

# ALBERTA ADVANTAGE

**BUDGET**  
**2004**  

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**ON ROUTE**  
**ON COURSE**

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# Alberta Advantage

**Alberta's vision is "A vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children."**

The Government of Alberta's 20-Year Strategic Plan has outlined four areas of opportunity that will be important to the achievement of this long-term vision: unleashing innovation; leading in learning; competing in a global marketplace; and making Alberta the best place to live, work, and visit.

The Alberta Advantage illustrates, using widely accepted performance indicators, that Alberta is leading the way in these areas and is progressing toward its vision by capitalizing on the exciting opportunities that are available...

- a strong and vibrant economy
- a young, skilled and productive workforce
- affordable living costs
- a strong commitment to innovation and knowledge-based progress
- a highly entrepreneurial and competitive business community
- a business-friendly province committed to responsible regulation
- the lowest overall tax load of any province in Canada, including no retail sales tax
- a modern and efficient infrastructure
- an abundance of natural resources
- a beautiful natural environment
- a fiscally responsible provincial government

The Alberta Advantage is organized around the following categories: the economy, people, taxes, operating costs, quality of life and sound financial management. It shows that Alberta is "the place to be."

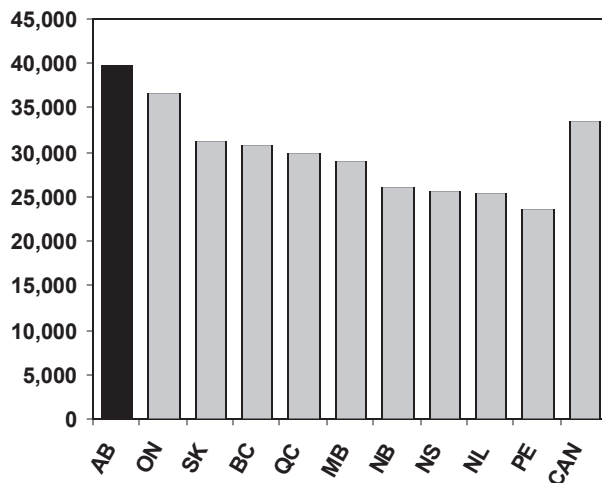
# The Economy

## STRONG AND DIVERSIFIED

Over the past decade, Alberta's economic performance has been exceptional, leading the nation in nearly all economic indicators. This province's prosperity enables its residents and businesses to be confident about the future. Alberta is creating an environment and infrastructure that enables knowledge and technology to invigorate our traditional economic strengths and create new opportunities.

### REAL GDP PER CAPITA

1999-2003 Annual Average (dollars per capita)\*



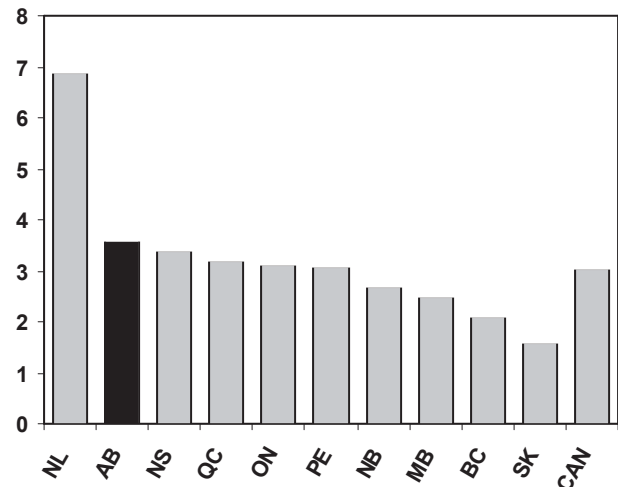
\* 2003 GDP estimated for provinces.

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 1999, Alberta's real gross domestic product per capita has averaged 9% higher than second place Ontario.

### REAL ECONOMIC GROWTH

1999-2003 Average Annual Growth in GDP (per cent)\*



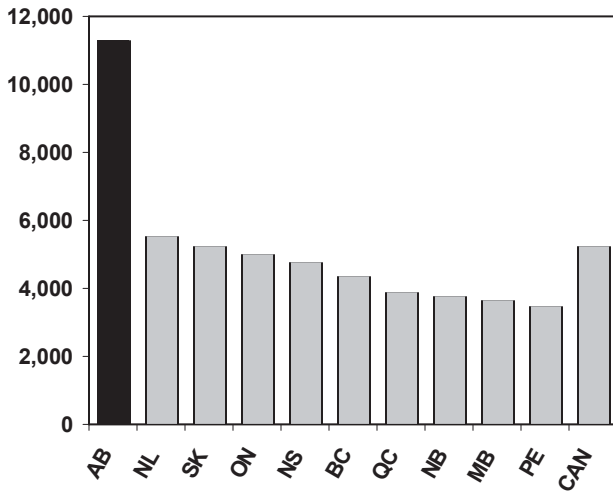
\* 2003 GDP estimated for provinces.

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

- Alberta's economic growth rate was the second highest in Canada over the past five years.
- In 2003, Alberta's real output grew by an estimated 3.1%.

## INVESTMENT PER CAPITA

1999-2003 Annual Average (dollars per capita)\*

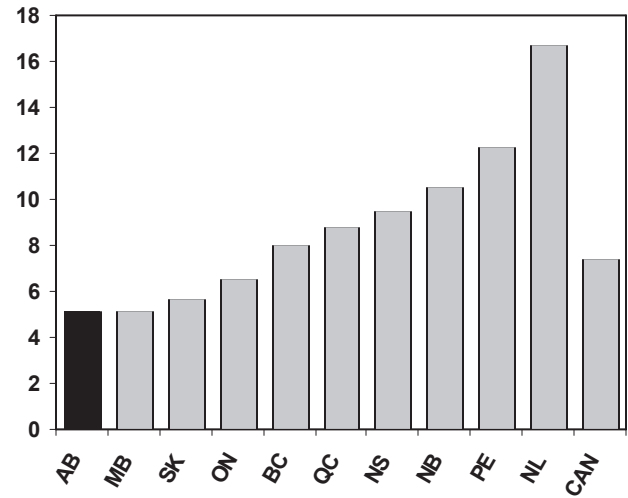


\* 2003 preliminary actual.  
Source: Statistics Canada

- Alberta continues to be far ahead, as it has been for decades, in total private sector investment per person.
- Over the past five years, Alberta's investment per capita has been more than double that of the next highest province, Newfoundland and Labrador.

## UNEMPLOYMENT RATE

1999-2003 Annual Average (per cent)

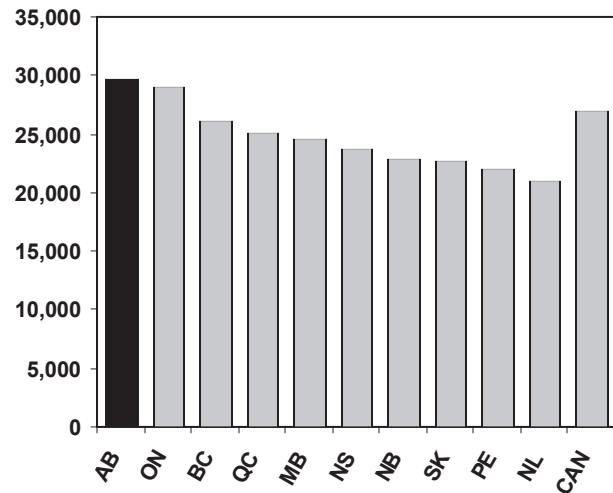


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 5.1% was tied with Manitoba as being lowest among the provinces, well below the national average of 7.4%.
- In December 2003, Alberta's unemployment rate of 4.8% was the lowest in Canada.

## PERSONAL INCOME

1998-2002 Annual Average (dollars per capita)

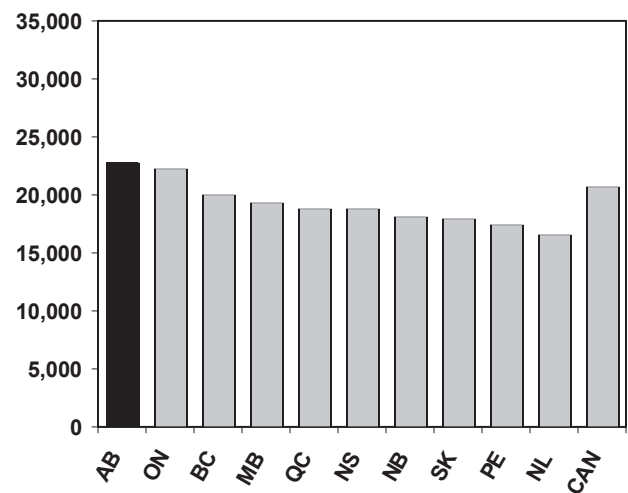


Source: Statistics Canada

- Over the five years ending in 2002 (the most recent data available), Albertans enjoyed the highest personal income per capita.
- In 2002, Alberta had the highest personal income per capita among provinces, \$1,997 above second place Ontario.

