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# Second Quarterly Report

on the Economy, Fiscal Situation  
and Outlook

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*Fiscal Year 2000/01*  
*Six Months*  
*April — September 2000*



BRITISH  
COLUMBIA

Ministry of Finance and Corporate Relations

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Downtown Vancouver at night.

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## Message from the Honourable Paul Ramsey

### Minister of Finance and Corporate Relations

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

- an update on economic trends during the recent quarter, confirming that our September forecast of 3 per cent economic growth this year, and 2.7 per cent in 2001, is on track;
- a revised financial forecast for the 2000/01 fiscal year, projecting a \$625 million surplus after including a forecast allowance of \$450 million. The forecast also includes a \$500 million provision for new spending in priority areas, including health care. Without this commitment, the forecast surplus would have been \$1,125 million; and
- financial results for the first half of the fiscal year, showing a six month surplus of \$1.6 billion, accompanied by a \$672-million decline in taxpayer-supported debt.

This is the second *Quarterly Report* produced since the introduction of the *Budget Transparency and Accountability Act*. The year-to-date results and financial forecasts included in this report 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.

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

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



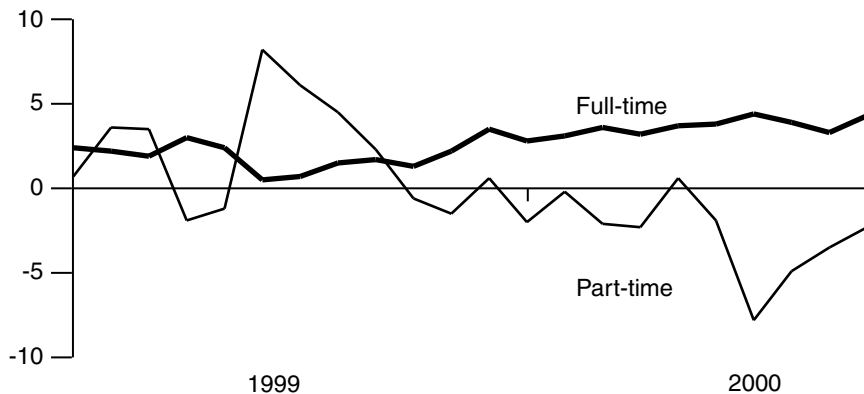
# HIGHLIGHTS — ECONOMIC REPORT

## SECOND QUARTERLY REPORT 2000/01

- The year-to-date performance of British Columbia's economy has been solid, with most indicators up significantly from 1999.

### Full-time employment strengthens

Year-over-year percentage change



Source: Statistics Canada

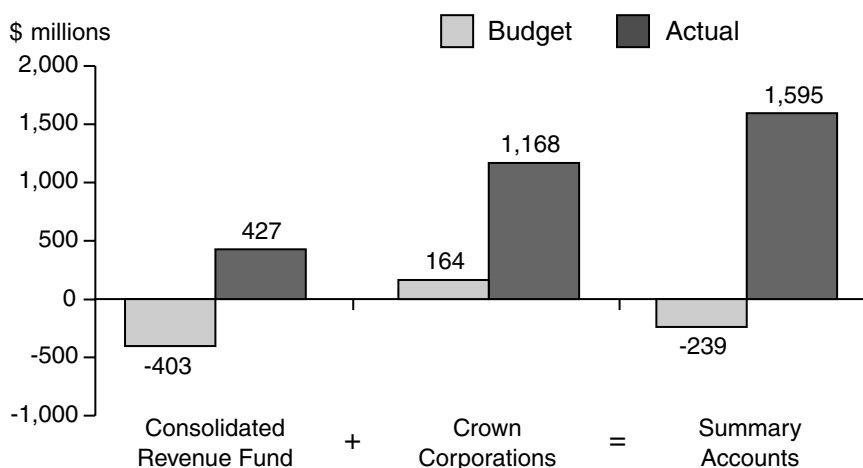
- The economy slowed in the third quarter, along with the rest of North America.
- Retail spending was up, but employment was down slightly.
- The housing sector remained weak, although starts began to recover in September and October.
- Manufacturing shipments and exports fell, reflecting slower growth in the U.S. and lower prices for non-energy commodities. However, natural gas and electricity export prices were at record highs.
- Even with the slowdown in the third quarter, U.S. and Canadian growth is expected to be around 5 per cent in 2000. Consensus forecasts for 2001 project North American growth of around 3.5 per cent.
- As a result, the British Columbia economy is on pace to grow 3 per cent in 2000 and 2.7 per cent next year.

# HIGHLIGHTS — FISCAL YEAR-TO-DATE REPORT

## SECOND QUARTERLY REPORT 2000/01

- The summary accounts, which include the government and its Crown corporations and agencies, showed a \$1.6 billion-surplus for the first six months of 2000/01, \$1.8 billion ahead of budget.
- The consolidated revenue fund balance was \$830 million better than planned, as revenues were above forecast and most ministries were below budget.
- Crown corporations and agency results were \$1 billion ahead of budget, mainly due to strong electricity export sales by BC Hydro and higher ICBC earnings.

### Summary Accounts Six-month results (April-September)



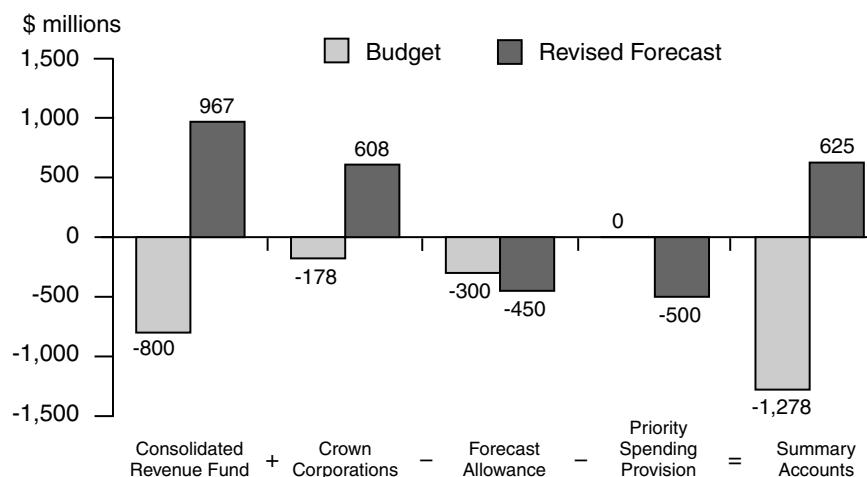
- Taxpayer-supported debt fell to \$24.3 billion at September 30, 2000, down \$672 million from the start of the year. The drop reflects the improved results of the consolidated revenue fund, a drawdown of higher-than-expected cash balances at the start of the year, and lower-than-budgeted capital spending.
- Self-supported debt rose \$1.3 billion, due to early borrowing through the government's warehouse borrowing program and increased borrowing by BC Hydro.
- In total, provincial debt rose \$583 million during the first half of the year. Excluding the warehouse program increase, provincial debt declined \$499 million as operating and capital spending were financed from stronger revenues and by drawing down cash balances.

# HIGHLIGHTS — REVISED FINANCIAL FORECAST

## SECOND QUARTERLY REPORT 2000/01

- The summary accounts which include the government and its Crown corporations and agencies are now forecast to have a \$625 million surplus for the 2000/01 fiscal year, compared to the budget forecast of a \$1.3 billion deficit.
- In light of the continued improvement in government's financial situation, Cabinet is considering an allocation of these benefits between:
  - additional investments in health care and other priority areas; and
  - a \$625 million surplus that results in total provincial debt falling this year, the first decrease in a decade.
- Consequently, \$500 million has been provided in the forecast for health and other priority spending. Details will be made public in coming weeks, as options are reviewed and finalized.

### Summary Accounts — 2000/01 Revised Forecast



- The consolidated revenue fund is projected to have a positive balance of \$967 million, \$1.8 billion ahead of budget. Revenue will be almost \$1.7 billion above budget while spending will be \$114 million below budget.
- The combined net income of Crown corporations and agencies is forecast to be \$786 million better than planned, at \$608 million, mainly due to strong electricity export sales by BC Hydro and higher earnings of ICBC.
- A forecast allowance of \$450 million provides greater certainty that the forecast surplus will be achieved.
- Total provincial debt is forecast to decrease \$389 million to total \$33.8 billion at March 31, 2001:
  - taxpayer-supported debt is forecast to increase \$472 million to total \$25.4 billion; and
  - self-supported debt is expected to decline by \$861 million by year-end, as warehouse borrowing is drawn down and BC Hydro retires some debt.
- At 20.4 per cent of GDP, British Columbia will retain one of the lowest taxpayer-supported debt-to-GDP-ratios among provinces.





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

NOVEMBER 2000

## Overview

*B.C.'s economy is stronger than in 1999 . . .*

The British Columbia economy continued to make progress in the third quarter of 2000, even as growth in the rest of North America was slowing from its rapid pace in previous quarters.

Most year-to-date indicators show that the economy has picked up pace from a year ago.

- Full-time employment has grown nearly 4 per cent to date in 2000.
- British Columbia consumer spending has picked up, reflecting stronger income growth and higher consumer confidence.
- Exports are still well above year-ago levels, although manufacturing shipments have begun to slow.

One area that remains weak is housing construction — starts have increased recently but remain very low by historical standards.

Energy price increases are a concern for the economic and inflation outlook. There will be some impact on economic activity. So far, the inflation data and financial market behaviour suggest that a permanent acceleration of inflation is unlikely to result from recent energy price increases.

*. . . and is on pace to grow 3% in 2000*

As projected in the Ministry of Finance's September economic forecast released with the first *Quarterly Report*, the provincial economy is expected to grow 3 per cent in 2000 and 2.7 per cent in 2001. The slowdown in growth in 2001 mainly reflects the expected moderation of growth in the rest of Canada and the United States — to a pace that is still strong compared to the last 20 years.

## Third Quarter Developments

*U.S. and Canadian growth slowing, but still strong*

Economic indicators for British Columbia pointed to a pause in economic growth during the third quarter, after strong growth during the first half of the year. A shift in the pattern of growth toward stronger domestic spending and slower exports and manufacturing activity became more evident, mainly reflecting slower growth in key markets and declining prices for some B.C. exports.

A cooling U.S. economy was evident as real GDP posted a 2.7 per cent (annualized) increase in the third quarter, down from 5.6 per cent in the second quarter. In Canada, the economy appears to have grown about 4 per cent. Both economies remain strong, with growth close to 5 per cent expected for the full year.

Overseas, the Japanese economy grew at an annual rate of 4.3 per cent during the first half of 2000. Industrial production and business investment have strengthened and, as a result, British Columbia's exports to Japan have begun to increase recently.

<sup>1</sup> The Economic Report and accompanying charts and table incorporate information received to November 22, 2000. "Third quarter" references in the Economic Report are for the July-to-September period.

However, recovery still eludes the consumer sector, with sentiment dampened by a weak job market and bankruptcies of life insurance companies and department stores. The Economic Planning Agency recently downgraded its outlook for Japan's recovery.

*Asian economies  
mixed*

Elsewhere in Asia, economic conditions have been mixed after a fast recovery in 1999. This has been reflected in falling stock prices and exchange rates throughout the region. China's economy grew strongly in the third quarter due to exports and government spending. Singapore and Hong Kong are growing rapidly, but Indonesia, Thailand and the Philippines have struggled.

In Europe, economic growth remains solid, but slower than a few months ago.

Stock markets were volatile in the third quarter due to uncertainty about future economic growth, demand for high-technology products, and the impact of high energy prices on inflation and interest rates. These concerns were also present in the money markets (even though the Bank of Canada and Federal Reserve took no policy actions during the third quarter), as the interest rate premium paid on riskier corporate long-term borrowing widened. The Canadian dollar continued to under-perform expectations, hurt by weaker prices for non-energy commodities and the declining prices of a handful of major Canadian high-technology stocks.

Key British Columbia developments in the third quarter:

*Most B.C. indicators  
are up for the year  
to date . . .*

- Employment fell slightly. As a result the unemployment rate rose to 7.6 per cent from 6.8 per cent in the second quarter. In October, employment rose 0.3 per cent and the unemployment rate was 7.7 per cent.
- Consumer spending strengthened, reflecting earlier employment and income gains and a recovery of consumer confidence. Retail sales grew at an annual rate of 9.6 per cent in the third quarter, up from 3.8 per cent in the second quarter.
- Housing resale activity slowed in the third quarter and housing starts fell, before rebounding in October.
- The value of British Columbia's foreign merchandise exports in the third quarter was 0.8 per cent lower than in the second quarter. This reflects price declines for commodities such as lumber that more than offset higher natural gas and electricity export prices. The Ministry of Finance and Corporate Relations export commodity price index fell 1 per cent in Canadian dollar terms.

*. . . despite declines  
in the third quarter*

- The value of manufacturing shipments also declined in the third quarter, again largely due to lower prices for wood products.
- Employment patterns for August and September suggest that labour income changed little during the third quarter. Wage and salary income fell slightly in July, possibly reflecting the impact of a federal pay equity settlement in the second quarter.
- Wage settlements in major collective agreements increased 1.9 per cent in the third quarter, up from the 0.7 per cent average of recent quarters. This pickup largely reflects settlements reached with forest industry workers, Vancouver hotel and restaurant employees and BC Ferries workers.
- The consumer price index rose 1.2 per cent in the quarter.

Table 1.1 summarizes the third-quarter and year-to-date performance of key economic indicators.

<b>Table 1.1: Key British Columbia Indicators</b>		
	Quarterly change July–Sept. compared to April–June	Year-to-date change
Employment	↓	↑
Unemployment rate	↑	↓
Labour income (\$)	n/a*	↑
Merchandise exports (\$)	↓	↑
Manufacturing shipments (\$)	↓	↑
Retail sales (\$)	↑	↑
Housing starts (units)	↓	↓
Home sales (units)	↓	↓

\* data available only to July

The charts at the end of this report illustrate longer-term trends in the economy.

On October 30, 2000, Statistics Canada released the first official 1999 GDP estimates, the broadest measure of provincial economic activity. The agency estimates the economy grew 2.1 per cent.

The Ministry of Finance and Corporate Relations had estimated in *Budget 2000* that the British Columbia economy grew 1.4 per cent in 1999. This was revised up to 2.3 per cent in the first *Quarterly Report*. The average of private sector estimates was 1.9 per cent. The box on page 21 discusses the 1999 GDP figures and the significant revisions to data for previous years.

## Developments Since the September 2000 Outlook

*B.C. economy on  
pace to grow 3% in  
2000 . . .*

Recent data for Canada and the United States suggest that North American growth remains strong, but is cooling from the rapid pace of early 2000. Even so, economic growth in both countries in 2000 should come in at or above current assumptions.

The September 2000 economic forecast assumed that growth would re-accelerate in the fourth quarter, leading to higher short-term U.S. and, possibly, Canadian interest rates. It now appears that moderate U.S. growth will continue in the fourth quarter and early next year, making further U.S. interest rate increases less likely. In Canada, a slightly stronger growth profile and Canadian dollar weakness could help push up interest rates.

In British Columbia, growth also slowed in the third quarter. Compared to the forecast, in-migration and housing starts continue to run below expectations. On the other hand, labour income has been growing more quickly, aided by strength in full-time employment. Along with more upbeat consumer sentiment, this has helped push consumer spending higher.

*. . . and 2.7% in  
2001*

Despite the pause in growth in the third quarter, British Columbia's economy is still expected to grow 3 per cent this year, as projected in September. The forecast for 2001 remains at 2.7 per cent, resulting from slower but still-strong growth in the rest of North America.

**Table 1.2: British Columbia Forecast Summary**

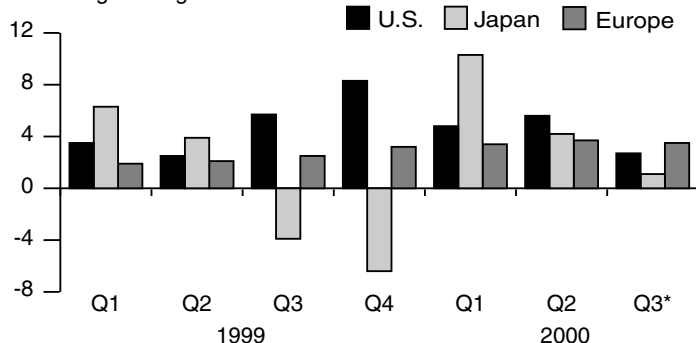
	1999	2000	2001
	Actual	Forecast	
	annual percentage change unless otherwise noted		
Nominal GDP .....	4.2	4.8	4.6
Real GDP .....	2.1	3.0	2.7
Population .....	0.6	1.1	1.4
Net In-migration (persons) .....	20,418	35,400	42,000
Employment .....	1.9	2.3	2.6
Unemployment Rate (per cent) .....	8.3	7.2	7.2
Housing Starts (units) .....	16,309	15,000	15,900
Retail Sales .....	1.9	5.2	3.1
Corporate Pre-tax Profits .....	23.7	10.0	15.0
Consumer Price Index .....	1.1	1.4	1.2
Canadian Real GDP .....	4.5	4.6	3.0
U.S. Real GDP .....	4.2	5.0	3.0

Sources: Statistics Canada; Ministry of Finance and Corporate Relations, *Quarterly Report* (April-June 2000).

## RECENT DEVELOPMENTS

### Slowing international economies

Percentage change in real GDP



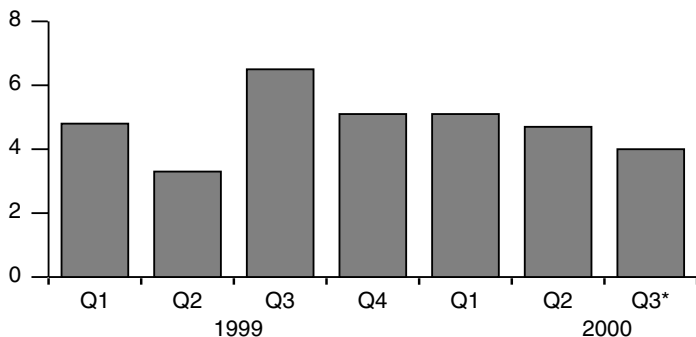
Sources: US Bureau of Economic Analysis, Japan Economic Planning Agency, European Central Bank

\* Estimates for Japan and Europe

Economic growth in North America has slowed in 2000. U.S. growth peaked in the fourth quarter of 1999 at 8.3 per cent and eased to 2.7 per cent in the third quarter of 2000.

### A cooling but solid national economy

Percentage change in Canadian real GDP



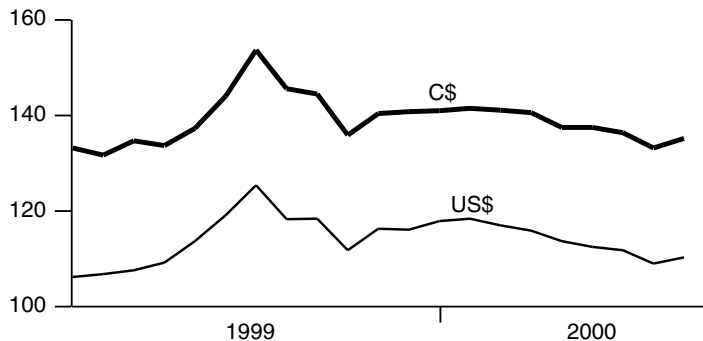
Source: Statistics Canada

\* Estimate based on July and August data

Economic growth in Canada is slowing alongside the U.S. Third-quarter growth is expected to be about 4 per cent. Both the U.S. and Canadian economies remain strong, with growth of about 5 per cent expected for the full year.

