

Debt Summary

First Quarterly Report 2006/07



OPERATING RESULTS

For the Three Months Ended June 30, 2006

	2006/07		
	Budget	Actual	Variance
Taxpayer-supported programs and agencies		(\$ millions)	
Revenue	7,844	7,926	82
Expense	(8,136)	(7,963)	173
Negotiating Framework incentive payments	—	(34)	(34)
Taxpayer-supported balance	(292)	(71)	221
Commercial Crown corporation income	393	504	111
Surplus	101	433	332

- The summary accounts show a \$433 million surplus for the three months ended June 30, 2006, an improvement of \$332 million over budget.

FISCAL PLAN UPDATE

	2006/07		Updated Plan 2007/08	Updated Plan 2008/09
	Budget	Updated Forecast		
Taxpayer-supported programs and agencies		(\$ millions)		
Revenue	33,393	33,990	34,602	35,244
Expense	(33,914)	(34,346)	(35,203)	(35,898)
Negotiating Framework incentive payments	—	(290)	—	—
Taxpayer-supported balance	(521)	(646)	(601)	654
Commercial Crown corporation income	1,971	2,396	2,451	2,479
Surplus before forecast allowance	1,450	1,750	1,850	1,825
Forecast allowance	(850)	(550)	(550)	(400)
Surplus	600	1,200	1,300	1,425

- BC's fiscal outlook has improved since budget mainly as a result of stronger economic performance. The updated forecast shows a \$1.2 billion surplus for 2006/07, up from the \$600 million expected at budget. Improved surpluses are also expected in 2007/08 and 2008/09.

- The main revenue improvements arise from higher taxation revenues and higher net income from BC Hydro across the three-year plan. These increases are partially offset by a reduction in natural gas revenues as prices have fallen since budget, and increased spending due to higher forest fire fighting costs, additional spending by school districts, universities and colleges and health authorities and negotiating framework incentive payments for agreements concluded in 2006/07.

- Forecast allowances of \$550, \$550 and \$400 million are included in the three years of the fiscal plan, recognizing risks and pressures including volatile natural resource revenues.

- Economic growth in 2006 is now forecast at 3.6 percent compared to 3.3 percent at budget. For 2007, economic growth remains unchanged from budget at 3.1 percent.

PROVINCIAL DEBT¹ — UPDATED PLAN

	2006/07		Updated Plan 2007/08	Updated Plan 2008/09
	Budget Estimate	Updated Forecast		
Taxpayer-supported debt		(\$ millions)		
Provincial government direct operating	10,982	11,110	10,006	8,483
Education	7,765	7,735	8,435	8,927
Health	3,041	2,970	3,361	3,742
Highways and public transit	5,457	5,425	5,944	6,526
Other debt	638	662	719	750
Total taxpayer-supported debt	27,883	27,902	28,465	28,428
Self-supported debt				
Commercial Crown corporations	7,857	7,661	8,233	9,060
Total self-supported debt	7,857	7,661	8,233	9,060
Forecast allowance	850	550	550	400
Total provincial debt	36,590	36,113	37,248	37,888
Fiscal Plan - Total provincial debt²		36,590	38,175	39,800
Projected improvement from plan		(477)	(927)	(1,912)
Taxpayer-supported debt as a per cent of GDP	15.8%	15.7%	15.2%	14.5%

- Provincial debt is forecast to total \$36.1 billion at March 31, 2007. This is \$477 million lower than budget due to lower debt balances at the end of fiscal 2005/06 and a higher operating surplus.

- The updated plan for 2007/08 and 2008/09 reflects the lower debt balances in 2006/07 and higher operating surpluses.

- The taxpayer-supported debt to GDP ratio over the three years is lower than forecast at budget mainly due to lower debt balances and higher GDP forecast in 2006/07.

- The debt forecast assumes that forecast surpluses will be fully applied to debt reduction. However, should the government allocate some of these surpluses to other areas, the debt forecast would change accordingly.

¹ Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported on government's balance sheet as an accounts payable.

² As presented in the Budget and Fiscal Plan in February 2006.

PROVINCIAL BORROWING REQUIREMENTS

	2006/07			
	Budget Estimate	Updated Forecast	Updated Plan 2007/08	Updated Plan 2008/09
		(\$ millions)		
Operating surplus ¹	(600)	(1,200)	(1,300)	(1,425)
Capital requirements	4,826	4,978	4,839	4,655
Refinancing requirements	3,148	3,105	2,499	3,013
Other financing sources ²	(2,963)	(2,731)	(2,705)	(2,232)
Gross borrowing requirements	4,411	4,152	3,333	4,011
<i>Add:</i>				
Increase in debt guarantees	69	71	72	57
Increase in non-guaranteed debt	279	280	359	200
Increase in SUCH sector debt	243	305	229	79
Gross increase in debt	5,002	4,808	3,993	4,347
<i>Less:</i>				
Year to date — gross long-term borrowing		(598)		
Increase in debt guarantees		(71)		
Increase in non-guaranteed debt		(280)		
Increase in SUCH sector debt		(305)		
Remaining borrowing requirements		3,554		

¹ Includes the forecast allowance.

² Includes other financing requirements/sources for the province, the SUCH sector and Crown corporations and adjustments for non-cash budgetary items.

- The updated gross borrowing requirements for 2006/07 are forecast to total \$4.2 billion. The reduction from budget is mainly due to a higher operating surplus.
- Remaining requirements for 2006/07 are projected to be \$3.6 billion, which includes a \$550 million forecast allowance. The Province may satisfy a portion of these requirements from internal financing sources.
- Total borrowing requirements of \$3.3 billion and \$4.0 billion are projected for 2007/08 and 2008/09 primarily to finance new infrastructure spending for schools, post secondary institutions, health facilities and roads.

2006/07 MARKET SUMMARY¹

	(\$ millions)
Canada Public	500
Canadian MTN's	—
Canada Pension Plan	98
	598

¹ Includes long-term debt issued up to September 15, 2006.

RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT

	2006/07		Updated Plan 2007/08	Updated Plan 2008/09
	Budget	Updated Forecast		
		(\$ millions)		
Opening balance at March 31	34,883	34,356	36,113	37,248
Gross increase in debt	5,002	4,808	3,993	4,347
<i>Less: debt maturities and changes in sinking fund balances</i>	(3,295)	(3,051)	(2,858)	(3,707)
Net increase in provincial debt	1,707	1,757	1,135	640
Ending balance at March 31	36,590	36,113	37,248	37,888



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Credit Ratings of the Province

Moody's ¹	Aa1
Standard and Poor's ¹	AA+
DBRS ¹	AA

¹ With a stable outlook.