

## LEGISLATIVE ASSEMBLY OF ALBERTA

**Title: Thursday, June 8, 1989 8:00 p.m.**

Date: 89/06/08

[The House resumed at 8 p.m.]

[Mr. Speaker in the Chair]

MR. SPEAKER: Please be seated.

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

SERGEANT-AT-ARMS: Order!

MR. SPEAKER: The Lieutenant Governor transmits an estimate of a certain sum required from the Alberta Heritage Savings Trust Fund for the 12 months ending March 31, 1990, for the purpose of making investments, pursuant to section 6(1)(a) of the Alberta Heritage Savings Trust Fund Act, in projects which will provide long-term economic or social benefits to the people of Alberta which may not necessarily by their nature yield a return to the trust fund, and recommends the same to the Legislative Assembly. Signed by Her Honour the Lieutenant Governor.

The Lieutenant Governor transmits estimates of certain sums required for the service of the province for the 12 months ended March 31, 1989, and recommends the same to the Legislative Assembly. Signed by Her Honour the Lieutenant Governor.

The Lieutenant Governor transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1990, and recommends the same to the Legislative Assembly. This document is also signed by Her Honour.

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Please be seated.

head: **GOVERNMENT MOTIONS**

2. Moved by Mr. Johnston:  
Be it resolved that the messages of Her Honour the Honourable the Lieutenant Governor, the estimates, and all matters connected therewith, be referred to the Committee of Supply.

[Motion carried]

3. Moved by Mr. Johnston:  
Be it resolved that the Legislative Assembly do resolve itself into Committee of Supply, when called, to consider the supply to be granted to Her Majesty.

[Motion carried]

4. Moved by Mr. Johnston:  
Be it resolved that the Legislative Assembly approve in general the fiscal policies of the government.

head: **BUDGET ADDRESS**

MR. JOHNSTON: Mr. Speaker, I am pleased to report that Alberta has a strong and healthy economy. Our successful diversification strategy is promoting the growth of new industries, generating higher investment, and creating employment.

The budget I am introducing today responds to Alberta's priorities and maintains quality people programs and services. It emphasizes the critical importance of the education of our children to the social and economic well-being of the province. It supports economic development and diversification. The budget helps ensure that economic growth will take place in a manner that protects our natural heritage for future generations of Albertans.

It reflects this government's ongoing commitment to responsible fiscal management. We have stood firm in our resolve to control expenditures. Since 1985-86 this government has by far the best record of expenditure management among the provinces. This has been achieved by choosing our spending priorities carefully. The program spending outlined in this budget is only 5.4 percent above the level in 1985-86. By comparison, inflation over this four-year period will be about 14.5 percent. The budget proposes balanced measures to reduce the deficit and keep our economy moving. Our budgetary plan recognizes and builds on those fundamental values that we wish to protect and nurture: the family, the community, and a caring society.

**Economic Situation and Outlook**

Before describing our budget plan in detail, I would like to provide an overview of Alberta's current economic situation and the exciting opportunities that lie ahead.

**Economic Resiliency and Diversification**

When I presented the 1986 budget update to the Legislature, the Alberta economy was suffering from the effects of a dramatic fall in world prices for oil, natural gas, and grain. Fears of a deep and long-lasting recession were widespread.

Alberta rebounded much faster than most observers had expected because of the resourcefulness of Albertans and the economic leadership of this government. Real economic activity increased by 3.3 percent in 1987, and the expansion accelerated by 1988. I estimate that our economy grew by more than 7 percent last year, making Alberta the fastest growing province in Canada.

The recovery over the last two years was led by our export sector. About one-half of Alberta's production is exported to the rest of Canada and other countries. The volume of our exports has grown by close to 20 percent since 1986. Natural gas

sales to the United States were a major source of strength, increasing by about 80 percent in the last two years. However, weaker energy prices and the higher Canadian dollar left 1988 export revenues at about the same level as 1987.

While the energy industry remains an important sector of the Alberta economy, our growing diversification has led to a strong expansion in the sale of manufactured goods outside of Alberta. The volume of manufactured exports grew by 8 percent in 1988, bringing the total increase over the last two years to almost 13 percent. The key growth industries were food processing and petrochemicals, which build upon the strengths in agriculture and energy. Increased processing of our raw materials in Alberta provides quality jobs and helps protect our economy from swings in commodity prices.

Tourism is a major thrust of our diversification policy. Receipts from visitors from the rest of Canada and other countries have climbed by more than 20 percent over the last two years. More and more Albertans, encouraged by the Take an Alberta Break program, are vacationing here in our beautiful province. Tourism revenues are at record levels.

With this government acting as a catalyst for diversification, investment in the Alberta economy has grown strongly since 1986. Real business investment in industries other than the energy sector climbed by almost 50 percent in the last two years. Manufacturing investment increased by 80 percent in 1988 alone. The massive expansion of Alberta's forestry industry was the major factor in this increase. In addition, construction started last year on new metal manufacturing and agricultural processing facilities in southern Alberta. The continuing momentum of our diversification initiatives will broaden further the economic base of our province.

Energy investment also recovered strongly in 1988. Provincial incentive programs helped provide the cash flow necessary to increase exploration and development.

