

# ***Budget 2003***

## **BUDGET SPEECH**

**Delivered in the  
Legislative Assembly  
February 18, 2003  
by Honourable Gary Collins  
Minister of Finance**



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# ***Budget Speech 2003***

## **Opening**

Mr. Speaker, almost two years ago our government laid out a plan to usher in a New Era of hope and prosperity for British Columbia.

We said that we would cut taxes to put more money back into British Columbians' pockets and stimulate job creation.

We said that we would make the changes necessary to restore confidence in our economy and unleash the power of private enterprise.

We said that we would focus British Columbian's hard-earned tax dollars where they're needed most — on patients, students and people in need.

We said that we would control government spending and get our fiscal house in order.

We said that the budget would be balanced in our third full budget, and that it would be done in an open, accountable way.

Indeed, we set that in law and established when exactly the budget would be tabled each and every year, for all the world to see.

So here we are once again, Mr. Speaker — the third Tuesday in February — budget day in British Columbia.

And I am pleased to report that not only is our plan on-track, but we are ahead of schedule and we are well on our way to a New Era of hope and prosperity.

British Columbians now have the lowest personal income tax rate in Canada on the first \$60,000 of income.

We now have competitive business taxes.

Consumer and business confidence is building and new investment is beginning to flow into our province.

And last year almost 78,000 new jobs were created for British Columbians.

Our economy grew at three times the rate that many expert economists predicted.

***... not only is our plan on-track, but we are ahead of schedule and we are well on our way to a New Era of hope and prosperity.***

**We not only maintained but increased health care funding by over \$1.1 billion.**

**... every single ministry will finish the year on or under its operating budget.**

**We are on track — not only to balance the budget — but to deliver surpluses in 2004/05 and in 2005/06.**

We not only maintained but *increased* health care funding by over \$1.1 billion.

We protected education funding and increased per student funding by \$127.

In 2002/03, for the first time in a very long time, if not ever, every single ministry will finish the year on or under its operating budget.

We are leading the nation by introducing the most open, transparent accounting system of any government in Canada — by making it the law to keep our books by Generally Accepted Accounting Principles.

We are leading the way with three-year rolling service plans that detail what we aim to do and how we plan to get there.

We have eliminated 233 agencies, boards and commissions; 1,000 unnecessary fees and licenses; and almost 38,000 needless regulations.

And Mr. Speaker, I am happy to report that the often-difficult decisions and tough choices that are reflected in those plans and actions are beginning to pay off.

The deficit for 2002/03 will be at least \$600 million lower than originally expected and if there are no unexpected events between now and March 31st, the deficit could be almost \$1 billion less than forecast.

We are on track — not only to balance the budget — but to deliver surpluses in 2004/05 and in 2005/06.

And we will do that while injecting substantial additional funding over the next few years in education, health care, early childhood development, childcare, job training, and a range of community services.

We will get out of the red and into the black by growing our economy and opening up every region of our province to new opportunities.

The budget I am introducing today will spur investment and job creation in high growth sectors with additional targeted tax reductions.

It will open up our transportation corridors and infrastructure, and leverage new opportunities for strategic investments under the Canada-B.C. Partnership and through public-private partnerships.

This budget will provide new support for revitalizing our forest industry and help support a new era of reconciliation and revenue sharing with First Nations.

It will open up the world to British Columbia through our financial commitment to the Vancouver Convention and Exhibition Centre and a successful 2010 Olympics bid.

It will open up unlimited potential for job creation throughout B.C. in energy, mining, technology, and small business.

Mr. Speaker, this year's budget builds upon the strategy for positive change and structural reform that lies at the core of the New Era that we were elected to deliver for British Columbia.

It builds upon the Economic Heartlands Strategy that the Premier outlined in his State of the Province address.

It is a budget designed to open up British Columbia to new opportunity, new investment and new ways of improving service delivery.

It is a budget for British Columbians to build upon.

It is a blueprint to live within our means and lead our province forward with confidence and resolve towards a brighter future.

We have come a long way in a short time and it certainly hasn't all been easy or painless.

Nor is the road ahead by any means paved with gold.

There are hills yet to climb; bends yet to navigate; and bumps that must be endured before we reach our destination.

But there is renewed energy in our effort — our economy is on the rebound and our fiscal situation is rapidly improving.

We have a roadmap to prosperity and a budget to get us there.

## **Economic and Fiscal Update**

Mr. Speaker.

We are nearing the end of the first year of the government's original three-year plan.

In terms of fiscal management, it's been a challenging but successful year.