### Flat commodity prices

B.C. export commodity price index, 1992 = 100

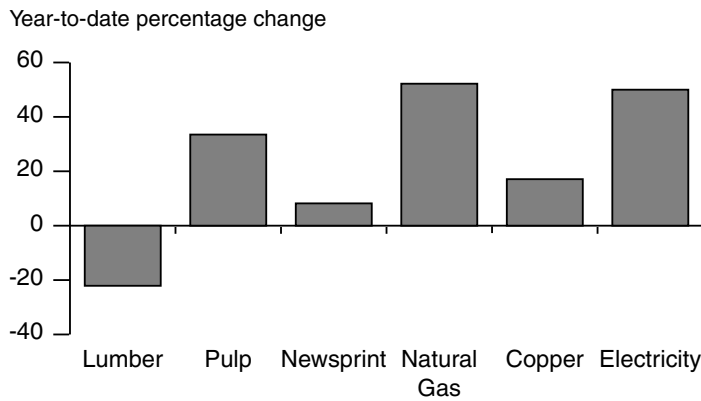


Source: Ministry of Finance and Corporate Relations

Overall, export prices of key British Columbia products have been flat so far in 2000.

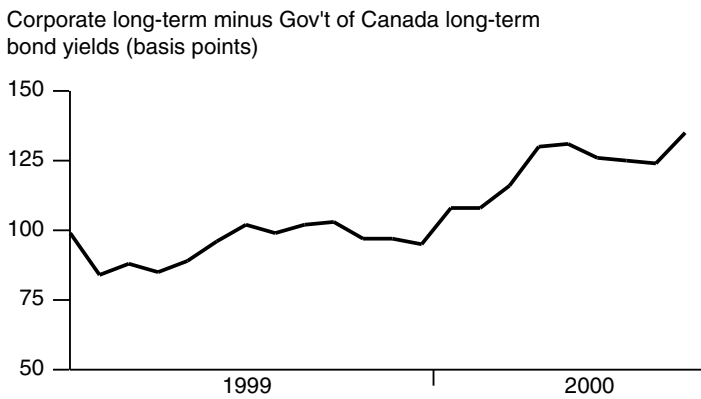
## RECENT DEVELOPMENTS — Continued

### Large swings in key export prices



Individual commodity prices have performed differently. Natural gas, pulp and copper prices were well above last year's levels. Lumber prices have fallen alongside a glut in lumber supply and lower U.S. housing starts. Electricity export prices have soared.

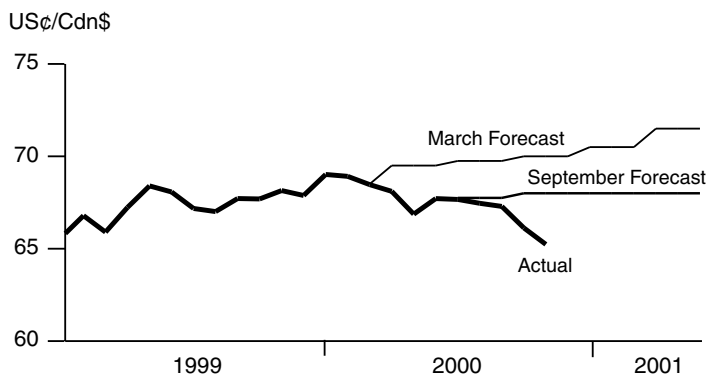
### Yield spreads widening



Source: Bank of Canada

The difference between long-term corporate bond yields and Government of Canada long-term bonds has widened. Budget surpluses and debt repayment have contributed to declines in government bond yields.

### Canadian dollar lower than forecast



Sources: Bank of Canada; Ministry of Finance and Corporate Relations forecasts

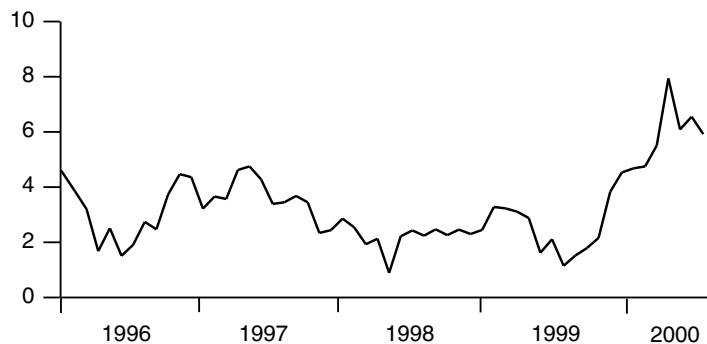
The Canadian dollar has fallen steadily through 2000. Currency weakness has been attributed to the strong U.S. dollar, weakness in non-energy commodity prices and declining prices of widely-held Canadian technology stocks.



## RECENT DEVELOPMENTS — Continued

### Labour income strong

Year-over-year percentage change

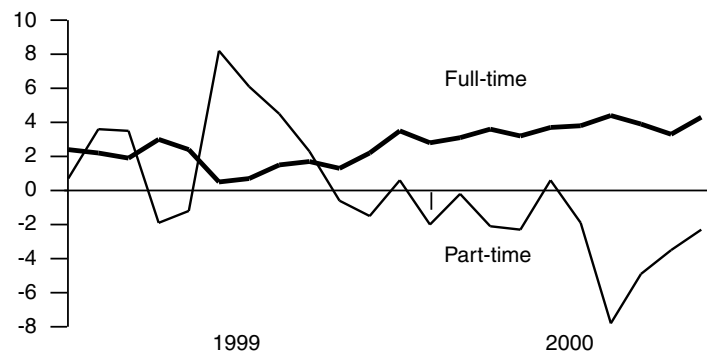


Source: Statistics Canada

Labour income has been well above year-earlier levels so far in 2000. It was up 5.9 per cent in July from July 1999.

### Full-time employment strengthens

Year-over-year percentage change

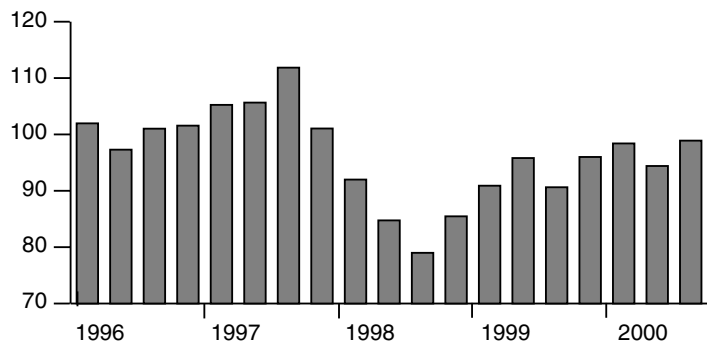


Source: Statistics Canada

Employment (measured by the number of people working) was up 2.2 per cent in the first ten months of 2000. Most of the job gain above 1999 levels has been in full-time employment. Part-time employment is below last year's levels.

### Consumer confidence rises

Quarterly, 1991 = 100



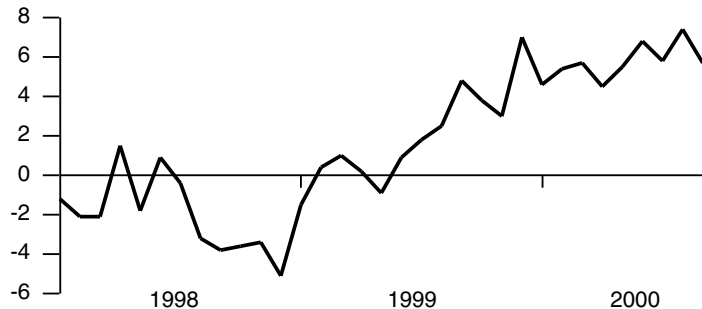
Source: Conference Board of Canada index of consumer attitudes for British Columbia

British Columbia consumer confidence recovered in the third quarter. The index rose due to an increase in respondents who expect improved employment prospects during the next six months.

## RECENT DEVELOPMENTS — Continued

### Retail sales growth continues

Year-over-year percentage change

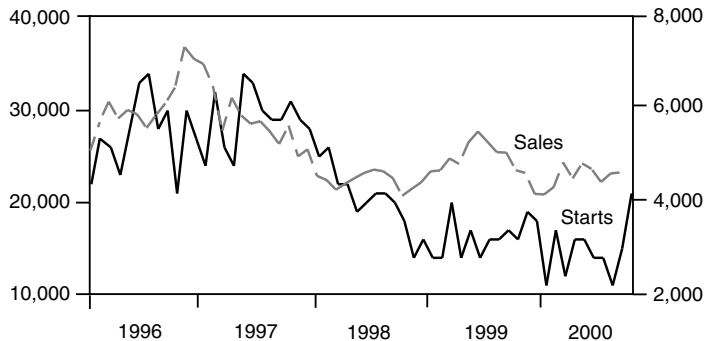


Source: Statistics Canada

Retail sales were up 5.7 per cent in September from a year earlier. Increased sales of consumer durables (cars and trucks, recreation vehicles, furniture and appliances) contributed to the growth in consumer spending.

### Housing starts and sales slump

Starts, seasonally adjusted annual rate    MLS sales, seasonally-adjusted

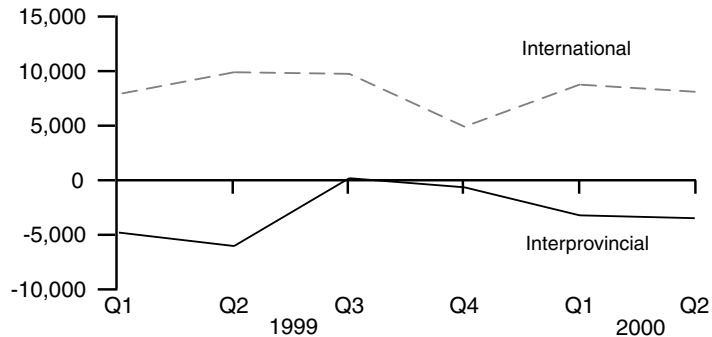


Sources: Canada Mortgage and Housing Corporation and Canadian Real Estate Association

Residential construction fell during the third quarter before rebounding in October. Overall, weakness in housing starts and sales continues.

### International net migration offsets interprovincial outflows

Persons

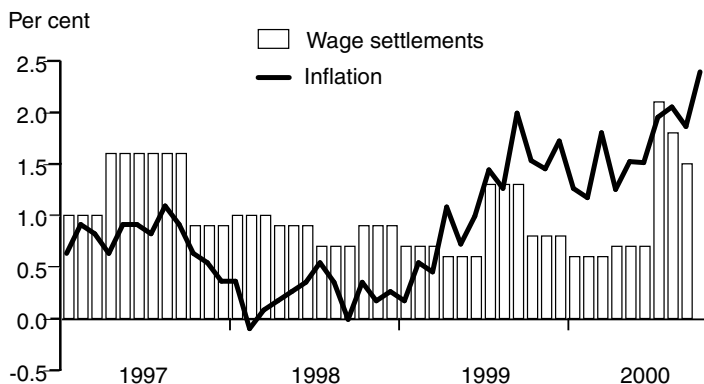


Source: Statistics Canada

During the first two quarters of 2000, British Columbia recorded a net outflow of people to other provinces. However, the overall population grew thanks to continued gains from international sources.

## RECENT DEVELOPMENTS — Continued

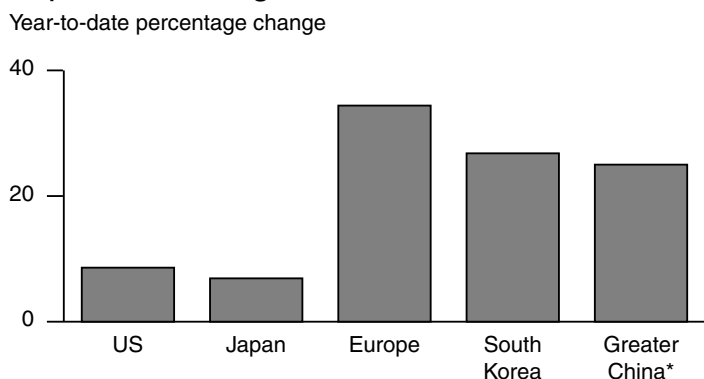
### Inflation and wages rising



Sources: Statistics Canada and Human Resources Development Canada

Consumer price inflation in British Columbia has picked up in recent months reflecting higher energy prices. Wage settlements were below inflation during late 1999 through the first half of 2000 but caught up in the third quarter.

### Export markets grow

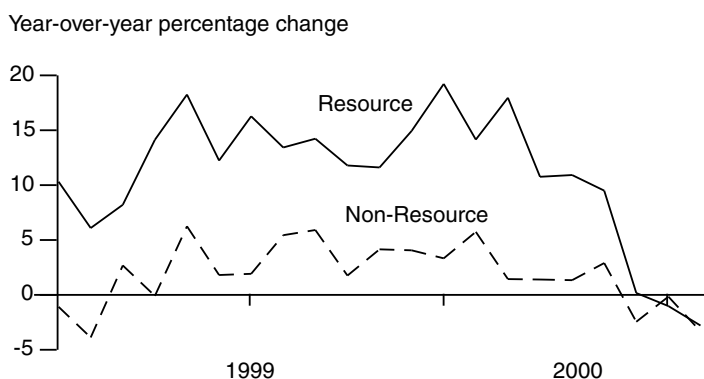


Source: BC STATS

\* China, Hong Kong and Taiwan

While British Columbia exports have benefitted from the booming U.S. economy, other smaller markets have posted stronger growth rates during 2000.

### Manufacturing shipments fall

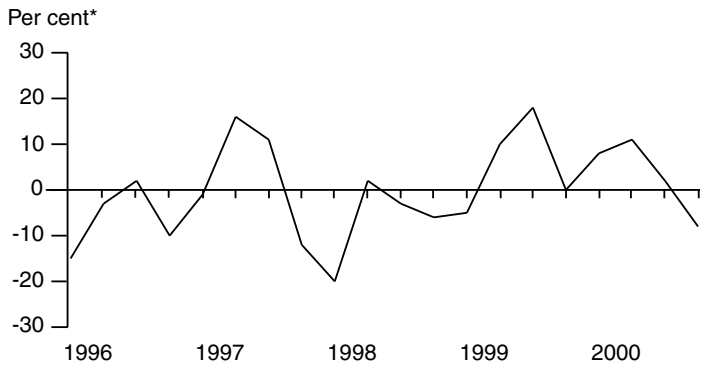


Source: Statistics Canada

In the third quarter, resource and non-resource manufacturing shipments fell below year-earlier levels.

## RECENT DEVELOPMENTS — Continued

### Manufacturing business conditions slow



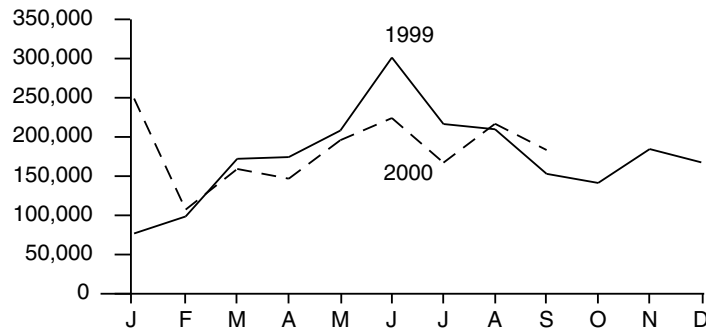
Source: Statistics Canada

\* Percentage of B.C. manufacturers who plan higher production less percentage who plan lower production

According to Statistics Canada's business conditions survey, more British Columbia manufacturers are planning lower production than higher production during the fourth quarter of 2000.

### Non-residential building permits unchanged

\$ thousands; seasonally-adjusted

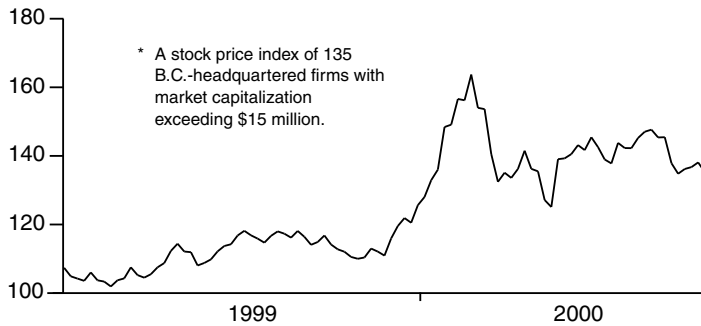


Source: Statistics Canada

The value of non-residential building permits has changed little from 1999. Permit figures for October and November will be disrupted by the Vancouver civic workers' strike.

### Bloomberg B.C. Stock Index\*

December 30, 1994 = 100, weekly close



Source: Bloomberg

The performance of British Columbia's stock index has mirrored developments in other stock indices. The high-tech stock boom in early 2000 fell off later in the year.

### STATISTICS CANADA ANNOUNCES 1999 ECONOMIC GROWTH RATE

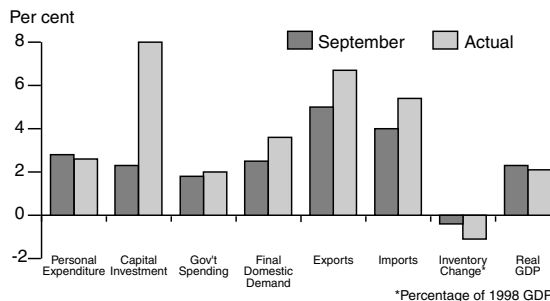
On October 30, Statistics Canada released revised provincial economic accounts data for the 1996-to-1998 period and its first official figures on 1999 performance.

The 1999 data show that British Columbia's economy, as measured by real gross domestic product at market prices (GDP), grew 2.1 per cent. This was close to the Ministry of Finance and Corporate Relations latest estimate of 2.3 per cent. (In *Budget 99*, economic growth was forecast to be 0.5 per cent in 1999, slightly higher than the 0 per cent average of the private sector forecasts. Statistics Canada's 1999 real GDP growth figure is higher than estimated by both the Ministry of Finance and Corporate Relations and the private-sector consensus.)

Final domestic demand was higher than expected due to higher-than-forecast business investment. However, this was partly offset by a larger-than-expected inventory drawdown. The contribution of external trade was also stronger than estimated.

Economic growth figures for the 1996-98 period also were revised significantly, painting a more positive picture of British Columbia's performance, particularly in 1997. Real GDP growth in 1997 was almost double Statistics Canada's previous estimate. Growth in 1998 was revised up to 0.9 per cent from Statistics Canada's initial estimate of 0.2 per cent.