Alberta's employment picture improved markedly in 1988 as the economy strengthened. Employment grew by 3.5 percent to 1.186 million people. The unemployment rate averaged 8 percent, down sharply from 9.6 percent in 1987. More Albertans were employed in 1988 than in any other year in our history. The growth in employment was experienced throughout Alberta. Of the 40,000 new jobs created, 11,000 were located in Edmonton, 9,000 in Calgary, and the other 20,000 spread across the rest of the province. Alberta continues to have more of its working-age population employed than any other province. Two-thirds of Albertans of working age were employed in 1988, compared to less than 62 percent for Canada as a whole. Increased job opportunities in Alberta led to net in-migration of 5,500 persons in 1988, the first positive inflow since 1982.

Our growing population and improving incomes spurred housing construction. Housing starts in Alberta rose by 5 percent in 1988, on top of a 28 percent increase in 1987. In contrast, national housing starts fell by 10 percent last year.

Consumer spending recovered strongly as a result of the strength in employment and our provincial income tax reduction. Retail sales increased by over 7 percent. Alberta has the second highest retail sales per capita. Inflation in Alberta averaged just 2.7 percent, well below the national average of 4.1 percent.

### **Continued Solid Growth into the 1990s**

I expect continued solid growth as we move into the 1990s.

The leadership of this government will generate over \$10 billion of investment in the forestry, energy, and petrochemical industries by 1995.

The expansion of the pulp mill in Whitecourt was completed last year. Ten other major forestry projects are under construction or will be started shortly. The pulp and paper complex to be built in the Athabasca-Lac La Biche area will include the world's largest pulp mill. In total, the \$3.5 billion in forestry investments will create about 10,000 construction jobs and over 4,000 permanent jobs for Albertans. Substantial spin-off investment and employment will also be generated. These projects will be developed in an environmentally sound manner. They will contribute strongly to diversification of the Alberta economy.

Work has also begun on the \$1.3 billion Husky Oil Upgrader near Lloydminster. This project will upgrade our abundant supply of heavy oil to meet the growing demand for light oil in North America. The Upgrader is another example of how further processing of our resources can create well paying jobs for Albertans.

Construction of the \$4 billion OSLO oil sands plant near Fort McMurray is expected to get under way in 1991. This plant will generate over 18,000 person-years of employment during construction and require close to 3,000 permanent employees upon completion.

Another major positive for future growth in Alberta is the implementation of the Canada/U.S. free trade agreement. This government was the first and strongest supporter of the agreement. It secures access to the United States market for our resources, our manufactured goods, and our services. The petrochemical industry, which currently faces some of the highest United States tariffs, will be a major beneficiary. New petrochemical projects costing over \$1.5 billion are being planned in Alberta to take advantage of the growing opportunities.

The major projects under way in Alberta will be a key source of growth in 1989. I expect real business investment in the non-energy sectors to grow by 10 percent. This growth will be led by a 50 percent increase in manufacturing investment, on top of the 80 percent increase in 1988. The Alberta small business interest shielding and capital loan guarantee programs will enable small businesses to participate fully in this expansion.

Housing construction is also expected to increase in response to higher incomes and growing population. In the first four months of the year housing starts in the major urban centres were up 22 percent from the 1988 levels. The Alberta mortgage interest shielding program is protecting Albertans against current high interest rates. In addition, the Alberta family first-home program is assisting Albertans to buy their first home in which to raise a family. Over 5,500 applications have already been received for these programs.

After strong investment in 1988 the energy industry scaled back its plans for early 1989. The industry is taking a wait-and-see attitude to the recovery in oil prices. If prices continue to be strong, I expect a significant improvement in energy investment later in the year.

Alberta will continue to lead the country in total investment per capita. Alberta is on the move again, as always, building a strong and diversified economy to provide more jobs and higher incomes for Albertans.

Our export sector will continue to be strong as we enter the next decade. I do expect some moderation in 1989 from the ex-

tremely high growth rates of the last two years. Natural gas exports to the United States grew by about 80 percent between 1986 and 1988 to almost 1.2 trillion cubic feet, an all-time record. Our share of the American market has increased from 4 percent to 6 percent. Demand for natural gas in the United States is expected to continue to grow as the economy expands. In addition, natural gas will increasingly displace other fuel sources because of the environmental superiority of this clean-burning fuel. The improved market access provided by deregulation and the free trade agreement should allow Alberta producers to capture a larger share of this growing market.

We are now approaching the limits of our existing pipeline capacity, which will moderate the increase in exports of natural gas to the United States this year. However, significant expansions in pipeline capacity are being planned to increase deliverability to California and the northeastern United States.

I expect our share of the U.S. market to approach 10 percent by about 1995. I also expect to see substantial price increases for natural gas over the next few years. Higher export volumes at higher prices will give a tremendous boost to both our economy and government finances in the early 1990s.

Exports by our manufacturing and processing industries will also increase. Petrochemicals and food processing will remain key industries. As the new forestry projects come on stream, the forestry industry will become one of the largest exporters in Alberta. I expect a 30 percent rise in pulp and paper exports this year as a result of increased production from the first completed project.

Advanced technology industries will be another source of growth in the 1990s, generating increased export revenue and creating high-skill jobs for Albertans. Applications of advanced technology continue to improve the productivity and competitive position of our resource industries and manufacturing firms. This government's strong support for basic research and the transfer of technology to commercial initiatives is building our knowledge-based sector.

