

**Legislative Assembly of Alberta**Title: **Thursday, April 4, 1991**

8:00 p.m.

Date: 91/04/04

[Mr. Speaker in the Chair]

MR. SPEAKER: Be seated, please.

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

SERGEANT-AT-ARMS: Order!

MR. SPEAKER: The Lieutenant Governor transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1992, and recommends the same to the Legislative Assembly.

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The Lieutenant Governor transmits estimates of certain sums required from the Alberta Heritage Savings Trust Fund for the 12 months ending March 31, 1992, for the purpose of making investments pursuant to section 6(1)(a) of the Alberta Heritage Savings Trust Fund Act in projects which will provide long-term economic or social benefits to the people of Alberta but which may not necessarily by their nature yield a return to the trust fund, and recommends the same to the Legislative Assembly.

Please be seated.

head: **Government Motions**

7. Moved by Mr. Johnston:

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

[Motion carried]

8. Moved by Mr. Johnston:

Be it resolved that the Assembly do resolve itself into Committee of Supply, when called, to consider the supply to be granted to Her Majesty.

[Motion carried]

**Provincial Fiscal Policies**

9. Moved by Mr. Johnston:

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

head:

**Budget Address**

MR. JOHNSTON: Mr. Speaker, since the collapse of world oil prices in 1986, this government has vigorously pursued a two-part strategy to secure the future prosperity of Alberta. We have worked hard to diversify the Alberta economy and to balance the provincial budget. Achieving these two objectives in the face of adverse external factors has not been easy. Interest rates moved against us. The high Canadian dollar hurt export earnings and government revenues. Albertans and this government were challenged as never before. This budget is an accounting to Albertans of how we met the challenges.

The success of our economic plan will keep Alberta growing while most of the country is suffering from a recession. The 1991 budget builds on our achievements in diversifying the economy and creating jobs for Albertans. The success of our fiscal plan will keep Albertans' taxes low and protect our priority programs. The 1991 budget delivers on all our commitments to Albertans. Mr. Speaker, this is a balanced budget.

**Alberta, Strength in an Uncertain World**

This government's plan to balance the budget has been helped by our strong economy. The Alberta economy demonstrated exceptional vitality last year. I estimate that real economic activity increased by 2.8 percent in 1990. Our rate of growth was triple the national average of .9 percent.

As I said last year, Alberta is the place to do business. In 1990 nearly 18,000 new businesses were incorporated in our province, the largest number since 1981. Albertans and others from around the globe showed their confidence in our economy by investing nearly \$17 billion in our province last year. Alberta continues to have the highest per capita investment in the country. Albertans also displayed their confidence at the cash register supporting our businesses in the best way possible: with their hard-earned dollars. We lead the country in retail sales per capita.

Alberta entered 1991 facing a Canadian, indeed, a world economy in some difficulty. Central banks in Canada, the United States, and the United Kingdom had been following for some years a restrictive monetary policy in their attempts to control inflation. In Canada the federal government's reliance on consumption tax to control its deficit fueled inflation and pushed interest rates even higher. Under the weight of these very high interest rates and an overvalued Canadian dollar our Canadian economy was the first to break. It slipped into a recession in the second quarter of last year. The Bank of Canada was slow to reduce interest rates. Only recently have interest rates begun to approach a level that will allow the Canadian economy to resume growth.

Unfortunately, the Canadian dollar remains overvalued and a drag on Canada's export industries. Further reductions in interest rates are needed if the Canadian economy is to experience a healthy recovery. As I warned, the inflation caused by the goods and services tax is hampering needed declines in interest rates. This government has taken the lead in a court challenge to overturn this misguided tax.

All factors considered, Canada will likely remain in a recession until at least the middle of this year. The Canadian economy is expected to contract by 1 percent in 1991.

In the United States the longest postwar expansion ended in the fourth quarter of 1990. The Federal Reserve Board reacted by accelerating the decline in interest rates begun earlier in the year. This, in combination with increased exports, suggests that

their recession will be shallow and short lived. Overall the U.S. economy will likely grow by .5 percent in 1991.

### **Alberta Resists the North American Recession**

I am confident that Alberta will resist the economic downturn now hurting much of North America. At 1.5 percent the rate of growth of our economy will be somewhat slower than last year. However, Alberta's growth will be three times that of the United States and far better than the decline in output expected in most other provinces. Our economy will continue to grow, continue to create more jobs.

Alberta, with our investment-led economy, will benefit more than any other province if the Bank of Canada is successful in creating a low inflation, low interest rate environment. The vigour of the Alberta economy can be attributed to the willingness of Albertans to seize new opportunities and new directions for growth.

Global and domestic competition is intensifying as a result of greater trade liberalization. Our traditional industries are responding to changing world markets by developing higher value-added products and by expanding into new export markets. Rapid technological change and this government's drive to broaden the base of our economy are spurring the development of new industries.

