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# Third Quarterly Report

on the Economy, Fiscal Situation  
and Outlook

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*Fiscal Year 2000/01*  
*Nine Months*  
*April — December 2000*



BRITISH  
COLUMBIA

Ministry of Finance and Corporate Relations

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## Message from the Honourable Paul Ramsey

### Minister of Finance and Corporate Relations

I am pleased to present the third *Quarterly Report* for the 2000/01 fiscal year. British Columbia's financial results have shown a remarkable turnaround this year, and I am continuing to forecast a surplus in our operating account and a reduction in total provincial debt for the full fiscal year. The third *Quarterly Report* includes:

- an update on economic trends during the fourth quarter of 2000 that shows a pick up in the BC economy after a slower previous quarter. Experts attending my economic forecast council in January predicted economic growth in British Columbia of 2.4 per cent for 2001 and 2.9 per cent in 2002, after estimated growth of 3.0 per cent last year. However, I will be watching economic developments in the United States closely as I prepare my budget economic forecast;
- financial results for the first three quarters of the fiscal year, showing a nine-month surplus of \$2.3 billion, accompanied by a \$318-million decline in total provincial debt; and
- a revised financial forecast for the 2000/01 fiscal year, projecting a \$725-million surplus — after providing \$500 million of new spending in priority areas that I announced with my second *Quarterly Report* and \$524 million of rebates to residential electricity customers and to safe drivers. A forecast allowance of \$450 million has been established to accommodate possible changes to the forecast over the remainder of the year. I expect debt to fall by some \$400 million by year end.

This is the third *Quarterly Report* I have 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 nine months ended December 31, 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



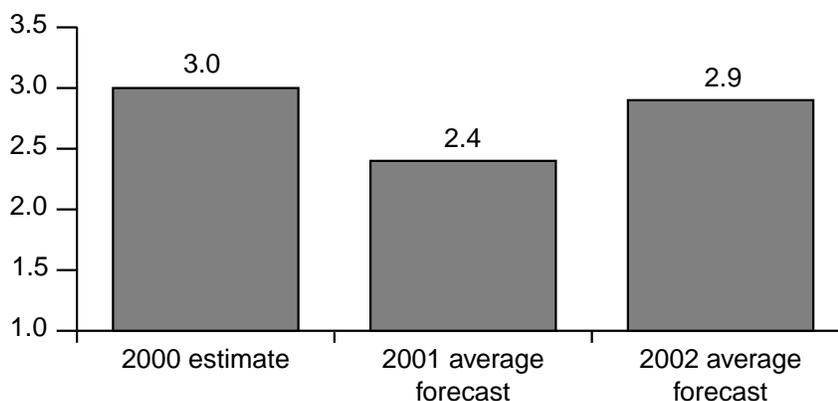
# HIGHLIGHTS — ECONOMIC REPORT

THIRD QUARTERLY REPORT 2000/01

- British Columbia's economy continued to grow in the fourth quarter of 2000.
- Employment rose and the unemployment rate fell, ending 2000 at 7.1 per cent.
- Housing activity picked up in the fourth quarter.
- In January, the Minister of Finance's economic forecast council projected B.C. economic growth of 2.4 per cent for 2001, down from 3.0 per cent in 2000.
- Since the council met, signs of slowing have emerged, particularly in the United States.
- U.S. economic growth decelerated in the fourth quarter and early in 2001.
- U.S. and Canadian growth in 2001 are now forecast to be lower than earlier anticipated.
- Central bank interest rate reductions and tax cuts should help cushion any slowdown.

## **Economic forecast council views on British Columbia economic growth**

Percentage change in real GDP



Source: Minister of Finance's economic forecast council, January 11, 2001

# HIGHLIGHTS — FISCAL YEAR-TO-DATE REPORT

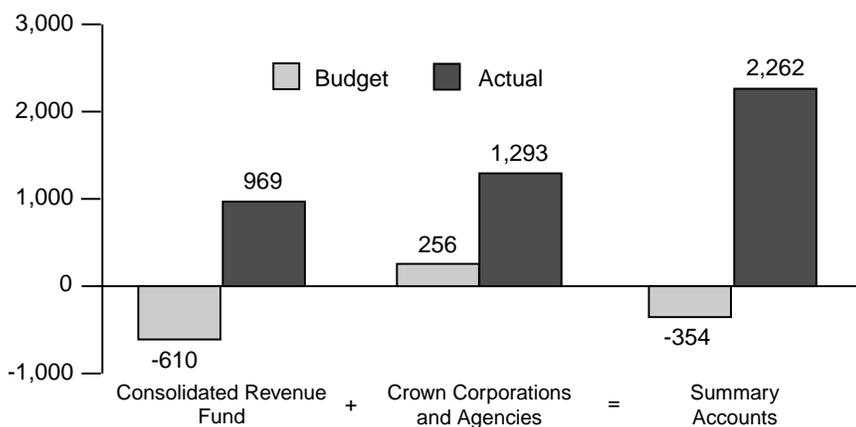
## THIRD QUARTERLY REPORT 2000/01

- For the first nine months, the consolidated revenue fund balance was \$969 million, \$1.6 billion better than planned. Revenues were \$1.5 billion above forecast, and additional health care spending was more than offset by savings in other ministries, pension expense reductions and lower debt interest costs.
- Crown corporations and agency net income of \$1.3 billion was \$1 billion better than planned, mainly due to strong electricity export sales by BC Hydro, and higher investment earnings and lower accident costs for ICBC.
- As a result, the summary accounts showed a \$2.3 billion surplus for the first nine months of 2000/01, \$2.6 billion ahead of budget.

### Summary Accounts

#### Nine-month results (April-December)

(Unaudited)



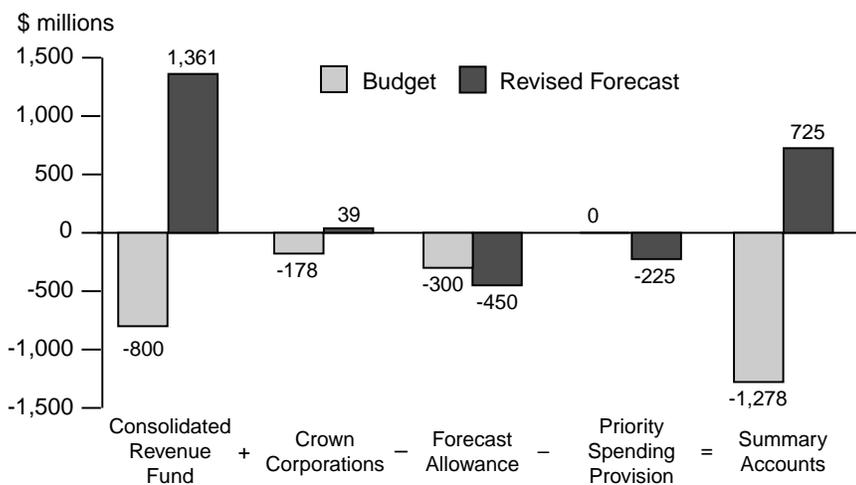
- Taxpayer-supported debt fell to \$24.2 billion at December 31, 2000, down \$771 million from the start of the year. The drop reflects the improved results of the consolidated revenue fund, a drawdown of higher-than-expected cash balances at the start of the year, and lower-than-budgeted capital spending.
- Self-supported debt rose \$453 million due to a \$585-million increase in the government's warehouse borrowing program.
- Total provincial debt fell \$318 million during the first three quarters of the year. Excluding the warehouse program increase, provincial debt declined \$903 million as operating and capital spending were financed from stronger revenues, and by drawing down cash balances.

# HIGHLIGHTS — REVISED FINANCIAL FORECAST

## THIRD QUARTERLY REPORT 2000/01

- The summary accounts, which include the government and its Crown corporations and agencies, are now forecast to show a \$725 million surplus for the 2000/01 fiscal year, compared to the budget forecast of a \$1.3 billion deficit.
- The forecast includes \$275 million of announced priority spending initiatives in health care and other areas, as well as \$225 million for initiatives to be announced in the coming weeks.
- The forecast also includes \$524 million of rebates to residential electricity customers and safe drivers.

### Summary Accounts — 2000/01 Revised Forecast



- The consolidated revenue fund is projected to have a positive balance of \$1.4 billion, \$2.2 billion ahead of budget. Revenue will be \$2.3 billion above budget while spending will be \$179 million over budget.
- The combined net income of Crown corporations and agencies is forecast to be \$217 million better than planned, mainly due to strong electricity export sales by BC Hydro and higher earnings of ICBC, offset by recently announced rebates to residential electricity customers and safe drivers.
- A forecast allowance of \$450 million provides for possible changes to the revised forecast over the rest of the year.
- Total provincial debt is forecast to decline \$401 million to total \$33.8 billion at March 31, 2001.
- At 19.8 per cent of GDP, British Columbia is forecast to have one of the lowest taxpayer-supported debt-to-GDP-ratios among provinces.



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

FEBRUARY 2001

## Overview

*Economic growth continued in B.C.*

British Columbia's economy continued to grow in the fourth quarter of 2000. Most economic indicators increased between the third and fourth quarters. Employment rose at an annual rate of nearly 5 per cent before falling back in January; the unemployment rate fell in the fourth quarter but edged up last month. Housing construction increased, but remained the weakest area of the economy.

A more rapid than expected slowdown in the U.S. economy became evident late in the year, as the economy grew just 1.4 per cent in the fourth quarter. In response, the Federal Reserve engineered a surprise interest rate cut of a half percentage point on January 3 and another on January 31.

Canada's economy appeared stronger than its southern neighbour's at the turn of the year, but data released in January showed that conditions here had begun to soften in November. The Bank of Canada lowered its economic growth forecast.

*U.S. outlook downshifts*

Despite the slowdown, most forecasters expect the two North American economies to grow 2 to 3 per cent in 2001. However, this will seem weak when compared with growth of around 5 per cent in 2000.

Japan's economy remained sluggish in the fourth quarter and the Bank of Japan has downgraded its outlook for 2001.

In early January, the average of private sector forecasts for growth in British Columbia's economy in 2001 was 2.4 per cent, compared to estimated growth of 3 per cent in 2000. Most of these forecasts were made before the extent of the U.S. slowdown had become evident.

Key uncertainties in the British Columbia outlook are the speed and extent of the U.S. slowdown, how much it spreads through the world economy, and the effect of energy shortages and high prices on the North American economy.

## External Developments

Recent data show that the U.S. economy grew just 1.4 per cent in the fourth quarter, its slowest pace since mid-1995.

- Consumer spending was weaker than anticipated during the key Christmas season.
- Consumer confidence has deteriorated sharply in the most recent surveys, undermined by concerns about the job market and sinking stock prices.

<sup>1</sup> The Economic Report and accompanying charts and tables incorporate information received to February 9, 2001. "Fourth quarter" references in the Economic Report are for the October-to-December period.

*U.S. growth has slowed sharply*

- Manufacturing has been in a slump for several months. In February, the purchasing managers' survey fell to its lowest level since 1991 — a level typically reached only in recessions.
- Unwanted inventories have begun to pile up, signalling lower production in coming months.
- Business investment has slowed, even in the technology sector.

In his January testimony to Congress, Federal Reserve chairman Greenspan said that the U.S. economy was probably at a standstill in the first quarter. Rapid interest rate reductions will cushion the slowdown. As well, the new administration and Congress are discussing ways of cutting taxes that would get money into people's hands quickly.

*Interest rate reductions and tax cuts will cushion a slowdown*

The consensus U.S. outlook for real GDP growth in 2001 has dropped from 3.4 per cent as recently as November to 2.3 per cent at present.

In Canada, the economy appeared to be slowing at a gentler pace than in the U.S. Exports, retail sales, manufacturing shipments and the manufacturing production outlook have softened. Employment growth was strong through the end of 2000, but is likely to slow as firms dependent on the U.S. market trim their payrolls. The auto sector in central Canada will be affected most immediately by the U.S. slowdown. However, tax cuts will help cushion any slowdown in Canada. The Bank of Canada lowered its forecast for Canadian economic growth to the bottom of the "3 to 4 per cent" range it forecast in November.

*Growth is also slowing in Japan, Europe and Asia*

Overseas, the Japanese economy shrank in the third quarter but is estimated to have grown in the fourth quarter. The Bank of Japan noted that the pace of recovery has slowed due to decelerating export growth. Forecasters expect Japan to grow 1 to 1.5 per cent in 2001, down from an estimated 1.7 per cent in 2000.

Economic conditions improved in Asia in 1999. However in 2000, stock prices and currencies of several countries in the region fell, reflecting a mix of political instability (in Indonesia, the Philippines and Taiwan) and economic problems (such as softer markets for consumer electronics and difficulties in implementing financial sector reforms). The Nomura Research Institute projects Asian growth of 6 per cent in 2001, down from an estimated 7.5 per cent in 2000.

In Europe, signs of a slowdown in consumer spending are emerging. Economic growth of 2.5 to 3 per cent is expected this year. Interest rate cuts are expected before long.

In financial markets, North American stock prices dropped in the fourth quarter. Business credit conditions and lending standards tightened as corporate earnings softened. These forces made it increasingly difficult for firms to finance capital spending. In the wake of short-term interest rate cuts by central banks, stock prices and bond yields have risen, suggesting that financial conditions have eased and that the economic outlook is not as gloomy as recent headlines suggest.

*Financial markets less pessimistic than economic headlines*

Other major recent developments in financial markets include a reversal in the value of the Euro against the U.S. dollar, and a depreciation of the yen against the U.S. and Canadian dollars through mid-January. The Canadian dollar has been stable in the 66-67 U.S. cent range after a brief drop during the fourth quarter; it has depreciated against other major currencies.

## Fourth Quarter and Early 2001 Developments

*The B.C. economy continued to grow in the fourth quarter*

Although economic growth slowed in the Canadian and U.S. economies during the fourth quarter, most British Columbia indicators strengthened. Employment rose and the unemployment rate fell, while consumer spending increased. The value of energy exports rose sharply, reflecting higher prices, while growth in non-energy exports slowed.

*Employment rose and the unemployment rate fell*

Key British Columbia developments in the fourth quarter of 2000 and January 2001:

- Employment rose at an annual rate of almost 5 per cent after declining in the third quarter. As a result, the unemployment rate fell from 7.6 per cent in the third quarter to 7.3 per cent in the fourth. In January 2001, employment fell and the unemployment rate rose.
- Although the Conference Board's index of consumer attitudes slipped in the fourth quarter, retail sales increased between the third quarter and the October-November period. The number of cars and light trucks sold fell 3 per cent. Data on retail sales for the key month of December are to be released February 21.
- Housing resale activity was up significantly in October and November. Housing starts also rose in the fourth quarter and in January from depressed third-quarter levels. For the full year, housing sales were down 7 per cent while starts were off 11.6 per cent.
- The average monthly value of British Columbia's foreign merchandise exports in October and November was up 0.6 per cent from the third quarter. November exports were sharply higher, largely reflecting the impact of high prices for energy exported to the United States.
- The value of manufacturing shipments rose in the first two months of the fourth quarter, largely due to increased lumber shipments. Even so, manufacturing shipments remained at year-ago levels.
- Labour income in October and November was up from the average of the third quarter. Employment patterns suggest that labour income also rose in December.
- The consumer price index rose at an annual rate of just 0.8 per cent in the fourth quarter. Excluding food and energy, the CPI was unchanged.

*A few signs of slowing have emerged*

Table 1.1 summarizes the third-quarter and year-to-date performance of key economic indicators. The charts later in this report further illustrate recent trends in the economy.

	Quarterly change Oct.–Dec. compared to July–Sept.	Year-to-date change
Employment	↑	↑
Unemployment rate	↓	↓
Labour income	↑*	↑
Exports	↑*	↑
Manufacturing shipments	↑*	↑
Retail sales	↑*	↑
Car and truck sales (units)	↓*	↑
Housing starts	↑	↓
Home sales	↑*	↓

\* based on 2 months' data

## The Outlook

*Economic forecast council met in early January*

On January 11, 2001, the Minister of Finance and Corporate Relations met with his economic forecast council. Forecasts submitted by participants showed average growth in British Columbia's economy of 2.4 per cent in 2001, compared to estimated growth of 3 per cent in 2000. The average forecast for 2002 was 2.9 per cent.<sup>2</sup> A report on the meeting will be presented in the upcoming budget.

Since the economic forecast council meeting, the external outlook has deteriorated, perhaps more rapidly than the participants expected. As a result, the British Columbia economic outlook has become more uncertain.

*Forecasts for 2001 B.C. growth averaged 2.4%*

Key uncertainties are the speed and extent of the U.S. slowdown, how much it spreads through the world economy, and the effect of high energy prices and shortages on the North American economy.

An updated economic forecast will be presented with the upcoming budget.

**Table 1.2: Economic Forecast Council: Summary of B.C. Forecasts**  
January 11, 2001

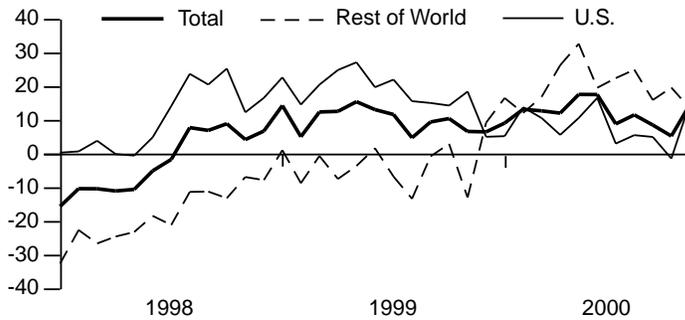
Participant	Organization	2000	2001	2002
		Percentage change in real GDP		
Paul Bowles	UNBC.....	3.0	2.7	2.4
Don Drummond	TD Bank.....	3.2	2.5	3.0
Peter Hall	Conference Board.....	3.0	2.7	3.4
John DeWolf	CCG Consulting.....	2.8	2.2	3.3
Jock Finlayson	BC Business Council.....	2.9	2.5	2.5
Michael Goldberg	UBC.....	2.1	3.0	3.2
Warren Jestin	Scotiabank.....	3.1	2.3	2.6
Craig Wright	Royal Bank.....	2.7	2.9	2.7
Tim O'Neill	Bank of Montreal.....	3.5	2.5	3.3
Dale Orr	WEFA Canada.....	2.9	2.8	3.0
Helmut Pastrick	Credit Union Central of BC.....	3.3	2.4	3.2
George Pedersson	G.A. Pedersson & Associates.....	2.8	-0.5	1.5
Alister Smith	CIBC.....	2.8	2.8	3.0
Carl Sonnen	Informetrica.....	3.7	2.6	2.6
Ernie Stokes	Stokes Economic Consulting.....	2.8	3.1	3.6
William Tharp	M. Murenbeeld & Associates.....	3.0	1.6	2.7
Average		3.0	2.4	2.9

<sup>2</sup> The Ministry of Finance and Corporate Relations September forecast published in the first *Quarterly Report* (April-June) projected growth of 2.7 per cent in 2001 and 2.8 per cent in 2002.

## RECENT DEVELOPMENTS

### BC export growth continued

Value of British Columbia merchandise exports, year-over-year percentage change



Source: Statistics Canada

The value of British Columbia merchandise exports has been growing since mid-1998, led by strong demand from the U.S. from mid-1998 through 1999. More recently, overseas exports have grown faster.

### Natural gas boosted commodity prices at year-end

Year-over-year percentage change in B.C. export commodity price index, \$C

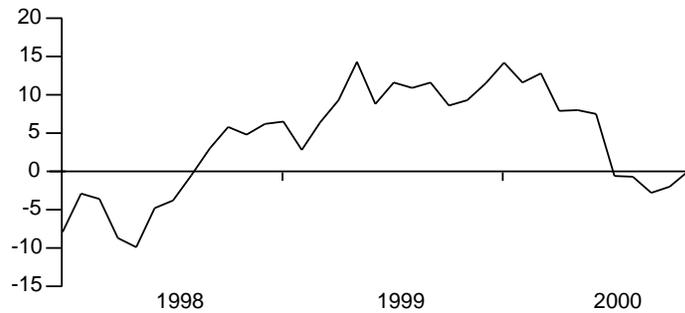


Source: Ministry of Finance and Corporate Relations

Rising natural gas prices at the end of 2000 offset weakness in prices for non-energy commodities such as lumber.

