

Legislative Assembly of Alberta

Title: Thursday, March 22, 1990 8:00 p.m.

Date: 90/03/22

[The House resumed at 8 p.m.]

[Mr. Speaker in the Chair]

MR. SPEAKER: Be seated, please.

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 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.

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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, 1991, 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, but which may not necessarily by their nature yield a return to the trust fund, and recommends the same to the Legislative Assembly.

The Lieutenant Governor transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1991, and recommends the same to the Legislative Assembly.

Please be seated.

head: Government Motions

4. 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]

5. Moved by Mr. Johnston:
Be it resolved that the Assembly do resolve itself into Committee of Supply, when called, to consider the supply

to be granted to Her Majesty.

[Motion carried]

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

head: Budget Address

MR. JOHNSTON: Mr. Speaker, this is a deficit reduction budget. It will keep us on track to balance the budget by '91-92. Deficits are everyone's concern. If a government is burdened by debt, it does not have the flexibility to respond to people's needs. Tax dollars spent on debt interest are dollars diverted from core programs. This government wants the budget balanced. We will do it in a fair and even-handed manner. Our budget tonight sets a framework of affordability which will protect the quality of our core programs in the 1990s. The strong Alberta economy allows us to take the actions necessary to cut the deficit substantially.

Alberta, the Place To Do Business in the 1990s

Over the past three years we have seen a dramatic improvement in our economy. Albertans' hard work and firm belief in our province combined with this government's leadership are generating a healthy, more broadly based economy. The result is more jobs and greater prosperity for Albertans.

Nineteen eighty-eight was an exceptionally good year for Alberta. Our economy enjoyed the highest growth rate in Canada. Alberta's increasingly diversified economy and strong business and consumer confidence enabled us to continue growing in 1989. Overall prices for our exports rose for the first time since 1985. However, oil production and energy investments were weaker than anticipated despite the improvement in oil prices. Continued energy industry restructuring, high interest rates, and the overvalued Canadian dollar caused the fall in drilling activity.

Growth from Diversification

In spite of reduced energy industry activity, the Alberta economy grew by about 2 percent in 1989, and our unemployment rate fell to its lowest level since 1981. Our diversification efforts are succeeding. A growing share of the investment dollar is going to industries outside the energy sector. Since 1985 business investment in these industries has climbed by about 65 percent.

In 1989 investment in manufacturing was particularly strong, rising by almost 50 percent. Development of our forestry industry continued. New agricultural processing and metal manufacturing facilities in southern Alberta were completed. Expansion of the province's natural gas pipeline system and further construction of electric power plants also contributed to strong investment. We once again led the country in total investment per capita.

Our agriculture sector continued to show healthy signs last year. Generally favourable growing conditions resulted in above-average crop yields. However, quality was somewhat lower, and grain prices softened. The livestock industry, especially the beef cattle sector, experienced record receipts during the year.

Strong economic activity, particularly in the construction and

service sectors, created 27,000 new jobs in 1989 on top of the 40,000 new jobs in the previous year. The unemployment rate fell to 7.2 percent, the second lowest in Canada. Alberta reached a new employment record last year, with over 1.2 million people working. Alberta has more of its working-age population employed than any other province; 67 percent were employed in 1989 compared to the Canadian average of 62 percent. This remarkable job-creating capacity gives Alberta the second highest personal income per capita in Canada.

Strong economic growth and favourable employment prospects have encouraged migration to our province. Alberta has now experienced two consecutive years of positive net migration. This is the best performance since 1982, a sure sign of widespread confidence in our province.

Another positive sign is the robust recovery in the housing market. In 1989 housing starts climbed by 30 percent to almost 15,000 units, the highest level since 1983. The Alberta family first home program and the mortgage interest shielding program helped improve housing accessibility for Albertans. We have assisted over 55,000 Albertans during this period of high federal interest rates.

Consumer spending continued to strengthen after a solid recovery in 1988. Retail sales grew by almost 8 percent in 1989. Alberta maintained its first-place ranking among the provinces in retail sales per capita.

The vitality of our economy continues to spur a very active and highly competitive business sector. Well over 17,000 new businesses were started in 1989, the largest number since 1981. Our dynamic business environment has led such major companies as TransCanada PipeLines and Hughes Aircraft of Canada to move their corporate headquarters to our province.

Positioned for Growth: 1990 and Beyond

Alberta is the place to do business in the 1990s. We have the economic and social infrastructure to seize the opportunities which lie ahead. Our highly skilled work force and excellent business environment will be key ingredients for prosperity in this decade. Our provincially based financial sector is gaining strength; it is providing needed services to local businesses and consumers. Alberta businesspeople have the talent and imagination to meet the challenges of the global marketplace. These strengths will be building blocks for the future.

