



BUDGET SPEECH

Introduction

Mr. Speaker. Today I present Budget 2009 — a budget that is all about stability and confidence.

It builds on the strengths we have as a province to cushion the effects of the global economic crisis — recognizing how it is affecting British Columbians.

All across this province, from the Northwest to the Kootenays, from the Peace River region to Vancouver Island... people are concerned about what the crisis means.

They're worried about paying their bills. They're worried about their retirement savings. They're worried about their children, and the future of their families. And it all comes down to one word: confidence.

Whether you're a young person just starting out... a parent saving for your children's education... or an older person living on a pension... you want to feel confident the income you rely on... and the services you need... will be there.

You want to feel confident so you can move forward — and that's what this new budget is about. It sets out a path... not just for the year ahead, but for many years to come... to make sure British Columbia's future is even brighter than its past.

As the Premier announced two weeks ago, the budget includes a temporary deficit. Weighed against the risks to our economy, our communities and our future — it is, quite simply, the right thing to do.

I want to be clear that this is not the same kind of deficit we saw seven years ago. That was a long-term, structural deficit — the kind that persists, year over year, even in times of strong economic growth.

What we will have for the next two years is a short-term deficit, one that results from a downturn in projected revenues. Because... in spite of all our strengths as a province, we are not immune to the impacts of the worldwide economic slowdown.

Since the fall, we have seen almost every major economic indicator turn downward.

Projected revenues have plummeted. Compared to what we were forecasting as recently as September, we have seen more than \$6 billion of revenue expected over three years... vanish.

Housing starts, retail sales and consumer confidence have all been affected.

And economic growth has slowed — to the point where we are now expecting the economy to shrink in 2009.

All indications are that we will see a recovery beginning in 2010. That's good news, but it's not much comfort to the people who are feeling the effects of the global recession right now.

The people of this province are — and will always be — our greatest strength. So we need to make sure they are taken care of as we move through a challenging economic period.

That is why we are taking immediate, decisive action with this budget:

- to support and protect British Columbians, and maintain their confidence;
- to make targeted investments that stimulate our economy; and
- to move forward with long-term initiatives so we can make the most of the coming recovery... and set the stage for a future of renewed growth, new opportunity, and increased prosperity.

Supporting and Protecting British Columbians

Mr. Speaker. Four months ago, when the breadth of the global economic slowdown first became apparent, the Premier announced a 10-point plan to help alleviate the impacts on families, communities and businesses.

We accelerated a planned cut to personal income taxes — and we made that five per cent reduction retroactive to January 2008.

This one move will put more than \$130 million back in people's pockets each year. It also means that British Columbia now has the lowest personal income taxes of any province in Canada... for individuals earning up to \$116,000 a year.

The Premier's 10-point plan included steps to protect consumers as well. British Columbians now have unlimited deposit insurance protection in credit unions. RRSPs are protected from seizure by creditors. And work is under way to give every British Columbian the option of enrolling in a new registered pension plan.

The small business income tax was also reduced — effective last December 1st — to 2.5 per cent. This will save small businesses more than \$120 million over three years.

Another \$60 million over three years will flow to businesses collecting the provincial sales and hotel taxes on the Province's behalf. And the industrial employers who are working hard to maintain jobs will benefit from a new property tax credit, saving them more than \$115 million over three years.

In total, the measures announced by the Premier provide more than \$425 million in tax relief and support for B.C. families, businesses and individuals over three years.

Today... as part of our revenue neutral carbon tax plan... we are announcing more relief for industry. We will increase the industrial property tax credit from 50 per cent to 60 per cent, starting in 2011. This will save sawmills, pulp mills, mines and other industrial employers an additional \$11 million a year — to help ensure their operations can be sustained.

With this budget, we are also taking further steps to soften the blow of the economic slowdown.

First, as the Premier announced two weeks ago, we are investing almost \$14 billion in infrastructure projects in every region of the province.

\$2 billion is cost-shared with the federal government for new projects to be accelerated over the next three years.

