

BUDGET SPEECH

Introduction

Mr. Speaker: Today I present Budget 2010—the next step forward on the road to renewed prosperity for British Columbians.

As the Lieutenant-Governor stated in the Speech from the Throne three weeks ago, this new budget builds on our Olympic momentum and sets the foundation for the province we want... not just five or 10 years out, but for the generations that follow.

We have come through an unprecedented global economic downturn. And, although it will take time, we are on our way to recovery.

Business and consumer confidence are rising. In fact, they are amongst the highest levels in Canada. And B.C. is expected to be among the country's leaders in economic growth in the year ahead.

That is partly due to the incredible success so far of the 2010 Olympic and Paralympic Winter Games, which many are hailing as a turning point in B.C.'s history.

There is no question that the thousands of people who came to our province in the past few weeks—and the billions who watched events unfold online or on TV—will play a key role in lifting our economy both in the short-term and over time.

But, Mr. Speaker, our relatively strong position coming out of the global recession is about more than hosting the Olympic Games. It is also due to the fact that, all through the previous decade, we worked hard to set the stage for growth and prosperity.

We have gone from an uncompetitive regulatory and tax environment to one of the most competitive in the world. We've paid down the Province's operating debt by more than \$9 billion, and built new trade and investment partnerships with leading and emerging economies alike.

Recognizing these achievements, international agencies have increased B.C.'s credit rating seven times since 2001. Even in the wake of the global downturn, it remains at triple-A—the highest rating possible.

All of this puts us in a good position. However, in order to achieve our goals we must manage carefully.

Too many people across B.C. are still feeling the effects of the downturn.

Too many families are still struggling. And too many communities still face uncertainty.

And so, with this budget, we are taking action in three critical areas to help sustain our momentum on the road to economic recovery:

First, we will enhance support for the vital public services that British Columbians rely on every day, especially in times of economic hardship.

Second, to advance our plan to return to balanced budgets, we will refocus government spending to ensure we get the most out of every dollar.

Third, we will move forward with a range of initiatives to stimulate and sustain economic growth and reassert our role as Canada's job-creation leader, so that young people growing up in B.C. today can look forward to a future of renewed prosperity, confidence, and boundless opportunity.

Public Services

Mr. Speaker: That sense of opportunity has long been a hallmark of this part of the world—dating back to long before it was known as British Columbia.

Since time immemorial, First Nations peoples have drawn on its wealth of natural resources, its climate and its geography, building societies renowned for their diversity, and the richness of their arts, culture and heritage.

A sense of opportunity has drawn people here from all around the world for more than 150 years. But after the financial crisis of 2008, that sense of boundless potential was undermined.

People were concerned about their jobs, their investments, their household expenses, their children's well-being. And, even as we start to see signs of recovery, those concerns remain.

When we introduced last February's budget, we made it clear that a critical priority was helping the people of British Columbia get through these difficult times. And that commitment has not wavered.

With this budget, we are moving forward to renew a sense of confidence by building on what is arguably our greatest strength — British Columbia's unmatched and often envied quality of life.

We're doing that by making life better for families, with:

- more job opportunities;
- more affordable housing;
- more supports for children; and
- stronger, more vibrant, more livable communities.

Hundreds of accelerated infrastructure projects are now underway across B.C. as part of our plan to create jobs while building social housing, hospitals, schools, roads and community facilities.

Since October 2008, \$5.3 billion has been committed to over 850 accelerated capital projects in communities across B.C., generating and protecting approximately 34,000 construction jobs over the life of the projects. These investments will also generate thousands of spinoff jobs — each of which contributes to a family's well-being.

Tax cuts are also making life a little easier. Since 2001, most British Columbians have had their personal income taxes reduced by 37 per cent. An additional 325,000 people no longer pay any B.C. income tax. And, with this budget, we are delivering further, targeted tax relief.

