

Legislative Assembly of Alberta

Title: **Thursday, May 24, 1990 8:00 p.m.**

Date: 1990/05/24

[The House resumed at 8 p.m.]

[Mr. Speaker in the Chair]

MR. SPEAKER: Be seated, please. Order please.
 head: **Government Bills and Orders**
Second Reading

Bill 39 **Appropriation Act, 1990**

MR. JOHNSTON: I'm not too sure, Mr. Speaker, whether I should move congratulations to the Edmonton Oilers . . .

MS BARRETT: Not yet. You'll jinx it.

MR. JOHNSTON: Okay.

. . . or move congratulations to the government for such a fine budget: either one. In either case I know I'm going to get the full support of the Assembly, Mr. Speaker.

Bill 39, the Appropriation Act, 1990, has already had a very extensive debate. We have had here in the Legislative Assembly 25 days of detailed analysis, a full exchange of comments and ideas about the various ministerial responsibilities reflected in the departmental requests for dollars, and of course some questions which have been answered during the process and others which I think the House leaders are co-ordinating in terms of responses. So, Mr. Speaker, I don't have to outline all the principles which are reflected in this Bill, because, as I said, the budget itself addresses those issues. But I want to make just a couple of points that confirm what is in fact the fiscal plan, because it's the fiscal plan, the umbrella, the broader concepts that really frame this piece of legislation. Those principles are, in fact, implicit in this piece of legislation.

First of all, the government is on course to a balanced budget. We are reducing the deficit this year by over \$1 billion, and the deficit is going to be \$780 million, plus or minus, this year: on track, on course, following the plan to the balanced budget next year.

The second important principle, Mr. Speaker, is that this year the revenues have become more predictable than ever before. In part that's not always the government's responsibility, although we do tend to take credit for it where necessary obviously. In fact, the predictability of oil and gas revenues certainly has helped the province in terms of its revenue side, and the strengthening economy, the tax collections which have shown up this year both on the personal side and the corporate side, have in fact assisted the province on the revenue, certainly the revenue predictability. Yes, the price of oil is slightly lower today than we expected on average over the year; yes, it may be that interest rates may cause some disturbances. But all in all, when you look at the revenues, I think most members of the Legislature would agree, plus or minus, that we've been closer this year in terms of predictable years than we have in many years, going back to 1985-86.

Thirdly, on expenditure control, we have said before, Mr. Speaker, that our expenditure control in this year, which has been a gradual process going back to '87, shows that you can

manage the expenditure side of government, still maintain the highest priority on education and health, for example, and other areas which have now become an accepted custom to the people of Alberta – the kinds of quality programs that are provided – and still maintain the overall expenditures around the less than 2 percent level. That less than 2 percent level, as reflected in our expenditures this year, is in fact better than any other government in Canada. I think that at this time, when most governments are generating deficits, when most governments have large debts, that's a record we can be proud of.

I should note just by way of footnote, Mr. Speaker, that the Saskatchewan government was downgraded today by one of the rating companies. Saskatchewan, a very small province, less than a million people, has an accumulated debt of well over \$12 billion. It is a very difficult situation, and given the economic backdrop of that province, you can see what happens when that kind of poor management, that kind of economic circumstance affects a province. Fortunately, here in the province of Alberta our economy is strong. We have managed the expenditures, and our revenues, as I said, are predictable. So that said, Mr. Speaker, we think we're on track.

The fifth point I want to make is that there is not one nickel of revenue in this fiscal plan from the disposal of assets of the province of Alberta. Now, I know that many people expected us to solve the problem of revenue and expenditure imbalance by selling assets. This plan is a stand-alone plan. Any dollars which may or may not be realized from the sale of assets would be used for other purposes and are not reflected in this fiscal plan itself, Mr. Speaker.

So, Mr. Speaker, that's the framework. I won't take much more time to outline the expenditure programs. We've had that debate. We've had the fiscal plan presented. We've stayed on course over the past four years. We expect that over the next year or so we'll be as close as we are this year. We do know that there are some "subject to's," as in any budget, but I think in terms of predictability, as I said before, this year we're probably more accurate than we've been before.

Mr. Speaker, I will move second reading of Bill 39, Appropriation Act, 1990.

MR. SPEAKER: The Member for Edmonton-Highlands.

MS BARRETT: Thank you, Mr. Speaker. I would like to make a few comments in response to some of the principles that the hon. Treasurer says his government adheres to. He says that this budget Bill represents their commitment to reducing the deficit of the Alberta government and still maintaining their commitment to the priority programs that they've enunciated. Mr. Speaker, I beg to differ: that cannot be the case. Over the course of the last five years, in fact since this particular individual became the Provincial Treasurer, what you will see is, first of all, a consistent increase where there was none before in deficit spending and debt accumulation. In the second instance, what you will see in their so-called government priorities – for example, advanced education, education, health care, and social services: the four single largest departments of the province and the four single largest areas for program funding – is that, in fact, the funding going to those departments has not kept pace with the rate of inflation. So I beg to differ with the Treasurer. He didn't say where the money has really gone. I think he didn't make an accurate case as to what's happened during the last five years and what's really reflected in this Bill.

Mr. Speaker, in the last five years advanced education has suffered a net decrease of 8.8 percent in financing; that's net, after inflation is taken into account. The education system, the other so-called number one priority of the government, has lost 7.3 percent in real dollars since this man became Provincial Treasurer. In health care, Mr. Speaker, hospitals and nursing homes have lost a real amount of 5.2 percent, and in local health units, 8.8 percent less in real funding. When we talk about local governments, the reduction there in real dollars is 10.3 percent. So what the Treasurer fails to mention is that while he says he's reducing his deficit – and we'll get to that in a moment – he fails to mention that he's reducing it on the backs of people who rely on government, people who pay for government that they're not getting or that they're getting cheated by, whichever way you want to look at it.

Mr. Speaker, I'd like to note also that the Alberta government, the one that always paints the rosiest picture possible when it talks about its finances when it's in Ottawa, almost invited the federal government to reduce transfer payments to the province and the Canada Assistance Plan funding program to the province of Alberta. It is expected that over the five-year period consequent to the federal budget of February of this year, the Alberta government will lose a total of \$684 million in transfer payments. That says nothing of the reduction in stabilization payments. I call it a reduction. I know that the Treasurer likes to have fun with figures, and that would go well and would conform with his previous occupation. But the fact is that he hasn't been able to collect the money under stabilization grants that we were supposed to get last year. So it's laughable that he assumes in his budget and in the consequent Bill now before us that he's going to get, first of all, what was owed to us before and, secondly, what he currently estimates is owed to us.

MR. HYLAND: Mr. Speaker, a point of order.

MR. SPEAKER: A point of order.

MR. HYLAND: Mr. Speaker, on a point of order: *Beauchesne* 459, on relevancy. Even though the member's speech is very important, I don't think there's anything more relevant at the present time than that the Oilers have just won the Stanley Cup at 4-1. [applause]

MS BARRETT: Responding to the point of order, Mr. Speaker, I don't think you're going to have a debate on your hands that you have to settle. For once I enjoyed the intervention from the Member for Cypress-Redcliff and join with him and all members of the Assembly in congratulating the Edmonton Oilers on this big and wonderful win tonight.

Mr. Speaker, I would like to comment further on the contents of the Bill before us insofar as the expenditures expected by the Alberta government include money that is going to be derived from their new form of taxation. Their new form of taxation is a clever semantical way out of the Premier's commitment that at least in the first fiscal year during which he formed his subsequent government, there would be no new taxes and no tax increases. Well, in the most technical sense of the word, according to some people, including the Provincial Treasurer but not myself and not most people who use basic reasoning, that might be true. But the fact of the matter is that they've taxed the living daylight out of people by increases in things such as medicare premiums, motor vehicle registration, nursing home

occupancy rates, long-term care facility occupancy rates, and an axing of the rebate program on home heating. Those are just a few examples, Mr. Speaker, but they're all part of this budget and they're all part of this Bill. This government would be spending a greater amount of money out of a deficit expenditure were it not for the fact that they engaged these new forms of taxation and increased them, as a matter of fact.

So I say in response to the Provincial Treasurer, who I know likes to paint a glowing picture of the current state of the province and the future of the province, that after all, his government failed in this budget to address the real needs of people and rather implicitly and in some ways subtly continued to maintain their support for the corporate sector, which, as far as I'm concerned, pulls the strings of the Conservative Party overall. They did not do what they could do, which was increase corporate tax rates. What they did do was ignore the most vulnerable in society. They put not a nickel more into programs for housing for low-income workers and low-income people in the inner-city, a commitment that is more than a year old. Where is it? Why wasn't it in this budget?

Mr. Speaker, if this budget contained higher spending as a result of an indexation of the minimum wage and looking after people appropriately, then it would be worth a full endorsement, but in fact we still have tens of thousands of families and tens of thousands of individuals living at or within 10 percent of the poverty line; in fact, one in six. That is an atrocious figure when you think about it, especially when you consider that one in four children is in fact growing up in poverty. If this government had bothered to announce increases in the shelter allowances for those who live on fixed incomes by way of social allowance, AISH, or widows' pension, it might be worthy of a full endorsement, Mr. Speaker, but they failed in that regard as well. They failed insofar as the food banks are still a growing business, whereas they should be a declining business.

Mr. Speaker, I think they have failed to recognize the importance of the greatest institutions and the greatest investment that any government could make in the present and in the future, and that is the people: the people who are served by education and postsecondary education; the people who rely on the medical system, for which they pay dearly through income taxes, user-fee taxes, and passed-on consumer taxes. They didn't get that. What they got is higher charges for lower quality services. For that reason alone, the government should be ashamed. On a daily basis I think we're able to point out the weaknesses in the government's approach to policies and programs, but I think that overall this Bill has to receive a failing grade with respect to what it is meant to do and what it will actually do, with respect to who it favours and who it casts in constant disfavour. As far as these guys are concerned, as far as I can see, Mr. Speaker, the only people they want to look after are the ones that don't need looking after: the wealthy and the profitable corporations. For that reason, I say shame on this government, shame on this budget.

Insofar as the government has kept any of the programs intact – and they haven't kept many of them, I can assure you – I say bone up, get your priorities right, and in the final analysis, Mr. Speaker, stop giving Alberta tax dollars and the royalty revenues to which all Albertans are entitled back to their profitably corporate friends. Start using the money for the people services, which this government wasn't trusted to do. In other words, start living up to the 17 references to stewardship that were in the throne speech, and this government might be worth endorsement. Until then, Mr. Speaker, this Bill constitutes only the

necessary provisions for operating a government for the following year but in no way qualifies for endorsement from the Official Opposition.

Thank you.

MR. SPEAKER: Calgary-*Buffalo*.

MR. CHUMIR: Thank you, Mr. Speaker. I thought I was listening to a comedian when the Treasurer introduced this Bill this evening. Yuk Yuk's would clearly be out of business if more Albertans knew what went on in this House when the Treasurer is speaking on appropriations.

Now, Mr. Speaker, we have before us a proposal to spend a huge sum of money, but the reality is that that doesn't really reflect the true amount of spending by this government. We have omitted from this appropriations Bill Capital Fund expenditures of \$342 million; we have heritage fund expenditures of another \$159 million. We're going to have separate Bills with respect to those items, but they don't appear in the General Revenue Fund calculation expenditures as they do in other provinces. On top of that we have lottery expenditures of anywhere from \$50 million to \$90 million per year, which are totally unaccounted for, are not brought before this House for approval or debate, and are a slap in the face to the democratic process.

