Second Quarterly Report

British Columbia
The Best Place on Earth
Ministry of Finance

November 30, 2006

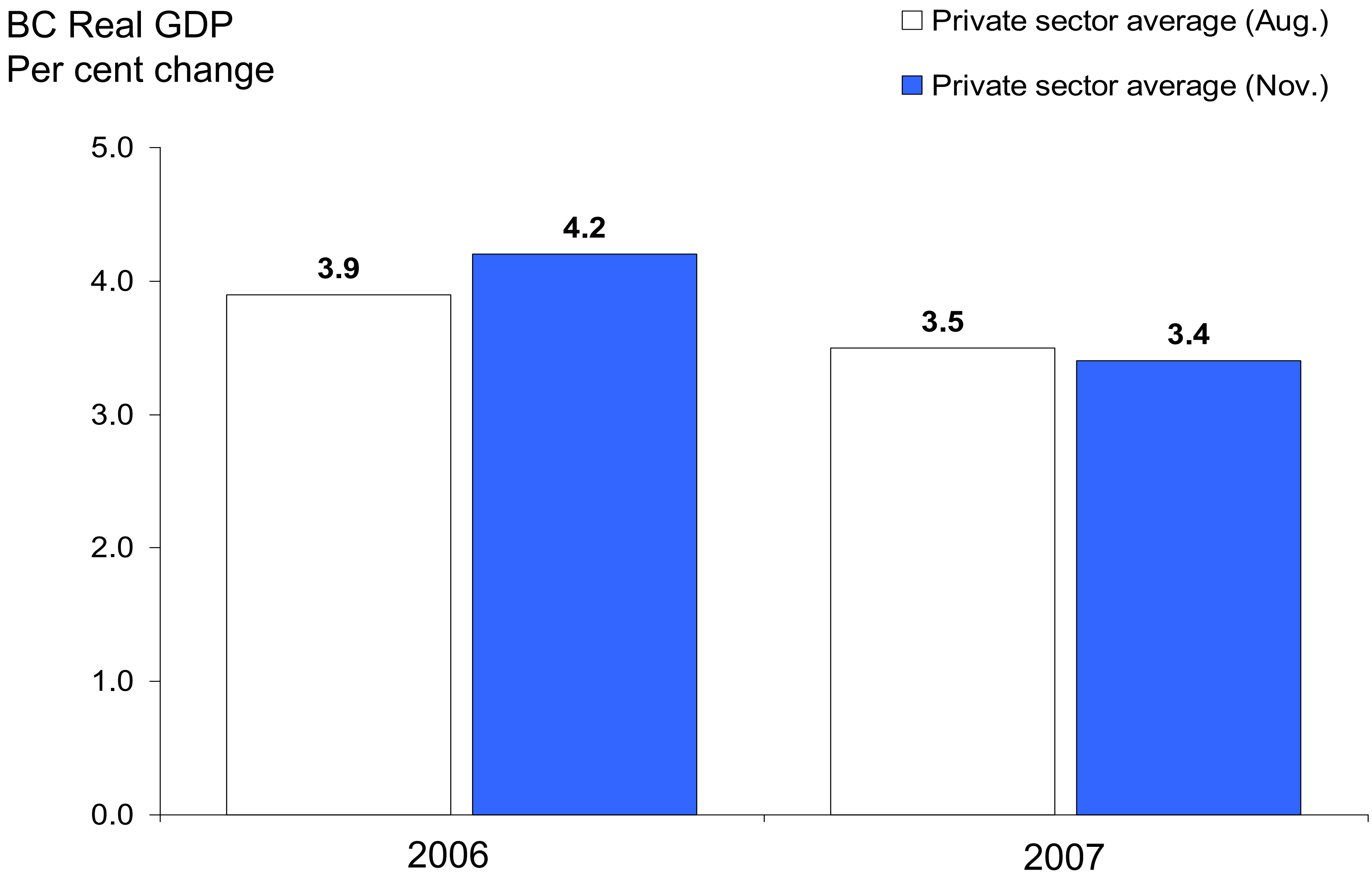
Strong results in 2006

Economic indicators show strong domestic performance

(per cent change)	Apr - June 2006/ Jan - Mar 2006	Jul - Sept 2006/ Apr - June 2006	Year-to-Date Jan – Sept 2006/ Jan – Sept 2005
Employment	+0.7	+0.2	+3.3
Mfg Shipments	-1.3	-0.2	+3.2
Exports	-4.1	-1.7	+1.0
Retail Sales	+2.4	+1.3	+6.8
Housing Starts	-13.1	+4.2	+9.2
Building Permits (Non-Residential)	-5.5	-2.9	+9.4