More Affordable Housing

First, in spite of declining revenues, we are standing by our commitment to provide a Northern and Rural Home Owner Benefit for British Columbians outside the Greater Vancouver, Fraser Valley and Capital Regional Districts. Beginning in 2011, they may receive a benefit of up to \$200 — over and above the Home Owner Grant.

We know that many smaller communities have been hit hard by the economic downturn. In 2011, people in these areas will be able to receive up to \$770 a year towards their property taxes. Seniors will be able to receive up to \$1,045. And that will give them a little extra breathing room.

Second, as the government announced in the Throne Speech, starting this year, families with children will be able to defer their property taxes for as long as they own their homes.

This option has been available to seniors since 1974. Last year, we provided a temporary two-year program to homeowners facing financial hardship.

With this budget, we are providing a new, ongoing program to as many as 400,000 families in every part of British Columbia.

The Province will fully compensate municipal governments, so this will not affect local services. It can, however, have a very significant benefit for families.

At a time when many parents face tough decisions—month after month, as they try to meet their budgets—this could mean an additional two or three thousand dollars available to them to meet their priorities in every year going forward.

Some might use those extra dollars to pay off their credit cards or car loans. Others could use the extra cash for home improvements, music lessons, tutoring help, or sports equipment. While others might choose to invest it for their children's education.

The point is, it's their choice. The option is available to help them enhance their quality of life in whatever way they choose.

Of course, Mr. Speaker, property taxes are only part of the housing equation. For countless families, owning a home is still just a dream because, in some communities and neighbourhoods, prices are simply out of reach.

With that in mind, the government has made a commitment to work in partnership with municipalities, to bring down housing costs for families with children and to provide them with more opportunities for homes they can afford in existing neighbourhoods. Details of those initiatives will be announced in the months ahead.

More Support for Children

To complement these steps on the housing front, we are providing more support for low- and middle-income parents. Over the next three years, we will invest an additional \$26 million for child care subsidies, which offset the costs of child care for about 28,000 children every month.

We are also making new investments to help young British Columbians excel in sports, and to increase participation in the arts for all British Columbians. Over the next three years, we are allocating \$60 million for a 2010 Sports and Arts Legacy. Half the funding is targeted to enhancing youth participation in sports, and athlete and coach development. The other half is targeted to arts investments, building on the momentum of the Cultural Olympiad.

With this budget, we are also moving forward with our plan to improve education for B.C.'s youngest learners—the people who will one day run this province.

Building on the success of our StrongStart early learning centres, we are fulfilling our commitment to provide full-day kindergarten for five-year-olds. The program is being phased in starting this September, and as it becomes fully operational, annual funding will rise to \$129 million by 2012.

We will also work in partnership with the private sector to open new preschools for three- and four-year-olds in neighbourhoods throughout B.C. And we will work with partners in municipal governments, school districts and community organizations to turn more of B.C.'s schools into Neighbourhood Learning Centres, where people of all ages can access learning opportunities and other services under the same roof.

With declining enrolment, many of our schools now have under-utilized space, and we are working with them to put that space to use for the benefit of whole communities.

For example, a new Neighbourhood Learning Centre in Revelstoke will offer the province's first early learning hub, with a full range of supports for families with young children. The centre will offer seamless services to children from infancy through to school age, including not just childcare, but also medical, dental, literacy and community services as well.

Mr. Speaker, this model is the way of the future. It recognizes the vital role of schools in our communities. It has the potential to make life easier for parents, with services all in one location. And it builds on our commitment to get the greatest benefit from every one of the billions of dollars invested in public education.

We have increased education funding every year since 2001, and with this budget the trend continues. In the coming school year, per-pupil funding will increase to \$8,300. That is the highest ever in British Columbia.

We will provide an additional \$150 million over three years to fully fund teachers' wages and benefits, and to offset other cost pressures. And we will provide \$110 million to school districts between now and March 2011 for annual facilities grants.

These are all important investments. But, with this budget, we are not just doing more of the same. Yes, we're putting more money into education; but we're also taking steps to find greater efficiencies to help ensure the system is sustainable for the long-term.