The net result of all of this, Mr. Speaker, is that rather than having what the Treasurer seems to speak about as a splendidly low deficit of \$714 million – and it's shocking that he would even think of taking a bragging tone with respect to that amount – the reality is that the deficit on any reasonable calculation is far in excess of that. Even his own budget document sets out the net cash requirement in the budget for this year as being \$979 million. So we're up to close to \$1 billion there, and that excludes the heritage fund of \$159 million and factors in a very rosy, overly optimistic prediction that would appear – I hope it isn't – as an overly optimistic estimate of receiving \$250 million more from the federal government with respect to the claim regarding the drop in our energy revenues. So when we calculate all of these items, we're very easily up to a billion and a half dollars in deficit. It's small wonder, then, that the Provincial Treasurer is presenting legislation in Bill 21 to approve the increase in the provincial debt limit from \$9.5 billion to \$11.5 billion, a healthy \$2 billion increase, which is clearly intended to cover and to provide for more than the \$714 million pittance, to use the Treasurer's tone, that he is projecting.

Now, the question arises accordingly, Mr. Speaker, as to how we in this province are going to balance the budget, or how the Provincial Treasurer is going to balance the budget, because we poor, unfortunate Albertans have to rely on the Treasurer and how he's going to pay off his debt. He talks about a fiscal plan. Well, let's look back at the past four years. He allegedly had a plan at that time, and the plan was to balance the budget by this year. Well, it's clear that the budget isn't going to be balanced; we've got a huge accumulated debt. The budget clearly won't be balanced next year, and that's without taking into account the revenue loss this province is going to experience due to federal cutbacks under the Canada Assistance Plan and the established programs funding.

Well, Mr. Speaker, I'd have to say that the Provincial Treasurer's become the Donald Trump of Canadian politics, overstating the positive factors of our wealth and ignoring the negative factors of our liabilities. The statements he's been making in the

House recently that the assets of this province exceed our liabilities totally ignore the \$8 billion to \$9 billion of unfunded pension liability. I'm afraid that every time the Provincial Treasurer starts to talk about this matter his nose grows. You've heard George Bush talk about "Read my lips." Well, with the Provincial Treasurer on that particular matter, it's "Read my nose."

Mr. Speaker, Albertans are also concerned and should be concerned about the increasing burden of taxation by another name being imposed on Albertans and particularly impacting low-income Albertans most heavily, because these income raising measures are extremely regressive. They include phenomenal increases in medicare fees, increased fuel taxes – the provincial sales tax by another name – the elimination of the rental tax credit in 1987 and '88, the termination this year of the utilities tax rebate, increases in motor vehicle registration fees and nursing home fees. We note that while these forms of regressive taxation have been levied year after year after year, being piled onto lower income Albertans, it was not until this year that the province finally joined other provinces in imposing a capital tax on financial institutions. While lower income Albertans were suffering, the big financial institutions were the last to share this burden.

On the expenditure side, Mr. Speaker, what we find is a catalogue of waste and mismanagement and low-priority expenditures. We find that there's plenty of money for friends of the government, for big business and those with influence, but when it comes to average and lower income Albertans, it's hard to get a buck. We have money for friends of the government like Peter Pocklington, the government having committed \$100 million to bail Mr. Pocklington out, leaving us as the unwilling owners of an unwanted packing plant, which has proceeded to compete with government money against the private sector. We find in the budget, through the Department of Tourism, money for millions of dollars of grants to private hotel owners who should be paying for their renovations and their improvements themselves. We find increased grants for the propaganda machine operating out of the Premier's office. We find an interest assistance program for all mortgage holders in this province regardless of whether they are needy or whether or not they are wealthy.

At the same time as we find these insupportable expenditures in the multi, multi-millions, we find that programs for lower income Albertans are being squeezed. We find legal aid being held at one of the lowest per capita levels in this country, where it's been for years. We find AISH beneficiaries without an increase even to compensate for inflation over the past seven or eight years. We find mental health programs being squeezed, housing allowances for those on welfare not being increased commensurate with the increase in rents, and a total absence of any concern for the rental problem in the throne speech and in any of the budget announcements. We find our youth and family courts clogged, those on any kind of serious charge in youth court having to wait six or seven months to get on trial and occasionally having to wait in custody for a period longer than they could be sentenced to for the offence in the first place. But the government is totally oblivious of these matters, certainly insofar as their inaction is concerned. So all in all, Mr. Speaker, this is a very poor budget which reflects poor management.

Now, Mr. Speaker, the Provincial Treasurer has talked about the priority funding of education and health care. Well, let's be clear that the funding of these priorities, these human service areas that should be of primary importance, has been less than

inflation for many, many years. It's unfortunate that the quality of service and the total quality of our education and health care systems has been suffering and has been eroding very significantly as a result of the neglect and policies of this government. What does the Provincial Treasurer do? Aside from giving increases which don't even cover the cost of inflation, what he does is levy a number of fee and quasi-tax increases which take back a good chunk of these grants. In this budget this year he ended the utility tax rebates, increased taxes, imposed a fuel tax on propane, which is used by many of the school jurisdictions, increased medicare fees which these entities pay on behalf of their employees, all of which impact these groups and have left them with far less than even the small percentage increase. In reality, Mr. Speaker, what the Provincial Treasurer has been doing is passing on to these entities – to municipalities and to school boards and to hospitals – his own problem at the very same time as he and other provinces are taking the federal government to court and challenging them for doing that to us with respect to the cuts in the Canada Assistance Plan and established programs financing.

So all in all, I don't think the government and the Provincial Treasurer have anything to be proud of with respect to this budget document, the appropriations Bill. With that, I will cede the floor to the next speaker.

MR. GIBEAULT: Mr. Speaker, I want to get in a few comments on the reading of the Appropriation Act, Bill 39. I have to say to the Treasurer and to the government that I have difficulty supporting Bill 39, and I want to outline some of the problems that I have with that.

In the area of health, which is an area of great concern to many of my constituents, there are a couple of points to be made. I have recently had a number of constituents call me with criticisms and concerns in the health sector. One of my constituents is a home care nurse who indicated a concern that the provincial government was wasting health care dollars, precious as they are, by promoting a private company, Lifeline company, and undermining basically a nonprofit agency providing the same kind of service, and was concerned about why the government would be wanting to do that: putting public dollars into a private business which is only undermining an existing nonprofit service. That's one.

Another one was constituents who called me who indicated a lack of access to critical health care services in the city of Edmonton here. One was a situation where a family had two children. The wife was pregnant, and her doctor advised her that a pregnancy carried to term would be putting her at very serious health risk. She could not get in to have an abortion performed here in the city within the necessary time limit and had to go to Manitoba. Another case was a constituent of mine who had an urgent cardiac case that needed to be dealt with, could not get into a hospital in Alberta to get it done, and had to go to Vancouver for that operation.

Those are just a few examples, Mr. Speaker, of many of the serious deficiencies that are developing in the health care system of this province that this budget simply does not address, and until it does I would be very reluctant to offer my support to it.

Another area is in the area of taxes. Mr. Speaker, my constituents are very concerned about the increasing tax load that is imposed on ordinary working families in this province, yet it seems that at the same time a very soft tax load is being put on the corporate sector in this province. I'd refer the Treasurer and the other government members to a recent article in the

Financial Post which outlined a whole slew of large and profitable corporations that pay no tax whatsoever. When they don't pay federal tax, they don't pay provincial tax. That in fairness, in a system that has not been addressed by the budget, is something that I cannot support.

Another item I want to get on the record, Mr. Speaker, is the concern of my constituents with regards to the whole slew of loan guarantees that this government has itemized on page 40 of the 1990 Budget Address to all those who are in cozy with this government. Weldwood of Canada: that's the company that sends people to hospital with gassing, an incredibly shameful record in occupational health and safety. We've got Gainers Properties Inc. Now, do we have to say anything more about Gainers? I mean surely to goodness the people of Alberta are fed up with this government providing special deals for Peter Pocklington. Then we have General Systems Research, another failure that this government has thrown away millions of taxpayers' dollars on. We could go on; it's an awfully long list. I'll just leave it at that to highlight some of the worst examples. My constituents as taxpayers are getting fed up with subsidizing this government's inclination to pass public dollars onto its corporate pals.

Mr. Speaker, I also have to get in a few comments this evening on the deficiencies of this budget and Bill 39 regarding the advanced education sector. Now, the squeezes that are being placed on the advanced education communities and institutions of this province are getting increasingly serious. That has been evidenced by many factors, not the least of which is, for example, the University of Alberta having to lay off people and cancel programs, not being able to make repairs to facilities like residences and so on that badly need it. There are many other examples we could highlight here, but the problem is that we are denying opportunities to the young people of our province to participate in a meaningful way in the coming decades in the economy of this province.

That's a concern in many respects. It's particularly a concern to me in the constituency of Edmonton-Mill Woods, because my constituency is one that has predominantly young families. Young couples in their 30s, for example, probably the median age, have young children who are going into the basic education system now and are looking forward to having opportunities for their children afterwards so that they can gain access to a profession, a trade, some paraprofessional opportunity, some opportunity that will allow them to contribute in a productive way to our society and also to make a decent living so that they can look after their family. Increasingly my constituents are concerned that the opportunities are narrowing. In order to deal with the lack of resources that are available, the institutions are taking measures like raising grade point averages and putting caps on enrollment, and all measure of things designed to reduce the number of opportunities and places at the institutions to try and deal with the very difficult economic budgetary environment that this government has forced on them.

So I am concerned, Mr. Speaker, that unless we start to address these problems, we are going to end up developing a whole underclass of people. Now, if we want to see where Alberta might be some years down the road, all we have to do is look south of the border at the large and increasingly growing, frustrated underclass of young people. In the States it's in a large part reflected in problems with members of minority communities getting access to higher education and to the opportunities related to it. But it is an increasing phenomenon there, and I would hope that this government is not trying,

because it seems like it is, to pattern themselves after that particular model, which has excluded so many people and has put a large group of its population into a position where they cannot obtain a reasonable share of the social well-being. That is a concern, Mr. Speaker.

The Department of Consumer and Corporate Affairs budget is provided for here in Bill 39, and I have to express a concern. This department is the one that is responsible for the regulation of co-operatives, including housing co-operatives. There is a problem with one particular co-op in my constituency, that of Las Americas. It's a housing co-operative that is encountering some serious problems. I brought these to the attention of the minister responsible, and I've yet to get any significant response to those problems and see some action on the part of his department, which is responsible for the regulation of co-operatives, to try and straighten out these problems, which are becoming increasingly difficult and protracted. So it's difficult for me to support that element of Bill 39, Mr. Speaker.

Another element that is totally unsupportable in Bill 39 and the budget that it represents is the occupational health and safety area. This is an area where we simply don't have enough occupational health and safety inspectors to do the job that's necessary to try to get a handle on the appalling accident rate in this province, some 60,000 people every year having to file workers' compensation claims. If we're going to reduce that, we've got to make their workplaces much safer. Of course, that means a political commitment from this government, which has so far been lacking, but it does also mean that there has to be the people in the field who can do those inspections and ensure that when workers report for work to do their job for their employers, they don't put their health and safety at risk if not their life.

Mr. Speaker, the Department of Labour is the area that administers the Employment Standards Code, including things like the minimum wage and so on. I'd like to support the Department of Labour and that item in the budget, but it really is tough when there is no inclination from the Minister of Labour in this government to do something really positive about problems in that area. For example, there's no increase this year in the minimum wage. There's no indication from this government to totally overhaul, if not scrap entirely, this draconian piece of legislation, the Public Service Employee Relations Act, and I could go on. So I've got another serious problem there.

