

# Quarterly Report

April to June 1999



**BRITISH  
COLUMBIA**

Ministry of Finance and  
Corporate Relations



**Ministry of Finance and Corporate Relations**

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# First Quarterly Report

on the Economy, Fiscal Situation and Crown Corporations

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Fiscal Year 1999/00

Three Months

April – June 1999

**Honourable Gordon F. D. Wilson**  
**Minister of Finance and Corporate Relations**

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## **Message from the Honourable Gordon F. D. Wilson**

### **Minister of Finance and Corporate Relations**

I am pleased to present the First Quarterly Report for 1999/00.

Part One of the Quarterly Report reviews the current economic situation and outlook. Part Two provides details of the transactions of the Consolidated Revenue Fund for the three months ended June 30, 1999, compared to budget. Part Three provides information on the debt and capital spending of the provincial government and its Crown corporations and agencies as of June 30, 1999. Part Four provides interim financial statements of provincial Crown corporations and agencies for the period ended nearest to June 30, 1999.

Quarterly reports are issued as part of the government's commitment to regular reporting to the public on the economy and government finances.

The Second Quarterly Report for the July-to-September period will be issued during the week of November 22-26. It will contain a revised economic and fiscal forecast for 1999/00. The Third Quarterly Report for the October-to-December period will be released during the week of February 21-25, 2000.

A handwritten signature in black ink, appearing to read 'Gordon F. D. Wilson', with a stylized flourish at the end.

Gordon F. D. Wilson  
Minister

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## HIGHLIGHTS

### **Economic**

- During the first half of 1999, British Columbia exports and manufacturing shipments grew rapidly due to a strong U.S. economy.
- Employment has fallen after large increases in the fourth quarter of 1998 and early 1999.
- The unemployment rate in the January to July period was below last year's levels.
- Retail spending was sluggish for the year to date through June. Housing starts also fell during the first half of 1999.
- Consumer confidence and business capital investment intentions were up significantly in mid-year surveys.
- Several forecasters have revised up their growth expectations for 1999. The average is now 0.7 per cent. Should interest rates remain around current levels, 1999 economic growth could exceed the Ministry's budget forecast of 0.5 per cent.

### **Fiscal — 1999/00**

- Results for the first three months of the fiscal year were better than planned, due to higher-than-expected revenues and lower-than-anticipated spending.
- Revenue totalled \$4.8 billion in the first three months of 1999/00, \$124 million above budget and up 1.3 per cent from last year. The increase from budget included higher revenue from natural resources, contributions from government enterprises and various taxation sources.
- Spending at \$5.3 billion, was \$85 million below budget. Spending was below budget in 15 of the 19 ministries.
- As a result, the first-quarter shortfall of \$468 million was \$209 million better than forecast.
- The first-quarter results show that a modest economic recovery is helping to produce better-than-expected fiscal results. Although it is too early to forecast the year-end fiscal position, economic growth may turn out to be higher than assumed and result in higher-than-budgeted revenue.
- The government is continuing to monitor the economy and its finances closely and will make the necessary budget adjustments in order to ensure that the full-year fiscal targets are met.

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## Debt

- As of June 30, 1999, total provincial net debt was \$33.1 billion, up \$1.1 billion from March 31, 1999.
- Taxpayer-supported debt accounted for \$23,461 million of this total, showing an increase of \$441 million from the beginning of the year.
  - Direct operating debt totalled \$12,515 million, up \$312 million from March 31, 1999.
  - Other taxpayer-supported debt totalled \$10,946 million, up \$129 million from March 31, 1999.
- Commercial and other self-supporting debt, including the warehouse borrowing program, totalled \$9,668 million, up \$659 million from March 31, 1999.

## Crown Corporations

The unaudited operating results of Crown corporations and agencies for their most recent reporting period ending June 30, 1999 show:

- British Columbia Ferry Corporation reported a net loss of \$3 million compared to a net loss of \$6 million for the same period last year. The improvement reflects additional provincial assistance through a transfer of motor fuel tax.
- British Columbia Hydro and Power Authority reported net income of \$120 million, \$69 million higher than the same period last year due to higher revenue from electricity trade and residential sales, and lower finance charges.
- British Columbia Lottery Corporation reported net income of \$127 million, up 34 per cent from the same period last year due to expanded sales activity.
- Net income from the British Columbia Railway Company totalled \$19 million, up \$8 million from the same period last year due to additional revenue from expanded operations.
- British Columbia Transit's net expenditure was \$17 million, slightly higher than the same period last year.
- The Insurance Corporation of British Columbia reported net income of \$18 million for the first six months, compared to \$71 million for the same period last year. The reduction was mainly due to slower growth in premium revenue, an increase in the number of claims resulting from inclement weather this spring, and higher spending for claim services and road safety programs.

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# PART ONE — ECONOMIC REPORT<sup>1</sup>

## Overview

British Columbia's economic performance so far in 1999 is in line with expectations. The external side of the economy performed better than expected during the first half of the year as British Columbia benefited from strong growth in the U.S. However, several key domestic indicators remained below year-earlier levels.

Looking ahead, the key risk to the near-term outlook is rising interest rates. Should interest rates remain around current levels, British Columbia's economic growth could exceed the 0.5 per cent forecast in the 1999/00 budget.

## 1999 Developments

The charts on the following pages summarize recent trends in key domestic and external economic indicators. Highlights:

- During the first six months of 1999, manufacturing shipments and merchandise exports significantly exceeded year-earlier levels.
- Higher lumber and natural gas prices as well as strong economic growth in the U.S. fuelled the growth in exports.
- Employment has fallen since February, after having grown strongly during the fourth quarter of 1998 and the first two months of 1999.
- Housing starts and retail sales have not yet recovered from last year's slowdown and low levels of net in-migration are still restraining growth. There has been some recent evidence of a housing turnaround with sales of existing homes up significantly in the first seven months of the year and house prices appearing to have bottomed.
- Consumer confidence and business investment intentions improved in recent surveys, suggesting that domestic economic activity will pick up in coming months.

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<sup>1</sup> The *Economic Report* and accompanying charts and table incorporate information received to August 20, 1999. "Quarter" references in the *Economic Report* are for the calendar year.



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## **The External Environment**

As 1999 began, the consensus was for slower growth in North America, continued weakness in Asia and a possible slowdown in Europe. Commentators said this would be compounded by greater uncertainty and risks to financial markets from problems in emerging markets such as Brazil, Russia and China.

However, as of mid-August, external conditions were generally much better than had been expected. The United States economy, still British Columbia's largest export market, continued to post strong growth. However, tightening labour markets have prompted concerns that inflation will accelerate, boosting long-term interest rates.

The Canadian economy grew 4.2 per cent in the first quarter and indications are for growth of around 3.5 per cent in the second quarter.

Overseas, Europe's economy continued to grow moderately. Japan remained the weak link among the major industrial economies, with many mixed signals from recent economic data.

Japan's economy grew at an annual rate of 8.1 per cent in the first quarter of 1999, although most of the growth was due to higher government capital expenditures. Industrial production and housing starts have improved in recent months. According to the Bank of Japan's July report "Japan's economy, at present, has stopped deteriorating, and corporate sentiment has improved slightly." More recently, the International Monetary Fund said that "Despite the strong first quarter rebound, a sustained recovery is not yet assured". The IMF now projects 0.2 per cent economic growth in 1999, up from the 1.4 per cent decline forecast in its May outlook, and 1 per cent growth in 2000.

Although several countries in Asia are now growing strongly, the region as a whole has a long way to go until it has fully recovered from the events of the last two years.

## **British Columbia's Prospects for 1999 and 2000**

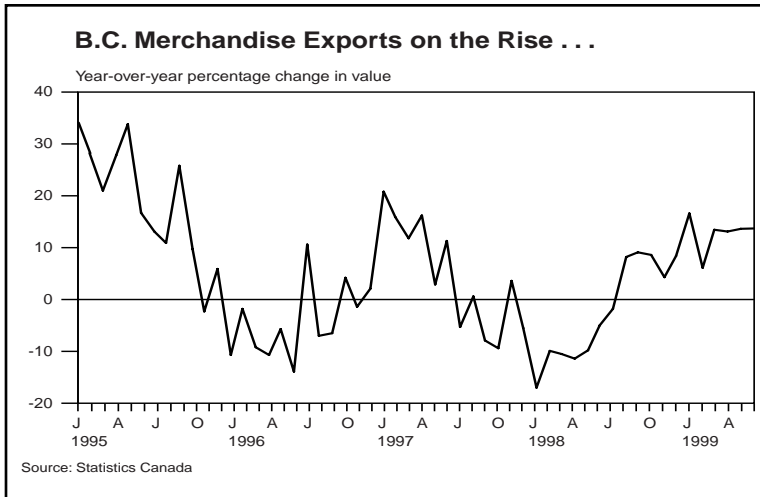
Developments to date are consistent with the Ministry's 0.5 per cent forecast of real GDP growth in 1999. Private sector forecasts as of August averaged 0.7 per cent.

The main risk to the near-term outlook is rising interest rates in the U.S. and Canada and their possible impact on domestic spending and investment. However, if interest rates stay near current levels, growth could exceed the 0.5 per cent forecast.

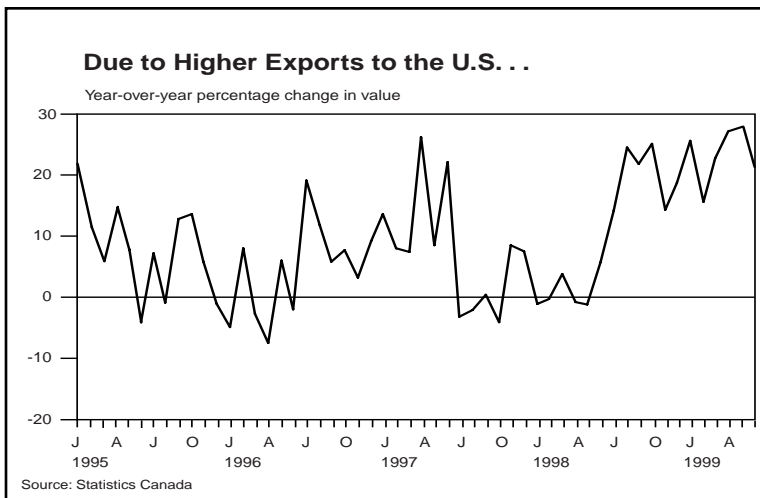
The British Columbia economy is expected to post growth of 2.0 per cent in 2000, reflecting improved global economic growth, higher commodity prices, and a modest recovery in the housing sector. The private sector average forecast for 2000 as of August was 1.6 per cent.

## RECENT ECONOMIC PERFORMANCE

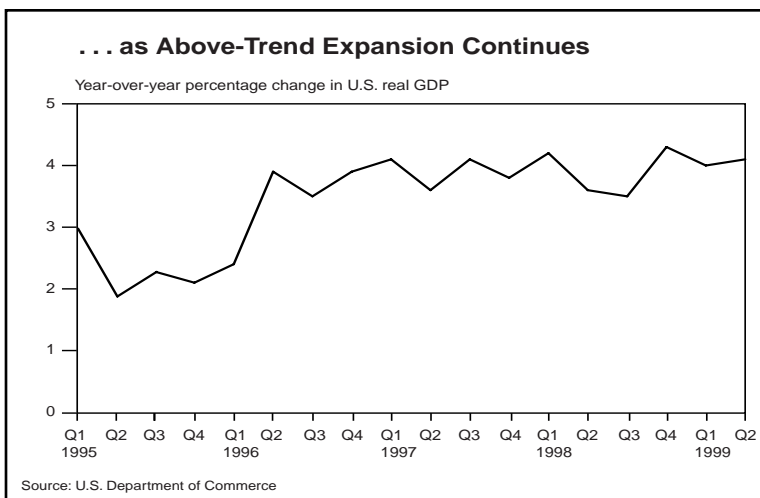
### External Developments



Merchandise exports were up 12.8 per cent during the first half of 1999, compared to the same period in 1998. Lumber and natural gas were the driving forces while exports of machinery and equipment contributed nearly one quarter of the increase.



