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# First Quarterly Report

on the Economy, Fiscal Situation,  
and Outlook

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*Fiscal Year 2000/01*

*Three Months*

*April — June 2000*



BRITISH  
COLUMBIA

Ministry of Finance and Corporate Relations

[www.fin.gov.bc.ca](http://www.fin.gov.bc.ca)

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Cruise ships moored at Canada Place, Vancouver.  
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## Message from the Honourable Paul Ramsey

### Minister of Finance and Corporate Relations

I am pleased to present the first *Quarterly Report* for the 2000/01 fiscal year. This report includes:

- an updated economic forecast indicating the BC economy should grow 3 per cent this year, up from the 2.2 per cent growth rate expected at budget time;
- financial results for the first quarter of the fiscal year, showing a three month surplus of \$447 million, accompanied by a \$500-million decline in taxpayer-supported debt; and
- a revised financial forecast for the 2000/01 fiscal year, projecting a balanced budget.

This is the first *Quarterly Report* produced since the introduction of the *Budget Transparency and Accountability Act*. Section 10 of this act not only specifies the timelines for public release of the *Quarterly Reports*, but also details the specific financial information that must be presented. The economic and financial forecasts and year-to-date financial results included in this report fully satisfy the requirements of the act, and demonstrate my continued commitment to full and timely reporting on the economy and provincial finances.

Part One of the *Quarterly Report* reviews the current economic situation, and presents the updated forecast for British Columbia's economy.

Part Two provides financial results for the consolidated revenue fund and Crown corporations and agencies, as well as capital spending and debt for the three months ended June 30, 2000.

Part Three presents the revised full-year financial forecast, with details on Crown corporations and agencies, revenues and expenditures of the consolidated revenue fund, capital spending and provincial debt.

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

Paul Ramsey  
Minister



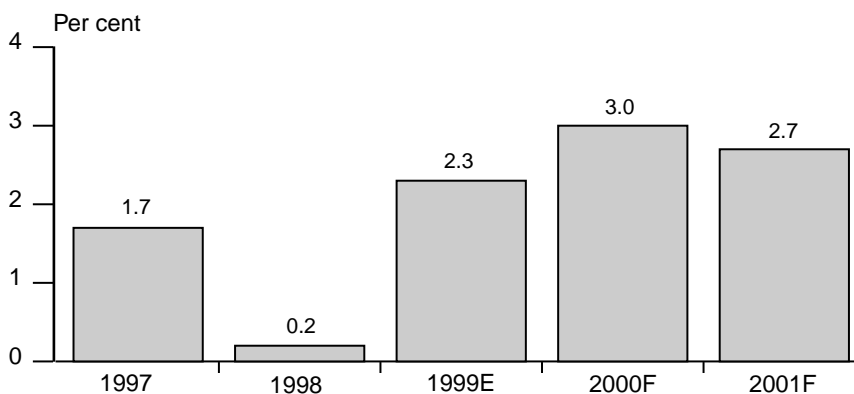
# HIGHLIGHTS — ECONOMIC REVIEW AND OUTLOOK

FIRST QUARTERLY REPORT 2000/01

## Economic Review and Outlook

- To date this year, the British Columbia economy has out-performed the 2.2 per cent growth projected in March.
- The better-than-expected performance is largely due to stronger external growth, a weaker Canadian dollar and higher retail spending than was forecast in March.
- While the North American economy showed signs of a pause in the second quarter, particularly in the interest-sensitive housing and consumer durables sectors, the forecast assumes a resumption of fast-paced growth by year-end.
- On the domestic side, consumer spending has been stronger than anticipated, reflecting employment and income gains, while housing starts have been weaker.
- The economy is now forecast to grow 3 per cent in 2000 and 2.7 per cent in 2001.

### British Columbia real GDP growth



Sources: 1997 and 1998, Statistics Canada; 1999 estimate, 2000 and 2001 forecasts, Ministry of Finance and Corporate Relations

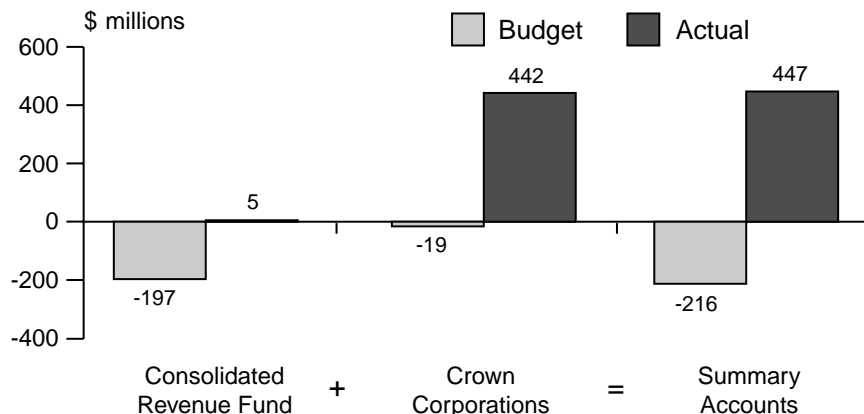
# HIGHLIGHTS — FISCAL YEAR-TO-DATE REPORT

FIRST QUARTERLY REPORT 2000/01

## Fiscal Year-to-Date Report

- The summary accounts, which include the government and its Crown corporations and agencies, showed a \$447 million surplus for the first three months of 2000/01, \$663 million ahead of budget.
- The consolidated revenue fund was \$202 million better than planned, as revenues were above forecast and most ministries were below budget.

### Summary Accounts First quarter results (April-June)



- Crown corporations and agency results were \$461 million better than expected, mainly due to strong electricity export sales by BC Hydro and higher investment earnings by ICBC.
- Taxpayer supported debt fell to \$24.4 billion at June 30, 2000, down \$500 million from the start of the year. The drop reflects the improved results of the consolidated revenue fund, a drawdown of higher-than-expected cash balances at the start of the year, and lower-than-budgeted capital spending.
- Self supported debt rose \$661 million, due to early borrowing through the government's warehouse borrowing program and increased borrowing by BC Hydro.
- In total, provincial debt rose \$161 million during the first quarter. Excluding the warehouse program increase, provincial debt declined \$226 million as operating and capital spending were financed from stronger revenues and by drawing down cash balances.

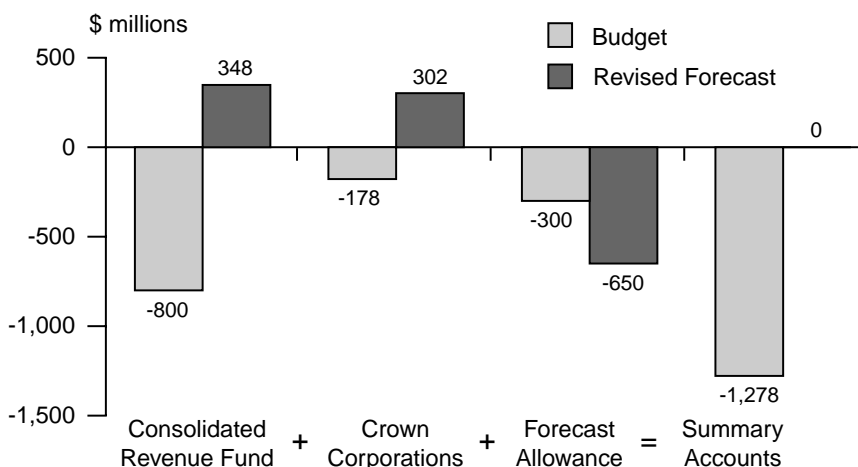
# HIGHLIGHTS — REVISED FINANCIAL FORECAST

FIRST QUARTERLY REPORT 2000/01

## Revised Financial Forecast

- The summary accounts which include the government and its Crown corporations and agencies are now forecast to be balanced for the 2000/01 fiscal year.
- The consolidated revenue fund is projected to show a positive balance of \$348 million, \$1,148 million ahead of budget. Revenue will be \$766 million above budget while spending will be \$382 million below budget.
- Crown corporations and agencies are forecast to contribute \$302 million, \$480 million higher than budget, mainly reflecting strong electricity export sales by BC Hydro and higher earnings of ICBC.
- The government is presently developing options to address pressures in the health care system and other priority areas. Although the federal government announced its intention to provide further funding for provinces on September 11, 2000, specific information on timing, prerequisites and other details were not available during the preparation of this forecast. Consequently, the revenue forecast has not assumed further federal transfers as a result of the latest announcement. In recognition of these uncertainties, the summary accounts forecast allowance has been increased to \$650 million to provide greater certainty that the forecast balanced budget will be achieved.

### Summary Account — 2000/01 Revised Forecast



- Total provincial debt is forecast to increase \$870 million to total \$35.1 billion at March 31, 2001.
- Taxpayer-supported debt is forecast to increase \$1.9 billion to total \$26.9 billion, \$1 billion lower than the budget forecast.
- Self-supported debt is expected to decline by \$1 billion by year-end, as warehouse borrowing is drawn down and BC Hydro retires some debt.
- At 22.2 per cent of GDP, British Columbia retains one of the lowest taxpayer-supported debt-to-GDP-ratios among provinces.





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# PART ONE — ECONOMIC REVIEW AND OUTLOOK<sup>1</sup>

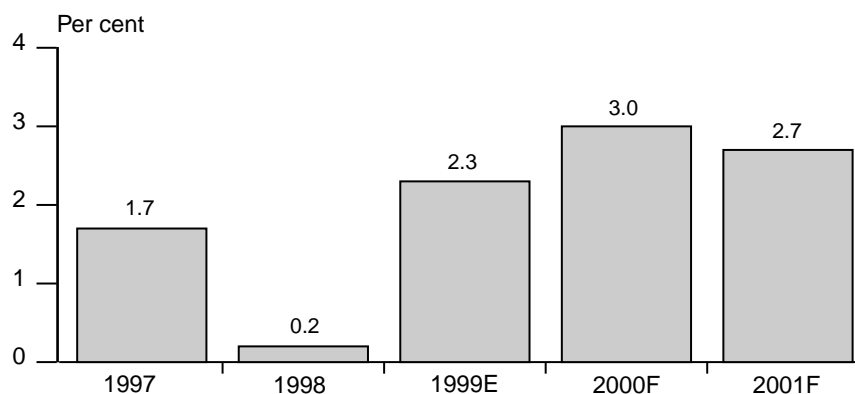
SEPTEMBER 2000

## Introduction

To date this year, the British Columbia economy has out-performed the 2.2 per cent growth projected in March. The economy is now forecast to grow 3 per cent in 2000. Underlying this forecast is a re-acceleration of North American growth at year-end.

The better-than-expected performance of the provincial economy this year is largely due to external factors, supported by an improvement in retail spending. Growth abroad and in the rest of Canada has been stronger than anticipated, and prices for British Columbia's exports, on average, are higher than forecast. Long-term interest rates and the Canada-U.S. exchange rate have been lower than forecast.

**Chart 1.1 British Columbia real GDP growth**



*The economy is now forecast to grow 3 per cent in 2000*

Sources: 1997 and 1998, Statistics Canada; 1999 estimate, 2000 and 2001 forecasts, Ministry of Finance and Corporate Relations

However, the sectoral performance of the economy has varied widely, ranging from the strength of exports to the weaker-than-expected performance of residential construction.

*Looking ahead to 2001, growth of 2.7 per cent is expected*

Looking ahead to 2001, growth of 2.7 per cent is expected, unchanged from the budget forecast. There is a divergence of opinion between forecasters who feel the British Columbia recovery is at risk from an imminent North American slowdown and those who feel that British Columbia will continue to gain strength, even if higher interest rates slow the Canadian and U.S. expansions. While a few forecasters expect British Columbia economic growth to slow significantly next year, the majority expect continued steady growth.

The Minister of Finance's Economic Forecast Council will provide advice on the 2001 outlook when it meets in January.

<sup>1</sup> The *Economic Review and Outlook* and accompanying charts and tables incorporate information received to September 8, 2000. "Quarter" references in *Part One* are for the calendar year. Appendix 1 contains five-year economic forecast tables that, with *Part One*, make up the *Economic Review and Outlook*, which is also available on the Ministry of Finance Web site ([www.fin.gov.bc.ca](http://www.fin.gov.bc.ca)).

On the upside, the main risks to the forecast are that the recovery in Asia and Japan could strengthen, boosting demand for British Columbia exports more than is anticipated. Potential downside risks to the forecast include higher-than-expected interest rates and lower in-migration, which would prolong the weakness in the housing sector and curtail the recent recovery of retail and capital spending. Higher energy prices are also a risk to the forecast, carrying both positive and negative impacts.

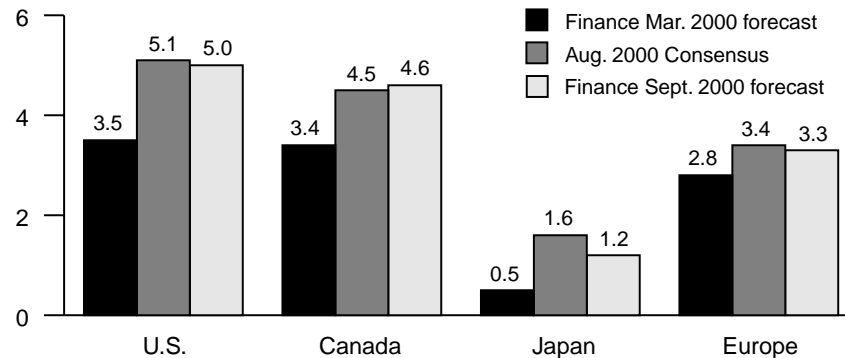
### The External Environment

U.S. and Canadian growth has been stronger than the 3.5 per cent projected in the budget forecast. The U.S. economy grew at an annual rate of 5.8 per cent in the first half of the year and is expected to expand 5 per cent for the full year. Canada's economy grew at a 5 per cent annual pace in the first half and the consensus forecast for the full year is now 4.5 per cent. In the second quarter, both economies showed signs of a pause in the interest rate sensitive sectors. However, there has been no fundamental loss of economic momentum. As a result, the current forecast projects that the fast pace of North American growth will resume in the last quarter of the year.

**Chart 1.2 International growth forecasts**

Real GDP growth forecasts for 2000

*U.S. and Canadian growth has been stronger than projected in the budget forecast*



Sources: Consensus Economics, Inc. and  
Ministry of Finance and Corporate Relations

Overseas, the European economy is now forecast to grow 3.3 per cent, about half a per cent faster than projected in the budget.

Japan, which continues to perform well below potential, is now expected to grow 1.2 per cent, slightly faster than the 0.5 per cent forecast in March.

**Table 1.1 September 2000 Economic Forecast: Key Assumptions**

	2000		2001	
	March forecast	September forecast	March forecast	September forecast
	Percentage change unless otherwise noted			
Canada real GDP .....	3.4	4.6	2.8	3.0
U.S. real GDP .....	3.5	5.0	3.0	3.0
Japan real GDP .....	0.5	1.2	1.3	2.0
Europe real GDP .....	2.8	3.3	2.7	3.0
Short-term interest rates <sup>1</sup> .....	5.4%	5.7%	5.4%	6.3%
Long-term interest rates <sup>2</sup> .....	6.7%	6.1%	6.4%	5.9%
U.S. cents/Cdn. \$ .....	69.4	68.0	71.4	68.1

<sup>1</sup> Canadian 3-month treasury bills.

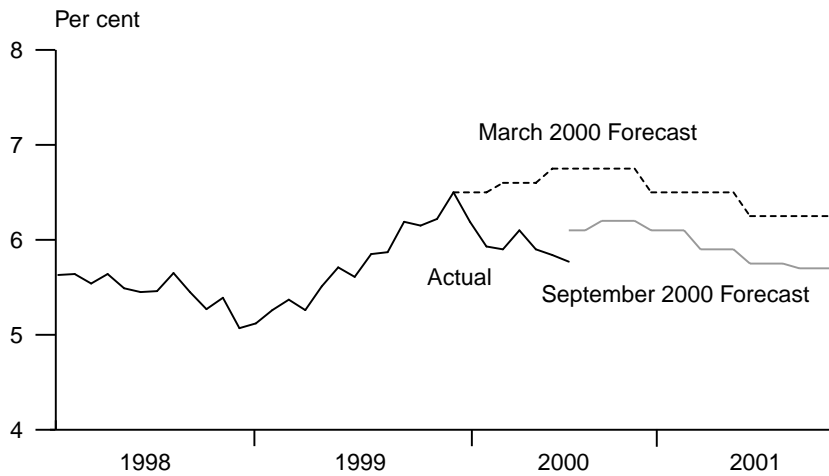
<sup>2</sup> Canadian government bonds over 10 years.

*Faster-than-expected growth has resulted in upward pressure on short-term interest rates*

## Financial and Commodity Markets

Faster-than-expected growth has resulted in upward pressure on short-term interest rates, but much of this had been anticipated in the March forecast. Long-term rates rose early in the year, but have fallen since and currently are well below expected levels. This reflects the belief that the U.S. economy is cooling and market confidence in central banks' willingness to raise short-term interest rates to hold down inflationary pressures.

**Chart 1.3 Long-term interest rates**

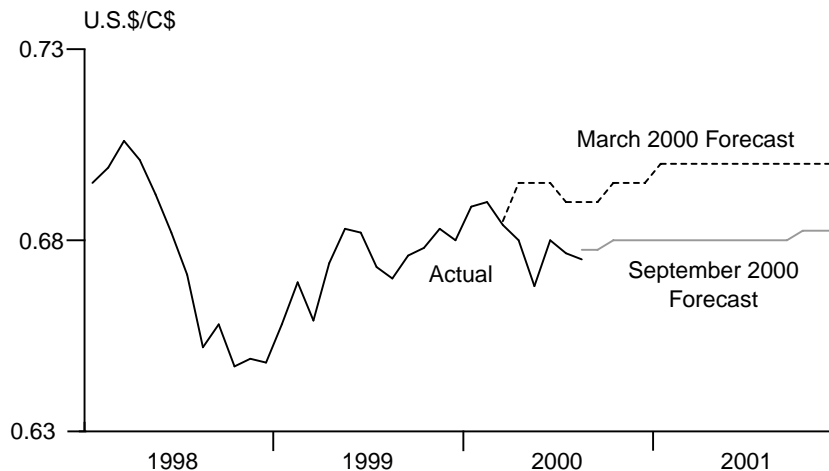


Sources: Ministry of Finance and Corporate Relations and the Bank of Canada

So far this year, the Federal Reserve and Bank of Canada have implemented all the short-term interest rate increases that were anticipated in the March forecast. As the recent pause in the U.S. economy is expected to be short-lived, three more 25 basis point rate hikes are included in the forecast.

For some time, forecasters (including the Ministry of Finance and Corporate Relations) have been predicting a stronger Canadian dollar. The March budget forecast projected that the dollar would average 69.4 U.S. cents this year and appreciate to 75 cents by 2004. However, a narrowing of the Canada-U.S. growth gap and several years of lower

**Chart 1.4 Canada-U.S. exchange rate**



*The forecast assumes that the dollar will remain around 68 cents U.S. for the next two years*

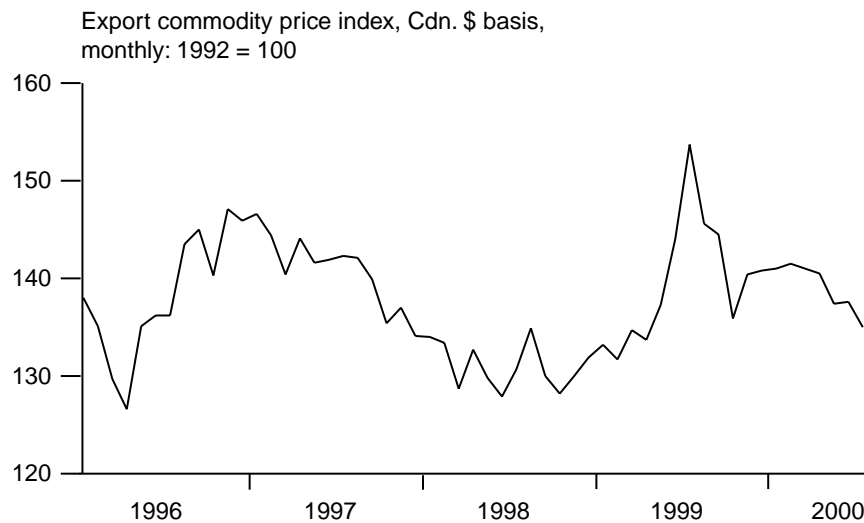
Sources: Ministry of Finance and Corporate Relations and the Bank of Canada

inflation in Canada than the U.S. have failed to lift the Canadian currency against the U.S. dollar. As a result, the current forecast assumes that the dollar will remain around 68 cents for the next two years and then appreciate to 71 cents U.S. over the medium term. The dollar might appreciate more if convincing evidence emerges that Canada is closing the productivity growth gap with the U.S., as predicted by some economists.

*Overall goods and service export prices are expected to increase about 3.5 per cent this year*

British Columbia export commodity prices have been mixed this year. The Ministry's export commodity price index (ECPI), which tracks 17 commodity groups, was up 0.7 per cent in Canadian dollar terms in the first seven months of 2000 compared to the same period in 1999. Pulp and natural gas prices have performed well. However, lumber prices have fallen sharply in recent weeks and most metals prices are languishing after a promising start to the year. As a result, the index is below the peak reached in July 1999 and the increase in the ECPI for the full year is expected to be around 3 per cent. Over the medium term, commodity prices should continue to rise gradually as long as the world economy is growing solidly. Overall goods and service export prices are expected to increase about 3.5 per cent this year.

**Chart 1.5 British Columbia export commodity prices**



Source: Ministry of Finance and Corporate Relations

## The British Columbia Economy

*The provincial economy continues to strengthen, largely based on buoyant U.S. and Canadian demand*

The provincial economy continues to strengthen, largely based on buoyant U.S. and Canadian demand. Some key areas of the domestic economy — notably housing — continue to lag, but consumer spending appears to have picked up more than had been anticipated. As in the rest of North America, some signs of slowing have appeared recently.

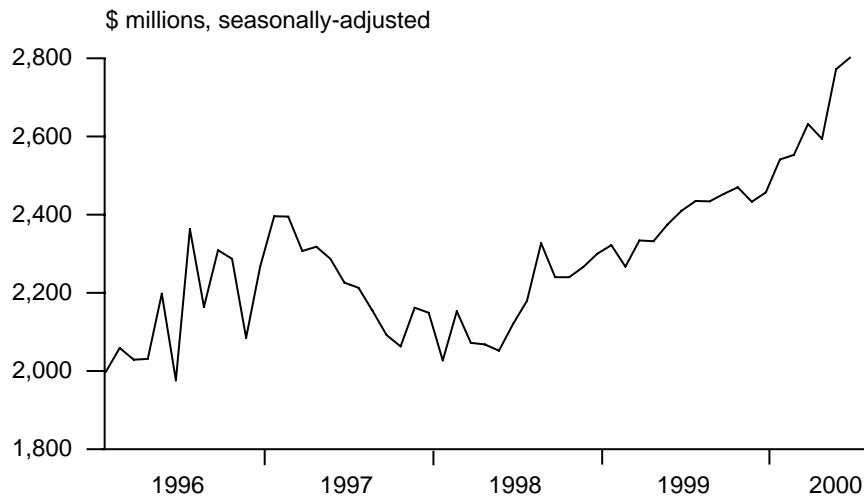
Real (inflation-adjusted) gross domestic product (GDP) — the broadest measure of economic activity — is expected to grow 3 per cent in 2000, up from the 2.2 per cent projected in March and higher than the 2.3 per cent now estimated for 1999. (See Table 1.2 at the end of this section and the five-year economic forecast tables in Appendix 1.) The 2001 forecast of 2.7 per cent growth is unchanged. Over the medium term, growth should remain in the 2.5 to 3 per cent range, absent any major unexpected external shocks.

Nominal GDP is expected to grow 4.8 per cent this year and 4.6 per cent in 2001.

### External Trade

The value of goods exports to foreign markets was up 13.2 per cent through June, with Europe and Asia (ex-Japan) recording particularly large increases. Exports to the U.S. were up 10.1 per cent and to Japan, 6.7 per cent (in positive territory this year for the first time since the 1997-99 decline). Rising pulp and paper, aluminum and energy prices boosted exports of these products. Manufacturing shipments show a similar picture, with natural resource products leading the double-digit overall increase.

**Chart 1.6 British Columbia merchandise exports**



Source: BC STATS and Statistics Canada

The value of imports through British Columbia customs ports was up 16.2 per cent during the first half of the year.