In the area of education, Mr. Speaker, I have to get in a few comments. I brought this to the attention of the minister during question period the other day, but I want to reiterate it a little bit further here this evening. That is the fact that many of the younger suburban districts like Edmonton-Mill Woods have an urgent need for new schools. Now, I know that the minister has been to Mill Woods, and I appreciate that. But I want him to know that in addition to what the public school board has recommended for this year, a new junior high school in the Weinlos district, there is also a need for a junior high school in the Greenview district. There are also pending needs for new elementary schools in the districts in the Meadows. There's also going to be a need very soon for an additional senior high, or two if we include the Catholic school board, in the southeast Edmonton area, because the existing high schools there, Percy Page and Holy Trinity, are approaching their limits and there's talk about imposing boundaries to exclude many of the students from Mill Woods east of 66th Street from going to those two high schools.

So there are some very serious needs. Some of those have not been put on this year's capital priority list by the public school board, I realize, but those are urgent needs that are developing. It's certainly incumbent upon the minister and the Department of Education to plan for those needs in a systematic way. I mean, we are building those new subdivisions. We know that those homes are going to be occupied by families with children who want educational opportunities. So I put it to the Education minister and to the Treasurer and to this government that we've got to do a much better job of providing resources to those new communities so that people in urban districts and suburban districts of urban areas, such as the capital city here, get the kinds of school facilities they are entitled to as members of urban communities.

With that, thank you, Mr. Speaker.

MR. SPEAKER: Thank you.

Edmonton-Whitemud, followed by Edmonton-Kingsway.

MR. WICKMAN: Thank you, Mr. Speaker. When I heard the opening remarks of the Provincial Treasurer, I wasn't sure if I heard them properly. His terminology is a bit different than mine. He opened up by talking in terms of reducing the deficit. When I look at the operating budget, the accumulated deficit is not being reduced. There is a lesser deficit projected in this year's budget than in the previous year's budget, but there is still a deficit that accumulates on the previous deficit. To me reducing a deficit means taking an \$8 billion deficit and after the fiscal period is over, the deficit is reduced by \$1 billion, whatever the case may be. But we still have a deficit that does continue to increase at a lesser rate. I think that's one of the biggest problems the Provincial Treasurer faces at the present time: the question of attempting to control and to give assurances to Albertans that the deficit is under control. I'm not convinced, by any means, that the deficit is under control.

[Mr. Deputy Speaker in the Chair]

It's interesting that by legislation imposed by this government municipalities have to balance their operating budgets. They have no choice. They can't operate on a deficit basis. They have to either manage their resources properly or else they have to achieve revenues where revenues have to be achieved to balance that budget. When I look at this particular budget that we're dealing with this year I question whether it wouldn't be appropriate to have a Bill that would cap the accumulated deficit, thereby forcing the Provincial Treasurer, forcing the government to live within a certain restraint program.

Mr. Speaker, if I want to draw parallels that are comparable in the sense that we're talking in terms of billions of dollars when we look at the provincial budget, when we look at a budget of, let's say, the city of Edmonton, the city of Edmonton controls an operating utilities budget in excess of a billion dollars plus the capital expenditures, which is a healthy budget. When I look at the city of Edmonton and what happened during the five-year period from 1983 to 1988, that I think is a lesson that the Provincial Treasurer could look at and look at the type of financial leadership, the management of financial resources that taxpayers want to see. During that five-year period of time the city of Edmonton was awarded the award for the best managed city of its size throughout North America, three years out of five. Now, I know the Provincial Treasurer isn't listening to me as I talk, and he should be listening to me, because possibly he would

learn something. That was achieved during a period of time when tax increases were below the inflation rate in every year. There were no cuts in service; the level of services was maintained. There were no layoffs. There were no strikes in that whole five-year period of time, legal or illegal. Management was reduced by freezing positions when they became vacant. A pay-as-you-go policy was implemented. The pay-as-you-go policy would ensure that the city of Edmonton would be debt free, in a position, in fact, by the year 2005 to pay cash for any capital expenditures, therefore avoiding any further capital debt if that pay-as-you-go policy is kept intact. All this was accomplished during a five-year period of time.

That to me is the type of fiscal responsibility or management of resources that people look towards. That's the type of financial responsibility that any government should be providing. That's the type of financial responsibility that the present Member for Edmonton-Glengarry was able to offer the citizens of Edmonton, and I think there's a great deal to be learned out of that.

We see a situation by parallel here, Mr. Speaker, where we look at a five-year time period as well – not the same five-year time period, mind you – and we see that in that five-year time period from when the current leadership of the government took over the reins, the deficit has multiplied twentyfold. It's 20 times what it was five years ago. Those references have been made even by previous members of the cabinet.

Mr. Speaker, the other point I want to make is to talk about the budget process a bit. It's very difficult for members in the opposition to sit back and really evaluate what the budget is all about, by the very process that is used. It's a process that makes a mockery of any type of system of accountability, of trying to gauge where dollars are going, where dollars are coming from. It's a system that doesn't allow members to grill, doesn't allow members to question and get responses from ministers, from administration. It doesn't allow a person to sit back and ask three or four different questions and get replies and get that type of exchange and communication going where you can constructively make a contribution towards the budget. I understand that it's to the government's advantage to have it that way, because it gives them total control. So we end up with a budget that is presented, and after 25 days that same budget remains intact in every detail.

So 25 days have gone by, and other than spending a few hours with each department, nothing has really been achieved in terms of constructively revamping that budget or attempting to revamp priorities. Even the private members within the government don't have the opportunity to do that. If a private member wanted to move an amendment and increase expenditure in a certain area or decrease it in another area, the provision isn't there.

I feel, Mr. Speaker, that to get a budget process that is fair, there has to be a total revamping. There has to be a system where all members of the House are allowed the opportunity to grill ministers, to grill deputy ministers, to grill the administration. The system should be set up with a number of subcommittees that look at each department in detail and with responsible persons there to be held accountable, to defend their budgets. It's foolish to me to just have a document come forward and know that 25 days down the road it's going to be rubber-stamped.

[Mr. Speaker in the Chair]

I could look, Mr. Speaker, at the situation of lottery funds, which to me are totally unaccountable in the budget, despite recommendations that have been made by the Auditor General, recommendations that are ignored by the government because it's to their advantage, I suppose – or at least they feel it is – to ignore those recommendations. They're not really demonstrating a concern about accountability toward public dollars, whether those dollars come from a tax base, come from hidden tax, or whether they come from a tax on cigarettes, liquor, entertainment, the race track, lottery funds, whatever the case may be. We see a system where when I look at the budget, I look at the public accounts book, I can see somewhere in the neighbourhood of \$8 million transferred from the Lottery Fund to the Department of Tourism, yet there isn't any breakdown as to how those dollars are spent. There's \$8 million that are not accountable to this House. I can look at the same situation with Agriculture, where it's in the neighbourhood of \$1.5 million. Again, it's the same situation. That \$1.5 million is given out to organizations involved in farming. What organizations? I don't know. Those questions have never been answered, and there's no obligation on the part of the government under the existing system to answer those questions.

I think, Mr. Speaker, that the Provincial Treasurer or the government has an obligation to conduct operational audits on a department-by-department basis, to streamline, eliminate the system of having managers manage managers – eliminate that waste – eliminate the giveaways we've seen in the past that have cost billions of dollars, and get down to setting priorities, the priorities of the people of Alberta, who make this government function, who we're responsible to, who we're accountable to. Allow the system to heed those priorities being set by those people, supplying the types of services, the types of programs that they expect in exchange for the very, very healthy tax contribution they make. And it is a very, very healthy tax contribution.

We can sit back here and say that we don't have a provincial sales tax and possibly take some pride in that, but when we look at the overall tax base, when we look at the 42.5 percent federal tax, we're no longer in that position we were in a number of years ago. We look at the Alberta flat tax. When we start looking at all those taxes that are tucked away here, here, and here, it becomes a very, very horrendous picture. It becomes a good portion of a person's paycheque that is paid towards this government. They're asking for accountability. They're asking for a system of priorities. They're asking for a greater concern with health care, greater concern with education. Eliminate the waste; eliminate the giveaways. Quit worrying about the big guns out there that can look out for themselves.

Mr. Speaker, it's not the type of budget that I would sit back, if I were the Provincial Treasurer, and harp about and think was so great and smirk, thinking that I'd accomplished something really good. I don't think good has been accomplished. In fact, I believe that this budget has simply led to putting the provincial government in a worse position than it was last year. It's not the type of budget that I would have any confidence in at all.

Thank you, Mr. Speaker.

MR. SPEAKER: Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Speaker. I rise to say that the Treasurer's Bill 39, which incorporates his fiscal plan, has some inadequacies in it, not the least of which is the fact that the deficit that it represents will be closer to \$2 billion than

the \$780 million that he claims as the result of his current fiscal plan. But I'll get back to that in a minute.

I want to get to some fairly specific detail for just a moment. I noticed, Mr. Speaker, that in the Bill section A has the figure for the supplementary requisitions for 1989-90 as \$351,058,664, and they're asking the Lieutenant Governor to approve those expenditures. I couldn't help noticing that the big book of government expenditures, the estimates themselves, has a different number for that figure, and I would ask the Treasurer if he could, later perhaps, explain what the difference is. But the figure in here at the bottom of page 379, which gives the total to that section – the supplementary requisitions for the previous year, '89-90, start on page 367 and go to page 379 – is \$348,677,912, a discrepancy of a few million dollars. I would like the Treasurer later to explain that discrepancy, before we vote on the Bill.

Now, in looking at the budget book, Mr. Speaker, on page 36, there are some interesting numbers that we can analyze for just a moment here. If the supplementary requisitions which I just mentioned, some \$350 million, whichever number is correct there, are incorporated into the figures for 1989-90, I would assume, then, that they would make the difference between the '89-90 estimate and the update figure, the 1989-90 forecast. If you look at the bottom line number, you'll see that there is almost \$300 million difference, and I would be willing to believe that some departments actually spent a little bit less. [interjection] These questions are for the Treasurer to explain, please.

I would believe that some departments spent a little less, so probably instead of a \$350 million difference, there's nothing wrong with having just under \$300 million difference in those numbers, except for one thing that bothered me to some extent. That is, if the Treasurer will look at the second last line at the bottom of page 36, it shows that statutory appropriations were assumed to be about a billion dollars when they brought in the budget last year for the '89-90 fiscal year, but the forecast now says that the statutory appropriations will be \$1.16 billion. Now, that's almost \$160 million difference, and I guess I would ask the Treasurer what major statutory expenditures could make that big a difference to the budget. It doesn't seem realistic to me. The statutory appropriations each year have grown bigger and bigger, and that number is rather startlingly large. So I would like some explanation of why. If you look at the supplementary requisitions in the main document, there is nothing in there about statutory appropriations. They all seem to be of the budget variety as opposed to statutory, which would be from the year before. So I wanted to ask the minister about those particular problems.

Now, the Treasurer embarked on a plan, he said, back in 1986-87, when we had the big deficit, the \$4 billion deficit, and said that he was going to have a balanced budget, I believe by last year or this year, one or the other. Now, it sort of got derailed a little bit. Then this year he assured us that he would have a balanced budget by next year. So it got pushed back one or two years. Now, in order to do that he had to bring in a budget this year that showed a deficit of less than a billion dollars because last year's deficit was close to \$2 billion; in fact, it'll be a little over on the consolidated statement when the public accounts come out to show the books for last year. So if he's going to be at zero budget deficit next year, obviously this year he had to have a deficit that was around a billion or a little less, and sure enough Magic Johnston did it; he came in with a \$780 million deficit. Now, that's all very well, Mr. Speaker, if it were really a true analysis of the economy and the economic

plans and the fiscal plans of this government and really represented what's going to happen, but I submit that he underestimated interest costs, he overestimated federal transfers, he overestimated oil and gas revenues, and he overestimated corporate and individual income taxes. So the deficit will be for the 1990-91 fiscal year closer to \$2 billion than to the figure that he put forward, \$780 million.