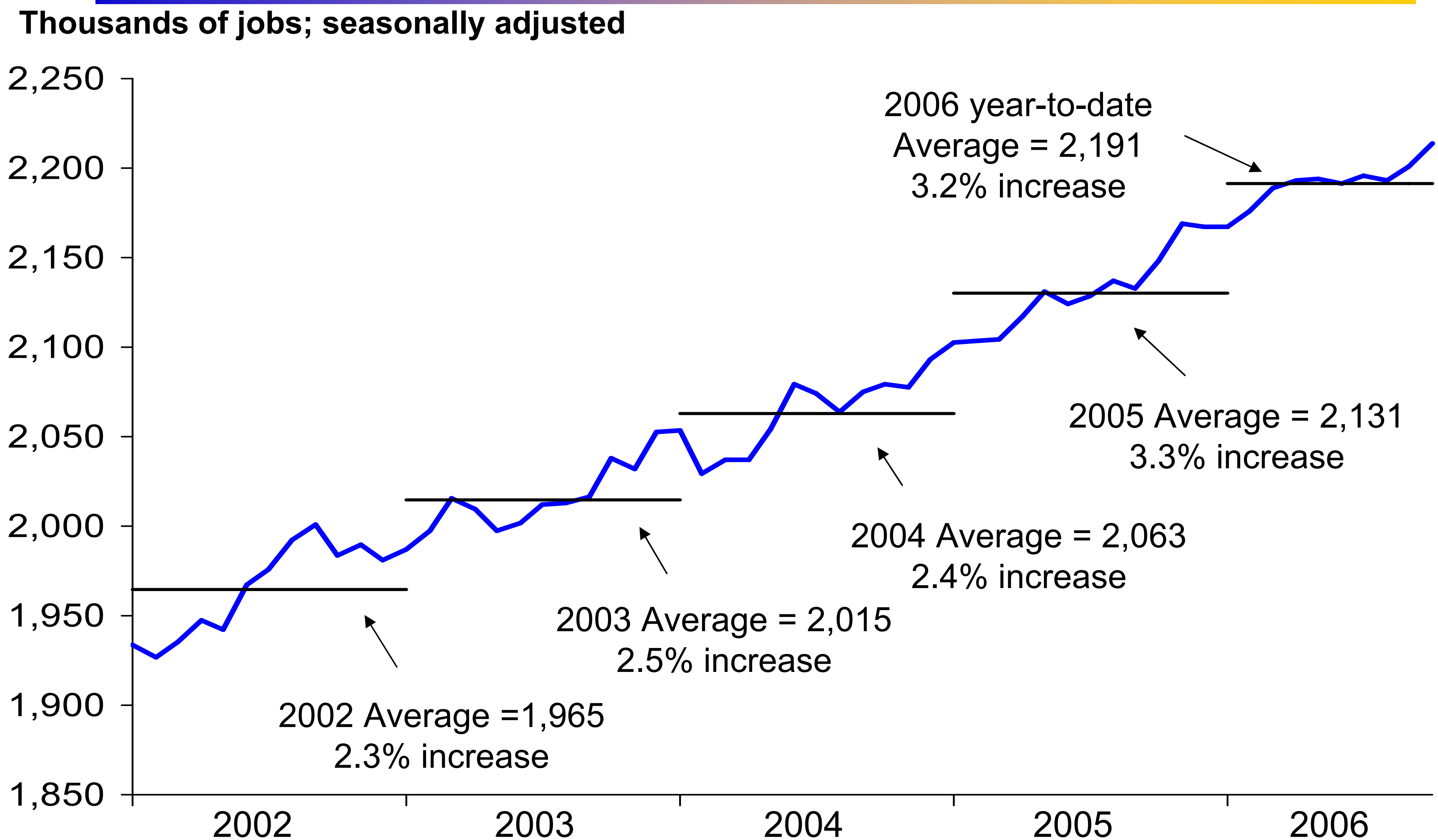
Sources: Statistics Canada; BCSTATS; Canada Mortgage and Housing Corporation
All data seasonally adjusted – as of November 21