### Low lumber prices depress manufacturing shipments

British Columbia manufacturing shipments, year-over-year percentage change



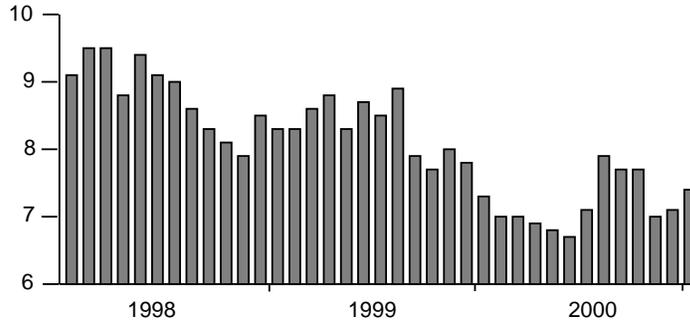
Source: Statistics Canada

Recent year-over-year declines in the value of B.C. manufacturing shipments were due to a sharp drop in lumber prices.

## RECENT DEVELOPMENTS — Continued

### The unemployment rate fell . . .

British Columbia unemployment rate, per cent, seasonally-adjusted



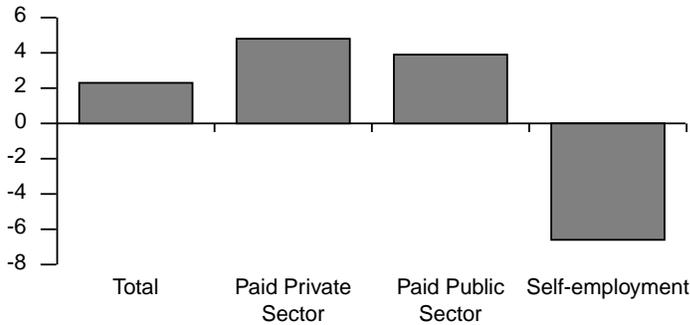
Source: Statistics Canada

The unemployment rate dropped from 8.3% in 1999 to 7.2% last year, as employment increased 2.2% in 2000. Full-time employment rose 3.5% while part-time fell 2.3%.

In January 2001, employment gave back some of its fourth-quarter gains and the unemployment rate edged up.

### . . . as employment rose

British Columbia employment, percentage change, 2000



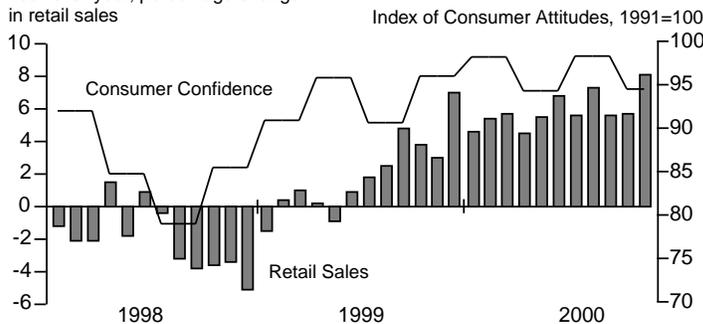
Source: Statistics Canada

The number of people in paid employment rose over 4% in 2000, while the number of self-employed individuals declined.

### As 2000 ended, more people were shopping . . .

B.C. retail sales and consumer confidence

Year-over-year, percentage change in retail sales



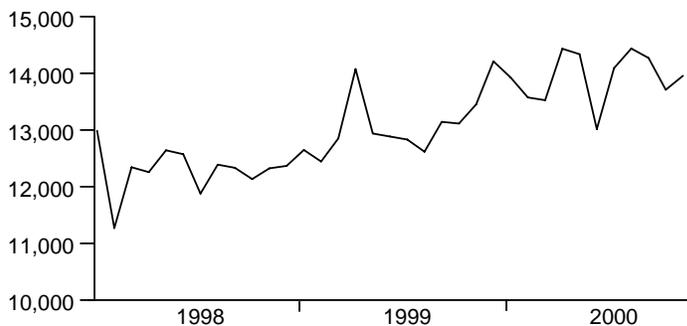
Source: Statistics Canada and Conference Board of Canada

British Columbia consumer confidence recovered in 1999 and held steady through most of 2000 before declining in the fourth quarter. Year-over-year retail sales growth picked up over this period.

## RECENT DEVELOPMENTS — Continued

### ... visiting auto showrooms

British Columbia auto sales - units, seasonally-adjusted

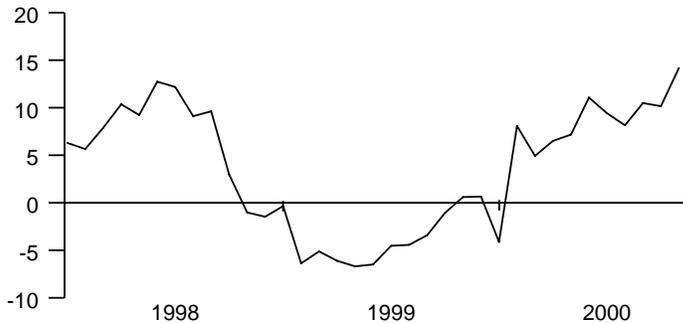


Source: Statistics Canada

The number of new cars and light trucks sold increased 7% in both 1999 and 2000. Consistent with the index of consumer attitudes, sales weakened in the fourth quarter.

### ... and dining out

B.C. restaurant, caterer & tavern sales, year-over-year percentage change

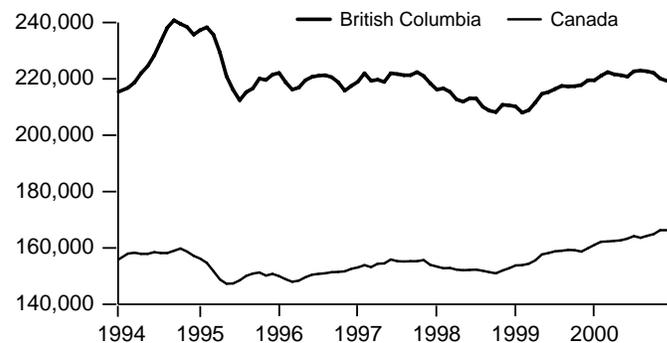


Source: Statistics Canada

Spending at restaurants, bars and fast-food outlets by residents and tourists slumped in 1999 but came back strongly in 2000.

### House prices were up ...

House prices, 3-month moving average, seasonally-adjusted



Source: Canadian Real Estate Association, MLS data

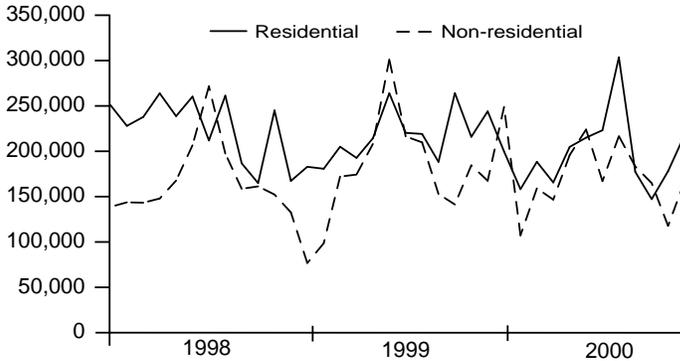
The Canadian Real Estate Association reports that existing home prices rose 2.8% in 2000, despite a 6.7% decline in sales volumes.

Average Canadian prices rose 3.9% last year.

**RECENT DEVELOPMENTS — Continued**

**... building permits fell**

British Columbia building permits, \$ thousands, seasonally-adjusted

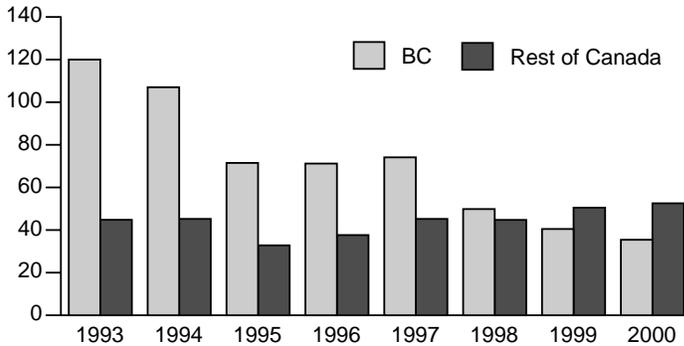


Source: Statistics Canada

The value of B.C. building permits fell 4.6% in 2000. Residential permit values fell 8.2% while non-residential permit values were down 0.3%.

**... housing starts lagged**

Housing starts per 10,000 people

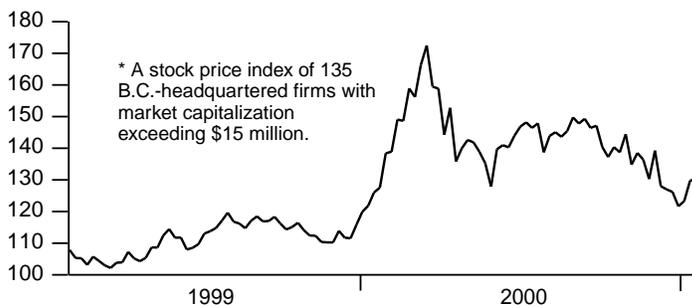


Source: Statistics Canada

Housing starts picked up in the fourth quarter, and totalled 14,418 units in 2000, down from the peak of almost 43,000 in 1993.

**... and stock prices dropped**

Bloomberg B.C. Stock Index\*  
December 30, 1994 = 100, weekly close



\* A stock price index of 135 B.C.-headquartered firms with market capitalization exceeding \$15 million.

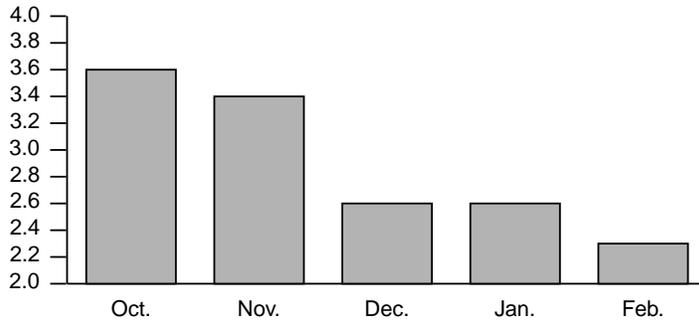
Source: Bloomberg

B.C. stock prices followed trends in the rest of North America, slumping in the fourth quarter and then recovering early in 2001 after central banks cut interest rates. Volatility in technology firms' stock prices has driven the indexes.

## RECENT DEVELOPMENTS — Continued

### U.S. outlook deteriorating . . .

Percentage change in real GDP

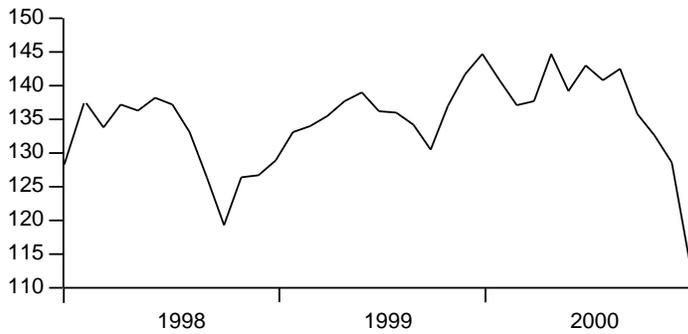


Source: Consensus Economics, Inc.

The economic outlook in the United States has deteriorated rapidly, falling from over 3.5% to under 2.5% recently.

### . . . and consumer confidence falls

U.S. consumer confidence index, 1985 = 100

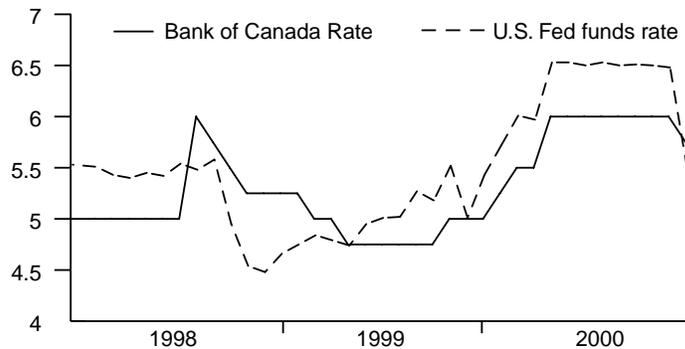


Source: Conference Board

U.S. consumer confidence has eroded very rapidly due to concerns about mounting layoffs and falling stock prices.

### Central banks cut interest rates

Official interest rate, per cent



Source: Bank of Canada, U.S. Federal Reserve

The U.S. Federal Reserve reacted quickly to the rapid slowing of the economy. The central bank reduced its Federal funds rate target twice in January.

Table 1.3 Current Economic Statistics

	Latest Period	Year-to-Date Average			Change
		Previous year	Latest year		
<b>BRITISH COLUMBIA</b>					
<b>LABOUR MARKET</b>					
Employment (s.a., thousands).....	Jan-01	1,943	1,936	1,943	0.3%
Unemployment rate (s.a., per cent).....	Jan-01	7.4	7.3	7.4	0.1
In-migration.....	Q3/00	5,183	6,749	5,121	-1,628
Interprovincial (persons).....	Q3/00	(3,470)	(2,494)	(3,387)	-893
International (persons).....	Q3/00	8,653	9,243	8,508	-735
Wages and salaries (s.a., \$ millions).....	Nov-00	5,020	4,622	4,915	6.3%
Average weekly wage rate.....	Jan-01	640.63	627.97	640.63	2.0%
<b>CONSUMER SECTOR</b>					
Retail sales (s.a., \$ millions).....	Nov-00	3,050	2,795	2,959	5.9%
Car and truck sales (s.a., units).....	Nov-00	13,957	13,000	13,934	7.2%
Housing starts (all areas, s.a., annual rate).....	Jan-01	20,600	11,800	20,600	74.6%
Existing home sales (s.a.).....	Dec-00	4,447	4,840	4,515	-6.7%
Building permits (s.a., \$ thousands).....	Dec-00	384	391	373	-4.6%
British Columbia consumer price index (annual per cent change).....	Dec-00	2.4	1.1	1.9	0.8
<b>INDUSTRIAL ACTIVITY</b>					
Foreign merchandise exports (s.a., \$ millions).....	Nov-00	2,790	2,388	2,677	12.1%
Manufacturing shipments (s.a., \$ millions).....	Nov-00	3,193	3,065	3,215	4.9%
Lumber production (thousand cubic metres).....	Nov-00	2,660	2,688	2,715	1.0%
Pulp and paper production (thousand tonnes).....	Dec-00	671	666	702	5.4%
Coal production (thousand tonnes).....	Oct-00	2,206	2,035	2,114	3.9%
Natural gas production (million cubic metres).....	Oct-00	2,162	2,053	2,064	0.5%
Copper production (million kg).....	Nov-00	22.2	14.5	22.4	54.4%
<b>TOURISM</b>					
Entries of U.S. and overseas residents (thousands).....	Nov-00	472	707	721	1.9%
B.C. Ferry passengers to/from Vancouver Island (thousands).....	Dec-00	779	934	927	-0.8%
<b>COMMODITY PRICES</b>					
Lumber (U.S. \$/thousand board feet).....	Jan-01	182	330	182	-44.8%
Pulp (U.S. \$/tonne).....	Jan-01	709	630	709	12.5%
Newsprint (U.S. \$/tonne).....	Jan-01	610	510	610	19.6%
Copper (U.S. \$/lb.).....	Jan-01	0.81	0.84	0.81	-3.6%
B.C. export commodity price index (Cdn. \$ Index: 1992=100).....	Q4/00	142.5	139.3	139.0	-0.2%
<b>FINANCIAL DATA</b>					
Canadian dollar (U.S. cents).....	Jan-01	66.6	69.0	66.6	-2.40
Canadian prime rate (per cent).....	Jan-01	7.44	6.50	7.44	0.94
Canadian treasury bills (per cent).....	Jan-01	5.27	5.03	5.27	0.24
Treasury bill spread — Canada minus U.S. (per cent).....	Jan-01	0.20	-0.29	0.20	0.49

s.a. — seasonally adjusted.

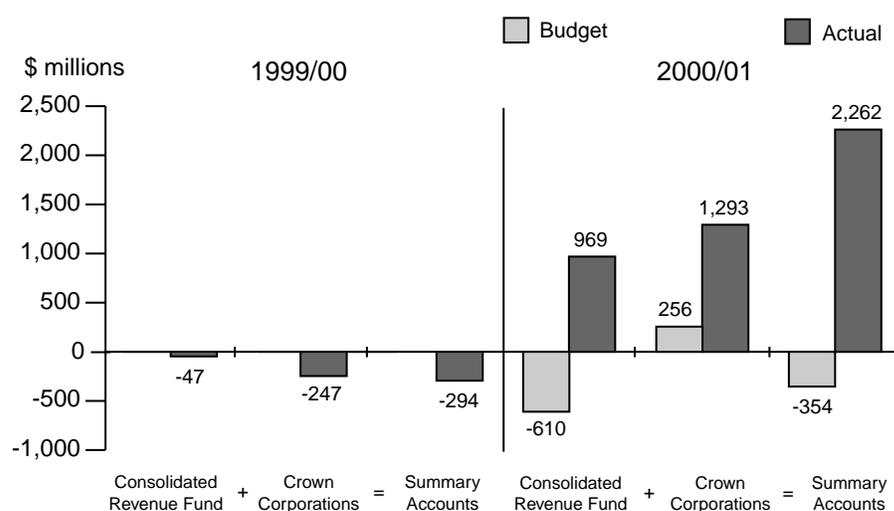
## PART TWO — FISCAL YEAR-TO-DATE REPORT

### 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 \$2.3-billion surplus for the first nine months . . .*

**Chart 2.1 Summary Accounts  
Nine-Month Results  
(Unaudited)**



The summary accounts showed a \$2.3-billion surplus for the first nine months of 2000/01, consisting of:

- a positive consolidated revenue fund (CRF) balance of \$969 million; and
- combined net income of Crown corporations and agencies totalling \$1.3 billion, including:
  - net losses of taxpayer-supported Crown corporations and agencies of \$43 million; and
  - combined net income of self-supported commercial Crown corporations of \$1.3 billion.

*. . . \$2.6 billion ahead of budget*

The nine-month surplus was \$2.6 billion ahead of budget, and the same period last year.

*The CRF had a positive balance of \$969 million*

The consolidated revenue fund balance was \$1.6 billion better than planned in the first nine months. Revenue was \$1.5 billion above budget mainly due to higher taxation and natural resource revenue. Spending was \$98 million below budget as additional health care costs were more than offset by a reduction in pension expense, lower debt interest costs and lower spending in other ministries. Compared to the same period last year, the consolidated revenue fund balance improved \$1 billion.

In total, net income of Crown corporations and agencies was \$1 billion better than expected and \$1.5 billion higher than the same period last year primarily due to stronger performance of the British Columbia Hydro and Power Authority, the Insurance Corporation of British Columbia and the British Columbia Ferry Corporation.

The nine-month surplus of \$2.3 billion is expected to be lower by year-end. Additional priority spending and revenue rebates will occur in the last quarter and performance is expected to slow for a number of Crown corporations. Details on the full-year financial forecast is presented in Part 3.

**Table 2.1 Summary Accounts Operating Results**  
for the Nine Months Ended December 31, 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.....	15,928	17,409	1,481	15,468
Expenditure.....	(16,538)	(16,440)	98	(15,515)
<b>CRF balance</b> .....	<b>(610)</b>	<b>969</b>	<b>1,579</b>	<b>(47)</b>
<b>Crown corporations and agencies:</b>				
<b>Taxpayer-supported:</b>				
British Columbia Buildings Corporation.....	47	42	(5)	31
British Columbia Ferry Corporation.....	20	49	29	(6)
BC Transportation Financing Authority.....	3	17	14	28
Forest Renewal BC.....	(35)	(66)	(31)	(27)
Other <sup>4</sup> .....	53	73	20	41
	88	115	27	67
Less: Contributions paid to CRF.....	—	—	—	(71)
Other accounting adjustments <sup>5</sup> .....	(171)	(158)	13	(176)
<b>Total taxpayer-supported</b> .....	<b>(83)</b>	<b>(43)</b>	<b>40</b>	<b>(180)</b>
<b>Self-supported commercial:</b>				
British Columbia Hydro and Power Authority (BC Hydro) <sup>6</sup> .....	277	564	287	467
Liquor Distribution Branch.....	497	515	18	495
British Columbia Lottery Corporation.....	395	413	18	402
British Columbia Railway Company.....	40	(7)	(47)	(582)
Insurance Corporation of British Columbia.....	3	131	128	96
Other <sup>7</sup> .....	32	11	(21)	(30)
	1,244	1,627	383	848
Less: Contributions paid to CRF <sup>8</sup> .....	(808)	(832)	(24)	(834)
Transfer of BC Hydro earnings to rate stabilization accounts <sup>6</sup> .....	—	762	762	—
Other accounting adjustments <sup>9</sup> .....	(97)	(221)	(124)	(81)
<b>Total self-supported commercial</b> .....	<b>339</b>	<b>1,336</b>	<b>997</b>	<b>(67)</b>
<b>Total net contribution (loss) of Crown corporations and agencies</b>	<b>256</b>	<b>1,293</b>	<b>1,037</b>	<b>(247)</b>
<b>Summary accounts surplus (deficit)</b> .....	<b>(354)</b>	<b>2,262</b>	<b>2,616</b>	<b>(294)</b>

<sup>1</sup> Figures reflect nine-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> Financial results reflect uncertainty in realizing revenue from sales to California utilities.