Advanced technology is a major force for change in the modern world. Alberta is a leader in areas such as medical research, cold weather engineering, and oil sands technology. On a per capita basis our funding of research and development is more than double that of any other province.

Investment in advanced technology is not without risk. A few of the endeavours that we have supported have not been entirely successful. Even so, this government has created an environment where research and advanced technological firms are taking hold. These firms are linking knowledge, research, and enterprise. They are creating quality jobs in Alberta and exporting their products and services throughout the world.

### **8:10**

Tourism presents many opportunities for economic diversification and job creation. This industry employs 100,000 Albertans, and its revenues have increased by \$500 million since 1986. Through strategic support of the private sector this government is breaking new ground in tourism marketing, planning, and development.

### **Forestry, a Major Diversification Success**

Forestry is now an important source of renewable economic growth for Alberta. This government has worked hard to develop the forest industry. We have successfully balanced economic development with our duty to protect the environment. Several forestry projects were completed in 1990, including the Alberta Newsprint Company operation near Whitecourt, the Daishowa pulp mill near Peace River, Alberta Energy Company's pulp mill near Slave Lake, and Weldwood's expansion of its facility near Hinton. In total more than \$1.7 billion has been spent on forestry investment over the past four years, including \$700 million in 1990 alone. Another \$1.3 billion will be spent on the Alberta-Pacific project over the next three years.

Our forestry projects are now moving from construction to production. This year as these projects reach full operation I expect a 65 percent rise in the volume of pulp and paper exports. The economic leadership of this government is making the forest industry one of Canada's largest exporters. Consider-

able spin-off investment and employment will be generated as other industries expand to supply the needs of the growing forestry industry.

This government has pursued a development strategy that recognizes the importance of protecting the environment. The forestry projects now completed or under construction incorporate leading edge environmental and operating technologies. They provide us with opportunities to develop further expertise in these technologies, expertise that we can export around the world.

### **Agriculture, Renewable Economic Strength**

Agriculture continues to be Alberta's primary source of renewable economic strength. This government is committed to agriculture as a way of life and a key Alberta industry. Our agricultural industry is reasonably balanced between livestock and crops. This reduces its vulnerability to external events. In the livestock sector both cattle and hog markets were strong in 1990. Cattle prices are expected to improve even further in '91. Receipts from cattle sales should exceed those from crops for the first time. Hog prices should benefit from the successful appeal under the free trade agreement of U.S. countervailing duties on pork products.

Nineteen-ninety was a difficult year for our grain farmers in spite of near record production volumes. Grain farmers continued to be hurt by very low prices caused in large part by the subsidy war between the United States and the European community.

The uncertainty surrounding the GATT negotiations over agricultural subsidies remains a matter of concern. This government strongly supports efforts to eliminate export subsidies. We hope that the proposals to reform the European community's common agricultural policy will lead to a successful completion of the GATT negotiations.

To help our farmers, this government, together with the federal government and producers, has implemented a revenue insurance option. Combined with the existing crop insurance program, this new initiative will provide participating Alberta farmers with a more certain financial environment as they make their production decisions.

We are working with our producers and our secondary processing industry to diversify their products and export markets. The fivefold increase in Alberta beef exports to Japan since 1988 is an excellent example of the success of our joint efforts.

The value of Alberta's processed food exports equals the value of our primary agricultural exports. We continue to urge the federal government to pay the Crow benefit directly to farmers. This would provide a significant incentive for further diversification into products with greater value added and encourage the development of a more efficient transportation system.

### **The Need for Secure Oil**

The events in the Middle East have again demonstrated how important Alberta's oil is to Canada's energy security. Unfortunately, our ability to meet Canada's needs is becoming less certain. Alberta's production of conventional light and middle oil is in decline. Investment in synthetic oil is necessary to offset falling conventional production. Canada risks becoming a net importer of oil. The federal government should be working with the provinces to guarantee Canada's energy security as it did with the Lloydminster biprovincial upgrader. With the uncertainty surrounding imported crude, the federal decision to

withdraw support for the OSLO project will prove to be shortsighted.

Oil prices are important to industry and government revenues. With the end of the Gulf war oil market fundamentals are now beginning to determine prices. Soviet oil exports are declining sharply and Kuwaiti production may be unavailable for up to two years. Major OPEC producers are moving to restrain output and increase prices. With OPEC controlling its production and world demand recovering, I expect oil prices to strengthen during the year and average about \$23 per barrel in U.S. funds for '91-92. In three of the past four years actual oil prices have proved to be higher than my budget estimate.