Another \$10.6 billion is for approved projects within the Province's capital plan for the next three years. And \$1.4 billion in local infrastructure projects is being built in partnership with local governments and the federal government.

These new and accelerated investments will generate as many as 88,000 jobs across B.C., and build the assets we need to support our future growth and development.

Of the \$14 billion:

- \$1.3 billion is earmarked for schools, including renovations, new construction and seismic upgrades;
- \$1.7 billion will be invested, over three years, for projects in the post-secondary sector;
- \$2.5 billion is for health care facilities; and
- \$2.3 billion is for transportation projects.

The benefits will start taking shape right away, and they will be in every region of the province.

Protecting Public Services

Mr. Speaker. These projects will help thousands of British Columbians get through the global economic slowdown. They will help employers, and workers, and families, and communities maintain a sense of stability, security and confidence — and every job counts.

But this budget is not just about creating jobs. It is about building our future. And we are still better off, and better positioned to get through this crisis than just about any other jurisdiction on the continent.

We have a strong record of prudent fiscal management, and one of the most competitive tax regimes in North America. We have the strongest, most diversified economy in our history.

We've reached out across the Pacific and built new trade and investment relationships.

We've paid down the Province's operating debt by more than 50 per cent from its peak.

And because we've managed responsibly, B.C. has earned a Triple-A credit rating — tied with Alberta for the best among Canadian provinces.

These are all assets we can leverage for the future — and we are doing exactly that. We're protecting the services that British Columbians need and rely on every day.

That includes making new investments in health care and education, as we have every year since 2001.

Funding for the Ministry of Health Services will increase by \$4.8 billion over three years. That is approximately 90 per cent of all new spending in our three-year fiscal plan.

It includes \$13 million to establish a new B.C. Family Residence Program.

The program will provide additional assistance for those British Columbians — and their family members — who have to leave their home communities to get the care they need.

By 2011, total provincial spending on health care will be \$17.5 billion — an increase of 66 per cent since 2001.

Another \$40 million will be used to expand health education to help meet demand for nurses and other health professionals. And \$23 million will fulfill the government's funding commitment to train more physicians.

Post-secondary institutions will receive an additional \$228 million over three years — with \$165 million targeted to making higher education more accessible.

In the K-12 education system, per pupil funding will increase to \$8,242 — the highest ever in the province's history. As was noted at both of the recent BC Economic Summits, education is more important than ever in an economic downturn — so these are critical investments in our future.

So are investments in community safety. With this budget, we are supporting the comprehensive plan the Premier announced last week to combat gang and gun violence — with more police, more prosecutors, more jails and more secure courts.

Budget 2009 also enhances our support for those in need — investing nearly \$300 million over three years in vital social services.

That includes:

- \$110 million in new funding for income assistance.
- \$73 million in additional funding for programs and services for adults with developmental disabilities and their families.
- \$47 million in additional funding for families and for children in care.
- \$38 million in new funding for children with special needs.
- \$25 million more for child care subsidies.

Beginning in 2011, we will also increase the Low Income Climate Action Tax Credit by 10 per cent. This new benefit will put another \$15 million a year back in the pockets of the families and individuals who need it most. That is in addition to the \$146 million a year provided by the credit now.

Going forward, we will provide more tax relief for homeowners, too.

As the Premier announced in November, we have created a temporary two-year property tax deferral program. It allows people hit hard by the economic downturn to defer their property tax payment for each of the next two years.

That will help in the short term. However, we recognize the need for more assistance in northern and rural areas. People there are feeling the impact of the downturn in our resource sectors — and we want to help provide them with a sense of stability.

Today we are announcing a new Northern and Rural Homeowner benefit — funded by the revenue neutral carbon tax. Starting in 2011, when the temporary tax deferral program expires, northern and rural homeowners will see an increase in their Homeowner Grant of \$200 per year.

Mr. Speaker. These targeted expenditures will help ensure the current economic crisis does not have a disproportionate impact on those least able to withstand it.

