

BUDGET SPEECH 2011

Introduction

Mr. Speaker: Today I present Budget 2011. As we promised, given the times we are in, this can best be described as a “status quo” budget.

It provides the government with spending authority to manage the Province’s affairs for the coming year. However, it does not set out new directions. That will be in the purview of the next premier, who will set the course for the next decade of growth and opportunity for this great province.

Compared to the previous four budgets that I have had the honour of delivering, I cannot describe this budget as “exciting.” But it comes at an extraordinary, exciting time in B.C.’s history.

In 11 days, we will know who the next premier of British Columbia will be.

Soon, we will also have a new leader of the official Opposition.

And, later this year, the people of B.C. will have their say, in a referendum, on whether we should keep the Harmonized Sales Tax or go back to the old PST/GST system.

With all of these critical developments yet to come, a status quo budget is the prudent way to go. And today I can confirm that, thanks to the work and achievements of the past 10 years, we have built a strong foundation for the decade ahead.

Economic and Fiscal Update

Mr. Speaker: British Columbia has weathered the impacts of the recent recession better than almost any other jurisdiction.

Look at what’s happening south of the border, where more than seven million jobs have disappeared since 2007, and housing values are expected to remain depressed for years to come.

Look at what's happening in places like Ireland and Greece, where government finances are in absolute turmoil. They're being forced to slash programs and cut public sector wages and benefits.

Meanwhile, here at home, things are looking positive. We've come through the worst economic downturn of our generation without significant, permanent damage to the province's economy.

Even during the worst of the recession, we fared better than most other places—including other Canadian provinces.

In 2009, our economy shrank by 1.8 per cent—compared to a 2.5 per cent decline for Canada as a whole. Growth picked up in 2010 at 3.1 per cent, and we're seeing positive indicators across a wide range of sectors.

Exports, housing starts, retail sales and tourism numbers are all on the rise.

Mining is back in a big way, with mineral exploration spending now more than 10 times higher than it was at the end of the 1990s.

Thanks in part to our accelerated infrastructure program, construction activity surged in the last two years.

And employment numbers, while still showing month-to-month ups and downs, have almost returned to pre-recession levels.

That doesn't mean we don't face challenges. We still have work to do to strengthen our economy.

But we are on track, as per the five year plan we introduced in September 2009, to get back to balanced budgets by 2013.

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

- 2.0 per cent in 2011;
- 2.6 per cent the following year; and
- 2.7 per cent in 2013.

These estimates are below the average of private sector forecasts, consistent with our always-conservative approach to budgeting and forecasting.

In the next three years, as the economy continues gaining strength and commodity prices recover, we expect revenues to grow by an annual average of 3.4 per cent—with annual spending growth limited to two per cent, which will require continued fiscal discipline.

With revenues rising faster than spending, the deficit will be eliminated.

It is now forecast at \$1.265 billion for the fiscal year just ending. That's over 25 per cent lower than the \$1.715 billion we forecast in last year's budget.

The deficit will fall to \$925 million in the coming year, and fall again to \$440 million in 2012.

For 2013, we're projecting a surplus of \$175 million.

Our estimates include both contingencies to help manage unexpected pressures and a yearly forecast allowance to protect against unforeseen events.

These levels of prudence are collectively valued at more than \$2.5 billion.

That includes contingencies of \$600 million in the year ahead and \$450 million in each of the two following years. It also includes a forecast allowance of \$350 million for each of the next three years.

Taxpayer-supported debt will increase, but in the context of economic growth it will remain affordable. The debt-to-GDP ratio, the key measure of debt affordability, is forecast to remain below 18 per cent.

Work to Strengthen the Economy Continues

Mr. Speaker: It is vitally important that the Province's debt remains affordable. Before the recession, we had managed to reduce the debt-to-GDP ratio to 13.4 per cent — from a high of over 21 per cent — and that helped ensure that we had room to manoeuvre.

Because we've managed prudently, because — in the good times — we used extra revenues to pay down the debt, we were well positioned when times got tougher.

In 2008, when the impacts of the global economic collapse became clear, we were able to accelerate our infrastructure program to create and sustain thousands of jobs across British Columbia — at a time when jobs were desperately needed.

Since then, we have committed \$5.5 billion to about 900 accelerated infrastructure projects — creating and protecting approximately 35,000 construction jobs.

These were definitely not make-work projects. They included building social housing, hospitals, transportation, schools and community facilities — the infrastructure that underpins our quality of life.

They also built on the work we've done throughout the last decade to open up our province, attract new investment and support public services.

Since 2001, capital spending on infrastructure totals more than \$45 billion. That includes:

- Approximately \$7 billion for health care facilities, equipment and information management systems.
- Another \$7 billion for post-secondary education facilities.
- Almost \$4 billion for schools in the K-12 system.
- Nearly \$8 billion for transportation infrastructure, including a major expansion of public transit.
- Over \$14 billion by commercial Crown corporations for electrical generation, transmission and distribution projects, and the Port Mann Bridge-Highway 1 project.