Private sector short-term outlook positive



Sources: Private sector forecasters

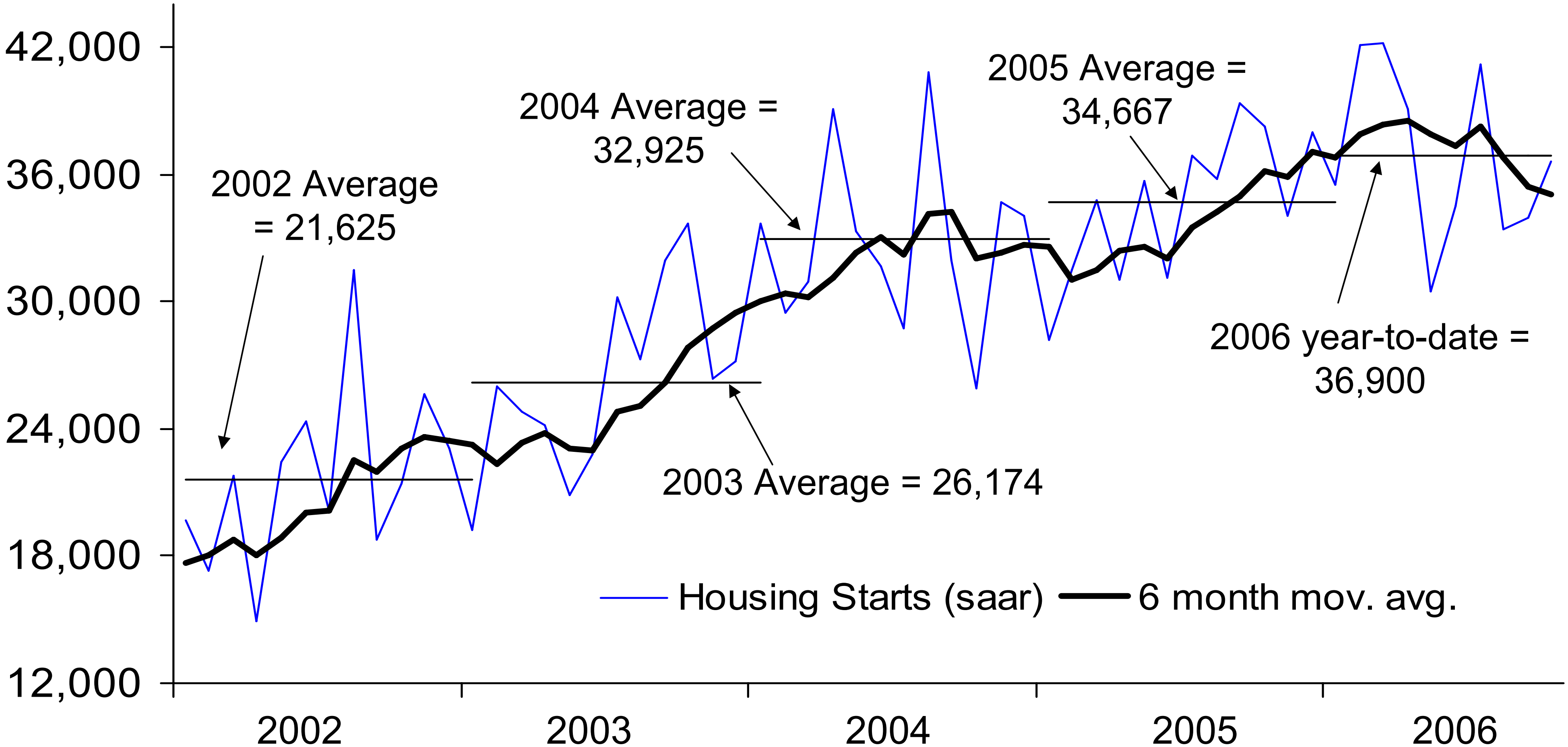
Employment growth remains strong



Source: Statistics Canada

Housing starts have slowed but remain at high levels

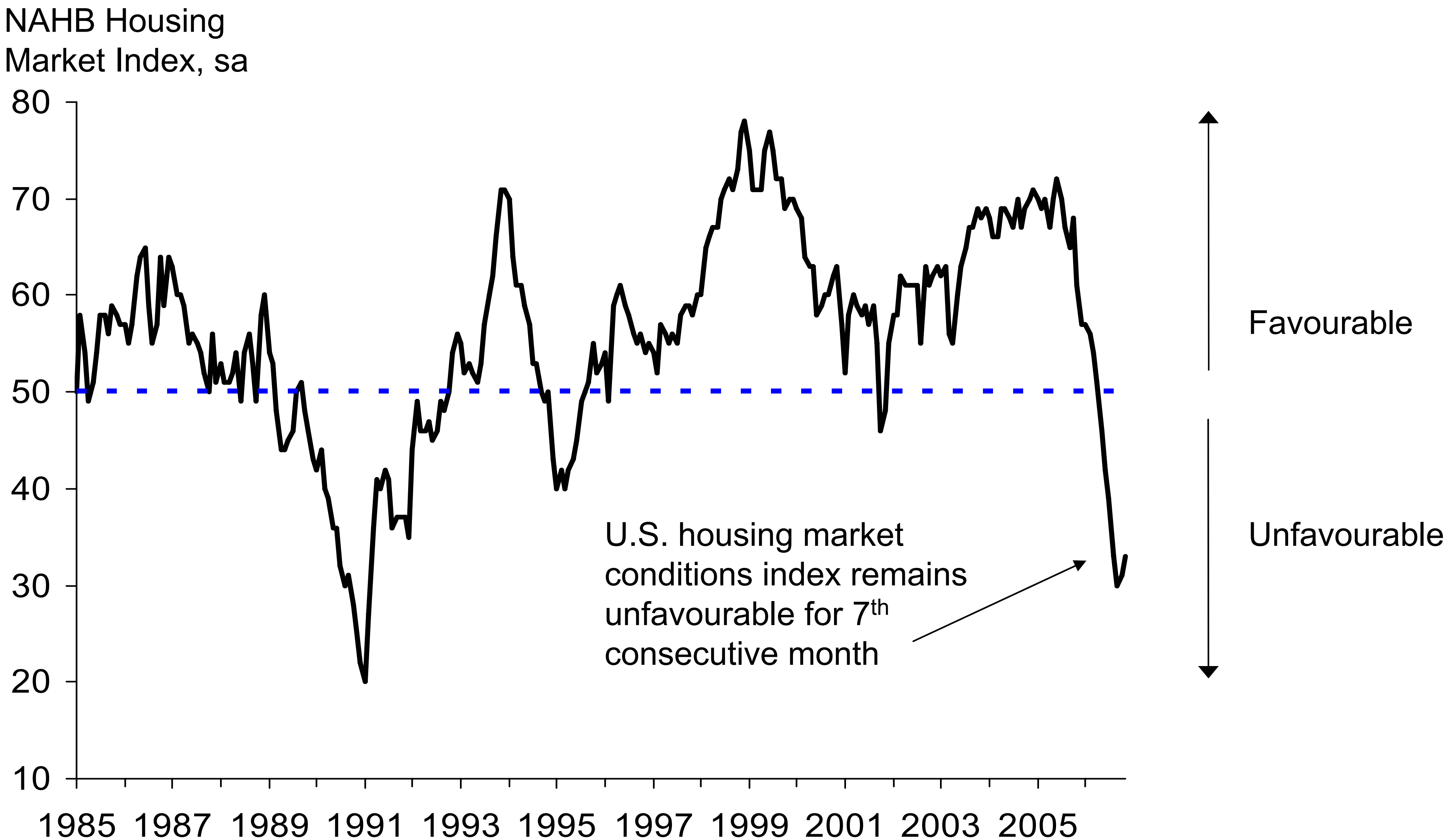
Housing starts; number of units seasonally-adjusted at annual rates