We will work in the year ahead to identify further administrative savings and redirect those dollars to benefit students. And, Mr. Speaker, this is what we mean when we say we are "refocusing" government spending.

We are redirecting dollars from administrative and management functions so we can invest more in front-line services.

This includes a commitment for a new case-management system to deliver better front-line services to women, children, income-assistance recipients and those most vulnerable.

We are also refocusing spending in health care... emphasizing innovation... with the goal of making the system financially sustainable.

More Sustainable Support for Health Care

Mr. Speaker: We have increased funding for health care every year since 2001. In fact, in last February's budget, health care accounted for 95 per cent of all new spending.

Even in the face of declining revenues, we are standing by those commitments. Today I can confirm that we are putting an additional \$2 billion into health care over three years. Of that total:

- \$1.3 billion will go to the health authorities for front-line services.
- \$145 million will go to PharmaCare.
- \$52 million will support improvements to ambulance and tele-health services.
- \$514 million will go to the Medical Services Plan for physician and laboratory services.

This increased spending is funded in part through a rise in MSP premium rates. In keeping with the *Medicare Protection Act*, rates will increase in January by \$3.50 a month for individuals and \$7 a month for families. Premium assistance has also been enhanced, so those who qualify will still be paying lower rates than in 2009.

As part of our plan to make the system sustainable, we are also allocating \$260 million over two years to innovation, building on the successes we have already seen. For example, integrated health networks have been implemented province-wide to provide a coordinated, team-based approach to caring for people with multiple chronic health conditions. These conditions represent a growing share of health care costs, so everyone will benefit as we move to manage them more efficiently.

Streamlining projects in emergency departments are another example of innovation. They've reduced wait times by up to 50 per cent. And we have put a program in place to re-evaluate hospital practices, with an eye to improving both efficiency and patient care.

Going forward, we will introduce additional innovations that improve patient choice and reward performance in health care delivery. And we will tie five specific revenue streams directly to health care funding.

Beginning in July, when the Harmonized Sales Tax takes effect, we will allocate every dollar of revenue from that tax to health care. We will also allocate every single dollar we receive from:

- Medical Services Plan premiums;
- tobacco taxes;
- lottery revenues dedicated to the Health Special Account; and
- health transfer revenues from the federal government.

In the coming weeks, the government will introduce legislation, mandating annual reporting to the legislature... comparing health spending to the amount of these revenues.

Health care is vital, but we cannot continue putting ever-growing shares of the total budget into this one area. We must make health care sustainable, as part of our larger plan to get back to balanced budgets.

Balancing the Budget

Mr. Speaker: Balancing the budget is more than just a financial imperative. It is a social imperative as well.

As long as we are spending more than we're generating in revenue, we are living not just beyond our means, but beyond the means of future generations as well.

In 2007, before the recession, British Columbia's annual revenues were almost \$40 billion. Revenues for the year just ending are almost \$3 billion lower, and it will be a number of years before they recover.

Clearly, if we want to get back to balanced budgets, we have to rein in overall spending... and continue stepping up our efforts to encourage economic growth.

We expect the B.C. economy to grow by:

- 2.2 per cent in 2010;
- 2.3 per cent the following year; and
- 2.7 per cent in 2012.

As usual, these estimates are slightly below the average of private sector forecasts, in keeping with our always-prudent approach.

Government revenues will also start to recover in the next three years, largely due to expected improvements in demand and prices for natural resources.

We expect revenue growth over the next three years to average 4.9 per cent annually. In order to reach a balanced budget, we will limit spending growth to an annual average of 2.3 per cent.

That is possible in part because, as we continue collective bargaining, the parties are working with a net-zero-increase wage mandate. We will also realize savings of \$320 million over three years by rationalizing common activities to refocus spending across the five resource ministries: Forests and Range; Agriculture and Lands; Community and Rural Development; Energy, Mines and Petroleum Resources; and Transportation and Infrastructure.

