

News Release

BUDGET UPDATE 2009 REPRESENTS A CAUTIOUS FISCAL PLAN FOR BALANCED BUDGETS

For immediate release

March 2, 2010

The British Columbia Chamber of Commerce gave a cautious welcome to the provincial Budget unveiled by the Finance Minister today as being based on sound economic principles that present a responsible approach to difficult economic times by resisting irresponsible calls for unsustainable increases in public spending.

“Business will be pleased to see that there are no surprises either good or bad in Budget 2010. At a time when global economic recovery is far from secure, the government must be congratulated for presenting a fiscal plan that reins in public spending and gives the business community certainty that we will be moving back into surplus,” states John Winter, President and CEO of the BC Chamber of Commerce. “With that said, the timeframe to return to balanced budgets is perhaps too cautious. While we welcome the government’s prudence, we will be looking to government to take a more aggressive approach to returning to balanced budgets sooner than 2014.”

Budget 2010 continues to focus on investing in municipal infrastructure while also providing measures to encourage growth in new sectors such as digital media, carbon trading, venture capital and clean energy development.

“Our members will continue to be concerned that even while we control spending in most areas, healthcare continues to demand unsustainable levels of funding with no plan for reform,” continues Winter. “This is exacerbated by the fact that we are now dedicating funding streams to healthcare. Our members have been clear, funding for healthcare must be tied to measurable outcomes, not a sense of entitlement.”

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BUDGET 2010 - Update FACTS AND FIGURES

Budget Update 2010 was presented as “Building a Prosperous British Columbia.”

KEY BC CHAMBER MESSAGES

Positive aspects

- A stable, prudent budget
- Controlling public spending
- Some economic initiatives

Areas of concern

- Debt continues to climb
- No plan for reform of healthcare, funding continues with no focus on outcomes
- Overly cautious growth projections
- Lack of detail on AHRT and Tourism Marketing

The main themes were;

- Increasing our competitive advantage;
- Increases for health care and education;
- Supporting children and families;
- Building on the momentum of the Olympics;
- Leadership in clean technology; and
- Balanced budget by 2013/14

BC’s Fiscal situation

| | <i>2009/10</i> | | <i>Budget</i> | | |
|--|----------------|-----------------|-----------------|----------------|----------------|
| <i>(\$ million)</i> | <i>Sept</i> | <i>Updated</i> | <i>Estimate</i> | <i>Plan</i> | <i>Plan</i> |
| | <i>Update</i> | <i>forecast</i> | <i>2010/11</i> | <i>2011/12</i> | <i>2012/13</i> |
| Revenue | 37,608 | 37,050 | 39,190 | 40,957 | 42,800 |
| Expense | (40,133) | (39,700) | (40,605) | (41,602) | (42,545) |
| Surplus (deficit) before forecast allowance | (2,525) | (2,650) | (1,415) | (645) | 255 |
| Forecast allowance | (250) | (125) | (300) | (300) | (400) |
| Deficit | (2,775) | (2,775) | (1,715) | (945) | (145) |

Government spending

Over the 3 year budget cycle outlined in Budget 2010 the government has limited spending growth to an average of 2.34%, below the expected rate of growth in the economy.

In addition, Budget 2010 contains a focus on Ministry spending with significant savings coming from many resource Ministries;

| | |
|---|---------|
| Ministry Savings (\$ millions) | |
| Forests | 176 |
| Integrated Land Management Bureau | 22 |
| Agriculture and Lands | 19 |
| Community and Rural Development | 16 |
| Energy, Mines and Petroleum Resources | 13 |
| Transportation and Infrastructure | 15 |
| Efficiencies from shared service centralization | 59 |
| Total three year savings | 320 |

Much of the savings will come from reductions in staffing levels with an 11% reduction in staffing planned. While much of this will come from attrition but there will be a requirement for lay-offs to meet these targets.