Positive Outlook for Oil and Gas

Energy market fundamentals now seem to be moving in our favour. Oil prices have strengthened substantially since the autumn of 1988. OPEC is now reported to be producing at over 80 percent of its capacity. I expect continued strength in prices as world demand remains buoyant and oil production in the Soviet Union and the United States continues to decline.

The outlook for natural gas prices is even more positive. Environmental concerns have brought natural gas to the forefront as a premium fuel. Acid rain, air pollution, and global warming have become major issues worldwide. Natural gas is increasingly the fuel of choice for home heating, industrial uses, electric power generation, and transportation. In addition, the United States' gas surplus is depleting rapidly. As a result, natural gas prices are expected to strengthen in the coming years. Higher prices and increased sales volume will provide a solid boost to the Alberta economy and the government's finances.

Given the positive outlook for oil and natural gas, I expect energy investments to recover from the low levels experienced in 1989. The energy industry's improved financial position and greater operating efficiency have enhanced its ability to explore and develop in our province. Considerable investment is also taking place to expand the natural gas pipeline system to access North American markets.

Canadian conventional oil production has already started to decline, while domestic consumption continues to rise. Investment in nonconventional oil will be critical in meeting Canada's future energy needs. Construction is progressing on the \$13 billion Husky Oil Upgrader. The OSLO oil sands project near Fort McMurray is essential for Canada's energy self-sufficiency in the 1990s. Without this and similar projects Canada will become increasingly dependent on imported oil. These major projects require long lead times and a consistent approach to their development. The Alberta government deplores the federal government's shortsighted decision to break its commitment to invest in OSLO. This project is an economically attractive long-term investment. Engineering and research work on the project is continuing. Our government remains confident that OSLO will proceed to completion.

Secondary Industries Grow

Investment in the nonenergy sectors will continue to be a significant source of growth and diversification as the province moves into the 1990s. Our government's economic agenda is built on development strategies which sustain or improve our environment, not damage it. In pursuing a more diversified economic base, this government will ensure that development takes place in an environmentally sound manner. Led by activity in the forestry and petrochemical sectors, I expect total real investment in secondary industries to grow by about 7 percent this year.

Housing construction in Alberta should remain strong in response to a healthy economy and ongoing positive net migration. Albertans continue to enjoy some of the most affordable housing in Canada.

Alberta's pulp production will expand this year as new capacity is added. The province's first newsprint plant will also start production shortly. Our pulp and paper exports are expected to increase by 35 percent in 1990. Over the next few years the industry will become one of the largest exporters of manufactured products in this province.

Alberta companies are responding to the opportunities created by the Canada/U.S. free trade agreement. Our state of the art petrochemical industry is about to undertake a new round of investment activity. An \$800 million ethylene plant in Fort Saskatchewan is scheduled to begin construction this year. The free trade agreement, Mr. Speaker, will also have a beneficial impact on Alberta's agricultural industry. An expanded market will allow continued growth in our livestock sector and related secondary processing industries. The growing acceptance of canola products in the United States will help broaden the base of Alberta agriculture.

New Sources of Strength

Tourism holds a great potential for economic growth and job creation. The Calgary Olympics gave Alberta worldwide exposure and the facilities needed to attract and support international events. Our marketing efforts will complement this

exposure and further boost tourism revenues. Many private and public initiatives are under way to expand the network of tourist attractions and facilities throughout the province. Alberta has developed standards for training in the tourism and hospitality industry which will improve further our capacity to serve both the business and holiday traveler. Alberta is building strengths in advanced technology and research. The Alberta Heritage Foundation for Medical Research and the Alberta Research Council are in the forefront of their fields. This government's strong support of our universities and other research organizations has fostered a world-class research environment in Alberta. Advances in cancer and heart research and in therapy for juvenile diabetes were some of the more prominent developments last year.

Our government is facilitating the transfer of technology to develop commercial products. A \$140 million partnership with the private sector will construct a centre in Fort Saskatchewan for advanced materials research and development. A Premier's council will be established to advise the government on science and technology issues. Alberta will also host the National Forum of Science and Technology Advisory Councils this spring.