The deficit for the year just ending is now projected to still be \$2.8 billion. That is unchanged from the forecast in the *September Update 2009*. And we will be back to balanced budgets as planned in 2013.

In the meantime, we will achieve our budget deficit targets of:

- \$1.7 billion in the year ahead; falling to
- \$945 million the following year; and
- \$145 million in the third year of our fiscal plan.

To safeguard the plan, we are including a forecast allowance, or “cushion,” of \$300 million in each of the next two years, and \$400 million in 2012.

As we continue to accelerate investments in schools, hospitals, roads, bridges and other needed infrastructure... provincial debt will increase. However, because we have managed prudently and paid down debt when the budget was in surplus, taxpayer-supported debt as a proportion of the total economy will remain affordable.

The debt-to-GDP ratio is forecast to decline, beginning in 2012. Even at its peak of 17.9 per cent, the ratio—the key measure of debt affordability—will still be a full three points lower than it was in 2002.

Once we return to balanced budgets, we will dedicate any surpluses directly to paying down the Province’s operating debt as part of our long-term plan for a prosperous British Columbia.

Stimulating/Sustaining Economic Growth

Mr. Speaker: This government has always been committed to building a stronger, more competitive economy. We know that with economic growth, with new jobs and new investment, British Columbia’s potential for creating opportunity is unparalleled.

Our people, our resources, our geography, our innovation... these are strengths we can leverage for the future. And we are doing precisely that to realize our vision for the economic future.

It is a future where children receive the best education possible; where families are supported; and where business has incentives to invest in higher productivity....

A future where communities are strong, where First Nations peoples participate as full partners, and where our resource industries are strengthened and revitalized with an increasing focus on value-added products.

It is a future where our clean-energy expertise supports both our economy and our environment, and a future where people from around the world increasingly see our province as the best place anywhere to locate their businesses, raise their families and contribute to an even better quality of life.

We have the potential, and we have a strong foundation. Since 2001, this B.C. government has:

- invested billions of dollars in the highways, ports and other infrastructure that open up our Pacific Gateway and connect us to global markets;
- reduced the costs of doing business to among the lowest in the world;
- signed new treaties and forged new relationships with B.C. First Nations, creating new certainty for investment and development; and
- expanded trade and investment partnerships, focusing on emerging economies.

In the year ahead, we will implement the new Harmonized Sales Tax... widely regarded as the single most important step government can take to strengthen our economy.

As we complete the transition to the HST, we will continue working to ensure it is applied fairly. For example, low- and modest-income British Columbians will receive a new B.C. HST Credit beginning this July, and British Columbians are benefitting from the increase in the basic personal income tax credit from \$9,373 to \$11,000. And to help provide a level playing field for business—and to follow the practice in other HST provinces—the tax on private sales of vehicles, boats and aircraft will continue, but at 12 per cent.

Overall, the HST will lower the tax on new investment by 40 per cent, helping to create jobs and new opportunities in every region of the province and giving new momentum to our resource industries.

Mining, forestry, oil and gas... these are all essential to the health of our economy. They are poised for new growth as the world economy continues to recover, and with this budget we are taking steps to support their development.

As the Premier announced in January, we are extending the B.C. Mining Flow-Through Share Tax Credit for another three years, to 2013. This will provide an added measure of certainty for the industry.

In forestry, we are making good progress on all 29 recommendations put forward by the Working Roundtable. Those include:

- expanding our commitment to a wood-first policy;
- showcasing B.C. wood as a climate-friendly building material, with unprecedented global exposure prior to and during the Winter Olympics; and
- setting up a Carbon Offset Credit program for reforestation.

We have also helped to fund more than 20 global trade events, linking buyers in Japan, South Korea, the U.S. and China with B.C. manufacturers of value-added wood products.

We expect forestry revenues to increase by more than \$140 million in the year ahead. And we will continue to work with the industry to seek new value-added growth opportunities.