## PERSONAL DISPOSABLE INCOME

1998-2002 Annual Average (dollars per capita)\*

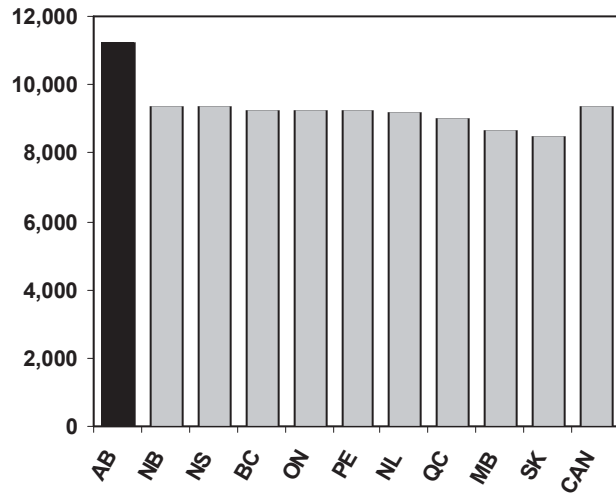


\* Personal income less direct taxes and other current transfers to government.  
Source: Statistics Canada

- Over the five years ending in 2002 (the most recent data available), Alberta was ahead of all other provinces in personal disposable income per capita. For 2002, Alberta was \$1,847 above second place Ontario.
- With no general retail sales tax in Alberta, the disposable income advantage translates into even greater purchasing power.

## RETAIL SALES PER CAPITA

1999-2003 Annual Average (dollars per capita)

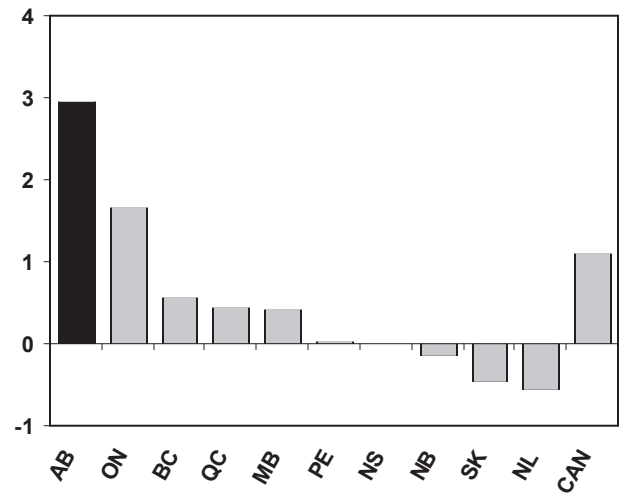


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.

## BUSINESS GROWTH

1999-2003 Annual Average (per cent growth in # of firms)\*



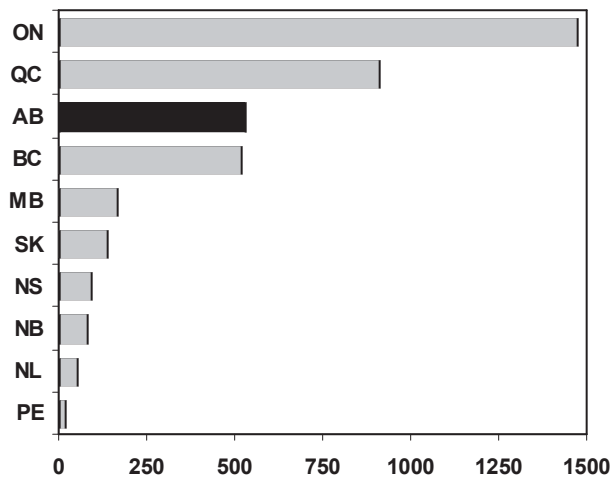
\* Businesses include all incorporated and unincorporated firms, except self-employed and single person firms.

Source: Statistics Canada

- Over the last five years, Alberta's average business growth has been the fastest of any province in Canada.
- In 2003, the number of businesses in Alberta increased by 1.5%, the strongest growth among provinces.

## CORPORATE HEADQUARTERS

Head Offices, 2002 (number of head offices)\*



\* Includes only large, multi-unit enterprises where the head office is in a separate physical location from the production unit.

Source: Statistics Canada

- Alberta is home to 530 head offices, the third highest number in Canada, and the highest number per capita of any province.
- In Western Canada, Calgary leads in head office employment, with more than 16,000 employees in 2002.

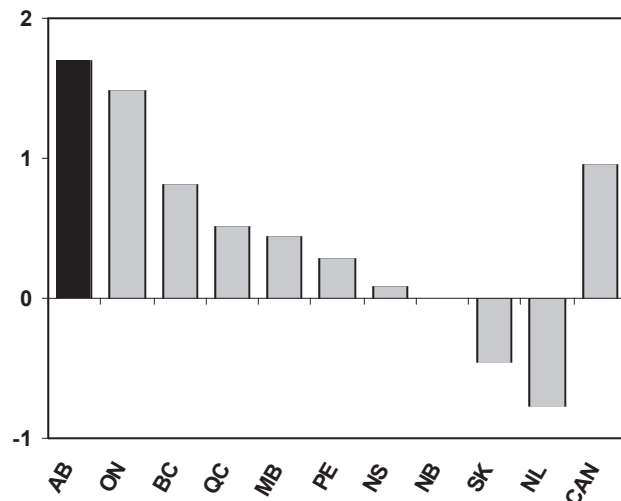
# The People

## YOUNG, HIGHLY TRAINED AND PRODUCTIVE

In today's knowledge-based economy, the people of Alberta are our province's most important resource. Albertans are highly skilled and productive, and are among the most educated in the world. They are the foundation of our thriving and vibrant economy.

### POPULATION

1999-2003 Average Annual Growth (per cent)\*

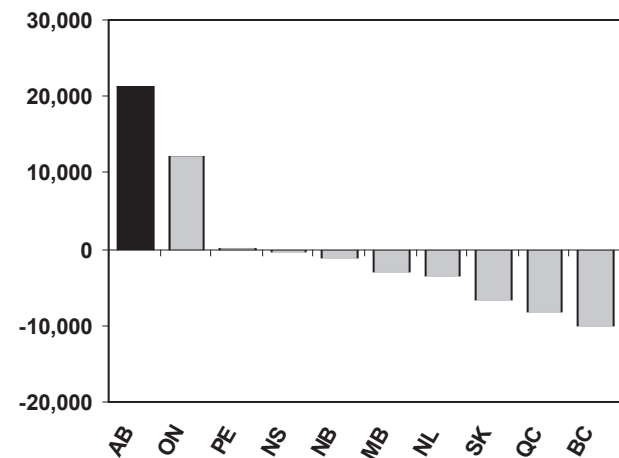


\* Annual population based on 3rd quarter (July 1) estimates.  
 Source: Statistics Canada

- Over the past five years, Alberta's population has grown the fastest among the provinces.
- In 2003, Alberta's population growth of 1.3% also led the provinces.

### NET INTERPROVINCIAL MIGRATION

1999-2003 Annual Average (net number of interprovincial migrants)\*



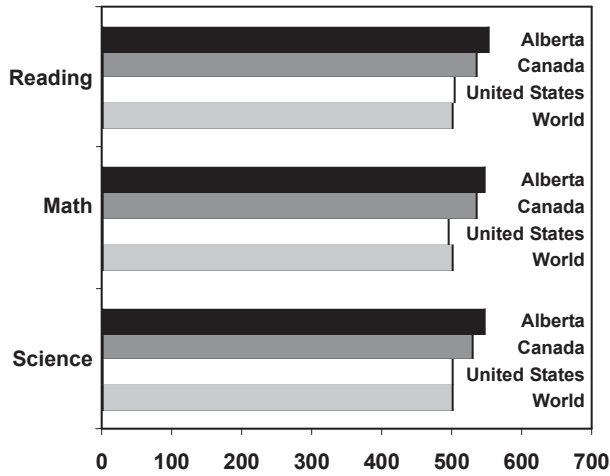
\* July 1, 1998 to June 30, 2003.  
 Source: Statistics Canada

- Alberta has the highest number of interprovincial migrants in Canada.
- From July 2002 to June 2003, a net of 12,081 migrants came to Alberta from other provinces. The only other provinces to experience positive net interprovincial migration during this time were Nova Scotia and Prince Edward Island, at 777 and 571, respectively.



## PERFORMANCE OF STUDENTS AGED 15

2000 Results (scaled to average score of 500)

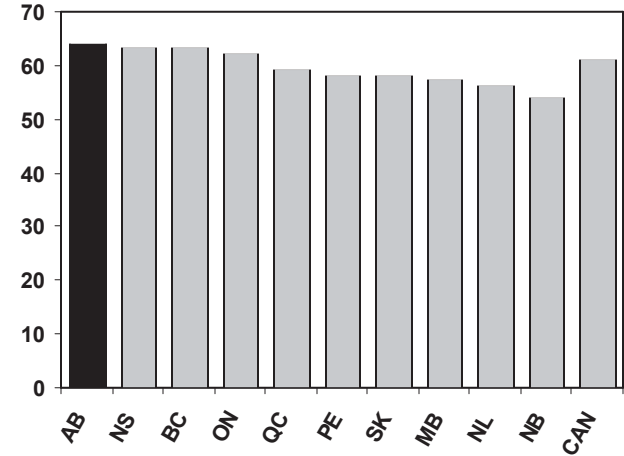


Source: Organisation for Economic Co-operation and Development (OECD)

- In 2000, the performance of students aged 15 in Alberta was significantly above the Canadian, United States and international averages in reading, mathematics and science.
- Out of 32 countries and the provinces of Canada, Alberta scored the highest in reading.