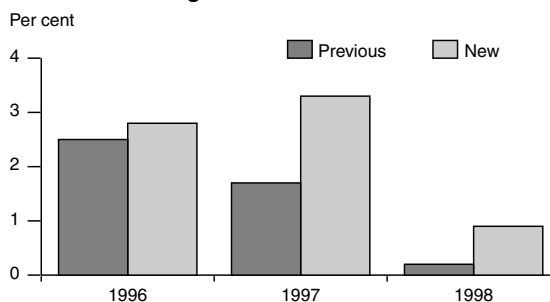
1999 B.C. real GDP growth – actual vs estimated



Source: Statistics Canada and Ministry of Finance and Corporate Relations

Statistics Canada also made significant revisions to nominal GDP (not adjusted for inflation) for 1997 and 1998. As a result, 1999 nominal GDP is \$3.3 billion higher than estimated in September. Consequently, the taxpayer-supported debt-to-GDP ratio for the 1999/00 fiscal year is reduced to 21 per cent.

B.C. real GDP growth revisions



Source: Statistics Canada

Table 1.3 Current Economic Statistics

		Latest Period	Year-to-Date Average		
			1999	2000	Change
<b>BRITISH COLUMBIA</b>					
<b>LABOUR MARKET</b>					
Employment (s.a., thousands).....	Oct.	1,960	1,904	1,946	2.2%
Unemployment rate (s.a., per cent).....	Oct.	7.7	8.4	7.2	-1.2
In-migration (persons).....	Q2	4,632	5,157	5,090	-1.3%
Wages and salaries (s.a., \$ millions).....	July	4,904	4,610	4,883	5.9%
Average weekly wage rate.....	Oct.	647.97	627.65	636.2	1.4%
<b>CONSUMER SECTOR</b>					
Retail sales (s.a., \$ millions).....	Sept.	3,016	2,789	2,948	5.7%
Car and truck sales (units).....	Sept.	14,245	13,202	14,280	8.2%
Housing starts (all areas, s.a., annual rate).....	Oct.	20,500	15,650	14,700	-6.1%
Existing home sales (s.a.).....	Sept.	4,582	4,974	4,508	-9.4%
Building permits (s.a., \$ thousands).....	Sept.	361	386	387	0.2%
British Columbia consumer price index (annual per cent change).....	Oct.	2.4	1.0	1.7	0.7
<b>INDUSTRIAL ACTIVITY</b>					
Foreign merchandise exports (s.a., \$ millions).....	Sept.	2,717	2,373	2,670	12.5%
Manufacturing shipments (s.a., \$ millions).....	Sept.	3,124	3,037	3,226	6.2%
Lumber production (thousand cubic metres).....	Aug.	2,292	2,646	2,733	3.3%
Pulp and paper production (thousand tonnes).....	Sept.	697	659	704	6.9%
Coal production (thousand tonnes).....	Sept.	2,043	2,016	2,104	4.4%
Natural gas production (million cubic metres).....	July	2,104	2,056	2,069	0.6%
Copper production (million kg).....	July	20.6	15.1	20.6	36.2%
<b>TOURISM</b>					
Entries of U.S. and overseas residents (thousands).....	Sept.	858	757	771	1.9%
B.C. Ferry passengers to/from Vancouver Island (thousands).....	Oct.	841	979	969	-1.0%
<b>COMMODITY PRICES</b>					
Lumber (U.S. \$/thousand board feet).....	Oct.	201	343	267	-22.2%
Pulp (U.S. \$/tonne).....	Oct.	710	506	675	33.4%
Newsprint (U.S. \$/tonne).....	Oct.	610	513	555	8.2%
Copper (U.S. \$/lb.).....	Oct.	0.85	0.70	0.82	17.1%
B.C. export commodity price index (Cdn. \$ Index: 1992 = 100).....	Q3	137.1	139.8	139	-0.6%
<b>FINANCIAL DATA</b>					
Canadian dollar (U.S. cents).....	Oct.	66.3	67.2	67.7	0.50
Canadian prime rate (per cent).....	Oct.	7.5	6.43	7.19	0.76
Canadian treasury bills (per cent).....	Oct.	5.6	4.66	5.42	0.76
Treasury bill spread — Canada minus U.S. (per cent).....	Oct.	-0.52	0.15	-0.37	-0.52

s.a. — seasonally adjusted.

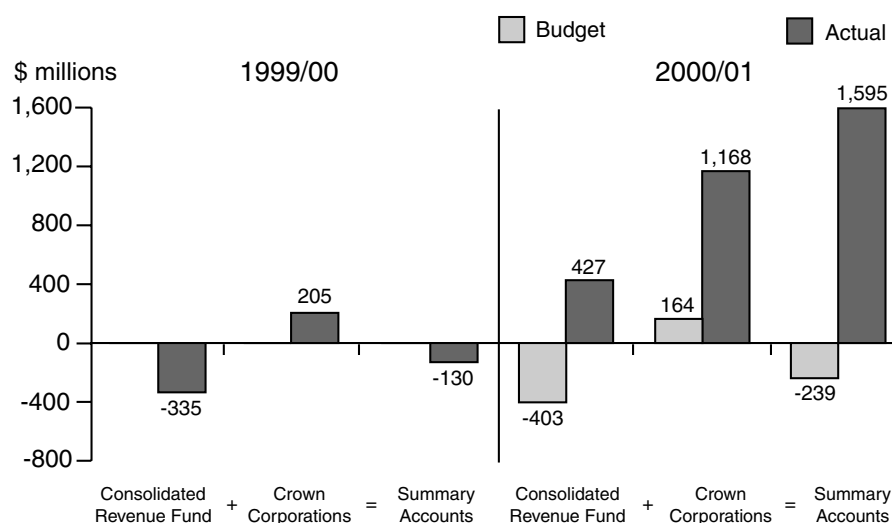
## PART TWO — FISCAL YEAR-TO-DATE REPORT

### 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.

*The summary accounts showed a \$1.6-billion surplus for the first six months . . .*

**Chart 2.1 Summary Accounts  
Six Month Results (April – September)**



The summary accounts showed a \$1.6-billion surplus for the first six months of 2000/01, consisting of:

- a positive consolidated revenue fund (CRF) balance of \$427 million; and
- combined net income of Crown corporations and agencies totalling \$1.2 billion, including:
  - net losses of taxpayer-supported Crown corporations and agencies of \$8 million; and
  - combined net income of self-supported commercial Crown corporations of \$1.2 billion.

*. . . \$1.8 billion ahead of budget*

The six-month surplus was \$1.8 billion ahead of budget and reflected a \$1.7-billion improvement from the same period last year.

*The CRF had a positive balance of \$427 million*

The consolidated revenue fund balance was \$830 million better than planned in the first six months. Revenue was \$562 million above budget while spending was \$268 million below budget. Compared to the same period last year, the consolidated revenue fund balance improved \$762 million mainly due to higher revenue.

In total, net income of Crown corporations and agencies was \$1 billion better than expected and \$963 million higher than the same period last year.

*Combined net income of Crown corporations totalled \$1.2 billion*

The combined net loss of taxpayer-supported Crown corporations of \$8 million was \$27 million below budget and \$157 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 half of 2000/01, combined operating income of \$119 million was offset by accounting adjustments of \$127 million which primarily represents the amortized cost of highways transferred to the BC Transportation Financing Authority in 1998/99.

Combined net income of \$1,176 million for self-supported commercial Crown corporations was \$977 million above budget and \$806 million higher than the same period last year. This was mainly due to significantly higher earnings of the British Columbia Hydro and Power Authority (BC Hydro) due to strong electricity trade sales, and the Insurance Corporation of British Columbia due to higher investment earnings.

In the first half of the year, commercial Crown corporations showed combined operating income of \$1.9 billion (including a transfer of \$457 million of BC Hydro earnings to its rate stabilization account). This was partially offset by contributions to the consolidated revenue fund of \$531 million and accounting adjustments of \$186 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 six-month 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.



**Table 2.1 Summary Accounts Operating Results**  
for the Six Months Ended September 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.....	10,676	11,238	562	10,045
Expenditure.....	(11,079)	(10,811)	268	(10,380)
<b>CRF balance.....</b>	<b>(403)</b>	<b>427</b>	<b>830</b>	<b>(335)</b>
<b>Crown corporations and agencies:</b>				
<b>Taxpayer-supported:</b>				
British Columbia Buildings Corporation.....	32	30	(2)	21
British Columbia Ferry Corporation.....	33	58	25	20
BC Transportation Financing Authority.....	3	8	5	18
Forest Renewal BC.....	(47)	(56)	(9)	(43)
Other <sup>4</sup> .....	77	79	2	64
	98	119	21	80
Less: Contributions paid to CRF.....	—	—	—	(71)
Other accounting adjustments <sup>5</sup> .....	(133)	(127)	6	(174)
<b>Total taxpayer-supported.....</b>	<b>(35)</b>	<b>(8)</b>	<b>27</b>	<b>(165)</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority (BC Hydro).....	133	507	374	286
Liquor Distribution Branch.....	310	323	13	311
British Columbia Lottery Corporation.....	256	268	12	258
British Columbia Railway Company.....	26	19	(7)	23
Insurance Corporation of British Columbia.....	19	312	293	101
Other <sup>6</sup> .....	23	7	(16)	—
	767	1,436	669	979
Less: Contributions paid to CRF <sup>7</sup> .....	(507)	(531)	(24)	(530)
Transfer of BC Hydro earnings to rate stabilization account	—	457	457	—
Other accounting adjustments <sup>8</sup> .....	(61)	(186)	(125)	(79)
<b>Total self-supported commercial.....</b>	<b>199</b>	<b>1,176</b>	<b>977</b>	<b>370</b>
<b>Total net contribution (loss) of Crown corporations and agencies</b>	<b>164</b>	<b>1,168</b>	<b>1,004</b>	<b>205</b>
<b>Summary accounts surplus (deficit).....</b>	<b>(239)</b>	<b>1,595</b>	<b>1,834</b>	<b>(130)</b>

<sup>1</sup> Figures reflect six-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 B.C. Pavilion Corporation, 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 and adjustments to the Insurance Corporation of British Columbia and the British Columbia Railway Company to adjust their reporting results to a six-month period from a nine-month period.

## Consolidated Revenue Fund

### Revenue

*CRF Revenue was \$562 million above budget*

Revenue for the first six months was \$562 million or 5.3 per cent above budget and 11.9 per cent higher than the same time last year. Last year at this time, revenue was \$333 million or 3.4 per cent above budget, excluding a revenue forecast allowance. Details are provided in Table 2.2.

*Personal and corporation income tax revenue up \$100 million*

*Personal and corporation income taxes* — \$100 million above budget reflecting higher-than-expected personal income tax assessments for 1999 and a higher forecast of personal income growth in 2000. Corporation income tax revenue was on budget.

*Social service tax* — \$73 million above budget due to stronger retail sales.

*Other taxes* — \$33 million above budget. Higher revenue from corporation capital, fuel, hotel and property taxes offset lower revenue from tobacco and property transfer taxes.

*Petroleum, natural gas and minerals up \$315 million*

*Petroleum, natural gas and minerals* — \$315 million above budget due to the effect of strong natural gas and oil prices on royalties and sales of Crown land drilling rights.

*Forests* — \$33 million below budget mainly due to a delay in receiving softwood lumber export fees collected by the federal government in 1999/00, partly offset by higher logging tax revenue.

*Water resources* — \$137 million above budget due to the effect of high electricity prices in the United States on revenue received under the Columbia River Treaty.

*Other revenue* — \$37 million above budget due to higher revenue from investment earnings, Medical Service Plan premiums and other miscellaneous sources, partly offset by lower revenue from other fees, licences and fines.

*Contributions from Crown corporations* — \$20 million above budget due to higher-than-expected net income from the Liquor Distribution Branch and the British Columbia Lottery Corporation.

*Federal contributions* — \$120 million below budget mainly due to the Auditor General's recommendation that the government record its full entitlement to the Canada health and social transfer supplement (announced in the 1999 federal budget) in 1999/00, instead of a partial allocation in 2000/01 as budgeted.

### Expenditure

*CRF spending for the first six months was \$268 million below budget . . .*

Spending for the first six months was \$268 million or 2.4 per cent below budget, and 4.2 per cent higher than the same time last year. As shown in Table 2.3, expenditure was below budget in 16 of the 20 ministries.

*Ministry of Advanced Education, Training and Technology* — \$8 million above budget. Ministry programs were \$20 million above budget mainly due to post-secondary collective agreements and accords. Contributions to British Columbia Transit were \$12 million below budget due to a change in the formula used for amortizing capital investments.

**Table 2.2 Consolidated Revenue Fund Revenue by Source**  
for the Six Months Ended September 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.....	2,744.9	2,844.7	99.8	2,682.7
Corporation income.....	517.0	517.0	—	504.7
Social service.....	1,749.8	1,822.7	72.9	1,684.7
Fuel.....	223.6	235.3	11.7	248.9
Tobacco.....	240.1	237.5	(2.6)	244.0
Property.....	680.0	683.5	3.5	667.0
Property transfer.....	139.7	139.4	(0.3)	134.4
Corporation capital.....	218.2	230.9	12.7	221.6
Other.....	152.8	161.3	8.5	150.0
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(12.4)	(12.3)	0.1	(12.4)
	<u>6,653.7</u>	<u>6,860.0</u>	<u>206.3</u>	<u>6,525.6</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	122.0	341.4	219.4	110.1
Permits and fees.....	101.8	167.9	66.1	128.5
Petroleum royalties.....	43.8	72.4	28.6	33.1
	<u>267.6</u>	<u>581.7</u>	<u>314.1</u>	<u>271.7</u>
Minerals.....	17.9	19.0	1.1	24.4
Forests:				
Timber sales.....	377.6	373.7	(3.9)	361.8
Small Business Forest Enterprise Program.....	83.5	82.3	(1.2)	87.3
Logging tax.....	27.6	44.2	16.6	11.3
Other forests revenue.....	50.3	5.6	(44.7)	48.8
	<u>539.0</u>	<u>505.8</u>	<u>(33.2)</u>	<u>509.2</u>
Water resources.....	209.2	346.2	137.0	195.0
Wildlife Act.....	9.4	9.4	—	9.7
	<u>218.6</u>	<u>355.6</u>	<u>137.0</u>	<u>204.7</u>
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(0.7)	(0.7)	—	(0.7)
	<u>1,042.4</u>	<u>1,461.4</u>	<u>419.0</u>	<u>1,009.3</u>
<b>Other revenue:</b>				
Medical Services Plan premiums.....	445.1	463.5	18.4	441.8
Motor vehicle licences and permits.....	177.1	177.6	0.5	173.3
Other fees and licences.....	186.5	168.7	(17.8)	173.1
Investment earnings.....	27.1	47.1	20.0	24.4
Fines and penalties.....	55.0	50.6	(4.4)	59.5
Miscellaneous.....	25.0	47.4	22.4	14.7
Asset dispositions.....	—	0.3	0.3	51.7
Less: provision for doubtful accounts.....	(15.4)	(18.2)	(2.8)	(8.4)
Less: commissions on collection of public funds.....	(6.3)	(5.8)	0.5	(12.2)
	<u>894.1</u>	<u>931.2</u>	<u>37.1</u>	<u>917.9</u>
<b>Contributions from Crown corporations:</b>				
Liquor Distribution Branch.....	310.1	323.0	12.9	311.4
British Columbia Lottery Corporation.....	200.9	207.8	6.9	219.1
Other.....	—	—	—	71.0
	<u>511.0</u>	<u>530.8</u>	<u>19.8</u>	<u>601.5</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	1,506.4	1,506.4	—	932.4
Canada health and social transfer — accounting change <sup>3</sup> .....	—	(121.0)	(121.0)	—
Other.....	68.5	69.6	1.1	58.6
	<u>1,574.9</u>	<u>1,455.0</u>	<u>(119.9)</u>	<u>991.0</u>
<b>TOTAL REVENUE</b> .....	<u>10,676.1</u>	<u>11,238.4</u>	<u>562.3</u>	<u>10,045.3</u>

<sup>1</sup> Actual figures for 2000/01 exclude \$241 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.

... with expenditures below budget in 16 of 20 ministries

*Ministry of Attorney General* — \$4 million above budget primarily due to claims under the *Crown Proceeding Act*.

*Ministry for Children and Families* — \$9 million below budget due to slower spending in various programs.

*Ministry of Education* — \$15 million below budget mainly due to lower-than-expected costs for debt servicing.

*Ministry of Forests* — \$11 million above budget primarily due to higher forest fire fighting costs.

*Ministry of Health* — \$9 million below budget mainly due to slower-than-planned spending for Pharmacare and acute and continuing care. Six-month spending does not yet reflect additional spending related to the \$290 million of supplementary estimates added to the ministry's budget on September 17, 2000.

*Ministry of Transportation and Highways* — \$7 million below budget due to slower spending for highway operations and maintenance.

In total, thirteen other ministries were \$26 million below budget. Spending was below budget in twelve ministries including 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; Small Business, Tourism and Culture; Social Development and Economic Security; and Women's Equality. This was partially offset by higher-than-planned expenditures in the Ministry of Labour.

*Management of Public Funds and Debt (debt interest)* — \$43 million below budget mainly due to reduced borrowing.

Excluding the pension accounting change, CRF expenditure was \$88 million below budget

*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 annually recognizes pension plan surpluses and estimated changes in unfunded pension liabilities. The effect of this accounting policy change reduced the government's pension expenses by a further \$180 million in the first half of the fiscal year, primarily due to significant pension plan investment earnings. A comparative adjustment of \$176 million is shown for 1999/00.

Excluding the impact of the pension accounting change, total consolidated revenue fund expenditure was \$88 million or 0.8 per cent less than budget due to lower interest costs and below-budget spending in most ministries.

## Crown Corporations and Agencies

### Taxpayer-supported Crown Corporations and Agencies

***British Columbia Buildings Corporation*** — net income of \$30 million was \$2 million below budget but \$9 million higher than the same period last year. Revenue was \$7 million below budget, while spending was \$11 million below budget. Gains from disposals of property were \$6 million below budget but \$3 million higher than last year.