In the oil and gas sector, we are seeing good results from the stimulus package the Province announced seven months ago. It included a series of royalty initiatives... all of which are fully supported in this budget. As a result of those initiatives and forecast improvements in the marketplace, we expect revenues from natural gas alone to increase by an annual average of 39 per cent in the next three years... reaching more than \$1.2 billion by 2013.

Natural resources have always been the backbone of the B.C. economy and, like our other industries, they benefit from a competitive investment environment.

That includes a modern transportation system to move both people and goods efficiently.

With this budget, we are allocating \$2.7 billion over three years to our transportation investment plan and leveraging an additional \$1.3 billion through federal cost-sharing and partnerships with the private sector, local governments and other agencies.

We are also building on existing investments under our Provincial Transit Plan, including:

- additions to bus fleets throughout B.C.;
- rapid bus projects in Kelowna and the Lower Mainland; and
- the Evergreen Rapid Transit Line, linking Vancouver, Burnaby, Coquitlam and Port Moody.

We expect construction of the Evergreen Line to start in 2011, creating about 8,000 construction jobs and further adding to our quality of life.

Mr. Speaker: During the Olympic Games, TransLink ridership averaged more than 1.6 million people per day, including more than 200,000 on the Canada Line. That's more than twice the typical numbers, and this is part of our Olympic legacy.

Many of those riders were local residents discovering the benefits of transit first-hand, and we expect significant numbers will stay with transit after the Games—advancing the goal of our Provincial Transit Plan to double ridership by 2020. That will be yet another step forward in making British Columbia the best place on Earth to live, work and invest.

As the government committed in the Throne Speech... in the months ahead, we will also redouble our efforts to simplify approvals for new investments and to build on our other advantages.

The corporate income tax rate in B.C. is already among the lowest of the world's major industrialized economies. We have excellent infrastructure, a highly skilled workforce, and a geographic location that makes our province the natural gateway to the Asia Pacific. All of those factors make us competitive.

With this budget, we are building an even greater competitive edge, and setting the stage for a whole new decade of growth and prosperity.

International Commerce

First, we are taking steps to greatly expand B.C.'s potential as a hub for international commerce. This fast-growing sector is a major contributor to our economy and—with the global exposure we've earned by hosting the Olympics—the potential for further growth is enormous.

We have a great opportunity... right now... to make B.C. a centre of excellence with world-leading expertise in a number of key growth areas.

With that in mind, we are amending the *International Financial Activity Act*, which offers incentives to companies doing international business, encouraging them to set up offices here in B.C.

We will expand the range of activities that qualify for tax reductions under the act to include:

- digital media distribution and publishing;
- clean technology; and
- carbon trading.

All of which have enormous potential to boost our economy and generate jobs.

For example, British Columbia's digital media sector now employs more than 15,000 people. As the government announced last month, we intend to put in place an interactive digital media tax credit that, along with our other, ongoing tax credits, will position B.C. at the forefront of the convergence of the film and digital media industries.

Adding corporate tax incentives under the *International Financial Activity Act* will help take the sector to the next level, encouraging growth in the higher-profit distribution end of the value chain, and helping B.C. companies expand their operations.

In terms of clean technology, the IFA will provide incentives to international players to come to British Columbia... building on the achievements of our own, home-grown businesses. They now employ about 18,000 people and contribute more than \$2 billion a year to our economy. The global market for environmental products and services is expected to double by 2020, and we have a chance to capture an even greater share of that market.

There is also huge growth potential in carbon trading. Since 2005, when we saw the beginnings of a global cap-and-trade system, carbon transactions worldwide have been valued at well over \$100 billion. Analysts say the market could be valued in the trillions when the U.S. government adopts cap-and-trade... and B.C. will be ready.

We have:

- legislated targets for emission reductions;
- implemented a revenue-neutral carbon tax;
- committed to a carbon-neutral government and public sector; and
- begun to develop the province's wealth of clean energy resources.