<sup>7</sup> Includes earnings/(losses) of other commercial Crown corporations, including the Columbia Power Corporation and 552513 British Columbia Ltd. (Skeena Cellulose Inc.).

<sup>8</sup> Includes contributions from the Liquor Distribution Branch and British Columbia Lottery Corporation.

<sup>9</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 nine-month period from a twelve-month period.

## Consolidated Revenue Fund

### Revenue

*CRF Revenue was \$1.5 billion above budget*

Revenue for the first nine months was \$1.5 billion or 9.3 per cent above budget and 12.6 per cent higher than the same time last year. Last year at this time, comparable revenue was \$836 million or 5.7 per cent above budget. The improvement was mainly due to strong energy prices and a strengthening economy in the first nine months. Details are provided in Table 2.2.

*Personal and corporation income tax revenue up \$401 million from budget*

*Income taxes* — Personal income tax revenue was \$290 million above budget reflecting higher-than-expected final assessments for 1999 and a higher forecast of personal income growth in 2000. Corporation income tax revenue was \$111 million above budget due to higher instalments resulting from a revised federal government outlook for national corporate profits in 2000.

*Social service tax* — \$106 million above budget due to stronger retail sales.

*Other taxes* — \$45 million above budget as higher collections from most other sources resulted from higher-than-expected activity in 2000.

*Petroleum, natural gas and minerals up \$616 million from budget*

*Petroleum, natural gas and minerals* — \$616 million above budget due to the effect of strong natural gas and oil prices on royalties and sales of Crown land drilling rights. During the first nine months, average natural gas prices were 148 per cent higher than in the same period in the previous year.

*Forests* — \$124 million below budget due to lower lumber prices and a delay in receiving softwood lumber export fees collected by the federal government in 1999/00, partly offset by higher logging tax revenue.

*Columbia River Treaty* — \$333 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* — \$54 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* — \$24 million above budget due to stronger-than-expected net income from the Liquor Distribution Branch and the British Columbia Lottery Corporation.

*Federal contributions* — \$39 million above budget. The federal government's October 2000 announcement resulted in additional Canada health and social transfer (CHST) revenue, including two-year funding of \$132 million for medical equipment. This was partly offset by a reduction due to the Auditor General's recommendation that the government record its full entitlement to the CHST supplement (announced in the 1999 federal budget) in 1999/00, instead of 2000/01 as budgeted.

### Expenditure

*CRF spending for the first nine months was \$98 million below budget . . .*

Spending for the first nine months was \$98 million or 0.6 per cent below budget, and 6.0 per cent higher than the same time last year as additional health spending was more than offset by a reduction in pension expense, lower debt interest costs and below-budget spending in most ministries (see Table 2.3).

**Table 2.2 Consolidated Revenue Fund Revenue by Source**  
for the Nine Months Ended December 31, 2000  
(Unaudited)

	Budget 2000	Actual 2000 <sup>1</sup>	Variance <sup>2</sup>	Actual 1999
(\$ millions)				
<b>Taxation:</b>				
Personal income.....	4,117.4	4,407.2	289.8	4,145.7
Corporation income.....	758.5	869.4	110.9	832.8
Social service.....	2,658.8	2,765.2	106.4	2,547.0
Fuel.....	332.1	344.4	12.3	356.5
Tobacco.....	360.8	371.3	10.5	367.3
Property.....	1,020.0	1,026.7	6.7	1,000.5
Property transfer.....	199.5	203.9	4.4	192.2
Corporation capital.....	320.0	319.3	(0.7)	330.7
Other.....	217.6	229.2	11.6	213.6
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(18.6)	(18.6)	—	(18.6)
	9,966.1	10,518.0	551.9	9,967.7
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	220.0	695.6	475.6	217.3
Permits and fees.....	156.9	238.9	82.0	194.1
Petroleum royalties.....	65.8	111.1	45.3	59.5
	442.7	1,045.6	602.9	470.9
Minerals.....	25.2	37.9	12.7	37.5
Forests:				
Timber sales.....	658.3	576.1	(82.2)	656.1
Small Business Forest Enterprise Program.....	150.1	140.5	(9.6)	151.6
Logging tax.....	38.0	50.0	12.0	15.9
Other forests revenue.....	55.1	10.9	(44.2)	53.8
	901.5	777.5	(124.0)	877.4
Water resources.....	233.7	222.0	(11.7)	221.1
Columbia River Treaty.....	70.8	403.5	332.7	78.7
Wildlife Act.....	13.3	13.6	0.3	14.0
	317.8	639.1	321.3	313.8
Less: provision for doubtful accounts.....	—	—	—	—
Less: commissions on collection of public funds.....	(1.1)	(1.1)	—	(1.0)
	1,686.1	2,499.0	812.9	1,698.6
<b>Other revenue:</b>				
Medical Services Plan premiums.....	667.7	681.6	13.9	665.6
Motor vehicle licences and permits.....	259.9	260.8	0.9	254.8
Other fees and licences.....	271.2	242.8	(28.4)	260.7
Investment earnings.....	41.0	90.9	49.9	41.1
Fines and penalties.....	79.9	76.2	(3.7)	84.4
Miscellaneous.....	38.7	60.3	21.6	21.4
Asset dispositions.....	—	0.3	0.3	51.7
Less: provision for doubtful accounts.....	(23.2)	(25.8)	(2.6)	(4.7)
Less: commissions on collection of public funds.....	(9.4)	(7.6)	1.8	(14.1)
	1,325.8	1,379.5	53.7	1,360.9
<b>Contributions from Crown corporations:</b>				
Liquor Distribution Branch.....	497.1	514.6	17.5	495.1
British Columbia Lottery Corporation.....	310.6	317.4	6.8	339.2
British Columbia Buildings Corporation.....	—	—	—	71.0
	807.7	832.0	24.3	905.3
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	2,032.6	2,191.6	159.0	1,439.5
Canada health and social transfer — accounting change <sup>3</sup> .....	—	(121.0)	(121.0)	—
Other.....	109.3	109.9	0.6	95.6
	2,141.9	2,180.5	38.6	1,535.1
<b>TOTAL REVENUE</b> .....	<b>15,927.6</b>	<b>17,409.0</b>	<b>1,481.4</b>	<b>15,467.6</b>

<sup>1</sup> Actual figures for 2000/01 exclude \$476 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 the government's acceptance of the Auditor General's recommendation to change the basis of accounting for CHST supplements.

. . . with spending below budget in 13 of 20 ministries

*Ministry of Advanced Education, Training and Technology* — \$2 million above budget as higher-than-planned spending for post-secondary collective agreements and accords was partially offset by lower spending in other areas.

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

*Ministry of Education* — \$32 million below budget mainly due to lower-than-expected costs for debt servicing.

*Ministry of Environment, Lands and Parks* — \$6 million below budget primarily due to slower-than-expected program and administrative costs.

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

Additional health spending was offset by . . .

*Ministry of Health* — \$243 million above budget mainly due to higher-than-planned spending for acute and continuing care, and the Medical Services Plan. Nine-month spending in part reflects \$290 million and \$212 million (\$502 million total) of supplementary estimates added to the ministry's budget on September 17, 2000, and December 7, 2000 respectively.

*Ministry of Social Development and Economic Security* — \$30 million below budget. Ministry program spending was \$7 million below budget mainly due to slower-than-planned spending for skills development. Contributions to British Columbia Transit were \$23 million below budget due to a change in the formula used for amortizing capital investments.

*Ministry of Transportation and Highways* — \$6 million below budget due to slower spending for highway operations.

In total, eight other ministries were \$23 million below budget. Spending was below budget in the Ministries of Aboriginal Affairs; Community Development, Cooperatives and Volunteers; Employment and Investment; Energy and Mines; Finance and Corporate Relations; Labour; Municipal Affairs; and Women's Equality. This was partially offset by \$5 million in higher-than-planned expenditures in the Ministries of Agriculture, Food and Fisheries; Attorney General; Multiculturalism and Immigration; and Small Business, Tourism and Culture.

. . . lower debt interest and pension costs

*Management of Public Funds and Debt (debt interest)* — \$82 million below budget mainly due to reduced borrowing.

*Pension Changes:*

- *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 estimated changes in pension plan surpluses and unfunded pension liabilities. The effect of this accounting policy change reduced the government's pension expenses by \$270 million in the first nine months, primarily due to significant pension plan investment earnings. A comparative adjustment of \$264 million is shown for 1999/00.

**Table 2.3 Consolidated Revenue Fund Expenditure by Ministry**  
for the Nine Months Ended December 31, 2000  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>1</sup> 1999/00
	(\$ millions)			
Legislation.....	28.6	24.9	(3.7)	24.9
Officers of the Legislature.....	19.6	18.3	(1.3)	20.0
Office of the Premier.....	2.0	1.9	(0.1)	1.9
Aboriginal Affairs.....	27.1	24.7	(2.4)	19.5
Advanced Education, Training and Technology				
Educational institutions and organizations.....	898.2	910.8	12.6	845.8
Other ministry programs.....	404.6	394.1	(10.5)	345.7
Total.....	1,302.8	1,304.9	2.1	1,191.5
Agriculture, Food and Fisheries.....	78.1	79.2	1.1	66.9
Attorney General.....	702.2	703.3	1.1	691.0
Children and Families.....	1,105.0	1,096.2	(8.8)	972.7
Community Development, Cooperatives and Volunteers.....	15.5	11.2	(4.3)	3.9
Education				
Public school operating contributions.....	2,869.1	2,868.6	(0.5)	2,794.7
Other ministry programs.....	506.3	474.7	(31.6)	466.0
Total.....	3,375.4	3,343.3	(32.1)	3,260.7
Employment and Investment.....	25.4	20.8	(4.6)	22.0
Energy and Mines.....	27.8	26.6	(1.2)	22.8
Environment, Lands and Parks.....	153.3	147.4	(5.9)	145.9
Finance and Corporate Relations.....	84.1	81.5	(2.6)	84.6
Forests.....	388.3	394.0	5.7	360.7
Health				
Acute and continuing care.....	3,366.8	3,577.9	211.1	3,297.4
Other ministry programs.....	2,817.2	2,849.3	32.1	2,649.8
Total.....	6,184.0	6,427.2	243.2	5,947.2
Labour.....	18.8	18.7	(0.1)	20.4
Multiculturalism and Immigration.....	18.2	18.3	0.1	17.9
Municipal Affairs.....	115.7	113.2	(2.5)	122.4
Small Business, Tourism and Culture.....	60.1	63.3	3.2	59.8
Social Development and Economic Security				
Ministry programs.....	1,480.8	1,474.0	(6.8)	1,463.3
Contributions to British Columbia Transit.....	136.2	112.9	(23.3)	131.0
Total.....	1,617.0	1,586.9	(30.1)	1,594.3
Transportation and Highways.....	348.2	342.6	(5.6)	342.8
Women's Equality.....	37.0	31.7	(5.3)	31.1
Other:				
Management of Public Funds and Debt.....	758.2	675.8	(82.4)	616.7
Contingencies (All Ministries) and New Programs <sup>3</sup> .....	—	—	—	—
BC Family Bonus.....	116.5	115.2	(1.3)	137.3
Amortization of Change in Unfunded Pension Liability.....	(99.0)	(99.0)	—	(90.0)
Other Appropriations <sup>4</sup> .....	28.0	26.3	(1.7)	20.3
TOTAL.....	16,537.9	16,598.4	60.5	15,709.2
Pension Accounting Change.....	—	(270.0)	(270.0)	(263.8)
Public Service Pension Plan Joint Trusteeship				
Agreement.....	—	112.0	112.0	—
Vancouver Trade and Convention Centre.....	—	—	—	69.4
TOTAL EXPENDITURE.....	<u>16,537.9</u>	<u>16,440.4</u>	<u>(97.5)</u>	<u>15,514.8</u>

<sup>1</sup> Figures have been restated to reflect the government organization as of December 31, 2000.

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

<sup>3</sup> Charges to the Contingencies vote of \$17.4 million in 2000/01 (\$3.3 million in 1999/00) have been included as part of the spending of ministries.

<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.

- **Joint Trusteeship** — In December 2000, the government concluded a joint trusteeship agreement for the public service pension plan. The agreement gives plan members an equal role with their employers in the management of the pension plan. The \$112-million cost of moving to a joint trusteeship arrangement partially offsets the expenditure reduction resulting from the accounting policy change described above.

*Excluding pension changes, CRF expenditure was \$61 million above budget*

Excluding the impact of the pension changes, total consolidated revenue fund expenditure was \$61 million or 0.4 per cent above budget as higher health spending was partially offset by lower interest costs and below-budget spending in most ministries.

## **Crown Corporations and Agencies**

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

The combined net loss of taxpayer-supported Crown corporations of \$43 million was \$40 million below budget and \$137 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 nine months of 2000/01, combined operating income of \$115 million was offset by accounting adjustments of \$158 million, primarily to amortize the cost of highways transferred to the BC Transportation Financing Authority in 1998/99.

**British Columbia Buildings Corporation** — net income of \$42 million was \$5 million below budget but \$11 million higher than the same period last year. Revenue was \$1 million higher than budget, while spending was \$4 million below budget. Gains from disposals of property were \$10 million below budget but \$4 million higher than last year.

*BC Ferries shows \$49-million profit reflecting operating savings and lower interest costs*

**British Columbia Ferry Corporation** — net income of \$49 million was \$29 million higher than planned and compares to a net loss of \$6 million in the first nine months of last year. Operating revenue was slightly below budget due to lower toll revenue. Total expenses were \$29 million below budget. Savings from reduced *PacifiCat* operations, lower costs for pensions, improved labour efficiencies and delayed spending more than offset increased fuel costs. The improvement from last year reflects the corporation's reorganization and reduction in overhead costs, an increase in dedicated motor fuel tax received by the corporation, and a \$37-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 \$17 million was \$14 million higher than budget mainly due to delayed expenditures for grant programs. The \$11-million reduction in income from the previous year reflects a 36-per-cent increase in interest costs, primarily due to higher outstanding debt for completion of highway construction and rehabilitation, partially offset by a 13-per-cent increase in dedicated provincial taxes.

**Forest Renewal BC** — a \$66-million loss was \$31 million higher than budget. Lower-than-budgeted stumpage revenue was partially offset by reduced spending. The nine-month loss was \$39 million higher than last year reflecting the provincial government's recovery of annual costs of administering the *Forest Practices Code* in the first nine months — last year, the recovery occurred in the last quarter of the year.

### **Other Taxpayer-supported Agencies:**

- **B.C. Pavilion Corporation** — revenues were in balance with expenditure, compared to a \$3-million loss in the first nine months of last year.

- *British Columbia Securities Commission* — net income of \$9 million was about the same as the previous year.
- *British Columbia Transit* — net operating expenditures, shared by provincial and local governments, rose \$3 million from last year.
- *Okanagan Valley Tree Fruit Authority* — net income of \$3 million was \$1 million higher than in the previous year.
- *Tourism British Columbia* — net income of \$4 million was similar to last year.

### Self-supported Commercial Crown Corporations and Agencies

Combined net income of \$1.3 billion for self-supported commercial Crown corporations was \$997 million above budget and \$1.4 billion higher than the same period last year. The increase from budget 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 (see Table 2.1).

In the first nine months of the year, commercial Crown corporations showed combined operating income of \$2.4 billion (including a transfer of \$762 million of BC Hydro earnings to its rate stabilization account). This was partially offset by contributions to the consolidated revenue fund of \$832 million and accounting adjustments of \$221 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.

*After a \$762-million transfer to the rate stabilization account, BC Hydro net income was \$564 million*

***British Columbia Hydro and Power Authority*** — net income before transfers to the rate stabilization account totalled \$1.3 billion. After a \$762-million transfer to the rate stabilization account, net income of \$564 million was \$287 million higher than budget and 21 per cent higher than the same period last year.

- Domestic revenues were \$10 million above budget and 4 per cent higher than last year mainly due to increased industrial sales.
- Electricity trade revenue was \$2.7 billion higher than budget and more than four times higher than last year. As a result of strong United States demand, electricity trade selling prices averaged \$194 Cdn per megawatt hour in the first nine months compared to \$48 Cdn per megawatt hour in the same period last year.
- Energy costs were \$1.6 billion above budget and \$2 billion higher than last year primarily due to higher market prices for energy purchases.
- Operations, maintenance and administration costs rose 20 per cent from last year, largely due to a provision for the removal and subsequent destruction of PCBs from BC Hydro's properties, and a required accounting change for post-retirement benefits.
- The rapid rise in market prices for electricity has caused significant financial hardship for several utilities in California. Under California's electricity market restructuring, some utilities were not allowed to pass on the costs of the higher market prices to their customers. As a result, these utilities have accumulated large losses and have defaulted on payments to the California Power Exchange (CalPX) and the California Independent System Operator (CISO). The financial results reflect the uncertainty of revenues to be realized from energy sales to the CalPX and CISO. BC Hydro continues to work with various parties in California to secure full recovery of amounts due from the CalPX and CISO.

***Liquor Distribution Branch*** — net income of \$515 million was \$18 million above budget and \$20 million higher than the same period last year. Gross profit (after product costs) was \$7 million above budget and 2.6 per cent higher than the previous year. Operating expenses were \$4 million below budget, while other income was \$6 million above budget.

**British Columbia Lottery Corporation** — net income of \$413 million was \$18 million above budget and \$11 million higher than the same period last year. Gaming revenue of \$1.1 billion was \$27 million above budget and 3.2 per cent higher than the previous year due to a full-year's operation of the *Royal City Star* casino in New Westminster, the opening of a new casino in Penticton and strong sales from Club Keno. Increased sales also resulted in total direct and operating costs being \$9.5 million above budget and 3.6 per cent higher than the previous year.

**British Columbia Railway Company** — preliminary twelve-month results for 2000 show a net loss of \$7 million after including a \$13-million provision for expected environmental costs relating to planned remediation activities over the next ten years. Excluding this provision, net income of \$6 million was \$34 million below budget and \$28 million lower than the previous year (excluding the write-down of rail assets).

- Revenue was slightly below budget, but 3.8 per cent higher than the previous year as labour-related service disruptions, poor weather and a weakened lumber market were partially offset by increased revenue from marine and land sales.
- Operating expenses were \$37 million above budget and 10 per cent higher than last year mainly due to increased marine activity, higher fuel prices and reorganization costs. Financing and tax expenses were \$5 million below budget primarily due to lower capital spending.

*ICBC's twelve-month results show net income of \$350 million before a \$219-million road safety dividend*

**Insurance Corporation of British Columbia** — preliminary results for the twelve months ending December 31, 2000 show net income (before road safety dividend) of \$350 million compared to net income of \$96 million for the previous year. After payment of a \$219-million road safety dividend, net income totalled \$131 million.

- Total net revenue was \$146 million above budget — investment income was \$171 million above budget due to disposals of investments that resulted in significantly higher-than-expected one-time gains, while premium revenue was \$25 million below budget primarily due to the effects of higher premium discounts.
- Total claims costs (including claims operations) were \$201 million below budget mainly due to lower estimates of settling injury claims for prior years. Costs were 4.4 per cent lower than last year due to a reduction in the cost of current year claims and lower estimates of settling prior years' injury claims. Operating expenses were on budget as higher-than-anticipated expenditures for administration, commissions and taxes were offset by savings in other areas.

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

- *552513 British Columbia Ltd. (Skeena Cellulose)* — twelve-month net income of \$5 million compared to a \$16-million loss last year.
- *Columbia Power Corporation* — net income of \$4 million was similar to last year.
- *Provincial Capital Commission* — a surplus of \$0.4 million for the first nine months was similar to the previous 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 nine months ended December 31, 2000.

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 nine months of 2000/01.