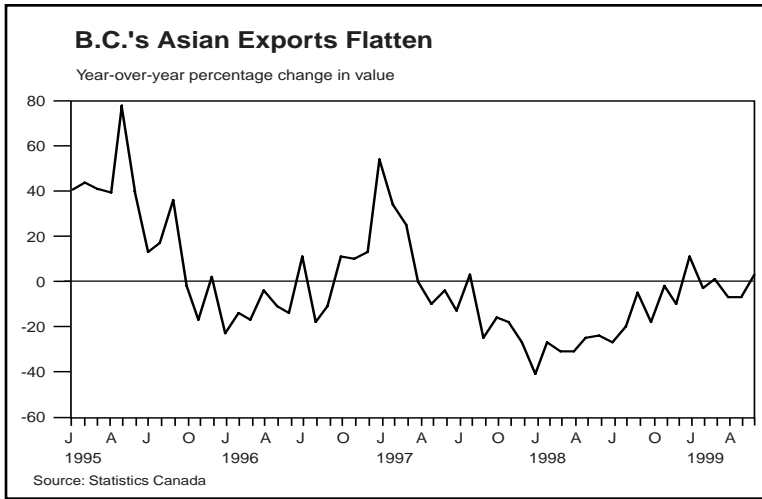
Exports to the U.S. were up 23.1 per cent in the first half of the year. Forest products, natural gas and machinery and equipment were the main contributors.



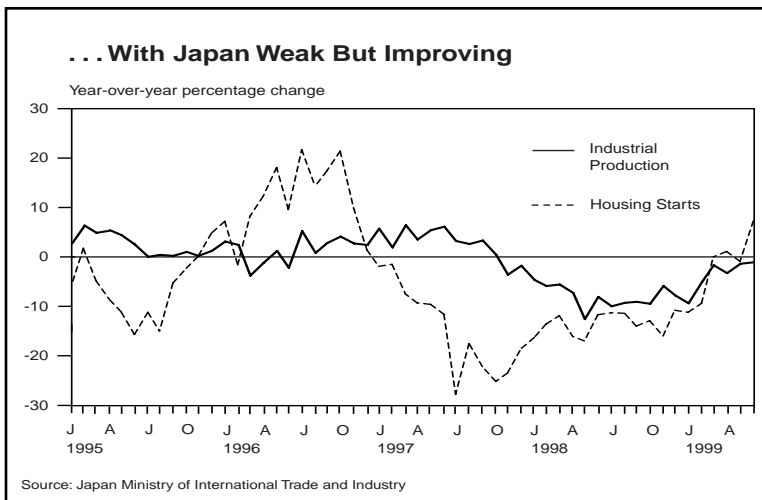
The U.S. economy expanded 4 per cent between the first half of 1998 and the first half of 1999, well above the average growth rate of the past 10 years. Consumer spending and housing activity have been particularly strong this year.

## RECENT ECONOMIC PERFORMANCE

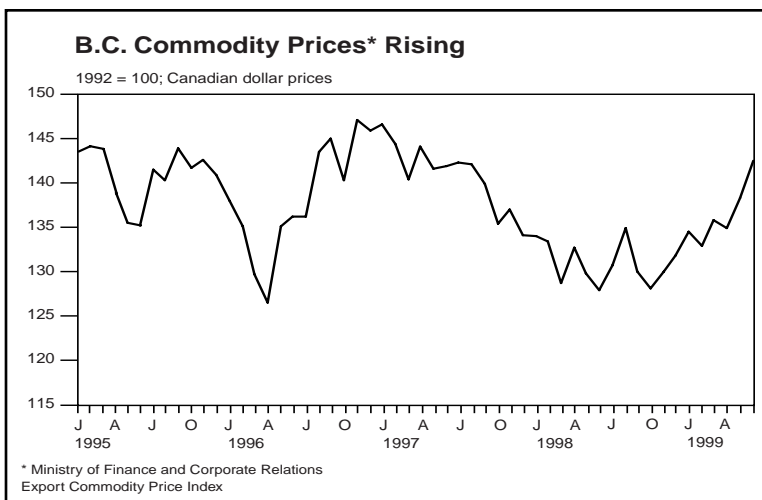
### External Developments — *(continued)*



British Columbia's exports to Asia were up 0.5 per cent during the January to June period. Recent economic growth has been strong in some of the Asian countries.



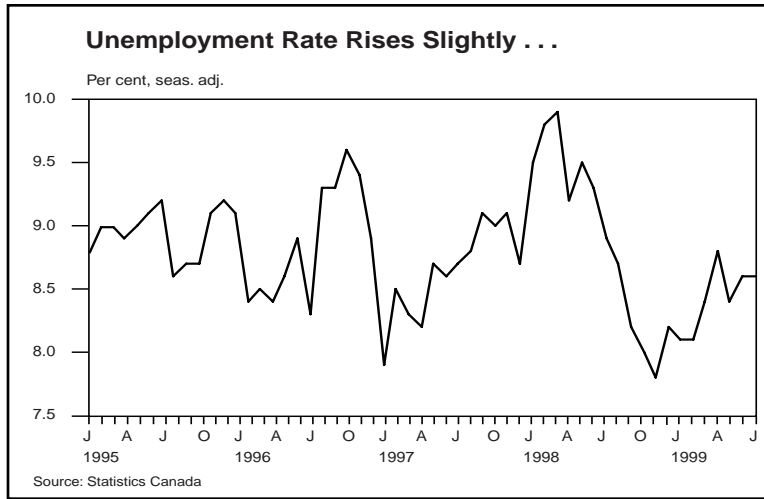
While Japan posted strong first quarter economic growth, recent economic indicators show the recovery is hesitant. Industrial production was down 2.8 per cent during the first seven months of the year, while housing starts were down 2.3 per cent to June. Both indicators, however, have been trending up recently.



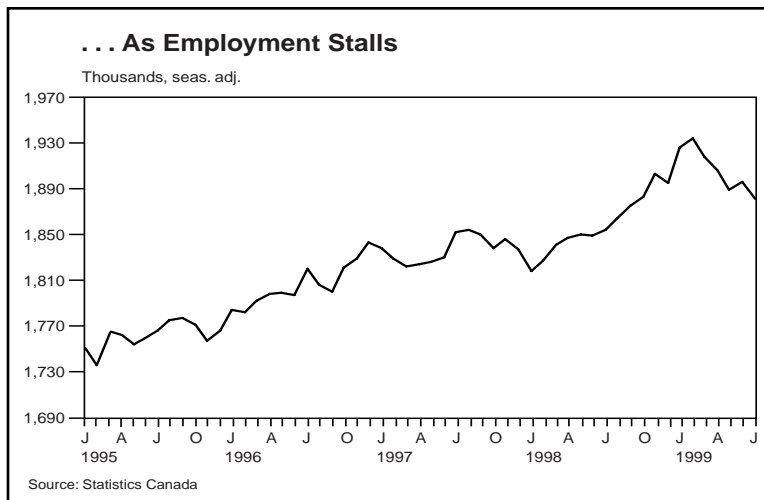
The composite index of the province's key commodity exports rose 4.1 per cent in Canadian dollar terms during the first half of the year. Lumber, plywood and natural gas prices posted large increases, which offset declines in pulp, newsprint and metals prices.

# RECENT ECONOMIC PERFORMANCE

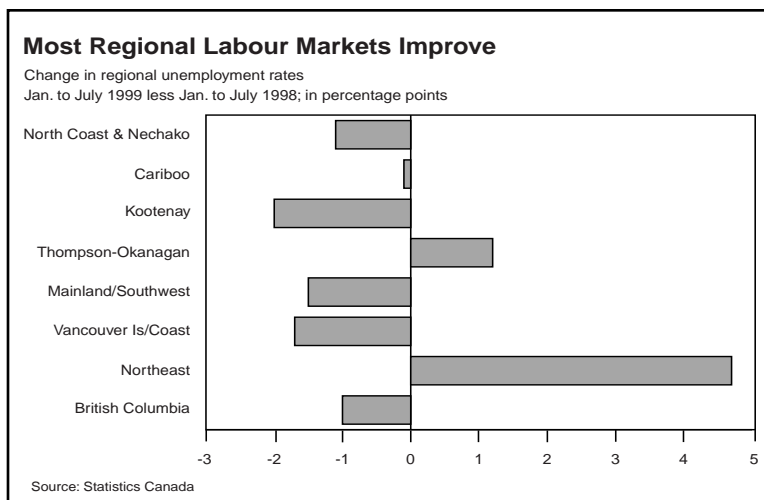
## The Labour Market



A shrinking labour force accompanied the recent decline in employment. As a result, the unemployment rate was 8.6 per cent in July, down from year-earlier levels.



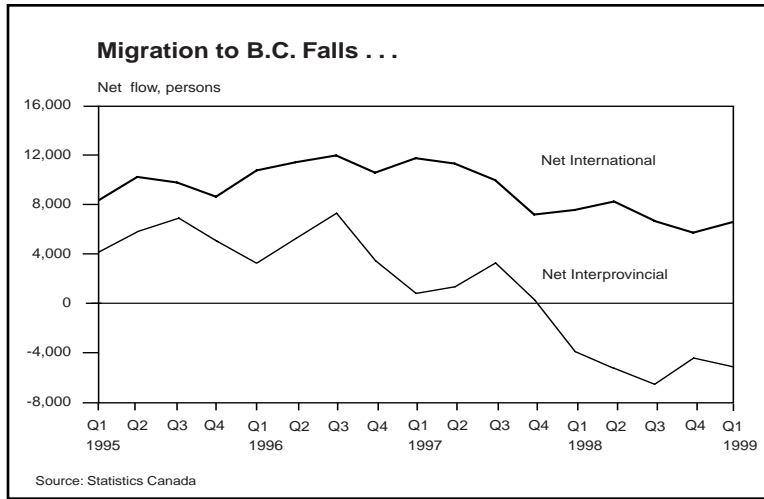
Following strong growth in the fourth quarter of 1998 and early 1999, employment has declined. Since the peak in February, British Columbia has lost 53,000 jobs. Nevertheless, employment during the first seven months of 1999 was up 3.5 per cent from the same period last year.



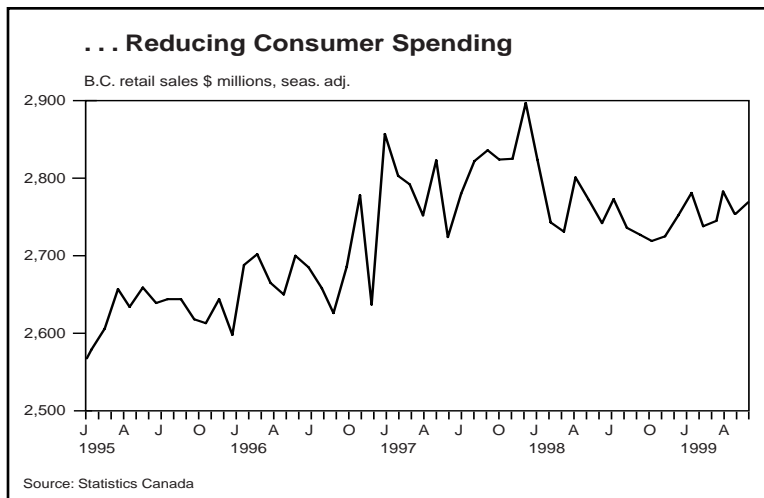
Average unemployment rates in the first seven months of 1999 were lower than last year in five of the province's seven labour market regions.

## RECENT ECONOMIC PERFORMANCE

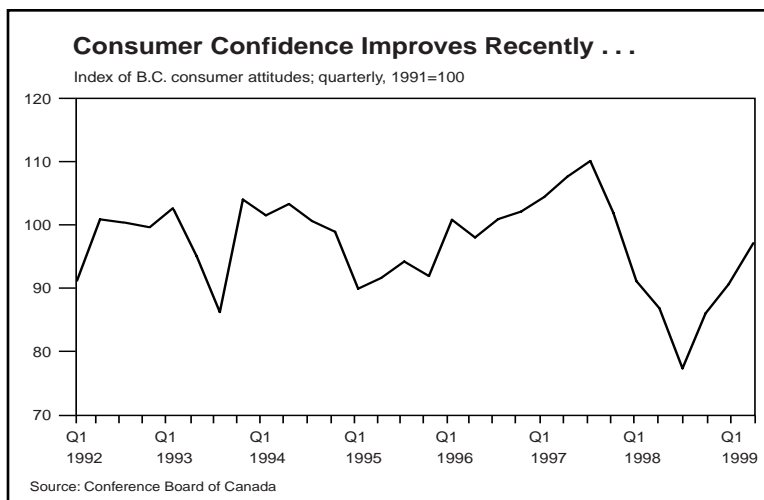
### Consumer and Business Activity



British Columbia recorded a net interprovincial outflow for five consecutive quarters. The weakness in net in-migration has reduced demand for housing.



