

Budget '99

*Improving health care,
helping small business create jobs*

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of Finance and Corporate Relations

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Budget '99

Introduction

*H*onourable Speaker, it is my pleasure to present the budget for 1999–2000 to the Legislature and to the people of British Columbia.

This will be the government's financial plan for British Columbia as we enter a new decade and a new century. These are our priorities for the coming year.

This budget is about improving health care, with more beds, more nurses and shorter waits.

It's about improving education, to ensure our young people have the skills and knowledge they need to succeed in the new economy.

And it's about helping small business create jobs by cutting taxes, so they can grow and diversify B.C.'s economy.

The past year has been marked by success in many parts of our province. We have seen strong growth in several sectors, and we have led the country in job creation.

We've increased our support for health care and education. We've made crucial progress toward a historic reconciliation around aboriginal land claims, and the certainty and security that will bring.

But this year has also been hard on some B.C. families and businesses. The downturn in Asia has combined with depressed commodity prices to deal a powerful blow to our economy.

Because of the Asian downturn, the Japanese economy has declined for the first time since 1974. It's the worst recession that country has faced in the modern era.

When the economies of our customers falter, our economy falters and our commodities command a dwindling price on the world market.

In 1998, the price of lumber fell by 19 per cent. The price of copper fell by 22 per cent.

Falling prices have meant falling profits, and when profits fall, jobs are affected.

For some families, that can mean uncertainty about employment. For some businesses, it can mean layoffs or closures. For some communities, it can mean the loss of a local industry.

No provincial government alone can resolve all these problems. But as long as there are B.C. families struggling with uncertainty, we have a responsibility to do what we can to address their concerns.

There are challenges ahead of us that demand our immediate attention.

And there's a debate about how we meet those challenges.

Some are committed to slashing taxes for big corporations and the wealthy, and cutting services to make up for lost revenue.

We on this side of the aisle have different values.

We believe health care is a fundamental right that must be protected. We believe every child deserves a quality education, regardless of their parents' income. We believe in cutting taxes for small businesses to help create jobs for people—because that's where the opportunities for the future are found.

These are our priorities. These are our choices.

I have also acted to restore the confidence of British Columbians in the budget process, by making this budget more open and transparent.

Improving health care

Of all the pressing tasks before us right now, none is more urgent than improving health care.

I've spent the last few months travelling the province and listening to people from communities large and small: single parents, business people, college students, retired couples.

Health care is the one issue they all keep coming back to. It speaks to the very heart of their quality of life. It's one of the reasons they've made B.C. their home. They know that our province has a commitment to health care, and that if they're sick, they'll get the care they need.

It's this commitment to quality care that sets us apart from other countries, such as the United States. Frankly, it's what sets us apart from other provinces in Canada. It's a value I believe in, a value I've always fought to protect.

Challenges to health care

But over the last five years, that hasn't been easy. In B.C., we've had to play catch-up with \$800 million in federal cuts.

At the same time, we've seen our population grow as more and more people have moved to our province. We've seen drug prices surge upward. This year, the Pharmacare budget will increase by 13.4 per cent, or \$64 million. New technical advances save lives—but they, too, come with a price tag. Combined with the federal cuts, these pressures put a real squeeze on health care.

We covered the federal cuts by increasing provincial spending on health care during those years. The easier course of action would have been to simply maintain provincial funding levels, allow B.C.'s health care system to bleed, and point the finger at Ottawa for walking away from its commitment.

That's what happened in other provinces. They closed hospitals and laid off staff.

We believe health care is a fundamental right that must be protected.

Health care is the one issue people keep coming back to. It speaks to the very heart of their quality of life.

We maintained the highest level of per-capita health funding in Canada—\$1,963 per person per year.

This budget increases B.C.'s health care investment by \$615 million.

The overriding goal of that new money is simple: more beds, more nurses, and shorter waits.

We refused to let that happen in B.C. We maintained the highest level of per-capita health funding in Canada—\$1,963 per person per year.

