities until enrolment trends rise sharply.

Agriculture

Our government's objective is to improve farm incomes. The budget will enable the Department of Agriculture to solidify the foundation established in our first budget, in order to meet the needs of a dynamic agricultural industry. The agricultural sector will be able to capitalize on new credit policies, new federal-provincial agreements on rural development, small farms development and irrigation rehabilitation. In addition, milk and egg market-sharing agreements, and recent market development pilot projects will strengthen our marketing thrust. This budget provides the Department of Agriculture with \$26.6 million to implement these new policies and programs -- a substantial 26.3 per cent increase over 1972-73 and a striking 88 per cent increase over 1971-72. This government obviously gives much higher relative priority to the programs of the Department of Agriculture in recognition of this basic industry's essential significance to the prosperity of so many of Alberta's citizens.

Environment

Our government's concern for environmental management is reflected in new programs and policies. The Environment Department has been reorganized into three broad service areas: environmental engineering, environmental protection and environmental planning and research. The operating budget of the department has been doubled for 1973-74. The budget provides for a number of new programs such as:

1. \$1 million in interest free loans for municipal pollution control assistance.
2. \$750,000 for a well-water supply program for Metis communities.
3. \$2.6 million -- an increase of 150 per cent -- for water resource projects such as new river development and lake stabilization programs.
4. \$1.5 million for a federal-provincial land utilization program to improve resource allocation and environmental quality.

Programs for the Mentally and Physically Handicapped

The priority which was given to this area in our first budget is continued by provision in the Estimates of the Department of Health and Social Development of:

1. \$16.3 million for mental health programs to provide for the continuation of the important reforms begun in 1972 in mental health treatment and prevention.
2. \$15.3 million for handicapped children and adults. The program for community based services for handicapped children and adults including community residences, sheltered work-shops and day training centres will be increased by approximately \$1 million for further facilities and services. In addition, new funds to provide assistance to handicapped children and adults with special educational needs will be continued in 1973-74.

Highways

The expenditure proposals for the Department of Highways and Transport reflect the first stage in our government's longer-term plan for the expanded development of Alberta's highway system as an important part of our transportation system which is vital to the development and growth of rural and northern Alberta. The 1973-74 budget provides:

\$47.5 million for the primary highway system -- a 19 per cent increase. This expanded program will advance construction of routes to major resource centres in the province, improve routes for distribution and marketing of farm and industrial products and expand construction of routes to recreation areas. In rural areas, previously designated 900 series secondary roads will be brought into the primary system progressively, as they are constructed.

Expenditures on Alberta Growth Roads will be increased by \$1.5 million to \$13 million. When combined with the increased expenditures of \$7 million for 900 series secondary roads, the total expenditure of \$20 million

represents a 74 per cent increase in provincial expenditure for highways in rural Alberta.

A new \$1 million program of assistance to towns and villages for improvements to streets and roads.

The importance of developing our northern resources is recognized by provision of \$2.3 million for construction of a primary highway to Fort McMurray, and a further \$1.2 million for construction of an industrial road to service resource industry development north of Lesser Slave Lake.

Mr. Speaker, grants to cities for the transportation facilities program have been increased by 45 per cent to \$16 million - a \$5 million increase. This will provide provincial support for the possible development of alternative forms of mass transportation for the first time.

Manpower and Labour

A provincial manpower planning capability has been established in the Department of Manpower and Labour to act as a linchpin between education and vocational training on one side, and the requirements for skilled people by industry and agriculture on the other.

\$491,000 is provided for staffing and operation of the Planning Secretariat, which will undertake key studies such as an Unemployment Information System, Labour Demand and Supply, Manpower Planning Model, and Career Planning Study.

\$3.6 million is provided for staffing and operation of the Manpower Division. In addition to co-ordinating Special Employment Projects, the division will develop organizational approaches in the area of Manpower Training, Career Planning and Placement and Employment Development.