Alberta's agriculture industry is a major source of export earnings. A return to more normal weather conditions should mean a good year for Alberta agriculture in 1989. Prices for grains and oilseeds are expected to be firm this year after last year's welcome recovery. This should help offset the expected reduction in payments from the western grain stabilization program. Strong cattle prices will continue to benefit livestock producers, and hog prices should stabilize.

I remain concerned about the agricultural subsidy war between the United States and the European community and the effect it has on our agricultural sector. The preliminary international agreement on agriculture is an encouraging sign. Much work still needs to be done during the Uruguay Round of trade negotiations to transform the agreement into concrete measures.

Continued economic expansion and the growing confidence of Albertans should result in another year of solid growth in consumer spending. Inflation in Alberta is expected to average about 4 percent this year, partly as a result of the tax increases in the recent federal budget.

While signs are positive for Alberta, our economic outlook for 1989 and the early 1990s will, of course, be influenced by economic conditions in other countries and the rest of Canada. The world economy has entered its seventh consecutive year of growth. Central banks are raising interest rates in an attempt to slow inflation without triggering a serious economic slowdown. This is a delicate balancing act.

There is growing agreement that the Bank of Canada has gone too far in raising interest rates because of its single-minded focus on inflation in southern Ontario. With the large tax increases in the recent federal budget, there is room for the Bank of Canada to lower interest rates significantly. Without a change in federal monetary policy, a downturn in the Canadian economy is a real possibility.

After weighing all these factors, I expect that real economic growth in Alberta will be about 3 percent to 3.5 percent in 1989. With Canadian growth expected to slow to less than 3 percent this year, our growth will once again exceed the national average.

Employment will also be strong in 1989, climbing to well over 1.2 million. Alberta is one of only two provinces with any significant employment growth in the first four months of this year. I expect that 25,000 jobs will be created for the year as a whole on top of the 40,000 new jobs last year. Mr. Speaker, 65,000 new jobs in just two years is a clear sign of the success of this government's economic development and diversification strategy.

### **Fiscal Situation and Outlook**

I will now briefly review the financial developments of the past two years before proceeding to our budgetary plan for 1989-90. In 1987-88 the government developed a fiscal plan to take the province from a budgetary deficit of more than \$3.4 billion in '86-87 to a balanced budget over the following four years. The plan required measures to increase revenue and reduce expenditure. The 1987-88 budgetary deficit was \$933 million, a \$2.5 billion improvement over the previous year. This strong performance was due mostly to resource revenue significantly exceeding our estimate. Higher than anticipated oil prices increased royalties and substantially boosted revenues from the sale of drilling rights. The reduction of more than 70 percent in the deficit in just one fiscal year generated increased confidence in our fiscal plan and gave the government some flexibility in developing our 1988-89 budget strategy.

### **1988-89 Fiscal Performance**

The 1988 budget built on the success of the previous year. We used the improvement in the government's fiscal position and expectations of higher revenue to cut Alberta's personal income taxes and to allow a small increase in expenditure while planning for a lower deficit.

Last year's revenue estimates were based on the assumption that west Texas intermediate oil price would average \$18.50 per barrel in U.S. funds. This was in line with the expectations of analysts at that time. Although oil prices were strong at the start of 1988, they declined sharply as the year progressed in response to overproduction by several OPEC members. Consequently, the oil price for the 1988-89 fiscal year averaged \$16.40 per barrel, about \$2 per barrel lower than had been expected in March 1988. Natural gas prices were also lower, and the Canadian dollar showed unexpected strength, which decreased export earnings.

The combination of these three factors had a very large negative impact on our revenue from oil and gas royalties, sales of drilling rights, and corporate income taxes. Total resource related revenue is expected to be \$765 million below the budget estimate, as compared to the gain of \$724 million in the previ-

ous year. What helped us two years ago hurt us last year.

Following the 1988-89 budget, the government received several urgent requests for additional funds from postsecondary institutions, hospitals, school boards, and Albertans in need of special assistance. In keeping with our commitment to maintain effective programs and services for Albertans, the government reviewed these requests and provided additional funds where warranted.

I now expect the 1988-89 budgetary deficit to be approximately \$1.7 billion, about \$800 million higher than in 1987-88. Clearly this is a setback to our plan to move steadily towards a balanced budget by 1991. I am disappointed with the 1988-89 results. However, the cumulative budgetary deficit for the past two years is still slightly lower than the original fiscal plan target. Lower than anticipated resource revenue was the main cause of the increase in last year's deficit.

We cannot control world oil prices, natural gas, or grain prices. What we can do, however, is manage expenditure. Our record speaks for itself. In the three years from 1985-86 to 1988-89 this government kept total program expenditures essentially flat. We have the best expenditure management record in the country. Even with this careful management and control of our expenditure, the province's annual deficits have moved up and down, reflecting the trends in oil and gas prices and the Canadian dollar. The experience of the last three years has shown that oil prices will continue to fluctuate and remain difficult to predict. To lessen Alberta's dependence on resource revenue, the government has taken vigorous action to broaden the base of our economy. Although diversification is progressing at a steady pace, it will be some time before these initiatives start to generate significant new tax revenue.