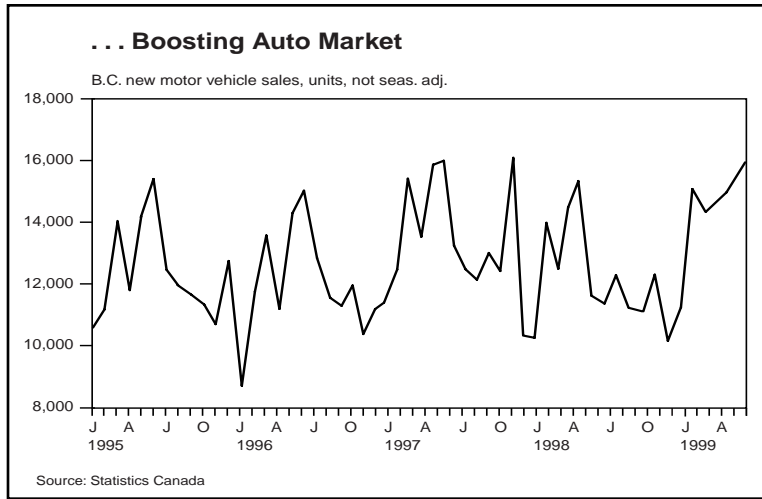
Slow population growth has also affected consumer spending. Retail sales were down 0.3 per cent in the January-to-June period.



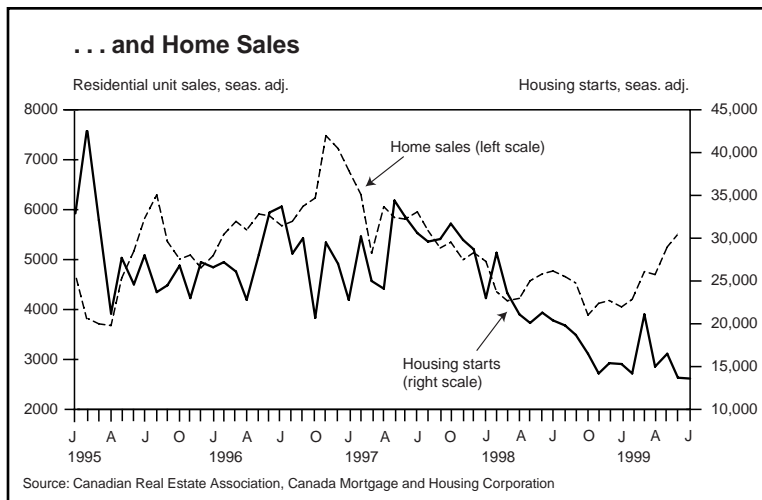
Consumer confidence in British Columbia rose for the third consecutive quarter but remains below its 1997 peak.

## RECENT ECONOMIC PERFORMANCE

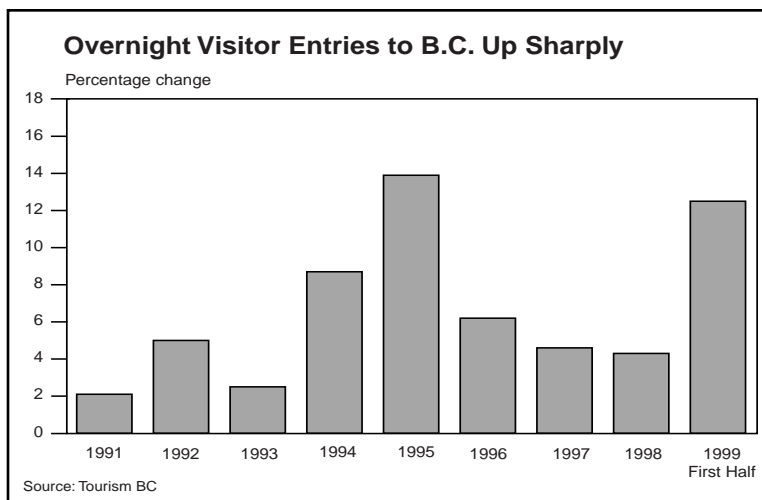
### Consumer and Business Activity — *(continued)*



The number of new motor vehicles sold was up 5.7 per cent during the first half of the year, with the dollar value of sales rising 9.2 per cent.



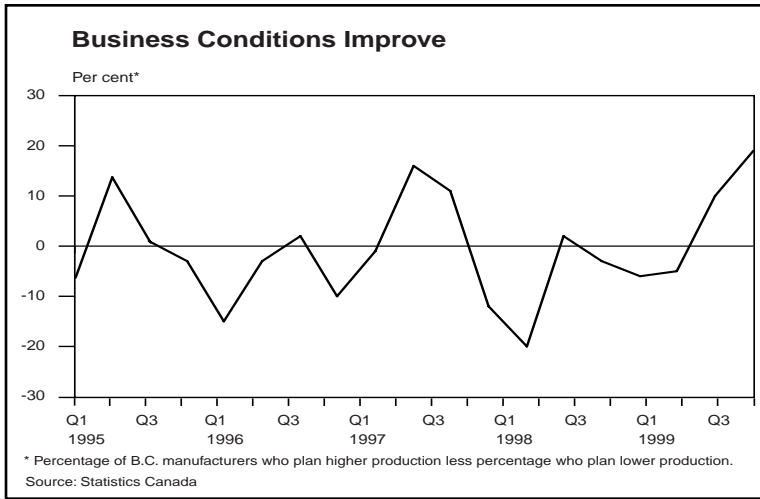
Housing starts were down 30 per cent during the first seven months of 1999. However, with Multiple Listing Service home sales up 7 per cent from a year ago during the January-to-June period, a housing market recovery may be underway.



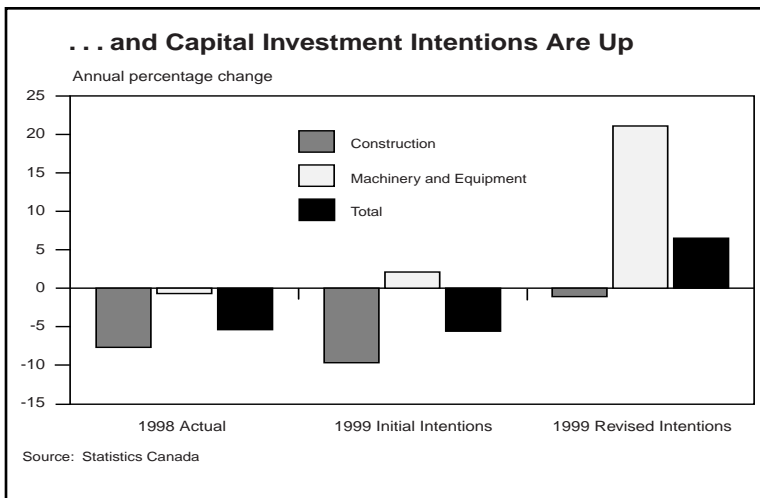
The number of overnight visitors was up sharply during the first six months of the year. Many of those visitors travelled through the Vancouver International Airport, where the number of passengers was up 4.4 per cent during the first half of the year.

## RECENT ECONOMIC PERFORMANCE

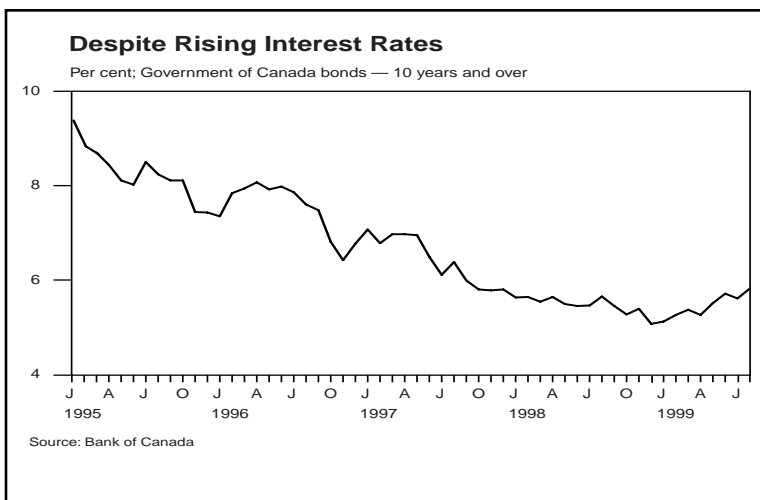
### Consumer and Business Activity — *(continued)*



The improvement in manufacturing conditions reflects both an increase in the percentage of respondents expecting higher production and a decrease in the percentage of respondents expecting lower production.



Planned private and public investment in British Columbia is expected to increase \$1.3 billion or 6.5 per cent in 1999 according to Statistics Canada's mid-year survey. Much of the increase is due to higher planned investment in the transportation sector, including several large pipeline projects.



Concerns about inflation in the U.S. have boosted long-term interest rates. As a result, several banks recently raised mortgage interest rates. Even so, interest rates remain low by recent standards.

**Table 1** Current Economic Statistics

		Latest Period	Year-to-Date Average		
			1998	1999	Change
<b>BRITISH COLUMBIA</b>					
<b>LABOUR MARKET</b>					
Employment (s.a., thousands).....	July	1,880.5	1,843.1	1,906.8	3.5%
Male (3-month moving average).....	July	1,022.2	989.6	1,024.6	3.5%
Female (3-month moving average).....	July	866.0	850.7	883.7	3.9%
Unemployment rate (s.a., per cent).....	July	8.6	9.4	8.4	-1.0
Male (3-month moving average).....	July	8.6	10.2	8.9	-1.3
Female (3-month moving average).....	July	8.5	8.5	7.8	-0.7
In-migration.....	Q1	1,782	3,999	1,782	-55.4%
Wages and salaries (s.a., \$ millions).....	May	4,524	4,462	4,553	2.0%
Average weekly earnings.....	May	625.6	616.6	624.9	1.3%
<b>CONSUMER SECTOR</b>					
Retail sales (s.a., \$ millions).....	June	2,769	2,769	2,762	-0.3%
Car and truck sales (units).....	June	15,941	12,894	13,625	5.7%
Housing starts (all areas, s.a., annual rate).....	July	13,600	22,329	15,629	-30.0%
Existing home sales (s.a.).....	June	5,510	4,436	4,747	7.0%
Building permits (s.a., \$ thousands).....	June	563	406	377	-7.1%
British Columbia consumer price index (annual per cent change).....	July	1.4	0.3	0.8	0.5
<b>INDUSTRIAL ACTIVITY</b>					
Foreign merchandise exports (\$ millions).....	June	2,470	2,061	2,325	12.8%
Manufacturing shipments (s.a., \$ millions).....	June	3,029	2,742	2,971	8.4%
Lumber production (thousand cubic metres).....	May	2,553	2,550	2,598	1.9%
Pulp and paper production (thousand tonnes).....	June	640	536	646	20.5%
Coal production (thousand tonnes).....	May	2,007	2,308	2,029	-12.1%
Natural gas production (million cubic metres).....	May	2,200	1,974	2,000	1.4%
Copper production (million kg).....	March	23.5	22.4	20.8	-7.1%
<b>TOURISM</b>					
Entries of U.S. and overseas residents (thousands).....	June	885	547	608	11.2%
B.C. Ferry passengers to/from Vancouver Island (thousands).....	July	1,452	893	896	0.4%

s.a. — seasonally adjusted.