Native and Metis People

This budget provides \$1 million to establish a Metis housing program. It also provides \$136,000 for a new forest fire fighters' recognition program. In addition, as previously noted, \$750,000 is allocated in the Department of Environment to a new program, which will provide isolated Metis communities with an adequate water supply.

Housing

The Alberta Housing Corporation will undertake a capital program of \$70 million in 1973, of which the province will provide \$25 million by way of statutory advance to the corporation. The corporation's capital program includes:

\$33.2 million for the Housing-Subsidized Rental Accommodation program, including \$18.5 million for public housing to provide rental accommodation for families who cannot obtain adequate accommodation at the current market cost.

\$26.7 million for loans for permanent and mobile home purchase.

\$7.3 million for land assembly programs.

This capital program represents a 35 per cent increase over the 1972 program of \$52 million.

Provincial Parks Development

Recreational opportunities for Albertans and visitors to our province will be enhanced by a \$1.6 million program for the expansion and upgrading of facilities in our provincial parks. For the first time, our parks policy will recognize the need for provision of provincial parks in the major metropolitan centres, where a high proportion of our citizens reside.

Multiculturalism

A Cultural Heritage Division has been established in the Department of Culture, Youth and Recreation, to implement our policy of multiculturalism. The objectives of the Cultural Heritage program include the sharing of Alberta's cultural diversity, the preservation of the cultural wealth of our past, and the stimulation of the living arts. This budget provides \$100,000 for the establishment of priority programs such as an advisory Cultural Heritage

Council, the publication of a cultural heritage periodical, and an office to co-ordinate the development of ethnocultural programs in Alberta.

British Commonwealth Games

Support to the City of Edmonton for staging the 1978 British Commonwealth Games will be provided in the form of a grant of one-third of the actual capital cost of construction, excluding land costs, with a ceiling of \$35 million on the costs which will be shared. This budget provides \$370,000 as an initial contribution towards the construction of a coliseum in Edmonton.

RCMP Centennial

To celebrate the centennial of the North West and Royal Canadian Mounted Police and to commemorate their contribution to Alberta's heritage, the government has allocated \$2.4 million -- \$1.5 million of which is provided in this budget.

Government Reorganization and Planning

In order to achieve our objectives with respect to longer-term fiscal and program planning, this budget provides resources for the establishment of greater planning capability in certain areas and the restructuring of parts of government organization.

1. Consumer Affairs: Reflecting our concern, Mr. Speaker, with rising prices and in recognition of the importance of protecting the interests of consumers, consumer affairs will become the direct responsibility of a minister without portfolio. As an initial step, the Consumer Affairs Bureau will be transferred from the Department of Manpower and Labour to report directly to the minister responsible. All government programs related to consumer affairs will be reviewed and further administrative and organizational changes necessary to ensure the effectiveness of these programs will be undertaken. The Budget provides for a Consumer Affairs Bureau office in the City of Calgary.
2. Northern Development: A Northern Development Group has been established to formulate a comprehensive program for Northern Development and to place a greater emphasis on co-ordinating programs for native people.
3. Office of Program Co-ordination: \$392,000 is provided for the new Office of Program Co-ordination. The major area of responsibility for this office will be to co-ordinate the implementation of development programs or projects as specified by the Executive Council.
4. Transportation Policy: \$474,000 is provided for an expanded Transport Research and Development Branch in the Department of Industry and Commerce. This recognizes that transportation policies both within the province and inter-provincially are of crucial importance to our objectives of economic diversification and decentralization.
5. Rural utilities: A new branch will be established in the Department of Telephones and Utilities to provide for administration and development of rural electrification and to launch our new program of expanded provision of natural gas to rural Alberta. The capital budget of the department provides \$1 million for direct assistance in the construction of gas delivery systems.
6. Government Decentralization: Mr. Speaker, our government is committed to increased growth in our rural areas and to a more orderly and balanced growth between our large urban centres and rural areas. We do not wish our two metropolitan cities to grow in a way that will jeopardize the quality of life now present in these two cities. At the same time, we believe that many smaller centres should not be stifled in reaching their growth potential. To achieve these objectives we intend, where possible and practical, to locate new government operations outside Edmonton and Calgary. Our decision to locate the headquarters of the Alberta Opportunity Company in Ponoka and the Alberta Agricultural Development Corporation in Camrose, are examples of our commitment to this policy.
7. Data Processing: This budget provides \$5.8 million for the purchase of new equipment for the provincial data processing centre to allow the development of advanced information systems for improved

management of provincial programs. This expenditure will quadruple our data processing capability and is expected to meet our major equipment requirements for the coming five years.