### 1989-90 Fiscal Strategy

Given the current environment fiscal strategy must seek a balance between the need to reduce the deficit and the need to provide funding for Albertans' long-term social and economic objectives. We will continue to constrain growth and expenditure, and work to reduce the deficit. At the same time, we cannot let our economic expansion falter by pursuing excessively restrictive fiscal policies. We must also continue to encourage private initiative and risk-taking by providing the best business climate in the country.

The government's fiscal action plan for 1989-90 has three main objectives.

- The first objective is to reduce the deficit and move towards a balanced budget by 1991-92 as growth in the provincial economy and higher energy revenue prices generate additional revenue. Natural gas holds special promise. Our revenue from the sale of natural gas is already as significant as royalties from oil production. Natural gas sales have shown phenomenal growth in the last two years and are expected to continue to be strong. Most analysts expect natural gas prices to firm up and show substantial increases over the next few years.
- Our second objective for '89-90 is to limit tax increases by controlling the growth in expenditure. Our tradition of sound financial management provides us with the flexibility we need to be forward-looking and continue to invest in our future. Thanks to the actions of the last two years to control expenditure, almost all of our revenue still goes to pay for services to Albertans. We spend about 8 cents of each dollar

of revenue to pay interest on our debt. By comparison, other provinces on average spend approximately 12 cents of each dollar on servicing their debt and the federal government needs 35 cents of each revenue dollar to service the national debt.

- The third objective of our plan is to continue to improve the management of government operations and programs. Further efficiencies will be achieved in our own administration. We will also stress the need for continued productivity gains by school boards, postsecondary institutions, hospitals, and other health care agencies. Together they spend over 40 percent of the provincial program budget.

### 1989-90 Expenditure Plan

Over the last several months we have met with and listened to thousands of Albertans from communities across the province. In developing our 1989-90 expenditure plan, we have carefully considered their views. Our main priorities for this year are to invest in quality education, to expand transportation and other required public infrastructure, and to keep the economy moving by protecting Albertans and Alberta businesses from high interest rates.

This year's expenditure plan will maintain the quality that Albertans have come to expect in their environment health care, and other public services. We will continue to foster a caring society by enhancing the special services and programs for our senior citizens and those in need.

#### Education: Our Priority Investment

Our children are our future. This government considers their education and training to be our most important responsibility. That's why education has been given top priority in our spending plans.

Basic operating grants to school boards are being increased by 5.5 percent, the highest increase among the major grant programs. In the 1989-90 school year school boards will receive about \$1,140 in basic operating grants for each student enrolled in the early childhood services program, \$1,960 per elementary student, \$2,110 for each junior high student, and \$2,270 for each senior high student.

Special education grants to school boards will be increased by nearly 11 percent to more than \$92 million. These grants fund the extra costs of educating children with special needs, including gifted children. An additional \$2.9 million has been committed to restore full funding of the community schools program and to establish a new program to meet the needs of children attending inner-city schools.

In line with the government's commitment under the new School Act equity grants to fiscally disadvantaged school boards will be increased by more than 14 percent to nearly \$65 million.

To enhance access to quality education for children in all communities across the province, funding for the distance education initiative will be increased to more than \$11 million.

On a school year basis, total provincial operating support for basic education will increase by over 8 percent. In 1989-90 the province has budgeted more than \$1.5 billion to provide high quality basic education to our children. We will spend over \$3,300 for each child attending school in Alberta.

Our youth must also have access to quality postsecondary

education if they are to realize their potential and contribute to the overall well-being of our province. The government has always considered its postsecondary institutions as a sound investment in our future. Alberta ranks first in per capita spending on advanced education in Canada. Basic operating grants to postsecondary institutions will increase by 5 percent to a total of \$811 million. In addition, nearly \$35 million will be provided for equipment replacement, building renovations, and site maintenance.

To enhance the educational opportunities available to Albertans, several new initiatives are being funded. An additional \$3.1 million will be provided to the University of Lethbridge to expand its academic programs and administrative services. Two million dollars will be provided to expand university transfer programs at Red Deer College, Mount Royal College, and Grant MacEwan Community College. Universities will receive \$5.9 million to expand their business education programs. This year \$8 million has been budgeted for the first-year costs of a new \$80 million Alberta Advanced Education Endowment and Incentive Fund. This fund will provide one-to-one matching of private donations. It will assist postsecondary institutions in meeting the costs of research, new programs, scholarships, and the construction of capital facilities. In addition, about \$94 million will be made available from the Capital Fund for the construction of postsecondary education facilities on campuses across Alberta.

Skilled workers are essential to an expanding economy. To meet anticipated shortages, a new on-the-job training program will be initiated. One hundred apprentices will receive training in government departments under the guidance of certified tradesmen. The budget provides \$2 million for this new program. To ensure that persons working in the tourism sector have the necessary skills, the government has budgeted \$1.5 million for the Tourism Education Council. The council, with active participation from industry, will further improve the level of service and professionalism now evident in our expanding tourism industry.

Including the education component of the Department of Career Development and Employment, the 1989-90 budget provides about \$1.2 billion for postsecondary education and training. Total spending on the education of Albertans of all ages will be \$2.7 billion, or \$3,140 per household. This is a record investment in human capital. It represents nearly one-quarter of our total program expenditure for the year.

