

Quarterly Report

April to December 1999



BRITISH
COLUMBIA

Ministry of Finance and
Corporate Relations



Ministry of Finance and Corporate Relations

Third Quarterly Report

on the Economy, Fiscal Situation and Crown Corporations

Fiscal Year 1999/00
Nine Months
April – December 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 third Quarterly Report for the 1999/2000 fiscal year.

This Quarterly Report again presents government's financial results on the summary accounts basis, which combines Crown corporation results with those of the consolidated revenue fund. This report also includes an updated forecast of government finances for the fiscal year.

Part One of the Quarterly Report reviews the current economic situation. Part Two provides financial operating results for the summary accounts and the consolidated revenue fund for the nine months ended December 31, 1999. Part Three provides information on provincial debt and capital spending as of December 31, 1999. Part Four provides interim financial statements of provincial Crown corporations and agencies for the period ended nearest to December 31, 1999. Part Five presents the revised full-year financial forecast, with details on Crown corporations and agencies, revenues and expenditures of the consolidated revenue fund, provincial debt and capital spending.

This report reflects my continuing commitment to full and timely reporting on the economy and government finances.

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

Paul Ramsey
Minister

HIGHLIGHTS

Third Quarterly Report 1999-2000



The Economy

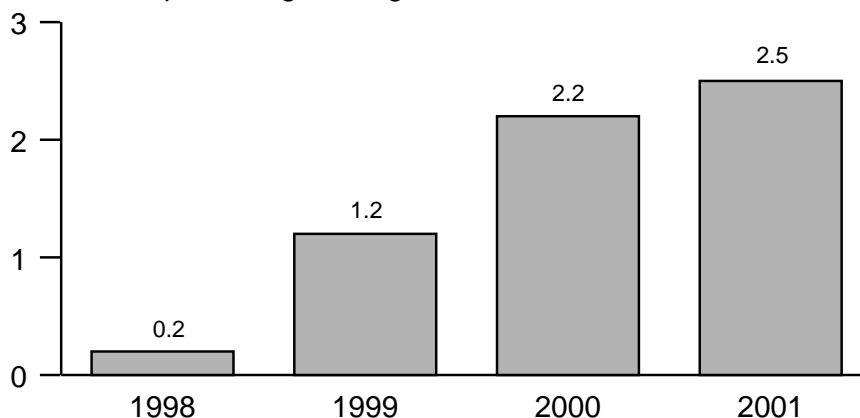
- Global economic growth accelerated in the fourth quarter of 1999 and into the first quarter of 2000, fuelling inflation concerns and pushing up interest rates in several countries.
- B.C.'s unemployment rate fell from 8.4 per cent in the third quarter to 7.8 per cent in the fourth, as employment rose at an annual rate of 1.8 per cent.
- In January, B.C. gained 7,700 jobs and its unemployment rate fell to 7.3 per cent — the lowest level since August 1981.
- In the fourth quarter of 1999, B.C.'s housing starts and auto sales picked up. Retail sales were up 3.2 per cent from a year before, despite a slight decline in October and November.
- After posting strong growth during the first nine months of 1999, exports and manufacturing shipments fell in October and November as commodity prices declined. However, B.C.'s commodity prices picked up in January.
- The consensus of the finance minister's Economic Forecast Council, which met January 27th, was that B.C.'s economy will grow 2.2 per cent in 2000 and 2.5 per cent in 2001.

B.C.'s economy showed signs of continued recovery through 1999.

The outlook is for further improvement in the economy in 2000 and 2001.

B.C. economic growth to pick up

Annual percentage change in real GDP



Source: Statistics Canada, Economic Forecast Council

HIGHLIGHTS

Third Quarterly Report 1999-2000



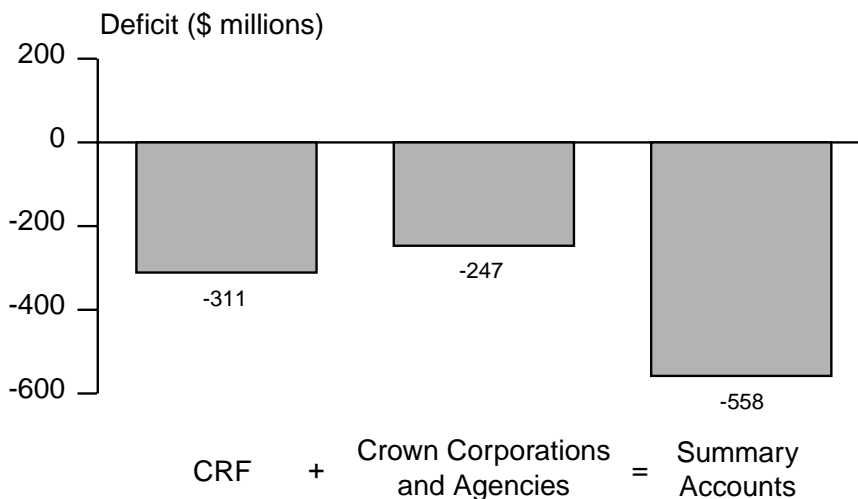
Year-to-Date Financial Results

- Results for April to December show a summary accounts deficit of \$558 million.
- The government's consolidated revenue fund had a \$311 million shortfall, \$877 million better than planned.
 - Revenues were up \$1 billion from budget mainly due to stronger taxation and natural resource revenues.
 - Expenses were \$133 million higher than planned primarily due to higher health care expenditures and Vancouver Trade and Convention centre costs.
- The combined loss of Crown corporations was \$247 million, reflecting a net contribution of \$353 million, offset by an estimated \$600 million write down of rail assets by BC Rail.
- Provincial debt totalled \$34.3 billion at December 31, 1999, down \$262 million from September 30, reflecting a drawdown of previously borrowed funds and lower BC Hydro debt.
- At \$24.7 billion, taxpayer-supported debt was \$539 million less than planned.

After nine months in the fiscal year, government's deficit stood at \$558 million.

Stronger revenues were partially offset by above-budget spending, mainly for health care, and a net loss for Crown corporations.

1999/00 nine-month results



HIGHLIGHTS

Third Quarterly Report 1999-2000



Full-Year Financial Forecast

- The summary accounts deficit is forecast to be \$1.4 billion, \$143 million lower than budget.
- The government's consolidated revenue fund is projected to have a \$401 million shortfall, \$489 million ahead of budget.
 - Revenue will be up \$1.1 billion reflecting higher taxation and natural resource revenues.
 - Spending pressures of \$404 million are identified, mainly in the Ministries of Health, Attorney General, Children and Families, and Education, and for the Vancouver Trade and Convention Centre.
 - A forecast allowance of \$200 million is included for changes before year-end.
- Crown corporations are forecast to have a combined loss of \$985 million, \$346 million above budget, including a second \$200 million forecast allowance.
- Provincial debt is projected to be \$34.4 billion, \$296 million below budget. Taxpayer-supported debt will total \$25.3 billion, \$850 million lower than expected.

Government forecasts a \$1.4 billion deficit for the full fiscal year.

\$400 million is included in the forecast for changes that could occur before year-end.

Taxpayer-supported debt is now forecast to be 22.2 per cent of GDP, below the 23.9 per cent budget forecast.

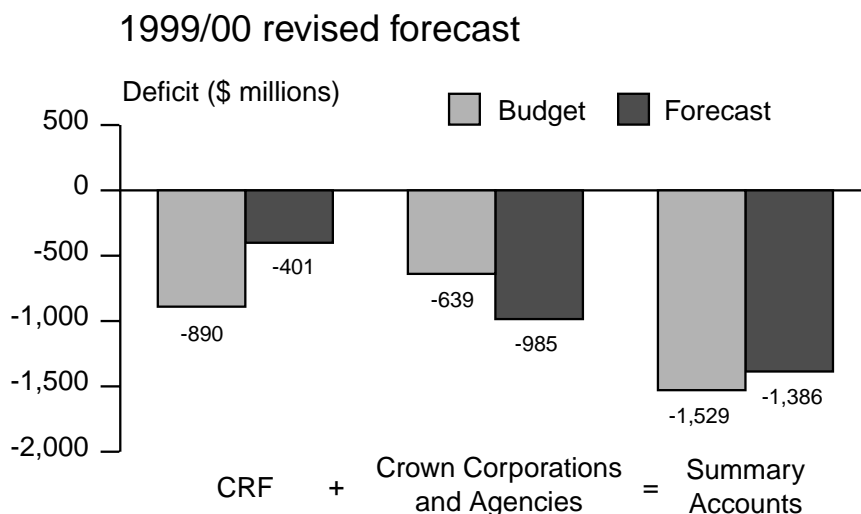


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PART ONE — ECONOMIC REPORT¹

International Economic Developments

Global economic conditions good

In the fourth quarter of 1999, the global expansion continued. The United States economy grew strongly while growth in Canada slowed. U.S. real gross domestic product (GDP) grew 5.8 per cent in the fourth calendar quarter and 4.0 per cent for the full year. Canadian output rose in October and November, putting the Canadian economy on track for growth of about 3.5 per cent in the fourth quarter, and an estimated 3.8 per cent for 1999. Overseas, the economies of the United Kingdom, Germany and France were expected to post higher growth in the fourth quarter. Japan remained the weakest economy of the industrialized nations.

Strong growth in North America, a recovery in Asia and rising oil and commodity prices have caused interest rates to rise in the U.S., Canada and Europe.

Interest rates rose

The considerable momentum in the U.S. economy led the U.S. Federal Reserve to raise short-term interest rates by 25 basis points on February 2. As a result, short-term rates in the U.S. are now up 100 basis points since the U.S. central bank began tightening. The Bank of Canada and the European Central Bank followed the Federal Reserve's increase on February 3.

Canadian dollar appreciated

During the fourth quarter, the Canadian dollar appreciated against the U.S. dollar, but lost ground against the Japanese yen. The Canadian dollar averaged 68 cents U.S. in the fourth quarter, up from 67.3 cents in the third quarter. More recently, the dollar has traded as high as 69.5 cents. A stronger Canadian dollar means imports are less expensive but makes exports priced in Canadian dollars more expensive for U.S. buyers of British Columbia products. A stronger yen means goods produced in British Columbia are less expensive for Japanese buyers, a positive development for British Columbia's coastal forest industry whose main market is Japan.

¹ The *Economic Report* and accompanying charts and table incorporate information received to February 8, 2000. "Quarter" references in the *Economic Report* are for the calendar year.

British Columbia Economic Developments

Continued growth in Q4

The British Columbia economy continued to benefit from the strong global expansion in the fourth quarter, but appears to have grown at a slower pace than in the third quarter. During the fourth quarter, exports and manufacturing slowed, reversing the pattern seen earlier in the year, while domestic indicators strengthened.

Trade slowed

Following months of strong growth, manufacturing exports and shipments slowed in the fourth quarter. Manufacturing shipments declined in October and were unchanged in November. The change was mainly due to declines in the value of forest products. Exports were up slightly in October but fell 3.1 per cent in November, due to a drop in the value of forest product exports to countries other than the U.S.

Commodity prices improved in 1999

Commodity prices were up 7.8 per cent in Canadian dollar terms during 1999 although they moderated in the fourth quarter. Pulp, newsprint, natural gas and hemlock all fetched higher prices in the fourth quarter of 1999 than in the third quarter, but this was offset by lower prices for lumber and plywood. In January, British Columbia's key commodity prices picked up.

Domestic demand picked up

The domestic side of the British Columbia economy showed signs of improvement in the final quarter of 1999. Housing starts averaged 17,900 units in the fourth quarter compared to 16,100 units in the third quarter. Retail sales were up 3.2 per cent from the same period in 1998 despite slight month-over-month declines in October and November. Auto sales were largely responsible for the higher level of retail sales, as the British Columbia component of the Conference Board's Index of Consumer Attitudes rose 5 per cent in the fourth quarter.

British Columbia employment grew at a 1.8 per cent annual rate in the fourth quarter, the same pace as the third quarter. The growth in jobs reflected gains in the forestry, oil and gas, and manufacturing sectors, offsetting losses in the service sector. Fourth quarter growth was concentrated in full-time employment while third quarter job growth was mainly part-time. The unemployment rate averaged 7.8 per cent, down from 8.4 per cent in the third quarter. Labour income rose 1.2 per cent in October and November from the third quarter.

In January, British Columbia added a further 7,700 jobs and the unemployment rate fell to 7.3 per cent, the lowest level since August 1981.

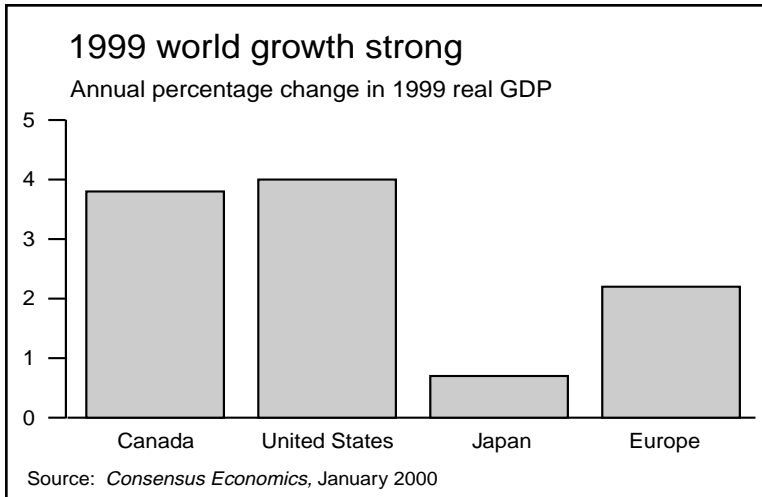
Consumer prices increased 1.6 per cent year-over-year for the fourth quarter, mainly due to rising energy prices.

Outlook

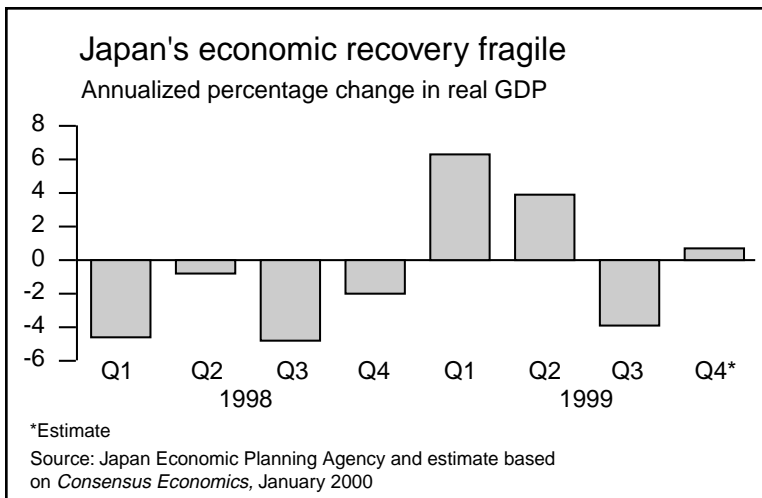
*Outlook
positive in
2000 and 2001*

The outlook for 2000 and 2001 is positive for British Columbia, although the improvements on the domestic side of the economy could be affected by higher interest rates. The consensus of the British Columbia Economic Forecast Council was that real GDP will grow 2.2 per cent in 2000 and 2.5 per cent in 2001. A new provincial economic forecast will be released with the next provincial budget.

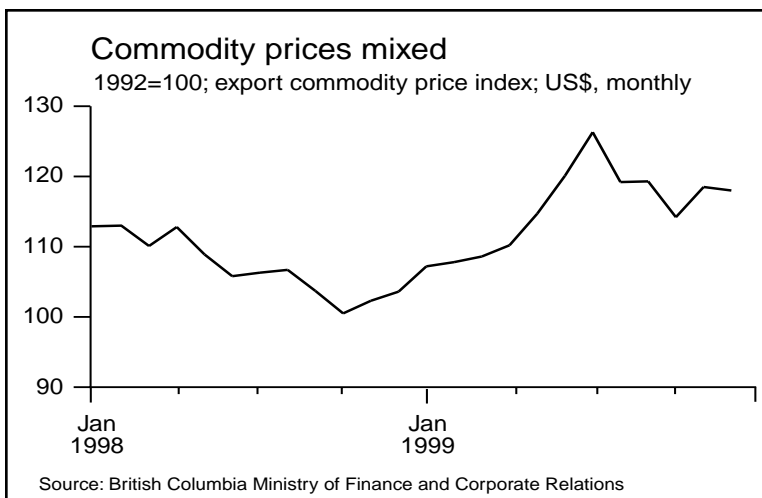
RECENT ECONOMIC TRENDS



The U.S. economy finished the year with a 5.8 per cent annual rate of growth in the final quarter. Canada's economy is estimated to have grown about 3.5 per cent in the fourth quarter.