Smart decisions and smart choices in 2002/03 have resulted in a lower-than-planned deficit; lower capital spending; and lower-than-forecast debt.

***... a blueprint to live within our means and lead our province forward with confidence and resolve towards a brighter future.***

***Smart decisions and smart choices in 2002/03 have resulted in a lower-than-planned deficit; lower capital spending; and lower-than-forecast debt.***

***It's about having choices, and the flexibility to deliver quality services to British Columbians — without irresponsibly mortgaging our children's futures.***

***... we expect the B.C. economy to grow by 2.4 per cent in 2003 — increasing to three per cent in 2004 and beyond.***

Because of this, we are able to immediately redirect \$112 million to students, children in need, and patients. We have also freed up \$275 million, which we can redirect to help with the transition to a revitalized and sustainable forests sector.

And while doing all this, our deficit for 2002/03 is forecast to come in at \$3.8 billion — \$600 million lower than planned.

And — for the benefit of current and future generations — the year-end debt will be \$3.5 billion lower than forecast.

These are encouraging results, Mr. Speaker.

But good fiscal management is about more than numbers.

It's about having choices, and the flexibility to deliver quality services to British Columbians — without irresponsibly mortgaging our children's futures.

And the government's good fiscal management over the past year has built a stronger, more sustainable foundation, from which we will continue moving forward with our plan.

Looking ahead, we expect the Canadian economy to grow by slightly more than three per cent per year through 2003 and 2004. And, according to the OECD, Canada and the U.S. will continue to lead G7 economic growth.

B.C. will be well positioned to take advantage of this growth — thanks to the government's work to open up the province and make it more competitive.

Tax reductions, deregulation, sector-specific growth strategies and new infrastructure will continue to improve the investment climate, and we expect the B.C. economy to grow by 2.4 per cent in 2003 — increasing to three per cent in 2004 and beyond.

In 2003/04 — the second full year of the original three-year fiscal plan — I am forecasting a deficit of \$2.3 billion, which incorporates a \$500 million forecast allowance.

Revenues will rise by over \$1 billion. Spending will decline by \$675 million. And, provided there are no unexpected circumstances requiring a draw on the forecast allowance, the year-end deficit will be \$1.8 billion — just as planned one year ago.

In 2004/05, spending will fall by a further \$565 million. Revenues are expected to rise by almost \$1.3 billion, resulting in a year-end surplus of \$50 million.

In the final year of our current plan, 2005/06, we expect a surplus of \$375 million — over and above funding lifts for education, advanced education, social services, child protection, and further initiatives to grow our economy.

The taxpayer-supported debt-to-GDP ratio will peak in 2003/04 at 23 per cent — two percentage points below the original plan. The ratio is forecast to improve to 21.1 per cent by 2005/06.

As the numbers show, our plan is working. We are moving forward. In fact, we're doing better than planned.

We're on our way to realizing our vision for British Columbia: A prosperous and just province whose citizens have every opportunity to achieve their full potential, and are excited and confident about their future.

That's what we're working for. And, Mr. Speaker, we're getting there by focusing on our three central goals:

- restoring sound fiscal management;
- putting patients, students and people in need first; and
- revitalizing the economy.

I want to address all three today — starting with the benefits the province is beginning to see from our work to restore sound fiscal management.

## **SOUND FISCAL MANAGEMENT**

Mr. Speaker.

When this government first took office 21 months ago, the province was in serious fiscal and economic trouble. And an independent fiscal review panel confirmed it:

Government spending had increased, year over year, through most of the '90s — far outpacing revenue growth and creating a massive structural deficit.

This unaffordable, unsustainable path posed a huge risk to the future of our province.

British Columbia used to be an economic powerhouse, but in 1999 we became a have-not province.

It drastically reduced not only our ability to provide the kinds of services people want and need but also our ability, as a province, to make choices.

***We're on our way to realizing our vision for British Columbia: A prosperous and just province whose citizens have every opportunity to achieve their full potential, and are excited and confident about their future.***

**... the year just ending will see every ministry operating on or under budget for the first time in a long time.**

**And millions of dollars — freed up by sound fiscal management — are being redirected to high-priority programs and initiatives.**

**The lower our debt, the less interest we pay — and the more choices we have about how we use people's hard-earned tax dollars.**

This government knew — and we were very clear about — the critical need to restore good fiscal management, and set government programs on a sound, sustainable footing.

That is why, a year ago, we began the difficult task of getting the government's fiscal house in order — and we are getting the job done.