*Exports of goods and services are now expected to grow 5 per cent in real (inflation-adjusted) terms*

Tourism activity was up during the first few months of the year, but has since been affected by a number of factors, including a strike by employees of several large hotels in Vancouver and threatened strikes by B.C. Ferries employees and Air Canada pilots. Another factor has been reduced airline capacity resulting from Air Canada's takeover of Canadian Airlines International.

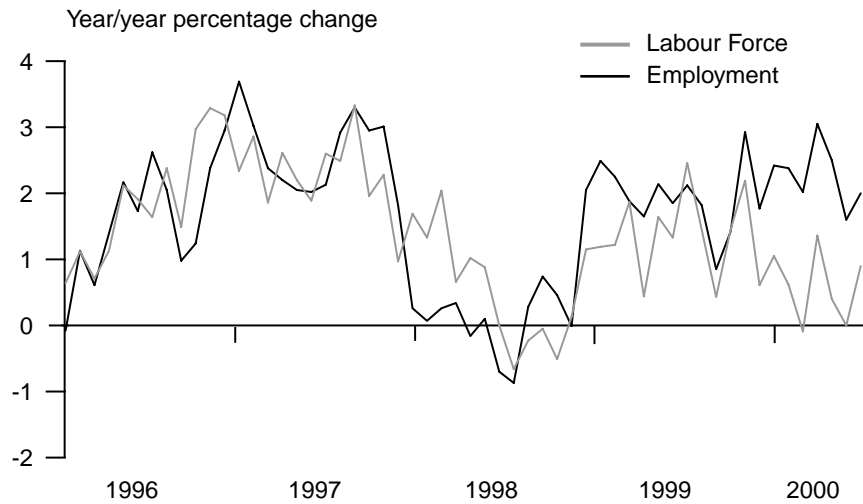
**Outlook:** Exports of goods and services are now expected to grow 5 per cent in real (inflation-adjusted) terms, while imports are forecast to increase 4 per cent this year.

### Domestic Demand

The domestic side of the economy is doing better than a year ago, with retail spending growing at more than twice 1999's pace.

*Employment was up 2.2 per cent through August*

**The Labour Market:** Employment was up 2.2 per cent through August, on track with the March forecast. Full-time employment was up sharply while part-time employment fell. As a result, total hours worked were up nearly 4 per cent. Average weekly earnings rose 1.2 per cent in the first eight months of the year while wage settlements remained under 1 per cent. Total labour income was up 5.9 per cent in the first half of 2000, also reflecting the shift toward full-time employment.

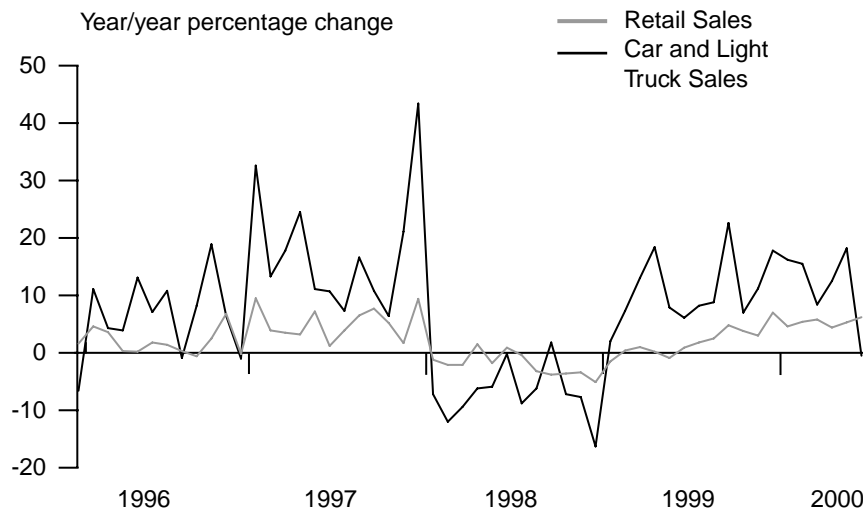
**Chart 1.7 Employment and the labour force**

The unemployment rate averaged just 7.1 per cent in the first eight months of the year, well below the budget forecast of 8.2 per cent. This is because the labour force (the number of people available for work) has grown only 0.6 per cent. This, in turn, reflects slow population growth of under 1 per cent resulting from higher-than-expected net migration from British Columbia to other provinces.

*Employment is forecast to grow 2.3 per cent*

**Outlook:** For the full year, employment is forecast to grow 2.3 per cent, similar to the March forecast. However, the labour force will grow at half the pace that had been expected, largely due to lower than anticipated in-migration. This will result in an unemployment rate averaging 7.2 per cent, well below the March forecast. Labour income is expected to increase 5.1 per cent

**Consumer Spending and Housing:** While the March forecast projected a 2.8 per cent rise in retail sales, actual data through June showed a 5.3 per cent gain (some of this was due to higher gasoline prices). Motor vehicle sales were growing at about the same pace as in 1999. Consumer confidence rose in the first quarter and slipped slightly in the second.

**Chart 1.8 Consumer spending**



*Housing continues to lag other sectors of the economy*

Residential construction has been much weaker than expected due to low population growth, lack of consumer confidence in the quality of condominium construction, and higher interest rates. Housing starts were down 7.1 per cent during the first seven months of the year. The budget forecast predicted a 10.4 per cent rise for the full year; this now seems highly unlikely. Existing home sales were down and prices were flat or down slightly this year, as far as can be determined from the various price data sources. A few months ago, sales were picking up but rising mortgage rates may have cut short this part of the recovery. Further, the year-to-date decline in residential building permits signals that a recovery in housing construction is still some months away.

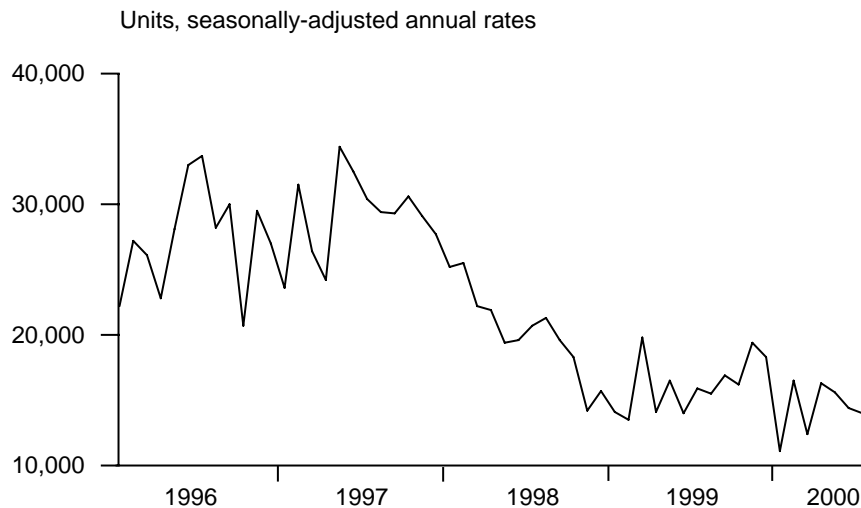
*The forecast includes overall consumer spending growth of 2.8 per cent in real terms*

**Outlook:** Retail sales are expected to grow 5.2 per cent in 2000. This will contribute to overall consumer spending growth of 2.8 per cent in real terms, up from the March forecast of 1.5 per cent. (At the time the March forecast was prepared, data showing strong growth in retail sales in the fourth quarter of 1999 were not available.) Housing starts are expected to total 15,000 units, down 3,000 from the March forecast.

**Business Activity:** After-tax corporate profits appear to be higher than a year ago, based on a partial sample of second quarter results. Business investment appears to have picked up. Statistics Canada released its mid-year revised capital investment intentions survey on July 19. The survey showed planned investment growing about twice as fast (5.3 per cent in current dollars) as in the initial survey at the beginning of the year (2.6 per cent). However, Statistics Canada's July business conditions survey showed that British Columbia manufacturers were less optimistic about production and new orders over the next quarter.

**Chart 1.9 Housing starts**

*Housing starts are expected to total 15,000 units, down 3,000 units from the March forecast*



Source: Canada Mortgage and Housing Corporation

In the first half of the year, non-residential building permits were unchanged from a year ago. The value of industrial goods and machinery and equipment imported through British Columbia customs ports rose 22 per cent during the January to June period; this is another indicator suggesting reasonably strong business investment (although some of these imports are destined for other parts of Canada as well).

*Capital spending is forecast to increase 4.1 per cent in real terms*

**Outlook:** Corporate pre-tax profits are expected to increase 10 per cent, slightly below the March growth rate projection because of a revision to the 1999 estimate. Capital spending (private and public) is forecast to increase 4.1 per cent in real terms, up from the March forecast of 3.8 per cent (but not as large a revision as suggested by the Statistics Canada survey, since the March economic forecast had already anticipated considerably stronger investment). An upward revision to forecast machinery and equipment expenditures should offset the weaker residential investment implied by the 3,000-unit reduction in the housing starts projection.

**The Public Sector:** With stronger-than-anticipated revenue growth at the federal and provincial levels, government current spending (all levels of government, on an "economic accounts" basis) is expected to increase 2.4 per cent in real terms, higher than assumed in the March forecast.

*The British Columbia consumer price index is forecast to rise to 1.4 per cent in 2000*

**Inflation:** During the first seven months of the year, inflation in British Columbia averaged 1.5 per cent, about double the pace a year ago. Most of the increase reflects the impact of higher energy prices. While gasoline and home-heating costs are expected to remain high, their inflationary impact will fade. As a result, the British Columbia consumer price index is forecast to rise 1.4 per cent in 2000, and a similar amount in the following years.

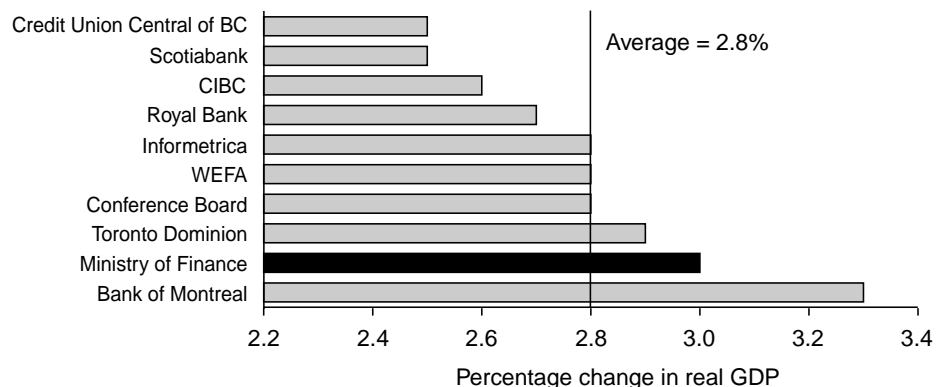
**Table 1.2 September 2000 Economic Forecast: Key Indicators**

	2000		2001	
	March forecast	September forecast	March forecast	September forecast
	Percentage change unless otherwise noted			
Real GDP .....	2.2	3.0	2.7	2.7
Nominal GDP .....	3.8	4.8	4.0	4.6
Employment .....	2.3	2.3	2.9	2.6
Unemployment Rate .....	8.2%	7.2%	7.5%	7.2%
Net In-migration (persons) .....	36,800	35,400	41,900	42,000
Personal Income .....	3.2	4.1	3.6	3.7
Corporate Profits (pre-tax) .....	15.0	10.0	5.0	15.0
Housing Starts (units) .....	18,000	15,000	22,000	15,900
Retail Sales .....	2.8	5.2	4.8	3.1
Inflation Rate .....	1.3%	1.4%	1.3%	1.2%

The average private sector forecast for real GDP growth in 2000 is currently 2.8 per cent, up from 2.2 per cent earlier in the year.

*The average private sector forecast for real GDP growth in 2000 is currently 2.8 per cent*

**Chart 1.10 British Columbia economic forecasts, 2000**

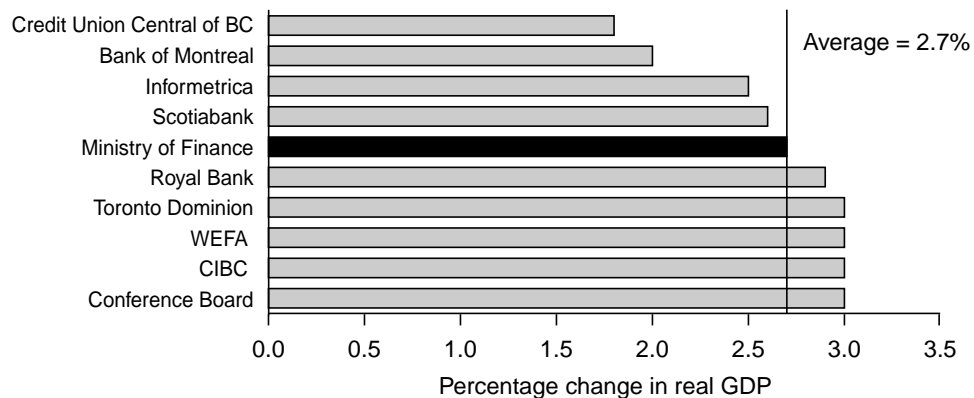


Latest forecasts as of September 8, 2000

## 2001 Outlook

The September economic forecast projects 2.7 per cent growth for 2001, unchanged from the budget forecast. Current private sector forecasts for 2001 also average 2.7 per cent. Some forecasters have been revising up their British Columbia outlooks for next year, but others have been revising down their projections on the basis of interest rates continuing to rise and North American growth slowing to the 2.5 per cent range. However, while the British Columbia forecast assumes further interest rate increases, the forecast anticipates short-term interest rates will flatten out next year alongside slower North American economic growth of 3 per cent.

**Chart 1.11 British Columbia economic forecasts, 2001**



Latest forecasts as of September 8, 2000

*The September economic forecast projects 2.7 per cent growth for 2001*

## Risks to the Forecast

*Stronger recovery in Asia and Japan could boost demand for British Columbia exports*

On the upside, a stronger recovery in Asia and Japan could boost demand for British Columbia exports. On the other hand, higher interest rates and lower in-migration could prolong the weakness in the housing sector into the second half of 2000, and curtail the recent recovery of retail spending.

Other downside risks identified in the March forecast remain: the U.S. current account deficit, stock market valuations and the associated threat to Canadian and British Columbia exports in the event of a major exchange rate re-alignment.

*Higher interest rates and lower in-migration could prolong the weakness in the housing sector into the second half of 2000*

Higher energy prices are both a positive and negative for the British Columbia economy. As an energy producer, British Columbia would benefit. However, higher energy prices could depress non-energy consumer spending. A further downside risk is that rising energy prices could carry through the production process and contribute to rising prices for finished goods. Interest rates would likely rise more than anticipated if core inflation ultimately exceeds the Bank of Canada's target range of 1 to 3 per cent.

Table 1.3 Current Economic Statistics

	Latest Period	Year-to-Date Average			Change
		1999	2000		
<b>BRITISH COLUMBIA</b>					
<b>LABOUR MARKET</b>					
Employment (s.a., thousands).....	August	1,944	1,902	1,944	2.2%
Unemployment rate (s.a., per cent).....	August	7.9	8.6	7.1	-1.5%
In-migration (persons).....	Q1	6,497	3,104	6,497	109.3%
Wages and salaries (s.a., \$ millions).....	June	4,906	4,606	4,880	5.9%
Average weekly wage rate.....	August	643	626	633	1.2%
<b>CONSUMER SECTOR</b>					
Retail sales (s.a., \$ millions).....	June	2,960	2,771	2,917	5.3%
Car and truck sales (units).....	June	15,437	13,625	14,575	7.0%
Housing starts (all areas, s.a., annual rate).....	July	14,000	15,414	14,314	-7.1%
Existing home sales (s.a.).....	July	4,372	4,965	4,490	-9.6%
Building permits (s.a., \$ thousands).....	July	382	387	371	-4.1%
British Columbia consumer price index (annual per cent change).....	July	2.0	0.8	1.5	0.7
<b>INDUSTRIAL ACTIVITY</b>					
Foreign merchandise exports (s.a., \$ millions).....	June	2,802	2,340	2,649	13.2%
Manufacturing shipments (s.a., \$ millions).....	June	3,238	2,979	3,286	10.3%
Lumber production (thousand cubic metres).....	June	2,806	2,650	2,854	7.7%
Pulp and paper production (thousand tonnes).....	June	633	647	699	8.0%
Coal production (thousand tonnes).....	May	2,172	2,029	2,199	8.4%
Natural gas production (million cubic metres).....	April	1,993	2,018	2,009	-0.4%
Copper production (million kg).....	June	20.4	16.4	20.7	26.2%
<b>TOURISM</b>					
Entries of U.S. and overseas residents (thousands).....	June	938	608	622	2.3%
B.C. Ferry passengers to/from Vancouver Island (thousands).....	July	1,458	896	889	-0.8%
<b>COMMODITY PRICES</b>					
Lumber (U.S. \$/thousand board feet).....	August	216	350	283	-19.1%
Pulp (U.S. \$/tonne).....	August	710	491	666	35.6%
Newsprint (U.S. \$/tonne).....	August	560	517	540	4.4%
Copper (U.S. \$/lb.).....	August	0.84	0.68	0.81	19.1%
B.C. export commodity price index (Cdn. \$ Index: 1992=100).....	July	135.0	138.3	139.2	0.7%
<b>FINANCIAL DATA</b>					
Canadian dollar (U.S. cents).....	August	67.5	67.1	68.0	0.90
Canadian prime rate (per cent).....	August	7.5	6.47	7.11	0.64
Canadian treasury bills (per cent).....	August	5.63	4.64	5.37	0.73
Treasury bill spread — Canada minus U.S. (per cent).....	August	-0.46	0.25	-0.34	-0.59

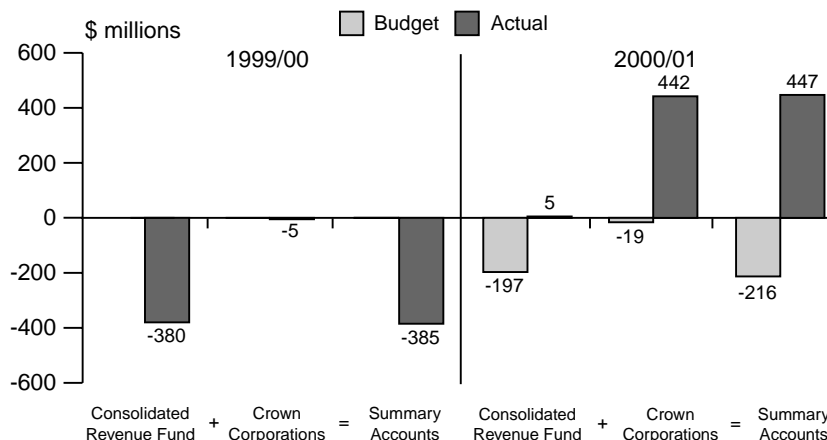
s.a. — seasonally adjusted.

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

### Summary Accounts

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

**Chart 2.1 Summary Accounts  
First Quarter Results (April-June)**



The summary accounts show a \$447-million surplus for the first three months of 2000/01, consisting of:

- a positive consolidated revenue fund balance of \$5 million; and
- combined net income of Crown corporations and agencies totalling \$442 million, including:
  - net losses of taxpayer-supported Crown corporations and agencies of \$4 million; and
  - combined net income of self-supported commercial Crown corporations of \$446 million.

The first-quarter summary accounts surplus was \$663 million ahead of budget and represented an improvement of \$832 million from the same period last year.

*The consolidated revenue fund balance was \$202 million better than planned*

The consolidated revenue fund balance was \$202 million better than planned in the first three months. Revenue was \$84 million above budget, while spending was \$118 million below budget. Compared to the same period last year, the consolidated revenue fund balance improved \$385 million mainly due to higher revenue.

**Table 2.1 Summary Accounts Operating Results**  
for the Three Months Ended June 30, 2000  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
(\$ millions)				
<b>Consolidated Revenue Fund (CRF):</b>				
Revenue .....	5,393	5,477	84	4,850
Expenditure .....	(5,590)	(5,472)	118	(5,230)
<b>CRF balance</b> .....	<u>(197)</u>	<u>5</u>	<u>202</u>	<u>(380)</u>
<b>Crown corporations and agencies:</b>				
<b>Taxpayer-supported:</b>				
British Columbia Buildings Corporation .....	21	19	(2)	18
British Columbia Ferry Corporation .....	(3)	9	12	(5)
BC Transportation Financing Authority .....	3	7	4	2
Forest Renewal BC .....	(30)	(27)	3	(17)
Other <sup>4</sup> .....	(11)	3	14	3
	(20)	11	31	1
Less: Contributions paid to CRF .....	—	—	—	(71)
Other accounting adjustments <sup>5</sup> .....	(36)	(15)	21	(47)
<b>Total taxpayer-supported</b> .....	<u>(56)</u>	<u>(4)</u>	<u>52</u>	<u>(117)</u>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority .....	31	306	275	124
Liquor Distribution Branch .....	139	147	8	144
British Columbia Lottery Corporation .....	120	131	11	127
British Columbia Railway Company .....	15	16	1	16
Insurance Corporation of British Columbia .....	5	242	237	18
Other <sup>6</sup> .....	8	10	2	(3)
	318	852	534	426
Less: Contributions paid to CRF <sup>7</sup> .....	(232)	(246)	(14)	(256)
Other accounting adjustments <sup>8</sup> .....	(49)	(160)	(111)	(58)
<b>Total self-supported commercial</b> .....	<u>37</u>	<u>446</u>	<u>409</u>	<u>112</u>
<b>Total net contribution (loss) of Crown corporations and agencies</b> .....	<u>(19)</u>	<u>442</u>	<u>461</u>	<u>(5)</u>
<b>Summary accounts surplus (deficit)</b> .....	<u>(216)</u>	<u>447</u>	<u>663</u>	<u>(385)</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Figures for 1999/00 have been restated to conform to the presentation used for 2000/01.

<sup>4</sup> Includes earnings/(losses) of other taxpayer-supported Crown corporations and agencies including British Columbia Securities Commission, Okanagan Valley Tree Fruit Authority, Tourism British Columbia, British Columbia Housing Management Commission and British Columbia Transit.

<sup>5</sup> Primarily includes adjustments to record the amortization of the cost of highways transferred to the BC Transportation Financing Authority in 1998/99.

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

<sup>7</sup> Includes contributions from the British Columbia Hydro and Power Authority, Liquor Distribution Branch and other commercial Crown corporations.

<sup>8</sup> Includes transfers of British Columbia Lottery Corporation revenue to charities and municipalities by the British Columbia Gaming Commission, and adjustments to the Insurance Corporation of British Columbia and the British Columbia Railway Company to adjust their reporting results to a three-month period from a six-month period.

*Crown corporations and agencies were \$461 million better than expected*

In total, net income of Crown corporations and agencies was \$461 million better than expected and \$447 million higher than the same period last year.

Combined net losses of taxpayer-supported Crown corporations of \$4 million were \$52 million below budget and \$113 million lower than the previous year due to improvements in most corporations and lower accounting and dividend adjustments (see Table 2.1). During the first quarter of 2000/01, combined operating income of \$11 million was offset by accounting adjustments of \$15 million primarily to amortize the costs of highways transferred to the BC Transportation Financing Authority in 1998/99.

Net income of self-supported commercial Crown corporations was \$409 million above budget and \$334 million higher than the same period last year. This was mainly due to significantly higher earnings of the British Columbia Hydro and Power Authority (due to strong electricity trade sales) and the Insurance Corporation of British Columbia (due to higher investment earnings).

In the first quarter, commercial Crown corporations showed combined operating income of \$852 million. This was partially offset by contributions to the consolidated revenue fund of \$246 million and accounting adjustments totaling \$160 million. The accounting adjustments reflect differences in fiscal reporting periods between the government and some Crown corporations, and the transfer of British Columbia Lottery Corporation revenue to charities and municipalities.

The first-quarter surplus is not necessarily a good measure for determining final year-end results. Patterns of government and Crown corporation revenue and expenditure change throughout the year and adjustments are often required at year-end as the Auditor General completes a review of the *Public Accounts*. An updated full-year financial forecast is presented in Part 3.

## Consolidated Revenue Fund

### Revenue

*Revenue for the first three months was \$84 million more than planned*

Revenue for the first three months was \$84 million or 1.6 per cent more than planned, and 12.9 per cent higher than the same time last year. Last year at this time, revenue was \$68 million or 1.4 per cent above budget excluding the revenue forecast allowance. Details are provided in Table 2.2.