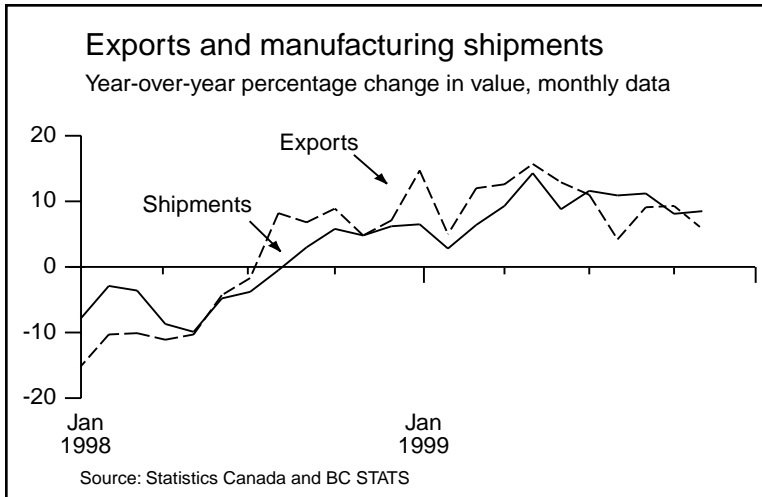


Japan remains the weakest of the industrialized countries. After the economy contracted at a 3.9 per cent annualized rate in the third quarter, the consensus was for 0.7 per cent growth in the fourth quarter.

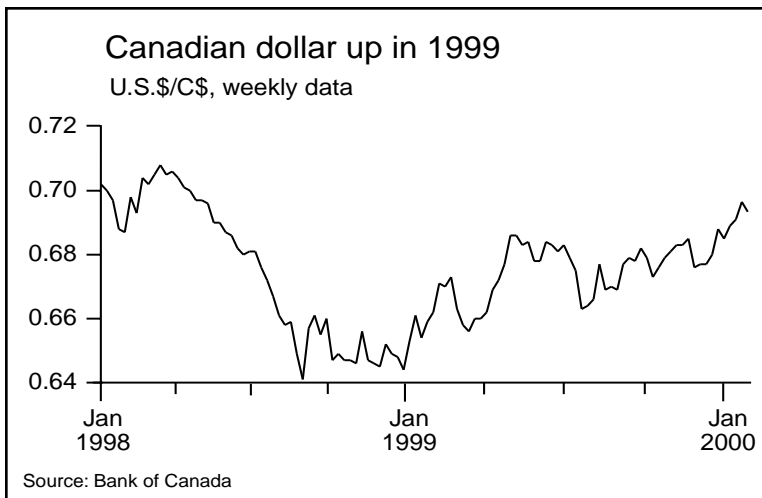


Commodity prices dropped 3.9 per cent in U.S. dollar terms during the fourth quarter of 1999. Lower prices for wood products more than offset gains in pulp, newsprint, natural gas and metals. For the year, commodity prices were up 7.6 per cent.

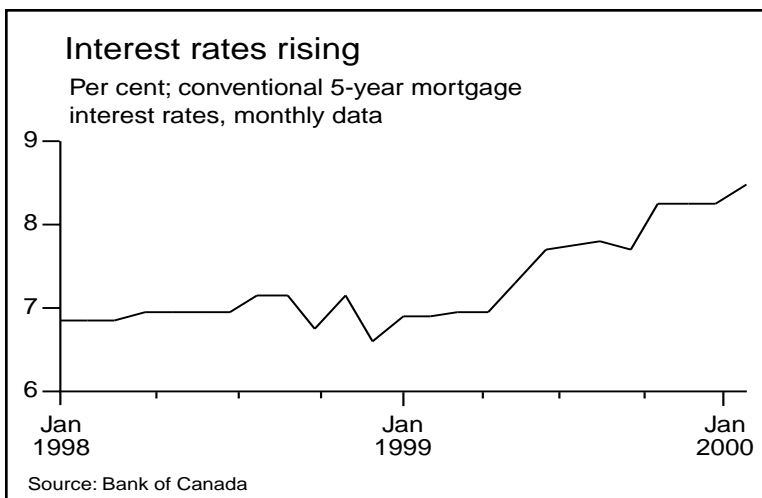
RECENT ECONOMIC TRENDS — *Continued*



Exports and manufacturing shipments slowed in the fourth quarter. This was largely due to lower lumber prices. For the first eleven months of the year, exports were up 10.1 per cent while manufacturing shipments were up 8.9 per cent.

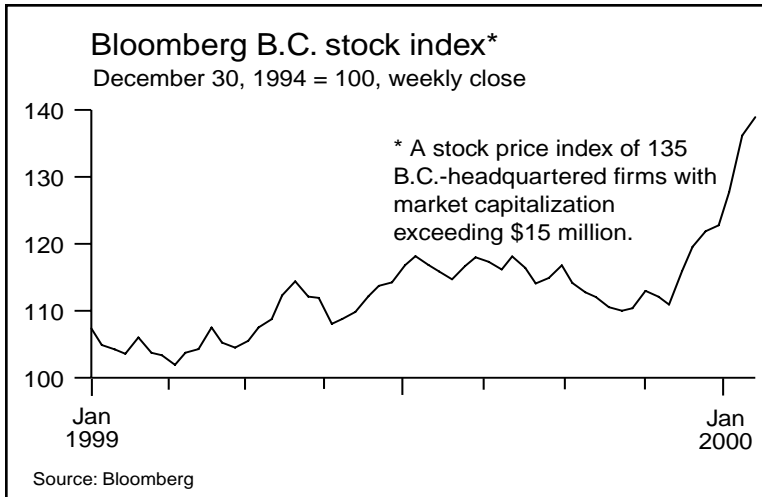


The value of the dollar rose 0.7 cents U.S. in the fourth quarter to 68 cents U.S. In early February, the Canadian dollar was trading above 69 cents.

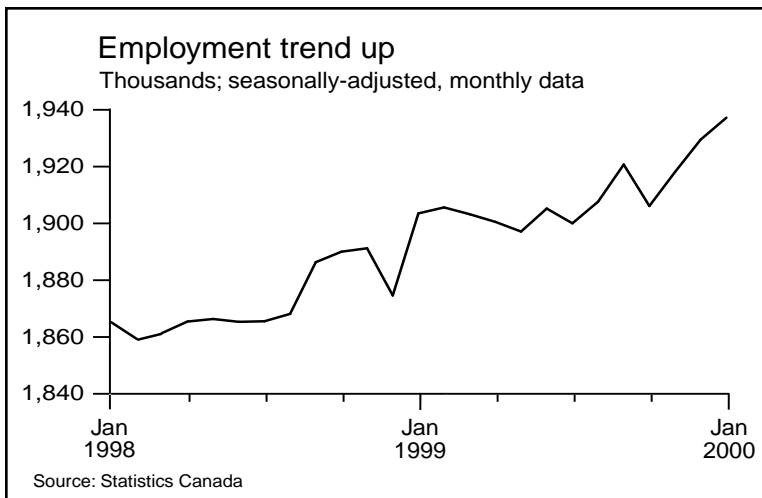


Mortgage interest rates rose in 1999 and are expected to increase further in 2000. Conventional 5-year mortgage interest rates averaged 8.25 per cent in the fourth quarter, up from 7.75 per cent in the third quarter and 6.9 per cent at the beginning of 1999.

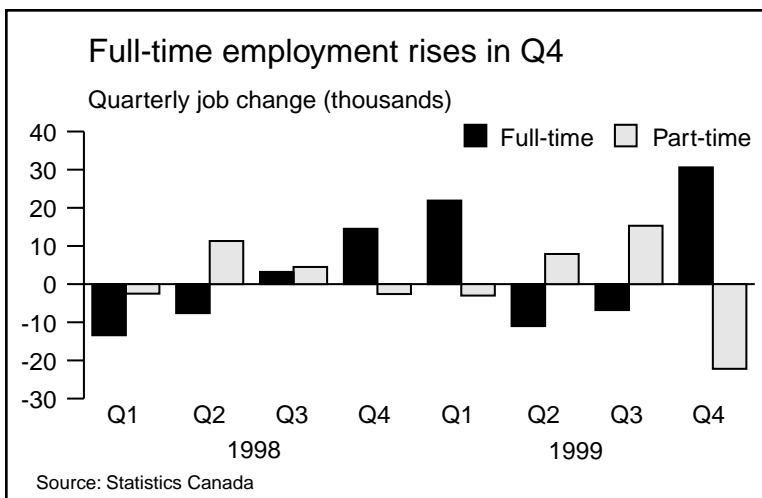
RECENT ECONOMIC TRENDS — Continued



British Columbia stock prices surged in January following a decline during the fourth quarter of 1999. The improvement is due to sharp increases in the value of British Columbia technology stocks.

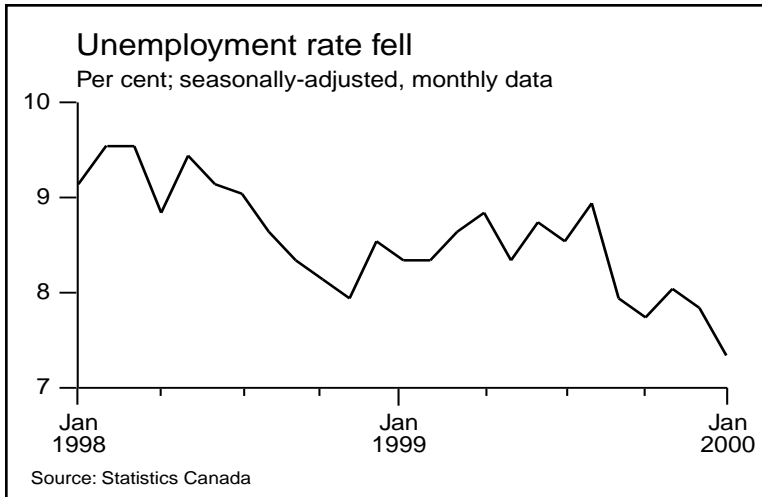


British Columbia employment rose at a 1.8 per cent annual rate in the fourth quarter, the same pace as the third quarter. Increases in November and December offset a decline in October. For the year, employment was up 1.9 per cent. In January, employment increased by another 7,700 jobs.

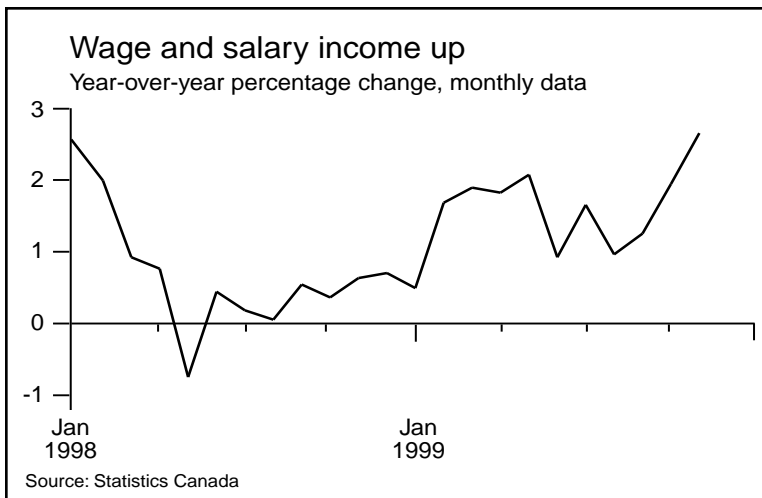


Fourth-quarter job growth was concentrated in full-time employment. Goods-sector employment averaged 10,000 more jobs during the fourth quarter, while service-sector employment declined slightly.

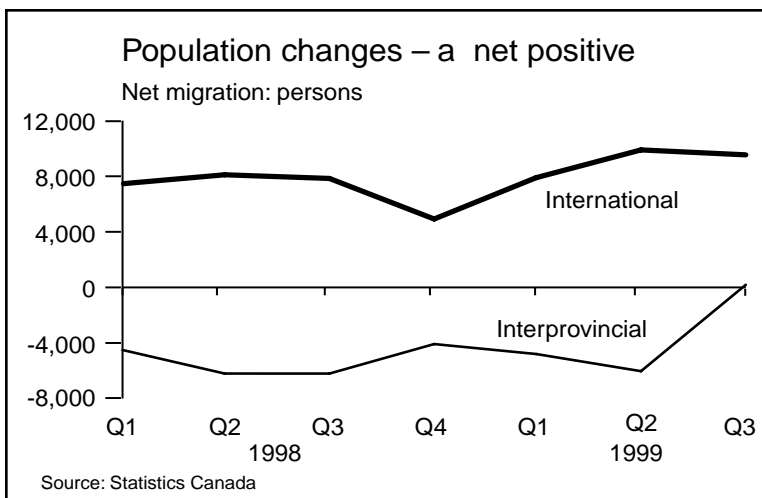
RECENT ECONOMIC TRENDS — *Continued*



The unemployment rate averaged 7.8 per cent in the final quarter of 1999, down from 8.4 per cent in the third quarter. In January, the unemployment rate fell to 7.3 per cent, the lowest level since August 1981.

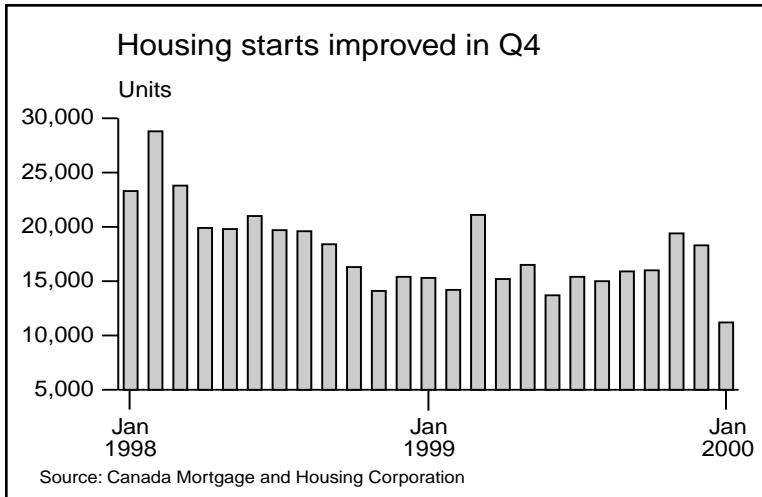


Total wage and salary income rose on a monthly basis in October and November, and was up 2.2 per cent from the same period a year-earlier.

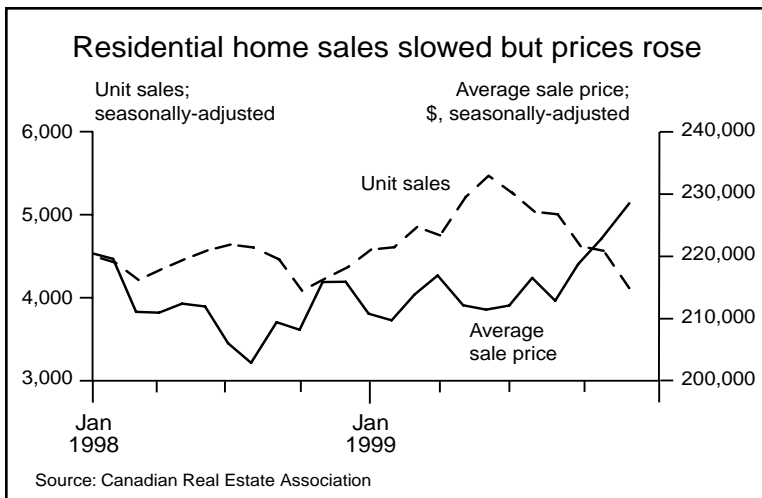


Net in-migration totaled 9,726 persons in the third quarter of 1999 as interprovincial inflows and outflows moved close to balance, and international migration continued its positive trend. Overall population in the third quarter was up 14,057 persons.

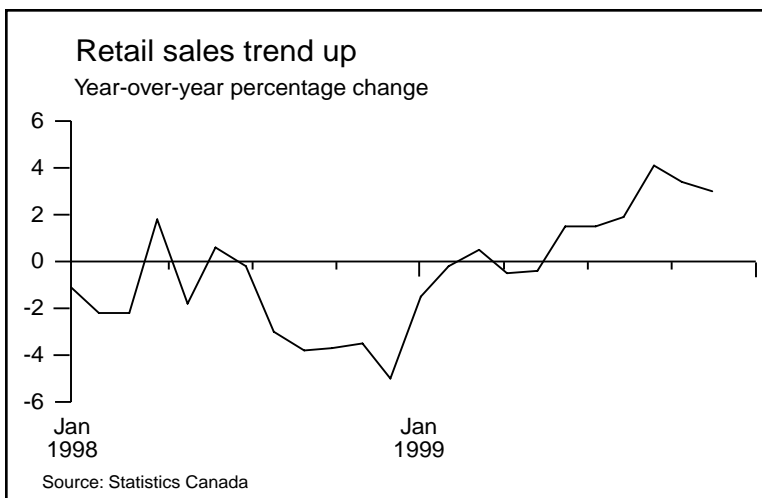
RECENT ECONOMIC TRENDS — *Continued*



Housing starts averaged 17,900 units in the fourth quarter compared to 16,100 units in the third quarter. Multi-unit starts caused a sharp drop in January 2000. Higher mortgage interest rates could threaten a recovery in residential construction.