### **Natural Gas, the Fuel of Choice**

The focus of conventional exploration and development activity is shifting towards natural gas. There was a 27 percent increase in the number of natural gas exploration wells drilled last year. In 1991 approximately \$500 million will be invested in the Caroline gas field. Led by this project, I expect energy investment to increase by nearly 18 percent in 1991 on top of last year's 10 percent increase.

The outlook for natural gas exports to the United States is promising. I expect clean-burning natural gas will increasingly displace other fuels. The use of natural gas for cogeneration and conventional power production in the northeastern United States is rising. Alberta producers are well positioned to compete with their U.S. counterparts. With gas sales to the United States of almost 1.3 trillion cubic feet, Alberta has captured nearly 7 percent of the U.S. market. Our share will grow as pipeline capacity expands.

TransCanada Pipelines Limited has received approval from the National Energy Board to begin a \$2.5 billion expansion of its pipeline network. I am pleased to note that both TCPL and the NEB will now have their head offices in Calgary. The TCPL expansion will supply natural gas to central Canada and to the Iroquois pipeline, which will serve the northeastern United States. In addition, it is likely that one new pipeline project will be built to supply growing demand in the California market.

Total pipeline capacity to the United States is expanding rapidly and should be 50 percent higher by the end of 1995. Increased sales and higher prices will provide more income for producers and larger returns to all Albertans through the royalty system.

### **Investment, Building for the Future**

Strong investment in the energy and forestry sectors contributed to a 9 percent increase in real business investment in 1990 and should lead to a further 3 percent increase this year. In contrast, investment in Canada as a whole is expected to decline by over 3 percent in 1991.

Japan's economic success has often been attributed to its high level of investment. Business investment in Japan averaged 18 percent of gross national product from 1986 to 1989. This compares to only 13 percent in Canada and 12 percent in the United States. Alberta's investment performance closely matches that of Japan, averaging 17 percent of our gross domestic product over the same period.

Our investment since 1985 has been driven by the momentum of our diversification initiatives. Real business investment outside the energy sector in 1991 will be over 80 percent higher than in 1985. It now accounts for two-thirds of total business investment. We have achieved our high level of investment in

spite of Canada's high interest rates. With lower interest rates, investment in our province will be even more attractive.

### **Increased Employment Opportunities for Albertans**

The strength of our economy is creating more job opportunities for Albertans. In 1990 there were over 1.2 million Albertans working, 107,000 more than in 1985. Our unemployment rate averaged 7 percent in 1990, the second lowest in Canada. As our economy diversifies, Alberta's employment profile is changing. Most of the jobs created since 1980 have been in the professional and managerial category. In 1990, 72 percent of our jobs were in the service sector.

I expect employment in Alberta to increase by another 12,000 jobs in 1991. More Albertans will be working this year than ever before. In contrast total Canadian employment will likely decline by 200,000 jobs, and the national unemployment rate will exceed 10 percent. Our unemployment rate is expected to average less than 8 percent even though our labour force is growing rapidly. In February Alberta's unemployment rate was the lowest in Canada.

Our strong economy and favourable employment picture have resulted in more people moving to this province. Alberta experienced a net inflow of almost 22,000 people in 1990, the largest since 1981. Net migration should remain strong in 1991. Alberta's population passed the 2.5 million mark this January. There is no better indicator of confidence than all those families deciding that their future lies in Alberta.

Albertans have overcome the difficulties of the 1980s. Our financial sector has strengthened. The credit unions and Treasury Branches are now profitable. We have a vibrant economy that is well positioned for the challenges of the 1990s. The momentum of this government's diversification strategy will continue to broaden the economic base of our province. Alberta's economy is and will be one of the strongest in the country.

### **8:20**

### **Balancing the Budget**

Economic diversification was one part of this government's 1987 strategy to secure Alberta's future prosperity. The second part was our plan to balance the budget. These were massive undertakings. The sudden collapse of oil prices in 1986 resulted in an 11 percent drop in the value of Alberta's economic output and a 30 percent decrease in provincial expenditures. No other province has ever experienced such drastic declines. The unemployment rate climbed to 11 percent. The 1986 deficit exceeded \$3.4 billion. We were facing a highly uncertain energy environment and expenditure expectations that could not be sustained.

This government had to act quickly to avoid passing on growing deficits to our children and grandchildren. We could not allow Alberta to get caught in a vicious cycle of higher and higher debt, which inevitably leads to higher and higher taxes. We did not want Albertans held hostage to the spiralling interest costs which come from chronic deficits. Decisive action to balance the budget was essential to keep Albertans' tax advantage and to protect our priority programs. The task confronting us was tough, requiring hard work and firm leadership. We could not depend on a rapid recovery in our revenue. We had to focus on tight control of expenditure.

### Principles of Our Fiscal Plan

This government developed a fiscal plan to balance the budget in a sensitive manner over a number of years. Our plan was based on the following principles: reduce spending on government operations, focus resources on carefully selected priorities, and increase taxes only when absolutely necessary. Our budget decisions over the last five years have adhered to these principles.