**Table 2.2 Consolidated Revenue Fund Revenue by Source**  
for the Three Months Ended June 30, 2000  
(Unaudited)

	Budget 2000/01	Actual 2000/01 <sup>1</sup>	Variance <sup>2</sup>	Actual 1999/00
(\$ millions)				
<b>Taxation:</b>				
Personal income.....	1,372.4	1,382.4	10.0	1,336.8
Corporation income.....	258.5	258.5	—	252.4
Social service.....	855.6	845.4	(10.2)	825.1
Fuel.....	106.0	115.6	9.6	117.7
Tobacco.....	120.6	112.2	(8.4)	119.9
Property.....	340.0	340.0	—	336.3
Property transfer.....	72.9	74.8	1.9	66.1
Corporation capital.....	100.3	117.7	17.4	97.7
Other.....	67.4	78.1	10.7	68.1
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(6.1)	(6.1)	—	(6.1)
	<u>3,287.6</u>	<u>3,318.6</u>	<u>31.0</u>	<u>3,214.0</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	54.0	107.6	53.6	38.0
Permits and fees.....	43.6	55.1	11.5	34.8
Petroleum royalties.....	21.9	35.0	13.1	14.8
	<u>119.5</u>	<u>197.7</u>	<u>78.2</u>	<u>87.6</u>
Minerals.....	9.5	8.4	(1.1)	10.0
Forests:				
Timber sales.....	117.4	124.6	7.2	81.9
Small Business Forest Enterprise Program.....	32.4	34.5	2.1	19.9
Logging tax.....	24.8	16.6	(8.2)	6.4
Other forests revenue.....	2.7	2.4	(0.3)	2.6
	<u>177.3</u>	<u>178.1</u>	<u>0.8</u>	<u>110.8</u>
Water rentals.....	106.8	153.6	46.8	95.8
Wildlife Act.....	4.3	3.7	(0.6)	4.4
	<u>111.1</u>	<u>157.3</u>	<u>46.2</u>	<u>100.2</u>
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(0.3)	(0.3)	—	(0.3)
	<u>417.1</u>	<u>541.2</u>	<u>124.1</u>	<u>308.3</u>
<b>Other revenue:</b>				
Medical Services Plan premiums.....	222.5	231.3	8.8	225.8
Motor vehicle licences and permits.....	89.6	90.2	0.6	87.4
Other fees and licences.....	82.7	91.0	8.3	96.4
Investment earnings.....	13.6	21.2	7.6	7.4
Fines and penalties.....	26.7	24.1	(2.6)	28.8
Miscellaneous.....	10.4	22.8	12.4	7.9
Asset dispositions.....	—	0.3	0.3	51.7
Less: provision for doubtful accounts.....	(7.7)	(7.7)	—	(0.9)
Less: commissions on collection of public funds.....	(3.0)	(2.8)	0.2	(6.4)
	<u>434.8</u>	<u>470.4</u>	<u>35.6</u>	<u>498.1</u>
<b>Contributions from Crown corporations:</b>				
Liquor Distribution Branch income.....	139.5	147.1	7.6	143.5
British Columbia Lottery Corporation.....	92.8	99.4	6.6	112.2
Other.....	—	—	—	71.0
	<u>232.3</u>	<u>246.5</u>	<u>14.2</u>	<u>326.7</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	980.2	980.2	—	466.2
Canada health and social transfer — accounting change <sup>3</sup> .....	—	(121.0)	(121.0)	—
Other.....	40.9	41.4	0.5	36.5
	<u>1,021.1</u>	<u>900.6</u>	<u>(120.5)</u>	<u>502.7</u>
<b>TOTAL REVENUE</b> .....	<u>5,392.9</u>	<u>5,477.3</u>	<u>84.4</u>	<u>4,849.8</u>

<sup>1</sup> Actual figures for 2000/01 exclude \$117.6 million in dedicated revenue collected on behalf of, and transferred to, Crown corporations, agencies and other jurisdictions. 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.

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Reflects government's acceptance of an Auditor General recommendation to change the basis of accounting for CHST supplements.



- *Personal and corporation income tax* — \$10 million above budget, reflecting a higher forecast of 1999 personal income growth. Corporation income tax revenue was on budget.
- *Social service tax* — \$10 million below budget due to slower-than-expected collections in the first quarter, but up 2.5 per cent from a year ago reflecting increased retail sales.
- *Other taxes* — \$31 million above budget. Higher revenue from corporation capital, fuel, hotel room and insurance premium taxes offset lower revenue from tobacco tax.
- *Petroleum, natural gas and minerals* — \$77 million above budget due to the effect of strong natural gas and oil prices on royalties and sales of Crown land drilling rights.
- *Forests* — slightly above budget and 61 per cent higher than the first quarter of last year. Despite weakening lumber prices, revenue from timber sales and the Small Business Forest Enterprise Program were above budget due to higher-than-expected harvest volumes. Overall volumes were up 2.8 million cubic metres from budget and 47 per cent higher than last year. These increases were partially offset by lower-than-budgeted logging tax revenue.
- *Water rentals* — \$47 million above budget mainly due to the effect of high electricity sale prices in the U.S. on electricity revenue received through the Columbia River Treaty.
- *Other revenue* — \$36 million above budget due to higher revenue from Medical Service Plan premiums, fees, licences, investment earnings and other sources.
- *Contributions from Crown corporations* — \$14 million above budget due to higher-than-expected net income of the Liquor Distribution Branch and British Columbia Lottery Corporation.
- *Federal contributions* — \$121 million below budget. The 2000/01 budget assumed that British Columbia would withdraw and record as revenue its remaining \$121-million of entitlement to the Canada health and social transfer supplement announced in the 1999 federal budget. However, during the finalization of the *1999/00 Public Accounts* the government accepted a recommendation of the Auditor General that all the remaining entitlement instead be recorded in 1999/00.

## Expenditure

*Spending for the first three months was \$118 million below budget*

Spending for the first three months was \$118 million or 2.1 per cent below budget, and 4.6 per cent higher than the same time last year. As shown in Table 2.3, expenditure was below budget in 14 of the 20 ministries.

*Ministry of Advanced Education, Training and Technology* — \$6 million below budget. Ministry programs were slightly above budget while contributions to British Columbia Transit were \$6 million below budget due to a change in the formula used for amortizing capital investments.

*Ministry of Attorney General* — \$9 million above budget primarily due to earlier-than-expected spending for community justice, corrections and police services programs.

*Ministry for Children and Families* — \$6 million below budget due to slower spending in various programs.

**Table 2.3 Consolidated Revenue Fund Expenditure by Ministry**  
for the Three Months Ended June 30, 2000  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Legislation.....	9.5	8.6	(0.9)	8.7
Officers of the Legislature.....	6.4	5.8	(0.6)	7.2
Office of the Premier.....	0.7	0.7	—	0.6
Aboriginal Affairs.....	8.0	7.7	(0.3)	6.0
Advanced Education, Training and Technology				
Educational institutions and organizations.....	284.1	283.0	(1.1)	273.5
Contributions to British Columbia Transit.....	45.4	39.1	(6.3)	40.6
Other ministry programs.....	106.3	108.0	1.7	89.4
Total.....	435.8	430.1	(5.7)	403.5
Agriculture, Food and Fisheries.....	43.3	42.9	(0.4)	25.9
Attorney General.....	222.6	232.0	9.4	222.5
Children and Families.....	348.8	343.2	(5.6)	324.3
Community Development, Cooperatives and Volunteers.....	4.4	2.8	(1.6)	0.5
Education				
Public school operating contributions.....	1,107.7	1,118.8	11.1	1,082.0
Other ministry programs.....	191.0	185.2	(5.8)	176.5
Total.....	1,298.7	1,304.0	5.3	1,258.5
Employment and Investment.....	11.1	9.4	(1.7)	7.5
Energy and Mines.....	10.0	7.7	(2.3)	7.7
Environment, Lands and Parks.....	43.7	43.5	(0.2)	41.4
Finance and Corporate Relations.....	27.4	26.4	(1.0)	29.9
Forests.....	92.0	98.4	6.4	97.9
Health				
Acute and continuing care.....	1,122.3	1,122.7	0.4	1,068.9
Other ministry programs.....	958.4	940.5	(17.9)	896.4
Total.....	2,080.7	2,063.2	(17.5)	1,965.3
Labour.....	5.5	5.7	0.2	6.9
Multiculturalism and Immigration.....	7.3	3.8	(3.5)	2.7
Municipal Affairs.....	48.8	48.4	(0.4)	60.7
Small Business, Tourism and Culture.....	22.5	23.5	1.0	22.0
Social Development and Economic Security.....	472.3	475.7	3.4	473.0
Transportation and Highways.....	114.3	112.4	(1.9)	113.9
Women's Equality.....	11.1	10.3	(0.8)	9.3
Other:				
Management of Public Funds and Debt.....	243.1	233.0	(10.1)	188.6
Contingencies (All Ministries) and New Programs.....	—	—	—	1.0
BC Family Bonus.....	44.5	47.6	3.1	53.9
Amortization of Change in Unfunded Pension Liability.....	(33.0)	(33.0)	—	(30.0)
Other Appropriations <sup>4</sup> .....	10.8	8.7	(2.1)	8.1
Pension Accounting Change.....	—	(90.0)	(90.0)	(87.9)
TOTAL EXPENDITURE.....	5,590.3	5,472.5	(117.8)	5,229.6

<sup>1</sup> Figures have been restated to reflect the government reorganization announced April 4, 2000.

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Figures for 1999/00 have been restated to conform to the 2000/01 government structure.

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

*Ministry of Education* — \$5 million above budget mainly due to earlier-than-expected costs for pay equity adjustments.

*Ministry of Forests* — \$6 million above budget primarily due to higher forest fire fighting costs.

*Ministry of Health* — \$17 million below budget mainly due to slower-than-planned spending for the Medical Services Plan.

*Spending was below budget in 14 of 20 ministries*

In total, the fourteen other ministries were \$9 million below budget.

- Eleven ministries were a total of \$14 million below budget. These included the Ministries of Aboriginal Affairs; Agriculture, Food and Fisheries; Community Development, Cooperatives and Volunteers; Employment and Investment; Energy and Mines; Environment, Lands and Parks; Finance and Corporate Relations; Multiculturalism and Immigration; Municipal Affairs; Transportation and Highways; and Women's Equality.
- Three ministries were a total of \$5 million overspent. These included the Ministries of Labour; Small Business, Tourism and Culture; and Social Development and Economic Security.

*Management of Public Funds and Debt (debt interest)* — \$10 million below budget due to reduced borrowing and higher sinking fund earnings, which are deducted from interest costs.

*Pension Accounting Change* — During the finalization of the 1999/00 *Public Accounts*, the Auditor General requested that the government change its basis of accounting for pension expenses. Although not provided for in the 2000/01 budget, this change means that the government now recognizes pension plan surpluses and estimated changes in unfunded pension liabilities on an annual basis. The effect of this accounting policy change reduced the government's pension expenses by a further \$90 million in the first quarter, primarily due to significant pension plan investment earnings. A comparative adjustment of \$88 million is shown for 1999/00.

*Excluding the pension accounting change, expenditure was \$28 million below budget*

Excluding the impact of the pension accounting change, total consolidated revenue fund expenditure was \$28 million or 0.5 per cent less than budget due to below-budget spending in most ministries.

## **Crown Corporations and Agencies**

### **Taxpayer-supported Crown Corporations and Agencies**

***British Columbia Buildings Corporation*** — net income of \$19 million was \$2 million below budget, but \$1 million higher than the same period last year. Revenue was \$9 million below budget and 4.8 per cent lower than last year, while spending was \$7 million below budget and 6.4 per cent lower than the previous year.

*BC Ferries shows \$9 million profit in first quarter, mainly reflecting lower financing costs*

***British Columbia Ferry Corporation*** — net income of \$9 million was \$12 million higher than planned and compares to a \$5-million loss in the first three months of last year. Operating revenue was slightly higher than budget while total expenses were \$11 million below budget mainly due to lower costs for pensions, repair and maintenance, and amortization. The improvement from last year reflects an increase in dedicated motor fuel tax received by the corporation and an \$11-million reduction in financing costs resulting from the forgiveness of \$1.1 billion of debt by the provincial government.

**BC Transportation Financing Authority** — net income of \$7 million was \$4 million higher than budget and up \$5 million from the previous year. Revenue was \$3 million above budget while spending was \$1 million below budget. The improvement from last year mainly reflects a 38-per-cent increase in dedicated provincial taxes to pay for a 32-per-cent increase in interest and other costs primarily due to higher outstanding debt related to the completion of highway construction and rehabilitation.

**Forest Renewal BC** — a three-month loss of \$27 million was \$3 million below budget due to higher revenue and reduced spending. The three-month loss was \$10 million higher than last year reflecting the first-quarter recovery of the provincial government's annual costs of administering the *Forest Practices Code* — last year, the recovery occurred in the second half of the year.

**Other Taxpayer-supported Agencies:**

- *British Columbia Pavilion Corporation* — revenues were in balance with expenditure, resulting in a slight improvement from last year.
- *British Columbia Securities Commission* — net income of \$3 million was slightly lower than the previous year.
- *British Columbia Transit* — net operating expenditures, shared by provincial and local governments, rose \$1 million from last year.
- *Okanagan Valley Tree Fruit Authority* — net income of \$0.3 million compared to net income of \$0.9 million last year.
- *Tourism British Columbia* — net income of \$0.7 million was slightly lower than last year.

**Self-supported Commercial Crown Corporations and Agencies**

*Hydro net income was \$275 million higher than budget*

**British Columbia Hydro and Power Authority** — net income of \$306 million was \$275 million higher than budget and more than double the same period last year.

- Domestic revenues were slightly below budget but 2.8 per cent higher than last year due to increased industrial sales.
- Electricity trade revenue was \$421 million higher than budget and more than three times higher than last year. As a result of strong U.S. demand, electricity trade selling prices averaged \$126 CDN per megawatt hour in the first quarter compared to \$37 per megawatt hour in the same period last year.
- Energy costs were \$151 million above budget and \$293 million higher than last year primarily due to higher market prices for energy purchases.
- Operations, maintenance and administration costs rose 21 per cent from last year, due to a required accounting change for post-retirement benefits and the full-year effect of projects and initiatives started late last year
- First-quarter results do not include transfers to/from the rate stabilization account.

**Liquor Distribution Branch** — net income of \$147 million was \$8 million above budget and \$3 million higher than the same period last year. Net sales (after product costs) were about 1 per cent above budget and the previous year, while operating expenses were \$4 million below budget and 1.2 per cent higher than last year.

**British Columbia Lottery Corporation** — net income of \$131 million was \$11 million above budget and \$4 million higher than the first quarter of last year. Gaming revenue was \$16 million above budget due to stronger-than-expected casino and lottery ticket sales activity. Revenue increased 1.5 per cent from last year primarily due to the introduction of a new casino in New Westminster in October 1999. Increased sales resulted in combined direct costs and other expenses being \$5 million above budget and slightly higher than the previous year.

**British Columbia Railway Company** — six-month net income of \$16 million was \$1 million higher than budget and slightly lower than the previous year. Revenue was \$2 million below budget due to labour-related service disruptions, poor weather and a weakened lumber market, but 3 per cent higher than last year due to increased freight volumes and land sales. Operating expenses were slightly below budget and 3 per cent higher than the previous year due to increased activity. Financing and taxes expense rose 4.5 per cent from last year primarily due to higher interest costs resulting from higher outstanding debt.

*ICBC's six-month net income of \$242 million reflects strong investment income and lower claims costs*

**Insurance Corporation of British Columbia** — six-month net income of \$242 million was \$237 million higher than budget and compares to net income of \$18 million in the same period last year.

- Premium revenue was \$12 million below budget and 0.6 per cent lower than the previous year primarily due to the effects of higher premium discounts for good drivers.
- Investment income was \$141 million above budget and 83 per cent higher than the previous year due to disposals of investments resulting in significantly higher-than-expected one-time gains.
- Claims costs were \$62 million below budget and 6.9 per cent lower than last year mainly due to lower estimates of settling injury claims for prior years. During the current year, the number of reported claims and the average cost per claim rose 0.9 per cent from the previous year.
- Operating expenses were \$47 million below budget primarily due to lower-than-anticipated expenditures for AutoPlan; commercial vehicle, driver and road safety services; administration; and delays in some projects.

#### **Other Commercial Crown Corporations:**

- *552513 British Columbia Ltd. (Skeena Cellulose)* — six-month net income of \$5 million compared to a \$2.7-million loss last year.
- *Columbia Power Corporation* — net income of \$1.4 million was slightly higher than last year.
- *Provincial Capital Commission* — \$0.2 million surplus was up \$0.1 million from last year.

Details of the financial results for selected major Crown corporations and agencies are presented in Appendix Tables A2.1 to A2.9.

### **Capital Spending**

This section provides information on capital spending for the government and Crown corporations and agencies in the first quarter.

Maintaining the existing asset base, replacing aging infrastructure and meeting the needs of a changing population all require capital spending. Table 2.4 summarizes provincial capital expenditures for the first three months of 2000/01.

**Table 2.4 Capital Expenditures**  
for the Three Months Ended June 30, 2000  
(Unaudited)

*\$548 million was spent to finance capital projects in the first quarter*

	Budget <sup>1</sup> 2000/01	Actual <sup>2</sup> 2000/01	Variance	Actual <sup>2</sup> 1999/00
(\$ millions)				
<b>Taxpayer-supported:</b>				
<b>Capital plan</b>				
Education <sup>3</sup> .....	71	68	(3)	34
Health.....	54	54	—	32
BC Transportation Financing Authority.....	84	106	22	94
British Columbia Ferry Corporation.....	22	16	(6)	42
Rapid Transit Project 2000.....	95	96	1	45
Other <sup>4</sup> .....	12	9	(3)	9
Gross capital plan.....	338	349	11	256
<b>Less recoverable expenditures<sup>5</sup>:</b>				
Hospital districts.....	(17)	(6)	11	(3)
Greater Vancouver Transportation Authority (TransLink).....	(7)	(4)	3	—
Net capital plan.....	314	339	25	253
<b>Other taxpayer-supported:</b>				
Government operating (ministries).....	46	14	(32)	10
Social housing.....	4	4	—	4
Other <sup>6</sup> .....	13	4	(9)	4
<b>Total taxpayer-supported.....</b>	<b>377</b>	<b>361</b>	<b>(16)</b>	<b>271</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority.....	103	87	(16)	89
British Columbia Railway Company.....	25	24	(1)	37
Other <sup>7</sup> .....	128	76	(52)	51
<b>Total self-supported commercial.....</b>	<b>256</b>	<b>187</b>	<b>(69)</b>	<b>177</b>
<b>Total capital expenditures.....</b>	<b>633</b>	<b>548</b>	<b>(85)</b>	<b>448</b>

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

<sup>2</sup> Reflects estimated capital spending incurred.

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

<sup>4</sup> British Columbia Buildings Corporation; Ministry of Attorney General; Ministry for Children and Families; British Columbia Transit; and the seismic mitigation program.

<sup>5</sup> Expenditures by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (TransLink).

<sup>6</sup> Includes British Columbia Securities Commission, Pacific National Exhibition, Tourism British Columbia and British Columbia Assessment Authority.

<sup>7</sup> Includes Columbia Power Corporation and Columbia Basin Trust joint ventures (e.g. Arrow Lakes Power Company), 552513 British Columbia Ltd. (Skeena Cellulose Inc.), Insurance Corporation of British Columbia (excluding Surrey City Centre), British Columbia Lottery Corporation and Liquor Distribution Branch.

During the three months ended June 30, 2000, \$548 million was spent to finance capital projects. This was down \$85 million from the \$633-million budget primarily due to lower-than-budgeted capital spending for commercial Crown corporations and agencies and government ministries, partially offset by accelerated road construction expenditures through the BC Transportation Financing Authority.

A partial list of the many projects that are planned or under way during 2000/01 is shown in Table 2.5.

Table 2.5 Capital Expenditure Projects (Partial List)

<b>Taxpayer-supported capital spending for education, health, justice and other related facilities includes:</b>	
New school construction	<i>Burnaby</i> — Burnaby Mountain Secondary. <i>Coquitlam</i> — Castle Park, Aspenwood, Blakeburn, Hampton Park Elementaries. <i>Duncan</i> — Maple Bay Elementary. <i>Prince George</i> — Hart Highway Middle. <i>Richmond</i> — Spal'U'Kwuks Elementary. <i>Surrey</i> — Sullivan Heights Secondary. <i>Victoria</i> — Eagleview Elementary.
School planning, replacement, additions and renovations	<i>Alexis Creek</i> — Alexis Creek Elementary/Secondary. <i>Campbell River</i> — Phoenix Elementary/Jr. Secondary. <i>Coquitlam</i> — Dr. Charles Best Secondary. <i>Kelowna</i> — Rutland Secondary. <i>Langley</i> — Walnut Grove Secondary. <i>Mackenzie</i> — Morfee Elementary. <i>Maple Ridge</i> — Alexander Robinson and Hammond Elementaries. <i>Nanaimo</i> — Cedar Jr. Secondary. <i>North Vancouver</i> — Handsworth Secondary. <i>Squamish</i> — Brackendale Secondary. <i>Surrey</i> — Earl Marriott Secondary. <i>Victoria</i> — Oaklands Elementary.
Post-secondary planning, additions and renovations	<i>Chilliwack</i> — University College of the Fraser Valley — block replacement. <i>Merritt</i> — Nicola Valley Institute of Technology/University College of the Cariboo campus. <i>Nanaimo</i> — Malaspina — ASTECH Building. <i>Prince Rupert</i> — Northwest Community College. <i>Vancouver</i> — University of British Columbia — chemistry laboratory. <i>Victoria</i> — Camosun College (Young Building) and Royal Roads (Grant Building).
Hospital and health-care facilities planning, construction, upgrading and equipment purchases	<i>Campbell River</i> — Yucalta Lodge. <i>Clearwater</i> — health care centre. <i>Dawson Creek</i> — Rotary Manor. <i>Keremeos</i> — health care centre. <i>Kitimat</i> — community health centre. <i>Lytton</i> — Health and Healing centre. <i>Port Alberni</i> — West Coast General Hospital. <i>Prince George</i> — Prince George Regional Hospital, phase 1 reconstruction. <i>Surrey</i> — Surrey Memorial Hospital. <i>Trail</i> — ambulatory care unit. <i>Vancouver</i> — Children's and Women's Hospital — Ambulatory Care, Fairhaven United Church Home, SUCCESS Care Home and Vancouver General Hospital tower. <i>Victoria</i> — Mt. St. Mary Hospital, Royal Jubilee Hospital and Vancouver Island Cancer Clinic.
Justice facilities expansion construction	<i>Chilliwack</i> — Ford Mountain Correctional Centre. <i>Port Coquitlam</i> — North Fraser Pre-Trial Centre. <i>Kelowna</i> — Okanagan Correctional Centre.

Table continued on next page

**Table 2.5 Capital Expenditure Projects (Partial List) — Continued**

<b>Taxpayer-supported capital spending for transportation includes:</b>	
Road/bridge construction	John Hart Bridge and interchange in Prince George. Airport Connector (Sea Island). Vancouver Island Highway: Courtenay to Campbell River Inland Island Highway and Miracle Beach Connector. Kootenay Lake Ferry. Highway 1: Cache Creek to the Rockies.
Road/bridge upgrading/ rehabilitation	Lions Gate Bridge in Vancouver. Port Mann Bridge/Cape Horn Interchange in Coquitlam/Surrey. Nisga'a Highway in the Nass Valley. Highway 37: Deltaic to Kiniskan. Road and bridge resurfacing throughout the province.
Ferries	Fast-ferry construction, ferry maintenance and terminal improvements.
Rapid transit	<i>SkyTrain</i> extension construction.

<b>Self-supported Crown corporations and agencies capital spending includes:</b>	
Rail/terminal construction	BCR Marine Ltd. capacity upgrade. Rail and tie replacement and roadbed improvements throughout the province. Rail equipment purchases.
Power generation	Completion of the Stave Falls power plant replacement project. Upgrade of the Burrard generating station. Addition of third transformer at the Selkirk substation. Replacement of Mica Kootenay's telecommunications system with digital equipment. Continued construction of a power generating facility at Keenleyside Dam. Dam stabilization, switchyard construction and turbine upgrades at the Brilliant Dam.



## MAJOR CAPITAL PROJECTS

Significant projects (those with multi-year budgets totalling \$50 million or more) are shown in the following table.

These projects span more than one year and annual allocations of the full project budget are included as part of the provincial government's annual capital spending estimates shown in Table 2.4.

To date, about \$2 billion has been spent over a number of years on major transportation capital projects including the Vancouver Island Highway and the *SkyTrain* extension. This compares to a combined total projects budget of \$2.8 billion.

Cumulative spending on major health facilities totaled \$105 million to the end of the first quarter of 2000/01, with significant spending for the Surrey Memorial Hospital and the Royal Jubilee Hospital.