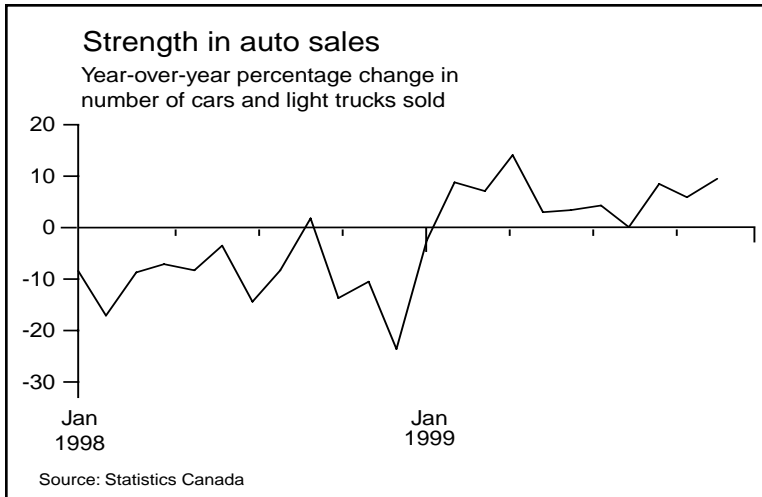


MLS® home sales fell in the fourth quarter but remained above year-earlier levels.

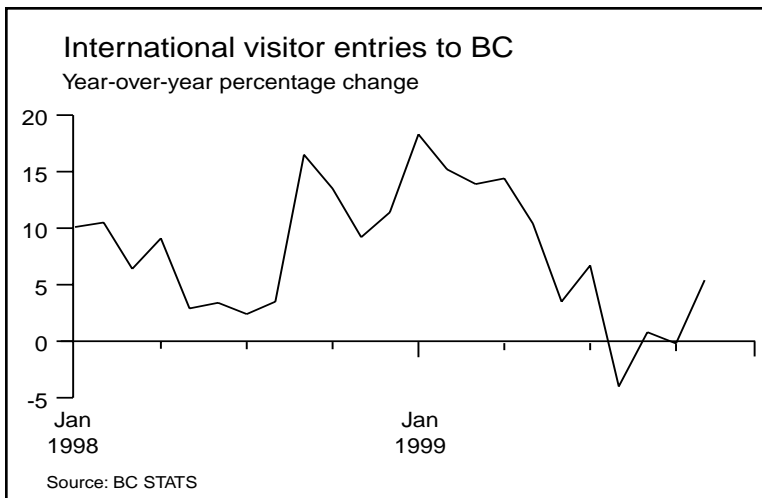


Retail sales remain above last year's levels, despite a slowdown in October and November. Statistics Canada will report on December/Christmas sales on February 23.

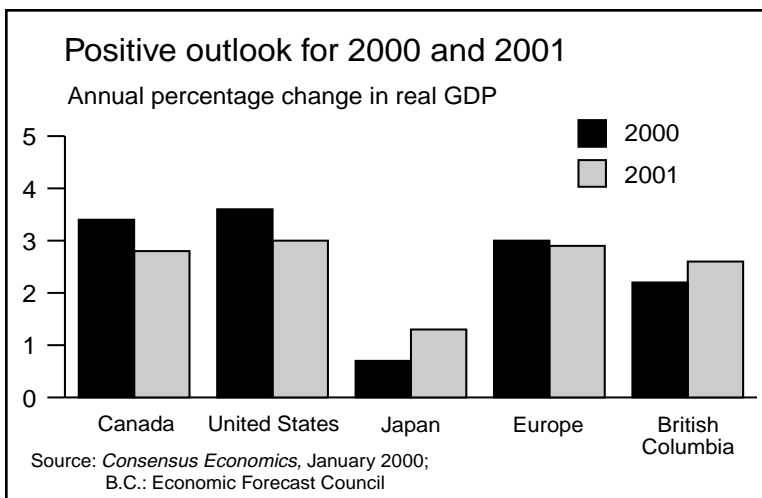
RECENT ECONOMIC TRENDS — *Continued*



Much of the improvement in retail sales during 1999 was due to higher auto sales.



The Leonardo da Vinci exhibit in Victoria during the fourth quarter of 1998 and the first half of 1999 drew tourists to the province.



The global economic outlook and British Columbia's prospects are positive for the next two years.

Table 1.1 Current Economic Statistics

	Latest Period	Year-to-Date Average			
		Previous Year	Latest Year	Change	
BRITISH COLUMBIA					
LABOUR MARKET					
Employment (s.a., thousands).....	Jan-2000	1,935.9	1,902.2	1,935.9	1.8%
Unemployment rate (s.a., per cent).....	Jan-2000	7.3	8.3	7.3	-1.0
In-migration (persons).....	Q3/99	9,726	2,170	5,566	3,396
Interprovincial (persons).....	Q3/99	186	(5,635)	(3,546)	2,089
International (persons).....	Q3/99	9,540	7,805	9,112	1,307
Wages and salaries (s.a., \$ millions).....	Nov-99	4,559	4,437	4,505	1.5%
Average weekly earnings (\$).....	Dec-99	635.95	622.10	628.90	1.1%
CONSUMER SECTOR					
Retail sales (s.a., \$ millions).....	Nov-99	2,807	2,754	2,787	1.2%
Car and truck sales (units).....	Nov-99	12,162	12,291	12,988	5.7%
Housing starts (all areas, s.a., annual rate)	Jan-2000	11,200	15,300	11,200	-26.8%
Existing home sales (s.a.).....	Dec-99	4,116	4,409	4,840	9.8%
Building permits (s.a., \$ thousands).....	Dec-99	401	395	389	-1.5%
British Columbia consumer price index (annual per cent change).....	Dec-99	1.7	0.2	1.1	0.9
INDUSTRIAL ACTIVITY					
Foreign merchandise exports (s.a., \$ millions).....	Nov-99	2,392	2,161	2,379	10.1%
Manufacturing shipments (s.a., \$ millions)....	Nov-99	3,171	2,810	3,060	8.9%
Lumber production (thousand cubic metres).....	Nov-99	2,605	2,551	2,688	5.3%
Pulp and paper production (thousand tonnes).....	Nov-99	672	581	660	13.6%
Coal production (thousand tonnes).....	Nov-99	2,220	2,148	2,052	-4.5%
Natural gas production (million cubic metres).....	Oct-99	2,135	1,960	2,004	2.3%
Copper production (million kg).....	Nov-99	17.9	23.0	14.1	-38.7%
TOURISM					
Entries of U.S. and overseas residents (thousands).....	Nov-99	449	669	707	5.7%
B.C. Ferry passengers to/from Vancouver Island (thousands)...	Dec-99	781	932	934	0.3%
COMMODITY PRICES					
Lumber (U.S. \$/thousand board feet).....	Jan-2000	330	309	330	6.8%
Pulp (U.S. \$/tonne).....	Jan-2000	630	460	630	37.0%
Newsprint (U.S. \$/tonne).....	Jan-2000	510	570	510	-10.5%
Copper (U.S. \$/lb.).....	Jan-2000	0.84	0.65	0.84	29.2%
B.C. export commodity price index (Cdn. \$ Index: 1992 = 100).....	Q4/99	141.7	131.0	141.2	7.8%
FINANCIAL DATA					
Canadian dollar (U.S. cents).....	Jan-2000	69.0	65.7	69.0	3.3
Canadian prime rate (per cent).....	Jan-2000	6.50	6.75	6.50	-0.25
Canadian treasury bills (per cent).....	Jan-2000	5.03	4.62	5.03	0.41
Treasury bill spread — Canada minus U.S. (per cent).....	Jan-2000	-0.29	0.30	-0.29	-0.59

s.a. — seasonally adjusted.

PART TWO — FISCAL YEAR-TO-DATE REPORT

Summary Accounts

In this section, year-to-date operating results are presented for the summary accounts and for the government's consolidated revenue fund. The summary accounts contain the combined financial results of the government and its Crown corporations and agencies.

Table 2.1 Summary Accounts Operating Results
for the Nine Months Ended December 31, 1999

	Full-Year ¹ Budget 1999/00	Nine-Month Results	
		1999/00	1998/99 ²
		(\$ millions)	
Consolidated Revenue Fund.....	(890.0)	(311.0)	(666.2)
Taxpayer-supported Crown Corporations and Agencies.....	(685.0)	(179.5)	(315.6)
Commercial Crown Corporations and Agencies.....	46.0	(67.1)	336.0
Summary Accounts Deficit.....	<u>(1,529.0)</u>	<u>(557.6)</u>	<u>(645.8)</u>

¹ A full-year budget is provided as a nine-month budget is not available for Crown corporations and agencies.

² 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 \$558 million in the first nine months of 1999/00. This consisted of:

- a consolidated revenue fund shortfall of \$311 million;
- a combined net loss from taxpayer-supported Crown corporations and agencies of \$180 million; and
- a combined net loss from commercial Crown corporations of \$67 million.

The nine-month summary accounts deficit was \$88 million lower than the same period last year. The government's nine-month consolidated revenue fund shortfall was less than one-half the amount for the same period last year.

In total, Crown corporations and agencies showed a net loss of \$247 million mainly due to the inclusion of a required one-time write-down of the British Columbia Railway Company's investment in rail assets. Excluding this adjustment, Crown corporations had a nine-month surplus of \$353 million.

The nine-month loss for taxpayer-supported Crown corporations and agencies was down \$136 million from last year. Combined income of \$67 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 in 1998/99 (see Table 2.2).

Table 2.2 Detailed Summary Accounts Operating Results
for the Nine Months Ended December 31, 1999

	Actual 1999/00	Actual 1998/99 ¹
	(\$ millions)	
Consolidated Revenue Fund (CRF) balance	(311.0)	(666.2)
Crown corporations and agencies: ²		
Taxpayer-supported:		
British Columbia Buildings Corporation	30.9	31.9
British Columbia Ferry Corporation	(5.9)	(9.1)
BC Transportation Financing Authority	27.5	1.0
Forest Renewal BC	(26.9)	(193.4)
Other ³	41.5	50.7
	67.1	(118.9)
<i>Less:</i> Contributions paid to CRF	(71.0)	—
Other accounting adjustments ⁴	(175.6)	(196.7)
Total taxpayer-supported	(179.5)	(315.6)
Commercial self-supported:		
British Columbia Hydro and Power Authority	457.0	325.0
Liquor Distribution Branch	495.1	499.8
British Columbia Lottery Corporation	402.3	324.0
British Columbia Railway Company ⁵	(566.6)	24.1
Insurance Corporation of British Columbia	95.7	73.5
Other ⁶	(20.3)	(12.4)
	863.2	1,234.0
<i>Less:</i> Contributions paid to CRF ⁷	(834.3)	(807.6)
Other accounting adjustments ⁸	(96.0)	(90.4)
Total commercial self-supported	(67.1)	336.0
Total net contribution (loss) of Crown corporations and agencies	(246.6)	20.4
Summary accounts surplus (deficit)	(557.6)	(645.8)

¹ Certain figures have been restated to incorporate changes to government's capital asset accounting policies introduced in 1999/00.

² A nine-month budget for the consolidated revenue fund is provided in Table 2.3. Nine-month budget figures for Crown corporations are unavailable.

³ 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.

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

⁵ Preliminary 1999 results include an estimate of a one-time write-down required to reflect a permanent impairment in the company's investment in rail assets, particularly the northeast coal line.

⁶ Includes earnings/(losses) of other commercial Crown corporations, including the Columbia Power Corporation and 552513 British Columbia Ltd. (Skeena Cellulose Inc.).

⁷ Includes contributions from British Columbia Lottery Corporation, Liquor Distribution Branch and other commercial Crown corporations.

⁸ Includes transfers of British Columbia Lottery Corporation revenue to charities and municipalities, and adjustments to the Insurance Corporation of British Columbia and the British Columbia Railway Company to adjust their reporting results to a nine-month period from a twelve-month period.

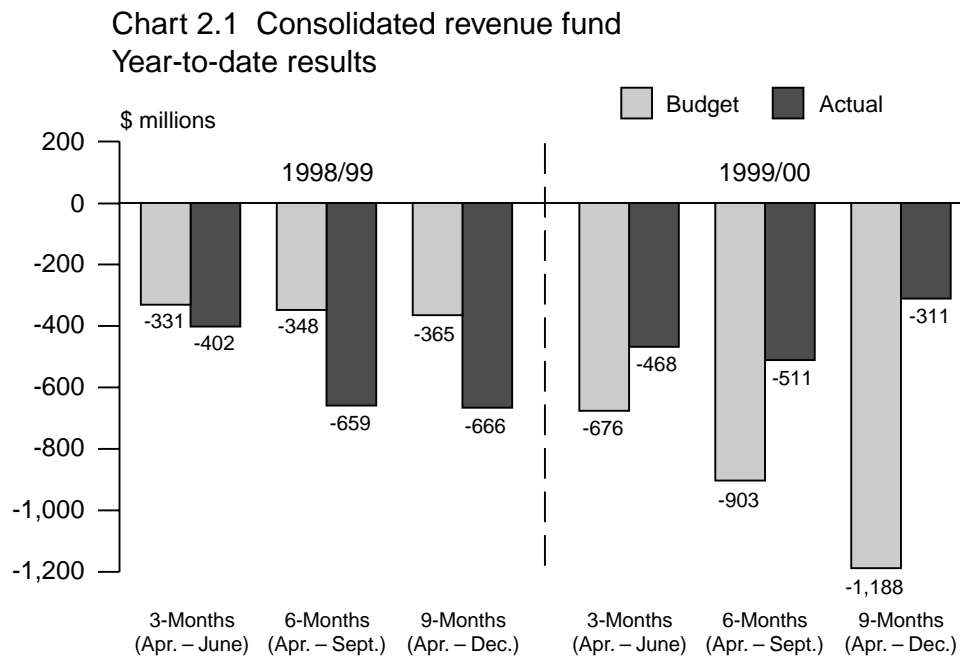
Because of the estimated write-down of the British Columbia Railway Company assets, commercial self-supported Crown corporations showed a nine-month loss of \$67 million. Combined net income of \$863 million was offset by contributions to the consolidated revenue fund of \$834 million, and adjustments totaling \$96 million. These adjustments reflect the transfer of British Columbia Lottery Corporation revenue to charities and municipalities and differences in the reporting periods of certain Crown corporations.

Additional information on the results of Crown corporations and agencies is presented in Part 4 — Crown Corporations.

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

Consolidated Revenue Fund

The consolidated revenue fund shortfall has remained significantly better than plan in each of the first three quarters of 1999/00, mainly due to higher-than-budgeted revenue. Chart 2.1 shows that the quarterly trend in 1999/00 represents a significant improvement from the trend experienced in 1998/99.



Revenue for the first nine months of 1999/00 was \$1.0 billion or 7.0 per cent above budget. The increase is primarily due to higher-than-budgeted revenue from natural resources and taxation.

Spending was \$133 million or 0.9 per cent above budget. Higher-than-budgeted spending occurred in the Ministries of Health, Education and Attorney General and other areas which included costs resulting from the cancellation of the Vancouver Trade and Convention Centre project. These increases were partially offset by lower-than-budgeted spending in 12 of the 20 ministries and for debt interest.

Table 2.3 Consolidated Revenue Fund Operating Results
for the Nine Months Ended December 31, 1999

	Budget ¹ 1999/00	Actual 1999/00	Variance ²	Actual 1998/99
(\$ millions)				
Revenue	14,458.0	15,467.6	1,009.6	14,790.1
Expenditure	15,645.6	15,778.6	133.0	15,456.3
Consolidated Revenue Fund Balance	<u>(1,187.6)</u>	<u>(311.0)</u>	<u>876.6</u>	<u>(666.2)</u>

¹ Figures reflect nine-month allocations of the full-year budget, based on planned activities and seasonal patterns.

² 1999/00 actual less 1999/00 budget.

Spending during the first nine months exceeded revenues, resulting in a shortfall of \$311 million. Chart 2.1 shows that the nine-month shortfall was \$877 million better than planned and \$355 million lower than the same period last year.

Revenue

Revenue for the first nine months was \$1 billion or 7.0 per cent more than planned, and 4.6 per cent higher than the same time last year. Last year at this time, revenue was \$122 million or 0.8 per cent below budget. Details are provided in Table 2.4.