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

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Legislation.....	19.0	17.0	(2.0)	16.8
Officers of the Legislature.....	13.1	12.6	(0.5)	13.0
Office of the Premier.....	1.3	1.2	(0.1)	1.2
Aboriginal Affairs.....	16.9	16.5	(0.4)	12.2
Advanced Education, Training and Technology				
Educational institutions and organizations.....	582.4	600.8	18.4	563.1
Contributions to British Columbia Transit.....	90.5	78.4	(12.1)	84.7
Other ministry programs.....	261.6	262.8	1.2	230.7
Total.....	934.5	942.0	7.5	878.5
Agriculture, Food and Fisheries.....	73.1	72.4	(0.7)	48.7
Attorney General.....	461.5	465.9	4.4	468.3
Children and Families.....	714.6	705.5	(9.1)	647.6
Community Development, Cooperatives and Volunteers.....	10.4	6.2	(4.2)	0.5
Education				
Public school operating contributions.....	2,004.0	2,009.2	5.2	1,962.5
Other ministry programs.....	344.8	324.8	(20.0)	319.6
Total.....	2,348.8	2,334.0	(14.8)	2,282.1
Employment and Investment.....	18.0	15.9	(2.1)	15.3
Energy and Mines.....	19.8	16.7	(3.1)	16.2
Environment, Lands and Parks.....	99.1	96.1	(3.0)	95.3
Finance and Corporate Relations.....	56.1	53.2	(2.9)	59.5
Forests.....	260.4	271.2	10.8	236.5
Health				
Acute and continuing care.....	2,244.5	2,240.4	(4.1)	2,128.0
Other ministry programs.....	1,867.8	1,862.8	(5.0)	1,751.2
Total.....	4,112.3	4,103.2	(9.1)	3,879.2
Labour.....	12.8	14.5	1.7	13.2
Multiculturalism and Immigration.....	11.9	6.4	(5.5)	14.5
Municipal Affairs.....	87.3	84.5	(2.8)	94.7
Small Business, Tourism and Culture.....	43.2	42.4	(0.8)	40.9
Social Development and Economic Security.....	973.6	972.7	(0.9)	958.5
Transportation and Highways.....	234.1	226.7	(7.4)	223.3
Women's Equality.....	23.0	22.0	(1.0)	22.1
Other:				
Management of Public Funds and Debt.....	501.3	458.7	(42.6)	404.6
Contingencies (All Ministries) and New Programs <sup>4</sup> .....	—	—	—	—
BC Family Bonus.....	80.5	81.0	0.5	95.8
Amortization of Change in Unfunded Pension Liability.....	(66.0)	(66.0)	—	(60.0)
Other Appropriations <sup>5</sup> .....	18.4	18.8	0.4	15.3
Vancouver Trade and Convention Centre.....	—	—	—	62.4
TOTAL.....	11,079.0	10,991.3	(87.7)	10,556.2
Pension Accounting Change.....	—	(180.0)	(180.0)	(175.9)
TOTAL EXPENDITURE.....	11,079.0	10,811.3	(267.7)	10,380.3

<sup>1</sup> Figures have been restated to reflect the government reorganization announced April 4, 2000, but do not include changes from the government reorganization announced November 1, 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> Charges to the Contingencies vote of \$16 million in 2000/01 (\$0.5 million in 1999/00) have been included as part of the spending of ministries.

<sup>5</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.

*BC Ferries shows \$58 million profit reflecting seasonally strong revenue and lower interest costs*

**British Columbia Ferry Corporation** — net income of \$58 million was \$25 million higher than planned and compares to net income of \$20 million in the first six months of last year. Operating revenue and dedicated fuel tax were \$1.5 million above budget. Total expenses were \$23 million below budget mainly due to the removal of the *PacifiCats* from active service, lower costs for pensions and expenditure timing delays. The improvement from last year reflects an increase in dedicated motor fuel tax received by the corporation and a \$23-million reduction in financing costs resulting from the forgiveness of \$1.1 billion of debt by the provincial government in 1999/00.

**BC Transportation Financing Authority** — net income of \$8 million was \$5 million higher than budget due to delayed expenditures for grant programs. The \$10 million reduction in net income from the previous year reflects an 18-per-cent increase in dedicated taxes offset by a 42-per-cent increase in interest costs primarily due to higher outstanding debt for completion of highway construction and rehabilitation.

**Forest Renewal BC** — \$56-million loss was \$9 million higher than budget. Lower-than-budgeted stumpage revenue was partially offset by reduced spending. The six-month loss was \$13 million higher than last year reflecting the provincial government's recovery of annual costs of administering the *Forest Practices Code* in the first six months — last year, the recovery occurred in the second half of the year.

**Other taxpayer-supported Crown corporations and agencies:**

- *B.C. Pavilion Corporation* — revenues were in balance with expenditure, resulting in an improvement from last year.
- *British Columbia Securities Commission* — net income of \$7 million was about the same as the previous year.
- *British Columbia Transit* — net operating expenditures, shared by provincial and local governments, rose \$2 million from last year.
- *Okanagan Valley Tree Fruit Authority* — net income of \$5 million compared to net income of \$0.2 million last year.
- *Tourism British Columbia* — net income of \$5 million was \$1 million lower than last year.

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

*BC Hydro's net income totalled \$964 million before revenue transfers to its rate stabilization account*

**British Columbia Hydro and Power Authority** — net income before transfers to the rate stabilization account totalled \$964 million. After a \$457-million transfer to the rate stabilization account, net income of \$507 million was \$374 million higher than budget and 77 per cent higher than the same period last year.

*After a \$457-million transfer to the rate stabilization account, BC Hydro net income was \$507 million*

- Domestic revenues were slightly above budget and 4 per cent higher than last year mainly due to increased industrial sales.
- Electricity trade revenue was \$1.4 billion higher than budget and almost four times higher than last year. As a result of strong United States demand, electricity trade selling prices averaged \$172 Cdn per megawatt hour in the first half compared to \$46 Cdn per megawatt hour in the same period last year.
- Energy costs were \$589 million above budget and \$930 million higher than last year primarily due to higher market prices for energy purchases.
- Operations, maintenance and administration costs rose 37 per cent from last year, due to a required accounting change for post-retirement benefits, a provision for the removal and subsequent destruction of PCBs from BC Hydro's properties, and the full-year effect of projects and initiatives started late last year.

**Liquor Distribution Branch** — net income of \$323 million was \$13 million above budget and \$12 million higher than the same period last year. Gross profit (after product costs) was \$4 million above budget and 2.4 per cent higher than the previous year. Operating expenses were \$5 million below budget, and 2.9 per cent higher than last year.

**British Columbia Lottery Corporation** — net income of \$268 million was \$12 million above budget and \$10 million higher than the same period last year. Gaming revenue was \$16 million above budget due to stronger-than-expected casino activity. Revenue increased 3.3 per cent from last year primarily due to the introduction of new casinos in New Westminster in October 1999 and Penticton in May 2000. Increased sales resulted in combined direct costs and other expenses being \$4 million above budget and 3 per cent higher than the previous year.

**British Columbia Railway Company** — nine-month net income of \$19 million was \$6.5 million lower than budget and 19 per cent lower than the previous year. Revenue was \$6 million below budget due to labour-related service disruptions, poor weather and a weakened lumber market, but 3.1 per cent higher than last year due to increased marine revenue and land sales. Operating expenses were \$4 million above budget and 4.5 per cent higher than the previous year mainly due to increased marine activity and higher fuel prices. Financing and taxes expense rose 5.7 per cent from last year primarily due to higher interest costs resulting from higher outstanding debt.

*ICBC's nine-month net income of \$312 million reflects strong investment income and lower claims costs*

**Insurance Corporation of British Columbia** — nine-month net income of \$312 million was \$293 million higher than budget and compares to net income of \$101 million for the same period last year.

- Premium revenue was \$15 million below budget and 0.5 per cent lower than the previous year primarily due to the effects of higher premium discounts for good drivers.
- Investment income was \$177 million above budget and 63 per cent higher than the previous year due to disposals of investments resulting in significantly higher-than-expected capital gains.
- Claims costs were \$87 million below budget due to lower estimates of settling injury claims for prior years. Costs were 4 per cent lower than last year due to a reduction in the cost of current year claims.
- Operating expenses were \$45 million below budget primarily due to lower-than-anticipated expenditures for AutoPlan and commercial vehicle services, driver and road safety services, and administration.

**Other commercial Crown corporations and agencies:**

- *552513 British Columbia Ltd. (Skeena Cellulose)* — nine-month net income of \$2 million compared to a \$4-million loss last year.
- *Columbia Power Corporation* — net income of \$3 million was about the same as last year.
- *Provincial Capital Commission* — \$1-million surplus was about the same as last year.

Details of the financial results for selected major Crown corporations and agencies are presented in Appendix Tables A2 to A10.

## Capital Spending

This section provides information on capital spending for the government and its Crown corporations and agencies for the six months ended September 30, 2000.

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 six months of 2000/01.

**Table 2.4 Capital Expenditures**  
for the Six Months Ended September 30, 2000  
(Unaudited)

*\$1.3 billion spent to finance capital projects in the first six months*

	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> .....	210	205	(5)	173
Health.....	123	103	(20)	98
BC Transportation Financing Authority.....	247	281	34	253
British Columbia Ferry Corporation.....	54	28	(26)	66
Rapid Transit Project 2000.....	200	188	(12)	260
Other <sup>4</sup> .....	31	20	(11)	17
Gross capital plan.....	865	825	(40)	867
Less: recoverable expenditures <sup>5</sup>				
Hospital districts.....	(18)	(15)	3	(7)
Greater Vancouver Transportation Authority ( <i>TransLink</i> ).....	(17)	(4)	13	(3)
Net capital plan.....	830	806	(24)	857
<b>Other taxpayer-supported:</b>				
Government operating (ministries).....	88	44	(44)	33
Social housing.....	10	16	6	6
Other <sup>6</sup> .....	9	6	(3)	2
<b>Total taxpayer-supported</b> .....	<b>937</b>	<b>872</b>	<b>(65)</b>	<b>898</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority.....	214	180	(34)	177
British Columbia Railway Company.....	61	61	—	100
Other <sup>7</sup> .....	228	171	(57)	97
<b>Total self-supported commercial</b> .....	<b>503</b>	<b>412</b>	<b>(91)</b>	<b>374</b>
<b>Total capital expenditures</b> .....	<b>1,440</b>	<b>1,284</b>	<b>(156)</b>	<b>1,272</b>

<sup>1</sup> Figures reflect the six-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 ICBC Properties Ltd.), British Columbia Lottery Corporation and Liquor Distribution Branch.

During the six months ended September 30, 2000, \$1.3 billion was spent to finance capital projects. This was down \$156 million from the \$1.4 billion budgeted primarily due to lower-than-planned capital spending for commercial and most of the taxpayer-supported Crown corporations and agencies, and for government ministries. This was 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	<p><i>Burnaby</i> — Burnaby Mountain Secondary.  <i>Coquitlam</i> — Castle Park, Aspenwood, Blakeburn, Hampton Park Elementaries.  <i>Duncan</i> — Maple Bay Elementary.  <i>New Westminster</i> — Glenbrook Middle.  <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.</p>
School planning, replacement, additions and renovations	<p><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> — Hammond Elementary and Westview Secondary.  <i>Nanaimo</i> — Cedar Jr. Secondary.  <i>North Vancouver</i> — Handsworth Secondary.  <i>Prince Rupert</i> — King Edward Elementary.  <i>Robson</i> — Robson Community School.  <i>Squamish</i> — Brackendale Secondary.  <i>Surrey</i> — Princess Margaret Secondary, Holly and Dr. F.D. Sinclair Elementaries.  <i>Trail</i> — Trail Middle School.  <i>Victoria</i> — Oaklands Elementary.</p>
Post-secondary planning, additions and renovations	<p><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> — Royal Roads (Grant Building).</p>
Hospital and health-care facilities planning, construction, upgrading and equipment purchases	<p><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.</p>
Justice facilities planning and construction	<p><i>Port Coquitlam</i> — North Fraser Pre-Trial Centre.  <i>Kelowna</i> — Okanagan Correctional Centre.</p>

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	Ferry construction and maintenance, and terminal improvements.
Rapid transit	<i>SkyTrain</i> extension construction.

<b>Self-supported commercial Crown corporations and agencies capital spending includes:</b>	
Rail/terminal construction	Capacity upgrade at Canadian Stevedoring. 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 (see Table 3.9).

To date, \$2.1 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 totalled \$114 million to the end of the second 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 \$385 million.

Spending for power generation capital projects by the British Columbia Hydro and Power Authority and Arrow Lakes Power Company totalled \$355 million to date. These agencies are self-supported and the combined budget for these projects is estimated at almost \$630 million.

ICBC Properties Ltd. (a unit of the Insurance Corporation of British Columbia) has invested \$59 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.

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

Project	Construction Start Date	Cumulative Spending to Sept. 30, 2000 <sup>1</sup>	Total Project Budget <sup>2</sup>
(\$ millions)			
<b>Transportation</b>			
Vancouver Island Highway.....	1991	1,186	1,306 <sup>3</sup>
Third Fast-Ferry.....	June 1999	98	105
Lion's Gate Bridge.....	Fall 1998	80	108
Port Mann Bridge/Cape Horn Interchange.....	Aug. 1998	36	74
<i>SkyTrain</i> Extension — Phase 1.....	Sept. 1998	678	1,167
<i>SkyTrain</i> Fleet Expansion.....	Oct. 1998	61	68
<b>Health Facilities</b>			
Vancouver General Hospital.....	Sept. 2000	6	156
Royal Jubilee Hospital (Victoria).....	Aug. 1999	40	102
Surrey Memorial Hospital.....	July 1998	65	77
Prince George Regional Hospital.....	Spring 2001	3	50
<b>Power Generation</b>			
British Columbia Hydro and Power Authority			
– Stave Falls Replacement.....	Feb. 1995	135	181
– Burrard Upgrade.....	June 1993	107	176
Arrow Lakes Power Company <sup>4</sup>			
– Arrow Lakes Generating Station.....	Feb. 1999	113	270
<b>Other</b>			
ICBC Properties Ltd.			
– Surrey City Centre (includes Tech BC)	Sept. 1999	59	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.

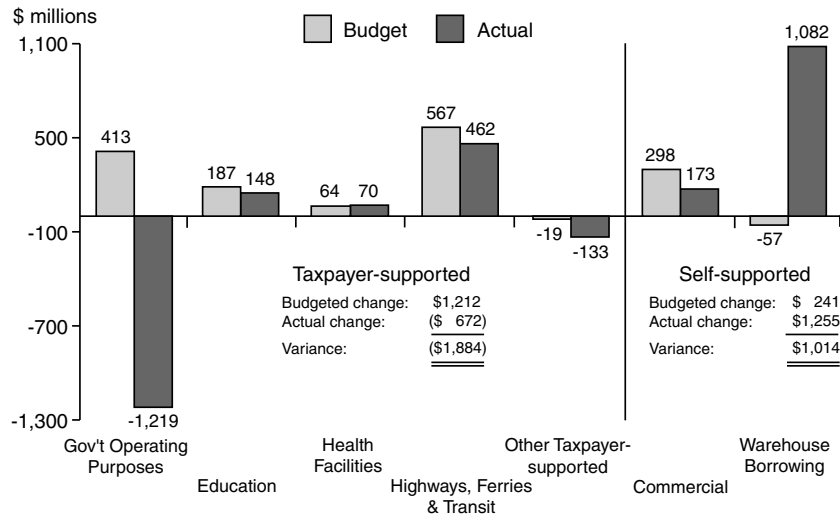
<sup>4</sup> A joint venture of the Columbia Power Corporation and the Columbia Basin Trust.

*Provincial debt totalled \$34.8 billion*

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

Provincial debt totalled \$34.8 billion at September 30, 2000, \$870 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 Six Months Ended September 30, 2000**



The \$583-million increase from the start of the year consisted of:

- a \$173-million debt increase in commercial Crown corporation debt;
- a \$1.1-billion increase for borrowing warehoused for future requirements;
- a \$547-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 \$1.2-billion reduction in government direct operating debt primarily due to an improvement in the consolidated revenue fund balance in the first six months, and the use of higher-than-expected cash balances at the start of the year.

*Taxpayer-supported net debt fell \$672 million*

*Direct operating debt fell \$1.2 billion . . .*

*. . . while other taxpayer-supported net debt rose \$547 million*

Taxpayer-supported net debt totalled \$24.3 billion at September 30, 2000. During the first six months, debt fell \$672 million and was \$1.9 billion less than planned (see Table 2.6). Debt changes included:

- Government direct operating debt was \$1.2 billion lower than the start of the year and \$1.6 billion below budget due to better-than-planned results for the consolidated revenue fund in the first half of the fiscal year and use of higher-than-expected cash balances at April 1, 2000.
- Other taxpayer-supported Crown corporation and agency net debt increased \$547 million from the start of the year. However, debt was \$252 million lower than planned due to the retirement of debt for 577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.) and lower capital financing requirements for education facilities, public transit and ferries, partially offset by higher debt requirements for roads and health facilities.

<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 Six Months Ended September 30, 2000  
(Unaudited)

	Public Accounts Balances at March 31, 2000	+ Net Change <sup>2</sup>	= Total Net Debt Outstanding Actual <sup>3</sup>	Total Net Debt Outstanding Budget <sup>4</sup>	Variance Above/ (Below) Budget	Total Net Debt Outstanding Sept. 30, 1999 <sup>5</sup>
(\$ millions)						
<b>Taxpayer-supported debt:</b>						
<b>Provincial government direct operating<sup>6</sup></b> .....	13,833	(1,219)	12,614	14,246	(1,632)	12,361
<b>Education facilities<sup>7</sup>:</b>						
Schools.....	3,609	136	3,745	3,761	(16)	3,368
Post-secondary institutions.....	1,369	12	1,381	1,404	(23)	1,337
	4,978	148	5,126	5,165	(39)	4,705
<b>Health facilities<sup>7</sup></b> .....	1,451	70	1,521	1,515	6	1,307
<b>Highways, ferries and public transit:</b>						
BC Transportation Financing Authority.....	1,843	293	2,136	2,106	30	1,547
British Columbia Ferry Corporation.....	24	(1)	23	84	(61)	1,007
British Columbia Transit.....	79	(15)	64	69	(5)	60
Public transit <sup>7</sup> .....	952	(6)	946	971	(25)	976
SkyTrain extension <sup>7</sup> .....	488	187	675	703	(28)	391
Rapid Transit Project 2000.....	101	4	105	121	(16)	58
	3,487	462	3,949	4,054	(105)	4,039
<b>Other:</b>						
British Columbia Buildings Corporation.....	615	(67)	548	553	(5)	641
Social housing <sup>8</sup> .....	205	(14)	191	211	(20)	190
Homeowner Protection Office.....	32	21	53	54	(1)	21
577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.).....	62	(62)	—	64	(64)	60
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre).....	—	—	—	—	—	62
Universities and colleges — fiscal agency loans.....	130	(4)	126	130	(4)	133
Other <sup>9</sup> .....	131	(7)	124	144	(20)	174
	1,175	(133)	1,042	1,156	(114)	1,281
<b>Total taxpayer-supported debt</b> .....	<b>24,924</b>	<b>(672)</b>	<b>24,252</b>	<b>26,136</b>	<b>(1,884)</b>	<b>23,693</b>
<b>Self-supported debt:</b>						
<b>Commercial Crown corporations and agencies:</b>						
British Columbia Hydro and Power Authority.....	6,945	115	7,060	7,217	(157)	7,596
British Columbia Railway Company.....	655	10	665	631	34	630
552513 British Columbia Ltd. (Skeena Cellulose Inc.).....	280	48	328	331	(3)	244
Columbia Basin Power Company.....	94	—	94	94	—	94
Other <sup>10</sup> .....	3	—	3	2	1	3
	7,977	173	8,150	8,275	(125)	8,567
<b>Warehouse borrowing program</b> .....	<b>1,320</b>	<b>1,082</b>	<b>2,402</b>	<b>1,263</b>	<b>1,139</b>	<b>2,306</b>
<b>Total self-supported debt</b> .....	<b>9,297</b>	<b>1,255</b>	<b>10,552</b>	<b>9,538</b>	<b>1,014</b>	<b>10,873</b>
<b>Total provincial debt</b> .....	<b>34,221</b>	<b>583</b>	<b>34,804</b>	<b>35,674</b>	<b>(870)</b>	<b>34,566</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> Net debt at March 31, 2000 (based on the *Public Accounts*) plus the net change for the period.