Source: Canada Mortgage and Housing Corporation

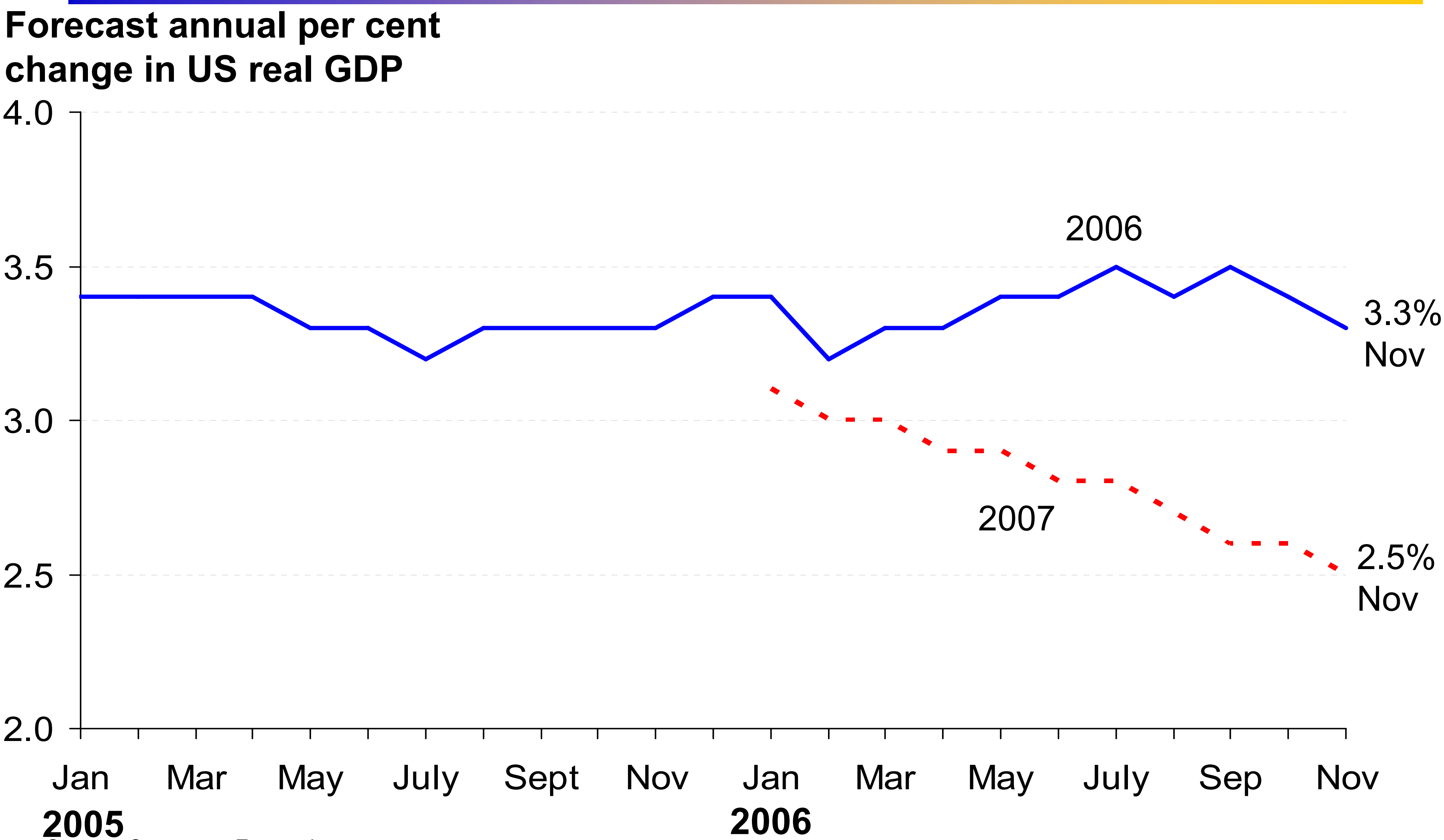
Risks to the outlook remain

US housing market weak



Source: National Association of Home Builders

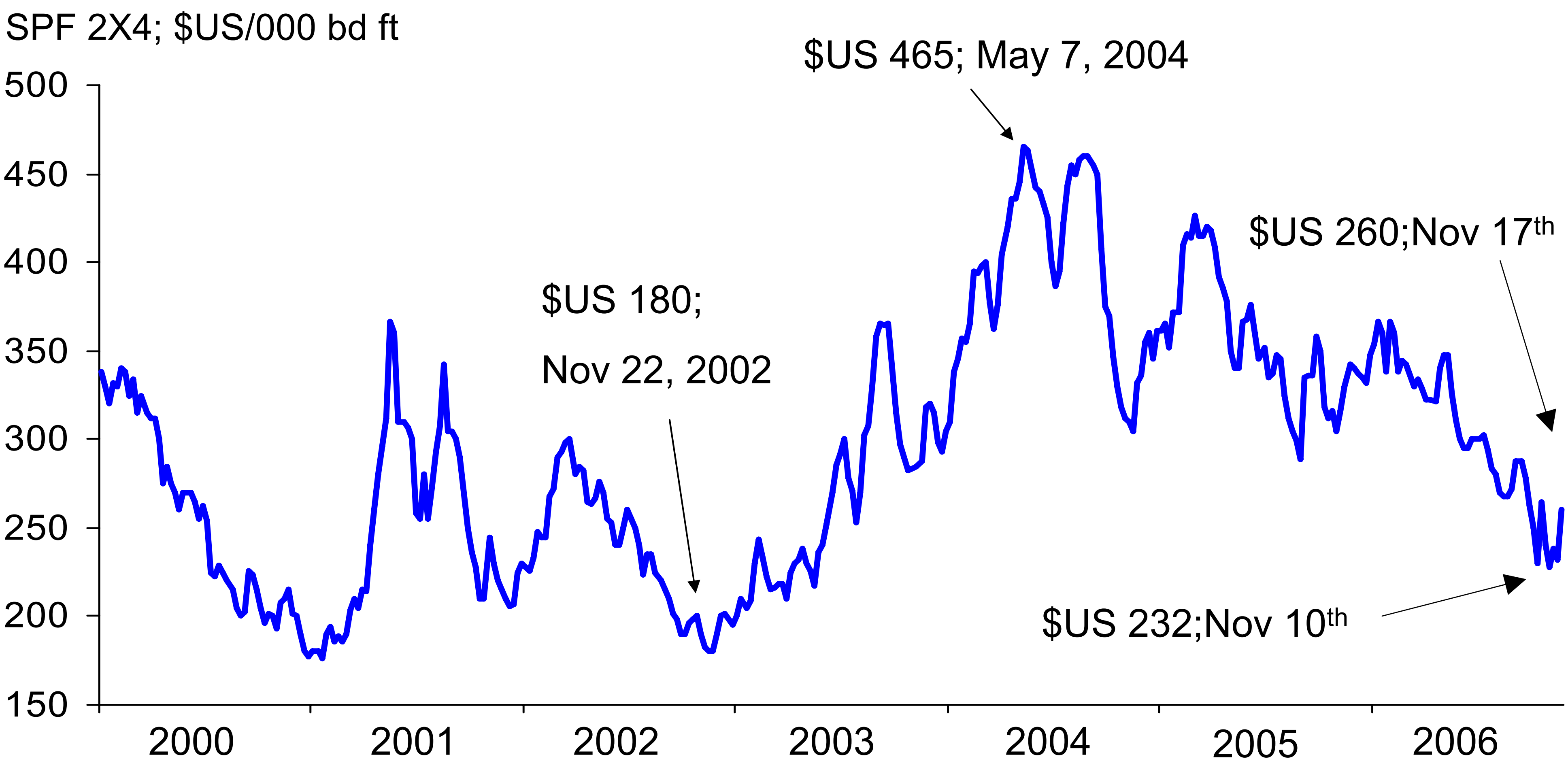
Consensus outlook for US economy continues to deteriorate