- *Personal and corporation income tax* — \$250 million above budget, reflecting higher-than-expected final assessments for 1998 personal income tax, and higher instalments of corporation income tax due to a revised federal government outlook for national corporate profits in 1999.
- *Social service tax* — \$81 million above budget due to a larger-than-expected tax base at the start of the year, and strengthening collections since the summer.
- *Other taxes* — \$58 million above budget. Higher revenue from fuel, property transfer, corporation capital and hotel room taxes offset lower revenue from property and tobacco taxes. The 26-per-cent decline in fuel tax revenue from last year was due to additional transfers of tax to the BC Transportation Financing Authority, the Greater Vancouver Transportation Authority (*TransLink*) and the British Columbia Ferry Corporation.
- *Petroleum, natural gas and minerals* — \$218 million above budget due to strong natural gas prices and higher sales of Crown land drilling rights.

**Table 2.4 Consolidated Revenue Fund
Revenue by Source**
for the Nine Months Ended December 31, 1999
(Unaudited)

	Budget 1999/00	Actual 1999/00 ¹	Variance ²	Actual 1998/99
	(\$ millions)			
Taxation:				
Personal income.....	4,010.3	4,145.7	135.4	4,048.1
Corporation income.....	717.9	832.8	114.9	883.8
Social service.....	2,466.0	2,547.0	81.0	2,450.5
Fuel.....	337.5	356.5	19.0	481.1
Tobacco.....	367.7	367.3	(0.4)	365.8
Property.....	1,008.8	1,000.5	(8.3)	996.8
Property transfer.....	172.4	192.2	19.8	176.5
Corporation capital.....	310.4	330.7	20.3	330.9
Other.....	205.6	213.6	8.0	198.4
Less: commissions on collection of public funds	(18.6)	(18.6)	—	(18.2)
	<u>9,578.0</u>	<u>9,967.7</u>	<u>389.7</u>	<u>9,913.7</u>
Natural resources:				
Petroleum and natural gas:				
Natural gas royalties.....	134.7	217.3	82.6	127.9
Permits and fees.....	86.5	194.1	107.6	84.7
Petroleum royalties.....	44.8	59.5	14.7	52.4
	<u>266.0</u>	<u>470.9</u>	<u>204.9</u>	<u>265.0</u>
Minerals.....	<u>24.8</u>	<u>37.5</u>	<u>12.7</u>	<u>33.4</u>
Forests:				
Timber sales.....	532.2	656.1	123.9	525.2
Small Business Forest Enterprise Program	124.9	151.6	26.7	125.8
Logging tax.....	9.5	15.9	6.4	9.5
Other forests revenue.....	34.6	53.8	19.2	55.4
	<u>701.2</u>	<u>877.4</u>	<u>176.2</u>	<u>715.9</u>
Water rentals.....	285.8	299.8	14.0	247.2
Wildlife Act.....	13.3	14.0	0.7	13.6
	<u>299.1</u>	<u>313.8</u>	<u>14.7</u>	<u>260.8</u>
Less: commissions on collection of public funds	(1.1)	(1.0)	0.1	(1.0)
	<u>1,290.0</u>	<u>1,698.6</u>	<u>408.6</u>	<u>1,274.1</u>

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Table 2.4 Consolidated Revenue Fund
Revenue by Source — *Continued*
for the Nine Months Ended December 31, 1999
(Unaudited)

	Budget 1999/00	Actual 1999/00 ¹	Variance ²	Actual 1998/99
(\$ millions)				
Other revenue:				
Medical Services Plan premiums	673.1	665.6	(7.5)	653.8
Motor vehicle licences and permits	255.0	254.8	(0.2)	252.3
Other fees and licences	285.7	260.7	(25.0)	243.1
Investment earnings	35.4	41.1	5.7	35.9
Fines and penalties	88.2	84.4	(3.8)	85.0
Miscellaneous	26.9	21.4	(5.5)	63.1
Asset dispositions	50.0	51.7	1.7	34.2
Less: provision for doubtful accounts	(17.3)	(4.7)	12.6	(21.4)
Less: commissions on collection of public funds	(19.4)	(14.1)	5.3	(46.2)
	<u>1,377.6</u>	<u>1,360.9</u>	<u>(16.7)</u>	<u>1,299.8</u>
Contributions from Crown corporations:				
Liquor Distribution Branch	496.1	495.1	(1.0)	499.8
British Columbia Lottery Corporation	314.0	339.2	25.2	267.8
British Columbia Buildings Corporation	71.0	71.0	—	—
Other	10.0	—	(10.0)	40.0
	<u>891.1</u>	<u>905.3</u>	<u>14.2</u>	<u>807.6</u>
Contributions from the Federal government:				
Canada health and social transfer	1,398.7	1,439.5	40.8	1,395.0
Other	95.9	95.6	(0.3)	99.9
	<u>1,494.6</u>	<u>1,535.1</u>	<u>40.5</u>	<u>1,494.9</u>
Less: Revenue Allowance	(173.3)	—	173.3	—
TOTAL REVENUE	<u>14,458.0</u>	<u>15,467.6</u>	<u>1,009.6</u>	<u>14,790.1</u>

¹ Actual figures for 1999/00 exclude \$531 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 (*Translink*), and the British Columbia Oil and Gas Commission.

² 1999/00 actual less 1999/00 budget.

- *Forests* — \$176 million above budget (23 per cent higher than last year) mainly due to strong lumber prices and demand in U.S. markets and an emerging recovery in Asian markets. Nine-month harvest volumes were 21 per cent above budget due to strong Coastal and Interior activity. Spruce-pine-fir prices during 1999 averaged U.S. \$341 per thousand board feet compared to the budget forecast of U.S. \$295.
- *Other revenue* — \$17 million below budget due to lower revenue from Medical Service Plan premiums, Crown land sales and other fees, licences, fines and penalties.

-
- *Contributions from Crown corporations* — \$14 million above budget due to higher net income of the British Columbia Lottery Corporation, partly offset by lower-than-planned dividends from other Crown corporations and agencies.
 - *Federal contributions* — \$41 million above budget due to higher national CHST cash floor payments resulting from a larger-than-expected national income tax base.
 - *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 budget forecast for 1999. The nine-month budget includes a \$173-million allocation of the full-year revenue allowance.

Expenditure

Spending for the first nine months was \$133 million or 0.9 per cent more than planned, and 2.1 per cent higher than the same time last year. As shown in Table 2.5, expenditure was below budget in 12 of the 20 ministries.

- *Ministry of Advanced Education, Training and Technology* — \$14 million below budget mainly due to slower-than-planned spending for the British Columbia 2000 program and the Science and Technology Fund.
- *Ministry of Education* — \$30 million above budget primarily due to the recording of expected costs of early retirement for teachers over the next three years.
- *Ministry of Health* — \$127 million above budget mainly due to costs for health care worker wage increases, resulting from the Kelleher wage arbitration, and increased Medical Services Plan and Pharmacare utilization.
- *Management of public funds and debt (debt interest)* — \$79 million below budget due to reduced borrowing, favourable exchange rates and higher sinking fund earnings which are deducted from interest costs.
- *Vancouver Trade and Convention Centre* — \$69 million of accumulated costs to the end of December were recorded as a result of the termination of the project.
- In total, other ministries were \$3 million below budget.
 - Eleven ministries were a total of \$27 million below budget. These included the Ministries of Aboriginal Affairs; Children and Families; Community Development, Cooperatives and Volunteers; Employment and Investment; Energy and Mines; Environment, Lands and Parks; Finance and Corporate Relations; Forests; Small Business, Tourism and Culture; Transportation and Highways; and Women's Equality.
 - Six ministries were a total of \$24 million overspent. These included the Ministries of Agriculture and Food; Attorney General; Fisheries; Labour; Municipal Affairs; and Social Development and Economic Security.

Table 2.5 Consolidated Revenue Fund Expenditure by Ministry
for the Nine Months Ended December 31, 1999
(Unaudited)

	Budget 1999/00 ¹	Actual 1999/00	Variance ²	Actual 1998/99 ¹
	(\$ millions)			
Legislation.....	27.4	24.9	(2.5)	24.7
Officers of the Legislature.....	21.2	19.8	(1.4)	15.5
Office of the Premier.....	1.6	1.3	(0.3)	1.7
Aboriginal Affairs.....	21.2	19.5	(1.7)	19.4
Advanced Education, Training and Technology				
Educational institutions and organizations.....	837.8	845.8	8.0	828.3
Other ministry programs.....	371.7	349.3	(22.4)	315.4
Total.....	1,209.5	1,195.1	(14.4)	1,143.7
Agriculture and Food.....	46.7	51.2	4.5	49.8
Attorney General.....	691.4	697.9	6.5	674.2
Children and Families.....	981.0	972.0	(9.0)	949.6
Community Development, Cooperatives and Volunteers.....	4.0	2.0	(2.0)	1.4
Education				
Public school operating contributions.....	2,773.0	2,794.7	21.7	2,762.6
Other ministry programs.....	457.7	465.9	8.2	425.2
Total.....	3,230.7	3,260.6	29.9	3,187.8
Employment and Investment.....	27.1	21.9	(5.2)	21.4
Energy and Mines.....	27.1	24.1	(3.0)	26.1
Environment, Lands and Parks.....	144.1	143.8	(0.3)	140.4
Finance and Corporate Relations.....	82.0	81.9	(0.1)	84.2
Fisheries.....	14.6	15.7	1.1	15.5
Forests.....	363.5	360.7	(2.8)	473.9
Health				
Acute and continuing care.....	3,219.9	3,297.4	77.5	3,110.6
Other ministry programs.....	2,600.9	2,650.4	49.5	2,396.1
Total.....	5,820.8	5,947.8	127.0	5,506.7
Labour.....	20.2	20.4	0.2	20.6
Municipal Affairs.....	114.6	122.4	7.8	190.4
Small Business, Tourism and Culture.....	62.0	61.6	(0.4)	59.3
Social Development and Economic Security.....	1,460.5	1,464.2	3.7	1,474.4
Transportation and Highways.....	345.5	342.8	(2.7)	351.7
Women's Equality.....	28.8	28.6	(0.2)	27.7
Contributions to British Columbia Transit (Women's Equality).....	127.9	131.0	3.1	221.5
Other:				
Management of Public Funds and Debt.....	696.1	616.7	(79.4)	647.4
Contingencies (All Ministries) and New Programs.....	—	3.3	3.3	0.2
BC Benefits.....	138.5	139.2	0.7	167.4
Amortization of Change in Unfunded Pension Liability.....	(90.0)	(90.0)	—	(86.9)
Vancouver Trade and Convention Centre.....	—	69.4	69.4	—
Other Appropriations ^{3,4}	27.6	28.8	1.2	46.6
TOTAL EXPENDITURE.....	15,645.6	15,778.6	133.0	15,456.3

¹ 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.

² 1999/00 actual less 1999/00 budget.

³ 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.

⁴ Includes a \$24-million contribution to the British Columbia Ferry Corporation in 1998/99. In 1999/00, the contribution is replaced with a dedicated fuel tax.

PART THREE — BORROWING AND CAPITAL REPORT

Introduction

This section provides information on the debt of the government and Crown corporations and agencies, as at December 31, 1999. It also provides information on capital spending in the current year.

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 the operating and capital debt of Crown corporations and agencies that require a subsidy from the provincial government.
- *self-supporting debt* includes debt of commercial Crown corporations and the warehouse borrowing program. Commercial Crown corporation debt is used to finance capital since enough revenue is earned 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 Debt¹ Overview

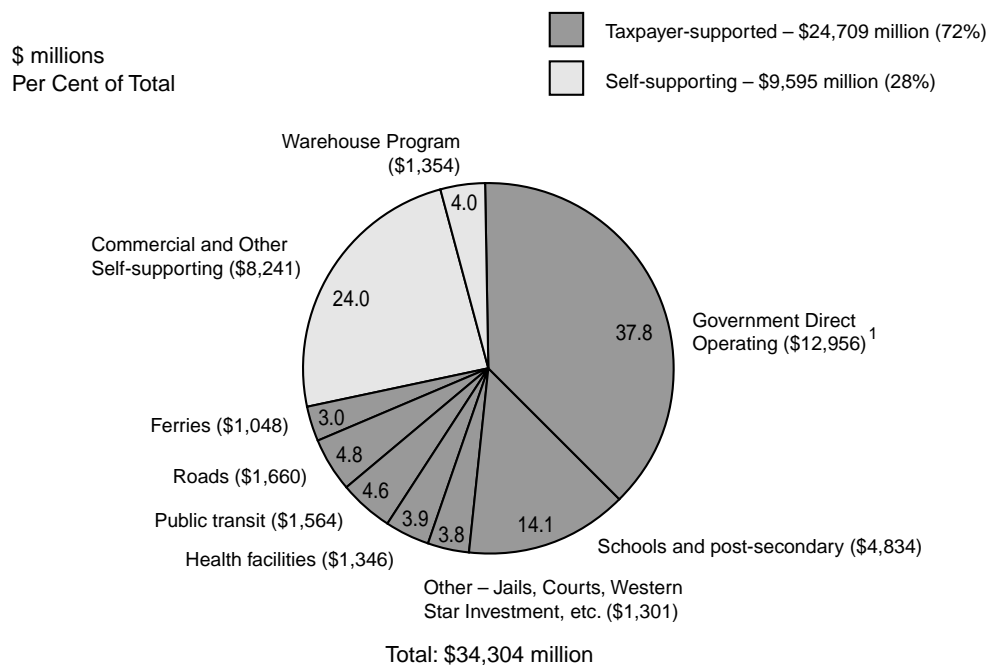
Total provincial debt was \$34.3 billion at December 31, 1999, down \$262 million from September 30, 1999. Previous borrowing under the warehouse borrowing program was used to finance most operating, capital and debt maturity requirements in the third quarter. Higher earnings of the British Columbia Hydro and Power Authority were used to retire more of the authority's debt.

Since the start of the year, total provincial debt increased \$2.3 billion, including \$1.7 billion for operating and capital needs of the government and taxpayer-supported Crown corporations and agencies, and \$697 million for borrowing held in advance of future requirements (see Table 3.1).

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

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 \$19 billion of provincial debt reflects capital assets such as schools, hospitals, roads, power generating facilities and rail lines.

Chart 3.1 Provincial net debt at December 31, 1999



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

Taxpayer-supported debt

Taxpayer-supported debt totalled \$24.7 billion at December 31, 1999, \$539 million lower than planned mainly due to a lower nine-month consolidated revenue fund shortfall and reduced requirements for taxpayer-supported Crown corporations and agencies.

Direct operating debt — \$309 million below budget due to a lower-than-expected nine-month consolidated revenue fund shortfall, and additional receipts from working capital sources.

Capital financing debt — \$42 million below budget as higher-than-planned borrowing for educational facilities was offset by lower-than-budgeted borrowing for the *SkyTrain* extension, public transit and health facilities.

Economic development Crown corporations — \$129 million below budget mainly due to lower borrowing for the BC Transportation Financing Authority, British Columbia Ferry Corporation and the Vancouver Trade and Convention Centre.

Government services Crown corporations and other fiscal agency loans — \$60 million below budget mainly due to a larger-than-expected reduction in the debt of the British Columbia Buildings Corporation.

Self-supporting debt

Commercial Crown corporations — down \$127 million from budget mainly due to a larger-than-expected reduction in the debt of the British Columbia Hydro and Power Authority and lower borrowing for 552513 British Columbia Ltd. (Skeena Cellulose Inc.).

Warehouse borrowing program — \$1 billion higher-than-planned as the province borrowed funds in advance of requirements to take advantage of favourable market conditions. However, since the end of the second quarter, this debt has fallen \$952 million and was used to finance operating, capital and debt maturities of the government and most Crown corporations in the third quarter. The balance of warehoused borrowing will be allocated to the provincial government or its Crown corporations and agencies when funding is needed.

Capital Spending

Provincial debt includes borrowing for schools, hospitals, transportation and other capital infrastructure projects.

Nine-month capital spending totalled \$1.3 billion — \$116 million below plan (see Table 3.2). Lower-than-planned spending for health facilities, transportation infrastructure and other projects was partially offset by additional spending for education facilities.

The 1999/00 budget provided for a full-year capital spending targets of \$1.95 billion. This includes hospital district spending on cost-shared projects, and spending made on behalf of, and recovered from, other public sector agencies. As well as meeting the infrastructure needs of the province, capital spending can assist in stimulating the economy.

Table 3.2 Capital Expenditures
for the Nine Months Ended December 31, 1999¹

	Budget ² 1999/00	Actual 1999/00 ³	Variance	Actual 1998/99
(\$ millions)				
Government expenditures				
Education ⁴	275.0	350.1	75.1	274.0
Health	235.9	150.7	(85.2)	62.7
BC Transportation Financing Authority	368.3	350.7	(17.6)	289.8
British Columbia Ferry Corporation	112.5	91.6	(20.9)	115.8
Rapid Transit Project 2000 (<i>SkyTrain</i>)	363.5	299.5	(64.0)	165.6
Other ⁵	49.9	28.1	(21.8)	32.5
	<u>1,405.1</u>	<u>1,270.7</u>	<u>(134.4)</u>	<u>940.4</u>
Recoverable expenditures⁶				
Hospital districts	28.0	13.1	(14.9)	27.3
Municipalities (public transit)	13.5	5.5	(8.0)	33.2
Greater Vancouver Transportation Authority (<i>TransLink</i>)	—	41.1	41.1	—
	<u>1,446.6</u>	<u>1,330.4</u>	<u>(116.2)</u>	<u>1,000.9</u>

¹ Excludes capital expenditures for the Vancouver Trade and Convention Centre, commercial Crown corporations and agencies, and 577315 British Columbia Ltd. (Western Star Truck Company).