Families struggling to make ends meet, people with disabilities, children with special needs... they are our priority. And we have worked hard to ensure there is room in the budget to support them.

This year, with commodity prices in the forest sector down to their lowest levels since the 1970s... and revenues off dramatically from what we were expecting before the global meltdown... we faced a real challenge in protecting vital programs in health care, education and social services.

Just as many families and businesses are doing, we looked for ways to cut discretionary spending. Because, as a government, we have an obligation to make the best possible use of taxpayers' hard-earned dollars.

Back in October, the Premier directed every ministry to closely review all aspects of their operations... and identify areas where costs could be reduced without undermining important public services.

As a result of that review, we are moving now to dramatically reduce all types of discretionary spending across the public sector. This includes:

- a 76 per cent reduction in the budget for advertising and publications
- a 22 per cent reduction in travel expenses, and
- a 23 per cent cut in spending on contracted professional services.

We are also reducing, by 20 per cent, the number of senior executives in government.

In total, these efficiencies result in savings of \$1.9 billion over three years — all of which is being reinvested in public services.

We will conduct a further review of programs in the next two years to find additional efficiencies — as part of our commitment to return to a balanced budget by 2011.

Spending will be held in check in each of the next two years and... as the economy picks up steam... revenues will recover.

To help ensure that happens, Budget 2009 includes a series of targeted investments — starting with action to address our labour market needs.

As I have travelled around B.C. over the past few months, employers have told me that shortages of skilled workers are still among their biggest concerns. So we are moving forward with a labour market strategy to meet both our short-term and long-term needs.

In the coming year, the Industry Training Authority will provide an additional 2,000 apprenticeship training spaces. And we will invest more to break down barriers for new Canadians — so they can participate fully in our workforce.

Immigrants have always been vital to our labour force and proven programs like Skills Connect help ensure they can put their skills, experience and training to use. With this budget, we are providing \$16 million over three years to support these programs.

We are also making targeted investments in key economic areas — to maintain stability and confidence for B.C. families.

Mining and mineral exploration is a sector with enormous potential. It provides good jobs and offers a range of new opportunities, especially in our rural areas. And — just a few weeks ago, our Geological Survey Branch discovered significant gold, silver and copper deposits... in parts of the Interior that hadn't been explored before.

When commodity prices recover, mining and mineral exploration will make an even greater economic contribution. So we're moving now to enhance the environment for growth in this important sector.

Budget 2009 extends, for another year, the BC Mining Flow-through Share Tax Credit. It provides a non-refundable tax credit to individuals, encouraging them to invest in B.C. mining and mineral companies. Combined with a corresponding federal tax credit, this incentive reduces the cost of a \$1,000 investment by more than \$600 — and it's already made a big difference for the industry.

Since the credit was introduced, investment in mining exploration in B.C. has increased by an astounding 1,200 per cent.

The energy sector is another leading light in our increasingly diversified economy. In 2008, sales of oil and gas rights reached a record high of over \$2.6 billion, with thousands of people employed in the sector. And we have new, independent power projects currently in progress... all over British Columbia... which today employ over 1,100 workers.

Recognizing, once again, that when the North American economy recovers, energy demand is likely to climb again... Budget 2009 invests \$110 million over three years to encourage further growth and development in the energy sector. This includes:

- \$6 million for strategic development of shale and tight gas resources in the Northeast.
- \$10 million for the Northwest Hydro Transmission Line, along Highway 37 — this is a \$400 million project in partnership with the private sector, that could stimulate thousands of jobs and billions of dollars worth of economic activity.
- \$94 million for the Oil and Gas Rural Road Improvement Program.

As the Premier announced in October, we are also accelerating spending on resource road maintenance. We have committed \$5 million in the fiscal year just ending, and a further \$15 million for the year ahead. This will help ensure that companies have access to timber and other resources.

In forestry, the government is moving ahead with a series of initiatives announced last month:

- to encourage industry growth and diversification.
- to further support our forest workers.
- to expand the use of B.C. wood in construction.

We've lowered coastal stumpage rates by more than 70 per cent — to reflect current market realities.

