

LEGISLATIVE ASSEMBLY OF ALBERTA

Friday Evening, March 22, 1974

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

MR. MINIELY:

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

[The House rose.]

MR. SPEAKER:

The message from His Honour the Lieutenant-Governor is as follows:

The Lieutenant-Governor transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1974 and recommends the same to the Legislative Assembly.

The Lieutenant-Governor further transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1975 and recommends the same to the Legislative Assembly.

Please be seated.

ORDERS OF THE DAY

GOVERNMENT MOTIONS

4. Mr. Miniely proposed the following motion to the Assembly:

Be it resolved that the messages of His Honour the Honourable the Lieutenant-Governor, the 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 and move that the messages of His Honour the Lieutenant-Governor, the Estimates, and all matters connected therewith, be referred to the Committee of Supply.

[The motion was carried.]

5. Mr. Miniely proposed the following motion to the Assembly:

Be it resolved that this Assembly approves in general the fiscal policies of the government.

MR. MINIELY:

Mr. Speaker, I beg to move that this Assembly approves in general the fiscal policies of the government.

I. INTRODUCTION

Mr. Speaker, the first two budgets presented by our government significantly redirected expenditure programs to meet the needs of Alberta's citizens - especially those in less fortunate circumstances. We have taken decisive steps to provide more and better jobs for Albertans, to improve opportunities in rural Alberta, to substantially improve health-care services for our citizens, and to provide substantial relief to less fortunate citizens on fixed incomes. At the same time, we have reduced the cost to Alberta citizens for social services while not increasing any provincial taxes. This has all been accomplished within a framework of sound financial management and fiscal responsibility.

The 1974 budget reflects unique and historical circumstances in Alberta which present very great challenges and very great opportunities. International developments have resulted in a significant increase in the value of Alberta's energy resources. As a result of this and sound resource management policies by our government, Alberta's financial situation has never been better.

This budget presents a balance in the use of our resource wealth among:

1. The provision of opportunities for the people of Alberta to share through investing in the growth of our province.
2. The reduction of costs and taxes for our citizens facing increasing living costs as a result of national and international factors.
3. Financial support programs for the expansion and diversification of Alberta's agricultural and industrial base providing more and better jobs for Albertans.
4. Building upon and improving health care for and education of Alberta citizens.
5. Improving the quality of life in Alberta in environment and recreational opportunities.

A most important objective of the expenditure policies contained in this budget is to ensure that the Alberta economy develops in a manner which will broaden our opportunities for young Albertans in our cities, towns, villages and on our farms. This budget contains a number of new initiatives directed towards further diversification and decentralization of the Alberta economy.

For the information of members of the Assembly and the people of Alberta, the budget statement is accompanied by three appendices: Appendix A presents information on the government's financial operations including forecasts for 1973-74 and revenue estimates for 1974-75; Appendix B is a descriptive analysis of Alberta's revenue structure; and Appendix C provides a brief review of the Alberta economy.

II. ALBERTA'S ECONOMY

Before proceeding to the measures in this budget, I would like to discuss economic developments in 1973, the ways in which our economy strengthened and the problems which must be solved.

Employment of Albertans

In several respects, the economy turned in an excellent performance in 1973. Both real and current dollar output recorded the largest gains in many years. The vigorous expansion was accompanied by the creation of a record number of new jobs, an average of 32,000 more than in 1972. Over half of the 4.9 per cent increase in employment occurred among workers under 25 years of age, a group that represents only one-third of the work force. Mr. Speaker, this was a most welcome development considering the high unemployment rates which these young citizens have experienced.

Industrial Growth

The expansion in 1973 was relatively broad-based. The strongest growth in demand was that for investment, particularly business investment which increased by 24.5 per cent, twice the 1972 rate, reflecting confidence in Alberta's future. Although data for the third quarter of 1973 suggested that consumer demand had peaked early in the year, estimates for the fourth quarter indicate a sharp rebound in consumer expenditure.

Alberta Citizens' Incomes

Personal disposable income of Albertans recorded the largest gain since 1956. Even with the increase in the cost of living all across Canada, real disposable incomes rose significantly indicating a general improvement in the incomes of Albertans.

Alberta's Farmers

Farm cash receipts reached \$1.2 billion in 1973, the first time ever to exceed \$1 billion. The large gains resulted primarily from price increases, and although farm expenses also rose substantially, farm net income increased by about 60 per cent.

Potential Problems

Some major economic problems for 1974 are those on the supply side. Several supply bottlenecks emerged in 1973 such as that in steel production. It is clear that a major challenge for Canadian economic policy is to alleviate supply problems especially in view of the needs of forthcoming capital investment programs in Alberta and in Canada.

The rate of world and Canadian price increases must also be a major concern for 1974. The issue is a complex one. There has been a massive explosion in demand in the industrialized economies of the world over the past two years. The world economy has been unable to meet the demands for many basic commodities and prices have risen sharply. The situation has been amplified by food prices which have shown the largest increases at the consumer level. Of course, Alberta's agricultural producers have received needed benefits from rising food prices. However, policies are required at the national and international levels to stabilize cost and price performance. The Edmonton-Calgary consumer price index rise for 1973 compared to 1972 was surprisingly less than the Canadian national average. This will be difficult to sustain as these two Alberta metropolitan areas are two of the three fastest growth centres in Canada and such growth inevitably brings with it demand factors relative to supply, which naturally increase prices.