² Figures reflect the nine-month allocation of the full-year budget, based on planned activities and seasonal patterns.

³ Reflects estimated actual capital spending incurred.

⁴ Represents capital spending for the Ministry of Education, and Ministry of Advanced Education, Training and Technology.

⁵ Represents capital spending for the British Columbia Buildings Corporation, British Columbia Transit, Ministry of Attorney General, and Ministry for Children and Families.

⁶ The 1999/00 capital plan includes expenditures by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, other public sector agencies.

Taxpayer-supported capital spending for education, health and justice facilities totalled \$537 million. The following table highlights various projects for the first nine months, and represents only a partial list of the many projects that are planned or under way.

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> — Sullivan 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 and Matthew McNair Secondary; <i>Summerland</i> — Summerland Middle; <i>Surrey</i> — Princess Margaret Secondary phase 2 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, additions and renovations	<i>Merritt</i> — joint Nicola Valley Institute of Technology/University College of the Cariboo campus; <i>Prince Rupert</i> — Northwest Community College; <i>Vancouver</i> — chemistry laboratory (University of British Columbia); <i>Victoria</i> — Young Building (Camosun College)
Hospital and health-care facilities planning, construction, upgrading and equipment purchases	<i>Clearwater</i> — health care centre; <i>Keremeos</i> — health care centre; <i>Kitimat</i> — community health centre; <i>Lytton</i> — health care centre; <i>Port Alberni</i> — West Coast General Hospital; <i>Prince George</i> — Prince George Regional Hospital phase 1 reconstruction; <i>Smithers</i> — Bulkley Lodge; <i>Surrey</i> — Surrey Memorial Hospital and Zion Park Manor; <i>Trail</i> — ambulatory care unit; <i>Vancouver</i> — Royal Arch Masonic Home, Vancouver General Hospital radiology project, Vancouver General Hospital tower, 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

Taxpayer-supported transportation capital spending totalled \$793 million. The following table is a partial list of projects that are planned or under way.

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

Nine-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.

An updated forecast of debt and capital spending for the full fiscal year is provided in Part 5 — Revised Fiscal Forecast.

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 December 31, 1999)

	1999/00	1998/99	Increase (Decrease) ¹
(\$ millions)			
Taxpayer-supported:			
British Columbia Buildings Corporation	30.9	31.9	(1.0)
British Columbia Ferry Corporation	(5.9)	(9.1)	3.2
BC Transportation Financing Authority	27.5	1.0	26.5
Forest Renewal BC	(26.9)	(193.4)	166.5
Commercial self-supported:			
British Columbia Hydro and Power Authority	457.0	325.0	132.0
Liquor Distribution Branch	495.1	499.8	(4.7)
British Columbia Lottery Corporation	402.3	324.0	78.3
British Columbia Railway Company ²	(566.6)	24.1	(590.7)
Insurance Corporation of British Columbia ²	95.7	73.5	22.2

¹ 1999/00 actual/estimated results less 1998/99 results.

² Figures are preliminary and correspond to the twelve-month period January–December 1999. The 1999 preliminary result for the British Columbia Railway Company includes an estimate of a one-time write-down required to reflect a permanent impairment of the company's investment in rail assets, particularly the northeast coal line.

Operating Highlights

Taxpayer-supported Crown Corporations and Agencies

British Columbia Buildings Corporation — Net income declined \$1.0 million from last year. A \$4.3-million increase in gains from property sales was partially offset by a 3.1-per-cent rise in operations, maintenance, environmental 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 — The nine-month loss was \$3 million lower than last year as a \$30-million increase in provincial subsidies was partly offset by a 6-per-cent increase in operating costs and higher interest and amortization expenses.

- A 1.1-per-cent increase in revenue was due to a 0.2-per-cent increase in toll revenue and a 5-per-cent increase in catering and other income. Traffic volumes increased 0.6 per cent while passenger volumes were unchanged from last year.
- Cost increases included: labour (up 3.1 per cent); fuel (up 24 per cent); repair and maintenance (up 7.4 per cent); and debt financing (up 22 per cent).

BC Transportation Financing Authority — Net income rose \$27 million from last year. A 41-per-cent increase in dedicated provincial taxes transferred to the authority was partially offset by increased operating expenditures.

Forest Renewal BC — The nine-month loss was \$166 million lower than last year. This resulted from a 52-per-cent increase in revenue and a planned 31-per-cent reduction in spending.

Other Taxpayer-supported Agencies—

- **British Columbia Pavilion Corporation:** \$2.9 million net loss was \$0.2 million lower than last year.
- **British Columbia Securities Commission:** \$8.5 million net income was \$0.1 million higher than last year.
- **British Columbia Transit:** A \$0.4 million decrease in net expenditure reduced the recovery required from the provincial government and participating municipalities.
- **Okanagan Valley Tree Fruit Authority:** \$2.2 million surplus (compared to a \$0.3-million loss last year).
- **Provincial Capital Commission:** \$0.5 million surplus (down slightly from last year).
- **Tourism British Columbia:** \$4.2 million net income was \$1.2 million more than last year.

Commercial Self-supported Crown Corporations and Agencies

British Columbia Hydro and Power Authority — A \$132-million increase in net income from last year primarily resulted from a 13-per-cent increase in revenue.

- Domestic revenues rose 0.5 per cent as higher residential, light industrial, commercial and other sales offset a 7.3-per-cent drop in large industrial sales.
- Electricity trade income increased \$282 million. A 17-per-cent rise in average energy prices and higher U.S. demand resulted in more electricity trade sales occurring in the first three quarters of 1999.
- Energy costs rose 21 per cent due to higher electricity trade sales volumes and transmission costs, partially offset by lower domestic costs due to the greater use of low-cost hydro generation. Operations, maintenance and administration costs increased 5.9 per cent, while finance costs fell 7.7 per cent.

-
- At year-end, the corporation plans to transfer a portion of net income to its rate stabilization account.

Liquor Distribution Branch — A \$4.7-million decline in net income was caused by a 1.9-per-cent increase in cost of sales and a 5.9-per-cent increase in operating costs, partially offset by a 1.3-per-cent increase in net sales.

British Columbia Lottery Corporation — Net income rose \$78 million from last year, mainly due to casino and electronic bingo operations that commenced later in 1998/99.

- Lotto 6/49, BC49 and Extra sales declined \$31 million due to a larger number of jackpots last year, but was offset by increased sales of Super 7 and Club Keno. Casino and electronic bingo revenues increased \$131 million, while sales of other lottery products declined \$1 million.
- Prizes and other direct costs rose \$49 million in response to higher sales. Other expenses increased \$6 million.

British Columbia Railway Company — Preliminary twelve-month results for 1999 include an estimate of \$600 million for a write-down of rail assets, principally relating to the northeast coal line. Excluding this write-down, net income showed a \$9 million increase from the previous year due to new operations acquired in late 1998 and in 1999.

- Revenue increased 14 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 in 1998.
- Operating expenses rose 14 per cent primarily due to additional operations costs of Canadian Stevedoring and Finlay Navigation Partnership. Interest costs rose 5.4 per cent due to higher debt outstanding.
- The financial forecast for the northeast coal line is that its future cash contribution is less than the book value of the rail assets built for this traffic. This requires a write-down at this time. A comprehensive asset impairment review is in progress and will be completed prior to finalizing the company's audited results for 1999.

Insurance Corporation of British Columbia — Preliminary twelve-month results for 1999 showed a \$96-million surplus. This compares to a \$74 million surplus in 1998 after the road safety dividend of \$47 million.

- Operating revenue declined 1.0 per cent as a 0.7-per-cent increase in earned premium revenue was offset by lower revenue retained from licences and fines.
- Costs for claims incurred declined 3.8 per cent due to lower-than-assumed costs of settling prior years' injury claims.
- Operating expenses increased 13 per cent mainly due to systems-related costs partly resulting from year 2000 compliance and pension liability adjustments.

Table 4.2 British Columbia Buildings Corporation
Income Statement
for the Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Gross revenues.....	336,571	332,607	1.2
Expenses:			
Operations, maintenance and administration.....	105,030	99,802	5.2
Lease costs.....	100,654	100,380	0.3
Client requested projects.....	21,173	20,734	2.1
Depreciation and amortization.....	36,695	37,813	(3.0)
Environmental projects.....	4,047	—	—
Interest, net.....	44,187	43,807	0.9
	311,786	302,536	3.1
Income before gain on disposals.....	24,785	30,071	(17.6)
Gain on disposals.....	6,124	1,848	—
Net income.....	30,909	31,919	(3.2)

Table 4.3 British Columbia Ferry Corporation
Income Statement
for the Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 ¹ (\$000)	Increase (Decrease) (Per cent)
Operating revenues:			
Tolls	247,904	247,324	0.2
Catering and other income	55,798	53,123	5.0
Federal coastal ferry contract	16,613	16,530	0.5
	<u>320,315</u>	<u>316,977</u>	1.1
Operating expenses:			
Salaries, wages and benefits	182,953	177,384	3.1
Fuel	31,359	25,391	23.5
Repair and maintenance	20,018	18,641	7.4
Cost of food and goods sold	19,674	18,899	4.1
Professional, computer and other	18,257	16,364	11.6
Materials and supplies	16,597	15,636	6.1
Insurance, taxes, utilities	7,537	7,333	2.8
	<u>296,395</u>	<u>279,648</u>	6.0
Earnings before interest and amortization	23,920	37,329	(35.9)
Net financing expense	(38,315)	(31,393)	22.0
Amortization	(39,040)	(33,063)	18.1
Income (loss) before motor fuel tax and provincial grant	(53,435)	(27,127)	97.0
Dedicated motor fuel tax ²	47,575	—	—
Provincial operating grant ²	—	18,000	(100.0)
Net income (loss)	<u>(5,860)</u>	<u>(9,127)</u>	(35.8)

¹ Certain figures have been reclassified to be consistent with the presentation used for 1999.

² 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 Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$ millions)	Actual 1998 ¹ (\$ millions)	Increase (Decrease) (Per cent)
Revenues:			
Residential	617	592	4.2
Light industrial and commercial	628	619	1.5
Large industrial	343	370	(7.3)
Other energy sales and miscellaneous	72	71	1.4
Total domestic	1,660	1,652	0.5
Electricity trade	913	631	44.7
	<u>2,573</u>	<u>2,283</u>	12.7
Expenses:			
Energy costs	999	827	20.8
Operations, maintenance and administration	305	288	5.9
Taxes	127	130	(2.3)
Depreciation	254	246	3.3
	<u>1,685</u>	<u>1,491</u>	13.0
Income before finance charges	888	792	12.1
Finance charges	(431)	(467)	(7.7)
Net income	<u>457</u>	<u>325</u>	40.6

¹ Certain figures for 1998 have been restated to conform to the presentation used for 1999.

Table 4.5 British Columbia Lottery Corporation
Income Statement
for the Nine Months Ended December 25, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Lottery sales	<u>1,033,885</u>	<u>900,064</u>	14.9
Direct costs:			
Prizes	375,578	369,486	1.6
Retailer commissions	161,945	118,699	36.4
Ticket printing and bingo paper	11,375	11,241	1.2
	<u>548,898</u>	<u>499,426</u>	9.9
Sales less direct costs	<u>484,987</u>	<u>400,638</u>	21.1
Other expenses:			
Operating	52,579	49,560	6.1
Amortization	16,406	15,232	7.7
Goods and services tax	13,734	11,879	15.6
	<u>82,719</u>	<u>76,671</u>	7.9
Net income	<u>402,268</u>	<u>323,967</u>	24.2
Allocation of net income:			
Province of British Columbia ¹	393,916	312,787	25.9
Government of Canada	5,412	5,238	3.3
Other ²	2,940	5,942	(50.5)
	<u>402,268</u>	<u>323,967</u>	24.2

¹ Net income figures differ from those shown in Table 2.4 due to the inclusion of revenues dedicated to charities and local governments, which are deducted from provincial government revenue.

² 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 Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenue from operations.....	22,291	18,678	19.3
Direct event costs.....	10,154	8,500	19.5
Gross margin.....	<u>12,137</u>	<u>10,178</u>	19.2
Facility costs:			
Administration.....	1,382	1,331	3.8
Operations and fees.....	3,694	3,478	6.2
Staffing.....	5,763	5,683	1.4
Business development.....	857	605	41.7
Depreciation.....	3,348	3,115	7.5
	<u>15,044</u>	<u>14,212</u>	5.9
Net operating income (loss).....	(2,907)	(4,034)	(27.9)
Province of British Columbia subsidy ¹	—	919	—
Net income (loss).....	<u>(2,907)</u>	<u>(3,115)</u>	(6.7)

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

Table 4.7 British Columbia Railway Company¹
 Consolidated Income Statement
 Preliminary results for the Twelve Months Ended December 31, 1999
 (Unaudited)

	Estimated 1999 (\$000)	1998 ² (\$000)	Increase (Decrease) (Per cent)
Revenue	477,521	417,567	14.4
Expenses	406,288	357,872	13.5
Operating income	71,233	59,695	19.3
Non-operating expense:			
Interest	(32,648)	(30,978)	5.4
Capital and income taxes	(5,142)	(4,584)	12.2
Net income before asset impairment charge	33,443	24,133	38.6
Asset impairment charge	(600,000)	—	—
Net loss ³	(566,557)	24,133	—

¹ 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 1998), Finlay Navigation Partnership (effective June 1999), and Westel Communications Ltd. (until it was sold in July 1998).

² 1998 results are restated to reflect audited results for the year and to include non-pension post retirement expenses of \$2.4 million.

³ 1999 results are preliminary and include an estimate of a one-time write-down required to reflect a permanent impairment of the company's investment in rail assets, particularly the northeast coal line.

Table 4.8 British Columbia Securities CommissionStatement of Operations
for the Nine Months Ended December 31, 1999*(Unaudited)*

	Estimated 1999 (\$000)	1998 ¹ (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Fees	19,777	18,093	9.3
Income to Investor Education Fund ²	218	432	(49.5)
Cost Recoveries	1,168	140	—
Interest income	844	1,072	(21.3)
	<u>22,007</u>	<u>19,737</u>	11.5
Expenditures:			
Salaries and benefits	9,431	7,356	28.2
Professional services	506	603	(16.1)
Communications activities	331	325	1.8
Securities Fraud Office	—	481	(100.0)
Office administration	644	626	2.9
Depreciation	720	472	52.5
Building occupancy	909	554	64.1
Information systems development	484	462	4.8
Systems operations	203	234	(13.2)
Travel	281	268	4.9
	<u>13,509</u>	<u>11,381</u>	18.7
Net income	8,498	8,356	1.7
General surplus, beginning of period	1,488	15,515	(90.4)
Appropriations ²	(217)	(67)	—
General surplus, end of period	<u>9,769</u>	<u>23,804</u>	(59.0)

¹ Certain figures for 1998 have been restated to conform to the presentation for 1999.² Revenue collected from negotiated settlements that is to be expended for the purpose of promoting knowledge of the legal, regulatory and ethical standards that govern the operation of the securities market in British Columbia. Unexpended amounts are appropriated into a reserve for future use.

Table 4.9 British Columbia Transit¹
Revenue and Expenditure Statement
for the Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 ² (\$000)	Increase (Decrease) (Per cent)
Revenue.....	25,040	23,949	4.6
Expenditures:			
Operations.....	46,042	43,406	6.1
Maintenance.....	9,458	8,526	10.9
Administration.....	13,439	12,474	7.7
Interest.....	118	117	0.9
Property leases and taxes.....	713	418	70.6
Debt servicing.....	5,997	10,125	(40.8)
Total expenditure.....	75,767	75,066	0.9
Net expenditure.....	50,727	51,117	(0.8)
Recoveries:			
Contribution from the Province of British Columbia.....	29,415	31,942	(7.9)
Contributions from participating municipalities.....	21,312	19,175	11.1
	50,727	51,117	(0.8)

¹ Under the *Greater Vancouver Transportation Authority Act*, introduced in 1998, the Greater Vancouver Transportation Authority (*TransLink*) 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.

² 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 Authority¹
Consolidated Statement of Income
for the Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Dedicated revenue ²	133,372	94,546	41.1
Capital contributions (amortization) ³	148,001	—	—
Other ⁴	3,116	1,375	—
	<u>284,489</u>	<u>95,921</u>	—
Expenditures:⁵			
Operations and administration ⁶	17,870	16,113	10.9
Grant programs ⁷	5,163	4,561	13.2
Amortization ³	178,168	22,916	—
Interest ⁸	55,748	51,332	8.6
	<u>256,949</u>	<u>94,922</u>	—
Net income	<u>27,540</u>	<u>999</u>	—

¹ Includes results of Highway Constructors Ltd., a wholly-owned subsidiary.