As I mentioned earlier, the year just ending will see every ministry operating on or under budget for the first time in a long time. And millions of dollars — freed up by sound fiscal management — are being redirected to high-priority programs and initiatives.

That's exciting news. And that's what we've been able to do in *just one year*.

Think of what we can do — and how far this province can go — as the benefits of good fiscal management compound further.

Mr. Speaker. I think a lot of people would be surprised to learn that the third-largest ministry in government — in terms of gross spending — is not a true ministry at all. But it's what I call the Ministry of Public Debt.

Interest costs eat up more of our tax dollars every year than any ministry outside Health and Education.

We need to balance the budget so we can start paying down the provincial debt. And then we'll see the benefits of reverse compound interest:

The lower our debt, the less interest we pay — and the more choices we have about how we use people's hard-earned tax dollars.

If we stay the course, the choices will be ours to make in British Columbia. And we will be able to look back and say it started here — with our first full year of sound fiscal management.

I would like to take this opportunity to thank all the public sector staff who made this possible.

I also want to acknowledge the contributions of my colleagues, who put not only their reputations, but also part of their paycheques, on the line every year.

Once again, all members of Cabinet, including the Premier, will start the new fiscal year with a 20 per cent holdback on their ministerial salaries.

Ministers will be able to earn back half of that amount by meeting their ministry targets. The other 10 per cent will be paid out only if we meet or beat our bottom-line target as government.

We did it in 2002/03. And we're just as determined to meet our targets in 2003/04.

Every government MLA is dedicated — personally, as well as professionally — to carrying out our plans, and being fully accountable to the people of this province.

The numbers show our plan is working. Spending is under control. And, as the economy strengthens, we will be investing more — as planned, and as promised — in the high-quality services British Columbians count on.

## **PUTTING PATIENTS, STUDENTS AND PEOPLE IN NEED FIRST**

### **Health Care**

Health care is, of course, our most essential public service.

It also represents the greatest service challenge for government — and the single largest draw on provincial revenues.

We've all heard and seen, either first-hand or in the media, the challenges that exist in the health care system.

They are not new. They have been there for years. So what should we do about them?

Well, we have a choice to make:

We can continue to do what previous governments did — add more money but don't change anything. But don't be surprised if we just get the same unacceptable results — and pay more to get them.

Or we can choose a different path; a path that is more difficult; a path that requires courage, determination and hard work:

- Courage to make big, structural changes to a system that needs a massive overhaul, if it is to survive;
- Determination to stay the course, remain focused on patients, and not be threatened by those who think the system is there to serve them first, and patients second;

***The numbers show our plan is working.***

***Spending is under control.***

***And, as the economy strengthens, we will be investing more — as planned, and as promised — in the high-quality services British Columbians count on.***

***We're making changes in health care — improving the system, and curing its ills.***

***Province-wide standards for patient care are now in place to ensure health dollars are being spent effectively.***

***... all health authorities are preparing three-year service plans and performance reports, focusing on health care improvements.***

- And hard work — to actually get the job done; to go in to work every day and — every day — make at least one thing better.

Well, Mr. Speaker. We've made the choice. And we reject the path of inaction.

We choose the path of courage, determination and hard work, and we are going to get this job done.

We're making changes in health care — improving the system, and curing its ills. And, even though it takes time to turn a system around, we are already seeing significant progress.

The number of health authorities has been reduced from 52 to six, to improve efficiency and accountability. At the same time, total funding to health authorities has risen by about seven per cent.

Administrative costs within the health ministries are being reduced by approximately 45 per cent — freeing up more resources for front-line services.

Province-wide standards for patient care are now in place to ensure health dollars are being spent effectively. And all health authorities are preparing three-year service plans and performance reports, focusing on health care improvements.

More doctors and nurses are working in the province — and receiving some of the best wages and benefits in the country.

We're training more professionals, as well — with over 1,400 new college and university spaces for registered nurses, licensed practical nurses and care aides over three years.

By 2005, we will also fully fund 224 first-year medical school spaces — to nearly double the number of doctors graduating every year by 2009. That means better care, and shorter waits — in the emergency room, for surgery, and for treatment by specialists.

As these and other improvements come on stream, they're making a real difference for patients in every part of the province. And let me cite a few examples, because you won't see them on the news or read about them in the paper:

Home-support clients on Vancouver Island received thousands of hours of additional service in 2002.

People in the Okanagan no longer have to go to Vancouver for MRI scans, because they have their own MRI machine in Kelowna.