Harmful Federal Policies

Alberta's economic outlook is excellent, but two federal policies, the proposed goods and services tax and high interest rates, are creating uncertainty and hardship for all Canadians. Our government has been the leader in opposing the federal goods and services tax. Alberta was the first province to take a public stand against this proposed tax. The reasons for our opposition were clearly explained in a position paper released in November 1989. The GST, if implemented, will fuel inflation, slow economic growth, and reduce employment right across Canada. It would also impose a massive administrative burden on small businesses. We will pursue all options to convince the federal government to drop this ill-conceived tax.

The Bank of Canada's misguided interest rate policy hurts almost everyone: farmers, ranchers, small businesses, and homeowners. The Canada/U.S. interest rate differential recently widened to over 5 percentage points, far above the 20-year average of 1.3 percent. High interest rates increase the cost of new investment and drive up the value of the Canadian dollar, damaging our export industries. The result will be slower Canadian economic growth this year. Our interest shielding programs are helping to protect Albertans from this harmful federal policy.

A Strong Alberta Economy

Mr. Speaker, our economy will show considerable resilience to the expected Canadian economic slowdown. Although Alberta is sensitive to developments beyond its borders, strong commodity prices, growing investment, and a more diversified economy will keep Alberta on its growth path. Alberta will also benefit from our strengthening ties with the Pacific Rim countries. Overall, I expect Alberta's economy to grow by about 3 percent in 1990, creating close to 25,000 new jobs. Alberta will have one of the fastest growing provincial economies. I look forward to stable, sustainable growth in the 1990s.

Fiscal Situation and Outlook

Albertans know that international developments affect not

only our economy but also the province's fiscal situation. In 1986 the dramatic drop in world oil prices reduced our total resource revenues by over 60 percent and resulted in a large deficit. Since then this government has made a determined effort to put our fiscal house in order.

Best Expenditure Management Record

Expenditure control has been the main focus of our deficit reduction strategy. We have held growth in program spending to an average of 1.8 percent per year since 1985-86. This includes increases of about \$225 million in 1989-90 due to unanticipated requirements. In the last four years Alberta's program expenditure has grown at only one-half the rate of inflation. By comparison most other provinces have increased their program expenditures twice as fast as inflation.

Alberta has by far the best expenditure management record in the country. It has not come easily. This record has been achieved by carefully established expenditure priorities. We have cut internal government operations to free up funds for core people services. The number of government employees today is far lower than in 1985-86.

Revenue Still Recovering

We have controlled expenditure and maintained essential services. However, our revenue has not rebounded as fast as I had hoped. Despite some recovery in international oil prices our total nonrenewable resource revenue is still \$1.9 billion below the 1985-86 level. The rapid rise in the Canadian dollar from less than 73 cents U.S. in 1985-86 to almost 85 cents U.S. in the current fiscal year has seriously affected our return on our resource exports. Close to \$500 million of the resource revenue shortfall is due to the appreciation of the Canadian dollar. In addition, while the volume of natural gas sales has been very strong, gas prices have been weak, and conventional oil production has started to decline. Other revenues, particularly corporate and personal income tax receipts, are increasing as a result of our strengthening economy. However, our total budgetary revenue has just barely returned to the level of four years ago.

Our forecast revenue for 1989-90 is only 2.5 percent higher than in 1985-86. Consequently, Mr. Speaker, despite the best expenditure management record in Canada we have not made as much progress in reducing the deficit as I would have liked. I now expect that the current year budgetary deficit will be about \$1.8 billion. Unlike other provinces we kept taxes low to encourage the growth and diversification of our economy. The positive economic outlook for the 1990s will lead to dynamic growth in revenue in the years ahead.

A Billion-dollar Deficit Reduction

However, if we are to meet our target of a balanced budget by 1991-92, we need to take corrective fiscal actions now. Albertans want the deficit eliminated, but they also want this accomplished in a fair and even-handed manner. We have listened to Albertans. We will achieve these objectives.

Our task has been made more difficult by the recent federal budget. We will not allow federal decisions to derail our deficit reduction plan or affect the high quality of our programs. The budget I am presenting this evening cuts the deficit by more than \$1 billion in 1990-91, a reduction of more than one-half.

Mr. Speaker, there'll be no increase in personal income tax, people programs will receive priority funding, and there'll be no cuts in core services.

A Framework of Affordability

This budget builds on our success in expenditure management. It establishes a framework of affordability for government expenditure in the 1990s. As a result of our program cost reviews we will reduce or eliminate programs which are no longer essential. These reductions include both direct program spending and tax incentives directed to the corporate sector. Strict controls will be maintained on internal government operations. Further administrative efficiencies will be achieved. Resources will be focused on our key priorities for the 1990s. Core services are being reassessed to ensure that the changing needs of Albertans are met. We are committed to maintaining the best expenditure management record in Canada.