### **Investing in Infrastructure**

Efficient transportation infrastructure is basic to a modern economy. Our future economic growth requires ongoing investment in primary and secondary highways and urban roads and streets. Albertans in all communities need access to good transportation networks if we are to realize economic growth in all parts of the province. To improve roads and streets in our cities, over \$147 million has been allocated as the first-year cost of the new \$500 million Alberta cities transportation partnership program. Alberta's towns and villages will benefit from the new \$75 million streets assistance program; \$10 million has been budgeted for this program in 1989-90. Both these programs contain a new community safe streets component. Counties and municipal districts will also receive increased funding for their transportation projects.

The government has allocated \$100 million in 1989-90 to

accelerate the planned development of Alberta's secondary highways. This is an increase of \$18 million over last year's budget for the program. These highways are essential to the development of rural areas.

To prepare for the expected increase in road traffic from the OSLO project, over \$15 million is budgeted for work on Highway 63 from north of Edmonton through Fort McMurray. In southern Alberta the government is committed to twinning the highway from Calgary to Coutts. This highway, known as the export highway, will become even more important as a result of the free trade agreement. Work on the twinning of the Yellowhead Highway and the Trans-Canada Highway will continue.

The government will also spend nearly \$54 million this year to develop transportation routes to support our expanding forestry sector. A further \$28 million will be spent on building transportation links to other resource developments. These prudent investments will create thousands of jobs across the province and will build a sound foundation for the future of growth in Alberta.

### **Interest Shielding and Capital Access Programs**

Interest rates have a strong influence on economic activity. High rates deter investment and hurt farmers, small businesses, and homeowners. This government has repeatedly stressed its opposition to the high interest rate policy of the Bank of Canada. We remain concerned about the potential negative impact on the provincial economy.

To protect Albertans from high interest rates, we have announced programs for homeowners, small businesses, farmers, and ranchers. This budget contains \$70 million for assistance under these programs. In addition to providing interest rate shielding, the government has made it easier for farmers, ranchers, and small businesses to access capital. The government has announced a \$500 million enhancement to the Alberta farm credit stability program. The program will be extended for two years, to June 30, 1991. Since the program was originally introduced in 1986, about \$1.7 billion worth of long-term credit has been available to farmers and ranchers.

The government recognizes that securing financing is a major concern to most small businesses. A new \$200 million Alberta capital loan guarantee program will be established to address this need. Also, the government has moved to increase the availability of capital to small businesses from the Alberta Opportunity Company; \$18 million will be provided by the company in 1989-90 under its venture capital and new seed capital programs.

These programs will give Albertans the confidence to plan and invest for the future.

### **Support for Agriculture**

Agriculture continues to play a fundamental role in building our province. It is our renewable resource strength. Our hardworking and productive farmers and ranchers make a unique contribution to the social and economic fabric of Alberta. This government has a strong commitment to a healthy, competitive agricultural sector. We have unequalled programs to assist our farmers and ranchers with their input costs. In addition to maintaining existing programs, this budget reduces farmers' diesel fuel costs by another 5 cents a litre at a cost of

\$23 million. Alberta farmers will now receive a grant of 14 cents a litre on diesel fuel. In total, the budget for the purple fuel program has been set at \$111 million for 1989-90. As well, Alberta farmers are exempt from Alberta's 5 cent a litre fuel tax.

We are committed to stabilizing farmers' and ranchers' incomes. We already participate in programs which stabilize incomes for producers of red meat products, sugar beets, and dry edible beans. This budget will add to the income security of our farmers by providing \$700,000 in 1989-90 for Alberta's participation in a new tripartite honey stabilization program.

This government is responsive to the changing needs of the agricultural sector. The 1989-90 budget contains funding for programs initiated in response to the 1988 drought; \$8 million is budgeted for final payments under the Alberta livestock drought assistance program. Nearly \$6 million will be available to assist farmers and ranchers in developing water supplies to help protect against future shortages.

To assist agricultural producers in developing irrigation systems on their land, \$1.8 million is budgeted for a new private irrigation water supply program. This \$11 million program will be funded from the capital projects division of the heritage fund. Soil conservation is important for the future of our agricultural industry, and the government will provide \$2.8 million for a new soil conservation program. Funding for the Oldman River dam and the provision of private telephone services to rural families will continue.

As previously announced, the Crow benefit offset program has been extended at a cost of over \$46 million in 1989-90. We have been working aggressively for a change in the federal Crow rate policy. As a result of our discussions with the federal government, we are hopeful that they will move on this key agricultural issue in the near future. In the interim, our Crow benefit offset program will assist our livestock industry, but the level of support will be reduced to \$10 per tonne effective September 1, 1989.

We are negotiating with the federal and other provincial governments to make crop insurance more responsive to farmers' needs. Alberta will continue to press for improvements to the Canada/Alberta crop insurance program.

In total the government will provide over \$600 million in 1989-90 to support our farmers, ranchers, and other agricultural producers. This represents an increase of \$87 million over the amount budgeted last year. Agriculture is the government's number one economic priority.

### **Enhancing the Quality of Life**

Quality of life encompasses many things: a clean environment, quality public services, a strong sense of personal security, and comprehensive health services. This budget enhances the quality of life in Alberta.