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

³ 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.

⁴ Includes investment revenue recorded net of related expenses.

⁵ During the first nine months of 1999/00, the Authority undertook \$350.7 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.

⁶ Includes \$14.0 million in 1999 (1998 — \$12.5 million) paid to the Ministry of Transportation and Highways for general operating expenses not specifically related to individual capital projects.

⁷ 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.

⁸ 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 and Unappropriated Surplus
for the Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Statutory revenue ¹	179,789	94,283	90.7
Investment income.....	17,000	35,554	(52.2)
	<u>196,789</u>	<u>129,837</u>	51.6
Cost of Services:			
Project expenditures.....	211,850	307,974	(31.2)
Administration.....	11,872	15,281	(22.3)
	<u>223,722</u>	<u>323,255</u>	(30.8)
Net income (loss).....	(26,933)	(193,418)	(86.1)
Unappropriated surplus, beginning of period.....	60,074	293,972	(79.6)
	33,141	100,554	(67.0)
Net transfer to reserve for multi-year agreements.....	—	(76,700)	(100.0)
Unappropriated surplus, end of period.....	<u>33,141</u>	<u>23,854</u>	38.9

¹ 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 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 half of the year. In 1999, the recovery of costs is being deducted in the last half.

Table 4.12 Insurance Corporation of British Columbia
Statement of Operations
Preliminary results for the Twelve Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 ¹ (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Vehicle premiums earned.....	2,363,669	2,350,703	0.6
Driver premiums earned.....	22,007	18,226	20.7
	<u>2,385,676</u>	<u>2,368,929</u>	0.7
Licences and fines on behalf of the Province.....	423,438	435,558	(2.8)
	<u>2,809,114</u>	<u>2,804,487</u>	0.2
Payment of licences and fines to the Province.....	(423,438)	(394,590)	7.3
	<u>2,385,676</u>	<u>2,409,897</u>	(1.0)
Expenses:			
Claims costs:			
Claims incurred.....	2,080,270	2,134,604	(2.5)
Prior years' claims development ²	(238,200)	(219,456)	8.5
	<u>1,842,070</u>	<u>1,915,148</u>	(3.8)
Claims services.....	275,193	248,792	10.6
Road safety services.....	59,057	38,887	51.9
	<u>2,176,320</u>	<u>2,202,827</u>	(1.2)
Operating expenses:			
Administration.....	171,357	131,276	30.5
Driver, commercial vehicle and AutoPlan services.....	90,925	77,533	17.3
Commissions.....	172,966	181,889	(4.9)
Premium taxes.....	99,526	100,708	(1.2)
Year 2000 software development.....	28,047	7,435	—
	<u>562,821</u>	<u>498,841</u>	12.8
Total claims and expenses.....	<u>2,739,141</u>	<u>2,701,668</u>	1.4
Operating income.....	(353,465)	(291,771)	21.1
Investment income.....	449,188	412,236	9.0
Income before Road Safety Dividend.....	95,723	120,465	(20.5)
Road Safety Dividend.....	—	(47,000)	(100.0)
Net income ³	<u>95,723</u>	<u>73,465</u>	30.3

¹ Figures for 1998 have been restated to conform to the presentation used for 1999.

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

³ 1999 results are preliminary and do not include potential valuation and other year-end adjustments that may be identified during the corporation's annual audit.

Table 4.13 **Liquor Distribution Branch**
Income Statement
for the Third Quarter Ended January 1, 2000
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Sales:			
Provincial liquor sales.....	1,323,594	1,307,175	1.3
Less: Discounts and commissions.....	(34,853)	(34,740)	0.3
Net sales.....	1,288,741	1,272,435	1.3
Cost of sales.....	(653,424)	(640,947)	1.9
Gross profit.....	635,317	631,488	0.6
Operating expenses.....	(141,999)	(134,053)	5.9
Net operating income.....	493,318	497,435	(0.8)
Other income.....	1,818	2,412	(24.6)
Net income ¹	495,136	499,847	(0.9)

¹ 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 Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Provincial contribution.....	6,800	2,000	—
Investment and miscellaneous income.....	37	47	(21.3)
	6,837	2,047	—
Expenditures:			
Orchard renovation program.....	1,547	1,600	(3.3)
Transitional production adjustment program.....	2,761	—	—
Sterile insect release program.....	150	650	(76.9)
Operating and other programs.....	147	137	7.3
	4,605	2,387	92.9
Surplus (deficit) for the period.....	2,232	(340)	—
Retained earnings, beginning of period.....	(136)	263	—
Retained earnings, end of period.....	2,096	(77)	—

Table 4.15 Provincial Capital Commission
Statement of Revenue, Expenditure and Surplus
for the Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 ¹ (\$000)	Increase (Decrease) (Per cent)
Revenue:			
Rent and other	2,315	2,167	6.8
Interest	168	172	(2.3)
	<u>2,483</u>	<u>2,339</u>	6.2
Expenditure:			
Operating	2,023	1,769	14.4
Surplus for the period	460	570	(19.3)
Unappropriated surplus, beginning of period	2,813	3,318	(15.2)
Unappropriated surplus, end of period	<u>3,273</u>	<u>3,888</u>	(15.8)

¹ 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 Nine Months Ended December 31, 1999
(Unaudited)

	Estimated 1999 (\$000)	1998 (\$000)	Increase (Decrease) (Per cent)
Revenues:			
Dedicated hotel room tax ¹	16,741	15,938	5.0
Other revenue ²	4,197	1,772	—
	<u>20,938</u>	<u>17,710</u>	18.2
Operating expenses:			
Marketing and sales	5,542	5,276	5.0
Tourism operations ²	6,602	5,673	16.4
Business development	1,808	1,287	40.5
General and administration	2,522	2,431	3.7
Amortization ³	281	93	—
	<u>16,755</u>	<u>14,760</u>	13.5
Net income	4,183	2,950	41.8
Unappropriated surplus, beginning of period	6,320	8,417	(24.9)
Prior year adjustment (hotel room tax) ⁴	432	—	—
Unappropriated surplus, end of period	<u>10,935</u>	<u>11,367</u>	(3.8)

¹ Includes 1.65 percentage points of the 8-per-cent provincial hotel room tax.

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

³ Increase in 1999 reflects the purchase of the SuperNatural BC reservations system in February 1999.

⁴ Represents additional entitlements to provincial hotel room tax revenue identified after finalization of the 1998/99 financial statements.

PART FIVE – REVISED FISCAL FORECAST

Summary Accounts

This section contains 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 ¹	Actual 1998/99 ²
(\$ millions)				
Consolidated Revenue Fund	(890.0)	(401.0)	489.0	(465.6)
Taxpayer-supported Crown corporations and agencies.....	(685.0)	(361.6)	323.4	(724.1)
Commercial Crown corporations and agencies.....	46.0	(423.6)	(469.6)	96.6
Crown corporations forecast allowance	—	(200.0)	(200.0)	—
Total summary accounts deficit	<u>(1,529.0)</u>	<u>(1,386.2)</u>	<u>142.8</u>	<u>(1,093.1)</u>

¹ 1999/00 revised forecast less 1999/00 budget.

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

The summary accounts deficit is projected to be \$1.4 billion in 1999/00, \$143 million lower than forecast in the 1999/00 budget:

- the consolidated revenue fund shortfall is projected to be \$489 million lower than budget, at \$401 million;
- the combined net loss from taxpayer-supported Crown corporations will be \$323 million lower than budget, at \$362 million;
- the combined commercial Crown corporations net loss will be \$470 million above budget, at \$424 million; and
- a \$200-million allowance for changes to Crown corporation projections is included in the summary accounts forecast.

The government's consolidated revenue fund deficit is now projected to be \$489 million below budget and \$65 million lower than 1998/99, after including a \$200-million forecast allowance for changes to the revenue and expenditure forecasts before year-end.

In total, Crown corporations and agencies are projected to have a combined loss of \$985 million. This is after including an additional \$200-million forecast allowance for changes over the rest of the year.

Taxpayer-supported Crown corporations and agency net losses (after adjustments) are forecast to be \$323 million better than planned and \$363 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 \$111-million reduction in operating losses;
- a \$175-million reduction in the dividend from the British Columbia Buildings Corporation; and
- a \$38-million reduction in expected year-end accounting adjustments.

Self-supported commercial Crown corporations are projected to show a combined net loss of \$424 million. This is \$470 million lower than budget mainly due to an unexpected one-time write-down of British Columbia Railway Company's investment in rail assets, partially offset by higher net income of the British Columbia Lottery Corporation and the Insurance Corporation of British Columbia.

Commercial Crown contributions paid to the consolidated revenue fund are projected to be \$70 million lower than budget, but slightly higher than last year. Dividends from the British Columbia Hydro and Power Authority are expected to be below budget due to a transfer of income to the authority's rate stabilization account. Dividends and contributions will also be below budget for British Columbia Railway Company, British Columbia Lottery Corporation and the Liquor Distribution Branch.

The \$28-million increase in accounting adjustments from budget reflects increased gaming revenue distributed to charities and local governments.

Table 5.2 Detailed Summary Accounts — Revised Forecast

	Budget ¹ 1999/00	Revised Forecast 1999/00	Variance ²	Actual ¹ 1998/99
	(\$ millions)			
Consolidated Revenue Fund (CRF) Balance	<u>(890.0)</u>	<u>(401.0)</u>	<u>489.0</u>	<u>(465.6)</u>
Crown Corporations and Agencies:				
Taxpayer-supported:				
British Columbia Buildings Corporation.....		55.5		48.1
British Columbia Ferry Corporation.....		(67.3)		(114.3)
BC Transportation Financing Authority.....		3.9		(23.6)
Forest Renewal BC.....		(56.8)		(264.6)
Other ³	—	(14.4)	—	9.0
	<u>(190.0)</u>	<u>(79.1)</u>	<u>110.9</u>	<u>(345.4)</u>
<i>Less: contributions paid to CRF⁴</i>	<i>(246.0)</i>	<i>(71.0)</i>	<i>175.0</i>	<i>(14.0)</i>
<i>Less: accounting adjustments⁵</i>	<i>(249.0)</i>	<i>(211.5)</i>	<i>37.5</i>	<i>(364.7)</i>
Total taxpayer-supported	<u>(685.0)</u>	<u>(361.6)</u>	<u>323.4</u>	<u>(724.1)</u>
Commercial self-supported:				
British Columbia Hydro and Power Authority...		395.0		395.4
Liquor Distribution Branch.....		615.0		615.9
British Columbia Lottery Corporation.....		526.0		456.0
British Columbia Railway Company.....		(566.6)		24.1
Insurance Corporation of British Columbia.....		95.7		73.5
Other ⁶	—	(11.7)	—	(23.3)
	<u>1,565.0</u>	<u>1,053.4</u>	<u>(511.6)</u>	<u>1,541.6</u>
<i>Less: contributions paid to CRF⁷</i>	<i>(1,433.0)</i>	<i>(1,363.0)</i>	<i>70.0</i>	<i>(1,348.0)</i>
<i>Less: accounting adjustments⁸</i>	<i>(86.0)</i>	<i>(114.0)</i>	<i>(28.0)</i>	<i>(97.0)</i>
Total commercial self-supported	<u>46.0</u>	<u>(423.6)</u>	<u>(469.6)</u>	<u>96.6</u>
Total Crown corporations and agencies	<u>(639.0)</u>	<u>(785.2)</u>	<u>(146.2)</u>	<u>(627.5)</u>
Crown corporation forecast allowance	—	<u>(200.0)</u>	<u>(200.0)</u>	—
Total net contribution (loss) of Crown corporations and agencies	<u>(639.0)</u>	<u>(985.2)</u>	<u>(346.2)</u>	<u>(627.5)</u>
Total summary accounts deficit	<u>(1,529.0)</u>	<u>(1,386.2)</u>	<u>142.8</u>	<u>(1,093.1)</u>

¹ 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 1998/99 have been restated for accounting policy changes introduced in 1999/00, and to conform to the presentation used in this report.

² 1999/00 revised forecast less 1999/00 budget.

³ 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.

⁴ Includes dividends from taxpayer-supported Crown corporations that are included in CRF revenue.

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

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

⁷ Includes dividends from commercial Crown corporations that are included in CRF revenue.

⁸ Includes transfers of British Columbia Lottery Corporation revenue to charities and local governments.

Consolidated Revenue Fund

Revenue is projected to be \$1,093 million or 5.4 per cent above budget. The increase includes higher-than-budgeted revenue from natural resources and taxation, partially offset by lower revenue from Crown corporation and other sources.

Table 5.3 Consolidated Revenue Fund — Revised Forecast

	Budget 1999/00	Revised Forecast 1999/00	Variance ¹
		(\$ millions)	
Revenue.....	20,155.0	21,248.0	1,093.0
Expenditure.....	(21,045.0)	(21,449.0)	(404.0)
Forecast allowance ²	—	(200.0)	(200.0)
Consolidated Revenue Fund balance.....	<u>(890.0)</u>	<u>(401.0)</u>	<u>489.0</u>

¹ 1999/00 revised forecast less 1999/00 budget.

² Includes an allowance for revenue or expenditure changes over the remainder of the year, beyond the amounts identified in the revised forecasts.

Spending pressures could result in the full-year expenditure forecast exceeding budget by \$404 million or 1.9 per cent.

An allowance of \$200 million is included in the forecast for changes in the revenue and expenditure forecasts prior to year-end. The resulting consolidated revenue fund shortfall is forecast to be \$489 million less than budget, at \$401 million.

Revised Revenue Forecast

Economic growth in 1999 is now projected to be higher than forecast when preparing the 1999/00 budget. As a result, revenue from individual sources is projected to be \$863 million above budget and the forecast also assumes that the full-year revenue budget allowance of \$230 million will not be required (see Table 5.4).

Since the Second Quarterly Report, the revenue forecast has increased \$509 million. This revision reflects updated information received from the federal government that indicates significantly higher-than-expected personal income tax assessments for 1998, and a more optimistic federal government outlook for national corporate profits. The revision also reflects an improved outlook for natural resource revenue due to strength in commodity prices.

The 1999/00 budget included \$350 million of British Columbia's entitlement to the federal Canada health and social transfer (CHST) supplement totalling \$471 million.

Because of uncertainty about the amount of funding to be received from the federal government for health care in 2000/01, the provincial government will be reviewing its plans to withdraw its CHST entitlement this year. Under the federal arrangement, the provincial government may defer some or all of these funds until 2000/01 to help fund health care pressures in next year's budget.

- *Personal income tax* — \$398 million above budget as higher-than-assumed assessments for 1998 offset the effect of a lower forecast of personal income growth in 1999.
- *Corporation income tax* — \$92 million above budget. Larger instalments resulting from an improved federal government outlook for 1999 national corporate profits is partly offset by a larger reimbursement to the federal government for overpayments received in 1998/99.
- *Social service tax* — \$80 million above budget. A larger-than-expected tax base at the end of last year and strong collections since the summer will more than offset the effect of slower-than-expected retail sales growth in 1999.
- *Other taxes* — \$38 million above budget. Higher taxation revenue from fuel, property transfer and corporation capital taxes is partly offset by lower revenue from property taxes. Increases reflect current developments and an improved outlook for economic activity.
- *Petroleum, natural gas and minerals* — \$233 million above budget. This reflects higher royalties, taxes and sales of Crown land drilling rights due to higher-than-assumed oil, natural gas and other commodity prices.
- *Forests* — \$225 million above budget. Based on current developments, the forecast reflects higher average prices and volumes for the year, plus additional federal remittances of lumber export fees collected in 1998/99.
- *Water and other resources* — \$25 million above budget mainly due to higher-than-budgeted sales of electricity received through the Columbia River Treaty.
- *Other Revenue* — \$84 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.