... Table continued on next page



**Table 1** Current Economic Statistics — *Continued*

	Latest Period	Year-to-Date Average			
		1998	1999	Change	
<b>COMMODITY PRICES</b>					
Lumber (U.S. \$/thousand board feet).....	July	415	285	350	22.8%
Pulp (U.S. \$/tonne).....	July	520	541	486	-10.2%
Newsprint (U.S. \$/tonne).....	July	485	594	521	-12.3%
Copper (U.S. \$/lb.).....	July	0.74	0.78	0.67	-14.1%
Natural gas (U.S. \$/MMBtu, Sumas).....	July	1.94	1.50	1.94	29.3%
B.C. export commodity price index (Cdn. \$ index: 1992=100).....	Q2	138.6	131.1	136.5	4.1%
<b>FINANCIAL DATA</b>					
Canadian dollar (U.S. cents).....	July	67.3	69.2	67.1	-2.10
Canadian prime rate (per cent).....	July	6.25	6.42	6.50	0.08
Canadian treasury bills (per cent).....	July	4.62	4.59	4.63	0.04
Treasury bill spread — Canada minus U.S. (per cent).....	July	0.08	-0.40	0.19	0.59

s.a. — seasonally adjusted.

## PART TWO — FISCAL REPORT

### Overview

For the first three months of 1999/00, revenue was \$124 million above budget, at \$4,850 million. The increase included higher-than-budgeted revenue from natural resources, contributions from Crown corporations and various taxation sources, and the first quarter (\$56 million) allocation of the full-year revenue budget allowance of \$230 million.

Expenditure of \$5,318 million was \$85 million or 1.6 per cent below budget as below-budget spending in most ministries offset higher-than-budgeted spending in the Ministries of Municipal Affairs, Education, Forests and Labour.

Compared to the first quarter of 1998/99, revenue was up 1.3 per cent due to higher revenue from natural resources, fees and licences, asset dispositions and contributions from government

**Table 2** Consolidated Revenue Fund  
Summary of Transactions  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Budget 1999 <sup>1</sup> (\$ millions)	Actual 1999 (\$ millions)	Actual 1998 <sup>2</sup> (\$ millions)	Increase (Decrease) <sup>3</sup> (\$ millions)
Revenue.....	4,725.7	4,849.8	4,787.9	124.1
Expenditure.....	5,402.0	5,317.5	5,190.3	(84.5)
Three month deficit.....	<u>(676.3)</u>	(467.7)	(402.4)	<u>208.6</u>
Net receipts (disbursements) from financing/ working capital transactions <sup>4</sup> .....		(31.5)	(317.1)	
Decrease (increase) in cash and short-term investments.....		187.4	74.3	
Net decrease (increase) in provincial government direct operating debt <sup>5</sup> .....		<u>(311.8)</u>	<u>(645.2)</u>	

<sup>1</sup> Figures reflect the three-month allocation of the full-year budget, based on planned activities and seasonal patterns.

<sup>2</sup> Figures for 1998/99 have been restated to conform with the presentation used for 1999/00.

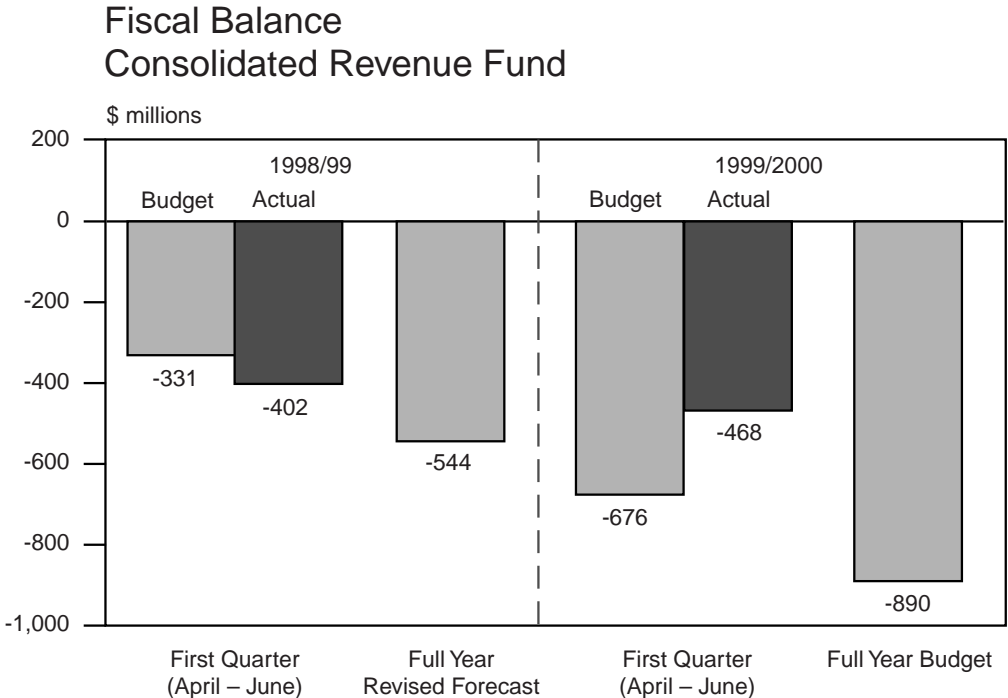
<sup>3</sup> 1999/00 actual less 1999/00 budget.

<sup>4</sup> Financing and working capital transactions represent either a source or use of funds, such as the payment or collection of loans and accounts payable/receivable. They do not cause a change in the annual surplus (deficit) but only a change in the composition of the provincial government's assets and liabilities.

<sup>5</sup> Includes direct debt incurred for government operating purposes and does not include debt for education, health, or public transit and *SkyTrain* capital purposes, or debt incurred by or on behalf of Crown corporations and agencies.

enterprises and the federal government. Expenditure showed an increase of 2.5 per cent from last year, mainly due to higher spending for the Ministries of Health, Education and Children and Families.

Spending from the consolidated revenue fund exceeded revenues during the first three months of 1999/00. The shortfall of \$468 million was \$209 million better than planned, reflecting higher-than-budgeted revenues and below-budget spending during the period. The chart below shows that last year at this time, the shortfall was \$72 million larger than expected. It also shows that the first-quarter results are not an accurate indicator of actual results for the full year. Normally, the government’s fiscal balance improves significantly in the last part of the fiscal year. This is because a larger portion of the government’s revenue is received in the latter part of the year, while the government’s spending is relatively stable over the full year.



The provincial government financed the three-month deficit and net disbursements for financing and working capital transactions by reducing its cash and short-term investment balances and increasing direct operating debt. Government direct operating debt increased \$312 million in the first three months of 1999/00 compared to a \$645-million increase in the same period last year (see Table 2). Details on the borrowing of the government and its Crown corporations and agencies are shown in Part Three — Borrowing Report.

**Revenue**

During the first three months of 1999/00, total revenue of \$4,850 million was \$124 million or 2.6 per cent above budget due to higher-than-expected revenue from natural resources, contributions from government enterprises and various taxation sources.

**Table 3 Revenue by Source**  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Budget 1999 (\$ millions)	Actual 1999 <sup>1</sup> (\$ millions)	Actual 1998 (\$ millions)	Increase (Decrease) <sup>2</sup> (\$ millions)
<b>Taxation:</b>				
Personal income.....	1,336.8	1,336.8	1,355.0	—
Corporation income.....	252.4	252.4	296.2	—
Social service.....	814.7	825.1	816.4	10.4
Fuel.....	118.2	117.7	175.9	(0.5)
Tobacco.....	121.0	119.9	124.1	(1.1)
Property.....	336.3	336.3	332.3	—
Property transfer.....	62.7	66.1	69.0	3.4
Corporation capital.....	98.6	97.7	107.2	(0.9)
Other.....	64.8	68.1	65.0	3.3
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(6.1)	(6.1)	(6.4)	—
	<u>3,199.4</u>	<u>3,214.0</u>	<u>3,334.7</u>	<u>14.6</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	36.0	38.0	30.8	2.0
Permits and fees.....	29.6	34.8	26.9	5.2
Petroleum royalties.....	15.0	14.8	15.9	(0.2)
	<u>80.6</u>	<u>87.6</u>	<u>73.6</u>	<u>7.0</u>
Minerals.....	9.1	10.0	13.5	0.9
Forests:				
Timber sales.....	65.5	81.9	100.0	16.4
Small Business Forest Enterprise Program.....	21.6	19.9	20.6	(1.7)
Logging tax.....	4.7	6.4	6.5	1.7
Other forests revenue.....	2.8	2.6	5.6	(0.2)
	<u>94.6</u>	<u>110.8</u>	<u>132.7</u>	<u>16.2</u>
Water rentals.....	88.1	95.8	75.4	7.7
<i>Wildlife Act</i> .....	3.8	4.4	3.7	0.6
	<u>91.9</u>	<u>100.2</u>	<u>79.1</u>	<u>8.3</u>
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(0.4)	(0.3)	(0.3)	0.1
	<u>275.8</u>	<u>308.3</u>	<u>298.6</u>	<u>32.5</u>

<sup>1</sup> Actual figures for 1999/00 exclude \$119 million in dedicated revenue collected on behalf of, and transferred to, Crown corporations and other agencies. These include Forest Renewal BC, Tourism British Columbia, BC Transportation Financing Authority, British Columbia Transit, British Columbia Ferry Corporation, the Greater Vancouver Transportation Authority, and the Oil and Gas Commission.

<sup>2</sup> 1999/00 actual less 1999/00 budget.

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**Table 3 Revenue by Source — Continued**

for the Three Months Ended June 30, 1999

*(Unaudited)*

	Budget 1999 (\$ millions)	Actual 1999 <sup>1</sup> (\$ millions)	Actual 1998 (\$ millions)	Increase (Decrease) <sup>2</sup> (\$ millions)
<b>Other revenue:</b>				
Medical Services Plan premiums.....	225.1	225.8	219.2	0.7
Motor vehicle licences and permits.....	87.8	87.4	88.1	(0.4)
Other fees and licences.....	98.5	96.4	78.5	(2.1)
Investment earnings.....	11.6	7.4	9.1	(4.2)
Fines and penalties.....	27.6	28.8	25.8	1.2
Miscellaneous.....	5.9	7.9	18.5	2.0
Asset dispositions.....	50.0	51.7	26.0	1.7
Less: provision for doubtful accounts.....	(1.2)	(0.9)	(0.3)	0.3
Less: commissions on collection of public funds.....	(6.3)	(6.4)	(18.2)	(0.1)
	<u>499.0</u>	<u>498.1</u>	<u>446.7</u>	<u>(0.9)</u>
<b>Contributions from government enterprises:</b>				
Liquor Distribution Branch income.....	146.6	143.5	152.6	(3.1)
British Columbia Lottery Corporation.....	88.2	112.2	93.0	24.0
Other.....	71.0	71.0	—	—
	<u>305.8</u>	<u>326.7</u>	<u>245.6</u>	<u>20.9</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	466.2	466.2	430.0	—
Other.....	35.5	36.5	32.3	1.0
	<u>501.7</u>	<u>502.7</u>	<u>462.3</u>	<u>1.0</u>
<b>Less: Revenue Allowance.....</b>	<b>(56.0)</b>	<b>—</b>	<b>—</b>	<b>56.0</b>
<b>TOTAL REVENUE.....</b>	<b><u>4,725.7</u></b>	<b><u>4,849.8</u></b>	<b><u>4,787.9</u></b>	<b><u>124.1</u></b>

<sup>1</sup> Actual figures for 1999/00 exclude \$119 million in dedicated revenue collected on behalf of, and transferred to, Crown corporations and other agencies. These include Forest Renewal BC, Tourism British Columbia, BC Transportation Financing Authority, British Columbia Transit, British Columbia Ferry Corporation, the Greater Vancouver Transportation Authority, and the Oil and Gas Commission.

<sup>2</sup> 1999/00 actual less 1999/00 budget.

Revenue was 1.3 per cent higher than in the first quarter of 1998/99, as higher revenue from natural resources, fees and licences, asset dispositions and contributions from government enterprises and the federal government offset lower taxation revenue. Relative to budget, results for the first quarter of 1999/00 reflect an improvement from last year, when revenue was \$84 million or 1.7 per cent below budget.

- Taxation revenue of \$3,214 million was \$15 million above budget, but 3.6 per cent lower than in the first three months of 1998/99. Personal income tax revenue was on budget and 1.3 per cent lower than last year as the effect of 1998 and 1999 federal and provincial tax reduction measures more than offset growth in personal incomes. Corporation income tax revenue was on budget and 15 per cent lower than last year mainly due to lower federal instalment payments resulting from British Columbia's lower share of the national tax base.