And the new autism program at B.C.'s Children's Hospital reduces the wait for evaluation by almost a full year — which can make a world of difference in a child's life.

At B.C. Women's Hospital, we now have the country's first-ever consolidated program for new mothers, and their babies, struggling with addiction. On top of delivering better care, and a brighter future for hundreds of families, this new program — because it brings resources together — will actually reduce costs by approximately \$350,000 a year.

It will save us money and deliver better health care.

Speaking of saving money, while improving care and treatment, we're also seeing great results from new approaches such as tele-medicine — using technology, rather than travel, to bring patients and doctors together.

It saves time, it saves money and — most important — it gets better results for patients... as was the case recently in Williams Lake.

A child suffered a fracture and went to the local emergency room.

The attending doctor took an x-ray and transmitted the image to specialists in Kamloops electronically, instead of by mail or courier.

The child was flown to Kamloops, had orthopaedic surgery, and was back home in Williams Lake within two days. And that's a huge improvement over how things used to be.

As you can see, the benefits of change are adding up. And these are just a few examples of how the system's improving — thanks to good planning and innovative thinking.

We will be making many more improvements in the years ahead.

With the \$1.1 billion increase we made last year, B.C.'s \$10.4 billion health budget provides among the highest per capita health spending in the entire country.

I am also announcing today an increase in the tobacco tax. Effective midnight tonight, the tax on a carton of cigarettes will increase by \$2 — to match the tax rates in the other western provinces. We hope this move will encourage more people to quit smoking, thereby reducing some of the pressure on the health system.

And, we are moving ahead with several new initiatives — funded with savings that result from prudent management in the fiscal year just ending. The Michael Smith Foundation will receive an \$8 million

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***... as a result of the First Ministers' Accord on Health Care, we expect to receive approximately \$1.3 billion in new federal funding over the next three fiscal years.***

***... an extra \$51 for every student in our schools. That is in addition to the one-time funding of \$50 million that was allocated to school boards last week.***

grant to conduct research to improve the effectiveness of health care reforms. Health Authorities will also receive \$15 million in grants to support the development of electronic health records systems that promise to improve the quality and continuity of care for patients across the province.

And there will be additional health care announcements in the weeks ahead.

Finally, as a result of the First Ministers' Accord on Health Care, we expect to receive approximately \$1.3 billion in new federal funding over the next three fiscal years.

The figures are not yet final. But our current expectation is that health spending will increase by \$325 million in 2003/04; \$390 million in 2004/05 and \$585 million in 2005/06.

In the coming weeks, we will introduce final service plans for the ministries of health to reflect this additional funding. At the same time, we will introduce supplementary estimates for health spending in 2003/04, and set targets for the ministers that reflect the new funding levels.

This will ensure that every cent of the new federal funding goes to health care.

It will be used:

- to sustain our plan to build a better health care system;
- to continue reforms in primary care, home care and catastrophic drug coverage; and
- to ensure appropriate levels of diagnostic and medical equipment, training and services.

These improvements will build on the significant progress already made towards our vision of a quality health care system that meets patients' needs — and always puts patients first.

## **Education**

In education, we will continue to put students first. And today I am pleased to confirm a series of new investments in both the K-12 and advanced education systems.

The budget for the Ministry of Education will be \$4.8 billion for the coming year. Because of declining enrolment, that translates into an extra \$51 for every student in our schools. That is in addition to the one-time funding of \$50 million that was allocated to school boards last week.

This one-time funding is a direct result of prudent fiscal management, and lower than anticipated debt-servicing costs.

And now it is the children of this province who will benefit, as tens of millions of dollars that would have gone to bankers in places like New York, London and Toronto go, instead, to classrooms across British Columbia.

In 2004/05, the Ministry of Education's budget will increase by more than \$80 million, with a further lift of \$60 million in 2005/06 — boosting per-pupil funding by another \$192 a year.

Not counting one-time funding, the annual budget for the Ministry of Education in 2005/06 will be over \$140 million higher than it is today — with a total lift of \$243 per pupil.

I can also confirm today that the Ministry of Children and Family Development will continue to offer school-based programs — such as school meals and inner-city school funding — aimed at helping children in need succeed in the classroom.

Over the coming months, the ministry will work with parents and school districts to improve those services and get better value for the money we invest.

And more funding is on the way to higher education, as well.

## **Advanced Education**

The Ministry of Advanced Education will target \$23 million in one-time funding to enhance research in our universities and colleges. This is another year-end dividend from prudent fiscal management.