Mr. Speaker, in Alberta we have taken many steps to offset the rise in prices for those individuals such as senior citizens and others on fixed incomes who are not in a position to secure compensating increases in their incomes. We will continue such policies, together with reduction of taxes not based on ability to pay, because this is the most effective action for a provincial government to take. However, these provincial actions must not be viewed as long-term solutions which require national and international initiatives because the root causes of inflation clearly stem from world, not local, factors.

Energy

The economic event of 1973 of most importance for the future of Alberta was, of course, the change in prices of energy relative to other goods and services. In the simplest terms, price increases are required to ensure long-term supply for Albertans and all Canadians. Replacement of our oil and natural gas reserves will be more expensive than in the past and will require a larger risk investment over the next decade. The rise in energy prices should be viewed by Canadians as a program to generate the capital required to obtain ownership of a larger proportion of new energy projects.

III. 1974-75 FINANCIAL PLAN

Before outlining the financial plan for 1974-75, I would like to review the major changes which have occurred since I presented our last budget.

Review of 1973-74

Due primarily to an increase of about \$140 million in petroleum and natural gas revenues and \$29 million in corporation tax revenues, the original 1973-74 budget which called for a total cash requirement of \$139 million has changed substantially. Preliminary estimates suggest that the cash requirement will be negligible after allowing for additional expenditures of some \$40 million and additional non-budgetary financing for Crown corporations and agencies of about \$50 million. Any payments which may be received before March 31 from the federal government on account of any share of the federal export tax on crude oil are obviously not reflected in the preliminary estimates for 1973-74. Appendix A provides additional details on the expected outcome for the current fiscal year.

It has not been necessary to go to the long-term financing market during the current year. As announced in the last budget, we have issued 91-day Treasury Bills. At March 21, bills outstanding amounted to \$98 million. These funds have been used to finance new advances to government agencies. This policy is resulting, Mr. Speaker, in substantial interest savings to government agencies and thereby the citizens of Alberta.

On September 18 we commenced the Consolidated Cash Investment Trust - the first provincial consolidated investment trust fund in Canada. This has resulted in consolidation of cash from many funds so that a larger total amount is available for investment at higher yields which currently exceed 9 per cent.

1974-75 Financial Plan

The financial plan for 1974-75 is summarized in the accompanying tables.

On operating or income account we are projecting revenues of \$1,918 million. Operating expenditure is projected at \$1,622 million. Mr. Speaker, I am pleased to say that on operating account we are projecting a surplus \$296 million which is the highest operating surplus in the history of the province.

On capital account, Mr. Speaker, we anticipate revenue of \$16 million, expenditure of \$293 million, or a cash requirement for capital purposes of \$277 million.

Mr. Speaker, I am also pleased to say that after both operating and capital expenditures we are anticipating a budgetary cash surplus of \$19 million, the first overall budgetary surplus since 1965-66.

Mr. Speaker, in loans and advances which are non-budgetary items, we project a net cash requirement for those purposes of \$147 million. We are able to apply our overall budgetary surplus of \$19 million and we anticipate in this budget an overall cash requirement of \$128 million.

Mr. Speaker, as I mentioned, the budget for 1974-75 calls for an operating surplus of \$296 million and a budgetary cash surplus of \$19 million after both operating and capital expenditures.

Revenues

Operating account revenues in the budget are \$325 million, or 20.4 per cent, higher than the 1973-74 forecast. Because the new oil royalty provisions and the prices for crude oil for April 1974 have not been announced, additional oil royalty revenues expected from price increases and the new royalty schedule have not been included in this budget. Later, I will present to the Assembly new oil royalty revenue estimates for 1974-75 reflecting the consequences of the crude oil pricing and oil royalty rate announcements.

Fiscal policies respecting non-renewable resource revenues are being reviewed, and in due course the government will present proposals for a new policy regarding the application of the substantial additional oil resource revenues anticipated.

Details of the revenue estimates are contained in Appendix A. The estimates for personal income tax allow for the indexation of the personal income tax effective for the 1974 taxation year. The provincial portion of this cost is estimated to be \$15 million. This provides significant additional relief to Alberta taxpayers at a time of increases in the cost of living.

Expenditures

Our capital budget totals \$293 million, a 45 per cent increase over the forecast of 1973-74 expenditures. Capital programs for 1974-75 have been expanded rapidly to provide the public services necessary to complement the major resource development projects which

will be undertaken in Alberta during the next decade. The responsible fiscal and energy policies implemented by this government during the past two years permit us to undertake these major capital commitments without increasing provincial tax burdens while still maintaining a strong provincial government financial position.

The 1974-75 operating budget has been increased by 21 per cent to a total of \$1,622 million. This budget provides for many important new program priorities, as well as continuing support for the priorities of phases one and two of our administration. Of the total increase of \$285 million in the 1974-75 operating budget, \$65 million is devoted to direct tax reductions and cost rebates. The increase in operating expenditure net of these programs is 16.5 per cent.

IV. NATURAL RESOURCE MANAGEMENT

I would now like to discuss, Mr. Speaker, the management of Alberta's non-renewable resources.

This government's policies with respect to non-renewable resources reflect a balance between securing an appropriate return to the owners of the resource - the people of Alberta - and an adequate return and incentive to explorers to find replacement reserves for future generations. A new dimension is now unfolding in this government's resource management policies.

Opportunities for Citizen Participation in Resource Development

I have mentioned that an important objective of our policy for the development and management of our natural resources is to ensure that Albertans, as owners of the resources, receive a fair return for the utilization of these resources. An additional effective means of achieving this objective is to provide the opportunity for Albertans to participate as owner-partners with their government and with the industry in resource development projects in our province.

