

# Quarterly Report

April to September 1999



BRITISH  
COLUMBIA

Ministry of Finance and  
Corporate Relations

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**Ministry of Finance and Corporate Relations**

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# Second Quarterly Report

on the Economy, Fiscal Situation and Crown Corporations

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Fiscal Year 1999/00  
Six Months  
April – September 1999

**Honourable Paul Ramsey**  
**Minister of Finance and Corporate Relations**

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## **Message from the Honourable Paul Ramsey**

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

I am pleased to present the second Quarterly Report for the 1999/2000 fiscal year.

This Quarterly Report contains some significant changes. First, government financial results are presented on the summary accounts basis, which combine Crown corporation results with those of the consolidated revenue fund. Second, this report includes a revised forecast of government finances for the fiscal year.

These changes reflect my commitment to increased transparency and improved reporting on the economy and government finances.

Part One of the Quarterly Report reviews the current economic situation and summarizes the revised economic forecast that I released in September. Part Two provides financial operating results for the summary accounts and the consolidated revenue fund for the six months ended September 30, 1999. Part Three provides information on provincial debt and capital spending as of September 30, 1999. Part Four provides interim financial statements of provincial Crown corporations and agencies for the period ended nearest to September 30, 1999. Part Five presents the revised full-year financial forecast, with details on revenues and expenditures of the consolidated revenue fund, provincial debt and capital spending, and Crown corporations and agencies.

The third Quarterly Report for the April-to-December period will be released during the week of February 21-25.

A handwritten signature in black ink that reads "Paul Ramsey". The signature is written in a cursive, flowing style.

Paul Ramsey  
Minister

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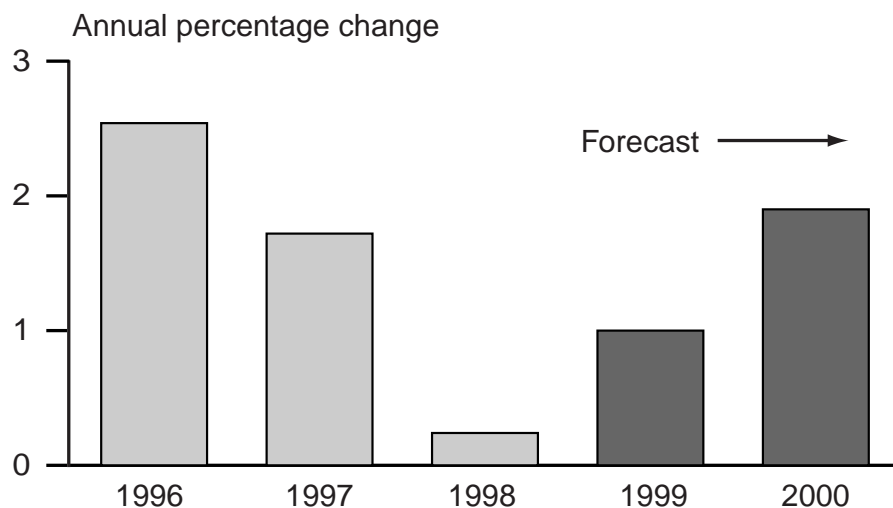
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## HIGHLIGHTS

### Economic

- British Columbia exports and manufacturing shipments remain above last year's levels, although export growth slowed in the third quarter. Manufacturing shipments continued to grow strongly.
- Retail spending picked up in the third quarter.
- Housing starts were up slightly but remain at low levels.
- Despite a decline in employment in the third quarter, the number of unemployed fell as the labour force contracted.
- The unemployment rate averaged 8.4 per cent in the third quarter, down slightly from the second quarter average. October's unemployment rate was the lowest since September 1981.
- Given the stronger-than-expected growth in British Columbia's major trading partners, the provincial economy should grow about 1 per cent in 1999 and 2 per cent in 2000.
- Statistics Canada estimated that the British Columbia economy grew 0.2 per cent in 1998, a better performance than estimated by most forecasters.

### British Columbia Real GDP



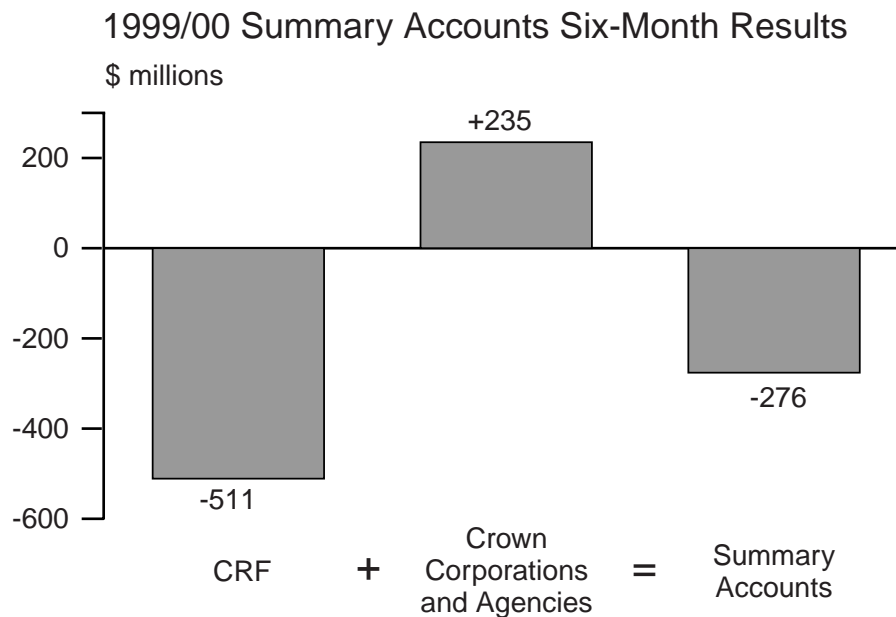
Source: Statistics Canada and Ministry of Finance and Corporate Relations forecast



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## Fiscal — Year-to-Date Results

- For the first time, the Quarterly Report presents financial results for the government's summary accounts, which combine the results of the government with its Crown corporations and agencies.
- Six-month results show a summary accounts deficit of \$276 million — \$182 million below last year.
  - The government's consolidated revenue fund (CRF) had a \$511-million shortfall — \$392 million better than planned. Revenue was up \$447 million mainly due to strong natural resource revenues; spending was up \$56 million primarily due to costs for the Vancouver Trade and Convention Centre.
  - The net contribution of Crown corporations was \$235 million, reducing the summary accounts deficit to \$276 million.



## Provincial Debt

- Provincial debt totalled \$34.6 billion at September 30, 1999, up \$2.5 billion from the start of the year. Over \$1.6 billion of the debt increase was for early borrowing that will be used over the rest of year.
- The six-month debt increase included \$229 million for commercial Crown corporations, and \$671 million to finance the operating and capital needs of the government and taxpayer-supported Crown corporations and agencies.

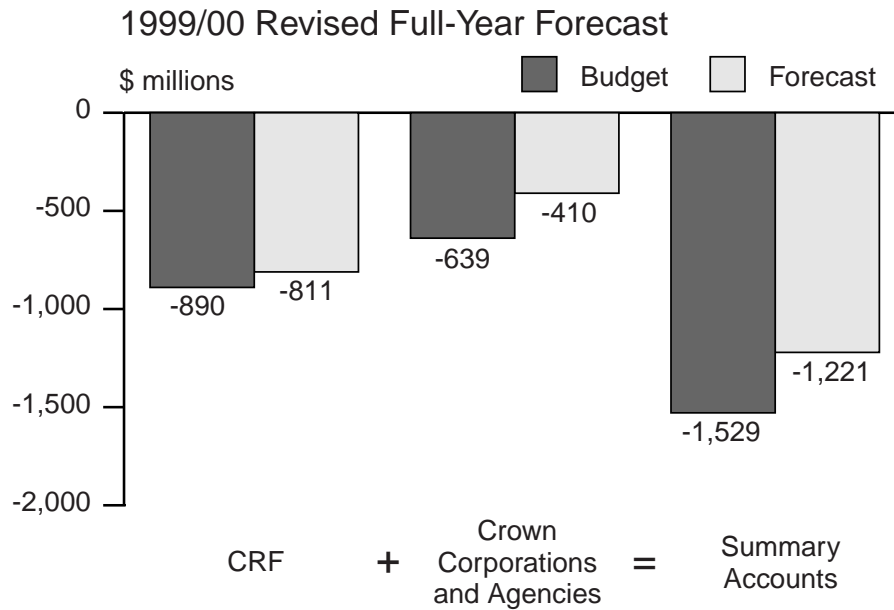
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## Crown Corporations

- Operating results of Crown corporations and agencies for the reporting period ending September 30, 1999 included:
  - British Columbia Ferry Corporation reported net income of \$21 million, reflecting the higher passenger loads normal in the summer months and an increased provincial subsidy.
  - British Columbia Hydro and Power Authority reported net income of \$281 million, \$112 million above last year mainly due to higher electricity trade revenue.
  - Net income from the British Columbia Railway Company totalled \$27 million for nine months, up \$10 million from the same period last year due to additional revenue from expanded operations.
  - The Insurance Corporation of British Columbia reported a nine-month net income of \$101 million due to lower costs for settling injury claims of previous years.

## Revised Full-Year Forecast

- For the first time, the Quarterly Report presents a revised forecast of government finances for the year.
- The summary accounts deficit is projected at \$1.2 billion — \$308 million lower than the March budget forecast.
  - The government's consolidated revenue fund is forecast to have an \$811-million shortfall — \$79 million better than budget. Revenue will be up \$584 million reflecting increased forecasts for natural resources and taxation revenues. Spending pressures of \$405 million are identified. Most of these pressures arise in the Ministries of Health and Attorney General, and from the costs of the Vancouver Trade and Convention Centre and the community social services collective agreement. An allowance of \$100 million for unforeseen events is included in the consolidated revenue fund forecast.
  - Crown corporation combined losses will total \$410 million — \$229 million better than budget — including a second \$100 million forecast allowance.
- Crown corporation revised forecasts for the full year include:
  - Forest Renewal BC's loss is forecast to be \$124 million, \$141 million less than last year due to higher revenues and reduced spending.
  - British Columbia Lottery Corporation's net income is projected to improve \$86 million from last year due to gaming activities started later in 1998/99.
  - The Insurance Corporation of British Columbia's mid-range of estimates shows a surplus of \$128 million for the year, reflecting lower costs for settling injury claims of previous years.



- Provincial debt is projected to increase \$2.5 billion to total \$34.5 billion by year-end. The debt increase is \$217 million lower than planned.
- Taxpayer-supported debt is forecast to increase \$2.9 billion to \$25.9 billion. The debt increase is \$228 million less than planned due to reduced operating and capital requirements of the government and Crown corporations.

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

### Overview

In the third quarter, the British Columbia economy continued to perform better than one year ago. Exports and manufacturing shipments remain above last year's levels. Inflation concerns have boosted interest rates, and housing activity continues to lag last year's levels. As indicated in the Ministry's September economic forecast, the provincial economy should grow about 1 per cent in 1999.

Economic growth forecasts for the world economy are being revised up and although interest rates are likely to be higher than previously expected, British Columbia should grow about 2 per cent in 2000.

### Third Quarter Developments

During the third calendar quarter, economic indicators in British Columbia pointed to a modest export-led recovery, with weak domestic markets. Abroad, economic growth continued to improve. Financial markets displayed more volatility in the third quarter reflecting concerns about U.S. stock market over-valuation and the possibility of stronger world growth leading to higher inflation.

Although employment fell slightly in the third quarter, the number of unemployed also fell as the labour force contracted. The unemployment rate averaged 8.4 per cent, down from 8.6 per cent in the second quarter.

Consumer spending improved, reflecting some of the earlier employment and income gains. Retail sales grew at an estimated 1 per cent annual rate, up from the 0.8 per cent rate of growth in the second quarter. Consumer confidence declined slightly following three quarters of improvement. Housing resales slowed in the third quarter and housing starts remained at low levels.

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<sup>1</sup> The *Economic Report* and accompanying charts and table incorporate information received to November 17, 1999. "Quarter" references in the *Economic Report* are for the calendar year.

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Continued strong growth in the U.S., signs of recovery in Japan, strengthening in Europe and the U.K., as well as stronger performance of some Asian economies raised interest rate concerns.

The U.S. posted a 4.8 per cent increase in real GDP in the third quarter, up from 1.9 per cent in the second quarter. The GDP price deflator, a broad measure of prices, rose at a 0.9 per cent annual rate, below the 1.1 per cent rise in the second quarter, helping to contain inflation concerns.

Overseas, the Japanese economy grew during the first two quarters of 1999 although the sustainability of the recovery is still being questioned as it does not yet appear to have spread to the consumer sector. Recent positive developments for the third quarter include improvements in housing starts and industrial production, which were up from year-earlier levels.

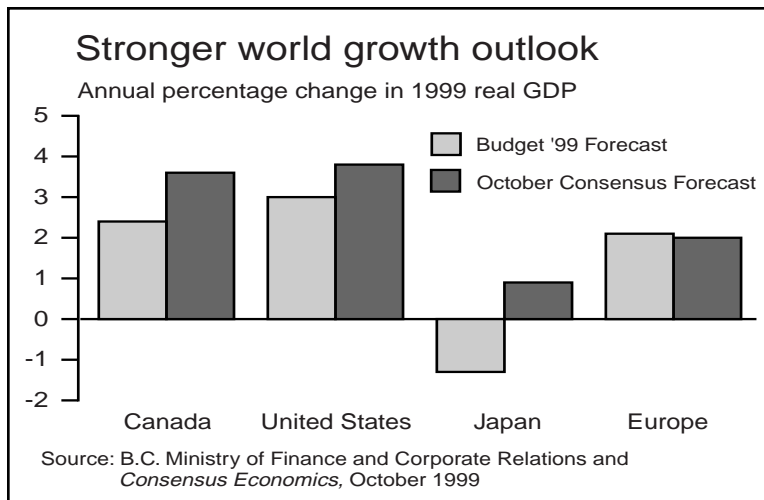
In Europe, the purchasing managers' report on the manufacturing sector suggests a brisk recovery is underway and is accompanied by building inflationary pressures. As a result, the European Central Bank and the Bank of England boosted interest rates recently.

The U.S. Federal Reserve raised short-term interest rates by 25 basis points on November 16, the third increase this year. The Bank of Canada followed the Federal Reserve's increase on November 17. The Bank of Canada had said it would respond promptly and firmly by raising interest rates if signs of inflationary pressures emerge in the Canadian economy. Citing recent evidence of robust domestic demand growth, the Bank of Canada said its interest rate increase is "designed to keep inflation well within the Bank's 1 to 3 per cent target range." While short-term rates have increased, long term rates in both countries have settled back to the 6 per cent range after rising sharply in recent weeks.

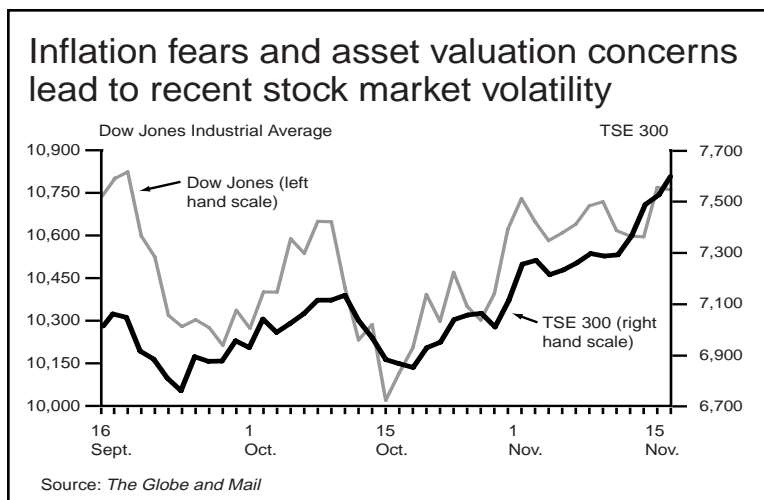
## **1998 Real GDP**

On November 10, 1999, Statistics Canada released the official estimates of real GDP in 1998. The Ministry of Finance and Corporate Relations had estimated the British Columbia economy contracted 0.5 per cent in 1998. The average of the private sector estimates was also a 0.5 per cent contraction. According to Statistics Canada, the British Columbia economy grew 0.2 per cent in 1998. (See "Update" on page 22.)

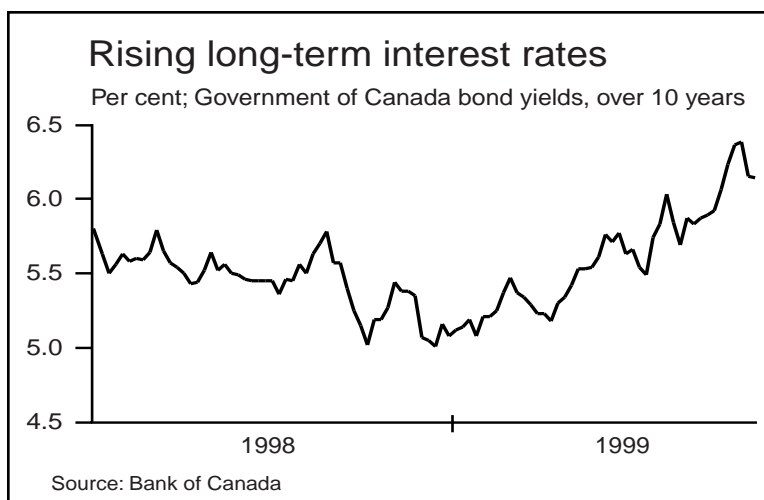
## RECENT DEVELOPMENTS



Growth in Canada, the U.S. and Japan has exceeded expectations. The extent of recovery in Japan is still uncertain while the U.S. is expected to post strong growth. Growth in Europe this year is much as expected but is set to accelerate in 2000.



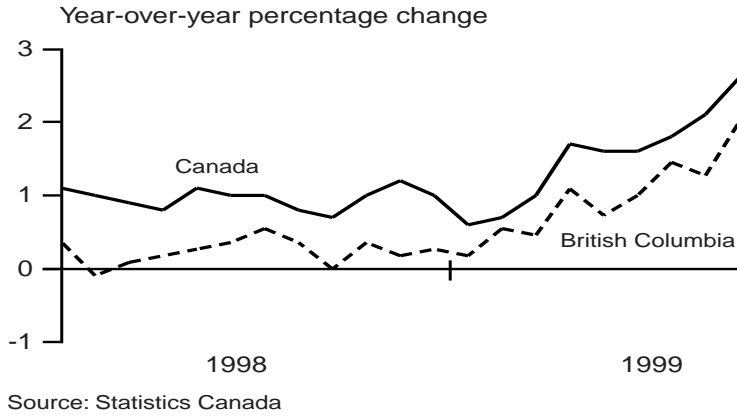
Stronger world growth accompanied by rising commodity prices and increasing wage pressures, particularly in the United States, has contributed to volatility in the stock markets.



The stronger-than-expected global performance has led to rising interest rates since the beginning of the year. While long-term interest rates have been rising, they remain low by historical standards.