Now, he said that tax revenues were going to increase. He showed some substantial increase in tax revenues for this budget in order to come up with the \$780 million deficit figure. He waxed eloquent and told us how wonderful the economy was, how everything was rosy in Alberta. He brought out this Alberta at a Glance, our economic and fiscal profile, stood up in this Assembly and went through this document page by page, giving us all the figures and how wonderful all these charts are for Alberta, how low our unemployment is, expenditure growth, capital investments, number of education expenditures, environmental expenditures, showed what a wonderful job the government's doing. Well, Mr. Speaker, there are some underlying problems. There's some truth in what the minister said in that our economy is not in a particularly depressed state right now. The enthusiasm for the pulp mills idea has brought, I think, a certain amount of capital to the province. We're certainly getting a bit of money out of Toronto from the dampening of the real estate industry there, and we may get some more later on.

But really, the economy of Alberta is in many ways not a healthy economy. For an economy that's had as much oil money as we've had over the last 10 or 15 years, quite frankly, Mr. Speaker, we've blown it and blown it rather rapidly. There are some signs of encouragement, some things that aren't that bad. We're doing some fairly good work, I think, in the area of high-tech industries and trying to diversify in that area, although it's a very dicey area and has a lot of dangers involved in it. Whenever the government starts putting money into companies, there's a lot of danger. I think of GSR and the Pocklington things and those sorts of problems that they can run into. Nonetheless, the government has tried to diversify the economy and with some success.

But there are some underlying problems. The pulp mills, for instance, are not going to deliver the jobs promised. The pulp mills are probably going to get held up in spite of this government by environmentalists who are not prepared to sell out the lungs of Alberta, the lungs of Canada and perhaps a large part of the world for cheap stumpage rates and for pollution in the rivers and fish that the natives in the north will not be able to eat. It's true that we've had an increase, for instance, in gas exports, so we have this raw resource which we've been selling at a great rate. But, in fact, while the gas exports have gone up an incredible amount, I have a chart here which shows that gas exports have almost doubled in the last nine or 10 years, but the price has dropped by more than 50 percent. The price in 1980, if you take 100 as the price at that time, went up a little bit above that initially in the early '80s but has been on a slide ever since and is now down to less than 50, compared to the 100; in other words, slightly less than half. So we can almost double the volumes, cut the price in half, and we're making no more out of it now than we were before. We're just getting rid of more of it faster. And, of course, that doesn't keep up to inflation.

Now, the real estate boom that we experienced has already eased off a little bit. It is possible that it'll pick up again if a lot of money comes in from other parts of Ontario where they had a real estate boom and now people are wanting to get out

of there. Nonetheless, I don't think our economy is very healthy. We have some underlying problems, and they're reflected in the types of policies this government has pursued; for instance, in the free trade agreement; for instance, in inviting multinationals to come in and develop our pulp mills, inviting multinationals to come in and develop our energy resources. We just make an automatic assumption that what's good for Imperial Oil is good for Alberta's coffers, in spite of the fact that in 1986-87 when we had the drop of 3 and a half billion dollars in oil revenues in this province, Imperial Oil made a killing on the downstream side of the market and didn't bat an eye. In fact, they used the opportunity to pick up an awful lot of Alberta companies, taking over . . .

MR. SPEAKER: Order please.

MR. McEACHERN: Are you speaking to me, sir?

MR. SPEAKER: No, hon. member. I was trying to be able to hear you.

MR. McEACHERN: Okay, thank you.

. . . taking over most of the small companies that were in economic trouble during that time when the oil industry was in trouble. And the pulp mills: one of the problems with big foreign companies developing your economy is that they don't pay you their fair share of taxes. For instance, I have a couple of charts here that also show that. The unpaid taxes by corporations in Canada in 1980 were some \$10 billion; by 1986, it was \$25 billion. It's no wonder Alberta is one of the provinces that isn't getting its fair share of taxes out of corporations. In fact, the present Treasurer brags a lot about keeping corporate taxes low, but in fact many of those corporations are huge multinationals that could afford to pay their own. The unfairness of the tax system is just incredible. Corporate taxes compared to individuals, for example: if you go back to 1950, individuals paid about 50 percent of the taxes collected and corporations paid about 50 percent of the taxes collected, and ever since then the individual taxes have gone up and the corporation taxes have gone down.

Now, this is the Canadian figure. The Alberta figure is worse. Now, in 1990, we expect that individual income tax will account for 84 percent of the taxes collected and the corporation taxes will account for something like 13 percent. In Alberta it's worse, Mr. Speaker, by the Treasurer's own numbers in the budget book. Corporate taxes are listed at 8.1 percent of the present budget. So there is not much point to selling off your resources cheap to foreigners and not getting the fair tax dollar on them.

If that was the only problem, I guess it wouldn't be so bad, but in fact there are other problems, like foreign corporations don't do much research and development. No wonder Alberta has had to develop the Alberta Research Council and AOSTRA to try to encourage some development. It's because foreign companies operating in this country don't bother to do very much research and development. I have a particular stat on that. If you look at industry-funded research and development as a percentage of gross domestic product, you'll find that Japan has nearly 2 percent by industries, Sweden a little less, West Germany a little less, the United States a little less, and so it goes down the list. Netherlands, France – finally, the ninth or 10th one on the list here is Canada, at .53 percent. So half a percent is all the industry-funded research we get in this country, and Alberta is very little different than the others except that we

as a government put a lot of money into it and perhaps by doing that entice some of them to put some money in. I suggest that the idea of having an economy controlled mainly by foreigners is a high cost to the taxpayers of this province because they don't do their fair share of research and development.

Now, the free trade deal encourages foreign investment in this country and makes it easier for our economy to be dominated by huge multinational corporations. So that means less taxes collected from those corporations than if they were Canadian companies. It means less secondary industries developed because they tend to do the manufacturing on their home base and have kind of warehouse industries in this country. It means less jobs and lower paying jobs. It means that individuals have to pick up the taxes that are not paid by the corporations. The free trade deal also means that we get high interest rates, and it means that we're going to get a GST.

Whatever this government likes to say, that the GST is not related to the free trade deal is just nonsense, Mr. Speaker. The Mulroney government made it abundantly clear right from the very first when they went into the free trade deal that they would have to drop the manufacturers sales tax and change it to some kind of consumer tax. Whatever that consumer tax was going to be called or exactly how it would be applied, you knew it was going to be on consumer goods and that ordinary people were going to pay it. For one thing, they had to make sure that the service industry was being taxed, which they were not under the manufacturers sales tax. The reason for it was that our exports into the American market were not going to be competitive if they had a tax that American companies were not paying in developing their own products that competed with ours. So now we have a consumer tax which Canadians pay on consumer products, but when they cross the border and go into the States, the American customer does not have to pay that tax. So supposedly our consumer goods will be competitive in the American market.

But, of course, there is one other problem, and that is that his federal cousins have decided to run a high interest rate policy, which seems to go along with this free trade deal as well. So we're not really getting the benefit of the free trade deal that we should get. What we are seeing is an incredible number of companies shutting down in Canada and heading to the States because of the free trade deal. What we are seeing *is* that most of the foreign investment that was supposed to be attracted to this country when Mulroney opened this country up and the free trade deal opened it up even more – 96 percent of the so-called foreign investment that's come into this country since 1986, when Mulroney said, "We're open for business," has gone to mergers and takeovers, not to developing new industries and new jobs. Only 4 percent has created new industries and new jobs. Yet at the same time we've seen a large number of Canadian companies pack up and head south.

Now, that's not the end of it, Mr. Speaker. We now have a situation where Mexico and the United States in June will embark on a free trade deal between those two nations. At first it appeared that the Canadian government wasn't even going to be interested in sitting at the table even though this would, of course, profoundly affect Canada. But they are now talking about doing that. I guess what I wonder is: is this government really in favour of a free trade deal – let's say an economic union, because this is not just about trade; this is really economic union we're talking here – in which United States capital and technology uses cheap Mexican labour to develop Canada's cheap natural resources? You know who's going to be in control

as that develops and happens. We're going to stay hewers of wood and drawers of water.

So I suggest to the Treasurer that the economy of Alberta is not so healthy as he might think, or the glowing terms that he painted it, and I have a few more stats to back that up. One of the things Mulroney liked to do when he was bragging about how good the free trade deal was going to be and how good a GST was, as a matter of fact, was to turn to New Zealand for an example and to say, "Hey, here's a small country that allied itself with a big country just like we're doing, and it's good for New Zealand." In fact, Mr. Speaker, it's not good for New Zealand. The real gross domestic product growth in New Zealand started to tail off in 1985 and has been going downhill ever since, although gradually. In other words, it has not grown since 1985, whereas Australia, the big partner – their gross domestic product has grown on a graph line of almost a 45-degree angle up. Now, we're going to see the same kind of problem between Canada and the United States.

The relative export performance of New Zealand compared to some of the other OECD countries. The United States has a positive export performance in relation to other countries of almost \$8 billion; Australia, about 5 and a half billion dollars. Every other country has a negative relative export performance in manufacturing between 1985 and 1988. These are averages for those three years. Holland, Canada have a negative one but not a very big negative one at this stage. But if you go along and look at all these other countries, it gets a little bigger and a little bigger, and finally you come to New Zealand, after passing through almost all the OECD countries. Would you believe tiny little New Zealand, with the small population they've got, has a relative export performance negative balance of almost \$10 billion. This free trade deal has been totally disastrous to New Zealand, and so has the GST that goes with it, because that's the kind of tax they brought in, a VAT. So if you liked the free trade deal but didn't like the GST, I'm sorry, Mr. Treasurer, but you are not able to have one without the other, at least not the way the Mulroney government sees things, and you knew you were going to get it. So I find it very hypocritical for the government to go as hard as they did for the free trade deal and not acknowledge the difficulty they would get into with the free trade deal and the GST.

Now, Mr. Speaker, I want to come back around more closely to the fiscal plan. One of the things that the government likes to talk a lot about is how the heritage trust fund actually shelters the people of Alberta and really helps them. I mean, we get 1 and a quarter billion dollars from the heritage trust fund, right? Planning \$1.27 billion for this year that we're now into, as indicated here in the budget. Well, the heritage trust fund deserves at least a little bit of analysis as part of the fiscal plan, and I'll keep the remarks fairly short, but there are a few things to be said, I think.

The first thing is that the capital projects division, an expenditure this year of some \$159 million, should be considered part of the expenditures of this government in this fiscal year and should be included in the budget. But the Treasurer last year, to make the books look better, decided not to count it in. Now, of course, that really reflects . . . He used to count it. It was really quite weird. He used to count it in the budget in what he called his financial plan, but in terms of the heritage trust fund itself he would never admit that those moneys were spent and would not be recouped. So what he has done for years, which the Auditor General gives him a bad time about on a regular basis, is claim that they're deemed assets and try to keep them

on the books. So he's claiming that the heritage trust fund is still \$15.3 billion after several years of expenditures and no new money put into it. Of course, as an accountant he should be cringing when he realizes that what it really does is lay him open to the charge that he doesn't know the difference between an expenditure and an asset. It's really quite incredible.

Now, the capital projects division has grown to about \$3 billion, and I wanted to ask the Treasurer, in terms of his fiscal plans – I noted in 1987-88, the year of the big tax grab, the year after you realized you had the \$4 billion debt the year before and that you had to do something about narrowing at least the difference between the expenditures and the revenues. I noticed that year that you cut the planned expenditures in the capital projects division down to \$140 million and in fact ended up spending only \$129 million, and it seemed to be the plan at that time that you were going to gradually phase out using the heritage trust fund as if it were part of the general budget of the province. But I've noticed that in the last few years the amount they planned to spend each year has gone up again, and we're now at \$159 million again. So I wonder if the Treasurer would mind responding to that, because you know what it is? It's a way of spending money that the taxpayers don't really quite realize is being spent. He gives his number of \$780 million for his budget deficit, and most of the people in the province don't really realize that, well, there's another \$159 million that's being spent also, particularly when he keeps it on the books as a deemed asset and doesn't admit that the heritage trust fund's value has gone down.