1. Alberta Energy Company

The Alberta Energy Company will provide Albertans with a direct opportunity to participate in the development and management of energy resources in our province.

Initial investments of the Alberta Energy Company will include significant participation in the development of the Alberta oil sands and the natural gas rights of the Suffield Block.

The capitalization of the company will be \$500 million.

The Government will invest \$250 million directly and the other \$250 million in shares will be made available on a preferential basis first to Albertans and secondly to other Canadians.

It is expected that the company's initial requirement of \$150 million will be raised through the sale of shares in 1974.

2. Alberta Resources Growth Company

As a further means to encourage and enable the people of Alberta to participate in the development of the resources of this province, we plan to introduce legislation this fall to establish an Alberta Resources Growth Company. The company will hold equity interests in partnership with private firms in projects that will contribute to the development of a diversified provincial economy.

3. Whitecourt-Fox Creek Forest Management Agreement

One of the probable potential areas for investment by the Alberta Resources Growth Company arises out of the Whitecourt-Fox Creek management agreement which the province entered into last fall for the development of the timber resources in the Whitecourt and Fox Creek area. The province was granted the option to acquire an equity interest of up to 40 per cent in the development at cost. This will enable participation by Albertans either directly or through their government in a resource development project which will provide a major impetus to the economy of northwestern Alberta.

Conventional Crude Oil

Steps are being taken with respect to securing an appropriate return on the sale of our conventional crude oil.

The Alberta Petroleum Marketing Commission will be purchasing and selling all oil produced from Crown lands.

The price of Alberta crude for April and subsequent months will be posted by the commission at a level which is in the overall best interests of Albertans.

The new oil royalty formula to be announced next week will become effective in April.

Natural Gas

An examination of the pricing and export of natural gas was commenced when our government assumed office in 1971.

The Alberta Energy Resources Conservation Board concluded from its 1972 hearings on natural gas that natural gas was leaving Alberta at 60 per cent of its market value at that time. These findings were endorsed by our government.

Significant progress on natural gas pricing has been realized as evidenced by the recent announcement that the field price of natural gas purchased by the Alberta and Southern Gas Company for the California market will double to an average of 56 cents per mcf commencing July 1, 1974.

This, combined with the previously announced new natural gas royalty system, will ensure a fair return to Albertans while still retaining incentive for discovery of new reserves.

The new royalty structure contains a very significant change with respect to by-products from natural gas processing, particularly pentanes plus which account for the largest value of products processed from natural gas.

The new royalty provisions and expected price increases will yield royalties for 1974-75 in the order of \$220 million from natural gas and natural gas by-products. Mr. Speaker, this is three times the forecast of \$73 million for the current year.

Exploratory Drilling Incentive System

We consider it essential that extensive exploration for oil and natural gas continues in this province, not just to maintain the employment of Albertans in this key industry, but also to assure that the new undiscovered additional replacement reserves of oil and natural gas are, in fact, discovered. It is also important to increase the degree of recovery from existing fields. Hence, for those companies continuing to explore and to drill in Alberta, expanded incentive credits will be allowed by broadening the successful Exploratory Drilling Incentive System which was implemented in 1972.

Alberta's Oil Sands

Because of the importance of the development of the oil sands with respect to the longer-term supply of energy in Canada, our government has taken steps to ensure that the development of the oil sands will be managed and controlled in a manner that will maximize the benefits to Albertans who own the resource and to all Canadians who will use the energy resources.

Major steps taken include:

1. Syncrude

Our decision to authorize the development of a second synthetic crude oil extraction plant near Fort McMurray only upon a profit-sharing basis with the province. In addition to the significant increase in Alberta crude oil production when it begins operating in 1978, this plant represents the largest single construction project undertaken in the history of Alberta. Albertans will receive approximately 60 per cent of the annual pre-tax profits from this operation, either through royalties or the Alberta Energy Company.

2. Alberta Oil Sands Technology and Research Authority

The commitment of \$100 million to this authority over the next five years in an effort to achieve the necessary technological breakthrough to recover the crude bitumen from

deeper seated oil sands. An important priority of the authority will be the encouragement of private industry to expand their research efforts.

3. Longer-term Policy

As announced in our government's Throne Speech, a position paper on oil sands development guidelines will be presented. This policy will establish guidelines on ownership requirements, environmental standards and other parameters for future extraction plants.

V. REDUCTION OF COSTS AND TAXES

Mr. Speaker, the taxation policy of this government as reflected in this and previous budgets has been and will be to reduce the burden of costs and taxation to finance social services on those least able to pay. This is particularly important in a period of rising national and world prices. Alberta citizens on fixed or lower incomes are much less able to pay taxes and at the same time meet rising costs of living. For this reason we propose the following reductions in costs and taxes for Alberta citizens, to supplement those reductions already implemented in our previous two budgets.

Fuel Oil Tax Reduction

Thirty-five million dollars will be utilized to reduce the cost to Alberta consumers and to partially offset the price increases for gasoline and diesel fuel which may result from the rise in the wellhead price of crude oil. Commencing April 1 we are reducing the provincial fuel oil tax by five cents per gallon. We are working with the gasoline retailers to ensure that the full benefits of this tax reduction will be passed on to Alberta consumers.

Farm Fuel and Heating Oil Cost Allowance

Our government recognizes that even with substantially improved farm cash income, there are still numerous family farms struggling to make ends meet. We recognize that the anticipated price increases for all petroleum products will have an impact on farm costs. Therefore, in order to maintain the present relative tax and cost differential between farmers and the balance of the motoring public we have included in the budget a transportation allowance of \$11 million to reduce costs to Alberta farmers.