\$18 million will be targeted to the Leading Edge Endowment Fund — a partnership with the private sector.

This fulfills — two years ahead of schedule — our \$45 million commitment to fund 20 B.C. Leadership Chairs across the province in medical, social, environmental and technological research. And we will go further... funding an additional six B.C. Regional Innovation Chairs in the college sector.

The balance of the one-time funding will support the advancement of the province-wide B.C. Campus online learning model, and accelerate the medical school expansion program under way at UBC, UNBC and UVic.

These initiatives help to make higher education more accessible to students across the province — and ensure that British Columbia has

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In addition, the Ministry of Advanced Education will receive an annual budget lift of \$30 million, starting in 2005/06.

## **Families, Communities and Protecting those in Need**

Mr. Speaker.

As we move forward with our plan for the province — revitalizing the economy, balancing the budget and delivering sound fiscal management — we will be investing more in other services, as well:

Before the end of 2002/03, the Ministry of Children and Family Development will invest \$10 million in an Early Childhood Partnership Fund, with the United Way and Credit Union Central B.C.

That \$10 million is yet another enhancement that has been made possible through our prudent fiscal management.

Starting April 1st, the ministry will also invest up to \$11 million a year in additional funding for intervention for school-aged children with autism spectrum disorder. And the ministry's budget will increase by \$23 million in 2005/06.

The Ministry of Human Resources' budget will also rise in 2005/06, by \$45 million. And the ministry is enhancing some of its programs in the year ahead.

It is investing \$110 million in employment programs for people in need. It will also increase the earnings exemption for people with disabilities who receive income assistance. Starting this spring, they will be able to earn up to \$400 a month — on top of their assistance from the province.

And the Ministry of Community, Aboriginal and Women's Services is increasing by 50 per cent the number of child care spaces eligible for subsidy assistance in the coming year.

The Solicitor General's ministry will continue to assist community organizations, by maintaining charity top-up grants over the next three years.

In addition, we will delay by one year the move to have the province's rural areas and communities with populations under 5,000 begin to pay a share of their policing costs. This will allow the Solicitor General to

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work with local governments to develop a broader policing strategy for the province.

## REVITALIZING THE ECONOMY

Mr. Speaker. These improvements in services to people and communities are possible for two reasons:

1. Because we're getting our fiscal house in order, and
2. Because we've started to revitalize the economy, and overcome the challenges that mounted over the 1990s.

B.C. entered the new millennium saddled with some serious problems:

High taxes, red tape and over-regulation had contributed to an extremely hostile business environment.

Investors were fleeing the province. Businesses were closing. And young people were leaving, and building their futures elsewhere.

Our standard of living declined. And British Columbia — so long an economic powerhouse — slid from its traditional role as a leader in this country to become Canada's newest have-not province.

The people of this province knew there was something wrong. They felt it in their bones and they saw it in their pocketbooks.

At election time, they had a choice. And they rejected the status quo.

Instead of four more years of economic decline, they chose to begin the hard work of rebuilding this province, and making British Columbia, once again, a place where our future is brighter than our past.

They chose this path by an overwhelming majority. They trusted the government to lead them on this path. And today, I say to British Columbians:

We will not let you down.

We will stay the course. We will be true to the task you gave us.

And we will get the job done.

Clearly, it will take time to undo the damage our economy suffered in the 1990s.

But it's equally clear, Mr. Speaker, that the economy is improving.

*... making  
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***... the economy is improving.***

***In 2002/03, it grew by nearly two per cent — almost three times the rate projected by the Economic Forecast Council a year ago January.***

***The province created almost 78,000 new jobs during 2002 — outpacing job growth in most of the rest of the country, and providing a wealth of new opportunities.***

***... thousands of British Columbians are now moving successfully from income assistance to employment.***

In 2002/03, it grew by nearly two per cent — almost three times the rate projected by the Economic Forecast Council a year ago January. And that growth made a real difference for British Columbians — for individuals, families, communities and businesses:

Perhaps most significantly, thousands more people are working today, compared to a year ago. The province created almost 78,000 new jobs during 2002 — outpacing job growth in most of the rest of the country, and providing a wealth of new opportunities.

This past summer — for the first time ever — more than two million British Columbians were at work in our province.

In 2002, housing starts were up by over 25 per cent — the strongest annual growth in a decade. Housing sales are booming.

Consumer confidence remains strong. And thousands of British Columbians are now moving successfully from income assistance to employment.

Small business owners, surveyed recently, overwhelmingly said they will increase, or at least maintain, full-time employment levels in 2003.