Reducing Tax Expenditures

During the 1980s the Alberta government provided financial assistance and a broad range of tax incentives to business. These programs assisted the recovery and diversification of our economy. We are now on a solid growth path. The government can pull back and let Alberta businesses drive economic expansion in the 1990s. We have already announced that special financial assistance to businesses will be sharply limited. Our program cost review process this year has focused on an evaluation of tax expenditures. They have the same effect on the deficit as program spending.

In 1985 the government introduced a five-year tax deduction for manufacturers and processors. This incentive will expire as scheduled on March 31, 1990. It provided about \$85 million of assistance in the 1988 tax year. Similarly, the Alberta stock savings plan expired on December 31, 1989. The expected \$30 million annual saving will be realized in 1991-92. The rebate of provincial corporate income taxes paid by privately owned utilities will be eliminated effective for their 1990 tax year. We will also discontinue payment of interest on money held in the Utility Companies Income Tax Rebates Fund. These changes will increase revenue by approximately \$95 million. We will continue to pass on the rebate of federal corporate income taxes to utility customers.

Our government strongly supports small businesses. Alberta's small business tax deduction on the first \$200,000 of active business income is the most generous in the country. In 1987, when the tax rate for large corporations was raised, we increased the small business deduction to 10 percentage points to shield small businesses completely from any increase. As a result, the effective 5 percent tax rate for small businesses is only one-third of that for large corporations. The deduction provided about \$150 million in assistance to small businesses in the 1988 tax year. After careful review, Mr. Speaker, we have decided to reduce the small business deduction by 1 percentage point effective April 1, 1990. This will raise the effective income tax rate for small businesses from 5 percent to 6 percent, the first increase since the small business deduction was introduced in 1979. Alberta's small business rate will still be at least one-third lower than the rate in any other province. The revised program will provide over \$135 million in benefits to small businesses in 1990-91.

Late last year we announced a new price sensitive Alberta

royalty tax credit program. It has a term of five years to provide the energy industry with the certainty they requested. The new program will result in a saving of approximately \$85 million in 1990-91. We will still provide oil and gas producers with about \$300 million in benefits, most of which will flow to small producers.

We are reviewing the royalty relief provided to the energy industry to encourage investment in enhanced oil recovery. The Alberta government has borne a substantial portion of the risks associated with this program. Beginning in 1990-91 the industry will be required to assume a greater portion of the cost of enhanced oil recovery. Significant savings will be achieved on this \$250 million program. Details of the changes are being discussed with the energy industry and will be announced soon.

Program cost reviews are working. Reductions in tax expenditures will contribute about \$350 million to our deficit reduction plan in 1990-91 and about \$400 million in the following year.

Controlling Government Costs

We will continue to tighten this government's internal operations. Our objective is to manage better with less so that dollars can be freed up for core services.

The civil service has been cut by the equivalent of 2,300 full-time positions since 1985-86. Government staffing levels will be reduced again in 1990-91 almost entirely through attrition. We are doing more with fewer people. We will ensure that our personnel are deployed as effectively as possible. Staff will be concentrated on frontline delivery of programs. Departmental support staff has been reduced by one-third since 1985-86.

This government will continue to restrain travel and hosting expenses. Travel expenditure in 1990-91 will be 13 percent lower than 1985-86. Hosting budgets for business purposes and special events will be reduced in 1990-91.

We are strictly limiting purchases of equipment and other fixed assets. This budget reduces such spending by close to 30 percent.

Spending on construction projects also received careful scrutiny. No new health care, postsecondary education, or government facilities are included in this budget. Some projects already approved but not yet under construction will not proceed as quickly as previously planned.

Our expenditure management program has achieved much over the past five years. We will continue our efforts to squeeze savings from government operations. As part of this government's ongoing attack on government overhead we've established the duplication task force. It is charged with identifying areas where government programs and administration can be consolidated.

Treasury Board will be conducting further program cost reviews. Additional cost savings will be identified during 1990.

We are providing Albertans with the services they require at a lower cost. We are ensuring that spending is directed to priority needs.

Education: Investing in Our Future

Investing in education is our government's most important responsibility. Top quality education is essential for our children to meet the challenges of a competitive global economy. Basic operating grants to school boards will increase by 3.5 percent, the largest increase among the major grant programs. Spending on primary and secondary education will exceed \$1.6 billion in

1990-91. We will provide nearly \$3,500 for each child attending school in Alberta. This government will help ensure that all students receive a quality education. Close to \$100 million in special education grants will be provided to school boards. Fiscal equity grants will reach almost \$70 million. Implementation of our distance education and inner-city school programs will continue.