The combined budgets for the completion of major health facilities total over \$380 million.

Spending for power generation capital projects by the British Columbia Hydro and Power Authority and Arrow Lakes Power Company totalled \$340 million to date. These agencies are self-supported and the combined budget for these projects is estimated at almost \$630 million.

The Insurance Corporation of British Columbia has invested \$50 million to date on the acquisition of Surrey City Centre and planning for its renovation (including space for Tech BC). The total budget for the Surrey City Centre development is \$253 million.

This table represents only a partial list of the many projects that are planned or under way.

### Capital Expenditure Projects Greater Than \$50 million

Project	Construction Start Date	Cumulative Spending to June 30, 2000 <sup>1</sup>	Total Project Budget <sup>2</sup>
(\$ millions)			
<b>Transportation</b>			
Vancouver Island Highway.....	1991	1,158	1,306 <sup>3</sup>
Third <i>PacifiCat</i> Ferry.....	June 1999	99	105
Lions Gate Bridge.....	Fall 1998	69	108
Port Mann Bridge/Cape Horn Interchange.....	Aug. 1998	26	74
<i>SkyTrain</i> Extension — Phase 1.....	Sept. 1998	592	1,167
<i>SkyTrain</i> Fleet Expansion.....	Oct. 1998	60	68
<b>Health Facilities</b>			
Vancouver General Hospital.....	Sept. 2000	8	156
Royal Jubilee Hospital (Victoria).....	Aug. 1999	35	102
Surrey Memorial Hospital.....	July 1998	60	75
Prince George Regional Hospital.....	Spring 2001	2	50
<b>Power Generation</b>			
British Columbia Hydro and Power Authority			
– Stave Falls Replacement.....	Feb. 1995	134	181
– Burrard Upgrade.....	June 1993	106	176
Arrow Lakes Power Company <sup>4</sup>			
– Arrow Lakes Generating Station.....	Feb. 1999	100	270
<b>Other</b>			
Surrey City Centre (includes Tech BC).....	Sept. 1999	50	253

<sup>1</sup> Total expenditures since commencement of each project.

<sup>2</sup> Represents sum of annual budgeted expenditures to complete each project.

<sup>3</sup> Adjusted for inflation. Budget in 1993 dollars is \$1.2 billion.

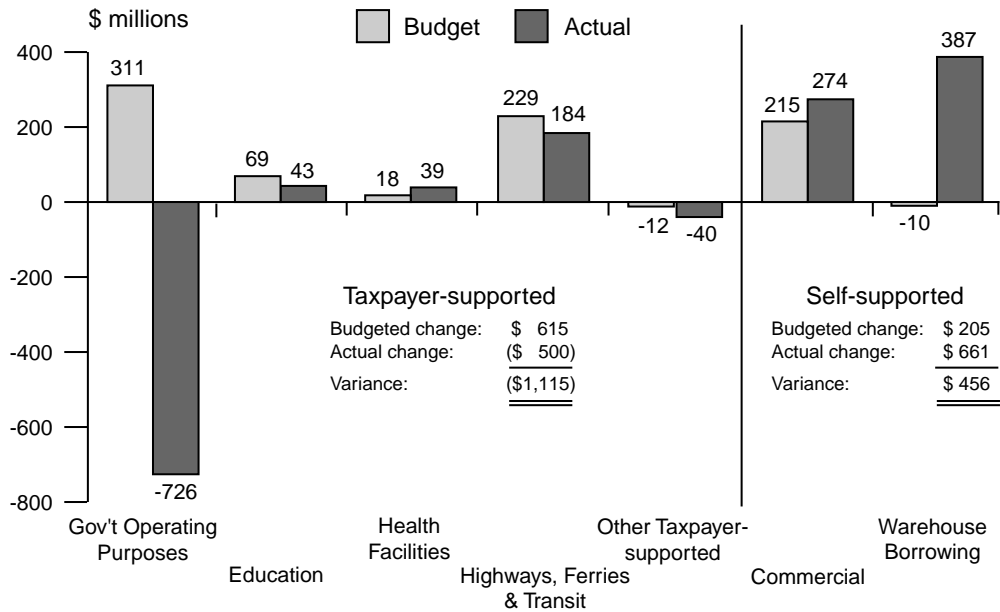
<sup>4</sup> A joint venture of the Columbia Power Corporation and the Columbia Basin Trust.

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

*Total provincial debt was \$34.4 billion at June 30, 2000*

Provincial debt totalled \$34.4 billion at June 30, 2000, \$659 million less than planned as reduced borrowing for government operating purposes and most taxpayer-supported Crown corporations and agencies was partially offset by higher debt requirements for self-supported entities (see Chart 2.2).

**Chart 2.2 Change in Provincial Net Debt for the Three Months Ended June 30, 2000**



The \$161-million increase from the start of the year consisted of:

- a \$274-million debt increase in commercial Crown corporation debt;
- a \$387-million increase for borrowing warehoused for future requirements;
- a \$226-million net increase in taxpayer-supported debt for education, health and transportation capital, along with other taxpayer-supported Crown corporations and agencies;

partially offset by:

- a \$726-million reduction in government direct operating debt primarily due to an improvement in the consolidated revenue fund balance in the first quarter and the use of higher-than-expected cash balances at the start of the year.

*Taxpayer-supported net debt fell \$500 million from the start of the year*

Taxpayer-supported net debt totalled \$24.4 billion at June 30, 2000. During the first three months, debt fell \$500 million and was \$1.1 billion less than planned (see Table 2.6). Debt changes included:

*Direct operating debt fell \$726 million. . .*

- Government direct operating debt was \$726 million lower than the start of the year and \$1.0 billion below budget due to use of higher-than-expected cash balances on April 1, 2000, and better-than-planned results for the consolidated revenue fund in the first quarter.

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

**Table 2.6 Change in Provincial Net Debt and Total Net Debt Outstanding, 2000/01<sup>1</sup>**  
for the Three Months Ended June 30, 2000  
(Unaudited)

	Public Accounts Balances at March 31, 2000	+ Net Change <sup>2</sup>	= Total Net Debt Outstanding Actual	Total Net Debt Outstanding Budget <sup>3</sup>	Variance Above/ (Below) Budget	Total Net Debt Outstanding June 30, 1999 <sup>4</sup>
(\$ millions)						
<b>Taxpayer-supported debt:</b>						
<b>Provincial government direct operating<sup>5</sup></b> .....	13,833	(726)	13,107	14,144	(1,037)	12,502
<b>Education facilities<sup>6</sup>:</b>						
Schools.....	3,609	46	3,655	3,675	(20)	3,271
Post-secondary institutions.....	1,369	(3)	1,366	1,372	(6)	1,322
	4,978	43	5,021	5,047	(26)	4,593
<b>Health facilities<sup>6</sup></b> .....	1,451	39	1,490	1,469	21	1,286
<b>Highways, ferries and public transit:</b>						
BC Transportation Financing Authority.....	1,843	101	1,944	1,922	22	1,486
British Columbia Ferry Corporation.....	24	(1)	23	55	(32)	1,011
British Columbia Transit.....	79	(12)	67	67	—	59
Public transit <sup>6</sup> .....	952	(4)	948	973	(25)	979
SkyTrain extension <sup>6</sup> .....	488	96	584	589	(5)	179
Rapid Transit Project 2000.....	101	4	105	110	(5)	57
	3,487	184	3,671	3,716	(45)	3,771
<b>Other:</b>						
British Columbia Buildings Corporation.....	615	(46)	569	570	(1)	675
Social housing <sup>7</sup> .....	205	(8)	197	211	(14)	181
Homeowner Protection Office.....	32	5	37	44	(7)	11
577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.).....	62	1	63	63	—	60
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre).....	—	—	—	—	—	53
British Columbia Assessment Authority.....	5	13	18	5	13	20
Universities and colleges — fiscal agency loans.....	130	(2)	128	131	(3)	135
Other <sup>8</sup> .....	126	(3)	123	139	(16)	161
	1,175	(40)	1,135	1,163	(28)	1,296
<b>Total taxpayer-supported debt</b> .....	<b>24,924</b>	<b>(500)</b>	<b>24,424</b>	<b>25,539</b>	<b>(1,115)</b>	<b>23,448</b>
<b>Self-supported debt:</b>						
<b>Commercial Crown corporations and agencies:</b>						
British Columbia Hydro and Power Authority.....	6,945	258	7,203	7,156	47	7,519
British Columbia Railway Company.....	655	(8)	647	627	20	608
552513 British Columbia Ltd. (Skeena Cellulose Inc.).....	280	25	305	313	(8)	221
Columbia Basin Power Company.....	94	(1)	93	94	(1)	94
Other <sup>9</sup> .....	3	—	3	2	1	3
	7,977	274	8,251	8,192	59	8,445
<b>Warehouse borrowing program</b> .....	1,320	387	1,707	1,310	397	1,211
<b>Total self-supported debt</b> .....	<b>9,297</b>	<b>661</b>	<b>9,958</b>	<b>9,502</b>	<b>456</b>	<b>9,656</b>
<b>Total provincial debt</b> .....	<b>34,221</b>	<b>161</b>	<b>34,382</b>	<b>35,041</b>	<b>(659)</b>	<b>33,104</b>

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

<sup>2</sup> Gross new long-term borrowing plus net change in short-term debt outstanding, less sinking fund contributions, sinking fund earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues). Includes adjustments to reflect differences between March 31, 2000 *Public Accounts* balances and revised forecast balances presented in *Budget 2000*.

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

<sup>4</sup> Restated to reflect *Public Accounts* balances.

<sup>5</sup> Net debt outstanding includes fiscal agency loans assumed on March 31, 2000 from the British Columbia Ferry Corporation (\$1,080 billion) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — \$70 million).

<sup>6</sup> Represents government direct debt incurred for capital financing purposes.

<sup>7</sup> Includes the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>8</sup> Includes the Pacific Racing Association, Victoria Line Ltd., local governments, student assistance loans, loan guarantees issued under economic development and home mortgage assistance programs, and other taxpayer-supported agencies.

<sup>9</sup> Includes debt of the British Columbia Lottery Corporation and the Liquor Distribution Branch.

*. . .while other taxpayer-supported debt increased \$226 million*

- Other taxpayer-supported Crown corporation and agency net debt increased \$226 million from the start of the year. However, debt was \$78 million lower than planned due to lower financing requirements for schools, public transit and ferries, partially offset by higher debt requirements for roads and health facilities.

Self-supported net debt totalled \$10 billion at June 30, 2000. During the first three months, debt rose \$661 million and was \$456 million above budget.

*Commercial crown corporation debt increased \$274 million. . .*

- Commercial Crown corporation and agencies debt increased \$274 million from the start of the year. The increase was \$59 million more than planned mainly due to earlier-than-planned borrowing by the British Columbia Hydro and Power Authority (BC Hydro).

Despite strong first-quarter results, BC Hydro's debt increased \$258 million. The additional borrowing was used to help finance capital spending and cash requirements in part due to timing delays in the collection of electricity sales. As shown in Part Three — Revised Financial Forecast, B.C. Hydro's debt at year-end will decline \$356 million from the start of the fiscal year.

*. . .and warehouse borrowing increased \$387 million*

- Warehouse borrowing program debt increased \$387 million from the start of the year and was \$397 million higher than planned as the province continued to take advantage of favourable market opportunities. This advance borrowing will be allocated to the provincial government and its Crown corporations and agencies when funding is needed. In the interim, funds remain invested at market interest rates.

### COMPOSITION OF PROVINCIAL NET DEBT

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.

Roughly \$22 billion or almost 70 per cent of total provincial net debt (excluding the warehouse

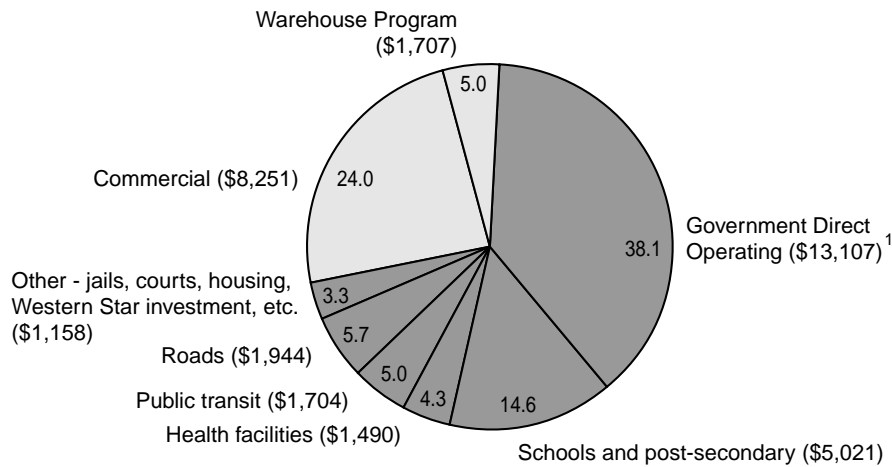
borrowing program) reflects investments in capital assets — schools, hospitals, roads, transportation, utilities, and other forms of provincial infrastructure.

Provincial debt totalled \$34.4 billion at June 30, 2000, or 28.4 per cent of provincial gross domestic product (GDP), based on updated economic information.

#### Provincial net debt at June 30, 2000

\$ millions  
Per Cent of Total

- Taxpayer-supported – \$24,424 million (71% of total)  
20.2% of GDP
- Self-supported – \$9,958 million (29% of total)  
8.2% of GDP



Total: \$34,382 million

<sup>1</sup> Operating debt includes a portion of roads infrastructure debt incurred up to 1994/95, and ferry infrastructure incurred up to 1999/00. Amount includes debt to finance operating deficits.

**Debt-to-GDP ratio:** The ratio of a province's taxpayer-supported debt relative to its GDP, is a measure of a province's ability to manage its debt load. British Columbia's taxpayer-supported debt-to-GDP ratio is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs.

**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. At June 30, 2000, taxpayer-supported debt totalled \$24.4 billion or 20.2 per cent of GDP.

**Self-supported 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. At June 30, 2000 self-supported debt totalled \$10 billion, or 8.2 per cent of GDP.

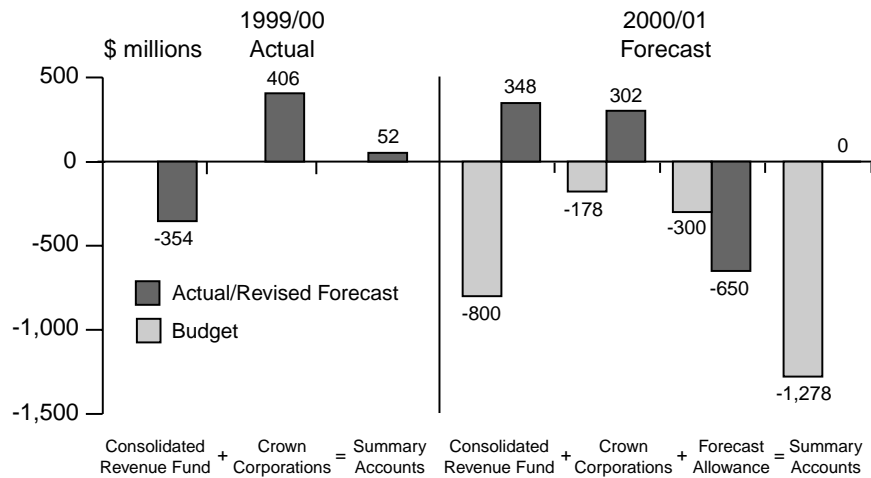
## PART THREE — REVISED FINANCIAL FORECAST

### Summary Accounts

*The summary accounts are forecast to be in balance*

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 staffing levels, capital spending and debt.

**Chart 3.1 Summary Accounts Full-year Forecast**



*The consolidated revenue fund is projected to have a positive balance of \$348 million*

The summary accounts are projected to be in balance in 2000/01, compared to the original budget estimate of a \$1,278-million deficit.

*The combined net income of Crown corporations is forecast to be \$302 million*

- The consolidated revenue fund is projected to have a positive balance of \$348 million, a \$1,148 million improvement from the original estimate of an \$800-million shortfall;
- The combined net income of Crown corporations and agencies is forecast to be \$480 million better than planned, at \$302 million.
  - Combined net losses of taxpayer-supported Crown corporations and agencies will be \$22 million higher than budget, at \$328 million.
  - Combined net income of self-supported commercial Crown corporations and agencies will be \$502 million above budget, at \$630 million.

*A \$650-million allowance is included in the summary accounts forecast*

- A \$650-million allowance for changes to projections for the consolidated revenue fund and Crown corporations and agencies is included in the summary accounts forecast.

Table 3.1 Summary Accounts — Revised Forecast

	Budget 2000/01	Revised Forecast 2000/01	Variance <sup>1</sup>	Actual 1999/00
(\$ millions)				
<b>Consolidated Revenue Fund (CRF):</b>				
Revenue.....	21,500	22,266	766	21,846
Expenditure.....	(22,300)	(21,918)	382	(22,200)
<b>CRF balance</b> .....	<b>(800)</b>	<b>348</b>	<b>1,148</b>	<b>(354)</b>
<b>Crown corporations and agencies:</b>				
<b>Taxpayer-supported:</b>				
British Columbia Buildings Corporation.....	62	51	(11)	45
British Columbia Ferry Corporation (BCFC).....	(10)	(3)	7	(299)
BC Transportation Financing Authority.....	(1)	1	2	22
Forest Renewal BC.....	(52)	(126)	(74)	1
Other <sup>2</sup> .....	(16)	(17)	(1)	(44)
	(17)	(94)	(77)	(275)
Less: Contributions paid to CRF.....	(62)	(51)	11	(78)
Forgiveness of BCFC debt.....	—	—	—	1,080
Other accounting adjustments <sup>3</sup> .....	(227)	(183)	44	(131)
<b>Total taxpayer-supported</b> .....	<b>(306)</b>	<b>(328)</b>	<b>(22)</b>	<b>596</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority (BC Hydro).....	429	477	48	416
Liquor Distribution Branch.....	620	620	—	617
British Columbia Lottery Corporation.....	534	534	—	532
British Columbia Railway Company.....	40	35	(5)	(582)
Insurance Corporation of British Columbia.....	3	300	297	96
Other <sup>4</sup> .....	42	55	13	1
	1,668	2,021	353	1,080
Less: Contributions paid to CRF <sup>5</sup> .....	(1,386)	(1,427)	(41)	(1,376)
Transfer of BC Hydro earnings (from) to rate stabilization account.....	(17)	273	290	129
Other accounting adjustments <sup>6</sup> .....	(137)	(237)	(100)	(23)
<b>Total self-supported commercial</b> .....	<b>128</b>	<b>630</b>	<b>502</b>	<b>(190)</b>
<b>Total net contribution (loss) of Crown corporations and agencies</b> .....	<b>(178)</b>	<b>302</b>	<b>480</b>	<b>406</b>
<b>Forecast allowance</b> .....	<b>(300)</b>	<b>(650)</b>	<b>(350)</b>	<b>—</b>
<b>Summary accounts surplus (deficit)</b> .....	<b>(1,278)</b>	<b>0</b>	<b>1,278</b>	<b>52</b>

<sup>1</sup> 2000/01 revised forecast less 2000/01 budget.

<sup>2</sup> Includes earnings/(losses) of other taxpayer-supported Crown corporations and agencies, including British Columbia Securities Commission, Okanagan Valley Tree Fruit Authority, Tourism British Columbia, British Columbia Housing Management Commission and British Columbia Transit.

<sup>3</sup> Primarily includes adjustments to record the amortization of the cost of highways transferred to the BC Transportation Financing Authority in 1998/99.

<sup>4</sup> Includes earnings/(losses) of other commercial Crown corporations, including the Columbia Power Corporation and 552513 British Columbia Ltd. (Skeena Cellulose Inc.).

<sup>5</sup> Includes contributions from the British Columbia Hydro and Power Authority, Liquor Distribution Branch and other commercial Crown corporations.

<sup>6</sup> Includes transfers of British Columbia Lottery Corporation revenue to charities and municipalities by the British Columbia Gaming Commission, and adjustments to the Insurance Corporation of British Columbia and the British Columbia Railway Company to adjust their reporting results from a calendar year basis to government's fiscal reporting period ending March 31.

The government's consolidated revenue fund is projected to have a positive balance of \$348 million in 2000/01, \$1,148 million better than planned due to higher-than-expected revenue and lower-than-budgeted spending.

*Revenue is projected to be \$766 million above budget*

- Revenue is projected to be \$766 million above budget primarily due to the effect of a strengthening economy and high commodity prices in some areas of the natural resources sector.

*Spending is projected to be \$382 million below budget mainly due to a change in pension accounting policy*

- Full-year spending is projected to be \$382 million below budget mainly due to the effect of a change in pension accounting policy recommended by the Auditor General during the finalization of the 1999/00 *Public Accounts*. Excluding this change, full-year spending is forecast to be \$12 million below budget.

Taxpayer-supported Crown corporations and agency net losses (after adjustments) are forecast to be \$22 million above budget mainly due to a higher projected loss for Forest Renewal BC resulting from lower stumpage revenue. Compared to budget, the forecast reflects:

*Taxpayer-supported Crown corporation net losses are forecast to increase \$22 million*

- a \$77-million increase in operating losses;
- an \$11-million reduction in dividends from British Columbia Buildings Corporation; and
- a \$44-million reduction in expected year-end accounting adjustments.

Excluding the one-time provincial debt assistance to British Columbia Ferry Corporation in 1999/00, net losses of taxpayer-supported Crown corporations and agencies were \$156 million lower than the previous year mainly due to improvements in the operating finances of British Columbia Ferry Corporation and other Crown corporations.

*Net income of self-supported Crown corporations is projected to be \$502 million higher than budget*

The combined net income of self-supported commercial Crown corporations is projected to be \$502 million above budget primarily due to higher net income of the Insurance Corporation of British Columbia and British Columbia Hydro and Power Authority.

The higher earnings of British Columbia Hydro and Power Authority will result in a \$41-million increase in dividends paid to the consolidated revenue fund. In addition, the recognition of \$273 million of excess earnings forecast to be transferred to the Authority's rate stabilization account is the main reason for the increase in accounting adjustments.

The significant improvement in commercial Crown corporation results compared to last year is primarily due to the one-time write-down of British Columbia Railway Company assets in 1999/00.

*The forecast allowance has been increased to \$650 million to provide greater certainty that the forecast balanced budget will be achieved*

The government is presently developing options to address pressures in the health care system and other priority areas. Although the federal government announced its intention to provide further funding for provinces on September 11, 2000, specific information on timing, prerequisites and other details were not available during the preparation of this forecast. Consequently, the revenue forecast has not assumed further federal transfers as a result of the latest announcement. In recognition of these uncertainties, the summary accounts forecast allowance has been increased to \$650 million to provide greater certainty that the forecast balanced budget will be achieved.



Table 3.2 Summary of Changes from the 2000/01 Budget

	In-Year Change	Final Results
	(\$ millions)	
<b>Summary Accounts Deficit — 2000/01 Budget</b> .....		(1,278)
<b>Consolidated revenue fund (CRF) changes:</b>		
<b>Revenue changes:</b>		
— Prior-year personal income tax assessments and CHST .....	114 <sup>1</sup>	
— CHST supplement (effect of 1999/00 accounting change) .....	(121)	
— Taxation sources — higher personal and corporation income (current-year entitlements), and other taxes .....	468	
— Natural resources — higher petroleum and natural gas, water rentals, partly offset by lower forests .....	244	
— Crown corporations and other sources .....	<u>61</u>	
<b>Net increase (decrease) from budget</b> .....	766	
<b>Spending changes:</b>		
— Ministry of Forests — higher spending for fire fighting .....	(20)	
— Other programs — Other program savings and lower debt interest expense, partly offset by higher spending in the Ministries of Aboriginal Affairs, Attorney General, Environment, Lands and Parks and other areas .....	32	
— Effect of change in pension accounting policy in 1999/00 .....	<u>370</u>	
<b>Net (increase) decrease from budget</b> .....	382	
<b>Consolidated revenue fund — net improvement from budget</b> .....		1,148
<b>Crown corporation and agency changes:</b>		
<b>Taxpayer-supported:</b>		
— British Columbia Ferry Corporation — lower operating loss .....	7	
— Forest Renewal BC — higher loss due to lower stumpage revenue .....	(74)	
— Other Crown corporation changes and adjustments (mainly lower adjustments for the amortization of highways) .....	<u>45</u>	(22)
<b>Self-supported commercial:</b>		
— British Columbia Hydro and Power Authority — higher net income including transfer to rate stabilization account .....	338	
— Insurance Corporation of British Columbia — higher net income .....	297	
— Higher Crown corporation contributions paid to CRF .....	(41)	
— Other Crown corporation changes and adjustments (primarily to adjust for differences between fiscal year-ends) .....	<u>(92)</u>	502
<b>Crown corporations and agencies — increased net earnings from budget</b> ..		480
<b>Forecast allowance — increase in allowance</b> .....		<u>(350)</u>
<b>Summary Accounts Balance — Revised Forecast</b> .....		<u><u>0</u></u>

<sup>1</sup> Includes \$91 million for personal income tax and \$23 million for CHST.