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- Revenue from social service tax was \$10 million above budget and 1.1 per cent higher than last year, despite weak retail sales in the first quarter of the fiscal year. Fuel tax revenue was slightly below budget but 33 per cent lower than last year due to additional transfers of dedicated portions of this tax to the BC Transportation Financing Authority, the Greater Vancouver Transportation Authority, and the British Columbia Ferry Corporation. Tobacco tax revenue was \$1 million below budget and 3.4 per cent lower than last year due to lower taxed consumption volumes. A modest improvement in housing sales resulted in property transfer tax revenue being \$3 million above budget, while other tax revenue was \$3 million above budget due to higher collections of hotel room and insurance premium taxes.
  - Natural resource revenue of \$308 million was \$33 million above budget and 3.2 per cent higher than in the first quarter of 1998/99. Petroleum and natural gas revenue was \$7 million above budget and 19 per cent higher than last year due to strong natural gas prices and higher sales of Crown land drilling rights. Minerals revenue was slightly above budget but 26 per cent lower than a year ago due to weak commodity prices.
  - Forest revenue was \$16 million above budget mainly due to strong lumber prices and harvest volumes. In the first quarter, overall harvest volumes were 11 per cent above budget and 25 per cent higher than the same period last year mainly due to increased harvesting on the Coast, reflecting higher sales in Asian markets, and the positive effects of stumpage rate reductions introduced in 1998. On average, stumpage rates were lowered \$8.10 per cubic meter on the Coast and \$3.50 per cubic meter in the Interior on June 1, 1998. Compared to the same period in 1998/99, forests revenue declined 16 per cent mainly due to a later recovery of administrative costs incurred on behalf of Forest Renewal BC in 1999/00.
  - Revenue from water resources was \$8 million above budget and 27 per cent higher than last year due to additional sales of electricity received through the Columbia River Treaty.
  - Other revenue of \$498 million was slightly below budget and 12 per cent higher than last year mainly due to increased revenue resulting from the completion of the sale of BC Online, and higher fee and licence activity.
  - Contributions from government enterprises of \$327 million were \$21 million above budget as higher contributions from British Columbia Lottery Corporation offset lower net income from the Liquor Distribution Branch. Overall, contributions were 33 per cent higher than last year due to an early dividend received from the British Columbia Buildings Corporation in the first quarter of 1999/00, and increased net income of the British Columbia Lottery Corporation.
  - Federal contributions of \$503 million were slightly above budget and 8.7 per cent higher than in the same period last year. Revenue from the Canada health and social transfer (CHST) was \$36 million or 8.4 per cent higher than last year. This reflects a larger cash entitlement due to British Columbia's lower share of the national income tax base, a higher population estimate, and 1999 federal budget measures that adjusted the provincial funding formula. Revenue in the first quarter does not include British Columbia's share of the \$3.5-billion CHST supplement established in the 1999 federal budget.
  - A revenue allowance of \$230 million was included in the 1999/00 budget to provide a cushion corresponding to economic growth of -0.6 per cent, 1.1 percentage points lower than the

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0.5 per cent growth forecast for 1999. The three-month revenue budget includes a first-quarter allocation of \$56 million from the full-year revenue allowance, which increased the surplus of \$68 million from individual sources. This results in overall revenue being \$124 million above budget.

## Expenditure

At \$5,318 million, spending during the first three months of the fiscal year was \$85 million below budget. Spending was below budget in 15 of the 19 ministries, which offset above-budget spending in the Ministries of Municipal Affairs, Education, Forests and Labour. Spending in the first three months was 2.5 per cent higher than for the same period last year.

- Spending by the Ministry of Advanced Education, Training and Technology of \$397 million was \$18 million below budget due to lower-than-expected spending through the Science and Technology Fund and for capital debt servicing. Spending was \$7 million below last year's level as lower spending for capital debt servicing and the Science and Technology Fund was partially offset by higher spending for educational institutions and organizations.
- Ministry of Agriculture and Food expenditure was \$8 million below budget and \$11 million lower than last year mainly due to slower-than-planned spending for the agriculture renewal initiative. Last year, most full-year spending for the agriculture renewal initiative occurred in the first quarter.
- Ministry of Attorney General expenditure of \$221 million was \$14 million below budget due to slower-than-expected spending for community justice and court services programs. Ministry spending was about the same level as last year.
- Ministry for Children and Families expenditure of \$363 million was slightly below budget and \$24 million or 6.9 per cent higher than last year due to an increase in the caseloads for community living and children-in-care during the second half of last year.
- Ministry of Education expenditure of \$1,259 million was slightly above budget and \$27 million or 2.2 per cent higher than last year. Public school operating contributions increased \$10 million from the same period last year due to funding-per-pupil increases, and additional classes resulting from reduced teacher-student ratios for kindergarten to grade three. Capital and debt servicing costs rose \$16 million from last year.
- Ministry of Employment and Investment expenditure of \$31 million was \$3 million below budget and \$21 million lower than last year. The decline from last year was caused by earlier spending for housing programs in 1998/99.
- Ministry of Environment, Lands and Parks expenditure was \$5 million below budget and 18 per cent lower than last year, reflecting earlier spending in the first part of 1998/99.
- Ministry of Finance and Corporate Relations spending was \$35 million lower than last year due to lower contributions to BC Transit. Commencing in 1999/00, responsibility for Lower Mainland transit has been assumed by the Greater Vancouver Transportation Authority.

**Table 4 Expenditure by Ministry<sup>1</sup>**  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Budget 1999 (\$ millions)	Actual 1999 (\$ millions)	Actual 1998 <sup>2</sup> (\$ millions)	Increase <sup>3</sup> (Decrease) (\$ millions)
Legislation.....	9.2	8.7	7.0	(0.5)
Officers of the Legislature.....	7.1	7.2	4.8	0.1
Office of the Premier.....	0.5	0.5	0.6	—
Aboriginal Affairs.....	6.9	6.0	6.2	(0.9)
Advanced Education, Training and Technology				
Educational institutions and organizations.....	278.4	278.5	272.4	0.1
Other.....	136.9	118.5	131.1	(18.4)
Total.....	415.3	397.0	403.5	(18.3)
Agriculture and Food.....	24.5	16.7	28.0	(7.8)
Attorney General.....	234.5	221.0	220.6	(13.5)
Children and Families.....	363.2	362.8	339.3	(0.4)
Education				
Public school operating contributions.....	1,082.7	1,082.0	1,072.1	(0.7)
Other.....	175.2	177.3	159.9	2.1
Total.....	1,257.9	1,259.3	1,232.0	1.4
Employment and Investment.....	34.0	30.9	51.6	(3.1)
Energy and Mines.....	10.2	8.7	8.2	(1.5)
Environment, Lands and Parks.....	46.5	41.5	50.3	(5.0)
Finance and Corporate Relations.....	70.7	69.2	104.3	(1.5)
Fisheries.....	5.4	4.2	4.2	(1.2)
Forests.....	96.8	97.9	97.2	1.1
Health				
Acute and continuing care.....	1,073.5	1,068.9	925.5	(4.6)
Other.....	897.1	896.6	813.1	(0.5)
Total.....	1,970.6	1,965.5	1,738.6	(5.1)
Human Resources.....	378.9	376.9	384.4	(2.0)
Labour.....	5.3	5.8	5.3	0.5
Municipal Affairs.....	50.4	61.0	61.6	10.6
Small Business, Tourism and Culture.....	22.8	22.0	20.0	(0.8)
Transportation and Highways.....	115.9	113.9	113.9	(2.0)
Women's Equality.....	8.4	8.0	7.8	(0.4)
Other Appropriations:				
Management of Public Funds and Debt.....	224.2	188.6	220.3	(35.6)
Contingencies (All Ministries) and New Programs ..	—	—	—	—
BC Benefits.....	62.8	62.0	76.9	(0.8)
Amortization of Change in Unfunded Pension				
Liability.....	(30.0)	(30.0)	(15.9)	—
Other Appropriations <sup>4,5</sup> .....	10.0	12.2	19.6	2.2
<b>TOTAL EXPENDITURE</b> .....	<b>5,402.0</b>	<b>5,317.5</b>	<b>5,190.3</b>	<b>(84.5)</b>

<sup>1</sup> Figures do not reflect the government reorganization announced July 21, 1999.

<sup>2</sup> Figures for 1998/99 have been restated to conform with the presentation used for 1999/00.

<sup>3</sup> 1999/00 actual less 1999/00 budget.

<sup>4</sup> Other Appropriations include the Commissions on Collection of Public Funds and Allowance for Doubtful Accounts Vote, the Environmental Assessment and Land Use Coordination Vote, the Environmental Boards and Forest Appeals Commission Vote, the Forest Practices Board Vote, the Public Sector Employers' Council Vote, the Public Service Employee Relations Commission Vote, the Insurance and Risk Management Special Account, and other appropriations.

<sup>5</sup> Includes a \$12-million contribution to the British Columbia Ferry Corporation in 1998/99. In 1999/00, the contribution is replaced with a dedicated portion of motor fuel tax.



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- Expenditure by the Ministry of Health of \$1,966 million was \$5 million below budget but \$227 million or 13 per cent higher than the same period last year, partly due to delays in recording expenditure during the first quarter of 1998/99. Increases from last year include acute and continuing care programs, up \$143 million; the Medical Services Plan, up \$45 million; and Pharmacare, up \$28 million. These increases were partially offset by reduced spending for capital and debt servicing.
  - Ministry of Human Resources expenditure of \$377 million was slightly below budget and 2 per cent lower than last year due to a decline in the caseload. In the first three months of 1999/00, the caseload was down 5.7 per cent from the same period last year due to the success of caseload reduction initiatives and early intervention programs.
  - Expenditures in the Ministry of Municipal Affairs of \$61 million were \$11 million above budget due to earlier-than-expected disbursements of conditional grants to local governments.
  - Management of public funds and debt spending of \$189 million was \$36 million below budget and \$32 million lower than last year due to reduced borrowing requirements, favourable foreign exchange rates, and increased earnings from sinking funds which are deducted from interest costs.
  - BC Benefits expenditure was \$15 million lower than last year due to lower provincial funding requirements resulting from changes to the federal National Child Benefit Supplement.
  - Three-month spending included an expected \$30-million reduction to reflect the amortization of a reduction in the government's share of unfunded liabilities of public sector pension plans.

## **Fiscal Outlook**

Improving economic conditions and a prudent revenue forecast contributed to the three-month shortfall being \$209 million better than planned. Last year at this time, the shortfall was \$72 million larger than planned.

Three-month revenues were \$124 million above budget due to higher revenues from natural resources, Crown corporation contributions and various taxation sources. If the economy grows 0.5 per cent in 1999, as forecast in the budget, full-year revenue may be higher than budget by the amount of the budget revenue allowance. In addition, as noted in the economic report, economic growth in 1999 could exceed the 0.5 per cent forecast in the budget, should interest rates remain near current levels. This could further strengthen revenue growth.

Spending in the first quarter was \$85 million under budget, as spending was below budget in most ministries.

Assuming that spending is held to budgeted levels over the remainder of the year, the budget shortfall for the full-year could be lower than forecast. The government is continuing to monitor the economy and its finances closely and will make the necessary spending adjustments should they be needed to ensure that the fiscal target is met.

A revised fiscal forecast for 1999/00 will be presented in the second *Quarterly Report*.

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## PART THREE — BORROWING REPORT

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### Overview

- At June 30, 1999, provincial net debt totalled \$33.1 billion. Taxpayer-supported debt accounted for \$23.4 billion of this total, while self-supported debt accounted for \$9.7 billion.
- During the first three months of the fiscal year, total government, Crown corporation and agency net debt increased \$1.1 billion. The increase in total net debt was mainly due to early borrowing of funds through the warehouse borrowing program, and increases in government direct operating and capital financing debt, debt of economic development Crown corporations and agencies, and debt of commercial Crown corporations and agencies. These increases were partially offset by reductions in the debt of government services Crown corporations and agencies and other fiscal agency loans. During the same period last year, there was a \$725-million increase in total provincial net debt.
- Taxpayer-supported debt, which excludes the self-supporting debt of commercial Crown corporations and the warehouse borrowing program, increased \$441 million through the first three months of 1999/00. This compares to a \$598-million increase in the same period last year.