High interest rates and the rapid climb in the Canadian dollar made our task much more difficult. We did not allow these external factors to divert us from our ultimate goal: a balanced budget. This government is determined to leave a legacy of fiscal strength to future generations of Albertans.

### Best Expenditure Management Record

We have emphasized expenditure cuts over tax increases. The facts are clear. Alberta has the best expenditure management record of any government in Canada. The average growth in Alberta's program spending since 1985-86 is only 1.9 percent per year. By comparison, other Canadian governments on average have allowed their program expenditures to increase by 7 percent per year. Our program expenditure growth is only a little more than one-quarter of that of other governments. It is also less than one-half the rate of inflation since 1985-86. No other government even comes close to our record.

Maintaining tight control of expenditure has not been easy. This government cut spending in other areas to protect our key social programs: health, education, and help for those in need.

### Keeping Alberta's Tax Advantage

We have raised taxes only as a last resort. Again the facts are clear. Alberta's overall taxes remain the lowest in Canada. Our personal income tax is the lowest. We are the only province with no provincial retail sales tax. This government has balanced Alberta's expectation of quality government programs with their desire for low taxes.

### 1991-92 Fiscal Plan

In the 1991 budget we have once again carefully selected key expenditure priorities. Albertans want a modern health care system, quality education for their children, and a fair and compassionate social support system. These are the expenditure priorities of Albertans. These have been and will continue to be the expenditure priorities of this government. Environmental protection has also been given special consideration in this budget.

Last year we established a framework of affordability to ensure cost effectiveness of government expenditure. Program cost reviews and the duplication task force have examined government spending. We have identified areas where our core programs should be restructured to ensure that resources are available to meet changing needs. We have also identified programs which can be reduced or eliminated without compromising essential services. We have made further cuts in internal government operations. Government services are being consolidated. Additional administrative savings have been found. The 1992 budgets of over half the departments and agencies of the government will be cut. These expenditure reductions are central to our fiscal plan. We will continue with our privatization initiatives. Some revenue measures are also required. These will be shared fairly among Albertans.

### Meeting Our Commitment to Albertans

This government has made the hard choices necessary to bring our spending in line with our revenue. The decisions we have made since 1987 have not always been popular. The test of leadership is to make the tough but necessary decisions for Alberta's long-term prosperity. The result of leadership is the balanced budget I am presenting tonight.

### Focus on Albertans' Priorities

The 1991 budget is not only a balanced budget; it is also a budget that protects the quality of Albertans' priority programs.

### Maintaining a Quality Health System

Albertans have access to one of the finest health systems in the world. This government is committed to maintaining the excellence of our system. We will spend over \$4.1 billion in '91-92 to meet our commitment to health. This is an increase of 10 percent over the amount budgeted last year. Health spending is \$1 billion more than the total personal income tax revenue the province receives from Albertans. We are pursuing new approaches to maintain the quality and responsiveness of our health system.

In this year's budget the focus on health services will continue to shift from institutions to the community. We will create a new health services innovation fund with a planning and start-up budget of \$1 million. The Alberta Aids to Daily Living program and the extended health benefits program will be consolidated. Benefits will be updated for disabled and chronically ill Albertans of all ages. Funding will increase by 30 percent over last year's budget to \$60 million. Coinsurance provisions will be improved. Seniors will now be subject to coinsurance payments. All low-income clients will be protected.

The budget for home care will increase by over 30 percent this year. More funding will be provided to meet the needs of seniors. I am pleased to announce that home care support services will be extended to Albertans under the age of 65. This major enhancement will help disabled adults and children live at home. This government's support for home care in '91-92 will be two and a half times the amount of 1985-86.

Nurses play an essential role in delivery of quality health services to Albertans. We have established a new nursing PhD program at the University of Alberta, the first such program in Canada. As well, the unique Alberta Foundation for Nursing Research will continue to fund important research on nursing practices.

While we are shifting our funding priorities to community services, we must also maintain the quality of our existing health care institutions. For the first time this government is making a two-year funding commitment to assist hospitals, nursing homes, and local health units in planning for the future. We will also continue implementing our new acute care funding plan. Tonight I am pleased to announce that construction will start this year on the redevelopment projects at the Royal Alexandra hospital in Edmonton and the Holy Cross hospital in Calgary. High priority projects in six other communities have also been approved for construction.

The board of the Northern Alberta Children's hospital has been requested to develop a plan for co-ordinating and consolidating acute care pediatric services in Edmonton effective April 1, 1992. Although the construction of a new facility is being deferred, the long-term goal for pediatric services in

Edmonton will continue to be a northern Alberta children's hospital.