Removal of Provincial Education Tax

On February 6 the Minister of Municipal Affairs announced major revisions to the Alberta Property Tax Reduction Plan.

Homeowners - A further \$15 million reduction in property taxes to Alberta homeowners will result from the removal of the entire provincial education tax on all residential property from single-family dwellings up to and including fourplexes and farmlands.

Renters - Alberta renters will continue to receive their renter assistance credits against personal income tax. We estimate that total credits of \$8 million will be claimed by Alberta renters on 1973 income tax returns. The renter assistance grant to senior citizens living in rented residences and the renter assistance credit to renters under 65 years of age will be reviewed and increased periodically to take into account changing circumstances.

This revision to our Alberta Property Tax Reduction Plan fulfils this government's commitment to remove social service costs from residential property taxes. It also represents a substantial reduction in administrative complexity for our government, for municipal governments, and for Alberta taxpayers.

Health Care Premiums

Effective July 1, 1974, \$1 million will be utilized to further reduce costs to Alberta's senior citizens, 65 years of age and over, and their dependants. The \$15 deductible provision on optional health services will be removed. In addition, \$1.5 million will be utilized to eliminate the basic health care premium for Alberta residents with no taxable income.

Natural Gas Rebate Plan

This budget provides \$20 million for the Natural Gas Rebate Plan in order to offset possible increases in the cost of natural gas to Alberta consumers which may result from world and Canadian opportunity prices. The Natural Gas Rebate Plan will be made retroactive to January 1, 1974. There will be special provisions for natural gas consumed in existing power generation in Alberta. This means that Alberta consumers will enjoy the lowest heating costs in Canada.

Indexation of Personal Income Tax

As I mentioned, the indexation of the personal income tax will save Alberta taxpayers \$15 million on their 1974 provincial personal income tax.

No Tax Increases

Mr. Speaker, the cost and tax reduction measures which I have just outlined will result in total benefits to Albertans in the order of \$106.5 million. In addition, this third budget continues the policy of the first and second budgets of this administration - no tax increases of any nature.

VI. EXPENDITURE PRIORITIES

The expenditure priorities of our government's preceding two budgets clearly reflected our policy priorities. Expenditure programs that have received major emphasis to this point have included programs to:

alleviate the financial disadvantage of many of our senior citizens;

expand Alberta's agricultural industry, rural growth, and the incomes of Alberta's farmers;

provide better care and create new opportunities for Alberta's mentally and physically handicapped citizens;

provide more and improved job opportunities for Albertans; and

remove the burden on Alberta property taxpayers of financing social services.

The 1974-75 Expenditure Estimates reflect the continued importance which this government attaches to these established priorities.

1974-75 EXPENDITURE PRIORITIES

The priorities in the budget I am presenting this evening reflect this government's commitment in four broad areas:

Programs for people

Support to local governments

Job-creating programs

Improving government management

PRIORITIES IN PROGRAMS FOR PEOPLE

This budget includes important new initiatives designed to improve social equity and the quality of life in our province.

1. Assistance to Persons on Fixed Incomes

This budget provides substantial assistance to Albertans most adversely affected by the burden of inflation.

Workers' Compensation Board Payments: \$4.4 million, increased from \$1.2 million in 1973-74 to provide supplementary compensation payments to those disabled workers and their dependants whose pensions have not kept pace with living costs; \$250,000 for a study initiated in 1973 to examine and make recommendations on a comprehensive program of occupational health and safety.

Public Assistance Payments: An increase of \$20 million to \$104 million for social allowance payments to alleviate inflationary pressure on the incomes of social allowance recipients. Our schedule of social allowance food and clothing payments for adults was revised effective February 1, 1974.

Assistance to Senior Citizens: This budget includes several new initiatives of direct benefit to our senior citizens;

a \$9.6 million program to provide in the coming fiscal year the \$10 per month provincial payment to recipients of the Federal Guaranteed Income Supplement introduced in 1973;

\$4 million to provide for extended health care benefits to senior citizens;

\$2.5 million to eliminate the deductible provision on optional health services for senior citizens and to eliminate health care premiums for Alberta residents with no taxable income;

increased assistance for public transportation systems in our metropolitan areas is of special benefit to senior citizens, who use these systems extensively.

2. Housing

The \$109 million capital budget of the Alberta Housing Corporation, which is an increase of \$50 million over 1973-74 and of which \$76.3 million will be funded by the province, will provide:

\$22.7 million for construction of 12 new senior citizen lodges and 12 ten-bed lodge additions;

\$18.5 million for the construction of 550 urban and 225 rural public housing units;

\$31.3 million for land assembly and development - \$28 million of this will be directed towards the Fort McMurray area;

\$33 million for direct home loans to low-income families in Alberta.

Our \$1 million grant program for Metis housing will continue in 1974-75. We will be assessing carefully the recently announced federal rural housing program and will ensure that the benefits of this program are made available to Albertans.

3. Initiatives in Education

We are taking a number of new initiatives to improve the quality of education generally and to increase access to education for more Albertans. Ninety-five per cent of the increased budgets for the Departments of Education and Advanced Education represents increased payments to school boards, institutions, and other groups for improved education services.

Early Childhood Education: Because of the very positive response to the Early Childhood Services Program successfully launched in 1973-74, we are more than doubling expenditures on this program in 1974-75 to a total of \$11.2 million. This will enable thousands more pre-school children to participate in the program, will provide full support for the first time for handicapped children aged three and a half to four and a half, and will equalize grants to public and private programs.