And the province's moves to attract investment keep on paying dividends.

Let me mention just a few because you probably won't see them on the TV news or in the paper:

- New call centres opened in Prince George, Chilliwack and Central Saanich, creating over 3,200 new jobs.
- HMY Airlines recently started a charter business out of Vancouver Airport — creating up to 300 new jobs.
- And we're seeing a steady stream of expansions and improvements to ski resorts and other tourist operations in heartland communities like Golden and Invermere.
- In Greenwood, Gold City Industries is working to open a new mine that could create up to 100 new jobs.
- In Vernon, Tekmar is expanding its heating system business — creating 65 new jobs in the Okanagan.
- Duke Energy Gas Transmission is putting over \$60 million into its new Grizzly pipeline extension — creating more than 400 construction jobs, and boosting the economies of a number of northern communities.
- In the Fraser Valley, Rogers Foods recently announced the single largest industrial investment in Chilliwack's history — pumping \$20 million into a new flour mill and generating 20 new jobs — just to start.

- In Surrey, RMH Teleservices is building a new, multilingual customer service centre, creating 1,000 new jobs. Over the last 18 months, the company has also added 600 jobs at its centre in Nanaimo.
- In Port Alberni, two First Nations have teamed up with Polaris Minerals to open a quarry — creating 230 jobs.
- And mining giant Noranda has returned to the province for the first time since the early 90s — because, to quote a top Noranda official: “BC’s new government is making positive changes to make it worthwhile to invest here again.”

Almost 78,000 new jobs in B.C. during 2002 alone.

That’s the kind of positive change that’s happening Mr. Speaker. And we expect to see it gain momentum in the years ahead.

To help ensure that happens, we are taking further action now to build a vibrant economy, right across this province.

That means, first of all, opening up British Columbia — with a multi-year plan to meet the province’s transportation needs... and bring new growth, and new opportunity, to people in every part of the province.

## Transportation

The transportation plan was announced last week.

Today, I can confirm that the province is dedicating \$650 million to its implementation in the next three fiscal years.

The largest share — \$225 million — will go to northern and heartland roads, which account for over 70 per cent of our highway inventory. This investment will further support our resource industries, as well as improving the quality of life for people in northern and heartland communities.

We will invest \$30 million in ports and airports — including work to expand the Cranbrook Airport and open up the Kootenays to further economic growth; and work to create container capacity at the Port of Prince Rupert — diversifying its operations and helping to generate new investment and job creation, all along the province’s Northwest Corridor.

We will invest \$93 million in border crossing infrastructure, and \$132 million in major highway corridors.

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***We will keep  
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***Every single  
dollar from the  
tax increase will  
be dedicated to  
transportation,  
and used  
to continue  
opening up  
British Columbia.***

We will invest \$170 million in other improvements, including highway rehabilitation.

We will keep the inland ferry system toll-free.

And — Mr. Speaker — we will make these investments without increasing the overall public debt. Instead, we will dedicate funding from a variety of sources.

Some will come from federal contributions - which is only fair, considering that British Columbians send about \$750 million a year to Ottawa in the form of fuel taxes.

Where appropriate, some of the money will come from tolls.

And another portion of revenues will come from the private sector, as we move forward and explore opportunities for innovative approaches such as public-private partnerships.

Over the next three years, we will use our \$650 million contribution to leverage more than \$1.7 billion in additional investments to help fund additional projects... such as rapid transit between Vancouver and Richmond, and a long-overdue upgrade to the Trans-Canada Highway through the Kicking Horse Canyon between Golden and the Alberta border.

Other important projects include a new bridge across Okanagan Lake in Kelowna, and upgrading the Sea to Sky Highway.

The provincial contribution will come from revenues from the fuel tax increase announced last week.

Every single dollar from the tax increase will be dedicated to transportation, and used to continue opening up British Columbia.

And let me just remind the House that, when we invest in transportation, we're also investing in job creation and economic growth.

If we want tourism, and forestry, and mining, and the energy industry, and all our vital industries to thrive, we must have a transportation system we can count on to keep goods and services — and people — moving.

Better transportation networks help the environment, too.

For example, expanding rapid transit will take thousands of cars off Lower Mainland roads and reduce the time that vehicles are gridlocked — idling, burning fuel and pumping emissions into the air we breathe.

Then there are the benefits that can't be quantified — like the value of knowing an ambulance can reach you when you need it, or knowing that your children can travel safely on the school bus.

These new transportation projects will benefit all regions and all communities... and they will be the driving force that opens up our province to a brighter future.

