



THE FUTURE
MEETING PRIORITIES SHARING BENEFITS
Highlights

Highlights

ALBERTA'S ADVANTAGES

- The strongest economy in Canada.
- The highest standard of living of any province.
- The lowest unemployment rate in the country.
- The lowest overall taxes.
- The highest personal disposable incomes.
- Among the highest life expectancies in the world.
- The best-educated workforce in Canada.
- The lowest percentage of low-income people in Canada.

STRONG ECONOMIC GROWTH TO CONTINUE

- Alberta's economy grew by an estimated 6.1% in 2000. Personal and business tax cuts will spur economic growth of 4.8% in 2001 and an average of 3.2% per year over the following three years.
- 34,900 new jobs were created last year. Another 39,000 new jobs are expected in 2001, with a further 114,000 new jobs over the following three years.
- Energy prices are projected to decline to more sustainable levels:
 - Natural gas prices are assumed to decline from Cdn\$6.07 per thousand cubic feet in 2000-01 to Cdn\$5.03 in 2001-02 and Cdn\$3.44 by 2003-04.
 - Oil prices are assumed to decline from \$US30.20 per barrel in 2000-01 to US\$25 in 2001-02 and US\$21 for the next two years.

BALANCED BUDGETS AND INCREASED FUNDING FOR ALBERTANS' PRIORITIES

- The 2000-01 economic cushion is forecast at \$5.5 billion. The economic cushion averages about \$800 million per year for the next three years.
- Revenue is expected to fall by 10.7%, or \$2.7 billion, in 2001-02. By 2003-04, revenue is expected to fall by another \$2.2 billion to \$20.5 billion.
- Base spending will increase by 13.4%, or \$2.3 billion, over the next three years, including a 6.3%, or \$1.1 billion, increase in 2001-02. Program spending increases are being allocated to Albertans' priorities – in particular health, education and children. These increases are partly offset by declining debt servicing costs, as debt is repaid.
- Spending on accelerated infrastructure, energy shielding and emergency agriculture assistance will increase from \$1.9 billion in 2000-01 to \$3.2 billion in 2001-02. This spending will be phased out over the following two years.
- As a result, total expense will increase by 12.5% or \$2.4 billion in 2001-02 and then decline by 8.8% or \$1.9 billion over the following two years.

Meeting Priorities – Sharing Benefits

CREATING A DEBT-FREE ALBERTA

- Albertans and their children will be freed from the burden of provincial debt.
- Accumulated debt is projected to fall from \$12.5 billion on March 31, 2000 to \$5.4 billion by March 2004 – a reduction of \$7.1 billion. This puts Alberta 9 years ahead of the legislated 25-year schedule for debt elimination.
- By 2003-04, the net interest costs on the debt are expected to drop to \$485 million, almost \$1.3 billion less than in 1994-95.
- Alberta could become debt free within three years if energy prices remain at the high levels forecast by some energy analysts. This would require oil prices of about US\$25 per barrel and natural gas prices of about Cdn\$5 per thousand cubic feet, with this additional revenue being applied to debt.

INCREASING THE ALBERTA TAX ADVANTAGE

- Albertans will continue to pay the lowest taxes in the country and no provincial sales tax.
- Alberta's new 10% single-rate personal income tax system was implemented on January 1, 2001, saving Albertans \$1.1 billion this year. This brings the total personal income tax cut since 1998 to \$1.5 billion, or 23%.
- \$1 billion in business tax cuts will be phased in, subject to affordability, starting on April 1, 2001. The small business tax rate will be cut from 6% to 3% over three years and the general rate will be cut from 15.5% to 8% over four years.
- Total school property tax revenue was cut by \$135 million on January 1, 2001, and will be frozen at the current level of \$1.2 billion for future years.

STRENGTHENING THE ALBERTA ECONOMIC ADVANTAGE

- \$8.4 billion has been allocated to upgrade and expand Alberta's health, education, transportation and other infrastructure over the four years from 2000-01 to 2003-04, including \$4.2 billion of one-time accelerated funding from high energy prices.
- Albertans and Alberta businesses are being cushioned from temporary spikes in energy costs through \$4.3 billion in energy shielding. \$2 billion in rebates are funded from the electricity auctions and \$1.6 billion from government revenues, and \$690 million is being returned to Albertans through energy tax refunds.
- Urgently needed support to agriculture producers will be provided this spring.

IMPROVING ALBERTANS' QUALITY OF LIFE

- Implementation of the Six-Point Plan to protect and improve public health care will continue. Health and Wellness base funding will increase by \$737 million, or 13.5%, in 2001-02 and by \$1.5 billion, or 28%, over the next three years.
- Alberta's world-class educational results will improve further. Learning program spending will increase by \$343 million, or 7.7%, in 2001-02, and \$854 million, or 19%, over the next three years.
- Support for children, seniors and Albertans with special needs will increase.
- Policing services will be enhanced. Funding to the RCMP will increase by \$24.5 million by 2003-04.

Accountability Statement

The government's Fiscal and Business Plan for the three years commencing April 1, 2001 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at April 3, 2001 with material economic or fiscal implications have been considered in preparing the Fiscal and Business Plan.

The government is committed to achieving the planned results laid out in the Fiscal and Business Plan.

A handwritten signature in black ink, appearing to read "Patricia L. Nelson". The signature is fluid and cursive, with a large initial "P" and "N".

Patricia L. Nelson
Minister of Finance and
Chair of Treasury Board
April 12, 2001



THE FUTURE
MEETING PRIORITIES SHARING BENEFITS
Fiscal Plan 2001-04

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Meeting Priorities – Sharing Benefits

“Basically it will be more of the same kind of government. A government totally committed to fiscal responsibility. A government that, for the first time in a number of years, is looking at a debt-free province...”

Premier Ralph Klein
Televised Address
January 29, 2001

Albertans have led the way in establishing an open and accountable government that lives within its means. Our commitment to balanced budgets and debt elimination has left the province in the strongest fiscal position of any government in Canada.

Matching our fiscal advantage are our economic and tax advantages. Albertans believe initiative and hard work should be rewarded, taxes should be low, and government should stay out of the business of business. This has created an environment in which Alberta has prospered, attracting investment and people to the province. Alberta has:

- the strongest economy in Canada,
- the highest standard of living of any province,
- the lowest unemployment rate in the country,
- the lowest overall taxes and the highest personal disposable incomes.

Fiscal and economic strength has provided the flexibility to meet the priorities of Albertans and share the benefits with them. The accessibility and quality of our health and education systems have been improved. Albertans’ drive for knowledge, innovation and excellence has been encouraged. Those in need of help have continued to receive the assistance they require. Alberta has:

- among the highest life expectancies in the world,
- the best-educated workforce in Canada, and
- the lowest percentage of low-income people in Canada.

THE FUTURE

Alberta’s future is firmly rooted in the Alberta advantages developed over the last eight years. This government will work hard to build on our advantages by:

- ***Creating a debt-free Alberta*** – Albertans and their children will be freed from the burden of provincial debt.
- ***Increasing the Alberta tax advantage*** – Albertans will continue to pay the lowest taxes in the country and no provincial sales tax. Personal income taxes and school property taxes are being cut. The first step of our four-year plan to cut business taxes is being implemented.
- ***Strengthening the Alberta economic advantage*** – Infrastructure is being upgraded and expanded to meet the growing requirements of Alberta’s population and economy, and keep Alberta at the forefront of the new economy. Protection is being provided from temporary spikes in energy costs. Support is being provided to Alberta’s agriculture industry.
- ***Improving the quality of life of Albertans*** – Health and education services are being enhanced. Additional support is being provided to children, seniors and communities.

“People have said to us, ‘continue on course and finish off the debt.’ I think that’s a very important legacy to leave our children.”

Pat Nelson
Minister of Finance
Calgary Sun
March 16, 2001

By ensuring Alberta is the best place to live, learn, work and invest, both our generation and our children's generation will have every opportunity to succeed right here in Alberta. Together, we will continue building a future that promises continued economic prosperity, tremendous opportunity and a high quality of life for Albertans.

Alberta Fiscal Advantage

Alberta has an unmatched fiscal record – seven consecutive years of balanced budgets, debt reduced by nearly two-thirds and debt servicing costs down by approximately \$750 million. We are the only province in Canada whose financial assets exceed its liabilities. We have the lowest overall taxes in the country and the strongest economy.

“The upgrade reflects the very strong economic and fiscal performance and favorable fiscal policies prevailing in Alberta, which are leading to very rapid debt reduction.”

Standard & Poor's
January 29, 2001

The government's sound fiscal management and results have been recognized and rewarded by financial markets. Earlier this year, Moody's Investors Services and Standard & Poor's both raised Alberta's credit rating on our domestic debt to triple A, the highest possible rating.

Alberta's fiscal success since 1993 has been guided by five basic principles. The government will continue to follow these sensible rules. As required by the *Fiscal Responsibility Act* and the *Government Accountability Act*:

- ✓ Budgets will be balanced every year.
- ✓ Debt will be repaid.
- ✓ Revenue forecasts will be prudent.
- ✓ Spending plans will be affordable.
- ✓ The government will be open and accountable to Albertans.

2001-04 FISCAL PLAN

In developing a three-year fiscal plan, the first essential is affordability. Spending plans must fit within the province's commitment to balanced budgets and debt repayment. The government must ensure that the dollars allocated to permanent tax reductions and ongoing increases in base program spending are affordable not just in the current year, but also in future years.

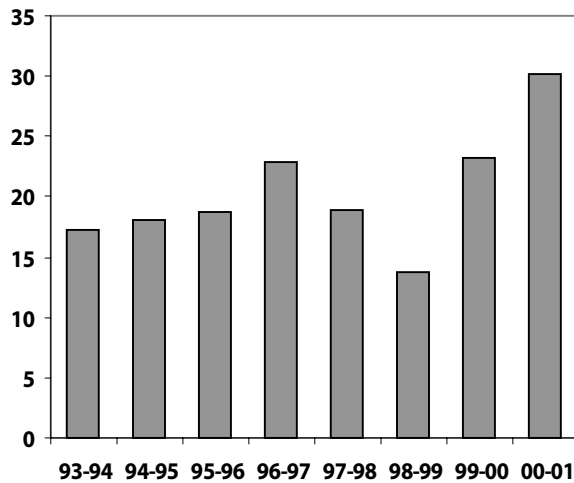
MANAGING REVENUE VOLATILITY

The major challenge for Alberta is budgeting and planning in the face of continuing revenue volatility. Unlike other governments in Canada, Alberta's revenue can fluctuate significantly – both up and down – in any year.

Over the past eight years, Alberta has witnessed the extremes of the energy markets. Average annual oil prices have ranged between US\$13 and US\$30 per barrel. Natural gas prices, which had consistently remained under Cdn\$2 per thousand cubic feet until the last two years, climbed dramatically to a peak of nearly Cdn\$12 in January 2001. The average price for the 2000-01 fiscal year was over Cdn\$6, three times higher than in 1998-99.

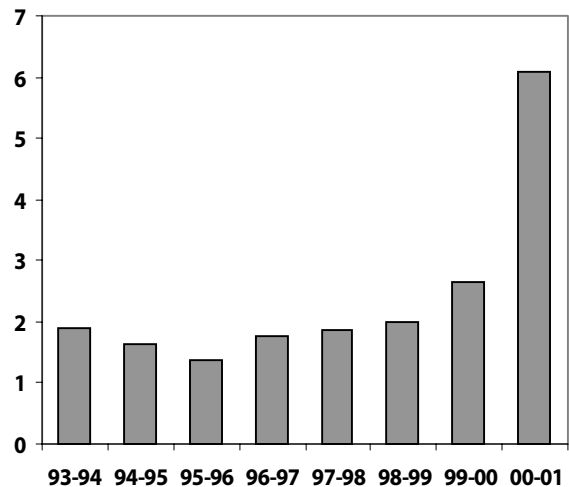
Oil Prices

WTI Price (US\$/bbl)



Natural Gas Prices

Alberta Reference Price (Cdn\$/mcf)



The impact on government revenue of these price fluctuations is dramatic. In 2000-01, resource revenue reached \$10.5 billion – over 40% of total government revenue. Two years earlier, in 1998-99, before the spike in energy prices, resource revenue was only \$2.4 billion – accounting for only 14% of total revenue. That is a swing of over \$8 billion in revenue in just two years.

The outlook for energy prices remains very uncertain. Private sector forecasters expect oil and natural gas prices to decline over the next three years, but there is a wide range of forecasts. Some forecasters expect oil prices to remain over US\$24 out to 2003-04 while others see prices dropping to the US\$18 range. Similarly on the natural gas side, some forecasters expect prices to remain over Cdn\$5.50 out to 2003-04 while others forecast prices declining to just over Cdn\$3.00.

The difference between the highest and lowest private sector price forecasts is over \$4 billion a year in government revenue. For example, in 2003-04, the highest energy price forecasts would generate about \$8 billion in resource revenue while the lowest forecasts would generate less than \$4 billion.

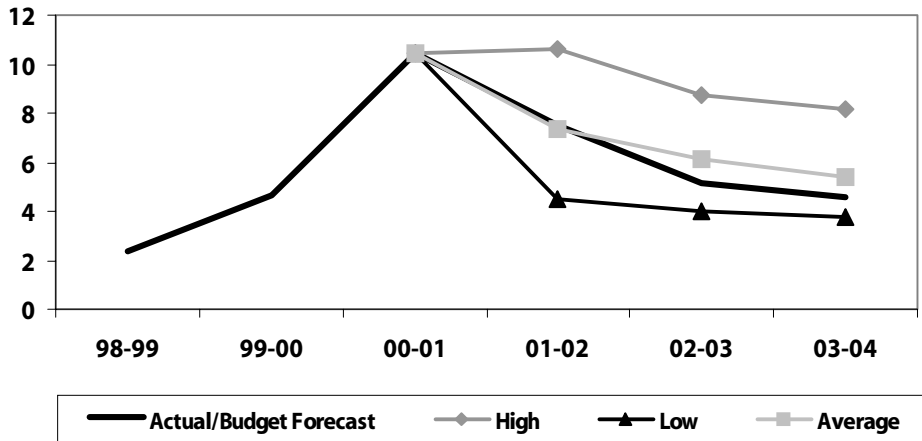
The current spike in energy prices has created high expectations about what the government can afford to do. But past experience has shown that energy prices can decline as quickly as they have gone up. The government will continue its successful approach to managing revenue volatility. Revenue will continue to be forecast on a prudent basis. An economic cushion will be set aside to protect against revenue uncertainties. A clear distinction will be made between what tax cuts and spending are affordable over the longer-term and what can be afforded only on a one-time basis.

“What we have today isn’t so much a problem as an interesting policy challenge. The crisis will only come if we succumb to the temptation to base tax and spending policy on the rates enjoyed today.”

Editorial
Edmonton Journal
January 28, 2001

\$4 Billion Resource Revenue Difference Between High and Low Private Sector Energy Price Scenarios^a

(billions of dollars)



^a Resource revenue scenarios are based on a survey of oil and natural gas price projections from leading forecasting organizations. Not all of these forecasts are publicly released.

REVENUE OUTLOOK

The 2001-04 revenue outlook assumes realistic, but prudent, energy prices at or slightly below the average of private sector forecasters:

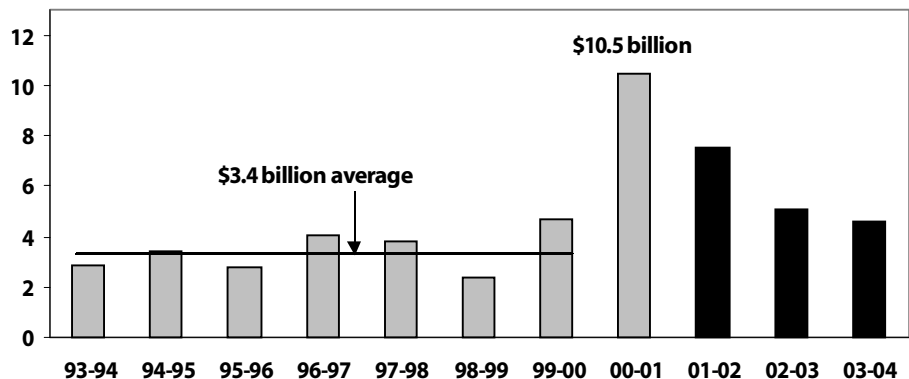
The 2001-02 revenue forecast assumes energy prices of Cdn \$5.03 per mcf for natural gas and US\$25 per barrel for oil.

- Natural gas prices are expected to decline from Cdn\$6.07 per thousand cubic feet in 2000-01 to \$5.03 in 2001-02, \$3.75 in 2002-03 and \$3.44 in 2003-04.
- Oil prices are expected to decline from US\$30.20 per barrel in 2000-01 to \$25 in 2001-02, and \$21 in 2002-03 and 2003-04.

As prices fall, resource revenue is expected to decline from \$10.5 billion in 2000-01 to \$4.6 billion by 2003-04.

Non-Renewable Resource Revenue

(billions of dollars)



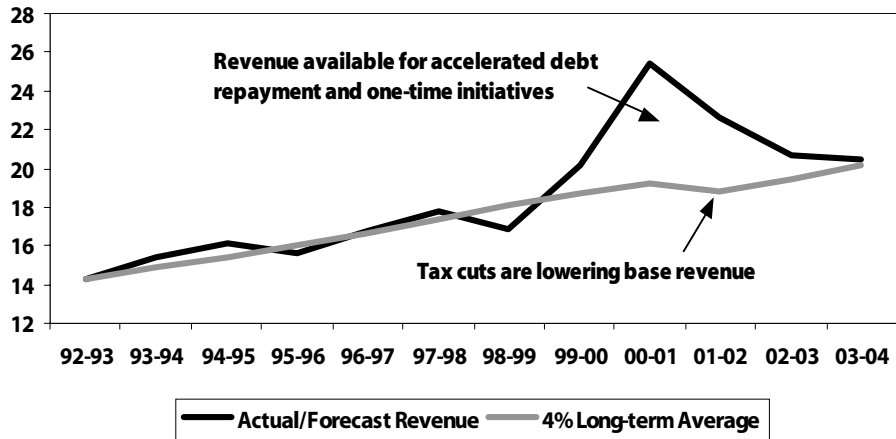
The revenue outlook also builds in the permanent revenue reductions from the government's single-rate personal income tax plan, which was fully implemented on January 1, and the four-year plan to cut business taxes, which began on April 1.

Total revenue is expected to fall from a peak of \$25.4 billion in 2000-01 to \$20.5 billion in 2003-04.

As a result, revenue is projected to decline over the next three years toward the longer-term trend line of revenue growth. Historical revenue trends indicate the government can plan for revenue growth of about 4% per year, on average. Total revenue is expected to fall from a peak of \$25.4 billion in 2000-01 to \$20.5 billion in 2003-04.

Long-Term Revenue Growth Is About 4% Per Year

(billions of dollars)



Over the next year, the government plans to examine its revenue and investment frameworks and options in more detail. Particular emphasis will be placed on the longer-term trends and revenue outlooks of major revenue sources.

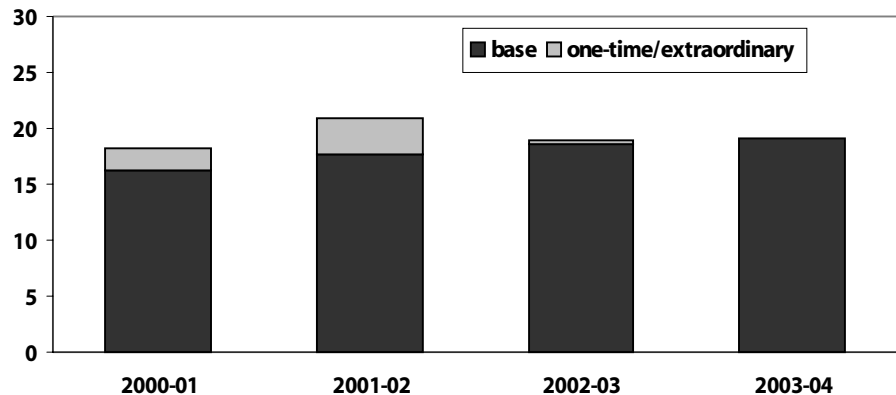
SPENDING PLAN

As has been the case in the last two years, the government's three-year spending plan has two components:

- ongoing base spending increases that are affordable within the expected base revenue growth of about 4% per year on average, and
- one-time/accelerated spending and extraordinary costs.

Program Spending

(billions of dollars)



Base spending is forecast to increase by 13.4% over the next three years, in line with expected base revenue growth.

Total base spending is forecast to increase by 13.4% over the next three years (an average of 4.3% per year), in line with expected base revenue growth. Base program spending will increase by \$2.8 billion, or 17.2%, by 2003-04, including a \$1.3 billion, or 8.3%, increase in 2001-02. These spending increases are being allocated to Albertans' priorities, primarily health and education. The base program spending increase is partly offset by a decline of \$485 million in debt servicing costs over the next three years, as debt is repaid.

While permanent spending increases cannot be based on short-term revenue surges, the government will continue to allocate some of these shorter-term dollars to fund priorities on a one-time or accelerated basis and address extraordinary costs:

- In 2000-01, almost \$900 million was provided for accelerated infrastructure projects (including one-time capital investment). The fiscal plan includes a further \$3.3 billion in accelerated infrastructure spending over the next three years.
- The government is providing energy cost assistance to help cushion Albertans and Alberta businesses from spikes in energy prices. \$932 million was allocated in 2000-01 and a further \$660 million is available in 2001-02.
- In response to unpredictable world markets, poor weather and income pressures, the government is providing special emergency assistance to farmers and ranchers in 2000-01 and 2001-02. On top of the base ongoing agriculture support of approximately \$630 million per year, an additional \$162 million was provided in 2000-01 and \$254 million will be provided in 2001-02.

Spending Allocations

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	3-year Change
Base Spending					
Program	16,279	17,623	18,622	19,080	2,801
Debt servicing costs	1,000	750	620	515	(485)
Total Base Spending	17,279	18,373	19,242	19,595	2,316
One-time/extraordinary costs					
Accelerated infrastructure ^a	815	2,295	300	83	(732)
Energy shielding	932	660	—	—	(932)
Agriculture emergency assistance	162	254	—	—	(162)
Total Expense	19,188	21,582	19,542	19,678	490
Spending Increases (%)					
Base program spending		8.3	5.7	2.5	17.2
Total base spending		6.3	4.7	1.8	13.4
Total expense		12.5	(9.5)	0.7	2.6
^a Excludes capital investment of:	82	176	380	38	

ECONOMIC CUSHIONS

An economic cushion of at least 3.5% of revenue has been set aside in each year of the fiscal plan, as required by the *Fiscal Responsibility Act*. The cushions reflect the government's commitment to pay down the province's accumulated debt. They also provide the flexibility to address a possible deeper-than-expected slowing of the North American economy, lower-than-forecast energy prices, or disasters or emergencies.

An economic cushion of \$817 million is budgeted for 2001-02, \$844 million for 2002-03 and \$742 million for 2003-04.

An economic cushion of \$817 million is budgeted for 2001-02, \$844 million for 2002-03 and \$742 million for 2003-04.

Fiscal Outlook

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Revenue	25,393	22,673	20,675	20,468
Expense				
Program	18,188	20,832	18,922	19,163
Debt servicing costs	1,000	750	620	515
Total Expense	19,188	21,582	19,542	19,678
Net Revenue	6,205	1,091	1,133	790
Net increase in capital assets affecting operations	156	274	289	48
Alberta Heritage Science and Engineering Research Endowment Fund	500	—	—	—
Economic Cushion	5,549	817	844	742
Planned allocation of economic cushion				
Debt repayment/increase in assets	5,549	613	633	557
Contingency reserve	—	204	211	185

CREATING A DEBT-FREE ALBERTA

Alberta is rapidly becoming debt free. Over the four years from 2000-01 to 2003-04, nearly \$7.4 billion will be available for debt repayment and increases in financial assets:

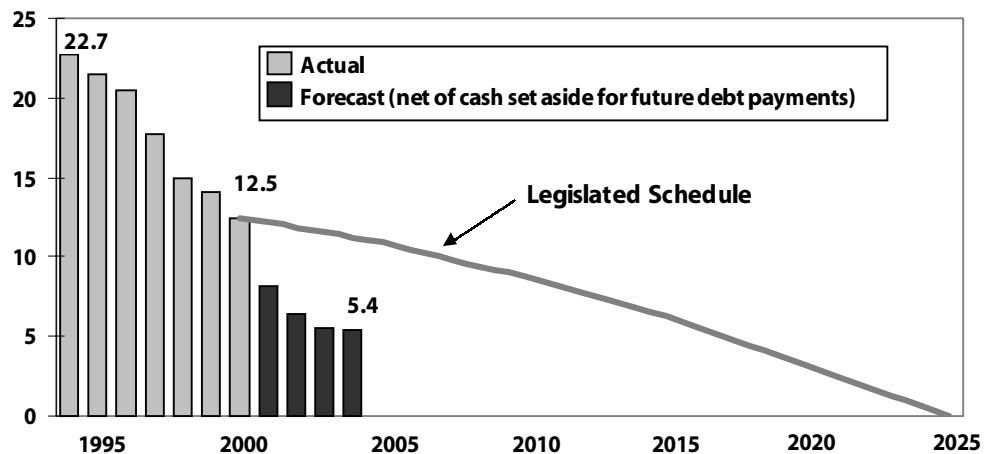
- Over \$6.6 billion is being allocated to debt repayment.
- Nearly \$800 million is being retained by Alberta Treasury Branches, Alberta's endowment funds and other agencies to increase their assets and ensure the continued sustainability of their operations.

Accumulated debt is expected to fall from \$12.5 billion on March 31, 2000 to \$5.4 billion by March 31, 2004. The reduction is funded from the \$6.6 billion allocation in 2000-04 and \$470 million of cash available from 1999-2000. The projected debt pay down puts the government 9 years ahead of the legislated 25-year schedule for debt elimination. However, if energy prices continue at the high levels forecast by some private sector energy analysts, the accumulated debt could be eliminated in two or three years. Eliminating accumulated debt by March 31, 2004 would require oil prices to remain in the US\$25 range and natural gas prices in the Cdn\$5.00 range, with this additional revenue applied to debt.

Accumulated debt is expected to fall to \$5.4 billion by the end of 2003-04. However, if energy prices continue at the high levels forecast by some private sector energy analysts, the accumulated debt could be eliminated in two or three years.

Accumulated Debt at March 31

(billions of dollars)



The amount of accumulated debt actually repaid each fiscal year depends not only on the allocation from the economic cushion but also on when debt matures and when cash becomes available. Because of the large allocation for accumulated debt repayment in 2000-01, more cash was available for repaying debt than actually matured during the year. This extra cash, \$2.1 billion, has been set aside in a special income-earning account until it can be used to pay off maturing debt over the next three years.

Differences between when revenue and expenses are accrued and the cash is actually received and spent also result in adjustments to the allocation for debt repayment. In 2000-01 and 2001-02, these cash adjustments are exceptionally large because of a three-month lag in receiving the cash from the very high natural gas royalties earned in the last quarter of 2000-01.

Cash Available for Accumulated Debt Repayment

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	4-year Total
Allocation for debt repayment/assets	5,549	613	633	557	7,352
Retained income	(181)	(163)	(177)	(262)	(783)
Cash adjustments	(1,565)	1,307	480	(171)	51
Current year cash available	3,803	1,757	936	124	6,620
Cash available from previous year	470	2,125	2,120	1,374	
Cash Available	<u>4,273</u>	<u>3,882</u>	<u>3,056</u>	<u>1,498</u>	
Allocation of cash available					
Current year debt maturities	2,148	1,762	1,682	1,498	
Future year debt maturities	2,125	2,120	1,374	—	

Accumulated Debt

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Accumulated debt (start of year)	12,490	10,342	8,580	6,898
Repayment of debt maturities	2,148	1,762	1,682	1,498
Accumulated debt (end of year)	<u>10,342</u>	<u>8,580</u>	<u>6,898</u>	<u>5,400</u>
Cash set aside for future debt payment	2,125	2,120	1,374	—
Accumulated debt less cash set aside	8,217	6,460	5,524	5,400

DEBT SERVICING COSTS

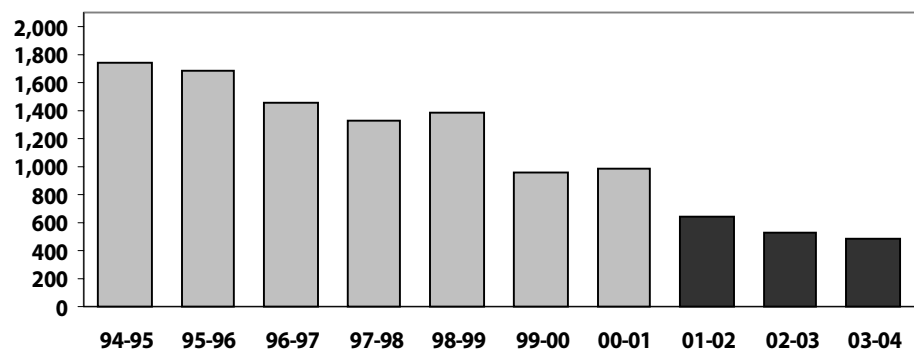
By 2003-04, the net interest costs on the debt are expected to drop to \$485 million, almost \$1.3 billion less than in 1994-95.

As debt is repaid, the cost of servicing the debt declines. Debt servicing costs are expected to decline from the peak of \$1.75 billion in 1994-95 to \$750 million in 2001-02. Approximately \$105 million will be earned in 2001-02 on the \$2.1 billion set aside for future debt payments. That will bring the net cost of servicing debt down to about \$645 million.

By 2003-04, net debt servicing costs are expected to drop to about \$485 million, almost \$1.3 billion less than in 1994-95. These interest savings free up money permanently for Albertans' priorities.

Debt Servicing Costs^a

(millions of dollars)



^a Net of interest earned on debt retirement funds.

IT'S YOUR MONEY SURVEY

With the possibility of eliminating our debt burden in just two or three years, the government decided that it was the right time to ask Albertans what their priorities will be when Alberta is debt free. In November, the government distributed a survey called *It's Your Money* to Albertans, asking what the government should do with the two different types of extra money that will be available after the debt is gone:

- permanent interest cost savings from eliminating accumulated debt,
- one-time money from revenues spikes.

Over 125,000 Albertans responded, far exceeding the nearly 80,000 responses to the *Talk it Up. Talk it Out.* survey in 1998. Albertans' opinions were clear. They said the top priority was putting money back in their pockets, through permanent tax reductions and one-time rebates. There was also support for saving some of the money from one-time revenue spikes after the debt is repaid.

In allocating the permanent interest savings, 73% of Albertans said tax reductions were important, 44% said more program spending was important and 34% said a budgeted savings plan was important.

Looking at one-time revenues, 57% said one-time tax rebates were important, 52% said saving money for the future was important and 29% said one-time spending was important.

Albertans were also asked to give approval ratings to various specific options for tax cuts or rebates and increased program spending. Permanent personal income tax cuts and more spending on health services and facilities received the strongest approval.

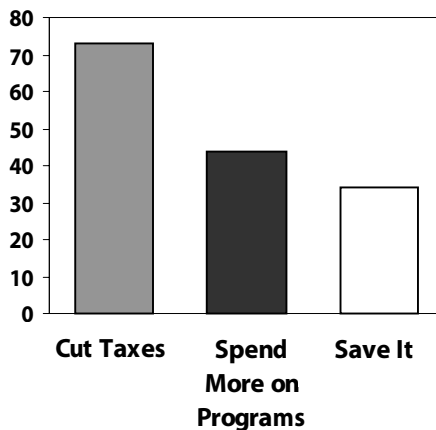
The government will act on what Albertans said. A Future Summit will be convened later this year, bringing together Albertans from all walks of life to discuss what the province's priorities should be once the debt is eliminated.

"The next step in that consultation will be a Future Summit, a province-wide forum to be held this coming fall... From that Summit, the government will shape a plan for Alberta's priorities and directions in its debt-free future."

Premier Ralph Klein
Calgary Sun
March 13, 2001

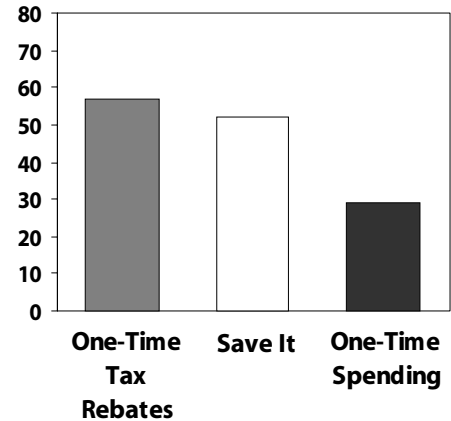
What to do with Permanent Savings

(per cent ranking important)



What to do with One-Time Revenue

(per cent ranking important)



Alberta Tax Advantage

“The only way taxes are going in this province are down. This government is committed to seeing that Albertans have more money in their pockets...”

Pat Nelson
Minister of Finance
Calgary Herald
March 27, 2001

The Alberta Tax Advantage rewards initiative, spurs economic growth and job creation, and leaves more dollars in Albertans' pockets. Our tax advantages include:

- the lowest overall tax burden in Canada,
- no provincial sales tax,
- a new single-rate personal income tax system,
- low business taxes that are being cut further, starting April 1, 2001,
- low property taxes, and
- the lowest fuel taxes in Canada.

Over the last eight years, the government has strengthened the Alberta tax advantage. Further steps are being taken in 2001. Major cuts to both personal and corporate income taxes are being implemented. School property taxes are being cut. The Alberta tax advantage will grow. The only way taxes are going in Alberta are down.

Lower taxes not only leave more money in Albertans' pockets today, they also spur economic growth and put more money in Albertans' pockets tomorrow. By 2006, the combined effects of the personal and business tax cuts are projected to increase the size of Alberta's economy by 3.2%, or \$4.3 billion. And that should produce over 40,000 new jobs for Albertans. That is the same as adding one more full year of growth to the Alberta economy over five years.

ALBERTA'S NEW PERSONAL INCOME TAX SYSTEM

On January 1, Albertans began to reap the rewards of Alberta's new personal income tax system. Albertans will save \$1.1 billion this year, bringing the total personal income tax cut since 1998 to \$1.5 billion, or 23%.

The key features of the new system are:

- basic and spousal exemptions increased to \$12,900 – by far the highest in the country,
- a single rate of 10% on taxable income,
- a tax system indexed to inflation, eliminating bracket creep, and
- continuation of all other non-refundable credits.

The major benefits of the new system are:

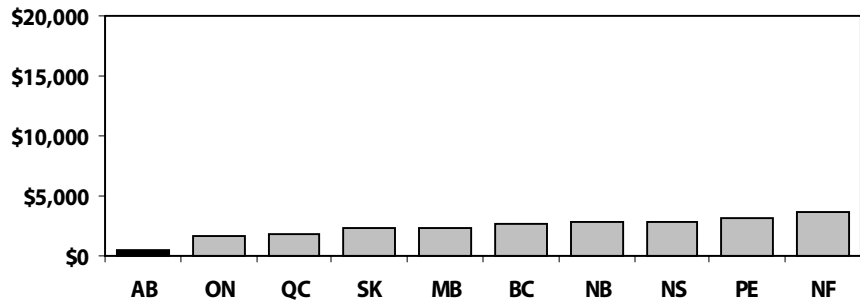
- Albertans in every income group pay less income tax,
- 200,000 more low-income earners are removed from the provincial tax rolls entirely,
- the lowest top marginal provincial tax rate in Canada – 10% compared to an average of 18% in other provinces, and
- fair treatment of single-parent families and families with a stay at home parent.

The Alberta tax advantage compared to other provinces has been enhanced. For example:

- A one-income family earning \$30,000 with two children will pay almost 80% less in provincial taxes and health care insurance premiums than a similar family would pay, on average, in other provinces.
- Two-income families earning \$60,000 or \$100,000 with two children will both pay close to 40% less than similar families would pay, on average, in other provinces.

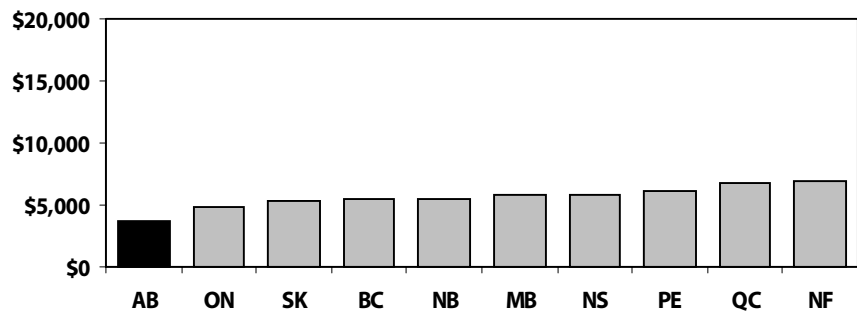
FAMILY EARNING \$30,000

Taxes and Health Care Insurance Premiums, 2001 (One-income family with two children)



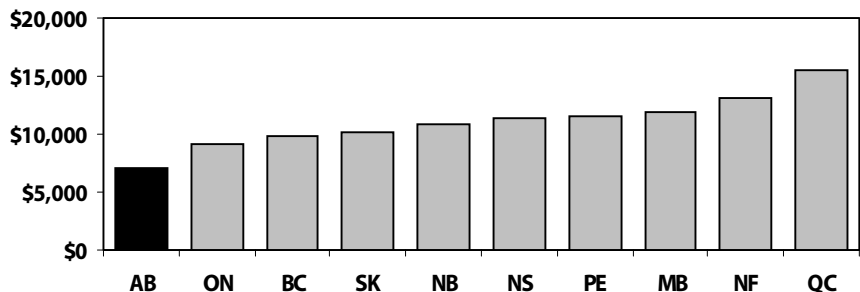
FAMILY EARNING \$60,000

Taxes and Health Care Insurance Premiums, 2001 (Two-income family with two children)



FAMILY EARNING \$100,000

Taxes and Health Care Insurance Premiums, 2001 (Two-income family with two children)



“This is a positive move for all of our businesses large and small and it’s something that’s long overdue. It’s also in keeping with the Premier’s plan that dollars are best left in Albertans’ pockets rather than the government’s.”

Pat Nelson
Minister of Finance
Calgary Herald
March 31, 2001

BUSINESS TAX CUTS

In February 2000, the government appointed a Business Tax Review Committee to review Alberta’s business taxes. In its September 2000 report, the Committee concluded that Alberta should respond to the world-wide trend to lower corporate income taxes. If we don’t, we risk losing increasingly mobile capital and highly skilled people. While Alberta is already an attractive location for businesses to invest and grow compared to the rest of Canada, we do not stack up as well on the international stage.

The government accepted most of the recommendations of the Business Tax Review Committee. Business tax cuts are being phased in over four years, subject to affordability. The first stage of the tax cuts was implemented on April 1, 2001. The total savings are expected to be \$1 billion by 2004-05.

The tax changes include:

- the small business tax rate is being cut from 6% to 3%,
- the small business income threshold is being increased from \$200,000 to \$400,000,
- the general tax rate of 15.5% and the manufacturing and processing tax rate of 14.5% are being reduced to 8%,
- the capital gains inclusion rate was reduced to 50% on October 18, 2000,
- the railway fuel tax will be reduced from 3 cents to 1.5 cents per litre on May 1, 2001,
- the financial institutions capital tax was eliminated on April 1, 2001, and
- other provinces’ capital taxes are no longer deductible in calculating Alberta corporate income tax.

Implementation Schedule for the Business Tax Plan

	2000	Implementation on April 1			
		2001	2002	2003	2004
General rate (%)	15.5	13.5	11.5	10.0	8.0
Manufacturing and processing rate (%)	14.5	13.5	11.5	10.0	8.0
Small business rate (%)	6.0	5.0	4.0	3.0	
Small business threshold (\$)	200,000	300,000	400,000		
Capital gains inclusion rate (%)	50 ^a	50			
Railway fuel tax (¢/litre)	3	1.5 ^b			
Capital tax (%)	0.7/1.0	Eliminated			
Cost of Tax Cuts (\$ millions)		286	561	770	1,000

^a The capital gains inclusion rate was reduced from 75% to 66.7%, effective February 28, 2000, and further reduced to 50%, effective October 18, 2000.

^b Effective May 1, 2001.

Alberta Economic Advantage

“The economic environment in Alberta, with its lower taxes, healthy economy and good entrepreneurial business community, provides a better base for quicker growth than any other province.”

Ian Robinson
Partner
Ernst & Young
March 7, 2001

By 2004, Alberta is expected to add over 150,000 new jobs.

The Alberta economy grew by an impressive 6.1% in 2000, the fastest growth among provinces. This reflected more than just a booming energy sector. Over the last eight years, fundamental changes have taken place in Alberta.

New economic forces have increasingly come into play. Energy and agriculture – traditionally the cornerstones of Alberta’s economy – are still important. However, knowledge-based industries and value-added manufacturing, such as agri-food, petrochemicals and forest products, are coming into their own and helping to create and sustain growth.

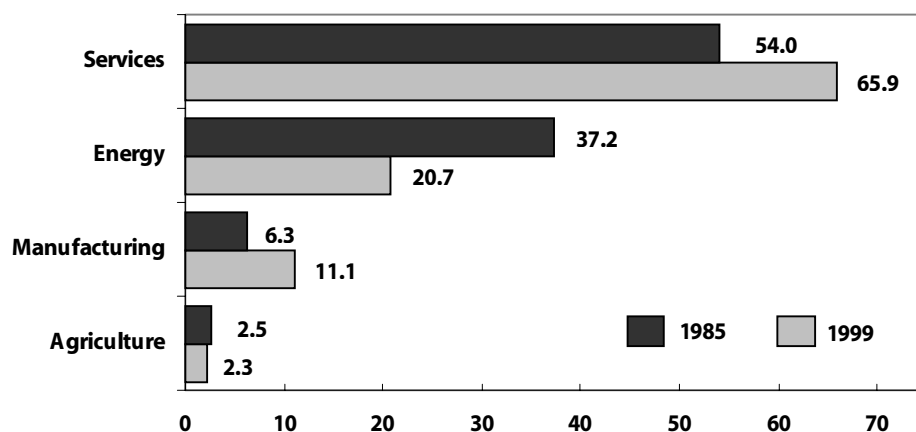
Alberta’s economy has become more diversified and less susceptible to volatile commodity price fluctuations than it was in the 1970s and early 1980s. In 1985, the energy sector accounted for 37% of Alberta’s GDP. In 1999, it accounted for just 21%.

Continued strong economic growth of 4.8% is expected in 2001, spurred by personal and business tax cuts. Although energy prices are expected to decline to more sustainable levels, Alberta’s economy should continue expanding at a healthy 3.2% pace on average over the medium term.

Employment growth is expected to remain strong through the forecast period, averaging about 2.3% per year. By 2004, Alberta is expected to add over 150,000 new jobs.

Diversification Strengthens Alberta

Nominal GDP by Industry (per cent)



INCREASED DEMANDS ON INFRASTRUCTURE

Strong economic growth has brought benefits and opportunities to Albertans. It has also attracted more people to the province. Since January 1997, close to 137,000 people have moved to Alberta in order to participate in the Alberta Advantage.

\$8.4 billion of infrastructure funding over four years.

This economic and population growth has created some strains. Additional investment is required to meet the increased demands being placed on Alberta's infrastructure.

High energy prices have provided the government with fiscal flexibility to expand and modernize our infrastructure on an accelerated basis. On top of the base budgets of over \$1 billion per year, an additional \$4.2 billion of one-time accelerated funding is being allocated to meet infrastructure needs over the four years from 2000-01 to 2003-04. In total, \$8.4 billion will be provided:

Transportation

- \$3.6 billion for roads and public transit, including continued work on the North-South Trade Corridor.