We worked together with front-line workers throughout the health care system. They did more with less, making every dollar go as far as possible in supporting patient care. And with their help, we held the health care system together.

Now we have an opportunity to make improvements. And this year, we can start to do that.

Because this year, our dollars no longer have to offset federal cuts. Instead, we can target them directly to improving health care.

But we have to remember that these new dollars alone won't resolve the pressures on our health care system. We'll continue to feel the effects of years of cutbacks and off-loading by Ottawa. We are still to a large extent playing catch-up.

Which is why our job will be to make sure that new funding is used wisely, targeted to our key priorities, and above all else, spent on services for people.

Honourable Speaker, in B.C., health care is a right. And with this year's budget, we are protecting that right.

Wait lists

It is an unfortunate fact that years of federal cutbacks have led to unacceptable wait lists, even for urgent procedures.

We've all seen stories in the media, heard them from our constituents, in some cases lived through them with loved ones of our own—stories of people who didn't get the care they needed.

That's unacceptable. It's incompatible with the values we hold in B.C. The primary goal of this budget is to resolve the wait list problems in our hospitals.

There are two parts to this solution. More resources is the first part.

This budget increases B.C.'s health care investment by \$615 million. The operating budget will rise by \$478 million,

and the capital budget will increase by \$137 million. The overriding goal of that new money is simple: more beds, more nurses, and shorter waits.

New procedures

This new funding will pay for 58,000 more surgeries and other procedures in the coming year. The priorities will be cancer treatment, kidney dialysis, cardiac surgery, pediatrics and hip and knee surgery.

This year, as a result of this budget, there will be 10,000 more cancer treatments to shorten wait times for chemotherapy and radiotherapy.

As a result of this budget, there will be 1,000 more hip and knee procedures—a 22 per cent increase.

As a result of this budget, there will be 700 more cardiac procedures.

As a result of this budget, there will be 38,000 more women receiving screening mammograms.

Our goal is to ensure that patients who require an urgent medical service get it when they need it.

Renewing our partnerships

The funding increase I've described will help. But it isn't the whole solution.

We can't resolve the waiting list issue unless we have the full cooperation of doctors, nurses and everyone else working in the health care system.

In the weeks and months to come, we will work intensively with all of these health care providers, finding ways to keep reducing wait lists and improving care.

The Minister of Health will be announcing a new coordinated approach to wait-list management in the coming weeks.

A lasting solution depends on the full cooperation of all the partners in the health system. And in particular, it depends

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on a resolution of the ongoing differences between British Columbia's doctors and our government.

Today we renew our commitment to resolving those differences. They have gone on for too long, and the people of B.C. are losing patience. British Columbians have told us clearly that doctors and government share a responsibility to work together.

This \$615 million increase in health operating and capital funding answers the main issue raised by B.C.'s doctors—that there should be enough money in the system to support the level of care that British Columbians need.

More beds

We are also funding more long-term care beds in the coming year. \$21 million has been dedicated to fund 480 beds for patients who have long-term care needs.

That means more spaces for patients who need the particular kind of attention a long-term care facility can give. And it frees up acute-care beds in our hospitals—which helps relieve waiting lists.

More nurses

Another key to meeting our goal is hiring more nurses.

My mother was a nurse, and my sister is a nurse.

I can remember my mom coming home from a challenging day on the wards—exhausted, but always deeply satisfied.

I know first-hand the kind of commitment nurses have. But I have also seen the frustration that comes when resources are scarce, and nurses are forced to fill in the gap.

There's no limit to the care that nurses provide. But there are limits to their ability to provide it.

Over the past several years, nurses in B.C. and every other province have found themselves doing more and more with fewer and fewer resources.

\$21 million has been dedicated to fund 480 beds for patients who have long-term care needs.

This budget provides \$15 million to fund the hiring of 400 more nurses in hospitals, long-term care facilities and communities across the province. That's part of our commitment to hire 1,000 new nurses over the next three years.