Source: Consensus Economics

The chart represents forecasts for US real GDP growth in 2006 and 2007 as polled on specific dates. For example, forecasters surveyed on November 13, 2006 had an average 2006 U.S. growth forecast of 3.3 per cent, while in July they forecast 2006 U.S. growth at 3.5 per cent.

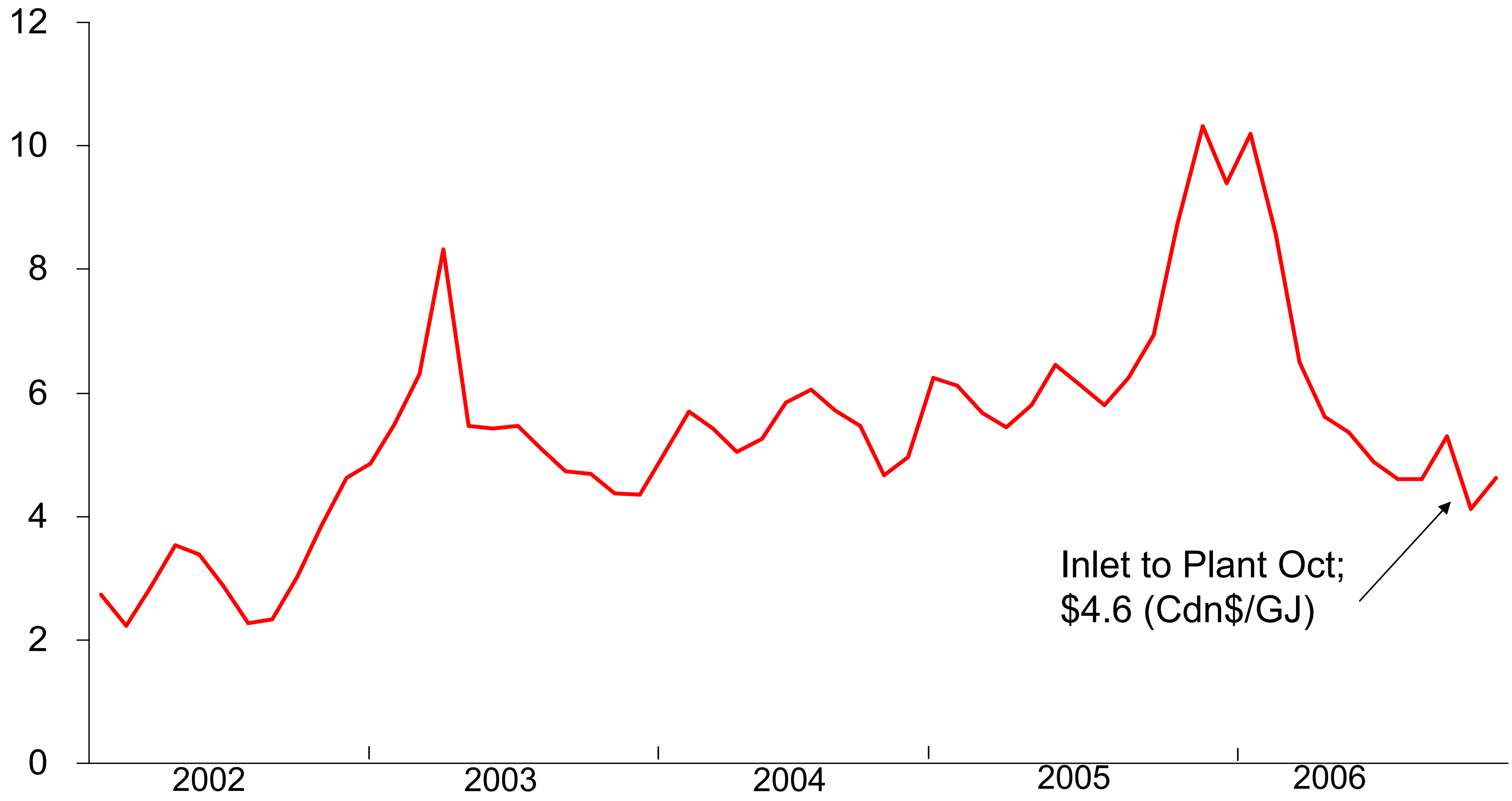
Lumber prices trend down



Source: Madison's Lumber Reporter

Natural gas prices remain volatile

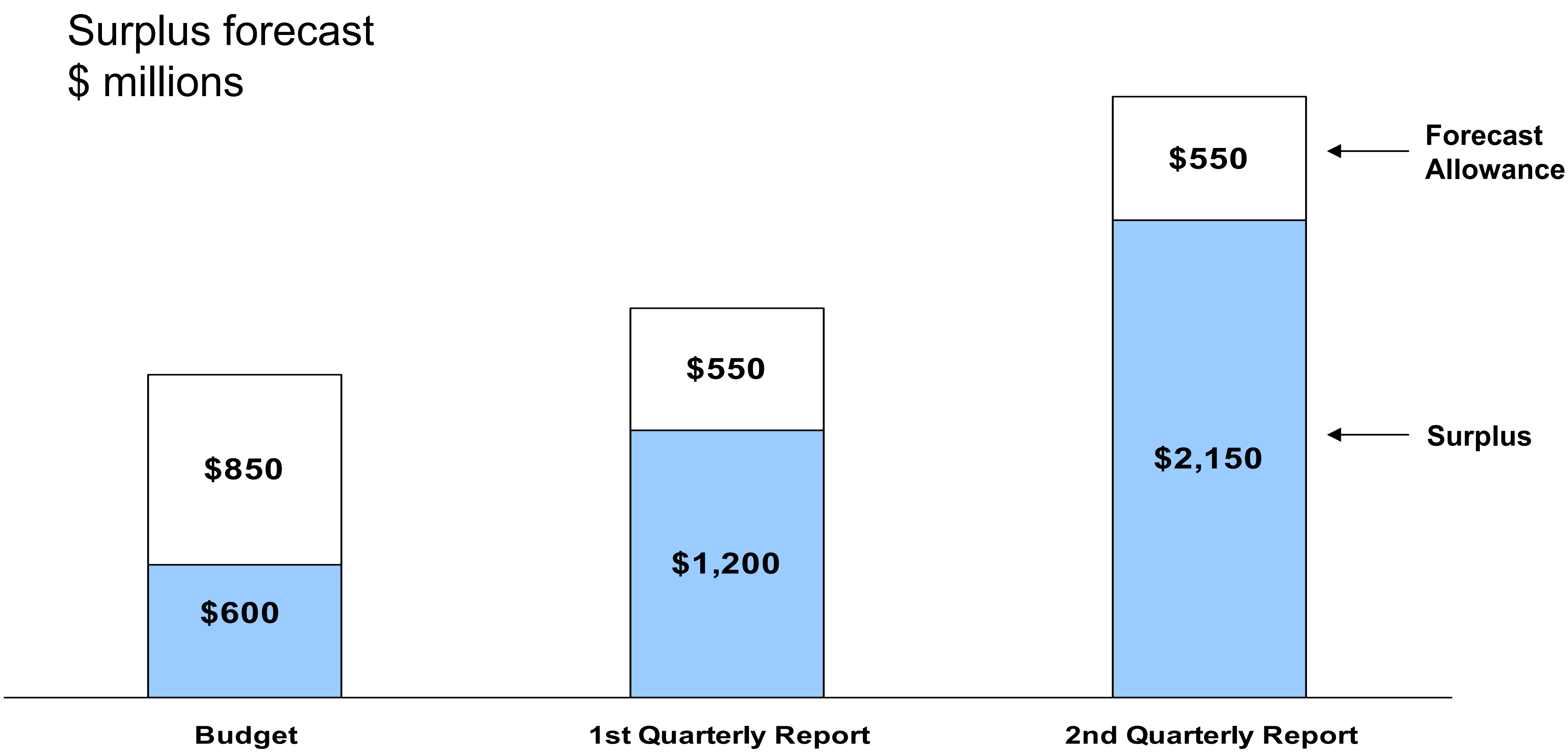
Inlet to plant natural gas price (Cdn$/GJ)