Health

- \$1.5 billion for health facilities and medical equipment, including a new Children's Hospital and a bone and joint centre of excellence in Calgary, redevelopment of the Royal Alexandra Hospital and a new cardiac centre of excellence in Edmonton, redevelopment of the Red Deer Regional Hospital, and significant expansion and redevelopment of long-term care facilities across Alberta.

Schools

- \$1.3 billion for new schools, the renovation and modernization of existing schools, and computer equipment.

Post-Secondary

- \$441 million for post-secondary facilities, including a major expansion of Mount Royal College in Calgary, a new Engineering building at the University of Alberta and health research innovation centres in Calgary and Edmonton.

Water and Wastewater

- \$327 million for water and wastewater facilities, including municipal projects, dam refurbishment and improvements to the irrigation network in southern Alberta.

SUPERNET

- \$193 million for the government's share of the cost of the Alberta SUPERNET, which will provide access to high-speed broadband Internet services to 420 communities across the province, connecting every hospital, school, library and provincial government facility.

National Infrastructure Program

- \$171 million for Alberta's share of the new Infrastructure Canada/ Alberta Program which will provide \$513 million to rural and urban municipalities across Alberta, with equal contributions from the federal, provincial and municipal governments.

Other

- \$901 million for other infrastructure programs, including seniors' lodges, the Community Facility Enhancement program and 2005 Centennial Legacy projects.

Accelerated dollars are flowing to local authorities now, when the government has extra revenue available. The dollars will actually be spent over the next several years to minimize construction cost increases and ensure the dollars are spent prudently on top priorities.

Spending on Infrastructure

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	4-year Total
Transportation network	981	1,101	961	562	3,605
Health care facilities and equipment	351	919	81	141	1,492
Schools	290	705	140	160	1,295
Post-secondary institutions	63	256	121	1	441
Water and wastewater management	72	98	82	75	327
SUPERNET	—	46	109	38	193
National infrastructure program	—	138	33	—	171
Other	230	328	167	176	901
Total	1,987	3,591	1,694	1,153	8,425
Base	1,090	1,120	1,014	1,032	4,256
One-time/accelerated	897	2,471	680	121	4,169

SUPPORT FOR FARMERS AND RANCHERS

The government will continue to support the sustainable growth and diversification of our agriculture sector. Last year, the government hosted Ag Summit 2000 to determine what can be done to maintain and enhance the health, sustainability and profitability of the agriculture and food industry. The outcomes from the Summit will guide the government and the agriculture and food industry toward achieving the long-term vision of \$10 billion in primary production and \$20 billion in value-added activity by 2010.

The government is committed to helping farmers and ranchers with the risks of unpredictable world markets, poor weather and income pressures.

The government also remains committed to helping farmers and ranchers with the risks of unpredictable world markets, poor weather and income pressures. The government provided about \$700 million in assistance to farmers and ranchers in the 2000 crop year through its safety net programs, including the Farm Income Assistance Program.

This year's budget includes funding to provide urgently needed support to producers across the province. Recognizing the inadequacy of the federal response on farm-income issues, Alberta will provide producers with direct assistance this spring. The government will also work with the industry to seek opportunities that provide long-term viability in a rapidly changing global market place.

An additional \$24 million is also being provided to support irrigation infrastructure and energy costs. As well, recommendations from the Crop Insurance Review will be implemented for the 2001 and 2002 crop years.

ADDRESSING HIGH ENERGY COSTS

The government has acted, and will continue to act, to ensure affordable supplies of electricity and natural gas in Alberta. We are helping to protect Albertans, Alberta businesses and farmers, non-profit groups, and our local partners from high energy costs.

One-time Energy Cost Shielding

Last winter, growing demand and tight supplies drove energy prices up to record levels. The average monthly Alberta wellhead price for natural gas climbed to over \$11 per gigajoule (\$11.82 per mcf) in January 2001, over four times higher than the previous January. Electricity prices also climbed sharply.

The government and the Power Pool Council acted to help all Alberta energy consumers with these higher costs:

- As required by legislation, the Power Pool Council is returning the proceeds of the two electricity auctions held in 2000 to electricity consumers. About \$2 billion will be returned in 2001 through monthly rebates on electricity bills.
- The government is providing up to \$337 million during the first six months of 2001 to assist Alberta businesses paying the default, non-contract rate for electricity and ease their transition into the deregulated market, if needed.
- The government is providing over \$1 billion in natural gas rebates from January to April to assist with high prices in the first half of 2001. Winter natural gas prices for 2001 were reduced to about the same level as in 2000.
- \$690 million is being returned to Albertans through Energy Tax Refunds.
- Special funding has also been set aside to handle hardship cases and ensure learning and health program dollars do not have to be diverted to cover higher energy costs.

Natural Gas Price Protection Program

Legislation has been introduced to establish a natural gas price protection program. The government will continue to provide rebates on monthly natural gas bills when assistance is needed to help protect Albertans from high prices.

Natural gas prices have already declined from the record highs last winter as the supply-demand balance improves. Consistent with private sector forecasters, the fiscal plan assumes that prices will continue to decline over the next three years.

However, the expected average Alberta wellhead price of \$4.77 per gigajoule (\$5.03 per mcf) in 2001-02 is still higher than in recent years. Therefore, the budget has set aside \$125 million for potential continued natural gas shielding this year.

The government will continue to provide rebates on natural gas bills when assistance is needed to help protect Albertans from high prices.

If actual prices are significantly higher this year than currently forecast, further assistance will be provided. Higher prices would mean higher natural gas royalty revenues to the province than currently budgeted, a portion of which would be returned to Albertans through higher rebates.

Each year, the government will reassess the situation and decide whether continued rebates are necessary. The current revenue outlook, which projects that the natural gas price will decline to \$3.56 per gigajoule in 2002-03 and \$3.26 in 2003-04 (\$3.75 and \$3.44 per mcf) indicates that price protection may not be needed after 2001-02. If prices do not decline as forecast, further rebates may be required.

The government will work to reduce and stabilize electricity prices by streamlining the approval process to bring new generation projects on-stream.

A Reliable and Competitive Electricity Market

Alberta's deregulated electricity market is less than four months old. As with any product, regulated or not, prices over the medium term will be determined by the overall balance of supply and demand.

Increasing supply in Alberta is a key priority of the government. About 4,300 megawatts of new electricity generation is planned over the next few years, including about 600 megawatts this year. The government will work to reduce and stabilize prices by streamlining the approval process to bring these new generation projects on-stream.

Electricity rebates from the proceeds of the power auctions will continue through 2001. The government will continue to address price concerns and other consumer issues with the advice of the newly created Government Advisory Council on Electricity.

Energy Shielding

(millions of dollars)

	Proceeds of Auctions ^a	Government of Alberta	
		2000-01	2001-02
One-time Assistance			
Energy Tax Refund (\$300 per Albertan aged 16 and over)		345	345
Electricity Rebates	2,000	129	208
Natural Gas, Propane and Heating Oil Rebates		785	265
Special Assistance			
Health and education institutions		13	62
Seniors, low-income persons and non-profit groups		5	—
Total One-Time Assistance	2,000	1,277	880
Natural Gas Price Protection Program	—	—	125
Total Assistance	2,000	1,277	1,005

^a As required under legislation, the proceeds of the power auctions have been allocated to Alberta consumers. These proceeds are held in a separate fund administered by the Power Pool Council and are not included in the government's revenue and expense.

Albertans' Quality of Life – Sharing the Benefits

Fiscal responsibility, debt reduction and a strong economy are providing the flexibility to enhance services in areas important to Albertans' quality of life.

Fiscal responsibility, debt reduction and a strong economy are providing the flexibility to enhance services in areas important to Albertans' quality of life. The government is committed to:

- Protecting and improving public health care – Base health funding will increase by 28%, or \$1.5 billion, over the next three years. By 2003-04, Health and Wellness spending will account for 35% of total government spending.
- Excellence in education – Fair wage settlements for teachers and addressing the issues of class size, special-needs students, faculty retention and accessibility to post-secondary education. Learning ministry program spending will increase by 19%, or \$854 million, over the next three years. By 2003-04, Learning spending will account for 27% of total government spending.
- Services for children – An 18% increase in funding over three years to support children at risk.
- Assisting seniors – Increased assistance for low-income seniors and new seniors' lodge units.
- Supporting those in need – Increased funding for the Alberta Assured Income for the Severely Handicapped, the homeless and housing programs.
- Protecting the environment – Additional funding has been provided for environmental impact assessments, the Western Canada Flaring Study and to address contamination from underground petroleum storage tanks.
- Strengthening communities – A new First Nations Development Fund and increased funding for RCMP services and legal aid.

HEALTH AND WELLNESS

The government remains committed to its Six-Point Plan to protect and improve public health care. We will continue to:

1. improve access to quality publicly funded health services,
2. improve the management of the health system,
3. enhance the quality of health services,
4. increase emphasis on wellness promotion, and disease and accident prevention,
5. foster new ideas to improve the health system, and
6. protect the publicly funded and administered health system.

Spending by Health and Wellness will increase by \$646 million in 2001-02 and \$1.35 billion by 2003-04. Adjusting for one-time spending, the Health and Wellness base budget will increase by \$737 million, or 13.5%, in 2001-02 and by over \$1.5 billion, or 28.1%, over the next three years.

The Health and Wellness base budget will increase by \$737 million, or 13.5%, in 2001-02 and by \$1.5 billion, or 28.1%, over the next three years.

In the overall health sector, salaries and benefits make up about 75% of total operating costs. During the past year, new agreements with physicians, registered nurses and other health workers have provided substantial salary increases that should help recruit and retain highly skilled health care providers. \$390 million is being provided for these salary increases in 2001-02, growing to \$835 million by 2003-04.

After providing for salary increases, other base funding increases total \$347 million, or 6.4%, in 2001-02 and \$694 million, or 12.7%, over the next three years. These dollars will be allocated to enhanced health services, volume increases and other cost pressures, including:

- province-wide services such as organ and bone marrow transplants, major heart surgeries, and kidney dialysis,
- recruiting more physicians, including an additional \$5 million to recruit and retain highly skilled neurosurgeons, cardio-vascular surgeons and other province-wide medical specialists,
- expanding immunization programs, including a province-wide meningitis immunization program,
- enhancing the Breast Cancer Screening program,
- expanding children's initiatives, such as enhancement of public health nursing to provide support to new mothers and a new province-wide perinatal program,
- enhancing the Tobacco Reduction Initiative,
- operating new MRI machines and increasing the number of scans to 24 per thousand population, the highest rate in Canada,
- forty medical residency positions in the new two-year rural family medicine training program,
- projects to assess changes in the delivery of primary care,
- regional health authority board elections in October 2001, and
- more high-cost drugs used in treating cancer.

Health and Wellness

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	3-year Change
Base spending	5,445	6,182	6,657	6,974	1,529
Energy assistance	—	40	—	—	—
Medical equipment/other one-time	180	49	—	—	(180)
Ministry spending	5,625	6,271	6,657	6,974	1,349
Base					
Annual increase		737	475	317	1,529
Percentage increase		13.5	7.7	4.8	28.1
Ministry spending					
Annual increase		646	386	317	1,349
Percentage increase		11.5	6.2	4.8	24.0

Learning's program spending will increase by \$343 million, or 7.7%, in 2001-02 and \$854 million, or 19.1%, over the next three years.

LEARNING

Alberta's learning system offers accessible, world-class programs to Albertans. Alberta students consistently out perform others in national and international tests. For instance, our Grade 8 students are among the best in the world according to a 1999 international study of educational achievement in science and mathematics. Graduates from our post-secondary institutions are well recognized for their comprehensive training. Albertans have access to life-long learning, not only in classrooms but also on-line and at the worksite.

The government will build on these strengths over the next three years. Total program spending by Learning will increase by \$343 million, or 7.7%, in 2001-02 and \$854 million, or 19.1%, over the next three years.

Funding for public and separate school boards will increase by \$245 million, or 8.4%, in the 2001-02 fiscal year and \$554 million, or 19.1%, by 2003-04. This will support:

- average enrollment increases of 0.3% per year over the next three years,
- special funding for teacher salary increases of 4% in 2001-02 and an additional 2% in 2002-03,
- basic grant rate increases of 3.5% in 2001-02, 3% in 2002-03 and 2% in 2003-04 that school boards can allocate to their classroom priorities, such as class sizes, and
- increased funding for students with severe disabilities.

Funding for post-secondary institutions will increase by \$79 million, or 8.0%, in 2001-02 and \$187 million, or 19.0%, over the next three years.

This will support:

- 1,200 new post-secondary student spaces each year over the next three years in areas including health, business, teacher education, and information and communication technology,
- an expansion in the number of apprenticeship spaces,
- base operational grant funding increases of 3% in 2001-02 and 2002-03 and 2% in 2003-04,
- \$28.5 million in 2001-02, increasing to \$40 million in the next two years, to attract and retain high-quality faculty, especially in critical areas such as medicine, computer science, engineering and business, and
- \$12 million per year to address past funding inequities and help ensure all post-secondary institutions can fulfil their specific mandates.

With these significant new funding allocations, it is expected that post-secondary institutions will take appropriate steps to limit tuition increases.

Enhancements to Alberta's student finance programs will help ensure that financial need is not a barrier to post-secondary education. Student debt will be reduced automatically for eligible students in their first year of study and again after their final year of study. The program will provide students with over \$70 million in debt reduction in 2001-02. Funding for scholarship programs that reward excellence in learning will increase by 43% to \$33 million by 2003-04, benefiting about 20,000 students each year.

Funding will be provided for 1,200 new post-secondary student spaces each year over the next three years.

Learning

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target	3-year Change
Ministry program spending	4,464	4,807	5,108	5,318	854
Opted-out school boards' property tax revenue	154	146	146	146	(8)
Alberta School Foundation Fund debt servicing costs	6	7	8	8	2
Spending on the learning system	4,624	4,960	5,262	5,472	848
Ministry program spending					
Annual increase		343	301	210	854
Percentage increase		7.7	6.3	4.1	19.1
Spending on the learning system					
Annual increase		336	302	210	848
Percentage increase		7.3	6.1	4.0	18.3

Children's Services funding will increase by \$105 million, or 18%, over the next three years.

SERVICES FOR CHILDREN

Children's Services funding will increase by \$105 million, or 18%, over the next three years to support children at risk and respond to the recommendations of the Alberta Children's Forum and the Task Force on Children at Risk. Major initiatives include:

- expansion of outreach services, and treatment and prevention programs to support the amended *Protection of Children Involved in Prostitution Act*,
- increased funding for the Alberta Partnership on Fetal Alcohol Syndrome, and
- new programs focussed on early intervention strategies and troubled youths, including mobile community response teams and mentoring of youths leaving the child welfare system.

Other ministries are also implementing initiatives to support children and assist adolescents with special health needs.

ASSISTING SENIORS

Additional dollars have been allocated to ensure seniors have access to the supports they need to live as independently as possible in a secure and dignified way, including:

- an increase of \$15 million over three years for lower-income seniors through the Alberta Seniors Benefit and Special Needs Assistance for Seniors programs, and
- funding to support 300 new seniors' lodge units each year for the next three years.

In 2001-02, the government will continue to build upon recent studies of seniors' programs and services, and provide a vision for government action to meet the needs of the aging population through the creation of a new strategic framework and 10-year action plan.

300 new seniors' lodge units each year for the next three years.

An increase of \$54 million, or 18%, over the next three years for the Alberta Assured Income for the Severely Handicapped.

SUPPORTING THOSE IN NEED

Funding allocations for Albertans in need include:

- an increase of \$54 million, or 18%, over the next three years for the Alberta Assured Income for the Severely Handicapped (AISH) to support growing demand and costs per client,
- a 50 percent increase to \$18.7 million in 2001-02 for family and special purpose housing providers to assist with maintenance and operating costs, and
- \$13 million per year to address homelessness.

PROTECTING THE ENVIRONMENT

- Municipal Affairs has been allocated \$70 million in 2001-02 to address problems with underground petroleum storage tank sites, on top of the \$10 million allocated in 2000-01.
- Environment will provide additional funding to accelerate environmental impact assessments and fund projects to be undertaken by Climate Change Central.
- \$8.4 million has been allocated in 2001-02 for the Western Canada Flaring Study to determine the effects of air emissions on animal health. Health and Wellness is also contributing funds to a parallel study on human health effects.

STRENGTHENING COMMUNITIES

- The new First Nations Gaming Policy will create a revenue-sharing arrangement for casinos on reserves. The host First Nation will receive a share of the profits as the sponsoring charity. In addition, 40% of the profits from First Nations' slot machines will flow through the Alberta Lottery Fund into a new First Nations Development Fund to support on-reserve programs across Alberta. It is expected that \$75 million will flow through this Fund over the next three years.
- Provincial funding of the RCMP will be increased by \$16.4 million in 2001-02, and \$24.5 million by 2003-04, to ensure an effective level of policing services in smaller communities and rural areas.
- Funding increases of \$4.7 million in 2001-02, and \$7.4 million by 2003-04, will improve the legal aid system and ensure more low-income Albertans have access to it.
- Up to \$10 million will be provided in 2001-02 for the 2001 World Championships in Athletics to be held in Edmonton in August. This brings total provincial funding to up to \$40 million.

Provincial funding of the RCMP will be increased by \$16.4 million in 2001-02, and \$24.5 million by 2003-04.

2001-04 Revenue Outlook

The revenue outlook for the next three years is based on a number of key economic assumptions – energy prices, interest rates, exchange rates, inflation, and economic growth trends in Alberta, Canada and the rest of the world. To ensure that spending remains affordable, the government will continue to use realistic, but prudent, revenue assumptions.

TOTAL REVENUE

Government revenue reached a record high of \$25.4 billion in 2000-01. This included a record \$10.5 billion of resource revenue – up \$5.8 billion from 1999-2000 and double the previous record of \$5.2 billion in 1984-85.

Energy prices are expected to decline to more sustainable levels over the next three years. As a result, resource revenue is forecast to decline by \$5.9 billion. This is partly offset by a \$1 billion, or 6.5%, increase in other revenues.

Total revenue is forecast to decline by 10.7%, or \$2.7 billion, to \$22.7 billion in 2001-02. Further declines of 8.8%, or \$2.0 billion, in 2002-03 and 1.0%, or \$0.2 billion, in 2003-04 are expected.

Total revenue is forecast to decline from \$25.4 billion in 2000-01 to \$22.7 billion in 2001-02 and \$20.5 billion by 2003-04.

Revenue Forecast

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Tax revenue	8,476	8,458	8,642	8,747
Non-renewable resource revenue	10,479	7,536	5,111	4,584
Federal transfers	1,751	2,078	2,026	2,078
Investment income	1,439	1,256	1,429	1,512
Other revenue	3,248	3,345	3,467	3,547
Total Revenue	25,393	22,673	20,675	20,468

RESOURCE REVENUE

Oil and gas prices climbed dramatically in 2000-01. Oil prices averaged US\$30.20 per barrel, far above the ten-year annual average of US\$19.87 per barrel. Gas prices were three and a half times the ten-year annual average of Cdn\$1.76 per thousand cubic feet, averaging \$6.07 for the fiscal year. Resource revenues reached the highest level ever, at \$10.5 billion, or over 40% of total revenue.

Energy prices are one of the most important factors in determining total provincial revenue in any given year and yet, because of their extreme volatility, remain very difficult to predict. Private sector forecasters expect that energy prices will recede from the high levels of 2000-01, although there is a wide range among the forecasts. The government has adopted a realistic, but prudent, forecast after considering the range of private sector forecasts.

The fiscal plan assumes that oil prices will fall from US\$30.20 per barrel in 2000-01 to US\$25 in 2001-02, with a further decline to US\$21 in 2002-03 and 2003-04.

The fiscal plan assumes that natural gas prices will fall from Cdn\$6.07 per mcf in 2000-01 to \$5.03 in 2001-02, with further declines to \$3.75 in 2002-03 and \$3.44 in 2003-04.

The fiscal plan assumes that oil prices will fall from US\$30.20 per barrel in 2000-01 to US\$25 per barrel in 2001-02, with a further decline to US\$21 per barrel in 2002-03 and 2003-04.

Relatively modest growth in demand, increasing non-OPEC production and higher OPEC capacity are expected to lead to the weakening in prices over the next two years.

While oil is sold on the international market, natural gas is priced in the North American market. Many factors affect this market but none is quite as unpredictable as the weather. Three consecutive mild winters in the United States had masked an underlying tightening of natural gas markets. Then the coldest November and December in the United States in 100 years caused a dramatic climb in natural gas prices across North America. The Alberta Gas Reference price reached a record high of Cdn\$11.82 per mcf in January 2001.

Mild weather since December and the impact of the high prices on consumption has led to a softening of prices to below \$7 per mcf by March 2001. Natural gas prices are expected to continue falling. The size and speed of the decline will be influenced by how hot the summer is in the United States, how fast additional production comes on stream and the strength of the North American economies. The fiscal plan assumes that natural gas prices will fall from Cdn\$6.07 per mcf in 2000-01 to \$5.03 in 2001-02, with further declines to \$3.75 in 2002-03 and \$3.44 in 2003-04.

Non-Renewable Resource Revenue

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Natural gas and by-products royalty	7,083	5,494	3,710	3,276
Crude oil royalty	1,453	881	475	340
Synthetic crude oil and bitumen royalty	784	300	323	451
Coal royalty	11	11	10	9
Bonuses and sales of Crown leases	1,147	845	555	480
Rentals and fees	159	170	170	152
Royalty tax credit	(158)	(165)	(132)	(124)
Total Non-Renewable Resource Revenue	10,479	7,536	5,111	4,584

Natural gas is now much more important than oil to the province's total resource revenues. In 2001-02, natural gas and by-products royalties are forecast to be \$5.5 billion, over 70% of total resource revenue. In comparison, oil royalties account for just over 15% of resource revenue.

Tax cuts will limit the growth in tax revenue over the next three years to 3.2%.

TAX REVENUE

Personal, business and school property tax cuts will limit the growth in tax revenue over the next three years to 3.2% or \$271 million.

Personal income tax revenue – Personal income tax revenue is forecast to increase by \$957 million, or 24%, over the next three years, reflecting strong income growth and one-time reductions in 2000-01 revenue.

2000-01 revenue was reduced by the \$345 million Energy Tax Refund and a \$279 million negative prior year adjustment. Underlying growth in base revenue, after adjusting for these items, is about 7.3% over the three years.

Base personal income tax revenue declines by about 3.7% in 2001-02, reflecting personal income tax cuts. In 2002-03 and 2003-04, base revenue grows by an average of 5.5% a year, in line with personal income.

Personal Income Tax Revenue

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Base personal income tax	4,591	4,422	4,658	4,924
Energy Tax Refund	(345)	(345)	—	—
Prior-year adjustment	(279)	—	—	—
Personal income tax revenue	<u>3,967</u>	<u>4,077</u>	<u>4,658</u>	<u>4,924</u>

Corporate income tax revenue – Revenue is forecast to decline by \$507 million, or 26%, over the next three years reflecting the four-year plan to cut business taxes by \$1 billion. Over the next three years, the cost of the corporate income tax reductions is expected to total about \$730 million. This is partly offset by the growth in taxable income.

School property tax revenue – The government cut school property taxes on January 1, 2001 and will freeze them at the reduced level in future years. Provincial school property taxes will be \$1,048 million per year during the three-year fiscal plan. Taxes collected directly by opted-out school boards are estimated at \$146 million per year, resulting in total school property taxes of about \$1.2 billion annually.

Other tax revenue – Other tax revenue is expected to decline by \$96 million, or nearly 7% over the next three years. This is primarily due to the elimination of the financial institutions capital tax on April 1, 2001 and lower revenue from the freehold mineral rights tax as energy prices decline.

Tax Revenue

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Personal income tax	3,967	4,077	4,658	4,924
Corporate income tax	1,978	1,974	1,599	1,471
School property tax	1,131	1,048	1,048	1,048
Other taxes	1,400	1,359	1,337	1,304
Total Tax Revenue	<u>8,476</u>	<u>8,458</u>	<u>8,642</u>	<u>8,747</u>

FEDERAL TRANSFERS

In 2001-02, transfers from the Government of Canada are expected to increase by \$327 million, or 18.7%, and then remain flat for the following two years. Federal transfers account for about 9% of total provincial government revenue.

The September 11, 2000 First Ministers' Meeting has resulted in additional federal funding for health care and social services:

Cash payments from the Canada Health and Social Transfer are expected to rise by \$310 million over the next three years.

- Cash payments from the Canada Health and Social Transfer are expected to rise by \$310 million over the next three years,
- \$49 million is being provided in both 2000-01 and 2001-02 for medical diagnostic and treatment equipment, and
- \$14 million per year will be provided through a Health Transition Fund to support innovation and reform in primary care.

Federal support for agriculture is expected to increase by \$165 million in 2001-02, including a one-time payment of about \$127 million. Payments are expected to decline to around \$135 million for the following two years.

Transfers from the Government of Canada

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Canada Health and Social Transfer	1,331	1,482	1,593	1,641
Medical Equipment Fund	49	49	—	—
Health Transition Fund	—	14	14	14
Agriculture support	79	244	133	135
Labour market development	124	122	122	122
Other	168	167	164	166
Total Transfers	1,751	2,078	2,026	2,078

INVESTMENT INCOME

Investment income is forecast to fall by \$183 million, or 12.7%, in 2001-02 as a result of weak equity markets. As markets rebound, investment income is forecast to increase by \$256 million over the following two years.

Alberta Municipal Financing Corporation's interest income on outstanding loans to municipalities and school boards is expected to continue to decline as these loans are repaid.

Investment Income

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Alberta Heritage Savings Trust Fund	733	551	735	874
Alberta Municipal Financing Corporation	407	358	331	305
Endowment funds	125	87	116	135
Debt retirement funds	20	107	86	30
Other	154	153	161	168
Total Investment Income	1,439	1,256	1,429	1,512

REVENUE FROM OTHER SOURCES

Total revenue from all other sources is forecast to grow by 9.2%, or \$299 million, over the next three years. This includes higher lottery revenues, increased revenue from liquor operations and timber rental fees.

Revenue from Other Sources

(millions of dollars)

	2000-01 Forecast	2001-02 Budget	2002-03 Target	2003-04 Target
Lottery revenue	947	1,010	1,087	1,136
Premiums, fees & licenses	1,271	1,314	1,341	1,362
Other	1,030	1,021	1,039	1,049
Total Other Revenue	3,248	3,345	3,467	3,547

RISKS TO THE FORECAST

As with any budget, there are always risks surrounding the forecast. The key risks to Budget 2001 are energy prices, and economic growth in Canada, the United States and the rest of the world.

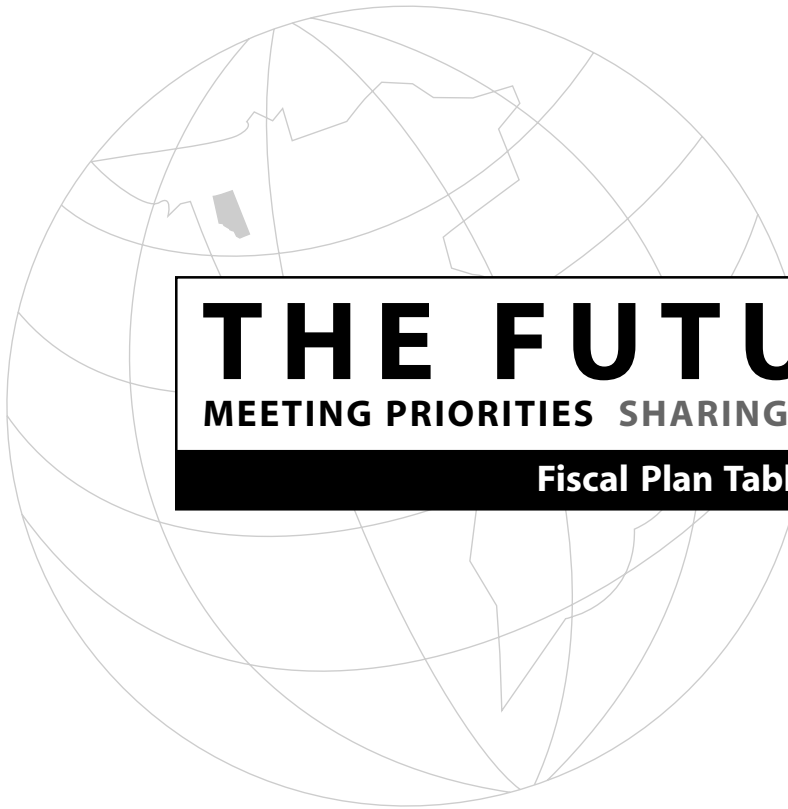
Alberta's legal requirement to have an economic cushion equivalent to at least 3.5% of budgeted revenue helps protect against downside risks.

Energy prices – The government has adopted realistic, but prudent, oil and gas price assumptions for the next three fiscal years. However, energy prices are highly volatile. Each US\$1 per barrel change in oil prices affects Alberta's revenue by about \$153 million. Each 10 cent swing in natural gas prices affects revenue by about \$142 million.

Economic growth – The fiscal plan builds in the current sharp slowing of the economy in the United States and central Canada. It assumes that the central banks successfully engineer a "soft landing" where economic growth slows but begins to rebound later in the year.

Some analysts are now forecasting a "hard landing" with weak growth, or possibly a mild recession, in the United States and the rest of Canada. This would slow Alberta's growth modestly from the current forecast. The impact on the economy and government revenue would be more serious if a hard landing led to a drop in global energy demand and a sharper reduction in energy prices than currently forecast.

Each US\$1 per barrel change in oil prices affects Alberta's revenue by about \$153 million. Each 10 cent swing in natural gas prices affects revenue by about \$142 million.



THE FUTURE
MEETING PRIORITIES SHARING BENEFITS
Fiscal Plan Tables 2001-04

Consolidated Fiscal Summary^a

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Revenue	20,172	19,075	25,393	22,673	20,675	20,468
Expense						
Program	16,425	16,732	18,188	20,832	18,922	19,163
Debt servicing costs	956	981	1,000	750	620	515
Total Expense	17,381	17,713	19,188	21,582	19,542	19,678
Net Revenue	2,791	1,362	6,205	1,091	1,133	790
Less: Net increase in capital assets affecting operations ^b	74	149	156	274	289	48
	2,717	1,213	6,049	817	844	742
Alberta Heritage Science and Engineering Research Endowment Fund	—	500	500	—	—	—
Economic Cushion	2,717	713	5,549	817	844	742
Planned allocation of economic cushion						
Debt repayment and increase in financial assets	2,717	535	5,549	613	633	557
Contingency reserve	—	178	—	204	211	185

^a Subject to the *Fiscal Responsibility Act*.

^b Converts capital expense to a pay-as-you-go basis.

Cash Available for Accumulated Debt Repayment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Allocation for debt repayment/increase in assets	2,717	535 ^a	5,549 ^a	613	633	557
Current year cash adjustments/retained income	(631)	(3)	(1,746)	1,144	303	(433)
Current year cash available	2,086	532	3,803	1,757	936	124
Cash available from previous year	—	—	470	2,125	2,120	1,374
Cash Available for Accumulated Debt Repayment	2,086	532	4,273	3,882	3,056	1,498

^a Excludes the \$500 million allocation for the Alberta Heritage Science and Engineering Research Endowment Fund.

Allocation of Cash Available for Accumulated Debt Repayment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Allocation of Cash Available						
Current year debt maturities and redemptions	1,616	532	2,148	1,762	1,682	1,498
Future year debt maturities and redemptions	470	—	2,125	2,120	1,374	—
Total Allocation	2,086	532	4,273	3,882	3,056	1,498

Accumulated Debt

(millions of dollars)

	1999-2000 Actual	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Accumulated debt at start of year	14,106	12,490	10,342	8,580	6,898
Less: Repayment of maturities and redemptions	1,616	2,148	1,762	1,682	1,498
Accumulated debt at end of year	12,490	10,342	8,580	6,898	5,400
Cash set aside for future debt repayment	470	2,125	2,120	1,374	—
Accumulated Debt Less Cash Set Aside	12,020	8,217	6,460	5,524	5,400

Net Financial Position

(millions of dollars)

	At March 31				
	2000 Actual	2001 Forecast	2002 Estimate	2003 Target	2004 Target
Financial Assets					
Heritage Fund external investments	11,678	11,943	12,122	12,156	12,161
Endowment Funds ^a	1,338	1,896	1,894	1,872	1,910
Self-supporting lending organizations ^b	5,495	4,962	4,991	5,033	5,046
Funds available for debt repayment	470	2,125	2,120	1,374	—
Other financial assets	3,006	4,068	2,766	2,414	2,541
Total Financial Assets	21,987	24,994	23,893	22,849	21,658
Liabilities					
Accumulated debt	12,490	10,342	8,580	6,898	5,400
Pension obligations	4,728	4,728	4,758	4,802	4,863
Self-supporting lending organizations ^b	4,251	3,662	3,629	3,593	3,512
Accounts and interest payable and other liabilities	2,892	2,643	2,542	2,519	2,345
Less: Debt held internally by consolidated entities	(300)	(356)	(174)	(110)	(105)
Total Liabilities	24,061	21,019	19,335	17,702	16,015
Net Assets (Debt)	(2,074)	3,975	4,558	5,147	5,643
Pension obligations	4,728	4,728	4,758	4,802	4,863
Net Assets Excluding Pension Obligations	2,654	8,703	9,316	9,949	10,506

^a Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund, and Alberta Heritage Science and Engineering Research Endowment Fund.

^b Alberta Municipal Financing Corporation, Agriculture Financial Services Corporation and Alberta Opportunity Company.

Revenue

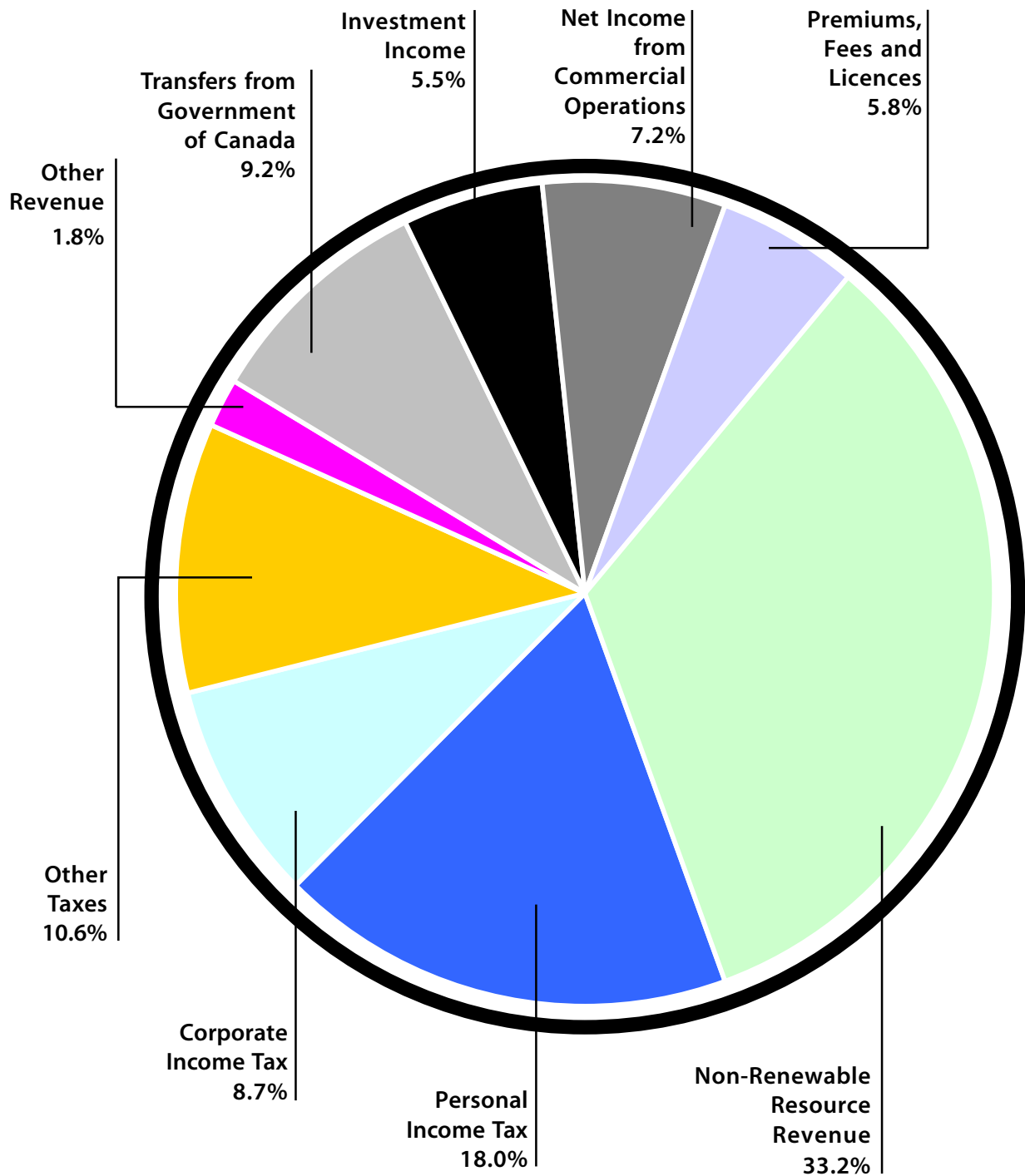
(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Income Taxes						
Personal income tax	5,100	4,713	3,967	4,077	4,658	4,924
Corporate income tax	1,255	1,896	1,978	1,974	1,599	1,471
	6,355	6,609	5,945	6,051	6,257	6,395
Other Taxes						
School property tax	1,128	1,157	1,131	1,048	1,048	1,048
Fuel tax	568	559	585	581	583	585
Tobacco tax	339	355	343	344	347	350
Freehold mineral rights tax	134	135	261	253	217	171
Insurance corporations tax	117	127	126	134	142	150
Hotel room tax	48	47	47	47	48	48
Financial institutions capital tax	35	38	38	—	—	—
	2,369	2,418	2,531	2,407	2,385	2,352
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	2,441	2,323	7,083	5,494	3,710	3,276
Crude oil royalty	1,072	632	1,453	881	475	340
Synthetic crude oil and bitumen royalty	426	469	784	300	323	451
Coal royalty	15	14	11	11	10	9
Bonuses and sales of Crown leases	743	650	1,147	845	555	480
Rentals and fees	141	157	159	170	170	152
Royalty tax credit	(188)	(197)	(158)	(165)	(132)	(124)
	4,650	4,048	10,479	7,536	5,111	4,584
Transfers from Government of Canada						
Canada Health and Social Transfer	1,164	1,100	1,331	1,482	1,593	1,641
Medical equipment and primary care	—	—	49	63	14	14
Agriculture support programs	171	53	79	244	133	135
Labour market development	122	124	124	122	122	122
Other	183	168	168	167	164	166
	1,640	1,445	1,751	2,078	2,026	2,078
Investment Income						
Alberta Heritage Savings Trust Fund	1,108	814	733	551	735	874
Alberta Municipal Financing Corporation	438	403	407	358	331	305
Endowment Funds:						
Medical Research	175	74	74	45	61	72
Scholarship	57	21	29	28	29	30
Science and Engineering Research	—	12	22	14	26	33
Interest on debt retirement funds	—	—	20	107	86	30
Agriculture Financial Services Corporation	73	77	86	92	100	107
Other	55	59	68	61	61	61
	1,906	1,460	1,439	1,256	1,429	1,512
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission:						
Lottery revenue	857	831	947	1,010	1,087	1,136
Liquor operations	470	458	470	478	487	497
Alberta Treasury Branches	228	114	161	151	168	186
Other	18	5	7	4	4	4
	1,573	1,408	1,585	1,643	1,746	1,823
Premiums, Fees and Licences						
Health care insurance premiums	653	660	669	670	681	691
Motor vehicle licences	200	196	206	208	206	210
Timber rentals and fees	101	89	77	90	91	90
Crop and hail insurance premiums	71	77	58	62	79	80
Land titles	56	28	30	31	31	32
Other	248	234	231	253	253	259
	1,329	1,284	1,271	1,314	1,341	1,362
Other						
Alberta Dairy Control Board	63	59	73	62	62	62
Fines and penalties	41	40	41	43	43	43
Sale of capital assets	21	62	34	34	30	3
Miscellaneous	225	242	244	249	245	254
	350	403	392	388	380	362
Total Revenue	20,172	19,075	25,393	22,673	20,675	20,468

Revenue

Total Revenue \$22.7 billion

2001-02 ESTIMATE



Expense^a

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Program						
Legislative Assembly	39	56	56	58	54	56
Aboriginal Affairs and Northern Development	35	30	30	30	30	30
Agriculture, Food and Rural Development	765	628	790	883	629	635
Children's Services	507	539	587	648	685	692
Community Development	510	487	554	599	606	666
Economic Development	47	51	51	51	52	52
Energy	136	147	152	175	174	177
Environment	98	102	103	122	106	106
Executive Council	13	13	14	15	15	15
Finance	522	508	503	469	442	416
Gaming	179	183	183	217	246	259
Government Services	49	50	51	51	52	52
Health and Wellness	5,117	5,323	5,625	6,271	6,657	6,974
Human Resources and Employment	977	1,031	1,008	1,055	1,064	1,068
Infrastructure	734	675	1,708	2,768	660	576
Innovation and Science	170	185	180	232	296	230
International and Intergovernmental Relations	5	6	6	6	6	6
Justice	197	229	229	220	223	228
Learning	4,192	4,455	4,464	4,807	5,108	5,318
Municipal Affairs	132	141	161	203	134	135
Revenue	91	116	109	136	185	146
Seniors	236	250	259	299	273	279
Solicitor General	215	228	231	253	259	267
Sustainable Resource Development	332	207	246	204	196	199
Transportation	1,127	1,092	888	1,060	770	581
Total Program Expense	16,425	16,732	18,188	20,832	18,922	19,163
Debt servicing costs	956	981	1,000	750	620	515
Total Expense	17,381	17,713	19,188	21,582	19,542	19,678

^a Net of internal government transactions.