Now, Mr. Speaker, if you subtract the \$3 billion spent in the capital projects division from the \$153 billion that the Treasurer claims is in the heritage trust fund, you get the \$12.3 billion financial assets of the fund, which are supposed to be income-earning. Yet we all know, of course, that just over \$4 billion of that is tied up in three Crown corporations that have been losing money since 1981. So when the Treasurer claims he gets 1 and a quarter billion dollars from the heritage trust fund in revenues, he really would have to admit that about \$450 million of that is really from out of those three Crown corporations that are losing money. So, of course, what that means is that we've taken the money out of general revenues and fed it in there, or it means we've used some accounting tricks like letting Alberta Mortgage and Housing carry some \$600 million debt on their books without – well, they're accounted for but not built into this idea that we're getting 1 and a quarter billion from the heritage trust fund. We just made the debt a little bigger for part of that. So it's a most extraordinary way of keeping track of the heritage trust fund and its effect in terms of the fiscal plan for this province.

Mr. Speaker, the debt of the province has now grown to about \$10 billion. The actual numbers that you get from the books would show 9 and a half billion dollars as of March 31, 1990. But when the public accounts come out a year or so from now, they will show that figure to be very, very close to \$10 billion. So that debt is equivalent, then, to the heritage trust fund. So in four years this Treasurer and this Premier have presided over a government that has seen the heritage trust fund disappear. Our savings account and our overdraft are just about equal. The only other thing that remains is for the Treasurer to own up to the fact that he's underestimated debt servicing costs for the current year that we're in and admit that they will come very close to equaling the \$1.27 billion that he says he's going to get out of the heritage trust fund this coming year.

Mr. Speaker, anybody that's mismanaged the economy as badly as this Treasurer has and kidded the people of the province that he can get away with a \$780 million deficit this year without having changed any of the fundamentals and, in fact, having run an economy that has left itself wide open to multinational and international trends that we have no control over . . . If they think that going into a free trade deal that will remove political power from Ottawa – and it's bad enough having as much of our economy in Alberta controlled by Ottawa as we do now. But if he thinks moving political power from Ottawa to Washington is going to give those of us in Alberta any more control over our economy than we have now, he's got to be kidding. If he thinks that removing financial power from Bay Street to Wall Street, as will happen under this globalization and this free trade deal and this economic union, if you like, in North America, then he's got rocks in his head, Mr. Speaker. We will not be better off.

If this government wants this economy to flourish, then we need to protect our own people. We need in Alberta to be helping our local people develop local industries, to take control of their own industries, particularly if we're going to have any chance of protecting our own environment. I mean, we know that companies like the Japanese companies that came in to do the Daishowa plant have a reputation around the world of taking much better care when they're in Japan than they do when they're in the Third World. And we in fact, Mr. Speaker, are considered Third World by these major corporations. They come in here and take a lot of resources out of this country very cheaply, pay very little taxes, and don't really care a darn about our economy. It's the job of this government to protect our people and develop local economies that are long-term sustainable, that develop a healthy environment. This Treasurer is on exactly the wrong track, and this government is on the wrong track.

They should have been defeated at the polls last time. They bought the election with a lot of announcements of pulp mills and the promise of jobs. It's the kind of buccaneer economic policy that will get them unelected next time, because they don't pay enough attention to the environmental concerns.

MR. SPEAKER: Provincial Treasurer, summation.

MR. JOHNSTON: Mr. Speaker, I haven't heard as wide-ranging a debate on the Appropriation Act for some time. If I was to start to pick up on some of the themes that were left, we may well go to 11:45 tomorrow evening. I know that would upset my colleague the Minister of Technology, Research and Telecommunications, so all I will do is simply make two points.

It is unfortunate that we are on course. The opposition doesn't like it when the plan works. They don't like it when the economy is strong. They want to pick holes in the good things that are happening in this province, and that's great. That's great, Mr. Speaker, because I know that Albertans are positive people. They're people who look forward to the decade ahead, who will build on the strengths that are implicit in this province. It's working. It's a very simple fact. The economy is percolating well. The fiscal plan is in shape, on track, working well. People themselves are enjoying their summer. They know they have good jobs, and they are, as well, at peace with themselves. They're very, very comfortable with this government, Mr. Speaker. They know that we're on track and will continue to keep the government on track.

They're very fortunate, Mr. Speaker, that we have an abundance of resources, resources of people, natural resources, renewable resources, and the agricultural sector as well. And that's why, despite the nays and the gloom across the way – we have to listen to those negative points of view. But we are not the ones who will pick up on that kind of theme. We're the ones who believe in the superb sunrise. We believe in the future. We believe in the strength this province has compared to other provinces and are ones who want to build on that strength, not knock it down or tear it down.

That's why, Mr. Speaker, aside from the misinformation and the continual misstatement of the facts, we'll simply say that we'll ride with the flow, look forward to the future, and this budget does just that. Therefore, I will move second reading of Bill 39, Appropriation Act, 1990.

[Motion carried; Bill 39 read a second time]

MS BARRETT: Mr. Speaker, after consultation with the Deputy Government House Leader and with the acting House leader for the Liberal caucus, I now request unanimous consent to deal with the following motion:

Be it resolved that Standing Order 61(3) be deemed effective now and that the questions subject to it be now put.

MR. SPEAKER: There's a request for unanimous consent. Those in favour, please say aye.

HON. MEMBERS: Aye.

MR. SPEAKER: Opposed, please say no. The motion carries. Let the record show unanimous.

Bill 40

Appropriation (Alberta Capital Fund) Act, 1990

MR. SPEAKER: Pursuant to the unanimous consent of the House and Standing Order 61(3), the question is now to be put to the House that Bill 40, the Appropriation (Alberta Capital Fund) Act, 1990, be now read a second time.

[Motion carried; Bill 40 read a second time]

Bill 41

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

MR. SPEAKER: Also pursuant to Standing Order 61(3), the question before the House now is that Bill 41, Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1990-91, be now read a second time.

[Motion carried; Bill 41 read a second time]

Bill 21

Financial Administration Amendment Act, 1990

MR. JOHNSTON: This Bill, Mr. Speaker, accomplishes several things, as I pointed out in introduction of the Bill, and I will deal with those principles very quickly.

The Financial Administration Act is the fundamental Act which sets in place the way in which governments spend their dollars, the way in which we control the expenditures, control the assets of the province, and sets down certain guidelines for

departments to follow as they administer their resources as well. That's a natural kind of process which is expected of a system as large as this one, the government of Alberta, and it provides the kind of predictability financial controls require: setting out guidelines, setting up minimum standards, setting out tests which must be followed. What happens in that environment, Mr. Speaker, the capital market environment in particular, is that it's changing dramatically. Changes provide for new kinds of derivative products, products which allow options: changing from currencies, changing from interest rates back into Canadian dollars, protecting the investment liability, and ensuring that the minimum cost of borrowing flows through to the people of Alberta. These techniques, these products, or these strategies change very dramatically.

Since this Bill was put through some 10 years ago by my colleague Merv Leitch, "the times they are a-changin'" and therefore we have to continually update this piece of legislation to reflect . . . [interjection] Bob Dylan. . . . to reflect the current times, Mr. Speaker. As a result, this legislation, as we have seen in the past couple of years, has effected certain changes. This is no different this year. Therefore, some of the kinds of exciting things that happen in capital markets to provide flexibility to borrow [inaudible] the province obviously must be provided for in the legislation, and that's what the one major section in fact does.

Secondly, Mr. Speaker, this piece of legislation also increases the borrowing limits of the province from \$9.5 billion to \$11.5 billion. Every year since we have been running a deficit, we have had to increase the borrowing limits. When we started the process back in 1985 when the government was generating surpluses, in fact the borrowing limits of the province were over \$5 billion at the time. As a result, we had the limit of \$5 billion, but as the deficit continued to increase, we obviously had to open the limits so we could continue to meet the service requirements of the people of Alberta as reflected in the accumulated deficits. The accumulated deficits, despite what other people have said, are now running close to \$9 billion, and if the budget forecast is accurate – I believe it is – then we will need some additional dollars, obviously, above the \$9.5 billion to handle the requirements there. That's why we're asking for \$11.5 billion, because not only do we need to finance the General Revenue Fund, which is the amount I referred to, but also we have to finance the Capital Fund.

Now, all Albertans want us to continue to build fine facilities to ensure that we can adapt to the future, provide needed education, certainly universities and colleges, and of course provide the first-rate medical services this province has come to expect. We'll do just that, Mr. Speaker, by expending somewhere close to \$300 million in the Capital Fund. Therefore, the requirement of this legislation is that the funding requirements of the GRF, the General Revenue Fund, and the Capital Fund are controlled.

[Mr. Deputy Speaker in the Chair]

So as we set forth the fiscal plan of the province, as we've now just done in reading the two appropriations a second time and the very extensive debate which has taken place on the budget and the capital and CPD of the heritage fund, we are therefore asking the people of Alberta that as a result of that plan we now must borrow some additional money through the balance of the year to finance that deficit. Why \$11.5 billion? Well, who is it that can forecast the cash flow requirements? The cash flow

requirements move in a variety of directions. Right now the cash flow requirements of the province are extensive. They move up above the level you would expect and then, of course, move down, depending on your expenditures and your revenues. They just don't match, Mr. Speaker. They just don't match. Therefore, you have to have some flexibility to allow for an amount above the forecast level, and that will change through the period of a year. But it's normal that we would have that kind of comfort level. The Liberal Party has recognized it. They have agreed to it in their questions and their tone.

Whether or not you like the deficit is another question. No one likes the accumulated debt, and of course as soon as the budget is balanced, we'll do our best to retire that debt. But in the meantime we still have to borrow the money to continue with first-rate services. If we had said we're going to have major slashes to our expenditures, cut back on our capital programs, we could get by with less money, but that's not our plan. Ours is one of gradualism, one of ramping down in terms of expenditures, balancing the budget and then starting to retire the debt, and we'll do just that, Mr. Speaker. [interjection] Did you wake up, Doug?

Therefore, Mr. Speaker, we're providing this communication to the people of Alberta. As I've said before, four or five years ago we could have raised the debt limits instead of going up by the amount that's appropriate in connection with the fiscal plan, simply bump it up \$5 billion or \$10 billion. That would have been done and we wouldn't have had the debate. We could have done that and not given the opposition an opportunity to turn the issue back on us. But we want to continue to communicate, we want to tell the people of Alberta how our plan is working, and that's why we do a couple of things. We give them a fiscal plan and tell them how it's going to work, we talk about the oil price so Albertans can understand the sensitivity our revenue has to the price of oil, and as well we tell Albertans how much we expect to borrow. That's what this does.

Now, finally, the third point, Mr. Speaker, is a small administrative correction which deals with a suggestion by the Auditor General that we should allow the Auditor General to have an opportunity to audit subsidiaries of Crown agencies such as a hospital board or university. That's simply in compliance with his wishes. We accept the direction of the Auditor General on this point, and therefore this piece of legislation does in fact reflect that.

MR. TAYLOR: What about N.A. Properties?

MR. JOHNSTON: Now, the Member for Westlock-Sturgeon probably woke up as well. He says something about N.A. Properties. N.A. Properties, of course, is not an agency of the government; it's a Crown corporation, much different. The Auditor as well has an opportunity to look at the working papers, has full access to those, as the legislation points out. But if he wants to make that debate somewhere, I'm sure he can, but probably not under this Bill.

Mr. Speaker, those are the Financial Administration Act amendments. I'm very pleased to move this, very pleased we are able to communicate these important changes to the people of Alberta as part of the fiscal plan of this province. I move second reading.