Educational Opportunity Fund: A \$4.9 million budget for this important program to upgrade the quality of education services available to disadvantaged pupils will expand the program by about 50 per cent.

Education for the Handicapped: We are providing increased funding of programs to provide for the special educational needs of visually impaired and blind children, deaf children, children with learning disabilities, and all other handicaps.

Innovative Projects Fund: \$900,000 will be provided to establish an innovative projects fund in the Department of Advanced Education for experimental projects designed to improve the quality of learning.

New Course Development Fund: A \$1 million new course development fund will provide grants to institutions of higher education for the development and introduction of new courses of study.

Alberta Education Communications Corporation: \$3.6 million will be provided to the Alberta Education Communications Corporation for operation of Television North (formerly MEETA), Television South (formerly CARET) and radio CKUA. A \$1.6 million grant is also being provided to the corporation for construction and purchase of equipment.

Further Education: \$700,000 will be provided to expand the direct support of further education programs by the Department of Advanced Education.

School Foundation Programme Fund: This budget provides for an increase of 9 per cent in per pupil grants to ensure that our most valuable resource - over 410,000 young people - are guaranteed quality education in the face of unprecedented inflation. These instructional grants have been increased by 22.5 per cent since January 1, 1972.

Our assistance to school boards includes \$500,000 for 'Preservation' grants to assist in keeping open certain small, remote rural schools that are deemed to be crucially important to the life of a community by its residents.

This government will be funding proportionately more of the education expenditure by assuming the financial responsibility under the Alberta Property Tax Reduction Plan for the 28 mill education levy on residential property taxes. In 1974-75 the provincial government will be contributing 86 per cent of the cost of basic education - \$336 million - compared to 69 per cent in 1973-74.

4. Consumer Affairs

The newly-created Department of Consumer Affairs will consolidate activities involving consumer and corporate relations previously administered by several government departments, and will expand these programs by 100 per cent.

In the area of consumer relations, a budget of \$1.5 million, increased from \$383,000 in the current year, will provide consumer information and education programs and assistance for consumer-oriented research; the department will establish five new consumer affairs offices throughout the province in addition to those already operating in Edmonton and Calgary.

The 1974-75 budget for the corporate relations division will be increased to \$1.1 million, compared to a forecast expenditure in 1973-74 of \$911,000 and an original 1973-74 budget of \$710,000.

5. Improved Health Services

The quality of Alberta's hospital care is unsurpassed anywhere. Our 1974-75 budget will ensure that the high standards we have achieved in hospital services will be maintained and will build on the programs we have initiated for our mentally ill and handicapped citizens.

Mental Health Services: Our 1974-75 budget of \$20.1 million for mental health continues our policy of decentralizing these services. This policy is being implemented by means of:

 maintenance of community mental health centres throughout the province for observation, diagnosis, treatment, and follow-up services to persons with mental health problems;

 providing for community home care programs to assist persons who have been released from mental hospitals;

 establishing a day care centre in Calgary to care for emotionally disturbed and mildly retarded children.

Services for the Handicapped: Our 1974-75 budget of \$20 million for the handicapped will emphasize:

 establishment of regional and community-based services for the handicapped, including community residences, sheltered workshops and day training centres;

 establishment of group homes in a community setting for persons presently confined to institutions.

6. Alcohol and Drug Abuse

A budget of \$3.7 million for the Alcoholism and Drug Abuse Commission, a 71 per cent increase over the 1973-74 budget, will provide new initiatives to aid those Albertans with problems resulting from alcohol and drug abuse.

The commission has established five regional service areas in the province, with headquarters and other offices and facilities in each division.

An in-patient treatment centre, similar to Henwood, has been established at Claresholm.

Intoxification recovery centres have been established at a number of locations in the province.

7. Recreational Opportunities

This budget contains several initiatives to expand recreational facilities and recreational opportunities for Albertans and visitors to Alberta.

Provincial Parks: As part of the five-year Provincial Parks Development Program announced last year, 1974-75 capital expenditures on parks have been doubled to \$3 million. During the 1973-74 fiscal year some 2,200 acres of land were purchased for the proposed Fish Creek metropolitan provincial park in Calgary. A comparable park will be announced for the Edmonton area.

The operating budget for the parks program has been increased 29 per cent to \$4.6 million.

Municipal Recreation Facilities: Project co-operation will provide assistance of up to \$3 million for use by municipal recreation boards and departments.

Amateur Sports Events: We are encouraging the development of amateur sports events by:

providing \$280,000, in addition to the \$250,000 provided in 1973-74, for facilities for the Canada Winter Games which will be held in Alberta in 1975;

contributing \$3,380,000 towards the construction of a coliseum in Edmonton for the 1978 British Commonwealth Games. This grant is part of our commitment to pay one-third of the capital costs of the games, with a maximum of \$35 million on the costs to be shared.

8. Administration of Justice

Our 1974-75 budget for the Department of the Attorney General of \$20 million represents an increase of 31 per cent over the forecast of expenditures for 1973-74. This expanded budget will provide for the improved administration of justice in Alberta in the following ways:

Provincial Courts: Increased expenditures in 1974-75 on provincial courts of \$700,000 provide for the operation of additional court facilities in Calgary and more provincial judges and support staff throughout the province which will improve our provincial court system.

Administrative Practices in Lower Courts and Coroner's Office: Provision of \$450,000 has been included in this budget to permit immediate action on policy decisions arising out of the recommendations of the Kirby Board of Review.