### Taxpayer-supported debt

- *Provincial government direct operating debt* — up \$312 million as new long-term borrowing of \$794 million was partially offset by retirement provisions (including sinking fund contributions, sinking fund earnings and debt maturities) totalling \$482 million. The increase in direct debt was used to help finance the three-month deficit and working capital needs. At June 30, 1999, provincial government direct operating net debt totalled \$12,515 million.
- *Capital financing debt* — up \$38 million as net new borrowing for the *SkyTrain* extension (up \$45 million), schools (up \$11 million) and health facilities (up \$4 million) was partially offset by a net debt reduction for post-secondary institutions (down \$14 million) and existing public transit facilities (down \$7 million). At June 30, 1999, capital financing net debt totalled \$7,013 million.
- *Economic development Crown corporations* — up \$117 million mainly due to net new borrowing for the BC Transportation Financing Authority (up \$54 million), BC Ferries (up \$39 million), and the Vancouver Trade and Convention Centre (up \$24 million). At June 30, 1999, economic development Crown corporation net debt totalled \$2,743 million.
- *Government services Crown corporations and other fiscal agency loans* — down \$26 million mainly due to reduced net debt of BC Buildings Corporation (down \$40 million) partially offset by a \$16-million debt increase for the BC Assessment Authority. At June 30, 1999, government services Crown corporation net debt totalled \$883 million.

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## Capital Spending

- Taxpayer-supported debt includes borrowing for capital projects such as schools, hospitals, ferries, roads, transit and other infrastructure. These investments provide essential services for today and will also benefit future generations of British Columbians. As well as meeting the infrastructure needs of the province, capital spending also assists in stimulating the economy. As part of the 1999/00 budget, the provincial government set a capital spending target of \$1.95 billion. A revised forecast of capital spending will be included in the *Second Quarterly Report*.
- During the first three months of 1999/00, capital spending totalled \$256 million — \$16 million lower than planned. Lower-than-expected capital spending in education, health and other sectors was partially offset by additional spending for transportation projects.
- Education, health and justice facilities capital spending totalled \$69 million, including:
  - *new school construction* — Westside Middle (Kelowna), Sechelt Elementary, Hart Highway Middle (Prince George), Qualicum Elementary, Albion Secondary site purchase (Maple Ridge);
  - *school planning, replacement, additions and renovations* — Whonnock Elementary (Maple Ridge), Alexis Creek Elementary/Secondary, Magee Secondary (Vancouver), Sir Winston Churchill Secondary (Vancouver), Kidston Elementary (Vernon), Strathcona Elementary (Chilliwack), Walter Moberly Elementary (Vancouver), Kanaka Creek Elementary (Maple Ridge), Ron Brent Elementary (Prince George), Pauline Haarer Elementary (Nanaimo), Errington Elementary, Phoenix Elementary/Jr. Secondary (Campbell River);
  - *post-secondary planning, addition and renovations* — joint Nicola Valley Institute of Technology/University College of the Cariboo campus (Merritt), and Kwantlen University College campus (Surrey);
  - *hospital and health-care facilities planning, construction, upgrading and equipment purchases* — Surrey Memorial Hospital, Zion Park Manor (Surrey), Royal Arch Masonic Home (Vancouver), Vancouver General Hospital radiology project, Taylor Manor (Vancouver), SUCCESS Care Home (Vancouver), Vancouver Island Cancer Clinic (Victoria), and Bulkeley Lodge (Smithers); and
  - *justice facilities expansion construction* — North Fraser Pre-Trial Centre (Port Coquitlam).
- Transportation capital spending totalled \$187 million, including:
  - John Hart Bridge and interchange in Prince George — construction;
  - Highway 1: Cache Creek to the Rockies — upgrading;
  - Lions Gate Bridge in Vancouver — rehabilitation;
  - Port Mann Bridge in Coquitlam/Surrey — five-laning;
  - Highway 97 Glenrosa Interchange in Westbank — construction;
  - Highway 97 Honeymoon Creek to Bijou near McLeod Lake — construction;
  - Vancouver Island Highway — construction;
  - road and bridge resurfacing throughout the province;
  - fast-ferry construction, ferry maintenance and terminal improvements;

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- *SkyTrain* extension planning; and
  - Nisga'a Highway in the Nass Valley — upgrading.
  - Capital spending in the first three months was partially financed through internally-generated cash flows (for example, provincial/local transit contributions, ferry tolls, and earnings of sinking funds), surplus funds pre-borrowed at the end of 1998/99, and new borrowing in the current year as summarized in the previous section and in Table 5.

### **Self-supporting debt**

- *Commercial Crown corporations* — up \$106 million mainly due to increased debt of BC Hydro (up \$45 million) and new borrowing for the Western Star Truck Company (up \$60 million). At June 30, 1999, commercial Crown corporation net debt totalled \$8,264 million.
- *Warehouse borrowing program* — up \$553 million as the province borrowed funds in advance of actual requirements to take advantage of favourable market conditions. At June 30, 1999, the warehouse borrowing program totalled \$1,203 million. This debt will be allocated to the provincial government or its Crown corporations and agencies when funding is needed.

**Table 5** Change in Provincial Net Debt and Total Net Debt Outstanding, 1999/00<sup>1</sup>

Three Months Ended June 30 (Unaudited)	1999			1998	
	New Borrowing <sup>2</sup>	Retirement Provision <sup>3</sup>	Net Change (\$ millions)	Total Net Debt Outstanding <sup>4</sup>	Net Change
<b>Taxpayer-supported debt</b>					
<b>Provincial government direct</b>					
Operating purposes .....	794.3	482.5	311.8	12,514.8	645.2
Capital financing purposes					
Schools .....	30.4	19.6	10.8	3,214.7	(3.4)
Post-secondary institutions .....	4.5	18.8	(14.3)	1,323.0	(45.1)
Health facilities .....	28.4	24.4	4.0	1,269.9	(25.7)
Public transit <sup>5</sup> .....	(46.6)	(39.3)	(7.3)	968.7	—
SkyTrain extension .....	45.3	—	45.3	237.1	—
	62.0	23.5	38.5	7,013.4	(74.2)
Total provincial government direct .....	856.3	506.0	350.3	19,528.2	571.0
<b>Economic development Crown corporations and agencies</b>					
BC Transportation Financing Authority .....	60.0	6.5	53.5	1,490.3	98.0
British Columbia Ferry Corporation .....	42.1	3.4	38.7	1,002.2	31.4
British Columbia Transit <sup>5</sup> .....	0.1	0.2	(0.1)	58.8	15.6
Rapid Transit Project 2000 <sup>6</sup> .....	0.6	—	0.6	61.6	—
Vancouver Trade and Convention Centre .....	24.3	—	24.3	70.8	—
Other <sup>7</sup> .....	1.5	1.7	(0.2)	59.6	(26.7)
	128.6	11.8	116.8	2,743.3	118.3
<b>Government services Crown corporations and agencies and other fiscal agency loans</b>					
British Columbia Assessment Authority .....	16.0	—	16.0	20.8	15.0
British Columbia Buildings Corporation .....	(35.6)	4.2	(39.8)	714.5	(104.3)
Homeowner Protection Office .....	(0.1)	—	(0.1)	8.0	—
Other fiscal agency loans <sup>8</sup> .....	0.1	1.9	(1.8)	139.7	(2.2)
	(19.6)	6.1	(25.7)	883.0	(91.5)

<sup>1</sup> Net debt includes provincial government direct debt, fiscal agency loans, other debt that has been guaranteed by the provincial government, and certain other debt which is not provincially guaranteed.

<sup>2</sup> Gross new long-term borrowing plus net change in short-term debt outstanding.

<sup>3</sup> Sinking fund contributions, sinking fund interest earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

<sup>4</sup> Total net debt consists of the revised forecast amounts in *Budget '99* plus the net change for the period. The totals will be revised upon release of the 1998/99 *Public Accounts*.

<sup>5</sup> British Columbia Transit debt for operations in the Lower Mainland was assumed by the province (*SkyTrain* guideway and bridge and *West Coast Express* infrastructure), and by the Greater Vancouver Transportation Authority (GVTA) effective March 31, 1999.

<sup>6</sup> *SkyTrain* cars that have been purchased but not yet transferred to the GVTA.

<sup>7</sup> Includes the British Columbia Housing Management Commission, Pacific Racing Association and Victoria Line Ltd.

<sup>8</sup> Includes local governments, universities and colleges.

<sup>9</sup> Includes student assistance loans, loan guarantees to agricultural producers and guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs.

<sup>10</sup> Includes debt of the Provincial Rental Housing Corporation, BC Transportation Financing Authority, Pacific National Exhibition, British Columbia Ferry Corporation, Okanagan Valley Tree Fruit Authority and British Columbia Transit that is not guaranteed by the provincial government.

<sup>11</sup> Includes debt of the British Columbia Lottery Corporation, Liquor Distribution Branch, British Columbia Railway Company, Columbia Basin Power Company and Skeena Cellulose Inc. that is not guaranteed by the provincial government.

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**Table 5** Change in Provincial Net Debt and Total Net Debt Outstanding, 1999/00<sup>1</sup> — *Continued*

Three Months Ended June 30 (Unaudited)	1999			1998	
	New Borrowing <sup>2</sup>	Retirement Provision <sup>3</sup>	Net Change (\$ millions)	Total Net Debt Outstanding <sup>4</sup>	Net Change
<b>Other guarantees<sup>9</sup></b> .....	—	—	—	159.1	—
<b>Non-guaranteed debt<sup>10</sup></b> .....	—	—	—	147.5	—
<b>Total taxpayer-supported debt</b> .....	<b>965.3</b>	<b>523.9</b>	<b>441.4</b>	<b>23,461.1</b>	<b>597.8</b>
<b>Self-supporting debt</b>					
<b>Commercial Crown corporations and agencies</b>					
British Columbia Hydro and Power Authority .....	367.1	322.1	45.0	7,496.3	(34.1)
British Columbia Railway Company .....	50.0	49.3	0.7	575.5	63.2
Skeena Cellulose Inc. ....	0.1	—	0.1	132.3	—
Western Star Truck Co. ....	59.7	—	59.7	59.7	—
	<u>476.9</u>	<u>371.4</u>	<u>105.5</u>	<u>8,263.8</u>	<u>29.1</u>
<b>Warehouse borrowing program</b> .....	<b>582.3</b>	<b>29.1</b>	<b>553.2</b>	<b>1,203.2</b>	<b>98.1</b>
<b>Non-guaranteed debt<sup>11</sup></b> .....	—	—	—	200.9	—
<b>Total self-supporting debt</b> .....	<b>1,059.2</b>	<b>400.5</b>	<b>658.7</b>	<b>9,667.9</b>	<b>127.2</b>
<b>Total provincial debt</b> .....	<b>2,024.5</b>	<b>924.4</b>	<b>1,100.1</b>	<b>33,129.0</b>	<b>725.0</b>

<sup>1</sup> Net debt includes provincial government direct debt, fiscal agency loans, other debt that has been guaranteed by the provincial government, and certain other debt which is not provincially guaranteed.

<sup>2</sup> Gross new long-term borrowing plus net change in short-term debt outstanding.

<sup>3</sup> Sinking fund contributions, sinking fund interest earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

<sup>4</sup> Total net debt consists of the revised forecast amounts in *Budget '99* plus the net change for the period. The totals will be revised upon release of the 1998/99 *Public Accounts*.

<sup>5</sup> British Columbia Transit debt for operations in the Lower Mainland was assumed by the province (*SkyTrain* guideway and bridge and *West Coast Express* infrastructure), and by the Greater Vancouver Transportation Authority (GVTA) effective March 31, 1999.

<sup>6</sup> *SkyTrain* cars that have been purchased but not yet transferred to the GVTA.

<sup>7</sup> Includes the British Columbia Housing Management Commission, Pacific Racing Association and Victoria Line Ltd.

<sup>8</sup> Includes local governments, universities and colleges.

<sup>9</sup> Includes student assistance loans, loan guarantees to agricultural producers and guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs.

<sup>10</sup> Includes debt of the Provincial Rental Housing Corporation, BC Transportation Financing Authority, Pacific National Exhibition, British Columbia Ferry Corporation, Okanagan Valley Tree Fruit Authority and British Columbia Transit that is not guaranteed by the provincial government.

<sup>11</sup> Includes debt of the British Columbia Lottery Corporation, Liquor Distribution Branch, British Columbia Railway Company, Columbia Basin Power Company and Skeena Cellulose Inc. that is not guaranteed by the provincial government.