These improvements in program planning and organization will be complemented by a significant expansion of the Treasury Department's planning and analytical capability. This budget provides for a new Budget and Fiscal Division incorporating the Budget Bureau, a fiscal planning section, and the Provincial Statistics Bureau which will be transferred to Treasury. The focus of the statistics bureau will be redirected to provide more relevant information for the development and evaluation of public policy and programs in Alberta.

1973-74 Revenue Estimates

The revenue projections and the policies and decisions which they reflect are an integral part of our budget and financial plan. The Expenditure Estimates which I have tabled, and which have been highlighted in previous sections of my address, represent our government's plans and priorities for providing benefits and services to the people of Alberta.

In simple terms, the revenue projections reflect the resources available to our government to facilitate the implementation of our program plans and priorities. The financial plan reflects our judgment regarding the most appropriate balance between the expenditure proposals, the projected revenues, and capital financing. This fiscal policy is based on our assessment of the current economic situation, Alberta's requirements for long-term economic growth and diversification, and the present and future financial position of our government.

Our revenue projections for 1973-74 reflect three basic factors.

1. Management of Alberta's Energy Resources: One of the most significant accomplishments of our government has been the development of the first stage of a new comprehensive set of contemporary energy policies based on four cornerstones.

The government's role is to reflect the partnership of the people of Alberta with industry -- not merely as a tax collector.

We intend now as partners to participate in the pricing decisions to ensure that our depleting assets are not sold outside the province at less than their fair value.

Along with the additional revenues to the provincial treasury, Albertans will have greater opportunity to participate as risk-takers in the profits generated from the removal of our resources from the province. The Premier will, during this session, be making an important announcement regarding our government's plans for a completely new direction for participation by Albertans in the development of our energy resources.

In considering issues of Canadian public interest regarding the utilization of our energy resources, we intend to ensure full recognition that transportation inequities and the site of processing such resources are important questions in the diversification of Alberta's economy.

The revenue projections reflect the first stages of this government's energy policies. The Oil Revenue Plan, which was announced in July, 1972, is expected to yield additional revenues of a minimum of \$70 million in 1973-74, not including price and production increases. By comparison, the cost of administering the plan is expected to be minimal -- less than \$250,000.

Our Premier outlined our government's policy with respect to natural gas pricing during the fall session. Already there is evidence that major contracts for the sale of natural gas are being renegotiated at significantly higher prices. Not all contracts are subject to renegotiation in one year, of course, so the effects of our policy will be spread over several years. Our government will be monitoring these renegotiations closely. The natural gas royalty estimates reflect our expectations for higher prices on those contracts up for renegotiation in 1973-74.

In addition to the direct benefit of higher royalty revenues, increases in the field price of natural gas will provide a major economic stimulus to the gas industry in Alberta. Exploration and development of new reserves has

accelerated and there will be additional capital investment in processing and pipeline facilities.

Our government will be taking further initiatives to ensure a fair return on the sale of our natural gas resources. A new natural gas revenue and royalty plan is being developed.

Overall, our revenues from petroleum and natural gas are projected to reach \$426 million in 1973-74 -- a very substantial 33.5 per cent increase. These projections reflect the policies which I have summarized as well as the recently announced 20 cent per barrel price increase for crude oil and production increases to meet expanding demand.