## POPULATION AGED 25-64 WITH POST-SECONDARY EDUCATION

1999-2003 Annual Average (per cent of total population)\*



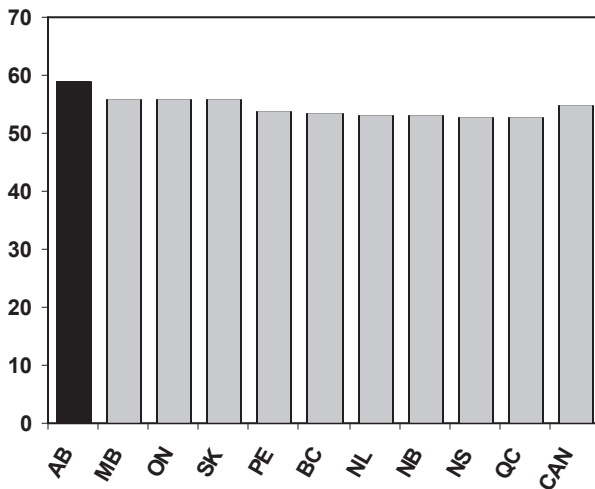
\* Includes some post-secondary and completed post-secondary certificates, diplomas, and university degrees.

Source: Statistics Canada

- Alberta has the best educated workforce in Canada.
- Approximately 64% of Albertans aged 25 to 64 have post-secondary education.

## SHARE OF POPULATION UNDER 40

1999-2003 Annual Average (per cent of total population)

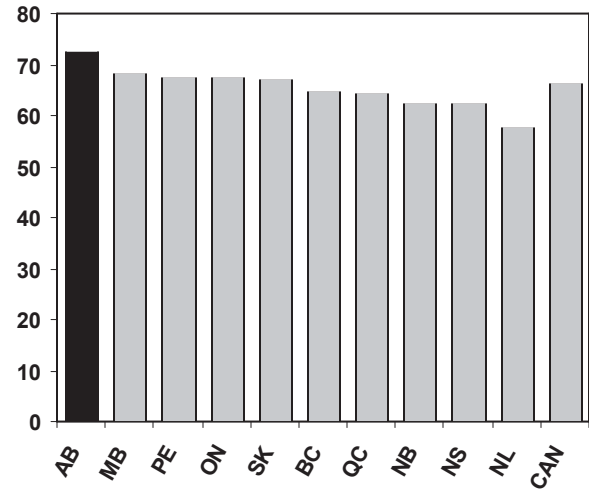


Source: Statistics Canada

- Alberta has the youngest population among the provinces.
- About 59% of Albertans are under the age of 40.

## PARTICIPATION RATE

1999-2003 Annual Average (per cent)\*



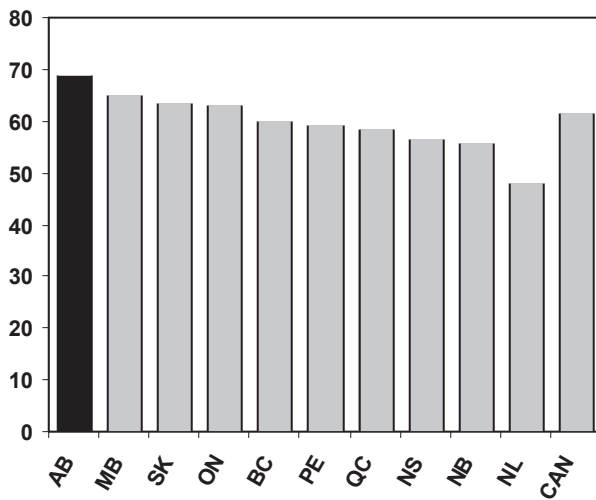
\* The participation rate is the total of those employed plus those looking for work aged 15 and over, divided by the population aged 15 and over.

Source: Statistics Canada

- Alberta has the highest labour force participation rate in Canada, 4.4 percentage points higher than second place Manitoba.

## EMPLOYMENT TO POPULATION RATIO

1999-2003 Annual Average (per cent)\*



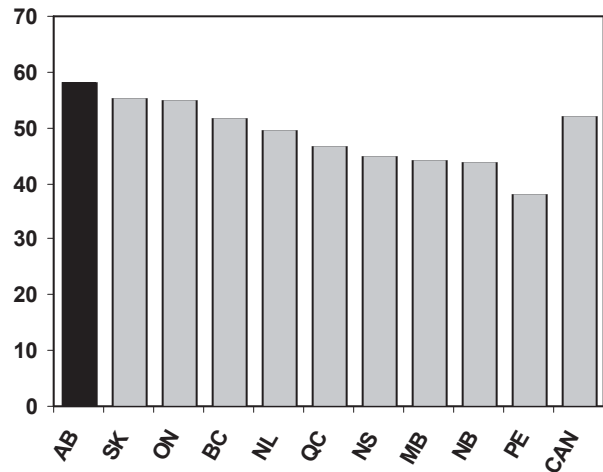
\* The employment to population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population, 4.1 percentage points above the second place province, Manitoba.

## LABOUR PRODUCTIVITY

1999-2003 Annual Average (dollars of real GDP per hour worked)\*



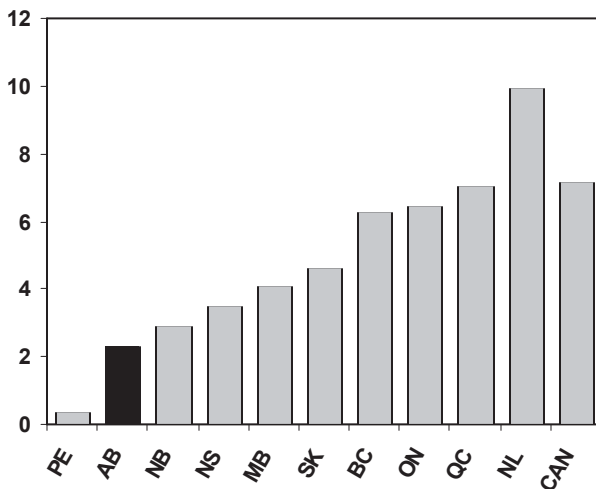
\* 2003 GDP estimated for provinces.

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

- Albertans are the most productive workers in Canada, as measured by real GDP dollars produced per hour worked.

## LABOUR RECORD

1999-2003 Annual Average (person days lost due to disputes per 10,000 person days worked)\*



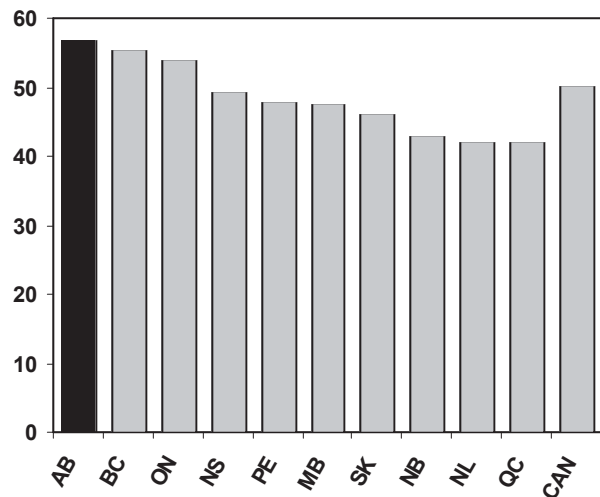
\* January to September 2003 preliminary rate.

Source: Statistics Canada and Human Resources Development Canada

- In terms of person days lost due to labour disputes, Alberta's 5-year average record is better than all other provinces except Prince Edward Island.

## INTERNET USE

1998-2002 Annual Average (per cent of households)\*



\* Households with at least one regular user in any location (home, work, school, public library).

Source: Statistics Canada

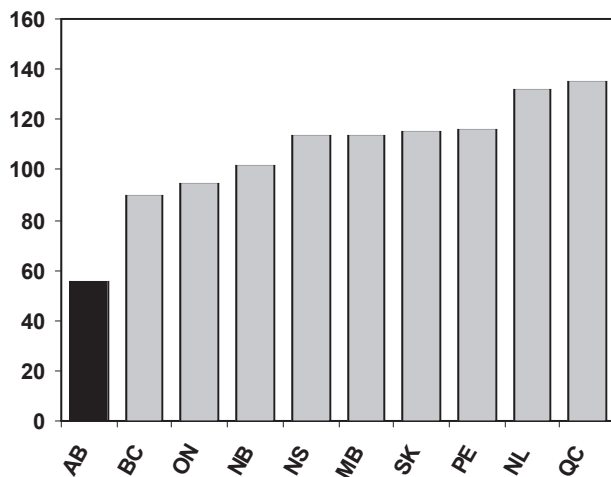
- Albertans are the most "connected" when it comes to Internet technology, which improves access to information, education, health and commerce services.
- Canada is the most connected country in the world.

# The Lowest Tax Load

## LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta is open for business with the lowest overall corporate and personal taxes in Canada. We are the only province with a single-rate personal income tax system and the only province that does not have a general retail sales tax. Alberta truly has a globally competitive tax environment.