We also continue to offer assistance through the Community Development Trust, which was established in 2008 to support forest workers, their families, and their communities. We will work to maintain the program's success, and to extend its benefits to workers in other resource industries.

With this budget, we are also providing new support for the agriculture sector. Farmers are a critical part of — not just our economy, but also our way of life in B.C. And they've been buffeted by changes in the world global economy for quite some time.

Recognizing the pressures they are under, the government is moving to reduce their taxes. Budget 2009 introduces a school property tax reduction... for all farm land... of 50 per cent, starting in the 2011 tax year.

In the meantime, we are committing up to \$177 million by 2012 to continue the Growing Forward agreement on agriculture, which is cost shared with the federal government. It provides support through a variety of programs, including crop insurance and farm income stabilization... to help make life a little bit easier for those we rely on to feed our families.

We are also committed to working with the British Columbia agriculture sector on the future application of Provincial Sales Tax — with the goal of continuing to streamline, simplify and improve the efficiency of the tax code.

Agriculture. Forestry. Energy. Mining. These are all important parts of B.C.'s economy — providing jobs that support and sustain countless families and communities.

In recent years, as we have worked to diversify our economy, we've also seen a major rise in the film and television sector. This sector now provides an estimated 35,000 jobs — and generates production spending of approximately \$1 billion every year.

To help keep that momentum going, Budget 2009 removes the expiry dates for film tax credits, which have played a key role in the industry's growth. This move will offer greater certainty for companies, and reinforce the message that B.C. is open for business.

We are also extending eligibility for domestic film tax credits to include Canadian-controlled companies — rather than restricting it to B.C.- controlled firms. This will make it easier for companies here to access other markets, and to raise capital outside the province.

Mr. Speaker. TV and film are just one part of the vibrant arts and culture community that thrives in every part of this province, from the smallest towns to the biggest cities. It delivers benefits that we can count, like jobs — but its value to our province is greater.

Our artists, our performers and the people who support them... the volunteers, the sponsors, the suppliers, the umbrella groups... help to shape our vision of who we are. They bring to life the concept of culture, and — just as important — bring us together, entertain us, intrigue us, and challenge us intellectually.

With this budget, we are injecting \$15 million in strategic one-time grants to support arts and culture, and for conservation of the province's historic places. We're getting this money into people's hands right away — because we know the year ahead could be difficult.

We are also continuing our work with the sector to establish partnerships and programs that enhance the contributions of arts and culture to all of our communities. That includes supporting the Cultural Olympiad, which... right now... is showcasing some of the best performers and artists in our province, as part of the countdown to the 2010 Olympic and Paralympic Winter Games.

Economic and Fiscal Update

Together, these initiatives in mining, energy, agriculture, forestry, and arts and culture... will translate into jobs and economic activity — as will the dollars we're investing in infrastructure.

These investments will help to get our province through the year ahead — when it appears we will see the worst of the economic downturn.

For 2009, we are forecasting economic growth of minus 0.9 per cent — climbing back to 2.4 per cent in 2010 and 2.6 per cent in each of the following three years. These are, as always, prudent estimates — lower than those put forward by the Economic Forecast Council.

Revenues, which fell dramatically in recent months, are forecast to recover somewhat in the year ahead to \$38.8 billion... and we expect to end the coming fiscal year with a deficit of \$495 million.

In 2010/11, we are forecasting a deficit of \$245 million. And we will return to a balanced budget by 2012. To make sure we meet that goal, we intend to hold the line on public sector wages. We will respect existing agreements, and we will take steps to mitigate the impacts of spending cuts on public sector workers. But... in the current economic climate... we do not have additional room in the budget to increase wages.

We're going to borrow more to finance infrastructure spending to foster future growth, and to keep British Columbians working through the downturn.

Over the next three years, our taxpayer-supported debt-to-GDP ratio will rise to 15.8 per cent. That is among the lowest in the country. It is also 26 per cent lower than the debt burden B.C. faced in 2002 — when we also had a deficit of more than \$4 billion.