Albertans are proud of our postsecondary education system. We have established quality institutions right across the province. In 1990-91 the budget of the Department of Advanced Education will exceed \$1 billion for the first time in our history. Operating assistance to postsecondary institutions will be increased by 3 percent to over \$7,000 for each full-time equivalent student. We are budgeting \$8 million for the second year of the new endowment and incentive program. This 10-year \$80 million program helps fund research, scholarships, new programs, and new facilities. The two previous endowment programs were highly successful. Since 1980 our postsecondary institutions have received \$385 million in public and private support as a result of these programs. Initiatives have ranged from major new facilities such as the business education building at the University of Calgary to student scholarships and bursaries at postsecondary institutions in northern Alberta.

The government will implement changes to the student financial assistance program in 1990-91 as a result of a program cost review. We will redirect our assistance to those students who need it the most. Details of the changes will be announced by the Minister of Advanced Education. Alberta's student assistance program will remain the most generous in Canada.

Overall spending on basic and advanced education will be close to \$2.9 billion in 1990-91. This includes programs funded by the Department of Career Development and Employment and spending on postsecondary facilities from the Capital Fund. Alberta provides one of the highest levels of support for education among the provinces.

Quality Health Care

This government is committed to providing quality health care to Albertans. As we move into the 1990s, we must ensure that our health care system meets the changing needs of our citizens at a cost we can afford. The government is working hard to control the growth in health care costs. Substantial progress has been made. Through careful management our health care spending has been brought in line with that of other provinces. We have accomplished this while maintaining the best health care system in Canada.

This government will continue the shift from expensive institutional care to more cost-efficient community based care and outpatient services. Seniors will be assisted to remain in their homes and communities close to their families. This budget provides \$50 million in grants for home care, more than double the amount in 1985-86.

Overall spending on health care for Albertans will rise by nearly 7 percent to \$3.8 billion. This includes expenditures from the General Revenue Fund, the Health Care Insurance Fund, the Capital Fund, and the heritage fund. To help pay a portion of these costs, preferred accommodation charges and long-term care residence fees in hospitals and nursing homes will increase.

The government also believes it is appropriate that health care premiums cover 50 percent of the cost of medical services, excluding services for seniors. This policy will be phased in over the next three years. As the first step, monthly health care

premiums will increase on October 1, 1990, to \$23 for singles and \$46 for families. In addition, Blue Cross premiums for nongroup registrants will be raised to a level comparable with the premiums charged for group coverage. Seniors will remain exempt from both health care and Blue Cross premiums, and over 250,000 low-income Albertans will continue to have their premiums fully or partially subsidized.

Strengthening Alberta Families and Communities

Families and communities are the foundations on which we are building a better life for all Albertans. The first ever Family Day in Canada was celebrated in Alberta last month. Family Day recognizes the fundamental importance of family in our lives. Family life is enhanced by quality community services and facilities. In January we announced that unconditional municipal grants and police assistance grants would increase by 3 percent in 1990-91. Tonight I am pleased to announce that funding for the family and community support services programs will increase by 3 percent. Grants to libraries will rise by an average of 3 percent as well. The community facility enhancement program will provide \$33 million in lottery funding to assist local community groups in expanding and upgrading facilities for Alberta families as part of our three-year \$100 million program.

This budget will continue our support for Alberta families with special needs. The tragedy of alcohol and drug abuse has affected many families in Alberta. We will expand our efforts to prevent these problems. Funding for the Alberta Alcohol and Drug Abuse Commission will increase by almost 6 percent to over \$32 million. Planning for the establishment of the new Alberta family life and drug abuse foundation will continue.

We will also increase our support for children requiring special care. We will provide \$2 million to enhance mental health services for children. The budget for child welfare services will rise by over 5 percent. There will be a 3 percent increase in foster care rates on top of the 10 percent increase last year.

This government will ensure that our programs meet the needs of Alberta families in the 1990s.

Increasing Opportunities for Alberta Women

We remain firmly committed to enhancing opportunities for Alberta women. This government has a number of programs which help women enter the work force or start their own businesses. Spending on education and training initiatives which specifically benefit women will increase by 36 percent to over \$10 million. This includes a major increase in the budget of the Women's Secretariat for the popular Stepping Stones program. Within the Alberta public service a comprehensive review of job classifications and salaries of administrative functions, mostly occupied by women, has been completed. Salaries are being adjusted upward to ensure that the pay for these positions is appropriate for the skills required. Over \$7 million is budgeted for this initiative in 1990-91.