<sup>4</sup> Figures reflect the six-month allocation of the full-year budget, based on planned activities and seasonal patterns.

<sup>5</sup> Restated to be consistent with the presentation used for 2000/01.

<sup>6</sup> Net debt outstanding includes fiscal agency loans assumed on March 31, 2000 from the British Columbia Ferry Corporation (\$1,080 billion) and the Vancouver Trade and Convention Centre (\$70 million).

<sup>7</sup> Represents government direct debt incurred for capital financing purposes.

<sup>8</sup> Includes the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>9</sup> Includes the British Columbia Assessment Authority, 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>10</sup> Includes debt of the British Columbia Lottery Corporation and the Liquor Distribution Branch.

Self-supported net debt rose \$1.3 billion . . .

. . . as Commercial Crown corporation debt increased \$173 million . . .

. . . and warehouse borrowing program debt increased \$1.1 billion

Self-supported net debt totalled \$10.6 billion at September 30, 2000. During the first six months, debt rose \$1.3 billion and was \$1 billion above budget.

- Commercial Crown corporation and agencies debt increased \$173 million from the start of the year. The increase was \$125 million less than planned mainly due to a reduction of British Columbia Hydro and Power Authority (BC Hydro) short-term debt.

Despite strong financial results in the first half of the year, BC Hydro's debt increased \$115 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, BC Hydro's debt at year end is estimated to decline \$345 million from the start of the fiscal year.

- At \$2.4 billion, warehouse borrowing program debt increased \$1.1 billion from the start of the year 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.

Although the government's summary accounts reported a \$1.6-billion surplus for the first six months of the year, net debt declined by a smaller amount because the government and its Crown corporations and agencies still required financing for capital spending projects and working capital needs.

Table 2.7 summarizes the changes in the province's financial position during the first six months, and shows that:

- a \$583-million net increase in provincial debt,
- a \$340-million reduction in cash and temporary investments, and
- the six-month surplus of \$1.6 billion

were primarily used to:

- increase net investments in commercial Crown corporations,
- increase warehouse borrowing investments,
- reduce overall net debt of the government and its Crown corporations and agencies, and
- finance capital asset investments.

**Table 2.7 Change in Summary Accounts Financial Position<sup>1</sup>**  
for the Six Months Ended September 30, 2000  
(Unaudited)

	Change	
	(\$ millions)	
Asset and liability changes:		
Increase in assets related to capital investments (net of amortization) .....	609	
Increase in net investments in commercial Crown corporations .....	1,227	
Reduction in cash and temporary investments .....	(340)	
Non-cash and other working capital changes:		
— Reduction in unfunded pension liability (non-cash) .....	246	
— Other working capital changes and adjustments .....	(646)	1,096
Less: Surplus for the period .....		(1,595)
Net debt reduction for government and its Crown corporations and agencies .....		(499)
Increase in warehouse borrowing investments .....		1,082
Increase in provincial debt .....		583

<sup>1</sup> Further information on changes in the province's financial position is provided in Appendix Table A1.

### COMPOSITION OF PROVINCIAL NET DEBT

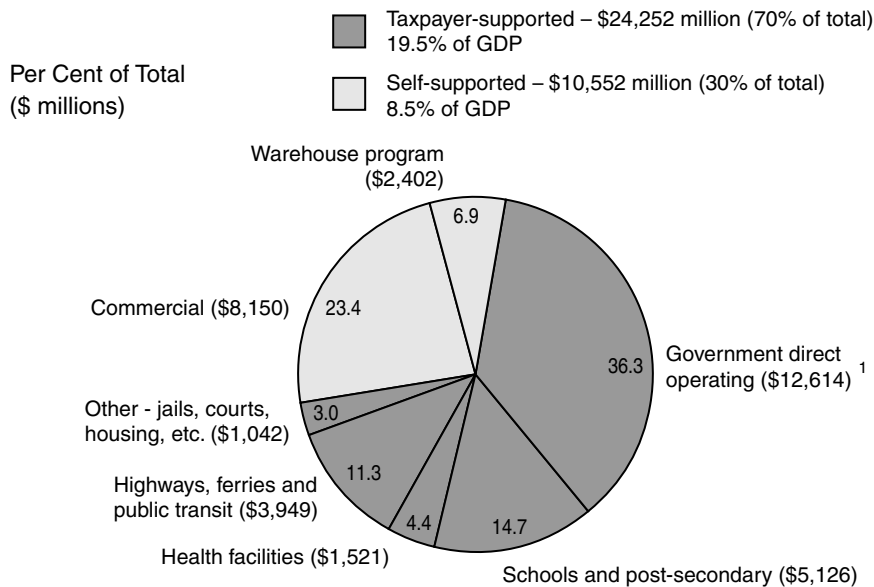
The government borrows to finance its own operations (for example, when revenues fall short of meeting expenditures), to finance construction of capital projects or other investments, to refinance maturing debt and to finance working capital needs.

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 \$34.8 billion at September 30, 2000, or 28 per cent of provincial gross domestic product (GDP).

#### Provincial Net Debt at September 30, 2000



Total: \$34,804 million

<sup>1</sup> Includes a portion of roads infrastructure debt incurred up to 1994/95, and ferry infrastructure debt 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 September 30, 2000, taxpayer-supported debt totalled \$24.3 billion or 19.5 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 September 30, 2000 self-supported debt totalled \$10.6 billion, or 8.5 per cent of GDP.

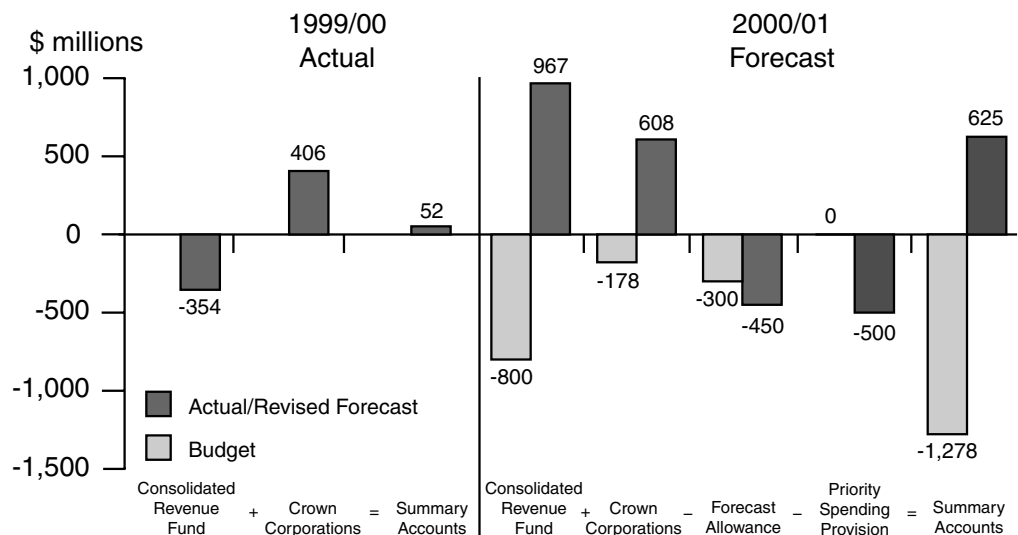
## PART THREE — REVISED FINANCIAL FORECAST

### Summary Accounts

*The summary accounts are forecast to show a \$625-million surplus for 2000/01*

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 summary accounts are projected to show a \$625-million surplus for 2000/01, compared to the budget forecast of a \$1.3-billion deficit.

The government's consolidated revenue fund (CRF) is projected to have a positive balance of \$967 million in 2000/01, \$1.8 billion better than planned mainly due to higher-than-expected revenue.

*CRF revenue is projected to be almost \$1.7 billion above budget*

- Revenue is projected to be almost \$1.7 billion above budget primarily due to the effect of a strengthening economy and high commodity prices in some areas of the natural resources sector.

*CRF spending is projected to be \$114 million below budget*

- Full-year spending is projected to be \$114 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 \$256 million above budget, primarily due to increased health spending.



**Table 3.1 Summary Accounts — Revised Forecast**  
(Unaudited)

	Budget 2000/01	Revised Forecast	Variance <sup>1</sup>	Actual 1999/00
(\$ millions)				
<b>Consolidated Revenue Fund (CRF):</b>				
Revenue.....	21,500	23,153	1,653	21,846
Expenditure.....	(22,300)	(22,186)	114	(22,200)
<b>CRF balance</b> .....	<b>(800)</b>	<b>967</b>	<b>1,767</b>	<b>(354)</b>
<b>Crown corporations and agencies:</b>				
<b>Taxpayer-supported:</b>				
British Columbia Buildings Corporation.....	62	54	(8)	45
British Columbia Ferry Corporation (BCFC).....	(10)	1	11	(299)
BC Transportation Financing Authority.....	(1)	1	2	22
Forest Renewal BC.....	(52)	(119)	(67)	1
Other <sup>2</sup> .....	(16)	25	41	(44)
	(17)	(38)	(21)	(275)
<i>Less:</i> Contributions paid to CRF.....	(62)	(68)	(6)	(78)
Forgiveness of BCFC debt.....	—	—	—	1,080
Other accounting adjustments <sup>3</sup> .....	(227)	(201)	26	(131)
<b>Total taxpayer-supported</b> .....	<b>(306)</b>	<b>(307)</b>	<b>(1)</b>	<b>596</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority (BC Hydro).....	429	527	98	416
Liquor Distribution Branch.....	620	620	—	617
British Columbia Lottery Corporation <sup>4</sup> .....	542	542	—	532
British Columbia Railway Company.....	40	23	(17)	(582)
Insurance Corporation of British Columbia.....	3	325	322	96
Other <sup>5</sup> .....	42	20	(22)	1
	1,676	2,057	381	1,080
<i>Less:</i> Contributions paid to CRF <sup>6</sup> .....	(1,386)	(1,475)	(89)	(1,376)
Transfer of BC Hydro earnings (from) to rate stabilization account.....	(17)	573	590	129
Other accounting adjustments <sup>4, 7</sup> .....	(145)	(240)	(95)	(23)
<b>Total self-supported commercial</b> .....	<b>128</b>	<b>915</b>	<b>787</b>	<b>(190)</b>
<b>Total net contribution (loss) of Crown corporations and agencies</b> .....	<b>(178)</b>	<b>608</b>	<b>786</b>	<b>406</b>
<b>Forecast allowance</b> .....	<b>(300)</b>	<b>(450)</b>	<b>(150)</b>	<b>—</b>
	(1,278)	1,125	2,403	52
<b>Provision for priority spending</b> .....	<b>—</b>	<b>(500)</b>	<b>(500)</b>	<b>—</b>
<b>Summary accounts surplus (deficit)</b> .....	<b>(1,278)</b>	<b>625</b>	<b>1,903</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 B.C. Pavilion Corporation, 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> Budget estimate has been restated to be consistent with the revised forecast presented for 2000/01.

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

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

<sup>7</sup> Includes transfers of British Columbia Lottery Corporation revenue to charities and municipalities, 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.

*Taxpayer-supported Crown corporation net losses up \$1 million from budget*

At \$307 million, taxpayer-supported Crown corporation and agency net losses (after adjustments) are forecast to be \$1 million more than budget. A \$21-million increase in operating losses, mainly due to a higher loss in Forest Renewal BC and a \$6-million increase in dividends paid to the CRF, is partially offset by a \$26-million reduction in expected year-end accounting adjustments.

Excluding one-time provincial debt assistance to British Columbia Ferry Corporation in 1999/00, combined net losses of taxpayer-supported Crown corporations will be \$177 million lower than last year mainly due to operating improvements in British Columbia Ferry Corporation and other Crown corporations.

*Net income of self-supported Crown corporations is up \$787 million from budget*

At \$915 million, the combined net income of self-supported commercial Crown corporations is projected to be \$787 million better than planned. After including a transfer of \$573 million to British Columbia Hydro and Power Authority's (BC Hydro) rate stabilization account, total operating income of \$2.6 billion will be \$971 million above budget. The increase from budget reflects particularly strong earnings of BC Hydro and the Insurance Corporation of British Columbia (ICBC), partially offset by lower net incomes of other commercial corporations.

The increase in operating income will be partially offset by an \$89-million increase in dividends paid to the CRF largely due to higher net income of BC Hydro, and a \$95-million increase in other accounting adjustments.

The significant improvement in commercial Crown corporation results compared to last year is primarily due to the write-down of British Columbia Railway Company assets in 1999/00, and the higher net income of BC Hydro and ICBC.

Since the first *Quarterly Report*, there has been a significant improvement in the finances of the government and its Crown corporations and agencies, particularly due to stronger-than-expected revenue. As a result, the government is allocating some of this revenue to additional priority spending areas while maintaining a budget surplus to help reduce debt.

*Forecast includes a \$500-million provision for additional priority spending . . .*

In September, the legislature authorized an additional \$290 million to address pressures in the health sector. The government is now considering further options to address pressures in a number of priority areas including health care. As a result, the 2000/01 revised summary accounts forecast includes a \$500-million provision for additional priority spending over the rest of the year. Further information will be announced in the coming weeks as Cabinet concludes its decisions.

Although included in the government's bottom-line forecast, priority spending options are not reflected in the individual forecasts for the government's consolidated revenue fund and its Crown corporations and agencies since specific details have not been finalized. These forecasts will be updated to reflect Cabinet's decisions in the third *Quarterly Report*.

*. . . and a \$450-million forecast allowance for uncertainties*

The summary accounts revised forecast also includes a forecast allowance of \$450 million to provide for possible changes in the financial forecast over the rest of the year.

Table 3.2 Summary of Changes from the 2000/01 Budget

	In-Year Change	Totals
	(\$ 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 <sup>1</sup> .....	234	
— CHST supplement: effect of 1999/00 accounting change.....	(121)	
— September 11, 2000 federal announcement of funding for medical equipment.....	132	
— Taxation sources — higher personal and corporation income (current-year entitlements) and other taxes.....	656	
— Natural resources — higher petroleum, natural gas, minerals and water resources, partly offset by lower forests.....	632	
— Crown corporation contributions and other sources <sup>2</sup> .....	<u>120</u>	
<b>Net increase (decrease) from budget</b> .....	1,653	
<b>Spending changes:</b>		
— Ministry of Health supplementary estimates.....	(290)	
— Lower debt interest expense.....	80	
— Ministry of Forests — higher spending primarily for fire fighting and beetle management.....	(25)	
— Other program spending increases.....	(21)	
— Effect of change in pension accounting policy.....	<u>370</u>	
<b>Net (increase) decrease from budget</b> .....	<u>114</u>	
<b>Consolidated revenue fund — net improvement from budget<sup>3</sup></b> .....		1,767
<b>Crown corporation changes:</b>		
<b>Taxpayer-supported:</b>		
— British Columbia Ferry Corporation — lower operating loss.....	11	
— Forest Renewal BC — higher loss due to lower stumpage revenue.....	(67)	
— 577513 British Columbia Ltd. — gain on sale of Western Star Trucks investment.....	18	
— Other Crown corporation changes and adjustments (mainly lower adjustments for the amortization of highways).....	<u>37</u>	(1)
<b>Self-supported commercial:</b>		
— British Columbia Hydro and Power Authority — higher net income including transfer to rate stabilization account.....	688	
— Insurance Corporation of British Columbia — higher net income.....	322	
— British Columbia Railway Company and other Crown corporations — lower net income.....	(39)	
— Higher Crown corporation contributions paid to CRF.....	(89)	
— Other Crown corporation changes and adjustments (primarily for differences between fiscal year-ends).....	<u>(95)</u>	<u>787</u>
<b>Crown corporations — increased net earnings from budget<sup>3</sup></b> .....		786
<b>Forecast allowance — increase in allowance</b> .....		(150)
<b>Provision for priority spending</b> .....		<u>(500)</u>
<b>Summary Accounts Surplus — Revised Forecast</b> .....		<u><u>625</u></u>

<sup>1</sup> Includes \$200 million for personal income tax and \$34 million for CHST.

<sup>2</sup> Includes Crown corporation contributions (\$95 million), other CHST contributions (\$20 million) and other revenue (\$5 million).

<sup>3</sup> Excludes effect of new provision for priority spending.

## Consolidated Revenue Fund

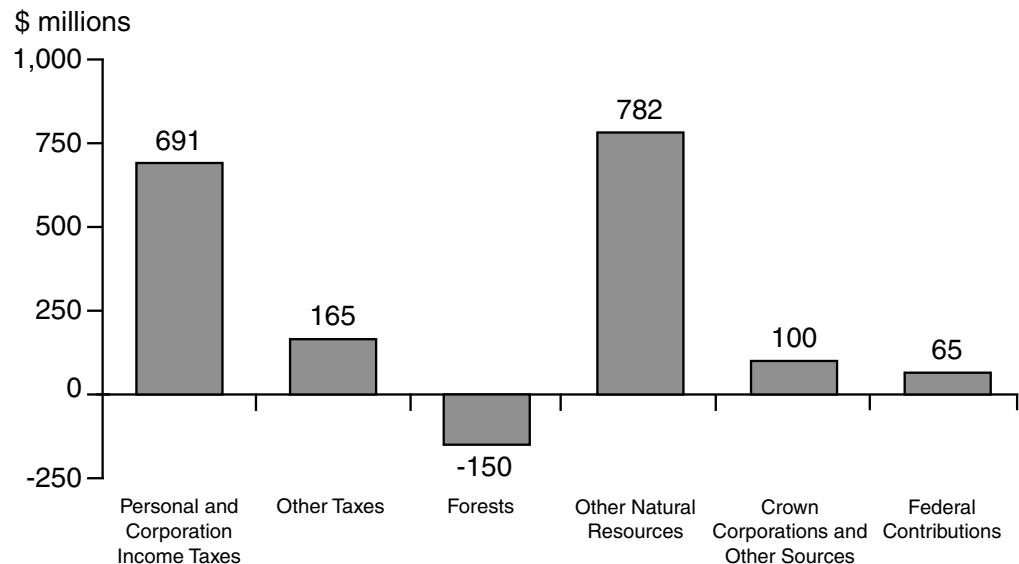
### Revised Revenue Forecast

Revenue is projected to be almost \$1.7 billion above budget, mainly reflecting continuing strength in the economy. The forecast incorporates the effects of higher year-end revenue from 1999/00 and the September 2000 economic forecast. It also incorporates year-to-date revenue collection and energy price trends, recent information from the federal government on personal and corporate income tax assessments for 1999, and a higher federal government outlook for national corporate profits in 2000.

In addition, the forecast includes British Columbia's full two-year entitlement to new funding for medical equipment announced by the federal government on September 11, 2000. This added \$132 million to the 2000/01 forecast of Canada health and social transfer (CHST) revenue.

As shown in the following chart, revenue is projected to be higher than budget for most sources.

