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We are prepared, as we have mentioned and for which we have a mandate, to use the Heritage Savings Trust Fund for a short two year period as the 'rainy day' Fund. Essentially the income from the Fund will be applied to the Alberta Economic Resurgence Plan and in particular the programs announced on September 7th (1982), for a short two year period. Our provincial budget of last year with the magnitude of the operating increase and of total capital amounts, brings us to a budget, Ladies and Gentlemen, in excess of \$9 billion for 2.3 million people. We, on a per capita basis, are way ahead of the rest of the country in terms of our expenditures. I ask where are we going with a budget of this nature? Only twelve years ago, the former Provincial Treasurer of the Government of Alberta brought in a \$1 billion budget - now we are talking about a \$9 billion budget plus.

Quite obviously we are now looking at next year. We met on June 28th, 1982 with your President, representatives of the Urban Municipalities Association, the Mayor's representatives, representatives of school and hospital groups and we stated unequivocally that there would be a much lower rate of increase in terms of provincial government support in our budget for next year. That involves both the operating and capital sides. It is a reality that we all face. We are going to be involved in our budget process during the months of December, January and February and we are all going to be involved. We are right into deficit financing in the Government of Alberta. We are going to be out borrowing on general accounts in a matter of weeks. We have to be realistic in wage and salary settlements - there is no way the public sector should be moving ahead of the private sector. So our 1983 budget is going to reflect restraint and that message was, as I have mentioned, delivered on June 28th of this year.

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In conclusion, I just want to say that it will be difficult for all of us but I get the impression the public expect it from us. They expect us to be good managers. They expect us to be looking at the 'buck' and making sure that we are getting quality for that 'buck'. They are going to look at us in particular this time to see if we are in fact putting in place a budget that is realistic, recognizing the realities we all face. That is going to be our challenge in provincial government for a number of years to come until the economy picks up.

I believe of course, that some of you - most of you perhaps, from the conversations I have heard - have the same attitude as I do. We are into a period of restraint in public expenditure across Canada and in our Province of Alberta. We will have some special programs on interest rates for a two year period. We will have some special programs that involve economic activity to get things moving. We will be meeting some special group needs but those commitments are only 3% of our total operating budget. Clearly we are going to be looking at our capital and operating budgets and I wanted to make sure that I took this opportunity to give you fair warning in that regard. I am not here as a bearer of bad news because I think everyone knows that the whole attitude of restraint is with our citizens. They expect restraint from us both at the provincial and municipal levels.

Let me just conclude with these remarks. I believe this is a very special province of people - special because our citizens are prepared to work very hard. It is a province where the demands upon those involved in public life are extensive. I know that each and every one of you is involved in a very significant personal sacrifice to be here representing the people in your area. You are closest to the people.

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marketing, because you can talk all you want about different kinds of programs, you have to market your products. We have been working on marketing our oil, natural gas and agricultural products and in other fields.

This past summer we re-evaluated all of our financial and economic policies including the Alberta Heritage Savings Trust Fund having regard to the current economic circumstances.

You will recall that the purpose of this Fund, which was part of our 1975 mandate, was to set aside 30% of our non-renewable natural resource revenues (primarily from oil and natural gas) into a separate savings fund so that future Albertans would be able to make the transition as our oil production declines. Implicit in that was the Fund would be available in case of any unexpected circumstances - for what we might call 'a rainy day'.

The Fund now amounts to about \$11 billion. I know that is a lot of money but it is no more than approximately one year's provincial budget.

The investments we made with the Fund, in accordance with our 1979 mandate, were to earn the people of Alberta - because it's your Fund - a good return and also to improve the quality of life in our province. The Auditor General this past winter had an independent consultant evaluate our investment performance and the consultant reported that the policies compared favourably with those of other large pools of professionally managed funds.

The income from the Heritage Savings Trust Fund investments is like interest in a savings account. Our forecast over the next two years shows well over one billion dollars a year in income from the Trust Fund. We considered a number of options. One was to make no change to the Fund, but we recognized that due to the size of our deficit coupled with good financial planning, it perhaps required an adjustment. There is another view that we should terminate, or wrap up, the Fund but we sense most Albertans have pride in the Heritage Savings Trust Fund, they understand and agree with the purpose. Those critics and skeptics aside, we think frankly, it would be a mistake. I believe Albertans do not agree with turning the Fund into one big spending pool for the government.

Tonight, I want to announce some major new directions for the Heritage Savings Trust Fund. We want to maintain the Fund, both in concept and in principle. We are going to reduce the amounts that flow into the Fund so it will grow somewhat more slowly. Instead of putting in 30% each year, we propose to reduce that to 15%. For the other portion, that is the 15% that is not transferred, we propose to keep it in our general revenue and reduce the degree to which we have to borrow in other parts of Canada and the world.

We think that is good, sound financial management. More significantly, instead of re-investing the

income from the Heritage Savings Trust Fund, we intend to allocate the income from the Heritage Trust Fund to assuring that we have full economic recovery in this province for programs to help Albertans get through this difficult economic period and downturn.

This would be only temporary for a two-year period because we believe there will be full economic recovery by then. As I said, we all said that the Heritage Savings Trust Fund was a rainy day fund. Well, in economic terms, it's raining out there, and we believe it's important to use these funds to help bring back security, job security, stability and certainty for Alberta.

I think we have to, friends, be thankful for our collective wisdom in setting up such a Fund, a savings Fund. Other provinces, other jurisdictions in North America haven't done that.

Let me repeat then, the Heritage Savings Trust Fund stays intact, it grows more slowly, only 15% rather than 30 percent will be transferred. The balance will be there to reduce our deficits and our need for borrowing, but to help us through the current economic downturn. The income from the Fund will be used for the people of this province to finance programs as part of our Alberta Economic Resurgence Program.

This past summer we have had many representations for a Provincial Government program to stabilize interest