**Table 2.4 Capital Expenditures**  
for the Nine Months Ended December 31, 2000  
(Unaudited)

	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> .....	380	348	(32)	350
Health.....	201	168	(33)	164
BC Transportation Financing Authority.....	354	380	26	351
British Columbia Ferry Corporation.....	89	38	(51)	92
Rapid Transit Project 2000.....	307	272	(35)	340
Other <sup>4</sup> .....	66	37	(29)	28
Gross capital plan.....	1,397	1,243	(154)	1,325
Less: recoverable expenditures <sup>5</sup>				
Hospital districts.....	(32)	(27)	5	(13)
Greater Vancouver Transportation Authority ( <i>TransLink</i> ).....	(25)	(8)	17	(41)
Net capital plan.....	1,340	1,208	(132)	1,271
<b>Other taxpayer-supported</b>				
Government operating (ministries).....	128	72	(56)	53
Social Housing.....	20	19	(1)	8
Other <sup>6</sup> .....	13	11	(2)	4
<b>Total taxpayer-supported.....</b>	<b>1,501</b>	<b>1,310</b>	<b>(191)</b>	<b>1,336</b>
<b>Self-supported commercial</b>				
British Columbia Hydro and Power Authority.....	327	278	(49)	281
British Columbia Railway Company.....	91	110	19	141
Skeena Cellulose.....	85	69	(16)	35
Columbia Power Corporation.....	52	48	(4)	14
Columbia Basin Trust — joint ventures.....	52	48	(4)	14
Insurance Corporation of British Columbia <sup>7</sup> .....	46	35	(11)	38
Other <sup>8</sup> .....	20	23	3	12
<b>Total self-supported commercial.....</b>	<b>673</b>	<b>611</b>	<b>(62)</b>	<b>535</b>
<b>Total capital expenditures.....</b>	<b>2,174</b>	<b>1,921</b>	<b>(253)</b>	<b>1,871</b>

*\$1.9 billion was spent on capital projects in the first nine months*

<sup>1</sup> Figures reflect the nine-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 B.C. Pavilion Corporation, British Columbia Securities Commission, Pacific National Exhibition, Tourism British Columbia and British Columbia Assessment Authority.

<sup>7</sup> Excludes ICBC Properties Ltd. investments.

<sup>8</sup> British Columbia Lottery Corporation and Liquor Distribution Branch.

During the nine months ended December 31, 2000, \$1.9 billion was spent to finance capital projects. This was down \$253 million from the \$2.2-billion budget primarily due to lower capital spending for most of the commercial and taxpayer-supported Crown corporations and agencies, and for government ministries. This under-spending was partially offset by accelerated expenditures for road construction through the BC Transportation Financing Authority, and rail/marine terminal construction by the British Columbia Railway Company.

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)

Taxpayer-supported capital spending for education, health, justice and other related facilities includes:	
New school construction	<p><i>Abbotsford</i> — Auguston Elementary, W.J. Mouat Middle/Secondary.  <i>Coquitlam</i> — Castle Park and Blakeburn Elementaries.  <i>Courtenay</i> — Mission Middle.  <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>Cobble Hill</i> — Cobble Hill Elementary.  <i>Coquitlam</i> — Dr. Charles Best Secondary.  <i>Courtenay</i> — Lake Trail Junior Secondary.  <i>Kelowna</i> — Rutland and Kelowna Secondaries.  <i>Langley</i> — Walnut Grove Secondary.  <i>Mackenzie</i> — Morfee Elementary.  <i>Maple Ridge</i> — Hammond Elementary and Westview Secondary.  <i>McBride</i> — McBride Centennial Elementary.  <i>Nanaimo</i> — Cedar Jr. Secondary and Wellington Secondary.  <i>North Vancouver</i> — Handsworth Secondary.  <i>Prince Rupert</i> — King Edward Elementary.  <i>Richmond</i> — General Currie Elementary.  <i>Robson</i> — Robson Community School.  <i>Squamish</i> — Brackendale Secondary.  <i>Surrey</i> — Princess Margaret and Earl Marriott Secondaries, Holly and Dr. F.D. Sinclair Elementaries.  <i>Trail</i> — Trail Middle School.</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 ( <i>Osprey 2000</i> ). Highway 1: Cache Creek to the Rockies.
Road/bridge upgrading/ rehabilitation	Lion's 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. Highway 12: Lytton Bridge replacement. Road and bridge resurfacing throughout the province.
Ferries	Ferry construction, ferry maintenance and terminal improvements.
Rapid transit	<i>SkyTrain</i> extension construction.

<b>Self-supported Crown corporations and agencies capital spending includes:</b>	
Rail/terminal construction	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. Port Alberni generating station. Natural gas pipeline crossing of the Georgia Strait. 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, \$2.2 billion has been spent over a number of years on major transportation capital projects including the Vancouver Island Highway and the *SkyTrain* extension. This compares to a combined total projects budget of \$2.8 billion.

Cumulative spending on major health facilities totalled \$130 million to the end of the third 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 \$398 million.

Spending for power generation capital projects by the British Columbia Hydro and Power Authority and Arrow Lakes Power Company totalled \$390 million to date. These agencies are self-supported and the combined budget for these projects is estimated at \$932 million.

ICBC Properties Ltd. (a unit of the Insurance Corporation of British Columbia) has invested \$71 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. ICBC also made a capital investment by acquiring the Telus building in Burnaby for \$100 million in November 2000.

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

Project	Start Date	Cumulative Spending to Dec. 31, 2000 <sup>1</sup>	Total Project Budget <sup>2</sup>
(\$ millions)			
<b>Transportation</b>			
Vancouver Island Highway.....	1991	1,200	1,306 <sup>3</sup>
Third Fast Ferry.....	June 1999	98	105
Lion's Gate Bridge.....	Fall 1998	85	108
Port Mann Bridge/Cape Horn Interchange.....	Aug. 1998	46	74
<i>SkyTrain</i> Extension — Phase 1.....	Sept. 1998	740	1,167
<i>SkyTrain</i> Fleet Expansion.....	Oct. 1998	62	68
<b>Health Facilities</b>			
Vancouver General Hospital.....	Sept. 2000	7	156
Royal Jubilee Hospital (Victoria).....	Aug. 1999	52	115
Surrey Memorial Hospital.....	July 1998	67	77
Prince George Regional Hospital.....	Spring 2001	4	50
<b>Power Generation</b>			
British Columbia Hydro and Power Authority			
— Stave Falls Replacement.....	Feb. 1995	136	181
— Burrard Upgrade.....	June 1993	109	176
— Port Alberni Power Generation <sup>4</sup> .....	April 2000	1	180
— Georgia Strait Pipeline Crossing <sup>4</sup> .....	April 2000	5	125
Arrow Lakes Power Company <sup>5</sup>			
— Arrow Lakes Generating Station.....	Feb. 1999	139	270
<b>Other</b>			
ICBC Properties Ltd.			
— Surrey City Centre (includes Tech BC).....	Sept. 1999	71	253
— Burnaby Telus building investment.....	Nov. 2000	100	100

<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> Joint ventures with private sector partners. Amounts shown represent BC Hydro's 50-per-cent share of the costs.

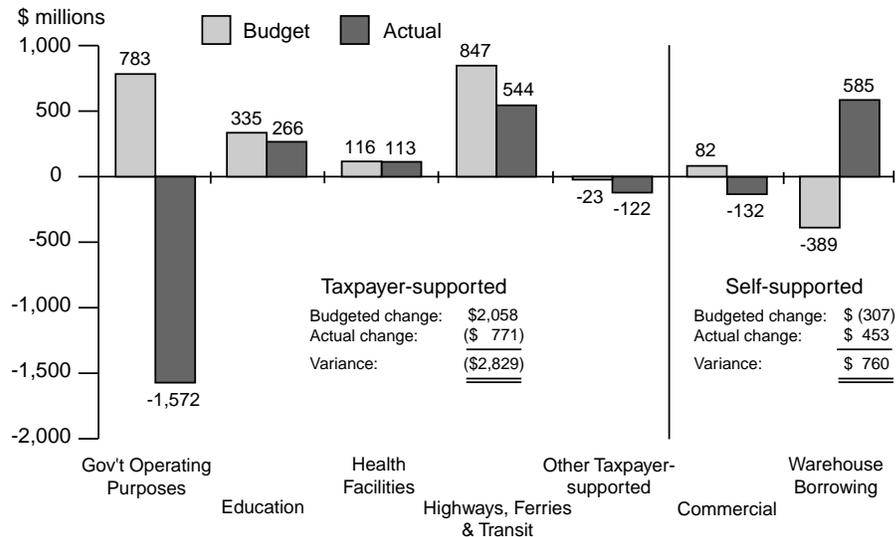
<sup>5</sup> A joint venture of the Columbia Power Corporation and the Columbia Basin Trust.

*Provincial debt fell \$318 million in the first nine months of the year*

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

Provincial debt totalled \$33.9 billion at December 31, 2000, \$2.1 billion less than planned as reduced borrowing for government operating purposes and provincial Crown corporations and agencies was partially offset by a higher balance in the warehouse borrowing program (see Chart 2.2). Total debt was \$318 million lower than at the start of the year.

**Chart 2.2 Change in Provincial Net Debt  
Nine-Month Results**



The \$318-million decrease from the start of the year consisted of:

- a \$1.6-billion reduction in government direct operating debt primarily due to an improvement in the consolidated revenue fund balance up to December 31, 2000, and the use of higher-than-expected cash balances at the start of the year;
- a \$132-million net decrease in commercial Crown corporation debt;

partially offset by:

- an \$801-million net increase in taxpayer-supported debt for education, health and transportation capital, along with other taxpayer-supported Crown corporations and agencies; and
- a \$585-million increase for warehouse borrowing.

*Taxpayer-supported net debt fell \$771 million . . .*

*. . . as direct operating debt fell \$1.6 billion. . .*

*. . . and other taxpayer-supported net debt rose \$801 million*

Taxpayer-supported net debt totalled \$24.2 billion at December 31, 2000. During the first nine months, debt fell \$771 million and was \$2.8 billion less than planned (see Table 2.6). Debt changes included:

- Government direct operating debt was \$1.6 billion lower than the start of the year and \$2.4 billion below budget due to use of higher-than-expected cash balances on April 1, 2000, and better-than-planned results for the consolidated revenue fund in the first nine months of the fiscal year.
- Other taxpayer-supported Crown corporation and agency net debt increased \$801 million from the start of the year. However, debt was \$474 million lower than planned due to the retirement of debt for 577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.) and lower financing requirements for education facilities, ferries, public transit and roads.

<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 Nine Months Ended December 31, 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 Dec. 31, 1999 <sup>5</sup>
(\$ millions)								
<b>Taxpayer-supported debt</b>								
<b>Provincial government direct operating<sup>6</sup></b>	13,833		(1,572)		12,261	14,616	(2,355)	12,956
<b>Education facilities<sup>7</sup></b>								
Schools	3,609		238		3,847	3,883	(36)	3,483
Post-secondary institutions	1,369		28		1,397	1,430	(33)	1,351
	4,978		266		5,244	5,313	(69)	4,834
<b>Health facilities<sup>7</sup></b>	1,451		113		1,564	1,567	(3)	1,346
<b>Highways, ferries and public transit</b>								
BC Transportation Financing Authority	1,843		302		2,145	2,216	(71)	1,663
British Columbia Ferry Corporation	24		(3)		21	128	(107)	1,048
British Columbia Transit	79		(15)		64	79	(15)	64
Public transit <sup>7</sup>	952		(10)		942	974	(32)	972
SkyTrain extension <sup>7</sup>	488		266		754	807	(53)	431
Rapid Transit Project 2000	101		4		105	130	(25)	97
	3,487		544		4,031	4,334	(303)	4,275
<b>Other</b>								
British Columbia Buildings Corporation	615		(67)		548	538	10	636
Social housing <sup>8</sup>	205		(3)		202	211	(9)	196
Homeowner Protection Office	32		28		60	63	(3)	28
577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.)	62		(62)		—	66	(66)	62
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)	—		—		—	—	—	69
Universities and colleges — fiscal agency loans	130		(5)		125	130	(5)	133
Other <sup>9</sup>	131		(13)		118	144	(26)	174
	1,175		(122)		1,053	1,152	(99)	1,298
<b>Total taxpayer-supported debt</b>	<b>24,924</b>		<b>(771)</b>		<b>24,153</b>	<b>26,982</b>	<b>(2,829)</b>	<b>24,709</b>
<b>Self-supported debt</b>								
<b>Commercial Crown corporations and agencies</b>								
British Columbia Hydro and Power Authority	6,945		(159)		6,786	6,987	(201)	7,254
British Columbia Railway Company	655		(42)		613	635	(22)	624
552513 British Columbia Ltd. (Skeena Cellulose Inc.)	280		54		334	334	—	266
Columbia Basin Power Company	94		(1)		93	94	(1)	94
Columbia Power Corporation	—		17		17	7	10	—
Liquor Distribution Branch	3		(1)		2	2	—	3
	7,977		(132)		7,845	8,059	(214)	8,241
<b>Warehouse borrowing program</b>	1,320		585		1,905	931	974	1,354
<b>Total self-supported debt</b>	<b>9,297</b>		<b>453</b>		<b>9,750</b>	<b>8,990</b>	<b>760</b>	<b>9,595</b>
<b>Total provincial debt</b>	<b>34,221</b>		<b>(318)</b>		<b>33,903</b>	<b>35,972</b>	<b>(2,069)</b>	<b>34,304</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 plus the net change for the period.

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

<sup>5</sup> Restated to reflect *Public Account* balances.

<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.

*Self-supported net debt rose \$453 million . . . as Commercial Crown corporation debt decreased \$132 million . . . and warehouse program debt increased \$585 million*

Self-supported net debt totalled \$9.8 billion at December 31, 2000. During the first nine months, debt rose \$453 million and was \$760 million above budget.

- Commercial Crown corporation and agencies debt decreased \$132 million from the start of the year. Debt outstanding at December 31, 2000 was \$214 million less-than-planned mainly due to the reduction of British Columbia Hydro and Power Authority short-term debt.
- At \$1.9 billion, warehouse borrowing program debt increased \$585 million from the start of the year as the province continued to take advantage of favourable market opportunities. The warehouse balance was \$974 million above plan. 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 \$2.3 billion surplus for the first nine 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 nine months, and shows that:

- a \$898-million reduction in cash and temporary investments, and
- the nine-month surplus of \$2.3 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.

Overall, provincial net debt declined by \$318 million from the start of the year.

*Overall, provincial net debt declined by \$318 million*

**Table 2.7 Change in Summary Accounts Financial Position<sup>1</sup>**  
for the Nine Months Ended December 31, 2000  
(Unaudited)

	Change	
	(\$ millions)	
Asset and liability changes:		
Increase in assets related to capital investments (net of amortization) .....	562	
Increase in net investments in commercial Crown corporations .....	1,361	
Reduction in cash and temporary investments .....	(898)	
Non-cash and other working capital changes:		
— Reduction in unfunded pension liability (non-cash) .....	257	
— Other working capital changes and adjustments .....	77	1,359
Less: Surplus for the period .....		(2,262)
Net debt reduction for government and its Crown corporations and agencies .....		(903)
Increase in warehouse borrowing investments .....		585
Decrease in provincial debt .....		<u>(318)</u>

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

### COMPOSITION OF PROVINCIAL NET DEBT

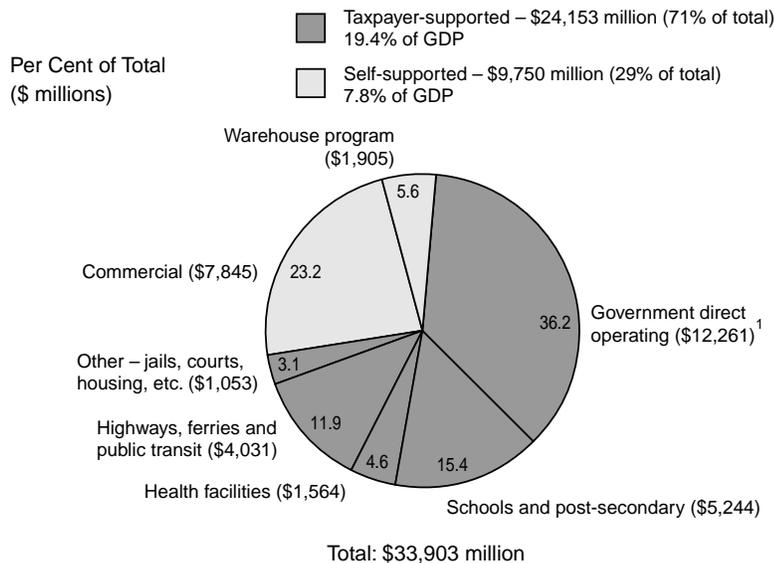
The government borrows to finance its own operations (for example, when revenues fall short of expenditures), to finance construction of capital projects or other investments, to refinance maturing debt, and to finance working capital needs.

Roughly \$20 billion or almost 65 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 \$33.9 billion at December 31, 2000, or 27.2 per cent of provincial gross domestic product (GDP), based on estimated 2000 GDP of \$124.8 billion.

#### Provincial Net Debt at December 31, 2000



<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 December 31, 2000, taxpayer-supported debt totalled \$24.2 billion or 19.4 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 December 31, 2000 self-supported debt totalled \$9.8 billion, or 7.8 per cent of GDP.

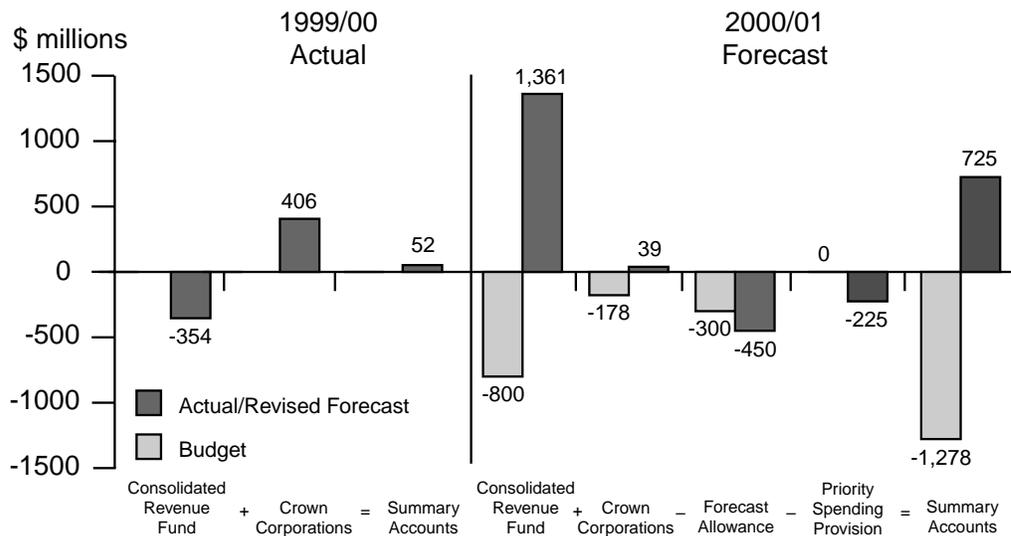
## PART THREE — REVISED FINANCIAL FORECAST

### Summary Accounts

*The summary accounts are forecast to show a \$725-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 \$725-million surplus for 2000/01, compared to the original budget estimate of a \$1.3-billion deficit.

The government's consolidated revenue fund (CRF) is projected to have a positive balance of \$1.4 billion in 2000/01, \$2.2 billion better than planned due to higher-than-expected revenue.

*CRF revenue projected to be \$2.3 billion above budget*

- Revenue is projected to be \$2.3 billion above budget primarily due to the effect of a strengthening economy in 2000 and high energy prices.

*CRF spending projected to be \$179 million above budget*

- Full-year spending is projected to be \$179 million above budget mainly due to health and other priority spending initiatives announced since the budget, partially offset by the effect of a number of pension adjustments. Excluding pension adjustments, full-year spending is forecast to be \$510 million above budget.