Capitalizing on the Coming Recovery

Mr. Speaker. We eliminated that deficit in just three years. And today, we are once again determined to get this province back in the black.

Economic projections change over time. But — even as the economic situation has worsened in the past few months — leading economists continue to forecast an upturn in B.C.'s growth in 2010.

With this budget, we are moving now to ensure that... when we do see the upswing... we are prepared to take full advantage of four key opportunities... to set our province on an even stronger course for the future.

First, we will continue to invest in our potential to be a leader in the new, green economy. As the global financial situation improves, there will be renewed demand for clean energy, new technologies and new ideas.

Budget 2008 invested more than \$1 billion in a wide range of climate action initiatives, including the BC Bioenergy Strategy, which not only paves the way for a greener future, but also provides new opportunities for rural and resource-based communities.

Budget 2009 builds on those investments, and the climate action agenda.

We will provide:

- \$75 million to extend, for another three years, the Innovative Clean Energy Fund;
- \$15 million over four years to completely offset the cost of the carbon tax for local governments committed to becoming carbon neutral by 2012;

- \$11 million over four years for Trees for Tomorrow — our program to plant four million trees in schoolyards, hospital grounds, civic parks and other public places; and
- \$7.5 million over four years to complete B.C.'s portion of the Hydrogen Highway — a continuous network of fueling stations... all the way from B.C. to southern California.

We are also introducing a Motor Fuel Tax exemption for hydrogen — putting it on the same footing as other alternative fuels — and extending to 2011 the PST exemption on energy-efficient windows, doors and heating systems... and on technologies that make commercial trucks more fuel-efficient. We will continue to create an environment where greener choices and cleaner technologies make good economic sense... and help to build the low-carbon economy of the future.

Second, we are moving forward with our Asia-Pacific Gateway Strategy. Asian economies are, of course, feeling the impact of the worldwide slowdown. But they, too, are expected to rebound in 2010, and we have a huge geographic advantage in — not only being a reliable supplier, but also being the facilitator of commerce between the North American and Asia-Pacific economies.

We have opened trade and investment offices in Shanghai, Tokyo, Seoul, and — just last week — in Beijing and Guangzhou. And we will continue to upgrade our ports, enhance our transportation networks, build new relationships and win new markets ...to make B.C. an unmatched destination of choice for business, culture, tourism, work, education and opportunity.

Third, we will build on our efforts to firmly establish our province as one of the best locations in the world from which to conduct international business. We've been working hard to attract foreign banks, life-science companies and other international businesses that generate highly-skilled, high-paying jobs — and we see untapped potential there.

We have a lot to offer these firms — and let me give you a real-life example.

On February 6, one of Hong Kong's biggest investment banks opened a new international head office in Vancouver.

They had planned to locate the new office in New York City. But they came here instead — because of our people. To quote the company's managing director of international business:

“Vancouver has such a depth of English/Mandarin speakers who have finance degrees or accounting designations, which is really what we need.”

Mr. Speaker. That's the message we're sending to businesses around the world: B.C. has exactly what you need to successfully conduct international business.

We have the people, the diversity, the skills, the relationships, the quality of life, the access to markets, the tax advantages — everything you need. And we are going to work even harder to get that message out.

In the year ahead, we will also review the International Financial Activity program — which provides incentives to international businesses — to make our province even more attractive to investors.

Finally, with this budget, we are acting to ensure we make the most of all the opportunities that will be flowing, as a result of our hosting the world in 2010.

Mr. Speaker. Over the next year, VANOC alone will be investing more than \$3 million a day in our economy. Those dollars are mostly from ticket sales, broadcast rights and sponsorship agreements. Local economies are also being boosted by our Winter Games preparations. For example, construction of the bobsled and luge run at Whistler created 680 jobs — and it is only one in a long list of projects that are now under way or recently completed, as part of the province's Olympic legacy.

The total economic impact — once the Games are done — has been projected by independent sources to be as much as \$10 billion.