MR. DEPUTY SPEAKER: The hon. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Speaker. You know, it really is fun to have the Treasurer introduce this Bill every year, because it's the one that catches him out. He stood here a few minutes ago and told us how wonderful the economy is and everything is rolling along fine. Why does he need to borrow another \$2 billion then? When this Treasurer came to power in 1986, the borrowing power of this province was \$2.2 billion. The next year he moved it up to \$5.5 billion; the next year, 1988-89, to \$7.5 billion; and last year to \$9.5 billion. This year it was simple enough to say when he was introducing the Bill, before he ever got around to . . . He never did tell us the number when he introduced the Bill. I shouted across, "11.5," and that's exactly what it turned out to be. Last year's debt was \$2 billion. The pattern is there. He's done nothing to break the pattern. I mean, he's on course with the fiscal plan. Is \$11.5 billion debt in five years the fiscal plan? This is the number.

You notice how red-faced the Treasurer gets when he introduces this particular Bill every year. He really does have to apologize a lot, because he's been standing up telling everybody in the province how wonderful everything is, how the heritage trust fund is doing such a great job in sheltering us all, and how they're on target with the fiscal plan to be down to zero deficit next year. This Bill, where he asks for an extra \$2 billion borrowing power, shows the lie to his figures. He tries to say that the budget deficit will be \$780 million, and he has to have the Capital Fund, another \$265 million – so it's just under \$1 billion deficit, says Mr. Johnston. I've got a \$50 bill that says that when the numbers come in, it will be closer to \$2 billion than to \$1 billion. I'll put that on the record for anybody who wants to take it up.

Now, he also tried to tell us, "Oh, but we have to build in a little margin." Now, isn't it kind of funny that it takes a billion dollar margin, considering, Mr. Speaker, that he built in a margin last year and had a margin there all the time? Do you think that in 1987-88 when the Treasurer moved it up to \$5.5 billion borrowing power, he didn't build in a little margin so he'd make sure he had enough? Does that margin have to get bigger every year? Is that why he needs to add to the margin each year? No. It's because he's kidding Albertans about the real state of this economy and the real expectations he has for this budget, revenues and expenditures, and the balance for this year. That's why he's built . . . Well, I submit he didn't build in a margin, in fact, Mr. Speaker, because he knows that what we said in this House about some of the figures he produced are more accurate than what he said. For example, in his budget he overestimated the tax revenues by some quarter of a billion dollars. He overestimated oil and gas revenues by a quarter of a billion dollars. He said he was going to get a quarter of a billion dollars in stabilization payments from Ottawa, which is a pie in the sky he'll probably not get.

Furthermore, he underestimated his debt servicing costs, and I want to take a few minutes on that. In 1986-87 we lost over \$3 billion in oil revenues and the consolidated deficit of the province was \$4 billion, which also represented the debt at that time because we didn't have any previous debt. The debt servicing costs were \$165 million in that year. The next year, the year of the big tax grab in '87-88, we had a 145 or almost a 1 and a half billion dollar deficit, bringing the debt up to 5 and a half billion dollars. For the next two years it was \$2 billion each year, and the debt servicing costs . . . It's interesting to watch the pattern, because the debt servicing really is kind of a year behind the debt generally. But the debt servicing costs went up between '86 and '87, when we had that \$4 billion deficit, by \$216

million. So there was some time lag; we didn't really pay for the whole lot straight away. The next year the debt servicing costs went up by \$193 million, bringing it up to \$575 million.

A funny thing last year: all you've got to do is look in the budget tables and his estimate last year was \$825 million debt servicing costs. However, his forecast added another \$50 million, so he will have spent all that and a little more – \$875 million – an increase of \$300 million from the year before, and the debt increase was only \$2 billion the year before. So some of those debt servicing costs were kind of catching up. There's not a one-to-one relationship, and there's some time lag in some of these things. Nonetheless, if an increase of \$2 billion in debt caused an increase in debt servicing costs of \$3 billion,* then who does he think he's kidding this year when he tries to tell us that the debt servicing costs are only going to go up by \$90 million when the debt last year increased by \$2 billion again? By his own admission, \$1.8 billion, but there are some things that aren't counted in there. The consolidated debt will have gone up by over \$2 billion last year when the numbers are in. So the debt servicing cost could not only go up by \$90 million when you add a \$2 billion increase in the deficit.

So this Treasurer is just kidding us when he tries . . . There's another \$200 million there at least that the Treasurer should have included in his budget deficit figures, which would mean, then, that his deficit for this year would be a full \$2 billion. Mr. Speaker, I've been watching these numbers close enough for the last four years to know there's no way around that. I'm sorry that's the case, but I do wish the Treasurer would quit trying to kid the people of Alberta into believing he's got everything under control and he's going to have a zero deficit next year. If he's going to have a zero deficit next year, he is going to bring in one of the biggest tax grabs you can ever imagine. I don't believe he's going to do it on his big corporate friends, so the people of Alberta had better look out. I suspect, however, that he will chicken out and not have a really big tax grab next year. He'll just raise fees again on a number of different things and increase medicare premiums – which is not a tax. Oh, medicare premiums are not a tax, right? Who pays it? The people of this province. But there will be no increases in taxes on corporations that will help them to pay their fair share of the cost of running this province.

I want to turn momentarily to the borrowing side of this. If you look at page 39 of the Budget Address, you will see that the government owns up to have borrowed almost \$6 billion at March 31, 1989. Then at December 31 of '89, just this last Christmas, the debt the province has is now over \$8 billion of actual borrowings. Of course, there's been a quarter of the year to include in that, but we don't see the numbers here. So this figure would be in the neighbourhood of 8 and a half billion dollars at that stage. It's within about a billion dollars of his margin that he allowed himself last year when he wanted 9 and a half billion dollars' borrowing power. So he already had a margin of a billion dollars in there, and now this year he's trying to tell us he's building in an extra billion-dollar margin.

Mr. Speaker, I say it's just totally not credible that the Treasurer a few minutes ago stood up and said everything is under control; we're right on target. He says he likes to be honest with the people of Alberta and give them this number. The fact of the matter is he can't borrow the money if this House doesn't give him this authorization. So this government, which is one of the most secretive governments and doesn't tell you anything it doesn't absolutely have to according to law – some of the things they do don't show up until they're in the

*see page 1499, left col., para. 4

public accounts a year to two years later. Some of them never show up in detail in the public accounts, and I can give you an example, if you want. Some of the loans made under the export program are never listed in individual amounts so that you can identify who got what in the public accounts. So for this Treasurer to say that everything is up front and he likes to be honest with the people of Alberta . . . He is one of the most secretive people, and he runs the most secretive government. They've been in power so long they think they own the tax dollars of this province; they think they can do whatever they like and all the people will just love them and re-elect them anyway. It may have been true in the past, but it's changing, buster, it's changing.

So, Mr. Speaker, what I really love about this Bill is that it just gives a lie to everything the Treasurer said and backs up everything we've been telling them on the budget debate exactly.

MR. DEPUTY SPEAKER: The hon. Member for Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Speaker. There are three aspects of this Bill that I would like to comment upon. The first aspect is that it clarifies the right of the general auditor to audit the subsidiaries of wholly owned provincial corporations. My concern is that this provision errs by omission, because the reality is that the Auditor General can't in any way audit, other than after the fact, those corporations which are not wholly owned by the province, no matter what high proportion of ownership the provincial government might have. For example, this leads to sharp legal manoeuvres such as those of having a company with .5 percent outside ownership, 99.5 percent government ownership, otherwise known as North West Trust, which can't be audited by the Auditor General. Now, perhaps it's quite appropriate, as under the federal legislation, that the Auditor General might wish to appoint outside auditors for whatever reason. But under our legislation the Auditor General doesn't have that option. If he should have cause to wish to intervene and take over an audit for whatever good reason, he does not have the jurisdiction to do so. I think that's wrong.

The second example is a company with 99.9 percent government ownership and .01 percent outside ownership. The outside ownership just happens to be the lawyer retained by the government on many matters. Another name for this company is Softco. So these are concerns which are unaddressed by this legislation, Mr. Speaker, and as I noted earlier, the legislation, while quite acceptable as far as it goes, seriously errs by way of omission.

The second aspect of the legislation, by far the most important one, relates to the raising of the debt ceiling to 11 and a half billion dollars. This, of course, is a penetrating glimpse into the obvious, the reflection of the extremely poor financial shape of this province. The debt of the province in respect of the General Revenue Fund account and Capital Fund account is set out as of December 31, 1989, in the Treasurer's budget document of earlier this year on page 39. The amount is \$8,182,000,000. The Capital Fund debt set out in the same document is \$906 million, for a total of \$9,088,000,000. On page 38 of this document the Provincial Treasurer specifies net cash requirements for the next year at \$979 million. So by the government's own estimate, we have a net cash requirement to the end of the next fiscal year of \$10,067,000,000, give or take a few adjustments here or there.

So the question arises, of course: why the extra amount? Why this almost billion and a half dollar cushion? The Provincial Treasurer says that the Capital Fund is the main problem. Well, who's he trying to kid? The Capital Fund is already specified in the net cash requirements. Indeed, the capital spending under Capital Fund items is about the only reasonably predictable item in the whole budget, give or take a cost overrun or two, which is not unusual. It's the other areas in the budget that, of course, cause the main concern and not the red herring of the Capital Fund, Mr. Speaker.

I pointed out earlier this evening in debate on Bill 39 how on any reasonable prediction the budget deficit is going to be much higher than that predicted by the Provincial Treasurer, probably somewhere between 1 and a half to 2 billion dollars. Interest costs alone will likely be over \$1 billion this year, Mr. Speaker. We're clearly on the way to joining the federal government, where the debt is eating that institution alive. Of course, we see now at the national level one of the terrible consequences of that lack of financial flexibility in high interest rates which are choking the whole economy across this nation.

Now, in the debate on Bill 39 earlier I also commented on a concern of the Alberta Liberal Party relating to the way this poor financial management is impacting on low- and moderate-income Albertans. Of course, all Albertans have to be apprehensive about the future, about the potential not only for increases in items which the Provincial Treasurer would say are not taxes, such as medicare fees, but also increases in income taxes and possibly a sales tax in the future if the government doesn't get its house in order.

Now, the Provincial Treasurer said, "What a good guy, what an open guy, what an open government we have by coming to this House year after year raising the debt limit by \$2 billion instead of going for the one big fell swoop increase of \$5 billion or \$10 billion," which would make his life and the life of the government easier. Well, who's he trying to kid, Mr. Speaker? He's not bringing in these staged increases in order to disclose or be open or accountable to the public. He's hemmed in and knows that if he were to increase the debt limit by \$5 billion or \$10 billion all of a sudden, this would be a signal to financial markets, to business, to anybody who has any concept of finance that he had ditched his alleged plan to balance the budget, whether it's within the next year, as he says now, *mañana*, or whether it's within three or four years, as he predicted three or four years ago.

So I don't know how it is that the minister might think that he could pull the wool over the financial markets and others by saying that he has things under control, yet he's increasing the debt limit by \$5 billion or \$10 billion. So what we see is what we get, right on \$11.5 billion; that's a realistic possibility of where we may end up. Now, we hope we don't end up at that particular level, but if this Provincial Treasurer keeps approving the types of wasteful expenditures to the Pocklingtons and to hotel companies that he has done so far, and if the government continues its wasteful and extravagant ways, we're well on our way to that kind of a deficit and continuing problems. I think, Mr. Speaker, that it's obviously time for a change: time for a change in the Treasurer and time for a change in government.

MR. DEPUTY SPEAKER: The hon. Member for Vegreville.