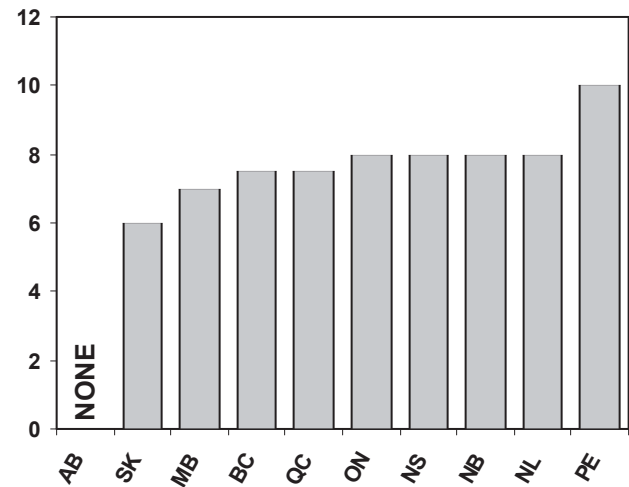
**TOTAL PROVINCIAL AND MUNICIPAL TAX LOAD**  
2003-04 (per cent of the Canadian average)\*



\* Equalization payments, 2003-04, 3rd estimate.  
**Source:** Finance Canada and Alberta Finance.

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces, at 56% of the national average.

**RETAIL SALES TAX RATES**  
2004 (per cent)\*

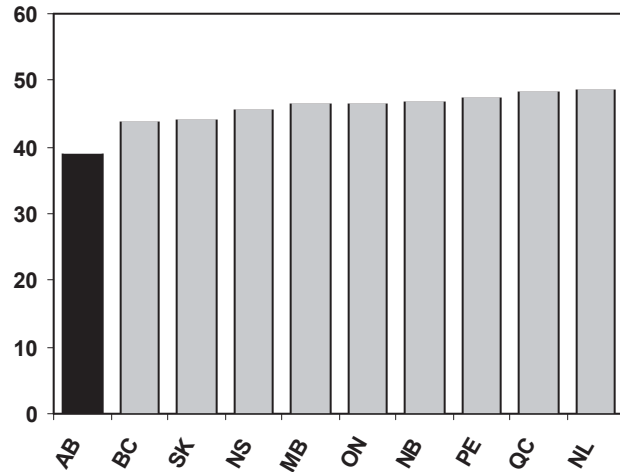


\* Other provinces' rates known as of February 27, 2004.  
**Source:** Alberta Finance

- Alberta has no provincial retail sales tax.

## COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2004 (per cent)\*

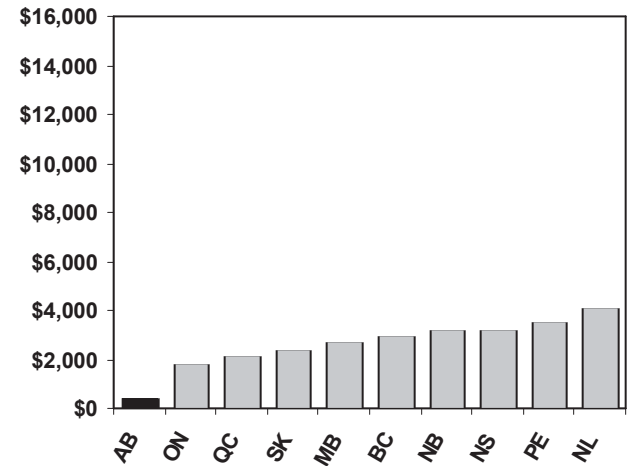


\* Other provinces' rates known as of February 27, 2004.  
Source: Alberta Finance

- 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  
2004 (One-income family with two children)\*

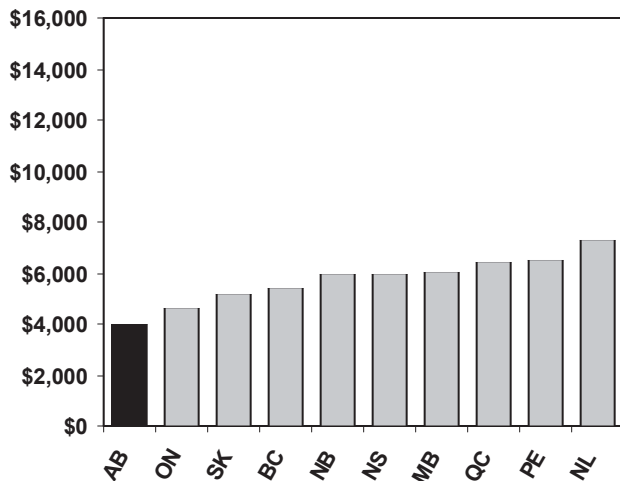


\* Other provinces' rates known as of February 27, 2004.  
Source: Alberta Finance

- This graph, and following two, compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family.
- In Alberta, a typical one-income family earning \$30,000 pays only \$431, approximately 85% less than the average of the other provinces.

## FAMILY EARNING \$60,000

Taxes and Health Care Insurance Premiums  
2004 (Two-income family with two children)\*

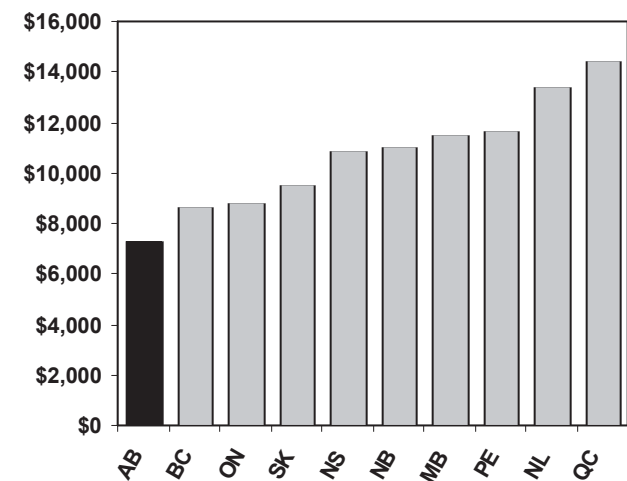


\* Other provinces' rates known as of February 27, 2004.  
Source: Alberta Finance

- In Alberta, a typical two-income family earning \$60,000 pays \$3,968, approximately 33% 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  
2004 (Two-income family with two children)\*

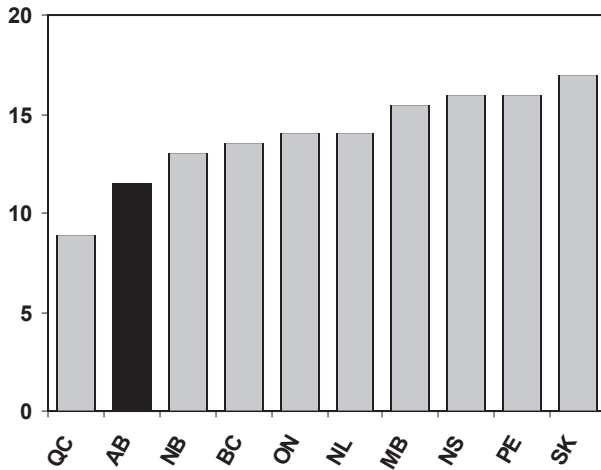


\* Other provinces' rates known as of February 27, 2004.  
Source: Alberta Finance

- In Alberta, a typical two-income family earning \$100,000 pays \$7,261, approximately 35% less in combined taxes and health care insurance premiums than the average of the other provinces.

## PROVINCIAL GENERAL CORPORATE INCOME TAX RATES

2004 (per cent)\*



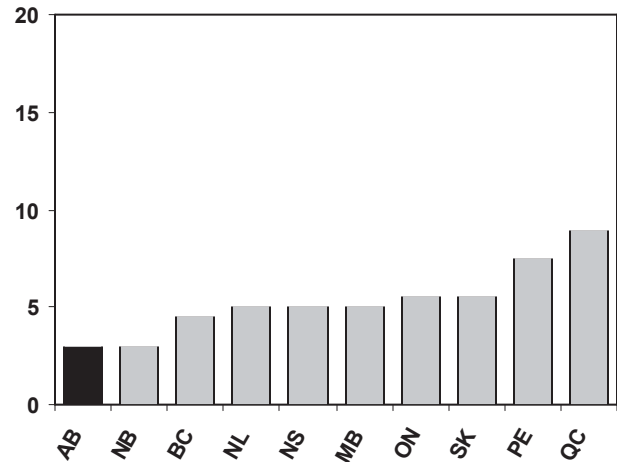
\* Other provinces' rates known as of February 27, 2004. SK, ON, PE and NL have a lower corporate income tax rate for manufacturing and processing industries.

Source: Alberta Finance

- As of April 1, 2004, Alberta will have the second lowest general corporate income tax rate in Canada at 11.5%. Alberta's general corporate tax rate will be reduced to 8%, as affordable.
- Alberta businesses also benefit because Alberta has no general sales tax, no capital tax and no payroll tax.

## PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2004 (per cent)\*



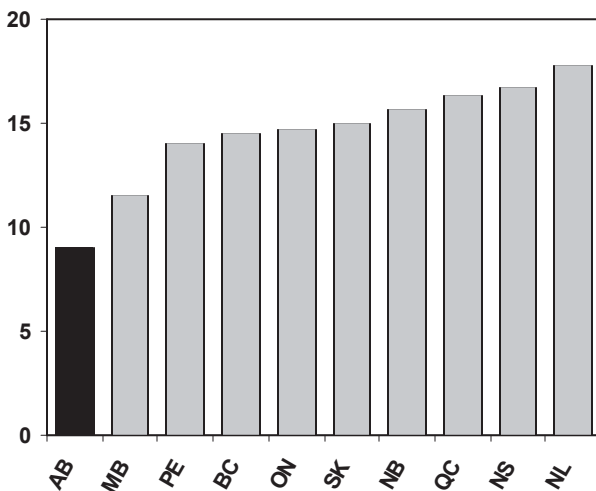
\* Other provinces' rates known as of February 27, 2004.

Source: Alberta Finance

- As of April 1, 2004, Alberta's small business corporate income tax rate of 3% is tied for the lowest in Canada.

## GASOLINE TAX RATES

2004 (cents per litre)\*



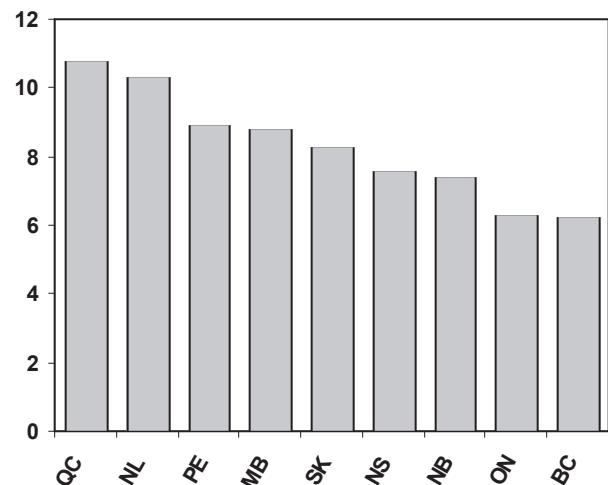
\* Other provinces' rates known as of February 27, 2004. For NB, NS, QC and NL, provincial sales tax is levied on top of fuel tax.

Source: Alberta Finance

- At 9.0 cents per litre, Alberta has the lowest gasoline tax rate among the provinces, 2.5 cents per litre below Manitoba, the second lowest province.

## ALBERTA'S TAX ADVANTAGE

2004 (billions of dollars)\*



\* Other provinces' rates known as of February 27, 2004.

Source: Alberta Finance

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same tax systems as the other provinces. The comparison also includes government revenues from health care insurance premiums and liquor markups.
- Albertans would pay over \$6.2 billion more if we had to pay British Columbia's taxes, and almost \$10.8 billion more if we had to pay Quebec's taxes.

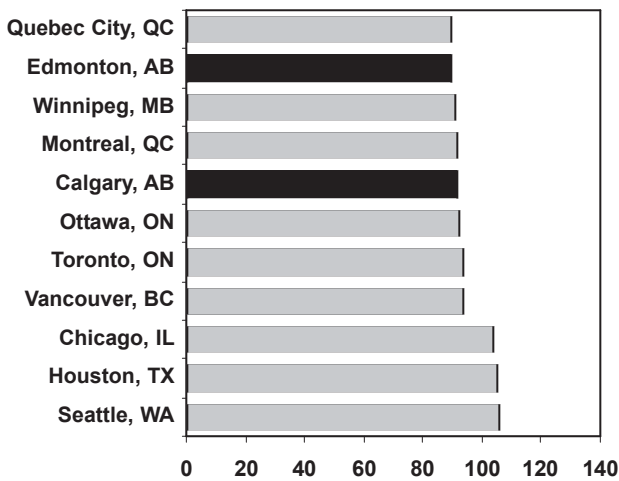
# Low Operating Costs

## FOR BUSINESSES AND HOUSEHOLDS

When it comes to cost of living and doing business, the province of Alberta is an attractive place to be. Alberta's favourable business environment encourages investment and allows companies and industries to compete and succeed. Our low taxes, skilled workforce and well-established infrastructure provide additional outstanding advantages.

### BUSINESS COSTS INDEX

2004 (US=100.0)\*



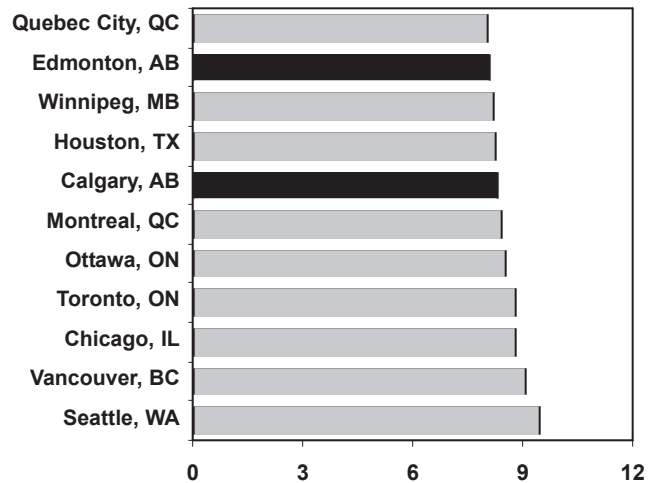
\* Based on 27 components of after-tax costs for start-up and operations over an average of 10 years. Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Based on KPMG's study of business costs in North America, Europe and Asia-Pacific, Edmonton has the second lowest total costs among the major Canadian cities and all American cities.
- An Edmonton business would have an overall 11% cost advantage over the average U.S. city.

### INITIAL INVESTMENT COSTS

2004 (US\$ millions)\*



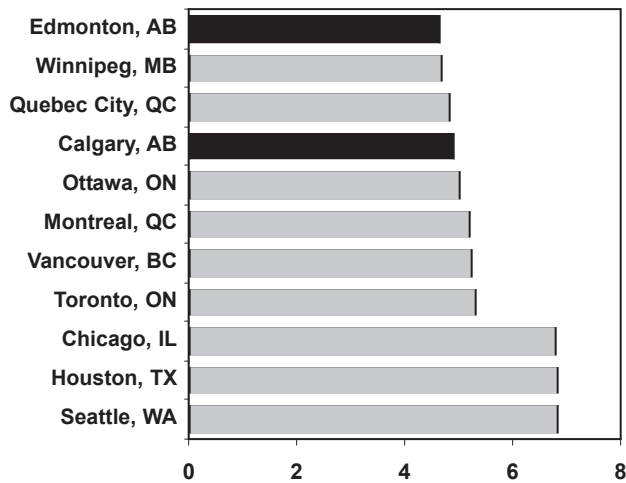
\* Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Edmonton and Calgary are competitive among major cities for lowest initial investment costs, which consist of land acquisition and building construction costs.

## ANNUAL LABOUR COSTS

2004 (US\$ millions)\*



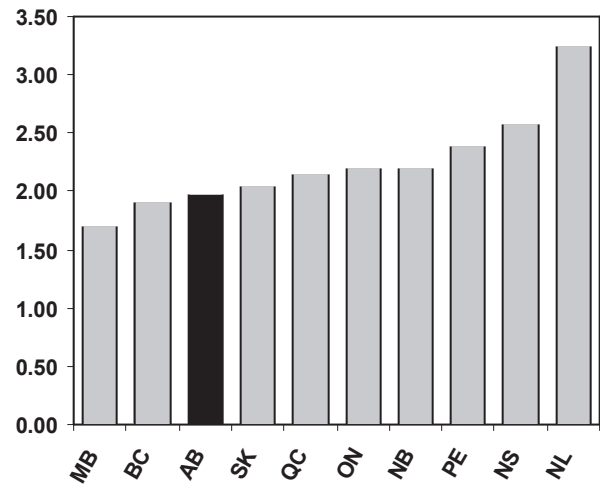
\* 10-year average. Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Labour costs, a major component of location-sensitive business costs which can range from 56% to 85% of total operations, are lowest in Edmonton among major cities.

## WORKERS' COMPENSATION PREMIUMS

2004 (dollars per \$100 of gross payroll)\*



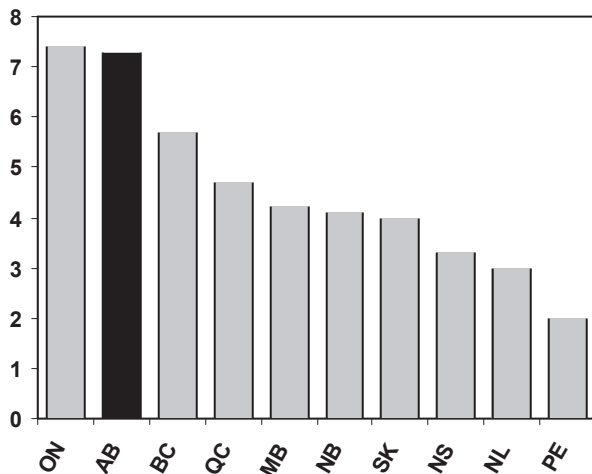
\* Provisional average assessment rates. Industry composition and administrative costs vary across provinces in rate calculations.