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



*Personal and corporation income tax revenue up \$691 million*

- *Personal income tax* — \$473 million above budget. The effects of larger-than-assumed assessments for 1999 and an improved outlook of personal income growth for 2000 more than offset federal and provincial tax reduction measures introduced in 2000/01.
- *Corporation income tax* — \$218 million above budget and 21 per cent higher than last year, reflecting the effect of a larger-than-assumed British Columbia tax base in 1999, and higher instalments due to an improved federal government outlook of national corporate profits in 2000.
- *Social service tax* — \$100 million above budget due to a larger-than-expected tax base at the end of 1999/00 and an improved outlook for retail sales in 2000.
- *Other taxes* — \$65 million above budget due to higher revenue from corporation capital, fuel, tobacco and other taxes. These increases reflect larger-than-expected tax bases at the end of last year and stronger economic activity in 2000.

**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	5,986.0	473.0	5,839.0
Corporation income.....	915.0	1,133.0	218.0	939.1
Social service.....	3,446.0	3,546.0	100.0	3,337.7
Fuel.....	437.0	455.0	18.0	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	303.0	15.0	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>13,932.0</u>	<u>856.0</u>	<u>13,377.9</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	335.0	768.0	433.0	328.1
Permits and fees.....	217.0	288.0	71.0	247.7
Petroleum royalties.....	88.0	123.0	35.0	93.9
	<u>640.0</u>	<u>1,179.0</u>	<u>539.0</u>	<u>669.7</u>
Minerals.....	33.0	39.0	6.0	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 resources.....	398.0	635.0	237.0	396.6
Wildlife Act.....	14.0	14.0	—	14.9
	<u>412.0</u>	<u>649.0</u>	<u>237.0</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>3,010.0</u>	<u>632.0</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	362.0	(22.0)	362.4
Investment earnings.....	55.0	85.0	30.0	60.2
Fines and penalties.....	103.0	110.0	7.0	107.9
Miscellaneous.....	105.0	153.0	48.0	127.4
Asset dispositions.....	50.0	8.0	(42.0)	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>1,886.0</u>	<u>5.0</u>	<u>1,887.7</u>
<b>Contributions from Crown corporations:</b>				
British Columbia Buildings Corporation.....	62.0	54.0	(8.0)	71.0
Liquor Distribution Branch.....	620.0	620.0	—	617.4
British Columbia Lottery Corporation.....	398.0	402.0	4.0	416.0
British Columbia Hydro and Power Authority.....	355.0	440.0	85.0	343.0
Other <sup>3</sup> .....	13.0	27.0	14.0	7.0
	<u>1,448.0</u>	<u>1,543.0</u>	<u>95.0</u>	<u>1,454.4</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	2,549.0	2,735.0	186.0	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>2,782.0</u>	<u>65.0</u>	<u>2,609.2</u>
<b>TOTAL REVENUE</b> .....	<u>21,500.0</u>	<u>23,153.0</u>	<u>1,653.0</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 Asset and Land Corporation (WLC Developments Ltd.), and Columbia Power Corporation.

*Oil, gas and minerals up \$545 million*

*Forests down \$150 million*

*Strong electricity prices caused a \$237-million increase in water resource revenue*

*Includes \$132 million of two-year federal funding for medical equipment*

- *Petroleum, natural gas and minerals* — \$545 million above budget and 70 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 revised forecast incorporates the significant decline in lumber prices this year, partly offset by slightly higher overall harvest volumes.
- *Water resources* — \$237 million above budget due to the effect of high electricity prices in the United States on sales of electrical power received under the Columbia River Treaty.
- *Other revenue* — \$5 million above budget as higher-than-budgeted revenue from investment earnings, fines and penalties, and miscellaneous sources is partly offset by lower-than-budgeted revenue from fees and licences and other sources.
- *Contributions from Crown corporations* — \$95 million above budget mainly due to a higher-than-budgeted dividend expected from British Columbia Hydro and Power Authority, reflecting higher profits from strong electricity export sales. Higher contributions from other Crown corporations more than offset lower dividends from the British Columbia Buildings Corporation.
- *Federal contributions* — \$65 million above budget. The effect of a change in accounting for CHST in 1999/00 reduced the full-year forecast by \$121 million in 2000/01. However, consistent with this accounting policy, the forecast includes British Columbia's full two-year entitlement of \$132 million resulting from the September federal announcement of additional CHST for medical equipment. (See Table 3.4 — Main Revenue Forecast Assumptions and Risks).

**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: \$5,986 million, up \$473 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 4.7% in 1999; 1.8% in 2000. Forecast includes \$200 million of prior-year assessments, based on 1999 assessments as of October 2000.	±1% change in 2000 personal income growth equals ±\$100 to \$125 million (full year). Final 1999 tax assessments (as of December 31, 2000) could affect the forecast. Distribution of taxable income could affect revenue more in 2000 due to the change to a "tax-on-income" system.
<b>Corporation Income Tax</b> Budget: \$915 million Revised: \$1,133 million, up \$218 million	British Columbia corporate profits increase of 11.5% in 1999; increase of 15.0% in 2000.  2000 national corporate taxable income (CTY) of \$110 billion, up 6.1% from 1999 national CTY base of \$104 billion.	British Columbia corporate profits increase of 18.5% in 1999; increase of 10% in 2000. Due to federal installment lags, lower profits in 2000 affects 2001/02 revenue. Includes the effect of reducing the small business tax rate from 4.75% to 4.50%, effective January 1, 2001 (announced August, 2000). 2000 national CTY of \$125 billion, up 22.5% from revised 1999 base of \$102 billion. Results in a \$147 million increase in B.C. tax revenue for 2000, and a \$71 million increase due to higher-than-assumed assessments for 1999.	Final 1999 tax assessments (as of December 31, 2000) could affect the forecast. Revenue could be ±\$75 million, depending on assumptions. Unexpected significant changes to federal forecast of 2000 tax base could affect B.C.'s installments in last quarter.

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>Social Service Tax</b> Budget: \$3,446 million Revised: \$3,546 million, up \$100 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 and equipment spending increase of 4.7% in 2000; 7.5% in 2001. Incorporates year-to-date collections trend (up 8.2% from last year). Assumes revenue growth will slow to 6.2% growth over 1999/00, reflecting the strong growth in collections over the last 6 months of 1999/00.	±1% change in retail sales growth affects revenue by ±\$13 million. ±1% change in M&E investment affects revenue by ±\$5 million.
<b>Fuel/Tobacco Taxes</b> Budget: \$905 million Revised: \$935 million, up \$30 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. Incorporates year-to-date collections trend (up \$9 million above budget).	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 tobacco tax revenue collection.
<b>Petroleum, Natural Gas and Minerals</b> Budget: \$673 million Revised: \$1,218 million, up \$545 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 averaging \$4.00/gigajoule in 2000/01; volumes up 4.1%. Sales of Crown land drilling rights assumes average price of \$333/hectare and 730,000 hectares sold. Price of oil at US \$29/bbl.	Commodity prices are volatile and remain a risk in 2000/01. The effects of winter weather, commodity demand and supply constraints contribute to the overall forecast risks. The following sensitivities are based on changes over the remainder of the fiscal year: ±5% change in natural gas price equals ±\$43 million. ±1% change in natural gas volume growth equals ±\$10 million. ±5% change in price or volume of land sales equals ±\$5 million. ±US \$5/bbl in oil price equals about ±\$20 million.
<b>Forests</b> Budget: \$1,302 million Revised: \$1,152 million, down \$150 million	Crown coastal harvest 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 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.	Harvest volumes and weather are the main risks over the rest of the year. Due to timing lags, changes in prices or exchange rates from revised assumptions do not affect revenue in the remaining 2 quarters of the year (assuming no volume changes). Effects of the termination of the Canada/U.S. Softwood Lumber Agreement are unknown. ±5% change in harvest volumes in the remaining 2 quarters of the year equals ±\$30 million.
<b>Water Resources</b> Budget: \$398 million Revised: \$635 million, up \$237 million	Water rental revenue at \$309 million; electricity sales under the Columbia River Treaty at \$89 million.	Water rental revenue at \$300 million, electricity sales under the Columbia River Treaty at \$335 million. Forecast assumes average prices at more than 200% higher than last year, based on year-to-date trends.	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 ±\$10 to \$15 million.

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	
<p><b>Other Sources: Fees, Licences, Fines and Miscellaneous</b></p> <p>Budget: \$1,881 million</p> <p>Revised: \$1,886 million, up \$5 million</p>	<p>Usage rate generally varies with population growth. Population growth of 1.1% in 2000.</p>	<p>Population growth of 1.1% in 2000. Higher-than-expected 1999/00 base for miscellaneous revenue and investment earnings. Lower revenue from fees and licences reflects year-to-date activity.</p> <p>Asset sales proceeds will be lower than budgeted.</p>	<p>±1% in usage/population growth equals ±\$10 to \$15 million.</p>
<p><b>Government Enterprises</b></p> <p>Budget: \$1,448 million</p> <p>Revised: \$1,543 million, up \$95 million</p>	<p>Generally dependent on growth in real GDP and population. Population growth of 1.1% in 2000; real GDP growth of 2.2% in 2000.</p>	<p>Population growth of 1.1% in 2000; real GDP growth of 3.0% in 2000.</p> <p>BC Hydro dividend up \$85 million due to higher net income from export market sales.</p> <p>Forecast includes \$14 million from sale of provincial investment in Western Star Trucks Holding Ltd.</p> <p>BCBC contribution down \$8 million due to lower property sales and higher costs.</p>	<p>±1% change in population or real GDP growth equals ±\$10 to \$20 million.</p> <p>±10% change in electricity prices over the remainder of the year equals ±\$2 to \$4 million in BC Hydro's contribution.</p> <p>BC Hydro contribution can be affected by weather and electricity markets.</p> <p>BCBC contribution depends on the amount of property sales in the rest of the year.</p>
<p><b>Canada health and social transfer (CHST)</b></p> <p>Budget: \$2,549 million</p> <p>Revised: \$2,614 million, up \$65 million</p>	<p>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.</p>	<p>As recommended by the Auditor General (AG), the \$121-million supplement was recorded in 1999/00.</p> <p>British Columbia withdrew its full \$333-million share of the \$2.5-billion supplement (2000 federal budget). Consistent with government's accounting policy, the forecast includes British Columbia's full \$132-million two-year share of the recently announced \$1-billion supplement for medical equipment.</p> <p>National personal income tax base growth of 8.7% in 1999; 2.4% in 2000; -3.0% in 2001.</p> <p>British Columbia population growth of 1.1% in 2000.</p> <p>Includes \$34 million for one-time prior-year assessments.</p>	<p>±1% change in British Columbia population with no change in national population is equivalent to ±\$35 to \$40 million (full year).</p> <p>±1% increase (decrease) in the British Columbia income tax base reduces (increases) revenue by \$15 to \$20 million (full year).</p> <p>±1% change in the national base (cash and tax), equals ±\$35 to \$40 million (full year, assuming no change to the British Columbia tax base).</p> <p>Final 1999 tax assessments (as of December 31, 2000) could affect the forecast.</p>



## Revised Expenditure Forecast

*Excluding the effect of the pension accounting change, the spending forecast is \$256 million above budget*

As shown in Table 3.5, the revised expenditure forecast is \$114 million below budget, mainly due to a pension accounting policy change that is partially offset by increased health care spending. Excluding the effect of the change to pension accounting policy, the forecast is \$256 million above budget. The revised forecast does not reflect additional priority spending to be considered by Cabinet in the coming weeks.

Ministry forecasts include spending pressures and risks listed below. These pressures have statutory spending authority (e.g. forest fire fighting costs), are funded from the Contingencies vote, or have been provided for through the \$290 million of supplementary estimates authorized in September (health care).

*Ministry of Aboriginal Affairs* — Up \$25 million, including \$12 million for payments of stumpage revenue to the McLeod Lake Indian Band that the province collects on its behalf, and the estimated cost of interim measures in support of ongoing treaty negotiations.

*Ministry of Advanced Education, Training and Technology* — The forecast includes \$21 million for post-secondary collective agreements, accord settlements and other pressures 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. Other pressures include student financial assistance partially offset by lower debt interest costs.

*Ministry of Attorney General* — Up \$35 million mainly due to court settlements that will be paid under statutory authority, and Jericho Hill School compensation that will be paid from the Contingencies vote.

*Ministry of Education* — Pressures include the announced decision not to change the independent school funding formula and higher-than-expected costs of teachers advancing through the salary grid. These are offset by lower-than-expected debt servicing costs. No change has been made to the ministry's \$10-million enrolment reserve pending finalization of enrolment figures expected in January.

*Ministry of Forests* — Up \$25 million due to higher-than-expected forest fire fighting costs funded under a statutory appropriation, and for beetle control measures that will be funded from the Contingencies vote.

*Forecast includes Health supplementary estimates of \$290 million . . .*

*Ministry of Health* — The forecast includes \$290 million authorized by supplementary estimates in September to provide for health authorities service pressures (\$180 million), additional hospital equipment (\$70 million) and the Medical Services Plan (\$40 million) for rural doctors. Negotiations with the British Columbia Medical Association are ongoing and the government is presently considering further options to address a number of pressures in priority areas including health care.

*Ministry of Social Development and Economic Security* — \$29 million of pressures will be funded from the Contingencies vote to provide for higher-than-expected demand for income assistance, disability benefits and childcare subsidies.

A further six ministries are forecast to be slightly above budget and will draw on funds from the Contingencies vote or use statutory spending authorities provided in their own legislation. These ministries include the Ministries of Community Development, Cooperatives and Volunteers; Energy and Mines; Environment, Lands and Parks; Multiculturalism and Immigration; Municipal Affairs; and Small Business, Tourism and Culture.

**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	28.4	2.2	28.5
Office of the Premier.....	2.7	2.8	0.1	2.6
Aboriginal Affairs.....	43.3	68.1	24.8	33.8
Advanced Education, Training and Technology				
Educational institutions and organizations.....	1,179.3	1,198.6	19.3	1,100.0
Contributions to British Columbia Transit.....	180.5	156.5	(24.0)	147.1
Other ministry programs.....	523.4	525.0	1.6	517.0
Total.....	1,883.2	1,880.1	(3.1)	1,764.1
Agriculture, Food and Fisheries.....	121.1	121.1	—	102.9
Attorney General.....	941.1	976.0	34.9	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	3,776.3	3.3	3,639.5
Other ministry programs.....	763.4	754.5	(8.9)	709.3
Total.....	4,536.4	4,530.8	(5.6)	4,348.8
Employment and Investment.....	37.2	37.2	—	34.5
Energy and Mines.....	41.7	42.8	1.1	34.2
Environment, Lands and Parks.....	188.5	197.2	8.7	199.0
Finance and Corporate Relations.....	113.1	113.1	—	115.2
Forests.....	512.4	537.4	25.0	498.5
Health				
Acute and continuing care.....	4,490.9	4,740.9	250.0	4,425.3
Other ministry programs.....	3,777.6	3,817.6	40.0	3,547.0
Total.....	8,268.5	8,558.5	290.0	7,972.3
Labour.....	29.8	29.8	—	27.7
Multiculturalism and Immigration.....	24.2	24.7	0.5	111.8
Municipal Affairs.....	141.0	147.2	6.2	145.1
Small Business, Tourism and Culture.....	85.8	88.2	2.4	86.4
Social Development and Economic Security.....	2,026.4	2,055.5	29.1	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	929.0	(80.0)	834.9
Contingencies (All Ministries) and New Programs.....	125.0	34.2	(90.8)	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	50.5	10.2	38.9
TOTAL.....	22,300.0	22,556.4	256.4	21,369.5
Pension Accounting Change.....	—	(370.0)	(370.0)	(351.8)
One-Time Expenditures.....	—	—	—	1,182.7
<b>TOTAL EXPENDITURE.....</b>	<b>22,300.0</b>	<b>22,186.4<sup>5</sup></b>	<b>(113.6)<sup>5</sup></b>	<b>22,200.4</b>

<sup>1</sup> Figures have been restated to reflect the government reorganization announced April 4, 2000, but do not include changes from the government reorganization announced November 1, 2000.

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

<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.

<sup>5</sup> Excludes effect of new provision for priority spending.

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

. . . and \$80 million of reduced debt interest costs

*Management of Public Funds and Debt (debt interest)* — Lower-than-assumed borrowing requirements are expected to result in \$80 million of reduced debt interest costs by year end.

*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 (\$91 million), and new pressures that may occur over the rest of the year (\$34 million).

Also includes a \$370-million reduction for pension accounting change

*Pension Accounting Changes* — As noted with the 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*.

*Joint Trusteeship* — Discussions are underway with beneficiary groups and could have an impact on the 2000/01 summary accounts if concluded this year. This is because pension fund surpluses or liabilities would be removed from the government's financial statements, thus resulting in an adjustment to the summary accounts. The forecast does not assume any adjustments at this time.

Risks and sensitivities 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>Officers of the Legislature — Police Complaints Commissioner</b> Budget — \$1.1 million	Up \$0.2 million, funded from Contingencies, for legal counsel costs.	
<b>Office of the Premier —</b> Budget — \$2.7 million	Up \$0.1 million, funded from Contingencies, for an ex-gratia payment to the Kokanee Glacier Alpine Campaign.	
<b>Ministry of Aboriginal Affairs</b> Budget — \$43 million	Up \$24.8 million \$12 million for payments of stumpage revenue to the McLeod Lake Indian Band that the province collects on their behalf, funded under a statutory appropriation. \$10 million for interim measures in support of ongoing treaty negotiations, funded from the Contingencies vote. Other pressures: Skeetchesn settlement, Duke Point Terminal-Nanaimo First Nation compensation, and Upper Similkameen cutoff payment, funded from Contingencies and statutory appropriations.	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.