Alberta is a province of breathtaking beauty and great natural splendors. We will preserve Alberta's natural gifts for future generations. Alberta is a leader on environmental issues in Canada. Our per capita expenditure on environmental programs has consistently been at least 25 percent higher than the provincial average. We are known for the pioneering steps we have taken on a number of environmental issues such as hazardous waste management and treatment. We will continue to lead the country in environmental legislation and standards. In 1989-90 we will provide ongoing support for a wide range of environmental measures including recycling, hazardous waste treat-

ment, land reclamation, fish and wildlife conservation, and environmental research. The budget of the Department of the Environment will increase by more than 9 percent to \$119 million.

Several new and expanded programs are provided for in this year's budget. They include the development of a centre of expertise and hazardous waste management, a five-year extension to the land reclamation program, a pesticide container program, and a program to carry out an inventory of underground fuel storage tanks. Over \$800,000 will be spent to enhance the enforcement of Fish and Wildlife regulations by hiring additional field staff.

Forest management agreements signed with the industry require that companies meet environmental and reforestation standards established by the province. In addition, we have budgeted over \$22 million for programs designed to manage and enhance our forests. This government will continue to ensure that Alberta's economic development takes place in an environmentally sensitive and sustainable manner.

Municipal and local services are an integral part of the public services that add to the quality of urban and rural life in Alberta. The unconditional municipal assistance grants under the Alberta partnership transfer program are being increased by 5 percent to nearly \$105 million. As well, municipalities will receive \$19 million in transit operating grants. Payments to municipalities under the Alberta municipal partnership and local employment program will be increased by 18 percent to nearly \$68 million. These payments are in addition to the \$52 million budgeted for the municipal debenture interest rebate program.

To enhance the quality of life in urban communities, \$1 million is budgeted this year to help nine urban municipalities develop and expand recreation facilities for their residents. As well, we will double to \$4 million our assistance to rural communities for the development, upgrading, and operation of outdoor recreation facilities. These facilities provide Alberta families with increased opportunities to spend their leisure time together.

To ensure Albertans continue to have high levels of personal safety and security, grants to municipalities for policing services are being increased by 5 percent to over \$30 million. In addition, the budget for the Check Stop program has been increased by 7.7 percent to \$1.2 million.

The Alberta government recognizes the importance Albertans place on quality health care. To ensure continued access to the finest medical care system in the country, we will spend over \$3.5 billion or about \$4,100 per household in 1989-90. This includes funding from the General Revenue Fund, the Alberta Health Care Insurance Fund, the Capital Fund, and the heritage fund. Health expenditure will increase by 6.7 percent or \$220 million over last year's budget. To help pay for part of this increase, health care premiums for single and family contributors will be increased by \$1.75 and \$3.50 per month respectively, effective October 1, 1989. The increase is estimated to generate about \$12 million in 1989-90. Senior citizens remain exempt from health care premiums. As well, 225,000 low-income Albertans will pay no premiums.

The government is committed to addressing the concerns of nurses. Seven point five million dollars has been budgeted for their educational and job-related needs as recommended by the Premier's Commission on Future Health Care for Albertans. We have also budgeted \$500,000 to initiate planning and draft legislation for an improved, provincewide ambulance system.

To strengthen preventive care, global operating grants to lo-

cal health units will increase to nearly \$130 million, an overall increase of 27 percent. This includes an increase of over \$7 million to deliver enhanced speech therapy services. As well, \$1 million has been allocated to initiate a new screening program for early detection of breast cancer. Eight hundred thousand dollars is budgeted to expand the vaccination program for children. The funding for the Alberta Alcohol and Drug Abuse Commission will increase by \$4.9 million. Funding is also being provided to initiate planning for the Alberta family life and drug abuse foundation.

We remain committed to providing quality health care for Albertans. The ever increasing costs of health care require that both the providers and the consumers of these services use our health care dollars effectively.

### **Support for Senior Citizens**

This government has unparalleled services and programs for our senior citizens. We believe that our seniors deserve to live in security, dignity, and comfort. This budget includes major funding increases and new initiatives to allow our senior citizens to live in their own homes and communities. As the number of senior citizens grows, it becomes increasingly important that we find ways to meet their needs within the community rather than an expensive institution.

Funding for home care will be increased by 44 percent to \$47 million. Another \$1.8 million has been budgeted to provide lower income seniors a grant of up to \$700 to purchase approved medical alert systems. A new home improvement program with grants ranging from \$1,000 to \$4,000 depending on income will be initiated to assist seniors in upgrading their homes. We will also build 230 new self-contained apartments for seniors at a cost of nearly \$16 million. Over \$15 million is budgeted to build new lodges and upgrade existing facilities. Our commitment to assist seniors to stay in their own homes is also reflected in the nearly \$125 million for property tax rebates and renter assistance grants in this year's budget.

This package of programs, Mr. Speaker, when combined with our other ongoing services, will raise our total commitment to senior citizens to over \$1 billion in the 1989-90 fiscal year.

### **Helping Albertans in Need**

We have been steadfast in helping Albertans with special needs. For example, in 1987-88 when total program expenditures declined by more than 4 percent, spending on social services increased by nearly 5 percent. This budget maintains the existing services for disadvantaged Albertans and provides increases in selected priority areas. This government's support for women's shelters is being increased by 24 percent to \$5.1 million. It will provide all shelters with higher assistance for basic necessities and fund a new shelter in Peace River and six satellite safe homes in our northern communities. Two hundred thousand dollars is also budgeted for new public education and other initiatives to prevent family violence.