The provision of quality child care is an important concern to Alberta women and their families. Day care helps smooth the way for many women to enter the work force. Funding for child care will increase by 8 percent to over \$80 million. To help women and children who experience violence within the family, the government will increase funding of women's shelters and family violence prevention programs; \$6.5 million dollars will be provided in 1990-91, an increase of 9 percent. Funding for

family relations and maintenance enforcement programs will rise by 21 percent to over \$8 million.

The Alberta government will also continue to review school curricula and programs to ensure they are free from gender bias. Our daughters and sons must be encouraged to explore the full range of opportunities available to them.

Our expenditure on selected programs in support of Alberta women and their families will exceed \$130 million in 1990-91. This is a 14 percent increase over this year's funding and a 29 percent increase over 1988-89. The Alberta action plan for women is working.

Support for Natives and Metis People

This government believes that native and Metis people should be full partners in Alberta's future. On April 1, 1990, the Alberta/Metis settlements accord will be implemented. The accord will be the basis for building a strong and vibrant community life for the residents of Alberta's eight Metis settlements. For the first time in the history of Canada, Metis people will have their own land base. The government will provide \$310 million in direct development assistance over the next 17 years, including \$30 million in the 1990-91 budget.

This government has also taken the lead in facilitating settlement of several long-standing status Indian treaty claims. Settlements have been reached with the Whitefish Lake and Sturgeon Lake Indian bands. We are all aware of the leadership displayed by Premier Getty in seeking a fair settlement for the Lubicon Lake Indian Band.

Our Commitment to Agriculture

Agriculture is the mainstay of our rural communities. We remain steadfast in our support of Alberta's hardworking farmers and ranchers. A comprehensive crop insurance program will be implemented in 1990-91. Alberta agreed to pay 25 percent of the cost of crop insurance upon the condition that the program be expanded and upgraded. This budget includes \$40 million for Alberta's share of the improved crop insurance program. We will continue our support of stabilization programs for Alberta farmers and ranchers. This government will provide over \$21 million as Alberta's contribution to these tripartite programs. Our agricultural producers also benefit from our substantial assistance with their input costs. The farm credit stability program has provided over \$2 billion in long-term financing to 23,000 farmers and ranchers at a 9 percent interest rate.

Preserving the family farm is the heart of our agricultural policy. A significant new financing initiative to help young people stay on the family farm has recently been announced. The Agricultural Development Corporation will partially guarantee mortgages provided by the farm owners to their children or other purchasers.

An additional \$68 million will be provided this year to continue rehabilitation and development of irrigation systems. By the end of 1990-91, the total investment in irrigation by the heritage fund will exceed \$780 million. This is a clear example of our ongoing commitment to Alberta agriculture.

Safeguarding the Environment

Protecting our land, water, and air is essential to our quality of life. We cannot expect to sustain economic prosperity unless we preserve our environment. We are actively seeking advice

from the public, environmental groups, and businesses on the best approaches to ensuring that Alberta remains a leader in protecting the environment. Through this open process the government will develop a new environmental protection and enhancement Act to meet the environmental challenges of the 1990s. As part of our efforts to obtain the best advice on environmental issues, an Alberta round table will be established with members from the public, business, and government. In addition, funding for the Environmental Council of Alberta will be increased by over 40 percent in 1990-91. To increase public participation and access, we have strengthened our environmental review process. The review of the proposed Alberta-Pacific pulp and paper mill demonstrated our commitment to the environment.

Further steps will be taken in 1990-91. We plan to establish a natural resources conservation board. In designing the new board, we'll draw from our experience with the highly successful Energy Resources Conservation Board. We will also pursue the development of a comprehensive Alberta recycling policy. While there are already many local initiatives under way, this government intends to expand the scope of recycling programs to ensure greater environmental benefits to Albertans.

To continue our leadership in dealing with hazardous wastes, over \$7 million is budgeted for capacity additions to the Alberta Special Waste Management facility at Swan Hills. The expansion will speed up the elimination of hazardous wastes in Alberta. Our foresight in developing this facility has significantly reduced the risks associated with hazardous wastes.

Protecting and conserving Alberta's agricultural land base is an important priority of this government. Funding from the Department of Agriculture for the Canada/Alberta soil conservation initiative will increase by more than 60 percent to \$4.5 million. Funding will be provided from the heritage fund to expand the Pine Ridge reforestation nursery to help ensure renewal of our forests.

Alberta enters the 1990s with a solid commitment to the environment. Our expenditure on environmental programs is already the highest in Canada on a per capita basis. The budget of the Department of the Environment will increase by nearly 10 percent in 1990-91. We will continue to safeguard Alberta's environment.