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## PART FOUR – CROWN CORPORATIONS

The unaudited operating results of Crown corporations and agencies for their most recent reporting period are presented in this section. Highlights for the major Crown corporations include:

### ***British Columbia Ferry Corporation (Table 7)***

- The corporation reported a net loss of \$3 million for the three months ended June 30, 1999, \$3 million lower than in the same period last year.
- Toll revenues were 1.1 per cent lower than last year, reflecting a 0.9-per-cent decline in traffic volumes and a 1.3-per-cent decline in passenger volumes. This was partially offset by a 3.3-per-cent increase in revenue from catering and other sources. Operating expenses rose 4.5 per cent, mainly due to higher labour, repair and maintenance and financing costs.
- Labour costs increased 2.5 per cent and included additional costs for preparation and training for the new high-speed ferry and changes to the collective agreement. Repair and maintenance costs rose 25 per cent due to contracted ship maintenance costs, while financing costs increased 11 per cent reflecting higher debt levels.
- The first-quarter improvement from last year reflects additional provincial assistance through a transfer of 1 cent/litre of provincial motor fuel tax. In the first three months, the corporation received \$14 million of dedicated motor fuel tax compared to provincial grants of \$6 million during the same period last year.

### ***British Columbia Hydro and Power Authority (BC Hydro) (Table 8)***

- BC Hydro's first-quarter net income of \$120 million was \$69 million higher than the same period last year primarily due to higher electricity trade and residential revenues and to lower finance charges, partially offset by higher energy costs.
- Domestic revenues rose 4 per cent, due to increased residential revenues resulting from significantly cooler weather conditions compared to last year.
- Electricity trade income rose 89 per cent due to a 53-per-cent increase in sales volumes and a 23-per-cent increase in average prices. High energy prices resulted from higher energy demand due to unusually cool weather in the Pacific Northwest, increased air-conditioning use in the Southwest United States, outages in California and Alberta, and delayed snow melt resulting from cooler-than-normal temperatures. As a result, BC Hydro shifted more electricity trade sales into the first quarter that would normally be made later in the year.

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- Energy costs rose \$50 million, as a \$63-million increase in electricity trade energy costs was partially offset by a \$13-million decrease in domestic energy costs. The higher electricity trade energy costs reflects the increase in sales volumes and higher transmission costs. Despite a 3-per-cent increase in sales volumes, domestic energy costs fell due to greater use of low-cost hydro generation this year. Record snowpack levels over the winter and an increase in water inflows into reservoirs allowed for increased use of low-cost hydro generation instead of higher-priced energy purchases.
  - Operations, maintenance and administration costs increased 4.5 per cent, while finance costs declined 7.2 per cent due to the refinancing of some U.S. debt at lower interest rates.

### ***British Columbia Lottery Corporation (Table 9)***

- The corporation reported net income of \$127 million for the first three months of the fiscal year, up 34 per cent from last year.
- Lottery sales revenue increased 21 per cent due to the effect of casino and electronic bingo operations which commenced later in 1998/99. Sales of Lotto 6/49, BC49 and Extra were down \$16 million due to a larger number of jackpots in the previous year. These were partially offset by the introduction of Super 7 later in 1998/99. Revenue from casino operations increased \$64 million, while electronic bingo sales rose \$4 million.
- Direct costs rose \$20 million in response to higher sales. Other expenses increased \$4 million due to increased support and infrastructure costs related to the expanded gaming activity.

### ***British Columbia Railway Company (Table 11)***

- The company reported net income of \$19 million for the six months ended June 30, 1999, up \$8 million from the same period last year.
- Operating revenue increased 15 per cent, mainly due to additional revenues from Canadian Stevedoring, purchased in October 1998, and Finlay Navigation Partnership, which was finalized in June 1999. This was partially offset by reduced revenue as a result of the sale of Westel in July 1998. Revenues from other rail traffic and other operations were comparable to 1998.
- Operating costs rose 12 per cent. The addition of Canadian Stevedoring and the completion of the Finlay Navigation partnership in June 1999 contributed to a 44-per-cent increase in operations expense, while road maintenance expenses fell 21 per cent due to lower mishap and rail administration costs.
- Interest expense rose 8 per cent due to a higher level of outstanding debt.

### ***British Columbia Transit (Transit) (Table 13)***

- BC Transit's net expenditure for the first three months of the fiscal year totalled \$17 million, slightly higher than the same period last year. Effective March 31, 1999, the Greater Vancouver Transportation Authority (GVTA) assumed responsibility for transit operations in the Lower Mainland. As a result, the three-month comparative results for BC Transit include Victoria and other non-GVTA municipal systems.



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- Revenue decreased slightly during the first three months while expenditures showed a slight increase.
  - Increases in operations, maintenance, administration and property leases and taxes were partially offset by reduced debt servicing costs as a result of changes in provincial capital financing.

### ***Insurance Corporation of British Columbia (Table 16)***

- The corporation reported net income of \$18 million for the six months ended June 30, 1999, compared to net income of \$71 million for the same period last year.
- In the fourth year of a premium freeze, premium revenue increased 1.7 per cent mainly reflecting additional sales of Autoplan policies. Last year at this time, premium revenue rose 3.4 per cent. Also contributing to the 1999 increase was a 28-per-cent rise in driver premium revenue due to an increase in penalty point fines in 1998. Provincial licences and fines revenue declined 5 per cent due to the discontinuation of motor carrier fees in January 1999, and a reduction in photo radar revenue due to increased compliance.
- Net costs for claims incurred declined 0.7 per cent. A favourable resolution of prior years' injury claims more than offset a 3.1-per-cent increase in current claims costs. During the first six months, the number of claims reported increased 4.2 per cent mainly due to inclement weather this spring, while the average cost per claim decreased 2.3 per cent.
- Claims service costs rose 17 per cent while road safety spending showed a 9.2-per-cent increase. These increases reflect a continuation of expanded services introduced in late 1998, including dispute resolution, automated estimating and various speed, safety and fraud enforcement projects. Operating expenses increased 11 per cent mainly due to increased costs for administration and driver, commercial vehicle and Autoplan services resulting from expanded and improved services.

**Table 6** British Columbia Buildings Corporation  
Income Statement  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Gross revenues.....	<u>116,969</u>	<u>112,657</u>	3.8
Expenses:			
Operations, maintenance and administration.....	36,998	33,275	11.2
Lease costs.....	34,317	32,336	6.1
Client requested projects.....	6,168	7,592	(18.8)
Depreciation and amortization.....	12,079	11,876	1.7
Interest, net.....	15,196	15,012	1.2
	<u>104,758</u>	<u>100,091</u>	4.7
Income before gain on disposals.....	12,211	12,566	(2.8)
Gain on disposals.....	5,570	296	—
Net income.....	<u>17,781</u>	<u>12,862</u>	38.2

**Table 7** British Columbia Ferry Corporation  
Income Statement  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Operating revenues:</b>			
Tolls .....	76,066	76,878	(1.1)
Catering and other income .....	17,079	16,533	3.3
Federal coastal ferry contract .....	5,538	5,510	0.5
	<u>98,683</u>	<u>98,921</u>	(0.2)
<b>Operating expenses:</b>			
Salaries, wages and benefits .....	59,615	58,178	2.5
Fuel .....	8,736	8,134	7.4
Cost of food and goods sold .....	5,767	5,969	(3.4)
Repair and maintenance .....	6,739	5,383	25.2
Materials and supplies .....	4,601	5,024	(8.4)
Net financing expense .....	11,383	10,295	10.6
Professional, computer and other .....	5,279	4,732	11.6
Insurance, taxes, utilities .....	2,133	2,480	(14.0)
Amortization .....	11,793	10,820	9.0
	<u>116,046</u>	<u>111,015</u>	4.5
Income (loss) from operations .....	(17,363)	(12,094)	43.6
Dedicated motor fuel tax <sup>1</sup> .....	14,034	—	—
Provincial operating grant <sup>1</sup> .....	—	6,000	—
Net income (loss) .....	<u>(3,329)</u>	<u>(6,094)</u>	(45.4)

<sup>1</sup> Effective April 1, 1999, the provincial operating grant is replaced with transfers of dedicated revenue from the provincial government. This revenue includes 1 cent/litre of motor fuel tax for the period April 1, 1999 to September 30, 1999, and 1.25 cents/litre of motor fuel tax for the period October 1, 1999 to March 31, 2000.

**Table 8** British Columbia Hydro and Power Authority  
Income Statement  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$ millions)	Actual 1998 <sup>1</sup> (\$ millions)	Increase (Decrease) (Per cent)
<b>Revenues:</b>			
Residential.....	197	179	10.1
Light industrial and commercial.....	203	200	1.5
Large industrial.....	113	115	(1.7)
Other energy sales and miscellaneous.....	22	21	4.8
Total domestic.....	535	515	3.9
Electricity trade.....	202	107	88.8
	<u>737</u>	<u>622</u>	18.5
<b>Expenses:</b>			
Energy costs.....	256	206	24.3
Operations, maintenance and administration.....	93	89	4.5
Taxes.....	43	43	—
Depreciation.....	83	80	3.8
	<u>475</u>	<u>418</u>	13.6
Income before finance charges.....	262	204	28.4
Finance charges.....	(142)	(153)	(7.2)
Net income.....	<u>120</u>	<u>51</u>	—

<sup>1</sup> Certain figures for 1998 have been restated to conform to the presentation used for 1999.

**Table 9** British Columbia Lottery Corporation  
Income Statement  
for the Three Months Ended June 27, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Lottery sales.....	330,021	273,055	20.9
Direct costs:			
Prizes.....	120,827	123,938	(2.5)
Retailer commissions and retail sales division.....	50,996	27,405	86.1
Ticket printing and bingo paper.....	3,553	3,632	(2.2)
	175,376	154,975	13.2
Sales less direct costs.....	154,645	118,080	31.0
Other expenses:			
Operating.....	17,588	15,358	14.5
Amortization.....	5,382	4,604	16.9
Goods and services tax.....	4,404	3,389	29.9
	27,374	23,351	17.2
Net income.....	127,271	94,729	34.4
Allocation of net income:			
Province of British Columbia <sup>1</sup> .....	124,531	92,351	34.8
Government of Canada.....	1,789	1,728	3.5
Other <sup>2</sup> .....	951	650	46.3
	127,271	94,729	34.4

<sup>1</sup> Net income figures differ from those shown in Table 3 primarily due to the inclusion of revenues dedicated to charities, which are deducted from provincial government revenue.

<sup>2</sup> Includes costs incurred for the Gaming Audit Investigation Office and the Gaming Policy Secretariat.

**Table 10** British Columbia Pavilion Corporation  
Income Statement  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
Revenue from operations.....	7,725	5,782	33.6
Direct event costs.....	3,475	2,577	34.8
Gross margin.....	<u>4,250</u>	<u>3,205</u>	32.6
Facility costs:			
Administration.....	455	427	6.6
Operations and fees.....	1,256	1,226	2.4
Staffing.....	1,994	1,949	2.3
Business development.....	210	132	59.1
Depreciation.....	1,118	1,053	6.2
	<u>5,033</u>	<u>4,787</u>	5.1
Net operating income (loss).....	(783)	(1,582)	(50.5)
Province of British Columbia subsidy <sup>2</sup> .....	—	530	(100.0)
Net income (loss).....	<u>(783)</u>	<u>(1,052)</u>	(25.6)

<sup>1</sup> Certain figures for 1998 have been restated to conform to the presentation for 1999.

<sup>2</sup> The corporation receives an annual subsidy from the provincial government to compensate for its operating losses excluding depreciation.

**Table 11**    **British Columbia Railway Company<sup>1</sup>**  
 Consolidated Income Statement  
 for the Six Months Ended June 30, 1999  
 (Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Operating revenue .....	245,869	213,644	15.1
Expenses:			
Operations .....	91,410	63,323	44.4
Equipment maintenance .....	42,340	42,131	0.5
Road maintenance .....	17,824	22,691	(21.4)
Depreciation .....	33,078	33,378	(0.9)
Administration and general .....	22,471	22,765	(1.3)
	<u>207,123</u>	<u>184,288</u>	12.4
Operating income .....	38,746	29,356	32.0
Interest expense .....	(17,422)	(16,143)	7.9
Capital and income taxes .....	(2,440)	(2,097)	16.4
Net income .....	<u>18,884</u>	<u>11,116</u>	69.9

<sup>1</sup> This statement shows the consolidated results of the British Columbia Railway Company, BCR Properties Ltd., BC Rail Ltd., Vancouver Wharves Ltd., BCR Leasing (US) Inc., BCR Ventures Inc., Canadian Stevedoring Company (effective October 30, 1998), Finlay Navigation Partnership (effective June 1999), and Westel Telecommunications Ltd. until it was sold on July 31, 1998.