**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	23,840	2,340	21,846
Expenditure.....	(22,300)	(22,479)	(179)	(22,200)
<b>CRF balance.....</b>	<b>(800)</b>	<b>1,361</b>	<b>2,161</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)	6	16	(299)
BC Transportation Financing Authority.....	(1)	2	3	22
Forest Renewal BC.....	(52)	(104)	(52)	1
Other <sup>2</sup> .....	(16)	26	42	(44)
	(17)	(16)	1	(275)
Less: Contributions paid to CRF.....	(62)	(74)	(12)	(78)
Forgiveness of BCFC debt.....	—	—	—	1,080
Other accounting adjustments <sup>3</sup> .....	(227)	(184)	43	(131)
<b>Total taxpayer-supported.....</b>	<b>(306)</b>	<b>(274)</b>	<b>32</b>	<b>596</b>
<b>Commercial self-supported:</b>				
British Columbia Hydro and Power Authority (BC Hydro) <sup>4</sup> .....	429	464	35	416
Liquor Distribution Branch.....	620	635	15	617
British Columbia Lottery Corporation <sup>5</sup> .....	542	550	8	532
British Columbia Railway Company.....	40	(7)	(47)	(582)
Insurance Corporation of British Columbia.....	3	131	128	96
Other <sup>6</sup> .....	42	5	(37)	1
	1,676	1,778	102	1,080
Less: Contributions paid to CRF <sup>7</sup> .....	(1,386)	(1,430)	(44)	(1,376)
Transfer of BC Hydro earnings (from) to rate stabilization account <sup>4</sup> .....	(17)	200	217	129
Other accounting adjustments <sup>8</sup> .....	(145)	(235)	(90)	(23)
<b>Total self-supported commercial.....</b>	<b>128</b>	<b>313</b>	<b>185</b>	<b>(190)</b>
<b>Total net contribution (loss) of Crown corporations and agencies.....</b>	<b>(178)</b>	<b>39</b>	<b>217</b>	<b>406</b>
<b>Forecast allowance.....</b>	<b>(300)</b>	<b>(450)</b>	<b>(150)</b>	<b>—</b>
<b>Remaining provision for priority spending.....</b>	<b>—</b>	<b>(225)</b>	<b>(225)</b>	<b>—</b>
<b>Summary accounts surplus (deficit).....</b>	<b>(1,278)</b>	<b>725</b>	<b>2,003</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> Financial results reflect uncertainty in realizing revenue from sales to California utilities.

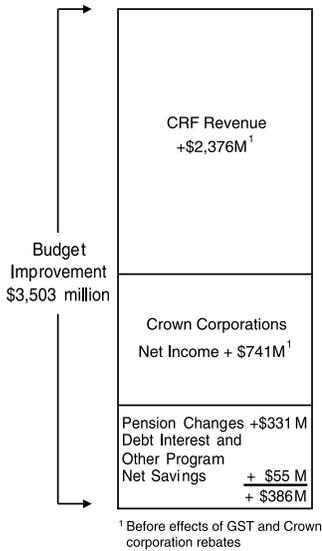
<sup>5</sup> Budget estimate has been restated to be consistent with the revised forecast.

<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 from a calendar year basis to government's fiscal reporting period ending March 31. The budget estimate has been restated to be consistent with the revised forecast.

In total, Crown corporations are forecast to show \$39 million of net income after incorporating the effect of \$524 million in customer rebates announced since the last *Quarterly Report*. Excluding rebates, combined Crown corporation net income is forecast at \$563 million.



Since the start of the fiscal year, there has been a significant improvement in the finances of the government and its Crown corporations and agencies. Total budget improvements for the year are estimated at \$3.5 billion, mainly due to higher-than-expected revenues. As a result, the government is allocating these improvements to eliminating the budget deficit, additional priority spending areas, Crown corporation customer rebates, and to maintaining a budget surplus to help reduce debt.

Since the start of the year, a number of priority initiatives have been introduced to address emerging pressures. In September 2000, \$290 million of additional health spending was authorized by the legislature. In the second *Quarterly Report* the government established a \$500-million priority spending provision to address further priority needs. To date the provision has been allocated as follows:

- a further \$212 million of health spending was authorized by the legislature in December.
- \$42 million for heating energy assistance to GST rebate recipients (an additional \$36 million will be deducted from personal income tax revenue).
- \$21 million for heating energy assistance to schools, universities and health authorities.
- \$225 million of priority spending will be announced in the coming weeks as Cabinet concludes its decisions.

In addition, the government has introduced the following customer rebates:

- \$219 million of safediving dividends to ICBC customers.
- \$305 million of rebates to residential electricity customers.

There are a number of risks for the fiscal forecast over the remainder of the year. These include volatile energy prices, the slowdown in the United States economy, the volatile California electricity market and other pressures beyond those assumed in the forecast. For these reasons, the summary accounts forecast includes a \$450-million allowance to provide for changes in the financial forecast over the rest of the year.

## Consolidated Revenue Fund

### Revised Revenue Forecast

Revenue is projected to be \$2.3 billion above budget, reflecting higher prices in the energy sector throughout the year and stronger economic growth. The forecast incorporates the effects of higher year-end revenue from 1999/00 and updated economic information. 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 revenue.

*\$225 million of priority spending will be announced in coming weeks*

*An allowance of \$450 million is included in forecast*

Table 3.2 Summary of Changes from the 2000/01 Budget

	In-Year Change	Final Results
	(\$ millions)	
<b>Summary Accounts Deficit — 2000/01 Budget</b> .....		(1,278)
<b>Consolidated revenue fund (CRF) changes:</b>		
<b>Revenue changes:</b>		
— Prior-year personal income tax assessments and CHST entitlement <sup>1</sup> .....	227	
— CHST supplement: effect of 1999/00 accounting change.....	(121)	
— September 11, 2000 federal announcement of funding for medical equipment (2-year funding).....	132	
— Taxation sources — higher personal and corporation income (current-year entitlements) and other taxes.....	621	
— Natural resources		
Natural gas royalties.....	824	
Permits, fees, petroleum royalties, and minerals.....	231	
Forests.....	(150)	
Columbia River Treaty and water resources.....	508	
— Crown corporation contributions and other sources <sup>2</sup> .....	68	
<b>Net increase (decrease) from budget</b> .....	2,340	
<b>Spending changes:</b>		
— Ministry of Health supplementary estimates (September and December).....	(502)	
— Heating energy assistance to GST recipients <sup>3</sup> .....	(42)	
— Heating energy assistance to schools, universities and health authorities.....	(21)	
— Ministry of Attorney General — <i>Crown Proceeding Act, Emergency Program Act</i> and other program pressures.....	(59)	
— Ministry of Forests — higher spending primarily for fire-fighting and bark beetle management.....	(28)	
— Other program spending net savings.....	42	
— Lower debt interest costs.....	100	
— Effect of pension changes in 2000/01.....	331	
<b>Net (increase) decrease from budget</b> .....	(179)	
<b>Consolidated revenue fund — net improvement from budget</b> .....		2,161
<b>Crown Corporation changes:</b>		
<b>Taxpayer-supported:</b>		
— British Columbia Ferry Corporation — improved operating results.....	16	
— Forest Renewal BC — higher loss due to lower stumpage revenue.....	(52)	
— 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).....	50	32
<b>Self-supported commercial:</b>		
— British Columbia Hydro and Power Authority — higher net income including transfer to rate stabilization account <sup>4</sup> .....	252	
— Insurance Corporation of British Columbia — higher net income <sup>4</sup> .....	128	
— British Columbia Railway Company and other Crown corporations — lower net income.....	(61)	
— Higher Crown corporation contributions paid to CRF.....	(44)	
— Other Crown corporation changes and adjustments (primarily for differences between fiscal year-ends).....	(90)	185
<b>Crown corporations — increased net earnings from budget</b> .....		217
<b>Forecast allowance — increase in allowance</b> .....		(150)
<b>Remaining provision for priority spending</b> .....		(225)
<b>Summary Accounts Balance — Revised Forecast</b> .....		725

<sup>1</sup> Includes \$188 million for personal income tax and \$39 million for CHST.

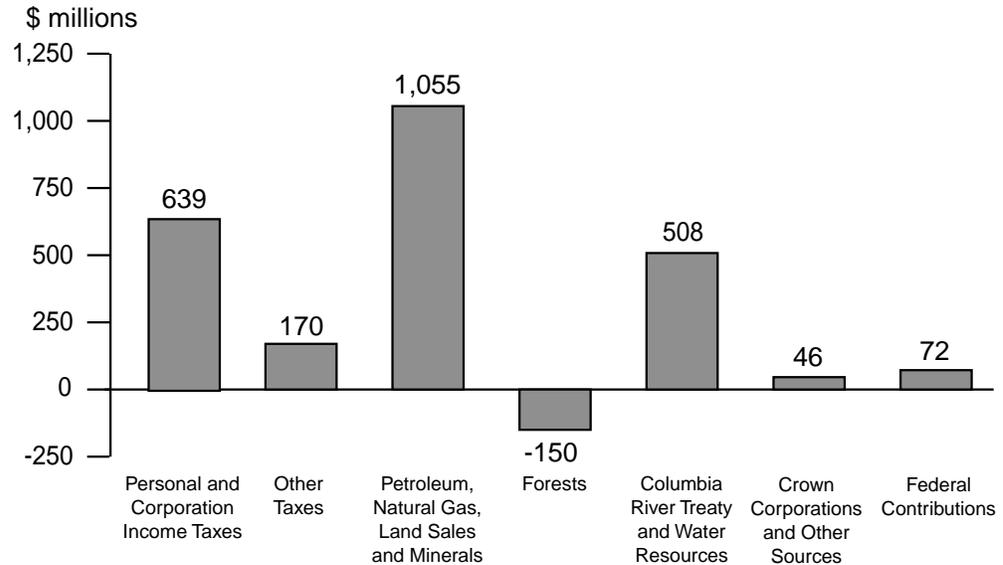
<sup>2</sup> Includes Crown corporation contributions (\$56 million) and other CHST contributions (\$22 million), partially offset by a decline in other sources (\$9 million).

<sup>3</sup> An additional \$36 million of assistance is deducted from personal income tax revenue.

<sup>4</sup> After deducting rebates to residential electricity customers (BC Hydro) and safe drivers (ICBC).

As shown in Chart 3.2, revenue is projected to be higher than budget for most sources, the largest increase arising in the energy resource sector.

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



*Personal and corporate income tax revenue up \$639 million*

- *Personal income tax* — \$498 million above budget. The effects of higher-than-assumed tax assessments for 1999 and an improved outlook of personal income growth for 2000 more than offset federal and provincial tax measures introduced in 2000/01. The forecast also incorporates a \$36-million reduction resulting from heating energy assistance to GST rebate recipients.
- *Corporate income tax* — \$141 million above budget and 12 per cent higher than last year, mainly due to higher instalments resulting from an improved federal government outlook of national corporate profits in 2000.
- *Social service tax* — \$125 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* — \$45 million above budget due to higher revenue from fuel, tobacco and other taxes. These increases reflect larger-than-expected tax bases at the end of last year and stronger economic growth in 2000.

*Oil and natural gas revenues up over \$1 billion from budget*

- *Petroleum, natural gas and minerals* — \$1,055 million above budget and 141 per cent higher than in 1999/00 mainly due to the effect of higher-than-assumed natural gas and oil prices on royalties and sales of Crown land drilling rights.

*Forests down \$150 million*

- *Forests* — \$150 million below budget and 17 per cent lower than last year. The revised forecast incorporates the significant decline in U.S. lumber prices this year, partly offset by slightly higher overall harvest volumes compared to budget.

*High electricity prices cause \$508-million increase in Columbia River Treaty and water resource revenue*

- *Columbia River Treaty and Water Resources* — \$508 million above budget due to the effect of high electricity prices in the U.S. on sales of electricity received under the Columbia River Treaty.
- *Other revenue* — \$9 million below budget as lower-than-budgeted revenue from fees and licences, asset dispositions and other sources is partly offset by higher-than-budgeted revenue from investment earnings, and miscellaneous sources.

**Table 3.3 Consolidated Revenue Fund — Revised Revenue 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	6,011.0	498.0	5,839.0
Corporation income.....	915.0	1,056.0	141.0	939.1
Social service.....	3,446.0	3,571.0	125.0	3,337.7
Fuel.....	437.0	452.0	15.0	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	255.0	5.0	244.7
Corporation capital.....	438.0	438.0	—	459.7
Other.....	288.0	301.0	13.0	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>13,885.0</u>	<u>809.0</u>	<u>13,377.9</u>
<b>Natural resources:</b>				
Petroleum and natural gas:				
Natural gas royalties.....	335.0	1,159.0	824.0	328.1
Permits and fees.....	217.0	371.0	154.0	247.7
Petroleum royalties.....	88.0	149.0	61.0	93.9
	<u>640.0</u>	<u>1,679.0</u>	<u>1,039.0</u>	<u>669.7</u>
Minerals.....	33.0	49.0	16.0	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.....	309.0	301.0	(8.0)	297.0
Columbia River Treaty.....	89.0	605.0	516.0	99.6
Wildlife Act.....	14.0	14.0	—	14.9
	<u>412.0</u>	<u>920.0</u>	<u>508.0</u>	<u>411.5</u>
Less: provision for doubtful accounts.....	(8.0)	(9.0)	(1.0)	(2.4)
Less: commissions on collection of public funds.....	(1.0)	(1.0)	—	(1.0)
	<u>2,378.0</u>	<u>3,790.0</u>	<u>1,412.0</u>	<u>2,516.8</u>
<b>Other revenue:</b>				
Medical Services Plan premiums.....	891.0	905.0	14.0	868.3
Motor vehicle licences and permits.....	341.0	341.0	—	335.4
Other fees and licences.....	384.0	334.0	(50.0)	362.4
Investment earnings.....	55.0	105.0	50.0	60.2
Fines and penalties.....	103.0	96.0	(7.0)	107.9
Miscellaneous.....	105.0	138.0	33.0	127.4
Asset dispositions.....	50.0	0.3	(49.7)	51.9
Less: provision for doubtful accounts.....	(34.0)	(35.3)	(1.3)	(8.8)
Less: commissions on collection of public funds.....	(14.0)	(12.0)	2.0	(17.0)
	<u>1,881.0</u>	<u>1,872.0</u>	<u>(9.0)</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	635.0	15.0	617.4
British Columbia Lottery Corporation.....	398.0	406.0	8.0	416.0
British Columbia Hydro and Power Authority.....	355.0	386.0	31.0	343.0
Other <sup>3</sup> .....	13.0	23.0	10.0	7.0
	<u>1,448.0</u>	<u>1,504.0</u>	<u>56.0</u>	<u>1,454.4</u>
<b>Contributions from the Federal government:</b>				
Canada health and social transfer.....	2,549.0	2,742.0	193.0	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>2,789.0</u>	<u>72.0</u>	<u>2,609.2</u>
<b>TOTAL REVENUE</b> .....	<u>21,500.0</u>	<u>23,840.0</u>	<u>2,340.0</u>	<u>21,846.0</u>

<sup>1</sup> Revised forecast for 2000/01 excludes \$660 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.), Columbia Power Corporation, 577315 British Columbia Ltd. (Western Star Trucks Holding Ltd.), and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre).

- *Contributions from Crown corporations* — \$56 million above budget mainly due to a higher dividend expected from the British Columbia Hydro and Power Authority, reflecting higher profits from strong electricity export sales. Higher contributions from the Liquor Distribution Branch and other Crown corporations are expected to offset lower dividends from the British Columbia Buildings Corporation.

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

- *Federal contributions* — \$72 million above budget. The effect of a change in accounting for the Canada health and social transfer (CHST) in 1999/00 reduced the full-year forecast by \$121 million in 2000/01. However, the forecast assumes that under this accounting policy the government will record its full two-year entitlement of \$132 million resulting from the September federal announcement of additional CHST for medical equipment. The revised forecast also incorporates a higher forecast of the federal government's national cash floor for provincial cash payments.

The main revenue forecast assumptions and risks are shown in Table 3.4.

**Table 3.4 — Main Revenue Forecast Assumptions and Risks — Consolidated Revenue Fund**  
(Based on latest data and economic working assumptions)

Revenue Source	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<b>Personal Income Tax</b>  Budget: \$5,513 million  Revised: \$6,011 million, up \$498 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 4.8% in 2000; 3.7% in 2001.  Actual tax base growth of 5.7% in 1999; 2.6% in 2000.  Incorporates final tax assessments for 1999 (as of December 31, 2000).  Includes a \$188-million prior-year adjustment due to higher 1999 tax assessments and 2000 personal income growth.  Includes \$36-million reduction for heating energy assistance provided to GST rebate recipients.	±1% change in 2000 personal income growth equals ±\$100 to \$125 million (full year).  Distribution of taxable income could affect 2000 revenue due to the change to a "tax-on-income" system.
<b>Corporation Income Tax</b>  Budget: \$915 million  Revised: \$1,056 million, up \$141 million	British Columbia corporate profits increase of 11.5% in 1999; 15.0% in 2000.    2000 national corporate taxable income (CTY) base of \$110 billion, up 6% from \$104 billion in 1999.	British Columbia corporate profits increase of 23.7% in 1999; 5% in 2000. Due to federal instalment lags, lower profits in 2000 affect 2001/02 revenue.  Includes the effect of reducing the small business tax rate to 4.5% from 4.75% effective January 1, 2001 (announced August, 2000).  2000 national CTY of \$125 billion, up 33% from actual 1999 base of \$94 billion. This results in higher federal government instalments in 2000.  Incorporates final tax assessments for 1999 (as of December 31, 2000).	Risks to full-year forecast are minimal. Revenue could be ±\$10 million, depending on assumptions.

Table continued on next page

**Table 3.4 — Main Revenue Forecast Assumptions and Risks — Consolidated Revenue Fund — *Continued***  
(Based on latest data and economic working assumptions)

Revenue Source	2000/01 Forecast Assumptions		Risks and Sensitivities
	Budget	Revised Forecast	
<p><b>Social Services Tax</b></p> <p>Budget: \$3,446 million</p> <p>Revised: \$3,571 million, up \$125 million</p>	<p>Retail sales growth of 2.8% in 2000; 4.8% in 2001.</p> <p>Machinery/equipment (M&amp;E) spending increase of 6% in 2000; 6.4% in 2001.</p>	<p>Retail sales growth of 5.8% in 2000; 4.5% in 2001.</p> <p>Machinery/equipment spending change of -1.7% in 2000; 5.8% in 2001.</p> <p>Incorporates year-to-date collections trend (up 8.6% from last year).</p>	<p>±1% change in retail sales growth affects revenue by ±\$6 to \$7 million in the fourth quarter.</p> <p>±1% change in M&amp;E investment affects revenue by ±\$2 to \$3 million in the fourth quarter.</p> <p>Full-year forecast assumes revenue growth will slow to 7.0% growth over 1999/00.</p>
<p><b>Fuel/Tobacco Taxes</b></p> <p>Budget: \$905 million</p> <p>Revised: \$932 million, up \$27 million</p>	<p>Real GDP growth of 2.2% in 2000; population growth of 1.1% in 2000.</p>	<p>Real GDP growth of 3.2% in 2000; population growth of 0.9% in 2000.</p> <p>Incorporates year-to-date collections trend (up \$23 million from budget).</p>	<p>Fuel: ±1% change in real GDP growth equals ±\$1 million, however higher fuel prices could slow consumption.</p> <p>Tobacco: ±1% change in population growth equals ±\$1 million. Smuggling poses a risk to tobacco tax revenue collection.</p>
<p><b>Petroleum, Natural Gas and Minerals</b></p> <p>Budget: \$673 million</p> <p>Revised: \$1,728 million, up \$1,055 million</p>	<p>Natural gas producer price at \$2.15/gigajoule in 2000/01; volumes up 2.0%.</p> <p>Sales of Crown land drilling rights assumes average price of \$240/hectare and 730,000 hectares sold.</p> <p>Price of oil at US \$20/bbl (field price, net of transportation).</p>	<p>Natural gas producer price at \$5.75/gigajoule in 2000/01; volumes up 3.5%.</p> <p>Sales of Crown land drilling rights assumes average price of \$375/hectare and 870,000 hectares sold.</p> <p>Price of oil at US \$29/bbl.</p>	<p>Commodity prices are volatile and remain a risk in 2000/01. The effects of winter weather, land sales, demand, and supply constraints contribute to the overall forecast risks. Sensitivities over the remainder of the year:</p> <p>±5% change in natural gas producer price equals ±\$21 million.</p> <p>±5% change in natural gas volume growth equals ±19 million.</p> <p>±10% change in price or volume of land sales equals ±\$5 to \$10 million.</p> <p>±US \$5/bbl in oil price equals about ±\$5 million.</p>
<p><b>Forests</b></p> <p>Budget: \$1,302 million</p> <p>Revised: \$1,152 million, down \$150 million</p>	<p>Crown coastal harvest volumes at 16.5 million m<sup>3</sup> in 2000/01.</p> <p>Crown interior harvest volumes at 45.7 million m<sup>3</sup> in 2000/01.</p> <p>Average SPF 2x4 price at US \$323/1,000 bd ft. in 2000.</p> <p>Average hemlock (HBSQ) price at US \$600/1,000 bd ft. in 2000.</p> <p>Exchange rate 69.4 cents US in 2000.</p> <p>Average pulp price at US \$650/tonne in 2000.</p>	<p>Crown coastal harvest volumes at 16.5 million m<sup>3</sup> in 2000/01.</p> <p>Crown interior harvest volumes at 46.5 million m<sup>3</sup> in 2000/01.</p> <p>Average SPF 2x4 price at US \$255/1,000 bd ft. in 2000.</p> <p>Average hemlock price at US \$565/1,000 bd ft. in 2000.</p> <p>Exchange rate 67.3 cents US in 2000.</p> <p>Average pulp price at US \$681/tonne in 2000.</p>	<p>Harvest volumes and weather are the main risks in the fourth quarter. Due to timing lags, changes in prices or exchange rates from revised assumptions do not affect revenue in the fourth quarter (assuming no volume changes).</p> <p>Effects of the termination of the Canada/U.S. Softwood Lumber Agreement are unknown.</p> <p>±10% change in harvest volumes in the last quarter equals ±\$40 million.</p>
<p><b>Water Resources/ Columbia River Treaty</b></p> <p>Budget: \$398 million</p> <p>Revised: \$906 million, up \$508 million</p>	<p>Water resource revenue at \$309 million.</p> <p>Columbia River Treaty electricity sales at \$89 million.</p>	<p>Water resource revenue at \$301 million.</p> <p>Columbia River Treaty electricity sales at \$605 million. Assumes average prices at more than 300% higher than 1999/00, based on year-to-date trends.</p>	<p>Price of electricity is extremely volatile and the main risk to the forecast. Weather can influence the forecast through price and demand factors.</p> <p>Uncertainty of U.S. electricity market is also a risk.</p> <p>±10% change in price equals ±\$50 to \$75 million in the last quarter.</p>