These new nursing positions were made possible through our new agreement with the province's nurses—an agreement that also includes provisions for education. Over the course of this year, our government will work with hospitals and nurses to address workload issues . . . as well as ways of keeping nurses working in the profession, and encouraging young people to join it.

With this agreement, nurses have reaffirmed their professional commitment to patient care and the health of British Columbians. It's a commitment this government shares, and we look forward to working with B.C.'s nurses in the months and years to come.

Honourable Speaker, health care represents more than a third of the provincial budget. We've increased our commitment to health care by \$615 million. And I believe British Columbians have a right to know where members on the other side of the aisle stand on this increase.

I know where we stand on this side: with improved health care, and with B.C. families who need those services.

Education and youth opportunities

I've said this budget is about fundamental choices. One of the most important is our decision to support education in B.C.

Some have made another choice. They are committed to slashing taxes for big corporations and compromising our ability to afford education. That means bigger class sizes, more portables and fewer teachers. It means fewer spaces in colleges and universities, and spiralling tuition fees.

Other provinces have gone down that road. In those provinces, we have seen schools close their doors. We have seen tuition skyrocket.

We've made our choice, and we're rejecting that option. We believe every child deserves a decent education, regardless of their parents' income.

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We believe every child deserves a decent education, regardless of their parents' income.

While an average year in an undergraduate degree program cost \$1,970 for a B.C. student last year, it cost \$3,230 in Ontario—and \$3,190 in Alberta.

This budget increases core provincial education funding by \$45 million to nearly \$6,000 for every pupil.

We've increased school funding every year since we were elected. We have the highest education investment per student in Canada.

And while we've frozen tuition, provinces like Alberta and Ontario have allowed it to rise dramatically, pricing education out of the reach of many students. While an average year in an undergraduate degree program cost \$1,970 for a B.C. student last year, it cost \$3,230 in Ontario—and \$3,190 in Alberta.

Kindergarten to grade 12

Last year we made a commitment to B.C. parents: smaller class sizes, more teachers and fewer portables.

We followed through, hiring 500 new teachers last year, as the first step in our commitment to hire up to 1,200 new teachers over three years. And we're following through again this year.

This budget increases core provincial education funding by \$45 million to nearly \$6,000 for every pupil.

This increase will allow B.C.'s schools to hire up to 300 more teachers, especially in the all-important early grades.

This year, we reduced Kindergarten class sizes to a maximum of 20, and over the next two years we'll reduce it again to 18. We're also reducing class sizes in Grades 1 to 3 to a maximum of 22 by 2001.

That means young students will receive more of the individual attention that can make so much of a difference to a child's start in school.

It means a child with a learning disorder can be identified and helped, because the teacher has more time. It means a child who's having trouble learning to read can get a little extra help. It means a child who's feeling down can get an encouraging word.

And I believe children deserve the best possible environment in which to learn. That's why, last year, this government made a commitment to cut the number of portables by 50 per cent over three years.

Last year, we started 23 new schools and 66 school renovations and expansions, which will retire 514 portables.

This year, we'll invest \$341 million in building 13 new schools and renovating 103 others, which will put 560 portables out to pasture.

Post-secondary

We're keeping our commitment to B.C.'s post-secondary students, too. This budget includes funding to create spaces for 2,900 post-secondary students and apprentices. That includes 700 new spaces for students in high-technology fields. And it brings the total number of new spaces to nearly 16,000 since 1996.

And we're keeping those spaces affordable. I'll say it again—our government believes that getting a good education shouldn't depend on where you're from or how much your parents earn. With this budget, tuition fees remain frozen for the fourth straight year. B.C.'s tuition fees are now the second lowest in the country.

It's having a real effect. I'm proud to say that for the first time since 1976, the proportion of British Columbians attending post-secondary institutions is above the Canadian average. Among 18 to 24 year olds, we are second only to Quebec.

There are thousands of students in our universities and colleges who wouldn't be there, couldn't be there, if tuition fees were going up by 20 or 30 per cent, as they have in other provinces.

It's a shame that in one of the richest countries on Earth, young people in some provinces are having to drop out because of high tuition and a crushing debt load.