Net Increase in Capital Assets Affecting Operations

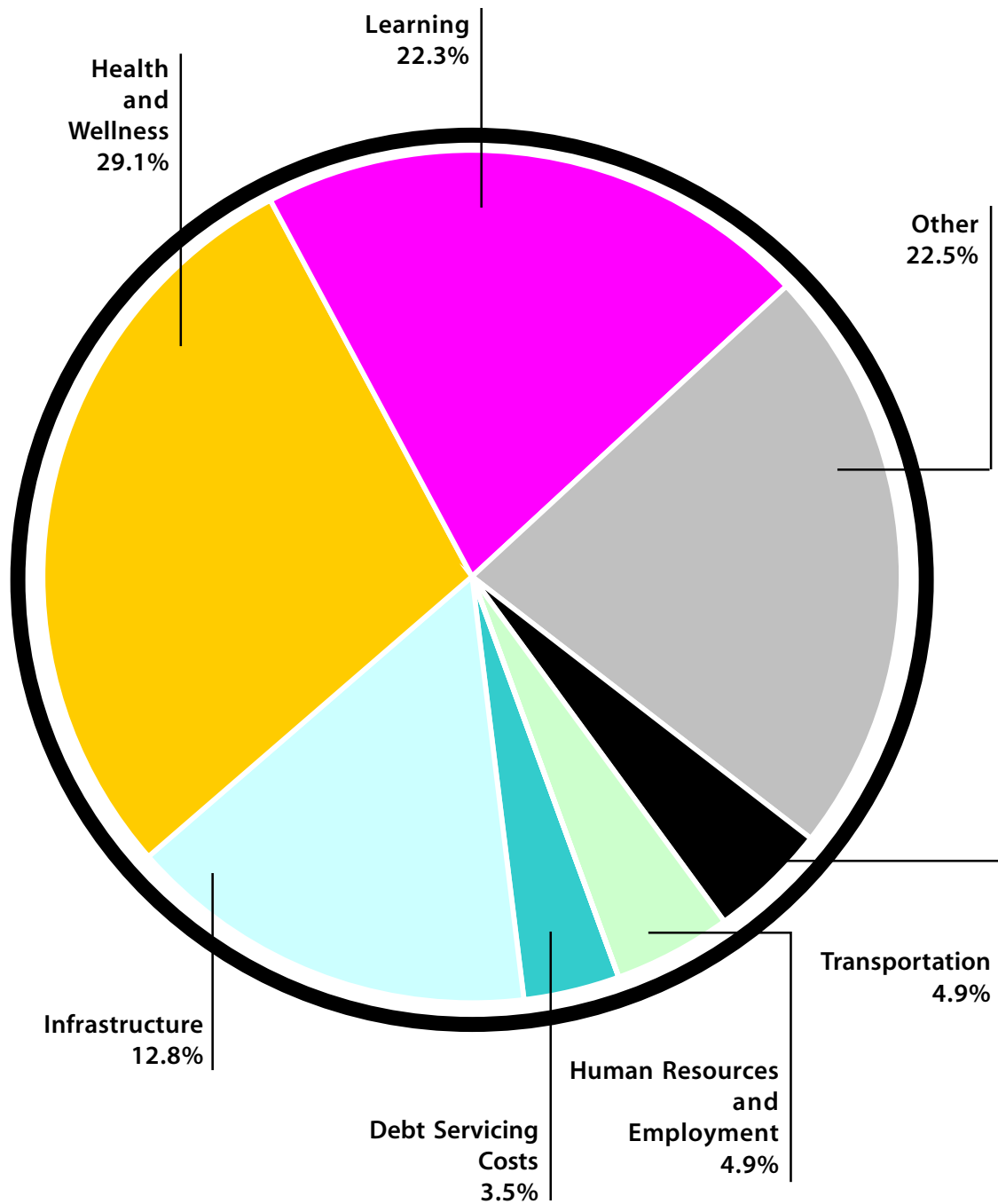
(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Capital investment	305	429	430	588	626	396
Less: Capital amortization	231	280	274	314	337	348
Net Increase in Capital Assets affecting Operations	74	149	156	274	289	48

Expense

Total Expense \$21.6 billion

2001-02 ESTIMATE



Capital Investment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Legislative Assembly	—	—	—	1	—	—
Aboriginal Affairs and Northern Development	—	—	—	—	—	—
Agriculture, Food and Rural Development	8	5	9	4	7	3
Children's Services	—	—	—	—	—	—
Community Development	15	4	4	3	3	3
Economic Development	—	—	—	—	—	—
Energy	5	7	11	7	7	7
Environment	1	1	1	1	1	1
Executive Council	—	—	—	—	—	—
Finance	2	4	2	5	3	2
Gaming	—	—	—	—	—	—
Government Services	1	2	2	1	1	1
Health and Wellness	4	2	3	2	2	2
Human Resources and Employment	1	5	2	4	4	4
Infrastructure	14	26	26	52	39	55
Innovation and Science	16	11	10	12	12	12
International and Intergovernmental Relations	—	—	—	—	—	—
Justice	3	1	1	1	2	1
Learning	1	3	3	6	3	3
Municipal Affairs	—	1	2	1	—	—
Revenue	1	2	2	2	1	1
Seniors	3	1	1	1	3	1
Solicitor General	—	—	—	—	—	—
Sustainable Resource Development	3	8	6	3	3	3
Transportation	227	346	345	482	535	297
Total Capital Investment	305	429	430	588	626	396

Capital Amortization

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Legislative Assembly	—	—	—	—	—	—
Aboriginal Affairs and Northern Development	—	—	—	—	—	—
Agriculture, Food and Rural Development	3	6	6	6	6	6
Children's Services	—	1	1	1	1	1
Community Development	9	10	10	10	10	10
Economic Development	—	—	—	—	—	—
Energy	6	7	7	7	8	8
Environment	15	16	16	16	16	16
Executive Council	—	—	—	—	—	—
Finance	—	2	1	1	2	3
Gaming	—	—	—	—	—	—
Government Services	2	3	2	5	4	4
Health and Wellness	1	1	1	2	3	4
Human Resources and Employment	3	3	3	3	3	3
Infrastructure	47	50	50	54	52	52
Innovation and Science	10	13	10	8	9	9
International and Intergovernmental Relations	—	—	—	—	—	—
Justice	—	1	1	1	1	1
Learning	1	1	1	2	3	3
Municipal Affairs	1	1	1	2	2	2
Revenue	1	2	1	2	2	2
Seniors	25	24	24	24	25	24
Solicitor General	—	—	—	—	—	—
Sustainable Resource Development	6	6	6	6	6	6
Transportation	101	133	133	164	184	194
Total Capital Amortization	231	280	274	314	337	348

Support for Infrastructure^a

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Agriculture, Food and Rural Development	27	29	21	29	28	27
Community Development	2	1	50	42	1	1
Environment	8	9	9	9	7	7
Gaming	34	25	25	25	25	25
Health and Wellness	34	56	161	49	—	8
Infrastructure	448	393	499	1,849	357	286
Innovation and Science	—	—	—	46	109	38
Learning	20	60	60	—	—	20
Municipal Affairs	—	10	10	70	—	—
Seniors	32	19	31	54	23	25
Transportation	968	897	693	830	520	320
Total Support for Infrastructure	1,573	1,499	1,559	3,003	1,070	757

^a Included in program expense.

Debt Servicing Costs

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	47	60	53	55	51	55
Alberta Opportunity Company	5	5	5	5	6	6
Finance	838	853	882	633	510	403
Learning						
Alberta School Foundation Fund	4	8	6	7	8	8
Seniors						
Alberta Social Housing Corporation	59	55	54	50	45	43
Sustainable Resource Development						
Environmental Protection and Enhancement Fund	3	—	—	—	—	—
Total Debt Servicing Costs	956	981	1,000	750	620	515

2001-02 Allocation of Lottery Fund Revenue

(millions of dollars)

Lottery Revenue^a	1,016
Less: Lottery operation costs	(70)
Net Lottery Revenue	946
Agriculture, Food and Rural Development	
Agricultural initiatives	12
Children's Services	
Fetal alcohol initiative	1
Community Development	
Centennial initiatives	41
Alberta Foundation for the Arts	21
Alberta Sport, Recreation, Parks and Wildlife Foundation	15
2001 World Championships in Athletics	10
Assistance to First Nations Development Fund	8
Wild Rose Foundation	7
Alberta Historical Resources Foundation	6
Human Rights, Citizenship and Multiculturalism Education Fund	1
Gaming	
Community Lottery Board grants	53
Community Facility Enhancement Program	25
Racing industry renewal	18
Calgary Exhibition and Stampede	7
Edmonton Northlands	7
Major fairs and exhibitions	3
Alberta Gaming Research Institute and Council	2
Other initiatives	11
Health and Wellness	
Alberta Alcohol and Drug Abuse Commission	46
Alberta Wellnet	13
Practitioner services - alternate compensation strategies	12
Health Innovation Fund	5
Aboriginal health strategies	3
Federal nursing stations	3
Alberta wellness initiative	2
Infrastructure	
School facilities	150
Health care facilities	120
Post-secondary facilities	60
Upgrading of seniors' lodges	10
Centennial projects	5
Innovation and Science	
Alberta SUPERNET	50
Research Investments Program	23
Strategic research initiatives	9
Alberta Agricultural Research Institute	9
Learning	
School support - transportation subsidies	40
Learning Television (ACCESS)	8
Achievement scholarships	3
School support - high speed networking	1
Municipal Affairs	
Municipal sponsorship	12
Transportation	
Canada-Alberta Infrastructure Program	50
Water management infrastructure	20
Finance	
Transfer for debt repayment / contingency reserve	44
Lottery Revenue Allocation^b	946

^a Includes \$6 million of Lottery Fund interest income.

^b Included in program expense and capital investment except for \$44 million for debt repayment and contingency reserve.

Expense by Function

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Health	5,302	5,491	5,815	7,141	6,739	7,107
Education	4,735	4,966	5,045	6,066	5,665	5,754
Social Services	1,668	1,744	1,794	1,934	2,028	2,085
Agriculture and Economic Development	1,083	980	1,119	1,285	1,209	1,150
Regional Planning and Development	541	516	534	478	452	425
Transportation and Utilities	1,113	1,067	1,782	1,626	748	568
Protection of Persons and Property	503	562	570	648	590	602
Environment and Resource Conservation	541	412	472	465	438	441
Recreation and Culture	271	284	339	349	308	319
Housing	103	94	106	137	103	102
General Government	565	616	612	703	642	610
Debt Servicing Costs	956	981	1,000	750	620	515
Total Expense	17,381	17,713	19,188	21,582	19,542	19,678

2001-02 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Agriculture and Economic Development	Regional Planning and Development	Transportation and Utilities	Protection of Persons and Property	Environment and Resource Conservation	Recreation and Culture	Housing	General Government	Debt Servicing Costs	Consolidated Ministry Expense
Legislative Assembly	—	—	—	—	—	—	2	—	—	—	56	—	58
Aboriginal Affairs and Northern Development	—	—	—	2	28	—	—	—	—	—	—	—	30
Agriculture, Food and Rural Development	—	—	—	883	—	—	—	—	—	—	—	60	943
Children's Services	—	—	648	—	—	—	—	—	—	—	—	—	648
Community Development	—	—	383	8	—	—	6	42	164	—	—	—	603
Economic Development	—	—	—	51	—	—	—	—	—	—	—	—	51
Energy	—	—	—	76	—	—	—	99	—	—	—	—	175
Environment	—	—	—	—	—	—	—	124	—	—	—	—	124
Executive Council	—	—	—	—	—	—	—	—	—	—	15	—	15
Finance	—	—	—	2	358	—	2	—	—	—	107	743	1,212
Gaming	207	275	1	96	12	50	1	3	288	10	94	—	1,037
Government Services	—	—	—	—	—	—	51	—	—	—	130	—	181
Health and Wellness	6,271	—	—	—	—	—	—	—	—	—	—	—	6,271
Human Resources and Employment	—	274	723	—	—	—	20	—	—	—	38	—	1,055
Infrastructure	870	964	2	2	—	598	2	2	2	17	321	—	2,780
Innovation and Science	—	21	—	127	—	—	—	—	—	—	98	—	246
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	6	—	6
Justice	—	—	—	—	—	—	220	—	—	—	—	—	220
Learning	—	4,807	—	—	—	—	—	—	—	—	—	7	4,814
Municipal Affairs	—	—	—	3	92	—	76	—	—	—	32	—	203
Revenue	—	19	—	70	—	—	15	—	—	—	57	—	161
Seniors	—	—	178	—	—	—	—	—	—	129	—	50	357
Solicitor General	—	—	—	—	—	—	253	—	—	—	—	—	253
Sustainable Resource Development	—	—	—	—	—	—	—	216	—	—	—	—	216
Transportation	—	—	—	33	—	1,027	—	—	—	—	—	—	1,060
Inter-Ministry Consolidation Adjustments	(207)	(294)	(1)	(68)	(12)	(49)	—	(21)	(105)	(19)	(251)	(110)	(1,137)
Total Expense	7,141	6,066	1,934	1,285	478	1,626	648	465	349	137	703	750	21,582

2001-02 Expense by Object

(millions of dollars)

	Salaries Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers ^a	Financial Transactions and Other	Amortization of Capital Assets	Intra Ministry Consolidation Adjustments	Consolidated Ministry Expense	Inter Ministry Consolidation Adjustments	Total Consolidated Expense
Legislative Assembly	26	22	—	—	10	—	—	58	—	58
Aboriginal Affairs and Northern Development	4	4	22	—	—	—	—	30	—	30
Agriculture, Food and Rural Development	101	47	369	143	420	6	(143)	943	—	943
Children's Services	128	405	111	517	—	1	(514)	648	—	648
Community Development	108	210	274	789	1	10	(789)	603	(4)	599
Economic Development	15	35	1	—	—	—	—	51	—	51
Energy	97	58	13	27	—	7	(27)	175	—	175
Environment	47	40	21	—	—	16	—	124	(2)	122
Executive Council	12	3	—	—	—	—	—	15	—	15
Finance	23	17	80	—	1,104	1	(13)	1,212	(110)	1,102
Gaming	2	2	213	1,016	—	—	(196)	1,037	(820)	217
Government Services	93	82	—	—	1	5	—	181	(130)	51
Health and Wellness	66	139	6,035	46	29	2	(46)	6,271	—	6,271
Human Resources and Employment	109	156	821	—	(34)	3	—	1,055	—	1,055
Infrastructure	55	252	2,422	—	—	51	—	2,780	(12)	2,768
Innovation and Science	58	113	67	90	—	8	(90)	246	(14)	232
International and Intergovernmental Relations	4	2	—	—	—	—	—	6	—	6
Justice	127	36	28	—	28	1	—	220	—	220
Learning	58	78	4,669	—	7	2	—	4,814	—	4,814
Municipal Affairs	21	17	163	—	—	2	—	203	—	203
Revenue	27	24	70	599	21	2	(582)	161	(25)	136
Seniors	12	6	263	72	52	24	(72)	357	(8)	349
Solicitor General	100	138	3	—	12	—	—	253	—	253
Sustainable Resource Development	98	93	59	—	1	6	(41)	216	(12)	204
Transportation	47	372	493	—	—	148	—	1,060	—	1,060
Total Expense	1,438	2,351	16,197	3,299	1,652	295	(2,513)	22,719	(1,137)	21,582

^a Excluding payments for services.

Full-Time Equivalent Employment

	2000-01 Budget ^a	ACSC Transfer ^b	Comparable 2000-01 Budget	Increases	2001-02 Estimate
Legislative Assembly	432	—	432	7	439
Aboriginal Affairs and Northern Development	57	—	57	3	60
Agriculture, Food and Rural Development	1,787	(55)	1,732	64	1,796
Children's Services	2,272	(162)	2,110	478	2,588
Community Development	2,333	(94)	2,239	37	2,276
Economic Development	205	(15)	190	—	190
Energy	1,286	(44)	1,242	64	1,306
Environment	845	(78)	767	—	767
Executive Council	191	(13)	178	2	180
Finance	391	(32)	359	4	363
Gaming	29	—	29	3	32
Government Services	410	1,099	1,509	34	1,543
Health and Wellness	1,105	(47)	1,058	130	1,188
Human Resources and Employment	2,003	(118)	1,885	14	1,899
Infrastructure	948	(26)	922	29	951
Innovation and Science	902	(133)	769	8	777
International and Intergovernmental Relations	58	(4)	54	—	54
Justice	2,147	(40)	2,107	3	2,110
Learning	1,003	(73)	930	56	986
Municipal Affairs	318	(15)	303	14	317
Revenue	350	(5)	345	15	360
Seniors	221	(4)	217	11	228
Solicitor General	2,046	(34)	2,012	34	2,046
Sustainable Resource Development	1,969	(37)	1,932	13	1,945
Transportation	720	(70)	650	174	824
Total Full-Time Equivalent Employment	24,028	—	24,028	1,197	25,225

^a The 2000-01 Budget has been restated by 186 FTEs. Children's Services FTEs have been increased by 106 to correct an understatement in Budget 2000. Innovation and Science FTEs have been increased by 80 from the acquisition of C-FER inc. and the Petroleum Research Institute by the Alberta Science and Research Authority late in 1999-2000.

^b 1,099 FTEs have been transferred from ministries to Government Services for the Alberta Corporate Service Centre (ACSC). The transfer includes 11 FTEs which were budgeted for ACSC in Executive Council in 2000-01.

Details of Net Financial Position

(millions of dollars)

	At March 31				
	2000 Actual	2001 Forecast	2002 Estimate	2003 Target	2004 Target
Financial Assets					
Total Heritage Fund equity	12,256	12,256	12,256	12,256	12,256
Less: Internal holdings of debt	(578)	(313)	(134)	(100)	(95)
Heritage Fund external investments	11,678	11,943	12,122	12,156	12,161
Self-supporting lending organizations:					
Alberta Municipal Financing Corporation	4,052	3,596	3,491	3,416	3,334
Agriculture Financial Services Corporation	1,325	1,242	1,378	1,490	1,585
Alberta Opportunity Company	118	124	122	127	127
Funds available for debt repayment	470	2,125	2,120	1,374	—
Endowment Funds:					
Alberta Heritage Foundation for Medical Research	1,023	1,048	1,030	998	1,018
Alberta Heritage Scholarship	315	326	335	344	354
Alberta Heritage Science and Engineering Research	—	522	529	530	538
Equity in commercial enterprises	517	601	758	933	1,127
Farm Credit Stability deposits	185	125	86	62	43
Other cash, marketable securities and accounts receivable	2,304	3,342	1,922	1,419	1,371
Total Financial Assets	21,987	24,994	23,893	22,849	21,658
Liabilities					
General Revenue Fund	11,749	10,025	8,644	7,133	5,784
School construction loans	892	793	698	608	525
Alberta Social Housing Corporation	690	615	521	493	471
Less: General Revenue Fund holdings of provincial corporation debt	(841)	(1,091)	(1,283)	(1,336)	(1,380)
Accumulated Debt ^a	12,490	10,342	8,580	6,898	5,400
Pension obligations	4,728	4,728	4,758	4,802	4,863
Self-supporting lending organizations:					
Alberta Municipal Financing Corporation	4,052	3,596	3,491	3,416	3,334
Agriculture Financial Services Corporation	933	831	994	1,099	1,158
Alberta Opportunity Company	88	92	101	103	105
Less: Debt internally held by consolidated entities	(822)	(857)	(957)	(1,025)	(1,085)
Accounts and interest payable	2,492	2,241	2,136	2,110	1,933
Guarantees, indemnities and remissions	249	251	253	255	257
Other accrued liabilities	151	151	153	154	155
Less: Other debt internally held by consolidated entities	(300)	(356)	(174)	(110)	(105)
Total Liabilities	24,061	21,019	19,335	17,702	16,015
Net Assets (Debt)	(2,074)	3,975	4,558	5,147	5,643
Pension obligations	4,728	4,728	4,758	4,802	4,863
Net Assets Excluding Pension Obligations	2,654	8,703	9,316	9,949	10,506

^a Subject to the *Fiscal Responsibility Act*.

Accumulated Debt Retirement Schedule

	<i>Fiscal Responsibility Act</i>		Forecast	
	Required Debt Retirement (percent)	Required Five-year Milestones (\$ millions)	Debt ^a (\$millions)	Debt Retirement (percent)
1999-2000		12,490		
2000-01			8,217	
2001-02			6,460	
2002-03			5,524	
2003-04			5,400	
2004-05	13%	10,867	4,975	60%
2005-06				
2006-07				
2007-08				
2008-09				
2009-10	30%	8,743	2,851	77%
2010-11				
2011-12				
2012-13				
2013-14				
2014-15	50%	6,245	353	97%
2015-16			0	100%
2016-17				
2017-18				
2018-19				
2019-20	75%	3,123		
2020-21				
2021-22				
2022-23				
2023-24				
2024-25	100%	0		

^a Net of cash set aside for future debt payment. Accumulated debt payment from 2004-05 to 2015-16 assumes reductions equal to minimum scheduled reductions for those years.

Details of Cash Available for Debt Repayment

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Allocation for debt repayment/increase in assets	2,717	535 ^a	5,549 ^a	613	633	557
Cash adjustments:						
Natural gas royalties	288	78	(2,346)	1,815	552	(7)
Other cash adjustments	(162)	34	781	(508)	(72)	(164)
Total Cash Adjustment	126	112	(1,565)	1,307	480	(171)
Less: Retained income of						
Alberta Treasury Branches	229	114	161	152	168	187
Agriculture Financial Services Corporation	98	23	(31)	13	31	37
Foundation for Medical Research Endowment Fund	136	29	25	(18)	(32)	20
Scholarship Fund	39	4	11	9	9	10
Heritage Savings Trust Fund	230	—	—	—	—	—
Heritage Science and Engineering Research Endowment Fund	—	—	22	7	1	8
Environmental Protection and Enhancement Fund	100	60	43	—	—	—
Other	(75)	(115)	(50)	—	—	—
Total Retained Income	757	115	181	163	177	262
Current year cash available	2,086	532	3,803	1,757	936	124
Cash available from previous year	—	—	470	2,125	2,120	1,374
Cash Available for Accumulated Debt Repayment	2,086	532	4,273	3,882	3,056	1,498
Allocation of cash available						
Current year debt maturities and redemptions	1,616	532	2,148	1,762	1,682	1,498
Future year debt maturities and redemptions	470	—	2,125	2,120	1,374	—
Cash Available for Accumulated Debt Repayment	2,086	532	4,273	3,882	3,056	1,498

^a Excludes the \$500 million allocation for Alberta Heritage Science and Engineering Research Endowment Fund.

Net Financing Requirements

(millions of dollars)

	1999-2000 Actual	2000-01 Budget	2000-01 Forecast	2001-02 Estimate	2002-03 Target	2003-04 Target
Requirements						
Term debt maturities and redemptions	2,289	2,760	2,427	1,585	1,575	1,645
School construction loans	102	99	99	95	90	83
Financing of provincial corporations' borrowing	196	248	338	281	134	159
Other	467	5	37	45	12	(43)
	3,054	3,112	2,901	2,006	1,811	1,844
Cash applied to accumulated debt repayment	(1,616)	(532)	(2,148)	(1,762)	(1,682)	(1,498)
Net Financing Requirements	1,438	2,580	753	244	129	346

2001-04 Term Debt Maturities^a

	Par Amount in Cdn. Dollars (\$ millions)	Par Amount in U.S. Dollars (\$ millions)	Coupon Rate (%)	Maturity Date
2001-02 Term Debt Maturities				
Term Debt Issues				
1991 Canadian Debenture	500		10.25	August 2001
1994 Canadian Medium Term Notes	10		8.40	October 2001
1996 Canadian Debenture	350		6.125	October 2001
1997 Euro Australian Dollar Notes ^{b,c}	112	76	5.25	March 2002
1999 Euro U.S. Dollar Notes ^c	443	300	5.25	March 2002
Callable notes ^d				
1997-99 Canadian Medium Term Notes	102		varied	May 2001 to March 2002
1997-98 Canadian Medium Term Notes ^{b,c}	68	46	varied	August to November 2001
2001-02 Total Term Debt Maturities	1,585	422		

2002-03 Term Debt Maturities				
Term Debt Issues				
1999 Euro Canadian Dollar Notes	100		5.25	April 2002
1999 Euro Canadian Dollar Note ^{b,c}	245	169	5.50	July 2002
1999 Euro Canadian Dollar Notes ^{b,c}	197	137	6.00	November 2002
1998 Euro Canadian Dollar Notes	100		5.00	December 2002
1999 Euro U.S. Dollar Notes ^c	718	500	7.00	February 2003
Callable notes ^d				
1997-99 Canadian Medium Term Notes	215		5.80	April 2002 to March 2003
2002-03 Total Term Debt Maturities	1,575	806		

2003-04 Term Debt Maturities				
Term Debt Issues				
1993 Canadian Debenture	500		7.75	May 2003
1996 Alberta Savings Certificates	35		5.25	June 2003
1998 Global U.S. Dollar Notes ^c	706	500	4.875	October 2003
1998 Canadian Debenture	390		5.10	December 2003
1999 Canadian Dollar Notes	14		5.30	March 2004
2003-04 Total Term Debt Maturities	1,645	500		

^a Excludes \$51 million in 2001-02, \$77 million in 2002-03 and \$111 million in 2003-04 of principal repayment on notes supported by provincial corporations.

^b Swapped into a U.S. dollar obligation.

^c U.S. dollar debt converted to Canadian dollars at forecast foreign exchange rates ranging from 68 cents U.S. in March 2002 to 71 cents U.S. in October 2003.

^d Assumes callable notes with call dates in 2001-02 and 2002-03 will be called in those years.

Pension Obligations

(millions of dollars)

	At March 31				
	2000 Actual	2001 Forecast	2002 Estimate	2003 Target	2004 Target
Obligations for Employees of Organizations Outside the Government Reporting Entity					
Teachers' Pension Plan	3,805	3,833	3,885	3,944	4,012
Universities Academic Pension Plan	121	126	131	136	141
Special Forces Pension Plan	55	51	47	43	39
	3,981	4,010	4,063	4,123	4,192
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan ^a	654	645	637	629	621
Members of the Legislative Assembly Pension Plan ^a	49	49	49	50	50
Management Employees Pension Plan	39	24	9	—	—
Public Service Pension Plan	5	—	—	—	—
	747	718	695	679	671
Total Pension Obligations	4,728	4,728	4,758	4,802	4,863

^a Membership closed and pensionable service no longer being accrued.

Fee Changes

		2000-01	2001-02
Community Development			
Provincial Museum of Alberta	- Adult	6.50	8.00
	- Senior	5.50	6.50
	- Youth	3.00	4.00
	- Family	15.00	20.00
Royal Tyrrell Museum of Palaeontology	- Adult	7.50	8.50
	- Senior	5.50	6.50
	- Youth	3.00	4.50
	- Family	19.00	20.00
Royal Tyrrell Museum Field Station	- Adult	2.00	2.50
	- Senior	1.50	2.50
	- Youth	1.50	1.50
	- Family	No Family Fee	7.00
Rutherford House	- Adult	2.00	3.00
	- Senior	1.50	2.00
	- Youth	1.50	2.00
	- Family	5.00	8.00
Frank Slide Interpretive Centre	- Adult	4.00	6.50
	- Senior	3.00	5.50
	- Youth	2.00	3.00
	- Family	10.00	15.00
Municipal Affairs			
Relocatable structure labels		\$140/label	\$30/label

Loans and Advances^a

(millions of dollars)

	At March 31	
	2000 Actual	2001 Forecast
Loans and Advances		
Agriculture Financial Services Act	713	810
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	149	146
Vencap Acquisition Corporation	5	5
Alberta Opportunity Fund Act	128	134
Farm Credit Stability Act	185	126
Alberta Housing Act	44	30
Financial Administration Act		
Accountable advances	15	16
Pratt & Whitney Canada Inc.	4	3
Board of Governors, University of Alberta	3	3
University of Lethbridge Students' Union	1	1
Implemented guarantees and indemnities	1	1
University of Calgary Students' Union	1	—
	1,249	1,275
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(55)	(55)
Other	(39)	(44)
	(94)	(99)
Total Loans and Advances	1,155	1,176

^a When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2000 Actual	2001 Forecast
Guarantees		
Farm Credit Stability Act	192	132
Alberta Housing Act	121	112
Student Loan Act	57	72
Agriculture Financial Services Act	59	58
Feeder associations	50	50
Alberta Opportunity Fund Act	3	6
Agricultural Societies Act	3	3
Rural utilities loans	3	2
Centre for Engineering Research Inc.	3	2
Securities Act	2	2
University of Calgary	1	1
	494	440
Estimated Liability		
Loan guarantees	(17)	(15)
Remissions for student loans	(12)	(12)
	(29)	(27)
Total Guarantees	465	413

Province of Alberta

Key Energy and Economic Assumptions^a

	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Year Assumptions	Actual	Actual				
Prices						
Oil price						
WTI (US\$/bbl)	13.70	23.16	30.20 ^c	25.00	21.00	21.00
Alberta wellhead (Cdn\$/bbl)	17.06	30.30	39.51	32.05	25.30	24.08
Natural gas price						
Alberta wellhead (Cdn\$/mcf)	1.98	2.66	6.07	5.03	3.75	3.44
Alberta wellhead (Cdn\$/GJ)	1.88	2.52	5.76	4.77	3.56	3.26
Exchange rate (US\$/Cdn\$)	66.5	68.0	66.5 ^c	67.8	69.3	71.3
Production						
Crude oil and equivalent (000's barrels/day)	1,524	1,467	1,375	1,446	1,604	1,739
Natural gas (billions of cubic feet)	5,289	5,370	5,352	5,425	5,506	5,589
Interest rates^b						
3-month Canada treasury bills (per cent)	4.81	4.76	5.42 ^c	4.75	5.00	5.00
10-year Canada bonds (per cent)	5.21	5.83	5.70 ^c	5.50	5.50	5.50
	1999	2000	2001	2002	2003	2004
Calendar Year Assumptions	Actual					
Gross Domestic Product						
Nominal (millions of dollars)	115,417	140,794	157,805	150,309	156,711	163,538
per cent change	9.0	22	12.1	-4.8	4.3	4.4
Real (millions of 1992 dollars)	103,794	110,124	115,434	119,623	123,155	126,886
per cent change	3.6	6.1	4.8	3.6	3.0	3.0
Other Indicators						
Employment (thousands)	1,553	1,588 ^c	1,627	1,669	1,705	1,741
per cent change	2.5	2.2 ^c	2.5	2.5	2.2	2.1
Unemployment rate (per cent)	5.7	5.0 ^c	4.7	4.2	4.0	3.5
Housing starts (number of units)	25,447	26,266 ^c	26,700	25,300	24,500	23,900
Alberta Consumer Price Index						
per cent change	2.4	3.5 ^c	2.0	1.8	2.1	2.2
Population (thousands)	2,959	2,997 ^c	3,041	3,084	3,126	3,166
per cent change	1.8	1.3 ^c	1.5	1.4	1.4	1.3

^a As required by the *Government Accountability Act*.

^b For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

^c Actual.

Sensitivities to Fiscal Year Assumptions, 2001-02^a

(millions of dollars)

	Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-153	--	-153
Natural Gas Price (Cdn\$/mcf)	-10¢	-142	--	-142
Exchange Rate (US\$/Cdn\$)	+1¢	-120	-30	-90
Interest Rates	-1%	-39	-29	-10
Real Gross Domestic Product	-1%	-40	--	-40

^a Sensitivities are based on current assumptions of prices and rates and show the impact for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity is also affected by the timing of changes during the fiscal year.

Major Provincial Tax Rates, 2001

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Personal Income Tax											
Statutory Rate Range											
- Lowest Rate	(%)	10.00	8.40	11.50	10.90	6.20	17.00 ^a	9.68	9.77	9.80	10.57
- Highest Rate	(%)	10.00	19.70	16.00	17.50	11.16	24.50 ^a	17.84	16.67	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic Exemption	(\$)	12,900	8,000	8,000	7,361	7,426	5,900	7,412	7,231	7,412	7,410
Spousal Exemption	(\$)	12,900	6,850	8,000	6,251	6,306	5,900	6,294	6,140	6,294	6,055
Corporate Income Tax											
Small Business Rate	(%)	5.0 ^b	4.5	8.0 ^c	6.0	6.5	9.04 ^d	4.0	5.0	7.5	5.0
M&P Rate	(%)	13.5 ^b	16.5	10/17 ^e	17.0	12.0	9.04 ^d	16.0	16.0	7.5	5.0
General Rate	(%)	13.5 ^b	16.5	17.0	17.0	14.0	9.04 ^d	16.0	16.0	16.0	14.0
Capital Tax											
General	(max.%)	—	0.30	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	— ^b	3.00	3.25	3.00	0.90	1.55 ^f	3.00	3.00	3.00	4.00
Retail Sales Tax	(%)	—	7.0	6.0	7.0	8.0	7.5 ^g	8.0 ^g	8.0 ^g	10.0	8.0 ^g
Gasoline Tax	(¢/litre)	9.0	11.0 ^h	15.0	11.5	14.7	15.2 ^{ih}	10.7 ⁱ	13.5 ⁱ	13.0	16.5 ⁱ
Tobacco Tax	(\$/carton)	14.00	22.00	17.20 ^j	17.20 ^j	7.30 ^j	10.60 ^j	12.00 ^j	13.54 ⁱ	15.90	22.00 ^j
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26 ^j	—	—	—	2.00

Rates for other provinces known as at April 4, 2001.

^a Quebec residents receive an abatement of 16.5% of federal tax in lieu of cash transfers to Quebec for several social programs, reducing the lowest and highest effective rates to 14.36% and 19.71%, respectively.

^b These rates are effective April 1, 2001.

^c This rate is reduced to 6% effective July 1, 2001.

^d The Quebec corporate tax rate includes the basic rate of 8.9% plus the Youth Fund surtax of 1.6%.

^e The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

^f The Quebec financial institutions capital tax includes the base rate of 1.28%, the Youth Fund surtax of 1.6%, and a compensatory tax of 0.25%.

^g These provinces' sales taxes are harmonized with the federal GST and apply to a broader base than other provincial sales taxes.

^h An additional 4 cents/litre is imposed in the greater Vancouver area, 2.5 cents/litre in Victoria and 1.5 cents/litre in Montreal.

ⁱ These provinces apply their retail sales taxes on top of this tax.

^j There is an additional 2% compensatory tax on wages of financial institutions that is not included in this rate.

Historical Consolidated Fiscal Summary, 1984-85 to 2003-04^a

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	
																	Forecast	Budget	Target	Target	
Revenue																					
1	Personal income tax	1,457	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,967	4,077	4,658	4,924
2	Corporate income tax	828	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,848	1,659	1,255	1,978	1,974	1,599	1,471
3	School property tax	637	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,132	1,048	1,048	1,048
4	Other tax revenue	334	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,219	1,178	1,241	1,400	1,359	1,337	1,304
5	Natural resource revenue	5,229	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,479	7,536	5,111	4,584
6	Investment income	1,606	1,706	1,483	1,338	1,301	1,346	1,589	1,547	1,059	1,269	1,004	1,182	1,094	1,237	1,146	1,468	1,032	898	1,098	1,207
7	Alberta Municipal Financing Corporation	407	455	482	509	533	545	536	608	652	568	563	542	522	510	464	438	407	358	331	305
8	Other own-source revenue	1,099	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,506	2,540	2,951	3,013	3,252	3,247	3,345	3,467	3,547
9	Total own-source revenue	11,597	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,842	15,368	16,632	15,547	18,532	23,642	20,595	18,649	18,390
10	Federal transfers	1,686	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,751	2,078	2,026	2,078
11	Total Revenue	13,283	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,590	16,719	17,815	16,882	20,172	25,393	22,673	20,675	20,468
Expense by Function^b																					
12	Health	2,731	2,958	3,191	3,056	3,338	3,602	3,864	4,103	4,325	4,169	3,905	3,747	3,978	4,369	4,624	5,302	5,815	7,141	6,739	7,107
13	Basic and advanced education	2,783	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,045	6,066	5,665	5,754
14	Social services	1,051	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,794	1,934	2,028	2,085
15	Other program expense	5,245	6,798	5,778	5,195	5,111	5,357	5,772	5,527	6,058	5,197	4,324	3,840	3,541	3,820	3,984	4,720	5,534	5,691	4,490	4,217
16	Total program expense	11,810	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,756	12,768	13,834	14,409	16,425	18,188	20,832	18,922	19,163
17	Debt servicing costs	228	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	1,000	750	620	515
18	Total Expense	12,038	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,439	14,230	15,156	15,788	17,381	19,188	21,582	19,542	19,678
Net Change in Capital Assets^c																					
19	Capital investment	—	—	—	—	—	—	—	—	363	305	265	261	196	252	296	304	430	588	626	396
20	Capital amortization	—	—	—	—	—	—	—	—	(272)	(292)	(285)	(242)	(234)	(232)	(228)	(230)	(274)	(314)	(337)	(348)
21	Net Increase (Decrease) in Capital Assets	—	—	—	—	—	—	—	—	91	13	(20)	19	(38)	20	68	74	156	274	289	48
22	Alberta Heritage Science and Engineering Research Endowment Fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	500	—	—	—
23	Surplus (Deficit)/Economic Cushion	1,245	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,415)	(1,384)	958	1,132	2,527	2,639	1,026	2,717	5,549	817	844	742
Financial Assets (Debt)																					
24	Net assets (debt) ^{d,e}	12,578	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	8,703	9,316	9,949	10,506
25	Pension obligations	(5,359)	(5,500)	(6,625)	(7,946)	(8,004)	(8,243)	(6,156)	(5,774)	(4,770)	(5,066)	(5,352)	(4,981)	(4,890)	(4,813)	(4,728)	(4,728)	(4,758)	(4,802)	(4,863)	
26	Total Net Assets (Net Debt)	7,219	6,317	1,159	(1,527)	(3,592)	(5,947)	(5,692)	(7,939)	(11,824)	(13,379)	(12,707)	(11,607)	(8,709)	(5,979)	(4,876)	(2,074)	3,975	4,558	5,147	5,643
27	Accumulated Debt^f	5,787	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,217	6,460	5,524	5,400

^a Numbers have been restated on a 2001-02 basis except as noted.^b Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.^c Prior to 1992-93 capital investment is included in total expense.^d Excludes pension obligations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt; reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.^e Assumes debt payment and increase in financial assets of: \$613 million in 2001-02, \$633 million in 2002-03, and \$557 million in 2003-04.^f Includes cash set aside for future debt repayments.



THE FUTURE

MEETING PRIORITIES SHARING BENEFITS

Economic Outlook

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Economic Outlook

A strong rebound in energy sector investment helped the economy grow by an impressive 6.1% in 2000, the fastest growth among provinces. Continued strong economic growth of 4.8% is expected in 2001, led by robust consumer spending and rising exports.

Although energy prices are expected to decline to more sustainable levels, Alberta's economy should continue expanding at a healthy 3.2% per year, on average, over the medium term. Personal and corporate tax cuts will keep consumer and business confidence high, while exports are expected to rise as major manufacturing and oil sands investment projects begin production.

2000 IN REVIEW

Rebound in energy sector leads growth

- World oil prices increased from an average of U.S.\$19.30 per barrel in 1999 to an average of U.S.\$30.29 per barrel in 2000.
- High demand and tight U.S. natural gas supplies boosted natural gas prices to record levels. Between January and December 2000, the Alberta reference price rose well over 200% to \$8.73 per thousand cubic feet (mcf). The Alberta reference price averaged \$4.50 per mcf in 2000, up from \$2.48 per mcf in 1999.
- As a result, investment in the energy sector is estimated to have risen by \$4.9 billion, or 47%, to \$15.4 billion last year. The average number of rigs drilling in 2000 increased to 295, up 41% from 209 in 1999, while the total number of oil and gas wells drilled increased by 3,987, or 61%, to 10,512 in 2000.
- The rebound in energy investment was a key factor driving Alberta's real GDP growth, estimated at 6.1% in 2000. The sharp rise in energy prices also raised nominal GDP an estimated 22%.

Non-energy sector also healthy

- Despite some regional problems, net farm income was up 12.6% in 2000. A 4.3% decline in crop cash receipts was offset by a 11.5% increase in livestock receipts as the cattle sector remained healthy and hog prices recovered.
- Building permits increased by 10% in Alberta for 2000.
- The value of manufacturing shipments was up 17.3% in 2000, led by increases in petroleum and coal products (62%), machinery (27%), primary metals (22%), paper and allied products (19%), and fabricated metals (19%).

Good job prospects and tax cuts strengthen household spending

- The unemployment rate averaged 5.0% in 2000, down from 5.7% in 1999. By December 2000, Alberta's unemployment rate was 4.8%, the lowest among the provinces.
- Employment increased by 34,900 jobs or 2.2% in 2000, led by increases in trade (11,200), construction (11,000), accommodation and food services (10,600), professional, scientific and technical services (5,900), transportation and warehousing (5,900) and manufacturing (5,800). Skill shortages may be emerging in some sectors.
- The strength of the Alberta economy attracted a net total of 21,951 interprovincial migrants in 2000, up from 13,985 in 1999.
- In 2000, wage settlements in Alberta averaged 4.3%. Strong growth in labour income, the elimination of the provincial surtax, provincial tax rebates, and federal income tax cuts contributed to a 7.1% rise in disposable income.
- These income gains helped increase consumer purchasing power despite the rise in inflation to 3.5%. As a result, retail sales in Alberta rose 8.9% in 2000 and total housing starts rose 3.2%.

GLOBAL ECONOMIC OUTLOOK

United States and the global economy are slowing down

- Growth slowed sharply in the United States in the second half of 2000, as the economy responded to the rise in interest rates the year before. The extent and suddenness of the slowdown caught many analysts by surprise.
- The U.S. Federal Reserve has reacted strongly to the continued weakness in the U.S. economy, cutting interest rates by 1 percentage point in January 2001, and by another half percentage point in late March. Although Alberta Finance expects the Federal Reserve to successfully avoid an outright recession, U.S. growth is expected to slow to around 2% this year, down from 5% in 2000. Economic growth is also expected to moderate in the rest of the world.
- The unexpectedly sharp slowdown in the United States has led the Bank of Canada to cut Canadian interest rates by three-quarters of a percentage point since January. Lower interest rates and major federal and provincial tax cuts are expected to keep consumer spending reasonably healthy this year. However, economic growth in Canada is expected to slow from 4.7% in 2000 to around 2.9% in 2001, as exports to the United States slow.

Commodity prices ease

- With slower global demand growth, world oil prices are expected to head down from US\$30.20 per barrel in the 2000-01 fiscal year to US\$25 in 2001-02, and US\$21 thereafter.

- With oil prices declining and increased natural-gas-directed drilling in Canada and the United States, natural gas prices are also expected to fall back from their recent record peaks to average \$6.07 per mcf in 2000-01, \$5.03 in 2001-02, \$3.75 in 2002-03, and \$3.44 in 2003-04.
- In contrast, agricultural prices are expected to firm somewhat. Grain prices appear to have bottomed out, hog prices have recovered from recent lows and cattle prices are expected to remain healthy.
- Consumer price inflation in Alberta is expected to fall to 2% this year from 3.5% last year. Provincial energy rebates reduced the CPI index for natural gas in Alberta by close to 40% between December 2000 and February 2001, and moderated the increase in the CPI index for electricity to around 5%. CPI inflation rates are expected to decline as the recent run-up in energy prices is unwound. This will increase consumer purchasing power.

ALBERTA ECONOMIC OUTLOOK

Tax cuts keep economic growth at 4.8% in 2001

- Alberta's new personal income tax system, originally announced in Budget '99, became fully effective on January 1, 2001. Increased personal and spousal exemptions and the introduction of a 10% single rate tax will result in estimated annual savings for Alberta taxpayers of \$1.1 billion in 2001, bringing the total tax cut to \$1.5 billion, a 23% reduction since 1998.
- The federal government has followed Alberta's lead in indexing the personal tax system to inflation. It has also cut personal tax rates and eliminated its high income surtax.
- Continued strong employment and wage growth and the large provincial and federal tax cuts are expected to increase the amount of money in consumers' pockets and raise living standards. Personal disposable income is expected to increase by about 10% in 2001. As a result, real consumer spending is expected to grow 6.3% in 2001.
- Real exports are expected to rise 5.8% this year, as petrochemical and oil sands expansions come into production.
- Energy sector investment will remain strong due to natural gas directed drilling and major oil sands projects. Non-energy investment activity is expected to decline somewhat this year as construction ends and production begins at several major projects. Overall, real private investment in 2001 is expected to be about the same as last year.
- As a result of tax cuts, increased consumer spending and healthy exports, Alberta's real GDP is expected to grow by 4.8% this year.

Diversification strengthens Alberta's medium-term prospects

- In the medium term, economic growth is expected to average a robust 3.2% per year in Alberta, led by exports and consumer spending. Cuts in corporate income tax rates are expected to help keep investment levels high.
- In September 2000, the provincial government announced that it would implement the Business Tax Review Committee's major recommendations. The general and manufacturing and processing corporate income tax rates will be cut to 8% over a period of 4 years, as affordable, with the first phase of the cut starting on April 1, 2001. The small business rate will be cut from 6% to 3% by April 1, 2003 and the amount of income eligible for the small business deduction will be increased from \$200,000 to \$400,000.
- About \$31 billion in major investment projects are announced or already under construction. These include oil sands and other oil and gas projects (over \$16 billion), utilities (\$3.5 billion), transportation (\$3.1 billion), pipelines (\$3 billion) and commercial or real estate developments (\$2.8 billion).
- Alberta's good economic prospects and high standard of living are expected to continue attracting people from other provinces. Net interprovincial migration is expected to average about 15,000 people a year.
- Unless in-migration picks up strongly, continued healthy employment gains and somewhat slower labour force growth are expected to reduce Alberta's unemployment rate to 3.5% by 2004.