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 Advanced Education, Training and Technology</b> Budget — \$1,883 million	Up \$20.9 million, (excluding British Columbia Transit shown below). Funding is provided from Contingencies for post-secondary collective agreements and accord settlements and the new lender arrangement for student financial assistance, partially offset by lower debt servicing costs.	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 British Columbia Transit (included in the Ministry of Advanced Education, Training and Technology above) Budget — \$181 million	Down \$24 million. A correction to the formula used for amortizing capital investments will reduce government expenditure by about \$24 million.	British Columbia Transit negotiated a two-year fixed price fuel contract effective April 2000 with the result that rising fuel prices are not a risk.
<b>Ministry of Attorney General</b> Budget — \$941 million	Up \$34.9 million. Court settlements and emergency program compensation funded under statutory authority — \$27.8 million. Compensation payments for Jericho Hill School claimants (\$5.2 million) and ministry program pressures (\$1.9 million) funded from the Contingencies vote.	Risks include number or severity of natural disasters, such as blizzards, 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. (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 between 2,200 and 2,400 in 2000/01. Adult inmate population was 2,343 at September 30, 2000.)
<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, higher shift premiums, the demand for workforce adjustment and the impact of cost reduction initiatives. Average children-in-care caseload is about 380 higher than budgeted and may not come down by year end. The direct annual average residential cost for each child-in-care is approximately \$25,000. Community living services residential utilization is 100 beds higher than expected and may not come down by year end. The average annual cost for each Residential Community client is approximately \$70,000.
<b>Ministry of Community Development, Cooperatives and Volunteers</b> Budget — \$23 million	Up \$0.7 million, funded under statutory authority, for a write-down of the government's investment in Four Corners Bank.	
<b>Ministry of Education</b> Budget — \$4,536 million	Down \$5.6 million. The forecast includes the announced decision not to change the independent school funding formula (\$5 million pressure), higher-than-expected costs of teachers advancing through the salary grid, the CUPE collective agreement, and an increase in the amortization of capital investments. These pressures are offset by lower debt servicing costs.	The disposition of a \$10-million ministry reserve will not be known until final enrolment figures are available in January. Higher or lower enrolment growth and/or a change in composition may affect expenditures. A 1% change in enrolment affects costs by \$37.3 million. Collective agreement negotiations with non-CUPE support staff were not concluded prior to the forecast.
<b>Ministry of Energy and Mines</b> Budget — \$42 million	Up \$1.1 million. Work on climate change and the Tulsequah Chief Mine project are funded from the Contingencies vote. Higher resource revenues are also resulting in higher costs under statutorily-funded revenue sharing agreements with First Nations.	
<b>Ministry of Environment, Lands and Parks</b> Budget — \$189 million	Up \$8.7 million, including \$0.3 million funded under a statutory appropriation for lower-than-budgeted cost recoveries, and \$8.4 million, funded from the Contingencies vote, for work on climate change, Cypress Bowl water and sewer improvements, the Tulsequah Chief Mine project and other pressures.	

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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>Ministry of Forests</b> Budget — \$512 million	Up \$25 million. \$20 million for forest fire suppression funded under a statutory appropriation and \$5 million for beetle management funded from the Contingencies vote. Fire conditions were worse than a “moderate” year, but better than the situation in the United States.	Additional funding may be required from the Contingencies vote for issues such as landscape unit planning.
<b>Ministry of Health</b> Budget — \$8,269 million	Up \$290 million as a result of the supplementary estimates approved in September for health authorities service pressures (\$180 million), hospital equipment (\$70 million), and the Medical Services Plan (\$40 million) for rural doctors. Negotiations with the British Columbia Medical Association are ongoing and the government is presently developing further options to address a number of pressures in priority areas including health care.	There are still uncertainties with regard to the extent and size of health pressures for the current fiscal year. <i>Medical Services Plan (MSP):</i> A settlement has not yet been reached with rural doctors. 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). <i>Emergency Health Services:</i> Negotiations are still in progress between government and the BC Ambulance Service to renew the collective agreement (expired March 31, 2000).
<b>Ministry of Labour</b> Budget — \$30 million 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>Ministry of Multiculturalism and Immigration</b> Budget — \$24 million	Up \$0.5 million, funded from the Contingencies vote, for unbudgeted costs associated with the formation of the new ministry and to support disability research.	
<b>Ministry of Municipal Affairs</b> Budget — \$141 million	Up \$6.2 million. \$3.9 million is funded under a statutory appropriation for retroactive home owner grant payments. \$2.3 million is funded from Contingencies for the Tumbler Ridge transition plan and an unbudgeted amortization expense for a ministry computer system.	
<b>Ministry of Small Business, Tourism and Culture</b> Budget — \$86 million	Up \$2.4 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	Up \$29.1 million, funded from Contingencies, for higher-than-expected income assistance, disability benefits utilization and child care subsidies.	The level of demand for these programs is sensitive to population and migration changes, and the relative strength of the provincial economy. The budgeted 4.2% decline in BC Benefits caseload is not expected to be realized. The comparable caseload decline to September 30, 2000 was 1.7%. Utilization of child care spaces is 800 higher than budgeted and may not come down by year end. 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.

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
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, but have not exceeded planning assumptions.	A 1-cent per litre increase in diesel fuel prices increases inland ferry operating costs by \$25,000 per year. A 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 \$80 million. Borrowing requirements are lower than expected.	A 1% change in interest rates results in a \$14-million change in direct operating debt interest expense for the remaining half of the fiscal year; up to \$22 million change when other taxpayer-supported debt is included. A change in exchange rates could also affect expenditures.
<b>BC Family Bonus Program</b> (administered by the Ministry of Finance and Corporate Relations) Budget — \$152 million	Unchanged	
<b>Contingencies (All Ministries) and New Programs</b> Budget — \$125 million	(\$millions) Special Offices ..... 0.3 Aboriginal Affairs ..... 12.7 Advanced Education, Training and Technology ..... 20.9 Attorney General ..... 7.1 Energy and Mines ..... 0.7 Environment, Lands and Parks ..... 8.4 Forests ..... 5.0 Multiculturalism and Immigration ..... 0.5 Municipal Affairs ..... 2.3 Small Business, Tourism and Culture ..... 2.4 Social Development and Economic Security ..... 29.1 Other Appropriations ..... 1.4 Remaining Unallocated Funds ..... 34.2 TOTAL ..... <u>125.0</u>	These are tentative allocations based on year-to-date results and projections. Treasury Board will continue to examine expenditure pressures against funding available in ministry budgets. As a result, 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.	Unexpected claims or adjustments at year-end.
<b>Amortization of Unfunded Pension Liabilities</b> Budget — (\$130 million)	Change to pension accounting policy noted with the release of the 1999/00 Public Accounts 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 are underway and could have an impact on the 2000/01 summary accounts, if concluded this year, as pension fund surpluses or liabilities would be removed from the government's financial statements.
<b>Summary Accounts Provision for Priority Spending</b> Budget — nil	The government is considering further options to address spending pressures in a number of areas including health care. As a result, a priority spending provision of \$500 million is included in the revised summary accounts forecast. Further details will be announced in the near future.	Could be affected by Cabinet decisions on priority spending.

## Crown Corporations and Agencies

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

This section provides revised full-year forecasts of the operating results for selected Crown corporations and agencies, based on information provided by them. Further details are shown in Table 3.1.

These forecasts do not include the effects of pending Cabinet decisions on priority spending. These forecasts will 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, and will be reported in the third *Quarterly Report*.

### Taxpayer-supported Crown Corporations and Agencies

**British Columbia Buildings Corporation:** projected net income of \$54 million is \$8 million below budget, but \$9 million higher than last year. The decline from budget reflects lower-than-planned property sales. Projected income before gain on disposals is forecast to be \$1.5 million above budget as higher operating revenue and lower debt interest and amortization costs will be partially offset by higher operations, energy and lease costs.

*BC Ferries expect \$11-million improvement from budget*

**British Columbia Ferry Corporation:** projected net income of \$1 million will be an \$11-million improvement from budget. Lower pension costs and amortization expense are 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 income is \$60 million better than the previous year, primarily due to lower debt interest costs resulting from the government's forgiveness of \$1.1 billion of debt in 1999/00 and increased dedicated fuel tax received from the provincial government.

**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 \$21-million decline in net income from last year is primarily due to higher interest and amortization costs, partially offset by an increase in dedicated revenue.

*Forest Renewal BC projects a net loss of \$119 million*

**Forest Renewal BC:** a projected net loss of \$119 million is \$67 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 lumber prices, partially offset by spending reductions.

**Other taxpayer-supported Crown corporations and agencies:** combined net incomes are projected at \$25 million, a \$41-million improvement from budget. The improvement reflects an \$18-million gain from the sale of 577315 British Columbia Ltd.'s investment in Western Star Trucks Holding Ltd. and improved results for the B.C. Pavilion Corporation, British Columbia Securities Commission and Homeowner Protection Office. These are partially offset by a higher-than-anticipated loss for Fisheries Renewal BC. The \$69-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 project.

### Self-supported Commercial Crown Corporations and Agencies

*BC Hydro projects total net income of \$1.1 billion, of which \$573 million will be transferred to the rate stabilization account*

**British Columbia Hydro and Power Authority:** net income before transfers to the rate stabilization account is projected at \$1.1 billion. As required by regulation, \$573 million will be transferred to the Authority's rate stabilization account. The improvement from budget and the previous year mainly reflects strong electricity trade results due to high prices and strong demand in the United States. As required by regulation, the annual dividend paid to the province will total \$440 million, up \$85 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 budget.

**British Columbia Lottery Corporation:** despite positive results in the first half of 2000/01, the corporation's full-year net income forecast remains unchanged from the \$542 million originally budgeted due to uncertainty about sales trends over the rest of the year. Projected net income for the year shows a \$10-million increase from 1999/00.

**British Columbia Railway Company:** net income for the operating year ending December 31, 2000 is projected at \$23 million, down \$17 million from budget. Revenues are forecast to be below budget as increases in marine traffic volumes and property and land sales will not be enough to offset the loss of rail traffic from softening lumber markets, first-quarter service disruptions and the closure of the Quintette coal mine. Operating expenditures will 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 write-down of assets in 1999. Excluding this write-down, the net income forecast for 2000 is \$12 million lower than last year.

*ICBC forecasts net income of \$325 million due to gains on investments and lower costs for settling prior years' injury claims*

**Insurance Corporation of British Columbia:** projected net income of \$325 million for the operating year ending December 31, 2000 is \$322 million above budget and \$229 million higher than the previous year. The significant improvement is primarily due to higher-than-expected gains on disposals of investments and lower-than-estimated costs of settling prior years' injury claims. The forecast is based on a mid-range set of assumptions and reflects significant savings in injury claims 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 \$20 million, down \$22 million from budget but \$19 million higher than the previous year. While the increase from the previous year primarily reflects improvements in the finances of 552513 British Columbia Ltd. (Skeena Cellulose Inc.), full-year results are expected to be less than budget due to lower-than-anticipated lumber prices.

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

While current year developments have shown an overall positive trend for the first half of the year, 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 change, affecting 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 \$450-million forecast allowance for uncertainties.

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



Table 3.7 — Main Crown Corporation Forecast Assumptions and Risks

Crown Corporation	2000/01 Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>British Columbia Buildings Corporation</b>  Budget — Net income: \$62 million  Revised Forecast — Net income: \$54 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 \$16.8 million.  \$57 million in capital spending. This includes capital spending of approved client projects and capital spending for recoverable commercial projects.  Dividend to CRF of \$54 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 income: \$1 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.  Includes lower amortization costs as a result of \$240-million writedown 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 reduced due to lower commercial and overheight traffic.  Fuel prices will stabilize at current rates for remainder of year.  Anticipates a \$7-million reduction in salary costs due to pension plan changes.  \$72.3 million from provincial dedicated motor fuel tax.  Major capital expenditure forecast at \$90 million.  Assumes write-down of additional CFI assets at the end of 1999/00 further reduces 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 \$3 million.  1% change in fuel prices affects fuel costs by \$0.6 million.  1999/00 <i>PacifiCat</i> write-down assumes book value of \$40 million per vessel. Further adjustments may be required depending on sale proceeds if <i>PacifiCats</i> are sold this fiscal year.  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.  Amortization based on current forecasts of project completion dates.  Major capital spending forecast at \$504 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 \$20-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: \$119 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 \$6 million increase in investment earnings.  Assumes \$15 million reduction in program expenditures.	No price variance as information to calculate full-year target stumpage rates is known.  $\pm 5\%$ in coastal harvest volumes in the remaining two quarters of the fiscal year = $\pm \$1$ million.  $\pm 5\%$ in interior harvest volumes in the remaining two quarters of the fiscal year = $\pm \$6$ million.

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

Crown Corporation	2000/01 Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>British Columbia Hydro and Power Authority</b> Budget — Net income: \$429 million Revised Forecast — Net income: \$527 million	Forecast based on February 1, 2000 snowpack levels and projected weather patterns. Export revenue and short-term energy purchase costs based on estimated forward market prices. Assumes continuation of rate freeze. Assumes average interest rates of Cdn 6.4% and US 6.8%, and an average 69.9 cents US exchange rate. Capital spending at \$450 million. Small withdrawal from rate stabilization account required at year-end to achieve target rate of return.	Forecast based on actual year-to-date water flows and normal snowpack levels and weather patterns for the upcoming winter. Export revenue and short-term energy purchase costs based on estimated forward market prices. Assumes continuation of rate freeze. Assumes average interest rates of Cdn 6.4% and US 7.3%, and an average 67.8 cents US exchange rate (fiscal year basis). Capital spending at \$450 million. Increased net income will result in a \$573-million payment into the rate stabilization account at year-end.	10% change in temperatures, as measured in degree days, equals \$40 million change in residential revenues. Market prices for energy are volatile. 10% change in market prices produces a \$60-million change in electricity trade revenue and a \$50-million change in energy costs. 1% change in borrowing rates equals \$10 million change in finance costs. 1-cent change in exchange rates affects financing costs by \$3 million.
<b>British Columbia Liquor Distribution Branch</b> Budget — Net income: \$620 million Revised Forecast — Net income: \$620 million	Net sales increase 1.9% based on current and expected consumption trends. Assumes known cost pressures. Capital spending of \$26 million.	Net sales increase and cost pressures unchanged from budget. Capital spending of \$16 million.	Price competition and economic conditions affect sales. Manufacturer price changes can be unpredictable. Weather patterns and timing of statutory holidays affects consumption. 1% change in sales volume affects net income by up to \$6 million. Higher-than-assumed credit card use could increase collection costs.
<b>British Columbia Lottery Corporation</b> Budget — Net income: \$542 million Revised Forecast — Net income: \$542 million	Sales projections based on current trends. Prize payout rates based on historical trends. Assumes opening of one destination casino in July 2000, and additional revenue from new operations started in mid-1999. Forecast assumes no changes to gaming policy (e.g. expanded gaming) beyond what has already been approved.	No change from budget.	1% change in sales could affect net income by up to \$7 million. 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.

Table continued on next page

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

Crown Corporation	2000/01 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: \$23 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>Lower rail traffic from the first quarter service disruptions, continued softening in lumber markets and the closure of Quintette coal mine in August. Increased marine traffic volumes and land sales.</p> <p>Higher-than-budget fuel prices, locomotive leasing costs and traffic-related expenses.</p> <p>Lower depreciation expense resulting of the write-down of assets at the end of 1999.</p> <p>Lower financing and tax costs because of refinement to the timing of capital expenditures.</p> <p>Proceeds on disposal of properties \$111 million.</p> <p>No additional traffic/labour disruptions.</p> <p>Capital spending at \$110 million.</p> <p>Dividend to CRF at \$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>BC Rail is reviewing its liability with respect to environmental remediation. A significant amount will likely be booked at year-end. (amount unknown)</p> <p>If fuel costs remain at current levels, costs could increase \$5 million.</p> <p>Proceeds on disposal of property may be reduced by up to \$8 million depending on completion of planned sales.</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: \$325 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 effects 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 0.2%.</p> <p>No change in overall premium rates assumed in 2000.</p> <p>Claims incurred costs will decline 1.6%.</p> <p>Includes a \$225-million positive adjustment due to lower estimates of the costs of settling prior year claims.</p> <p>Anticipates a 40% increase in investment income as one-time gains on equities are realized.</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 \$50-million change from forecast.</p> <p>1% change in CPI affects claims costs by about \$10 million.</p> <p>1% change in GDP could affect claims costs by about 2% or \$20 million.</p> <p>Adverse judgments on outstanding litigation, such as those relating to cost control, may affect the 2000 forecast.</p>
<p><b>Provision for Priority Spending</b></p> <p>Budget — nil</p>		<p>The Summary accounts forecast includes a \$500-million provision for priority spending. Options are currently being considered by Cabinet.</p>	<p>Could be affected by Cabinet decisions on priority spending.</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, higher-than-planned 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)	32.8
Taxpayer-supported Crown corporations and agencies <sup>4</sup> .....	<u>—</u> <sup>5</sup>	<u>9.7</u>	<u>—</u>	<u>9.8</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 a single, 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 conform to the presentation used in 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 \$7 million below budget. Slower-than-planned spending for education and health facilities, ferries, ministries and railway projects will be partially offset by the carry-over of unused 1999/00 funding for the *SkyTrain* extension and increased spending for social housing projects (see Table 3.9).

**Table 3.9 Capital Expenditures — Revised Forecast**  
(Unaudited)

	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	553	(26)	489
Health.....	309	288	(21)	247
BC Transportation Financing Authority.....	502 <sup>3</sup>	504	2	478
British Columbia Ferry Corporation.....	117	90	(27)	121
Rapid Transit Project 2000.....	413	480	67	395
Other <sup>4</sup> .....	90	88	(2)	57
Gross capital plan.....	2,010	2,003	(7)	1,787
<i>Less: recoverable expenditures<sup>5</sup></i>				
Hospital districts.....	(52)	(50)	2	(22)
Greater Vancouver Transportation Authority ( <i>TransLink</i> ).....	(34)	(26)	8	(44)
Net capital plan.....	1,924	1,927	3	1,721
<b>Other taxpayer-supported:</b>				
Government operating (ministries).....	223	208	(15)	156
Social housing.....	20	34	14	12
Other <sup>6</sup> .....	17	13	(4)	10
<b>Total taxpayer-supported</b> .....	<b>2,184</b>	<b>2,182</b>	<b>(2)</b>	<b>1,899</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority.....	450	450	—	406
British Columbia Railway Company.....	125	110	(15)	159
Other <sup>7</sup> .....	319	329	10 <sup>8</sup>	159
<b>Total self-supported commercial</b> .....	<b>894</b>	<b>889</b>	<b>(5)</b>	<b>724</b>
<b>Total capital expenditures</b> .....	<b>3,078</b>	<b>3,071</b>	<b>(7)</b>	<b>2,623</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 ICBC Properties Ltd.), 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

Provincial net debt is forecast to decrease \$389 million from the start of the year, to total \$33.8 billion at March 31, 2001. The forecast balance is \$2.6 billion less than planned, due to significantly lower requirements of the government and larger-than-expected reductions in commercial Crown corporation debt, partially offset by a higher-than-budgeted balance in warehouse debt at year end. The forecast is based on the revised financial outlook and incorporates the government's additional provision for priority spending.

Taxpayer-supported debt is forecast to increase by \$472 million to total \$25.4 billion at year end. This is \$2.5 billion lower than budget, mainly reflecting the significant improvement and resulting lower borrowing requirements of government's consolidated revenue fund.