## Consolidated Revenue Fund

### Revised Revenue Forecast

*Economic growth in 2000 is now projected to be higher than the budget forecast*

Revenue is projected to be \$766 million or 3.6 per cent above budget. Economic growth in 2000 is now projected to be higher than forecast when preparing the 2000/01 budget. As well, revenue in the last quarter of 1999/00 was about \$460 million higher than assumed when preparing this year's budget, and much of this strength has continued into 2000/01.

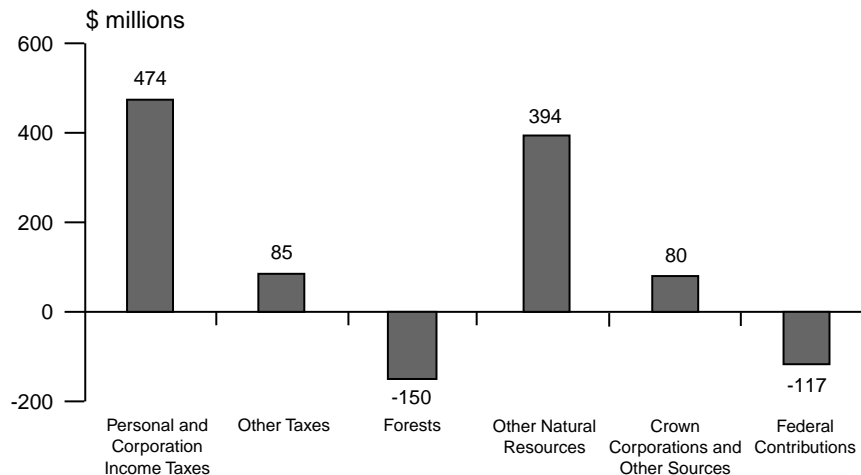
The forecast incorporates the effects of the updated economic forecast, recent information received from the federal government on personal income tax assessments for 1999, and a more optimistic federal government outlook for national corporate profits. The forecast also reflects an improved outlook for natural resource revenue particularly due to strength in natural gas, oil and electricity prices.

Although the federal government announced its intention to provide further funding for provinces on September 11, 2000, specific information on timing, prerequisites and other details were not available during the preparation of this forecast. Consequently, the revenue forecast has not assumed further federal transfers as a result of the latest announcement.

*The forecast reflects an improved outlook for natural resource revenue*

As shown in the following chart, higher-than-budgeted revenue from taxation, natural resources, Crown corporation contributions, and other sources are partially offset by lower-than-budgeted federal contributions. Revenue details are described below and in Tables 3.3 and 3.4.

**Chart 3.2 CRF Revenue Changes from the 2000/01 Budget**



*Personal income tax is \$339 million above budget*

- *Personal income tax* — \$339 million above budget. The effects of larger-than-assumed assessments for 1999 and a forecast of higher personal income growth in 2000 more than offset federal and provincial tax reduction measures in 2000/01.
- *Corporation income tax* — \$135 million above budget and 12 per cent higher than last year. Larger instalments resulting from an improved federal government outlook for 2000 national corporate profits are partly offset by the effect of a further reduction in the small business tax rate announced August 22, 2000.
- *Social service tax* — \$30 million above budget. A larger-than-expected tax base at the end of last year and an improved outlook for retail sales in 2000 are expected to more than offset some weakness in first-quarter collections.

**Table 3.3 Consolidated Revenue Fund — Revised Forecast**  
(Unaudited)

	Budget 2000/01	Revised Forecast 2000/01 <sup>1</sup>	Change <sup>2</sup>	Actual 1999/00
	(\$ millions)			
<b>Taxation:</b>				
Personal income.....	5,513.0	5,852.0	339.0	5,839.0
Corporation income.....	915.0	1,050.0	135.0	939.1
Social service.....	3,446.0	3,476.0	30.0	3,337.7
Fuel.....	437.0	450.0	13.0	469.9
Tobacco.....	468.0	480.0	12.0	497.6
Property.....	1,360.0	1,370.0	10.0	1,350.7
Property transfer.....	250.0	250.0	—	244.7
Corporation capital.....	438.0	458.0	20.0	459.7
Other.....	288.0	298.0	10.0	288.8
Less: provision for doubtful accounts.....	(15.0)	(25.0)	(10.0)	(24.3)
Less: commissions on collection of public funds.....	(24.0)	(24.0)	—	(25.0)
	<u>13,076.0</u>	<u>13,635.0</u>	<u>559.0</u>	<u>13,377.9</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	335.0	516.0	181.0	328.1
Permits and fees.....	217.0	250.0	33.0	247.7
Petroleum royalties.....	88.0	102.0	14.0	93.9
	<u>640.0</u>	<u>868.0</u>	<u>228.0</u>	<u>669.7</u>
Minerals.....	33.0	36.0	3.0	46.9
Forests:				
Timber sales.....	967.0	808.0	(159.0)	1,040.7
Small Business Forest Enterprise Program.....	232.0	241.0	9.0	269.5
Logging tax.....	45.0	60.0	15.0	24.0
Other forests revenue.....	58.0	43.0	(15.0)	57.9
	<u>1,302.0</u>	<u>1,152.0</u>	<u>(150.0)</u>	<u>1,392.1</u>
Water rentals.....	398.0	561.0	163.0	396.6
Wildlife Act.....	14.0	14.0	—	14.9
	<u>412.0</u>	<u>575.0</u>	<u>163.0</u>	<u>411.5</u>
Less: provision for doubtful accounts.....	(8.0)	(8.0)	—	(2.4)
Less: commissions on collection of public funds.....	(1.0)	(1.0)	—	(1.0)
	<u>2,378.0</u>	<u>2,622.0</u>	<u>244.0</u>	<u>2,516.8</u>
<b>Other revenue:</b>				
Medical Services Plan premiums.....	891.0	885.0	(6.0)	868.3
Motor vehicle licences and permits.....	341.0	341.0	—	335.4
Other fees and licences.....	384.0	375.0	(9.0)	362.4
Investment earnings.....	55.0	65.0	10.0	60.2
Fines and penalties.....	103.0	110.0	7.0	107.9
Miscellaneous.....	105.0	163.0	58.0	127.4
Asset dispositions.....	50.0	50.0	—	51.9
Less: provision for doubtful accounts.....	(34.0)	(44.0)	(10.0)	(8.8)
Less: commissions on collection of public funds.....	(14.0)	(14.0)	—	(17.0)
	<u>1,881.0</u>	<u>1,931.0</u>	<u>50.0</u>	<u>1,887.7</u>
<b>Contributions from Crown corporations:</b>				
British Columbia Buildings Corporation.....	62.0	51.0	(11.0)	71.0
Liquor Distribution Branch income.....	620.0	620.0	—	617.4
British Columbia Lottery Corporation.....	398.0	398.0	—	416.0
British Columbia Hydro and Power Authority.....	355.0	396.0	41.0	343.0
Other <sup>3</sup> .....	13.0	13.0	—	7.0
	<u>1,448.0</u>	<u>1,478.0</u>	<u>30.0</u>	<u>1,454.4</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	2,549.0	2,553.0	4.0	2,317.1
Canada health and social transfer — accounting change....	—	(121.0)	(121.0)	121.0
Other.....	168.0	168.0	—	171.1
	<u>2,717.0</u>	<u>2,600.0</u>	<u>(117.0)</u>	<u>2,609.2</u>
<b>TOTAL REVENUE</b> .....	<u>21,500.0</u>	<u>22,266.0</u>	<u>766.0</u>	<u>21,846.0</u>

<sup>1</sup> Revised forecast for 2000/01 excludes \$667 million in dedicated revenue collected on behalf of, and transferred to, Crown corporations, agencies and other jurisdictions. 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.

<sup>2</sup> 2000/01 revised forecast less 2000/01 budget.

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

*Petroleum, natural gas and mineral revenue is \$231 million above budget due to higher natural gas and oil prices*

*Forests revenue is \$150 million below budget due to lower-than-budgeted lumber prices*

- *Other taxes* — \$55 million above budget. Higher revenue from corporation capital, fuel, tobacco, property and other taxes reflects larger-than-expected tax bases at the end of last year, current developments and an improved outlook for economic activity in 2000.
- *Petroleum, natural gas and minerals* — \$231 million above budget and 26 per cent higher than last year mainly due to the effect of higher-than-assumed natural gas and oil prices on royalties and sales of Crown land drilling rights.
- *Forests* — \$150 million below budget and 17 per cent lower than last year. The forecast incorporates the recent significant decline in U.S. lumber prices and is partly offset by slightly higher overall harvest volumes.
- *Water rentals* — \$163 million above budget due to the effect of high electricity prices in the U.S. on sales of electricity received through the Columbia River Treaty.
- *Other revenue* — \$50 million above budget. Higher-than-budgeted revenue from investment earnings, fines and penalties, and other miscellaneous sources is partially offset by lower revenue from medical services plan premiums and other fees and licences.
- *Contributions from Crown corporations* — \$30 million above budget. A higher dividend from British Columbia Hydro and Power Authority, due to increased net income, is partly offset by a lower contribution from the British Columbia Buildings Corporation resulting from lower net income.
- *Federal contributions* — \$117 million below budget. The effect of a change in accounting for the Canada health and social transfer (CHST) in 1999/00 is partially offset by a higher forecast of the federal government's national floor for cash payments to provinces. See revenue assumptions and forecast risks.

The 2000/01 budget assumed that British Columbia would withdraw and record as revenue its remaining \$121-million entitlement to the federal CHST supplement announced in the 1999 federal budget. During the finalization of the 1999/00 *Public Accounts*, the government accepted a recommendation of the Auditor General that all the remaining entitlement instead be recorded as revenue in 1999/00.

### Revenue Forecast Assumptions and Risks

Key assumptions and risks affecting the revised revenue forecast are shown in Table 3.4.

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

- Sales and other tax collections could be weaker or stronger-than expected over the rest of the year.
- Continuation of current low prices for lumber, weather conditions and uncertainty about the expiration of the Canada/U.S. Softwood Agreement on March 31, 2001 could affect harvesting activity and forest revenue over the rest of the year.
- Weather conditions and strength in natural gas, oil and U.S. electricity prices could result in higher or lower-than-expected natural resource revenue over the rest of the year.
- The government is presently developing options to address pressures in the health care system and other priority areas. Although the federal government announced its intention to provide further funding for provinces on September 11, 2000, specific information on timing, prerequisites and other details were not available during the preparation of this forecast. The forecast will be updated when further information becomes available.

*Federal contributions could be higher based on recent announcements*

Table 3.4 — Main Revenue Forecast Assumptions and Risks — Consolidated Revenue Fund

Revenue Source	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>Personal Income Tax</b> Budget: \$5,513 million Revised: \$5,852 million, up \$339 million	Personal income growth of 3.2% in 2000; 3.6% in 2001. Tax base growth of 1.8% in 1999; 1.3% in 2000.	Personal income growth of 4.1% in 2000; 3.7% in 2001. Tax base growth of 4.2% in 1999; 2.6% in 2000. Forecast includes \$91 million of one-time prior-year assessments.	±1% change in 2000 personal income growth equals ±\$100 to \$125 million (full year). Distribution of taxable income could affect revenue more in 2000 due to a change to a "tax-on-income" system.
<b>Corporation Income Tax</b> Budget: \$915 million Revised: \$1,050 million, up \$135 million	British Columbia corporate profits increase of 11.5% in 1999; increase of 15.0% in 2000.  National corporate taxable income (CTY) increase of 6.1% in 2000 (1999 national CTY base of \$103.8 billion).	British Columbia corporate profits increase of 18.5% in 1999; increase of 10% in 2000. Due to installment lags, lower profits in 2000 affects 2001/02 revenue. Includes the effect of reducing the small business tax rate from 4.75% to 4.5%, effective January 1, 2001 (announced August, 2000). National CTY increase of 11.0% in 2000 (1999 national CTY base of \$110.8 billion).	±1% change in 1999 British Columbia corporate profits growth equals ±\$10 million. ±1% change in national CTY growth equals ±\$12 million. Recent information suggests that national GDP could be higher than assumed. This could result in a higher federal government forecast of national corporate profits (and CTY) than currently assumed.
<b>Social Services Tax</b> Budget: \$3,446 million Revised: \$3,476 million, up \$30 million	Retail sales growth of 2.8% in 2000; 4.8% in 2001. Machinery/equipment spending increase of 6.0% in 2000; 6.4% in 2001.	Retail sales growth of 5.2% in 2000; 3.1% in 2001. Machinery/equipment spending increase of 4.7% in 2000; 7.5% in 2001.	±1% change in retail sales growth affects revenue by ±\$19 million. ±1% change in M&E investment affects revenue by ±\$6 million. Year-to-date collections are up 2.5% from last year, but are lagging retail sales growth of 5.5% over the same period.
<b>Fuel/Tobacco Taxes</b> Budget: \$905 million Revised: \$ 930 million, up \$25 million	Real GDP growth of 2.2% in 2000; population growth of 1.1% in 2000.	Real GDP growth of 3.0% in 2000; population growth of 1.1% in 2000.	Fuel: ±1% change in real GDP growth equals ±\$3 million. Higher fuel prices could slow consumption. Tobacco: ±1% change in population growth equals ±\$1 million. Smuggling poses a risk to revenue collection.
<b>Petroleum, Natural Gas and Minerals Revenue</b> Budget: \$673 million Revised: \$904 million, up \$231 million	Natural gas price at \$2.15/gigajoule in 2000/01; volumes up 2.0%. Sales of Crown land drilling rights assumes average price of \$240/hectare and 730,000 hectares sold. Price of oil at US \$20/bbl (field price, net of transportation).	Natural gas price at \$2.90/gigajoule in 2000/01; volumes up 2.0%. Sales of Crown land drilling rights assumes average price of \$282/hectare and 730,000 hectares sold. Price of oil at US \$24/bbl.	Commodity prices are volatile and remain a risk in 2000/01. The following sensitivities are based on changes over the remaining part of the year. ±5% change in natural gas price equals ±\$29 million. ±5% change in natural gas volumes equals ±\$21 million. ±5% change in price or volume of land sales equals ±\$6 million. ±US \$5/bbl in oil price equals ±\$15 million to \$25 million.

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Table 3.4 — Main Revenue Forecast Assumptions and Risks — Consolidated Revenue Fund — *Continued*

Revenue Source	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>Forests</b> Budget: \$1,302 million  Revised: \$1,152 million, down \$150 million	Crown coastal harvest (or scaled) volumes at 16.5 million m <sup>3</sup> in 2000/01. Crown interior harvest volumes at 45.7 million m <sup>3</sup> in 2000/01. Average SPF 2x4 price in 2000 at US \$323/1,000 bd ft. Average hemlock (HBSQ) price in 2000 at US \$600/1,000 bd ft. Exchange rate 69.4 cents US in 2000. Average pulp price in 2000 at US \$650/tonne.	Crown coastal harvest (or scaled) volumes at 15.5 million m <sup>3</sup> in 2000/01. Crown interior harvest volumes at 47.5 million m <sup>3</sup> in 2000/01. Average SPF 2x4 price in 2000 at US \$268/1,000 bd ft. Average hemlock price in 2000 at US \$543/1,000 bd ft. Exchange rate 68.0 cents US in 2000. Average pulp price in 2000 at US \$683/tonne.	Effects of the termination of the Canada/U.S. Softwood Lumber Agreement are unknown. Due to timing lags, information is now known to calculate target stumpage rates for the first 3 fiscal quarters. Changes in prices or exchange rates from revised assumptions only affect 4th quarter revenue (assuming no volume changes). ±US \$25 change in SPF 2x4 price used to determine 4th quarter target stumpage rate = ±\$16 million. Change in HBSQ price has minimal impact. ±5% change in harvest volumes in the remaining 3 quarters equals ±\$42 million. A 1-cent increase (decrease) in the exchange rate used to determine 4th quarter target stumpage rates reduces (increases) revenue by \$2-\$3 million.
<b>Water Resources</b> Budget: \$398 million  Revised: \$561 million, up \$163 million	Water rental revenue at \$309 million, electricity sales from Columbia River Treaty at \$89 million.	Water rental revenue at \$309 million, electricity sales from Columbia River Treaty at \$252 million. Forecast assumes average prices at almost 200% higher than last year.	Price of electricity has been extremely volatile and is the main risk to the forecast. Weather can influence the forecast through price and demand factors. ±10% change in price equals ±\$16 million.
<b>Other Sources: Fees, Licences, Fines and Miscellaneous</b> Budget: \$1,881 million  Revised: \$1,931 million, up \$50 million	Usage rate generally varies with population growth. Population growth of 1.1% in 2000.	Population growth of 1.1% in 2000. Higher-than-expected 1999/00 base for miscellaneous revenue and investment earnings.	±1% in usage/population growth equals \$14 million.
<b>Government Enterprises</b> Budget: \$1,448 million  Revised: \$1,478 million, up \$30 million	Generally dependent on growth in real GDP and population. Population growth of 1.1% in 2000, real GDP growth of 2.2% in 2000.	Population growth of 1.1% in 2000; real GDP growth of 3.0% in 2000. BC Hydro dividend up \$41 million due to higher net income.  BCBC contribution down \$11 million due to lower property sales and higher costs.	±1% change in population or real GDP growth equals ±\$10 to \$20 million. ±10% change in electricity prices over the remainder of the year equals ±\$2 to \$4 million in BC Hydro's dividend. BC Hydro contribution can be affected by weather. BCBC contribution depends on timing and amount of property sales in the rest of the year.

Table continued on next page

Table 3.4 — Main Revenue Forecast Assumptions and Risks — Consolidated Revenue Fund — *Continued*

Revenue Source	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>Canada health and social transfer (CHST)</b>  Budget: \$2,549 million  Revised: \$2,432 million, down \$117 million	Includes \$121 million of British Columbia's \$471-million share of the \$3.5-billion supplement (1999 federal budget).  Assumes British Columbia's full \$333-million share of the \$2.5-billion supplement (2000 federal budget).  National personal income tax base growth of 4.0% in 1999; 2.8% in 2000; 3.5% in 2001.  British Columbia population growth of 1.1% in 2000.	As recommended by the Auditor General, the \$121-million supplement was recorded in 1999/00.  British Columbia withdrew its full \$333-million share of the \$2.5-billion supplement (2000 federal budget).  National personal income tax base growth of 7.1% in 1999; 2.6% in 2000, 3.5% in 2001.  British Columbia population growth of 1.1% in 2000.  Includes \$23 million for prior-year one-time assessments.  Does not assume additional federal contributions announced on September 11, 2000.	±1% change in British Columbia population with no change in national population is equivalent to ±\$35 to \$40 million (full year).  ±1% increase (decrease) in the British Columbia income tax base reduces (increases) revenue by \$15 to \$20 million (full year).  ±1% change in the national base (cash and tax) equals ±\$35 to \$40 million (full year).  Revenues could be higher depending on timing of payments and prerequisites relating to the federal announcement.

### Revised Expenditure Forecast

*Excluding the effect of the pension accounting change, the spending forecast is \$12 million below budget*

*In recognition of the pressures in government priority areas, including health care, the budget forecast allowance has been increased by \$350 million to provide greater certainty that the forecast balanced budget will be achieved*

As shown in Table 3.5, the revised expenditure forecast is \$382 million below budget, mainly due to a change to pension accounting policy. Excluding the effect of the change to pension accounting policy, the forecast would be \$12 million below budget.

The Ministry of Health budget forecast has not been revised, although the government is considering various expenditure options in recognition of pressures within the health care system, and in other priority areas. The government is also pursuing additional federal funding for health care, which may have revenue and expenditure implications in this fiscal year. Although the federal government announced its intention to provide further funding for provinces on September 11, 2000, specific information on timing, prerequisites and other details were not available during the preparation of this forecast. In recognition of the pressures in government priority areas including health care, as well as other forecast uncertainties, the summary accounts forecast allowance has been increased by \$350 million to \$650 million to provide greater certainty that the forecast balanced budget will be achieved.

Ministries have identified the following spending pressures and risks. The pressures either carry statutory spending authority (e.g. forest fire-fighting costs), or are funded from the Contingencies vote.

*Ministry of Aboriginal Affairs* — A statutory spending pressure of \$10 million is due to payments of stumpage revenue to the McLeod Lake Indian Band that the province collects on behalf of the band.

*Ministry of Advanced Education, Training and Technology* — The forecast includes \$19 million for the costs of the labour accord and collective agreement with CUPE, funded from the Contingencies vote. Expenditure savings of \$24 million are expected due to a correction to the formula used for amortizing capital investments by British Columbia Transit.

*Ministry of Attorney General* — Up \$7 million mainly due to Jericho Hill School compensation that will be paid from the Contingencies vote. Risks to the forecast include statutory spending pressures such as court settlements, and flood, snow and fire damage compensation.

*Ministry for Children and Families* — Unchanged, but higher demand for ministry program services is a risk to the forecast.

*Ministry of Community Development, Cooperatives and Volunteers* — Up \$0.7 million due to the write-down of the investment in the Four Corners Bank that is expected as a result of its current deficit.

*Ministry of Education* — Pressures include the announced decision not to reduce the Independent Public School funding formula, higher-than-expected costs of teachers moving through the salary grid, and a correction to the formula used for amortizing capital investments. These are offset by lower-than-expected debt servicing costs. No change has been made to the ministry's \$10-million reserve pending receipt of final enrolment figures later in the fall.

*Ministry of Environment, Lands and Parks* — The forecast includes a statutory expenditure of \$0.3 million for lower-than-budgeted cost recoveries, and \$6 million funded from the Contingencies vote for program pressures including additional spending for work related to climate change, Cypress Bowl water and sewer improvements, and the Tulsequah Chief Mine.

*Ministry of Forests* — Up \$20 million due to higher-than-expected forest fire-fighting suppression costs that are funded under a statutory appropriation. Additional forest fire-fighting costs, landscape unit management, and pest control are risks to the forecast.

*Ministry of Health* — The forecast has not been changed at this time. The government is presently developing options to address pressures in the health care system and other priority areas and negotiations with the British Columbia Medical Association are ongoing. Although the federal government announced its intention to provide further funding for provinces on September 11, 2000, specific information on timing, prerequisites and other details were not available during the preparation of this forecast. As a result, the government has increased the summary accounts forecast allowance by \$350 million to \$650 million, in recognition of spending pressures in health care and other priority areas.

*Ministry of Social Development and Economic Security* — Unchanged, however, risks to the forecast include higher-than-expected demand for disability/income assistance and childcare subsidies.

Other ministries forecast to be on or below budget include the Ministries of Agriculture, Food and Fisheries; Employment and Investment; Finance and Corporate Relations; Labour; Transportation and Highways; and Women's Equality.

Other ministries presently forecast to be slightly above budget will draw on funds from the Contingencies vote or use statutory spending authorities provided in their own legislation. These ministries include the Ministries of Energy and Mines; Multiculturalism and Immigration; Municipal Affairs; and Small Business, Tourism and Culture.

*Management of Public Funds and Debt (debt interest)* — Lower-than-assumed borrowing requirements are expected to result in \$34 million of reduced debt interest costs by year-end.