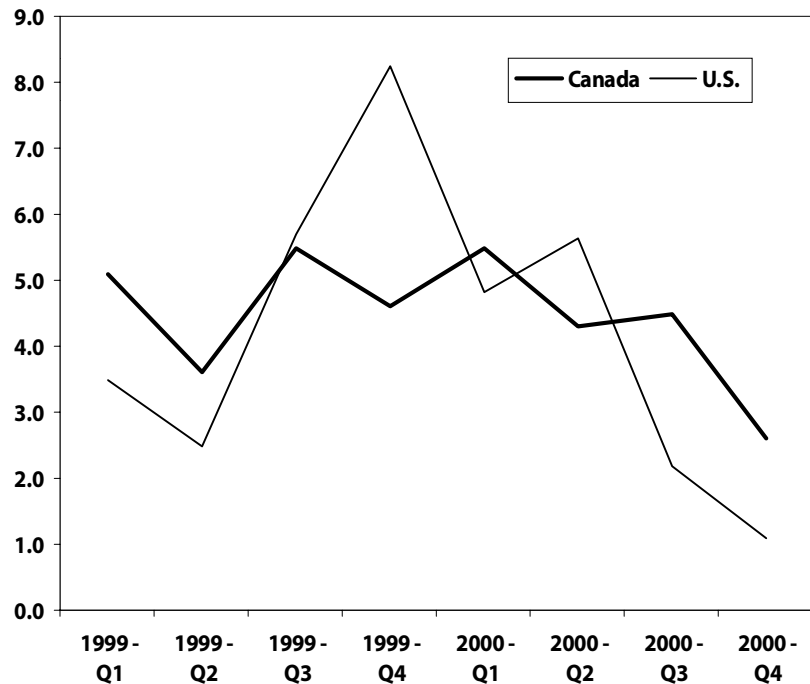
At this point, the major risk to the forecast is a hard landing in the United States

- Some analysts are now calling for U.S. economic growth of around 1% this year, despite the sharp decline in interest rates and the prospect of major U.S. federal tax cuts. Under this pessimistic scenario, economic growth in Canada could fall to around 1.5% even though large federal and provincial tax cuts should help sustain household spending.
- While the probability of such a scenario is relatively low (perhaps 20% to 30%), it would have a modest negative impact on Alberta's economic performance. The impacts would be more severe if slower growth led to a sharp drop in global energy demand and a more rapid reduction in oil and natural gas prices.
- Even without a hard landing in the United States, the current global oil demand-supply situation is balanced on a knife edge. Oil prices could decline more sharply than expected if OPEC fails to adhere to the recently announced production cuts.

SLOW US GROWTH SPILLS OVER INTO CANADA

Quarterly real GDP at annualized rates (per cent change)

- U.S. growth slowed sharply from 5.6% at annual rates in the second quarter of 2000 to 1.0% in the fourth. The extent and suddenness of the slowdown caught analysts by surprise. A number of analysts are concerned that the current contraction in the manufacturing sector will become widespread and lead the entire economy into recession.
- The slowdown in the United States is spilling over into Canada. Canadian growth fell from 4.5% in the third quarter last year to 2.6% in the fourth quarter. Canadian employment has risen by only 6,900 since last December.

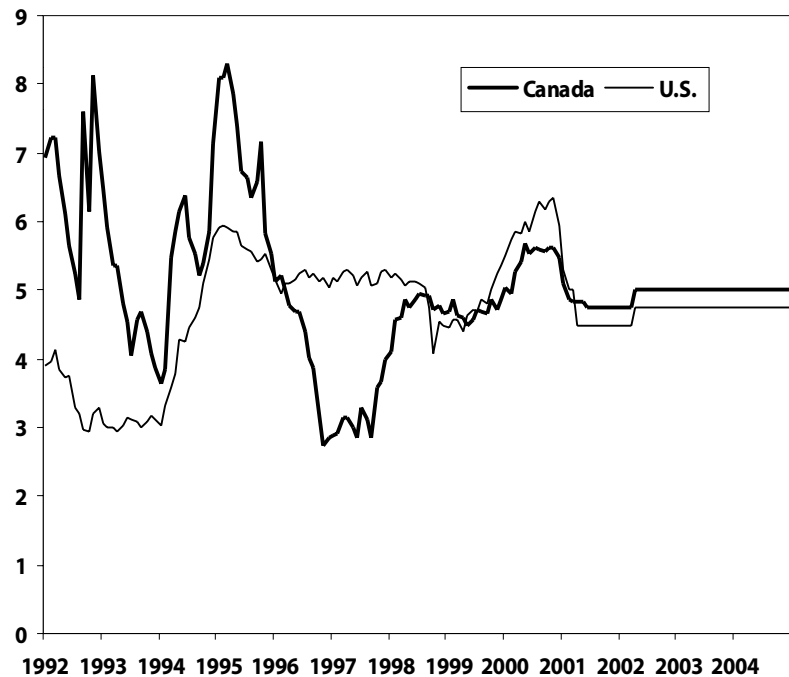


Source: Statistics Canada and Bureau of Economic Analysis

INTEREST RATES EXPECTED TO EASE

3-month Treasury Bills (per cent)

- With inflation remaining relatively subdued, the U.S. Federal Reserve has reacted strongly to the emerging weakness in the U.S. economy. The Fed cut interest rates by 1 percentage point in January, and by an additional half percentage point in March.
- The Bank of Canada has also cut interests rates, although not as aggressively as in the United States. The Bank cut rates by one-quarter percentage point in late January and another half percentage point in early March, citing the unexpectedly sharp slowdown in U.S. activity.
- The Bank is not expected to fully match U.S. interest rate cuts this year, as low unemployment and large federal and provincial tax cuts are expected to maintain healthy growth in consumer spending.

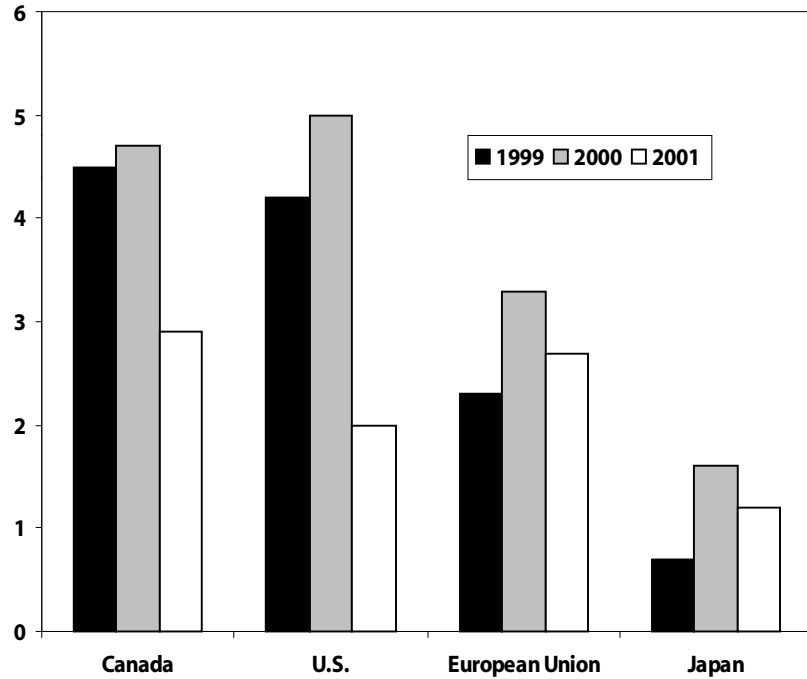


Source: Bank of Canada, Federal Reserve Bank of St. Louis and Alberta Finance.

WORLD GROWTH TO MODERATE

Real Gross Domestic Product (per cent change)

- Given the sharp reduction in interest rates and the likelihood of substantial tax cuts later this year, the U.S. economy is expected to strengthen in the second half of 2001. Overall economic growth is expected to be about 2% this year in the United States, down from a sizzling 5% in 2000.
- Slower growth in the United States is expected to dampen growth in the rest of the global economy, particularly in Canada. Growth in Canada is expected to slow from 4.7% in 2000 to 2.9% this year. Lower interest rates and tax cuts should help sustain consumer spending, even though exports are expected to slow.

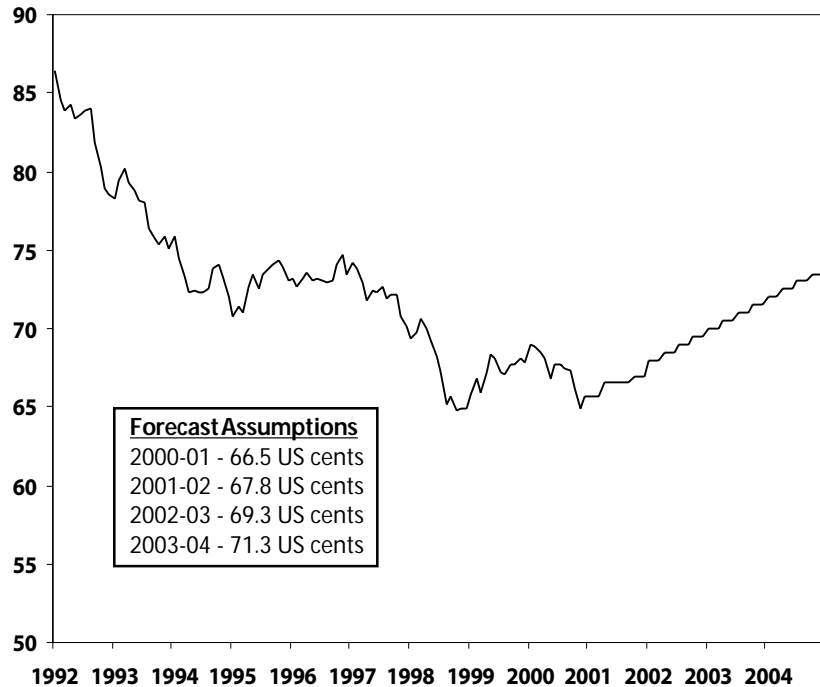


Source: IMF and Alberta Finance

CANADIAN DOLLAR EXPECTED TO RISE

(U.S.cents/Cdn\$)

- The Canadian dollar has weakened sharply against its U.S. counterpart this year, in common with most other currencies.
- The fundamentals -- low inflation, good economic prospects, a large current account surplus, and a relatively strong fiscal position -- suggest that the Canadian dollar should gradually appreciate over the medium term.

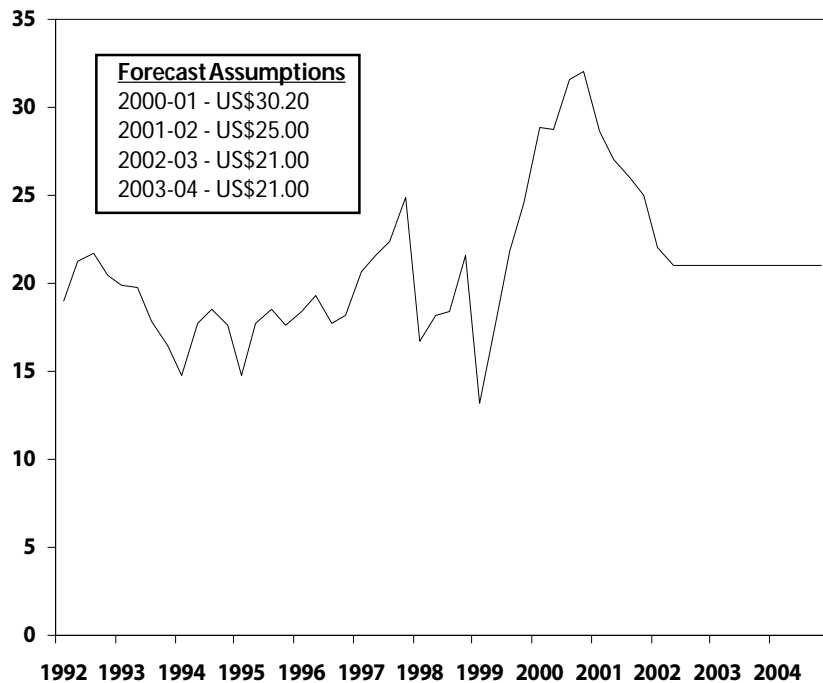


Source: Statistics Canada and Alberta Finance

OIL PRICES TO MODERATE

WTI Price (US\$/barrel, quarterly)

- Strong global economic growth and tight OPEC supply discipline boosted oil prices in 1999 and 2000. Oil prices averaged US\$30.20 per barrel in 2000-01, up from US\$23.16 per barrel in 1999-2000.
- Prices have eased from their November peaks of around US\$35/bbl to around US\$27 per barrel in March. In March, OPEC announced substantial production cuts in order to prevent a sharp decline in prices.
- Oil prices are expected to average US\$25 per barrel in fiscal 2001-02 and US\$21 per barrel thereafter.

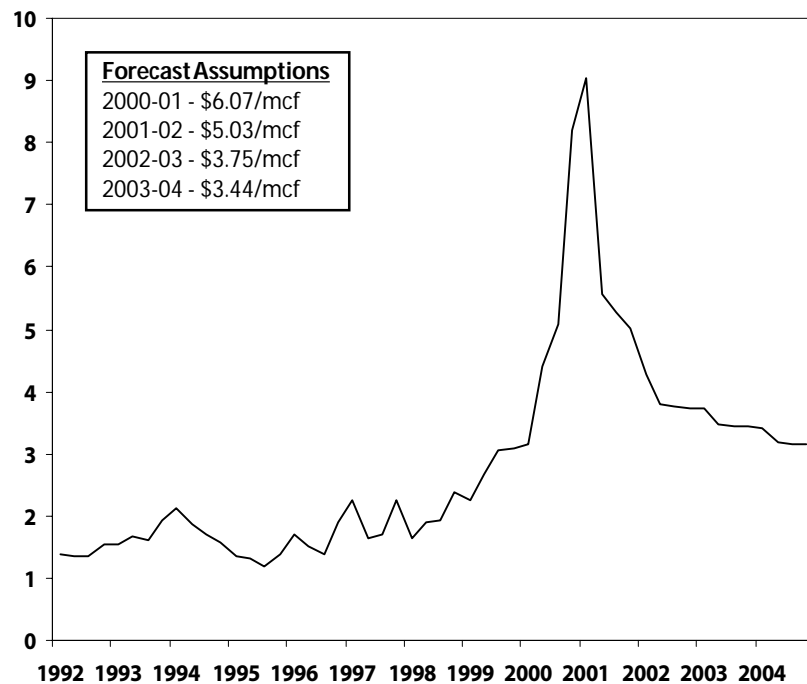


Source: Alberta Energy

NATURAL GAS PRICES TO MODERATE

Alberta Reference Price (Cdn\$/mcf, quarterly)

- Low natural gas inventory levels and high demand for electricity generation resulted in huge increases in natural gas prices in the United States in 2000. By January 2001, the Alberta Reference Price had reached \$11.82/mcf.
- In Alberta, increased pipeline capacity has allowed domestic gas prices to follow the U.S. lead. AECO-C spot prices have increased over 100% since last March to around \$7 per mcf.
- The Alberta reference price is expected to average \$6.07 for 2000-01, up from \$2.66 in 1999-2000.
- In the medium term, natural gas prices are expected to fall back as natural gas supplies rebound and demand growth eases.

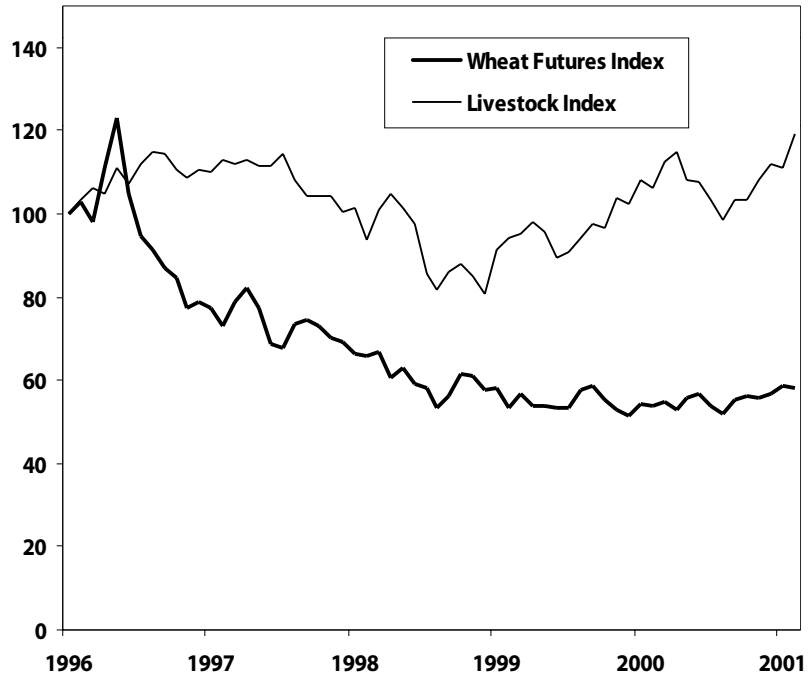


Source: Alberta Energy

AGRICULTURE PRICES FIRMING

Goldman Sachs Commodity Index (1969 = 100)

- Livestock prices generally improved in 2000 due to the recovery in hog prices and continued strength in cattle prices. Livestock prices were up 12% in 2000. Livestock cash receipts remained strong in Alberta, increasing 11.5%, led by hog cash receipts (up 45.6%) and calves (up 25.6%).
- Prices for crops showed some signs of firming. Prices for wheat fell 9.7% in 1999, and remained virtually flat in 2000. Wheat futures prices in February 2001 were 8% higher than in February 2000. Even though crop receipts for barley were up 14.4% in 2000, a 13.3% decline in canola receipts and a 6.2% decline in wheat receipts resulted in a 4.3% decline in crop cash receipts for Alberta producers in 2000.

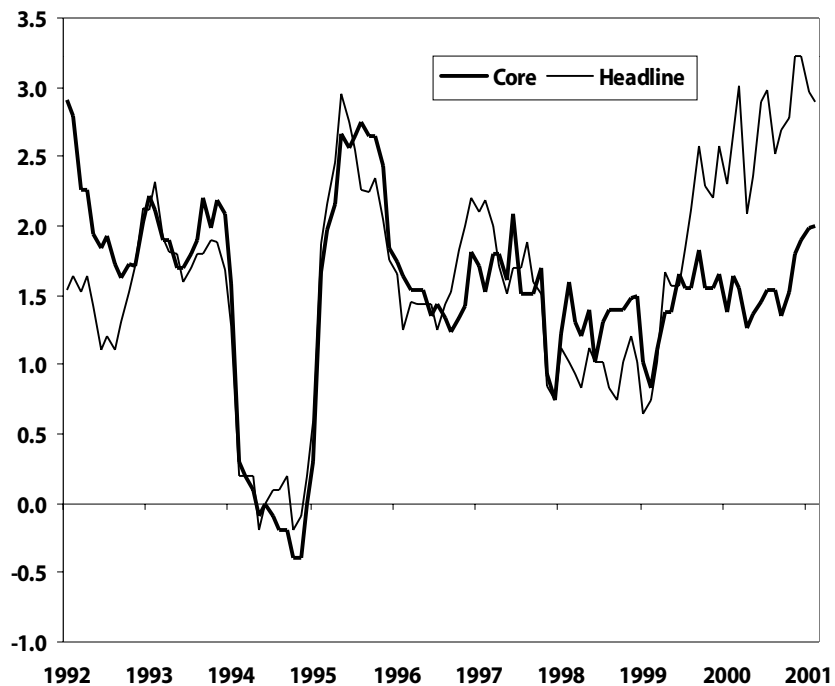


Source: Goldman Sachs and Alberta Finance

CANADIAN INFLATION EDGING UP

Consumer Price Index (12-month per cent change)

- In Canada and around the world, higher energy prices have pushed up the overall Consumer Price Index (CPI) inflation rate. The overall CPI inflation rate was 2.9% in Canada in February.
- The core CPI inflation rate, which excludes food and energy, is a indication of underlying inflation pressures. After remaining stable at around 1.5% for the past 3 years, it edged up to 2% in February. This is still in the middle of the Bank of Canada's 1% to 3% inflation target zone.
- Domestic cost pressures remain subdued in Canada. The economy has become less energy-intensive since the 1970s, but more importantly, the rise in energy prices is expected to be temporary and thus has not had a strong impact on inflation expectations.

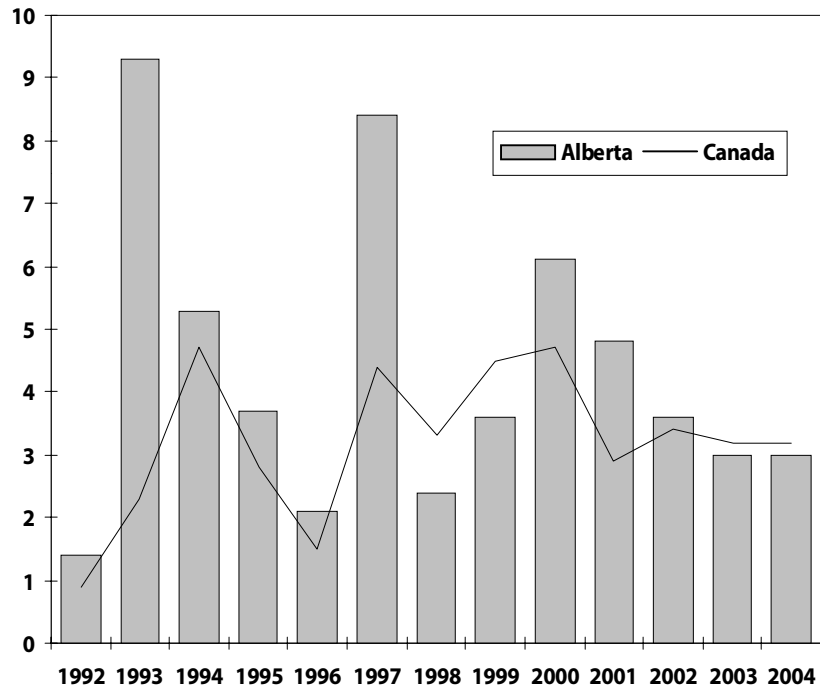


Source: Statistics Canada and U.S. Department of Labor

ECONOMIC ACTIVITY IN ALBERTA REMAINS STRONG

Real Gross Domestic Product (per cent change)

- Alberta has grown faster than Canada in 8 of the past 10 years.
- In 2000, Alberta's economy grew an estimated 6.1% due to a rebound in energy sector investment. Growth this year is expected to be 4.8%, the fastest in Canada.
- Although energy prices are expected to fall back to more sustainable levels in the medium term, Alberta's diversified economy is expected to expand at a healthy 3.2% as tax cuts boost consumer and business spending, and major projects in manufacturing and oil sands come on stream, increasing exports.

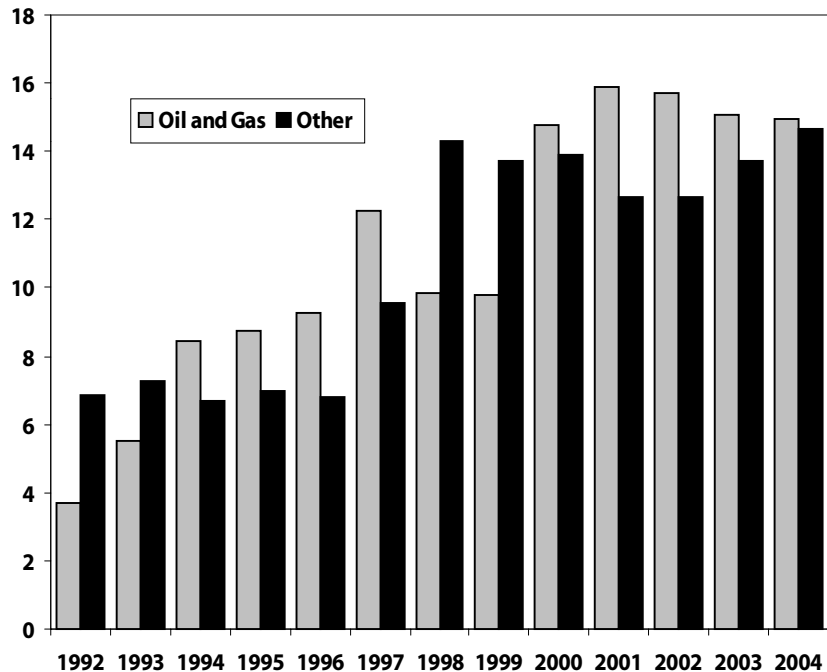


Source: Statistics Canada and Alberta Finance

- The rebound in the energy investment dominated Alberta's economic performance in 2000. Conventional oil and gas investment (exploration and development drilling), combined with continued strong oil sands investment, raised real energy investment an estimated 50% in 2000.
- Real energy investment is expected to increase further, by almost 8% this year as investment in oil sands peaks, and natural gas directed drilling remains strong.
- After modest growth of about 1.3% in 2000, real non-energy investment is expected to fall by about 10% this year as major projects are completed. Corporate income tax cuts should help boost growth in the medium term.
- Non-energy investment expected in the near future includes major projects in utilities (\$3.5 billion), transportation infrastructure (\$3.9 billion), pipelines (\$3 billion), and commercial and real estate developments (\$2.8 billion).

INVESTMENT STRENGTHENS

Alberta Real Business Investment (billions of 1992 dollars)

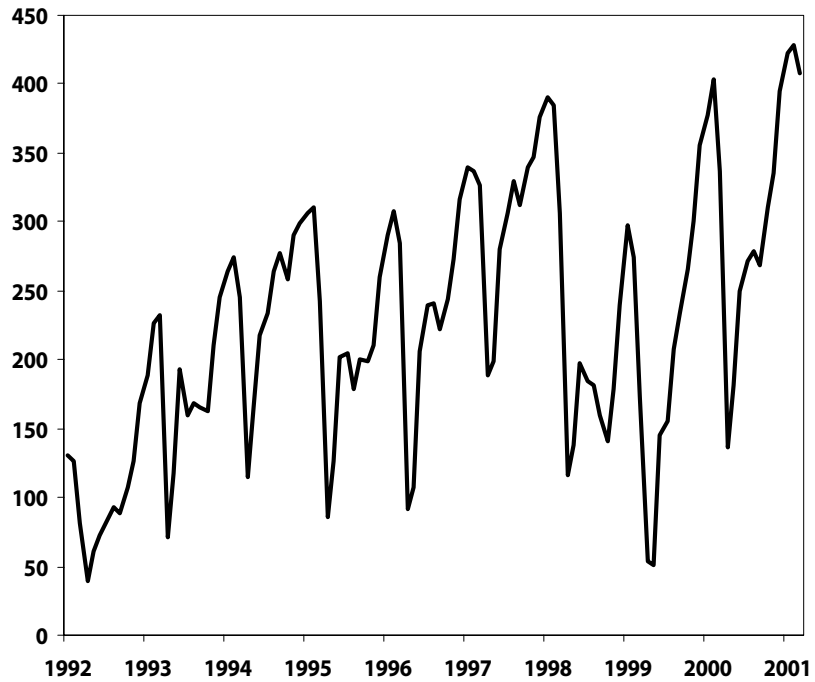


Source: Statistics Canada and Alberta Finance

RIG ACTIVITY REMAINS STRONG

(number of rigs drilling)

- Rig activity remained strong in 2000, due to high energy prices. The number of rigs drilling increased 41.1% compared to 1999.
- In the first quarter of 2001, the average number of rigs drilling was 12.5% higher than during the same period last year.
- The total number of oil and gas wells drilled in Alberta rose 61% in 2000 to 10,512. Gas wells accounted for 69% of the total.

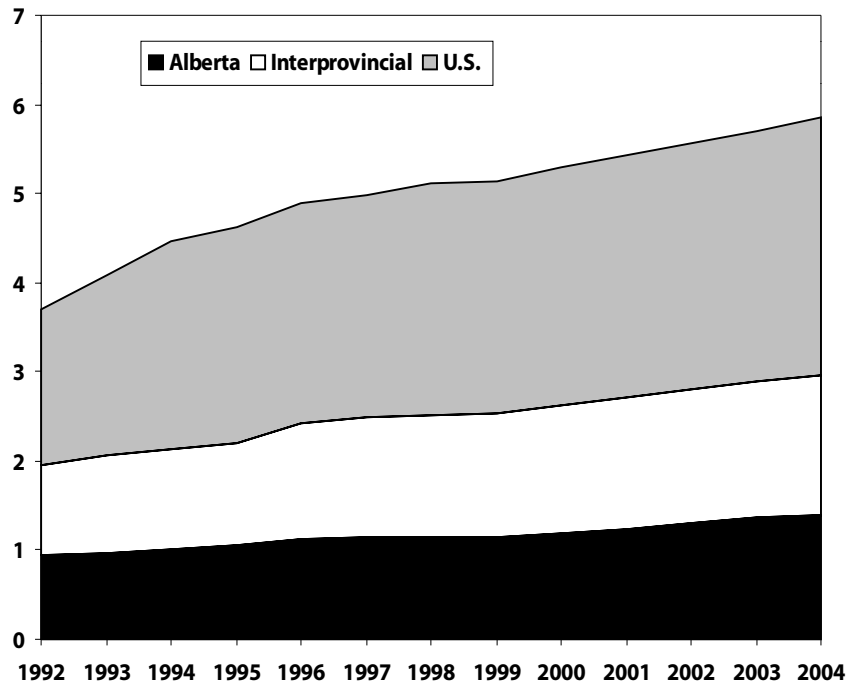


Source: Alberta Energy

GAS SALES EXPAND WITH PIPELINE CAPACITY

(trillions of cubic feet)

- For the first 11 months in 2000, Alberta natural gas deliveries rose an estimated 0.8% compared to the same time period in 1999.
- Natural gas exports are expected to grow as the result of strong demand in the U.S. market and expanded export pipeline capacity. The Alliance and Vector pipelines, for example, came on stream in late 2000 and should help boost natural gas exports as supplies increase.

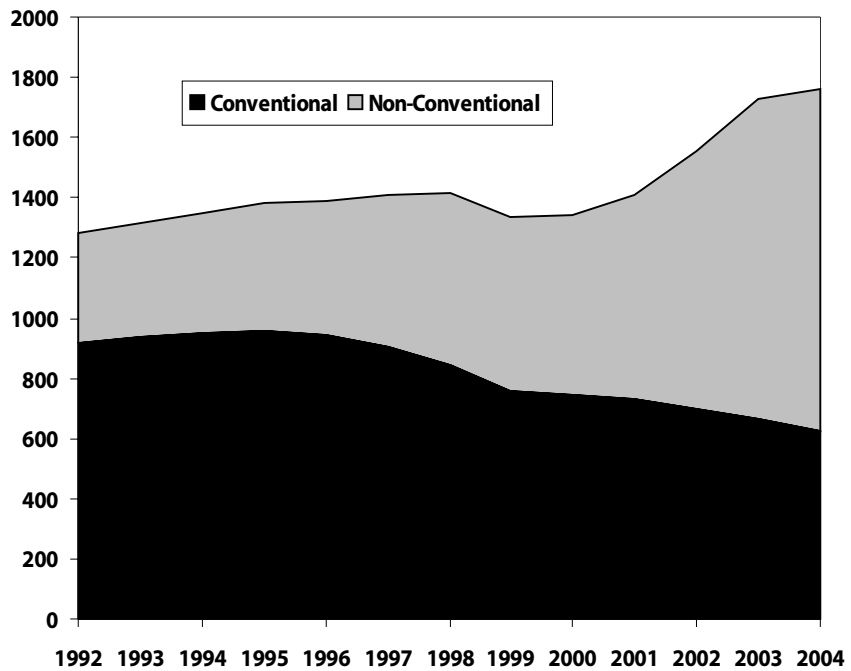


Source: Alberta Energy

NON-CONVENTIONAL OIL PRODUCTION GROWING

(thousands of barrels per day)

- Conventional crude production has been declining since 1995, and is expected to continue to decline. Non-conventional crude production, on the other hand, has been increasing sharply, and is expected to boost energy exports as new projects come on stream.
- Non-conventional oil production is forecast to rise over 90% from current levels by 2004. It is expected to account for over 60% of Alberta's oil production in 2004, compared to an estimated 43% in 1999.
- Over \$16 billion worth of investment projects have been announced for the next 10 years. An additional \$25 billion worth of projects are in the proposal stage.

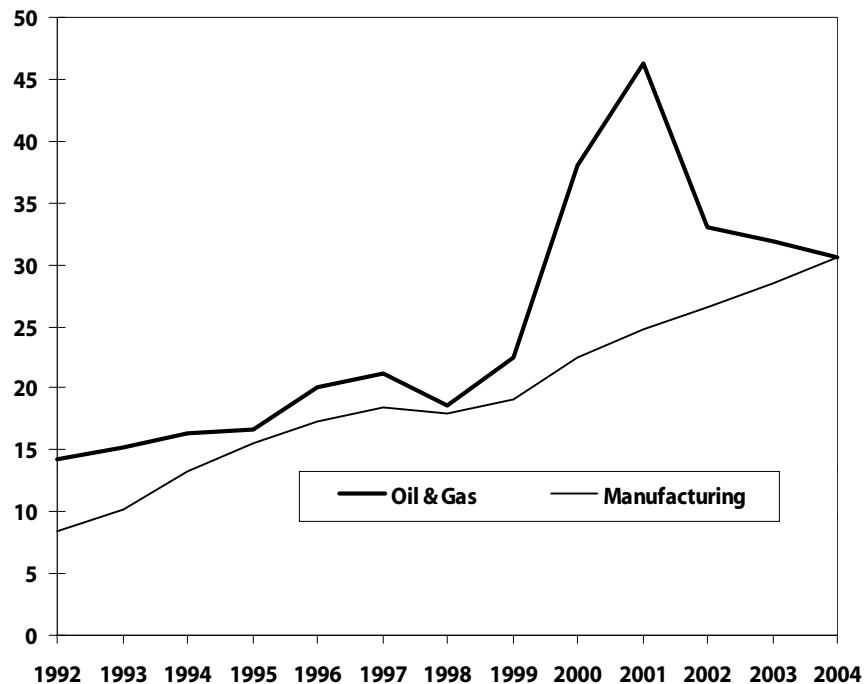


Source: Alberta Energy

MAJOR EXPORTS STRONG

Alberta Nominal Exports (billions of dollars)

- In 2000, Alberta's international goods exports were up 59.9%, the highest rate of growth in the country. Machinery and equipment was up 80.6%, and energy products 85.3%.
- Total exports of goods and services, including those to the rest of Canada, are estimated to have risen by 32.1% in 2000 to about \$81 billion, led by a \$15.6 billion surge in the value of oil and natural gas exports. Exports accounted for 58% of the Alberta economy in 2000.
- The value of Alberta's exports is expected to increase again this year due to the rising value of natural gas exports and higher manufacturing exports as several major petrochemical plants come on stream.

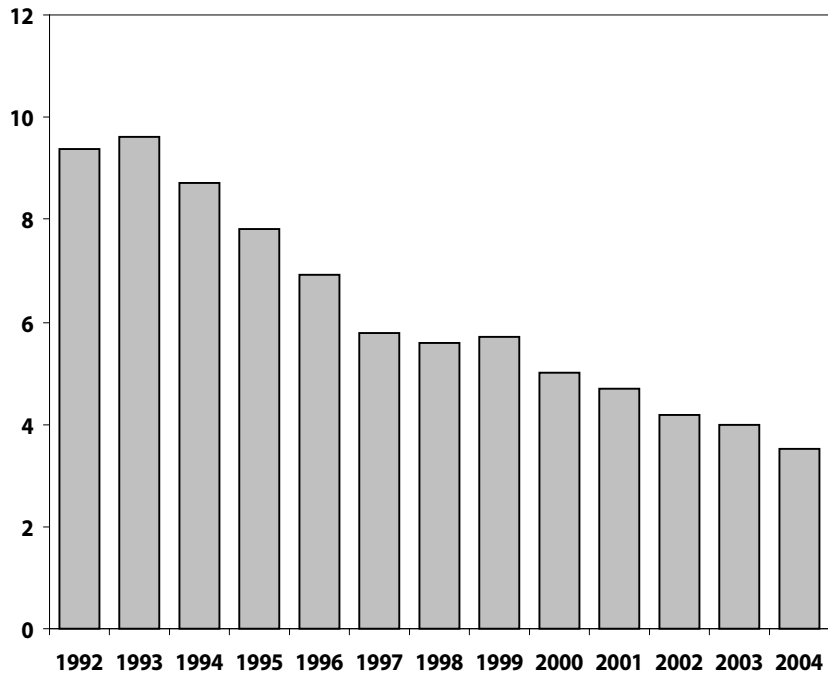


Source: Statistics Canada and Alberta Finance

DECLINING UNEMPLOYMENT RATE

(per cent)

- Strong economic growth reduced Alberta's unemployment rate from 5.7% in 1999 to an average of 5.0% in 2000.
- In March 2001, the unemployment rate was 4.8%, the lowest among provinces.
- Alberta's unemployment rate is expected to decline gradually over the forecast horizon to around 3.5% by 2004. This is low by historical standards.

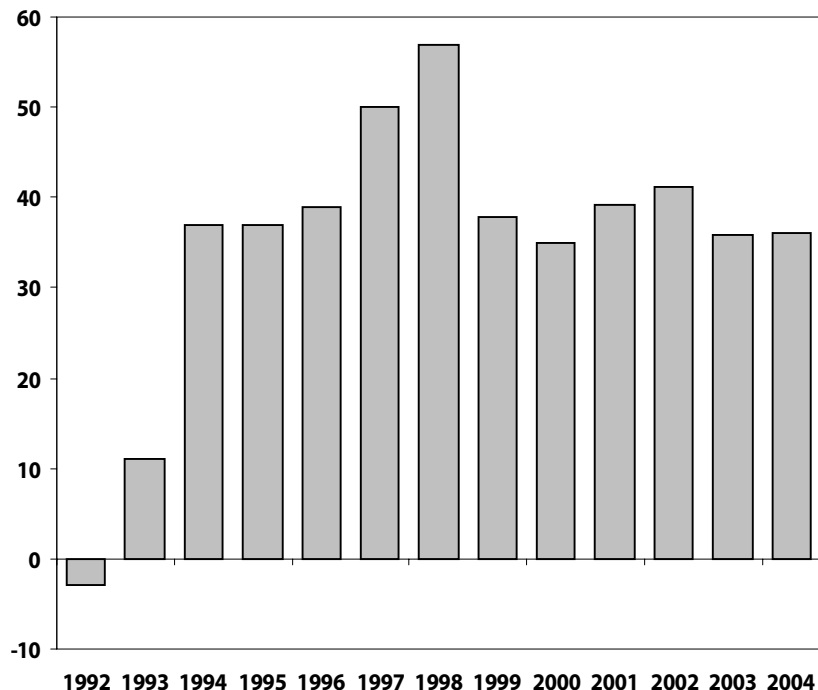


Source: Statistics Canada and Alberta Finance

JOB GROWTH CONTINUES

Change in Employment (thousands)

- Employment growth in 2000 was a healthy 2.2% or 34,900 jobs. Gains were led by trade, construction and accommodation and food services.
- Shortages of skilled labour may have been a factor constraining employment growth in some industries.
- This year, the Alberta economy is expected to create 39,000 new jobs.
- Over the medium term, employment in Alberta is expected to grow at an average rate of 2.3% per year.
- Approximately 153,000 more jobs are forecast to be created from 2000 to 2004.

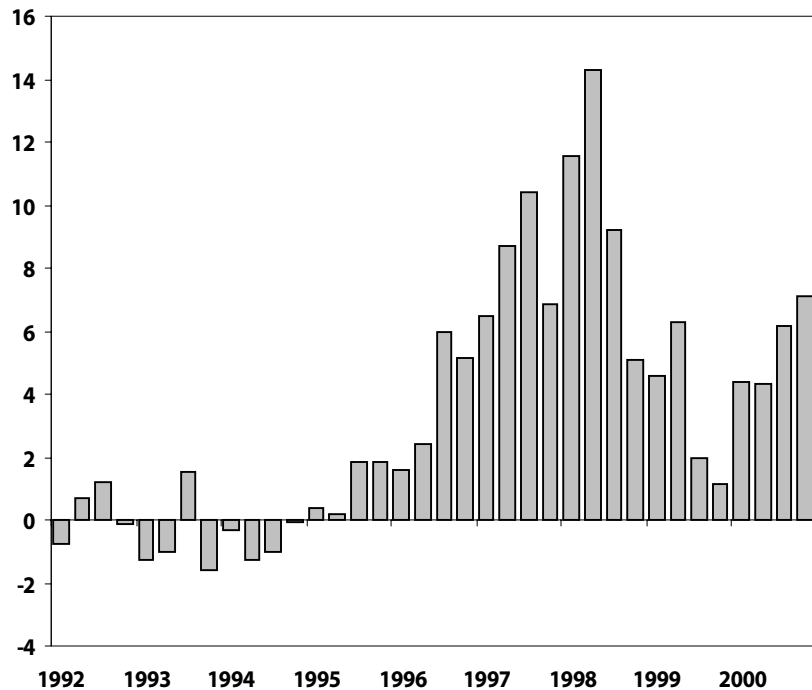


Source: Statistics Canada and Alberta Finance

PEOPLE STILL MOVING TO ALBERTA

Alberta Net Interprovincial Migration (thousands)

- After dropping to 13,985 in 1999, net interprovincial migration picked up strongly in 2000 to 21,951, the highest among the provinces.
- Alberta's gains have come mostly from British Columbia and Saskatchewan.
- Over the medium-term, interprovincial migration is expected to add about 15,000 people to Alberta's population per year.
- Alberta's population reached the 3 million mark in 2000. It is expected to grow by 1.4% per year on average through 2004, one of the fastest rates in Canada.

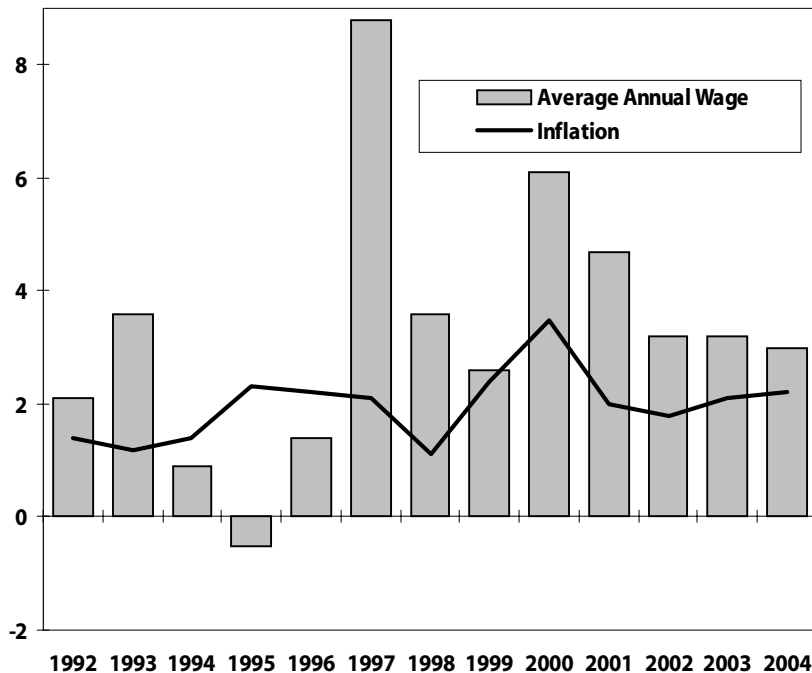


Source: Statistics Canada

EARNINGS GROWTH IN ALBERTA

(per cent change in average annual earnings)

- Healthy employment growth and skill shortages in some key sectors are boosting wages in Alberta. Led by gains in the health sector and construction, wage settlements were up 4.3% on average in 2000, approximately double the national level.
- Average wages per worker rose 6.1% in 2000. This yields a real wage gain of 2.6% when inflation is taken into account, and continues the trend of rising real wages evident since 1997.
- In 2001, average wages per worker are forecast to increase by 4.7% per year. In 2002 through 2004, average wages per worker are expected to increase by 3.1% per year on average, about 1 percentage point higher than inflation.