We won't let that happen in B.C. A good education is a door to a good job and a better future. And that's a door we want to keep open for every young British Columbian.

Youth Options BC

This budget also funds Youth Options BC, helping young people with opportunities for jobs, training, work experience and post-secondary education. It includes such programs as Student Summer Works, the Environmental Youth Team and Youth Business & Entrepreneurship Training.

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This year, we are investing \$34.5 million to help 17,000 young British Columbians. We are committed to ensuring the best possible start to the careers of B.C.'s young people—the generation that will drive our economy in the next century.

Honourable Speaker, education accounts for nearly 30 per cent of the budget, and we're increasing the operating and capital budget by \$189 million.

We've made it clear on this side where we stand on health care, and where we stand on education. I look to the members on the other side of the aisle to support these increases. B.C. families deserve to know where all of us stand. I hope the other side will stand with us on the side of health care and education.

Helping small business create jobs and diversify the economy

One thing comes through again and again: for small business, the key issue is competitiveness.

And the best way to help them compete, create jobs and diversify our economy is to cut their taxes.

Some would give the biggest tax cuts to the biggest and wealthiest businesses. We believe the best way to help create jobs and diversify our economy is to target tax cuts to B.C.'s 40,000 small businesses.

Small businesses are the most creative, most powerful entrepreneurial force in the province. And B.C. has the fastest small-business growth rate in Canada.

Ninety-eight per cent of B.C. businesses are small businesses. 858,000 British Columbians get their pay cheques from a small business. It's where the jobs are.

The typical small business is focused on the high-tech, service or information sectors. From 1994 to 1997, tourism alone accounted for 600 new small businesses every year. The high-tech sector created more than 500 businesses per year, and value-added manufacturing created 300 per year.

I've talked to many small-business people throughout the province. One thing comes through again and again: for them, the key issue is competitiveness.

We believe the best way to help create jobs and diversify our economy is to target tax cuts to B.C.'s 40,000 small businesses.

In the last budget, we cut the small-business income tax rate from nine per cent to 8.5 per cent. And we said that this year, we'd cut it again to eight per cent.

Honourable Speaker, we can do better.

Effective July 1, I am cutting the income tax rate for B.C.'s 40,000 small businesses to 5.5 per cent. That is lower than Alberta.

This will save B.C. small business owners \$63 million annually. That's \$63 million more for the most dynamic sector in our province's economy.

And I will go further still. I'm committing today that B.C. will keep our small-business income tax rate lower than Alberta's. Any further reduction in Alberta's rate will be matched dollar for dollar by B.C.

That's my commitment to small businesses in B.C. And that's my commitment to the hundreds of thousands of British Columbians who work in them.

We've made our choice. We're cutting taxes for small business. Our position is clear. And I call on those across the way to tell British Columbians where they stand. Will they stand with us on the side of small business?

Helping families make ends meet

Families deserve our attention, Honourable Speaker. And this, too, is an area where choices must be made.

Some people would introduce across-the-board tax cuts that benefit the wealthiest the most.

But we've chosen tax cuts and other measures geared to helping families make ends meet—targeted tax cuts that allow us to protect health care and education.

The freeze on tuition fees and Hydro rates is part of our effort. So is the BC Hydro rebate homeowners received last year. And last month, ICBC announced, after three years of rate freezes, the first-ever road safety dividend, cutting premiums by two per cent.

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We've cut personal income taxes for individuals as well. On January 1st of this year, we reduced the tax rate by two per cent, saving British Columbians \$110 million a year.

The combined impact of our tax cut in January, and this tax cut in the federal budget, is a four per cent reduction in provincial personal income tax.

Personal income tax reduction

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I am pleased to say there is a further tax cut coming.

In the last federal budget, Ottawa increased the basic personal exemption—a move that benefits mainly low—and middle-income earners. That's good.

That change, though, also affects B.C.'s provincial tax revenues, reducing them by \$120 million per year.