2. Economic Projections: The revenue projections for the major tax sources reflect our expectation for another strong economic performance in 1973. Personal incomes are expected to increase at approximately the same rate as in 1972 with some acceleration in the growth of total wages and salaries, reflecting a further large expansion in the numbers employed in Alberta. In line with the continued economic expansion, corporate profits should show a satisfactory increase although at a slightly slower rate of growth than in 1972.

Tax revenues are projected to reach \$483 million and to account for approximately 35 per cent of income account revenues. The three major taxes -- personal and corporate income taxes, and the gasoline and fuel oil tax -- account for \$455 million or approximately 94 per cent of tax revenues.

It should be noted that at present forecasts of corporate and personal income tax revenues are subject to a larger than usual margin of error. Tax reform and the recent federal budget have altered the tax bases significantly. The initial payments on account for personal and corporate tax receipts are determined by the federal government, and the provincial allocations of the tax revenues are being made on the basis of the distribution under the old tax system. This raises the possibility of significant adjustment payments once the actual tax returns are tabulated.

Any adjustments with respect to the 1972 tax year -- the first year under tax reform -- will be made in March, 1974. Moreover, under The Fiscal Arrangements Act, the federal government guarantees a province that personal and corporate tax revenues under the reformed tax system, including the increase in personal exemptions proposed in the federal budget, will not be less than the yield under the old tax system. The magnitude and timing of any payments which may be required under the guarantee has not been determined.

3. No Tax Increases: Mr. Speaker, I am pleased to say that as a result of our energy policies, revenue growth due to buoyant economic expansion, and a responsible level of expenditure, this budget does not propose any tax increases! Our government, in fact, has directly reduced the tax burden of Albertans through the Alberta Property Tax Reduction Plan, without increasing provincial income taxes. In fact, provincial personal income taxes will be reduced as a result of the increased personal exemptions announced in the federal budget, and I am pleased that we are able to pass the full benefit of this on to Alberta citizens.

Conclusion

Mr. Speaker, the Budget I have just proposed will provide a surplus of \$74 million on operating account. This surplus has been achieved while providing very substantial budgetary support for the two major program priorities to which our government is committed in 1973: reduced property taxation for social services and the development of responsible long-term financing plans for basic and post-secondary education.

I have proposed capital expenditures of \$186 million and provision for loans and advances of \$46 million.

The proposed net budgetary cash requirement of \$105 million and the \$34 million requirement for loans and advances is well within our financial capability and will not unduly constrain our future fiscal flexibility.

May I conclude by summarizing the highlights of our second budget.

1. No increases in provincial taxes are proposed.

2. Significant reduction in property tax is included.
3. An operating budget surplus of \$74 million, with capital borrowing requirements reduced to \$105 million compared to last year's \$178 million.
4. Increased municipal assistance, which includes the provincial government taking over the full financial responsibility for the operation of hospitals.
5. Over \$350 million provided for long-term financing plans for basic and post-secondary education.
6. A special new \$5 million non-compulsory early childhood education program.
7. Increased provision for agricultural programs, providing an 88 per cent increase in this key department's budget compared to two years ago.
8. A substantial increase in expenditures for the highway program, together with a 45 per cent increase for provincial support in the area of urban transportation.
9. New programs for native and Metis peoples, including a \$1 million housing program, and a \$750,000 water supply program.
10. Major expansion of provincial parks, including for the first time an urban parks policy.
11. Substantial increased revenues to the province, arising out of this government's new energy policies.
12. Substantial increased general revenues, arising in part out of this government's management of the buoyant Alberta economy.

MR. DOWLING:

Mr. Speaker, I beg leave to adjourn the debate.

MR. SPEAKER:

May the hon. minister have leave to adjourn the debate?

HON. MEMBERS:

Agreed.

MR. HYNDMAN:

Mr. Speaker, I move that the House do now adjourn until Monday at 2:30 o'clock.

MR. SPEAKER:

Having heard the motion by the hon. Government House Leader, do you all agree?

HON. MEMBERS:

Agreed.

MR. SPEAKER:

The House stands adjourned until Monday afternoon at 2:30 o'clock.

[The House rose at 9:07 o'clock.]