Table 5.4 Consolidated Revenue Fund — Revised Revenue Forecast
(Unaudited)

	Budget 1999/00	Revised Forecast 1999/00 ¹	Variance ²
	(\$ millions)		
Taxation:			
Personal income	5,374.0	5,772.0	398.0
Corporation income	847.0	939.0	92.0
Social service	3,190.0	3,270.0	80.0
Fuel	436.0	451.0	15.0
Tobacco	478.0	478.0	—
Property	1,345.0	1,337.0	(8.0)
Property transfer	216.0	236.0	20.0
Corporation capital	418.0	430.0	12.0
Other	275.0	284.0	9.0
Less: provision for doubtful accounts	(9.0)	(20.0)	(11.0)
Less: commissions on collection of public funds	(24.0)	(23.0)	1.0
	<u>12,546.0</u>	<u>13,154.0</u>	<u>608.0</u>
Natural resources:			
Petroleum and natural gas:			
Natural gas royalties	205.0	288.0	83.0
Permits and fees	120.0	235.0	115.0
Petroleum royalties	68.0	86.0	18.0
	<u>393.0</u>	<u>609.0</u>	<u>216.0</u>
Minerals	<u>29.0</u>	<u>46.0</u>	<u>17.0</u>
Forests:			
Timber sales	803.0	990.0	187.0
Small Business Forest Enterprise Program	220.0	231.0	11.0
Logging tax	13.0	20.0	7.0
Other forests revenue	37.0	57.0	20.0
	<u>1,073.0</u>	<u>1,298.0</u>	<u>225.0</u>
Water rentals	376.0	400.0	24.0
Wildlife Act	14.0	15.0	1.0
	<u>390.0</u>	<u>415.0</u>	<u>25.0</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>2,363.0</u>	<u>483.0</u>

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Table 5.4 Consolidated Revenue Fund — Revised Revenue Forecast — *Continued*
(Unaudited)

	Budget 1999/00	Revised Forecast 1999/00 ¹	Variance ²
	(\$ millions)		
Other revenue:			
Medical Services Plan premiums.....	896.0	880.0	(16.0)
Motor vehicle licences and permits.....	334.0	334.0	—
Other fees and licences.....	408.0	359.0	(49.0)
Investment earnings.....	48.0	54.0	6.0
Fines and penalties.....	112.0	106.0	(6.0)
Miscellaneous.....	107.0	85.0	(22.0)
Asset dispositions.....	84.0	52.0	(32.0)
Less: provision for doubtful accounts.....	(34.0)	(11.0)	23.0
Less: commissions on collection of public funds.....	(27.0)	(15.0)	12.0
	<u>1,928.0</u>	<u>1,844.0</u>	<u>(84.0)</u>
Contributions from Crown corporations:			
Liquor Distribution Branch income.....	620.0	615.0	(5.0)
British Columbia Lottery Corporation.....	424.0	407.0	(17.0)
British Columbia Hydro and Power Authority.....	348.0	320.0	(28.0)
British Columbia Buildings Corporation.....	246.0	71.0	(175.0)
Other ³	41.0	21.0	(20.0)
	<u>1,679.0</u>	<u>1,434.0</u>	<u>(245.0)</u>
Contributions from the Federal government:			
Canada health and social transfer.....	2,208.0	2,320.0	112.0
Other.....	144.0	133.0	(11.0)
	<u>2,352.0</u>	<u>2,453.0</u>	<u>101.0</u>
Less: Revenue Allowance.....	(230.0)	—	230.0
TOTAL REVENUE.....	<u>20,155.0</u>	<u>21,248.0</u>	<u>1,093.0</u>

¹ Revised forecast figures for 1999/00 exclude \$732 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 (*TransLink*), and the British Columbia Oil and Gas Commission.

² 1999/00 revised forecast less 1999/00 budget.

³ Includes British Columbia Railway Company, British Columbia Assets and Land Corporation (WLC Developments Ltd.), and Columbia Power Corporation.

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- *Contributions from Crown corporations* — \$245 million below budget. Lower dividends are expected from the British Columbia Buildings Corporation due to lower-than-planned property sales. Lower contributions are also expected from the British Columbia Railway Company, the Liquor Distribution Branch and the British Columbia Lottery Corporation. A lower dividend from the British Columbia Hydro and Power Authority is due to an expected transfer of earnings to the rate stabilization account at year-end.
 - *Federal contributions* — \$101 million above budget due to higher CHST payments resulting from a federal obligation to maintain a national floor for cash payments to provinces (see Revenue Assumptions and Risks).
 - *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 updated economic information, the full-year budget revenue allowance will not be needed.

Revenue Assumptions and Risks

Key assumptions and risks affecting the revised revenue forecast are shown in Table 5.5.

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

- Personal income tax measures introduced in the upcoming federal budget may affect the amount of provincial personal income tax revenue recorded in the last quarter.
- Sales tax collections could be weaker- or stronger-than-expected in the last quarter.
- Weather conditions could affect harvesting activity and forest revenues in the fourth quarter.
- As noted earlier, the provincial government will be reviewing its plans to withdraw \$350 million of the federal CHST supplement due to uncertainty about federal funding in 2000/01, and the option to defer some or all of these revenues to help fund health pressures in next year's budget. The federal government has provided flexibility to the provinces as to when these funds could be withdrawn.

Table 5.5 Main Revenue Assumptions and Risks

Revenue Source and Budget Assumptions	Revenue Change and Revised Assumptions	Risks and Sensitivities
<p>Personal Income Tax Personal income growth of 2.6 per cent in 1999, 2.3 per cent in 2000.</p>	<p>up \$398 million 1998 basic federal tax assessments up 3.8 per cent from budget. Personal income growth of 1.5 per cent in 1999, 2.2 per cent in 2000.</p>	<p>1998 tax assessments are now final.</p> <p>1 per cent change in 1999 personal income growth outlook affects revenue by \$120M. Measures in the upcoming federal budget could affect revenue in last quarter.</p>
<p>Corporate Income Tax 1998 share of national corporate taxable income (CTY) equal to 9.35 per cent. 1999 National CTY base down 4.7 per cent.</p>	<p>up \$92 million 1998 share of CTY equal to 8.1 per cent. 1999 National CTY base up 14.8 per cent.</p>	<p>1998 tax assessments are now final.</p> <p>No further revisions are expected.</p>
<p>Social Services Tax Retail sales growth of 2.5 per cent in 1999, and 2.0 per cent in 2000. Nominal machinery and equipment (M&E) investment growth of 1.1 per cent in 1999 and 4.0 per cent in 2000.</p>	<p>up \$80 million 1998/99 year-end collections were \$61M higher than forecast in the 1999/00 budget. Retail sales growth: 1999: 1.6 per cent; 2000: 2.0 per cent. Nominal M&E investment growth: 1999: 0.9 per cent; 2000: 4.3 per cent.</p>	<p>1 per cent change in retail sales growth in last quarter affects revenue by \$5M; 1 per cent change in M&E investment growth affects revenue by \$3M.</p> <p>Actual sales collections in last quarter.</p>
<p>Oil, Gas and Minerals 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>up \$233 million Average 1999 natural gas price at Cdn. \$2.01/GJ. Average 1999 oil price at U.S. \$19/bbl. Sales of Crown land drilling rights up 116 per cent (\$126M) from 1998/99.</p>	<p>Winter weather conditions in North America can affect demand.</p> <p>5 per cent change in natural gas price in last quarter affects revenue by \$6M. 5 per cent change in natural gas volumes in last quarter affects revenue by \$4M. Sales of Crown land drilling rights +/- \$20M (2 auctions remaining this year).</p>
<p>Forests Crown coastal volumes: 13.9 million m³. Crown interior volumes: 44.4 million m³. Average 1999 SPF 2x4 price: US \$295/1,000 bd. ft. Average 1999 hemlock (HBSQ) price: US \$525/1,000 bd. ft. Average 1999 pulp price: US \$484/tonne.</p>	<p>up \$225 million Crown coastal volumes: 17.7million m³. Crown interior volumes: 49.1 million m³. Total Crown volumes up 8.6 million m³. Average 1999 SPF 2x4 price: US \$341/1,000 bd. ft. Average 1999 HBSQ price: US \$584/1,000 bd. ft. Average 1999 pulp price: US \$522/tonne.</p>	<p>Risks affecting harvest volumes in the last quarter include weather (timing of Spring breakup) and industry's expectation of lumber demand.</p> <p>5 per cent change in harvest volumes in last quarter affects CRF revenue by \$20M and FRBC revenue by \$5M. Lumber/pulp price changes in the last quarter affect stumpage rates in 2000/01. Forecast assumes \$30M of administrative recoveries from FRBC.</p>
<p>Fees and Licences Population growth 0.9 per cent.</p>	<p>down \$65 million Weaker MSP premium yield. Lower utilization. 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>Crown Contributions BC Hydro: \$348M</p> <p>LDB: \$620M BCBC: \$246M BC Rail: \$31M</p>	<p>down \$245 million BC Hydro down \$28M, assuming a transfer to the Rate Stabilization Account at year-end. LDB down \$5M; BCLC down \$17M. BCBC down \$175M. BC Rail down \$20M.</p>	<p>Winter demand: +/- \$20M.</p>
<p>Federal Government Contributions CHST revenue based on national tax base forecasts, BC population estimates and assumes \$350M of CHST supplement received in 1999/00.</p>	<p>up \$101 million CHST up \$112M as the effects of lower population, higher BC tax base offset by higher national cash floor payments due to higher national tax base.</p>	<p>1 per cent increase in BC tax base reduces revenue by \$16M. 1 per cent change in national tax base affects revenue by \$18M. Because of health care funding pressures and uncertainty about the amount of federal funding in 2000/01, the government will be reviewing its budget plan to withdraw \$350 million of the federal CHST supplement in 1999/00.</p>

Revised Expenditure Forecast

As noted in Table 5.6, identified full-year spending pressures total \$404 million or 1.9 per cent of budget. This includes the special warrants announced on February 11, 2000 as well as other statutory spending pressures provided for under various ministry acts totalling \$130 million, partially offset by identified savings of \$100 million.

The following table reconciles the special warrants announced on February 11, 2000, statutory spending pressures that are funded under various statutory authorities in ministries (e.g. claims under the *Crown Proceeding Act* and for flood damage compensation in the Ministry of Attorney General), and the identified savings to total forecast expenditure pressures.

Reconciliation of Special Warrants to Forecast Expenditure Pressures	
	\$ millions
Special warrants announced February 11, 2000	376.9
<i>Less:</i> non-budgetary capital spending (tenant improvements in Ministry of Attorney General).....	(2.8)
<i>Add:</i> other spending pressures provided under various statutes:	
— Advanced Education, Training and Technology (high technology fund/Action 2000).....	12.2
— Attorney General (e.g.: <i>Crown Proceeding Act</i> , flood damage compensation).....	94.9
— Education (debt servicing).....	8.8
— Municipal Affairs (homeowner grants).....	4.0
— BC Benefits	4.0
— Other appropriations.....	6.1
	<u>130.0</u>
<i>Less:</i> identified savings.....	(100.1)
Total net forecast expenditure pressures.....	<u><u>404.0</u></u>

As shown in Table 5.6, 13 ministries are on or below target, while expenditure is projected to be above budget in 7 ministries.

Table 5.6 Consolidated Revenue Fund — Revised Expenditure Forecast
(Unaudited)

	Budget ¹ 1999/00	Revised Forecast 1999/00	Variance ²
	(\$ millions)		
Legislation.....	36.6	36.6	—
Officers of the Legislature.....	28.2	28.2	—
Office of the Premier.....	2.1	2.1	—
Aboriginal Affairs.....	33.4	33.4	—
Advanced Education, Training and Technology			
Educational institutions and organizations.....	1,117.9	1,117.9	—
Other ministry programs.....	519.8	532.0	12.2
Total.....	1,637.7	1,649.9	12.2
Agriculture and Food.....	56.9	56.9	—
Attorney General.....	917.7	1,010.3	92.6
Children and Families.....	1,315.7	1,357.1	41.4
Community Development, Cooperatives and Volunteers.....	5.3	5.3	—
Education			
Public school operating contributions.....	3,643.7	3,666.1	22.4
Other ministry programs.....	701.6	711.3	9.7
Total.....	4,345.3	4,377.4	32.1
Employment and Investment.....	37.4	37.4	—
Energy and Mines.....	36.7	36.7	—
Environment, Lands and Parks.....	194.8	194.8	—
Finance and Corporate Relations.....	109.4	109.4	—
Fisheries.....	19.3	19.2	(0.1)
Forests.....	491.5	498.5	7.0
Health			
Acute and continuing care.....	4,265.2 ³	4,412.5	147.3
Other ministry programs.....	3,454.9 ³	3,525.0	70.1
Total.....	7,720.1	7,937.5	217.4
Labour.....	27.9	27.9	—
Municipal Affairs.....	141.5	145.5	4.0
Small Business, Tourism and Culture.....	83.6	83.6	—
Social Development and Economic Security.....	1,968.1	1,966.0	(2.1)
Transportation and Highways.....	462.8	462.8	—
Women's Equality.....	38.1	38.1	—
Contributions to BC Transit (Women's Equality).....	170.5	170.5	—
Other:			
Management of Public Funds and Debt.....	940.0	860.0	(80.0)
Contingencies (All Ministries) and New Programs.....	110.0	109.7	(0.3)
BC Benefits.....	183.6	187.6	4.0
Amortization of Change in Unfunded Pension Liability.....	(116.5)	(116.5)	—
Vancouver Trade and Convention Centre.....	—	70.0	70.0
Other Appropriations ⁴	47.3	53.1	5.8
TOTAL EXPENDITURE.....	21,045.0	21,449.0	404.0

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

² 1999/00 revised forecast less 1999/00 budget.

³ Restated to reflect program budget reallocations.

⁴ 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 Advanced Education, Training and Technology* — A statutory spending pressure of \$12 million is mainly due to higher spending for the High Technology Fund.
 - *Ministry of Attorney General* — Statutory spending pressures of \$95 million, primarily due to higher spending for court settlements and for flood damage compensation, are partially offset by \$2 million of savings in other areas. The ministry's special warrant of \$2.8 million is for the financing of capital spending and does not affect the full-year expenditure forecast.
 - *Ministry for Children and Families* — A special warrant of \$41 million provides for settlements with contracted agencies and other indirect impacts.
 - *Ministry of Education* — Pressures include a \$23-million special warrant to provide for early retirement of teachers, plus statutory spending of \$9 million due to higher debt servicing costs for capital projects.
 - *Ministry of Forests* — Although a \$22-million special warrant has been obtained to provide for bridge repair and bark beetle pest control, it is expected that this overspending will be partially offset by \$15 million of savings from reduced forest fire fighting costs.
 - *Ministry of Health* — A special warrant of \$217 million reflects the estimated costs for health care worker wage settlements, higher-than-anticipated demand for acute and continuing care services, the additional cost of the government's negotiated settlement with the British Columbia Medical Association (pending ratification), higher Pharmacare costs, and additional costs to ensure health-sector systems were year 2000 ready. The special warrant also reflects reduced debt servicing costs for capital projects.
 - *Management of public funds and debt (debt interest)* — Lower-than-assumed borrowing requirements and interest rates, and the effects of favourable foreign exchange rates are expected to result in \$80 million of reduced debt interest costs by year-end.
 - *Contingencies (All Ministries) and New Programs* — The \$110 million budget has been fully allocated to provide funding for various other pressures incurred by ministries, or new pressures that may occur over the rest of the year.
 - *Vancouver Trade and Convention Centre* — A special warrant of \$70 million provides for the write-down of net costs of the project, after the deduction of estimated proceeds from the sale of residual assets.
 - In total, other ministries are forecast to be \$2 million above budget.
 - Thirteen other ministries are forecast to be on or below budget. These include the Ministries of Aboriginal Affairs; Agriculture and Food; Community Development, Cooperatives and Volunteers; Employment and Investment; Energy and Mines; Environment, Lands and Parks; Finance and Corporate Relations; Fisheries; Labour; Small Business, Tourism and Culture; Social Development and Economic Security; Transportation and Highways; and Women's Equality.
 - The Ministry of Municipal Affairs shows a statutory spending pressure of \$4 million relating to retroactive homeowner grant disbursements.

Key assumptions and risks associated with the revised forecast may be found in Table 5.7.