The maximum assistance provided to the handicapped for modifying their homes will be raised from \$1,000 to \$5,000, and the eligibility criteria will be broadened.

Caring for children who cannot remain with their own families is an important responsibility. This budget increases support to persons who help with this demanding task. Foster parents' allowances were increased by 10 percent effective May

1, 1989. As well, an additional \$1 million has been budgeted to double the number of parent/counselor foster homes. These homes provide intensive support to children with special needs. Families adopting special-needs children will benefit from the establishment of a new postadoption support program.

Alberta has an excellent day care system with over 40,000 children currently enrolled. This budget allocates \$1.6 million to upgrade the qualifications of day care workers. To strengthen the monitoring of day care centres, the budget for the licensing unit will rise by \$284,000. Effective September 1, 1989, the monthly day care subsidy rate for low-income parents will be increased by more than 20 percent to \$240 for the first child and \$280 for each additional child.

We have been encouraging social assistance recipients to seek employment through the employment alternatives program. This budget quadruples to \$6 million the funding for specialized assistance to help them prepare for employment.

This government will continue to meet its commitments to those Albertans who need special assistance.

### **Controlling the Growth of Public Expenditure**

Over the last several years the government has placed increasing emphasis on improving the productivity and cost-effectiveness of its internal operations. We will continue to emphasize value for money by restraining internal expenditures and reviewing the administrative efficiency of ongoing programs. This year we have made a governmentwide commitment to freeze travel budgets at last year's level and reduce hosting expenditures. Productivity gains will limit increases in wage and salary costs. The introduction of new programs and expansion of others, along with normal staff turnovers, will ensure that no staff layoffs will be required.

We will initiate program cost reviews in several departments this year. The objective of these reviews will be to identify programs which might be capped, refocused with smaller budgets, or eliminated if a program is no longer essential. Albertans' needs are changing, and the government must be prepared to adjust its programs to make the most effective use of tax dollars.

Careful control of spending on direct government programs has helped to accommodate increases in grants. Over 70 percent of total program expenditure is paid out in grants. School boards, postsecondary institutions, hospitals, and other health care agencies received \$4.4 billion, over 40 percent of the total provincial program budget. The availability of high-quality health, education, and other services to all Albertans depends in part on how efficiently these grant recipients deliver their programs. We are calling on them to manage even more effectively, to enhance productivity further, and to concentrate their funds on improving front-line people services. All public institutions have the responsibility to provide the best value for the taxpayer's dollar.

### **Expenditure Plan in Summary**

The government's expenditure plan for 1989-90 calls for program spending of \$10.85 billion from the General Revenue Fund, an increase of 5.5 percent in the 1988-89 forecast level. This means that the average annual growth in program expenditure has been only 1.3 percent since 1985-86.

Debt servicing costs are estimated to increase to \$825 million. We must continue to manage expenditure responsibly to

prevent debt costs from taking up an ever increasing share of the budget. Including debt servicing costs, total expenditure from the General Revenue Fund is budgeted at \$11.67 billion, an increase of 7.4 percent over '88-89 forecast spending.

### Taxation

Albertans enjoy the best public services in Canada at the lowest rates of taxation. This budget maintains our enviable position. There will be no increases in income taxes.

However, we will increase the tobacco taxes to rates comparable with those in other provinces. Effective midnight tonight, the rates on cigarettes and cigars will be increased by 20 percent, and the tax rate on loose tobacco will be increased from 15 cents to 2 cents per gram. As a result, I expect that our tobacco revenue will increase by \$18 million over 1988-89.

It is important, Mr. Speaker, for Albertans to recognize that

- we pay the lowest income taxes,
- we pay the fewest number of taxes, generally at the lowest rates, and
- we pay no provincial retail sales tax, unlike residents of every other province.

Mr. Speaker, if we compare what a typical family pays in provincial taxes, the Alberta family pays about \$900 less than a similar family in Saskatchewan, \$1,100 less than a family in British Columbia, and \$1,350 less than the comparable family in Ontario.

Alberta corporations benefit from a competitive tax climate. Even after the large increase in corporate rates in 1987, our corporate tax structure has encouraged corporations to invest and create jobs in Alberta. As a result, Alberta ranks first in per capita revenue from corporate income taxes. This helps pay for our quality public services.

Albertans are proud to live in the only province without a retail sales tax. I want to emphasize this government's strong opposition to the federal government's new goods and services tax which will come into effect on January 1, 1991. Alberta was the first province to oppose the new federal value-added tax, and we remain totally against it. In our view, Mr. Speaker, this new federal sales tax will be inflationary and could lead to higher interest rates. It will not be revenue neutral; it will increase federal tax revenue. Regions outside central Canada will be hurt the most. At the meetings of finance ministers I have stressed Alberta's position, and I will continue to do so.