Those dollars translate into jobs and opportunities — not just today, or in 2010, but for many years to come. Because we are going to show the world that British Columbia is, indeed, the Best Place on Earth.

10,000 journalists will come here to report on and showcase British Columbia. Through our BC Stories program, they will share iconic images of this great province with three billion viewers... all around the world.

250,000 tourists will take home stories and photos and memories... making this, quite literally, a once-in-a-lifetime opportunity to demonstrate what we have to offer — for families, for business, for industry, for entrepreneurs and, of course, for visitors.

Dollar for dollar, the Olympic Games may be the best investment we will ever make... in our province, in our people, and for future generations.

Conclusion

Mr. Speaker, there is no question. The last five months have been difficult. And the coming months will be just as challenging.

But I have every confidence that B.C. is well-positioned not only for recovery, but for a whole new stage of growth.

Some may say that is too optimistic... but history indicates otherwise.

B.C. has been through tough times before. Each time, we've risen to the challenge. And... each time... we've emerged stronger.

Look at what happened in the 1990s.

While the rest of North America was enjoying economic growth, our province was in a downward spiral. By the end of that decade, growth had declined, and the deficit had soared. Consumer and business confidence plummeted. Investment in our province all but dried up. And people were leaving B.C. by the thousands.

In 2002 — when this government tabled its first full budget — we were facing a structural deficit of over \$4 billion — the consequence of year after year of government spending outpacing revenues.

That's what we were up against in 2002. And critics said we'd never get to a balanced budget in just one term. But we had a plan; we knew exactly what we had to do. And... by 2005, we had moved from deficit to surplus budgets.

There were some who criticized us. Some people said we should spend more.

But we continued our prudent approach; continued to manage very carefully.

Instead of committing to more new spending, we used surpluses to pay down the operating debt, and to make investments in key priority areas. For example, since 2005, the Province has invested:

- \$100 million in a First Nations New Relationship Trust
- \$250 million in a Housing Endowment Fund, and
- more than \$500 million in additional supports for children.

We also made the single largest one-year debt payment in B.C. history — \$1.9 billion in 2005.

We've been prudent. We've managed responsibly. We've worked with British Columbians to build a strong, vibrant economy; provide support for families and communities; and to create an environment where business and investment can thrive.

Now, thanks to all that effort, we are in a good position. We can leverage our advantages to re-energize our economy, support families and communities, and make sure help is there for those who need it most. We can make immediate and dramatic investments in our infrastructure that will keep people working and position ourselves for future growth.

We will have new schools, expanded health facilities, more social housing, better roads and bridges, more skilled workers, and more opportunities than ever before.

We will continue to have one of the most competitive tax rates in North America, along with a more diversified economy... and a quality of life that is second to none.

We will return to surplus budgets, pay down our debt and continue to build on our sound economic and fiscal footing.

And, after the 2010 Olympic and Paralympic Winter Games, we will be a destination for thousands of people... from all around the globe... who, until 2010, might not have known what British Columbia has to offer.

They are going to come here — to work, to visit, to invest, to build new partnerships — because they're going to see what I saw at the economic summits the government organized earlier this month.

I walked into rooms full of people concerned about our economy — business people, educators, parents, volunteers, people who run non-profit agencies — and, given the state of the world economy, it wouldn't have surprised me if the mood had been dark.

It wasn't. In fact, it was just the opposite.

In both Prince George and Vancouver, the mood of the summits was: Let's get to work. People were keen to share, and learn about, emerging opportunities. They had a sense of confidence about B.C.'s future. And they were ready to roll up their sleeves and do what it takes to build our recovery.

That, Mr. Speaker, is what this province is really all about. It's a place where people face their challenges head on... where they work hard... and they know that, together, we can build a future of boundless opportunity.

Our people have the talent, the resources, and the strength.

They have the ingenuity, the drive, and the courage... and, as we move forward, they can have confidence:

Confidence that we will get through the tough times...

Confidence that those who need assistance will get it...

And confidence that B.C. is on the right track... building a future that will make our children and grandchildren proud.

Thank you.