MR. FOX: Thank you, Mr. Speaker. I'm pleased to have the opportunity to debate in second reading Bill 21 proposed by the hon. Provincial Treasurer. Listening to his comments, I was

reminded of lyrics in another Bob Dylan song, a musical poet that he so often refers to, referring to someone whose mind is on vacation while his mouth is working overtime. Listening to him trying to justify the measures being put in place by . . .

MR. JOHNSTON: That was Karl Marx.

MR. FOX: . . . the measures being proposed through the Financial Administration Amendment Act . . .

MR. McINNIS: Coming from a Groucho Marxist, that's a compliment.

MR. FOX: If you guys want to give me time to collect my thoughts, you're going to pay for it.

MR. JOHNSTON: We haven't got all night.

MR. FOX: Bill 21, the Financial Administration Amendment Act, Mr. Speaker, I think could be referred to as "the lack of financial administration amendment Act, 1990." I was certainly moved by the comments made by my colleague the Member for Edmonton-Kingsway, who in a very clear and complete and lucid way outlined the sordid record of this Provincial Treasurer in terms of managing the economy.

The Provincial Treasurer and his colleague and fearless leader, the hon. Premier of the province, have had their hands on the levers of power for some four and a half years now, Mr. Speaker. They've been guiding this province's economy. And all of the bravado that he likes to lay on us and the people of Alberta from time to time about Alberta's economy being strong, we've turned the corner, we've come that extra mile, and we've got the highest this and the highest that and the best of everything, I think wears a little thin when people examine the record.

Mr. Speaker, I think in order for me to examine the record, I need to go back to the 1982 election. I do recall many Albertans, except for the ones that represented them in the provincial government, being concerned about the fiscal situation that we were moving towards. That was the beginning of what would be termed a recession in the province of Alberta. Interest rates had reached unheard of highs. People were experiencing a lot of difficulties both in terms of business and home purchases. Farmers were experiencing a lot of problems. High interest rates cause problems for everybody. I remember during that campaign the then Provincial Treasurer – I believe his name was Lou – and the Premier, Mr. Speaker, talking about how strong the province's economy was. The Premier's quote at the time during the election in 1982 was: I get positive economic news every day. I have no doubt that that was the case for someone with a bank account like his who had the opportunity to look at what was going in there with interest rates being 15, 20 percent. There's no doubt he got positive economic news every day, but that wasn't the story of the day for average Albertans.

The line used by Conservatives trying to gain support among the electorate in 1982 is very much the same as it was in 1986 and again in 1989, this continued insistence on glossing over the realities that exist in the Alberta economy, continued insistence on overstating the case when talking about the future prospects for the economy in the province of Alberta. I think as a result we've had a worsening situation over time, because these guys have been sort of like persistent Pollyannas in examining the

fiscal realities that exist out there and I think have perhaps been guilty of raising the expectations of Albertans.

The economy was certainly starting to take a nosedive in the early 1980s, and this government, I submit, Mr. Speaker, didn't do anything about it. They failed to live up to the promise or indeed heed the warning of Premier Lougheed, who in 1975, I believe, said that we have 10 years at best to diversify this economy so that we move away from being so completely dependent on nonrenewable resource revenue for the financing of the province. They were mesmerized by the dollars, Mr. Speaker, and I believe not only mesmerized by the dollar flow, being overwhelmed by the buckets full of money coming into the provincial Treasury, giving them the opportunity to spend it willy-nilly wherever they felt it ought to be spent, but they began to believe that they were somehow responsible for that wealth coming into the provincial Treasury, not recognizing that it was a geographic or geological turn of fate that put the oil in the ground. It was a decision made by OPEC someplace else in the world that made that resource valuable. Still, they wanted to take credit for it. They believed that it was a sign of good fiscal management, of the ability of the Conservative government to manage the economy, that was responsible for all the money coming in.

I submit, Mr. Speaker, that they developed some very sloppy habits – very poor accounting habits, very poor management habits, very poor expenditure habits – and it didn't show. We in the New Democrats realized it. We recognized it a long time ago. But it wasn't really apparent because there was so much money coming in, Mr. Speaker, that even a fool couldn't spend it all without having some left over. Indeed, that was the case: we had lots left over. We had a Heritage Savings Trust Fund that the Premier and his sidekick the Provincial Treasurer of the day used to brag about, thump their chests about, and brag to eastern Canada about: how we were creating some sort of fiscal mecca in Alberta; we didn't need help; we didn't require anything from the federal government. They created a mood in the rest of Canada that clearly indicated that Albertans wanted to go it alone. We didn't want to admit that we were having problems and that the problems were getting worse.

So this was the scenario. I think that gets us into the modern era when the Provincial Treasurer took control of the provincial economy – if that's not a contradiction in terms, Mr. Speaker – in 1986, I guess it was, after the election. He became responsible for guiding this somewhat leaky fiscal ship on its hazardous course through the late 1980s and into the 1990s, and I submit that anyone who examines that journey will find that it's been a very rocky journey to be sure, because when we entered 1986, we were debt free. We didn't owe anybody any money. The economy wasn't particularly strong. We'd endured a lot of setbacks, no doubt. The government hadn't put into place the kind of controls required to build the economy in the future, but we still had money in the bank.

Now, you know, with only a few months of effective management by this Treasurer and this Premier, we went \$3 billion into the hole in year one. I don't have the figures at the tips of my fingers like the Member for Edmonton-Kingsway, Mr. Speaker, but it's clear to everyone that the debt situation has worsened every year, that the Provincial Treasurer in his extravagant estimates of provincial revenues and expenditures and annual deficits has been so far out of whack that his credibility is shot as far as we're concerned. We've continued to build up a huge deficit, and that's in spite of their massive tax grab in 1987, in spite of raising taxes every year since the 1989 election, and in

spite of the Premier's promises to make sure that taxes did nothing but move down in the province of Alberta.

So the debt situation has worsened, Mr. Speaker. I think it's fair to say that the debt, all things considered, will exceed \$11 billion at the end of this fiscal year. The Treasurer recognizes that. He tries to gloss over it, but that's clearly why he's coming to us with Bill 21, because he knows – he knows, although he'll never admit it – just how serious the situation is.

No, Mr. Speaker, instead of leveling with Albertans, instead of saying, "Look, folks, we've got a problem here; this is the magnitude of the problem, this is why we have the problem, and this is what we propose to do about the problem," they have tried consistently for the last eight and a half years to gloss over the problem, ignore the problem, pretend the problem doesn't exist, and remain focused on, preoccupied with, their political priorities. Instead of dealing in a thoughtful way with the economic priorities of Albertans and the social and economic needs of the people of the province in this decade and moving into the next century, they've remained focused in the most narrow of ways possible on their political priorities; that is, getting elected at election time, making sure that they pull enough wool over the eyes of Albertans so that they can squeak by at election time and sit back in here and make another bunch of bad decisions that drive us further in debt.

I can't support this Bill, Mr. Speaker, because I can't support this Treasurer. I know him too well. I've sat in here for too long and listened to too much, and I don't . . .

MR. DINNING: You should leave then.

MR. FOX: The Minister of Education: I think as an advisor to a former Provincial Treasurer he might want to take some of the responsibility on his shoulders for the eleven and a half billion dollar debt. I don't think it's fair. I don't think it's fair to blame this Provincial Treasurer and this Premier for everything, because a lot of the seeds of discontent, the rot, started to set in in the timbers that support the Alberta economy during the reign of the former Provincial Treasurer and the former Premier. I don't like to see him take all the blame, so you're going to have to take some of it, hon. Minister of Education.

No, I think it would have been appropriate, Mr. Speaker, for this government to level with Albertans sometime ago, to say: "Folks, we've got some problems with the economy, and some of them are quite legitimate. We failed to diversify the economy. We're more dependent than ever on nonrenewable resource revenue. We've failed, but we're prepared to admit it. You have to realize that, as a result, we're going to be going into debt for a while, but we're going to level with you about the extent of the debt because we want you to share in the problem solving." But no, no; that's not the case. They don't level with Albertans. They try and provide false directions to them about the extent of the deficit, about the fact that the deficit was even going to exist, in the beginning. They try and send false signals to the people about the future prospects of the economy and I think continue to try, as I said, to proceed on this political course that pays no attention to the economic realities of today and doesn't consider at all the economic prospects for tomorrow. It's a shame, Mr. Speaker.

I think the people of the province of Alberta would have been able to accept news like that, but instead of the government levelling with them and trying to work co-operatively with them to build the economy and cope with the problems that exist, they found themselves blamed for the problems. It was as if Alber-

tans, average Albertans out there, were responsible for this massive deficit created by the Provincial Treasurer and his predecessors. It's as if they were responsible somehow, and they were being told: "Look, folks, we don't know how this deficit got to be here. We're certainly not responsible for it, but the only way to cope with it is for you to tighten your belts and help us wrestle this deficit to the ground." I think he must have been borrowing speeches from Ronald Reagan in the United States, who used that same right-wing rhetoric over and over again to convince the people that here's Ronnie, the deficit fighter, wrestling the deficit to the ground. Well, in fact, in the eight years that that man was the President of the United States of America, he created more deficit, more debt than all of the other presidents of the U.S. of A. combined, Mr. Speaker.

MR. McEACHERN: Like Mulroney and Dick Johnston.

MR. FOX: Mulroney and Johnston: it's the same old story, Mr. Speaker. I realize I'm straying a bit in that example, but I'm just trying to make it relevant to the current situation, because it's the same specious rhetoric that we've heard from this Treasurer and this government trying to justify the waste and mismanagement and incompetence.

I could talk about how some of that debt developed in terms of wasteful expenditures; that might be useful to remind hon. members. Certainly it should be clear to them when we vote against some of the measures they propose in the budget, when we vote against their appropriation Bills. It's not because we don't recognize that some of those expenditures are worth while. It's not because we don't support a vast majority of the programs that are in place to help Albertans. That's not why we vote against those Bills, because we do recognize that a lot of that money is being well spent and *is* being spent in areas that we're concerned about as well. No, we take those stands, Mr. Speaker, because we feel that the reins are in the wrong hands. When you've got a government that consistently refuses to level with the people of Alberta about the state of their economy and when you've got a government that consistently makes decisions based on what's good for them politically rather than what's good for Albertans, we just can't support that. When we look at some of the components of the debt, some of the expenditures that have . . . [interjection] We support you, hon. minister. Don't be so sensitive.

Some of the components of the debt: I just need to think back over the past year and a handful of examples come to mind. I can see that one of the reasons this Treasurer is coming before us, kneeling before members of the Legislature asking for an eleven and a half billion dollar borrowing limit, is because this government wasted, squandered, frittered away a quarter of a billion dollars of taxpayers' money trying to cover their political backsides in terms of the Principal fiasco, the Pocklington deals, and GSR, to name but a few. A quarter of a billion dollars gone down the tube, money that is no longer available for us to spend on the needed programs that the government talks about and that we advocate, money that we now have to pay interest on at that 15 percent or whatever the Eurobonds are charging this year. I forget. What's the interest rate there?

MR. JOHNSTON: You don't know what a Eurobond is.

MR. FOX: Well, you don't know what the price of oil is.

MR. DEPUTY SPEAKER: Through the Chair, hon. member.

MR. FOX: I know I can't say "you," Mr. Speaker, but I am a shepherd, and the word has dual meaning for me.

Anyway, there are many things that we're concerned about that are components of this debt, things that have caused the hemorrhaging of the province's Treasury and that require this Provincial Treasurer to come to us and pretend that the reason he's asking for an 11 and a half billion dollar borrowing limit is because the economy is strong and we're on track.