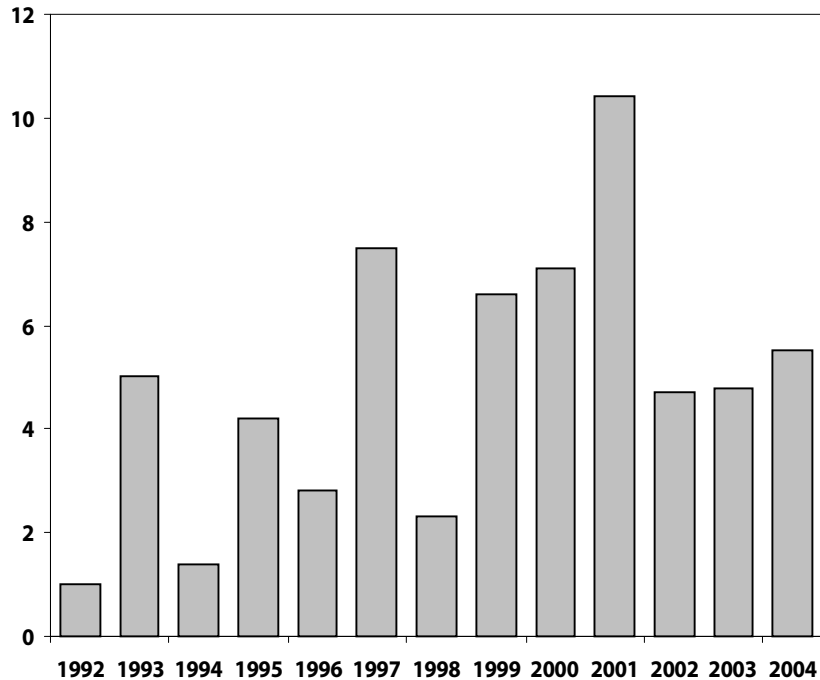


Source: Statistics Canada and Alberta Finance

DISPOSABLE INCOME SHOWING ROBUST GROWTH

Alberta Disposable Income (per cent change)

- Personal disposable income is expected to increase by 10.4% in 2001, primarily because of personal tax cuts and healthy wage growth.
- For 2002 to 2004 disposable income is expected to grow at around 5% per year.
- These gains are expected to translate into strong housing starts and healthy consumer spending.

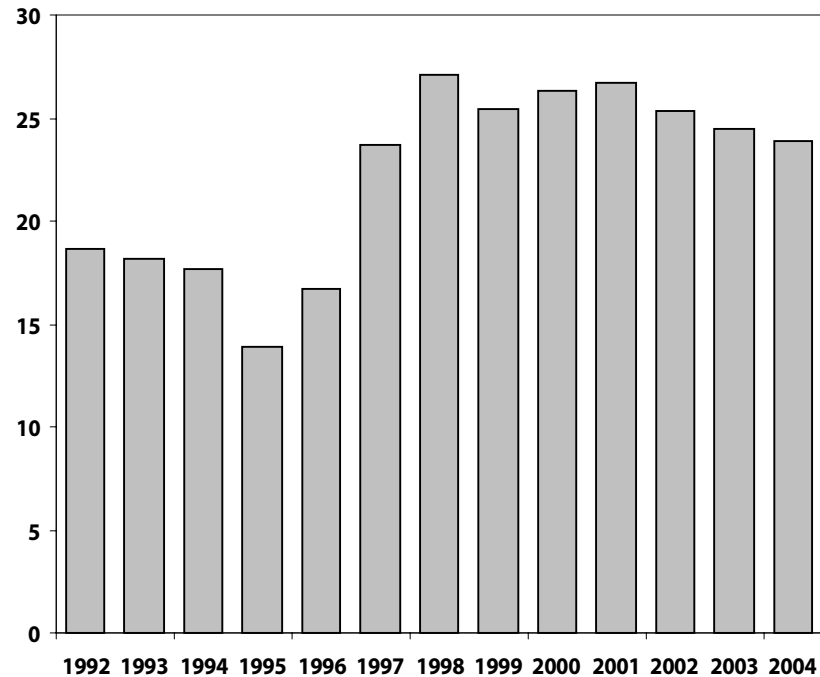


Source: Alberta Finance

HOUSING STRONG

Alberta Housing Starts (thousands of units)

- Healthy labour markets, continued net interprovincial immigration, and Alberta's strong economy in 2000 boosted housing activity despite higher mortgage rates. Total housing starts were up 3.2% in 2000.
- Urban housing starts have increased 7.7% during the first quarter of 2001 compared to the same the period a year ago.
- Over the medium term, housing starts in Alberta are expected to remain around 25,000 per year due to strong growth in disposable income and a healthy economy.

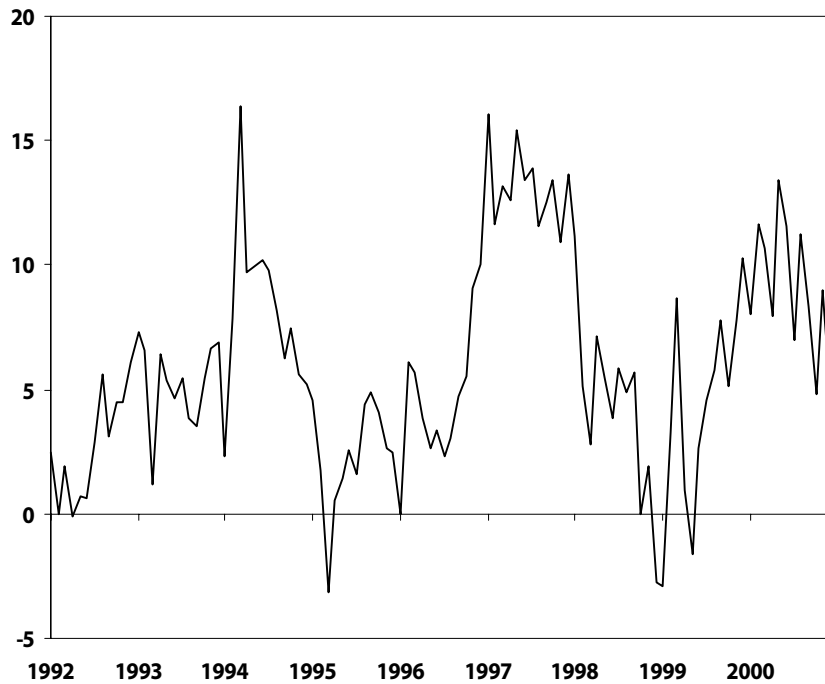


Source: Canada Mortgage and Housing Corporation and Alberta Finance

RETAIL SALES RECOVERING

Alberta Retail Sales (seasonally adjusted, year over year, per cent change)

- Retail sales in Alberta remain strong, increasing 8.9% in 2000. Alberta leads the country in retail sales per capita.
- Strong growth in employment and wages and the final installment of the tax plan are expected to maintain strong consumer confidence and retail sales in 2001.
- Retail sales are expected to grow by 8.1% in 2001 and by 4.4% per year on average over the medium-term.

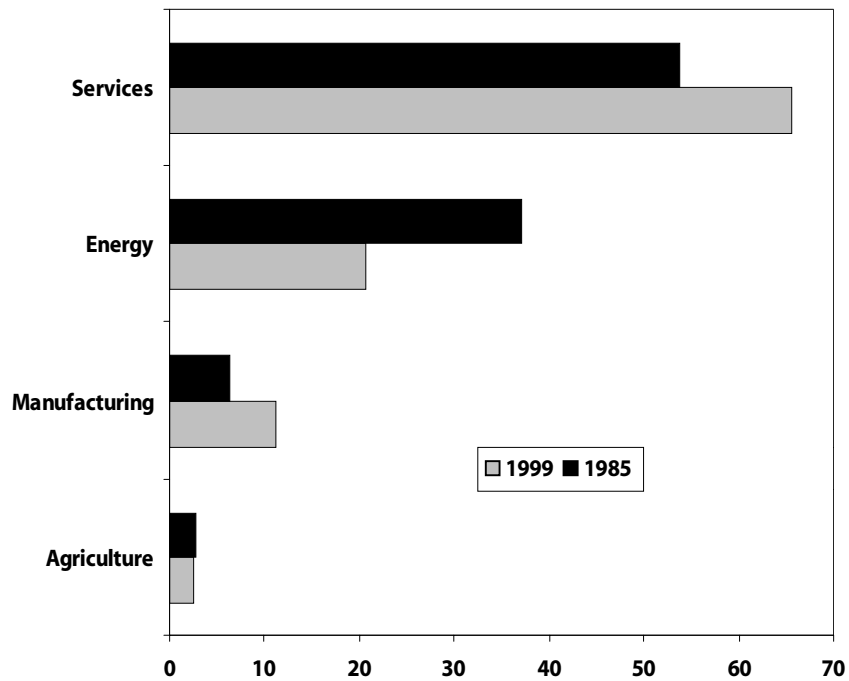


Source: Statistics Canada

DIVERSIFICATION STRENGTHENS ALBERTA

Nominal GDP by Industry (per cent)

- Although the rebound in energy sector investment dominated growth in 2000, Alberta's economy is now more diversified and less susceptible to volatile commodity price fluctuations than it was in the 1970s and early 1980s. Energy accounted for only 20.7% of Alberta's GDP in 1999, compared to 37.2% in 1985.
- Manufacturing increased its share of Alberta GDP from 6.3% in 1985 to 11.1% in 1999 because of rapid growth in electronic products, wood products, food processing, machinery and transportation equipment, and chemicals.
- The service sector grew from 53.9% of GDP in 1985 to 65.9% in 1999 because of growth in business services (from 2.8% in 1985 to 5.7% in 1999), finance, insurance and real estate (from 9.2% in 1985 to 12.6% in 1999) and wholesale trade (3.8% in 1985 to 5.6% in 1999).



Source: Alberta Finance

Province of Alberta

Key Energy and Economic Assumptions^a

Fiscal Year Assumptions	1998-99 Actual	1999-2000 Actual	2000-01	2001-02	2002-03	2003-04
Prices						
Oil price						
WTI (US\$/bbl)	13.70	23.16	30.20 ^c	25.00	21.00	21.00
Alberta wellhead (Cdn\$/bbl)	17.06	30.30	39.51	32.05	25.30	24.08
Natural gas price						
Alberta wellhead (Cdn\$/mcf)	1.98	2.66	6.07	5.03	3.75	3.44
Alberta wellhead (Cdn\$/GJ)	1.88	2.52	5.76	4.77	3.56	3.26
Exchange rate (US\$/Cdn\$)	66.5	68.0	66.5 ^c	67.8	69.3	71.3
Production						
Crude oil and equivalent (000's barrels/day)	1,524	1,467	1,375	1,446	1,604	1,739
Natural gas (billions of cubic feet)	5,289	5,370	5,352	5,425	5,506	5,589
Interest rates^b						
3-month Canada treasury bills (per cent)	4.81	4.76	5.42 ^c	4.75	5.00	5.00
10-year Canada bonds (per cent)	5.21	5.83	5.70 ^c	5.50	5.50	5.50
	1999 Actual	2000	2001	2002	2003	2004
Calendar Year Assumptions						
Gross Domestic Product						
Nominal (millions of dollars)	115,417	140,794	157,805	150,309	156,711	163,538
per cent change	9.0	22	12.1	-4.8	4.3	4.4
Real (millions of 1992 dollars)	103,794	110,124	115,434	119,623	123,155	126,886
per cent change	3.6	6.1	4.8	3.6	3.0	3.0
Other Indicators						
Employment (thousands)	1,553	1,588 ^c	1,627	1,669	1,705	1,741
per cent change	2.5	2.2 ^c	2.5	2.5	2.2	2.1
Unemployment rate (per cent)	5.7	5.0 ^c	4.7	4.2	4.0	3.5
Housing starts (number of units)	25,447	26,266 ^c	26,700	25,300	24,500	23,900
Alberta Consumer Price Index						
per cent change	2.4	3.5 ^c	2.0	1.8	2.1	2.2
Population (thousands)	2,959	2,997 ^c	3,041	3,084	3,126	3,166
per cent change	1.8	1.3 ^c	1.5	1.4	1.4	1.3

^a As required by the Government Accountability Act.

^b For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

^c Actual

Sensitivities to Fiscal Year Assumptions, 2001-02^a

(millions of dollars)

	Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-153	--	-153
Natural Gas Price (Cdn\$/mcf)	-10¢	-142	--	-142
Exchange Rate (US¢/Cdn\$)	+1¢	-120	-30	-90
Interest Rates	-1%	-39	-29	-10
Real Gross Domestic Product	-1%	-40	--	-40

^a Sensitivities are based on current assumptions of prices and rates and show the impact for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity is also affected by the timing of changes during the fiscal year.

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2000	2001	2002	2003	2004
National Forecasting Agencies					
Conference Board of Canada (Mar/01)	6.3	4.6	3.5	2.8	3.8
Standard and Poor's DRI (Feb/01)	6.1	4.0	4.0	4.9	4.2
WEFA (Jan/01)	6.2	4.0	3.3	3.2	3.2
Banks					
Bank of Montreal (Oct/00)	5.5	4.5	3.8	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	6.5	4.5	4.5	n/a	n/a
Royal Bank (Apr/01)	5.5	5.7	5.7	n/a	n/a
Scotiabank (Mar/01)	6.0	3.5	4.2	n/a	n/a
Toronto Dominion Bank (Mar/01)	5.6	4.0	3.8	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Nov/00)	5.7	4.5	3.8	n/a	n/a
BMO Nesbitt Burns (Dec/00)	5.8	4.3	n/a	n/a	n/a
High	6.5	5.7	5.7	4.9	4.2
Low	5.5	3.5	3.3	2.8	3.2
Average	5.9	4.4	4.1	3.6	3.7
Alberta Government	6.1	4.8	3.6	3.0	3.0

Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2001	2002	2003	2004
National Forecasting Agencies				
Conference Board of Canada (Mar/01)	26.92	25.18	23.80	24.33
Standard and Poor's DRI (Mar/01)	26.53	24.40	23.21	22.12
The WEFA Group (Mar/01)	26.48	24.63	23.90	23.87
Investment Houses				
Deutsche Bank (Feb/01)	25.50	23.50	n/a	n/a
CS First Boston (Mar/01)	23.00	18.50	18.50	18.50
Goldman Sachs (Mar/01)	23.50	22.00	n/a	n/a
JP Morgan (Mar/01)	27.70	22.00	n/a	n/a
Lehman Brothers (Mar/01)	25.50	21.00	n/a	n/a
RBC Dominion Securities (Mar/01)	25.00	25.00	n/a	n/a
Industry Analysts				
ARC Financial Corporation (Mar/01)	26.00	23.00	23.00	23.30
Peters & Co. Limited (Mar/01)	25.00	25.00	n/a	n/a
High	27.70	25.18	23.90	24.33
Low	23.00	18.50	18.50	18.50
Average	25.55	23.11	22.48	22.42
Alberta Government (calendar year)	26.66	21.25	21.00	21.00

Natural Gas Price Forecast Benchmark

Alberta Average Wellhead Gas Price (Cdn\$/mcf)

Organization	2001	2002	2003	2004
ARC Financial Corporation (Mar/01)	6.40	5.35	4.20	4.00
Gilbert Lausten Jung Associates (Apr/01)	7.90	5.90	5.15	4.30
National Bank Financial (Mar/01)	5.20	3.90	n/a	n/a
Merrill Lynch (Mar/01)	6.00	5.00	4.65	4.30
Peters & Co. Limited (Mar/01)	5.00	5.00	n/a	n/a
RBC Dominion Securities (Mar/01)	5.50	4.80	n/a	n/a
High	7.90	5.90	5.15	4.30
Low	5.00	3.90	4.20	4.00
Average	6.00	4.99	4.67	4.20
Alberta Government (calendar year)	6.22	3.89	3.52	3.23

In developing its forecast, the Department of Energy also looks at forecasts from the following private sector forecasters: PIRA, Purvin & Gertz, CGES, CERA, Petroleum Economics Ltd. and Ziff.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Canadian Treasury Bills (per cent)

Organization	2001	2002	2003	2004
National Forecasting Agencies				
Conference Board of Canada (Mar/01)	4.98	5.56	5.56	5.48
Standard and Poor's DRI (Mar/01)	5.03	4.85	5.28	5.63
The WEFA Group (Mar/01)	4.69	4.94	5.48	5.54
Banks				
Bank of Montreal (Mar/01)	4.60	4.50	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	4.33	4.75	n/a	n/a
Royal Bank (Mar/01)	4.65	5.25	n/a	n/a
Scotiabank (Apr/01)	4.16	4.51	n/a	n/a
Toronto Dominion Bank (Mar/01)	4.33	4.65	n/a	n/a
Investment Dealers				
CIBC World Markets (Mar/01)	3.97	3.75	n/a	n/a
BMO Nesbitt Burns (Mar/01)	4.43	4.34	n/a	n/a
High	5.08	5.56	5.56	5.63
Low	3.97	3.75	5.28	5.48
Average	4.56	4.65	5.44	5.55
Alberta Government (calendar year)	4.83	4.94	5.00	5.00

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bond Yield (per cent)

Organization	2001	2002	2003	2004
National Forecasting Agencies				
Conference Board of Canada (Mar/01)	5.68	5.96	5.99	5.92
Standard and Poor's DRI (Mar/01)	5.28	5.24	5.59	5.88
The WEFA Group (Mar/01)	5.59	5.66	5.78	5.83
Banks				
Bank of Montreal (Mar/01)	5.24	5.55	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	5.08	5.58	n/a	n/a
Royal Bank (Mar/01)	5.71	n/a	n/a	n/a
Scotiabank (Apr/01)	5.39	5.29	n/a	n/a
Toronto Dominion Bank (Mar/01)	5.19	6.00	n/a	n/a
Investment Dealers				
CIBC World Markets (Mar/01)	5.28	5.41	n/a	n/a
BMO Nesbitt Burns (Mar/01)	5.16	4.98	n/a	n/a
High	5.71	6.00	5.99	5.92
Low	5.08	4.98	5.58	5.80
Average	5.36	5.52	5.79	5.88
Alberta Government (calendar year)	5.48	5.50	5.50	5.50

Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn\$)

Organization	2001	2002	2003	2004
National Forecasting Agencies				
Conference Board of Canada (Mar/01)	64.6	65.5	66.6	67.3
Standard and Poor's DRI (Mar/01)	67.9	68.9	71.1	72.8
The WEFA Group (Mar/01)	66.5	69.2	71.2	73.3
Banks				
Bank of Montreal (Mar/01)	65.8	69.0	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	65.8	69.1	n/a	n/a
Royal Bank (Mar/01)	69.0	71.4	n/a	n/a
Scotiabank (Apr/01)	65.0	68.1	n/a	n/a
Toronto Dominion Bank (Mar/01)	64.8	69.6	n/a	n/a
Investment Dealers				
CIBC World Markets (Mar/01)	62.8	63.5	n/a	n/a
BMO Nesbitt Burns (Mar/01)	64.4	66.9	n/a	n/a
High	69.0	71.4	71.2	73.3
Low	62.8	63.5	66.6	67.3
Average	65.6	68.0	69.6	71.1
Alberta Government (calendar year)	66.2	68.8	70.8	72.8

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$bb)

Organization	How Did They Do 2000	What They Were Saying About 2001 in Budget 2000	What They Are Saying About 2001 in Budget 2001
Actual	30.29		
ARC Financial Corporation	-8.79	20.00	26.00
BT Bank/Deutsche Bank ^a	-6.04	20.30	25.50
Conference Board of Canada	-9.06	18.71	26.92
CS First Boston	-9.79	19.50	23.00
Goldman Sachs	-11.29	19.50	23.50
JP Morgan	-7.29	20.00	27.70
Lehman Brothers	-10.29	19.00	25.50
Peters & Co. Limited	-10.29	20.00	25.00
RBC Dominion Securities	-7.29	21.00	25.00
Standard and Poor's DRI	-10.40	19.07	26.53
The WEFA Group	-6.76	21.07	26.45
Average	-8.84	19.83	25.55
Alberta Government (calendar year)	-9.76	18.00	26.66

^a Was bought by Deutsche Bank in 2000.

Tracking the Forecasts of Alberta Real GDP

(per cent change)

Organization	How Did They Do 1999	What They Were Saying About 2000 in Budget 2000	What They Are Saying About 2000 in Budget 2001
Actual	3.6		
Bank of Montreal	-0.6	3.9	5.5
Canada Mortgage and Housing Corporation	-1.4	3.2	5.7
Canadian Imperial Bank of Commerce	-0.1	4.0	6.5
Conference Board of Canada	-2.7	4.0	6.3
BMO Nesbitt Burns	0.4	5.0	5.8
Royal Bank	-0.6	3.2	5.5
Scotiabank	-0.6	4.8	6.0
Standard and Poor's DRI	-2.0	4.6	6.1
Toronto Dominion Bank	-2.1	3.8	5.6
The WEFA Group	-0.5	3.8	6.2
Average	-1.1	4.1	5.9
Alberta Government	-1.1	4.5	6.1

Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OIL AND GAS				
Alberta Energy Company	Foster Creek	Steam Assisted Gravity Drainage (SAGD) Bitumen Project - Phase 1	320	2000-2002
Albian Sands Energy Inc.	RM of Wood Buffalo (Muskeg River)	Oilsands Mining/Extraction Plant	1,800	1999-2002
Canadian Natural Resources	Cold Lake/Pelican Lake Beartrap and Charlotte Lakes	In situ Bitumen Project	800	1997-2002
	Primrose/Wolf Lake	In situ Bitumen Project	130	2001-2003
Centurian Gas Liquids Inc.	Empress to Fort Saskatchewan	Straddle Plant and Pipeline Project	170	2000-2001
Gulf Canada Resources/ Fina Resources	Surmont	SAGD Bitumen Project - Phase 2	280	2001-2004
	Surmont	SAGD Bitumen Project - Phase 3	280	2003-2010
Imperial Oil	Cold Lake	Heavy Oil Plant Expansion "Mahkeses"	650	2001-2003
	Strathcona County	Strathcona Refinery Upgrades	500	2001-2005
	Sundre area	WestAlta Straddle Plant	250	2000-2001
Japan Canada Oil Sands	Hangingstone	SAGD Bitumen Project - Phase 3	130	2000-2003
Mobil Oil Canada	Cold Lake	In situ Bitumen Project	100	1997-2005
OPTI Canada Inc.	RM of Wood Buffalo (near Anzac)	'Long Lake' SAGD Heavy Oil Project	450	2002-2004
Pan Canadian Resources	Christina Lake	SAGD Bitumen Project	590	2000-2002
Petro Canada	Mackay River	SAGD Bitumen Project	290	2000-2002
	Strathcona County	Gasoline De-Sulphurization	130	2001-2003
Petrovera Resources	Lindbergh/Elk Point/Frog Lake/Marwayne	In situ Bitumen Projects	1,200	2000-2010
Ranger Oil Limited	Lindbergh/Wolf Lake/Elk Point/Cold Lake	In situ Bitumen Projects	225	1996-2003
Shell Canada	Strathcona County	Bitumen Upgrader and Scotford Refinery Modifications	2,100	2000-2002

Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OIL AND GAS (continued)				
Suncor	Fort McMurray	Production Enhancement	127	1999-2002
	Fort McMurray	Project Millennium - Oilsands Plant Expansion	2,800	1999-2001
	Primrose/Burnt Lake	In situ Bitumen Facilities - Phase 2	100	2000-2001
	RM of Wood Buffalo	"Firebag" In situ Bitumen Recovery Project	750	2002-2005
Syn crude Canada	Fort McMurray	Continuous Improvement Program	1,500	1997-2007
	Fort McMurray	Upgrader Debottleneck II	1,000	1998-2001
Talisman Energy	Alberta Foothills	Exploration and Development	135	2001
	Peace River	Exploration and Development	125	2001
PIPELINES				
Cold Lake Pipeline Limited Partnership	Foster Creek to Bonnyville area to Hardisty	Expansion of Cold Lake Pipeline System	143	2000-2002
Corridor Pipeline Ltd. (Trans Mountain Pipeline)	Muskeg River to Strathcona County	"Corridor" Bitumen Pipeline	700	2000-2003
Enbridge Pipelines Inc.	Alberta to Chicago	Terrace Expansion Pipeline Project	650	1998-2002
	Fort McMurray to Hardisty	Wildrose Pipeline - Phase 2	237	2000-2001
Nova Gas Transmission	Throughout Alberta	Pipeline Capacity Additions	1,000	1999-2003
Williams Energy	Strathcona County	Interconnecting Pipelines	235	2000-2001
PETROCHEMICALS				
Shell Canada	Strathcona County	Hydrogen Manufacturing Plant for Scotford Upgrader	180	2000-2002
Williams Energy	Sturgeon City	Hydrocarbon Liquids Conservation Project	220	2001-2002
FORESTRY				
Ainsworth Lumber Company	South of Grande Prairie	Mill Expansion	128	2001-2002
Weyerhaeuser Co. Ltd.	County of Grande Prairie	Pulp Mill Upgrades	167	2001-2002

Announced Major Projects Over \$100 Million

Proposed or Under Construction

CompanyName	Location	Type of Project	Cost (\$millions)	Timing
COMMERCIAL, RETAIL AND REAL ESTATE CONSTRUCTION				
Cameron Corporation/ Grosvenor International Canada Ltd.	Edmonton	Retail Complex	250	1997-2005
East Village Partnership Group	Calgary	Re-development of East Village	1,200	2001-2010
ONTREA	Calgary	Chinook Centre Expansion	300	1997-2001
Pauls Properties Corp/ GE Pension	Calgary	"Princeton" Apartment Condominium Development	125	2000-2004
Stone Creek Properties	Canmore	Silver Tip Hotel/Resort Complex	270	1995-2015
Tsuu T'ina Nation/PCL Construction Management	MD of Rocky View	Casino/Housing/Shopping/Golf Training Facility	700	2001-2015
OTHER				
Alberta Children's Hospital Foundation/Calgary RHA	Calgary	New Children's Hospital	220	2001-2005
Alberta Transportation	Alberta	Highway Twinning Project	1,400	1998-2007
	Edmonton	Anthony Henday Drive Extension to Calgary Trail	220	2000-2005
Bell Intrigna/Bell Nexxia/Axia Net Media & Partners	Across Alberta	Fibre-optic Communications Grid	300	2001-2003
Calgary Airport Authority	Calgary	Airport Improvements	650	1998-2005
Canadian National Railways	Edmonton to Ontario	Railway Upgrade	100	1997-2002
City of Calgary	Calgary	LRT Extensions	181	1999-2003
	Calgary	Deerfoot Trail Extension	134	2000-2002
City of Edmonton	Edmonton	LRT Extension to Jubilee Auditorium	109	2002-2004
Edmonton Regional Airport Authority	Leduc County	International Airport Terminal Modifications	265	1998-2002
Mount Royal College	Calgary	Campus Development Phases I and 2	150	2000-2005
University of Calgary	Calgary	Health Research Innovation Centre	110	2001-2003
Various Irrigation Districts	Southern Alberta	Irrigation Systems	600	1997-2006

Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
POWERPLANTS*				
AES Calgary Inc.	MD of Rocky View (east of Calgary)	Natural gas fired Power Station (525 MW)	450	2001-2003
Atco Power	Near Fort McMurray	Cogeneration Power Plant (172 MW)	200	2001-2003
Atco Power/Shell Canada/ Air Products Canada	Strathcona County	Cogeneration Power Plant (150 MW)	140	2000-2002
EPCOR	Parkland County	Genessee Power Plant Expansion (400 MW)	500	2002-2004
Nexen/Pan Canadian Petroleum	MD of Rocky View	Natural Gas Fired Cogeneration Plant (106 MW)	100	2001
Pan Canadian Petroleum Ltd.	Wheatland County (SE of Strathmore)	Natural Gas Fired Cogeneration Plant (106 MW)	100	2001
TransAlta Utilities	Parkland County	Expansion of Keephills Coal-fired Cogeneration Plant (900 MW)	1,800	2002-2005
	Parkland County	Efficiency Update at Sunshine Thermal Plant (218 MW)	200	2001-2003
TOTAL			31,366	

* Note that this excludes projects already included in oil sands developments (808 MW) and other major projects (920 MW) which are being proposed, but which are not yet officially announced.



THE FUTURE
MEETING PRIORITIES SHARING BENEFITS
Alberta Advantage

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Alberta Advantage

The Alberta Advantage means greater opportunities for families and businesses ...

- a strong and vibrant economy
- a young, skilled and productive workforce
- a strong science and technology culture
- a highly entrepreneurial and competitive business community
- the lowest overall tax level of any province in Canada, and no sales tax
- an efficient and modern infrastructure
- an abundance of high-quality natural resources
- clean air and water, breathtaking scenery and culturally diverse communities with a quality of life second to none
- a government committed to less regulation
- a fiscally responsible government, which is paying down debt and reducing taxes

The appeal of low taxes, high employment, and a growing economy continues to attract thousands of people to Alberta. The rest of this document is a detailed look at why “Alberta is the place to be.”

Highlighted are some key elements of the Alberta Advantage: the economy, the people, taxes, operating costs, quality of life, and sound financial management.

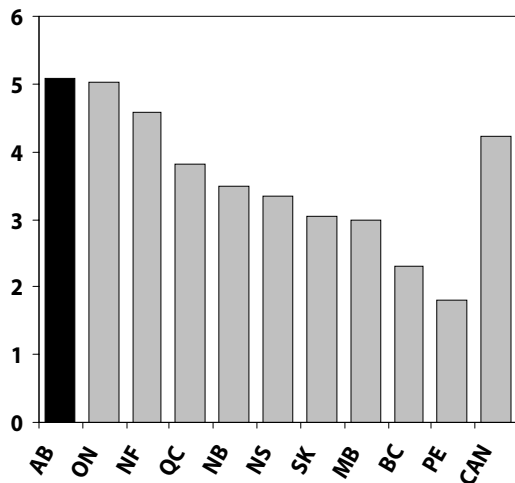
The Economy

STRONG AND DIVERSIFIED

Alberta has had the fastest growing economy in Canada over the past five years, and Alberta's economic growth is expected to continue to be robust in the future. An abundance of natural advantages has been the foundation of our flourishing economy. Our positive investment climate has allowed Alberta businesses to compete successfully around the world. Our increasingly diversified economy has translated into a healthy job performance, even when commodity prices have been unfavourable.

REAL ECONOMIC GROWTH

1996-2000 Average Annual Growth in GDP (per cent)*

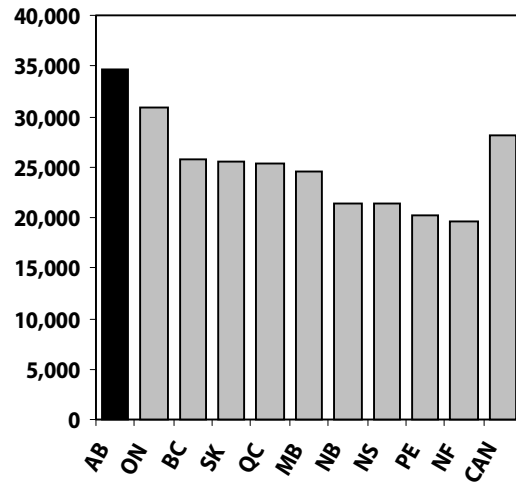


* 2000 estimated
 Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta's economic growth rate was the highest in Canada over the past five years.
- In 2000, Alberta's real output grew by an estimated 6.1%.

REAL GDP PER CAPITA

1996-2000 Annual Average (dollars per capita)*

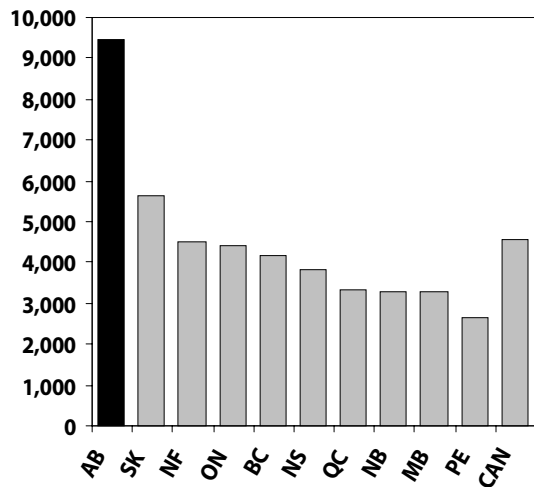


* 2000 estimated
 Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta has the highest real gross domestic product per capita among the provinces.
- Since 1996, Alberta's real gross domestic product per capita has averaged 12% higher than second place Ontario.

INVESTMENT PER CAPITA

1996-2000 Annual Average (dollars per capita)*

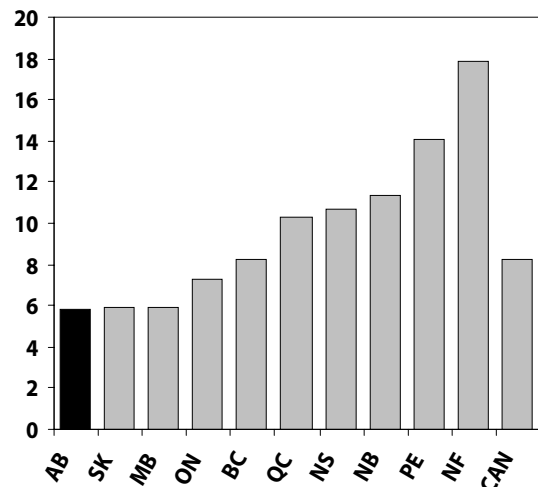


* 2000 preliminary estimate
Source: Statistics Canada

- For decades, Alberta has led all provinces in total private sector investment per person.
- Over the past five years, there is a difference of \$3804 per capita between Alberta and the next highest province, Saskatchewan.

UNEMPLOYMENT RATE

1996-2000 Annual Average (per cent)

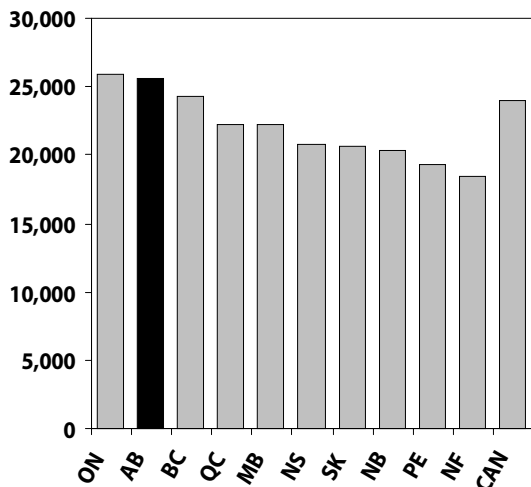


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 5.8% was the lowest among the provinces and well below the national average.
- In December 2000, Alberta's unemployment rate of 4.8% was the lowest in Canada.

PERSONAL INCOME

1995-99 Annual Average (dollars per capita)

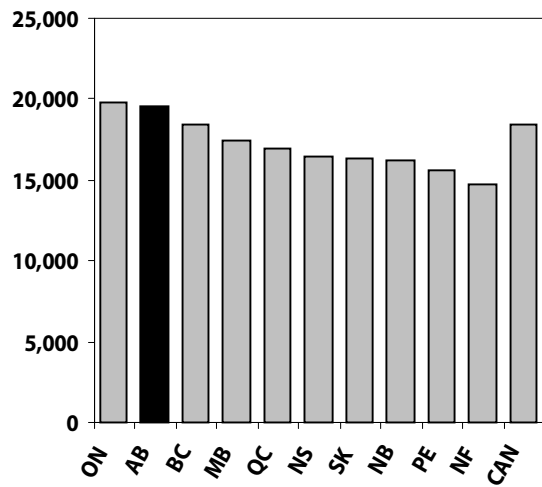


Source: Statistics Canada

- Over the past five years, Albertans have enjoyed the second highest personal income per capita, behind only Ontario.
- In 1999, Alberta had the highest personal income per capita among provinces, \$127 above second place Ontario.

PERSONAL DISPOSABLE INCOME

1995-99 Annual Average (dollars per capita)*

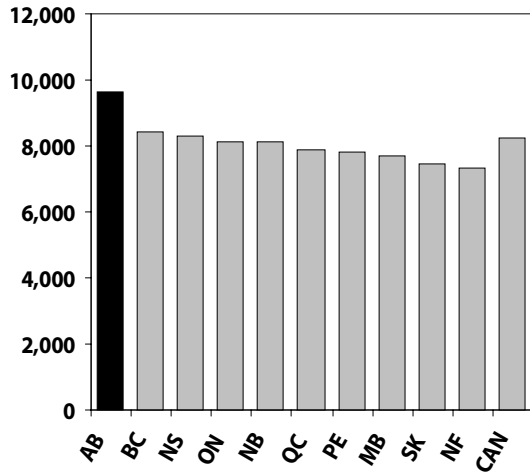


* Personal income less direct taxes.
Source: Statistics Canada

- Over the past five years, Alberta has ranked second highest in personal disposable income per capita.
- In 1999, Alberta had the highest personal disposable income per capita among provinces, \$16 above second place Ontario.

RETAIL SALES PER CAPITA

1996-2000 Annual Average (dollars per capita)

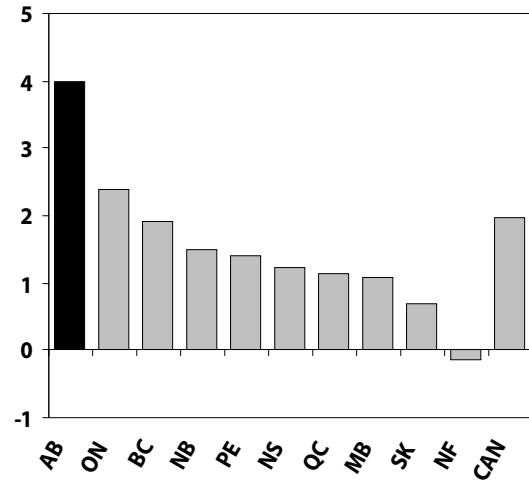


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.
- Alberta's growth of 8.9% in retail sales for 2000 surpassed all other provinces and was Alberta's second strongest annual retail sales gain in the last 10 years.

BUSINESS GROWTH

1996-2000 Annual Average (per cent growth in # of firms)*



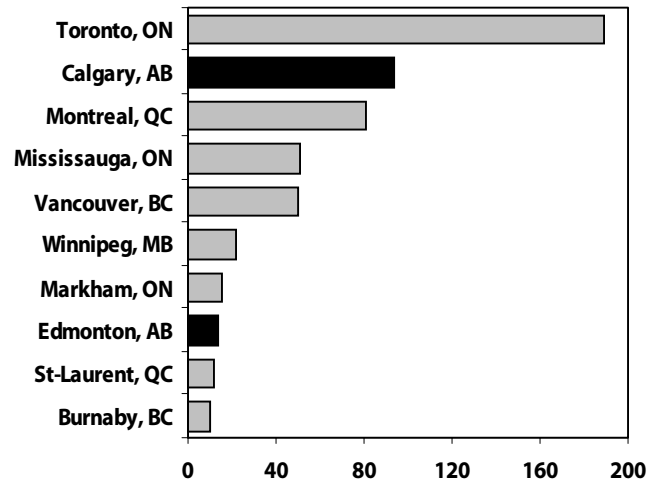
* Businesses include all incorporated and unincorporated firms, except self-employed and single person firms.

Source: Statistics Canada

- Since 1996, the growth in the number of businesses in Alberta has been the fastest of any province in Canada.
- In 2000, the number of businesses in Alberta increased by 3.6%, by far the strongest growth among provinces.

CORPORATE HEADQUARTERS

Top Ten Head Office Cities, 2000 (number of head offices)



Source: Financial Post Top 500 and Next 300, and Calgary Business Information Centre.

- Calgary has the second highest number of head offices of any city in Canada.
- Toronto has approximately 5 times the population of Calgary, so on a per capita basis, Calgary exceeds any other city by far.

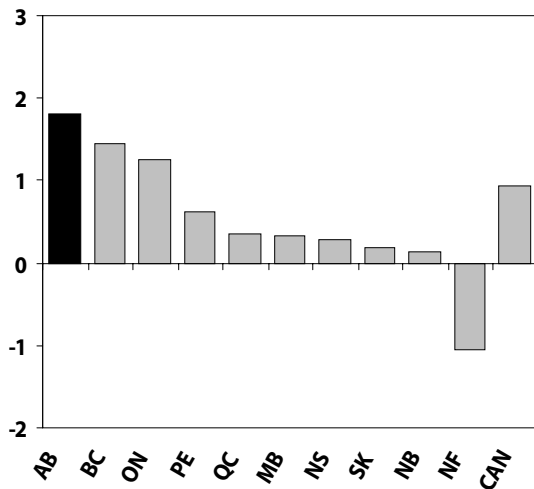
The People

YOUNG, HIGHLY TRAINED AND PRODUCTIVE

Albertans are among the most highly educated in the world. As a result, Alberta's employment and productivity thrive. As thousands of people migrate to Alberta each year from the rest of Canada, the province gains a variety of skilled and talented people to add value to our diverse economy and society.

POPULATION

1996-2000 Average Annual Growth (per cent)

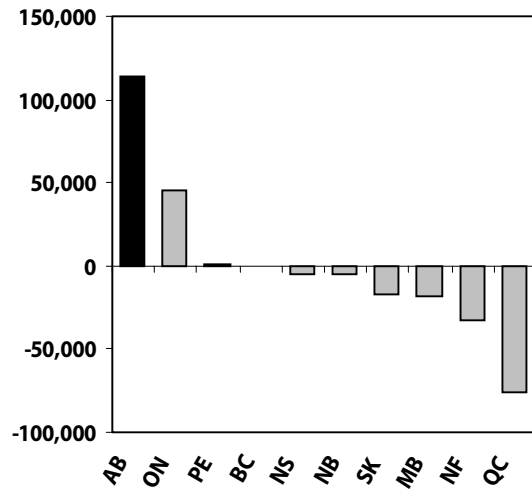


Source: Statistics Canada

- Over the past five years, Alberta has had the fastest growing population among the provinces.
- In 2000, Alberta's population grew by 1.28%, a close second to Ontario at 1.32%.

NET INTERPROVINCIAL MIGRATION

July 1, 1996 to June 30, 2000

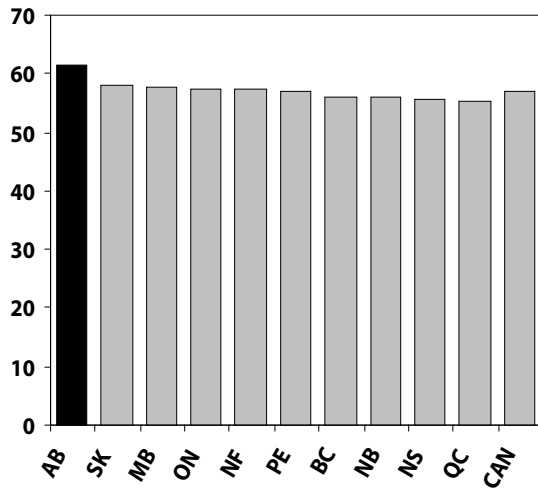


Source: Statistics Canada

- Compared to all other provinces, Alberta has had the highest number of interprovincial migrants over the past five consecutive years.
- From July 1999 to June 2000, a net of 11,793 migrants came to Alberta from other provinces. Only Ontario had a larger number of interprovincial net migrants.