This government believes it's important to pass that tax cut on to British Columbians, and we are doing that. The combined impact of our tax cut in January, and this tax cut in the federal budget, is a four per cent reduction in provincial personal income tax.

This brings to eight per cent the provincial income tax cut for B.C. families since 1995. That's \$385 million, back into the pockets of British Columbia families.

BC Benefits and BC Family Bonus

But for some families, making ends meet is difficult.

That's what led our government to introduce the BC Family Bonus in 1996—a monthly payment to low—and modest-income families to help them stay in the work force.

It's the most generous program of its kind in Canada. In this budget, we are renewing our commitment by increasing the benefit in the combined Family Bonus and National Child Benefit by two per cent. That's \$8 million more into the pockets of those families.

BC Benefits has had many successes in helping people move from welfare to work. But we've identified some groups of people who are having trouble making that transition. And we are considering making some improvement to the earnings exemption to help people move back to the workforce more easily.

B.C.'s economic plan

In last year's budget, I announced a three-year economic plan, developed through consultation with business, working people and local communities.

We based that plan on simple but sound principles:

- cutting taxes to help families and make B.C. business more competitive
- getting rid of unnecessary red tape that prevents business from growing and creating jobs
- and making investments to improve both our economy and our quality of life.

Last fall, the Premier created a high-level Cabinet committee—the Economic Council of Ministers—to implement the plan.

The Council has met with economic stakeholders from across B.C. We've visited individual businesses and met with industry leaders. We've talked to union organizations and working people.

And I've travelled the province, listening to advice from British Columbians: Chambers of Commerce in Penticton, Prince George, Quesnel, Golden, Burnaby and Campbell River; the Rotary Club in Nelson; editorial boards and open-line shows in Kamloops, Vernon and Kelowna—among many more.

As a result of their advice, we targeted a series of tax cuts carefully to encourage the sectors that have the highest potential to grow and create jobs. And those tax cuts have paid off.

We brought in a package of tax credits for the film industry. Between last spring and the end of the year, 64 productions came to B.C. As a result of our targeted tax credit, B.C. recorded \$808 million worth of film production last year. Today we lead Canada in film production and employ 25,000 British Columbians in this fast-growing industry.

We cut the international jet fuel tax to encourage tourism—an industry which is on track to create 25,000 new jobs by 2001.

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The second phase of our targeted business tax cuts will come into effect this year. The corporation capital tax threshold will rise to \$3.5 million as of next January 1.

I am pleased to announce today that we will extend the corporation capital tax holiday to four years from the current two years for qualifying investments made after March 31, 1999.

And we cut royalties for oil and gas by 20 to 40 per cent . . . leading to a record year for drilling, up 15 per cent in 1998.

We cut the top marginal income tax rate and the small-business corporate income tax rate, and raised the corporation capital tax threshold to support growth in high technology—the fastest-growing sector of our economy. During this decade, the number of high-tech businesses increased by 50 per cent; the value of our exports nearly doubled.

We also targeted tax cuts to sectors that have been hit the hardest, like forestry and mining.

Since I introduced the three-year plan a year ago, new issues and new opportunities have arisen—and we're responding in this budget.

Business tax cuts

The second phase of our targeted business tax cuts comes into effect in the coming year. The corporation capital tax threshold will rise to \$3.5 million as of next January 1.

As well, effective this Thursday, the international jet fuel tax will drop to two cents per litre—half what it was two years ago. This will improve the competitive position of Vancouver International Airport.

And as I announced, we're cutting the small-business income tax rate to 5.5 per cent.

Finally, I am pleased to announce today that we will extend the corporation capital tax holiday to four years from the current two years for qualifying investments made after March 31, 1999.

Cutting red tape

We've made a lot of progress in cutting red tape, thanks to the efforts of the Business Task Force—a group with representatives from business, labour and government. They've done a tremendous job of combing through regulations and finding ways to cut red tape and reduce the cost of doing business in B.C.