Provincial Debt

| (\$ million) | 2009/10 | | Budget | | |
|---|-------------|------------------|------------------|--------------|--------------|
| | Sept Update | Updated forecast | Estimate 2010/11 | Plan 2011/12 | Plan 2012/13 |
| Government direct operating debt | 7,487 | 6,182 | 7,511 | 8,209 | 7,838 |
| Taxpayer-supported debt | 30,593 | 29,093 | 33,748 | 36,720 | 38,329 |
| Total debt | 42,332 | 41,318 | 47,757 | 52,363 | 55,862 |
| Government direct operating debt-to-GDP ratio | 4.0% | 3.3% | 3.8% | 4.0% | 3.6% |
| Taxpayer-supported debt-to-GDP ratio | 16.2% | 15.5% | 17.2% | 17.9% | 17.8% |
| Total debt-to GDP ratio | 22.4% | 22.0% | 24.3% | 25.5% | 25.9% |

Taxpayer-supported debt continues to rise, mainly due to the significant infrastructure investments planned over the next three years.

As a result, the taxpayer supported debt to GDP ratio will climb to 17.9 per cent in 2011/12 before returning to a downward trend and falling to 17.8 per cent in 2012/13.

Budget 2010 reaffirms the commitment that once the province returns to balanced budgets all surpluses will be dedicated to paying down the Province's operating debt.

Economic Growth

2010 will see a return to reasonably strong levels of economic growth. The Ministry projections are significantly lower than those of the private sector economic Forecast Council. While it is traditional for the government to build in a degree of prudence by Budgeting lower levels of growth than private sector estimates the level indicated in Budget 2010 is significantly lower than in previous years.

This is a clear indication of ongoing concern from the provincial government over potential risks to the global economic recovery. By indicating such a low level of growth this will provide a greater degree of protection in the case of further challenges to economic growth.

| | 2010 | 2011 | Average 2012-2014 |
|---------------------------|------|------|----------------------|
| BC's real GDP % change | | | |
| Ministry of Finance | 2.2 | 2.3 | 2.8 |
| Economic Forecast Council | 2.9 | 3.1 | 3.0 |

HST

Budget 2010 provided no new announcements on HST mitigation.

Budget 2010 does state that all revenue generated by HST will be dedicated to healthcare.

Tourism Funding

Tourism funding remains stable with a relatively small reduction to the Ministry over the Budget cycle. Budget 2010 contains a commitment to continue the Additional Hotel Room Tax, no detail is provided on the level of the AHRT or the structure of the system.

Spending commitments

Healthcare

As has been the case for several years the only 'winner' in terms of spending remains health care. Budget 2010 will see a \$447 million funding increase in 2012/13 to take total spending to \$16,127 bn or 38% of all government spending.

In addition to HST (as mentioned above) Budget 2010 also dedicates all revenue from the following sources to healthcare; MSP premiums, tobacco tax, Federal government transfers and Lottery health special account.

Education

Budget 2010 contains a commitment to \$150 million over three years to address the cost of full day kindergarden and the increase in teachers wage increases under the collective agreement which expires in June 2011.

Outside this commitment funding to education at both the K12 and the post-secondary level remain at the level announced in the Budget Update 2009.

Stimulus Spending

As part of the ongoing stimulus program at the provincial and federal level \$58 million has been made available in 2010/11 for additional provincial operating funding. This revenue will be allocated on a cost share basis with the local and federal government.

New Initiatives and programs

- \$35 million increase in LiveSmart BC program
- \$100 million for climate action and energy development in support of:
 - Cleaner transportation choices
 - Production of bio-fuels
 - New forms of electricity generation
- \$69 million for improvements to the justice system and public safety
 - \$30 million to maintain the court system
 - \$39 million to fund additional RCMP policing costs
- Expansion to the International Financial Activity Program to include;
 - Digital media publishing and distribution
 - Carbon trading and certification
 - Clean technology
 - Investment funds
- \$60 million for a 2010 sports and arts legacy
 - \$30 million for sport
 - \$30 million for arts

Risks

- A double dip recession
- Slower demand for BC products
- A higher than forecast Canadian dollar
- Further weakening of the US dollar disrupting global financial and commodity markets