SHARE OF POPULATION UNDER 40

1996-2000 Annual Average (per cent of total population)

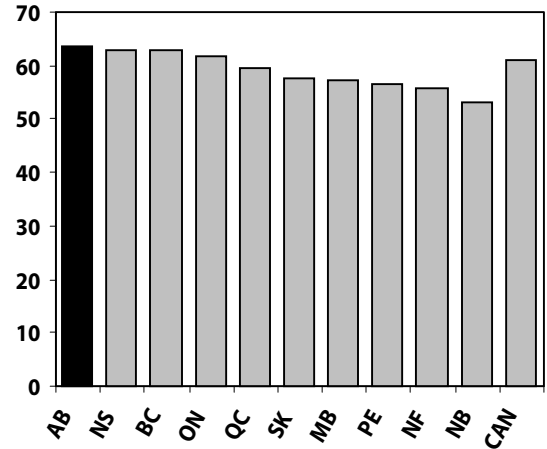


Source: Statistics Canada

- Alberta has the youngest population among the provinces.
- About 61% of Albertans are under the age of 40.

POPULATION AGED 25-54 WITH POST-SECONDARY EDUCATION

1996-2000 Annual Average (per cent of total population)*



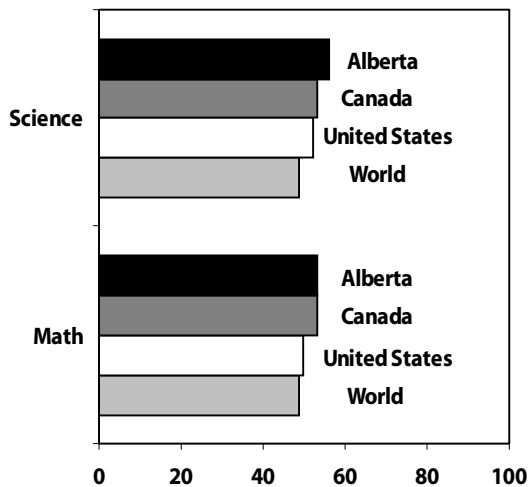
* Includes some post-secondary, post secondary certificates, diplomas, and university degrees.

Source: Statistics Canada

- Alberta has the best educated workforce.
- Approximately 64% of Alberta's population aged 25 to 54 has post-secondary education.

GRADE 8 STUDENT PERFORMANCE

(1999 Achievement Results - Average Scale Score)

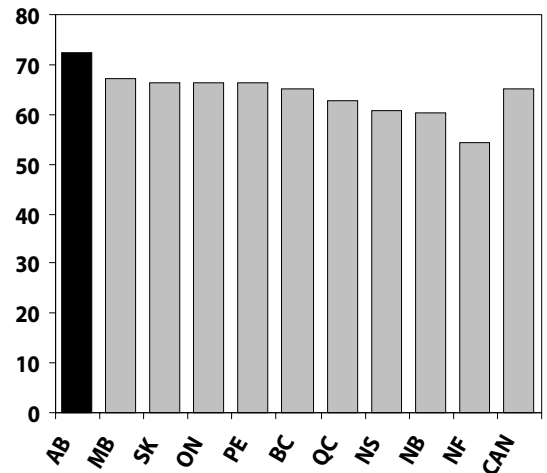


Source: Third International Mathematics and Science Study (TIMSS), 1999

- For grade 8 science, students in Alberta are ranked among the top in the world. None scored significantly higher than Alberta.
- Only six out of 38 countries and the province of Quebec scored significantly higher than Alberta in grade 8 math.

PARTICIPATION RATE

1996-2000 Annual Average (per cent)*



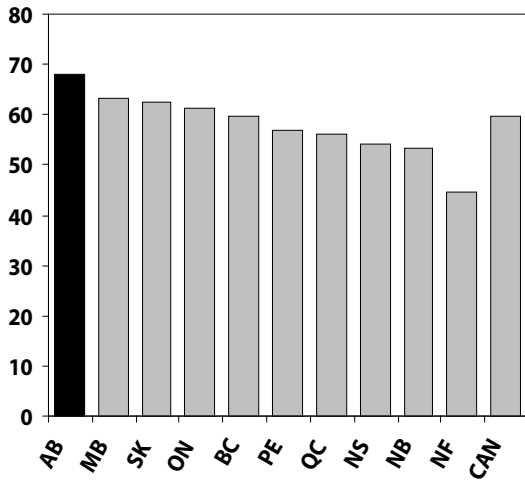
* The participation rate is the total of those employed and looking for work aged 15 and over, divided by the population aged 15 and over.

Source: Statistics Canada

- Alberta has the highest labour force participation rate in Canada, 5.2 percentage points higher than second place Manitoba.

EMPLOYMENT TO POPULATION RATIO

1996-2000 Annual Average (per cent)*



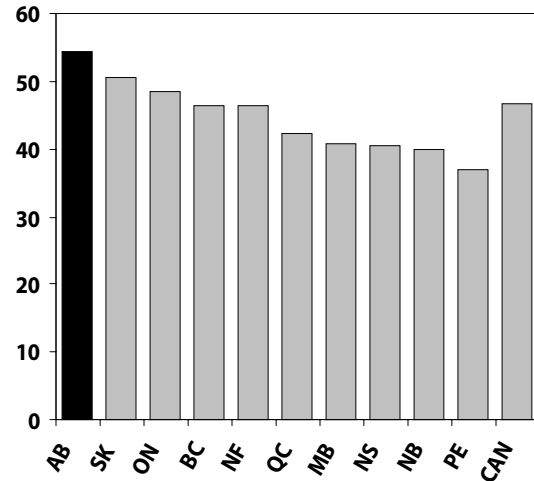
* The employment/population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population, 5 percentage points above the second place province, Manitoba.

LABOUR PRODUCTIVITY

1996-2000 Annual Average (\$ real GDP per hr. worked)*



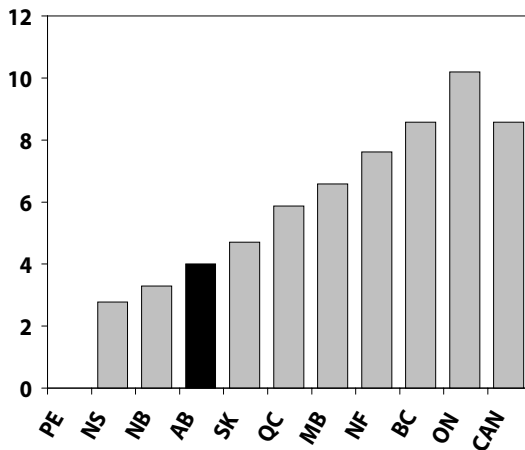
* 2000 projected rates.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Compared with the other provinces, Albertans are the most productive, as measured by real GDP dollars produced per hour worked.

LABOUR RECORD

1996-2000 Annual Average (person days lost/10,000 person days worked)*



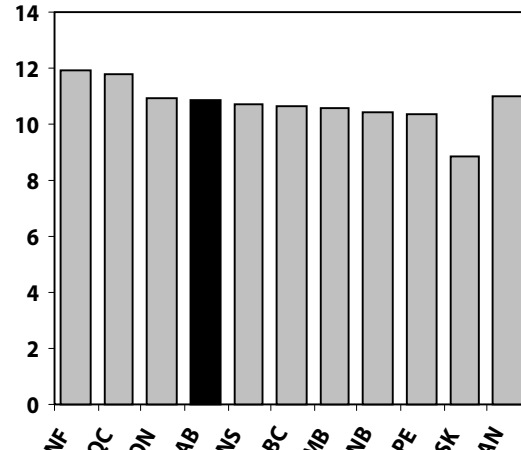
* 2000 preliminary rates

Source: Statistics Canada and Human Resources Development Canada

- Alberta's labour record is better than that of Ontario, Quebec and the other Western provinces, in terms of person days lost due to labour disputes.

RESEARCH & DEVELOPMENT EMPLOYMENT

1996-2000 Annual Average (per cent of employed labour force)*



* Occupations in natural and applied sciences, health, and related occupations predominantly involved in R&D activities.

Source: Statistics Canada

- Overall, the percentage of Alberta's labour force employed in research and development (R&D) occupations ranks fourth among the provinces.
- Alberta has the highest percentage of the workforce dedicated to R&D activities in Western Canada.

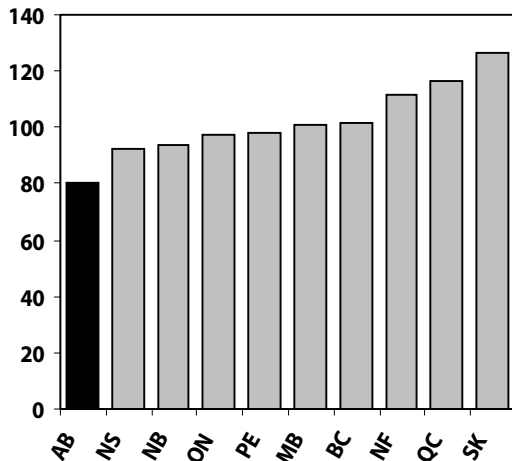
The Lowest Tax Load

LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta leads the way with the lowest overall taxes in Canada. We are the only province that does not have a provincial retail sales tax. In addition, the province does not have any capital or general payroll taxes. This leaves more money in the pockets of Albertans and Alberta businesses.

TOTAL PROVINCIAL & MUNICIPAL TAX LOAD

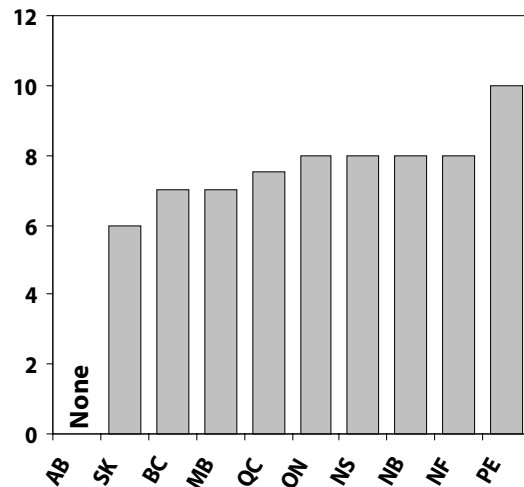
2000-01 (per cent of the Canadian average)



Source: Federal Department of Finance, Equalization Estimates 2000-01, 2nd estimate.

RETAIL SALES TAX RATES

2001 (per cent)



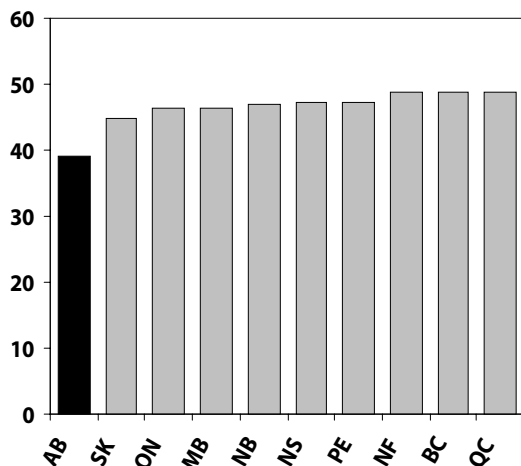
Source: Alberta Finance, as of April 4, 2001

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces, at 80% of the national average.
- The Alberta government is committed to strengthening Alberta's tax advantage.

- Alberta has no retail sales tax.

COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2001 (per cent)



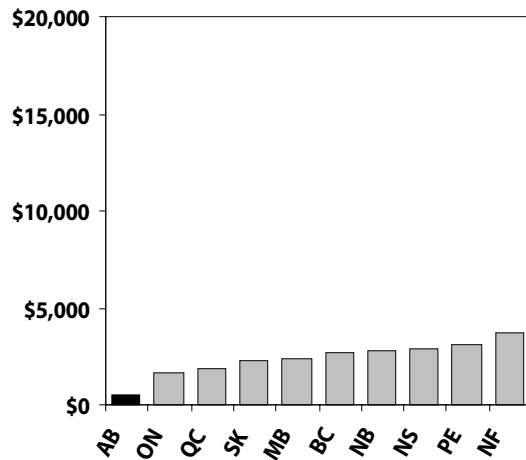
Source: Alberta Finance, as of April 4, 2001

- Alberta has the lowest top marginal personal income tax rate among the provinces at 39% - 29% federal and 10% provincial.
- In Alberta, top income earners keep 61% of their last dollar earned.

FAMILY EARNING \$30,000

Taxes and Health Care Insurance Premiums

2001 (One-income family with two children)



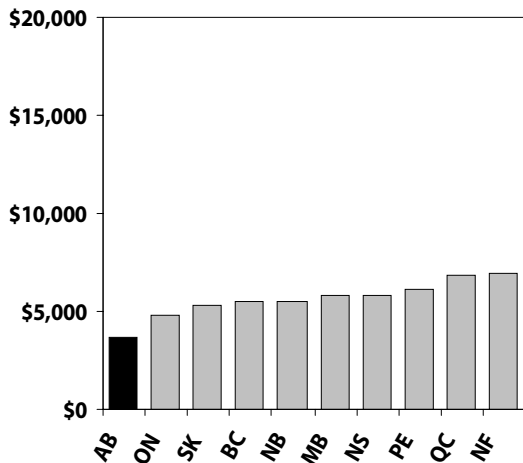
Source: Alberta Finance, as of April 4, 2001

- This graph and following two compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family as of April 2, 2001.
- In Alberta, a typical one-income family earning \$30,000 pays only \$531, approximately 79% less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING \$60,000

Taxes and Health Care Insurance Premiums

2001 (Two-income family with two children)



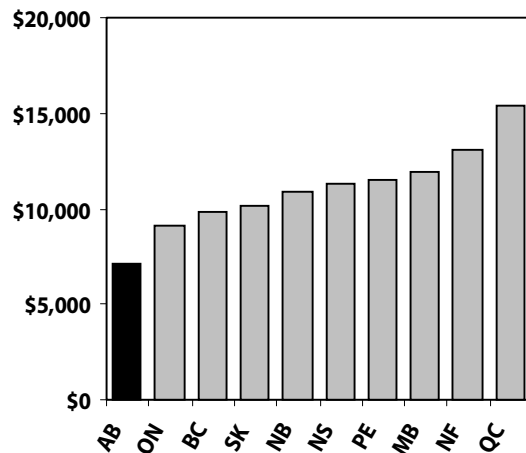
Source: Alberta Finance, as of April 4, 2001

- In Alberta, a typical two-income family earning \$60,000 pays approximately 38% less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING \$100,000

Taxes and Health Care Insurance Premiums

2001 (Two-income family with two children)

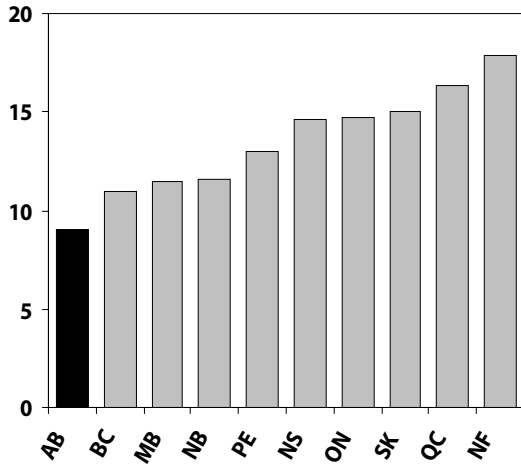


Source: Alberta Finance, as of April 4, 2001

- In Alberta, a typical two-income family earning \$100,000 pays approximately 38% less in combined taxes and health care insurance premiums than the average of the other provinces.

GASOLINE TAX RATES

2001 (cents per litre)*

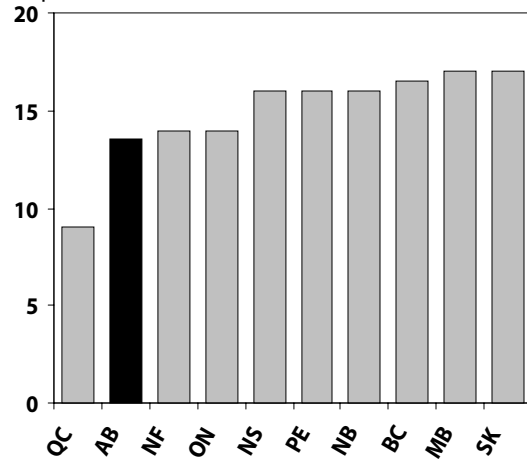


* For NB, NS, QC and NF, provincial sales tax is levied on top of fuel tax.
Source: Alberta Finance, as of April 4, 2001

- Alberta has the lowest gasoline tax rate among the provinces, 2 cents per litre below British Columbia, the second lowest province, and over 8.8 cents per litre below Newfoundland.

PROVINCIAL CORPORATE INCOME TAX RATES

2001 (per cent)*

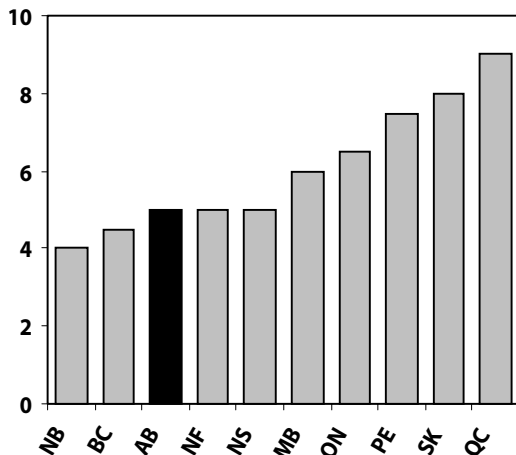


* SK, ON, PE and NF reduce their corporate income tax rates for manufacturing and processing industries.
Source: Alberta Finance, as of April 4, 2001

- As of April 1, 2001, Alberta has the second lowest general corporate income tax rate.
- Alberta's general corporate tax rate will be reduced to 8% by April 1, 2004, as affordable.
- Alberta businesses also benefit because Alberta has no retail sales tax, no capital tax and no general payroll tax.

PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2001 (per cent)*

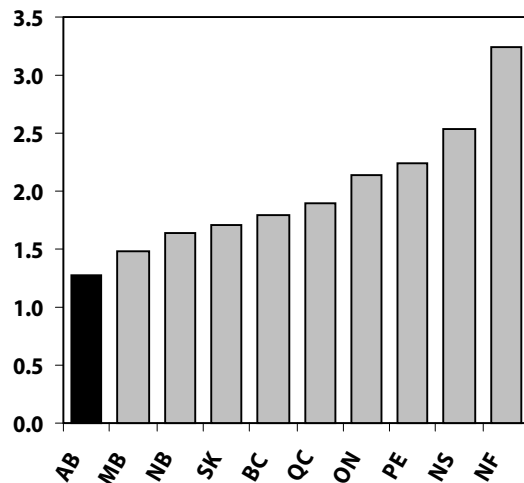


* On July 1, 2001, SK's rate drops from 8% to 6%.
Source: Alberta Finance, as of April 4, 2001

- As of April 1, 2001, Alberta's small business corporate income tax rate of 5% is tied for the third lowest in Canada.
- Alberta's small business tax rate will be reduced to 3% by April 1, 2003, as affordable.

WORKERS' COMPENSATION PREMIUMS

2001 (dollars per \$100 of gross payroll)*

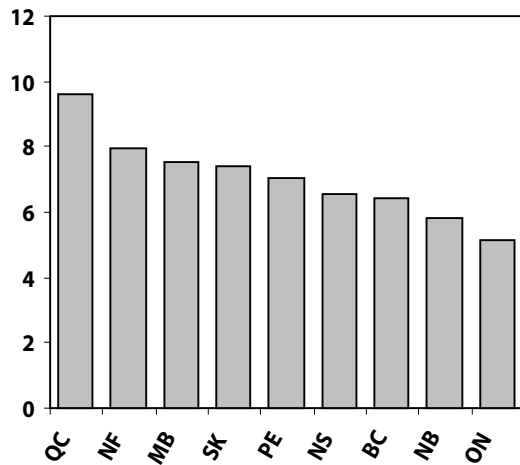


* Provisional rates
Source: Association of Workers' Compensation Boards of Canada

- Alberta's WCB premium rate remains the lowest among the provinces, 14% lower than second place Manitoba.
- Alberta, British Columbia, Saskatchewan, Manitoba and New Brunswick have no unfunded WCB liabilities.

ALBERTA'S TAX ADVANTAGE

2001 (billions of dollars)



Source: Alberta Finance, as of April 4, 2001

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same personal and corporate taxes as in other provinces.
- Albertans would pay over \$5 billion more if we had to pay Ontario's taxes, and over \$9.5 billion more if we had to pay Quebec's taxes.

Low Operating Costs

FOR BUSINESSES AND HOUSEHOLDS

When it comes to cost of living, the province of Alberta is an attractive place to live and do business. Costs are more than competitive with the rest of Canada and the United States. In addition, our combination of low taxes, a skilled workforce and a well-established infrastructure provides a further advantage for Alberta industries.

LOWEST ANNUAL LOCATION-SENSITIVE COSTS

1999

Largest Cities	Rank*
Quebec City, QC	1
Edmonton, AB	2
Montreal, QC	3
Calgary, AB	4
Winnipeg, MB	5
Toronto, ON	6
Vancouver, BC	7
Jacksonville, FL	8
Dallas-Fort Worth, TX	9
San Diego, CA	10

* Top 10 rankings for the largest North American cities by population.
Source: KPMG, March 1999

- Based on KPMG's comparison study of business costs, Edmonton and Calgary are ranked in the top four for having the lowest overall location-sensitive costs in North America.
- Location-sensitive costs include labour, lease, electricity, transport and telecommunications costs, interest, depreciation, and taxes.

LOWEST INITIAL INVESTMENT COSTS

1999

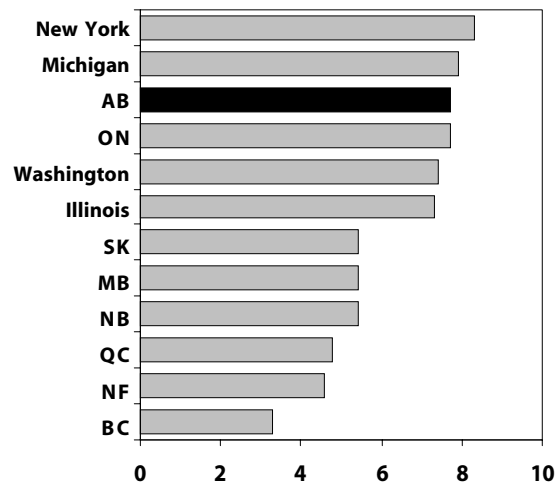
Largest Cities	Rank*
Quebec City, QC	1
Edmonton, AB	2
Montreal, QC	3
Winnipeg, MB	4
Dallas-Fort Worth, TX	5
Toronto, ON	6
Calgary, AB	7
Jacksonville, FL	8
Vancouver, BC	9
San Diego, CA	10

* Top 10 rankings for the largest North American cities by population.
Source: KPMG, March 1999

- Edmonton ranks second among large North American cities with respect to initial investment costs, which consist of land acquisition and building construction costs.

INVESTMENT CLIMATE

September 19, 2000 (scale from 0 to 10)

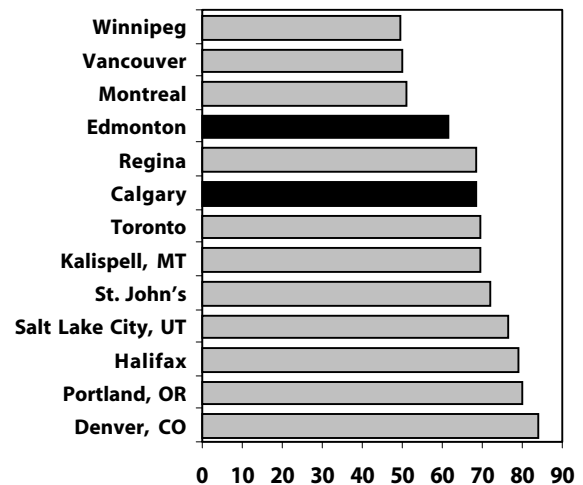


Source: Fraser Institute, Summer 2000 Survey of Senior Investment Managers

- Based on the Fraser Institute's 2000 Survey of Senior Investment Managers, Alberta tied with Ontario for the best investment climate in Canada, 2.3 points above the next highest provincial score.
- Alberta also maintains a competitive investment climate with the United States.

ELECTRICITY RATES

As of October 2000 (dollars/month)*



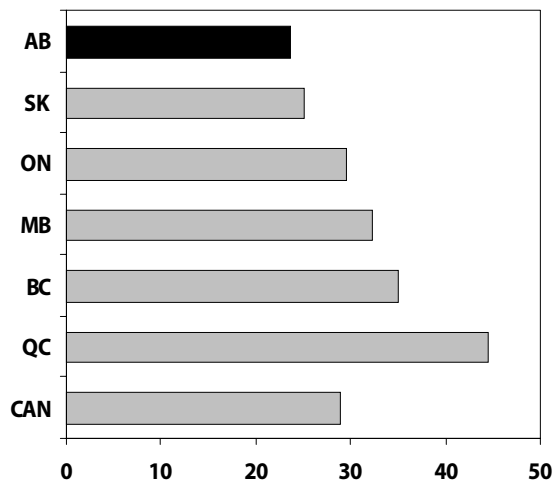
* Average monthly residential electricity charge, based on 750 Kwh/month power consumption. Includes Rate Riders, PST and State Sales Tax.

Source: Survey of Canadian Electricity Bills (Manitoba Hydro), Pacific Power, and Public Service Company of Colorado.

- Alberta's residential electricity prices were competitive with the rest of Canada and below rates in the United States in October 2000.
- Currently, the Alberta Government is implementing rebates to protect consumers from short-term price pressures in 2001.

NATURAL GAS RATES

2000 Annual Average (cents per cubic metre)*



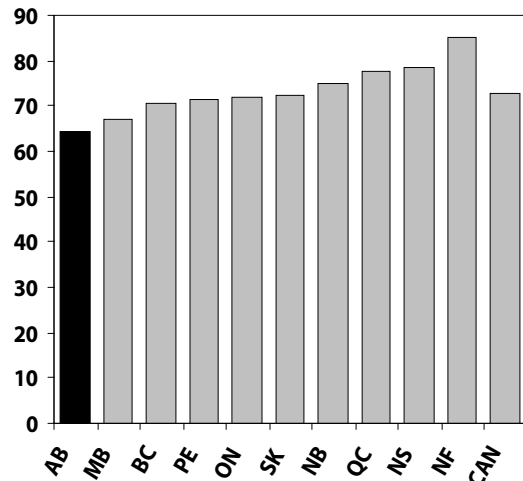
* January to November only.

Source: Statistics Canada

- During the first eleven months of 2000, Alberta's residential natural gas rates were the lowest in Canada.
- The Alberta Government has introduced rebate programs to assist Albertans with higher costs this winter.

GASOLINE PRICES

2000 Annual Average (cents per litre)*



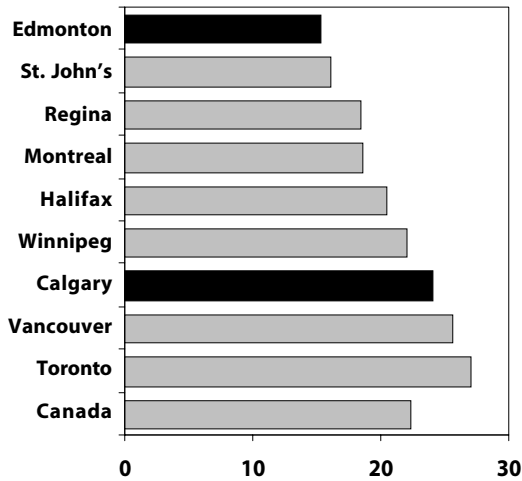
* Regular unleaded gasoline.

Source: Statistics Canada

- Alberta continues to have the lowest gasoline prices in Canada, ranging from approximately 3 to 21 cents per litre below the other provinces.

OFFICE RENTAL RATES

2000 (dollars per square foot)*



* Average gross rental rates, including average taxes, operating costs and tenant inducements for all classes of space.

Source: Royal LePage

- Edmonton has the lowest overall office rents among major Canadian cities.

AIRPORT CONVENIENCE

1999*

Airports	Rank
Vancouver, BC	1
Cincinnati, OH	2
Minneapolis, MN	3
Atlanta (Hartsfield), GA	4
Calgary, AB	5
Seattle, WA	6
Orlando, FL	7
Houston, TX	8
Dallas-Fort Worth, TX	9
Portland, OR	10

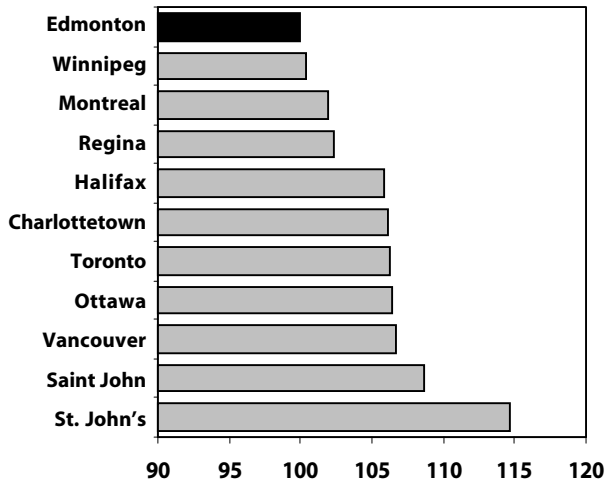
* Edmonton not included in survey.

Source: 1999 International Air Transportation Association (IATA) Airport Monitor

- In 1999, Calgary's airport convenience remains competitive, in fifth place among North American cities, according to the International Air Transport Association Air Monitor's ranking of North American airports.

DAILY LIVING PRICE INDEX

December 2000*



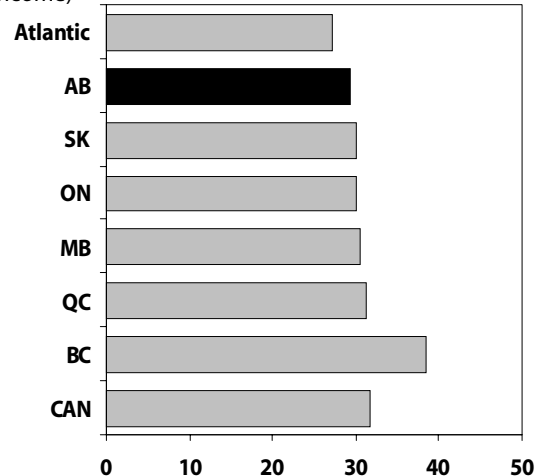
* Converted to index of Edmonton = 100. No data for Calgary.

Source: Statistics Canada

- Residents in Edmonton pay the lowest costs for daily living goods compared to other major Canadian cities. A basket of daily living goods that costs \$100 in Edmonton would cost \$115 in St. John's.
- Daily living items include food, transportation, household operations and furnishings, health/personal care, recreation and tobacco/alcohol products.

HOUSING AFFORDABILITY

2001* (home ownership costs as a % of pre-tax household income)



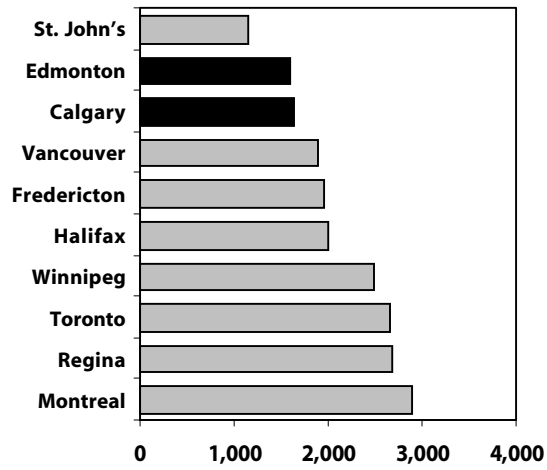
* 1st quarter forecast

Source: Royal Bank

- Home ownership affordability in Alberta is the second best in Canada.
- This reflects both high and rising household incomes and still reasonable house prices.

NET HOME PROPERTY TAXES

2000 (dollars)*



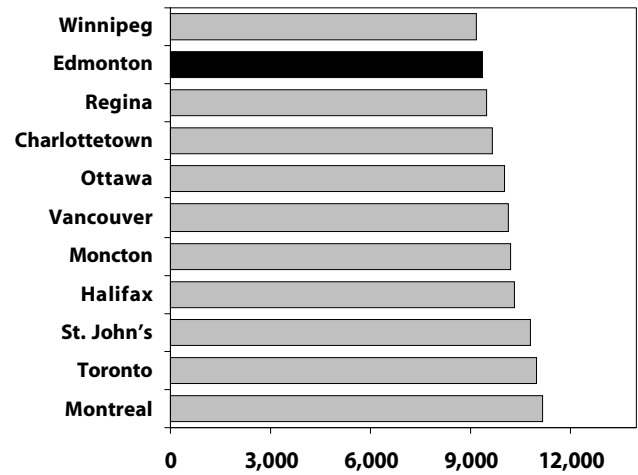
* Includes municipal, regional and school tax, net of homeowner grants or credits for a single family house.

Source: The City of Edmonton, Planning and Development

- Edmonton's and Calgary's property taxes on a typical house are among the lowest in Canada.

CAR OWNERSHIP COSTS

2001 Annual (dollars)*



* Based on 4-year/96,000 km retention cycle of a 2001 Ford Taurus. Costs include general operating, insurance, depreciation, taxes and licence fees. No data for Calgary.

Source: Runzheimer Canada Inc.

- According to a national auto-owner survey, Edmonton is the second least expensive place in Canada to own and operate a car.

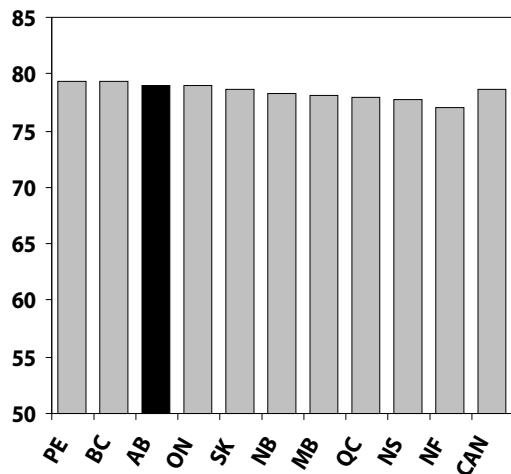
Quality of Life

OUTSTANDING

Each year, thousands of people from the rest of Canada are drawn to this province, well known for its exceptional standard of living. Alberta is a prosperous region, where residents share a rich natural environment, and enjoy our arts, culture and recreation opportunities.

LIFE EXPECTANCY

1997 (years)*

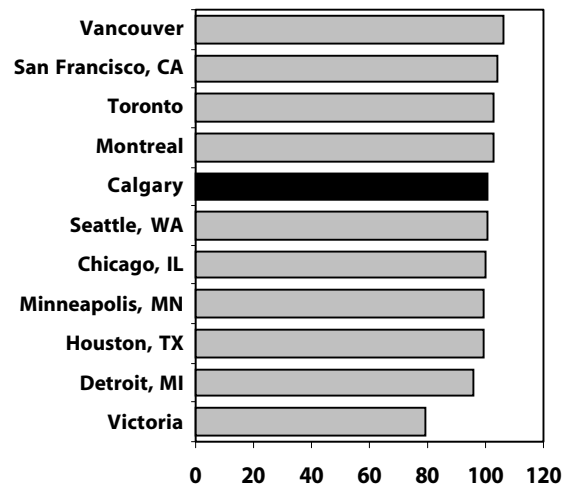


* Average life-span at birth.
Source: Statistics Canada

- In 1997, Alberta tied for third highest life expectancy at birth among provinces.
- Albertans can expect to enjoy a longer life than the average Canadian.

QUALITY OF LIVING INDEX

1999 (New York = 100.0)*



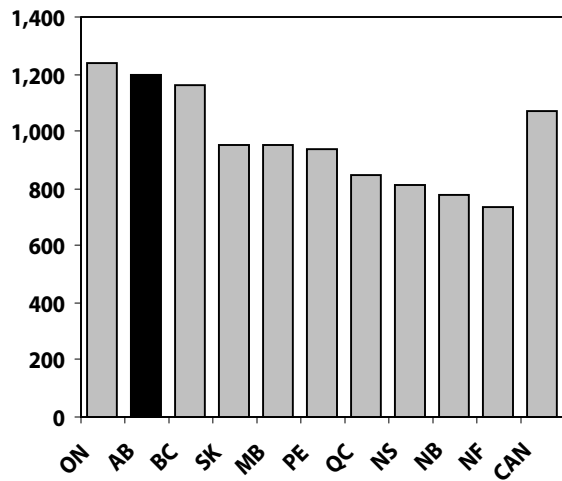
* 39 criteria based on political, social, economic, cultural, and natural environment; health; education; transportation; recreation; consumer goods; housing; and public services. Edmonton not included in survey.

Source: William M. Mercer Companies LLC

- Based on an analysis of "Quality of Living" in 216 major cities in the world, Calgary ranks fourth highest in Canada and beats most major U.S. cities.

EXPENDITURE ON RECREATIONAL ACTIVITIES

1999 Average Expenditure Per Household (dollars per year)*

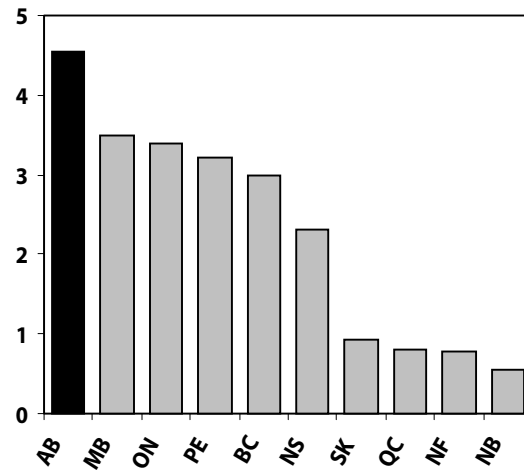


* Includes expenditure on recreation and entertainment.
Source: Statistics Canada

- Albertans "work hard and play hard". With the highest average household income of Canadian provinces, Albertans' expenditure on sports, performing arts, and other recreational and entertainment activities is the second highest in Canada.

SUPPORT FOR PERFORMING ARTS

1998-99 Private Sector Donations (dollars per capita)*



* Includes fundraising and donations. Survey based only on professional performing arts companies with budgets of \$100,000 or more.
Source: The Council for Business and The Arts in Canada (CBAC)

- Alberta continues to stay at the top for private sector support of the performing arts, according to the most recent data.

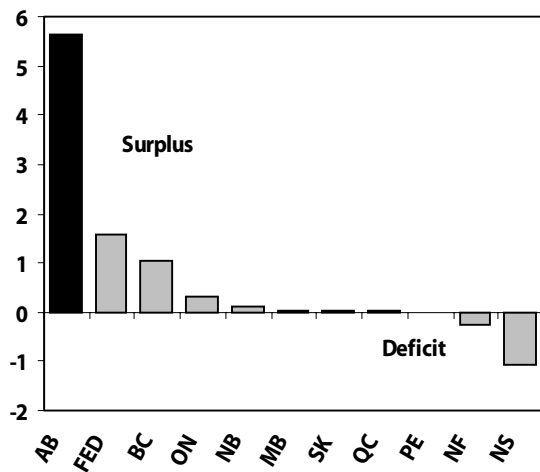
The Alberta Government

STREAMLINED, ACCOUNTABLE, AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens. Its aim is to work with Albertans to target priorities while ensuring a balanced budget. Alberta continues to attract international attention as the most fiscally responsible government in North America. With the net provincial debt paid off, the Alberta Government has legislated a new debt repayment plan to eliminate its remaining accumulated debt.

GOVERNMENT SURPLUSES (DEFICITS)

2000-01 (per cent of GDP)

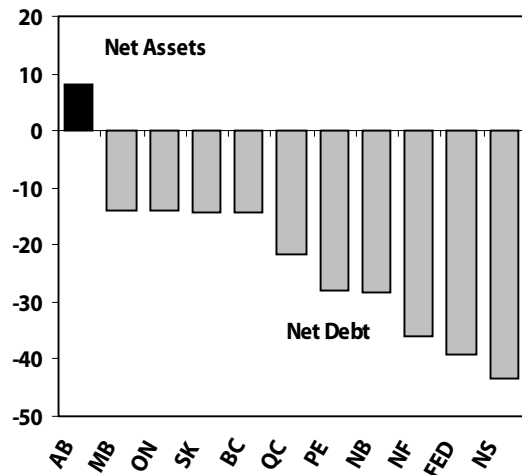


Source: Alberta Finance, as of April 3, 2001

- The Alberta government is committed to living within its means.
- Among the provinces, Alberta has gone from having the highest annual deficit as a percentage of GDP in 1992-93 to the highest surplus as a percentage of GDP in 2000-01.

GOVERNMENT NET ASSETS (DEBT)

March 31, 2001 (per cent of GDP)*



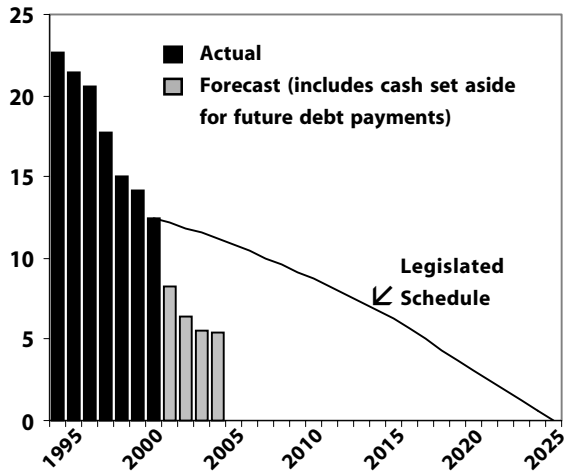
* Estimate based on latest available data. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance, as of April 3, 2001

- Alberta's net debt has been eliminated, with total financial assets exceeding total liabilities.
- At March 31, 2001, Alberta's financial assets are forecast to be \$25 billion. Total liabilities (excluding pension obligations) are forecast to be \$16.3 billion, resulting in net assets of \$8.7 billion.

ALBERTA'S ACCUMULATED DEBT

At March 31 (billions of dollars)

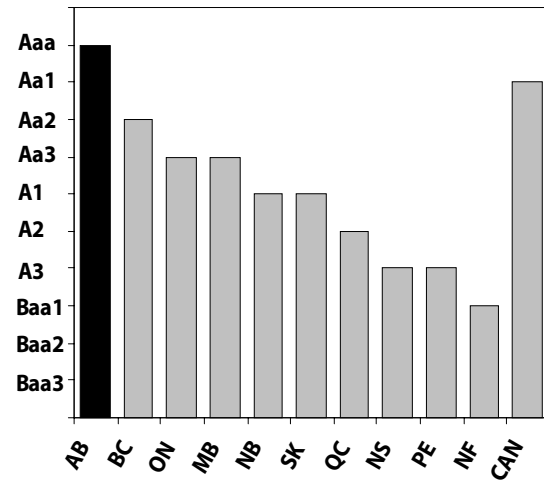


Source: Alberta Finance, as of April 3, 2001

- Alberta is required to eliminate its accumulated debt by no later than 2025.
- The province's accumulated debt is expected to be \$6.5 billion at March 31, 2002.