Their work has provided information for our broader effort to get rid of unnecessary regulations as part of our economic plan. And the results of that broader effort speak for themselves:

- 33 provincial laws streamlined
- One-stop business registration centres
- A more straightforward environmental assessment process
- Streamlining for Crown land administration
- Deregulation of motor carrier administration, and an end to application and renewal fees.

These are just a few examples, and there are more to come. With the help of the Business Task Force, I intend to introduce further legislation to streamline B.C.'s rules and regulations in the coming session.

Liquor regulations

A task force has been working since last fall, examining B.C.'s liquor regulations.

They developed a consensus report released earlier this month, and their suggestions make eminent sense: two kinds of liquor licence instead of 10. Scrapping regulations that serve no health or safety purpose. A simpler approval process that takes six to 12 weeks—instead of up to 18 months.

We are now consulting B.C.'s local governments on these recommendations.

Business lens

In addition, I am introducing a new policy to require that major new regulations affecting business must be accompanied by a business impact statement—something we're calling a business lens on regulation.

The business lens will go a long way toward improving both the quality of our regulations . . . and the confidence that British Columbians have in them.

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Regional economies

One of the most striking developments of recent years is the way the changing world market has created two B.C. economies—one that's performing well, and another that's struggling.

In the Lower Mainland, unemployment has dropped from 8.7 per cent to 6.6 per cent in a single year. In the Northeast, unemployment is only 4.9 per cent.

But in communities which rely heavily on a single, resource-based industry, the situation is much different.

For several years now, we've worked with resource communities to help them strengthen and diversify. Programs like Forest Renewal BC and Fisheries Renewal BC have helped to upgrade the skills of resource workers, renew and conserve our natural resources, and modernize our resource industries.

We've made changes to the Forest Practices Code to streamline regulation while still protecting the environment. Industry is benefitting from stumpage reductions amounting to \$550 million since 1997.

In November, we released the first part of our Forest Action Plan, with a new pricing system that is making more timber available to value-added wood manufacturers, helping them grow and create new job opportunities.

In January of this year, we introduced the second part of the plan, changing our utilization policies and streamlining administration. And a new billing process will soon let forest companies spread their stumpage payments over the course of a year. Until that process is fully in place, we're giving companies an extra 90 days to pay their stumpage fees.

Over the past year, our government has consulted widely with British Columbians about our regional economies. The Premier has held summits with industry, labour and community leaders in the North, in the Southern Interior and in the Kootenays.

In the coming months, further summits are scheduled for the Cariboo and the North Island.

Industry is benefitting from stumpage reductions amounting to \$550 million since 1997.

Over the past year, our government has consulted widely with British Columbians about our regional economies.

Those summits have resulted in important initiatives like the creation of the Northern Development Commissioner. But they also delivered a crucial message.

These communities told us they need a strategy to help them strengthen and diversify.

We've listened. And we're going to give people in local communities the tools and opportunities they need to take charge of their futures, with a strategy for regional community economic development.

Local communities will shape the initiatives and provide the ideas and energy. We'll provide funding and advice, helping with programs identified by the community to strengthen and diversify the local economy.

We'll engage the entrepreneurial spirit of our towns, cities and of B.C.'s volunteer organizations and co-op movement.

We'll also put a particular emphasis on ensuring all B.C. communities have access to the tools of the modern economy. The Northern Development Commissioner has told me how important Internet access is for rural and remote areas.

We'll work through initiatives like PLNet, the Provincial Learning Network, to ensure all British Columbians can be full participants in the communications revolution.

This budget includes \$10 million to launch this regional development strategy.

Capital investment

In the coming year, we will make our largest ever investment in capital—\$1.9 billion. Our emphasis is on health, education and transportation.

Honourable Speaker, here again the difference is clear. In other provinces they are closing hospitals and closing schools. Here in B.C., we're building hospitals and building schools. Will the Members opposite stand with us to support these projects—to improve health care, to improve education, to meet the needs of families.

And we're going to give people in local communities the tools and opportunities they need to take charge of their futures, with a strategy for regional community economic development.

In the coming year, we will make our largest ever investment in capital—\$1.9 billion.

Our emphasis is on health, education and transportation.