Bold action to build transportation infrastructure is absolutely essential if we want that brighter future. So is action to strengthen and modernize our No. 1 industry: forestry.

## Forests

Mr. Speaker. It's no secret that many forest communities are facing hardship and uncertainty.

The softwood lumber dispute is probably the single biggest damper on the B.C. economy — and people across this province are living with the fallout from the changes and challenges the industry has grappled with, over the past decade.

Even before the latest softwood dispute, misguided policies were hurting the industry — making it less competitive, and discouraging reinvestment. And every single person in British Columbia was affected.

Annual stumpage revenues — revenues that support needed services like health care and education — fell by a third... from \$1.8 billion in 1997, to \$1.2 billion in 2002.

And during those five years, almost 13,000 people who worked in the forests lost their jobs.

Whole communities felt the blows as mills closed, businesses closed, and forest companies struggled with issues like rising debts and falling profits.

In spite of those changes; in spite of those challenges; forestry is still our No. 1 industry. But it won't be for long if we don't act now to reverse the slide of the last 10 years.

We're working with the federal and U.S. governments, and the B.C. industry, to resolve the softwood lumber dispute. And that work will continue.

But we can't put the industry — and the lives and futures of thousands of British Columbians — on hold in the meantime.

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***... forestry is still our No. 1 industry. But it won't be for long if we don't act now to reverse the slide of the last 10 years.***

**We are determined to help build a leading-edge forest industry... one that offers certainty and stability for the families and communities that depend on it.**

**We are setting aside \$275 million in 2002/03 to assist in the transition to a revitalized and sustainable forest sector.**

We are determined to help build a leading-edge forest industry... one that offers certainty and stability for the families and communities that depend on it. And we have already taken important steps in that direction.

We have a new *Forest and Range Practices Act* — a streamlined, results-based replacement for the old, bureaucratic Forest Practices Code.

We're working with the industry to restore our historic competitiveness through market reforms.

And we're asking for public input on a proposal to designate 48 per cent of the province's land base as "working forest".

These are all important moves — but we have to do a lot more. And we will, Mr. Speaker — starting today.

We are setting aside \$275 million in 2002/03 to assist in the transition to a revitalized and sustainable forest sector. This is a one-time restructuring cost — over and above the operating targets covered by the *Balanced Budget and Ministerial Accountability Act*.

This restructuring cost can be accommodated within our fiscal plan, once again, thanks to the added flexibility generated by strong fiscal management.

We are also committed to increasing First Nations' participation in the forest economy.

Funding is earmarked in this budget for revenue-sharing arrangements with First Nations that want to help revitalize the forest industry in their traditional territories. Revenue distribution will be negotiated with First Nations — in exchange for legal certainty that allows all regions and all British Columbians to prosper from our resource industries.

Specific allocations are \$15 million in 2003/04; \$30 million in 2004/05; and \$50 million a year by 2005/06.

All of these reforms will move us closer to our vision of a leading-edge industry that's globally recognized for its productivity and environmental stewardship.

The Minister of Forests will announce further action to achieve this vision in the weeks ahead.

## **Sector-Specific Tax Changes**

Along with renewing our No. 1 industry and opening up the province to growth and investment...

A third key priority is our ongoing commitment to maintain a competitive tax environment, to ensure that this is a province where businesses and families can grow and prosper, and build successful futures.

The tax cuts we implemented during the last year and a half have already bolstered consumer and business confidence. Overall, we have implemented 27 measures — reducing the net annual tax burden for companies by more than \$350 million, and the annual burden for individuals by almost \$900 million.

We're also seeing good results from sector-specific changes, such as those we introduced in the energy and mining sectors.

B.C. is fast becoming the province of choice for natural gas exploration — thanks in part to our forward-looking energy plan.

Mineral exploration investment has increased by 25 per cent since the spring of 2001.

Companies like Noranda are working here again. And Redfern Resources is set to open a new mine, creating over 800 direct and spinoff jobs in the North by 2006.

With these results in mind, today I am announcing another series of sector-specific, targeted tax changes — each designed to foster the growth and diversification B.C. needs for a strong, healthy economy.

The first four changes I'm announcing will encourage the further success of our arts and culture sectors. Along with supporting economic growth, they will build on the province's growing reputation — not just as Hollywood North, but as a place of unique artistic inspiration and vision.

First, we are providing \$5 million in venture capital tax credits for New Media companies — one of the fastest-growing of our high-tech industries. The new credits, under the Small Business Venture Capital Program, will attract as much as \$17 million a year in new investment.