Source: BC Ministry of Energy, Mines and Petroleum Resources

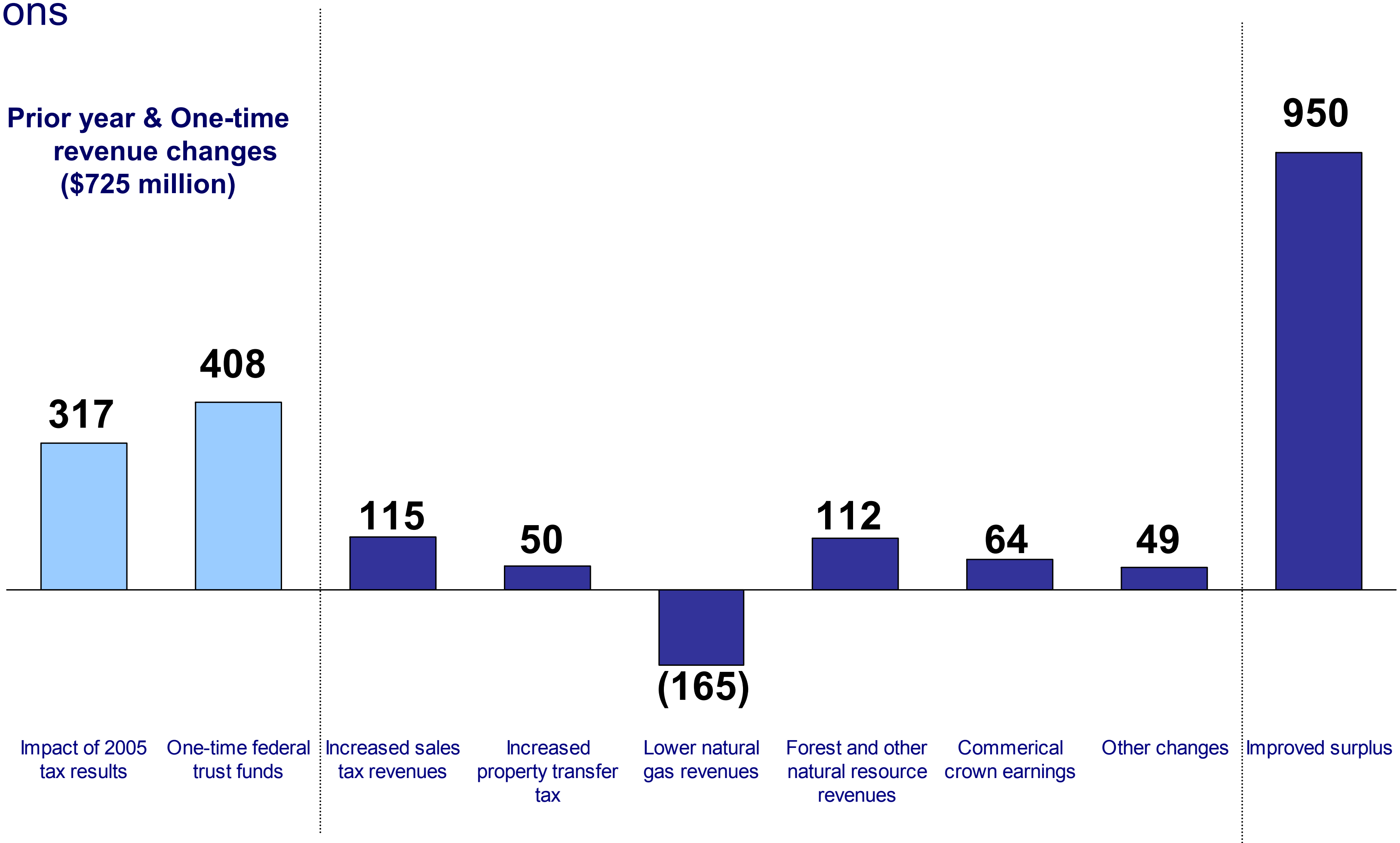
Fiscal Update

2006/07 surplus improves

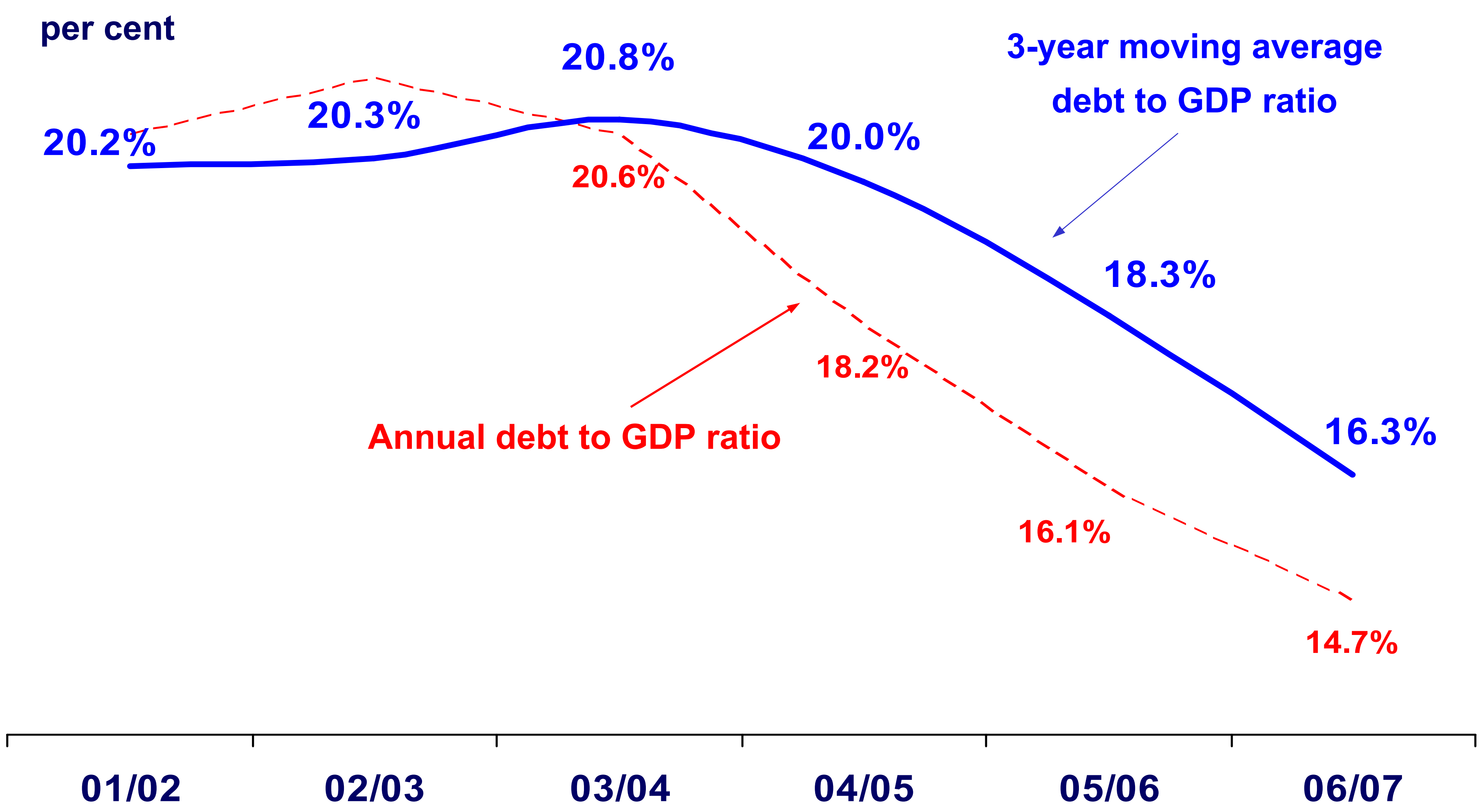


Improved 2006/07 surplus reflects strength in prior years and one-time revenues

Main changes since the first *Quarterly Report – 2006/07*
$ millions



Taxpayer debt burden continues downward trend



BC upgraded to AAA

- In October 2006, Moody's upgraded BC's credit rating to AAA, the highest possible credit rating
- Only Alberta and the Government of Canada currently hold this rating
- Moody's cited BC's record for:
  - A well structured fiscal plan and
  - Reduced debt burden

Negotiating Framework

Negotiating framework

- **Flexible framework**
- **Not "one size fits all"**
- **Covers 300,000 people**

Source: Second Quarterly Report presentation – November 30, 2005

Working together

- **Improving working conditions**
- **Providing better services to British Columbians**
- **Policy tables**