You know, I'd like to ask the Provincial Treasurer what's magic about his 1990-91 – it was 1990-91; now it's '91-92 – deadline that he has for bringing the provincial deficit to zero. "Balancing the books," he calls it. He always refers to "balancing the books" and "bringing the deficit to zero." He never talks about reducing the total debt. But anyway, he's got this deadline that he's working towards. He wants to balance the books by a certain date. I wonder if that date bears any relation to, again, a thoughtful economic agenda or if it's a political agenda; if it's because he wants to be able to tell Albertans come the next election that he's done it: he's succeeded, he's balanced the books, he's wrestled the deficit to the ground. In spite of the fact that we've got probably a \$13 billion or \$14 billion consolidated debt by that time, he wants to be able to point to his record of success – in spite of the evidence – prior to going into the next election. I suspect that's true, Mr. Speaker.

I know that in terms of this year's current estimate of the deficit, one can certainly see evidence of a politician at work rather than a fiscal manager. I think that recognizing that they had someone's political bacon to save going into a particular convention in Calgary, they had to have something in that budget that they could refer to as an indication of the fiscal strength and integrity of this government and its management. The figure that they came up with in their thinking was a billion dollar reduction in the deficit. We need to show that we've reduced the deficit by \$1 billion in this fiscal year, Mr. Speaker. And how do we do that? Well, let's see. We need the price of oil. The Treasurer says \$19. That's probably pretty realistic. He figures it out with his calculator and sees that that just doesn't cut the mustard. It might be a realistic estimate for the price of oil, but it doesn't give him that billion dollar bottom line that he's looking for that he needs to brag about, that the Premier needed to take to Calgary in order to save his political bacon. So he pencils in \$20 a barrel. Well, that doesn't work either, so he comes up with an extravagant prediction of \$21 a barrel for the price of oil and figures in that.

It almost works in terms of the calculations; it almost gives him a \$1 billion reduction in the provincial deficit, as long as he ignores the true cost of servicing the debt and pretends not to know that interest rates are going up and that we're going to really be hemorrhaging on the expenditure side much more than he's prepared to admit, you know, and including all the frivolous expenditures like \$400,000 to Jaakko Pöyry to do something that's no longer needed. He ignores all of those things and comes up with a prediction of – what is it? – \$250 million in transfer payments from the federal government, knowing full well that we're not going to get a penny of it, that his record of success is so dismal we're not likely to get enough to buy the two beers a month that our new taxes and health care are going to cost him. But he pencils that in anyway, because that helps the bottom line look a little better.

I don't think that's any way to manage an economy. I don't think that's any way to present a budget to the people of

Alberta, with that kind of tomfoolery. I think we need a more consistent and thoughtful fiscal report from this Treasurer. We need it more than once a year. I challenge him to provide an update for this Assembly before we go into committee consideration of Bill 21. I want an update from him. I want to know if we're on track. I want to know what the revenue projections are, based on realistic figures, and how our expenditure figures measure up, because the budget presented in this Assembly on March 22nd, I believe, Mr. Speaker, is so woefully inadequate in terms of its accuracy, in terms of its vision, that there is a need, obviously, for an update.

[Mr. Speaker in the Chair]

So I just can't support this request to borrow 11 and a half billion dollars – or to set the limit. It's a cushion. He's not going to use it, of course, but he needs the cushion. We know he's going to use it, Mr. Speaker, because his record has proved that. We've had to endure him coming to the Legislature year after year after year to ask for additional increases in borrowing limits for the province of Alberta, and I think it's not something that's going to wash. I think his colleagues are staging a bit of a back-bench revolt on this one too, and they're not prepared to gloss over what this minister has presented to us.

In parting, I'd just like to say that I'm agin it, our caucus is agin it, and we're not going to vote for it.

MR. WICKMAN: Just one question, Mr. Speaker, if the Provincial Treasurer could either respond to it tonight or bring forward the written information in committee stage, and that is: when this matter was raised in the House during question period, the Provincial Treasurer made some reference that part of the need was because of the capital budget. Now, if my memory serves me correctly, the Bill we just dealt with previously, the capital budget, is \$400 million and some. That still leaves a fairly healthy cushion even after looking at the projected deficit. So I'd like the Provincial Treasurer to supply us with a comparison as to the breakdown of the increase in borrowing power last year and the previous fiscal period in terms of the capital budget, in terms of the projected deficit, and in terms of the cushion requirement, with those same three categories laid out in terms of this particular fiscal period, just to give us an idea as to whether the cushion has increased, whether the capital requirements have changed – my recollection is that they haven't changed that much – or if in fact there may be a hidden projected deficit that we're not aware of.

Thank you.

MR. SPEAKER: The Member for Edmonton-Jasper Place. [interjection]

MR. McINNIS: Thank you, Mr. Speaker, and members opposite for that very suitable yelp.

Quoting Bob Dylan in support of this Bill goes too far, in my opinion. *The Times They are a-Changin'*. I don't know if the Treasurer knows the rest of that song, but he might be interested in the part that goes:

Come gather 'round people wherever you roam

And admit that the waters around you have grown

And [face] it that soon you'll be drenched to the bone . . .

For the times they are a-changin'.

I think the debt situation in the province of Alberta is to the point where the Treasurer is starting to get drenched to the bone. I do appreciate that he's a man with a sense of humour

and somebody who likes a good fight. He likes to call people names in this Assembly. He likes to call people on this side of the House Marxists. That's one of his favourite insults. Well, he is, by my account, a Groucho Marxist, and I think that while Groucho Marx certainly had his place in the entertainment industry, I would not want him managing the province's finances, and I'm not sure I want this Groucho Marxist managing the finances of this province at all.

Look, there is no secret to how this provincial government got into the debt situation it's in. The previous administration and this administration have repeatedly spent money that it didn't have for political purposes, to get re-elected. My colleague representing Vegreville happened to mention the 1982 provincial election campaign. I had the pleasure of traveling with my friend and comrade the late Grant Notley during that election campaign and . . .

AN HON. MEMBER: Comrade is right.

MR. McINNIS: Comrade is a perfectly respectable English word, and it's only very uptight, middle-aged gentlemen such as the one opposite who have problems with it.

In any event, we had some high hopes in that election campaign. [interjections] Well, advanced middle; okay.

We had some thought in that election campaign that perhaps the New Democrats might make a breakthrough in certain Edmonton district ridings. I recall talking to a member of the news media on the campaign plane during the election who happened to mention, "Oh, yes; I just received in the mail from the provincial government yesterday a cheque in the amount of \$263," which was the first contribution towards a series of cheques that that individual expected to receive over the next few years to help him pay his mortgage, courtesy of the provincial government. That was one of many election-time programs from which this Treasury and this government and many of the same faces in this government continued to buy their way back into power time after time without taxation. It must have seemed to them throughout the 70s and 1980s like it was some kind of a dream: they could spend money like there was no tomorrow and not have to tax for it, not have to account for it. They spent our heritage in that way and in the ways mentioned by the Member for Vegreville: on reckless ventures such as the Cormie ride in the Principal affair, the Pocklington ride in Gainers and others, and GSR. They spent our heritage in that way.

I was one who supported setting up the Heritage Savings Trust Fund, for a very simple and basic reason. I felt that it was a good idea for the province, which had a resource windfall during a time of high production of oil and gas from the shallow sedimentary basin, commodities that cost pennies to produce and sold for big dollars throughout that period of time. I felt that a prudent provincial government would take some of those funds, put them into an investment pool, and try to get for Albertans something somewhere near as valuable as those oil and gas resources. Because as the former Premier, Mr. Lougheed, said time and again: when you send that barrel of oil down the pipe, or that mcf of natural gas, it's gone. It doesn't come back, and you can't produce a new one. There isn't going to be another Western Sedimentary Basin; there isn't going to be another opportunity for us to sell our assets for cash. So the idea was: put it into an investment pool, get for Albertans something which is somewhere near as valuable as that resource was in the first place.

Well, what did we get? We got all kinds of campaign gimmicks. We got expenditure without taxation. We got something that I think would be as far from fiscal responsibility as Bob Dylan is from supporting this type of spending and this type of deficit expenditure. So I think it's time for the Treasurer to admit that the waters around him have grown and that he is very close to being drenched to the bone in terms of the way the expenditures are going. I think it's time the government had a dose of reality in relation to the expenditures of the province. So I believe I'm going to vote against this Bill also.

MR. SPEAKER: The Provincial Treasurer, in summation.

MR. JOHNSTON: I just may have to close debate here.

Well, Mr. Speaker, it's interesting to hear this evening so many trite expressions and such a desperate plea to see and to point out the weaknesses which may or may not be perceived in our minds. I've never seen such an elaborate overstatement of facts in my life and so far from the truth that it does require some response on behalf of the government.

You see, it is perplexing to the opposition when you cast them in the socialist framework. But it is predictable, because it is from that socialist framework that their ideology does, in fact, come. It is, in fact, the Marxist-Leninist background that drives their whole thinking, Mr. Speaker. Now, I know they object to being connected with that, and I know that they would rather see the Marxist socialist revolution working in their favour. But it's not; it's working against them. These socialists across the way, these Dave Werlin friends across the way, have only one idea; that is, to control all the production into one little bundle, centralize it in their own hands . . .

MR. SPEAKER: Provincial Treasurer. [interjection] Thank you. [interjection] Provincial Treasurer, in your full flight would you pause for a moment? Thank you.

You've not been recognized yet. [interjections] Order. [interjections] Order. Order.

Edmonton-Kingsway.

MR. DAY: Citation.

MR. SPEAKER: Thank you, Red Deer-North. I'm sure he'll look after it.

MR. McEACHERN: Well, if he'll agree not to call us Marxist-Leninist – not that it really bothers me that much – we'll not call him fascist or Nazi or any of those kinds of things. Okay?

MR. SPEAKER: Thank you. No point of order.

MR. JOHNSTON: Now, these Marxist-Leninist socialists across the way have to be pointed out where their whole ideology comes from. It's based on a system which is absolutely reprehensible to Albertans, and that's why their electoral success has been as dismal as it has been and will continue to be dismal, Mr. Speaker. Because as I've pointed out before, they would spend their way out of every process. Now, if we have a deficit today which is running around \$700 million, I can assure you that if these chaps across the way ever got their hands on the spending controls of this province, that deficit would be \$7.8 billion this year alone. They have never managed anything in their life; never anything in their life have they managed.

Mr. Speaker, their gréatest challenge, of course, is either getting their expense cheque in or sitting here and trying . . .

MR. SPEAKER: Let's hold it. I know the House would perhaps like to go outside and enjoy all those jubilant Oilers fans in celebration, but until such time as the House is adjourned, decorum will be observed.

The Provincial Treasurer.

MR. JOHNSTON: Mr. Speaker, I have to reply to these comments. We can't let them go undefended. You know that well. But I'll simply sum up by saying that this economy is in very good shape. The province, again, has managed through this very difficult period, a period with such sudden changes, a remarkable impact on economies never before seen in any province in Canada. Now, we have managed through it. We have not been adrift, as the socialists across the way would be. We have provided a plan, and we have stuck to that plan. Unemployment is low. Economic investment is high. Taxes are low. The confidence is high. All of these ingredients are here, and as I said before, you can get only criticism from these people, the narrow point of view that is based on an obsolete

ideology which is not at all suitable to the times. Because the times they are a-changing, and they're changing against that ideology. That's the very point, Mr. Speaker. The change in eastern Europe is remarkable. Even today, for example, Mr. Gorbachev is introducing economic reforms which provide for property, which provide for private sector, which provide for rewards: things unheard of to this group.

So, Mr. Speaker, this piece of legislation is important. It communicates directly to Albertans what our borrowing's going to be. It's in line with the fiscal plan, and it in fact confirms what I've said before: this province is the only province with more assets than liabilities, has one of the best debt records in the history of any government in North America, certainly is the only province with more assets than liabilities, and in fact that shows up in the confidence which the world capital markets have placed in this government.

So, Mr. Speaker, I move second reading of this legislation.

[Motion carried; Bill 21 read a second time]

[At 10:29 p.m. the House adjourned to Friday at 10 a.m.]