### Revenue Outlook

Total revenue is estimated at \$10.18 billion, an increase of about \$1 billion, or 11.5 percent over the 1988-89 forecast. The revenue estimate assumes that oil prices will average \$19 per barrel in U.S. funds over the fiscal year. Our revenue estimates for this year include \$195 million in respect of our stabilization claim. Alberta applied to the federal government for compensation under the revenue stabilization provisions of the federal/provincial fiscal arrangements legislation. The stabilization program is designed to protect provinces from sudden year-over-year losses in revenue resulting from an economic downturn. British Columbia received \$174 million for the decrease in their revenues in '82-83. Alberta's entitlement is in respect of the 30 percent drop in our revenues in 1986-87.

The legislation requires that the claim exclude any declining

revenue due to changes in royalty and tax policies. Complex financial and legal issues are involved. We have been negotiating with the federal government. They accept the validity of our claim. The federal government has made a first payment of \$75 million to Alberta, which has been included in last year's revenue. The Act allows the federal government until December 31, 1990, to settle the claim. Albertans have paid more than their fair share of the costs of federal programs. We are entitled to payments for stabilization, and we expect to be treated in a just and equitable manner.

### Financial Plan

In summary, the deficit of the General Revenue Fund is estimated at \$1.49 billion on the basis of the revenue projections and spending plans I have described. This is a reduction of \$245 million from the forecast 1988-89 deficit. In addition to the cash requirements of the General Revenue Fund, borrowings of \$232 million will be required to finance expenditure from the Capital Fund. As of March 31, 1989, the province has borrowed nearly \$6.6 billion for these two funds. The expenditure of \$141 million out of the capital projects division will be financed from the heritage fund.

### Conclusion

To conclude, Mr. Speaker, the 1989-90 budgetary plan seeks a balance between the need to reduce the deficit and the need to fund quality programs and keep the economy moving. It reduces the 1989-90 deficit by \$245 million and meets fully our campaign commitments to Albertans. Albertans continue to pay the lowest provincial taxes in the country while having access to top quality services and programs. The budget protects the present and invests in our future.

Albertans have every reason to look to the future with optimism and confidence. The Alberta economy is diversifying. We are in the midst of a tremendous investment boom which will provide a wealth of economic opportunities. Mr. Speaker, with Albertans working together, we will take our province to new levels of prosperity. [applause]

MR. MARTIN: I appreciate the applause again, but I beg leave to adjourn debate, Mr. Speaker.

MR. SPEAKER: Having heard the motion by the hon. Leader of the Opposition, those in favour please say aye.

HON. MEMBERS: Aye.

MR. SPEAKER: Opposed, please say no. The motion carries.

### head: GOVERNMENT MOTIONS

(continued)

5. Moved by Mr. Johnston:  
Be it resolved that the messages of Her Honour the Honourable the Lieutenant Governor, the 1989-90 Capital Fund estimates, and all matters connected therewith be referred to the Committee of Supply.

[Motion carried]



6. Moved by Mr. Horsman:  
Be it resolved that pursuant to Standing Order 58(6) the number of days that the Committee of Supply will be called to consider the 1989-90 Capital Fund estimates shall be two days.

[Motion carried]

7. Moved by Mr. Johnston:  
Be it resolved that the messages of Her Honour the Honourable the Lieutenant Governor, the 1989-90 estimates of proposed investments of the Alberta Heritage Savings Trust Fund, capital projects division, and all matters connected therewith be referred to the Committee of Supply.

[Motion carried]

8. Moved by Mr. Johnston:  
Be it resolved that the Legislative Assembly do resolve itself into Committee of Supply, when called, to consider the 1989-90 estimates of proposed investments of the Alberta Heritage Savings Trust Fund, capital projects division.

[Motion carried]

MR. HORSMAN: Mr. Speaker, I would ask leave of the Assembly to revert to Introduction of Bills.

MR. SPEAKER: Having heard the motion by the Deputy Premier, the request, those in favour please say aye.

HON. MEMBERS: Aye.

MR. SPEAKER: Opposed, please say no. Carried unanimously.

head: **INTRODUCTION OF BILLS**

**Bill 2**

**Appropriation (Interim Supply) Act, 1989**

MR. JOHNSTON: Mr. Speaker, I request leave to introduce Bill 2, Appropriation (Interim Supply Act), 1989. This being a money Bill, Her Honour the Honourable the Lieutenant Governor, having been informed of the contents of this Bill, recommends the same to the Assembly.

[Leave granted; Bill 2 read a first time]

**Bill 3**

**Appropriation (Alberta Capital Fund)  
Interim Supply Act, 1989**

MR. JOHNSTON: Mr. Speaker, I request leave to introduce Bill 3, Appropriation (Alberta Capital Fund) Interim Supply Act, 1989. This being a money Bill, Her Honour the Honourable the Lieutenant Governor, having been informed of the contents of this Bill, recommends the same to the Assembly.

[Leave granted; Bill 3 read a first time]

**Bill 4**

**Appropriation (Alberta Heritage Savings  
Trust Fund, Capital Projects Division)  
Interim Supply Act, 1989-90**

MR. JOHNSTON: Mr. Speaker, I request leave to introduce Bill 4, Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Interim Supply Act, 1989-90. This being a money Bill, Her Honour the Honourable the Lieutenant Governor, having been informed of the contents of this Bill, recommends the same to the Assembly.

[Leave granted; Bill 4 read a first time]

[At 9:04 p.m. the House adjourned to Friday at 10 a.m.]