### **8:30**

We'll provide \$5 million to Alberta hospitals through the Lottery Fund for the purchase of specialized medical equipment. A rural physicians incentive program will be launched as a result of extensive provincewide consultation.

As announced in last year's budget, health care premiums are intended to cover 50 percent of the cost of basic health services, excluding services for seniors. On July 1, 1991, monthly health care premiums will increase by \$3 for singles and \$6 for families. About 220,000 low-income Albertans will benefit from full or partial premium subsidies. Premium exemptions for seniors will continue for basic health services. Seniors will be required to pay an increased share of the cost of special dental and optometric benefits.

### **Opportunity for All Albertans**

This government is committed to strengthening families and assisting Albertans to become self-sufficient. To promote these objectives, we undertook a comprehensive review of support programs for families and children. We have implemented major reforms to our income support and child care programs. Our new supports for independence program is designed to help social allowance recipients upgrade their skills, find long-term employment, and become free of government support. Funding will increase by 8.4 percent over last year's budget. We will increase frontline staff.

Income support for disabled persons will increase by 14 percent. On January 1 the maximum benefit under the assured income for the severely handicapped program increased by \$35 to \$755 per month. The maximum benefit will rise each year with changes in the disability benefit under the Canada pension plan. Funding to enable handicapped children to live with their families will increase to over \$17 million. Total support for disabled adults and children will rise by over 13 percent to \$725 million.

Major reforms were made to our day care and foster care programs last year. In this budget an additional \$1.7 million will be provided for foster parent recruitment and training. We will also increase the per diem rate for foster care by 9 percent this year and each of the next three years.

Our senior citizens contribute greatly to Alberta's families and communities. This government's programs meet seniors' health needs and assist them to remain active members of their communities. Spending on programs for seniors will increase to \$1.2 billion this year.

The budget for family and community support services programs delivered through municipalities will increase by 8 percent in '91-92. Total funding for libraries will rise to close to 5 percent, including a 2.5 percent basic grant rate adjustment. These local government programs provide important services to Albertans of all ages.

Over \$135 million is included in this year's budget for programs in support of women. Many of our initiatives enhance educational and workplace opportunities. Family violence remains a serious problem. A new shelter for victims of family violence will be developed this year in Edmonton. Maintenance payments collected under our successful enforcement program are expected to increase again. This government's action plan in support of Alberta women is continuing.

The Alberta family life and substance abuse foundation will be established this year. We will provide \$6 million from the

heritage fund in '91-92 for the first year of our \$200 million commitment. The foundation will fund research and education projects on substance abuse issues. This government has implemented some of the most progressive and responsible social programs in Canada. They are designed to ensure that the special needs of Albertans and their families are met effectively and compassionately and that all Albertans have an opportunity to succeed.

### **Education, the Key to Our Future**

A quality education is one of the essentials for success in today's competitive world. It is the foundation of the economic and social well-being of our province. Our education system relies on a partnership among students, parents, educators, and the provincial government. Education is a key priority of this government. Provincial support for primary and secondary education will increase by 6.6 percent in '91-92 to over \$1.7 billion. We'll provide over \$3,600 for each child attending school in Alberta. Fiscal equity grants will total \$69 million. We will work with school boards and other effective groups to find a long-term solution to the problem of fiscal inequality. We've made a major commitment to modernize existing schools and build new schools to meet the needs of our growing population. This government will provide \$700 million in capital support between 1991 and 1995.

Alberta has the most accessible postsecondary education system in Canada. Our universities, colleges, and technical institutes excel in providing quality learning opportunities. In 1991 operating assistance to postsecondary institutions will be close to \$7,400 for each full-time equivalent student. Alberta's financial assistance to students is the most generous in Canada. Our per capita support for advanced education is the highest. To continue our commitment, I am pleased to announce that construction will begin this year on the new \$100 million Grant MacEwan Community College in downtown Edmonton. At the University of Calgary construction will start on the new \$50 million professional faculties building. This government is firmly committed to ensuring the excellence of our basic and advanced education systems. Total support for education will increase to almost \$3 billion in 1991-92.

### **The Environment, a Lasting Legacy**

Our children's future also depends on careful guardianship of the province's natural heritage. Albertans enjoy one of the cleanest environments in the world. In 1991-92 this government will increase total support for environmental initiatives by over 11 percent to \$200 million.

We will implement a new waste minimization and recycling development program. First-year funding will total \$6 million. Municipalities and industries will be given incentives to expand recycling. In addition, hospitals and schools will be assisted with the disposal of waste materials. Hospitals will receive \$2.1 million to improve their handling and disposal of biochemical waste. The Lottery Fund will provide \$1 million for the first year of a two-year program to help schools dispose of waste materials from such sources as science laboratories.