Through the Pacific Gateway Alliance, we are also working with partners in the public and private sectors to undertake a \$22-billion expansion of port, rail, road and airport facilities, helping to build B.C.'s reputation as the preferred gateway for Asia Pacific trade.

We also continue working towards a stronger, more vibrant forest industry—recognizing its central role in supporting so many families and communities.

More than 100 actions recommended by the Working Roundtable on Forestry are now underway or completed, helping the sector take advantage of improvements in the global economy.

We expect revenue from forestry to increase by more than \$100 million in the year ahead. Although that is still below historical levels, it appears that the industry is on its way to a healthy economic recovery.

Mr. Speaker: The government can't take all the credit for our strengthening economy. We don't create jobs, businesses do; and it is the employers, the workers, and the innovators out there, in all of our communities, to whom the credit must go.

At the same time, the government has worked hard to create an environment where businesses can not only thrive, but play to win in an increasingly competitive global marketplace.

That's why we've done so much to streamline and simplify regulatory requirements. Just last month, the Province was recognized for leading the country in this regard, after reducing red tape by 42 per cent since 2001.

We also continue to ensure we have a competitive tax environment for individuals and families as well as for businesses.

Since 2001, most British Columbians have had their provincial personal income taxes reduced by 37 per cent or more. An additional 325,000 people no longer pay any B.C. income tax.

As a result, we have the nation's lowest provincial personal income taxes for individuals earning up to \$119,000 a year.

We have also seen, in the last 10 years, significant growth in our standard of living—after years of decline in the '90s.

That's not the only reversal we've seen, nor is it the only one that we can take pride in.

Towards the end of the 1990s, tens of thousands of British Columbians left this province in search of work. Now, many of those same people have come home because, in the last 10 years, they've seen B.C. regain its rightful role as a place where they can find jobs and build a future for their families.

They came back—and thousands more moved here—because we made B.C. a place where young entrepreneurs, investors and business owners were once again welcomed because they are the job creators.

Once again, we saw a province where young people could live their dreams, start a small business and see it succeed.

With this budget, we are reaffirming our commitment to support small business. Today, I can confirm that—as promised—we will lower our small business income-tax rate to zero per cent by April 1, 2012.

We also have, along with Alberta, the nation's lowest general corporate income-tax rate. That is yet another reason companies continue to come to B.C. And keeping taxes low is an essential part of our plan to encourage job creation, attract new investment and keep our economy moving forward.

Record Investments in Health and Education Continue

With this budget, we are also moving forward with our efforts to improve public services. We're maintaining the record-high levels of investment in health care and education that we set out in our last budget.

We are also allocating an additional \$605 million to health care in 2013, for a total increase of almost \$2 billion compared to 2010. Of that:

- \$1.4 billion more will go to the health authorities for front line services.
- An additional \$438 million will go to the Medical Services Plan for physician and laboratory services.
- And \$144 million will be added to the PharmaCare budget.

These investments maintain existing programs and directions, including our ongoing efforts to increase innovation and efficiency.

On the topic of efficiency, our health care system is delivering very good results. B.C.'s per capita costs are among the lowest in the country, and there are critics who will say that's a bad thing.

But, Mr. Speaker, you cannot measure the success of a health care system based on how many taxpayer dollars are spent. Success must be measured on the basis of outcomes and the health of the citizens being served.

On that score, B.C.'s health care system is one of the most successful anywhere.

Even as we keep our per-capita spending under control, we have among the best health outcomes in the country.

For example, compared to other provinces, B.C. has:

- the highest life expectancy;
- the lowest death rates from heart disease; and
- the lowest death rates from cancer.

And that is significant, since heart disease and cancer are the two leading causes of death among Canadians.

Of course there is always room for improvement, but our leadership in outcomes is something to celebrate and something that other provinces are trying to copy.

With this budget, we are also continuing the work towards delivering better outcomes for children and youth in our K-12 education system. In the coming year, per-pupil funding will increase to \$8,357—the highest in B.C. history and 33 per cent higher than a decade ago.

As in the health care system, we are not just spending more. We're supporting new approaches to encourage and improve student achievement:

- Starting in September, full-day kindergarten will be available for every five-year-old starting school.
- We now have more than 300 StrongStart centres in schools around the province, giving parents and pre-schoolers free, convenient access to high-quality early learning programs.
- And more and more communities are also seeing benefits from Neighbourhood Learning Centres—school-based community hubs that offer programs and services for learners of all ages.

Since 2000, the Province has increased funding to B.C. public schools by more than \$1.4 billion. With this budget, operating funding for districts continues at record-high levels.