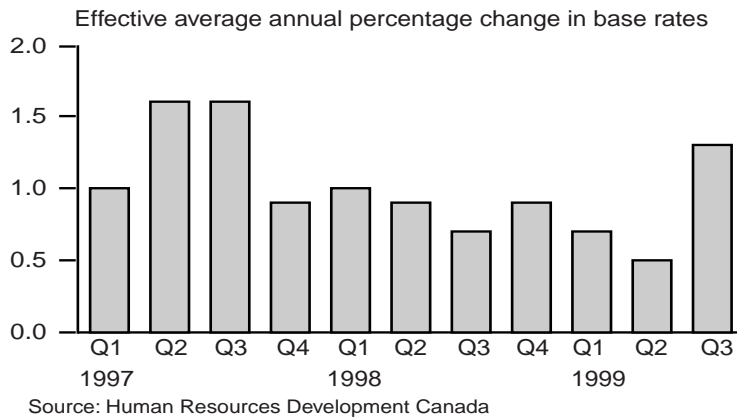
## RECENT DEVELOPMENTS — Continued

### B.C. consumer price inflation is rising



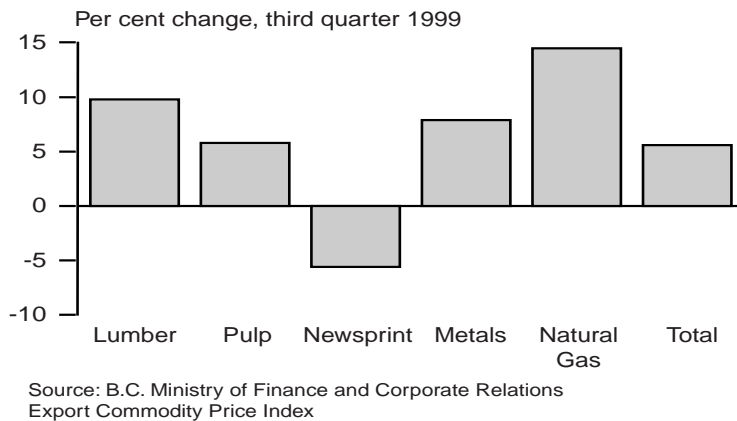
Rising energy prices boosted the national inflation rate to 2.6 per cent in September. In British Columbia, inflation was 2 per cent, slightly lower than the national rate due to the offsetting effect of lower housing prices. Excluding housing, British Columbia's inflation rate was 2.8 per cent in September.

### ... while B.C. wage pressures remain low



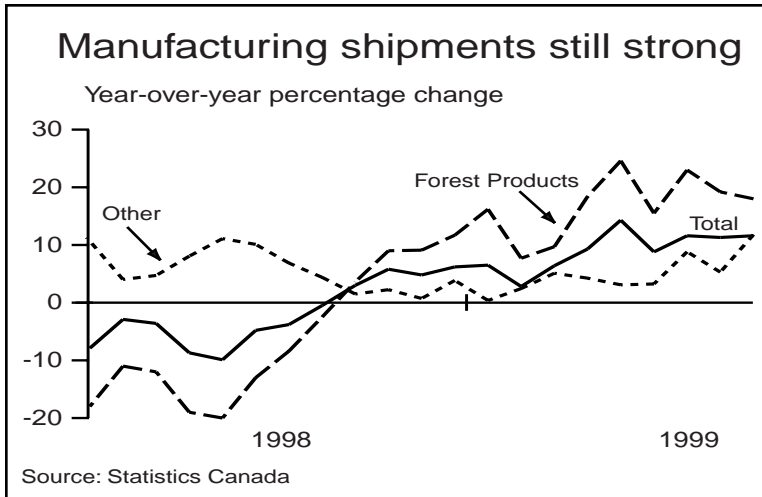
Major wage settlements in British Columbia have been below 1 per cent for much of the past two years.

### Commodity prices continue to improve

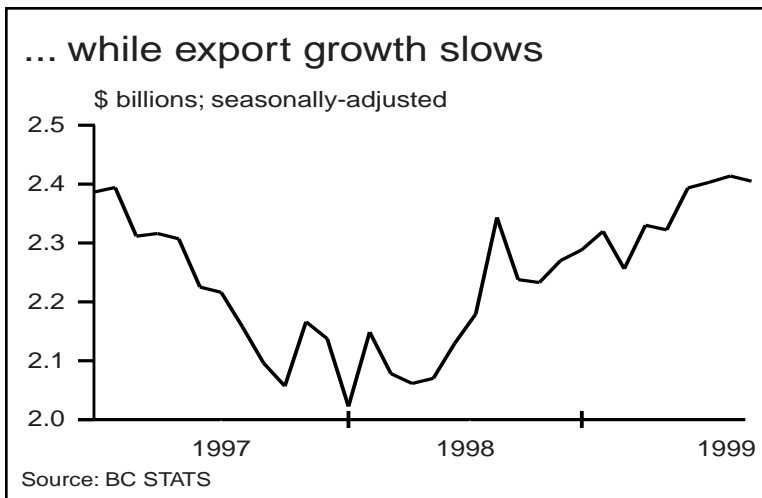


The composite index of the province's key commodity exports rose 5.6 per cent in Canadian dollar terms in the third quarter. Lumber, pulp, metals and natural gas prices posted large increases, which offset a decline in newsprint prices. However, lumber prices have fallen since July.

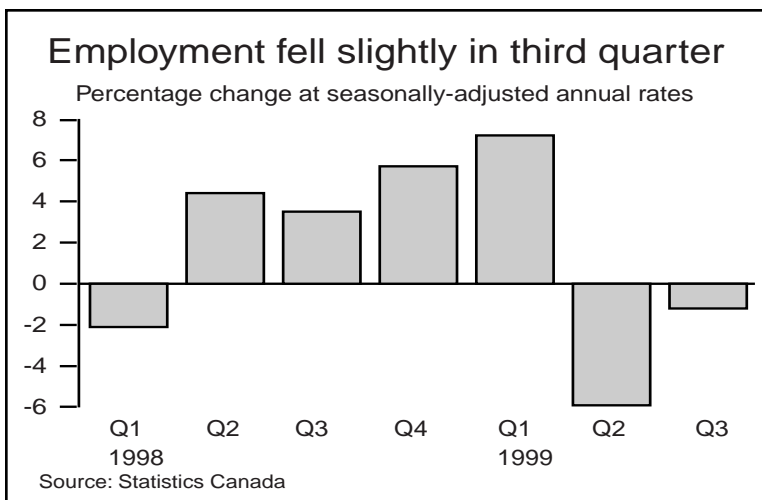
## RECENT DEVELOPMENTS — *Continued*



Manufacturing shipments grew at a faster pace in the third quarter than in the second quarter. Forest product shipments, up 8 per cent from the second quarter, contributed to most of the growth. Other shipments also continued to grow in the third quarter, averaging 5.9 per cent above second quarter levels.



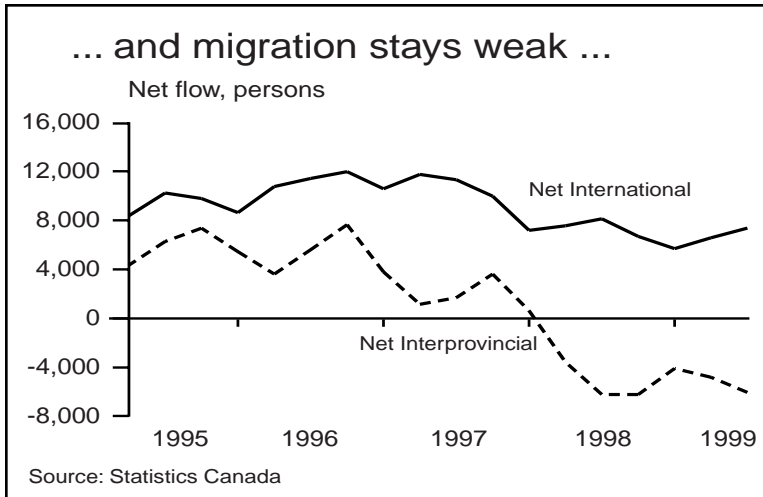
The province continues to benefit from stronger world growth and rising commodity prices. Year-to-date exports through August were up 10.9 per cent, although exports have changed little since May.



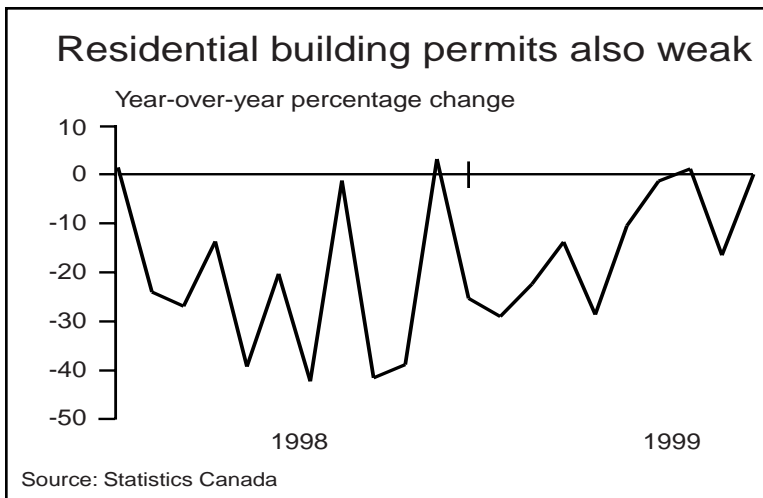
Although employment fell slightly in the third quarter, the number of unemployed also fell as the labour force contracted. The unemployment rate averaged 8.4 per cent in the third quarter, down from 8.6 per cent in the second quarter. October's unemployment rate of 7.4 per cent was the lowest level since September 1981.



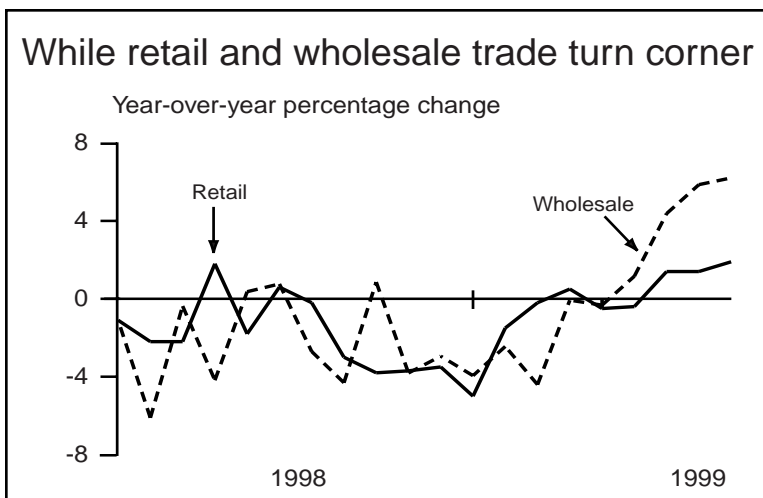
## RECENT DEVELOPMENTS — *Continued*



Strong economic performance in other provinces began to reverse the net inflow of people to British Columbia two years ago. Combined with a slowdown in foreign immigration due to the Asian downturn, this reduced British Columbia's population growth.



Residential building permits continue to decline, reflecting weak migration flows. Housing starts picked up slightly in the third quarter, averaging almost 15,300 units.



While showing little growth year-to-date, consumer spending in British Columbia picked up in recent months. Retail sales were above year-earlier levels during the third quarter. Wholesale trade has risen even more strongly.

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## Outlook

While recent inflationary pressures are mainly due to the run-up in oil prices, the improved world growth outlook has raised concerns about further inflationary pressures. As a result, interest rates have risen. Long-term interest rates are up in Canada and the U.S. but are still low by historical standards.

Strong world growth prospects should offset the impact of higher interest rates, so the British Columbia economy is forecast to grow 1 per cent in 1999 and 2 per cent in 2000. Risks to the outlook include a U.S. stock market correction, lower net in-migration and higher interest rates.

### Economic Outlook Key Indicators

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	1998	1999	2000
	Annual percentage change unless otherwise noted		
Nominal GDP .....	-0.2	2.4	2.5
Real GDP .....	0.2	1.0	1.9
Population (on July 1) .....	1.2	0.7	1.1
Net In-migration (persons) .....	7,092	16,100	44,300
Employment .....	1.2	2.7	1.0
Housing Starts (units) .....	19,941	15,500	17,400
Retail Sales .....	-2.0	1.0	2.1
Corporate Pre-tax Profits .....	-8.9	15.0	5.0
Consumer Price Index .....	0.3	0.8	1.1

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### *Changes Since the September 1999 Outlook*

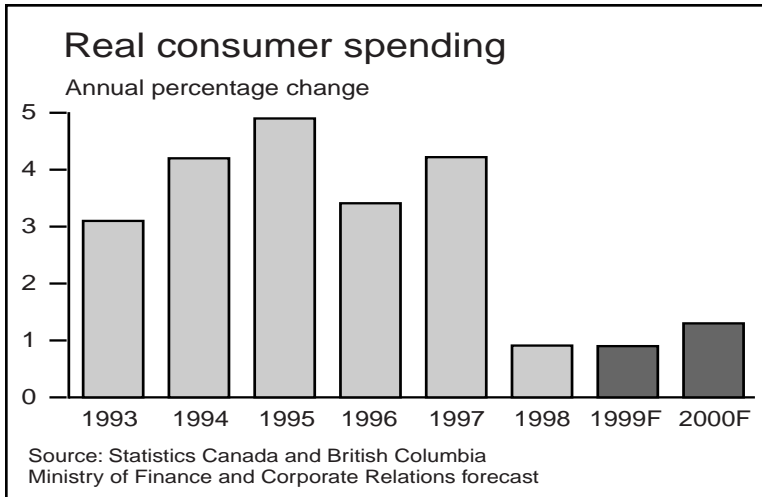
Stronger-than-expected global growth has resulted in interest rates moving up more than expected. Offsetting the higher interest rates somewhat has been continued growth in exports, although this is slowing. On the domestic side, employment in British Columbia has been weaker.

The risk to the outlook, then, is that higher interest rates may mitigate any improvement in retail sales and residential construction. Additionally, strong employment growth in November and December is required to reach the 1999 employment forecast.

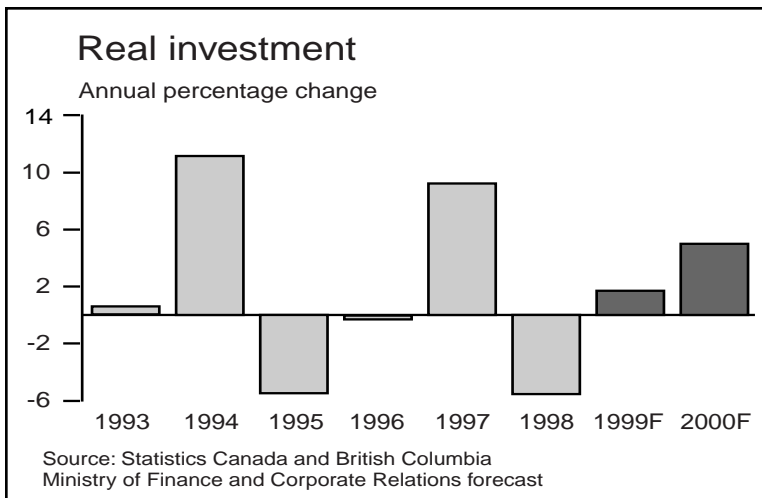
Another risk to the outlook is that continued strong economic growth in the other Canadian provinces will perpetuate the outflow of people from British Columbia.

On balance, the outlook for real GDP is unchanged from the September forecast.

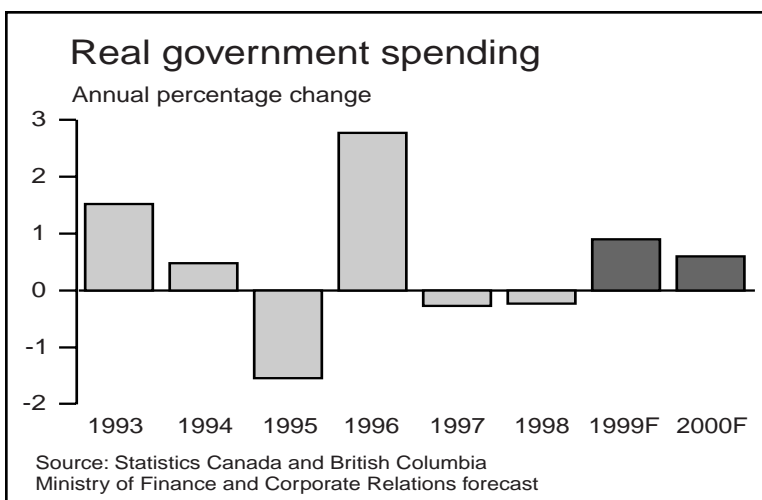
## ECONOMIC FORECAST: Components of Real GDP



Consumer spending on goods and services accounts for about two-thirds of real GDP. Real consumer spending is expected to remain weak next year.

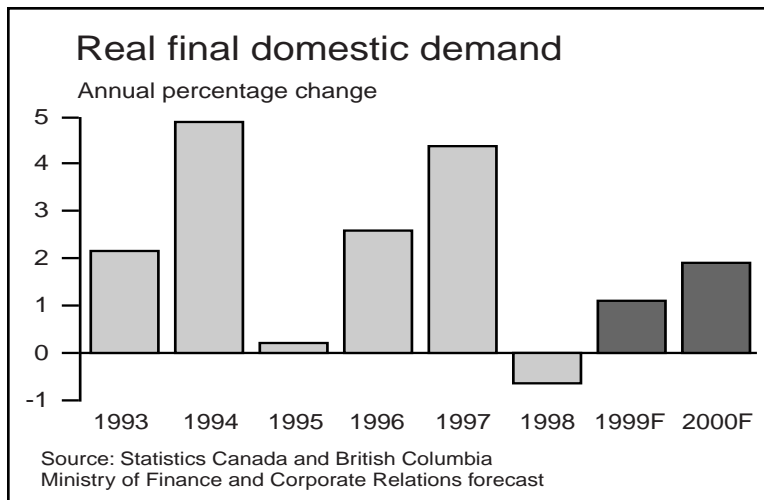


Real investment includes investment in machinery and equipment and structures by business, government and households. Weakness in residential investment is expected to be offset by higher machinery and equipment investment in 1999.

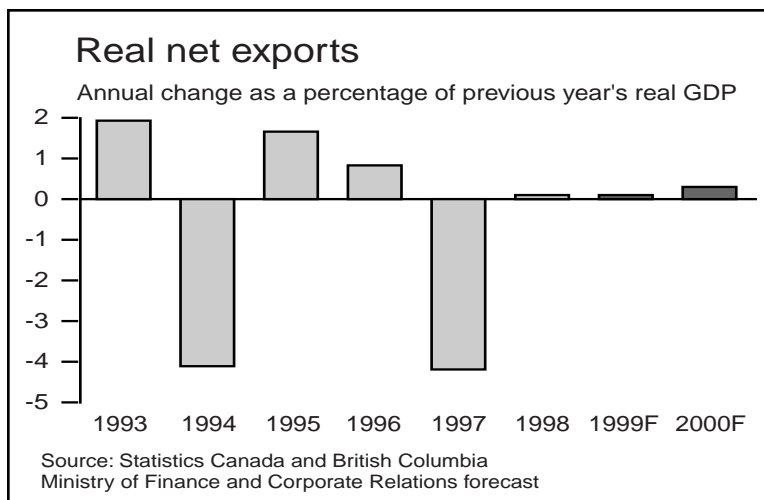


Spending by the federal, provincial and municipal governments in British Columbia is expected to grow modestly.