Table 5.7 Main Expenditure Assumptions and Risks

Expenditure Area and Budget Assumptions	Revised Assumptions	Risks and Sensitivities												
<p>Ministry of Health — \$7,720 million</p>	<p>Reflects special warrant as follows:</p> <table border="0"> <tr> <td>Acute and Continuing Care</td> <td style="text-align: right;">\$147M</td> </tr> <tr> <td>Medical Services Plan</td> <td style="text-align: right;">\$ 54M</td> </tr> <tr> <td>Pharmacare</td> <td style="text-align: right;">\$ 26M</td> </tr> <tr> <td>Information Technology</td> <td style="text-align: right;">\$ 7M</td> </tr> <tr> <td>Debt service savings</td> <td style="text-align: right;">(\$ 17M)</td> </tr> <tr> <td>Total Pressures</td> <td style="text-align: right;">\$217M</td> </tr> </table>	Acute and Continuing Care	\$147M	Medical Services Plan	\$ 54M	Pharmacare	\$ 26M	Information Technology	\$ 7M	Debt service savings	(\$ 17M)	Total Pressures	\$217M	
Acute and Continuing Care	\$147M													
Medical Services Plan	\$ 54M													
Pharmacare	\$ 26M													
Information Technology	\$ 7M													
Debt service savings	(\$ 17M)													
Total Pressures	\$217M													
<p>Acute and Continuing Care 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>Reflects special warrant and incorporates a preliminary estimate for wage arbitration results in the health care sector. Also reflects continuing care and clinical equipment enhancements.</p>	<p>The arbitration is currently under appeal, and the outcome could result in higher or lower costs than currently forecast.</p>												
<p>Medical Services Plan Funds medical and supplementary benefit services (e.g., chiropractic and optometry) based on expected changes to provincial demographics, consistent with the economic forecast.</p>	<p>Reflects special warrant for higher-than-expected costs of the negotiated settlement reached between the government and the BC Medical Association (BCMA), pending its ratification.</p>	<p>Proposed agreement is pending ratification by government and the BCMA.</p>												
<p>Pharmacare 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>Reflects special warrant for higher-than-expected drug costs and demand, and increased costs for new drugs.</p>	<p>Cost, volume and utilization of prescriptions are not controlled by government.</p>												
<p>Ministry of Education — K to 12 Education Programs \$4,329 million Zero enrolment growth in K to 12. Funds class size reduction in K to 3.</p>	<table border="0"> <tr> <td>Special Warrant</td> <td style="text-align: right;">\$23M</td> </tr> <tr> <td>Statutory Spending (debt service costs)</td> <td style="text-align: right;">\$ 9M</td> </tr> <tr> <td>Total Pressures</td> <td style="text-align: right;">\$32M</td> </tr> </table> <p>Enrolment growth was -0.2 per cent. Higher debt servicing costs, early teacher retirement costs, increased enrolment of special education students and salary grid increases were partially offset by a provision for possible enrolment growth.</p>	Special Warrant	\$23M	Statutory Spending (debt service costs)	\$ 9M	Total Pressures	\$32M	<p>Enrolment and composition numbers are relatively firm. Debt servicing costs are sensitive to interest rate fluctuations. Additional pressures for the remainder of the fiscal year are expected to be minor.</p>						
Special Warrant	\$23M													
Statutory Spending (debt service costs)	\$ 9M													
Total Pressures	\$32M													
<p>Ministry of Advanced Education, Training and Technology — Post Secondary Education Programs \$1,555 million 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>Unchanged</p>	<p>Debt servicing costs are sensitive to interest rate fluctuations.</p>												

Table 5.7 Main Expenditure Assumptions and Risks — *Continued*

Expenditure Area and Budget Assumptions	Revised Assumptions	Risks and Sensitivities
<p>Student Financial Assistance \$127 million <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>The contingencies vote includes a \$7 million pressure for a utilization increase of 11 per cent. The ministry expects savings in other programs will offset this pressure.</p>	<p>Actual expenditures are affected by higher- or lower-than-expected demand for student financial assistance. A 1-per-cent change in annual utilization affects expenditure by about \$1.2 million.</p>
<p>Information, Science and Technology Agency \$38 million</p>	<p>Statutory spending pressures of \$12 million include additional support for the high technology strategy.</p>	
<p>Ministry of Social Development and Economic Security — Income Assistance (IA) and Related Programs \$1,554 million Provides for a 4.5 per cent decline in caseload.</p>	<p>Unchanged. Budget caseload estimate of a 4.5 per cent reduction is still holding.</p>	<p>Changes in labour market conditions affect income assistance expenditures.</p>
<p>Child Care Services \$148 million</p>	<p>The contingencies vote provides for a \$5 million pressure representing higher-than-expected utilization.</p>	<p>Expenditure is affected by higher or lower demand for child care services, which is not controlled by government.</p>
<p>Ministry for Children and Families — \$1,316 million Increased use of family support services to strengthen family units and reduce the need for apprehensions and voluntary care agreements.</p>	<p>Reflects a \$41 million special warrant to provide for the impact of collective agreements with contracted agencies, and higher-than-expected demand for community support and children in-care services.</p>	<p>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>Ministry of Attorney General — Statutory Services \$50 million Provides: • \$25 million for <i>Criminal Injuries Compensation Act</i> settlements; • \$11 million for <i>Crown Proceeding Act</i> court settlements; • \$12 million for emergencies such as floods and blizzards; and • \$2 million for inquiries that may arise over the course of the year</p>	<p>Statutory Spending \$94.9M Less: Savings in other areas (\$ 2.3M) Total Pressures \$92.6M Criminal injury compensation: \$3 million above budget. Court settlements: \$64 million above budget. Emergency Program: \$28 million above budget for flood mitigation measures, a landfill site fire and slides. A \$2.8 million special warrant for capital spending does not affect the ministry's operating spending.</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>Ministry of Forests — \$492 million</p>	<p>Bridge repair and pest control \$22M Less: fire fighting savings (\$15M) Total Pressures \$ 7M</p>	
<p>Direct Forest Fire Fighting \$36 million Provides for sufficient funding for a "moderate" forest fire year.</p>	<p>Wetter-than-normal weather during the fire season should result in \$15 million of reduced costs.</p>	<p>The fire season is essentially over; risks to the forecast are minimal.</p>
<p>Ministry of Aboriginal Affairs — Treaty Settlement and implementation costs \$33 million</p>		<p>Expected treaty settlements have been provided for in the contingencies spending forecast. Actual costs will depend on the timing of settlements.</p>

Table 5.7 Main Expenditure Assumptions and Risks — *Continued*

Expenditure Area and Budget Assumptions	Revised Assumptions	Risks and Sensitivities
Ministry of Community Development, Cooperatives and Volunteers \$5.3 million	The contingencies vote includes an additional \$12.2 million approved for first-year funding for this new ministry.	
Vancouver Trade and Convention Centre write-down	A special warrant provides for a write-down of a loan to 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) as a result of a decision to cancel the project. Assumes some proceeds as a result of disposal of remaining assets.	
Debt Servicing (government direct operating debt) \$940 million Long and short-term borrowing rates average 6.1 per cent and 5.2 per cent, respectively for the fiscal year.	Reduced interest costs of \$80 million 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.	An increase/decrease of 0.5 percentage points in interest rates will cause debt service costs on direct operating debt to increase/decrease up to \$5 million for the remainder of the year. When other taxpayer-supported debt is included, this sensitivity is up to \$11 million.
Contingencies (All Ministries) and New Programs Vote \$110 million 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.	Entire \$110 million budget committed. Approved allocations include aboriginal settlement agreements, agricultural assistance, asset amortization, asset write-downs, legal settlements, funding for the new Ministry of Community Development, Cooperatives and Volunteers, infrastructure project payments to local governments, the child care program, costs associated with Chinese migrants and other items.	

Provincial Net Debt

Total provincial net debt at year-end is forecast to be about \$300 million below budget, at \$34.4 billion. Reduced requirements for government operating purposes and for Crown corporations and agencies are partially offset by a higher forecast of warehoused borrowing in advance of 2000/01 requirements (see Table 5.8). Highlights of changes to the full year forecast include:

- reduced requirements for government direct operating purposes (down \$732 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);
- lower debt requirements for the British Columbia Hydro and Power Authority (down \$264 million from budget due to higher revenues and favourable foreign exchange rates);

Table 5.8 Provincial Net Debt — Revised Forecast¹

	Net Change ²		Variance	Forecast Total Net Debt Outstanding March 31, 2000
	Budget 1999/00	Revised Forecast 1999/00		
(\$ millions)				
Taxpayer-supported debt				
Provincial government direct				
Operating purposes				
Government direct operating	1,432.0	700.0	(732.0)	12,890.3
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ³	185.5	44.3	(141.2)	73.0
	<u>1,617.5</u>	<u>744.3</u>	<u>(873.2)</u>	<u>12,963.3</u>
Capital financing purposes				
Schools	195.1	384.7	189.6	3,645.3
Post-secondary institutions	36.6	31.3	(5.3)	1,367.7
Health facilities	255.4	205.1	(50.3)	1,487.0
Public transit	(3.2)	(10.1)	(6.9)	976.5
SkyTrain extension	434.0	421.7	(12.3)	555.2
	<u>917.9</u>	<u>1,032.7</u>	<u>114.8</u>	<u>8,031.7</u>
Total provincial government direct	<u>2,535.4</u>	<u>1,777.0</u>	<u>(758.4)</u>	<u>20,995.0</u>
Economic development Crown corporations and agencies				
BC Transportation Financing Authority	427.7	437.0	9.3	1,864.5
British Columbia Ferry Corporation	177.4	124.9	(52.5)	1,097.3
British Columbia Transit	8.6	9.1	0.5	68.0
Rapid Transit Project 2000	3.5	61.0	57.5	117.5
577315 British Columbia Ltd. (Western Star Truck Co.) ⁴	—	62.7	62.7	62.7
Other ⁵	—	9.8	9.8	61.6
	<u>617.2</u>	<u>704.5</u>	<u>87.3</u>	<u>3,271.6</u>
Government services Crown corporations and agencies and other fiscal agency loans				
British Columbia Assessment Authority	—	(0.1)	(0.1)	4.2
British Columbia Buildings Corporation	18.2	(87.1)	(105.3)	627.6
Homeowner Protection Office	39.0	25.9	(13.1)	34.0
Other fiscal agency loans ⁶	(5.0)	(6.2)	(1.2)	134.5
	<u>52.2</u>	<u>67.5</u>	<u>(119.7)</u>	<u>800.3</u>
Other guarantees⁷	<u>(33.6)</u>	<u>(33.6)</u>	<u>—</u>	<u>129.0</u>
Non-guaranteed debt⁸	<u>(7.4)</u>	<u>(7.4)</u>	<u>—</u>	<u>137.8</u>
Total taxpayer-supported debt	<u>3,163.8</u>	<u>2,373.0</u>	<u>(790.8)</u>	<u>25,333.7</u>

... Table continued on next page

Table 5.8 Provincial Net Debt — Revised Forecast¹ — *Continued*

	Net Change ²		Variance	Forecast Total Net Debt Outstanding March 31, 2000
	Budget 1999/00	Revised Forecast 1999/00		
(\$ millions)				
Self-supporting debt				
Commercial Crown corporations and agencies				
British Columbia Hydro and Power Authority	(127.0)	(390.6)	(263.6)	7,083.4
British Columbia Railway Company	16.7	15.4	(1.3)	596.4
552513 British Columbia Ltd. (Skeena Cellulose Inc.)	94.6	73.7	(20.9)	202.2
	<u>(15.7)</u>	<u>(301.5)</u>	<u>(285.8)</u>	<u>7,882.0</u>
Warehouse borrowing program	<u>(450.0)</u>	<u>341.3</u>	<u>791.3</u>	<u>999.1</u>
Non-guaranteed debt ⁹	<u>(5.5)</u>	<u>(5.5)</u>	<u>—</u>	<u>210.3</u>
Total self-supporting debt	<u>(471.2)</u>	<u>34.3</u>	<u>505.5</u>	<u>9,091.4</u>
Total provincial debt	<u>2,692.6</u>	<u>2,407.3</u>	<u>(285.3)</u>	<u>34,425.1</u>

¹ 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.

² 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).

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

⁴ Debt of 577315 British Columbia Ltd. (Western Star Truck Co.) has been reclassified as taxpayer-supported debt.

⁵ Includes the British Columbia Housing Management Commission, Pacific Racing Association and Victoria Line Ltd.

⁶ Includes local governments, universities and colleges.

⁷ 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.

⁸ 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.

⁹ 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.

- cancellation of the Vancouver Trade and Convention Centre project (down \$141 million from budget); and
- reduced debt requirements for the British Columbia Buildings Corporation (down \$105 million from budget), the British Columbia Ferry Corporation (down \$53 million from budget), and health facilities (down \$50 million from budget).

These lower requirements are partially offset by increased requirements for:

- the warehouse borrowing program (up \$791 million from budget);
- school facilities (up \$190 million from budget);

- public transit, including *SkyTrain*, Rapid Transit Project 2000 Ltd. and British Columbia Transit (up \$39 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 \$25.3 billion, commercial debt will total \$7.9 billion and the nine-month warehouse borrowing program total of \$1.3 billion will be drawn down to \$1 billion. Based on the revised fiscal forecast and updated economic information, taxpayer-supported debt is forecast to total 22.2 per cent of GDP at year-end. This is significantly lower than the budget forecast of 23.9 per cent, reflecting a reduced debt forecast and upward revisions to GDP forecasts since the budget.

Capital Spending

Capital spending for the full year is forecast to be \$17 million below plan due to delayed spending for health facilities, ferries and other projects, partially offset by additional expenditures for the *SkyTrain* extension (recoverable from *TransLink*), education facilities and roads (see Table 5.9).

Table 5.9 Capital Expenditures — Revised Forecast¹

	Budget 1999/00	Revised Forecast 1999/00	Variance
	(\$ millions)		
Government expenditures			
— Education ²	468.1	510.3	42.2
— Health	332.1	248.1	(84.0)
— BC Transportation Financing Authority	489.4	496.0	6.6
— British Columbia Ferry Corporation	139.0	129.6	(9.4)
— Rapid Transit Project 2000 (<i>SkyTrain</i>)	410.0	404.8	(5.2)
— Other ³	69.0	49.5	(19.5)
	<u>1,907.6</u>	<u>1,838.3</u>	<u>(69.3)</u>
Recoverable expenditures⁴			
— Hospital districts	26.8	25.9	(0.9)
— Municipalities (public transit)	18.1	13.3	(4.8)
— Greater Vancouver Transportation Authority (<i>TransLink</i>)	—	57.6	57.6
Total Capital Expenditures	<u>1,952.5</u>	<u>1,935.1</u>	<u>(17.4)</u>

¹ Excludes capital expenditures for the Vancouver Trade and Convention Centre, commercial Crown corporations and agencies, and 577315 British Columbia Ltd. (Western Star Truck Company).

² Represents Ministry of Education, and Ministry of Advanced Education, Training and Technology.

³ Represents British Columbia Buildings Corporation, British Columbia Transit, Ministry of Attorney General, and Ministry for Children and Families.

⁴ The 1999/00 capital plan includes expenditures by hospital districts for cost-shared projects, and 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 Crown corporations and agencies.

These forecasts may be revised as a result of operating developments over the rest of the year, as well as decisions taken by the government and the Boards of Directors of the various Crown corporations and agencies.

British Columbia Buildings Corporation — projected net income up \$7.4 million from last year mainly due to an increase in gains from property sales, partially offset by higher operations, maintenance, environmental and other operating costs.

British Columbia Ferry Corporation — projected net operating loss is \$47 million lower than last year, mainly due to valuation adjustments in 1998/99 related to the fast ferries.

BC Transportation Financing Authority — projected net income shows a \$28-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 \$208 million lower than last year primarily due to higher stumpage revenue and a planned reduction in spending.

British Columbia Hydro and Power Authority — projected net income down slightly from 1998/99. The forecast assumes that additional profits of \$98 million will be transferred to the authority's rate stabilization account at year-end. As a result, the effect of the transfer will also reduce the amount of dividends remitted to the government's consolidated revenue fund in 1999/00. The forecast could change significantly depending on market prices and consumption demand in the last quarter.

Liquor Distribution Branch — projected net income down \$0.9 million from last year, as higher sales volumes are offset by higher operating and other costs.

British Columbia Lottery Corporation — projected net income up \$70 million from last year, primarily 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 — a net loss of \$567 million for 1999 is projected after including an estimate of \$600 million for the write-down of rail assets, principally relating to the northeast coal line. The write-down is required since the financial forecast

for the northeast coal line is that its future cash contribution is less than the book value of the rail assets built for this traffic. A comprehensive asset impairment review is in progress and will be completed prior to finalizing the audited results.

Net income excluding the impact of this write-down is estimated at \$33 million, up \$9 million from the previous year due to new operations acquired in late 1998 and in 1999.

Insurance Corporation of British Columbia — projected net income up \$22 million from 1998. The increase is primarily due to an increase in premium revenue and a reduction in historical claims and related costs, partially offset by an increase in operating expenses. The forecast is based on a mid-range estimate of operating results for the 1999 operating year and excludes potential valuation and other adjustments that may be identified during the corporation's annual audit.

Table 5.10 Major Crown Corporations and Agencies — Revised Forecast

	Revised Forecast 1999/00	Actual 1998/99	Increase ¹ (Decrease)
	(\$ millions)		
Taxpayer-supported:			
British Columbia Buildings Corporation.....	55.5	48.1	7.4
British Columbia Ferry Corporation.....	(67.3)	(114.3)	47.0
BC Transportation Financing Authority ²	3.9	(23.6)	27.5
Forest Renewal BC.....	(56.8)	(264.6)	207.8
Commercial self-supported:			
British Columbia Hydro and Power Authority.....	395.0	395.4	(0.4)
Liquor Distribution Branch.....	615.0	615.9	(0.9)
British Columbia Lottery Corporation.....	526.0	456.0	70.0
British Columbia Railway Company ³	(566.6)	24.1	(590.7)
Insurance Corporation of British Columbia ³	95.7	73.5	22.2

¹ 1999/00 forecast less 1998/99 results.

² 1998/99 figure excludes extraordinary adjustments for highways transferred to the Greater Vancouver Transportation Authority (*TransLink*).

³ 1999/00 figure is based on preliminary twelve-month results. Forecast may change as a result of potential valuation and other year-end adjustments that may be identified during the corporation's annual audit.

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