**Table 3.5 Consolidated Revenue Fund — Revised Expenditure Forecast**  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Revised Forecast 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Legislation.....	38.1	38.1	—	34.3
Officers of the Legislature.....	26.2	28.2	2.0	28.5
Office of the Premier.....	2.7	2.7	—	2.6
Aboriginal Affairs.....	43.3	53.3	10.0	33.8
Advanced Education, Training and Technology				
Educational institutions and organizations.....	1,179.3	1,198.7	19.4	1,100.0
Contributions to British Columbia Transit.....	180.5	157.0	(23.5)	147.1
Other ministry programs.....	523.4	523.4	—	517.0
Total.....	1,883.2	1,879.1	(4.1)	1,764.1
Agriculture, Food and Fisheries.....	121.1	121.1	—	102.9
Attorney General.....	941.1	948.2	7.1	1,000.8
Children and Families.....	1,501.0	1,501.0	—	1,350.7
Community Development, Cooperatives and Volunteers.....	22.7	23.4	0.7	15.5
Education				
Public school operating contributions.....	3,773.0	3,773.0	—	3,639.5
Other ministry programs.....	763.4	763.4	—	709.3
Total.....	4,536.4	4,536.4	—	4,348.8
Employment and Investment.....	37.2	37.2	—	34.5
Energy and Mines.....	41.7	42.4	0.7	34.2
Environment, Lands and Parks.....	188.5	195.0	6.5	199.0
Finance and Corporate Relations.....	113.1	113.1	—	115.2
Forests.....	512.4	532.4	20.0	498.5
Health.....	8,268.5	8,268.5	—	7,972.3
Labour.....	29.8	29.8	—	27.7
Multiculturalism and Immigration.....	24.2	24.8	0.6	111.8
Municipal Affairs.....	141.0	145.5	4.5	145.1
Small Business, Tourism and Culture.....	85.8	88.0	2.2	86.4
Social Development and Economic Security.....	2,026.4	2,026.4	—	1,965.6
Transportation and Highways.....	464.5	464.5	—	461.1
Women's Equality.....	54.4	54.4	—	42.5
Other:				
Management of Public Funds and Debt.....	1,009.0	974.8	(34.2)	834.9
Contingencies (All Ministries) and New Programs.....	125.0	88.2	(36.8)	66.3
BC Family Bonus.....	152.0	152.0	—	183.1
Amortization of Change in Unfunded Pension Liability.....	(129.6)	(129.6)	—	(129.6)
Other Appropriations <sup>4</sup> .....	40.3	49.1	8.8	38.9
TOTAL.....	22,300.0	22,288.0	(12.0)	21,369.5
Pension Accounting Change.....	—	(370.0)	(370.0)	(351.8)
One-Time Expenditures.....	—	—	—	1,182.7
TOTAL EXPENDITURE.....	22,300.0	21,918.0	(382.0)	22,200.4

<sup>1</sup> Figures have been restated to reflect the government reorganization announced April 4, 2000.

<sup>2</sup> 2000/01 revised forecast less 2000/01 budget. Above-budget variances are funded either from statutory authority or the Contingencies vote.

<sup>3</sup> Figures for 1999/00 have been restated to conform to the 2000/01 government structure.

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

*Contingencies (All Ministries) and New Programs* — The \$125-million budget is forecast to be fully allocated to provide funding for pressures presently identified by ministries (\$37 million), and new pressures that may occur over the rest of the year (\$88 million).

*Pension Accounting Changes* — As noted with release of the 1999/00 *Public Accounts*, the Auditor General requested that the government change its basis of accounting for pension costs to conform more closely with emerging accounting guidelines. By adopting this change, the government now recognizes pension plan surpluses and estimated changes in unfunded pension liabilities on an annual basis. Based on updated actuarial information, the overall pension expense for 2000/01 will be reduced by a further \$370 million primarily due to significant pension investment earnings. A comparative adjustment of \$352 million was also recorded for 1999/00. This accounting change was adopted after the tabling of the 2000/01 budget and therefore results in an unbudgeted reduction to government expenditures. Further information is available in the 1999/00 *Public Accounts* and the 2000 *British Columbia Financial and Economic Review*.

Assumptions and risks associated with the revised forecast are detailed in Table 3.6.

**Table 3.6 — Main Expenditure Forecast Risks and Sensitivities — Consolidated Revenue Fund**

Expenditure Area Budget	Revised Forecast	Risks and Sensitivities
<b>Officers of the Legislature — Elections B.C.</b> Budget — \$10 million	Up \$2 million, funded under a statutory appropriation, for continuing work on redistribution of the electoral boundary districts.	Depending on the timing of the next provincial election, costs could increase by up to \$25 million.
<b>Ministry of Aboriginal Affairs</b> Budget — \$43 million	Up \$10 million, funded under a statutory appropriation, for payments of stumpage revenue to the McLeod Lake Indian Band that the province collects on their behalf.	Actual expenditures are affected by the pace of treaty settlements. There is minimal expenditure risk to the province in 2000/01 for ratifying additional treaties, due to the structure of cost-sharing arrangements with the federal government.
<b>Ministry of Advanced Education, Training and Technology</b> Budget — \$1,702 million (excluding contributions to BC Transit shown below)	Up \$19.4 million, funded from Contingencies, for the collective agreement and accord negotiated with CUPE.	Student financial assistance may require additional funding to provide for a new grant arrangement.  Higher or lower demand for student financial assistance are variables beyond the control of government. A 1% change in demand affects costs by \$1.3 million.
Contributions to BC Transit (funded under the Ministry of Advanced Education, Training and Technology) Budget — \$181 million	Down \$23.5 million. A correction to the formula used for amortizing capital investments will reduce government expenditure by \$23.5 million.	BC Transit negotiated a two-year fixed price fuel contract effective April 2000 with the result that rising fuel prices are no longer a risk.
<b>Ministry of Attorney General</b> Budget — \$941 million	Up \$7.1 million, funded from Contingencies, due to compensation payments for Jericho Hill School claimants (\$5.2 million) and ministry program pressures (\$1.9 million).	An unusual number or severity of natural disasters, such as forest fires or floods and higher-than-assumed volumes or costs per case for <i>Criminal Injuries Compensation Act</i> and <i>Crown Proceeding Act</i> settlements represent a risk. (These programs are funded under a statutory appropriation.)  Costs are affected by the number of prisoners held in provincial correctional facilities. Every 1% change in the prison population affects costs by \$1.4 million. (The budget assumes the number of remanded and sentenced adult offenders remains within 2,200 to 2,400 target in 2000/01. Adult inmate population is 2,322 at June 30, 2000.)

Table Continued on next page

Table 3.6 — Main Expenditure Forecast Risks and Sensitivities — Consolidated Revenue Fund — *Continued*

Expenditure Area Budget	Revised Forecast	Risks and Sensitivities
<b>Ministry for Children and Families</b> Budget — \$1,501 million	Unchanged.	Costs of compensation increases in the community social services sector could vary depending on the rate of unionization, the demand for labour adjustment and the impact on cost reduction initiatives. Average children-in-care caseload is about 450 higher than budgeted and may not come down. Community living services residential utilization is 100 beds higher than expected and may not come down. There is no provision for foster care rate increases, which could result in children being placed in higher cost care.
<b>Community Development, Cooperatives and Volunteers</b> Budget — \$23 million	Up \$0.7 million, funded under a statutory appropriation, for a write-down of the Four Corners Bank investment.	
<b>Ministry of Education</b> Budget — \$4,536 million	Unchanged. The forecast includes the announced decision not to reduce the Independent Public School funding formula (\$5 million); and a correction to the formula used for amortizing capital investments (\$2.3 million); and the expected costs of movement on the teacher salary grid (\$4.5 million). These pressures are offset by lower debt servicing costs and other miscellaneous savings.	The disposition of the \$10-million ministry reserve will not be decided until final enrolment figures are available later in the fall. Higher or lower enrollment growth may affect expenditures. A 1% change in enrollment affects costs by \$37.3 million. Collective agreement ratification with CUPE was not concluded prior to the forecast.
<b>Energy and Mines</b> Budget — \$42 million	Up \$0.7 million, funded from Contingencies, for work on climate change and the Tulsequah Chief Mine project.	
<b>Environment, Lands and Parks</b> Budget — \$189 million	Up \$6.5 million, includes \$0.3 million funded under a statutory appropriation for lower-than-budgeted cost recoveries, and \$6.2 million, funded from Contingencies, for work on climate change, Cypress Bowl water and sewer improvements, and the Tulsequah Chief Mine project.	
<b>Ministry of Forests</b> Budget — \$512 million	Up \$20 million, funded under a statutory appropriation, for forest fire suppression. Fire conditions are worse than a "moderate" year, but better than the situation in the U.S.	Forest fire costs could increase by up to an additional \$10 million. The annual cost of fighting forest fires has varied from \$19 million to \$154 million. There is a risk that additional funding will be required from Contingencies for high priority issues such as landscape unit planning and pest management.
<b>Ministry of Health</b> Budget — \$8,269 million	No revision to the health forecast is being made at this time, however, the budget forecast allowance has been increased from \$300 million to \$650 million in recognition of possible spending pressures in government priority areas, including health.	Announcements by the federal government on September 11, 2000 that allocate additional Canada health and social transfer funding to British Columbia could change the forecast for health programs depending on the expenditure commitment required by the province. There is insufficient information to make an assessment at the time of this forecast. There are still uncertainties with regard to the extent and size of health pressures for the current fiscal year. <b>Medical Services Plan (MSP):</b> Negotiations with the British Columbia Medical Association on a settlement with rural physicians have been on-going. No cost estimate of the potential outcome of these negotiations has been included in the Health forecast. A 1% change in utilization of physician services affects costs by \$16 million. There is no hard cap on physician billings for the duration of the working agreement (i.e. to the end of March 2001). <b>Emergency Health Services:</b> Negotiations between government and the BC Ambulance Service to renew the collective agreement (expired March 31, 2000) are still in progress.

Table continued on next page

Table 3.6 — Main Expenditure Forecast Risks and Sensitivities — Consolidated Revenue Fund — *Continued*

Expenditure Area Budget	Revised Forecast	Risks and Sensitivities
<b>Ministry of Labour</b> British Columbia Gaming Commission Distribution of Gaming Revenues to Charities \$100 million	Unchanged.	If charitable bingo revenue is 5% lower than assumed, this could result in an increase of \$2 million in government assistance to charities and operators.
<b>Multiculturalism and Immigration</b> Budget — \$24 million	Up \$0.6 million, funded from Contingencies, for unbudgeted costs associated with the formation of the new ministry and to support disability research.	
<b>Municipal Affairs</b> Budget \$141 million	Up \$4.5 million, \$3.9 million is funded under a statutory appropriation for retroactive home owner grant payments, and \$0.6 million is funded from Contingencies for an unbudgeted amortization expense for a ministry computer system.	
<b>Small Business, Tourism and Culture</b> Budget — \$86 million	Up \$2.2 million, funded from Contingencies, for unanticipated archaeology program expenditures and a contribution to the Winter Olympics Bid Society.	
<b>Ministry of Social Development and Economic Security</b> Budget \$2,026 million	Unchanged.	The level of demand for these programs is sensitive to population changes (in- and out-migration) and the relative strength of the provincial economy. The anticipated 4.2% decline in BC Benefits caseload may not be fully realized. Utilization of child care spaces is 800 higher than budgeted and may not come down. A 1% change in the BC Benefits caseload affects full-year expenditure by \$12.5 million. A 1% change in child care caseload affects full-year expenditure by \$1.2 million.
Housing Programs Budget — \$104 million (included in Ministry of Social Development and Economic Security above)	Unchanged.	Rent subsidies account for 70% of expenditures and are sensitive to changes in mortgage rates and changes in tenant incomes (tenant rent revenue is equal to 30% of income). A 1% change in mortgage rates affects provincial contributions by \$0.8 million. A 1% change in tenant incomes affects provincial contributions by \$0.9 million.
<b>Ministry of Transportation and Highways</b> Budget — \$465 million	Unchanged. Diesel fuel and gasoline prices have increased since Budget day but these increases have not exceeded the planning assumptions. Given current trends it is too soon to revise the forecast.	Every 1-cent per litre increase in diesel fuel prices increases inland ferry operating costs by \$25,000 per year. Every 1-cent per litre increase in gasoline prices increases equipment operating costs by \$27,000 per year.
<b>Debt Servicing</b> Budget — \$1,009 million	Down \$34.2 million. Borrowing requirements are lower than expected.	1% change in interest rates results in \$50 million change in direct operating debt interest expense for the remaining three quarters of the fiscal year; up to \$67 million change when other taxpayer-supported debt is included.
<b>BC Family Bonus Program</b> (administered by the Ministry of Finance and Corporate Relations) Budget — \$152 million	Unchanged.	

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Table 3.6 — Main Expenditure Forecast Risks and Sensitivities — Consolidated Revenue Fund — *Continued*

Expenditure Area Budget	Revised Forecast	Risks and Sensitivities
<b>Contingencies (All Ministries) and New Programs</b> Budget — \$125 million	(\$ millions) Advanced Education, Training and Technology ..... 19.4 Attorney General ..... 7.1 Energy and Mines ..... 0.7 Environment, Lands and Parks ..... 6.2 Multiculturalism and Immigration ..... 0.6 Municipal Affairs ..... 0.6 Small Business, Tourism and Culture .. 2.2 Remaining Unallocated Funds ..... 88.2 TOTAL ..... 125.0	These are tentative allocations based on year-to-date results. Treasury Board Staff and ministry officials will continue to examine expenditure pressures against funding available in ministry budgets. As a result of this work, ministries' requirements for Contingencies funding may change later in the fiscal year.
<b>Other Appropriations — Insurance and Risk Management</b> Budget \$9 million	Up \$9.8 million, funded under a statutory appropriation, for an actuarial loss provision.	
<b>Amortization of Unfunded Pension Liabilities</b> Budget — (\$130 million)	Change to pension accounting policy noted with the release of 1999/00 <i>Public Accounts</i> will further reduce government expenditures by \$370 million.	Actuarial evaluations are expected to result in reductions in unfunded pension liabilities. A \$100-million change in provincial liabilities would change expenditure by \$9 million.  Joint trusteeship discussions that are underway can be expected to have an impact on the 2000/01 deficit if concluded in 2000/01, since, upon conversion, existing pension fund surpluses or liabilities would be removed from the government's financial statements.

## Crown Corporations and Agencies

*Full-year forecasts of operating results are based on information provided by Crown corporations and agencies*

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. Further details are shown in Table 3.1.

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.

### Taxpayer-supported Crown Corporations and Agencies

**British Columbia Buildings Corporation:** net income of \$51 million is projected to be \$11 million below budget but \$6 million higher than last year. The decline from budget reflects lower-than-planned property sales and higher operations, energy and lease costs partially offset by lower debt interest and amortization costs.

**British Columbia Ferry Corporation:** a projected net loss of \$3 million will be \$7 million lower than budget. Lower pension costs and amortization expense is partially offset by the effects of higher fuel prices and increased repair and maintenance costs. Excluding the \$240-million write-down of the *PacifiCats* in 1999/00, the corporation's projected net loss is \$56 million lower than the previous year primarily due to lower debt interest costs resulting from the government's forgiveness of \$1.08 billion of debt in 1999/00, and increased dedicated fuel tax revenue.

**BC Transportation Financing Authority:** projected net income of \$1 million is \$2 million better than planned due to above-budget revenue from land leases and other sources, partially offset by additional road development costs. The projected \$21-million decline in net income from the previous year is primarily due to higher interest costs and amortization expense, partially offset by an increase in dedicated revenue.

*Forest Renewal BC projects a net loss of \$126 million*

**Forest Renewal BC:** a projected net loss of \$126 million is \$74 million higher than budget and compares to net income of \$1 million in 1999/00. The change from budget and the previous year reflects lower stumpage revenue, due to weaker commodity prices, partially offset by spending reductions.

**Other Taxpayer-supported Crown corporations and agencies:** combined losses are projected at \$17 million, slightly higher than budget. Projected losses for the BC Pavilion Corporation, the Homeowner Protection Office and Tourism British Columbia are partially offset by higher net income of other taxpayer-supported Crown corporations and agencies. The \$27-million improvement from the previous year partly reflects the effect of one-time costs in 1999/00 due to the cancellation of the Vancouver Trade and Convention Centre.

#### **Self-supported Commercial Crown Corporations and Agencies**

*British Columbia Hydro projects net income of \$477 million and a \$273-million transfer to the rate stabilization account*

**British Columbia Hydro and Power Authority:** net income is projected at \$477 million after transferring \$273 million to the Authority's rate stabilization account as required by regulation. The improvement from budget and the previous year mainly reflects strong electricity trade results due to high prices and strong demand in the U.S. As required by regulation, the annual dividend paid to the province will total \$396 million, up \$41 million from budget. The full-year forecast could change significantly depending on market prices, weather and consumption demand, and interest and foreign exchange rates over the rest of the year.

**Liquor Distribution Branch:** net income of \$620 million is unchanged from the budget.

**British Columbia Lottery Corporation:** despite positive results in the first quarter, the corporation's full-year net income forecast remains unchanged from the \$534 million originally budgeted due to uncertainty about sales trends over the rest of the year. Net income for the year shows a slight increase from 1999/00.

**British Columbia Railway Company:** net income for the operating year ending December 31, 2000 is projected at \$35 million, down \$5 million from budget. Revenues are forecast to be on budget while expenditures are expected to be above budget due to higher costs for fuel, locomotive leasing and traffic-related operations. The significant improvement from the previous year reflects the effect of a \$617-million one-time write-down of assets in 1999. Excluding this write-down, the net income forecast for 2000 is unchanged from the previous year.

*ICBC forecasts net income of \$300 million due to gains on investments and lower costs for settling prior years' injury claims*

**Insurance Corporation of British Columbia:** projected net income of \$300 million for the operating year ending December 31, 2000 is \$297 million above budget and \$204 million higher than the previous year. The significant improvement is primarily due to higher-than-expected gains on disposals of investments and lower-than-assumed costs of settling prior years' injury claims. The forecast is based on a mid-range set of assumptions and reflects significant savings in prior years' injury claim costs due to the effects of a number of cost-reduction, injury management and traffic safety programs and initiatives.

**Other Commercial Crown Corporations and Agencies:** combined net income is projected at \$55 million, up \$13 million from budget and \$54 million higher than the previous year. Increase from budget and the previous year primarily reflects improvements in the finances of 552513 British Columbia Ltd. (Skeena Cellulose Inc.).

### **Crown Corporation Assumptions and Forecast Risks**

Main assumptions supporting the forecasts are summarized in Table 3.7, together with a description of risks and sensitivities.

While current year developments have shown an overall positive trend at the first-quarter mark, a number of factors could affect the forecast during the rest of the fiscal year. For example:

- Weather conditions and higher or lower-than-assumed commodity prices and demand for electricity and lumber could affect results for British Columbia Hydro and Power Authority and Forest Renewal BC over the rest of the year.
- Higher or lower-than-assumed fuel prices could materially affect full-year results for the British Columbia Ferry Corporation and British Columbia Railway Company.
- A sale of the *PacifiCats* could affect British Columbia Ferry Corporation finances.
- Accident claim trends and investment markets could be different than assumed and could increase or decrease the projected net income of the Insurance Corporation of British Columbia.
- Unanticipated changes in interest or exchange rates could affect expected full-year debt servicing costs for some corporations.

The 2000/01 revised forecast incorporates known and likely costs and adjustments arising from pending litigation or extraordinary items like asset write-downs. Further adjustments may occur as a result of litigation developments or reviews of accounts of the Crown corporations and agencies by their auditors. The 2000/01 summary accounts forecast includes a \$650-million forecast allowance for uncertainties over the rest of the year.

Table 3.7 — Main Crown Corporation Forecast Assumptions and Risks

Crown Corporation	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>British Columbia Buildings Corporation</b>  Budget — Net income: \$62 million  Revised Forecast — Net income: \$51 million	Gains on disposal of properties at \$26.2 million.  \$59 million in capital spending. This includes capital spending of approved client projects and capital spending for recoverable commercial projects.  Dividend to CRF of \$62 million.	Gains on disposal of properties at \$16.1 million.  \$62 million in capital spending. This includes capital spending of approved client projects and capital spending for recoverable commercial projects.  Dividend to CRF of \$51 million.	Value and timing of property sales depend on market.  Capital spending dependent on timing of projects and approval limits for ministry clients.  1% change in interest rates affects interest expense by \$1 to \$2 million.
<b>British Columbia Ferry Corporation</b>  Budget — Net loss: \$10 million  Revised Forecast — Net loss: \$3 million	Toll projections based on current traffic volume trends and the corporation's business initiatives.  \$72.3 million received from provincial dedicated motor fuel tax.  Major capital expenditure limit at \$117 million.  Known expenditure pressures included.  Lower amortization costs as a result of \$240-million write-down of <i>PacifiCats</i> at the end of 1999/00.  Assumes effect of \$1.08 billion provincial debt forgiveness at the end of 1999/00.	Toll projections same as budget.  Fuel prices will stabilize at current rates.  Anticipates a \$6.9-million reduction in salary costs due to pension plan changes.  \$72.3 million from provincial dedicated motor fuel tax.  Major capital expenditure limit at \$110 million.  Write-down of additional assets at the end of 1999/00 will further reduce amortization costs.  Assumes effect of \$1.08 billion provincial debt forgiveness at the end of 1999/00.	1% change in volumes affects revenues by about \$6 million.  1% change in fuel prices affects fuel costs by \$0.5 million.  1999/00 <i>PacifiCats</i> write-down assumes book value of \$40 million per vessel. Further adjustments may be required depending on sale proceeds if <i>PacifiCats</i> sold.  Changes in interest rates do not have material affect on expenses due to low level of debt.
<b>BC Transportation Financing Authority</b>  Budget — Net loss: \$1 million  Revised Forecast — Net income: \$1 million	\$203 million of dedicated provincial taxes received from provincial government.  Major capital spending limit at \$486 million.  Known expenditure pressures included.  Average borrowing rate assumed at 6.5%.  Includes an estimate of the net cost of roads to be transferred to newly incorporated municipalities.	\$203 million of dedicated provincial taxes received from provincial government.  Major capital spending limit at \$503 million.  Known expenditure pressures included.  Average borrowing rate assumed at 6.5%.  Includes an estimate of the net cost of roads to be transferred to newly incorporated municipalities.	1% change in provincial fuel consumption volumes affects revenue by \$2 million.  Weather patterns can delay projects.  Construction costs sensitive to inflation.  1% change in interest rates equals a \$15-million change in interest costs (full year).  A higher-than-anticipated number of incorporations will impact the number of highways transferred and will increase asset transfer (grant) costs.
<b>Forest Renewal BC</b>  Budget — Net loss: \$52 million  Revised Forecast — Net loss: \$126 million	See forest revenue assumptions in Table 3.4.  Expenditures occur as per published business plan.  Known expenditure pressures included.	Assumes stumpage \$88 million below budget.  Assumes \$1 million reduction in investment earnings.  Assumes \$15 million reduction in program expenditures.	Due to timing lags, information to calculate target stumpage rates is known for the first three fiscal quarters.  $\pm$ US\$25/1,000 bd ft in SPF 2x4 prices to determine 4th quarter stumpage rate = $\pm$ \$9 million.  Changes in pulp or hemlock prices have minimal impact.  $\pm$ 5% in harvest volumes in the remaining three quarters = $\pm$ \$10 million.