Table continued on next page

**Table 3.4 — Main Revenue Forecast Assumptions and Risks — Consolidated Revenue Fund — *Continued***  
(Based on latest data and economic working assumptions)

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: \$1,872 million, down \$9 million</p>	<p>Usage rate generally varies with population growth. Population growth of 1.1% in 2000.</p>	<p>Population growth of 0.9% 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>No further proceeds from asset sales are expected</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: \$1,504 million, up \$56 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 0.9% in 2000; real GDP growth of 3.2% in 2000.</p> <p>BC Hydro dividend up \$31 million due to higher net income from export market sales.</p> <p>LDB and BC Lottery contributions up \$23 million due to higher sales.</p> <p>Includes \$14 million contribution from sale of provincial investment in Western Star Trucks Holding Ltd. and \$6 million from the sale of assets related to the Vancouver Trade and Convention Centre.</p> <p>BCBC contribution down \$8 million due to lower property sales and higher costs.</p> <p>No dividend expected from BC Rail.</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 contribution.</p> <p>BC Hydro contribution can be affected by weather, water reservoir levels, electricity markets, interest rates, and foreign exchange rates.</p> <p>BCBC contribution depends on completion of property sales during the rest of the year.</p>
<p><b>Canada health and social transfer (CHST)</b></p> <p>Budget: \$2,549 million</p> <p>Revised: \$2,621 million, up \$72 million</p>	<p>Includes \$121 million of British Columbia's \$471-million share of the \$3.5-billion supplement (1999 federal budget).</p> <p>Assumes British Columbia's full \$333-million share of the \$2.5-billion supplement (2000 federal budget).</p> <p>National personal income tax base growth of 4.0% in 1999; 2.8% in 2000; 3.5% in 2001.</p> <p>British Columbia population growth of 1.1% in 2000.</p>	<p>As recommended by the Auditor General, 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).</p> <p>Consistent with government's accounting policy, forecast includes British Columbia's full \$132-million two-year share of the national \$1-billion supplement for medical equipment.</p> <p>National personal income tax base growth of 8.2% in 1999; 3.8% in 2000; -3.0% in 2001.</p> <p>British Columbia population growth of 0.9% in 2000.</p> <p>Includes \$39 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>

## Revised Expenditure Forecast

*Excluding the effect of the pension changes, the spending forecast is \$510 million above budget*

As shown in Table 3.5, the revised expenditure forecast is \$179 million above budget mainly due to increased health care spending, partially offset by the effect of a number of pension changes and lower debt interest costs. Excluding pension changes, the forecast is \$510 million above budget.

Ministry forecasts include spending pressures and risks listed in Table 3.6. These pressures have statutory spending authority (e.g. forest fire-fighting costs), are funded from the Contingencies vote, or are provided for through supplementary estimates authorized by the legislature (e.g. \$502 million of additional health care spending authorized in September and December).

*Ministry of Aboriginal Affairs* — up \$27 million, including \$14 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*— up \$24 million for post-secondary collective agreements and accords, student financial assistance, and heating assistance for educational institutions. These pressures, partially offset by lower debt interest costs, are provisionally allocated to the Contingencies vote at this time.

*Ministry of Attorney General* — up \$59 million mainly due to court settlements that will be paid under statutory authority, and Jericho Hill School compensation and other program pressures that will be paid from the Contingencies vote. Due to uncertainty, the expenditure forecast does not include potential costs relating to settlement of a claim by Carrier Lumber Limited. However, the overall summary accounts forecast includes an allowance for this and other risks to the forecast.

*Ministry of Education* — \$10 million below budget. Pressures include the announced decision not to change the independent school funding formula, higher teachers' pension fund contributions, higher-than-expected costs of teachers moving through the salary grid, and heating energy assistance for schools. These are offset by lower-than-expected debt servicing costs and the ministry's \$10-million enrolment reserve as final enrolment figures were within budget.

*Ministry of Forests* — up \$28 million mainly due to higher-than-expected forest fire-fighting costs funded under a statutory appropriation. Pressures for bark beetle control measures and interest costs will be funded from the Contingencies vote.

*Includes Health supplementary estimates of \$502 million*

*Ministry of Health* — up \$510 million. The forecast includes \$502 million authorized by supplementary estimates in September and December to provide for health authorities service pressures (\$180 million), additional hospital equipment (\$136 million), the Health Action Plan (\$104 million), the Medical Services Plan (\$61 million) and other pressures (\$21 million). The forecast also includes an additional \$8 million for heating energy assistance to health authorities. Negotiations with the British Columbia Medical Association are ongoing and the government is continuing to examine options to address further pressures in health care.

*Ministry of Social Development and Economic Security* — \$5 million below budget. Net pressures of \$16 million will be funded from the Contingencies vote to provide for higher-than-expected demand in the income assistance, disability benefits and child care subsidies programs. These have been partially offset by administrative savings and lower-than-expected demand in the skills development, youth works and housing programs. A \$3-million adjustment in the investment in B.C. Pavilion Corporation will be funded from a statutory appropriation. Savings of \$24 million are expected due to a correction to the formula used for amortizing capital investment by British Columbia Transit.

**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>1</sup> 1999/00
	(\$ millions)			
Legislation.....	38.1	38.1	—	34.3
Officers of the Legislature.....	26.2	28.6	2.4 <sup>3</sup>	28.5
Office of the Premier.....	2.7	3.1	0.4 <sup>3</sup>	2.7
Aboriginal Affairs.....	43.3	69.9	26.6 <sup>3</sup>	33.8
Advanced Education, Training and Technology				
Educational institutions and organizations.....	1,199.9	1,222.7	22.8	1,119.9
Other ministry programs.....	523.4	524.5	1.1	517.0
Total.....	1,723.3	1,747.2	23.9 <sup>3</sup>	1,636.9
Agriculture, Food and Fisheries.....	100.5	106.5	6.0 <sup>3</sup>	86.0
Attorney General.....	942.9	1,001.4	58.5 <sup>3</sup>	1,006.9
Children and Families.....	1,501.0	1,501.0	—	1,355.6
Community Development, Cooperatives and Volunteers.....	22.7	23.4	0.7 <sup>3</sup>	15.5
Education				
Public school operating contributions.....	3,773.0	3,780.6	7.6	3,639.5
Other ministry programs.....	763.4	745.9	(17.5)	709.3
Total.....	4,536.4	4,526.5	(9.9)	4,348.8
Employment and Investment.....	37.2	37.2	—	40.8
Energy and Mines.....	38.0	39.9	1.9 <sup>3</sup>	34.0
Environment, Lands and Parks.....	191.4	200.1	8.7 <sup>3</sup>	205.7
Finance and Corporate Relations.....	113.8	108.6	(5.2)	116.6
Forests.....	512.4	539.9	27.5 <sup>3</sup>	498.5
Health				
Acute and continuing care.....	4,490.9	4,918.2	427.3	4,425.3
Other ministry programs.....	3,777.6	3,860.3	82.7	3,547.0
Total.....	8,268.5	8,778.5	510.0 <sup>3</sup>	7,972.3
Labour.....	29.8	35.8	6.0 <sup>3</sup>	30.1
Multiculturalism and Immigration.....	24.2	25.1	0.9 <sup>3</sup>	111.9
Municipal Affairs.....	141.0	145.1	4.1 <sup>3</sup>	151.6
Small Business, Tourism and Culture.....	83.5	86.6	3.1 <sup>3</sup>	82.5
Social Development and Economic Security				
Ministry Programs.....	2,028.8	2,048.0	19.2	1,972.9
Contributions to British Columbia Transit.....	180.5	156.5	(24.0)	148.6
	2,209.3	2,204.5	(4.8)	2,121.5
Transportation and Highways.....	464.5	464.5	—	478.0
Women's Equality.....	52.6	52.6	—	41.1
Other:				
Management of Public Funds and Debt.....	1,009.0	909.0	(100.0)	834.9
Contingencies (All Ministries) and New Programs.....	125.0	22.1	(102.9)	— <sup>4</sup>
BC Family Bonus.....	152.0	152.0	—	183.0
Amortization of Change in Unfunded Pension Liability.....	(129.6)	(129.6)	—	(129.6)
Other Appropriations <sup>5</sup> .....	40.3	50.3	10.0 <sup>3</sup>	38.9
Heating Energy Assistance to GST Rebate Recipients <sup>6</sup> .....	—	42.0	42.0 <sup>3</sup>	—
TOTAL.....	22,300.0	22,809.9	509.9	21,360.8
Pension Changes.....	—	(331.0)	(331.0)	(351.8)
One-Time Expenditures.....	—	—	—	1,191.4 <sup>7</sup>
<b>TOTAL EXPENDITURE.....</b>	<b>22,300.0</b>	<b>22,478.9<sup>8</sup></b>	<b>178.9</b>	<b>22,200.4</b>

<sup>1</sup> Figures have been restated to reflect the government organization as of December 31, 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> Forecast spending in excess of budget will be all or in part funded by supplementary estimates (e.g. Health), statutory authority (e.g. Attorney General) or by the Contingencies vote.

<sup>4</sup> Charges to the Contingencies vote of \$107.9 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.

<sup>6</sup> An additional \$36 million of heating assistance to GST rebate recipients is recorded as a reduction to personal income tax revenue.

<sup>7</sup> Includes British Columbia Ferry Corporation debt forgiveness (\$1,080 million), Vancouver Trade and Convention Centre write-down (\$70 million), and Kemess Mine investment write-down (\$41 million).

<sup>8</sup> Excludes an additional \$225 million of priority spending to be announced by the government at a later date.

Five other ministries are forecast to be on or below budget. These include the Ministries of Children and Families; Employment and Investment; Finance and Corporate Relations; Transportation and Highways; and Women's Equality.

A further eight other ministries are forecast to be above budget by modest amounts 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 Agriculture, Food and Fisheries; Community Development, Cooperatives and Volunteers; Energy and Mines; Environment, Lands and Parks; Labour; Multiculturalism and Immigration; Municipal Affairs; and Small Business, Tourism and Culture.

*\$100 million of reduced debt interest costs*

*Management of Public Funds and Debt (debt interest)* — lower-than-assumed borrowing requirements and interest costs are expected to result in \$100 million of reduced debt interest costs.

*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 (\$103 million), and new pressures that may occur over the rest of the year (\$22 million).

*Heating Energy Assistance to GST Rebate Recipients* — an estimated \$42 million of the \$78-million assistance package for low-income British Columbians will be recorded as provincial grants to GST rebate recipients who have no taxable income. The remaining \$36 million of this benefit will be recorded as a reduction of personal income tax revenue. Funding for these benefits will be provided through statutory authorization.

*A \$331-million reduction for pension changes is included*

*Pension Changes* — A number of unbudgeted changes have occurred during the year that in total result in a net pension expense reduction of \$331 million. These changes include:

- *Pension Accounting Change* — 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 estimated changes in 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 \$368 million primarily due to significant pension investment earnings. A comparative adjustment of \$352 million was recorded for 1999/00.
- *Teachers' Pension Plan Valuation* — an updated actuarial valuation is expected to show a significant reduction in the plan's unfunded liability. Under the government's accounting policy, this will result in a \$75-million increase in the annual amortization of the reduction in the unfunded liability.
- *Joint Trusteeship Negotiations* — Negotiations for joint trusteeship of the Public Service Pension Plan have been completed, and the new stewardship arrangement will result in a \$112-million expense to the province. This cost reflects the write-down of the estimated accumulated pension surplus at the time of adopting the joint trustee arrangement.

Joint trusteeship arrangements for the Municipal Pension Plan (MPP) and the Teachers' Pension Plan (TPP) are nearing completion. Final agreements are anticipated to occur near the end of fiscal 2000/01 or early in fiscal 2001/02. Since joint trusteeship agreements have not been finalized, the 2000/01 forecast does not include estimates of the effects of these arrangements. It appears likely that the effects of the TPP and MPP joint trusteeship agreements will have a significant positive effect on the government's summary accounts bottom-line.

Risks and sensitivities associated with the revised forecast are detailed in Table 3.6.

A \$450-million allowance is included in the summary accounts forecast to provide for changes prior to year-end.

**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 electoral boundaries.	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 \$0.4 million, funded from Contingencies, for legal counsel costs.	
<b>Office of the Premier —</b> Budget — \$2.7 million	Up \$0.4 million, funded from Contingencies, for an ex-gratia payment to the Kokanee Glacier Alpine Campaign and for international earthquake aid.	
<b>Ministry of Aboriginal Affairs</b> Budget — \$43 million	Up \$26.6 million. \$10 million for interim measures in support of ongoing treaty negotiations, funded from Contingencies. \$14 million for payments of stumpage revenue collected on behalf of the McLeod Lake Indian Band, funded under a statutory appropriation and Contingencies. Other pressures: Skeetchestn 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 in 2000/01 for ratifying additional treaties, due to the structure of cost-sharing arrangements with the federal government.
<b>Ministry of Advanced Education, Training and Technology</b> Budget — \$1,723 million	Up \$23.9 million. Funding is provided from Contingencies for post-secondary collective agreements and accords, the new lender arrangement for student financial assistance, and heating energy assistance for educational institutions. These pressures are 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 full-year costs by \$1.3 million.
<b>Ministry of Agriculture, Food and Fisheries</b> Budget — \$101 million	Up \$6 million. Assistance to greenhouse and cranberry growers is funded from Contingencies.	
<b>Ministry of Attorney General</b> Budget — \$943 million	Up \$58.5 million. Court settlements and emergency program compensation funded under statutory authority — \$40.6 million. Compensation payments for Jericho Hill School claimants [\$5.2 million] and ministry program pressures [\$12.7 million] are funded from Contingencies. The forecast does not include an estimate of potential costs relating to Carrier Lumber Ltd. compensation, due to uncertainty about the final resolution.	An unusual 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 represent a risk. The recent government decision not to appeal the Carrier Lumber Ltd. compensation case results in a risk to the forecast. All of these pressures 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 full-year costs by \$1.4 million. (The budget assumes the number of prisoners remains between 2,200 and 2,400 in 2000/01. The actual prison population was 2,243 at December 31, 2000).

Table continued on next page

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

Expenditure Area Budget	Revised Forecast	Risks and Sensitivities
<b>Ministry for Children and Families</b> Budget — \$1,501 million	Unchanged.	Costs of compensation increases in the community social services sector are lower than budgeted due to slower rates of unionization.  The children-in-care caseload forecast is about 500 higher than budgeted. The direct annual average residential cost for each child-in-care is approximately \$25,000.  The forecast of utilization for community living residential services is 100 beds higher than expected. 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 a statutory appropriation, for a write-down of the government's investment in the Four Corners Bank.	
<b>Ministry of Education</b> Budget — \$4,536 million	Down \$9.9 million. The forecast includes the announced decision not to change the independent school funding formula, higher teachers' pension fund contributions, higher-than-expected costs of teachers moving through the salary grid, the CUPE collective agreement, an increase in the amortization of capital investments, and heating energy assistance for schools of \$9.2 million. These pressures are offset by lower debt servicing costs and a \$10-million enrolment buffer.	Public school enrolment is 0.6% below budget with the result that the budgeted \$10-million enrolment buffer will not be needed.  Collective agreement negotiations with non-CUPE support staff were not concluded prior to the forecast.
<b>Ministry of Energy and Mines</b> Budget — \$38 million	Up \$1.9 million. Work on climate change and the Tulsequah Chief Mine project are funded from Contingencies. Higher resource revenues are also resulting in higher costs under revenue sharing agreements with First Nations, which have statutory spending authority.	
<b>Ministry of Environment, Lands and Parks</b> Budget — \$191 million	Up \$8.7 million. Includes \$0.3 million funded under a statutory appropriation for lower-than-budgeted cost recoveries, and \$8.4 million funded from Contingencies, for work on climate change, Cypress Bowl water and sewer improvements, the Tulsequah Chief Mine project and other pressures.	
<b>Ministry of Finance and Corporate Relations</b> Budget — \$114 million	Down \$5.2 million mainly due to higher-than-budgeted recoveries from the revenue division.	
<b>Ministry of Forests</b> Budget — \$512 million	Up \$27.5 million. \$21.7 million for forest fire suppression is funded under a statutory appropriation. Bark beetle management [\$5 million], interest costs [\$4.5 million] and international marketing [\$0.3 million] are funded from Contingencies. The South Moresby Special Account will be \$3 million below budget.	

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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 Health</b> Budget — \$8,269 million	Up \$510 million. This includes the \$502-million supplementary estimates approved in September and December: health authorities service pressures [\$180 million]; hospital equipment [\$136 million]; the Health Action Plan [\$104 million]; the Medical Services Plan [\$61 million]; and other pressures [\$21 million]. An additional \$8 million is for heating energy assistance to health authorities which may be funded from Contingencies later in the year.	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> Negotiations with the British Columbia Medical Association are ongoing. A settlement has not yet been reached with all rural doctors. A 1% change in utilization of physician services affects full-year 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> A proposal to renew the BC Ambulance Services collective agreement was not ratified by the paramedics' union. Negotiations have resumed. The government is continuing to assess potential pressures in the health sector.
<b>Ministry of Labour</b> Budget — \$30 million	Up \$6 million. The forecast includes a loan valuation adjustment for the Pacific Racing Association of \$5.7 million funded under statutory authority, and \$0.3 million for higher costs of the BC Gaming Commission funded from Contingencies.	If charitable bingo revenue is 5% lower than assumed, this could result in a full-year increase of \$2 million in government assistance to charities and operators.
<b>Ministry of Multiculturalism and Immigration</b> Budget — \$24 million	Up \$0.9 million, funded from Contingencies, for unbudgeted costs associated with the formation of the new ministry, initial Community Partners program costs and to support disability research.	
<b>Ministry of Municipal Affairs</b> Budget \$141 million	Up \$4.1 million. \$3.9 million is funded under a statutory appropriation for retroactive home owner grant payments. \$0.2 million is funded from Contingencies for unbudgeted capital amortization expenses.	
<b>Ministry of Small Business, Tourism and Culture</b> Budget — \$84 million	Up \$3.1 million, funded from Contingencies and statutory authority, for unanticipated archaeology program expenditures, a contribution to the Winter Olympics Bid Society and Royal BC Museum costs.	
<b>Ministry of Social Development and Economic Security</b> Budget \$2,209 million	Down \$4.8 million. Excluding contributions to British Columbia Transit and Housing Programs shown below, pressures of \$22.5 million include \$19.6 million for higher-than-expected income assistance caseload, disability benefits utilization and child care subsidies funded from Contingencies. The budget target of a 4.2% decline in BC Benefits caseload is not expected to be realized. The caseload decline is now projected at 2.2% for the full year. A \$2.9-million valuation adjustment for the government's investment in B.C. Pavilion Corporation will be funded from a statutory appropriation.	To December 31, 2000, the BC Benefits caseload showed a decline of 2.4%. A 1% change in the BC Benefits caseload affects full-year expenditure by \$12.5 million. Utilization of the child care subsidy is 800 higher than budgeted. A 1% change in child care [low-income subsidy] caseload affects full-year expenditure by \$1.2 million. The level of demand for these programs is sensitive to population, migration changes and the strength of the provincial economy.
Contributions to British Columbia Transit Budget — \$181 million (included in the Ministry of Social Development and Economic Security above)	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.