We have also forged important international and regional partnerships— including ICAP, the International Carbon Action Partnership, whose goal is to reduce emissions worldwide by linking cap-and-trade systems.

No other jurisdiction in North America has done as much. And with these changes to the IFA, and the new *Clean Energy Act* we plan to introduce this session, we will advance the government's commitment to become a world leader in the low-carbon economy of the future.

With this budget, we are also investing \$35 million more over three years for LiveSmart BC programs, which provide financial support to households for energy audits and energy efficiency building retrofits.

Tens of thousands of B.C. families are already benefiting from these programs, lowering their energy costs, reducing greenhouse gas emissions, and at the same time supporting economic growth. In the coming months, we will build on these advantages with residential smart meters, new smart-grid investments and other initiatives to help reduce energy costs for all British Columbians.

To encourage further commercial development of new, clean energy technologies, we are investing \$100 million over three years... building on the success of our Innovative Clean Energy Fund. To date, it has committed more than \$47 million to 34 projects in communities throughout B.C. in areas such as solar, wind, tidal, geothermal, and bio-energy.

Finally, as announced in the Throne Speech, we will develop a comprehensive, province-wide Green Energy Strategy to harness the potential of British Columbia's clean energy resources to generate wealth, create new jobs and lower greenhouse gas emissions to help protect our quality of life for future generations.

Conclusion

Remember when B.C. first won the right to host the 2010 Olympic and Paralympic Winter Games?

It was 2003, and the Games seemed so far away. It was hard to imagine we would ever really get here.

As the official preparations started, critics were quick to predict disaster. They suggested that, no matter how much work or effort went into the Games, this event was destined to fail in every way imaginable.

Well, Mr. Speaker, the critics were wrong. Boy, were they wrong!

We still have the Paralympic Games to look forward to... but there's no longer any doubt: the 2010 Olympic Winter Games have been successful beyond what just about anyone expected. Even VANOC officials say they were unprepared for the outpouring of patriotism, camaraderie and enthusiasm that made these Games unlike any other.

Every British Columbian owns a piece of that success. And we have every reason to be proud. Just look at all the "firsts" recorded by Canadian athletes:

- the first Olympic gold medal on home turf;
- the first Olympic gold in women's ski cross;
- the first Olympic gold in ice dancing; and
- the first Olympic gold in women's bobsleigh, with a silver medal too for good measure.

Canadian athletes won more gold than in any other Winter Olympics, and bettered the best Canadian medal count of any other Winter Games... including what many consider the ultimate victory—gold medals in both men's and women's hockey.

And it happened right here in British Columbia.

Our Games made history in other ways too, setting the standard for future host cities. Our Games were:

- the first in modern history to have every venue built a year in advance, and on budget;

- the greenest Olympic Games, with venues and facilities showcasing leadership in areas such as clean energy and cutting-edge environmental design; and
- the first to include indigenous peoples as official host partners... setting what the Four Host First Nations have called “a notable human rights precedent.”

These are all remarkable achievements. And yet perhaps the greatest thing emerging from these Games has been the least tangible: We have forged a new collective sense of who we are, and what we can achieve; a new sense of what it means to be a Canadian, and a British Columbian.

Every single one of us—spectators, volunteers, artists, performers, athletes, organizers—every one of us will carry memories of our Olympic Games for a lifetime. And we still have 10 days of competition and celebration ahead of us.

Thinking back to when we won the right to host these Games... it’s been a long road. British Columbia has overcome countless challenges to get here.

The road to economic recovery will also take some time to travel but, with prudent planning and careful management, we will get there.

This budget represents the next step along the way, with:

- new investments in health and education;
- new support for children and families;
- a clear plan to balance the budget; and
- new initiatives that build on our Olympic momentum to foster a stronger, more prosperous economy.

We still have work to do. We won’t get there overnight.

But Mr. Speaker, with this budget, and working together with the people of this province, we are on track to leave our children a legacy of hope, opportunity and—most important—confidence in the future of British Columbia.

Thank you.