Source: Second Quarterly Report presentation – November 30, 2005

Additional service improvements

Examples of service improvements include:

Health Sector

- Addressing nursing shortages on nights/weekends
- e-Health initiative for doctors

Education Sector

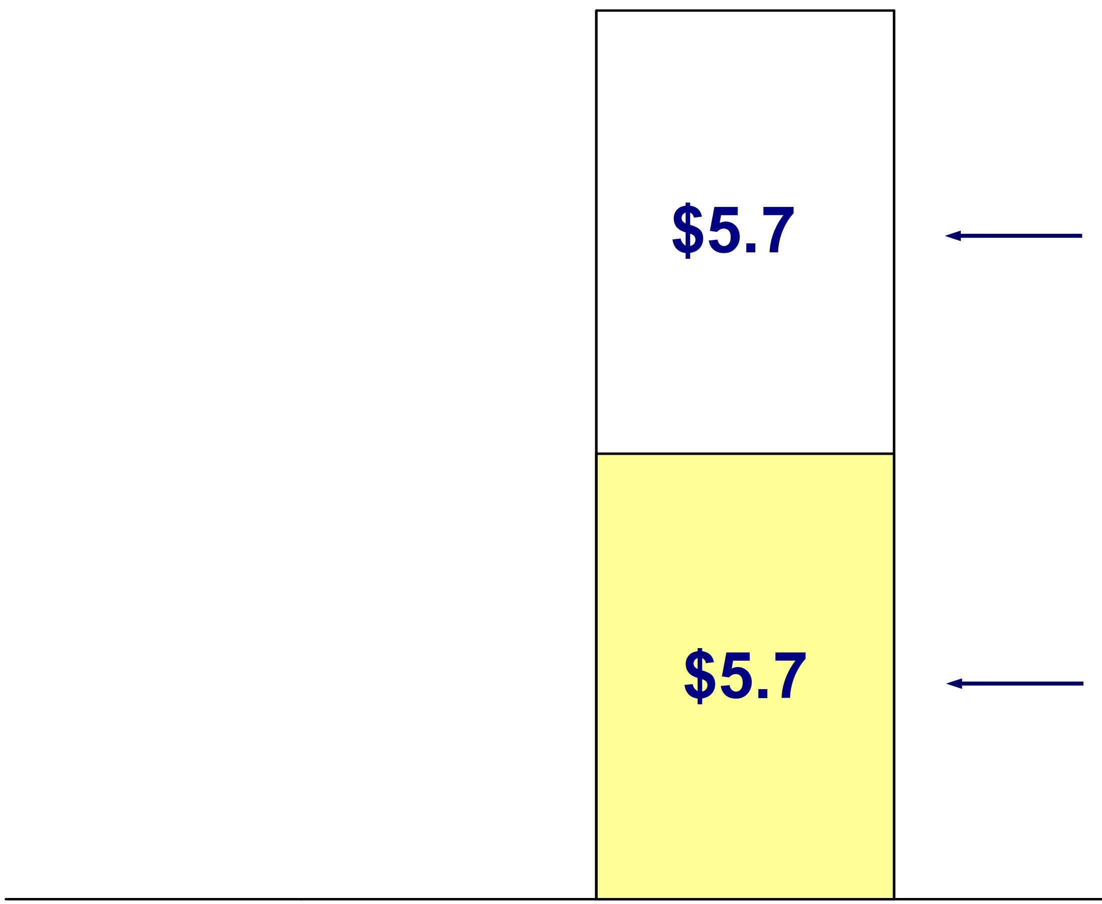
- Attracting teachers to rural and remote school districts
- Skills Enhancement and Apprenticeship Committee

Allocation of available funds

$ billions

Five - year total

$11.4 billion



Negotiating framework:

- **$ 1.0 B in 2005/06**
- **$ 4.7 B for 2006/07 to 2009/10**

Available for:

- **Growth in services as BC grows**
- **Service enhancements**
- **Carrying costs of capital**
- **Tax reductions**
- **Forecast allowance**

Source: Second Quarterly Report presentation – November 30, 2005

Compensation package costs

Sector/Employers	Cumulative ($millions)							
	Early Incentive	06/07	07/08	08/09	09/10	Four Year Total (including Early Incentive)	Potential Fiscal Dividend	Total
Health	400.66	256.74	478.24	693.93	975.77	2,805.34	121.66	2,927.00
Education (K to 12)	242.62	65.92	159.62	253.38	348.54	1,070.08	71.74	1,141.82
Post Secondary Education	105.12	44.04	84.51	128.92	175.35	537.94	32.75	570.69
Public Service	105.01	46.35	99.15	143.72	182.30	576.53	31.63	608.16
Community Social Services	48.63	10.89	24.19	34.23	44.48	162.42	15.12	177.54
Crown Corporations	47.29	15.15	36.21	58.70	81.79	239.14	14.45	253.59
Settlements to date	**949.33**	**439.09**	**881.92**	**1,312.88**	**1,808.23**	**5,391.45**	**287.35**	**5,678.80**
Settlements Yet to go Through and Contingencies	50.67	0.91	38.08	77.12	141.77	308.55	12.65	321.20
Projected Costs	**1,000.00**	**440.00**	**920.00**	**1,390.00**	**1,950.00**	**5,700.00**	**300.00**	**6,000.00**
November 2005 Negotiating Framework (NF)	**1,000.00**	**420.00**	**895.00**	**1,420.00**	**1,965.00**	**5,700.00**	**300.00**	**6,000.00**
NF Plan Reprofile	**-**	**20.00**	**25.00**	**(30.00)**	**(15.00)**	**-**	**-**	**-**

Conclusion

- **Sustainable and affordable over longer term**
- **Based on relevant labour market conditions**
- **Encourages employees and employers to work together to improve services to British Columbians**

Source: Second Quarterly Report presentation – November 30, 2005

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