**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>					
<b>Provincial government direct operating</b> .....	13,833	(1,260)	12,573	15,024	(2,451)
<b>Education facilities<sup>3</sup></b>					
Schools.....	3,609	395	4,004	4,025	(21)
Post-secondary institutions.....	1,369	62	1,431	1,464	(33)
	4,978	457	5,435	5,489	(54)
<b>Health facilities<sup>3</sup></b> .....	1,451	206	1,657	1,657	—
<b>Highways, ferries and public transit:</b>					
BC Transportation Financing Authority.....	1,843	488	2,331	2,351	(20)
British Columbia Ferry Corporation.....	24	47	71	166	(95)
British Columbia Transit.....	79	(1)	78	82	(4)
Public transit <sup>3</sup> .....	952	(4)	948	972	(24)
SkyTrain extension <sup>3</sup> .....	488	463	951	869	82
Rapid Transit Project 2000.....	101	21	122	72	50
	3,487	1,014	4,501	4,512	(11)
<b>Other:</b>					
British Columbia Buildings Corporation.....	615	5	620	594	26
Social housing <sup>4</sup> .....	205	54	259	213	46
Homeowner Protection Office.....	32	88	120	73	47
577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.).....	62	(62)	—	67	(67)
Universities and colleges — fiscal agency loans....	130	(5)	125	129	(4)
Other <sup>5</sup> .....	131	(25)	106	123	(17)
	1,175	55	1,230	1,199	31
<b>Total taxpayer-supported debt</b> .....	<b>24,924</b>	<b>472</b>	<b>25,396</b>	<b>27,881</b>	<b>(2,485)</b>
<b>Self-supported debt:</b>					
<b>Commercial Crown corporations and agencies:</b>					
British Columbia Hydro and Power Authority.....	6,945	(345)	6,600	6,903	(303)
British Columbia Railway Company.....	655	(66)	589	639	(50)
552513 British Columbia Ltd. (Skeena Cellulose Inc.).....	280	37	317	321	(4)
Columbia Basin Power Company.....	94	(2)	92	96	(4)
Columbia Power Corporation.....	—	36	36	31	5
Other <sup>6</sup> .....	3	(1)	2	2	—
	7,977	(341)	7,636	7,992	(356)
<b>Warehouse borrowing program</b> .....	1,320	(520)	800	600	200
<b>Total self-supported debt</b> .....	<b>9,297</b>	<b>(861)</b>	<b>8,436</b>	<b>8,592</b>	<b>(156)</b>
<b>Total provincial debt</b> .....	<b>34,221</b>	<b>(389)</b>	<b>33,832</b>	<b>36,473</b>	<b>(2,641)</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 British Columbia Assessment Authority, 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>6</sup> Includes debt of the British Columbia Lottery Corporation and the Liquor Distribution Branch.

Self-supported debt is projected to fall \$861 million from the start of the year to total \$8.4 billion. The forecast balance is \$156 million lower than budget reflecting lower-than-planned commercial Crown corporation debt, partially offset by higher warehouse debt.

Based on the revised fiscal forecast and updated economic information, total provincial net debt at year-end is forecast at 27.2 per cent of GDP, while taxpayer-supported debt is forecast at 20.4 per cent of GDP. These ratios are significantly lower than the budget forecast of 30.7 per cent and 23.5 per cent respectively, due to lower debt forecasts as well as higher GDP estimates.

Although the government's summary accounts are forecast to have a surplus of \$625 million for 2000/01, total debt will fall by a smaller amount because the government and its Crown corporations and agencies still require borrowing to help finance capital spending projects and other working capital cash needs.

The \$472-million increase in taxpayer-supported debt in 2000/01, along with strong consolidated revenue fund revenues and higher-than-expected cash at the beginning of the year, 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 capital spending is forecast at \$889 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.

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 \$520-million reduction in warehouse debt, plus a \$341-million reduction in commercial Crown corporation debt will be partially offset by the \$472-million increase in taxpayer-supported debt resulting in an overall decrease in provincial debt of \$389 million in 2000/01 (see Table 3.10).

Main changes to the full-year debt forecast include:

- government direct operating purposes — down \$2.5 billion from budget due to continued improvement in the consolidated revenue fund forecast and use of higher-than-expected cash balances at the beginning of the fiscal year;
- British Columbia Hydro and Power Authority — down \$303 million from budget, as a significantly higher forecast net income will partly be used to further reduce debt;
- British Columbia Ferry Corporation — down \$95 million from budget, reflecting reduced capital expenditures and lower sinking fund payments;
- 577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.) — down \$67 million from budget, as proceeds from the sale of the company's investment in Western Star Trucks Holding Ltd. will retire the related debt;
- British Columbia Railway Company — down \$50 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:

- a higher-than-budgeted year-end balance for the warehouse borrowing program (up \$200 million from budget);
- accelerated spending for social housing initiatives (up \$46 million from budget); and
- stronger-than-expected demand for indemnified loans through the Homeowner Protection Office (up \$47 million from budget).



**APPENDIX: SUMMARY ACCOUNTS  
BALANCE SHEET**  
As at September 30, 2000  
and  
**CROWN CORPORATION  
INCOME STATEMENTS**  
For the Period Ended Closest to September 30, 2000

<b>Table A1</b>	<b>Summary Accounts Balance Sheet</b>
<b>Table A2</b>	<b>British Columbia Buildings Corporation</b>
<b>Table A3</b>	<b>British Columbia Ferry Corporation</b>
<b>Table A4</b>	<b>BC Transportation Financing Authority</b>
<b>Table A5</b>	<b>Forest Renewal BC</b>
<b>Table A6</b>	<b>British Columbia Hydro and Power Authority</b>
<b>Table A7</b>	<b>Liquor Distribution Branch</b>
<b>Table A8</b>	<b>British Columbia Lottery Corporation</b>
<b>Table A9</b>	<b>British Columbia Railway Company</b>
<b>Table A10</b>	<b>Insurance Corporation of British Columbia.</b>

**Table A1 Summary Accounts**  
Balance Sheet as at September 30, 2000  
(Unaudited)

	March 31, 2000	Sept. 30, 2000	Increase/ (Decrease)
	(\$ millions)		
<b>Assets</b>			
Cash and temporary investments.....	1,535	1,195	(340)
Other working capital assets <sup>1</sup> .....	4,336	3,869	(467)
Equity in government enterprises <sup>2</sup> .....	2,745	3,972	1,227
Assets related to capital investments (net of amortization)			
— Loans for purchases of assets recoverable from agencies.....	7,530	7,724	194
— Prepaid capital advances.....	6,517	6,633	116
— Tangible capital assets.....	10,217	10,516	299
	24,264	24,873	609
Warehouse borrowing program assets.....	1,320	2,402	1,082
	<u>34,200</u>	<u>36,311</u>	<u>2,111</u>
<b>Liabilities</b>			
Current liabilities <sup>3</sup> .....	3,582	3,729	147
Unfunded pension liabilities.....	2,053	1,807	(246)
Debt			
— Taxpayer-supported debt.....	24,924	24,252	(672)
— Commercial Crown corporations and agencies.....	7,977	8,150	173
— Warehouse borrowing program.....	1,320	2,402	1,082
	34,221	34,804	583
Less: guarantees and non-guaranteed debt <sup>4</sup> .....	(716)	(710)	6
	<u>33,505</u>	<u>34,094</u>	<u>589</u>
	<u>39,140</u>	<u>39,630</u>	<u>490</u>
Net equity (deficiency) <sup>5</sup> .....	(4,940)	(3,319)	1,621 <sup>6</sup>
	<u>34,200</u>	<u>36,311</u>	<u>2,111</u>

<sup>1</sup> Accounts receivable, loans, inventories and other assets/investments.

<sup>2</sup> Net assets of commercial Crown corporations and agencies.

<sup>3</sup> Accounts payable, accrued liabilities and deferred revenue.

<sup>4</sup> Third party guarantees, and provincial guarantees and non-guaranteed debt of commercial Crown corporations and agencies.

<sup>5</sup> Accumulated deficits of the government and Crown corporations and agencies plus accounting adjustments resulting from changes in accounting policy.

<sup>6</sup> Consists of the \$1,595 million surplus for the period plus a \$26 million prior period adjustment to account for a change in the government's capitalization policies for furniture and computer equipment.

**Table A2 British Columbia Buildings Corporation**  
Income Statement for the Six Months Ended September 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>222.9</u>	<u>216.3</u>	<u>(6.6)</u>	<u>222.3</u>
Expenses:				
Operations, maintenance and administration .....	56.6	53.7	(2.9)	52.2
Lease costs .....	68.1	67.6	(0.5)	67.4
Client requested projects .....	16.6	16.0	(0.6)	13.7
Amortization .....	21.5	20.5	(1.0)	24.0
Environmental projects .....	3.9	0.4	(3.5)	2.1
Energy .....	8.5	8.9	0.4	9.0
Taxes .....	9.3	9.4	0.1	8.8
Interest, net .....	<u>21.5</u>	<u>18.7</u>	<u>(2.8)</u>	<u>29.8</u>
	<u>206.0</u>	<u>195.2</u>	<u>(10.8)</u>	<u>207.0</u>
Income before gain on disposals .....	16.9	21.1	4.2	15.3
Gain on disposals .....	<u>15.5</u>	<u>9.1</u>	<u>(6.4)</u>	<u>5.9</u>
Net income .....	<u>32.4</u>	<u>30.2</u>	<u>(2.2)</u>	<u>21.2</u>

<sup>1</sup> Figures reflect six-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 A3 British Columbia Ferry Corporation**  
 Income Statement for the Six Months Ended September 30  
 (Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
<b>Operating revenues:</b>				
Tolls .....	185.0	183.9	(1.1)	185.5
Catering and other income .....	39.9	41.7	1.8	39.8
Federal coastal ferry contract .....	11.1	11.2	0.1	11.1
	<u>236.0</u>	<u>236.8</u>	<u>0.8</u>	<u>236.4</u>
<b>Operating expenses:</b>				
Salaries, wages and benefits .....	123.3	115.1	(8.2)	123.1
Fuel .....	27.9	28.2	0.3	20.3
Repair and maintenance .....	13.9	13.1	(0.8)	14.0
Cost of food and goods sold .....	12.7	13.2	0.5	12.6
Professional, computer and other .....	12.1	8.6	(3.5)	11.2
Materials and supplies .....	11.2	11.5	0.3	10.5
Insurance, taxes, utilities .....	5.9	4.6	(1.3)	4.9
	<u>207.0</u>	<u>194.3</u>	<u>(12.7)</u>	<u>196.6</u>
Earnings before interest and amortization .....	29.0	42.5	13.5	39.8
Net financing expense .....	(1.0)	(1.6)	(0.6)	(24.3)
Amortization .....	(32.1)	(20.9)	11.2	(25.1)
Income (loss) before motor fuel tax .....	(4.1)	20.0	24.1	(9.6)
Dedicated motor fuel tax .....	36.9	37.6	0.7	29.6
Net income (loss) .....	<u>32.8</u>	<u>57.6</u>	<u>24.8</u>	<u>20.0</u>

<sup>1</sup> Figures reflect six-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 A4 BC Transportation Financing Authority<sup>1</sup>**  
 Consolidated Statement of Income  
 for the Six Months Ended September 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> .....	100.0	101.1	1.1	85.6
Contractor fees <sup>6</sup> .....	29.2	42.8	13.6	22.3
Capital contributions (amortization) <sup>7</sup> .....	97.9	94.7	(3.2)	106.1
Other <sup>8</sup> .....	1.5	3.2	1.7	2.7
	<u>228.6</u>	<u>241.8</u>	<u>13.2</u>	<u>216.7</u>
<b>Expenditures:<sup>9</sup></b>				
Construction wages and benefits <sup>6</sup> .....	29.2	42.8	13.6	22.3
Operations and administration <sup>10</sup> .....	12.8	12.2	(0.6)	11.1
Grant programs <sup>11</sup> .....	6.4	—	(6.4)	3.2
Amortization <sup>7</sup> .....	124.6	123.9	(0.7)	123.6
Other <sup>12</sup> .....	—	1.7	1.7	0.5
Interest <sup>13</sup> .....	53.1	53.4	0.3	37.5
	<u>226.1</u>	<u>234.0</u>	<u>7.9</u>	<u>198.2</u>
<b>Net Income</b> .....	<u>2.5</u>	<u>7.8</u>	<u>5.3</u>	<u>18.5</u>

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

<sup>2</sup> Figures reflect six-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 six months of 2000/01, the Authority undertook \$281 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 2000/01 (1999/00 – \$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 2000/01, costs related to improvements to the Sierra Yoyo Desan road (an industrial access road in northeastern British Columbia) and, in 1999/00, 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 A5 Forest Renewal BC**  
Statement of Net Income for the Six Months Ended September 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> .....	86.1	48.0	(38.1)	96.1
Investment income .....	7.9	13.9	6.0	13.1
	<u>94.0</u>	<u>61.9</u>	<u>(32.1)</u>	<u>109.2</u>
Cost of Services:				
Project expenditures .....	134.1	111.8	(22.3)	144.0
Administration .....	7.4	6.4	(1.0)	7.8
	<u>141.5</u>	<u>118.2</u>	<u>(23.3)</u>	<u>151.8</u>
Net income (loss) .....	<u>(47.5)</u>	<u>(56.3)</u>	<u>(8.8)</u>	<u>(42.6)</u>

<sup>1</sup> Figures reflect six-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 1999/00, the recovery of costs occurred in the last half of the year. In 2000/01, the recovery of costs is being deducted in the first half.

**Table A6 British Columbia Hydro and Power Authority**  
Income Statement for the Six Months Ended September 30  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Revenues:				
Domestic:				
Residential .....	365	363	(2)	361
Light industrial and commercial .....	416	415	(1)	404
Large industrial .....	250	254	4	230
Other energy sales and miscellaneous .....	61	62	1	57
Total domestic revenue .....	<u>1,092</u>	<u>1,094</u>	<u>2</u>	<u>1,052</u>
Electricity trade .....	792	2,236	1,444	584
	<u>1,884</u>	<u>3,330</u>	<u>1,446</u>	<u>1,636</u>
Expenses:				
Energy costs .....	940	1,529	589	599
Operations, maintenance and administration .....	238	278	40	203
Taxes .....	87	86	(1)	87
Depreciation .....	180	182	2	173
	<u>1,445</u>	<u>2,075</u>	<u>630</u>	<u>1,062</u>
Income before finance charges and RSA transfer .....	439	1,255	816	574
Finance charges .....	(306)	(291)	15	(288)
Transfer (to) from Rate Stabilization Account .....	—	(457)	(457)	—
Net income .....	<u>133</u>	<u>507</u>	<u>374</u>	<u>286</u>

<sup>1</sup> Figures reflect six-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 A7 Liquor Distribution Branch**  
Income Statement for the Six Months Ended September 23  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
	(\$ millions)			
Sales:				
Provincial liquor sales .....	857.0	861.6	4.6	846.1
Less: Discounts and commissions .....	(23.1)	(23.8)	(0.7)	(23.5)
Net sales .....	833.9	837.8	3.9	822.6
Cost of sales .....	(427.8)	(427.3)	0.5	(421.9)
Gross profit .....	406.1	410.5	4.4	400.7
Operating expenses .....	(97.8)	(93.1)	4.7	(90.5)
Net operating income .....	308.3	317.4	9.1	310.2
Other income .....	1.8	5.6	3.8	1.2
Net income <sup>3</sup> .....	310.1	323.0	12.9	311.4

<sup>1</sup> Figures reflect six-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 A8 British Columbia Lottery Corporation**  
Income Statement for the Six Months Ended September 23  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
	(\$ millions)			
Gaming revenue .....	669.5	685.4	15.9	663.4
Direct costs:				
Prizes .....	240.6	242.6	2.0	239.9
Retailer commissions .....	104.0	108.9	4.9	104.0
Ticket printing and bingo paper .....	6.6	6.4	(0.2)	7.1
	351.2	357.9	6.7	351.0
Sales less direct costs .....	318.3	327.5	9.2	312.4
Other expenses:				
Operating .....	40.3	37.6	(2.7)	35.2
Amortization .....	10.2	10.2	—	10.9
Goods and services tax .....	12.1	12.2	0.1	8.8
	62.6	60.0	(2.6)	54.9
Net income .....	255.7	267.5	11.8	257.5
Allocation of net income:				
Province of British Columbia <sup>3</sup> .....	249.8	262.8	13.0	252.0
Government of Canada .....	3.5	3.7	0.2	3.6
Other <sup>4</sup> .....	2.4	1.0	(1.4)	1.9
	255.7	267.5	11.8	257.5

<sup>1</sup> Figures reflect six-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 Policy Secretariat.

**Table A9 British Columbia Railway Company<sup>1</sup>**  
 Consolidated Income Statement  
 Preliminary results for the Nine Months Ended September 30  
 (Unaudited)

	Budget <sup>2</sup> 2000	Actual 2000	Variance <sup>3</sup>	Actual <sup>4</sup> 1999
	(\$ millions)			
Revenue .....	381.1	375.1	(6.0)	363.9
Expenses .....	<u>320.6</u>	<u>324.5</u>	<u>3.9</u>	<u>310.6</u>
Operating income .....	60.5	50.6	(9.9)	53.3
Financing and taxes expense .....	<u>(35.0)</u>	<u>(31.6)</u>	<u>3.4</u>	<u>(29.9)</u>
Net income .....	<u>25.5</u>	<u>19.0</u>	<u>(6.5)</u>	<u>23.4</u>

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

<sup>2</sup> Figures reflect nine-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 A10 Insurance Corporation of British Columbia**  
 Statement of Operations  
 Preliminary results for the Nine Months Ended September 30  
 (Unaudited)

	Budget <sup>1</sup> 2000	Actual 2000	Variance <sup>2</sup>	Actual <sup>3</sup> 1999
	(\$ millions)			
<b>Revenue:</b>				
Vehicle premiums earned .....	1,792.7	1,778.2	(14.5)	1,786.2
Driver premiums earned .....	11.4	10.7	(0.7)	10.9
	<u>1,804.1</u>	<u>1,788.9</u>	<u>(15.2)</u>	<u>1,797.1</u>
Licences and fines on behalf of the Province .....	324.2	316.7	(7.5)	319.0
	<u>2,128.3</u>	<u>2,105.6</u>	<u>(22.7)</u>	<u>2,116.1</u>
Payment of licences and fines to the Province .....	(324.2)	(316.7)	7.5	(319.0)
	<u>1,804.1</u>	<u>1,788.9</u>	<u>(15.2)</u>	<u>1,797.1</u>
<b>Expenses:</b>				
Claims costs:				
Claims incurred .....	1,500.3	1,516.9	16.6	1,593.4
Prior years' claims development <sup>4</sup> .....	(41.2)	(147.3)	(106.1)	(154.1)
	<u>1,459.1</u>	<u>1,369.6</u>	<u>(89.5)</u>	<u>1,439.3</u>
Claims services .....	198.6	201.4	2.8	197.1
	<u>1,657.7</u>	<u>1,571.0</u>	<u>(86.7)</u>	<u>1,636.4</u>
<b>Operating Expenses:</b>				
Administration .....	140.0	120.3	(19.7)	100.0
AutoPlan and commercial vehicle services .....	58.2	48.5	(9.7)	37.8
Driver and Road Safety services .....	78.7	65.2	(13.5)	44.1
Commissions .....	127.5	128.6	1.1	124.6
Premium taxes .....	72.2	70.4	(1.8)	71.4
Year 2000 compliance .....	1.8	0.6	(1.2)	5.0
	<u>478.4</u>	<u>433.6</u>	<u>(44.8)</u>	<u>382.9</u>
Total claims and expenses .....	<u>2,136.1</u>	<u>2,004.6</u>	<u>(131.5)</u>	<u>2,019.3</u>
Underwriting income (loss) .....	(332.0)	(215.7)	116.3	(222.2)
Investment income .....	350.6	527.7	177.1	323.3
Net income .....	<u>18.6</u>	<u>312.0</u>	<u>293.4</u>	<u>101.1</u>

<sup>1</sup> Figures reflect nine-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 as a result of the re-estimate of final claims relating to previous years.

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