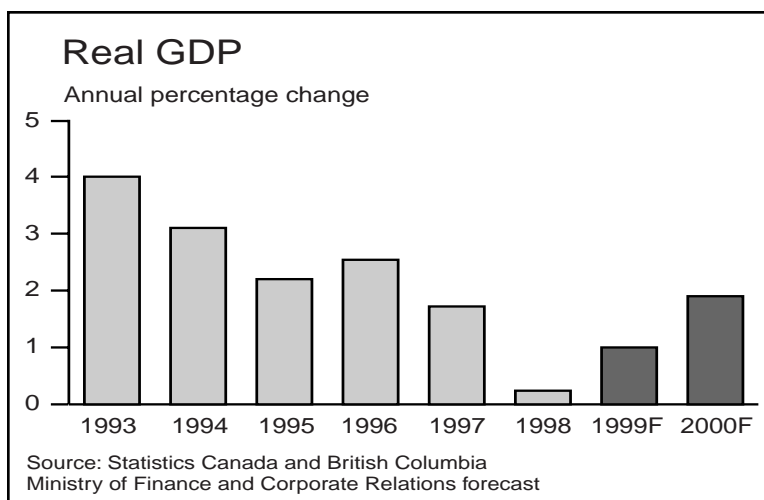
## ECONOMIC FORECAST: Components of Real GDP — *Continued*



Final domestic demand is the sum of consumer spending, real investment and government spending. It reflects activity in the domestic side of the economy.

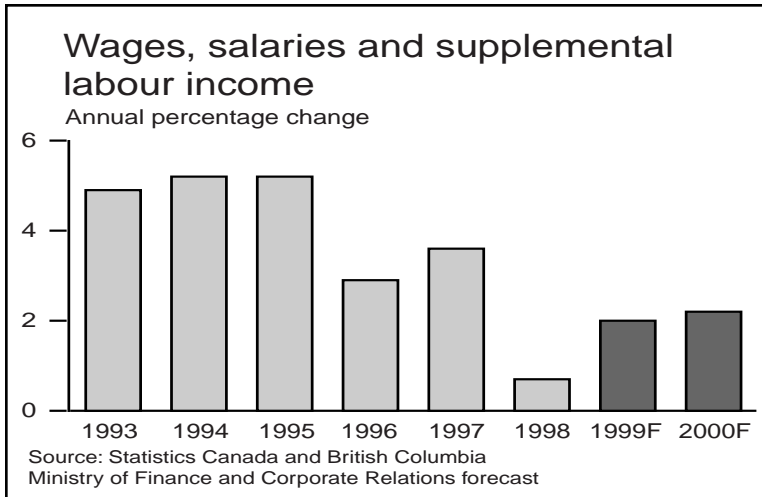


Real net exports is the difference between exports and imports of goods and services. The province's strong export performance has been offset by growing imports. Much of the machinery and equipment that businesses invest in is imported.

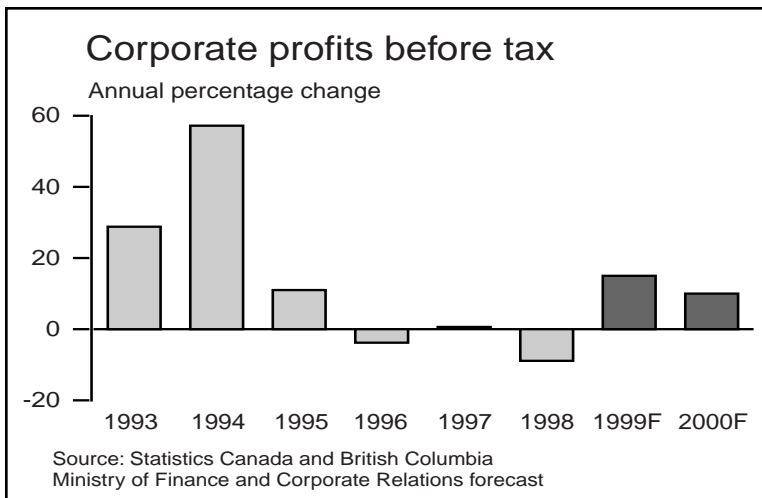


Overall the British Columbia economy is expected to grow 1 per cent in 1999 and about 2 per cent in 2000.

## ECONOMIC FORECAST: Income-based Nominal GDP



Wages, salaries and supplemental labour income is the largest component of income-based GDP. In 1998, this component totalled \$60.9 billion, or 55 per cent of nominal GDP.

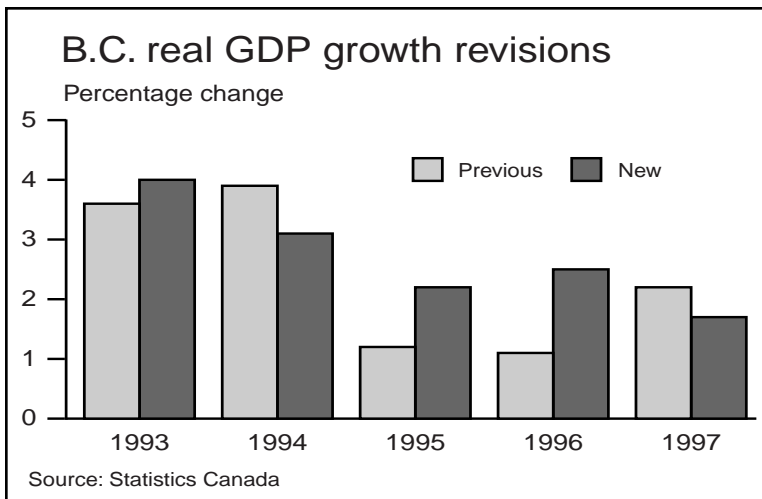


Corporate profits before tax totalled \$6.4 billion in 1998, about 6 per cent of nominal GDP

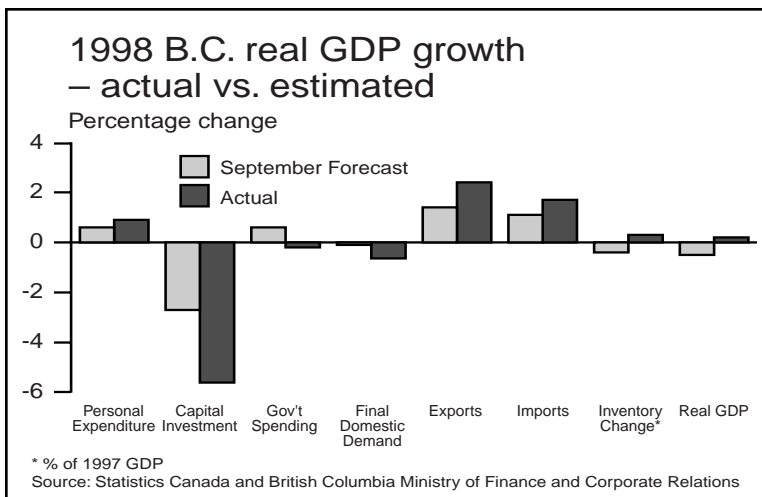
## Update: STATISTICS CANADA RE-WITES RECENT ECONOMIC HISTORY

On November 10, Statistics Canada released revised provincial economic accounts data for the 1992-to-1997 period and its first official figures on 1998 performance.

The 1998 data show that British Columbia's economy, as measured by real gross domestic product (GDP), grew 0.2 per cent in 1998. This was above the -0.5 per cent estimate of the Ministry of Finance and Corporate Relations and the private-sector consensus. With the new figures showing that the economy grew last year, it is less likely that economic historians will declare that British Columbia was in a recession.



Economic growth figures for the 1992-97 period also were revised significantly, painting a slightly more positive picture of British Columbia's performance following the 1993/1994 growth peak. Real GDP growth in 1995 and 1996 was more than double Statistics Canada's previous estimates.



1998 real GDP growth was higher than estimated by the Ministry of Finance and Corporate Relations and the private-sector consensus. Final domestic demand growth was slower than expected due to lower-than-forecast government spending and weaker business and housing investment. However, this was more than offset by higher-than-expected inventory accumulation.

**Table 1.1** Current Economic Statistics

		Latest Period	Year-to-Date Average		Change
			1998	1999	
<b>BRITISH COLUMBIA</b>					
<b>LABOUR MARKET</b>					
Employment (s.a., thousands).....	Oct.	1,896.8	1,852.7	1,903.7	+2.8%
Unemployment rate (s.a., per cent).....	Oct.	7.4	9.1	8.3	-0.8
In-migration (persons).....	Q2	1,336	4,990	3,118	-1,872
Interprovincial.....	Q2	(6,029)	(10,705)	(10,824)	-119
International.....	Q2	7,365	15,695	13,942	-1,753
Wages and salaries (s.a., \$ millions).....	Jul.	4,544	4,431	4,551	+2.7%
Average weekly wage rates (\$ ).....	Sept.	629.5	619.7	626.5	+1.1%
<b>CONSUMER SECTOR</b>					
Retail sales (s.a., \$ millions).....	Aug.	2,788	2,765	2,773	+0.3%
Car and truck sales (units).....	Sept.	13,404	12,541	13,202	+5.3%
Housing starts (all areas, s.a., annual rate).....	Oct.	15,800	21,060	15,740	-25.3%
Existing home sales (s.a.).....	Sept.	5,007	4,510	4,861	+7.8%
Building permits (s.a., \$ thousands).....	Sept.	342	414	385	-7.0%
British Columbia consumer price index (annual per cent change).....	Sept.	2.0	0.2	1.0	+0.8
<b>INDUSTRIAL ACTIVITY</b>					
Foreign merchandise exports (s.a., \$ millions).....	Aug.	2,405	2,129	2,355	+10.6%
Manufacturing shipments (s.a., \$ millions).....	Sept.	3,220	2,784	3,039	+9.2%
Lumber production (thousand cubic metres)	Aug.	2,587	2,506	2,646	+5.6%
Pulp and paper production (thousand tonnes).....	Sept.	669	568	655	+15.3%
Coal production (thousand tonnes).....	Aug.	1,693	2,159	1,987	-8.0%
Natural gas production (million cubic metres).....	Jul.	2,120	1,972	2,000	+1.5%
Copper production (million kg).....	Aug.	6.6	23.2	14.5	-37.7%
<b>TOURISM</b>					
Entries of U.S. and overseas residents (thousands).....	Sept.	842	713	757	+6.3%
B.C. Ferry passengers to/from Vancouver Island (thousands).....	Oct.	861	979	979	0.0%
<b>COMMODITY PRICES</b>					
Lumber (U.S. \$/thousand board feet).....	Oct.	298	285	343	+20.4%
Pulp (U.S. \$/tonne).....	Oct.	564	526	506	-3.8%
Newsprint (U.S. \$/tonne).....	Oct.	485	595	510	-14.3%
Copper (U.S. \$/lb.).....	Oct.	0.79	0.76	0.70	-7.9%
B.C. export commodity price index (Cdn. \$ Index: 1992=100).....	Q3	147.4	131.3	140.4	+6.9%
<b>FINANCIAL DATA</b>					
Canadian dollar (U.S. cents).....	Oct.	67.8	68.0	67.2	-0.80
Canadian prime rate (per cent).....	Oct.	6.25	6.63	6.43	-0.20
Canadian treasury bills (per cent).....	Oct.	4.72	4.69	4.66	-0.03
Treasury bill spread — Canada minus U.S. (per cent).....	Oct.	-0.08	-0.13	+0.12	+0.25

s.a. — seasonally adjusted.

## PART TWO — FISCAL REPORT — YEAR-TO-DATE RESULTS

### Overview

This Quarterly Report contains, for the first time, results for the provincial government's summary accounts. The summary accounts contain the combined financial results of the government and its Crown corporations and agencies.

In this section, financial operating results for the first six months of 1999/00 are presented for the summary accounts and for the government's consolidated revenue fund.

**Table 2.1** Summary Accounts Operating Results  
For the Six Months Ended September 30, 1999

	Full-Year <sup>1</sup> Budget 1999/00	Six-Month Results	
		1999/00	1998/99 <sup>2</sup>
		(\$ millions)	
Consolidated Revenue Fund.....	(890.0)	(510.9)	(658.9)
Taxpayer-supported Crown Corporations and Agencies.....	(685.0)	(134.5)	(70.9)
Commercial Crown Corporations and Agencies.....	46.0	369.7	271.6
Summary Accounts Deficit.....	<u>(1,529.0)</u>	<u>(275.7)</u>	<u>(458.2)</u>

<sup>1</sup> A full-year budget is provided because a six-month budget is not available for Crown corporations and agencies.

<sup>2</sup> Certain figures have been restated to incorporate changes to the government's accounting policies introduced in 1999/00.

There was a summary accounts deficit of \$276 million in the first six months of 1999/00. This consisted of:

- a consolidated revenue fund shortfall of \$511 million;
- a combined net loss from taxpayer-supported Crown corporations and agencies of \$135 million;
- partially offset by a combined net profit from commercial Crown corporations of \$370 million.

At the halfway point of the year, the summary accounts deficit was \$182 million lower than the same time last year. This was due to an improvement in the consolidated revenue fund and the higher net income of commercial Crown corporations.

Revised full-year forecasts for the summary accounts and the consolidated revenue fund are presented in Part 5 — Revised Forecast.



**Table 2.2 Detailed Summary Accounts Operating Results**  
for the Six Months Ended September 30, 1999

	Actual 1999/00	Actual 1998/99 <sup>1</sup>
	(\$ millions)	
<b>Consolidated Revenue Fund (CRF) balance</b> .....	<u>(510.9)</u>	<u>(658.9)</u>
<b>Crown corporations and agencies:</b> <sup>2</sup>		
<b>Taxpayer-supported:</b>		
British Columbia Buildings Corporation .....	21.2	19.3
British Columbia Ferry Corporation .....	20.7	20.0
BC Transportation Financing Authority .....	18.4	3.7
Forest Renewal BC .....	(42.6)	(86.8)
British Columbia Assessment Authority .....	30.5	28.8
Other <sup>3</sup> .....	<u>32.7</u>	<u>76.5</u>
	80.9	61.5
<i>Less: Contributions paid to CRF</i> .....	(71.0)	—
<i>Less: Other accounting adjustments</i> <sup>4</sup> .....	(144.4)	(132.4)
<b>Total taxpayer-supported</b> .....	<u>(134.5)</u>	<u>(70.9)</u>
<b>Commercial self-supported:</b>		
British Columbia Hydro and Power Authority .....	281.0	169.0
Liquor Distribution Branch .....	311.4	319.8
British Columbia Lottery Corporation .....	257.5	205.5
British Columbia Railway Company .....	26.6	16.5
Insurance Corporation of British Columbia .....	101.1	128.9
Other <sup>5</sup> .....	<u>0.7</u>	<u>(6.8)</u>
	978.3	832.9
<i>Less: Contributions paid to CRF</i> <sup>6</sup> .....	(530.5)	(509.9)
<i>Less: Other accounting adjustments</i> <sup>7</sup> .....	(78.1)	(51.4)
<b>Total commercial self-supported</b> .....	<u>369.7</u>	<u>271.6</u>
<b>Total net contribution (loss) of Crown corporations and agencies</b> .....	<u>235.2</u>	<u>200.7</u>
<b>Summary accounts deficit</b> .....	<u>(275.7)</u>	<u>(458.2)</u>

<sup>1</sup> Certain figures have been restated to incorporate changes to the government's accounting policies for capital assets introduced in 1999/00.

<sup>2</sup> A six-month budget for the consolidated revenue fund is provided in Table 2.3. Six-month budget figures for Crown corporations are unavailable.

<sup>3</sup> Includes earnings/(losses) of other taxpayer-supported Crown corporations and agencies, including British Columbia Securities Commission, Okanagan Valley Tree Fruit Authority, Tourism British Columbia, British Columbia Housing Management Commission and British Columbia Transit.

<sup>4</sup> Primarily includes adjustments to record the amortization of the cost of highways transferred to the BC Transportation Financing Authority in 1998/99.

<sup>5</sup> Includes earnings/(losses) of other commercial Crown corporations, including the Columbia Power Corporation and 552513 British Columbia Ltd. (Skeena Cellulose Inc.).

<sup>6</sup> Includes contributions from British Columbia Hydro and Power Authority, Liquor Distribution Branch and other commercial Crown corporations.

<sup>7</sup> Includes transfers of British Columbia Lottery Corporation revenue to charities and municipalities by the British Columbia Gaming Commission, and adjustments to the Insurance Corporation of British Columbia and the British Columbia Railway Company to adjust their reporting results to a six-month period from a nine-month period.

## Summary Accounts

The consolidated revenue fund had a six-month shortfall of \$511 million. This was \$148 million lower than last year mainly due to stronger growth in revenue. Revenue and expenditure details are provided later in this section.

In total, Crown corporations and agencies showed a net surplus of \$235 million. Taxpayer-supported Crown corporations and agencies showed a six-month loss of \$135 million, up \$64 million from last year. Combined income of \$81 million was offset by a dividend paid by the British Columbia Buildings Corporation, and accounting adjustments primarily to amortize the costs of highways transferred to the BC Transportation Financing Authority.

Self-supported commercial Crown corporations showed a six-month surplus of \$370 million, up \$98 million from last year. Combined net income of \$978 million was partially offset by contributions to the consolidated revenue fund of \$531 million, and an adjustment primarily to reflect the transfer of British Columbia Lottery Corporation revenue to charities and municipalities.

Additional information on the results of Crown corporations and agencies may be found in Part 4 — Crown Corporations.

## Consolidated Revenue Fund

**Table 2.3** Consolidated Revenue Fund Operating Results  
for the Six Months Ended September 30, 1999

	Budget <sup>1</sup> 1999/00	Actual 1999/00	Variance <sup>2</sup>	Actual 1998/99
	(\$ millions)			
Revenue .....	9,598.0	10,045.3	447.3	9,773.4
Expenditure .....	10,500.6	10,556.2	55.6	10,432.3
Consolidated Revenue Fund Balance .....	<u>(902.6)</u>	<u>(510.9)</u>	<u>391.7</u>	<u>(658.9)</u>

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

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

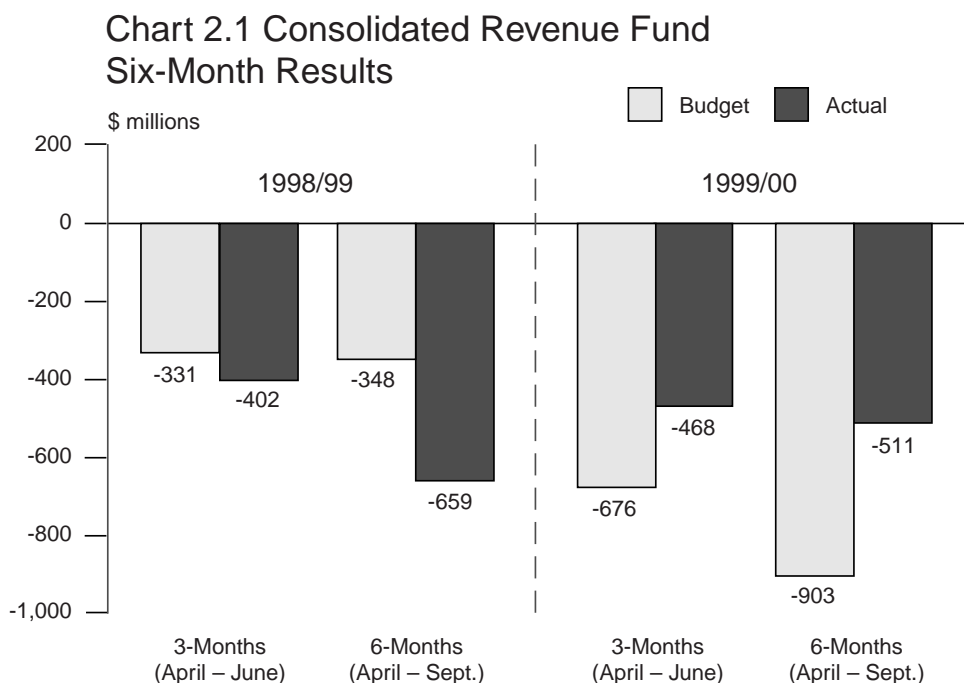
Revenue for the first six months of 1999/00 was \$447 million or 4.7 per cent above budget. The increase included higher-than-budgeted revenue from natural resources, taxation, Crown corporation contributions and a six-month allocation of the full-year revenue budget allowance of \$230 million.