We'll invest \$359 million to build, expand and improve hospitals and other health care facilities.

Another \$468 million will go to construction at B.C.'s schools, colleges and universities.

Over the next few months, we'll work with the public and with B.C.'s many "green entrepreneurs" to assemble a package of initiatives promoting B.C.'s leadership in environmental economic development.

We'll invest \$359 million to build, expand and improve hospitals and other health care facilities.

Another \$468 million will go to construction at B.C.'s schools, colleges and universities.

And we'll also invest in transportation—the backbone of a healthy modern economy, and an important part of our quality of life.

\$490 million of our capital budget is going into highways, an increase of \$140 million—offering new regional business and tourism opportunities and helping to build a safe, efficient highway network where business can compete and thrive. And for 5,400 people, this investment will mean well-paying jobs.

We will rehabilitate roads in the North and Interior; improve and extend corridors like the Vancouver Island Highway and the Trans-Canada between Cache Creek and the Rockies; improve major highways outside the Lower Mainland; and relieve congestion in the Lower Mainland.

Construction will begin this fiscal year on a major expansion of the SkyTrain system.

We're also investing in tourism, with \$8.5 million earmarked in this budget to create 1,000 new campsites in the provincial park system.

Green economy

As we enter the new century, British Columbians have made it clear to me that they put a high premium on our quality of life. And a key part of that quality of life is the health of our environment.

Over the next few months, we'll work with the public and with B.C.'s many "green entrepreneurs" to assemble a package of initiatives promoting B.C.'s leadership in environmental economic development.

Part of that effort is a revenue-neutral tax shift. In some jurisdictions, such as Alberta, tax reform simply means tax cuts that reward the rich. To us, tax reform means—among other things—encouraging environmentally-sound business practices. We'll be initiating discussions with

British Columbians in the months to come, over how we can make our tax system better reflect our provincial values.

Since the sewage and water treatment industry is one of the most innovative of B.C.'s environmental sectors, we're taking action to promote its continued growth. We're committing \$50 million in each of the next three years for local sewage and water facilities.

High technology

To encourage innovation in our growing high-tech sector, this budget sets aside \$20 million to create new incentives for research and development in the province. The program may take the form of grants or a tax credit, and we'll be working with industry to finalize the details.

Housing

Housing has been a bright light in B.C.'s economy for most of this decade, in part because of new residents coming to the province. But the economic downturn has hit the housing industry hard in recent months.

In the coming weeks, we will be working with the industry and with construction workers to develop new initiatives that will give a boost to housing construction and create new job opportunities.

We will also be working with these partners to increase social housing by 1,200 homes over the next two years.

Honourable Speaker, employment opportunities are what our economic plan is all about. By cutting taxes and red tape, and making targeted investments in B.C.'s economy, we can work in partnership with business today to ensure opportunities tomorrow, and a secure, prosperous future for our children.

To encourage innovation in our growing high-tech sector, this budget sets aside \$20 million to create new incentives for research and development in the province.

Fiscal outlook

Honourable Speaker, let me now turn to the government's fiscal plan.

In meetings across the province last fall and earlier this spring, I consulted widely with people in all walks of life regarding this budget.

British Columbians have told me they want this budget to tell it like it is. They want me to give them the straight goods. They want me to keep our projections cautious.

Transparency

I have also followed the advice of the Auditor General to make the budget more transparent. This budget adopts many of Mr. Morfitt's recommendations, and work is under way to respond to all of his proposals.

Over the past few years we have been working to improve the budget-making process. For instance, we now publish an explicit disclosure of the revenue contingency built into the budget. We also publish a new report on the uses and sources of government debt.

In the coming session, I will introduce legislation to formalize a forecasting panel—an independent group of experts who will advise me on the economic outlook.

The quarterly reports will now be on a strict publication schedule. And the second quarterly report, each year, will be accompanied by revisions to our forecasts—so British Columbians can know exactly where our province stands.

Our reporting has improved in this budget as well, in accordance with advice from the Auditor General. For example, there is a new schedule in the Estimates on pension liabilities that responds to his call for more open reporting.