Source: Association of Workers' Compensation Boards of Canada

- Alberta's average WCB premium rate is the third lowest among the provinces. Alberta, British Columbia, Saskatchewan, Manitoba and New Brunswick have no unfunded WCB liabilities.

## INVESTMENT CLIMATE

2002 (scale from 0 to 10)

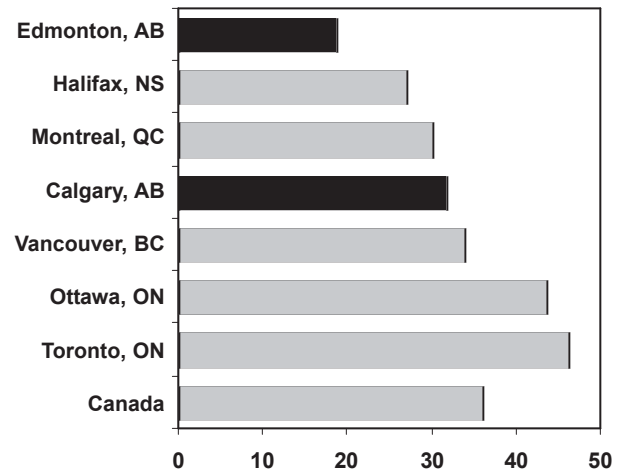


Source: Fraser Institute

- Based on the Fraser Institute's 2002 Survey of Senior Investment Managers, Alberta emerged as a close second for best investment climate in Canada.
- With respect to government policies, Alberta and Ontario led the nation with nearly 87% of respondents indicating that the provinces foster globally-competitive companies.

## OFFICE OCCUPANCY COSTS

2003 (dollars per square foot)\*



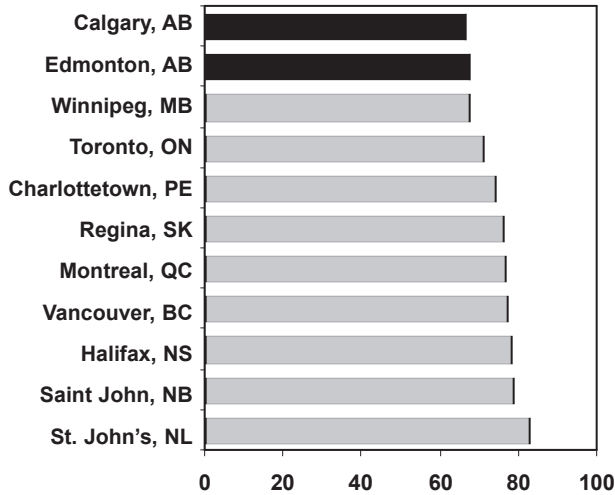
\* Total occupancy costs include average net rental rates, taxes and operating costs for typical "Central Class A" offices.

Source: Royal LePage Commercial Inc.

- Edmonton has the lowest overall office occupancy costs among major Canadian cities.
- In Calgary, costs are lower than those in British Columbia and Ontario.

## GASOLINE PRICES

2003 Average (cents per litre)\*

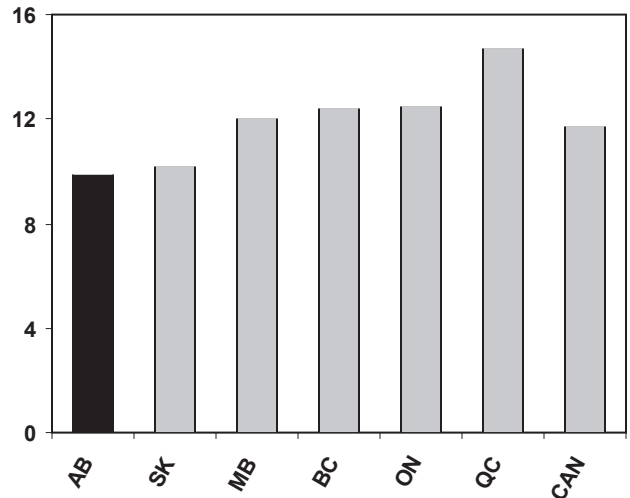


\* Regular unleaded gasoline at self-service stations, taxes included.  
Source: Statistics Canada

- Calgary and Edmonton have the lowest gasoline prices in Canada.

## NATURAL GAS RATES

2003 Average (dollars/GJ)\*

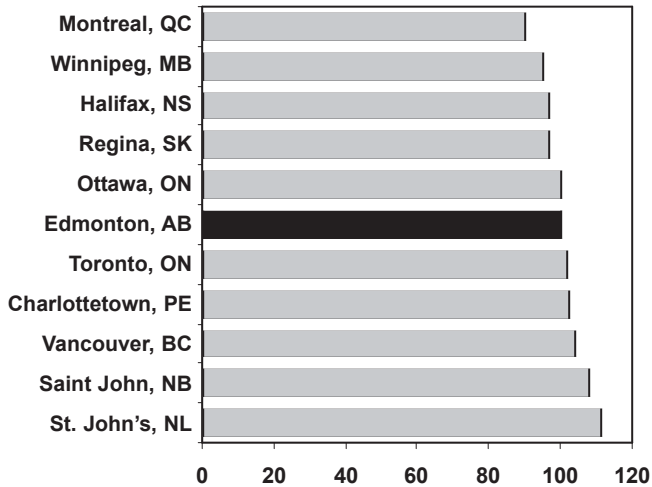


\* January to September only. Calculated as sales revenue divided by sales volume. Includes gas costs, as well as all fixed and variable charges, but excludes taxes.  
Source: Statistics Canada

- Albertans enjoyed the lowest residential natural gas rates in Canada during the first nine months of 2003 (the most recent data available).
- Alberta's Natural Gas Rebate Program is assisting Albertans with natural gas costs this winter.

## DAILY LIVING PRICE INDEX

December 2003\*

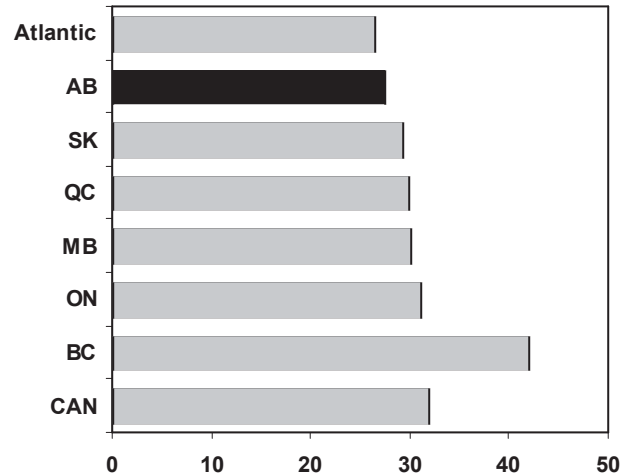


\* Converted to index of Edmonton = 100. No data available for Calgary.  
Source: Statistics Canada

- Residents in Edmonton pay less for daily living than major Canadian cities such as Toronto and Vancouver.
- A basket of daily living non-durable goods and services (food, utilities, household operations, transportation, health/personal care, recreation and tobacco/alcohol products) that costs \$100 in Edmonton would be approximately \$111 in St. John's.

## HOUSING AFFORDABILITY

2003 Average (home ownership costs as a % of pre-tax household income)\*



\* Home ownership costs include mortgage payments, utilities, and property taxes.  
Source: Royal Bank of Canada

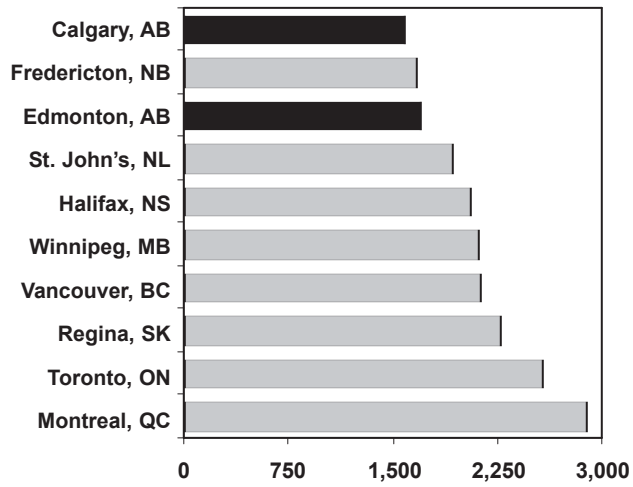
- With Alberta's home ownership costs taking up only 27.5% of a typical pre-tax household income, housing affordability is second only to the Atlantic provinces.
- More balanced housing market conditions, record-low borrowing rates, and good household income gains contributed to Alberta's solid housing affordability in 2003.



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## NET HOME PROPERTY TAXES

2003 (dollars)\*



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

Source: The City of Edmonton

- Among major cities, Calgary and Edmonton rank first and third, respectively, when it comes to lowest property taxes for a typical single family house.