Spending was \$56 million or 0.5 per cent above budget. Higher-than-budgeted spending occurred in the Ministries of Education, Attorney General and Health, and other areas including costs resulting from the cancellation of the Vancouver Trade and Convention Centre project. These increases were partially offset by lower-than-budgeted spending in 11 of the 20 ministries and for debt interest.

Compared to the first half of 1998/99, revenue increased 2.8 per cent while expenditure rose 1.2 per cent.

Spending during the first six months exceeded revenues by \$511 million. However, Chart 2.1 shows that the six-month shortfall was \$392 million better than planned and \$148 million lower than the same period last year, mainly due to stronger revenue.

A revised forecast for the consolidated revenue fund is presented in Part 5 — Revised Forecast.



## Consolidated Revenue Fund — Revenue

Revenue for the first six months was \$447 million or 4.7 per cent more than planned, and 2.8 per cent higher than the same period last year. Last year at this time, revenue was \$109 million or 1.1 per cent below budget. Details are provided in Table 2.4.

**Table 2.4 Consolidated Revenue Fund — Revenue**  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Budget 1999/00	Actual 1999/00 <sup>1</sup>	Variance <sup>2</sup>	Actual 1998/99
(\$ millions)				
<b>Taxation:</b>				
Personal income .....	2,673.5	2,682.7	9.2	2,675.3
Corporation income .....	494.9	504.7	9.8	592.4
Social service .....	1,638.9	1,684.7	45.8	1,622.2
Fuel .....	238.0	248.9	10.9	332.3
Tobacco .....	245.6	244.0	(1.6)	246.5
Property .....	672.5	667.0	(5.5)	664.6
Property transfer .....	120.4	134.4	14.0	128.7
Corporation capital .....	211.2	221.6	10.4	230.6
Other .....	144.8	150.0	5.2	131.7
Less: commissions on collection of public funds .....	(12.4)	(12.4)	—	(12.7)
	<u>6,427.4</u>	<u>6,525.6</u>	<u>98.2</u>	<u>6,611.6</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties .....	73.7	110.1	36.4	72.8
Permits and fees .....	57.3	128.5	71.2	57.7
Petroleum royalties .....	29.8	33.1	3.3	33.8
	<u>160.8</u>	<u>271.7</u>	<u>110.9</u>	<u>164.3</u>
Minerals .....	17.4	24.4	7.0	22.3
Forests:				
Timber sales .....	290.7	361.8	71.1	332.9
Small Business Forest Enterprise Program .....	63.6	87.3	23.7	75.2
Logging tax .....	4.2	11.3	7.1	9.3
Other forests revenue .....	30.2	48.8	18.6	43.3
	<u>388.7</u>	<u>509.2</u>	<u>120.5</u>	<u>460.7</u>
Water rentals .....	189.8	195.0	5.2	163.7
Wildlife Act .....	9.0	9.7	0.7	9.1
	<u>198.8</u>	<u>204.7</u>	<u>5.9</u>	<u>172.8</u>
Less: commissions on collection of public funds .....	(0.8)	(0.7)	0.1	(0.7)
	<u>764.9</u>	<u>1,009.3</u>	<u>244.4</u>	<u>819.4</u>

... Table continued on next page

**Table 2.4 Consolidated Revenue Fund — Revenue — *Continued***  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Budget 1999/00	Actual 1999/00 <sup>1</sup>	Variance <sup>2</sup>	Actual 1998/99
	(\$ millions)			
<b>Other revenue:</b>				
Medical Services Plan premiums .....	449.1	441.8	(7.3)	433.3
Motor vehicle licences and permits .....	173.8	173.3	(0.5)	172.9
Other fees and licences .....	195.9	173.1	(22.8)	182.4
Investment earnings .....	23.7	24.4	0.7	22.9
Fines and penalties .....	59.4	59.5	0.1	57.0
Miscellaneous .....	12.3	14.7	2.4	52.1
Asset dispositions .....	50.0	51.7	1.7	26.0
Less: provision for doubtful accounts .....	(9.3)	(8.4)	0.9	(11.2)
Less: commissions on collection of public funds .....	(13.0)	(12.2)	0.8	(37.1)
	<u>941.9</u>	<u>917.9</u>	<u>(24.0)</u>	<u>898.3</u>
<b>Contributions from Crown corporations:</b>				
Liquor Distribution Branch income .....	315.5	311.4	(4.1)	319.8
British Columbia Lottery Corporation .....	200.4	219.1	18.7	190.1
British Columbia Buildings Corporation .....	71.0	71.0	—	—
	<u>586.9</u>	<u>601.5</u>	<u>14.6</u>	<u>509.9</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer .....	932.4	932.4	—	870.0
Other .....	59.3	58.6	(0.7)	64.2
	<u>991.7</u>	<u>991.0</u>	<u>(0.7)</u>	<u>934.2</u>
<b>Less: Revenue Allowance .....</b>	<b>(114.8)</b>	<b>—</b>	<b>114.8</b>	<b>—</b>
<b>TOTAL REVENUE .....</b>	<b><u>9,598.0</u></b>	<b><u>10,045.3</u></b>	<b><u>447.3</u></b>	<b><u>9,773.4</u></b>

<sup>1</sup> Actual figures for 1999/00 exclude \$328 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 British Columbia Oil and Gas Commission.

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

- *Personal and corporation income tax* — \$19 million above budget. The increase reflects higher-than-expected personal income tax assessments for 1998, and higher instalments of corporation income tax due to a revised federal outlook for national corporate profits in 1999.
- *Social service tax* — \$46 million above budget and 3.9 per cent higher than last year, due in part to strengthening retail sales since the summer.
- *Other taxes* — \$33 million above budget. Higher revenue from fuel, property transfer, corporation capital and hotel room taxes offset lower revenue from property and tobacco taxes. The 25-per-cent decline in fuel tax from last year was due to additional tax transfers to the BC Transportation Financing Authority, the Greater Vancouver Transportation Authority and the British Columbia Ferry Corporation.

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- *Petroleum, natural gas and minerals* — \$118 million above budget due to strong natural gas prices and higher sales of Crown land drilling rights.
  - *Forests* — \$120 million above budget (10.5 per cent higher than last year) mainly due to strong lumber prices and demand in Asian and U.S. markets. Six-month harvest volumes were 28 per cent above budget, partly reflecting a significant improvement in Coastal activity. Spruce-pine-fir prices during January to September averaged U.S. \$348/thousand board feet compared to the calendar year budget forecast of U.S. \$295/thousand board feet.
  - *Other revenue* — \$24 million below budget due to lower revenue from Medical Service Plan premiums, Crown land sales and other fees and licences.
  - *Contributions from Crown corporations* — \$15 million above budget due to higher net income of the British Columbia Lottery Corporation. In the first six months, the government received an early dividend of \$71 million from the British Columbia Buildings Corporation.
  - *Federal contributions* — slightly below budget. Six-month revenue does not include British Columbia's share of the \$3.5-billion CHST supplement announced in the 1999 federal budget.
  - *Revenue allowance* — A \$230-million allowance was included in the 1999/00 revenue estimates to provide a cushion corresponding to economic growth of -0.6 per cent, 1.1 percentage points lower than the 0.5 per cent growth forecast for 1999.

The six-month budget includes a \$115-million allocation of the full-year revenue allowance. This resulted in overall revenue being \$447 million above budget.

## **Consolidated Revenue Fund — Expenditure**

Spending for the first six months was \$56 million or 0.5 per cent more than planned and 1.2 per cent higher than the same period last year. As shown in Table 2.5, expenditure was below budget in 11 of the 20 ministries.

- *Ministry of Advanced Education, Training and Technology* — \$7 million above budget due to earlier-than-planned spending for colleges and institutes.
- *Ministry of Agriculture and Food* — \$7 million below budget due to slower-than-planned spending for the agriculture renewal initiative.
- *Ministry of Attorney General* — \$18 million above budget due to higher spending for court settlements and flood damage compensation.

**Table 2.5 Consolidated Revenue Fund — Expenditure**  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Budget 1999/00 <sup>1</sup>	Actual 1999/00	Variance <sup>2</sup>	Actual 1998/99 <sup>1</sup>
	(\$ millions)			
Legislation.....	18.3	16.8	(1.5)	16.0
Officers of the Legislature.....	14.0	13.0	(1.0)	10.1
Office of the Premier.....	1.1	1.2	0.1	1.1
Aboriginal Affairs.....	14.0	12.2	(1.8)	12.5
Advanced Education, Training and Technology				
Educational institutions and organizations.....	558.1	573.2	15.1	548.8
Other ministry programs.....	243.6	235.3	(8.3)	199.8
Total.....	801.7	808.5	6.8	748.6
Agriculture and Food.....	35.1	28.4	(6.7)	38.0
Attorney General.....	452.7	470.4	17.7	443.6
Children and Families.....	644.7	647.1	2.4	626.0
Community Development, Cooperatives and Volunteers.....	2.6	0.5	(2.1)	0.9
Education				
Public school operating contributions.....	1,937.7	1,962.5	24.8	1,933.5
Other ministry programs.....	314.1	319.6	5.5	290.6
Total.....	2,251.8	2,282.1	30.3	2,224.1
Employment and Investment.....	16.8	15.2	(1.6)	13.4
Energy and Mines.....	18.7	17.2	(1.5)	16.0
Environment, Lands and Parks.....	97.0	95.5	(1.5)	93.2
Finance and Corporate Relations.....	58.5	56.9	(1.6)	54.2
Fisheries.....	9.9	10.3	0.4	10.6
Forests.....	235.2	236.5	1.3	343.7
Health				
Acute and continuing care.....	2,146.5	2,128.0	(18.5)	2,040.9
Other ministry programs.....	1,724.6	1,751.6	27.0	1,586.1
Total.....	3,871.1	3,879.6	8.5	3,627.0
Labour.....	12.8	13.2	0.4	13.7
Municipal Affairs.....	88.5	94.7	6.2	132.3
Small Business, Tourism and Culture.....	42.5	40.9	(1.6)	43.6
Social Development and Economic Security.....	946.3	941.9	(4.4)	993.9
Transportation and Highways.....	231.4	223.3	(8.1)	229.2
Women's Equality.....	19.9	19.5	(0.4)	19.2
Contributions to British Columbia Transit (Women's Equality)....	85.3	84.7	(0.6)	143.7
Other:				
Management of Public Funds and Debt.....	454.6	404.6	(50.0)	439.2
Contingencies (All Ministries) and New Programs.....	—	0.5	0.5	0.1
BC Benefits.....	116.0	115.3	(0.7)	135.7
Amortization of Change in Unfunded Pension Liability.....	(60.0)	(60.0)	—	(31.8)
Vancouver Trade and Convention Centre.....	—	62.4	62.4	—
Other Appropriations <sup>3,4</sup> .....	20.1	23.8	3.7	34.5
<b>TOTAL EXPENDITURE.....</b>	<b>10,500.6</b>	<b>10,556.2</b>	<b>55.6</b>	<b>10,432.3</b>

<sup>1</sup> 1999/00 budget figures have been restated to reflect the government reorganization announced July 21, 1999. Figures for 1998/99 have been restated to conform with the presentation used for 1999/00.

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

<sup>3</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>4</sup> Includes an \$18-million contribution to the British Columbia Ferry Corporation in 1998/99. In 1999/00, the contribution is replaced with a dedicated fuel tax.

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- *Ministry of Education* — \$30 million above budget to record the expected costs over the next three years of early retirement for teachers.
  - *Ministry of Health* — \$9 million above budget. Higher Medical Services Plan costs were partly offset by lower costs for acute and continuing care programs.
  - *Ministry of Transportation and Highways* — \$8 million below budget mainly due to lower-than-planned spending for highway maintenance and repair.
  - *Management of public funds and debt (debt interest)* — \$50 million below budget due to reduced borrowing, favourable exchange rates and higher interest earnings deducted from interest costs.
  - *Vancouver Trade and Convention Centre* — \$62 million of accumulated costs to the end of September were recorded as a result of the termination of the project.
  - In total, other ministries were \$6 million below budget.
    - Nine other ministries were \$17 million below budget in total. These included the Ministries of Aboriginal Affairs; Community Development, Cooperatives and Volunteers; Employment and Investment; Energy and Mines; Environment, Lands and Parks; Finance and Corporate Relations; Small Business, Tourism and Culture; Social Development and Economic Security; and Women's Equality.
    - Five other ministries were \$11 million overspent in total. These included the Ministries of Children and Families; Fisheries; Forests; Labour; and Municipal Affairs.



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## PART THREE — BORROWING AND CAPITAL REPORT

### Introduction

This section provides information on the debt of the government and Crown corporations and agencies, as at September 30, 1999. It also provides information on capital spending initiatives in the current year. An updated forecast of debt and capital spending for the full fiscal year is provided in Part 5 — Revised Forecast.

The government borrows to finance its own operations (for example, when revenues fall short of meeting expenditures), to finance construction of capital projects or other investments, to refinance maturing debt and to finance working capital needs. Provincial debt is reported using two classifications:

- *taxpayer-supported debt* includes direct debt for government operating and capital purposes, and debt of Crown corporations and agencies that require an operating or debt service subsidy from the provincial government.
- *self-supporting debt* includes debt of commercial Crown corporations and the warehouse borrowing program. Commercial Crown corporations earn enough revenue to cover interest costs and principal repayments. Warehouse borrowing is used to take advantage of market opportunities to borrow in advance of future requirements. These funds are invested until they are needed by the government or its Crown corporations and agencies.

### Provincial Net Debt<sup>1</sup> Overview

Provincial debt totalled \$34.6 billion at September 30, 1999, up \$2.5 billion from the start of the year. The increase included \$1,648 million of warehoused borrowing in advance of future requirements, \$229 million for commercial Crown corporations, and \$671 million for operating and capital needs of the government and other taxpayer-supported Crown corporations and agencies (see Table 3.1).

Total debt was \$1.14 billion higher than planned for the first six months. Additional borrowing through the warehouse program was partially offset by reduced borrowing for government operating purposes, health, transportation and other capital projects, and the cancelled Vancouver Trade and Convention Centre project.

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<sup>1</sup> Debt amounts are reported on a net debt basis, after deducting accumulated sinking funds set aside for debt repayment, and after accounting adjustments.

**Table 3.1 Change in Provincial Net Debt and Total Net Debt Outstanding<sup>1</sup>**  
Six Months Ended September 30, 1999

(Unaudited)	Six Month Net Change <sup>2</sup>		Variance	Total Net Debt Outstanding September 30, 1999 <sup>4</sup>	Six Month Net Change 1998/99
	Budget <sup>3</sup> 1999/00	Actual 1999/00			
<b>Taxpayer-supported debt</b>					
<b>Provincial government direct</b>					
Operating purposes.....	716.3	170.4	(545.9)	12,360.7	865.8
Capital financing purposes					
Schools.....	31.6	107.4	75.8	3,368.0	27.3
Post-secondary institutions.....	(32.1)	0.8	32.9	1,337.2	(51.3)
Health facilities.....	101.1	24.8	(76.3)	1,306.7	(60.1)
Public transit <sup>5</sup> .....	(1.6)	(11.1)	(9.5)	975.5	—
<i>SkyTrain</i> extension.....	291.1	257.5	(33.6)	391.0	—
	390.1	379.4	(10.7)	7,378.4	(84.1)
Total provincial government direct.....	1,106.4	549.8	(556.6)	19,739.1	781.7
<b>Economic development Crown corporations and agencies</b>					
BC Transportation Financing Authority.....	237.4	116.4	(121.0)	1,543.9	83.6
British Columbia Ferry Corporation.....	66.2	34.1	(32.1)	1,006.5	52.3
British Columbia Transit <sup>5</sup> .....	4.2	1.4	(2.8)	60.3	20.5
Rapid Transit Project 2000 <sup>6</sup> .....	1.8	1.4	(0.4)	57.9	—
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre).....	92.8	33.7	(59.1)	62.4	—
Other <sup>7</sup> .....	—	5.7	5.7	57.5	(47.5)
	402.4	192.7	(209.7)	2,788.5	108.9
<b>Government services Crown corporations and agencies and other fiscal agency loans</b>					
British Columbia Assessment Authority.....	—	(4.2)	(4.2)	0.1	(4.8)
British Columbia Buildings Corporation.....	(33.2)	(73.5)	(40.3)	641.2	(95.0)
Homeowner Protection Office.....	18.0	9.5	(8.5)	17.6	—
Other fiscal agency loans <sup>8</sup> .....	(3.0)	(3.8)	(0.8)	136.9	(4.7)
	(18.2)	(72.0)	(53.8)	795.8	(104.5)
<b>Other guarantees<sup>9</sup></b> .....	—	—	—	162.6	—
<b>Non-guaranteed debt<sup>10</sup></b> .....	—	—	—	145.2	—
<b>Total taxpayer-supported debt</b> .....	<b>1,490.6</b>	<b>670.5</b>	<b>(820.1)</b>	<b>23,631.2</b>	<b>786.1</b>

... Table continued on next page

**Table 3.1** Change in Provincial Net Debt and Total Net Debt Outstanding<sup>1</sup> — *Continued*  
Six Months Ended September 30, 1999

(Unaudited)	Six Month Net Change <sup>2</sup>		Variance	Total Net Debt Outstanding September 30, 1999 <sup>4</sup>	Six Month Net Change 1998/99
	Budget <sup>3</sup> 1999/00	Actual 1999/00			
			(\$ millions)		
<b>Self-supporting debt</b>					
<b>Commercial Crown corporations   and agencies</b>					
British Columbia Hydro and Power Authority .....	106.4	122.1	15.7	7,596.1	112.5
British Columbia Railway Company .....	(2.2)	23.0	25.2	604.0	49.4
552513 British Columbia Ltd. (Skeena Cellulose Inc.) .....	38.0	23.8	(14.2)	152.3	0.9
577315 British Columbia Ltd. (Western Star Truck Co.) .....	—	60.5	60.5	60.5	—
Columbia Power Corporation .....	—	—	—	—	3.6
	<u>142.2</u>	<u>229.4</u>	<u>87.2</u>	<u>8,412.9</u>	<u>166.4</u>
Warehouse borrowing program .....	(225.0)	1,648.0	1,873.0	2,305.8	—
Non-guaranteed debt <sup>11</sup> .....	—	—	—	215.8	—
<b>Total self-supporting debt</b> .....	<u>(82.8)</u>	<u>1,877.4</u>	<u>1,960.2</u>	<u>10,934.5</u>	<u>166.4</u>
<b>Total provincial debt</b> .....	<u><u>1,407.8</u></u>	<u><u>2,547.9</u></u>	<u><u>1,140.1</u></u>	<u><u>34,565.7</u></u>	<u><u>952.5</u></u>

<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 that is not provincially guaranteed.