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Table 3.7 — Main Crown Corporation Forecast Assumptions and Risks — *Continued*

Crown Corporation	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<p><b>British Columbia Hydro and Power Authority</b></p> <p>Budget — Net income: \$429 million</p> <p>Revised Forecast — Net income: \$477 million</p>	<p>Forecast based on February 1, 2000 snowpack levels and projected weather patterns.</p> <p>Export revenue and short-term energy purchase costs based on estimated forward market prices.</p> <p>Assumes continuation of rate freeze.</p> <p>Assumes average interest rates of CDN 6.4% and US 6.8%, and an average 69.9 cents US exchange rate.</p> <p>Capital spending at \$450 million.</p> <p>Small withdrawal from rate stabilization account required at year-end to achieve target rate of return.</p>	<p>Forecast based actual year-to-date water flows and normal snowpack levels and weather patterns for the upcoming winter.</p> <p>Export revenue and short-term energy purchase costs based on estimated forward market prices.</p> <p>Assumes continuation of rate freeze.</p> <p>Assumes average interest rates of CDN 6.4% and US 7.3%, and an average 67.8 cents US exchange rate.</p> <p>Capital spending at \$450 million.</p> <p>Increased revenue will result in a \$273-million transfer into the rate stabilization fund at year-end.</p>	<p>10% change in temperatures, as measured in degree days, equals \$40 million change in residential revenues.</p> <p>Market prices for energy are volatile.</p> <p>10% change in market prices over the rest of the year produces a \$95-million change in electricity trade revenue and a \$75-million change in energy costs.</p> <p>1% change in borrowing rates equal \$17 million change in finance costs over the remainder of the year.</p> <p>1-cent change in exchange rate affects financing costs by \$5 million over the remainder of the year.</p>
<p><b>Liquor Distribution Branch</b></p> <p>Budget — Net income: \$620 million</p> <p>Revised Forecast — Net income: \$620 million</p>	<p>Net sales increase 1.9% based on current and expected consumption trends.</p> <p>Assumes known cost pressures.</p> <p>Capital spending of \$26 million.</p>	<p>No change from budget.</p>	<p>Price competition and economic conditions affect sales. Manufacturer price changes can be unpredictable.</p> <p>Weather patterns and timing of statutory holidays affects consumption.</p> <p>1% change in sales volume affects net income by up to \$6 million.</p> <p>Higher-than-assumed credit card use could increase collection costs.</p>
<p><b>British Columbia Lottery Corporation</b></p> <p>Budget — Net income: \$534 million</p> <p>Revised Forecast — Net income: \$534 million</p>	<p>Sales projections based on current trends.</p> <p>Prize payout rates based on historical trends.</p> <p>Assumes opening of one destination casino in July 2000, and additional revenue from new operations started in mid-1999.</p> <p>Forecast assumes no changes to gaming policy (e.g. expanded gaming) beyond what has already been approved.</p>	<p>No change from budget.</p>	<p>1% change in sales could affect net income by up to \$7 million.</p> <p>Changes in disposable income, tourism, competitive markets in other jurisdictions, and volumes of jackpot rollovers also affect sales. These factors and resultant effects are difficult to forecast.</p>

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Table 3.7 — Main Crown Corporation Forecast Assumptions and Risks — *Continued*

Crown Corporation	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<p><b>British Columbia Railway Company</b></p> <p>Budget — Net income: \$40 million</p> <p>Revised Forecast — Net income: \$35 million</p>	<p>Freight traffic volumes based on current and projected trends. Includes effect of announced plans for Tumbler Ridge clients, and full-year effect of operations commenced in 1999 (e.g. Finlay Navigation Partnership).</p> <p>No significant traffic/labour disruptions.</p> <p>Incorporates effect of \$617-million writedown of rail assets in 1999.</p> <p>Fuel costs to stabilize at 1999 levels.</p> <p>Known pressures included.</p> <p>Capital spending at \$125 million.</p> <p>Dividend to CRF at \$10 million.</p> <p>No changes to forest activity from the Canada/U.S. Softwood Lumber Agreement, and there is no negative impact from further rationalization in the forest industry.</p>	<p>Revenue on budget as increases in marine traffic volumes and land sales offset the loss of rail traffic from first quarter service disruptions and second quarter softening in lumber markets.</p> <p>Expenditures are expected to exceed budget with higher fuel prices, locomotive leasing costs and traffic-related expenses more than offsetting reductions in depreciation expense as a result of the write-down of assets at the end of 1999.</p> <p>Financing and tax costs are projected to be less than budget because of refinement to the timing of capital expenditures.</p> <p>Capital spending at \$110 million.</p> <p>Dividend to CRF at \$10 million to be paid in the first quarter of calendar 2001.</p>	<p>If fuel costs remain at current levels, costs could increase \$5 to \$10 million.</p> <p>Traffic revenue from lumber, pulp and other commodities could be affected by changes in commodity prices (e.g. lower lumber/pulp prices leading to reduced production in lumber/pulp mills). Depending on assumptions, this could affect net income by up to \$10 million.</p> <p>Total traffic disruption could reduce net income by \$4 million per week.</p>
<p><b>Insurance Corporation of British Columbia</b></p> <p>Budget — Net income: \$3 million</p> <p>Revised Forecast — Net income: \$300 million</p>	<p>Premium revenue growth of 1.2%, largely reflecting increased vehicle volumes.</p> <p>No change in overall premium rates assumed in 2000.</p> <p>Claims incurred costs will decline 3% and include the effect of road safety and loss mitigation programs.</p> <p>1999 results included a \$238-million positive adjustment due to lower estimates of the costs of settling previous year claims. A smaller adjustment is expected in 2000.</p>	<p>Premium revenue growth of only 0.2%.</p> <p>No change in overall premium rates assumed in 2000.</p> <p>Claims incurred costs will decline 2% before the effect of a \$225-million positive adjustment due to lower estimates of the costs of settling prior-year claims.</p> <p>Anticipates a 34% increase in investment income mainly one-time gains on equity investments.</p> <p>Does not assume refunds or rebates to policy holders.</p>	<p>Claims cost trends are closely tied to economic conditions. Fluctuations may be as much as 10% from estimate, resulting in up to a \$200-million change from forecast.</p> <p>1% change in CPI over remainder of year affects claims costs by about \$10 million.</p> <p>1% change in GDP could affect claims costs by about 2% or \$40 million (full year).</p> <p>Adverse judgments on outstanding litigation, such as those relating to cost control, may affect the 2000 forecast.</p>

## Staff Utilization

The government and its taxpayer-supported Crown corporations and agencies are projected to have a total staff utilization of 43,600 full-time equivalents (FTE's) in the 2000/01 fiscal year. This includes 33,900 FTE's for ministries and special offices and 9,700 FTE's for taxpayer-supported Crown corporations and agencies.

Utilization for ministries and special offices is projected to be about 400 FTE's below budget primarily due to recruitment lags. The increase from 1999/00 mainly reflects additional resources provided in the 2000/01 budget for migrant care, after-school care and firearm licensing and registration. In addition, more resources have been required for forest fire fighting in 2000/01.

**Table 3.8 Summary Accounts Staff Utilization<sup>1</sup> — Revised Forecast**

	Budget 2000/01	Revised Forecast	Variance <sup>2</sup>	Actual 1999/00 <sup>3</sup>
	(thousands)			
Consolidated revenue fund (e.g. ministries and special offices) .....	34.3	33.9	(0.4)	33.0
Taxpayer-supported Crown corporations and agencies <sup>4</sup> .....	<u>—</u> <sup>5</sup>	<u>9.7</u>	<u>—</u>	<u>9.6</u>
<b>Total staff utilization</b> .....	<u>34.3</u>	<u>43.6</u>	<u>(0.4)</u>	<u>42.6</u>

<sup>1</sup> Staff utilization is measured in full-time equivalents (FTE's). FTE's are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual full-time person would normally work in that period. This does not equate to the physical number of employees as, for example, two half-time employees would equal one FTE.

<sup>2</sup> 2000/01 revised forecast less 2000/01 budget.

<sup>3</sup> Figures for 1999/00 have been restated to be consistent with the presentation used for 2000/01.

<sup>4</sup> The revised forecast for 2000/01 and actual for 1999/00 include 35 FTE's in the Ministry of Forests (35 FTE's in 1999/00) and 75 FTE's in the Ministry of Environment, Lands and Parks (94 FTE's in 1999/00) that work on behalf of, and are funded by, Forest Renewal BC.

<sup>5</sup> An estimate was unavailable for the 2000/01 budget. Consistent with the transition to the reporting requirements of the *Budget Transparency and Accountability Act*, an estimate will be provided with the 2001/02 budget.

## Capital Spending

Capital spending for the full year is forecast to be \$50 million above budget mainly due to the carry-over of unused 1999/00 funding for the *SkyTrain* extension. The increase is partially offset by slower-than-planned spending for universities, health facilities, ferries and railway initiatives (see Table 3.9).

Table 3.9 Capital Expenditures — Revised Forecast

	Budget 2000/01	Revised Forecast 2000/01	Variance <sup>1</sup>	Actual 1999/00
(\$ millions)				
<b>Taxpayer-supported</b>				
<b>Capital plan</b>				
Education <sup>2</sup> .....	579	569	(10)	489
Health.....	309	295	(14)	247
BC Transportation Financing Authority.....	502 <sup>3</sup>	503	1	478
British Columbia Ferry Corporation.....	117	110	(7)	121
Rapid Transit Project 2000.....	413	480	67	395
Other <sup>4</sup> .....	90	95	5	57
Gross capital plan.....	2,010	2,052	42	1,787
<b>Less: recoverable expenditures<sup>5</sup></b>				
Hospital districts.....	(52)	(50)	2	(22)
Greater Vancouver Transportation Authority ( <i>TransLink</i> ).....	(34)	(34)	—	(44)
Net capital plan.....	1,924	1,968	44	1,721
<b>Other taxpayer-supported</b>				
Government operating (ministries).....	223	223	—	156
Social Housing.....	20	20	—	12
Other <sup>6</sup> .....	17	12	(5)	10
<b>Total taxpayer-supported</b> .....	<b>2,184</b>	<b>2,223</b>	<b>39</b>	<b>1,899</b>
<b>Self-supported commercial</b>				
British Columbia Hydro and Power Authority.....	450	450	—	403
British Columbia Railway Company.....	125	110	(15)	159
Other <sup>7</sup> .....	319	345	26 <sup>8</sup>	159
<b>Total self-supported commercial</b> .....	<b>894</b>	<b>905</b>	<b>11</b>	<b>721</b>
<b>Total capital expenditures</b> .....	<b>3,078</b>	<b>3,128</b>	<b>50</b>	<b>2,620</b>

<sup>1</sup> 2000/01 revised forecast less 2000/01 budget.

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

<sup>3</sup> Restated to include \$16 million previously included with other taxpayer-supported capital expenditures.

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

<sup>5</sup> Expenditures by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (*TransLink*).

<sup>6</sup> Includes British Columbia Securities Commission, Pacific National Exhibition, Tourism British Columbia and British Columbia Assessment Authority.

<sup>7</sup> Includes Columbia Power Corporation and Columbia Basin Trust joint ventures (e.g. Arrow Lakes Power Company), 552513 British Columbia Ltd. (Skeena Cellulose Inc.), Insurance Corporation of British Columbia (excluding Surrey City Centre), British Columbia Lottery Corporation and Liquor Distribution Branch.

<sup>8</sup> An estimate for the British Columbia Lottery Corporation was not available for the 2000/01 budget.

## Provincial Net Debt

*At \$35.1 billion, total provincial debt is forecast to be \$1.4 billion below budget*

Total provincial net debt will increase \$870 million from the start of the year, to total \$35.1 billion at March 31, 2001. This is about \$1.4 billion less than planned, primarily due to significantly lower requirements of the government and higher-than-expected reductions in the debt of commercial Crown corporations.

Taxpayer-supported debt is forecast to increase \$1.9 billion to total \$26.9 billion at year-end. This is \$1 billion lower than budget mainly reflecting the significant improvement and resulting lower borrowing requirements of government's consolidated revenue fund.

Self-supported debt is projected to fall \$1.1 billion to total \$8.2 billion:

- A reduction in commercial Crown corporation debt is projected to be \$362 million more than expected primarily due to higher earnings of the British Columbia Hydro and Power Authority.
- Warehouse borrowing will decline \$720 million to total \$600 million at year-end.

**Table 3.10 Provincial Net Debt — Revised Forecast<sup>1</sup>**  
(Unaudited)

	Net Debt Outstanding March 31, 2000	Net + Change <sup>2</sup> =	Net Debt Outstanding March 31, 2001		Variance Above/(Below) Budget
			Revised Forecast	Budget	
			(\$ millions)		
<b>Taxpayer-supported debt</b>					
<i>Provincial government direct operating</i> .....	13,833	188	14,021	15,024	(1,003)
<i>Education facilities<sup>3</sup></i>					
Schools.....	3,609	409	4,018	4,025	(7)
Post-secondary institutions.....	1,369	62	1,431	1,464	(33)
	4,978	471	5,449	5,489	(40)
<i>Health facilities<sup>3</sup></i> .....	1,451	212	1,663	1,657	6
<i>Highways, ferries and public transit</i>					
BC Transportation Financing Authority.....	1,843	496	2,339	2,351	(12)
British Columbia Ferry Corporation.....	24	62	86	166	(80)
British Columbia Transit.....	79	3	82	82	—
Public transit <sup>3</sup> .....	952	(2)	950	972	(22)
SkyTrain extension <sup>3</sup> .....	488	451	939	869	70
Rapid Transit Project 2000.....	101	(29)	72	72	—
	3,487	981	4,468	4,512	(44)
<i>Other</i>					
British Columbia Buildings Corporation.....	615	(10)	605	594	11
Social housing <sup>4</sup> .....	205	54	259	213	46
Homeowner Protection Office.....	32	65	97	73	24
577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.).....	62	4	66	67	(1)
British Columbia Assessment Authority.....	5	—	5	5	—
Universities and colleges - fiscal agency loans.....	130	(3)	127	129	(2)
Other <sup>5</sup> .....	126	(25)	101	118	(17)
	1,175	85	1,260	1,199	61
<b>Total taxpayer-supported debt</b> .....	<b>24,924</b>	<b>1,937</b>	<b>26,861</b>	<b>27,881</b>	<b>(1,020)</b>
<b>Self-supported debt</b>					
<b>Commercial Crown corporations and agencies:</b>					
British Columbia Hydro and Power Authority.....	6,945	(356)	6,589	6,903	(314)
British Columbia Railway Company.....	655	(69)	586	639	(53)
552513 British Columbia Ltd. (Skeena Cellulose Inc.).....	280	41	321	321	—
Columbia Basin Power Company.....	94	6	100	96	4
Columbia Power Corporation.....	—	31	31	31	—
Other <sup>6</sup> .....	3	—	3	2	1
	7,977	(347)	7,630	7,992	(362)
<b>Warehouse borrowing program</b> .....	<b>1,320</b>	<b>(720)</b>	<b>600</b>	<b>600</b>	<b>—</b>
<b>Total self-supported debt</b> .....	<b>9,297</b>	<b>(1,067)</b>	<b>8,230</b>	<b>8,592</b>	<b>(362)</b>
<b>Total provincial debt</b> .....	<b>34,221</b>	<b>870</b>	<b>35,091</b>	<b>36,473</b>	<b>(1,382)</b>

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

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

<sup>3</sup> Represents government direct debt incurred for capital financing purposes.

<sup>4</sup> Includes the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>5</sup> Includes the Pacific Racing Association, Victoria Line Ltd., local governments, student assistance loans, loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the Pacific National Exhibition, Okanagan Valley Tree Fruit Authority and Tourism British Columbia.

<sup>6</sup> Includes debt of the British Columbia Lottery Corporation and the Liquor Distribution Branch.

Based on the revised fiscal forecast and updated economic information, at year-end total provincial net debt is forecast at 29.0 per cent of GDP and taxpayer-supported debt is forecast at 22.2 per cent of GDP. These ratios are significantly lower than the budget forecast of 30.7 per cent and 23.5 per cent respectively.

Although the government's summary accounts are forecast to be in balance for 2000/01, the government and its Crown corporations and agencies still require borrowing to help finance capital spending projects and for other working capital cash needs.

The \$1.9-billion increase in taxpayer-supported debt in 2000/01 will help finance taxpayer-supported capital projects like schools, hospitals and transportation infrastructure which are forecast to total \$2.2 billion (see Table 3.9).

Self-supported commercial Crown corporation projects are forecast at \$905 million this year. Most of this will be financed by the higher-than-expected net incomes earned by these corporations, with some surplus earnings also used to reduce debt.

As planned, borrowed funds held under the warehouse borrowing program will be drawn down to provide financing for the government and its Crown corporations and agencies. A forecast \$720-million reduction in warehouse debt, plus a \$347-million reduction in commercial Crown corporation debt will partially offset a \$1.9-billion increase in taxpayer-supported debt resulting in an overall increase in provincial debt of \$870 million in 2000/01 (see Table 3.10).

Main features of the full-year forecast include:

*Taxpayer-supported debt is forecast to total \$26.9 billion while commercial debt is projected to total \$8.2 billion*

- government direct operating purposes — down \$1 billion from budget due to the significantly improved forecast for the consolidated revenue fund and use of higher-than-expected cash balances at the beginning of the fiscal year;
- the British Columbia Hydro and Power Authority — down \$314 million from budget as a significantly higher net income forecast will be used to further reduce debt;
- the British Columbia Ferry Corporation — down \$80 million from budget, reflecting reduced capital expenditures and lower sinking fund payments;
- the British Columbia Railway Company — down \$53 million from budget as the corporation will use proceeds from property sales to pay down some of its debt; and
- post-secondary institutions — down \$33 million from budget reflecting delays in capital spending.

These lower requirements will be partially offset by accelerated spending for housing initiatives by the British Columbia Housing Management Commission and stronger-than-expected demand for indemnified loans through the Homeowner Protection Office.

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Table 1: GROSS DOMESTIC PRODUCT - BRITISH COLUMBIA AND CANADA

September 2000

	ACTUAL			FORECAST				
	1997	1998	1999	2000	2001	2002	2003	2004
<b>BRITISH COLUMBIA:</b>								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR (\$ million)	111,126	110,948	115,450 e	120,960	126,510	130,930	135,160	140,060
(% change)	2.9	-0.2	4.1	4.8	4.6	3.5	3.2	3.6
- REAL (1992 \$ million)	99,467	99,708	101,990 e	105,020	107,840	110,880	113,570	116,520
(% change)	1.7	0.2	2.3	3.0	2.7	2.8	2.4	2.6
- GDP DEFLATOR	111.7	111.3	113.2 e	115.2	117.3	118.1	119.0	120.2
(% change)	1.1	-0.4	1.7	1.8	1.9	0.7	0.8	1.0
REAL GDP PER CAPITA (1992 \$)	25,120	24,938	25,351 e	25,821	26,152	26,519	26,767	27,054
(% change)	0.0	-0.7	1.7	1.9	1.3	1.4	0.9	1.1
REAL GDP PER EMPLOYED PERSON (% change)	-0.9	0.2	0.3	1.0	0.1	-0.6	-0.6	-0.2
UNIT LABOUR COST* (% change)	1.8	2.0	0.1	2.2	1.5	1.8	1.8	1.5
<b>CANADA:</b>								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR (\$ million)	877,921	901,805	957,911	1,027,820	1,076,650	1,125,640	1,175,700	1,235,190
(% change)	5.4	2.7	6.2	7.3	4.8	4.6	4.4	5.1
- REAL (1992 \$ million)	815,013	842,002	880,254	920,750	948,370	972,080	996,380	1,026,270
(% change)	4.4	3.3	4.5	4.6	3.0	2.5	2.5	3.0
- GDP DEFLATOR INDEX (1992 = 100)	107.7	107.1	108.8	111.6	113.5	115.8	118.0	120.4
(% change)	0.9	-0.6	1.6	2.6	1.7	2.0	1.9	2.0
REAL GDP PER CAPITA (1992 \$)	27,179	27,838	28,869	29,898	30,460	30,912	31,371	31,993
(% change)	3.3	2.4	3.7	3.6	1.9	1.5	1.5	2.0
REAL GDP PER EMPLOYED PERSON (% change)	2.4	1.8	1.7	3.5	1.0	0.5	0.9	1.5

e: British Columbia GDP figures for 1999 are Ministry of Finance and Corporate Relations estimates.

\* Unit labour cost is the nominal cost of labour incurred to produce one unit of real output.



**Table 2: COMPONENTS OF BRITISH COLUMBIA REAL GDP AT MARKET PRICES**

September 2000

	ACTUAL			FORECAST				
	1997	1998	1999 e	2000	2001	2002	2003	2004
PERSONAL EXPENDITURE ON GOODS AND SERVICES (1992 \$ billion)	65.9	66.5	68.4	70.3	71.7	73.5	75.0	76.8
(% change)	4.2	0.9	2.8	2.8	1.9	2.5	2.1	2.4
- Goods (1992 \$ billion)	29.0	29.0	29.9	30.9	31.5	32.4	33.1	34.0
(% change)	3.9	0.1	2.9	3.5	1.8	3.0	2.2	2.6
- Services (1992 \$ billion)	37.0	37.5	38.5	39.4	40.2	41.1	41.9	42.8
(% change)	4.4	1.5	2.7	2.3	2.0	2.1	2.0	2.2
GOVERNMENT CURRENT EXPENDITURES ON GOODS AND SERVICES (1992 \$ billion)	19.6	19.6	19.9	20.4	20.8	21.1	21.4	21.6
(% change)	-0.3	-0.2	1.8	2.4	1.8	1.4	1.4	1.3
INVESTMENT IN FIXED CAPITAL (1992 \$ billion)	22.4	21.2	21.6	22.5	23.5	24.6	25.5	26.5
(% change)	9.2	-5.6	2.3	4.1	4.1	4.8	3.9	3.8
<b>FINAL DOMESTIC DEMAND* (1992 \$ billion)</b>	<b>108.0</b>	<b>107.3</b>	<b>110.0</b>	<b>113.3</b>	<b>115.9</b>	<b>119.1</b>	<b>121.9</b>	<b>124.9</b>
<b>(% change)</b>	<b>4.4</b>	<b>-0.6</b>	<b>2.5</b>	<b>3.0</b>	<b>2.3</b>	<b>2.8</b>	<b>2.3</b>	<b>2.5</b>
NET EXPORTS OF GOODS AND SERVICES (1992 \$ billion)	-10.0	-9.9	-9.8	-9.8	-9.6	-9.9	-10.0	-10.0
- Exports of Goods and Services (1992 \$ billion)	38.7	39.7	41.6	43.7	45.5	46.9	48.4	50.0
(% change)	-0.6	2.4	5.0	5.0	4.0	3.2	3.1	3.4
- Imports of Goods and Services (1992 \$ billion)	48.7	49.5	51.5	53.6	55.1	56.8	58.3	60.0
(% change)	8.6	1.7	4.0	4.0	2.8	3.2	2.7	2.9
INVENTORY CHANGE (1992 \$ billion)	0.9	1.1	0.7	0.4	0.4	0.5	0.5	0.5
STATISTICAL DISCREPANCY (1992 \$ billion)	0.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1
<b>REAL GDP AT MARKET PRICES** (1992 \$ billion)</b>	<b>99.5</b>	<b>99.7</b>	<b>102.0</b>	<b>105.0</b>	<b>107.8</b>	<b>110.9</b>	<b>113.6</b>	<b>116.5</b>
<b>(% change)</b>	<b>1.7</b>	<b>0.2</b>	<b>2.3</b>	<b>3.0</b>	<b>2.7</b>	<b>2.8</b>	<b>2.4</b>	<b>2.6</b>

e: British Columbia GDP figures for 1999 are Ministry of Finance and Corporate Relations estimates.

\* Final domestic demand is the sum of personal expenditures, government expenditures and investment in fixed capital.

\*\* Real Gross Domestic Product at Market Prices is the sum of final domestic demand, net exports, inventory changes and statistical discrepancy.

**Table 3: INCOME AND EXPENDITURE**

September 2000

	ACTUAL			FORECAST				
	1997	1998	1999	2000	2001	2002	2003	2004
AVERAGE WEEKLY WAGE RATE* (\$)	611	618	625	642	652	661	669	677
(% change)	0.5	1.3	1.1	2.7	1.6	1.3	1.3	1.2
LABOUR INCOME ** (\$ million)	60,601	61,951	63,451	66,690	69,490	72,760	75,890	79,000
(% change)	3.6	2.2	2.4	5.1	4.2	4.7	4.3	4.1
PERSONAL INCOME (\$ million)	94,085	95,575	97,675	101,680	105,440	109,660	113,720	117,930
(% change)	2.7	1.6	2.2	4.1	3.7	4.0	3.7	3.7
CORPORATE PROFITS BEFORE TAXES (\$ million)	7,041	6,412	7,600 e	8,360	9,610	9,130	8,670	8,670
(% change)	0.1	-8.9	18.5	10.0	15.0	-5.0	-5.0	0.0
RETAIL SALES (\$ million)	33,736	33,045	33,672	35,420	36,520	38,090	39,460	41,040
(% change)	5.2	-2.0	1.9	5.2	3.1	4.3	3.6	4.0
HOUSING STARTS (000's)	29.4	19.9	16.3	15.0	15.9	19.2	20.5	22.0
(% change)	6.2	-32.1	-18.2	-8.0	5.9	20.9	6.7	7.4
RESIDENTIAL INVESTMENT *** (\$ million)	8,924	7,865	7,394 e	7,570	7,900	8,490	8,920	9,300
(% change)	5.7	-11.9	-6.0	2.4	4.3	7.5	5.1	4.3
<b>CONSTANT DOLLAR GROWTH RATES:</b>								
AVERAGE WEEKLY EARNINGS	-0.3	1.0	0.0	1.3	0.4	0.0	0.1	-0.1
LABOUR INCOME	2.8	2.0	1.3	3.6	3.0	3.4	3.1	2.8
PERSONAL INCOME	1.9	1.3	1.1	2.7	2.5	2.7	2.5	2.4
CORPORATE PROFITS	-0.7	-9.1	17.2	8.5	13.6	-6.2	-6.1	-1.3
RETAIL SALES	4.4	-2.3	0.8	3.7	1.9	3.0	2.4	2.7
RESIDENTIAL INVESTMENT	7.2	-10.3	-6.5	0.2	2.4	5.7	3.9	3.3
B.C. CONSUMER PRICE INDEX (1992 = 100)	109.7	110.0	111.2	112.8	114.1	115.6	117.0	118.5
(% change)	0.8	0.2	1.1	1.4	1.2	1.3	1.2	1.3

e: Ministry of Finance and Corporate Relations estimate.

\* Includes overtime.

\*\* Domestic basis; wages, salaries and supplementary labour income.

\*\*\* Includes renovations and improvements.