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)	Down \$3.3 million from budget due to lower-than-expected utilization of the Provincial Sales Tax Relief Grant program.	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 full-year provincial contributions by \$0.8 million. A 1% change in tenant incomes affects full-year 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 the 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 \$100 million. Borrowing requirements are lower than expected.	A 1% change in interest rates results in \$4 million change in direct operating debt interest expense for the remaining three months of the fiscal year, and up to \$8 million change when other taxpayer-supported debt is included.
<b>Contingencies (All Ministries) and New Programs</b> Budget — \$125 million	The forecast assumes that the Contingencies vote will be fully allocated by year-end.  (\$Millions) Special Offices ..... 0.8 Aboriginal Affairs ..... 14.5 Advanced Education, Training And Technology ..... 23.9 Agriculture, Food and Fisheries ..... 6.0 Attorney General ..... 17.9 Energy and Mines ..... 0.8 Environment, Lands and Parks ..... 8.4 Finance and Corporate Relations ..... 0.3 Forests ..... 8.8 Labour ..... 0.3 Multiculturalism and Immigration ..... 0.9 Municipal Affairs ..... 0.2 Small Business, Tourism and Culture ..... 2.6 Social Development and Economic Security ..... 16.3 Other Appropriations ..... 1.2 Remaining Unallocated Funds ..... 22.1 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 as new initiatives are announced and funding sources finalized.
<b>BC Family Bonus</b> (administered by the Ministry of Finance and Corporate Relations) Budget — \$152 million	Unchanged.	
<b>Other Appropriations — Insurance and Risk Management</b> Budget — \$9 million	Up \$9.8 million, funded under an expected statutory appropriation, for an actuarial loss provision.	Unexpected claims or adjustments at year-end.
<b>Amortization of Change in Unfunded Pension Liability and Other Pension Changes</b> Budget — (\$130 million)	\$331-million additional reduction in pension expenditures. This consists of: The change to pension accounting policy noted with the release of the 1999/00 <i>Public Accounts</i> will further reduce government pension expenditures by \$368 million. A \$75-million reduction to reflect the expected impact of the actuarial valuation of the teachers' pension plan (completion of the valuation is pending). \$112 million for the recently concluded public service pension plan joint trusteeship agreement. This reflects the resulting write-down of the accumulated pension plan surplus recorded on the government's accounts at the time of the agreement. This expenditure has a statutory appropriation.	Finalization of an actuarial valuation of the Teachers Pension Plan may result in changes to the expenditure reduction forecast. A \$100 million change in provincial liabilities would change expenditure by \$9 million. Joint trusteeship arrangements are being finalized for the Teachers' and Municipal Pension Plans. Results could have a significant positive impact on the government's summary accounts.

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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>Other Expenditures and Risks:</b> <b>Home Heating Energy Assistance</b>  <b>Other Changes</b>	<p>The forecast includes \$42 million for heating assistance to GST rebate recipients. An additional \$36 million of assistance will be recorded as a reduction of personal income tax revenue. A statutory funding authority is planned to be provided for these measures.</p> <p>In recognition of various pressures and accounting adjustments that may materialize by year-end, the summary accounts revised forecast includes a \$450-million forecast allowance to provide for these developments.</p>	<p>The forecast is based on estimates of the number of eligible recipients. These forecasts may change as further information becomes available.</p> <p>Higher natural gas prices may result in higher expenditures under the Vancouver Island Natural Gas Pipeline Assistance program. This will be provided for through a statutory appropriation.</p> <p>The government is reviewing its practices and classification used for capital and operating expenditures. This review may result in significant additional operating expenditures by year-end. However, this would be partially offset by related amortization costs and would result in a corresponding reduction in capital spending.</p>

### Crown Corporations and Agencies

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

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

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

### Taxpayer-supported Crown Corporations and Agencies

*Taxpayer-supported Crown corporation net loss forecast \$32 million below budget*

At \$274 million, taxpayer-supported Crown corporation and agency net losses (after adjustments) are forecast to be \$32 million below budget. Increased operating losses, largely in Forest Renewal BC, and higher dividends paid to the CRF are more than offset by improvements in other Crown corporations and a 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 \$210 million lower than last year.

**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 and higher operations, energy and lease costs, partially offset by higher operating revenue and lower debt interest and amortization costs.

*BC Ferries expects a \$16-million improvement from budget*

**British Columbia Ferry Corporation:** projected net income of \$6 million is \$16-million better than planned. Lower pension costs and amortization expense are partially offset by the effects of lower operating revenue, higher fuel prices and increased repair and maintenance costs. Excluding a \$240-million write-down of the *PacifiCats* in 1999/00, the corporation's projected net income is \$65 million better than the previous year, primarily due to overhead cost reductions, lower debt interest costs resulting from the government's forgiveness of \$1.1 billion of debt in 1999/00 and increased fuel tax received from the government.

**BC Transportation Financing Authority:** projected net income of \$2 million is \$3 million better than planned due to higher revenue from land leases and other sources, partially offset by higher amortization costs. The \$20-million decline in net income from last year is primarily due to higher interest and amortization costs, partially offset by increased dedicated revenue received from the government.

*Forest Renewal BC projects a net loss of \$104 million*

**Forest Renewal BC:** a projected net loss of \$104 million is \$52 million larger than budgeted 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 and harvest volumes, partially offset by spending reductions.

**Other taxpayer-supported Crown corporations and agencies:** combined net income is projected at \$26 million, a \$42-million improvement from budget. This mainly reflects an \$18-million gain from the sale of 577315 British Columbia Ltd.'s investment in Western Star Trucks Holding Ltd. and improvement in a number of other Crown corporations and agencies. The 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**

*Net income of self-supported Crown corporations up \$185 million from budget*

At \$313 million, the combined net income of self-supported commercial Crown corporations is projected to be \$185 million better than planned. Including a transfer of \$200 million to the British Columbia Hydro and Power Authority's (BC Hydro) rate stabilization account, total operating income of \$2 billion will be \$319 million above budget. Earnings of BC Hydro and the Insurance Corporation of British Columbia (ICBC) incorporate the effect of rebates to residential electricity customers totalling \$305 million and road safety dividends totalling \$219 million.

The increase in operating income is partially offset by increased dividends paid to the CRF, largely due to higher net income of BC Hydro, and an increase in other accounting adjustments, largely to account for differences in fiscal year ends. The significant improvement in commercial Crown corporation results compared to last year is primarily due to the higher net income of BC Hydro and ICBC and the write-down of British Columbia Railway Company assets in 1999/00.

*British Columbia Hydro projects total net income of \$664 million after including the effect of \$305 million in customer rebates*

**British Columbia Hydro and Power Authority:** net income before transfers to the rate stabilization account is projected at \$664 million, up \$252 million from budget. The forecast incorporates a \$305-million energy rebate to residential electricity customers and assumes that \$200 million will be transferred to BC Hydro's rate stabilization account by year-end, as required by regulation.

The improvement from budget and the previous year mainly reflects strong electricity trade results due to high prices and strong demand in the United States. However, the full-year forecast could change significantly depending on market prices, weather and consumption demand, interest and foreign exchange rates over the rest of the year, and uncertainty of the California market and regulatory environment.

The rapid rise in market prices for electricity has caused significant financial hardship for a number of utilities in California. Under California's electricity market restructuring, some utilities were not allowed to pass on the costs of the higher market prices to their customers. As a result, these utilities have accumulated large losses and have defaulted on payments to the California Power Exchange (CalPX) and the California Independent System Operator (CISO). The financial forecast reflects the uncertainty of revenues to be realized from energy sales to the CalPX and CISO. BC Hydro continues to work with various parties in California to secure full recovery of amounts due from the CalPX and CISO.

Based on the revised forecast, the annual dividend required by regulation to be paid to the province will total \$386 million in 2000/01, up \$31 million from budget.

**Liquor Distribution Branch:** net income is projected at \$635 million, a \$15-million increase from budget due to higher-than-anticipated sales and pension and other adjustments.

**British Columbia Lottery Corporation:** net income is projected at \$550 million, an \$8-million improvement from budget, mainly due to increased casino revenue, partially offset by lower lottery revenue. Projected full-year net income is \$18 million higher than in 1999/00 due to increased gaming activity.

**British Columbia Railway Company:** preliminary results for the operating year ending December 31, 2000 show a net loss of \$7 million compared to budgeted net income of \$40 million, after including a \$13-million provision for expected future environmental remediation costs. Increased revenue from marine traffic and property and land sales was more than offset by the loss of rail traffic resulting from first quarter service disruptions and a weak lumber market. Operating expenditures were 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 and the current year provision for environmental remediation costs, net income of \$6 million for 2000 is \$28 million lower than 1999. The company does not plan to pay a dividend to the government in respect of the 2000 year.

*ICBC estimates net income of \$131 million after deducting road safety dividends to customers of \$219 million*

**Insurance Corporation of British Columbia:** preliminary results for the operating year ending December 31, 2000 show net income of \$350 million before deducting road safety dividends of \$219 million. Net income was \$347 million above budget and \$254 million higher than the previous year primarily due to higher-than-expected gains on disposals of investments and lower-than-assumed costs of settling prior years' injury claims. The favourable results from settling prior years' claims were due to a number of cost-reduction, injury management, and traffic safety programs and initiatives. After deducting road safety dividends, preliminary net income is estimated at \$131 million.

**Other commercial Crown corporations and agencies:** combined net income is projected at \$5 million, down \$37 million from budget but \$4 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.), the improvement will be less than budget due to the effect of lower-than-anticipated lumber prices.

### Crown Corporation Forecast Assumptions and Risks

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

While current year developments have shown an overall positive trend for the first nine months 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 demand for electricity could affect results for BC Hydro over the rest of the year. In addition, there continues to be considerable uncertainty around the financial health of California markets and the sustainability of high electricity prices.
- Higher or lower-than-assumed fuel prices could affect full-year results for the British Columbia Ferry Corporation.
- A sale of the *PacifiCats* could affect British Columbia Ferry Corporation finances.
- Although the Insurance Corporation of British Columbia's fiscal year ends on December 31, results of the corporation's activity during the January — March 2001 period are incorporated into the government's 2000/01 fiscal year. Weather conditions could affect accident claim trends and investment markets could be different than assumed.
- 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 financial reviews of the Crown corporations and agencies by their auditors. The 2000/01 summary accounts forecast includes a \$450-million allowance for uncertainties over the rest of the year.

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

Crown Corporation	2000/01 Assumptions		Risks and Sensitivities (over last quarter)
	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.  \$56 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 up to \$0.5 million.
<b>British Columbia Ferry Corporation</b>  Budget — Net loss: \$10 million  Revised Forecast — Net income: \$6 million	Toll projections based on current traffic volume trends and the corporation's business initiatives.  \$72.3 million received from provincial dedicated motor fuel tax.  Major capital expenditure limit at \$117 million.  Known expenditure pressures included.  Lower amortization costs as a result of \$240-million 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.  Assumes reduction in fuel prices from earlier projections.  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 \$75 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 \$0.5 million.  1 cent/litre change in fuel prices affects fuel costs by \$0.3 million.  1999/00 <i>PacifiCat</i> write-down assumes combined book value of \$120 million. 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: \$2 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 \$481 million.  Known expenditure pressures included.  Average borrowing rate assumed at 6.5%.  No roads to be transferred due to delays in the incorporation of new 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 up to a \$4-million change in interest costs.  Incorporations and the transfer of highways may proceed and increase asset transfer (grant) costs.
<b>Forest Renewal BC</b>  Budget — Net loss: \$52 million  Revised Forecast — Net loss: \$104 million	See forest revenue assumptions in Table 3.4.  Expenditures occur as per published business plan.  Known expenditure pressures included.	Assumes stumpage revenue \$88 million below budget.  Assumes \$10-million increase from budget in investment earnings.  Assumes \$25-million reduction from budget in program expenditures.	±5% in interior harvest volumes in the remaining quarter = ±\$4 million.

Table continued on next page

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

Crown Corporation	2000/01 Assumptions		Risks and Sensitivities (over last quarter)
	Budget	Revised Forecast	
<p><b>British Columbia Hydro and Power Authority</b></p> <p>Budget — Net income: \$429 million Transfer from Rate Stabilization Account (RSA): \$17 million</p> <p>Revised Forecast — Net income: \$464 million Transfer to Rate Stabilization Account: \$200 million</p>	<p>Forecast based on February 1, 2000 snowpack levels and projected weather patterns.</p> <p>Export revenue and short-term energy purchase costs based on estimated forward market prices.</p> <p>Assumes continuation of rate freeze.</p> <p>Assumes average interest rates of Cdn 6.4% and US 6.8%, and an average 69.9 cents US exchange rate.</p> <p>Capital spending at \$450 million.</p> <p>Small withdrawal from rate stabilization account required at year-end to achieve target rate of return.</p>	<p>Based on actual year-to-date water flows, snowpack levels at January 1, 2001, and normal snowpack levels and weather patterns.</p> <p>Export revenue and short-term energy purchase costs based on estimated forward market prices.</p> <p>Assumes continuation of rate freeze.</p> <p>Assumes average interest rates of Cdn 6.4% and US 7.3%, and an average 67.8 cents US exchange rate (fiscal year basis).</p> <p>Capital spending at \$450 million.</p> <p>\$200-million transfer into the rate stabilization account at year-end.</p> <p>Financial forecast reflects uncertainty of revenues to be realized from energy sales to the California Power Exchange (CalPX) and the California Independent System Operator (CISO).</p> <p>Assumes a \$305-million reduction due to residential electricity customer rebates.</p>	<p>10% change in temperatures, as measured in degree days, equals \$40-million change in residential revenues.</p> <p>Market prices for energy are extremely volatile, particularly in the California electricity market.</p> <p>10% change in energy purchase prices produces a \$100-million change in electricity trade revenue.</p> <p>10% change in import market prices produces a \$130-million change in energy costs.</p> <p>1% change in borrowing rates equals \$5 million change in finance costs.</p> <p>1-cent change in exchange rates affects financing costs by \$1 million.</p> <p>Water reservoir inflow levels could affect amount of electricity produced or purchased.</p>
<p><b>British Columbia Liquor Distribution Branch</b></p> <p>Budget — Net income: \$620 million</p> <p>Revised Forecast — Net income: \$635 million</p>	<p>Net sales increase 1.9% based on current and expected consumption trends.</p> <p>Assumes known cost pressures.</p> <p>Capital spending of \$26 million.</p>	<p>Net sales increase 2.3%; cost of sales increase 2.1%.</p> <p>Capital spending of \$16 million.</p>	<p>Price competition and economic conditions affect sales.</p> <p>Manufacturer price changes can be unpredictable.</p> <p>Weather patterns and timing of statutory holidays affects consumption.</p> <p>1% change in sales volume affects net income by up to \$3 million.</p> <p>Higher-than-assumed credit card use could increase collection costs.</p>
<p><b>British Columbia Lottery Corporation</b></p> <p>Budget — Net income: \$542 million</p> <p>Revised Forecast — Net income: \$550 million</p>	<p>Sales projections based on current trends.</p> <p>Prize payout rates based on historical trends.</p> <p>Assumes opening of one destination casino in July 2000, and additional revenue from new operations started in mid-1999.</p> <p>Forecast assumes no changes to gaming policy (e.g. expanded gaming) beyond what has already been approved.</p>	<p>Lottery and bingo sales down 1.2%, casino revenue up 7.1%.</p> <p>Lottery prize payout rates higher than anticipated.</p> <p>Includes revenue from destination casino opened in Penticton in July 2000, and additional revenue from new operations started in mid-1999.</p> <p>Forecast assumes no changes to gaming policy (e.g. expanded gaming) beyond what has already been approved.</p>	<p>1% change in lottery sales could affect net income by up to \$3 million.</p> <p>1% change in casino revenue could affect net income by up to \$2 million.</p> <p>Changes in disposable income, tourism, competitive markets in other jurisdictions, and volumes of jackpot rollovers also may affect sales.</p>

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

Crown Corporation	2000/01 Assumptions		Risks and Sensitivities (over last quarter)
	Budget	Revised Forecast	
<p><b>British Columbia Railway Company</b></p> <p>Budget — Net income: \$40 million</p> <p>Revised Forecast — Net loss: \$7 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, partially offset by 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 as a result of the write-down of assets at the end of 1999.</p> <p>Lower financing and tax costs due to the timing of capital expenditures.</p> <p>Proceeds on property disposals of \$110 million used to help reduce debt.</p> <p>No significant additional traffic/labour disruptions.</p> <p>Capital spending at \$126 million.</p> <p>Includes \$13-million provision for environmental remediation.</p> <p>No dividend to CRF.</p>	<p>Final results for 2000 are preliminary and do not include potential valuation and other year-end adjustments that may be identified during the corporation's annual audit.</p>
<p><b>Insurance Corporation of British Columbia</b></p> <p>Budget — Net income: \$3 million</p> <p>Revised Forecast — Net income: \$131 million</p>	<p>Premium revenue growth of 1.2%, largely reflecting increased vehicle volumes.</p> <p>No change in overall premium rates assumed in 2000.</p> <p>Claims incurred costs will decline 3% and include the effect of road safety and loss mitigation programs.</p> <p>1999 results included a \$238-million positive adjustment due to lower estimates of the costs of settling previous year claims. A smaller adjustment is expected in 2000.</p>	<p>Premium revenue growth of 0.2%.</p> <p>No change in overall premium rates in 2000.</p> <p>Claims-incurred costs (current year) declined 3.6%.</p> <p>Includes a \$266-million positive adjustment due to lower estimates of the costs of settling prior year claims.</p> <p>Reflects a 39% increase in investment income as one-time gains on equities are realized.</p> <p>Includes a \$219-million road safety dividend.</p>	<p>Final results for 2000 are preliminary and do not include potential valuation and other year-end adjustments that may be identified during the corporation's annual audit.</p>

## Staff Utilization

The government and its taxpayer-supported Crown corporations and agencies are projected to have a total staff utilization of 43,773 full-time equivalents (FTE's) in the 2000/01 fiscal year. This includes 34,005 FTE's for ministries and special offices and 9,768 FTE's for taxpayer-supported Crown corporations and agencies.

Utilization for ministries and special offices is projected to be about 300 FTE's below budget primarily due to recruitment lags. The increase from 1999/00 mainly reflects additional resources provided in the 2000/01 budget for migrant care, after-school care and firearm licensing and registration. In addition, more resources have been required for forest fire fighting in 2000/01.

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

	Budget 2000/01	Revised Forecast	Variance <sup>2</sup>	Actual 1999/00 <sup>3</sup>
	(thousands)			
Consolidated revenue fund (e.g. ministries and special offices) .....	34.3	34.0	(0.3)	33.0
Taxpayer-supported Crown corporations and agencies <sup>4</sup> .....	<u>—</u> <sup>5</sup>	<u>9.8</u>	<u>—</u>	<u>9.6</u>
<b>Total staff utilization</b> .....	<u><u>34.3</u></u>	<u><u>43.8</u></u>	<u><u>(0.3)</u></u>	<u><u>42.6</u></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

*Full-year capital spending forecast at \$2.9 billion*

Capital spending for the full year is forecast to be \$209 million below budget mainly due to slower-than-planned spending for education and health facilities, ferries, roads and transit projects (see Table 3.9). Self-supported commercial Crown corporation capital spending is forecast at \$867 million in 2000/01. 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.