1990-91 Expenditure Plan

In summary, Mr. Speaker, the framework of affordability which I have just described puts in place our plan to meet the needs of Albertans in the 1990s. It provides the funding necessary to maintain our core programs. All of the increase in program spending since 1985-86 has been directed at school boards, postsecondary institutions, hospitals, nursing homes, local health units, and municipalities. Total support for these local authorities has increased at an average annual rate of over 5 percent per year since 1985-86. The increases in these priority programs have been made possible by tight control of other government expenditure. Spending on internal government operations is almost \$30 million lower than it was five years ago. Total program spending in 1990-91 is budgeted at \$11.2 billion. Annual average growth and program expenditures since 1985-86 will be only 1.8 percent per year. Over this same period inflation is expected to average about 3.8 percent per year. We continue to have the best government expenditure management record in the country. [interjection]

MR. SPEAKER: Order please.

Fiscal Federalism

MR. JOHNSTON: Our budget plan makes tough choices and deals fairly with our grant recipients. This cannot be said of the recent federal budget. Instead of making difficult decisions on its own spending, Ottawa decided to shift part of its deficit problem to the provinces. The primary thrust of the federal budget was to cut federal cash transfers for health and post-secondary education. In 1990-91 cash transfers to Alberta will be \$100 million lower than under the current system. The annual cash lost to Alberta rises to \$180 million in '91-92. In addition, the federal budget singled out Ontario, British Columbia, and Alberta by placing a ceiling on transfers out of the Canada Assistance Plan. This plan provides cost sharing of social assistance benefits and services. We strongly disagree with Ottawa's view that basic national programs need not apply equally to all provinces. We will join the court challenge of the federal government's decision to break this long-standing intergovernmental agreement.

Health, postsecondary education, and social assistance programs are of fundamental importance to all Canadians. The funding arrangements for these programs reflect the federal nature of our country. The erosion of federal support, which the federal government has undertaken unilaterally, greatly undermines established principles of fiscal federalism. I'm also deeply concerned about the growing centralization of fiscal power in Ottawa. The federal government already occupies over 60 percent of the income tax field. If the goods and services tax goes through, the federal government would also dominate the consumption tax area. The expanded use of federal taxing powers and the federal retrenchment on transfer programs are impairing the ability of the provinces to meet the needs of their citizens.

Taxation

Our commitment to maintain core *services* for Albertans while still cutting the deficit in half requires selected changes in taxes and fees. Alberta is the only province which does not levy a tax on the capital of financial institutions. Alberta customers of financial institutions have not benefited from lower interest rates or service charges despite our policy; therefore, as part of our deficit reduction plan a 2 percent tax on the capital of financial institutions will be introduced, effective April 1, 1990. This tax is expected to generate about \$40 million in revenue in 1990-91.

The tobacco tax will be increased from \$1.20 to \$1.40 per package of 25 cigarettes, effective midnight tonight. The tax on loose tobacco will increase from 2 cents per gram to 3 cents per gram, and taxes on cigars will also rise. I expect that these measures will add about \$25 million to revenue in 1990-91 and help promote healthier life-styles.

Some fees and charges will also be increased as a result of our regular reviews, including motor vehicle registration fees. These measures will raise revenue by about \$25 million. In addition, annual rentals from mineral rights leases will be increased on June 1, 1990, generating \$28 million more revenue dollars in 1990-91. We had hoped to avoid any other revenue measures, but the cutbacks in the recent federal budget left us with no other alternative. We could not allow the federal budget to interrupt our deficit reduction plan.

The fuel tax will be increased from 5 cents to 7 cents per litre,

effective midnight tonight, except for aviation fuel. Farmers and ranchers will remain exempt from the fuel tax, but grants under the Alberta farm fuel distribution allowance will be reduced by 2 cents a litre. Our assistance to farmers and ranchers with their fuel costs will remain the most generous in Canada. In 1990-91 over \$90 million is budgeted for grants under the Alberta farm fuel distribution allowance program. The fuel tax base will also be expanded to include propane used as a transportation fuel. The tax rate will be 5 cents per litre, reflecting the lower energy content of each litre of propane compared to gasoline. To allow time to put the necessary administration in place, this change will be effective June 1, 1990. These measures are expected to increase fuel tax revenue by about \$125 million in 1990-91.

Albertans will continue to have the lowest taxes in the country. Alberta is the only province without a retail sales tax.