**Table 4: LABOUR MARKET INDICATORS**

September 2000

	ACTUAL			FORECAST				
	1997	1998	1999	2000	2001	2002	2003	2004
POPULATION (on July 1) (000's)	3,960	3,998	4,023	4,067	4,124	4,181	4,243	4,307
(% change)	2.0	1.0	0.6	1.1	1.4	1.4	1.5	1.5
LABOUR FORCE POPULATION, 15+ YEARS (000's)	3,112	3,159	3,193	3,241	3,299	3,359	3,419	3,484
(% change)	2.5	1.5	1.1	1.5	1.8	1.8	1.8	1.9
NET IN-MIGRATION								
- INTERNATIONAL**	42,651	28,339	31,703	32,200	29,500	31,600	33,600	34,300
- INTERPROVINCIAL	1,980	-20,984	-11,285	3,200	12,500	15,600	17,900	18,500
- TOTAL	44,631	7,355	20,418	35,400	42,000	47,200	51,500	52,800
PARTICIPATION RATE* (%)	65.6	64.9	65.1	64.8	65.4	66.1	66.8	67.3
LABOUR FORCE (000's)	2,040	2,051	2,079	2,102	2,156	2,221	2,285	2,345
(% change)	2.3	0.5	1.4	1.1	2.6	3.0	2.9	2.6
EMPLOYMENT (000's)	1,869	1,870	1,906	1,950	2,000	2,068	2,131	2,191
(% change)	2.6	0.1	1.9	2.3	2.6	3.4	3.0	2.9
UNEMPLOYMENT RATE (%)	8.4	8.8	8.3	7.2	7.2	6.9	6.7	6.6
REAL GDP PER EMPLOYED PERSON (% change)	-0.9	0.2	0.3	1.0	0.1	-0.6	-0.6	-0.2

e: Ministry of Finance and Corporate Relations estimate.

\* Percentage of the population 15 years of age and over in the labour force.

\*\* International includes net non-permanent residents and returning emigrants less net temporary abroad

Table 5: BRITISH COLUMBIA EMPLOYMENT BY SECTOR

September 2000

GOODS SECTOR	ACTUAL		FORECAST		SERVICE SECTOR	ACTUAL		FORECAST	
	1998	1999	2000	2001		1998	1999	2000	2001
FORESTRY & LOGGING	30	30	37	37	TRANSPORTATION & WAREHOUSING	106	118	125	130
OTHER PRIMARY	54	47	48	49	TRADE	294	309	300	312
MANUFACTURING	196	192	209	220	FINANCE, INSURANCE & REAL ESTATE	123	120	116	118
- Wood Products	44	42	43	43	COMMUNITY, BUSINESS & PERSONAL SERVICES	845	873	901	918
- Paper & Allied	23	22	20	20	PUBLIC ADMINISTRATION	93	90	89	90
- Other Mfg.	130	128	146	157					
CONSTRUCTION	118	115	114	115	<b>TOTAL SERVICE INDUSTRIES</b> (% change)	1,461 0.7	1,509 3.3	1,531 1.4	1,568 2.4
UTILITIES	11	12	11	12					
<b>TOTAL GOODS INDUSTRIES</b> (% change)	409 -2.1	397 -2.9	419 5.4	433 3.4	<b>TOTAL EMPLOYMENT</b> (% change)	1,870 0.1	1,906 1.9	1,950 2.3	2,000 2.6

**Table 6: ECONOMIC ASSUMPTIONS**

September 2000

	ACTUAL			FORECAST				
	1997	1998	1999	2000	2001	2002	2003	2004
<b>REAL GDP (billions)</b>								
CANADA (1992 \$)	815.0	842.0	880.3	920.8	948.4	972.1	996.4	1026.3
(% change)	4.4	3.3	4.5	4.6	3.0	2.5	2.5	3.0
U.S.A. (1996 U.S.\$; chain-weighted)	8,160	8,516	8,876	9,319	9,599	9,839	10,085	10,388
(% change)	4.4	4.4	4.2	5.0	3.0	2.5	2.5	3.0
JAPAN (1990 Yen)	492,954	480,587	481,562	487,300	497,000	506,900	517,000	527,300
(% change)	1.6	-2.5	0.2	1.2	2.0	2.0	2.0	2.0
GERMANY (1995 DM)	3,601	3,679	3,728	3,836	3,948	4,050	4,139	4,230
(% change)	1.5	2.2	1.4	2.9	2.9	2.6	2.2	2.2
EUROPE* (% change)	2.6	2.7	2.4	3.3	3.0	2.7	2.5	2.5
<b>HOUSING STARTS (000's)**</b>								
CANADA	148	139	150	154	160	160	160	160
(% change)	20.2	-6.5	8.1	3.0	3.9	0.0	0.0	0.0
U.S.A.	1,475	1,617	1,663	1,595	1,520	1,500	1,500	1,500
(% change)	-0.2	9.7	2.9	-4.1	-4.7	-1.3	0.0	0.0
JAPAN	1,387	1,198	1,215	1,227	1,238	1,238	1,250	1,250
(% change)	-15.6	-13.6	1.4	1.0	0.9	0.0	1.0	0.0
<b>CONSUMER PRICE INDEX</b>								
CANADA (1992=100)	107.6	108.6	110.5	113.3	115.6	118.0	120.3	122.7
(% change)	1.6	1.0	1.7	2.5	2.1	2.0	2.0	2.0
U.S.A. (1982-1984=100)	160.5	163.0	166.6	172.1	176.2	180.5	185.0	189.8
(% change)	2.3	1.6	2.2	3.3	2.4	2.4	2.5	2.6

\* European Union less Luxembourg, plus Austria, Finland, Iceland, Norway, Sweden, Switzerland, Turkey, and former Yugoslavia.

\*\* British Columbia housing starts appear in Table 3.

e: Ministry of Finance and Corporate Relations estimate.

**Table 7: FINANCIAL MARKETS**

September 2000

	ACTUAL			FORECAST		
	1997	1998	1999	2000	2001	2002-2004
<b>CANADIAN INTEREST RATES (%)</b>						
3-MONTH TREASURY BILLS	3.3	4.7	4.7	5.7	6.3	5.8
LONG-TERM GOVERNMENT BONDS (10 years and over)	6.4	5.6	5.7	6.1	5.9	5.8
<b>UNITED STATES INTEREST RATES (%)</b>						
3-MONTH TREASURY BILLS	5.1	4.8	4.6	5.9	6.4	5.8
LONG-TERM GOVERNMENT BONDS (10 years and over)	6.7	5.7	5.9	6.3	6.0	5.8
<b>REAL INTEREST RATES* (%)</b>						
CANADIAN TREASURY BILLS	1.7	3.7	3.0	4.0	4.6	4.1
U.S. TREASURY BILLS	2.8	3.2	2.4	3.5	4.0	3.4
CANADIAN LONG-TERM BONDS	4.7	4.6	4.0	4.4	4.2	4.1
U.S. LONG-TERM BONDS	4.4	4.1	3.7	3.9	3.6	3.4
<b>EXCHANGE RATE (U.S. cents / Canadian \$)</b>	72.2	67.4	67.3	68.0	68.1	70.0

\* Real interest rates are nominal interest rates minus expected inflation. The real interest rates in this table are based on actual and forecast inflation rates shown in Table 6.

**Table 8: SELECTED GROWTH RATES**

September 2000

	ACTUAL			FORECAST				
	1997	1998	1999	2000	2001	2002	2003	2004
<b>BRITISH COLUMBIA (%)</b>								
REAL GDP	1.7	0.2	2.3 <sup>e</sup>	3.0	2.7	2.8	2.4	2.6
CONSUMER PRICE INDEX	0.8	0.2	1.1	1.4	1.2	1.3	1.2	1.3
LABOUR FORCE	2.3	0.5	1.4	1.1	2.6	3.0	2.9	2.6
EMPLOYMENT	2.6	0.1	1.9	2.3	2.6	3.4	3.0	2.9
UNEMPLOYMENT RATE (level)	8.4	8.8	8.3	7.2	7.2	6.9	6.7	6.6
AVERAGE WEEKLY EARNINGS	0.5	1.3	1.1	2.7	1.6	1.3	1.3	1.2
PERSONAL INCOME	2.7	1.6	2.2	4.1	3.7	4.0	3.7	3.7
RETAIL SALES	5.2	-2.0	1.9	5.2	3.1	4.3	3.6	4.0
CORPORATE PROFITS	0.1	-8.9	18.5	10.0	15.0	-5.0	-5.0	0.0
<b>CANADA (%)</b>								
REAL GDP	4.4	3.3	4.5	4.6	3.0	2.5	2.5	3.0
CONSUMER PRICE INDEX	1.6	1.0	1.7	2.5	2.1	2.0	2.0	2.0
EMPLOYMENT	1.9	1.5	2.8	2.8	2.8	2.0	1.6	1.5
POPULATION (on July 1)	1.1	0.9	0.9	1.0	1.1	1.0	1.0	1.0
LABOUR INCOME	5.7	4.7	5.1	6.5	4.9	5.2	5.2	4.8
<b>U.S.A. (%)</b>								
REAL GDP	4.4	4.4	4.2	5.0	3.0	2.5	2.5	3.0
CONSUMER PRICE INDEX	2.3	1.6	2.2	3.3	2.4	2.4	2.5	2.6

<sup>e</sup>: Ministry of Finance and Corporate Relations estimate.





## **APPENDIX 2: CROWN CORPORATION INCOME STATEMENTS**

**For the Period Ended Closest to June 30, 2000**

<b>Table A2.1</b>	<b>BRITISH COLUMBIA BUILDINGS CORPORATION</b>
<b>Table A2.2</b>	<b>BRITISH COLUMBIA FERRY CORPORATION</b>
<b>Table A2.3</b>	<b>BC TRANSPORTATION FINANCING AUTHORITY</b>
<b>Table A2.4</b>	<b>FOREST RENEWAL BC</b>
<b>Table A2.5</b>	<b>BRITISH COLUMBIA HYDRO AND POWER AUTHORITY</b>
<b>Table A2.6</b>	<b>LIQUOR DISTRIBUTION BRANCH</b>
<b>Table A2.7</b>	<b>BRITISH COLUMBIA LOTTERY CORPORATION</b>
<b>Table A2.8</b>	<b>BRITISH COLUMBIA RAILWAY COMPANY</b>
<b>Table A2.9</b>	<b>INSURANCE CORPORATION OF BRITISH COLUMBIA</b>

**Table A2.1 British Columbia Buildings Corporation**  
 Income Statement for the Three Months Ended June 30  
 (Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Gross revenues.....	<u>115.2</u>	<u>107.8</u>	<u>(7.4)</u>	<u>117.0</u>
Expenses:				
Operations, maintenance and administration .....	29.0	27.2	(1.8)	28.0
Lease costs.....	31.4	33.8	2.4	33.8
Client requested projects.....	11.5	7.8	(3.7)	6.2
Amortization.....	10.8	10.2	(0.6)	12.1
Environmental projects.....	1.8	0.1	(1.7)	—
Energy.....	4.7	5.2	0.5	5.1
Taxes.....	4.7	4.7	—	4.4
Interest, net.....	<u>11.0</u>	<u>9.1</u>	<u>(1.9)</u>	<u>15.2</u>
	<u>104.9</u>	<u>98.1</u>	<u>(6.8)</u>	<u>104.8</u>
Income before gain on disposals.....	10.3	9.7	(0.6)	12.2
Gain on disposals.....	<u>10.2</u>	<u>8.9</u>	<u>(1.3)</u>	<u>5.6</u>
Net income.....	<u>20.5</u>	<u>18.6</u>	<u>(1.9)</u>	<u>17.8</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Figures for 1999/00 have been restated to conform to the presentation used for 2000/01.

**Table A2.2 British Columbia Ferry Corporation**  
Income Statement for the Three Months Ended June 30  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Operating revenues:				
Tolls.....	74.2	74.4	0.2	75.3
Catering and other income.....	15.7	16.7	1.0	16.6
Federal coastal ferry contract.....	5.6	5.6	—	5.5
	<u>95.5</u>	<u>96.7</u>	<u>1.2</u>	<u>97.4</u>
Operating expenses:				
Salaries, wages and benefits.....	59.1	56.5	(2.6)	60.9
Fuel.....	13.8	12.8	(1.0)	8.7
Repair and maintenance.....	7.6	6.6	(1.0)	6.8
Cost of food and goods sold.....	4.9	5.5	0.6	5.2
Professional, computer and other.....	5.9	4.2	(1.7)	4.9
Materials and supplies.....	5.8	5.7	(0.1)	4.6
Insurance, taxes, utilities.....	2.2	2.5	0.3	2.1
	<u>99.3</u>	<u>93.8</u>	<u>(5.5)</u>	<u>93.2</u>
Earnings before interest and amortization.....	(3.8)	2.9	6.7	4.2
Net financing expense.....	(0.5)	(0.5)	—	(11.4)
Amortization.....	(16.1)	(10.4)	5.7	(11.8)
Income (loss) before motor fuel tax.....	(20.4)	(8.0)	12.4	(19.0)
Dedicated motor fuel tax.....	17.5	17.4	(0.1)	14.0
Net income (loss).....	<u>(2.9)</u>	<u>9.4</u>	<u>12.3</u>	<u>(5.0)</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Figures for 1999/00 have been restated to conform to the presentation used for 2000/01.

**Table A2.3 BC Transportation Financing Authority<sup>1</sup>**  
 Consolidated Statement of Income  
 for the Three Months Ended June 30  
 (Unaudited)

	Budget <sup>2</sup> 2000/01	Actual 2000/01	Variance <sup>3</sup>	Actual <sup>4</sup> 1999/00
(\$ millions)				
<b>Revenue:</b>				
Dedicated revenue <sup>5</sup> .....	48.7	49.6	0.9	36.0
Contractor fees <sup>6</sup> .....	14.6	18.1	3.5	—
Capital contributions (amortization) <sup>7</sup> .....	48.9	47.4	(1.5)	47.4
Other <sup>8</sup> .....	0.4	—	(0.4)	0.4
	<u>112.6</u>	<u>115.1</u>	<u>2.5</u>	<u>83.8</u>
<b>Expenditures:<sup>9</sup></b>				
Construction wages and benefits <sup>6</sup> .....	14.6	18.1	3.5	—
Operations and administration <sup>10</sup> .....	6.0	5.9	(0.1)	5.3
Grant programs <sup>11</sup> .....	1.7	0.2	(1.5)	1.0
Amortization <sup>7</sup> .....	60.8	57.8	(3.0)	56.2
Other <sup>12</sup> .....	—	—	—	0.5
Interest <sup>13</sup> .....	26.4	26.4	—	18.9
	<u>109.5</u>	<u>108.4</u>	<u>(1.1)</u>	<u>81.9</u>
<b>Net Income</b> .....	<u>3.1</u>	<u>6.7</u>	<u>3.6</u>	<u>1.9</u>

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

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

<sup>3</sup> 2000/01 actual less 2000/01 budget.

<sup>4</sup> Figures for 1999/00 have been restated to conform to the presentation used for 2000/01.

<sup>5</sup> Dedicated revenue includes 3.25 cents/litre of motor fuel tax (increased from 3 cents/litre effective April 1, 2000) and a provincial sales tax on short-term car rentals.

<sup>6</sup> HCL provides construction labour on various Rapid Transit 2000 infrastructure projects and recovers the costs.

<sup>7</sup> Effective March 31, 1999, the provincial government transferred highway infrastructure assets to the Authority. Asset values are recorded on the Authority's balance sheet as a deferred capital contribution. This contribution is amortized as income of the Authority with an offsetting adjustment to amortization expense.

<sup>8</sup> Includes economic development, Sierra Yoyo Desan road-toll, property and investment revenue, recorded net of related expenses.

<sup>9</sup> During the first three months of 2000/01, the Authority undertook \$106 million of transportation infrastructure projects. These capital expenditures are accounted for in the Authority's balance sheet. Completed infrastructure is amortized on a straight-line basis over its estimated useful life.

<sup>10</sup> Includes \$4.6 million in 2000 (1999 — \$4.7 million) paid to the Ministry of Transportation and Highways for general operating expenses not specifically related to individual capital projects.

<sup>11</sup> Includes grants paid under the air transport assistance program, the cycling network program, the alternative transportation program, the territories program and the municipalities road program.

<sup>12</sup> Includes, in 2000, costs related to improvements to the Sierra Yoyo Desan road (an industrial access road in northeastern British Columbia) and, in 1999, the write-down of certain project costs.

<sup>13</sup> Interest on borrowing used to finance construction work in progress is capitalized. Upon completion, interest capitalization ceases, and related interest costs are expensed.

**Table A2.4 Forest Renewal BC**  
Statement of Net Income for the Three Months Ended June 30  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
	(\$ millions)			
Revenue				
Statutory revenue <sup>3</sup> .....	—	—	—	12.0
Investment income.....	4.2	5.4	1.2	7.7
	<u>4.2</u>	<u>5.4</u>	<u>1.2</u>	<u>19.7</u>
Cost of Services:				
Project expenditures <sup>4</sup> .....	31.3	29.6	(1.7)	33.6
Administration.....	3.3	2.8	(0.5)	3.5
	<u>34.6</u>	<u>32.4</u>	<u>(2.2)</u>	<u>37.1</u>
Net income (loss).....	<u>(30.4)</u>	<u>(27.0)</u>	<u>3.4</u>	<u>(17.4)</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Consists of increases in stumpage and royalties resulting from changes in rates introduced under the provincial government's Forest Renewal Plan on May 1, 1994, and the rate policy changes introduced on June 1, 1998. Statutory revenue is net of the annual recovery by the provincial government of up to \$50 million for expenditures incurred by the province relating to the administration of the Forest Practices Code, as provided for under the *BC Forest Renewal Act*. In 1999, the recovery of costs occurred in the last half of the year. In 2000, the recovery of costs is being deducted in the first half.

<sup>4</sup> Estimate based on business plan.

**Table A2.5 British Columbia Hydro and Power Authority**  
Income Statement for the Three Months Ended June 30  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Revenue				
Domestic:				
Residential.....	197	197	—	197
Light industrial and commercial.....	209	207	(2)	202
Large industrial.....	124	126	2	117
Other energy sales and miscellaneous.....	31	29	(2)	28
Total domestic revenue.....	561	559	(2)	544
Electricity trade.....	271	692	421	202
	<u>832</u>	<u>1,251</u>	<u>419</u>	<u>746</u>
Expenses:				
Energy costs.....	395	546	151	253
Operations, maintenance and administration.....	123	120	(3)	99
Taxes.....	44	43	(1)	43
Depreciation.....	90	93	3	85
	<u>652</u>	<u>802</u>	<u>150</u>	<u>480</u>
Income before finance charges.....	180	449	269	266
Finance charges.....	(149)	(143)	6	(142)
Net income.....	<u>31</u>	<u>306</u>	<u>275</u>	<u>124</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Figures for 1999/00 have been restated to conform to the presentation used for 2000/01.

**Table A2.6 Liquor Distribution Branch**  
Income Statement for the First Quarter Ended June 24  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
	(\$ millions)			
Sales:				
Provincial liquor sales.....	391.5	395.0	3.5	390.9
Less: Discounts and commissions.....	(10.6)	(10.5)	0.1	(10.4)
Net sales.....	380.9	384.5	3.6	380.5
Cost of sales.....	(195.0)	(194.1)	0.9	(194.5)
Gross profit.....	185.9	190.4	4.5	186.0
Operating expenses.....	(47.2)	(43.7)	3.5	(43.2)
Net operating income.....	138.7	146.7	8.0	142.8
Other income.....	0.8	0.4	(0.4)	0.7
Net income <sup>3</sup> .....	<u>139.5</u>	<u>147.1</u>	<u>7.6</u>	<u>143.5</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Net income of the Liquor Distribution Branch is also included as part of revenue in Table 2.2.

**Table A2.7 British Columbia Lottery Corporation**  
Income Statement for the Three Months Ended June 24  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
	(\$ millions)			
Gaming revenue.....	319.4	334.9	15.5	330.0
Direct costs:				
Prizes.....	115.3	119.0	3.7	120.8
Retailer commissions.....	49.6	52.9	3.3	51.0
Ticket printing & bingo paper.....	3.5	3.0	(0.5)	3.6
	<u>168.4</u>	<u>174.9</u>	<u>6.5</u>	<u>175.4</u>
Sales less direct costs.....	<u>151.0</u>	<u>160.0</u>	<u>9.0</u>	<u>154.6</u>
Other expenses:				
Operating.....	19.7	18.0	(1.7)	17.6
Amortization.....	5.1	5.1	—	5.3
Goods and services tax.....	5.9	5.9	—	4.4
	<u>30.7</u>	<u>29.0</u>	<u>(1.7)</u>	<u>27.3</u>
Net income.....	<u>120.3</u>	<u>131.0</u>	<u>10.7</u>	<u>127.3</u>
Allocation of net income:				
Province of British Columbia <sup>3</sup> .....	117.5	128.7	11.2	124.5
Government of Canada.....	1.7	1.8	0.1	1.8
Other <sup>4</sup> .....	1.1	0.5	(0.6)	1.0
	<u>120.3</u>	<u>131.0</u>	<u>10.7</u>	<u>127.3</u>

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

<sup>2</sup> 2000/01 actual less 2000/01 budget.

<sup>3</sup> Net income figures differ from those shown in Table 2.2 due to the inclusion of revenues dedicated to charities and local governments, which are deducted from provincial government revenue.

<sup>4</sup> Includes costs incurred for the Gaming Audit Investigation Office and the Gaming Policy Secretariat.

**Table A2.8 British Columbia Railway Company<sup>1</sup>**  
 Consolidated Income Statement  
 Preliminary results for the Six Months Ended June 30  
 (Unaudited)

	Budget <sup>2</sup> 2000	Actual 2000	Variance <sup>3</sup>	Actual <sup>4</sup> 1999
	(\$ millions)			
Revenue .....	254.3	252.0	(2.3)	244.7
Expenses .....	216.0	215.2	(0.8)	208.7
Operating income .....	38.3	36.8	(1.5)	36.0
Financing and taxes expense .....	23.3	20.8	(2.5)	19.9
Net income .....	15.0	16.0	1.0	16.1

<sup>1</sup> This statement shows the consolidated results of the British Columbia Railway Company, BCR Properties Ltd., BC Rail Ltd., BCR Leasing (US) Inc., BCR Ventures Inc., BCR Marine Ltd. (formerly Vancouver Wharves Ltd. and Canadian Stevedoring Company), and Finlay Navigation Partnership (effective June 1999).

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

<sup>3</sup> 2000 actual less 2000 budget.

<sup>4</sup> Figures for 1999 have been restated to conform to the presentation used for 2000.

**Table A2.9 Insurance Corporation of British Columbia**  
 Statement of Operations  
 Preliminary results for the Six Months Ended June 30  
 (Unaudited)

	Budget <sup>1</sup> 2000	Actual 2000	Variance <sup>2</sup>	Actual <sup>3</sup> 1999
	(\$ millions)			
Revenue:				
Vehicle premiums earned .....	1,175.6	1,163.9	(11.7)	1,171.0
Driver premiums earned .....	11.4	10.7	(0.7)	10.9
	1,187.0	1,174.6	(12.4)	1,181.9
Licences and fines on behalf of the Province .....	211.6	206.8	(4.8)	206.9
	1,398.6	1,381.4	(17.2)	1,388.8
Payment of licences and fines to the Province .....	(211.6)	(206.8)	4.8	(206.9)
	1,187.0	1,174.6	(12.4)	1,181.9
Expenses:				
Claims costs:				
Claims incurred .....	1,004.2	1,004.1	(0.1)	1,059.5
Prior years' claims development <sup>4</sup> .....	(27.5)	(88.8)	(61.3)	(66.0)
	976.7	915.3	(61.4)	993.5
Claims services .....	130.6	130.2	(0.4)	129.7
	1,107.3	1,045.5	(61.8)	1,123.2
Operating Expenses:				
Administration .....	95.3	74.2	(21.1)	68.1
AutoPlan and commercial vehicle services .....	37.0	27.9	(9.1)	23.1
Driver and Road Safety services .....	53.9	39.7	(14.2)	27.2
Commissions .....	83.7	83.9	0.2	83.6
Premium taxes .....	47.5	46.1	(1.4)	47.3
Year 2000 compliance .....	1.7	0.5	(1.2)	2.8
	319.1	272.3	(46.8)	252.1
Total claims and expenses .....	1,426.4	1,317.8	(108.6)	1,375.3
Underwriting income (loss) .....	(239.4)	(143.2)	96.2	(193.4)
Investment income .....	244.3	385.6	141.3	211.1
Net income .....	4.9	242.4	237.5	17.7

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

<sup>2</sup> 2000 actual less 2000 budget.

<sup>3</sup> Figures for 1999 have been restated to conform to the presentation used for 2000.

<sup>4</sup> Reflects (savings) costs as a result of the re-estimate of final claims relating to previous years.

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