<sup>2</sup> Gross new long-term borrowing plus net change in short-term debt outstanding, less sinking fund contributions, sinking fund interest earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

<sup>3</sup> Figures reflect the six-month allocation of the full-year budget, based on planned activities and seasonal patterns.

<sup>4</sup> Net debt at March 31, 1999 plus the net change for the six months ended September 30, 1999.

<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) — later renamed TransLink.

<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.

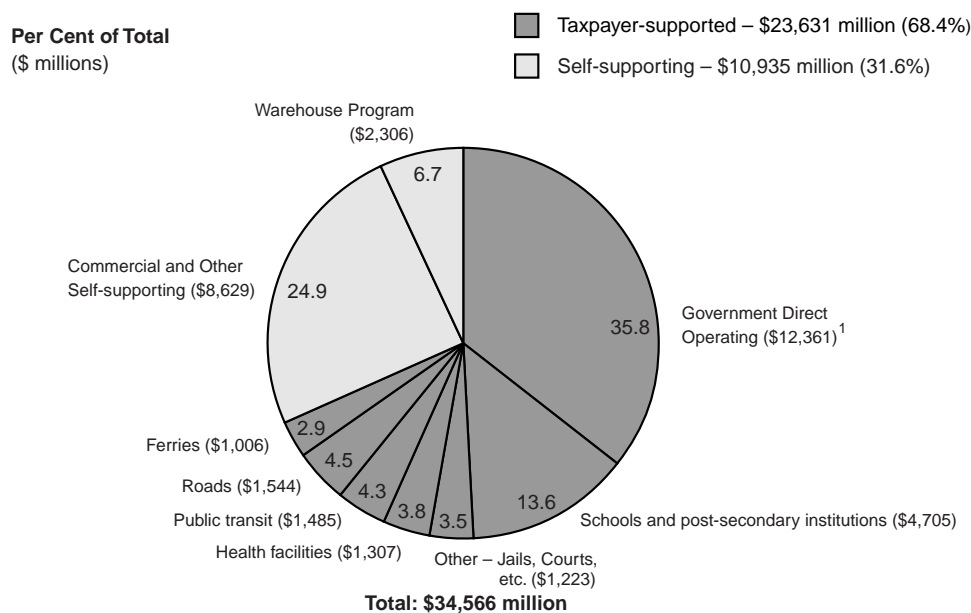
<sup>10</sup> Includes debt of the Provincial Rental Housing Corporation, BC Transportation Financing Authority, Pacific National Exhibition, British Columbia Ferry Corporation and Okanagan Valley Tree Fruit Authority that is not guaranteed by the provincial government.

<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.

The ratio of a province's taxpayer-supported debt relative to its gross domestic product (GDP) is a measure of a province's ability to manage its debt. At 20.8 per cent of GDP, British Columbia's taxpayer-supported debt is one of the lowest in Canada. This translates into a strong credit rating and lower debt service costs.

The various uses of accumulated provincial debt are shown in Chart 3.1. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs. Over \$11 billion of provincial debt reflects capital assets such as schools, hospitals and roads.

**Chart 3.1 Provincial Net Debt at September 30, 1999**



<sup>1</sup> Operating debt includes a portion of roads infrastructure debt incurred prior to 1994/95.

## Taxpayer-supported Debt

Taxpayer-supported debt totalled \$23.6 billion at September 30, 1999, up \$671 million from the start of the year. The increase was \$820 million lower than planned mainly due to a lower six-month deficit and reduced requirements for taxpayer-supported Crown corporations and agencies.

*Direct operating debt* — up \$170 million from the start of the year. This debt was used to partially fund the six-month consolidated revenue fund shortfall. The remaining deficit was financed with other working capital receipts such as cash from property tax collections.

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*Capital financing debt* — up \$379 million from the start of the year. This included the *SkyTrain* extension (up \$258 million), educational facilities (up \$108 million) and health facilities (up \$25 million), partially offset by a reduction in public transit debt (down \$11 million).

*Economic development Crown corporations* — up \$193 million from the start of the year. This included the BC Transportation Financing Authority (up \$116 million), British Columbia Ferry Corporation (up \$34 million), and the Vancouver Trade and Convention Centre (up \$34 million).

*Government services Crown corporations and other fiscal agency loans* — down \$72 million from the start of the year, mainly due to a reduction in the debt of the British Columbia Buildings Corporation.

## **Self-supporting Debt**

*Commercial Crown corporations* — up \$229 million from the start of the year, mainly due to increased debt of British Columbia Hydro and Power Authority (up \$122 million) and a \$61-million investment in 577315 British Columbia Ltd. (Western Star Truck Company).

*Warehouse borrowing program* — up \$1,648 million from the start of the year, as the province borrowed funds in advance of requirements to take advantage of favourable market conditions. Debt totalled \$2,306 million at September 30, 1999, and will be allocated to the provincial government or its Crown corporations and agencies when funding is needed.

## **Capital Spending**

Taxpayer-supported debt includes borrowing for schools, hospitals, ferries, roads, transit and other infrastructure projects. These projects provide essential services over several years.

The 1999/00 budget provides a full-year capital spending target of \$1.95 billion. As well as meeting the infrastructure needs of the province, capital spending can assist in stimulating the economy.

Six-month capital spending totalled \$867 million — \$148 million below budget (see Table 3.2). Lower-than-planned spending for health facilities, transportation infrastructure and other facilities was partially offset by additional spending for education projects.

**Table 3.2 Capital Expenditures**  
for the Six Months Ended September 30, 1999<sup>1</sup>

	Budget Estimate <sup>2</sup> 1999/00	Actual 1999/00	Variance	Actual 1998/99
(\$ millions)				
<b>Government expenditures</b>				
Education <sup>3</sup> .....	151.8	173.3	21.5	133.8
Health.....	153.7	91.0	(62.7)	38.5
BC Transportation Financing Authority.....	260.2	253.1	(7.1)	204.2
British Columbia Ferry Corporation.....	75.6	65.9	(9.7)	76.5
Rapid Transit Project 2000 ( <i>SkyTrain</i> ).....	317.0	256.7	(60.3)	4.1
Other <sup>4</sup> .....	33.4	16.3	(17.1)	25.0
	<u>991.7</u>	<u>856.3</u>	<u>(135.4)</u>	<u>482.1</u>
<b>Recoverable expenditures<sup>5</sup></b>				
Hospital districts.....	17.7	7.0	(10.7)	17.8
Municipalities (public transit).....	5.6	3.5	(2.1)	28.0
	<u>1,015.0</u>	<u>866.8</u>	<u>(148.2)</u>	<u>527.9</u>

<sup>1</sup> Excludes capital expenditures for the Vancouver Trade and Convention Centre.

<sup>2</sup> Figures reflect the six-month allocation of the full-year budget, based on planned activities and seasonal patterns.

<sup>3</sup> Represents Ministry of Education, and Ministry of Advanced Education, Training and Technology.

<sup>4</sup> Represents British Columbia Buildings Corporation, British Columbia Transit, Ministry of Attorney General and Ministry for Children and Families.

<sup>5</sup> The 1999/00 capital plan includes capital spending on behalf of, and recovered from, other public sector agencies.

Capital spending for education, health and justice facilities totalled \$288 million, including:

New school construction	<i>Burnaby</i> — Burnaby Mountain Secondary; <i>Kelowna</i> — Westside Middle; <i>Langley</i> — Walnut Grove (Topham) Elementary; <i>Prince George</i> — Hart Highway Middle; <i>Surrey</i> — Fraser Heights Secondary
School planning, replacement, additions and renovations	<i>Alexis Creek</i> — Alexis Creek Elementary/Secondary; <i>Armstrong</i> — Highland Park Elementary; <i>Campbell River</i> — Phoenix Elementary/Jr. Secondary; <i>Enderby</i> — A.L. Fortune Jr. Secondary; <i>Nanaimo</i> — Pauline Haarer Elementary and Cedar Jr. Secondary; <i>Penticton</i> — Snowdon Middle (Green Avenue); <i>Richmond</i> — Palmer Jr. Secondary; <i>Summerland</i> — Summerland Middle; <i>Surrey</i> — Princess Margaret Secondary and Earl Marriott Secondary; <i>Vancouver</i> — Magee Secondary; <i>Vernon</i> — Kidston Elementary and Kalamalka Jr. Secondary; <i>Victoria</i> — Oaklands Elementary
Post-secondary planning, addition and renovations	<i>Merritt</i> — joint Nicola Valley Institute of Technology/University College of the Cariboo campus; <i>Surrey</i> — Kwantlen University College campus; <i>Vancouver</i> — chemistry laboratory (University of BC.); <i>Victoria</i> — Young Building (Camosun College)

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Hospital and health-care facilities planning, construction, upgrading and equipment purchases	<i>Smithers</i> — Bulkley Lodge; <i>Surrey</i> — Surrey Memorial Hospital and Zion Park Manor; <i>Vancouver</i> — Royal Arch Masonic Home, Vancouver General Hospital radiology project, Taylor Manor, and SUCCESS Care Home; <i>Victoria</i> — Vancouver Island Cancer Clinic and Royal Jubilee Hospital
Justice facilities expansion construction	<i>Chilliwack</i> — Ford Mountain Correctional Centre; <i>Port Coquitlam</i> — North Fraser Pre-Trial Centre

Transportation capital spending totalled \$579 million, including:

Road/bridge construction	John Hart Bridge and interchange in Prince George; Highway 1: Sumas Canal to Vedder River; South Surrey Interchange; Highway 97: Glenrosa Interchange in Westbank; Highway 97: Honeymoon Creek to Bijou near McLeod Lake; Vancouver Island Highway
Road/bridge upgrading/rehabilitation	Highway 1: Cache Creek to the Rockies; Lions Gate Bridge in Vancouver; Port Mann Bridge in Coquitlam/Surrey; Nisga'a Highway in the Nass Valley; road and bridge resurfacing throughout the province
Ferries	Fast-ferry construction, ferry maintenance and terminal improvements
Rapid transit	<i>SkyTrain</i> extension construction

Six-month capital spending was 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 last year, and new borrowing in the current year as summarized in the previous section and in Table 3.1.

## PART FOUR – CROWN CORPORATIONS

This section summarizes the operating results of selected Crown corporations and agencies for their most recent reporting period. Detailed unaudited operating results for these Crown corporations are presented in the tables at the end of this section.

**Table 4.1** Major Crown Corporations and Agencies —  
Operating Results (Period Ended September 30, 1999)

	1999/00	1998/99	Increase (Decrease) <sup>1</sup>
	(\$ millions)		
<b>Taxpayer-supported:</b>			
British Columbia Buildings Corporation.....	21.2	19.3	1.9
British Columbia Ferry Corporation.....	20.7	20.0	0.7
BC Transportation Financing Authority.....	18.4	3.7	14.7
Forest Renewal BC.....	(42.6)	(86.8)	44.2
<b>Commercial self-supported:</b>			
British Columbia Hydro and Power Authority.....	281.0	169.0	112.0
Liquor Distribution Branch.....	311.4	319.8	(8.4)
British Columbia Lottery Corporation.....	257.5	205.5	52.0
British Columbia Railway Company <sup>2</sup> .....	26.6	16.5	10.1
Insurance Corporation of British Columbia <sup>2</sup> .....	101.1	128.9	(27.8)

<sup>1</sup> 1999 actual/estimated results less 1998 results.

<sup>2</sup> Figures correspond to the nine-month period January–September 1999.

### Operating Highlights

**British Columbia Buildings Corporation** — Net income rose \$2 million from last year. A \$5-million increase in gains from property sales was partially offset by a 1.6-per-cent rise in operations, maintenance and other operating costs. In 1999, the corporation paid a \$71-million dividend to the government in respect of profits in previous years.

**British Columbia Ferry Corporation** — Net income increased slightly from last year as an \$18-million increase in provincial subsidies was partly offset by a 7.3-per-cent increase in operating costs.



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- A 1.8-per-cent increase in catering and other income offset a slight drop in toll revenues. Traffic volumes declined 0.3 per cent while passenger volumes declined 0.7 per cent.
  - Operating cost increases included: labour (up 2.7 per cent); fuel (up 16 per cent); repair and maintenance (up 23 per cent); and debt financing (up 16 per cent).

**BC Transportation Financing Authority** — Net income rose \$15 million from last year. A 35-per-cent increase in dedicated provincial taxes transferred to the authority was partially offset by increases in operating expenditures.

**Forest Renewal BC** — The six-month loss was \$44 million lower than last year. This resulted from a 57-per-cent increase in stumpage and other revenue, and a 2.8-per-cent decrease in spending.

**Other Taxpayer-supported Agencies** —

- **British Columbia Transit:** A \$1 million increase in net expenditure was fully recovered from the provincial government and participating municipalities.
- **Tourism British Columbia:** \$5.5 million net income (\$1.5 million more than last year).
- **British Columbia Securities Commission:** \$6.9 million net income (\$0.7 million below last year).
- **British Columbia Pavilion Corporation:** \$1.8 million net loss (\$1.3 million lower than last year).
- **Okanagan Valley Tree Fruit Authority:** \$0.2 million surplus (compared to a \$0.3-million loss last year).
- **Provincial Capital Commission:** \$0.6 million surplus (up \$0.1 million from last year).

**British Columbia Hydro and Power Authority** — A \$112-million increase in net income from last year primarily resulted from a 25-per-cent jump in electricity trade revenue.

- Domestic revenues rose 0.9 per cent as higher residential, light industrial, commercial and other sales offset a 7.1-per-cent drop in large industrial sales.
- Electricity trade revenue increased \$118 million. A 12-per-cent rise in average energy prices and higher U.S. demand resulted in more electricity trade sales occurring in the first half of 1999.
- Energy costs rose 5.6 per cent due to higher electricity trade sales volumes and transmission costs, partially offset by lower domestic costs due to greater use of low-cost hydro generation. Finance costs fell 7.4 per cent due to refinancing of some U.S. debt at lower interest rates.

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**Liquor Distribution Branch** — An \$8.4-million decline in net income was caused by a slight decrease in sales revenue and a 2.5-per-cent increase in operating costs.

**British Columbia Lottery Corporation** — Net income rose \$52 million from last year due to casino and electronic bingo operations commenced later in 1998/99.

- Lotto 6/49, BC49 and Extra sales declined \$32 million due to a larger number of jackpots last year, but was partially offset by the introduction of Super 7 later in 1998/99. Casino and electronic bingo revenues increased \$101 million.
- Prizes and other direct costs rose \$29 million in response to higher sales. Other expenses increased \$5 million.

**British Columbia Railway Company** — Nine-month results showed a \$10-million increase in net income due to new operations acquired in late 1998 and in 1999.

- Revenue increased 19 per cent as additional revenue from Canadian Stevedoring (purchased October 1998), and Finlay Navigation Partnership (finalized June 1999) was partially offset by reduced revenue resulting from the sale of Westel Communications Ltd. (sold in July 1998).
- Operating expenses rose 17 per cent primarily due to additional operations costs of Canadian Stevedoring and Finlay Navigation Partnership. Interest costs rose 10 per cent due to higher debt outstanding.

**Insurance Corporation of British Columbia** — Nine-month results showed a \$101-million surplus mainly due to lower costs of settling prior years' injury claims.

- Operating revenue declined 1 per cent as a 1.2-per-cent increase in earned premium revenue was offset by lower revenue from licences and fines.
- Costs for claims incurred declined 2.7 per cent due to lower-than-assumed costs of settling prior years' injury claims.
- Operating expenses increased 7.4 per cent mainly due to higher staffing and other costs related to improved and expanded services.

**Table 4.2** British Columbia Buildings Corporation  
Income Statement  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Gross revenues.....	<u>222,321</u>	<u>222,287</u>	—
Expenses:			
Operations, maintenance and administration.....	69,151	64,665	6.9
Lease costs.....	68,380	68,952	(0.8)
Client requested projects.....	13,662	14,737	(7.3)
Depreciation and amortization.....	24,022	25,731	(6.6)
Environmental projects.....	2,109	—	—
Interest, net.....	29,766	29,716	0.2
	<u>207,090</u>	<u>203,801</u>	1.6
Income before gain on disposals.....	15,231	18,486	(17.6)
Gain on disposals.....	5,944	827	—
Net income.....	<u>21,175</u>	<u>19,313</u>	9.6

**Table 4.3** British Columbia Ferry Corporation  
Income Statement  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Operating revenues:</b>			
Tolls .....	188,088	188,843	(0.4)
Catering and other income .....	41,916	41,158	1.8
Federal coastal ferry contract .....	11,075	11,020	0.5
	<u>241,079</u>	<u>241,021</u>	—
<b>Operating expenses:</b>			
Salaries, wages and benefits .....	124,102	120,895	2.7
Fuel .....	20,288	17,563	15.5
Cost of food and goods sold .....	14,449	14,629	(1.2)
Repair and maintenance .....	14,019	11,429	22.7
Professional, computer and other .....	12,342	10,519	17.3
Materials and supplies .....	10,463	10,346	1.1
Net financing expense .....	24,314	20,906	16.3
Insurance, taxes, utilities .....	4,876	4,882	(0.1)
Amortization .....	25,152	21,862	15.0
	<u>250,005</u>	<u>233,031</u>	7.3
Income (loss) from operations .....	(8,926)	7,990	—
Dedicated motor fuel tax <sup>1</sup> .....	29,609	—	—
Provincial operating grant <sup>1</sup> .....	—	12,000	(100.0)
Net income (loss) .....	<u>20,683</u>	<u>19,990</u>	3.5

<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 4.4** British Columbia Hydro and Power Authority  
Income Statement  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$ millions)	Actual 1998 <sup>1</sup> (\$ millions)	Increase (Decrease) (Per cent)
<b>Revenues:</b>			
Residential .....	361	343	5.2
Light industrial and commercial .....	405	399	1.5
Large industrial .....	224	241	(7.1)
Other energy sales and miscellaneous .....	44	42	4.8
Total domestic .....	1,034	1,025	0.9
Electricity trade .....	584	466	25.3
	<u>1,618</u>	<u>1,491</u>	8.5
<b>Expenses:</b>			
Energy costs .....	607	575	5.6
Operations, maintenance and administration .....	188	187	0.5
Taxes .....	86	86	—
Depreciation .....	168	163	3.1
	<u>1,049</u>	<u>1,011</u>	3.8
Income before finance charges .....	569	480	18.5
Finance charges .....	(288)	(311)	(7.4)
Net income .....	<u>281</u>	<u>169</u>	66.3

<sup>1</sup> Certain figures for 1998 have been restated based on actual results for the year, and to conform to the presentation used for 1999.