Legal Aid: An increase of \$400,000 has been included in this budget to provide for additional legal services to needy Albertans.

The Solicitor General's department which will assume the policing, probation, and correctional services formerly provided by the Attorney General has been increased 21 per cent to \$26.7 million. The creation of this new department will result in an increased emphasis on rehabilitative training and treatment programs within our correctional institutions and the development of alternatives to the present system.

9. Provincial Capital Projects for Social Programs

The 1974-75 construction program includes \$10.6 million for health and social development facilities compared to \$3.1 million in the 1973-74 budget and expenditures in 1972-73 of \$1.4 million. Over the coming three years we expect to devote \$40 million to developing badly-needed facilities for our health and social development programs including:

a forensic unit at the Alberta Hospital in Edmonton;
cottage units and recreation facilities at the Alberta School Hospital in Red Deer;
group homes for the handicapped at various locations, and
major renovations to the Baker Memorial Sanatorium in Calgary.

We are providing \$1.3 million in our 1974-75 construction program to develop facilities required for our correctional programs, and will be devoting \$6.6 million to this area in the next three years.

The capital provision for provincial technical and vocational facilities has been increased from \$6.8 million in the current year to \$8.8 million in 1974-75, primarily for new facilities at the Southern Alberta Institute of Technology including:

a trade and technical engineering complex,
a food technology and services building, and
a student activities building.

SUPPORT TO LOCAL GOVERNMENTS

Mr. Speaker, the financial problems of local governments are a matter which have received the ongoing attention of this government since we assumed office. In an effort to provide a longer-term solution to municipal financial problems, we have established a Provincial-Municipal Finance Council to examine the relationship of municipal responsibilities to the financial resources available to municipalities to effectively fulfill their responsibilities.

Pending the recommendations of the Provincial-Municipal Finance Council, this budget includes expanded measures of direct assistance to municipalities. I would like to refer to several programs in this budget which are of special significance to our municipalities.

1. Municipal Assistance Grants

Municipal assistance grants and municipal incentive grants will be increased by 15 per cent to a 1974-75 total of \$39.9 million. This percentage increase compares with a total provincial operating increase of 16.5 per cent, exclusive of provision for cost and tax reductions. This amount of assistance to municipalities does not include the significant assistance given to Alberta municipal taxpayers through assumption by the province of 100 per cent of hospital and local health unit costs and of 90 per cent of social assistance costs.

2. The Alberta Property Tax Reduction Plan, 1974

\$61.6 million will eliminate the provincial education tax on residential property.

Renter assistance grants of \$100 to senior citizen renters will cost an estimated \$1.5 million.

\$2 million has been provided to ensure that homeowners with education taxes less than \$100 receive 1974 benefits equivalent to what they received in 1973.

The Alberta Property Tax Reduction Plan, exclusive of the \$8 million renter assistance tax credit netted against provincial income taxes, is estimated to cost \$109.5 million in 1974-75, a 32 per cent increase over the forecast expenditure in 1973-74.

3. Municipal Water and Sewer Assistance

\$1.8 million will further expand our assistance to rural growth centres under these programs.

4. Special Programs for Edmonton and Calgary Growth Needs

Urban Transportation Assistance: A new multi-year program with a first-year commitment of at least \$15 million will permit a major expansion in the development of public transportation systems in our metropolitan centres of Edmonton and Calgary. Details of the program will be announced by the Ministers of Highways and Transport and Municipal Affairs when final policies have been determined.

Neighbourhood Improvement Program: A total of \$2.75 million in provincial grants will be made available to Alberta municipalities under the Neighbourhood Improvement Program.

Lower Property Taxes on Urban Lands: An additional contribution of \$4.5 million to the School Foundation Fund will permit a reduction from 35 per cent to 20 per cent of market value in assessment of non-residential urban land for equalization purposes.

Urban Provincial Parks: The Minister of Lands and Forests will be making a major announcement regarding the establishment of a provincial park in the Edmonton area comparable to the Fish Creek metropolitan provincial park in Calgary.

PRIORITIES IN JOB-CREATING PROGRAMS

As a complement to the objective upon which our oil and gas revenue policies were based, this budget is designed to encourage a broadening of our economic base to reduce our reliance on the export of unprocessed agricultural commodities and non-renewable resources and to expand job opportunities in Alberta.

1. Economic Expansion and Diversification

The development of an efficient transportation system throughout the province is vital to our overall effort to expand and diversify the Alberta economy. During this period of large primary resource revenues the capital budget for the Department of Highways and Transport has been increased by 50 per cent in 1974-75 to \$157 million. Mr. Speaker, our highway system is a valuable long-term investment for Albertans and a vital component of our transportation system.

Transportation

Primary Highways and Growth Roads: \$79 million, a 33 per cent increase over 1973-74 expenditures, is provided for primary highway and bridge construction, including major emphasis on the Fort McMurray and David Thompson Highways. \$10 million of this will be devoted to a long-term \$70 million federal-provincial program to upgrade highway weight limits in the prairie provinces to national standards. \$16.8 million, a 30 per cent increase over 1973-74 expenditures, is provided for Alberta growth roads which plan an important role in our rural development policy.

Municipal Road Grants: Over \$18 million is being provided for grants to municipal districts and counties, to improvement districts, to special areas, and to towns and villages for construction and improvement of roads and streets.

Airport Facilities: \$500,000 is being provided for grants to develop regional airport facilities throughout Alberta. This five-year program will greatly improve transportation and communication services in non-metropolitan areas of the province.