CREDIT RATING

As of April 3, 2001*

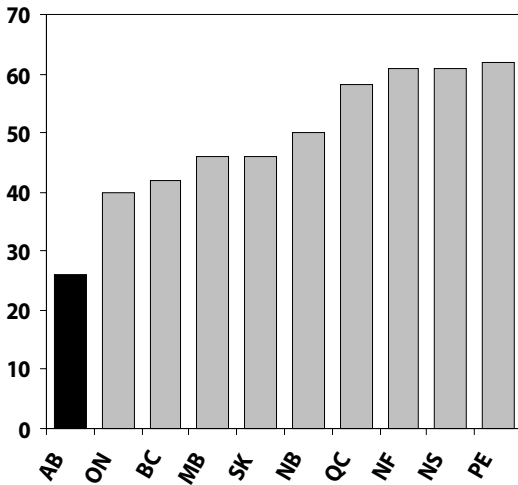


*Moody's Canadian domestic dollar debt ratings.
Source: Moody's Investors Services

- All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) rank Alberta as the top province in Canada for credit worthiness on Canadian dollar debt.

BORROWING COSTS

As of April 3, 2001 (basis points)*

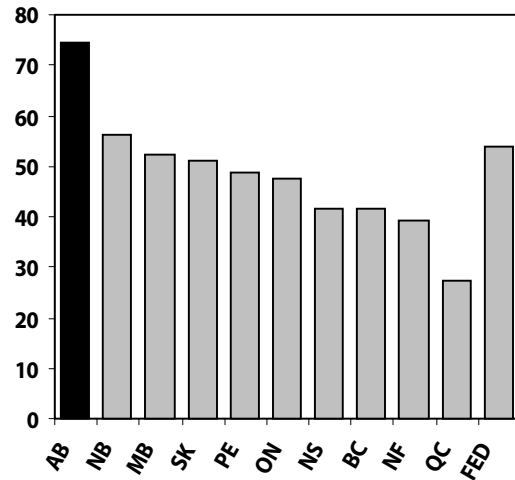


* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.
Source: CIBC World Markets

- Alberta has by far the lowest interest rate spread relative to ten-year Government of Canada bonds of any province in Canada.
- Alberta's strong fiscal performance and top credit rating have led to lower borrowing costs for the province, municipalities and local authorities.

BUDGET PERFORMANCE INDEX

March 21, 2000 (scale from 0 to 100)*



* Component ratings include levels of, and changes in spending, tax rates, tax revenues, deficits and debt.
Source: Fraser Institute.

- Based on the Fraser Institute's measure of budget performance, Alberta topped all other provinces and the federal government, by far.
- According to the index, which is based upon the tax and expenditure behaviour of governments, Alberta surpassed second place New Brunswick by 32%.



THE FUTURE
MEETING PRIORITIES SHARING BENEFITS
Alberta Tax Advantage

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Alberta Tax Advantage

“This government is committed to seeing that Albertans have more money in their pockets, either on the personal or on the business tax side.”

Pat Nelson,
Minister of Finance
Calgary Herald,
March 27, 2001

“Alberta’s tax cuts have been spectacular and it is trailblazing...”

Mary Webb, Senior Economist,
Bank of Nova Scotia,
National Post,
February 19, 2001

“...if we want to have better taxes, we must strike a good compromise between fairness and economic efficiency.”

Pierre Fortin,
“Less Taxes and Better Taxes”,
February 2000

LOWER AND BETTER TAXES

Taxes matter. They affect our everyday lives – how much of our earnings we get to keep and how we pay for the public services we value. Albertans want low, fair taxes. They are proud of the fact that they pay the lowest taxes in Canada, while still enjoying excellent public services that contribute to their quality of life.

Taxes also shape our tomorrow. Our choices about taxes today will affect how quickly the economy grows, the skills that people acquire, and the kinds of industries that develop in Alberta. Alberta’s economy must provide good jobs and offer opportunities that keep our highly skilled young people in the province. This means that our taxes must be competitive, in Canada and internationally. We cannot look at changes to the tax system solely in terms of how they divide the existing economic pie – we also have to consider how they contribute to economic growth, so that the pie gets bigger and everyone is better off than before.

This year, the government has implemented significant improvements to personal and business taxes. As a result of these changes, Albertans enjoy a fair tax system today that provides for economic growth tomorrow. We have lower, simpler, fairer and more competitive taxes.

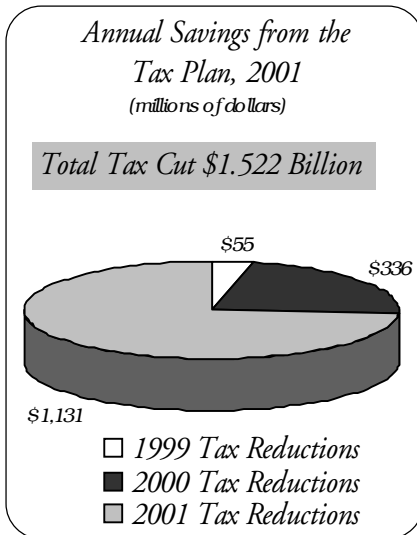
THE SINGLE RATE TAX SYSTEM IS HERE!

This year our new made-in-Alberta personal income tax system became a reality. Alberta now levies its single rate tax on taxable income instead of calculating tax as a percentage of federal tax. The Alberta Tax Review Committee first recommended this system in 1998 after consulting with Albertans. The government agreed to the changes and targeted January 2002 as the implementation date. The healthy state of our finances has allowed us to accelerate this plan. The single rate tax came into effect January 1st of this year, so Albertans get their tax savings a year ahead of the original schedule.

Not only are Albertans getting the tax savings sooner, they are getting bigger savings than originally planned. The Committee recommended a tax system with an 11% rate and basic personal and spousal exemptions of \$11,620. In May 2000, the government reduced the rate to 10.5% and increased the exemptions to \$12,900. But our financial situation allowed for even more cuts on an affordable basis – in January, we announced another reduction to the single rate, this time to 10%.

At the same time, the government announced increases to other credits. The disability tax credit increases from \$4,293 to \$6,000, the caregiver and infirm dependent credits jump from \$2,386 to \$3,500, and the part-time and full-time education credits double to \$120 and \$400 per month respectively.

The single rate tax is the final step in the tax plan that we began three years ago. In 1999, we matched federal increases to the basic and spousal exemptions. Last year, we paralleled federal reductions and eliminated the 8% surtax. With the introduction of the single rate tax, total personal income tax cuts will exceed \$1.5 billion, or 23%.



COMPETITIVE AND FAIR

In addition to immediate tax savings, Albertans will see a future economic pay-off from the tax changes we make today. The analysis in Budget '99 indicates that by 2006, Alberta's real GDP is expected to be about 1.7%, or \$2.3 billion, higher than it would have been without the tax changes. Employment will be about 35,000 greater.

The new tax system rewards initiative by reducing the tax bite that comes with earning more income. Alberta's top marginal rate, including federal and provincial taxes, has dropped from 43.7% in 2000 to 39%, the lowest in Canada. When people see less of their hard-earned dollars going to the government and more staying in their wallets, they are willing to work harder and invest more in education and training. Aside from the tax savings, Albertans will benefit from the economic growth that results when people see larger rewards for their work effort and education.

The new tax system will help attract and retain the kind of workforce that our economy needs to prosper. In today's economy, the most important asset of many businesses is the knowledge of their employees. If Alberta wants to encourage knowledge-based businesses, it must be a place where highly skilled, highly mobile workers want to live. Low, competitive taxes are an important reason why talented workers choose to work here. Without low taxes, we risk losing our own highly educated people to places that reward them more for their abilities.

Albertans want a competitive tax system that is also fair. The single rate tax balances these objectives by increasing our competitiveness while improving fairness. As a result of the increased basic and spousal exemptions, about 200,000 low-income Albertans are dropped from the provincial tax rolls, and the amount of income that people can earn without paying provincial tax increases. A working individual will pay no Alberta income tax until income reaches \$13,645, the most generous level in Canada.

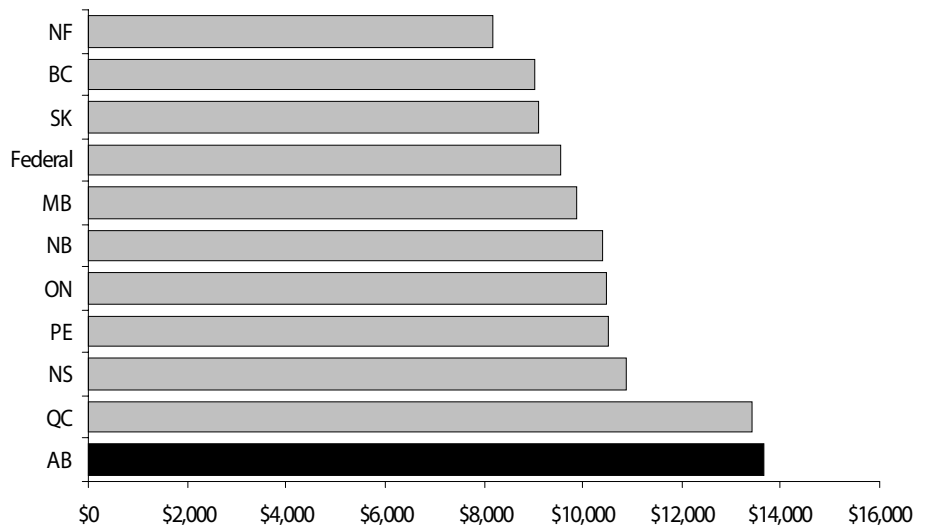
"... thinking someone else should continue to shoulder an unfair share because they worked harder to get ahead is not a solution."

Ken Derpack,
Edmonton Sun,
January 9, 2001

“... a more rational tax system would recognize the legitimate interests of low-income Canadians through significantly higher personal exemptions, thus taking them right out of the personal income tax system ...”

Robert Brown,
 “Tax Reform and Tax Reduction”,
 June 1999

Income a Working Individual Can Earn Without Paying Personal Income Tax, 2001



Includes the basic amount, CPP and EI non-refundable tax credits, sales tax credits and selective reductions where applicable.

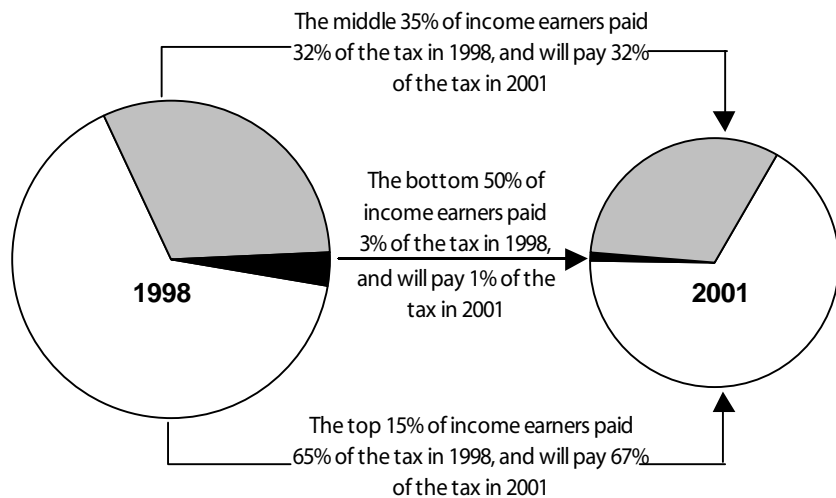
At the same time, those who can afford to pay more, do. Average tax rates rise with income, even under a single rate tax, because the basic exemption shields a smaller proportion of income from tax as income rises. In 2001, the top 15% of income earners will pay 67% of Alberta income tax, up from 65% in 1998.

“How could anything be fairer? ... The low-income workers pay a low amount and the high-income workers pay a high amount, but we all pay at the same rate.”

Bob Easton,
 Grande Prairie Daily Herald-Tribune,
 December 20, 2000

Distribution of Tax Burden

\$1.5 billion less tax will be paid in 2001 than if Alberta had kept the 1998 system



“Everyone who’s a taxpayer should get tax relief and this is what’s been wonderful about what the government has done in Alberta. It’s straight across the board. It’s 10 percent. They don’t play income groups off against one another... It’s clear, it’s transparent, it’s fair, it’s progressive.”

Troy Lanigan,
Acting Alberta Director,
Canadian Taxpayers
Federation,
Calgary Herald,
December 28, 2000

“... Alberta’s flat tax is progressive. The more you earn, the more you pay. What makes it different, and important, is that it contains a limit - [10%] - that applies to everyone.”

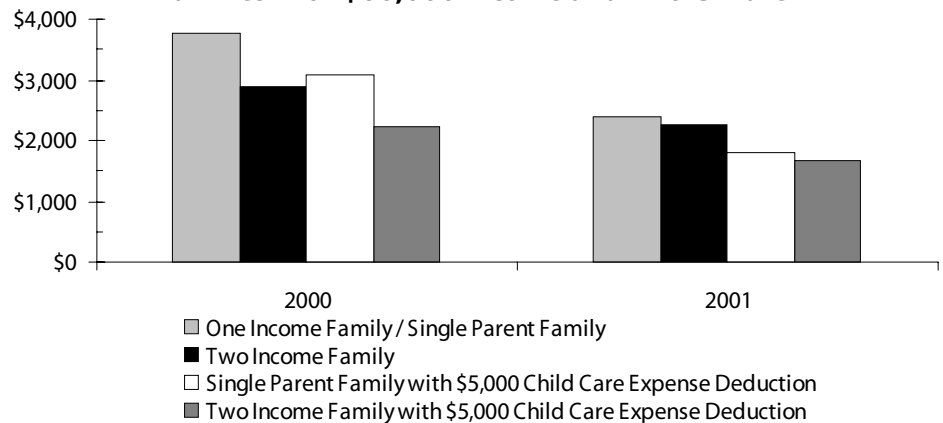
Paul Stanway,
Calgary Sun,
January 6, 2001

The government recognizes that there are two ways to achieve progressivity. One way is to tax high-income earners at high levels. We could hit people with higher and higher tax rates as their income rises. This might be seen as “fair”, but it comes at the cost of a shrinking economic pie, as high-income, highly skilled workers, and the businesses that employ them, move to places with lower taxes.

The second and better way to achieve progressivity is to reduce taxes on low-income earners. The new tax system does this by increasing the basic exemptions dramatically. It eliminates tax for low-income taxpayers, without punishing high-income earners and the economy with high tax rates. The result: a tax system that is both competitive and fair, and that encourages economic growth.

The new tax system is also fairer to one-income families. By taxing all income at a single rate and setting the basic and spousal exemptions at the same amount, it reduces the difference in tax paid by one- and two-income families.

Comparison of Alberta Income Taxes Payable by Families with \$60,000 Income and Two Children



Finally, tax credits are indexed to the Alberta Consumer Price Index, so there is no hidden tax grab when income increases with inflation. This is particularly helpful for low- and middle-income Albertans because the exemptions represent a larger portion of their incomes.

Tax Plan Savings for Albertans^a

(dollars)

Income	Alberta Taxes Paid				Savings 2000 to 2001
	1998	1999	2000	2001	
Single					
20,000	1,033	1,007	971	594	377
30,000	1,707	1,679	1,642	1,429	213
40,000	2,485	2,455	2,373	2,073	300
60,000	4,472	4,440	4,236	3,693	543
75,000	6,200	6,168	5,796	4,973	823
100,000	9,342	9,310	8,714	7,173	1,541
One Income Family or Single Parent Family with Two Children^b					
20,000	(526)	(604)	(662)	(1,000)	338
30,000	450	397	343	(701)	1,044
40,000	1,518	1,463	1,354	223	1,131
60,000	4,037	3,978	3,777	2,403	1,374
75,000	5,766	5,706	5,337	3,683	1,654
100,000	8,908	8,848	8,254	5,883	2,371
Two Income Family with Two Children^b					
20,000	(802)	(840)	(874)	(1,000)	126
30,000	279	210	127	(483)	610
40,000	1,060	994	916	228	688
60,000	3,023	2,968	2,871	2,277	594
75,000	4,311	4,254	4,121	3,501	620
100,000	6,889	6,827	6,541	5,705	836
Single Senior^c					
15,000	—	—	—	—	—
20,000	737	699	644	248	396
30,000	1,638	1,613	1,556	1,294	262
40,000	2,944	2,919	2,818	2,444	374
60,000	5,577	5,550	5,228	4,610	618
75,000	7,719	7,692	7,217	6,110	1,107
100,000	11,289	11,262	10,532	8,610	1,922
Senior Couple^c					
25,000	—	—	—	—	—
30,000	205	156	53	—	53
40,000	1,389	1,326	1,241	545	696
60,000	3,468	3,418	3,302	2,617	685
75,000	5,235	5,184	5,005	4,313	692
100,000	8,512	8,459	8,058	7,069	989

^a Calculations include RRSP/RPP contributions except for seniors.

^b Includes the Alberta Family Employment Tax Credit where applicable.

^c Blank lines indicate seniors who pay no Alberta income tax and receive the Alberta Seniors Benefit.

CALCULATING TAX UNDER THE SINGLE RATE SYSTEM

To calculate provincial personal income tax payable under the new system, Albertans first multiply federally defined taxable income by the single rate of 10%. From this amount, Albertans then subtract the Alberta non-refundable tax credits to which they are entitled.

In addition to providing enhanced basic personal and spousal exemptions, Alberta will continue to provide the same non-refundable tax credits as the federal government, including the age, caregiver, and the tuition and education credits. Credits that can be transferred or carried forward under the federal system will continue to receive the same treatment under the Alberta system. Provincial support has increased from about 7.5% of the credit amounts – what you got when you multiplied the old federal tax rate of 17% by the old provincial rate of 44% – to 10%. The charitable donations credit is 10% of the first \$200 and 12.75% of donations above \$200.

Additionally, the province will continue to provide a provincial dividend tax credit, overseas employment tax credit, foreign tax credit and political contributions tax credit. The non-refundable dividend tax credit in Alberta is 32% of the gross up.

Dividend = \$100	Charitable donation = \$500
Gross-up = \$100 x 25% = \$25	Credit on first \$200 = \$200 x 10% = \$20
Alberta dividend tax credit* = \$25 x 32% = \$8	Credit on next \$300 = \$300 x 12.75% = \$38.25
	Total credit = \$58.25

*With the September announcement that Alberta's small business tax rate will be reduced to 3% by April 1, 2003 if affordable, the dividend tax credit will be under review in the future.

Alberta Non-Refundable Tax Credit Block							
2000				2001			
	Maximum Amount (A) \$	Alberta Credit Rate (B) %	Deduction from Alberta Tax (A) x (B) \$	Maximum Amount (A) \$	Tax Rate (B) %	Deduction from Alberta Tax (A) x (B) \$	
Basic personal amount	7,231	7.5	542	12,900	10	1,290	
Spousal amount	6,140	7.5	461	12,900	10	1,290	
Equivalent-to-spouse amount	6,140	7.5	461	12,900	10	1,290	
Age amount	3,531	7.5	265	3,619	10	362	
Infirm dependent amount	2,386	7.5	179	3,500	10	350	
CPP contributions	1,330	7.5	100	1,496	10	150	
El contributions	936	7.5	70	878	10	88	
Pension income amount	1,000	7.5	75	1,000	10	100	
Disability amount	4,293	7.5	322	6,000	10	600	
Disability supplement	2,941	7.5	221	3,500	10	350	
Tuition and education amounts	Variable	7.5	Variable	Variable	10	Variable	
Medical expenses	Variable	7.5	Variable	Variable	10	Variable	
Caregiver amount	2,386	7.5	179	3,500	10	350	
Interest on student loans	Variable	7.5	Variable	Variable	10	Variable	
Donations and gifts							
- first \$200	200	7.5	15	200	10	20	
- over \$200	75% of income	12.75	Variable	75% of income	12.75	Variable	

HELPING ALBERTANS DEAL WITH HIGH ENERGY PRICES

High energy prices are tough on the family budget, hitting Albertans when they fill up at the gas pump and pay their home heating bills. At the same time, high energy prices have created much larger than expected revenues for the Alberta government. In response, we decided to return some of these dollars to Albertans through a refundable tax credit.

The Alberta Energy Tax Refund provides Albertans 16 years of age and over with \$300 to help deal with rising energy costs or other expenses. Most Albertans received the first \$150 installment last fall, with the second installment arriving in mailboxes this month. Because the refund is tax-free, Albertans end up with the full \$300 in their pockets. In total, the tax refund is expected to return over \$690 million to Albertans.

The Alberta government is taking a prudent approach by combining ongoing personal tax cuts with periodic refunds as appropriate. Tax cuts give back to Albertans each year on a sustainable, long-term basis, while a one-time refund gives more back during times of unexpectedly high revenues.

COMPETITIVE BUSINESS TAXES

COMPETING ON A GLOBAL STAGE

Alberta is an excellent place to do business. Our province has many advantages, including a high quality of life, good infrastructure, and a highly educated workforce. Low business taxes add to our advantage. Alberta has no general sales, payroll or capital taxes and one of the lower corporate income tax rates in Canada.

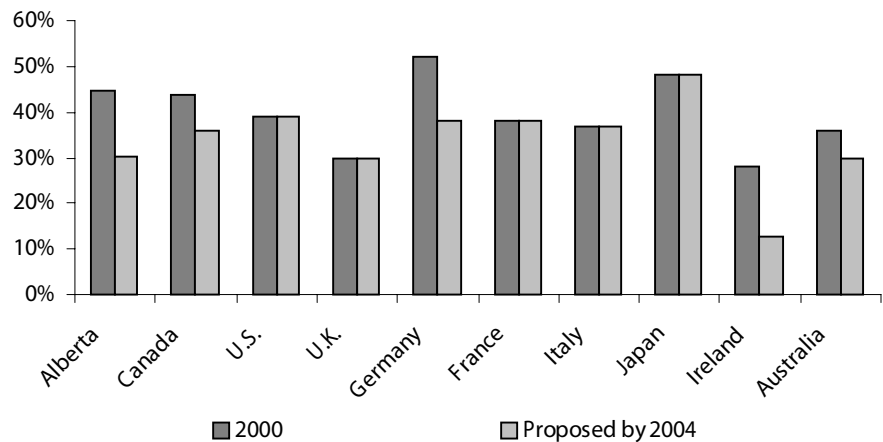
In the past, we were content that our business taxes were competitive compared to other provinces. This is no longer good enough. We have to look beyond Canada's borders. Our advantage must be measured on a global, not just national, stage.

International comparisons show that Alberta may face a disadvantage if we stand still. Alberta's combined federal-provincial corporate income tax rate is currently higher than the rates of many of our major economic competitors, several of whom have announced significant corporate tax cuts. We especially need to look south, to make sure that Alberta businesses are not at a disadvantage relative to competitors in the United States. The recently announced federal corporate income tax reductions, which will drop the federal rate in Canada to 21% by 2004 for most businesses, will improve our relative position, but Alberta should not expect the U.S. to stand still. Alberta must do its part to remain competitive.

"The world is changing quickly on all of us and it's harder and harder every year to remain competitive."

Pete Merlo,
President, Grande Prairie
Chamber of Commerce,
Grand Prairie Daily Herald-
Tribune,
September 18, 2000

General Corporate Income Tax Rates Selected OECD Countries



Source: Jack Mintz, "The February 2000 Federal Budget's Business Tax Measures", C.D. Howe Institute, March 2000, with Ministry of Finance data for Alberta and the U.K.

"By improving Canada's attractiveness as a place to invest, we could raise the economy's capacity to grow and create well-paying jobs over time."

William Robson,
"Good Times, Good Decisions",
August 2000

REVIEWING BUSINESS TAXES IN ALBERTA

People end up paying the cost of business taxes. Businesses can invest almost anywhere in the world. They are less likely to locate here if it means paying high taxes. If businesses choose to invest somewhere else, Alberta's work force will be left with fewer and lower quality jobs, lower wages, and a lower standard of living.

With this in mind, the government appointed the Alberta Business Tax Review Committee in February 2000. Its mandate was to examine the impact of business taxes on Alberta's economic and business climate and on our international competitiveness, and to make recommendations to improve Alberta's competitive position. The Committee asked what Albertans thought about our business tax system, and heard from them through written and verbal submissions.

Albertans expressed their support for lower taxes on business. They wanted the government to deliver low taxes for as many businesses as possible, through corporate income tax reductions. Corporate income tax cuts give the biggest bang for the buck and they are the most important element in international tax competitiveness.

General corporate income tax reductions are better than providing special tax treatment for certain industries. This is called the low-rate, broad-base approach, and the Alberta government remains committed to it, even though other provinces increasingly offer special incentives to certain industries. Special incentives are fine for the favoured industries, but not for other businesses that pay for the special treatment through higher general tax rates. We continue to believe that the market, not government policy, should decide which businesses succeed.

IMPROVING ALBERTA'S COMPETITIVENESS

The Committee's recommendations were intended to improve Alberta's position as one of the best places to start, locate or expand a business. The Alberta government adopted most of the Committee's recommendations, but decided to study others further.

GOVERNMENT RESPONSE	BUSINESS TAX REVIEW COMMITTEE RECOMMENDATIONS
✓	Reduce the general corporate income tax rate from 15.5% to 8% and the manufacturing and processing rate from 14.5% to 8%.
✓	Cut the small business rate in half, from 6% to 3%, and double the threshold from \$200,000 to \$400,000.
✓	Eliminate the capital tax on financial institutions and do not allow capital taxes payable to other provinces to be deductible in Alberta.
✓	No changes to the insurance corporations tax and the hotel room tax.
×	No changes to fuel taxes.
×	Changes should be made to the Alberta Farm Fuel Benefit program so that only unlicensed vehicles and equipment are eligible to use tax-exempt fuel.
Further Review	Changes should be made to the Tax Exempt Fuel Use program so that only unlicensed vehicles and equipment are eligible to use tax-exempt fuel.
Further Review	Changes should be made to the Alberta Royalty Tax Credit program so that benefits go primarily to smaller companies. Over the longer term, the program should be reviewed with the ultimate goal of phasing it out.
✓	Government should address issues related to the taxation of machinery and equipment assessment on electric power generation.
✓	Alberta's capital gains inclusion rate should be reduced from 66.7% to 50%.
✓	The province should maintain a low rate, broad base tax system rather than introduce tax credits.

"The economic environment in Alberta, with its lower taxes, healthy economy and good entrepreneurial business community, provides a better base for quicker growth than any other province."

Ian Robinson,
Partner,
Ernst & Young,
March 7, 2001

The government agrees with the Committee that the first priority is to reduce corporate income tax rates. Lower tax rates benefit all businesses and sectors of the Alberta economy, and ultimately Albertans through a growing economy and better job opportunities. On April 1, the general and manufacturing and processing rates were reduced to 13.5%. The government will cut these rates to 8% by 2004, subject to affordability. These changes will keep Alberta competitive in the global marketplace. Once Alberta's tax rate drops to 8% and the planned federal reductions kick in, the combined federal-provincial corporate income tax rate in Alberta will be 30.12%, well below the existing rate of 44.62%. This will be very competitive with current U.S. rates.

The government also recognizes the important role of small business in Alberta's economy. We will double the eligible income threshold to \$400,000 over two years and halve the small business rate to 3% over three years, subject to affordability. These changes will make Alberta's rate for small businesses the lowest in Canada. The first steps took place on April 1, when the rate fell to 5% and the threshold climbed to \$300,000.

"... this [business tax reductions] will make a good tax environment a great tax environment."

Dan Kelly,
Canadian Federation of
Independent Business,
National Post,
September 14, 2000

"The one thing about this continuing move down in the tax rate is that it's a robust economy, it's energetic. We can recruit bright, young people here."

Brant Randles, President,
Louis Dreyfus Canada Ltd.,
National Post,
February 19, 2001

Financial services are also important to future economic growth. Yet, Canadian governments have targeted this sector with special capital taxes. These taxes are becoming more of an issue because of the regulatory and technological changes occurring in the banking industry. These changes are opening the Canadian market to greater competition from abroad, and allowing our existing banks to restructure and enter new lines of business. Maintaining the capital tax in Alberta would discourage financial institutions from locating their restructured operations here, depriving Albertans of the job opportunities offered by a vibrant financial services sector.

For these reasons, the government eliminated the capital tax on financial institutions on April 1, 2001. In conjunction with this change, capital taxes payable to other provinces are no longer deductible in Alberta. This ensures that Alberta will not subsidize other provinces' capital taxes.

Effective May 1, the railway fuel tax rate will be reduced from 3 cents per litre to 1.5 cents per litre, the same rate levied on aviation fuel, since the railways have to pay for their own infrastructure.

The business tax cuts, including the reduction of the inclusion rate for capital gains to 50%, will save Albertans \$1 billion by 2004.

Implementation Schedule for the Business Tax Plan

	2000	Implementation on April 1			
		2001	2002	2003	2004
General rate (%)	15.5	13.5	11.5	10.0	8.0
Manufacturing and processing rate (%)	14.5	13.5	11.5	10.0	8.0
Small business rate (%)	6.0	5.0	4.0	3.0	
Small business threshold (\$)	200,000	300,000	400,000		
Capital gains inclusion rate (%)	50 ^a	50			
Railway fuel tax (¢/litre)	3	1.5 ^b			
Capital tax (%)	0.7/1.0	Eliminated			
Cost of Tax Cuts (\$ millions)		286	561	770	1,000

^a The capital gains inclusion rate was reduced from 75% to 66.7%, effective February 28, 2000, and further reduced to 50%, effective October 18, 2000.

^b Effective May 1, 2001.

FURTHER REVIEW

The Business Tax Review Committee reviewed three programs in the context of the government's commitment to a low-rate, broad-base tax system. These programs are the Alberta Royalty Tax Credit (ARTC), the Tax Exempt Fuel Use program (TEFU), and the Alberta Farm Fuel Benefit program.

The Committee recommended that the government phase out ARTC benefits to larger companies, and ultimately eliminate the program. The Committee also recommended that the TEFU and Alberta Farm Fuel Benefit programs be restricted to unlicensed vehicles and equipment.

The government rejected the recommended change to the farm fuel program. The ARTC and TEFU programs will be reviewed further.

“A higher rate of economic growth will, over time, improve everyone's standard of living, rich as well as poor.”

Bev Dahlby,
“Tax Reform and Economic Growth in Alberta”,
October 2000

School property tax revenue will be frozen at \$1.2 billion.

ECONOMIC BENEFITS OF THE BUSINESS TAX PLAN

If we stand still on business taxes, less investment will come to Alberta, and skilled Albertans will be forced to look elsewhere to find job opportunities. The business tax cuts will help keep investment, jobs and talented people in Alberta. The reductions to Alberta's corporate income taxes are expected to raise Alberta's real GDP by 1.5% by 2006. This amounts to almost \$2 billion added to Alberta's economy.

The goals of competitive taxes for businesses and sustainable revenues for public services are not contradictory. If we leave corporate taxes unchanged, Alberta's advantage will erode and our tax base will stagnate, making it increasingly difficult to raise the revenue needed to fund public services. With competitive taxes, Alberta will see a growing, more diverse tax base that will help to provide revenues in support of public services, and promote economic growth and opportunity.

SCHOOL PROPERTY TAX

Property taxes have been used to fund school systems since Confederation. Although local school boards used to collect property taxes from their communities, the province assumed this responsibility in 1994 to ensure that all children receive the same educational opportunities, regardless of how wealthy their community is. Subsequently, at the request of municipalities, residential properties began being assessed at their market value to increase fairness and consistency across communities.

While property taxes are an important source of funding for education, the government recognizes that they are a cost to homeowners and businesses. We have kept provincial property taxes low as part of the Alberta Advantage. This year, the government is delivering a major cut in school property taxes. We are reducing the amount of school property taxes, including taxes collected by opted out school boards, by \$135 million, to \$1.2 billion in total. Property tax revenue will be frozen at this amount in future years.

This reduction means the provincial uniform school property tax rate will fall from \$6.77 to \$5.62 per \$1,000 of assessed value for residential property, and from \$9.94 to \$8.25 for non-residential property. The result is lower school property taxes for Albertans. The actual reductions for individual homeowners and businesses will vary depending on factors such as the change in the market value of their property and the change in the total taxable assessment in their municipality.

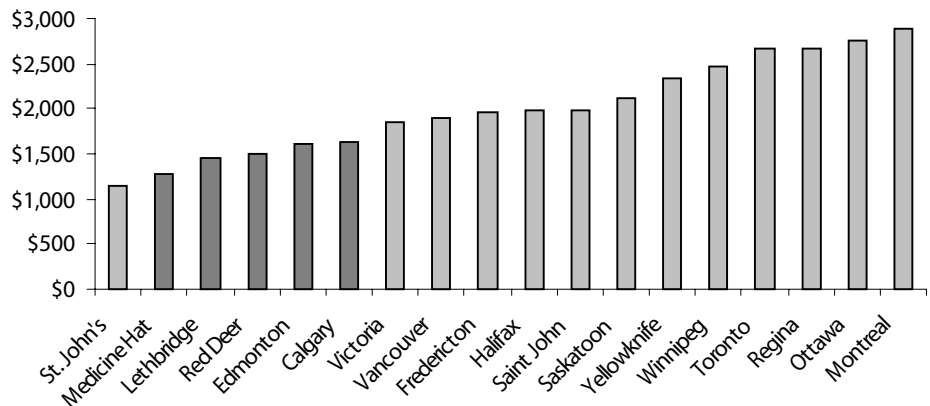
In future years, Albertans should get automatic school property tax rate reductions as the \$1.2 billion revenue requirement is held constant but spread over a growing assessment base.

The percentage of basic education funding from the property tax has fallen from 50% in 1994 to 33% this year and will fall to 30% by 2003-04.

The reduction in school property taxes does not mean lower education spending. Instead, a greater share of education costs will be funded from general revenues. The percentage of basic education funding from the property tax has fallen from 50% in 1994 to 33% this year, and will fall to 30% by 2003-04.

Property taxes in Alberta are among the lowest in the country. Among selected Canadian cities, only homeowners in St. John's pay less in property tax on a single-family home than homeowners in Alberta's cities. This year's tax reductions will mean even lower school property taxes for Albertans.

**Net Property Tax for a Single-Family Home
Selected Canadian Cities, 2000**



Notes:

1. Figures include municipal, regional and school taxes, net of any applicable homeowner grants or property tax credits.
2. Taxes are based on the value of a typical single-family home, defined as a 10-15 year old detached bungalow with 3 bedrooms, a main floor area of 1,200 square feet, full basement, one-car garage, and a 5,500 square foot lot.

Source: City of Edmonton, Planning and Development, "2000 Residential Property Taxes and Utility Charges Survey".

FEDERAL-PROVINCIAL ISSUES

NON-RENEWABLE RESOURCE SECTOR

The federal government announced a cut in the general corporate income tax rate from 28% to 21% by 2004. The non-renewable resource sector was excluded from this tax cut, based on the argument that the special tax provisions applicable to the industry already reduce its effective tax rate below those of other sectors. Since then, the federal government has indicated its willingness to discuss the current tax system in the context of a longer-term objective of including the sector in the rate reduction.

The federal government is directing particular attention to whether the resource allowance should be retained or replaced by a return to royalty deductibility. The resource allowance, calculated as 25% of resource income, is a deduction in the calculation of taxable income that is meant to offset the non-deductibility of provincial Crown royalties.

Given the importance of the non-renewable resource sector to Alberta's economy and the long lead times for project financing and development, the Alberta government is working with the federal government and industry to resolve this issue.

TAX COLLECTION AGREEMENTS

Alberta and all other provinces except Quebec participate in tax collection agreements with the federal government for the collection of personal income tax. The agreements provide advantages for taxpayers, and federal and provincial governments. In fact, these arrangements have worked so well for Canada that they are considered internationally as a model for tax administration.

Up until now, provinces were required under the agreements to set their own tax rates as a percentage of federal tax. Provinces were therefore tied to the federal brackets, rate structure and level of credit support. Provinces could, however, administer separate initiatives. This ability strengthened the tax collection agreements as provinces were able to exercise their right of independent tax policy without jeopardizing their participation in the national tax collection system.

Alberta and other provinces now levy provincial tax on taxable income, rather than on federal tax. While Albertans will continue to file only one return, the federal form and provincial attachment, we are no longer tied to the federal brackets, rate structure or credit support levels.

The tax collection agreements must be updated as a result of the provincial moves to tax on income. The federal government has taken a position that if they disagree with a provincial program administered by a province, the province's tax collection agreement could be terminated. In other words, the federal government wants provinces to give up their constitutional right to control provincial tax policy in order to remain within the tax collection agreements. Alberta will not sign any agreement that requires it to surrender policy control to the federal government.

A DECADE OF TAX CUTS

This year's tax cuts are the latest and most significant chapter in a long round of tax cuts that began in 1994.

Starting in 1994, the government has cut school property tax rates every year except for one year when they were frozen. The trend continues this year with a substantial reduction in the amount collected from the school property tax. Both residential and non-residential property owners have enjoyed significant reductions over this period. The uniform provincial residential rate has fallen from \$7.64 in 1993 to \$5.62 per \$1,000 of equalized assessment, while the non-residential rate has fallen from \$11.02 to \$8.25. This amounts to a reduction of more than 25% over the past eight years.

"... this is also the provinces' PIT system and it is critically important that they not be subject to federal unilateralism in the implementation of a tax structure that they deem to be in their interest."

Thomas Courchene,
"National Versus Regional
Concerns",
November 1999

"[Alberta] Government policies, including a low tax burden, contribute to a favourable business environment, experiencing high levels of business investment..."

Moody's Investors Service,
Global Credit Research,
August 2000

Albertans will enjoy over \$4 billion in permanent tax cuts.

Businesses will benefit from \$1 billion reductions in business taxes over the next four years, on top of earlier reductions in property and fuel taxes. The school property tax on machinery and equipment was phased out from 1996 to 1998. In 1997, the province cut the aviation fuel tax from 5 to 1.5 cents per litre, and from 1998 to 1999, the railway fuel tax fell from 9 to 3 cents per litre. This year, the rate on railway fuel falls to 1.5 cents per litre.

Albertans have seen personal income tax savings every year since 1997. In 1997, the government offered relief to low- and middle-income working families by introducing the Alberta Family Employment Tax Credit (AFETC). The next year, we doubled the AFETC and lowered taxes for all Albertans by cutting the basic rate from 45.5% to 44% under the old tax-on-tax system. In 1999 and 2000, we matched the federal increases to basic and spousal exemptions, and in 2000, we eliminated the 8% surtax. With the single rate tax implemented this year, the combined effect of all these cuts is expected to grow to \$2.4 billion in annual tax savings by 2004.

A Decade of Tax Cuts, 1994 to 2004^a

(millions of dollars)

Savings for Individuals

Personal Income Tax	2,328
Alberta Family Employment Tax Credit	80
School Property Tax on Residential and Farm Properties	341
Savings for Individuals	<u>2,749</u>

Savings for Business

Corporate Income Tax	956
Financial Institutions Capital Tax	40
School Property Tax on Business	247
School Property Tax on Machinery and Equipment	230
Aviation Fuel Tax	29
Railway Fuel Tax	19
Savings for Business	<u>1,521</u>

Total Savings for Individuals and Business **4,270**

^a The difference in tax that would be paid in 2004 under the 1994 tax system and the amount that will be paid under the planned 2004 system.

We won't stop here. The *It's Your Money* survey asked Albertans what the government should do with permanent extra money freed up by paying down the debt, and with one-time extra resource revenue when energy prices are high.

Albertans told the government that their top priority is to put money back in their pockets, through permanent tax cuts, and through one-time rebates from resource windfalls. The top choice for permanent reductions was personal income taxes, followed by fuel taxes, health care insurance premiums, and lastly, school property taxes.

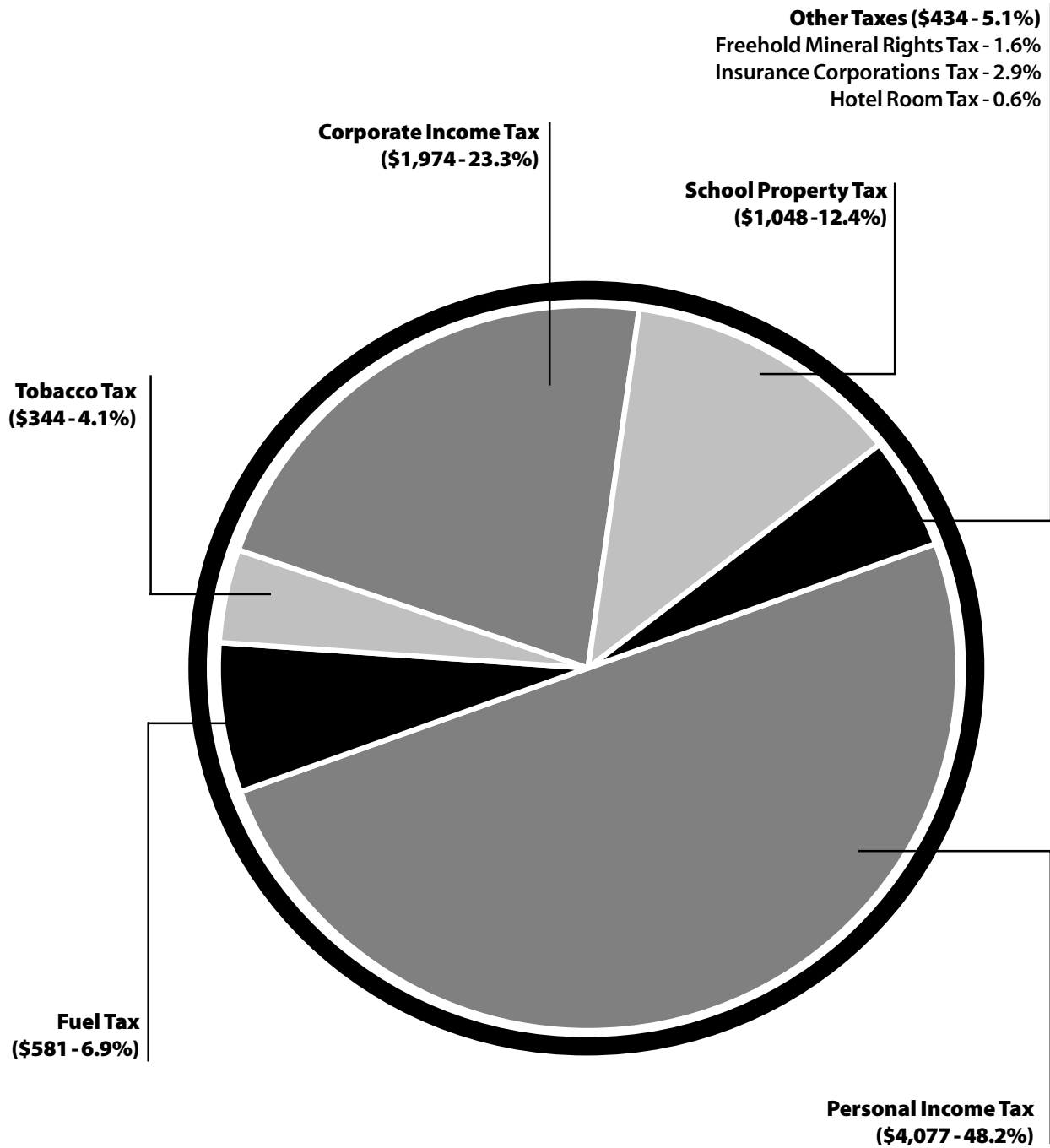
The tax system will continue to evolve to meet Albertans' needs. It will remain an important part of what makes Alberta a great place to live, work, and raise a family.