**Table 4.5** British Columbia Lottery Corporation  
Income Statement  
for the Six Months Ended September 25, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Lottery sales.....	<u>663,388</u>	<u>577,181</u>	14.9
Direct costs:			
Prizes.....	239,876	243,837	(1.6)
Retailer commissions.....	103,997	70,397	47.7
Ticket printing and bingo paper.....	7,149	7,292	(2.0)
	<u>351,022</u>	<u>321,526</u>	9.2
Sales less direct costs.....	<u>312,366</u>	<u>255,655</u>	22.2
Other expenses:			
Operating.....	35,171	32,565	8.0
Amortization.....	10,872	10,155	7.1
Goods and services tax.....	8,834	7,456	18.5
	<u>54,877</u>	<u>50,176</u>	9.4
Net income.....	<u>257,489</u>	<u>205,479</u>	25.3
Allocation of net income:			
Province of British Columbia <sup>1</sup> .....	251,947	202,015	24.7
Government of Canada.....	3,597	3,464	3.8
Other <sup>2</sup> .....	1,945	—	—
	<u>257,489</u>	<u>205,479</u>	25.3

<sup>1</sup> Net income figures differ from those shown in Table 2.4 primarily due to the inclusion of revenues dedicated to charities, and other payments 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 4.6** British Columbia Pavilion Corporation  
Income Statement  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenue from operations.....	14,812	11,302	31.1
Direct event costs.....	6,726	5,114	31.5
Gross margin.....	8,086	6,188	30.7
Facility costs:			
Administration.....	893	859	4.0
Operations and fees.....	2,360	2,120	11.3
Staffing.....	3,864	3,839	0.7
Business development.....	506	377	34.2
Depreciation.....	2,232	2,063	8.2
	9,855	9,258	6.4
Net operating income (loss).....	(1,769)	(3,070)	(42.4)
Province of British Columbia subsidy <sup>1</sup> .....	—	1,007	(100.0)
Net income (loss).....	(1,769)	(2,063)	(14.3)

<sup>1</sup> The corporation receives an annual subsidy from the provincial government to compensate for its operating losses excluding depreciation.

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**Table 4.7** British Columbia Railway Company<sup>1</sup>Consolidated Income Statement  
for the Nine Months Ended September 30, 1999*(Unaudited)*

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	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Operating revenue.....	<u>364,916</u>	<u>306,029</u>	19.2
Expenses:			
Operations.....	132,822	89,769	48.0
Equipment maintenance.....	65,768	59,844	9.9
Road maintenance.....	29,728	32,600	(8.8)
Depreciation.....	46,771	48,407	(3.4)
Administration and general.....	33,340	32,151	3.7
	<u>308,429</u>	<u>262,771</u>	17.4
Operating income.....	56,487	43,258	30.6
Interest expense.....	(26,133)	(23,672)	10.4
Capital and income taxes.....	(3,762)	(3,107)	21.1
Net income.....	<u>26,592</u>	<u>16,479</u>	61.4

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<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 Communications Ltd. (until it was sold on July 31, 1998).



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**Table 4.8** British Columbia Securities CommissionStatement of Operations  
for the Six Months Ended September 30, 1999*(Unaudited)*

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	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Fees .....	14,614	13,886	5.2
Administrative penalties .....	201	66	—
Cost Recoveries .....	81	403	(79.9)
Interest income .....	503	684	(26.5)
	<u>15,399</u>	<u>15,039</u>	2.4
Expenditures:			
Salaries and benefits .....	5,959	4,962	20.1
Contract services .....	388	458	(15.3)
Building occupancy .....	555	312	77.9
Communication program .....	85	114	(25.4)
General .....	427	345	23.8
Securities Fraud Office .....	—	325	(100.0)
Depreciation .....	407	315	29.2
Systems operating and communication .....	165	198	(16.7)
Travel .....	200	134	49.3
Information systems development .....	355	282	25.9
	<u>8,541</u>	<u>7,445</u>	14.7
Net income .....	6,858	7,594	(9.7)
General surplus, beginning of year .....	1,488	15,515	(90.4)
Appropriations .....	(201)	(66)	—
General surplus, end of year .....	<u>8,145</u>	<u>23,043</u>	(64.7)

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<sup>1</sup> Certain figures for 1998 have been restated based on actual results for the year, and to conform to the presentation for 1999.

**Table 4.9** British Columbia Transit<sup>1</sup>  
Revenue and Expenditure Statement  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>2</sup> (\$000)	Increase (Decrease) (Per cent)
Revenue.....	15,365	15,390	(0.2)
Expenditures:			
Operations.....	30,273	28,491	6.3
Maintenance.....	6,112	5,419	12.8
Administration.....	8,807	8,254	6.7
Interest.....	77	75	2.7
Property leases and taxes.....	538	232	—
Debt servicing.....	4,015	6,452	(37.8)
Total expenditure.....	49,822	48,923	1.8
Net expenditure.....	34,457	33,533	2.8
Recoveries:			
Contribution from the Province of British Columbia.....	19,367	20,839	(7.1)
Contributions from participating municipalities.....	15,090	12,694	18.9
	34,457	33,533	2.8

<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 operations 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 of British Columbia Transit operations in the Greater Vancouver Regional District to the GVTA. Amounts shown for 1998 and 1999 reflect the estimated operating results for Victoria and other non-GVTA municipal systems.

**Table 4.10** BC Transportation Financing Authority<sup>1</sup>  
 Consolidated Statement of Income  
 for the Six Months Ended September 30, 1999  
 (Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Dedicated revenue <sup>2</sup> .....	85,578	63,245	35.3
Capital contributions (amortization) <sup>3</sup> .....	106,100	—	—
Other <sup>4</sup> .....	2,565	1,153	—
	<u>194,243</u>	<u>64,398</u>	—
<b>Expenditures:<sup>5</sup></b>			
Operations and administration <sup>6</sup> .....	11,604	10,586	9.6
Grant programs <sup>7</sup> .....	3,214	678	—
Amortization <sup>3</sup> .....	123,605	15,277	—
Interest <sup>8</sup> .....	37,465	34,161	9.7
	<u>175,888</u>	<u>60,702</u>	—
<b>Net income</b> .....	<u>18,355</u>	<u>3,696</u>	—

<sup>1</sup> Includes results of Highway Constructors Ltd., a wholly-owned subsidiary. Figures for 1998 have been restated to be consistent with the presentation used for 1999.

<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> Effective March 31, 1999, the provincial government transferred highway infrastructure assets to the authority. Asset values are recorded on the authority's balance sheet as a deferred capital contribution. This contribution is amortized as income of the authority with an offsetting adjustment to amortization expense.

<sup>4</sup> Includes investment revenue recorded net of related expenses.

<sup>5</sup> During the first six months of 1999/00, the authority undertook over \$253 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>6</sup> Includes \$9.3 million in 1999 (1998 — \$8.4 million) paid to the Ministry of Transportation and Highways for general operating expenses not specifically related to individual capital projects.

<sup>7</sup> Includes grants paid under the air transport assistance program, the cycling network program, the alternative transportation program, the territories program and the municipalities road program.

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

**Table 4.11**      **Forest Renewal BC**  
Statement of Income  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Statutory revenue <sup>2</sup> .....	96,124	46,235	—
Investment income.....	13,061	23,202	(43.7)
	<u>109,185</u>	<u>69,437</u>	57.2
<b>Cost of Services:</b>			
Project expenditures.....	144,018	146,666	(1.8)
Administration.....	7,808	9,533	(18.1)
	<u>151,826</u>	<u>156,199</u>	(2.8)
<b>Net income (loss).....</b>	<u>(42,641)</u>	<u>(86,762)</u>	(50.9)

<sup>1</sup> Certain figures for 1998 have been restated based on actual information for the year, and to conform to the presentation for 1999.

<sup>2</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. Statutory revenue is net of the annual recovery by the provincial government of up to \$50 million for the 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 will be deducted in the fourth quarter.

**Table 4.12 Insurance Corporation of British Columbia**Statement of Operations and Retained Earnings  
for the Nine Months Ended September 30, 1999*(Unaudited)*

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
<b>Revenue:</b>			
Vehicle premiums earned.....	1,780,621	1,763,142	1.0
Driver premiums earned.....	16,541	13,190	25.4
	<u>1,797,162</u>	<u>1,776,332</u>	1.2
Licences and fines on behalf of the Province.....	321,139	330,904	(3.0)
	<u>2,118,301</u>	<u>2,107,236</u>	0.5
Payment of licences and fines to the Province.....	(321,139)	(292,804)	9.7
	<u>1,797,162</u>	<u>1,814,432</u>	(1.0)
<b>Expenses:</b>			
Claims costs:			
Claims incurred.....	1,593,467	1,584,447	0.6
Prior years' claims development <sup>2</sup> .....	(154,125)	(105,655)	45.9
	<u>1,439,342</u>	<u>1,478,792</u>	(2.7)
Claims services.....	195,028	173,700	12.3
Road safety services.....	14,714	15,676	(6.1)
	<u>1,649,084</u>	<u>1,668,168</u>	(1.1)
Operating expenses:			
Administration.....	106,039	89,319	18.7
Driver, commercial vehicle and AutoPlan services.....	63,203	51,768	22.1
Commissions.....	124,638	128,283	(2.8)
Premium taxes.....	71,376	71,053	0.5
Year 2000 software development.....	4,981	4,449	12.0
	<u>370,237</u>	<u>344,872</u>	7.4
Total claims and expenses.....	<u>2,019,321</u>	<u>2,013,040</u>	0.3
Operating income.....	(222,159)	(198,608)	11.9
Investment income.....	323,280	327,552	(1.3)
Net income.....	<u>101,121</u>	<u>128,944</u>	(21.6)

<sup>1</sup> Figures for 1998 have been restated based on actual information for the year, and 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 4.13**      **Liquor Distribution Branch**  
Income Statement  
for the Second Quarter Ended September 25, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
<b>Sales:</b>			
Provincial liquor sales.....	846,084	847,756	(0.2)
Less: Discounts and commissions.....	(23,474)	(23,875)	(1.7)
Net sales.....	822,610	823,881	(0.2)
Cost of sales.....	(421,933)	(420,684)	0.3
Gross profit.....	400,677	403,197	(0.6)
Operating expenses.....	(90,481)	(84,903)	6.6
Net operating income.....	310,196	318,294	(2.5)
Other income.....	1,173	1,527	(23.2)
Net income <sup>1</sup> .....	<u>311,369</u>	<u>319,821</u>	(2.6)

<sup>1</sup> Net income of the Liquor Distribution Branch is also included as part of revenue in Table 2.4.

**Table 4.14**      **Okanagan Valley Tree Fruit Authority**  
Statement of Income and Retained Earnings  
for the Six Months Ended September 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.....	13	42	(69.0)
	<u>2,013</u>	<u>2,042</u>	(1.4)
<b>Expenditures:</b>			
Orchard renovation program.....	1,536	1,571	(2.2)
Sterile insect release program.....	150	650	(76.9)
Operating and other programs.....	92	92	—
	<u>1,778</u>	<u>2,313</u>	(23.1)
Surplus (deficit) for the period.....	235	(271)	—
Retained earnings, beginning of period.....	(136)	263	—
Retained earnings, end of period.....	<u>99</u>	<u>(8)</u>	—

**Table 4.15** Provincial Capital Commission  
Statement of Revenue, Expenditure and Surplus  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 <sup>1</sup> (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Rent and other .....	1,770	1,615	9.6
Interest .....	107	113	(5.3)
	<u>1,877</u>	<u>1,728</u>	8.6
Expenditure:			
Operating .....	1,270	1,222	3.9
Surplus for the period .....	607	506	20.0
Unappropriated surplus, beginning of period .....	2,813	3,318	(15.2)
Unappropriated surplus, end of period .....	<u>3,420</u>	<u>3,824</u>	(10.6)

<sup>1</sup> Certain figures for 1998 have been restated based on actual information for the year, and to conform to the presentation used for 1999.

**Table 4.16** Tourism British Columbia  
Income Statement  
for the Six Months Ended September 30, 1999  
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenues:			
Dedicated hotel room tax <sup>1</sup> .....	12,955	12,012	7.9
Other revenue <sup>2</sup> .....	3,285	1,356	—
	<u>16,240</u>	<u>13,368</u>	21.5
Operating expenses:			
Marketing and sales .....	2,837	2,654	6.9
Tourism operations <sup>2</sup> .....	5,087	4,258	19.5
Business development .....	967	707	36.8
General and administration .....	1,624	1,631	(0.4)
Depreciation <sup>3</sup> .....	186	51	—
	<u>10,701</u>	<u>9,301</u>	15.1
Net income .....	5,539	4,067	36.2
Unappropriated surplus, beginning of period .....	6,321	8,418	(24.9)
Unappropriated surplus, end of period .....	<u>11,860</u>	<u>12,485</u>	(5.0)

<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 reservations system in February 1999.

## PART FIVE – REVISED FORECAST

### Overview

This Quarterly Report contains, for the first time, an updated full-year forecast for the provincial government's summary accounts, which include the consolidated revenue fund and Crown corporations and agencies. Also included is a revised full-year forecast for provincial debt and capital spending.

**Table 5.1** Summary Accounts — Revised Forecast

	Budget 1999/00	Revised Forecast 1999/00	Variance <sup>1</sup>	Actual 1998/99 <sup>2</sup>
	(\$ millions)			
Consolidated Revenue Fund.....	(890.0)	(811.0)	79.0	(465.6)
Taxpayer-supported Crown corporations and agencies.....	(685.0)	(527.1)	157.9	(724.1)
Commercial Crown corporations and agencies.....	46.0	216.8	170.8	96.6
Crown corporations forecast allowance.....	—	(100.0)	(100.0)	—
Total summary accounts deficit.....	<u>(1,529.0)</u>	<u>(1,221.3)</u>	<u>307.7</u>	<u>(1,093.1)</u>

<sup>1</sup> 1999/00 revised forecast less 1999/00 budget.

<sup>2</sup> Certain figures have been restated to incorporate changes to the government's accounting policies introduced in 1999/00.

The summary accounts deficit is projected at \$1.2 billion in 1999/00, \$308 million lower than estimated:

- the consolidated revenue fund shortfall is projected to be \$79 million lower than budget, at \$811 million;
- the combined net loss from taxpayer-supported Crown corporations will be \$158 million lower than budget, at \$527 million;
- the commercial Crown corporations net contribution will be \$171 million higher than budgeted, at \$217 million; and
- a \$100 million allowance for unforeseen developments in Crown corporations is included in the forecast.

The summary accounts deficit forecast shows an increase of \$128 million from 1998/99. A larger consolidated revenue fund deficit is partially offset by lower net losses of taxpayer-supported Crown corporations and a higher contribution from commercial Crown corporations.



**Table 5.2 Detailed Summary Accounts — Revised Forecast**

	Budget <sup>1</sup> 1999/00	Revised Forecast 1999/00	Variance <sup>2</sup>	Actual <sup>1</sup> 1998/99
	(\$ millions)			
<b>Consolidated Revenue Fund (CRF) balance</b> .....	<u>(890.0)</u>	<u>(811.0)</u>	<u>79.0</u>	<u>(465.6)</u>
<b>Crown corporations and agencies:</b>				
<b>Taxpayer-supported:</b>				
British Columbia Buildings Corporation .....		56.4		48.1
British Columbia Ferry Corporation .....		(60.3)		(114.3)
BC Transportation Financing Authority .....		7.2		(23.6)
Forest Renewal BC .....		(124.0)		(264.6)
Other <sup>3</sup> .....		(8.8)		9.0
	<u>(190.0)</u>	<u>(129.5)</u>	<u>60.5</u>	<u>(345.4)</u>
<i>Less: contributions paid to CRF<sup>4</sup></i> .....	<i>(246.0)</i>	<i>(168.0)</i>	<i>78.0</i>	<i>(14.0)</i>
<i>Less: accounting adjustments<sup>5</sup></i> .....	<i>(249.0)</i>	<i>(229.6)</i>	<i>19.4</i>	<i>(364.7)</i>
<b>Total taxpayer-supported</b> .....	<u>(685.0)</u>	<u>(527.1)</u>	<u>157.9</u>	<u>(724.1)</u>
<b>Commercial self-supported:</b>				
British Columbia Hydro and Power Authority .....		480.0		395.4
Liquor Distribution Branch .....		620.0		615.9
British Columbia Lottery Corporation .....		541.8		456.0
British Columbia Railway Company .....		24.7		26.5
Insurance Corporation of British Columbia .....		128.0		73.5
Other <sup>6</sup> .....		(20.9)		(23.3)
	<u>1,567.0</u>	<u>1,773.6</u>	<u>206.6</u>	<u>1,544.0</u>
<i>Less: contributions paid to CRF<sup>7</sup></i> .....	<i>(1,435.0)</i>	<i>(1,442.0)</i>	<i>(7.0)</i>	<i>(1,348.0)</i>
<i>Less: accounting adjustments<sup>8</sup></i> .....	<i>(86.0)</i>	<i>(114.8)</i>	<i>(28.8)</i>	<i>(99.4)</i>
<b>Total commercial self-supported</b> .....	<u>46.0</u>	<u>216.8</u>	<u>170.8</u>	<u>96.6</u>
<b>Total Crown corporations and agencies</b> .....	<u>(639.0)</u>	<u>(310.3)</u>	<u>328.7</u>	<u>(627.5)</u>
<b>Crown corporation forecast allowance</b> .....	<u>—</u>	<u>(100.0)</u>	<u>(100.0)</u>	<u>—</u>
<b>Total net contribution (loss) of Crown corporations and agencies</b> .....	<u>(639.0)</u>	<u>(410.3)</u>	<u>228.7</u>	<u>(627.5)</u>
<b>Total summary accounts deficit</b> .....	<u>(1,529.0)</u>	<u>(1,221.3)</u>	<u>307.7</u>	<u>(1,093.1)</u>

<sup>1</sup> In the 1999/00 budget, estimates were only prepared for taxpayer-supported and commercial Crown corporation aggregate totals. Detailed annual Crown corporation estimates will be provided in the 2000/01 budget. Crown corporation actual figures for 1998 have been restated for accounting policy changes introduced in 1999/00, and to conform with the presentation used in the Quarterly Report.

<sup>2</sup> 1999/00 revised forecast less 1999/00 budget.

<sup>3</sup> Includes earnings/(losses) of British Columbia Transit, British Columbia Securities Commission, Okanagan Valley Tree Fruit Authority, Tourism British Columbia and other taxpayer-supported Crown corporations and agencies.

<sup>4</sup> Includes dividends from taxpayer-supported Crown corporations that are included in CRF revenue (e.g., British Columbia Buildings Corporation).

<sup>5</sup> Primarily includes adjustments to record the amortization of the cost of highways transferred to the BC Transportation Financing Authority.

<sup>6</sup> Includes earnings/(losses) of the Columbia Power Corporation and 552513 BC Ltd. (Skeena Cellulose Inc.) and other commercial Crown corporations.

<sup>7</sup> Includes dividends from commercial Crown corporations that are included in CRF revenue.

<sup>8</sup> Includes transfers of British Columbia Lottery Corporation revenue to charities and local governments by the British Columbia Gaming Commission.

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## Summary Accounts

The consolidated revenue fund shortfall is projected to be \$811 million in 1999/00. This is \$79 million lower than budget mainly due to higher-than-expected revenue. The projection includes a \$100-million forecast allowance for unforeseen developments in the revenue and expenditure forecasts. Details are provided later in this section.

In total, Crown corporations and agencies are projected to have a combined loss of \$410 million, after including a second \$100-million forecast allowance for unforeseen developments over the rest of the year. This is \$229 million lower than budget and an improvement of \$217 million from last year.

