

## ALBERTA'S NEW ECONOMIC IMAGE

Alberta's old economic image of a resource-rich hinterland has changed dramatically since 1970, and the province has built a new prosperity based on mining (particularly oil and gas), agriculture, tourism, and the construction and engineering industries. In the last decade, Alberta's real rate of growth averaged 7.4 percent a year, well above the Canadian average. During the same period its share of Canadian GNP rose from 3.1 percent to 14.4 percent, although its share of Canadian population is only 9 percent.

With the conclusion, this September, of the federal-provincial oil and gas pricing agreement, the value of Alberta's oil and natural gas has been substantially increased. This will encourage renewed drilling activity and further development of the vast tar sands deposits (see following article) as well as rekindle interest in sophisticated recovery techniques to draw more oil from older wells. The Alberta Research Council, a public corporation, is promoting further research on tar sands development and other energy-related technologies which will have immediate industrial application, such as coal liquefaction. The prospects for steady growth in petroleum and gas production now appear excellent for at least the rest of this decade.

Coal is also a major product of the province. The provincial government is now encouraging the mining and export of thermal coal, and is addressing the immediate problems of transport and protection of the Rocky Mountain environment.

In the industrial sector a six year old diversification programme is beginning to show benefits, concentrated in energy-related areas. The petrochemical industry, blessed by a plentiful supply of natural gas, is Alberta's fastest growing industry group. Last year, the value of shipments rose more than 65 percent to over \$1 billion. Investment in the industry has surpassed \$1.5 billion and is expected to reach \$2.5 billion by 1990. The Government of Alberta has made a major effort to assist industrial development by providing an extremely favourable tax climate. The volume of government revenues from petroleum production, through royalties, has made possible the lowest rates of personal and corporate tax in Canada.

Before the relatively recent discovery of oil, the Alberta economy was based on agriculture, which is still the second largest industry of the province. Indeed, many Albertans regard the oil boom as an elaborate insurance policy against a time when the rain may fail or food prices fall. Nearly 25 million hectares are used for crops and livestock and it is estimated that an additional 11 million hectares could be added to farmland inventory. The province produces 20 percent of Canada's agricultural output. Alberta farmers are well-known for their adaptability and have met new challenges by diversifying their crops and changing their farming methods. Rapeseed, for example, was virtually unknown in the province 20 years ago, but now rapeseed production has reached two million tons. The current trend is to larger and more viable farms through the consolidation of existing operations. In 1960, average farm size in Alberta was 275 hectares. Today this average has increased to 400 hectares. Farmers have also turned to more capital intensive techniques in order to reduce production costs and compete favourably in today's market.