**Table 12** British Columbia Securities Commission  
Statement of Operations  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Fees .....	7,787	8,643	(9.9)
Administrative penalties .....	12	61	(80.3)
Interest income .....	253	306	(17.3)
	<u>8,052</u>	<u>9,010</u>	(10.6)
<b>Expenditures:</b>			
Salaries and benefits .....	3,084	2,336	32.0
Contract services .....	380	201	89.1
Building occupancy .....	278	156	78.2
General .....	240	207	15.9
Securities Fraud Office .....	—	231	(100.0)
Depreciation .....	204	165	23.6
Systems operating and communication .....	78	136	(42.6)
Travel .....	94	62	51.6
Information systems development .....	159	131	21.4
	<u>4,517</u>	<u>3,625</u>	24.6
Net income .....	3,535	5,385	(34.4)
Operating surplus, beginning of year .....	1,488	15,515	(90.4)
Operating surplus, end of year .....	<u>5,023</u>	<u>20,900</u>	(76.0)

<sup>1</sup> Certain figures for 1998 have been restated to conform to the presentation for 1999.



**Table 13** British Columbia Transit<sup>1</sup>  
Revenue and Expenditure Statement  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>2</sup> (\$000)	Increase (Decrease) (Per cent)
Revenue .....	<u>7,769</u>	<u>7,812</u>	(0.6)
Expenditures:			
Operations .....	15,069	14,223	5.9
Maintenance .....	2,821	2,697	4.6
Administration .....	4,346	4,158	4.5
Interest .....	37	33	12.1
Property leases and taxes .....	278	192	44.8
Debt servicing .....	2,012	3,189	(36.9)
Total expenditure .....	<u>24,563</u>	<u>24,492</u>	0.3
Net expenditure .....	<u>16,794</u>	<u>16,680</u>	0.7
Recoveries:			
Contribution from the Province of British Columbia .....	9,571	10,421	(8.1)
Contributions from participating municipalities .....	<u>7,223</u>	<u>6,259</u>	15.4
	<u>16,794</u>	<u>16,680</u>	0.7

<sup>1</sup> Under the *Greater Vancouver Transportation Authority Act*, introduced in 1998, the Greater Vancouver Transportation Authority (GVTA) assumed responsibility for Lower Mainland transit from British Columbia Transit. Funding for the GVTA is provided by increased provincial transfers of dedicated revenue from fuel and sales taxes, increased access to the local property tax base, and other own-source fees and charges.

<sup>2</sup> Figures for 1998 have been restated to reflect the transfer to BC Transit operations in the Greater Vancouver District to the Greater Vancouver Transportation Authority. The amounts shown for 1998 and 1999 reflect the estimated operating results for Victoria and other non-GVTA municipal systems.

**Table 14** BC Transportation Financing Authority<sup>1</sup>  
Consolidated Statement of Income  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Dedicated revenue <sup>2</sup> .....	35,991	31,137	15.6
Other <sup>3</sup> .....	365	440	(17.0)
	<u>36,356</u>	<u>31,577</u>	15.1
<b>Expenditures<sup>4</sup>:</b>			
Operations and administration <sup>5</sup> .....	5,790	5,290	9.5
Grant programs <sup>6</sup> .....	959	259	—
Amortization <sup>7</sup> .....	8,753	7,623	14.8
Interest <sup>8</sup> .....	18,905	16,577	14.0
	<u>34,407</u>	<u>29,749</u>	15.7
<b>Net income</b> .....	<u>1,949</u>	<u>1,828</u>	6.6

<sup>1</sup> Includes results of Highway Constructors Ltd., a wholly-owned subsidiary.

<sup>2</sup> Dedicated revenue includes 3 cents/litre of motor fuel tax (increased from 2 cents/litre effective June 1, 1999), and a provincial social service sales tax on short term car rentals.

<sup>3</sup> Includes investment revenue recorded net of related interest expense.

<sup>4</sup> During the first three months of 1999/00, the authority undertook \$83.3 million of transportation/infrastructure projects. These capital expenditures are accounted for in the authority's balance sheet. Completed infrastructure is amortized on a straight-line basis over its estimated useful life.

<sup>5</sup> Includes \$4.7 million in 1999 (1998 — \$4.2 million) paid to the Ministry of Transportation and Highways for general operating expenses not specifically related to individual capital projects.

<sup>6</sup> Includes grants paid under the air transport assistance program, the cycling network program, the alternative transportation program and the municipalities road program.

<sup>7</sup> Net of amortization of deferred capital contribution of \$53.1 million, related to highways transferred from the province to the Authority effective March 31, 1999.

<sup>8</sup> Interest on borrowing used to finance construction work in progress is capitalized. Upon project completion, interest capitalization ceases, and related interest costs are expensed.

**Table 15**    **Forest Renewal BC**  
Statement of Income and Equity  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Statutory revenue <sup>1,2</sup> .....	12,049	—	—
Investment income .....	7,662	17,262	(55.6)
	<u>19,711</u>	<u>17,262</u>	14.2
<b>Cost of Services:</b>			
Project expenditures .....	33,647	44,165	(23.8)
Administration .....	3,476	4,198	(17.2)
	<u>37,123</u>	<u>48,363</u>	(23.2)
Net income (loss) .....	(17,412)	(31,101)	(44.0)
Unappropriated surplus, beginning of period .....	52,674	293,972	(82.1)
	<u>35,262</u>	<u>262,871</u>	(86.6)
Net transfer to reserve for multi-year agreements <sup>3</sup> .....	(35,262)	(210,283)	(83.2)
Unappropriated surplus, end of period .....	<u>—</u>	<u>52,588</u>	(100.0)

<sup>1</sup> Consists of increases in stumpage and royalties resulting from changes in rates introduced under the provincial government's Forest Renewal Plan on May 1, 1994, and the rate policy changes introduced on June 1, 1998.

<sup>2</sup> Statutory revenue is net of the annual recovery by the provincial government of up to \$50 million for expenditures incurred by the province relating to the administration of the Forest Practices Code, as provided for under the *BC Forest Renewal Act*. In 1998, the recovery of costs occurred in the first quarter. In 1999, the recovery of costs was deferred until later in the year.

<sup>3</sup> Consists of amounts appropriated by the Board of Directors as reserves for multi-year agreements.

**Table 16** Insurance Corporation of British Columbia  
Statement of Operations and Retained Earnings  
for the Six Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Vehicle premiums earned .....	1,170,990	1,153,666	1.5
Driver premiums earned .....	10,957	8,577	27.7
	<u>1,181,947</u>	<u>1,162,243</u>	1.7
Licences and fines on behalf of the Province .....	206,780	218,001	(5.1)
	<u>1,388,727</u>	<u>1,380,244</u>	0.6
Payment of licenses and fines to the Province .....	(206,780)	(192,601)	7.4
	<u>1,181,947</u>	<u>1,187,643</u>	(0.5)
<b>Expenses:</b>			
<b>Claims costs:</b>			
Claims incurred .....	1,059,528	1,027,229	3.1
Prior years' claims development <sup>2</sup> .....	(66,027)	(26,705)	—
	<u>993,501</u>	<u>1,000,524</u>	(0.7)
Claims services .....	128,687	110,352	16.6
Road safety services .....	8,349	7,649	9.2
	<u>1,130,537</u>	<u>1,118,525</u>	1.1
<b>Operating Expenses:</b>			
Administration .....	71,707	59,166	21.2
Driver, commercial vehicle and Autoplan services .....	39,428	28,957	36.2
Commissions .....	83,631	82,897	0.9
Premium taxes .....	47,278	46,490	1.7
Year 2000 software development .....	2,796	2,451	14.1
	<u>244,840</u>	<u>219,961</u>	11.3
<b>Total claims and expenses .....</b>	<u>1,375,377</u>	<u>1,338,486</u>	2.8
	<u>(193,430)</u>	<u>(150,843)</u>	28.2
Investment income .....	211,137	221,472	(4.7)
<b>Income .....</b>	<u>17,707</u>	<u>70,629</u>	(74.9)

<sup>1</sup> Figures for 1998 have been restated to conform to the presentation used for 1999.

<sup>2</sup> Reflects (savings) costs as a result of the re-estimate of final claims relating to previous years.

**Table 17**    **Liquor Distribution Branch**  
Income Statement  
for the First Quarter Ended June 26, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Sales:</b>			
Provincial liquor sales .....	390,925	401,785	(2.7)
Less: Discounts and commissions .....	(10,419)	(11,109)	(6.2)
Net sales .....	380,506	390,676	(2.6)
<b>Cost of sales</b> .....	<b>(194,507)</b>	<b>(199,288)</b>	<b>(2.4)</b>
Gross profit .....	185,999	191,388	(2.8)
<b>Operating expenses</b> .....	<b>(43,172)</b>	<b>(39,567)</b>	<b>9.1</b>
Net operating income .....	142,827	151,821	(5.9)
<b>Other income</b> .....	<b>715</b>	<b>824</b>	<b>(13.2)</b>
Net income <sup>1</sup> .....	<u>143,542</u>	<u>152,645</u>	<b>(6.0)</b>

<sup>1</sup> Net income of the Liquor Distribution Branch is also included as part of revenue in Table 3.

**Table 18** Okanagan Valley Tree Fruit Authority  
Statement of Income and Retained Earnings  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Provincial contribution.....	2,000	2,000	—
Investment and miscellaneous income .....	5	33	(84.8)
	<u>2,005</u>	<u>2,033</u>	(1.4)
<b>Expenditures:</b>			
Orchard renovation program .....	1,117	1,126	(0.8)
Sterile insect release program.....	—	500	(100.0)
Operating and other programs.....	—	47	(100.0)
	<u>1,117</u>	<u>1,673</u>	(33.2)
Surplus (deficit) for the period.....	888	360	—
Retained earnings, beginning of period.....	(136)	263	—
Retained earnings, end of period.....	<u>752</u>	<u>623</u>	20.7

**Table 19** Provincial Capital Commission  
Statement of Revenue, Expenditure and Surplus  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Rent and other .....	687	672	2.2
Interest .....	54	55	(1.8)
	<u>741</u>	<u>727</u>	1.9
Expenditure:			
Operating .....	604	567	6.5
Surplus for the period .....	137	160	(14.4)
Unappropriated surplus, beginning of period .....	2,813	3,318	(15.2)
Unappropriated surplus, end of period .....	<u>2,950</u>	<u>3,478</u>	(15.2)

<sup>1</sup> Certain figures for 1998 have been restated to conform to the presentation used for 1999.

**Table 20** Tourism British Columbia  
Income Statement  
for the Three Months Ended June 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Dedicated hotel room tax <sup>1</sup> .....	5,160	4,518	14.2
Other revenue <sup>2</sup> .....	1,573	479	—
	<u>6,733</u>	<u>4,997</u>	34.7
<b>Operating expenses:</b>			
Marketing and sales .....	1,294	1,406	(8.0)
Tourism operations <sup>2</sup> .....	3,276	2,493	31.4
Business development .....	253	285	(11.2)
General and administration .....	677	617	9.7
Depreciation <sup>3</sup> .....	87	29	—
	<u>5,587</u>	<u>4,830</u>	15.7
Net income .....	1,146	167	—
Unappropriated surplus, beginning of period .....	6,320	8,064	(21.6)
Unappropriated surplus, end of period .....	<u>7,466</u>	<u>8,231</u>	(9.3)

<sup>1</sup> Includes a 1.65-per-cent share of provincial revenue raised from the 8-per-cent provincial hotel room tax.

<sup>2</sup> Effective 1999, Tourism British Columbia assumed responsibility for Discover Camping reservations from the provincial government.

<sup>3</sup> Increase in 1999 reflects the purchase of the SuperNatural BC reservation system in February 1999.



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