Taxpayer-supported Crown corporations and agency net losses (after adjustments) are forecast to be \$158 million better than planned and \$197 million lower than last year mainly due to lower expected losses for the British Columbia Ferry Corporation and Forest Renewal BC. Compared to budget, the forecast reflects:

- a \$61 million reduction in operating losses;
- a \$78 million reduction in the dividend from the British Columbia Buildings Corporation; and
- a small decrease in expected year-end accounting adjustments.

Self-supported commercial Crown corporations are projected to show a combined net contribution of \$217 million. This is \$171 million higher than budget and up \$120 million from last year mainly due to higher net income of the British Columbia Hydro and Power Authority, British Columbia Lottery Corporation and the Insurance Corporation of British Columbia.

Commercial Crown contributions paid to the consolidated revenue fund are up slightly from budget and \$94 million higher than last year mainly due to higher net income of British Columbia Lottery Corporation. The small increase in accounting adjustments reflects increased gaming revenue distributed to charities and local governments.

## Consolidated Revenue Fund

Revenue is projected to be \$584 million or 2.9 per cent above budget. The increase includes higher-than-budgeted revenue from natural resources and taxation, partially offset by lower Crown corporation contributions and other sources.

**Table 5.3 Consolidated Revenue Fund — Revised Forecast**

	Budget 1999/00	Revised Forecast 1999/00	Variance <sup>1</sup>
		(\$ millions)	
Revenue.....	20,155.0	20,739.0	584.0
Expenditure.....	(21,045.0)	(21,450.0)	(405.0)
Forecast allowance <sup>2</sup> .....	—	(100.0)	(100.0)
Consolidated Revenue Fund balance.....	<u>(890.0)</u>	<u>(811.0)</u>	<u>79.0</u>

<sup>1</sup> 1999/00 revised forecast less 1999/00 budget.

<sup>2</sup> Represents an allowance for unforeseen revenue or expenditure changes over the remainder of the year, beyond the amounts identified in the revised forecasts.

Based on the September economic forecast, the revised revenue forecast assumes the full-year revenue budget allowance of \$230 million will not be required.

Spending pressures could result in full-year expenditures exceeding budget by \$405 million or 1.9 per cent. This projection is based on information provided by ministries and does not reflect government decisions that may reduce this spending before year-end.

Expenditures are projected to be above budget in 14 ministries, while 6 ministries are expected to be on target.

## Consolidated Revenue Fund — Revised Revenue Forecast

Revenue is projected to be \$584 million or 2.9 per cent above budget. The revised forecast incorporates year-to-date developments and the September economic outlook.

Economic growth in 1999 is projected to be higher than forecast when preparing the 1999/00 budget. Revenue from individual sources is projected to be \$354 million above budget and the revised forecast assumes that the full-year revenue budget allowance of \$230 million will not be required (see Table 5.4).

**Table 5.4 Consolidated Revenue Fund — Revised Revenue Forecast**

	Budget 1999/00	Revised Forecast 1999/00 <sup>2</sup>	Variance <sup>1</sup>
	(\$ millions)		
<b>Taxation:</b>			
Personal income .....	5,374.0	5,438.0	64.0
Corporation income .....	847.0	880.0	33.0
Social service .....	3,190.0	3,190.0	—
Fuel .....	436.0	446.0	10.0
Tobacco .....	478.0	478.0	—
Property .....	1,345.0	1,334.0	(11.0)
Property transfer .....	216.0	248.0	32.0
Corporation capital .....	418.0	425.0	7.0
Other .....	275.0	277.0	2.0
Less: provision for doubtful accounts .....	(9.0)	(9.0)	—
Less: commissions on collection of public funds .....	(24.0)	(23.0)	1.0
	<u>12,546.0</u>	<u>12,684.0</u>	<u>138.0</u>
<b>Natural resources:</b>			
Petroleum and natural gas:			
Natural gas royalties .....	205.0	239.0	34.0
Permits and fees .....	120.0	227.0	107.0
Petroleum royalties .....	68.0	84.0	16.0
	<u>393.0</u>	<u>550.0</u>	<u>157.0</u>
Minerals .....	29.0	33.0	4.0
Forests:			
Timber sales .....	803.0	955.0	152.0
Small Business Forest Enterprise Program .....	220.0	220.0	—
Logging tax .....	13.0	10.0	(3.0)
Other forests revenue .....	37.0	57.0	20.0
	<u>1,073.0</u>	<u>1,242.0</u>	<u>169.0</u>
Water rentals .....	376.0	395.0	19.0
<i>Wildlife Act</i> .....	14.0	14.0	—
	<u>390.0</u>	<u>409.0</u>	<u>19.0</u>
Less: provision for doubtful accounts .....	(4.0)	(4.0)	—
Less: commissions on collection of public funds .....	(1.0)	(1.0)	—
	<u>1,880.0</u>	<u>2,229.0</u>	<u>349.0</u>

. . . Table continued on next page

**Table 5.4 Consolidated Revenue Fund — Revised Revenue Forecast — *Continued***

	Budget 1999/00	Revised Forecast 1999/00 <sup>2</sup>	Variance <sup>1</sup>
	(\$ millions)		
<b>Other revenue:</b>			
Medical Services Plan premiums.....	896.0	885.0	(11.0)
Motor vehicle licences and permits.....	334.0	332.0	(2.0)
Other fees and licences.....	408.0	380.0	(28.0)
Investment earnings.....	48.0	48.0	—
Fines and penalties.....	112.0	110.0	(2.0)
Miscellaneous.....	107.0	108.0	1.0
Asset dispositions.....	84.0	60.0	(24.0)
Less: provision for doubtful accounts.....	(34.0)	(34.0)	—
Less: commissions on collection of public funds.....	(27.0)	(25.0)	2.0
	<u>1,928.0</u>	<u>1,864.0</u>	<u>(64.0)</u>
<b>Contributions from Crown corporations:</b>			
Liquor Distribution Branch income.....	620.0	620.0	—
British Columbia Lottery Corporation.....	424.0	421.0	(3.0)
British Columbia Hydro and Power Authority.....	348.0	370.0	22.0
British Columbia Buildings Corporation.....	246.0	168.0	(78.0)
Other <sup>3</sup> .....	41.0	31.0	(10.0)
	<u>1,679.0</u>	<u>1,610.0</u>	<u>(69.0)</u>
<b>Contributions from the Federal government:</b>			
Canada health and social transfer.....	2,208.0	2,208.0	—
Other.....	144.0	144.0	—
	<u>2,352.0</u>	<u>2,352.0</u>	<u>—</u>
<b>Less: Revenue Allowance.....</b>	<b>(230.0)</b>	<b>—</b>	<b>230.0</b>
<b>TOTAL REVENUE.....</b>	<b><u>20,155.0</u></b>	<b><u>20,739.0</u></b>	<b><u>584.0</u></b>

<sup>1</sup> 1999/00 revised forecast less 1999/00 budget.

<sup>2</sup> Revised forecast and budget figures for 1999/00 exclude \$574 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 British Columbia Oil and Gas Commission.

<sup>3</sup> Includes British Columbia Railway Company, British Columbia Assets and Land Corporation (formerly WLC Developments Ltd.), and Columbia Power Corporation.

- 
- *Personal and corporation income tax* — \$97 million above budget. Personal income tax revenue is up \$64 million as higher-than-assumed assessments for 1998 offset the effect of a lower forecast of personal income growth in 1999.

Corporation income tax revenue is \$33 million above budget. Higher instalments resulting from an improved federal outlook for 1999 national corporate profits is partly offset by a larger reimbursement to the federal government for overpayments received in 1998/99.

- *Other taxes* — \$41 million above budget. Higher revenue from property transfer, fuel and corporation capital taxes is partly offset by lower revenue from property tax. Increases reflect current developments and an improved outlook for economic activity.
- *Petroleum, natural gas and minerals* — \$161 million above budget. This reflects the effect on royalties and taxes of higher-than-assumed oil, natural gas and other commodity prices, and higher sales of Crown land drilling rights.
- *Forests* — \$169 million above budget. Based on current developments, the forecast incorporates higher average prices and volumes for the year, plus additional federal remittances of lumber export fees collected in 1998/99.
- *Water and other resources* — \$19 million above budget mainly due to higher-than-budgeted sales of electricity received through the Columbia River Treaty.
- *Other Revenue* — \$64 million below budget. Medical service plan premiums, other fees, licences and fines, and asset dispositions will be below budget mainly due to lower population growth and lower activity.
- *Contributions from Crown corporations* — \$69 million below budget. Lower dividends from the British Columbia Buildings Corporation, British Columbia Railway Company and British Columbia Lottery Corporation are partially offset by higher contributions from the British Columbia Hydro and Power Authority.
- *Federal contributions* — The forecast assumes that in 1999/00 British Columbia will withdraw \$350 million of its full \$471 million entitlement of the federal CHST supplement announced in the 1999 federal budget.
- *Revenue allowance* — A \$230-million allowance was included in the 1999/00 revenue estimates to provide a cushion corresponding to economic growth of  $-0.6$  per cent, 1.1 percentage points lower than the 0.5 per cent growth forecast for 1999. Based on current developments and the September economic outlook, the revenue forecast assumes that the budget revenue allowance will not be needed.

**Table 5.5 Main Revenue Assumptions and Risks**

Revenue Source and Budget Assumptions	Revenue Change and Revised Assumptions	Risks and Sensitivities
<p><b>Personal Income Tax</b> Personal income growth of 2.6 per cent in 1999; 2.3 per cent in 2000.</p>	<p><b>\$64 million</b> 1998 assessments up 0.7 per cent. Personal income growth of 1.6 per cent in 1999; 2.3 per cent in 2000.</p>	<p>1 per cent change in 1998 tax assessments affects revenue by \$137M. 1 per cent change in 1999 personal income growth affects revenue by \$105M.</p>
<p><b>Corporation Income Tax</b> Revenue based on a fixed share of national corporate taxable income (CTY). BC corporate profits decline 15 per cent in 1998. National CTY falls 5 per cent in 1999. Small business tax rate lowered to 5.5 per cent effective July 1, 1999.</p>	<p><b>\$33 million</b> 1999 national CTY up 13 per cent. 1998 BC CTY 7 per cent lower than assumed at budget (increases reimbursement for overpayments in 1998/99).</p>	<p>1 per cent change in 1999 national CTY affects revenue by \$11M. 1 per cent change in 1998 BC CTY affects revenue by \$10M.</p>
<p><b>Social Services Tax</b> Retail sales growth of 2.5 per cent in 1999; 2.0 per cent in 2000. Nominal machinery and equipment (M&amp;E) investment growth of 1.1 per cent in 1999; 4.0 per cent in 2000.</p>	<p><b>Unchanged</b> Retail sales growth of 1.0 per cent in 1999; 2.1 per cent in 2000. Nominal M&amp;E investment growth of 4.5 per cent in 1999; 4.1 per cent in 2000.</p>	<p>1 per cent change in retail sales growth over remainder of the year affects revenue by \$10M. A 1 per cent change in M&amp;E investment growth affects revenue by \$6M.</p>
<p><b>Forests Revenue</b> Crown coastal volumes: 13.9 million m<sup>3</sup>; Crown interior volumes: 44.4 million m<sup>3</sup>. Average 1999 SPF 2x4 price U.S. \$295/1000 bd. ft. Average 1999 hemlock (HBSQ) price U.S. \$525/1000 bd. ft.</p>	<p><b>\$169 million</b> Crown coastal volumes: 14.8 million m<sup>3</sup>; Crown interior volumes: 45.6 million m<sup>3</sup>; Total Crown volumes up 2.1 million m<sup>3</sup> from budget. Average 1999 SPF 2x4 price U.S. \$349/1000 bd. ft. Average 1999 HBSQ price U.S. \$585/1000 bd. ft.</p>	<p>Risks affecting second half harvest volumes (61 per cent of total) include weather (timing of freeze-up and spring break-up) and industry's outlook of product demand. 5 per cent change in harvest volumes in second half affects CRF revenue by \$36M and FRBC revenue by \$10M.</p>
<p><b>Oil, Gas and Minerals Revenue</b> Natural gas price at Cdn. \$1.63/GJ. Oil price at U.S. \$15/bbl. Sales of Crown land drilling rights up 10 per cent in 1999/00.</p>	<p><b>\$161 million</b> Natural gas price at Cdn. \$1.70/GJ. Oil price at U.S. \$19/bbl. Sales of Crown land drilling rights up 89 per cent from budget.</p>	<p>Winter weather conditions in North America can affect demand. 5 per cent change in natural gas price affects second half revenue by \$11M. 5 per cent change in natural gas volumes in second half affects revenue by \$7M. Sales of Crown land drilling rights +/- \$50M.</p>
<p><b>Fees and Licences Revenue</b> Population growth 0.9 per cent.</p>	<p><b>-\$41 million</b> Weaker MSP premium yield. Lower utilization demand. Population growth 0.7 per cent.</p>	<p>1 per cent change in usage rate/ population growth affects revenue by \$5M to \$10M.</p>
<p><b>Crown Contributions</b> BC Hydro: \$348M. LDB: \$620M. BCBC: \$246M.</p>	<p><b>-\$69 million</b> BC Hydro electricity trade up 25 per cent. LDB: unchanged. BCBC down \$78M.</p>	<p>Winter demand: +/- \$50M. Christmas sales: +/- \$15M. Volume of property sales: +/- \$100M.</p>
<p><b>Federal Government Contributions</b> CHST revenue includes \$350M of CHST supplement received in 1999/00.</p>	<p><b>Unchanged</b> CHST unchanged as lower population, higher BC tax points (down \$70M) offset by higher national floor entitlements (up \$70M).</p>	<p>1 per cent increase in BC tax points reduces revenue by \$16M. 1 per cent change in national tax points affects revenue by \$18M.</p>

## Revenue Assumptions and Risks

While current year developments have shown positive trends at the six-month mark, a number of factors could affect the forecast over the rest of the fiscal year. For example:

- Further information on the 1998 personal and corporation income tax bases will be received from the federal government later in the fiscal year. As well, the federal government may make further revisions to its forecast for the 1999 and 2000 national income tax bases. This could affect the amount of adjustments for overpayments or underpayments received in 1998/99 as well as entitlements assumed for the current year.
- The higher lumber prices observed earlier this year will result in higher stumpage rates for the third and fourth quarters. This, together with lower lumber prices, could result in lower-than-assumed harvesting activity in the second half of the fiscal year.
- Contributions from Crown corporations may be affected by winter weather (British Columbia Hydro and Power Authority), Christmas consumer activity (Liquor Distribution Branch), and volumes of property dispositions (British Columbia Buildings Corporation).

## Consolidated Revenue Fund — Revised Expenditure Forecast

The mid-year expenditure forecast identifies full-year spending pressures of \$405 million or 1.9 per cent of budget. The revised forecast is 3.3 per cent higher than last year.

The forecast is based on expenditure pressures reported by ministries. It is expected that some of these pressures will be offset as a result of subsequent government decisions. Spending pressures that have already been offset by internal management re-allocations within ministries are not identified in this forecast.

As shown in Table 5.6, expenditure is projected to be above budget in 14 ministries, while 6 ministries are on target.

**Table 5.6** Consolidated Revenue Fund — Revised Expenditure Forecast

	Budget <sup>1</sup> 1999/00	Revised Forecast 1999/00	Variance <sup>2</sup>
	(\$ millions)		
Legislation.....	36.6	36.6	—
Officers of the Legislature.....	28.2	30.0	1.8
Office of the Premier.....	2.1	2.1	—
Aboriginal Affairs.....	33.4	60.5	27.1

. . . Table continued on next page



**Table 5.6** Consolidated Revenue Fund — Revised Expenditure Forecast — *Continued*

	Budget <sup>1</sup> 1999/00	Revised Forecast 1999/00	Variance <sup>2</sup>
	(\$ millions)		
Advanced Education, Training and Technology			
Educational institutions and organizations.....	1,117.8	1,117.8	—
Other ministry programs.....	520.2	529.9	9.7
Total.....	1,638.0	1,647.7	9.7
Agriculture and Food.....	56.9	57.3	0.4
Attorney General.....	917.7	983.6	65.9
Children and Families.....	1,315.7	1,337.7	22.0
Community Development, Cooperatives and Volunteers.....	5.3	8.1	2.8
Education			
Public school operating contributions.....	3,643.7	3,662.2	18.5
Other ministry programs.....	701.6	713.4	11.8
Total.....	4,345.3	4,375.6	30.3
Employment and Investment.....	37.4	37.4	—
Energy and Mines.....	36.7	36.7	—
Environment, Lands and Parks.....	194.8	198.5	3.7
Finance and Corporate Relations.....	109.1	109.1	—
Fisheries.....	19.3	19.3	—
Forests.....	491.5	522.5	31.0
Health			
Acute and continuing care.....	4,294.8	4,444.4	149.6
Other ministry programs.....	3,425.3	3,437.0	11.7
Total.....	7,720.1	7,881.4	161.3
Labour.....	27.8	28.2	0.4
Municipal Affairs.....	141.5	145.1	3.6
Small Business, Tourism and Culture.....	83.6	83.6	—
Social Development and Economic Security.....	1,929.6	1,938.6	9.0
Transportation and Highways.....	462.8	463.3	0.5
Women's Equality.....	38.1	38.1	—
Contributions to British Columbia Transit (Women's Equality).....	170.5	173.4	2.9
Other:			
Management of Public Funds and Debt.....	940.0	880.0	(60.0)
Contingencies (All Ministries) and New Programs.....	110.0	57.8	(52.2)
BC Benefits.....	222.2	222.2	—
Amortization of Change in Unfunded Pension Liability.....	(116.5)	(116.5)	—
Vancouver Trade and Convention Centre.....	—	73.0	73.0
Community Social Services wage pressure.....	—	60.0	60.0
Other Appropriations <sup>3</sup> .....	47.3	59.5	12.2
TOTAL EXPENDITURE.....	21,045.0	21,450.4	405.4

<sup>1</sup> Figures have been restated to reflect the government reorganization announced July 21, 1999.

<sup>2</sup> 1999/00 revised forecast less 1999/00 budget.

<sup>3</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 Forests 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.

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- *Ministry of Aboriginal Affairs* — \$27 million above budget due to higher spending for treaty negotiations and settlements.
  - *Ministry of Attorney General* — \$66 million above budget mainly due to higher spending for court settlements and for flood damage compensation.
  - *Ministry for Children and Families* — \$22 million above budget mainly due to social services contract changes and higher program utilization.
  - *Ministry of Education* — \$30 million above budget mainly due to higher public school enrolment, early retirement of teachers and higher debt servicing costs for capital projects.
  - *Ministry of Forests* — \$31 million above budget mainly due to higher spending for bridge repair and bark beetle pest control.
  - *Ministry of Health* — \$161 million above budget. This includes a preliminary estimate of costs for health care worker wage increases, resulting from the Kelleher wage arbitration, increased Pharmacare utilization and pressures identified by health authorities. These are partially offset by lower debt servicing costs for capital projects. Negotiations with the British Columbia Medical Association are ongoing and no alterations to the forecast for the Medical Services Plan have been made.
  - *Management of public funds and debt (debt interest)* — \$60 million below budget mainly due to lower-than-assumed borrowing requirements and interest rates, and the effects of favourable foreign exchange rates.
  - *Contingencies (All Ministries) and New Programs* — \$58 million of the \$110 million budget has been allocated. Some of the items currently shown as ministry pressures may be allocated to this vote later in the year.
  - *Vancouver Trade and Convention Centre* — Net costs due to the termination of the project are projected to be \$73 million, after the deduction of estimated proceeds from the sale of residual assets.
  - *Community social services wages* — The budget impact of the wage increase for community social services workers is estimated at \$60 million.