Transport Research and Development: The budget for transport research and development has been increased 288 per cent to \$1.75 million. Our objective is to strive for basic solutions to the transportation problems that have inhibited job creation and diversification in Alberta. An important aspect of our transportation effort is Alberta's contribution of \$500,000 to the Federal-Provincial Committee on Western Transportation established as a result of the Western Economic Opportunities Conference held last July.

Economic Development: The industry and commerce budget provides for a major expansion of marketing and regional development programs:

\$1,274,000 for international marketing including \$683,000 for the Alberta Export Agency;

\$562,000 to encourage growth and diversification of secondary industry in Alberta; and

\$417,000 to encourage the growth and development of industry in the rural areas of Alberta.

Alberta Opportunity Company: Our \$17.5 million advance to the Alberta Opportunity Company in 1974-75, raising total outstanding advances to the company to \$41.6 million, reflects the accelerating rate at which we will be providing direct assistance to existing and new business enterprises in the province. The company, which has its headquarters in Ponoka, will be establishing offices in other areas of the province.

2. Agriculture and Rural Development

This budget provides over \$40 million to continue our effort in revitalizing the agricultural industry and maintaining the family farm in Alberta. Our 1974-75 expenditure proposals for the Department of Agriculture represent a tripling of government support expenditures directed towards the agricultural industry since this government took office.

New Agricultural Programs: New agricultural programs in the 1974 budget are as follows:

\$500,000 for wild oats control;

\$500,000 for a new livestock insurance program;

\$500,000 in grants to assist livestock breeders and semen producers;

\$500,000 to assist in the establishment of farmers' markets which aim at improved consumer purchasing, and

\$227,500 to establish a horse industry branch in the department.

The Agricultural Development Corporation: This budget provides for an advance of \$25 million to the corporation in 1974-75 which results in total outstanding advances to the corporation amounting to \$75 million. This will substantially increase the availability of loans for increasing agricultural production and encouraging the processing of agricultural products in Alberta.

Alberta Export Agency: The 1974-75 budget provides \$2 million for the Alberta Export Agency, including \$1 million for direct assistance to encourage the development of export markets. The Alberta Export Agency is jointly funded by the Departments of Agriculture and Industry and Commerce and is intended to ensure coherent development of our government's efforts to expand markets for Alberta's industrial and agricultural output.

3. Manpower Planning and Development

An important prerequisite to any job creation plan, and especially one that includes projects of the magnitude anticipated for Alberta's oil sands, is the availability of an adequate manpower supply.

Manpower Training: A \$2 million industry-based training program is being initiated by the Department of Manpower and Labour to meet the manpower demands that will be arising from oil sands development in northeastern Alberta. There will be an emphasis on on-the-job training geared towards both the construction and operational aspects of the oil sands development. Preferential treatment in participating in this training program will be given to Native and local peoples.

Special Employment Programs: During 1973-74 we devoted \$18 million to our Priority Employment Program (PEP) and Summer Temporary Employment Program (STEP). The 1974-75 estimates include \$3 million for PEP and STEP with greater emphasis being placed on the training aspect of the programs. This amount will be augmented in the light of seasonal employment requirements over the next fiscal year.

4. Environmental Management

Maintaining and improving our quality of life is a fundamental concern of this government, and this budget provides for further growth of programs to protect and conserve our environment.

Environmental Coordination Services: Increased funding of \$500,000 is being provided for implementation of the new Land Surface Conservation and Reclamation Act, which will approve and monitor land surface disturbances and ensure satisfactory reclamation.

Municipal Water and Sewer Assistance: Combined funding for municipal pollution control assistance and municipal water supply assistance has increased to \$1.8 million. These programs emphasize assistance to rural growth centres which need to expand their water and sewage facilities, making an important contribution to our rural development policy.

Mosquito Control Program: Direct assistance to municipalities totalling \$750,000 will be provided under the new Mosquito Control Program.

Irrigation Rehabilitation: \$1.9 million is being provided for rehabilitation of irrigation headworks and secondary works as a result of the recent agreement with the

federal government transferring responsibility for the St. Mary and Bow River irrigation districts to Alberta. Funding has also been provided in the Departments of Agriculture and Environment for the operation and maintenance of these irrigation works.

5. Provincial Capital Projects for Economic Programmes

\$1.5 million is provided to commence construction of a new \$6 million environmental research and standards building in Vegreville. A total of \$10.5 million will also be provided for the construction of 17 provincial buildings outside our metropolitan areas. Not only will the construction projects have a positive impact on our smaller communities, but the completed provincial buildings will permit improved delivery and greater accessibility of government services in areas throughout the province.

IMPROVING GOVERNMENT MANAGEMENT

Our government is adapting organizational structures and internal management systems to facilitate the most effective means of achieving our objectives.

1. Resource Management

An important reorganization has taken place in the Department of Mines and Minerals to allow us to more effectively manage our non-renewable resources:

the Department has been reorganized into four major divisions: minerals, finance, research and planning, and administration;

the 1974-75 departmental budget has been increased to \$7.3 million from a 1973-74 budget of \$2.6 million to reflect the growing importance of natural resource management to the province;

\$2.8 million is provided to engage in planning and coordination of research on mineral evaluation and recovery.

The budget also includes \$701,000 to meet operating requirements of the Alberta Petroleum Marketing Commission.