1990-91 Revenue Outlook

The tax and fee charges I have just announced will add about \$240 million to revenue in 1990-91. Our strong economy and the reductions in tax expenditures I described earlier will further boost our revenue growth. Overall I'm estimating that revenue will grow by about 13 percent to over \$11.4 billion. This budget assumes that the price of oil will average \$21 U.S. per barrel in 1990-91.

As Albertans know, we have submitted a \$540 million stabilization claim to the federal government in respect of the 30 percent drop in our revenues in 1986-87. The federal government made an interim payment of \$75 million in June 1989 and acknowledges that more is owed to Alberta, but to date the federal bureaucracy has refused to deal seriously with the claim we initiated nearly three years ago. This is completely unfair to Albertans. The design of the stabilization program is already strongly biased against resource producing provinces. Unlike other revenues, resource royalties must fall by more than 50 percent before a province becomes entitled to benefits in respect of these revenues. It is imperative that Alberta's legitimate claim for stabilization be dealt with fairly and expeditiously. A recently reported study of federal/provincial transfers concluded that from 1961 to 1985 Alberta paid \$100 billion more to Ottawa than we received.

We are determined, Mr. Speaker, to pursue our claim using all available means to obtain a just settlement. Albertans should not be penalized for our opposition to the federal goods and services tax.

Financial Plan

In summary, the budgetary deficit is estimated to be \$780 million in 1990-91. This is a reduction of over \$1 billion from the 1989-90 forecast. Our commitment to sound fiscal management is producing results. The sharply reduced deficit in 1990-91 will slow the growth in debt servicing costs and substantially reduce our borrowing requirements. The province has borrowed about \$9 billion for the General Revenue Fund and the Capital Fund over the past few years. I am concerned about the amount we have had to borrow, but it was necessary to preserve our quality programs and help stabilize our economy. The investment income earned on the \$12 billion of the heritage fund financial assets is a stable source of revenue to help meet budgetary needs. The heritage fund will contribute almost \$13 billion in 1990-91, or 11 percent of our total revenue.

Conclusion

In conclusion, Mr. Speaker, the 1990 budget meets the expectation of Albertans. The deficit will be cut by more than one-half. We are on track to meet our goal of a balanced budget by '91-92. Support for our quality health and education programs will be maintained. Families and communities will be strengthened. Safeguarding the environment will remain a key priority. There is no increase in personal income taxes. Our taxes will remain the lowest in Canada. Alberta has no retail sales tax. Diversification is working. The broadening base of our economy will provide new business opportunities and quality jobs for Albertans. Alberta is the place to be in the 1990s.

MR. SPEAKER: The Leader of the Official Opposition.

MR. MARTIN: Thank you for that, but I beg leave to adjourn debate.

MR. SPEAKER: Having heard the motion, all those in favour, please say aye.

HON. MEMBERS: Aye.

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

7. Moved by Mr. Johnston:
Be it resolved that the messages of Her Honour the Honourable the Lieutenant Governor, the 1990-91 Capital Fund estimates, and all matters connected therewith be referred to the Committee of Supply.

[Motion carried]

8. Moved by Mr. Johnston:
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 1990-91 Capital Fund estimates shall be two.

[Motion carried]

9. Moved by Mr. Johnston:
Be it resolved that the messages of Her Honour the Honourable the Lieutenant Governor, the 1990-91 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]

10. Moved by Mr. Johnston:
Be it resolved that the Assembly do resolve itself into Committee of Supply, when called, to consider the 1990-91 estimates of proposed investments of the Alberta Heritage Savings Trust Fund, capital projects division.

[Motion carried]

MR. HORSMAN: Mr. Speaker, I move that we revert to Introduction of Bills, and ask unanimous leave of the Assembly for same.

MR. SPEAKER: Thank you. All those in favour, please say aye.

HON. MEMBERS: Aye.

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

head: **Introduction of Bills**

Bill 12 Appropriation (Interim Supply) Act, 1990

MR. JOHNSTON: Mr. Speaker, I request leave to introduce Bill 12, Appropriation (Interim Supply) Act, 1990. 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 12 read a first time]

Bill 13 Appropriation (Alberta Capital Fund) Interim Supply Act, 1990

MR. JOHNSTON: Mr. Speaker, I request leave to introduce Bill 13, Appropriation (Alberta Capital Fund) Interim Supply Act, 1990. 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 13 read a first time]

Bill 14 Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Interim Supply Act, 1990-91

MR. JOHNSTON: Mr. Speaker, I request leave to introduce Bill 14, Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Interim Supply Act, 1990-91. 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 14 read a first time]

[At 9:01 p.m. the House adjourned to Friday at 10 a.m.]