**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	521	(58)	489
Health.....	309	281	(28)	247
BC Transportation Financing Authority.....	502 <sup>3</sup>	481	(21)	478
British Columbia Ferry Corporation.....	117	75	(42)	121
Rapid Transit Project 2000.....	413	371	(42)	395
Other <sup>4</sup> .....	90	84	(6)	57
Gross capital plan.....	2,010	1,813	(197)	1,787
Less: recoverable expenditures <sup>5</sup>				
Hospital districts.....	(52)	(47)	5	(22)
Greater Vancouver Transportation Authority ( <i>TransLink</i> ).....	(34)	(17)	17	(44)
Net capital plan.....	1,924	1,749	(175)	1,721
<b>Other taxpayer-supported</b>				
Government operating (ministries).....	223	212	(11)	156
Social Housing.....	20	24	4	12
Other <sup>6</sup> .....	17	17	—	10
<b>Total taxpayer-supported</b> .....	<u>2,184</u>	<u>2,002</u>	<u>(182)</u>	<u>1,899</u>
<b>Self-supported commercial</b>				
British Columbia Hydro and Power Authority.....	450	450	—	403
British Columbia Railway Company.....	125	126	1	159
Skeena Cellulose.....	89	76	(13)	49
Columbia Power Corporation.....	69	67	(2)	26
Columbia Basin Trust — joint ventures.....	69	67	(2)	26
Insurance Corporation of British Columbia <sup>7</sup> .....	66	45	(21)	45
Other <sup>8</sup> .....	26	36	10 <sup>9</sup>	13
<b>Total self-supported commercial</b> .....	<u>894</u>	<u>867</u>	<u>(27)</u>	<u>721</u>
<b>Total capital expenditures</b> .....	<u>3,078</u>	<u>2,869</u>	<u>(209)</u>	<u>2,620</u>

<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 B.C. Pavilion Corporation, British Columbia Securities Commission, Pacific National Exhibition, Tourism British Columbia and British Columbia Assessment Authority.

<sup>7</sup> Excludes ICBC Properties Ltd. investments.

<sup>8</sup> British Columbia Lottery Corporation and Liquor Distribution Branch.

<sup>9</sup> An estimate for the British Columbia Lottery Corporation was not available for the 2000/01 budget.

## Provincial Net Debt

*Total net debt forecast at \$33.8 billion — \$2.7 billion less than planned*

Provincial net debt is forecast to decrease \$401 million from the start of the year, to total \$33.8 billion at March 31, 2001. The forecast balance is \$2.7 billion less than planned due to significantly lower requirements of the government and larger-than-expected reductions in the debt of British Columbia Ferry Corporation and commercial Crown corporations, partially offset by a higher-than-budgeted balance in warehouse debt at year-end.

Taxpayer-supported debt is forecast to decrease by \$178 million to total \$24.7 billion at year-end. This is \$3.1 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> .....	<u>13,833</u>	<u>(1,647)</u>	<u>12,186</u>	<u>15,024</u>	<u>(2,838)</u>
<b>Education facilities<sup>3</sup></b>					
Schools.....	3,609	356	3,965	4,025	(60)
Post-secondary institutions.....	1,369	62	1,431	1,464	(33)
	<u>4,978</u>	<u>418</u>	<u>5,396</u>	<u>5,489</u>	<u>(93)</u>
<b>Health facilities<sup>3</sup></b> .....	<u>1,451</u>	<u>199</u>	<u>1,650</u>	<u>1,657</u>	<u>(7)</u>
<b>Highways, ferries and public transit</b>					
BC Transportation Financing Authority.....	1,843	465	2,308	2,351	(43)
British Columbia Ferry Corporation.....	24	23	47	166	(119)
British Columbia Transit.....	79	(1)	78	82	(4)
Public transit <sup>3</sup> .....	952	(3)	949	972	(23)
SkyTrain extension <sup>3</sup> .....	488	373	861	869	(8)
Rapid Transit Project 2000.....	101	7	108	72	36
	<u>3,487</u>	<u>864</u>	<u>4,351</u>	<u>4,512</u>	<u>(161)</u>
<b>Other</b>					
British Columbia Buildings Corporation.....	615	(1)	614	594	20
Social housing <sup>4</sup> .....	205	50	255	213	42
Homeowner Protection Office.....	32	38	70	73	(3)
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	(32)	99	123	(24)
	<u>1,175</u>	<u>(12)</u>	<u>1,163</u>	<u>1,199</u>	<u>(36)</u>
<b>Total taxpayer-supported debt</b> .....	<b><u>24,924</u></b>	<b><u>(178)</u></b>	<b><u>24,746</u></b>	<b><u>27,881</u></b>	<b><u>(3,135)</u></b>
<b>Self-supported debt</b>					
<b>Commercial Crown corporations and agencies</b>					
British Columbia Hydro and Power Authority.....	6,945	(129)	6,816	6,903	(87)
British Columbia Railway Company.....	655	(51)	604	639	(35)
552513 British Columbia Ltd. (Skeena Cellulose Inc.).....	280	60	340	321	19
Columbia Basin Power Company.....	94	(1)	93	96	(3)
Columbia Power Corporation.....	—	36	36	31	5
Liquor Distribution Branch.....	3	(1)	2	2	—
	<u>7,977</u>	<u>(86)</u>	<u>7,891</u>	<u>7,992</u>	<u>(101)</u>
<b>Warehouse borrowing program</b> .....	<u>1,320</u>	<u>(137)</u>	<u>1,183</u>	<u>600</u>	<u>583</u>
<b>Total self-supported debt</b> .....	<b><u>9,297</u></b>	<b><u>(223)</u></b>	<b><u>9,074</u></b>	<b><u>8,592</u></b>	<b><u>482</u></b>
<b>Total provincial debt</b> .....	<b><u>34,221</u></b>	<b><u>(401)</u></b>	<b><u>33,820</u></b>	<b><u>36,473</u></b>	<b><u>(2,653)</u></b>

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

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

<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.

Self-supported debt is projected to fall \$223 million from the start of the year to total \$9.1 billion. The forecast balance is \$482 million higher than budget reflecting higher-than-planned warehouse debt, partially offset by lower commercial Crown corporation debt.

Based on the revised fiscal forecast and updated economic information, total provincial net debt at year-end is forecast at 27.1 per cent of gross domestic product (GDP), while taxpayer-supported debt is forecast at 19.8 per cent of GDP (based on estimated 2000 GDP of \$124.8 billion). 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 \$725 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 projects and for other working capital cash needs. In addition, some budgetary items, like non-cash reductions to CRF pension expenses, contribute to the bottom-line surplus but do provide a financial source to reduce borrowing.

Strong consolidated revenue fund revenues and higher-than-expected cash at the beginning of the year will be used to decrease taxpayer-supported debt by \$178 million in 2000/01, and will help finance taxpayer-supported capital projects like schools, hospitals and transportation infrastructure which are forecast to total \$2 billion (see Table 3.9).

*Total net debt decline of \$401 million includes reductions of \$178 million in taxpayer-supported debt, \$86 million in commercial debt and \$137 million in warehoused 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 \$137-million reduction in warehouse debt, plus an \$86-million reduction in commercial Crown corporation debt and a \$178-million decrease in taxpayer-supported debt will result in an overall decrease in provincial debt of \$401 million in 2000/01 (see Table 3.10).

Main changes to the full-year debt forecast include:

- government direct operating purposes — down \$2.8 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;
- highways, ferries and public transit — down \$161 million from budget, reflecting reduced capital expenditures;
- education institutions — down \$93 million from budget reflecting delays in capital spending;
- British Columbia Hydro and Power Authority — down \$87 million from budget, as a significantly higher forecast of net income (including the rate stabilization account) will partly be used to further reduce debt;
- 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; and
- British Columbia Railway Company — down \$35 million from budget as the corporation will use proceeds from property sales to pay down some of its debt.

These lower requirements will be partially offset by:

- a higher-than-budgeted year-end balance for the warehouse borrowing program (up \$583 million from budget); and
- accelerated spending for social housing initiatives (up \$42 million from budget).



**APPENDIX: SUMMARY ACCOUNTS  
BALANCE SHEET**  
As at December 31, 2000  
and  
**CROWN CORPORATION  
INCOME STATEMENTS**  
For the Period Ended Closest to December 31, 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 December 31, 2000  
(Unaudited)

	March 31, 2000	Dec. 31, 2000	Increase/ (Decrease)
	(\$ millions)		
<b>Assets</b>			
Cash and temporary investments.....	1,535	637	(898)
Other working capital assets <sup>1</sup> .....	4,336	4,270	(66)
Equity in government enterprises <sup>2</sup> .....	2,745	4,106	1,361
Assets related to capital investments (net of amortization)			
— Loans for purchases of assets recoverable from agencies.....	7,530	7,466	(64)
— Prepaid capital advances.....	6,517	6,741	224
— Tangible capital assets.....	<u>10,217</u>	<u>10,619</u>	<u>402</u>
	24,264	24,826	562
Warehouse borrowing program assets.....	<u>1,320</u>	<u>1,905</u>	<u>585</u>
	<b><u>34,200</u></b>	<b><u>35,744</u></b>	<b><u>1,544</u></b>
<b>Liabilities</b>			
Current liabilities <sup>3</sup> .....	3,582	3,363	(219)
Unfunded pension liabilities.....	2,053	1,796	(257)
Debt			
— Taxpayer-supported debt.....	24,924	24,153	(771)
— Commercial Crown corporations and agencies.....	7,977	7,845	(132)
— Warehouse borrowing program.....	<u>1,320</u>	<u>1,905</u>	<u>585</u>
	34,221	33,903	(318)
Less: guarantees and non-guaranteed debt <sup>4</sup> .....	<u>(716)</u>	<u>(672)</u>	<u>44</u>
	<u>33,505</u>	<u>33,231</u>	<u>(274)</u>
	<b><u>39,140</u></b>	<b><u>38,390</u></b>	<b><u>(750)</u></b>
Net equity (deficiency) <sup>5</sup> .....	<u>(4,940)</u>	<u>(2,646)</u>	<u>2,294</u> <sup>6</sup>
	<b><u>34,200</u></b>	<b><u>35,744</u></b>	<b><u>1,544</u></b>

<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 \$2,262 million surplus for the period plus a \$32 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 Nine Months Ended December 31  
 (Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Gross revenues.....	<u>326.6</u>	<u>328.1</u>	<u>1.5</u>	<u>336.6</u>
Expenses:				
Operations, maintenance and administration.....	85.6	85.3	(0.3)	81.1
Lease costs.....	99.2	97.7	(1.5)	98.1
Client requested projects.....	18.8	26.0	7.2	21.2
Amortization.....	32.3	30.5	(1.8)	36.7
Environmental projects.....	5.8	1.0	(4.8)	4.0
Energy.....	12.8	13.6	0.8	13.1
Taxes.....	13.9	14.0	0.1	13.3
Interest, net.....	<u>31.7</u>	<u>28.1</u>	<u>(3.6)</u>	<u>44.2</u>
	<u>300.1</u>	<u>296.2</u>	<u>(3.9)</u>	<u>311.7</u>
Income before gain on disposals.....	26.5	31.9	5.4	24.9
Gain on disposals.....	<u>20.9</u>	<u>10.5</u>	<u>(10.4)</u>	<u>6.1</u>
Net income.....	<u>47.4</u>	<u>42.4</u>	<u>(5.0)</u>	<u>31.0</u>

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

<sup>2</sup> 2000/01 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 Nine Months Ended December 31  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Operating revenues:				
Tolls.....	245.0	242.1	(2.9)	244.0
Catering and other income.....	53.4	55.9	2.5	52.9
Federal coastal ferry contract.....	16.6	16.8	0.2	16.6
	<u>315.0</u>	<u>314.8</u>	<u>(0.2)</u>	<u>313.5</u>
Operating expenses:				
Salaries, wages and benefits.....	181.5	169.9	(11.6)	180.5
Fuel.....	37.1	41.8	4.7	31.4
Repair and maintenance.....	22.7	21.5	(1.2)	20.0
Cost of food and goods sold.....	16.9	17.9	1.0	17.0
Professional, computer and other.....	18.5	12.9	(5.6)	16.6
Materials and supplies.....	18.1	16.4	(1.7)	16.6
Insurance, taxes, utilities.....	8.2	6.9	(1.3)	7.5
	<u>303.0</u>	<u>287.3</u>	<u>(15.7)</u>	<u>289.6</u>
Earnings before interest and amortization.....	12.0	27.5	15.5	23.9
Net financing expense.....	(1.5)	(1.4)	0.1	(38.3)
Amortization.....	(45.2)	(31.8)	13.4	(39.0)
Income (loss) before motor fuel tax.....	(34.7)	(5.7)	29.0	(53.4)
Dedicated motor fuel tax.....	55.1	55.1	—	47.6
Net income (loss) .....	<u>20.4</u>	<u>49.4</u>	<u>29.0</u>	<u>(5.8)</u>

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

<sup>2</sup> 2000/01 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 Nine Months Ended December 31  
 (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> .....	152.1	150.8	(1.3)	133.4
Contractor fees <sup>6</sup> .....	43.9	63.7	19.8	7.3
Capital contributions (amortization) <sup>7</sup> .....	146.8	142.1	(4.7)	148.0
Other <sup>8</sup> .....	5.4	6.9	1.5	3.2
	<u>348.2</u>	<u>363.5</u>	<u>15.3</u>	<u>291.9</u>
<b>Expenditures:<sup>9</sup></b>				
Construction wages and benefits <sup>6</sup> .....	43.9	63.7	19.8	7.3
Operations and administration <sup>10</sup> .....	19.4	18.3	(1.1)	17.4
Grant programs <sup>11</sup> .....	11.8	1.0	(10.8)	5.2
Amortization <sup>7</sup> .....	188.8	185.8	(3.0)	178.1
Other <sup>12</sup> .....	1.8	2.3	0.5	0.5
Interest <sup>13</sup> .....	80.0	75.8	(4.2)	55.7
	<u>345.7</u>	<u>346.9</u>	<u>1.2</u>	<u>264.2</u>
<b>Net Income</b> .....	<u>2.5</u>	<u>16.6</u>	<u>14.1</u>	<u>27.7</u>

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

<sup>2</sup> Figures reflect nine-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 offset by a deferred capital contribution. This contribution is amortized as income of the Authority to offset the related amortization expense.

<sup>8</sup> Includes economic development, property and investment revenue, recorded net of related expenses.

<sup>9</sup> During the first nine months of 2000/01, the Authority undertook \$380 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 \$13.9 million in 2000/01 (1999/00 - \$14.0 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 Nine Months Ended December 31  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
	(\$ millions)			
Revenue				
Statutory revenue <sup>3</sup> .....	161.4	107.4	(54.0)	179.8
Investment income.....	11.7	20.7	9.0	17.0
	<u>173.1</u>	<u>128.1</u>	<u>(45.0)</u>	<u>196.8</u>
Cost of Services:				
Project expenditures.....	197.3	183.9	(13.4)	211.8
Administration.....	11.2	10.5	(0.7)	11.9
	<u>208.5</u>	<u>194.4</u>	<u>(14.1)</u>	<u>223.7</u>
Net income (loss).....	<u>(35.4)</u>	<u>(66.3)</u>	<u>(30.9)</u>	<u>(26.9)</u>

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

<sup>2</sup> 2000/01 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 quarter of the year. In 2000/01, the recovery of costs was deducted in the first half of the year.

**Table A6 British Columbia Hydro and Power Authority**  
Income Statement for the Nine Months Ended December 31  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual <sup>3</sup> 1999/00
	(\$ millions)			
Revenues:				
Domestic:				
Residential.....	634	628	(6)	617
Light industrial and commercial.....	642	641	(1)	627
Large industrial.....	376	391	15	354
Other energy sales and miscellaneous.....	100	102	2	89
Total domestic revenue.....	1,752	1,762	10	1,687
Electricity trade <sup>4</sup> .....	1,136	3,789	2,653	913
	<u>2,888</u>	<u>5,551</u>	<u>2,663</u>	<u>2,600</u>
Expenses:				
Energy costs.....	1,395	3,006	1,611	986
Operations, maintenance and administration.....	353	391	38	327
Taxes.....	130	126	(4)	128
Depreciation.....	270	274	4	261
	<u>2,148</u>	<u>3,797</u>	<u>1,649</u>	<u>1,702</u>
Income before finance charges and RSA transfer.....	740	1,754	1,014	898
Finance charges.....	(463)	(428)	35	(431)
Transfer (to) from Rate Stabilization Account.....	—	(762)	(762)	—
Net income.....	<u>277</u>	<u>564</u>	<u>287</u>	<u>467</u>

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

<sup>2</sup> 2000/01 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> Financial results reflect uncertainty in realizing a portion of export sales to California utilities.

**Table A7 Liquor Distribution Branch**  
Income Statement for the Nine Months Ended December 30\*  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
(\$ millions)				
Sales:				
Provincial liquor sales.....	1,346.3	1,353.8	7.5	1,323.6
Less: Discounts and commissions.....	(36.4)	(35.7)	0.7	(34.9)
Net sales.....	1,309.9	1,318.1	8.2	1,288.7
Cost of sales.....	(665.2)	(666.1)	(0.9)	(653.4)
Gross profit.....	644.7	652.0	7.3	635.3
Operating expenses.....	(150.5)	(146.2)	4.3	(142.0)
Net operating income.....	494.2	505.8	11.6	493.3
Other income.....	2.9	8.8	5.9	1.8
Net income <sup>3</sup> .....	497.1	514.6	17.5	495.1

\* Nine-month business period ends December 30.

<sup>1</sup> Figures reflect nine-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 Nine Months Ended December 30\*  
(Unaudited)

	Budget <sup>1</sup> 2000/01	Actual 2000/01	Variance <sup>2</sup>	Actual 1999/00
(\$ millions)				
Gaming revenue.....	1,040.1	1,067.4	27.3	1,033.9
Direct costs:				
Prizes.....	377.4	384.6	7.2	375.6
Retailer commissions.....	162.5	168.6	6.1	161.9
Ticket printing and bingo paper.....	10.8	10.5	(0.3)	11.4
	550.7	563.7	13.0	548.9
Sales less direct costs.....	489.4	503.7	14.3	485.0
Other expenses:				
Operating.....	60.7	56.7	(4.0)	52.7
Amortization.....	15.3	15.4	0.1	16.4
Goods and services tax.....	18.5	18.9	0.4	13.7
	94.5	91.0	(3.5)	82.8
Net income.....	394.9	412.7	17.8	402.2
Allocation of net income:				
Province of British Columbia <sup>3</sup> .....	386.0	403.3	17.3	393.8
Government of Canada.....	5.3	5.6	0.3	5.4
Other <sup>4</sup> .....	3.6	3.8	0.2	3.0
	394.9	412.7	17.8	402.2

\* Nine-month business period ends December 30.

<sup>1</sup> Figures reflect nine-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 Twelve Months Ended December 31  
 (Unaudited)

	Budget 2000	Actual <sup>2</sup> 2000	Variance <sup>3</sup>	Actual <sup>4</sup> 1999
	(\$ millions)			
Revenue.....	497.2	496.1	(1.1)	477.9
Expenses.....	410.4	447.7	37.3	406.0
Operating income.....	86.8	48.4	(38.4)	71.9
Non-operating expenses.....	46.6	42.0	(4.6)	37.8
Income before special charges.....	40.2	6.4	(33.8)	34.1
Special charges <sup>5</sup> .....	—	(13.0)	(13.0)	(616.6)
Net income.....	40.2	(6.6)	(46.8)	(582.5)

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

<sup>2</sup> 2000 results are preliminary and do not include potential valuation and other year-end adjustments that may be identified during the corporation's annual audit.

<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.

<sup>5</sup> Provision for environmental remediation costs in 2000 and write-down of rail assets in 1999.

**Table A10 Insurance Corporation of British Columbia**  
Statement of Operations  
Preliminary results for the Twelve Months Ended December 31  
(Unaudited)

	Budget 2000	Actual <sup>1</sup> 2000	Variance <sup>2</sup>	Actual <sup>3</sup> 1999
	(\$ millions)			
Revenue:				
Vehicle premiums earned.....	2,412.0	2,387.0	(25.0)	2,382.4
Investment income.....	455.0	626.0	171.0	449.2
Licences and fines collected on behalf of the Province.....	428.0	423.0	(5.0)	423.3
Total revenue.....	3,295.0	3,436.0	141.0	3,254.9
Payment of licences and fines to the Province.....	(428.0)	(423.0)	5.0	(423.3)
Net revenue.....	2,867.0	3,013.0	146.0	2,831.6
Claims and expenses:				
Claims incurred.....	2,017.0	2,006.0	(11.0)	2,080.3
Prior years' claims development <sup>4</sup> .....	(55.0)	(266.0)	(211.0)	(238.2)
Net claims incurred.....	1,962.0	1,740.0	(222.0)	1,842.1
Claims operations expense.....	263.0	284.0	21.0	275.2
Traffic and commercial vehicle safety programs and operations.....	190.0	179.0	(11.0)	167.3
Administration, commissions and taxes.....	449.0	460.0	11.0	451.3
Total claims and expenses.....	2,864.0	2,663.0	(201.0)	2,735.9
Income before Road Safety Dividend.....	3.0	350.0	347.0	95.7
Road Safety Dividend.....	—	(219.0)	(219.0)	—
Net income.....	3.0	131.0	128.0	95.7

<sup>1</sup> 2000 results are preliminary and do not include potential valuation and other year-end adjustments that may be identified during the corporation's annual audit.

<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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