**Table 5.7 Main Expenditure Assumptions and Risks**

Expenditure Area and Budget Assumptions	Revised Assumptions	Risks and Sensitivities
<p><b>K to 12 Education Programs</b>  <b>\$4,329 million</b>            Zero enrolment growth in K to 12. Funds class size reduction in K to 3.</p>	<p><b>up \$30 million</b>            Preliminary estimates indicate enrolment growth of 0.4 per cent. This pressure of higher-than-expected enrolment is partially offset by a \$10-million contingency allowance that was included in the ministry's budget for unexpected enrolment growth.            Revised forecast incorporates the cost of a teachers' early retirement program associated with the labour accord, and higher debt servicing costs.</p>	<p>Enrolment information will be available in December. A 0.1-per-cent change in enrolment affects expenditure by \$2.5 million.            Changes to debt servicing costs due to interest rate fluctuations, sinking fund earnings or capital projects also represent a risk to the forecast.</p>
<p><b>Acute and Continuing Care</b>  <b>\$4,295 million</b>            Funds all signed collective agreements. \$15 million to hire additional nurses. Incorporates base overspending in 1998/99. Funds BC's share of operating costs for the new national blood agency. Provides funding for waiting lists and for utilization increases.</p>	<p><b>up \$150 million</b>            Incorporates preliminary estimate for wage arbitration results for collective bargaining issues in the health care sector, which is currently under appeal. Also reflects potential overspending by health authorities.</p>	<p>The outcome of the appeal could result in higher or lower costs than currently assumed.</p>
<p><b>Medical Services Plan</b>  <b>\$1,869 million</b>            Funds medical and supplementary benefit services (eg chiropractic and optometry) based on expected changes to provincial demographics, consistent with the economic forecast.</p>	<p><b>unchanged</b></p>	<p>An agreement between the government and the BC Medical Association has not yet been reached. Some funding has been provided in the budget. Final costs could be higher or lower than assumed.</p>
<p><b>Post Secondary Education Programs</b>  <b>\$1,555 million</b>            Funds 2,900 new seats. Provides compensation to institutions for the continuation of the tuition freeze. Provides incremental operating funds for Technical University of BC.</p>	<p><b>unchanged</b></p>	
<p><b>Student Financial Assistance</b>  <b>\$127 million</b>  <i>(included in Post Secondary Education Program above)</i>            Provides for a cost of living increase of 1.1 per cent and a utilization increase of 5.0 per cent in 1999/00. The budget is increased 6.5 per cent.</p>	<p><b>up \$5 million</b>  <i>(included in Post Secondary Education Program above)</i>            Preliminary estimates indicate utilization increase of about 7 to 8 per cent.</p>	<p>Actual expenditures are affected by higher or lower than expected demand for student financial assistance. A 1-per-cent change in utilization affects expenditure by about \$1.5 million.</p>

**Table 5.7** Main Expenditure Assumptions and Risks — *Continued*

Expenditure Area and Budget Assumptions	Revised Assumptions	Risks and Sensitivities
<p><b>Income Assistance (IA) and Related Programs</b>  <b>\$1,308 million</b>                      Provides for a 4.5-per-cent decline in the caseload.</p>	<p><b>up \$9 million</b>                      Preliminary estimates indicate budget assumption of caseload reduction still valid. Revised forecast reflects an unanticipated shortfall in recoveries of overpayments and higher than expected costs for health and dental benefits.</p>	<p>Changes in labour market conditions affect IA expenditures.</p>
<p><b>Services for Children and Families</b>  <b>\$540 million</b>                      Improved use of care delivery protocols to reduce the growth of apprehensions and voluntary care agreements.</p>	<p><b>up \$22 million</b>                      Reflects current estimate of the indirect impact of the Community Social Services collective agreement. Also incorporates the potential overutilization of community living and children in care services.</p>	<p>Actual expenditure is affected by higher or lower demand for community support services and children in care services, which are not controlled by government.</p>
<p><b>Pharmacare</b>  <b>\$542 million</b>                      Funds 1998/99 shortfall and provides for increased utilization, population, drug costs and some new drugs. The total budget increase is \$64 million or 13.4 per cent in 1999/00.</p>	<p><b>up \$21 million</b>                      Reflects higher-than-expected utilization.</p>	<p>Cost, volume and utilization of prescriptions are not controlled by government.</p>
<p><b>Direct Forest Fire Fighting</b>  <b>\$36 million</b>                      Provides for sufficient funding for a “moderate” forest fire year.</p>	<p><b>down \$5 million</b>                      Wetter weather than normal during the fire season is expected to reduce costs.</p>	<p>The fire season is essentially over. Risks to revised assumptions are minimal.</p>
<p><b>Ministry of Attorney General — Statutory Services</b>  <b>\$50 million</b>                      Provides:                      • \$25 million for <i>Criminal Injuries Compensation Act</i> settlements;                      • \$11 million for <i>Crown Proceeding Act</i> settlements;                      • \$12 million for emergencies such as floods and blizzards; and                      • \$3 million for inquiries that may arise over the course of the year.</p>	<p><b>up \$49 million</b>  <i>Crown Proceeding Act</i> settlements are forecast to be \$25 million above budget. Emergency Program expenditures reflect an additional \$24 million for flood mitigation measures undertaken in the spring.</p>	<p>Costs could increase due to higher-than-expected court settlements under the <i>Crown Proceeding Act</i>. The Carrier Lumber decision, which is currently under appeal, is also a risk to the forecast.</p>
<p><b>Ministry of Attorney General — Ministry Operations</b>  <b>\$803 million</b></p>	<p><b>up \$17 million</b>                      Includes comparatively smaller pressures, mainly for corrections programs.                       Assumes spending for Chinese migrants of \$22 million will be fully cost-recovered from the federal government.</p>	
<p><b>Ministry of Aboriginal Affairs — Treaty Settlement and Implementation Costs</b>  <b>\$33 million</b></p>	<p><b>up \$27 million</b>                      Reflects treaty negotiation agreements.</p>	<p>Timing and amount of final treaty settlements is uncertain.</p>

**Table 5.7** Main Expenditure Assumptions and Risks — *Continued*

Expenditure Area and Budget Assumptions	Revised Assumptions	Risks and Sensitivities
<p><b>Debt Servicing (government direct operating debt)</b>  <b>\$940 million</b>                      Long and short-term borrowing rates average 6.1 per cent and 5.2 per cent, respectively for the fiscal year.</p>	<p><b>down \$60 million</b>                      Assumes:                      — increased earnings from sinking funds and favourable debt swaps.                      — lower-than-budgeted short-term interest rates.                      — lower borrowing requirements.                      — lower negative adjustments for foreign exchange.</p>	<p>An increase/decrease of 0.5 percentage points in interest rates will cause debt service costs on direct operating debt to increase/decrease \$11 million for the remainder of the year. When other taxpayer-supported debt is included, this sensitivity is \$22 million.</p>
<p><b>Vancouver Trade and Convention Centre write-down</b></p>	<p><b>\$73 million</b>                      Reflects costs associated with the termination of the Vancouver Trade and Convention Centre expansion project and the write-down of the loan provided by the province to the Vancouver Trade and Convention Centre Authority.</p>	
<p><b>Community social services collective agreement</b></p>	<p><b>\$60 million</b>                      Reflects current estimates of cost of collective agreement provisions.</p>	<p>Detailed costing work is continuing. Final costs could be higher or lower than assumed.</p>
<p><b>Contingencies (All Ministries) and New Programs Vote</b>  <b>\$110 million</b>                      Provision for uncertain or unforeseen issues arising over the year for which no other budget provision currently exists.                      Provision for start up of new programs under development.</p>	<p><b>\$58 million committed to date</b>  <b>\$52 million remaining to fund potential pressures</b>                      Pending resolution of sources of funding and further spending reductions, some expenditure pressures may be allocated to this vote later in the year.</p>	

## Provincial Net Debt

Provincial net debt is forecast to increase \$2,476 million to total \$34.5 billion at March 31, 2000. This increase is \$217 million lower than the budget estimate (see Table 5.8) and reflects:

- reduced requirements for government direct operating purposes (down \$249 million from budget due to the lower deficit forecast and reduced financing/working capital needs, favourable foreign exchange rates and higher earnings from sinking funds);
- cancellation of the Vancouver Trade and Convention Centre project (down \$141 million from budget); and
- reduced debt requirements for health facilities, and the British Columbia Hydro and Power Authority and the British Columbia Buildings Corporation (down \$91 million from budget).

**Table 5.8 Provincial Net Debt — Revised Forecast<sup>1</sup>**

	Net Change <sup>2</sup>		Variance	Forecast Total Net Debt Outstanding March 31, 2000
	Budget 1999/00	Revised Forecast 1999/00		
(\$ millions)				
<b>Taxpayer-supported debt</b>				
<b>Provincial government direct</b>				
Operating purposes				
Government direct operating	1,432.0	1,183.5	(248.5)	13,373.8
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) <sup>3</sup>	185.5	44.3	(141.2)	73.0
	<u>1,617.5</u>	<u>1,227.8</u>	<u>(389.7)</u>	<u>13,446.8</u>
Capital financing purposes				
Schools	195.1	328.4	133.3	3,589.0
Post-secondary institutions	36.6	34.0	(2.6)	1,370.4
Health facilities	255.4	214.3	(41.1)	1,496.2
Public transit	(3.2)	(6.5)	(3.3)	980.1
<i>SkyTrain</i> extension	434.0	478.3	44.3	611.8
	<u>917.9</u>	<u>1,048.5</u>	<u>130.6</u>	<u>8,047.5</u>
Total provincial government direct	<u>2,535.4</u>	<u>2,276.3</u>	<u>(259.1)</u>	<u>21,494.3</u>
<b>Economic development Crown corporations and   agencies</b>				
BC Transportation Financing Authority	427.7	437.0	9.3	1,864.5
British Columbia Ferry Corporation	177.4	171.8	(5.6)	1,144.2
British Columbia Transit	8.6	15.6	7.0	74.5
Rapid Transit Project 2000	3.5	61.3	57.8	117.8
Other <sup>4</sup>	—	0.9	0.9	52.7
	<u>617.2</u>	<u>686.6</u>	<u>69.4</u>	<u>3,253.7</u>
<b>Government services Crown corporations and   agencies and other fiscal agency loans</b>				
British Columbia Assessment Authority	—	—	—	4.3
British Columbia Buildings Corporation	18.2	(6.3)	(24.5)	708.4
Homeowner Protection Office	39.0	25.7	(13.3)	33.8
Other fiscal agency loans <sup>5</sup>	(5.0)	(5.8)	(0.8)	134.9
	<u>52.2</u>	<u>13.6</u>	<u>(38.6)</u>	<u>881.4</u>
<b>Other guarantees<sup>6</sup></b>	<u>(33.6)</u>	<u>(33.6)</u>	<u>—</u>	<u>129.0</u>
<b>Non-guaranteed debt<sup>7</sup></b>	<u>(7.4)</u>	<u>(7.4)</u>	<u>—</u>	<u>137.8</u>
<b>Total taxpayer-supported debt</b>	<b><u>3,163.8</u></b>	<b><u>2,935.5</u></b>	<b><u>(228.3)</u></b>	<b><u>25,896.2</u></b>

... Table continued on next page

**Table 5.8** Provincial Net Debt — Revised Forecast<sup>1</sup> — *Continued*

	Net Change <sup>2</sup>		Variance	Forecast Total Net Debt Outstanding March 31, 2000
	Budget 1999/00	Revised Forecast 1999/00		
(\$ millions)				
<b>Self-supporting debt</b>				
<b>Commercial Crown corporations and agencies</b>				
British Columbia Hydro and Power Authority .....	(127.0)	(152.8)	(25.8)	7,321.2
British Columbia Railway Company .....	16.7	12.3	(4.4)	593.3
552513 British Columbia Ltd. (Skeena Cellulose Inc.) .....	94.6	81.7	(12.9)	210.2
577315 British Columbia Ltd. (Western Star Truck Co.) .....	—	62.6	62.6	62.6
	<u>(15.7)</u>	<u>3.8</u>	<u>19.5</u>	<u>8,187.3</u>
<b>Warehouse borrowing program</b> .....	<u>(450.0)</u>	<u>(457.8)</u>	<u>(7.8)</u>	<u>200.0</u>
<b>Non-guaranteed debt</b> <sup>8</sup> .....	<u>(5.5)</u>	<u>(5.5)</u>	<u>—</u>	<u>210.3</u>
<b>Total self-supporting debt</b> .....	<u>(471.2)</u>	<u>(459.5)</u>	<u>11.7</u>	<u>8,597.6</u>
<b>Total provincial debt</b> .....	<u><b>2,692.6</b></u>	<u><b>2,476.0</b></u>	<u><b>(216.6)</b></u>	<u><b>34,493.8</b></u>

<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 that is not provincially guaranteed. Budget figures have been restated to be consistent with the presentation used in this report.

<sup>2</sup> Gross new long-term borrowing plus net change in short-term debt outstanding, less sinking fund contributions, sinking fund interest earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

<sup>3</sup> The forecast assumes that the government will assume the debt of the Vancouver Trade and Convention Centre (the six-month results report this debt under economic development Crown corporations).

<sup>4</sup> Includes the British Columbia Housing Management Commission, Pacific Racing Association and Victoria Line Ltd.

<sup>5</sup> Includes local governments, universities and colleges.

<sup>6</sup> Includes student financial 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>7</sup> Includes debt of the Provincial Rental Housing Corporation, BC Transportation Financing Authority, Pacific National Exhibition, British Columbia Ferry Corporation and Okanagan Valley Tree Fruit Authority that is not guaranteed by the provincial government.

<sup>8</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.

These lower requirements were partially offset by increased requirements for:

- school facilities (up \$133 million from budget);
- public transit, including *SkyTrain*, Rapid Transit Project 2000 Ltd. and British Columbia Transit (up \$106 million from budget); and
- a \$63-million investment in 577315 British Columbia Ltd. (Western Star Truck Co.).

At March 31, 2000, taxpayer-supported debt is forecast to total \$25.9 billion, commercial debt will total \$8.2 billion and the six-month warehouse borrowing program total of \$2.3 billion will be drawn down to \$200 million.

## Capital Spending

Capital spending for the full year is forecast to be \$16 million above budget due to additional expenditures for the *SkyTrain* extension, partially offset by delayed spending for health facilities, ferries and other projects (see Table 5.9).

**Table 5.9** Capital Expenditures — Revised Forecast<sup>1</sup>

	Budget Estimate 1999/00	Revised Forecast 1999/00	Variance
(\$ millions)			
<b>Government expenditures</b>			
— Education <sup>2</sup> .....	468.1	466.5	(1.6)
— Health <sup>3</sup> .....	332.1	268.1	(64.0)
— BC Transportation Financing Authority .....	489.4	493.0	3.6
— British Columbia Ferry Corporation .....	139.0	129.1	(9.9)
— Rapid Transit Project 2000 ( <i>SkyTrain</i> ) .....	410.0	457.1	47.1
— Other <sup>4</sup> .....	69.0	59.1	(9.9)
	<u>1,907.6</u>	<u>1,872.9</u>	<u>(34.7)</u>
<b>Recoverable expenditures<sup>5</sup></b>			
— Hospital districts .....	26.8	19.4	(7.4)
— Municipalities (public transit) .....	18.1	17.8	(0.3)
— TransLink .....	—	58.0	58.0
	<u>1,952.5</u>	<u>1,968.1</u>	<u>15.6</u>

<sup>1</sup> Excludes capital expenditures for the Vancouver Trade and Convention Centre.

<sup>2</sup> Represents Ministry of Education, and Ministry of Advanced Education, Training and Technology.

<sup>3</sup> 1999/00 estimate includes \$100 million to address regional Year 2000 equipment and systems issues.

<sup>4</sup> Represents British Columbia Buildings Corporation, British Columbia Transit, Ministry of Attorney General, and Ministry for Children and Families.

<sup>5</sup> The 1999/00 capital plan includes capital spending on behalf of, and recovered from, other public sector agencies.

## Crown Corporations

This section provides revised full-year forecasts of the operating results for selected Crown corporations and agencies, based on information provided by those organizations.

These forecasts are preliminary and may change as a result of operating developments during the rest of the year, as well as decisions taken by the boards of directors of the various Crown corporations and agencies.



**Table 5.10** Major Crown Corporations and Agencies — Revised Forecast

	Revised Forecast 1999/00	Actual 1998/99	Increase (Decrease) <sup>1</sup>
	(\$ millions)		
<b>Taxpayer-supported:</b>			
British Columbia Buildings Corporation.....	56.4	48.1	8.3
British Columbia Ferry Corporation <sup>2</sup> .....	(60.3)	(114.3)	54.0
BC Transportation Financing Authority <sup>3</sup> .....	7.2	(23.6)	30.8
Forest Renewal BC.....	(124.0)	(264.6)	140.6
<b>Commercial self-supported:</b>			
British Columbia Hydro and Power Authority.....	480.0	395.4	84.6
Liquor Distribution Branch.....	620.0	615.9	4.1
British Columbia Lottery Corporation.....	541.8	456.0	85.8
British Columbia Railway Company.....	24.7	26.5	(1.8)
Insurance Corporation of British Columbia.....	128.0	73.5	54.5

<sup>1</sup> 1999 forecast less 1998 results.

<sup>2</sup> Based on July 1999 forecast.

<sup>3</sup> 1998 figure excludes extraordinary adjustments for highways transferred to the Greater Vancouver Transportation Authority.

**British Columbia Buildings Corporation** — projected net income up \$8 million from last year mainly due to an increase in gains from property sales, partially offset by higher operations, maintenance and other operating costs.

**British Columbia Ferry Corporation** — projected net loss is \$54 million lower than last year, mainly due to one-time valuation adjustments in 1998/99 related to the fast ferries.

**BC Transportation Financing Authority** — projected net income shows a \$31-million improvement from last year, mainly due to an increase in dedicated provincial taxes transferred to the authority, partially offset by higher interest, depreciation and other costs.

**Forest Renewal BC** — projected loss is \$141 million lower than last year primarily due to higher stumpage and other revenue, and reduced spending.

**British Columbia Hydro and Power Authority** — projected net income up \$85 million mainly due to increased electricity trade income and lower debt financing costs. The forecast could change significantly depending on winter demand and market prices.

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**Liquor Distribution Branch** — projected net income up \$4 million from last year due to higher sales volumes, partially offset by higher operating and other costs. The outlook could change depending on the strength of Christmas sales.

**British Columbia Lottery Corporation** — projected net income up \$86 million from last year due to higher activity resulting from casino and electronic bingo operations commenced later in 1998/99. The forecast does not assume changes to existing gaming policy.

**British Columbia Railway Company** — projected net income down \$2 million from last year, mainly due to lower revenue caused by labour disputes that affected the Port of Vancouver and an extended closure of a major copper mine.

**Insurance Corporation of British Columbia** — the forecast assumes the mid-point of a projected surplus ranging from \$95 million to \$160 million in 1999, depending on assumptions. The forecast reflects lower costs of settling injury claims for previous years and could change significantly depending on weather and claims experience over the rest of the year.

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