The Ministry of Social Development will receive an additional \$65 million over three years to provide for income assistance to individuals and families in need. And funding for most other ministries will continue at the levels set in last year's plan.

That is consistent with our goal of keeping spending growth in check. And I would be remiss if I did not acknowledge the key role of public sector workers in this area.

Their acceptance of the government's net-zero bargaining mandate continues to play an essential part in our prudent fiscal management.

But the Future is Uncertain

Mr. Speaker: Prudent management helps ensure we have flexibility. And this budget is all about creating the maximum amount of flexibility for the new premier and executive council.

We have an excellent track record, and a great foundation to build on. However, we do face considerable uncertainty related to the Harmonized Sales Tax.

The government has committed to accepting the will of the majority when the referendum is held. This means we may be called upon to cancel the HST and reinstate the old regime of PST plus GST.

That would have major implications, not the least of which is paying back the \$1.6 billion B.C. is receiving from Ottawa as part of our HST agreement. There's also a host of logistical issues for businesses both large and small. And those are just a couple of the broad, top-of-mind issues.

The fact is, no province has ever backed out of the HST after implementation. Being first would put us into uncharted waters.

No one is naïve enough to think that repealing the HST will make taxes go away.

And, of course, no one likes paying taxes. But that's how we fund public services.

To ensure British Columbians have the facts they need to make an informed decision we recently appointed an expert panel to review the referendum options and report to the public, independently, about their likely impacts on consumers, on the budget, and on our economy.

It's also worth noting that—entirely apart from the HST issue—tax rates in this province have declined significantly over the last decade.

Since 2001, individuals and families have benefited each year from cuts to personal income tax rates. And businesses have benefited from corporate income tax rate reductions totalling approximately 40 per cent.

Those reductions translate into real improvements in our quality of life. Because, as the government has often said, the best way to support people is to leave more money in their paycheques, and let them decide on the best ways to use it.

Conclusion

Mr. Speaker: We have great confidence in British Columbians. These are the people who've built our province; who've chosen to call this place their home; who've chosen to build their lives and plan their futures here.

These are the people we serve as a government. And it is through their hard work and their contributions that we have turned this province around.

Ten years ago, after a disheartening decade of decline, British Columbia appeared to be in serious trouble.

Businesses were closing. Investors were leaving. And young people were choosing to build their futures somewhere else.

Unemployment was rising. Disposable income was falling behind. And in 1999, B.C. became a have-not province again for the first time in almost 40 years.

By 2001, when this government first took office, B.C. was facing a structural deficit of \$4 billion—the legacy of 10 years of mostly deficit budgets.

We were determined to turn things around, and to leave our children a different kind of legacy. We set out a clear plan and got to work immediately to make things better for our province and our people.

We cut personal income tax rates for all British Columbians by 25 per cent—the largest single tax-cut ever—and that was on our first day in office!

We cut the corporate income tax rate by three full percentage points and eliminated the corporate capital tax for general corporations.

And, Mr. Speaker, that was only the beginning. Each year since then, we've built on our plan and maintained the fundamental principles that guide it:

- prudent management;
- competitive taxes; and
- protection for health care and other vital services.

When you look back at all that we've achieved together, as a province, in the last 10 years—it really is remarkable. Clearly, the government's plan has worked.

We have gone from an uncompetitive regulatory and tax environment to one of the most competitive anywhere.

We've put an end to the chronic overspending that plagued the 1990s and threatened B.C.'s economic future.

We've paid down the Province's operating debt by more than \$9 billion—even while investing record amounts in health care and education.

And the outcomes are clear.

In the past decade:

Real disposable income per person has grown by 2.1 per cent—after declining by 0.8 per cent in the 1990s.

Private sector investment in B.C. has grown by an annual average of 4.4 per cent—compared to just one per cent in the 1990s.

Growth in B.C.'s GDP has, in most years, outperformed the Canadian average—after trailing the nation in the latter half of the '90s. And we've built new partnerships for trade and investment that promise to deliver even greater benefits in the years ahead.

We are also just beginning to realize the full potential of our Olympic legacy. One year ago this week, millions of people around the world were sharing in the energy and joy and excitement of our 2010 Winter Games.

The Games succeeded far beyond most expectations. And we hope to see similar results in the years ahead as all the new relationships forged through the Games are translated into social and economic opportunities.

After all, Mr. Speaker, that's what our province is all about. Our people, our geography, our stunning natural attributes, our world-class cities and our untamed spaces all combine to offer a sense of boundless opportunity.

That's what's drawn people here for centuries. And now that the worst of the recession is behind us, that same spirit of potential will help us move forward together with confidence.

We have come so far, and achieved so much, in the past 10 years. Now we have an opportunity to make the decade ahead the most exciting, rewarding and prosperous ever in our history.