We are putting another \$5 million a year into a new, 15 per cent tax credit for productions using digital animation and visual effects. The credit will be on top of the existing film tax credits, and will pave the way for employment growth in this emerging sector.

We are also expanding regional tax credits for television and film projects outside Greater Vancouver to encourage more productions, like the Disney movie that's being shot in Prince George this spring.

***... to ensure that this is a province where businesses and families can grow and prosper, and build successful futures.***

***Overall, we have implemented 27 measures — reducing the net annual tax burden for companies by more than \$350 million, and the annual burden for individuals by almost \$900 million.***

***... to foster the growth and diversification B.C. needs for a strong, healthy economy.***

***... government is moving ahead today with, potentially, one of the most significant economic development initiatives in the province's history — the bid to host the 2010 Winter Olympic Games.***

The final change in the cultural sector will strengthen the publishing industry. We're introducing a tax credit for book publishers worth \$2.5 million a year.

We are also responding to the need for more venture capital — money for new and emerging businesses that large financial institutions may not support.

We're revamping the Small Business Venture Capital Program, making it easier for companies to access the funds they need for future growth and expansion.

We are also expanding the labour-sponsored venture capital program — increasing the budget for tax credits from \$12 million to \$16 million a year. This will allow the government to authorize a third fund to operate in the province. Over time, this new tax credit is expected to generate up to \$27 million a year in new investments.

A further change will benefit B.C.'s small trust companies and credit unions. We are raising the threshold for the corporation capital tax from \$5 million to \$10 million — saving these institutions a total of \$2 million a year.

We also expect good results from our final three tax changes — building on initiatives that were introduced earlier:

The B.C. mineral exploration tax credit is extended for another three years to 2006. The province will also match any extension to the federal mining flow-through share tax credit, which Ottawa is currently reviewing.

And finally, to help make B.C. a more attractive port of call for cruise ships, we are expanding the tax exemption on bunker fuel to include the marine gas-oil used in ships with gas-turbine engines.

Mr. Speaker. These targeted tax changes invest a total of \$29 million annually by 2004/05, and they will support further economic growth.

In a similar vein, the government is moving ahead today with, potentially, one of the most significant economic development initiatives in the province's history — the bid to host the 2010 Winter Olympic Games.

This budget includes \$103 million of our \$600 million commitment to the Games, which could add more than \$4 billion to our gross domestic product by 2020.

This budget also includes — over the next three years — \$199 million of our \$230 million commitment for the Vancouver Convention and

Exhibition Centre... which will add as much as \$5 billion to our gross domestic product over time.

It will create as many as 6,000 person-years of employment in the construction phase, and thousands of jobs in related sectors, once the centre is up and running.

It's also a major investment in tourism. That's why the industry has agreed to contribute \$90 million to the project. And the federal government is matching the provincial commitment of \$230 million.

## Conclusion

The budget I am tabling today is a plan for prosperity that is prudent, responsible and focused on the future.

The people of British Columbia gave our government a clear mandate to create a New Era of hope and prosperity — this plan delivers on that mandate.

It will help revitalize our economy, restore sound fiscal management, and put patients, students and people in need first.

It will open up the heartlands of British Columbia to new growth and opportunity through strategic investments in transportation, tourism, forestry and the new economy.

This budget, as with all budgets, ultimately comes down to choices that must be made in spending British Columbian's hard-earned money.

There is no end of desirable social goals that could all benefit from extra funding.

There are no simple ways to balance competing interests that are all valid and hungry for public resources.

We do our best to make the most of the scarce resources that are available.

We plan and budget to spend those dollars where they will do the most good — to help people and to pave the way for the economic growth that pays for everything government delivers.

There is room for debate and disagreement on the choices made — and that's democracy.

We learn as we go and adjust ourselves accordingly — yet we remain ever focused on our mission and sure of our destiny.

But let there be no doubt — your government's course is clear.

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***With this budget, once again, we choose the difficult path of progress and reject the failed approaches and policies of the past decade.***

***We choose to act now, to balance the budget and build for tomorrow.***

With this budget, once again, we choose the difficult path of progress and reject the failed approaches and policies of the past decade.

We choose to contain the growth of government and expand the economic growth that will sustain our social safety net for future generations.

We choose to act now, to balance the budget and build for tomorrow.

Mr. Speaker, we have made progress — we are on-track and ahead of schedule — but we have only just begun.

There is yet more work to do.

Let's get back to work and let's get this job done.

Thank you.