Subject to environmental approval, a \$60 million expansion is planned to the Alberta special waste management facility at Swan Hills. The Capital Fund will provide \$8.6 million in 1991-92 as part of the province's \$24 million share of this joint project with the private sector.

In response to the recommendations of the Alberta-Pacific environmental review panel, we will investigate the cumulative

effects of development on the Peace, Athabasca, and Slave river systems. This study, cost shared with the federal government, will take place over four years at a cost of \$12 million. We are committed to ensuring that economic growth takes place in an environmentally sensitive manner.

In 1992 funding for conservation and enforcement services provided by Forestry, Lands and Wildlife will rise by over 12 percent. In addition, the Alberta government will be a partner with private organizations, the federal government, and the United States in the North American waterfowl management plan. Over the next five years \$80 million will be spent in Alberta to improve waterfowl habitat and populations and to enhance soil and water conservation.

Agencies such as the Environment Council of Alberta, the Alberta round table, and the Natural Resources Conservation Board are helping to ensure a healthy environment. We are committed to dealing with environmental issues now and in the future.

### **Agriculture, Fundamental to Alberta**

This government is also committed to maintaining a vigorous and diversified agricultural sector. We are restructuring support for agriculture. We are moving from subsidizing input costs to protecting the incomes of our farmers and ranchers. Support for livestock producers under the red meat stabilization program is increasing. Last year this government expanded and improved the crop insurance program. We also increased our contribution to over 25 percent of the premiums. This year we have budgeted \$49 million for our government's share of the new revenue insurance option.

Two farm input assistance programs will be reduced to free up resources for this new program. Grants under the Alberta farm fuel distribution allowance will be reduced in two stages. Effective midnight tonight, the diesel grant will be reduced by 2 cents a litre and the gasoline grant by 3 cents a litre. On November 1, 1991, the grants for both diesel and gasoline will decline by a further 2 cents a litre. The farm fertilizer price protection plan will provide assistance with spring planting this year. It will, however, terminate as scheduled on July 31, 1991.

Agriculture is fundamental to Alberta. Including this year's budget, we will have provided nearly \$2 billion in support to our farmers and ranchers since 1989-90. We have acted and will continue to act to assist our farmers and ranchers when help is needed.

### **8:40 Reducing Government Expenditure**

We have focused our resources on Albertans' priorities. This year 68 percent of our program expenditure will be directed to health, education, and social services, compared to less than 60 percent in 1985-86. Our support for these programs will be over \$1.7 billion higher in '91-92 than it was six years ago.

As in past years our other spending will be reduced to protect our key programs. We have established a framework of affordability for government expenditure. This framework is generating savings in existing programs and internal operations. We have cut spending on administration and lower priority programs by almost \$500 million since 1985-86. We are determined to enhance productivity and keep costs down.

### **Cutting Government Overhead**

Internal government operations continue to be the first target of our expenditure cuts. Program delivery is being restructured

to eliminate overlap and streamline administration. Greater operational efficiencies are being achieved.

The government will eliminate over 800 full-time equivalent positions through the year. Another 200 positions will be reassigned to meet changing priorities. Including this year's reduction, the civil service will have been cut by close to 3,500 positions since 1985-86. More than one-half of this reduction has been made in general administration. The Alberta civil service is smaller today than it was in 1978-79.

Mr. Speaker, we will continue to look for opportunities to reduce costs and increase efficiency through privatization. In the last few years we have privatized selected government activities. These include building and equipment maintenance, property management, computer systems and development, data processing, and financial and legal services.

We will limit spending on general administration. Total budgets for such items as advertising, freight and postage, rental of equipment, and general materials and supplies have all been reduced for '91-92.

Travel and hosting expenditures are continuing to decline. Since 1985-86 total expenditures on travel and hosting have been cut by 23 percent.

Purchases of equipment and other fixed assets will be reduced again. In 1990-91 these budgets were cut by 30 percent. This year they will be cut by a further 15 percent.

### **Program Cost Reviews**

Program cost reviews were initiated last year to identify programs that were no longer essential. In the 1990 budget we reduced tax expenditures that were directed primarily to businesses. These changes will save almost \$400 million this year.

As a result of our ongoing review of government spending, program cost savings of close to \$380 million will be achieved in '91-92. Programs that are no longer essential will end. Other programs will be restructured. Capital expenditure will be reduced. We simply cannot afford all the programs started in the late 1970s and early 1980s. Alberta's strong economy has allowed us to downsize our economic development programs. The combined funding of the departments of Economic Development and Trade, Tourism, Energy, and Technology, Research and Telecommunications will be reduced by 20 percent in 1991-92. This will result in savings of \$57 million.

The growth in the private sector is providing increased job opportunities to Albertans. The government will continue to shift the emphasis from short-term employment programs to training and career counseling.

About \$35 million will be saved in '91-92. Declining interest rates have made it possible to end the mortgage interest shielding and Alberta family first home programs.