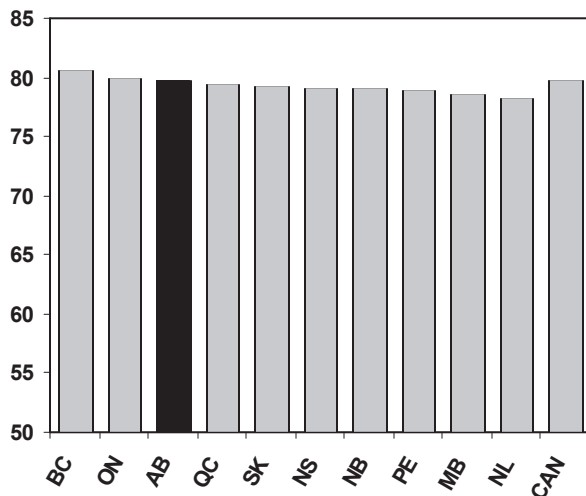
# Quality of Life

## 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 outstanding opportunities in recreation, arts, and culture.

### LIFE EXPECTANCY

2001 (years)\*

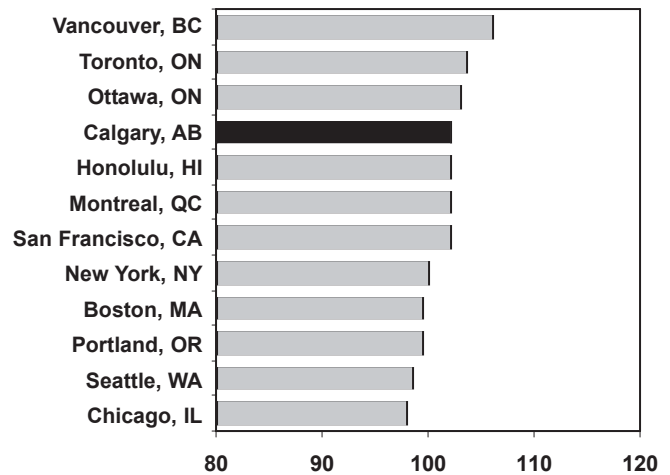


\* Average life-span at birth.  
Source: Statistics Canada

- In 2001, Alberta had the third highest life expectancy at birth among provinces.

### QUALITY OF LIFE INDEX

2004 (New York = 100.0)\*



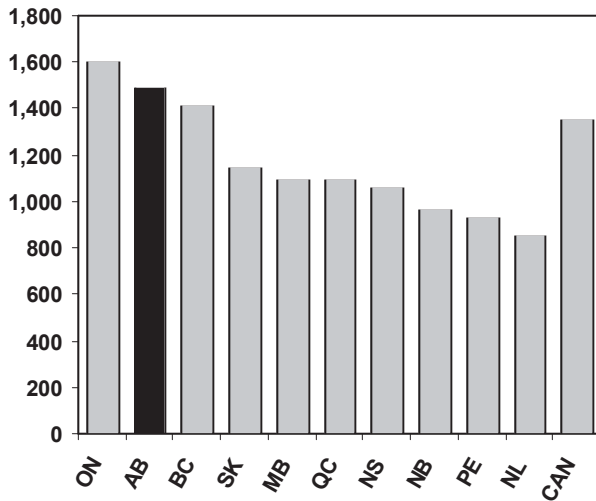
\* 39 criteria based on political, social, economic, cultural, and natural environment; health; education; transportation; recreation; consumer goods; housing; and public services. Edmonton not included in survey.

Source: William M. Mercer Companies

- Based on an analysis of "Quality of Life", Calgary placed 24 out of 215 major cities in the world, tying the highest ranked U.S. cities, Honolulu and San Francisco.
- Calgary ranks number one in the world for the health and sanitation component of the study.

## EXPENDITURE ON RECREATIONAL ACTIVITIES

2002 Average Expenditure Per Household (dollars per year)\*

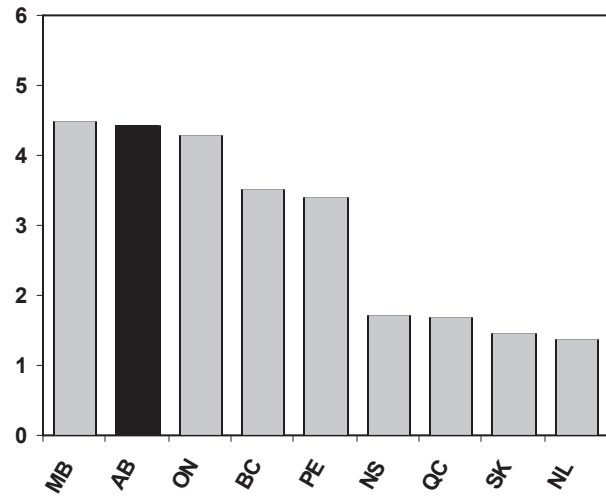


\* Expenditure on recreation and entertainment.  
Source: Statistics Canada

- With the highest average household income among the provinces, Albertans are able to spend more on sports, performing arts, and other recreational and entertainment activities.

## SUPPORT FOR PERFORMING ARTS

2001-02 Private Sector Donations (dollars per capita)\*

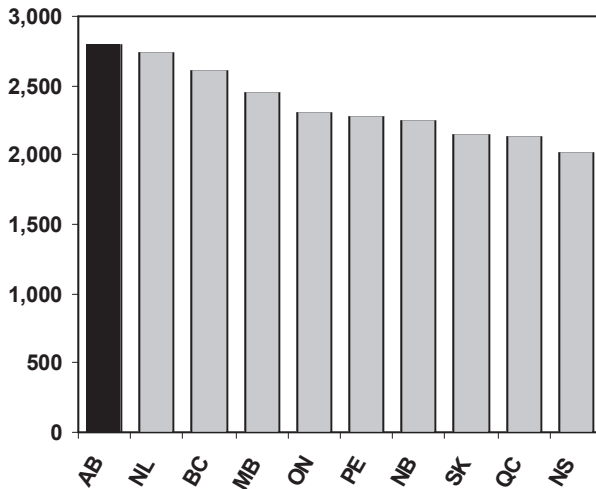


\* Includes donations and fundraising. Survey based only on professional performing arts companies with budgets of \$100,000 or more.  
Source: The Council for Business and the Arts in Canada (CBAC)

- On a per capita basis, Alberta ranks only behind Manitoba for private sector support of the performing arts, according to the most recent data.

## PROVINCIAL HEALTH EXPENDITURE

2002-03 (dollars per capita)\*

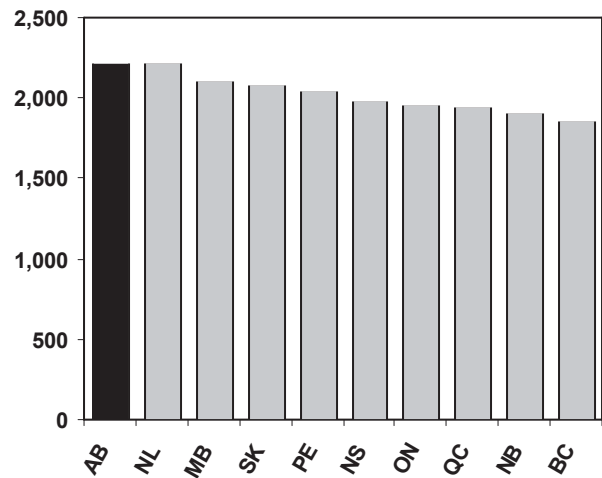


\* Adjusted for age and sex, provincial government total health expenditures.  
Source: Health Canada, CIHI and Alberta Health and Wellness

- In 2002-03, Alberta's age-sex adjusted health expenditures per capita were the highest in Canada.

## PROVINCIAL AND LOCAL EDUCATION EXPENDITURE

2002-03 (dollars per capita)\*



\* Financial Management System Basis, provincial and local government education expenditures.  
Source: Statistics Canada

- In 2002-03, Alberta had the highest education expenditure on a per capita basis.

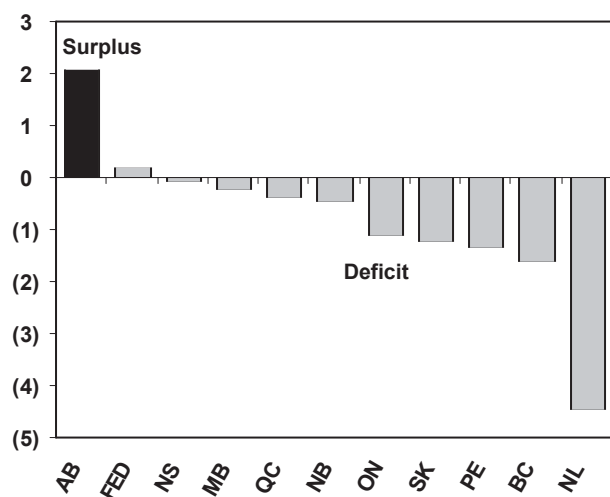
# The Alberta Government

ACCOUNTABLE AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens, while ensuring a balanced budget. As the only province with more financial assets than liabilities, Alberta continues to attract international attention as the most fiscally responsible government in Canada.