Key expenditure assumptions are summarized in table form to make them accessible to readers. So are the main revenue assumptions. And we are continuing to expand the supply of information on our economic forecasts.

I have also followed the advice of the Auditor General to make the budget more transparent.

This budget adopts many of Mr. Morfitt's recommendations, and work is under way to respond to all of his proposals.

We have also updated our accounting policies. B.C. is now a leader in the capitalization of assets. The Estimates and the Public Accounts are now on an expense basis.

These are important changes, and more will come in the following months.

1999–2000 fiscal position

In drawing up the fiscal plan for this budget, I have chosen to adopt the policy, already in use at the federal level, of conservative revenue forecasting.

I have increased the revenue reserve in this budget by \$100 million, to \$230 million. I have also chosen to draw down \$120 million less than the full amount of one-time federal funding made available in Ottawa's recent budget.

In addition, I have tabled with this budget a fiscal planning framework which sets out the government's financial planning assumptions over a five-year period. This framework tells British Columbians how the government plans to balance the budget.

This framework shows that if we protect health and education, while cutting spending in other areas, we can manage the budget.

It makes clear that, unlike other provinces, we intend to grow our way out and not cut our way out.

Let me be direct. Our fiscal situation is probably going to get worse before it gets better.

But I believe these are the right choices for B.C. families.

At the same time that we have increased spending in health care and education—two-thirds of the budget—we have cut spending in eight other ministries by \$120 million.

As well, over the past several years, our government has taken a hard look at which activities government should be involved in. We've sold a number of assets and operations, such as Westel, the government vehicle fleet and BC Systems Corporation.

At the same time that we have increased spending in health care and education—two-thirds of the budget—we have cut spending in eight other ministries by \$120 million.

In the coming year, we intend to dispose of some of the properties of the BC Buildings Corporation.

In forecasting the deficit for the coming year, I have erred on the side of caution. The deficit target for 1999–2000 will be \$890 million. It's a large number, higher than I wanted it to be, but as high as it has to be in these circumstances.

This deficit comes with the choices we've made: to improve health care, improve education, provide tax relief for working families, and help small business create jobs.

The deficit for 1998–99 is forecast to be \$544 million.

Conclusion

Honourable Speaker, this budget reflects the values and choices that I believe the majority of British Columbians support.

I know the members opposite will disagree with this budget. They'll criticize it, and they'll vote against it.

But I want it to be clear to British Columbians that when those members vote against this budget, they're voting against the choices we've made.

They're voting against more nurses, more hospital beds and shorter waits.

They're voting against more teachers, smaller classrooms for students, and frozen tuition fees.

They're voting against targeted tax cuts that help small business create jobs, help small business diversify, help small business prosper.

Honourable Speaker, British Columbians deserve better.

On this side of the house, we have a different vision—one that I am proud to defend. I stand by this budget, because it's the right thing to do for British Columbians today.

It's been 37 years since an NDP government first introduced medicare in Canada.

On this side of the house, we have a different vision—one that I am proud to defend.

I stand by this budget, because it's the right thing to do for British Columbians today.

I'm proud to deliver a budget today that ensures we can improve medicare and secure it for our children, and their children.

We on this side of the house believe in advancing public education, and ensuring it's there for every child in British Columbia, regardless of where they come from.

And I'm proud that this budget ensures a good start for B.C. children in our schools, and makes it possible for every young person who graduates from high school to get a post-secondary education—because our children are the key to the future.

We on this side of the house support tax cuts—not the kind of across-the-board tax slashing that benefits the wealthiest in our society the most, but targeted tax cuts that produce real results and help small business create jobs. And I'm proud to say that's what this budget delivers.

This budget is about health care. This budget is about education. This budget is about cutting taxes to help small business.

Honourable Speaker, this budget is about the future. On behalf of our government, I'm proud to introduce this budget for British Columbians.

This budget is about health care.

This budget is about education.

This budget is about cutting taxes to help small business.