The Alberta Mortgage and Housing Corporation has been restructured. The corporation privatized about \$750 million of its mortgage portfolio last year. Further privatization is planned this year. In total, the budget for housing programs and administration has been reduced by more than \$65 million in '91-92.

Program spending for Recreation and Parks and Culture and Multiculturalism has been reduced by consolidating administrative functions and improving general efficiency. Savings of over \$5 million are planned.

We have carefully reviewed our capital expenditure. As I've already announced, high-priority health and education construction projects will proceed this year. The construction freeze

implemented last year will continue on other projects. We are also cutting construction expenditure on highways, utilities, and resource infrastructure by over \$40 million. In addition, the final payment for the \$500 million Alberta cities transportation partnership program will now be spread over two years. This will reduce expenditure by \$35 million in '91-92. In total, capital expenditure will be cut by \$250 million, a reduction of 15 percent.

I might just digress, Mr. Speaker. As we think about transportation, I'm sure all of us are also thinking of our absent colleague Al Adair, who's in the hospital right now, and I'm sure, on behalf of all the colleagues in the Legislative Assembly, we wish him a very speedy return to his seat.

### **Tough Expenditure Control**

We've made the decisions necessary to balance the budget while still maintaining the quality of our core services. Support for health, education, and social services will increase by 6.7 percent over last year's budget. Other expenditures will be reduced. We will hold the growth in total program expenditures to just 2.7 percent this year, less than one-half the rate of inflation.

This government has the best expenditure management record in the country. Since 1985-86 program spending has, on average, increased by only 1.9 percent per year. If we had allowed our spending to grow at the same rate as inflation and population change, our program expenditure this year would have been about \$14.3 billion. Our budget for '91-92 is only \$11.5 billion. This government's expenditure management has saved \$2.8 billion in program spending and another \$800 million in debt servicing costs.

Mr. Speaker, if we had not made the tough decisions to bring spending down, we would not have a balanced budget. Instead, the deficit would have grown to \$3.6 billion, even higher than the 1986-87 level. Our total debt would be double what it is today. This government recognizes the need to live within our means. We have cut expenditure and found savings.

### **Revenue Measures**

Strict discipline on program expenditure is not enough to balance the budget. Other measures are required. Privatization is an important part of our fiscal strategy. Privatized companies are more efficient and better able to compete in the world marketplace. Our privatization program also widens equity ownership, giving Albertans a greater stake in the future of our economy.

Last year this government privatized Alberta Government Telephones. The public share offering of the new investor-owned company, Telus, was the largest ever in Canada. Over 140,000 Albertans participated in the initial offering, purchasing over 80 percent of the shares offered. Investors have benefited from the solid market performance of the Telus shares. The gross revenue from the public share offering amounted to \$896 million, of which \$335 million went to the General Revenue Fund. The heritage fund received the balance of the proceeds and also retains 43 percent of the shares of Telus.

We will continue our policy of privatization this year. We intend to sell some of our investments to realize the increase in their value. The net profits from these sales will flow to the General Revenue Fund. In '91-92 the government will transfer \$225 million of the accumulated surplus of the Lottery Fund to the General Revenue Fund. Revenue from future ticket sales will continue to flow into the Lottery Fund to support the many

important projects that have been undertaken in recent years as well as selected new initiatives. This government chose further privatization and the Lottery Fund transfer to minimize tax increases. We know Albertans want their taxes kept as low as possible.

**8:50**

Nevertheless, some tax increases are required to balance the budget. The burden will be shared fairly among Albertans. We will increase the income tax rate on large corporations by one-half a point, to 15.5 percent, effective April 1, 1991. This will raise corporate tax revenue by about \$25 million. The small business income tax rate will remain at 6 percent.

Tobacco taxes will increase effective midnight tonight. The tax on a package of 25 cigarettes will rise from \$1.40 to \$1.75. Taxes on other tobacco products will also increase. I expect tobacco tax revenue to be \$41 million higher than last year.

The tax on gasoline and diesel fuel will rise from 7 cents to 9 cents a litre effective midnight tonight. Even with this change no other province will have lower fuel taxes. The tax on propane used as a transportation fuel will increase from 5 cents to 6.5 cents a litre effective April 7. The aviation fuel tax will remain at 5 cents a litre. Revenue from fuel taxes is estimated to be \$117 million higher in '91-92.

Farmers and ranchers will remain exempt from the fuel tax. With the reduction in the Alberta farm fuel distribution allowance, which I announced earlier tonight, the total advantage for farmers and ranchers after November 1, '91, will be 11 cents a litre, or 50 cents a gallon, on gasoline and 17 cents a litre, or 77 cents a gallon, on diesel fuel. Our assistance to farmers and ranchers will remain the most generous in Canada.