2. Fort McMurray Development

The budget includes \$100,000 to establish a coordinated approach to our economic management of the Fort McMurray area. We will be appointing a Northeast Regional Development Commissioner who will be responsible for coordinating the physical development of Fort McMurray and the northeast region and for coordinating the delivery of government services in the oil sands region.

3. Land Purchase Fund

As part of our government's continuing effort to improve resource planning and management, we plan to introduce legislation this session which will provide for the establishment of a land purchase fund. The land purchase program will permit the acquisition and management of land to meet long-range development requirements. This budget provides for an initial advance of \$20 million to the fund.

4. Growth of the Public Service

The implementation of the new programs which were announced during 1973-74 and those I have outlined tonight, will require only an average 9.9 per cent increase in manpower in government departments this year. The main areas of increased personnel relate to our programs for the handicapped and mentally ill, to our transportation programs, to the administration of justice and to our forestry and parks programs. The 1974-75 Estimates provide a comparative summary of manpower by department for the last two years. I am pleased to report, Mr. Speaker, that in spite of the above growth, aggregate salary and wage costs will remain at a constant 13 per cent of the total budget.

An improved staff control and salary commitment system will be implemented on April 1, 1974. These changes should ensure manpower control and improve management information.

5. Program Budgeting

The presentation of budgets in terms of programs for the people of Alberta can be an important tool for achieving our objective of improving the budgets as a vehicle for legislative and public understanding of budget policies and priorities. However, the budgeting process under our parliamentary form of government is extremely complex. It is

essential that the desirability of adopting program budgeting in the provincial government be fully and openly examined by members of this Assembly. I am making available this evening several documents which will be of assistance in this regard:

- (a) an illustration of the overall program structure of the provincial government which could be utilized under a program budgeting system;
- (b) illustrations for five departments of a format which could be used for presenting budgets in program terms;
- (c) an illustration for the Department of Health and Social Development of the type of detailed supplementary budget information which could be utilized by sub-committees of the Committee of Supply during detailed examination of departmental estimates.

Mr. Speaker, I hope that members will review these materials carefully, and that we will have an opportunity during debate to discuss the merit of adopting this form of budget.

VII. CONCLUSION

Mr. Speaker, the budget I have just proposed will provide a budgetary surplus of \$19 million - the first surplus after capital expenditures since 1965-66.

This has been achieved while still providing \$106.5 million in cost and tax reductions to Alberta citizens, substantially increased expenditures for improved health care and education for our people, and a major expansion of government financial support for housing and job opportunities for Albertans.

Our financial policy recognizes the need to assure that a larger portion of provincial revenues from the disposal of non-renewable resources are applied to long-term investment in capital facilities and education and training programs which in time will be reflected in an economy less dependent upon primary resources and a labour force skilled to meet the job requirements of the future. The wisdom of this policy is that in the event revenues from oil and natural gas begin to decline over the years, the level of capital expenditures can be adjusted easier than commitments to operating programs.

As announced in the Throne Speech, during this session the Premier will be announcing significant new directions in fiscal policies for Alberta.

Permit me to review the highlights of this third budget of our government.

1. No increase in any provincial taxes, but rather \$106.5 million in cost and tax reductions including:
 - a) \$15 million further reduction of provincial education tax
 - b) \$35 million to reduce gasoline tax by 5 cents per gallon
 - c) \$11 million for a farm fuel cost allowance of 5 cents per gallon
 - d) \$8 million for tax credits to Alberta renters.
 - e) \$20 million for rebates to Alberta natural gas consumers
 - f) \$2.5 million for reduction of health care cost of Alberta senior and low-income citizens
 - g) approximately \$15 million for indexing Alberta's share of personal income tax to the rise in consumer price index
2. \$39.3 million for increased payments to citizens on fixed income to help offset cost of living increases, and, Mr. Speaker, the government will be constantly monitoring the needs of these citizens.
3. A \$109 million program, up from \$59 million in 1973, primarily directed towards low income and senior citizen housing, together with Fort McMurray development.
4. \$43.8 million for improved health care for Alberta citizens, particularly mentally and physically handicapped citizens.
5. A \$293 million capital budget, increased 45 per cent from 1973.

6. Municipal assistance is at an all time high with this year's increase in grants amounting to 15 per cent. In addition, \$15 million additional room for municipalities is provided by the provincial education tax removal.
7. Special assistance to our metropolitan centres of Edmonton and Calgary, amounting to \$25 million and including:
 - \$15 million for urban transportation;
 - \$4.5 million by reduction of equalized assessment contribution to provincial education;
 - \$2.75 million for neighbourhood improvement;
 - major provincial parks for both cities,
 - \$3 million for recreation facilities.
8. \$17.6 million for new initiatives in education.
9. Expenditure for highways and rural growth roads will greatly increase by 40 per cent to over \$100 million in one year.
10. \$3 million in grants to towns and villages to improve roads and streets, an increase of 200 per cent.
11. Over \$40 million is provided in the budget to continue our efforts to strengthen agriculture in Alberta, together with authorization for \$25 million of further credit for farm expansion and agriculture processing.

Mr. Speaker, hon. members of the Assembly, I am confident that you and the citizens of Alberta will see clearly in this budget that in two years from the presentation of our government's first budget we have set the direction for a new era in our province -

a "New Era" of opportunity for Alberta citizens;

a "New Era" in which our province will play its rightful role as a leading province in Canada.

MR. BUCKWELL:

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

MR. SPEAKER:

May the hon. Member for Macleod adjourn the debate?

HON. MEMBERS:

Agreed.

MR. HYNDMAN:

Mr. Speaker, I move that the Assembly 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 9:19 o'clock.]