Tax Revenue by Source

(millions of dollars)

Total Tax Revenue \$8.458 Billion

2001-02 ESTIMATE



2001-02 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	2001 Tax Rate	Annual Revenue per Unit of Tax
1. Personal Income Tax	4,077		
Personal Income Tax	4,422	10.0%	442.0 per point
Energy Tax Refund	(345)		
2. Corporate Income Tax	1,974		
General Rate	1,731	13.5%	128.0 per point
Small Business Rate	243	5.0%	48.5 per point
3. Fuel Tax	581		
Gasoline and Diesel	556	9¢/litre	62.0 per ¢/litre
Propane	9	6.5¢/litre	1.5 per ¢/litre
Railway	4	1.5¢/litre	2.5 per ¢/litre
Aviation	12	1.5¢/litre	8.0 per ¢/litre
4. Tobacco Tax	344	\$14/carton	24.5 per \$/carton
5. School Property Tax	1,048		
Residential/Farm Property	600	\$5.62/\$1,000 of assessment	107.0 per \$/\$1,000 of assessment
Non-Residential	448	\$8.25/\$1,000 of assessment	54.5 per \$/\$1,000 of assessment
6. Freehold Mineral Rights Tax	253		(difficult to express in per unit terms)
7. Insurance Corporations Tax	134		
Life, Accident, Sickness	36	2% of premium	18.0 per point
Other	98	3% of premium	32.5 per point
9. Hotel Room Tax	47	5.0%	9.5 per point

Interprovincial Tax and Health Care Insurance Premium Comparison, 2001

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Employment Income of \$30,000 – One Income Family with Two Children										
Provincial Income Tax	(701)	447	881	580	(279)	(734)	1,255	1,120	1,121	1,450
Provincial Sales Tax	—	690	491	783	995	1,126	939	977	1,225	1,084
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	226	285	706	—	—	—	171
Fuel Tax	270	330	450	345	441	456	321	405	390	495
Tobacco Tax	350	550	430	430	183	265	300	339	398	550
	531	2,665	2,252	2,364	1,625	1,819	2,815	2,841	3,134	3,750
Alberta Advantage		2,134	1,721	1,833	1,094	1,288	2,284	2,310	2,603	3,219
Employment Income of \$60,000 – Two Income Family with Two Children										
Provincial Income Tax	2,277	2,768	3,429	3,207	1,908	2,867	3,300	3,426	3,333	3,669
Provincial Sales Tax	—	1,037	732	1,160	1,477	1,608	1,424	1,469	1,847	1,641
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	452	570	1,413	—	—	—	343
Fuel Tax	405	495	675	518	662	684	482	608	585	743
Tobacco Tax	350	550	430	430	183	265	300	339	398	550
	3,644	5,498	5,266	5,767	4,800	6,837	5,506	5,842	6,163	6,946
Alberta Advantage		1,854	1,622	2,123	1,156	3,193	1,862	2,198	2,519	3,302
Employment Income of \$100,000 – Two Income Family with Two Children										
Provincial Income Tax	5,705	6,548	7,895	8,532	5,006	9,795	7,926	8,154	7,710	8,780
Provincial Sales Tax	—	1,594	1,114	1,738	2,266	2,340	2,159	2,226	2,812	2,476
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	754	950	2,355	—	—	—	571
Fuel Tax	405	495	675	518	662	684	482	608	585	743
Tobacco Tax	350	550	430	430	183	265	300	339	398	550
	7,072	9,835	10,114	11,972	9,067	15,439	10,867	11,327	11,505	13,120
Alberta Advantage		2,763	3,042	4,900	1,995	8,367	3,795	4,255	4,433	6,048

Calculations are based on tax parameters known at April 4, 2001.

Assumptions:

- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- For two income families, income is split 60/40 between the two spouses.
- Business bears between 25% and 60% of the provincial sales tax, dependent upon the provincial tax regime.
- RRSP/RPP contributions are included in the calculation of personal income tax.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2001

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Personal Income Tax											
Statutory Rate Range											
- Lowest Rate	(%)	10.00	8.40	11.50	10.90	6.20	17.00 ^a	9.68	9.77	9.80	10.57
- Highest Rate	(%)	10.00	19.70	16.00	17.50	11.16	24.50 ^a	17.84	16.67	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic Exemption	(\$)	12,900	8,000	8,000	7,361	7,426	5,900	7,412	7,231	7,412	7,410
Spousal Exemption	(\$)	12,900	6,850	8,000	6,251	6,306	5,900	6,294	6,140	6,294	6,055
Corporate Income Tax											
Small Business Rate	(%)	5.0 ^b	4.5	8.0 ^c	6.0	6.5	9.04 ^d	4.0	5.0	7.5	5.0
M&P Rate	(%)	13.5 ^b	16.5	10/17 ^e	17.0	12.0	9.04 ^d	16.0	16.0	7.5	5.0
General Rate	(%)	13.5 ^b	16.5	17.0	17.0	14.0	9.04 ^d	16.0	16.0	16.0	14.0
Capital Tax											
General	(max.%)	—	0.30	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	— ^b	3.00	3.25	3.00	0.90	1.55 ^f	3.00	3.00	3.00	4.00
Retail Sales Tax	(%)	—	7.0	6.0	7.0	8.0	7.5 ^g	8.0 ^g	8.0 ^g	10.0	8.0 ^g
Gasoline Tax	(¢/litre)	9.0	11.0 ^h	15.0	11.5	14.7	15.2 ^{i,h}	10.7 ⁱ	13.5 ⁱ	13.0	16.5 ⁱ
Tobacco Tax	(\$/carton)	14.00	22.00	17.20 ^j	17.20 ^j	7.30 ^j	10.60 ^j	12.00 ^j	13.54 ^j	15.90	22.00 ^j
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26 ^j	—	—	—	2.00

Rates for other provinces known as at April 4, 2001.

- ^a Quebec residents receive an abatement of 16.5% of federal tax in lieu of cash transfers to Quebec for several social programs, reducing the lowest and highest effective rates to 14.36% and 19.71%, respectively.
- ^b These rates are effective April 1, 2001.
- ^c This rate is reduced to 6% effective July 1, 2001.
- ^d The Quebec corporate tax rate includes the basic rate of 8.9% plus the Youth Fund surtax of 1.6%.
- ^e The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.
- ^f The Quebec financial institutions capital tax includes the base rate of 1.28%, the Youth Fund surtax of 1.6%, and a compensatory tax of 0.25%.
- ^g These provinces' sales taxes are harmonized with the federal GST and apply to a broader base than other provincial sales taxes.
- ^h An additional 4 cents/litre is imposed in the greater Vancouver area, 2.5 cents/litre in Victoria and 1.5 cents/litre in Montreal.
- ⁱ These provinces apply their retail sales taxes on top of this tax.
- ^j There is an additional 2% compensatory tax on wages of financial institutions that is not included in this rate.

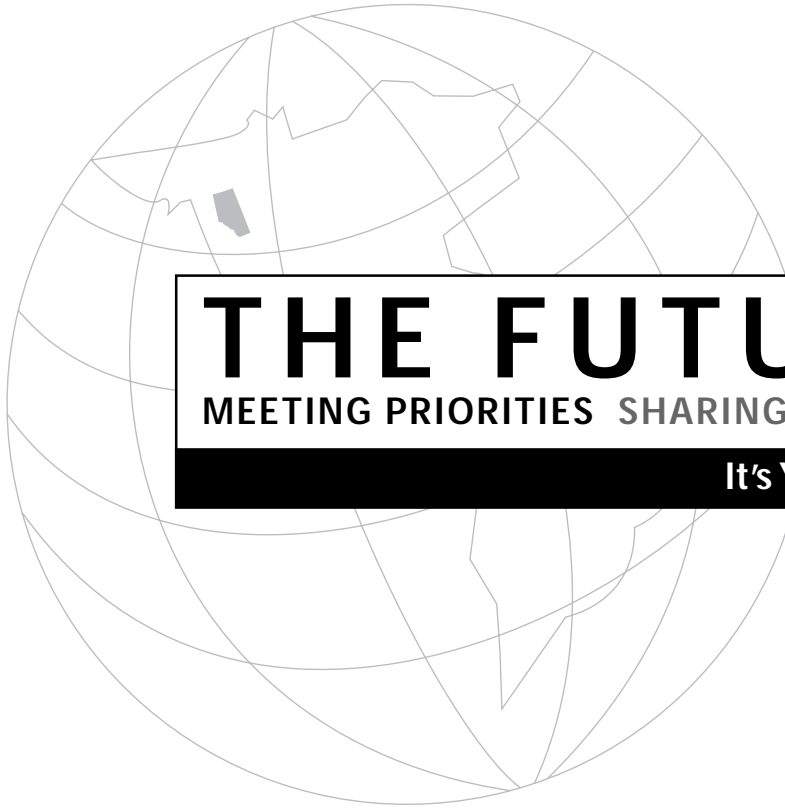
Top Marginal Personal Income Tax Rates, 2001

(per cent)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	19.70	16.00	17.50	17.41	24.50	17.84	18.34	18.37	19.64
Federal Abatement ^a	—	—	—	—	—	(4.79)	—	—	—	—
Total	39.00	48.70	45.00	46.50	46.41	48.71	46.84	47.34	47.37	48.64

Rates for other provinces known as at April 4, 2001.

- ^a Quebec residents receive an abatement of 16.5% (4.79 percentage points on the top rate of 29%) of federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top basic federal rate of 29% by 16.5%, or 4.79% of taxable income.



THE FUTURE
MEETING PRIORITIES SHARING BENEFITS
It's Your Money

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It's Your Money

The budget policies of the Klein government over the last eight years have been developed through a continuing series of public consultations. Albertans have been asked what their priorities are and the government has listened to what Albertans said.

PREVIOUS BUDGET CONSULTATIONS

1993 AND 1994 BUDGET ROUNDTABLES

The consultation process started in 1993. A Budget Roundtable was convened to discuss the deficit crisis facing Alberta and develop solutions. The four-year plan to balance the budget, legislated in the *Deficit Elimination Act*, was the result of that meeting.

A second Roundtable was held in September 1994 to assess progress and help develop the government's new three-year business plan.

The balanced budget plan was a success. Overall spending was reduced by 19%. The budget was balanced without increasing taxes.

1996 STRAIGHT TALK, CLEAR CHOICES SURVEY

With the success of the balanced budget plan, it was time to consider the next steps in Alberta's fiscal agenda. In spring 1996, a survey entitled *Straight Talk, Clear Choices* was distributed to all households in Alberta. About 61,000 Albertans responded with their opinions.

The advice of Albertans was clear. Their top priority was paying down the net debt (the difference between the government's total liabilities and its total financial assets, excluding pension liabilities) as fast as possible. Their second priority was to target some of the available dollars to key spending areas.

Again, the government acted on Albertans' advice. Windfall revenues were used to accelerate net debt repayment. Significant dollars were reinvested in health and education to improve the quality and accessibility of services.

1997 GROWTH SUMMIT

By 1997, the success of Alberta's fiscal plan had helped restore business and consumer confidence. The resulting strong economic growth began to attract increasing numbers of in-migrants from other provinces.

In September 1997, a Growth Summit was held to help develop options to respond to the pressures of a growing economy and a growing population.

The government acted on the recommendations of the Growth Summit. Rising resource revenue made it possible to allocate one-time dollars to address the pressures of growth on Alberta's infrastructure – roads and public transit, schools and post-secondary institutions, and hospitals and nursing homes. The government was also able to boost ongoing health and education funding to meet the needs of our expanding population.

1998 TALK IT UP. TALK IT OUT. SURVEY

By the fall of 1998, dramatic progress had been made on paying down the net debt, aided by a strong economy and solid energy prices. It appeared likely that the net debt could be gone within a year and, indeed, it was actually eliminated in June 1999. In addition, reinvestment in health and education had boosted spending on those priorities in 1998-99 above previous highs in 1992-93.

A second survey, *Talk it Up. Talk it Out.*, was sent to all Albertans, asking what their priorities would be when the net debt was gone. Close to 80,000 Albertans responded with their advice.

Albertans' top priority remained paying down debt. After the net debt was eliminated in 1999, Alberta still had \$12.5 billion of debt remaining that had accumulated during the nine years of overspending from 1984-85 to 1993-94. About 68% of Albertans said it was important to pay down the remaining accumulated debt, preferably over a period of 10 to 20 years.

The second priority had changed from 1996, however. With the success of reinvestment in priority programs, 51% of Albertans now said tax cuts were important, compared to 42% that said further spending increases were important.

The government acted on Albertans advice:

- In the spring of 1999, the *Fiscal Responsibility Act* legislated a plan to pay off the remaining accumulated debt.
- Budget '99 set out a plan to cut Albertans' taxes significantly through a new, single-rate personal income tax system. The new system came into effect on January 1, 2001, a year ahead of the original schedule. Basic and spousal exemptions were increased to \$12,900 and the single tax rate set at 10%.
- Available program spending dollars continued to be targeted to health, education and infrastructure.

2000 IT'S YOUR MONEY SURVEY

In 2000-01, resource revenue reached a record level of \$10.5 billion, double the previous record of \$5.2 billion in 1984-85. As a result, the government was able to allocate about \$4.3 billion in 2000-01 to repay accumulated debt.

The three-year fiscal plan includes a prudent revenue forecast, in accordance with law. It assumes that energy prices and energy revenues will decline significantly over the next three years from the recent record highs.

However, if energy prices remain at the high levels forecast by some private sector energy analysts, the accumulated debt could be eliminated in two or three years. Thus, in the fall of 2000, the government decided to seek Albertans advice about what our priorities should be when the accumulated debt is gone.

A survey entitled *It's Your Money* was distributed to all Alberta households in November. Over 125,000 Albertans responded, far exceeding the close to 80,000 responses in 1998.

Albertans are of one mind in assessing the options for a debt-free Alberta. Across the province, the results were remarkably uniform.

TAX CUTS ARE ALBERTANS' TOP PRIORITY

Albertans were asked what the government should do with the two different types of extra money the government may have available after the debt is gone:

1. permanent money freed up by eliminating the annual interest costs on the existing accumulated debt, and
2. one-time money when resource revenues, or other revenues, spike upwards, as happened in 2000-01.

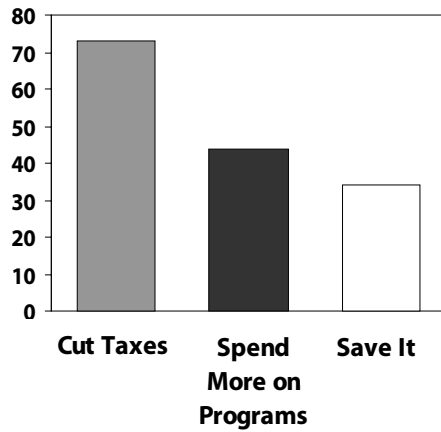
Albertans priorities were clear. In both cases, they said the top priority was putting money back in their pockets, through permanent tax reductions and one-time rebates.

In allocating the permanent interest savings, 73% of Albertans said tax reductions were important, compared to 44% who said more program spending was important and 34% who said a budgeted savings plan was important.

Looking at one-time excess revenue, 57% said one-time tax rebates were important, compared to 52% who said it was important to save the money for the future and 29% who said one-time spending was important.

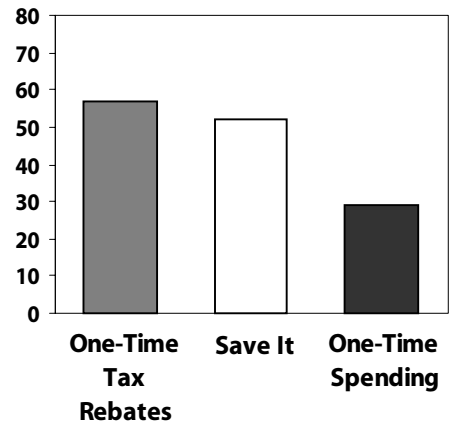
WHAT TO DO WITH PERMANENT SAVINGS

(per cent ranking important)



WHAT TO DO WITH ONE-TIME REVENUE

(per cent ranking important)



HIGH APPROVAL OF PERSONAL INCOME TAX CUTS AND HEALTH SPENDING

Albertans were also asked to give approval ratings to various specific options for tax cuts or rebates, and permanent or one-time program spending. Permanent personal income tax cuts and more spending on health services and facilities received the highest levels of support.

Looking first at options for the permanent interest savings, 76% of Albertans approved of further personal income tax cuts. The second choice for permanent tax cuts was reducing fuel taxes, which 59% approved. 57% approved of reducing health care insurance premiums and 49% approved of further cuts in school property taxes.

In regard to permanent spending increases, Albertans supported increased spending on health and education. 81% approved of more health spending and 69% approved of more education spending. 49% supported more spending on children's services and 45% approved of permanent spending increases on infrastructure.

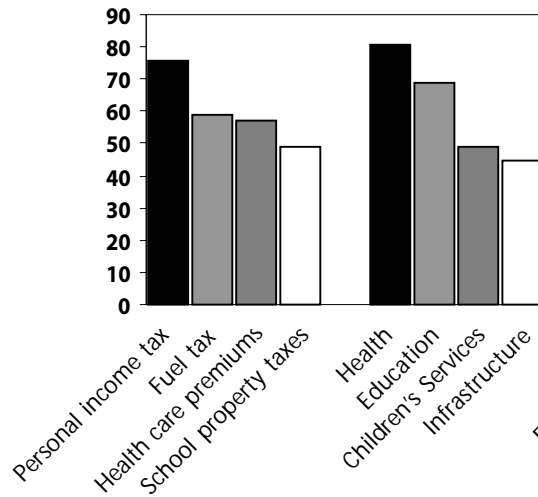
All options for returning one-time excess revenue to Albertans received solid support. 65% approved of rebates to help with high energy costs, 55% approved of annual dividends and 52% supported one-time tax refunds.

Three one-time spending options received strong support from Albertans. One-time spending on health facilities and equipment was approved by 81%, while 67% approved of spending on education facilities and equipment and 60% approved of spending on roads and public transit. Spending on water and sewage facilities, and research was supported by less than 50% of Albertans.

Albertans were also given the option of identifying other specific choices for tax cuts or rebates and spending. Approximately 15,000 Albertans chose to identify one or more of their own options for each of the survey areas. These ideas will be considered carefully. The main items mentioned, ranging from about 1,500 to 2,500 Albertans, were assistance to seniors, support for other social programs and funding for the environment.

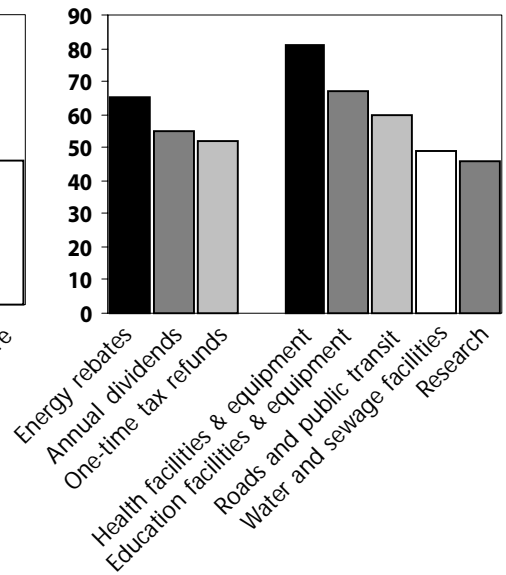
OPTIONS FOR PERMANENT SAVINGS

(per cent approving)



OPTIONS FOR ONE-TIME REVENUE

(per cent approving)



IT'S YOUR MONEY SURVEY RESULTS

(per cent distribution of responses¹)

Question	Importance or Approval		
	Low	Medium	High
PART A: INTEREST SAVINGS			
1. Importance of options for interest savings money when the debt is gone:			
Tax reductions	12	15	73
Increase program spending	25	31	44
Save for future years	33	34	34
2. Approval of options to use interest savings money to cut or eliminate taxes:			
Personal Income taxes	9	15	76
Fuel taxes	19	22	59
Health care insurance premiums	19	23	57
School property taxes	20	31	49
3. Approval of options for spending interest savings money:			
Health care	6	14	81
Education	9	21	69
Children's services	20	31	49
Infrastructure	18	37	45
PART B: UNPREDICTABLE RESOURCE MONEY			
4. Importance of options for unpredictable resource money when the debt is gone:			
One-time tax rebates	24	19	57
Save for future years	22	26	52
One-time spending	36	35	29
5. Approval of options for returning unpredictable resource money to Albertans:			
Energy rebates	14	21	65
Annual dividends	22	23	55
One-time tax refunds	23	25	52
6. Approval of options for spending unpredictable resource money:			
Health care facilities and equipment	6	13	81
Education facilities and equipment	10	23	67
Roads and public transit	9	32	60
Water and sewage facilities	15	37	48
Research	22	33	45

¹ Totals may not add due to random rounding.



THE FUTURE

MEETING PRIORITIES SHARING BENEFITS

Response to the Auditor General

Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. Following are the numbered recommendations in the Auditor General’s 1999-2000 Annual Report and the government’s response to each of them.

These recommendations and the government’s response are based on the previous ministry structure in effect at March 31, 2000.

AUDITOR GENERAL’S OBSERVATIONS	GOVERNMENT’S RESPONSE
<p>Cross Government</p> <p>1 Core measures and targets</p> <p>We recommend that the Department of Treasury, in conjunction with other ministries, clearly define the core measures and targets in the government business plan.</p> <p>2 Linking goals to core businesses</p> <p>We recommend that ministries, with assistance from the Department of Treasury, improve the link between goals and core businesses in ministry business plans.</p>	<p>Accepted. The government business plan is a work in progress. It has always been the intention that each goal under the three core businesses <i>People</i>, <i>Prosperity</i> and <i>Preservation</i> would have at least one core measure which would have a performance target associated with it. Some measures are still under construction while others are being refined as better metrics are discovered. The process of establishing appropriate targets is complex and involves the input of many stakeholders and interest groups.</p> <p>Accepted. Some improvement in the link between goals and core businesses will occur in the 2001-04 ministry business plans as part of our ongoing refinements. Full implementation of the recommendation will commence with the 2002-05 ministry business plans.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>3 Targets</p> <p>We recommend that ministries, in conjunction with the Department of Treasury, ensure that all performance measures in ministry business plans include clearly defined targets.</p> <p>4 Integrated results analysis</p> <p>We recommend that ministries, with assistance from the Department of Treasury, enhance the results analysis included in ministry annual reports by providing an integrated analysis of financial and non-financial performance.</p>	<p>Accepted. The objective of measuring performance is to foster a discussion around long term improvements rather than measure and report on short term wins. It is the overall direction of the results being measured that is important.</p> <p>Accepted. The quality of results analysis included in ministry annual reports continues to evolve. Efforts will be made to better integrate analysis of financial and non-financial performance.</p>
<p>Agriculture, Food and Rural Development</p>	
<p>5 Core businesses</p> <p>We recommend that the Ministry of Agriculture, Food and Rural Development business plan be enhanced by structuring it around core businesses, each embracing one or more goals, performance targets related to those goals, strategies designed to achieve those goals, and the budget for the necessary resources.</p>	<p>Accepted. A description of the Ministry's core businesses and their costs will be included in the Ministry 2001-2004 business plan. Implementation of the recommendation regarding goals, performance targets, strategies and budget will commence with the development of the 2002-2005 business plan.</p>
<p>6 Computer control environment</p> <p>We recommend that Agriculture Financial Services Corporation obtain assurance on the control environment of their outsourced computer services provider.</p>	<p>Accepted. The outsourcing contract expires June 30, 2001. The corporation will implement the recommendation when a new or renewed contract is signed. The corporation will consult with the Office of the Auditor General to determine the most effective way to implement this recommendation.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Children's Services</p> <p>7 Shared services support</p> <p>We again recommend that the Department of Children's Services and the Child and Family Services Authorities examine the support services, including shared services, for opportunities to improve cost effectiveness. We also again recommend that the Department and Authorities enter into service agreements with their service providers.</p> <p>8 Business practices and accounting policies</p> <p>We recommend that the Department of Children's Services work in collaboration with the Child and Family Services Authorities to clarify business practices and ensure financial statements comply with generally accepted accounting principles.</p> <p>9 Expenditure forecasts</p> <p>We recommend that the Department of Children's Services review the funding formula to ensure that the allocation of resources is consistent with the expected needs of each Child and Family Services Authority. We further recommend that the Department and Authorities obtain appropriate information to assist in forecasting and managing costs.</p> <p>10 Year-end accounting processes</p> <p>We recommend that the Department of Children's Services and the Authorities improve their year-end accounting processes in order to produce high quality, accurate and timely financial statements.</p>	<p>Accepted in principle. The cost-effectiveness of support services will be reviewed in conjunction with the transfer of many services to the Alberta Corporate Service Centre (ACSC).</p> <p>Accepted in principle. The process of clarifying and formalizing accounting policies and business practices is underway. The basis of accounting for the authorities will be further discussed with Alberta Treasury to ensure consistency in the government's corporate accounting policies.</p> <p>Accepted. The Ministry is committed to improving the funding model taking into consideration variations between regions, best practices in case and program management, and the impact of legislated and mandated program parameters. Work to improve access to expenditure information and facilitate monitoring and forecasting of costs is underway.</p> <p>Accepted. Procedures have been implemented to reconcile and review accounts on a monthly basis. Detailed financial control standards are being established to ensure consistency.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>11 Business planning</p> <p>We again recommend that the business plans of the Child and Family Services Authorities provide clear links between the social and economic factors affecting service delivery and the attendant strategies to mitigate their effect on service delivery. We also recommend that each Authority develop an appropriate number of performance measures to monitor the effectiveness of services.</p>	<p>Accepted. The Ministry is developing a planning process that links environmental trends to proposed actions and utilizes relevant performance measures at the authority level.</p>
<p>Economic Development</p> <p>12 Assets recorded as grants</p> <p>We recommend that the Department of Economic Development ensure that expenses and assets arising from new initiatives are disclosed in its financial statements based on the substance of the transactions.</p>	<p>Accepted.</p>
<p>Environment</p> <p>13 Consistent action plans</p> <p>We recommend that the Department of Environment's regional and area Action Plans used in the planning process be completed on a consistent basis. There are 17 areas covering the Province for which Action Plans are prepared by the Department's Natural Resources Service.</p>	<p>Accepted. Natural Resources Service has utilized an operational plan at the service level, in conjunction with action plans at the area level for the fiscal years 1999-2000 and 2000-01. Improvement in consistency is expected in future years.</p>
<p>14 Monitoring system for DAOs</p> <p>We recommend that the Department of Environment fully implement and continue to refine its system for monitoring its Delegated Administrative Organizations.</p>	<p>Accepted in principle. Monitoring will continue to be enforced. Both informal and formal communication is occurring, particularly with respect to business planning and annual reporting in an effort to address the requirements outlined in the evaluation framework.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Gaming</p> <p>15 Accountability for the Casino Gaming Terminal Racetrack Program</p> <p>We recommend that the Ministry of Gaming establish an appropriate accountability system to determine whether public resources provided to the horse racing industry have been spent for their intended purposes and have achieved their objectives.</p> <p>16 Accountability of the Alberta Racing Corporation</p> <p>We recommend that the Ministry of Gaming take appropriate steps to hold the Alberta Racing Corporation accountable for the performance of its delegated responsibilities.</p>	<p>Accepted. The new process for disbursing funds to the racing industry in Alberta will be fully open and transparent and will include, as part of the agreements, the necessary accountability framework for all funds disbursed through the Racing Industry Renewal Initiative.</p> <p>Accepted. Immediate steps to address the specific issues commented upon in the Auditor General's Report include:</p> <ul style="list-style-type: none"> • All payments of gaming revenues to the Alberta Racing Corporation have ceased effective September 21, 2000. • Review of and commentary on the Alberta Racing Corporation's business plan and annual report will be done. • A detailed accounting of all gaming revenues received by the Alberta Racing Corporation will be provided to the Alberta Gaming and Liquor Commission. • The Ministry's next annual report will include a section on the Racing Appeal Tribunal.
<p>Health and Wellness</p> <p>17 Accountability for the cost and quality of health services</p> <p>We recommend that the Department of Health and Wellness further develop a process for defining and reporting the respective accountability of those affecting the cost and quality of health services.</p>	<p>Accepted. The Ministry is working on a number of initiatives such as the Medical Services Project and the Alternative Payment Plan Pilot Project which will help define the reporting, accountability and responsibility relative to costs and health services.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>18 Business planning for health</p> <p>We again recommend that the Department of Health and Wellness and health authorities implement a joint strategy for improving the implementation of authorized business plans.</p>	<p>Accepted. The Ministry will collaborate with health authorities and others to determine where streamlining of the process can occur to improve implementation of the 2001-04 business plans.</p>
<p>19 Reporting the cost of outputs</p> <p>We again recommend that the Department of Health and Wellness take a lead role in working with health authorities in reporting the costs of key service outputs.</p>	<p>Accepted.</p>
<p>20 Reporting population health costs</p> <p>We recommend that the Department of Health and Wellness develop a process for reporting the full cost of delivering health services for the population of each health region of Alberta as a means of supporting business planning decisions and the accountability of regional health authorities.</p>	<p>Accepted in principle. The Ministry will examine how relevant reporting can be enhanced to support decision-making.</p>
<p>21 Using information to improve funding systems</p> <p>We again recommend that the Department of Health and Wellness examine regional differences in the utilization and cost of health services with a view to improving the system for allocating funds to health authorities.</p>	<p>Accepted. An in-depth study is being conducted that will examine regional differences in utilization and costs and may result in enhancements to the funding formula.</p>
<p>22 Accountability for we//net results</p> <p>We recommend that the Department of Health and Wellness and the Alberta we//net Project Office review the alignment of accounting, funding, and accountability for we//net to better ensure the achievement of benefits for costs incurred.</p>	<p>Accepted. A proposal is being considered regarding future funding of we//net to achieve consistent reporting and accountability.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>23 Reporting financial results</p> <p>We recommend that the Department of Health and Wellness improve the reporting of financial results in the Ministry and Department financial statements.</p>	<p>Accepted. The Ministry is reviewing the budget process to improve the linkages and reporting of objectives with financial performance.</p>
<p>Human Resources and Employment</p>	
<p>24 Skills development program</p> <p>We recommend that procedures to monitor compliance by educational institutions with the terms of the Skills Development Program be improved.</p>	<p>Accepted in principle. A new Memorandum of Understanding (MOU) has been finalized that addresses the risks identified in the audit. The Ministry will develop interim procedures to ensure compliance with the program terms to provide adequate assurance until the new MOU is fully implemented. In addition, the Skills Development Program is currently being reviewed along with other related programs to determine the most effective method for delivering these services.</p>
<p>Infrastructure</p>	
<p>25 Monitoring the Ministry's implementation of the Capital Planning Initiative strategies</p> <p>We recommend that the Ministry of Infrastructure monitor and evaluate its progress in implementing the strategies of the Capital Planning Initiative.</p>	<p>Accepted. The Ministry has been monitoring the progress on the implementation of the Capital Planning Initiative through:</p> <ul style="list-style-type: none"> • the approved business plan, • the semi-annual Corporate Capital Overview process, • the strategies/work plan established for the fiscal year, and • coordination of activities through a cross-government working committee.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>26 Long-term capital asset plans for owned and supported facilities</p> <p>We recommend that the Ministry of Infrastructure obtain further information on the strategic service delivery options and forecasted needs of client ministries to assist in the development of long-term capital asset plans for owned and supported facilities.</p> <p>27 Ministry infrastructure management systems</p> <p>We recommend that the Ministry of Infrastructure review the plans in place for the development of the Ministry's infrastructure management systems and satisfy itself that the most cost-effective systems are being developed and that it has the resources necessary to successfully develop and implement the systems.</p>	<p>Accepted. The Ministry obtains and reviews information on program delivery needs and strategic directions from ministries. Capital planning and decisions take into consideration both the strategic program needs and directions of the majority of ministries and the condition, utilization and functionality of the capital assets.</p> <p>Accepted. The Ministry is committed to developing an integrated Information Management System for all types of infrastructure. Systems upgrades/development are not done in isolation. Cost-effective solutions are investigated and, if appropriate, adopted, while concurrently addressing the specific capital asset managements needs of the infrastructure programs.</p> <p>The objective is to ensure that the approach would be cost effective and consistent with the Capital Planning Initiative's long-term objective of developing an integrated system for the government.</p>
<p>INNOVATION AND SCIENCE</p>	
<p>28 Information technology</p> <p>We recommend that the Ministry of Innovation and Science, with the cooperation of other ministries, develop systems to assist in the management of cross-government information technology (IT) services and infrastructure.</p>	<p>Accepted. An accountability framework is being developed with the participation of all ministries and other important stakeholders. In addition, processes and tools to support the management of IT services and infrastructure will be implemented.</p>

AUDITOR GENERAL'S OBSERVATIONS

GOVERNMENT'S RESPONSE

29 IMAGIS

We recommend that the Ministry of Innovation and Science obtain an appropriate level of assurance that information technology service providers are maintaining effective controls to protect the confidentiality and integrity of IMAGIS data. We also recommend that controls in the IMAGIS system be improved.

Accepted. With the transition of several finance and human resource functions to ACSC, Innovation and Science and ACSC will jointly ensure that the appropriate level of control is maintained. Both parties will continue to work to ensure that the management of IMAGIS reflects all legal, policy and confidentiality requirements. The controls currently in place are effective and there is no evidence of unauthorized access to IMAGIS data.

Justice

30 Fines and costs

We again recommend that the Department of Justice report the results and costs of its fines collection activities.

Accepted. An action plan to respond to this recommendation is under development and will be finalized shortly.

Learning

31 Long-term capital planning

We recommend that the Department of Learning enhance its systems to ensure that long-term capital planning for school facilities is consistent with strategic plans for the delivery of education.

Accepted. Plans are in place to set up ongoing regular communication between the Ministry of Learning and the Ministry of Infrastructure to exchange information on long-term capital planning that focuses on Learning's goals and other issues related to critical outcomes and business plans for the respective ministries. Also, the Ministry of Learning is represented on committees that review school jurisdictions' three-year business plans and capital plans.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>32 Institution budgets</p> <p>We recommend that the Department of Learning require institution budgets be prepared on the same basis of accounting as the institution's audited financial statements. We also recommend that the Department ensure that the budgets of public post-secondary education institutions are reviewed and approved in accordance with Legislative requirements.</p>	<p>Accepted. Implementation will take some time as institutions need to change their budget processes and universities will need to adjust their timelines for submission.</p>
<p>33 Deferred maintenance</p> <p>We again recommend that the Department of Learning and public post-secondary institutions continue to improve the system to manage the sector's infrastructure by evaluating the overall progress made towards addressing the critical health and safety risks arising because of deferred maintenance.</p>	<p>Accepted. Working with Infrastructure, the Ministry will require institutions to include information on progress in addressing critical health and safety issues in their accountability reports on the use of their Infrastructure Renewal funding.</p>
<p>34 Information in strategic and divisional plans</p> <p>We recommend that Athabasca University ensure sufficient information is contained in the strategic plan and divisional plans to enable senior management and the Governing Council to determine the University's progress in implementing the objectives set out in its plans.</p>	<p>Accepted. The university will put steps in place to ensure that sufficient information is contained in its strategic and divisional plans. These include identifying specific measures to assess progress of the implementation of its Strategic University Plan, incorporating appropriate Alberta Learning Key Performance Indicators, and including measurable objectives in its divisional plans.</p>
<p>35 Internal control systems</p> <p>We recommend that the University of Alberta ensure control weaknesses are identified and corrected.</p>	<p>Accepted. The university is revising its existing accountability structure and decision-making framework, within the context of a decentralized management structure as recommended by the audit committee. Detailed review of critical controls and processes will be conducted and any weaknesses identified will be corrected.</p>

AUDITOR GENERAL'S OBSERVATIONS

GOVERNMENT'S RESPONSE

36 Basis of measurement for budget

We recommend the University of Alberta adopt a basis consistent with generally accepted accounting principles for its budget presentation and that the budget encompasses all operating, financing and investing transactions.

Accepted in principle. The university's first priority is to provide its board with comprehensive planning and budget information to enable it to focus its attention on the strategic direction of the university. This includes both a cash and GAAP based statement of operations. The university is willing to investigate the feasibility and utility of developing a budgeted cash-flow statement prepared on a GAAP basis.

37 Net assets

We recommend the University of Alberta determine the level of net assets that will be required to ensure that programs and faculties will continue to be supported.

Accepted in principle. The university's net assets deficiency is largely comprised of employee pension, long-term disability and vacation entitlements. Strategies are in place to address these liabilities over time. The university pursues targeted funding in support of indirect costs of research and for capital facilities and equipment replacement.

38 Project proposals

We recommend that the University of Calgary's capital project proposals demonstrate cost benefits and alignment with the long-term campus plan. We further recommend that project management controls be strengthened.

Accepted. Proposed capital projects will be required to demonstrate fit with the new Campus Community Plan. All capital projects now follow revised policies and procedures, which strengthen existing project management controls.

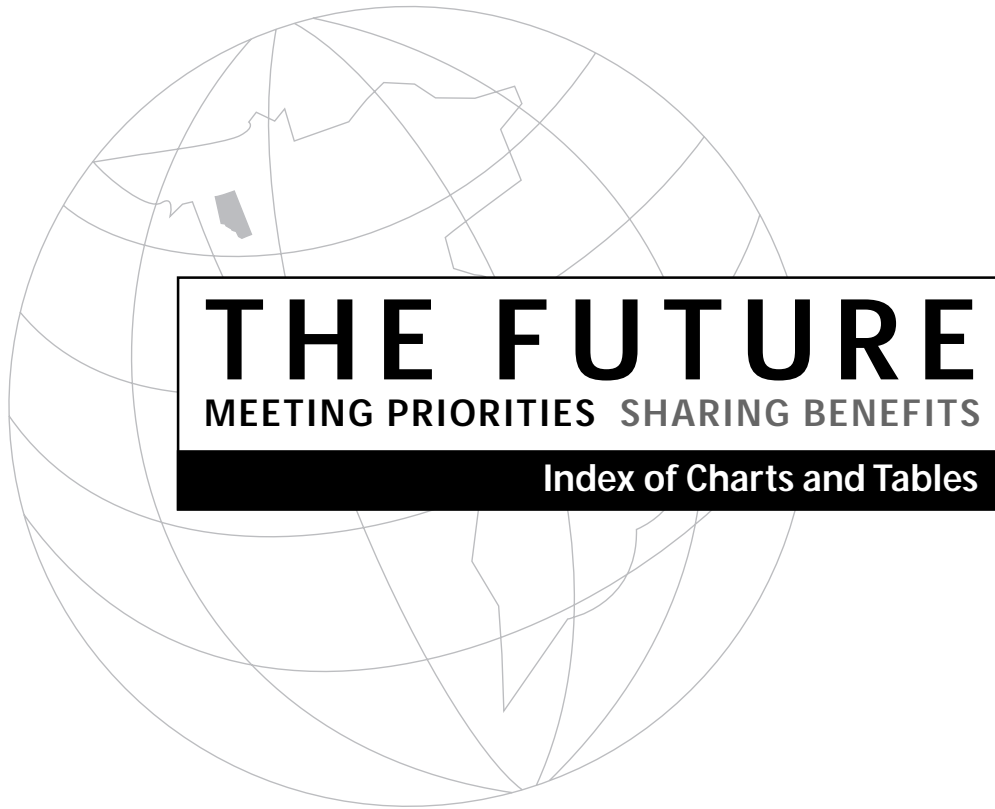
AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>39 Governance and accountability</p> <p>We again recommend that:</p> <ul style="list-style-type: none"> • Those who manage and fund academic health activities acknowledge the full scope and magnitude of those activities and the consequences for the accountability of academic health centres. • The entity or entities responsible for academic health and their mandates, roles, and accountabilities be clearly defined and, on this basis, the appropriate organization and governance structure be established. <p>We further recommend that the Universities of Alberta and Calgary take the lead in addressing the need for a governance structure for academic health.</p>	<p>Accepted in principle. The universities of Alberta and Calgary intend to work closely with the Council of Academic Health Centres over the coming year in order to review the council's governance and accountability.</p>
<p>40 Long-range capital plan</p> <p>We recommend that Grant MacEwan College perform an assessment of its long-range facilities requirements and incorporate this assessment into a long-range capital plan.</p>	<p>Accepted. The college is currently determining its long-range facilities' requirements and will incorporate this assessment into its long-term capital plans.</p>
<p>Resource Development</p>	
<p>41 Risks associated with the Crown royalty crude oil marketing system</p> <p>We recommend that the Department of Resource Development take action to address the risks associated with the automated systems relating to the collection and marketing of Crown royalty crude oil.</p>	<p>Accepted. The computer application relating to crude oil royalty volumes is very stable and represents a low risk to the department. Plans are currently underway to migrate this application to an environment consistent with the technical direction of the Ministry.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Treasury</p> <p>42 Corporate government accounting policies</p> <p>We again recommend that the Department of Treasury initiate changes to the corporate government accounting policies in order to improve accountability.</p> <p>43 Cost allocation</p> <p>We again recommend that the Department of Treasury develop a methodology to allocate all significant costs to those entities which are responsible for delivering outputs.</p> <p>44 Strategies to improve reporting throughout the year</p> <p>We again recommend that the Department of Treasury promote the benefits of quality financial reporting throughout the fiscal year.</p> <p>45 Earmarked assets</p> <p>We again recommend that the Province's consolidated financial statements and the Ministry of Treasury financial statements provide expanded disclosure of assets set aside for particular purposes.</p>	<p>Accepted in principle. The government's corporate accounting policies will continue to be reviewed, in consultation with ministries and the Office of the Auditor General and refined where Treasury Board considers accountability can be improved.</p> <p>Under review. There is ongoing discussion between Treasury and the Office of the Auditor General on the most practical and cost efficient method to provide additional information on allocated costs.</p> <p>Accepted. Improving in the quality of financial reporting throughout the year is an ongoing process. Treasury in consultation with ministries and the Office of the Auditor General will continue to review progress in this area.</p> <p>Partially accepted. Consideration will be given to additional disclosure of the assets of the Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund as earmarked for specific purposes.</p> <p>The preamble to the Alberta Heritage Saving Trust Fund (AHSTF) Act states the mission of the AHSTF is: "To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial return on those savings for current and future generations of Albertans." The Act also provides for the return of AHSTF's net income to the General Revenue Fund at amounts the Provincial Treasurer considers advisable until accumulated debt is repaid. After accumulated debt</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>45 Earmarked assets (cont'd)</p>	<p>is repaid, any transfers to the General Revenue must take into account the impact of inflation to maintain the value of AHSTF's assets. As a result, it would be inappropriate to indicate these assets are "set aside for particular purposes." The Province's consolidated financial statements already adequately explain the nature of the assets held by the AHSTF.</p>
<p>46 Reporting performance information</p> <p>We recommend that the Department of Treasury enhance the background information and results analysis included in Measuring Up.</p>	<p>Accepted.</p>
<p>47 Performance measurement for social and economic development programs within the tax collection system</p> <p>We recommend that the Department of Treasury identify for the Legislative Assembly the expected and actual results from the social and economic development programs within the tax collection system.</p>	<p>Not accepted. The Auditor General acknowledges there are no common standards for reporting such programs within the tax collection system. The different tax rates in Alberta compared with other jurisdictions and non-existence of provincial sales tax makes establishing a "benchmark" revenue for a government highly subjective. In the government's view, any arbitrary method to attribute specific results to these revenue differences would not be meaningful.</p>
<p>48 Forecasting corporate income tax revenue</p> <p>We recommend that the Department of Treasury improve its forecasting of corporate income tax revenue to facilitate more accurate reporting.</p>	<p>Accepted. Steps are being taken to improve corporate income tax modeling and the timeliness and quality of information available on corporate income tax receipts.</p>
<p>49 Strengthening internal controls</p> <p>We recommend that Alberta Treasury Branches strengthen the internal controls within its financial systems by ensuring account reconciliations are performed regularly, adequate division of duties exists at the branches and useful systems documentation is maintained.</p>	<p>Accepted. Management is in the process of reviewing and documenting internal processes to ensure the integrity of the accounting systems.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
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The 1999-2000 Auditor General's Report comments on the progress being made to implement previous recommendations. The Auditor General has indicated that 16 recommendations above relate to recommendations since 1994-95 that have not been fully implemented. This represents the complex nature of some of these recommendations. The government continues to work towards addressing the Auditor General's recommendations.



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