Selected fees and charges will be increased and some new fees introduced. The General Revenue Fund will receive about \$20 million in increased revenue. Camping fees will increase for standard and serviced sites but decline for rustic sites. The cost of hunting licences will be increased to help fund the North American waterfowl management plan and other programs benefiting hunters. Admission fees will be introduced at selected provincial museums and historic sites to offset some of the costs of operating these facilities and to support volunteer groups. Corporations will be charged fees to recover the costs of various regulatory functions. Other selected minor fees and charges will also rise.

As promised by Premier Getty, there will be no increases in the personal income tax rate. The last change in provincial personal income tax was in the 1988 budget, and that was a reduction. This government has kept our personal income tax the lowest in Canada. Our generous selective tax reduction program reduces or eliminates provincial income tax for over 500,000 Albertans. Albertans benefit from the lowest overall taxes in Canada. We are the only province with no provincial retail sales tax. This budget is not only a balanced budget; it is also a budget that maintains Albertans' tax advantage.

### **Planning for the Future**

Based on the measures I have announced tonight, I project a small surplus of \$33 million in '91-92. Mr. Speaker, we are committed to our fiscal plan and will ensure it succeeds. We must guard against the idea that one balanced budget solves all of our problems. Borrowings for the General Revenue Fund and the Capital Fund now exceed \$10 billion. Interest payments on this debt are more than \$1 billion, money that must be paid before services for Albertans can be funded. We cannot relax controls on expenditures. This government will continue its plan

to ensure the affordability of our programs. Demand for health, education, and other social services will continue to grow as our population expands. Alberta remains committed to the universality of health care.

Unfortunately, we cannot rely on the federal government to pay its fair share of major national programs. A key element of the federal government's budget strategy is to off-load its deficits to the provinces. Federal cash payments to the provinces for health and postsecondary education have been unilaterally reduced. Within 15 years federal cash support for health and higher education will have dwindled to nothing. In addition, the federal government has imposed a special restriction on social assistance transfer payments to Alberta, British Columbia, and Ontario.

New approaches to fiscal federalism are necessary. During the current negotiations on federal/provincial fiscal arrangements, I will be proposing that the federal government transfer additional tax room to provinces in exchange for reduced federal cash payments. I will also be reviewing joint administration and collection of personal and corporate income taxes with my western colleagues. This is one of the options the western finance ministers suggested in the position paper we prepared for the Western Premiers' Conference last year. The western Premiers have taken a constructive, forward-looking approach to renewing fiscal federalism.

Canadians need to re-examine the responsibilities and revenue capacity of each order of government. A fundamental review is required to identify ways to reduce overlap and meet Canadians' needs in the most efficient manner. The goals of renewed fiscal federalism should include greater accountability, simplicity, and flexibility to meet each province's economic and social needs.

### **Alberta Is Strong**

As we look across Canada today, we see a national economy in recession and large government deficits. In contrast, Mr. Speaker, Albertans can expect solid economic growth and a balanced budget. This government is committed to maintaining our enviable position. Governments, like families, must live within their means. Our goal is to keep Alberta on a balanced budget track. Surpluses will be used to reduce debt. Only a fiscally responsible government can keep taxes low and provide the confidence needed to prosper in an increasingly interlinked global marketplace.

In conclusion, Mr. Speaker, this budget has provided an accounting to Albertans of the actions we have taken to secure their future prosperity. We have met the commitments we made to Albertans. We have the strongest economy in Canada. We have protected Albertans' priority programs. We have cut the

costs of government. We have the lowest taxes. We have balanced the budget.

MR. SPEAKER: The Leader of the Opposition.

MR. MARTIN: Mr. Speaker, in the fantasyland I adjourn debate.

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

HON. MEMBERS: Aye.

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

10. Moved by Mr. Johnston:

Be it resolved that the messages of His Honour the Honourable the Lieutenant Governor, the 1991-92 Capital Fund Estimates, and all matters connected therewith be referred to the Committee of Supply.

[Motion carried]

11. Moved by Mr. Johnston:

Be it resolved that pursuant to Standing Order 58(6) the number of days that the Committee of Supply will be called to consider the 1991-92 Capital Fund Estimates shall be two days.

[Motion carried]

12. Moved by Mr. Johnston:

Be it resolved that the messages of His Honour the Honourable the Lieutenant Governor, the 1991-92 estimates of proposed investments of the Alberta Heritage Savings Trust Fund, Capital Projects Division, and all matters connected therewith be referred to the Committee of Supply.

[Motion carried]

13. Moved by Mr. Johnston:

Be it resolved that the Assembly do resolve itself into Committee of Supply, when called, to consider the 1991-92 estimates of proposed investments of the Alberta Heritage Savings Trust Fund, Capital Projects Division.

[Motion carried]

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