## GOVERNMENT SURPLUSES (DEFICITS)

2003-04 (per cent of GDP)\*



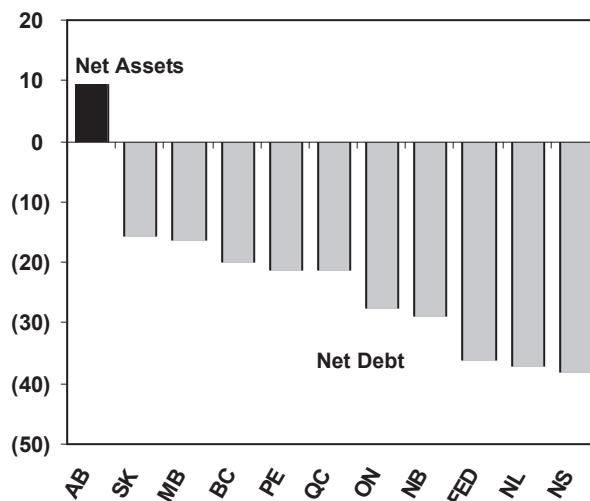
\* Other governments as of February 27, 2004. Adjusted for fiscal stabilization fund transfers.

Source: Alberta Finance

- The Alberta government is committed to living within its means.
- Alberta has the highest surplus as a percentage of GDP in 2003-04.

## GOVERNMENT NET FINANCIAL ASSETS (DEBT)

March 31, 2004 (per cent of GDP)\*



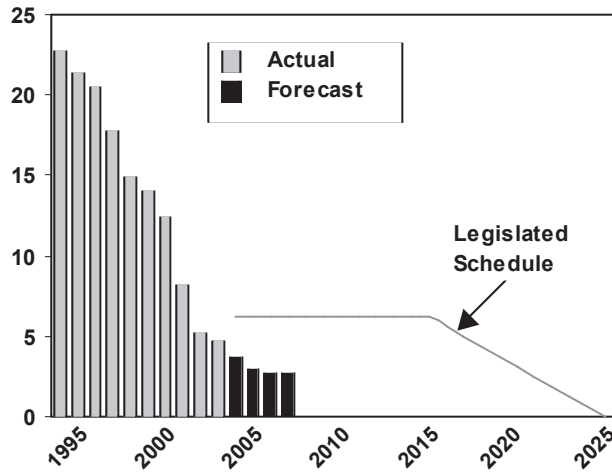
\* Other governments as of February 27, 2004. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance

- Alberta is the only provincial government in Canada with total financial assets that exceed total liabilities.
- At March 31, 2004, Alberta's financial assets are forecast to be \$28.3 billion. Total liabilities (excluding pension obligations) are forecast to be \$13.4 billion, resulting in net financial assets of about \$15 billion.

## ALBERTA'S ACCUMULATED DEBT

At March 31 (billions of dollars)\*

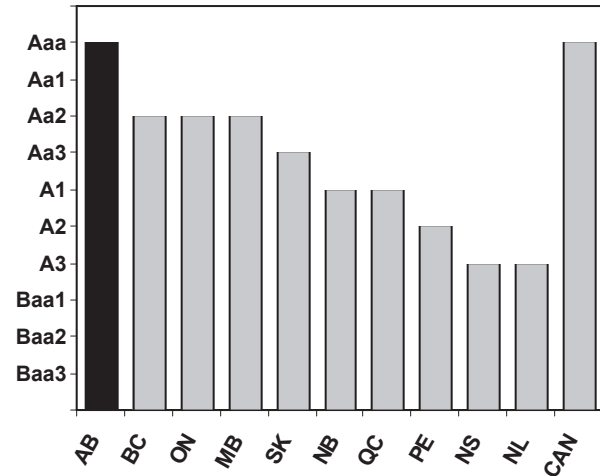


\* Net of cash set aside in the Debt Retirement Account.  
Source: Alberta Finance

- Alberta's accumulated debt is expected to be reduced to \$2.7 billion by March 31, 2006.
- Accumulated debt will have been cut by nearly 90% since 1993-94.

## CREDIT RATING

As of February 27, 2004\*

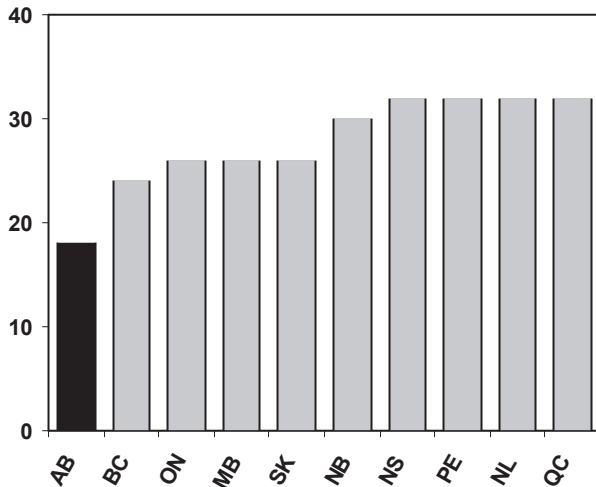


\* Moody's Canadian domestic dollar debt ratings.  
Source: Moody's Investors Services

- Alberta is the top province in Canada for credit worthiness. All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) give Alberta "Triple A", the highest possible rating.
- The high ratings reflect Alberta's strong economic performance, high income levels, low debt burden, and prudent fiscal management.

## BORROWING COSTS

As of March 4, 2004 (basis points)\*

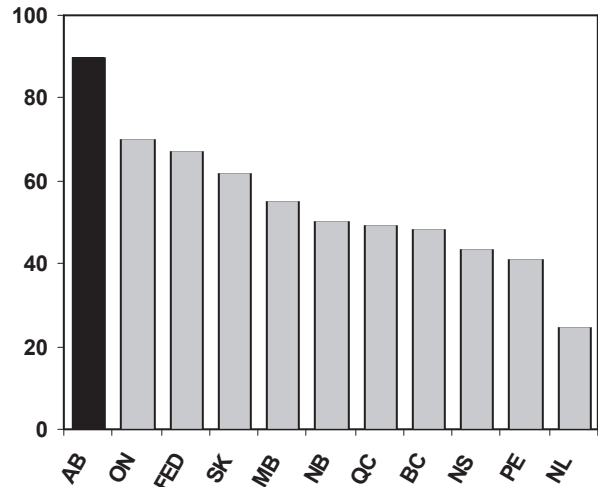


\* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.  
Source: CIBC World Markets

- Alberta has the lowest interest rate spread relative to 10-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 and local authorities that borrow through the Alberta Capital Finance Authority.

## BUDGET PERFORMANCE INDEX

2004 (100-point index scale)\*

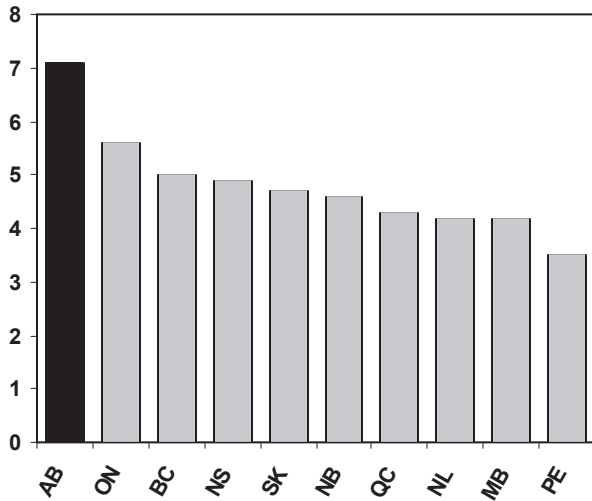


\* Index includes 20 indicators of government taxation, spending, deficits and debt over the past five years (1998-99 to 2002-03).  
Source: Fraser Institute

- Based on the Fraser Institute's 2004 Budget Performance Index (which measures the 5-year period from 1998-99 to 2002-03), Alberta topped all other provinces and the federal government.
- According to the index, which is based upon the tax and spending behaviour of governments, Alberta's performance surpassed second place Ontario by 29%.

## ECONOMIC FREEDOM INDEX - CANADA

2001 (10-point index scale)\*



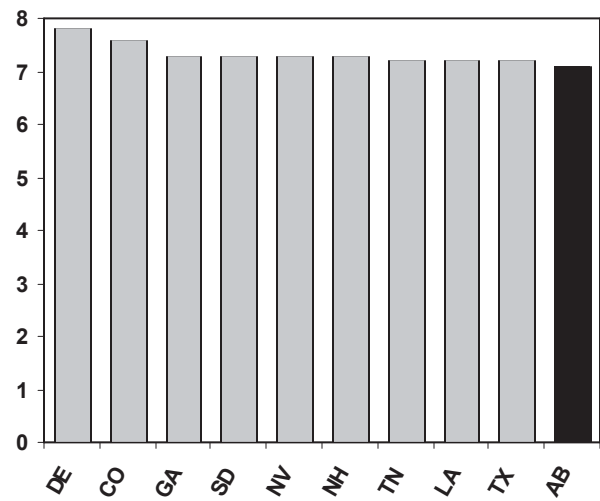
\* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute

- Fraser Institute's measure of economic freedom (which indicates the fostering of economic growth and prosperity through minimal government regulation and taxation) rates Alberta number one in Canada as a place to do business.

## ECONOMIC FREEDOM INDEX - NORTH AMERICA

2001 (10-point index scale)\*



\* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute

- For the first time in the 20-year span of the measurement of economic freedom, a Canadian province – Alberta – has broken into the top 10 in North America.