

**Premier Gordon Campbell
Post-Budget Speech
February 20, 2002**

Check Against Delivery

Yesterday was an important day for our government, and I think it was an important day for British Columbia. It was the day the finance minister laid out a detailed three-year plan so we can restore and revitalize our prosperity in this province.

It was hard for me to believe we were elected and sworn into government just a little over eight months ago. It's been eight months that have been very rewarding, very encouraging. We face some difficult challenges, but those are the challenges we all knew we were going to face as we started to restore British Columbia.

A New Era of Hope and Prosperity

We had a mandate from British Columbians last May to usher in a new era of hope and opportunity for the entire province – to revitalize our private-sector economy; to encourage people to come back to B.C. to invest; to put patients first in health care and students first in education; to restore sound financial management to a province that had been mismanaged for too long. Every British Columbian paid the price for that mismanagement.

Our Mandate

*To usher in a New Era of Hope,
Prosperity and Public Service*

- Revitalize the Economy
- Restore Sound Fiscal Management
- Put Patients and Students First

Those were the goals we set for ourselves in a very detailed plan. I used to come to the chamber of commerce, and we'd have our question-and-answer period after I made my presentation. Without fail, people would say to me, "Mr. Campbell, are you tough enough to do the things you know you are going to have to do? And what are you going to do if things are even worse than we expect they are?" And I answered consistently, "I have confidence in the people that are running with me; I have confidence in our plan."

We are moving ahead, and over the last eight months, every MLA and every member of cabinet has been firm in our resolve to restore prosperity to the people and children of British Columbia. We are going to stay the path until we get there.

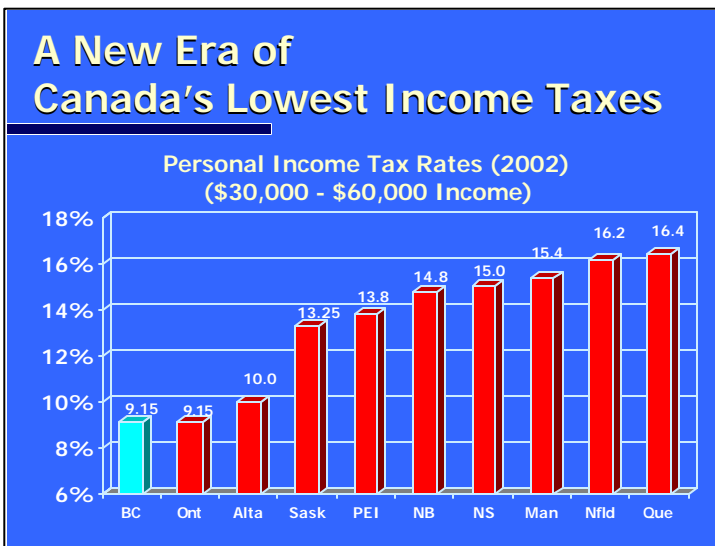
Revitalizing Our Economy

Let's have no illusions: we face some very large challenges in our province. It's hard to believe that in 1999-2000 it looks like B.C. will have become a have-not province, according to federal equalization.

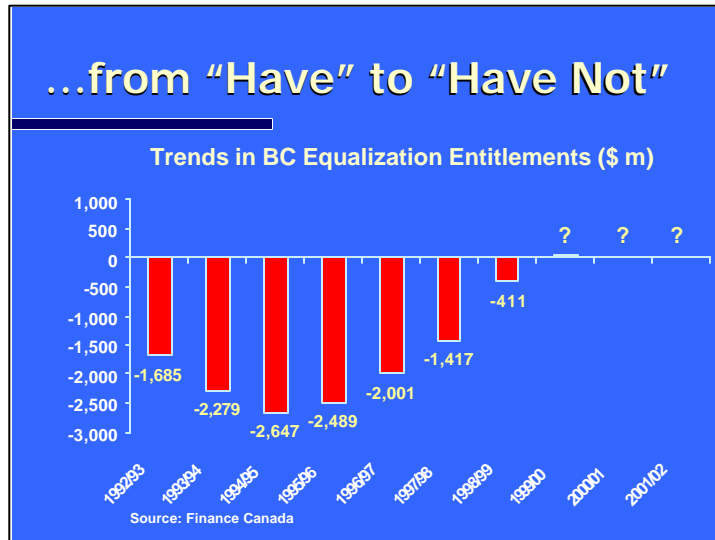
Throughout the last decade, British Columbia's gross domestic product grew by five per cent in real per capita terms. Ontario's gross domestic product grew by 19 per cent – almost four times greater. And in Alberta it grew five times as much. The average British Columbian received \$1,100 less in take-home pay. Their cheques shrunk throughout the last decade.

Our commitment to you and our commitment to them was that if you worked hard in British Columbia, you were going to get ahead.

Canada's Lowest Personal Income Taxes



back to British Columbia the people who make an economy work – the people in small business, the people in health care, the people in education, the people throughout our economy. That was a critical first step.



And so what did we say we'd do?

We told you we were going to work to get your income taxes down so you had the lowest rate of personal income tax in the bottom two tax brackets. The day after we were elected, we made sure you had the lowest base rate of personal income tax of any jurisdiction in the country.

What does that mean? It means we can start to attract

Competitive Business Taxes

In the election, we said we would get British Columbia to a position where it had the most competitive tax regime in the country. This is what we've done. We cut your personal income tax. We cut corporate income tax from 16.5 per cent to 13.5 cent, and we are driving to reduce that further over the years ahead so we can be more competitive with other jurisdictions.

A New Era of Competitive Taxes

- **Lowest rates of personal income tax on first \$60,000 of income**
- **Corporate income tax cut, to 13.5%**
- **Corporate capital tax on non-financial institutions eliminated September 1, 2002**
- **Provincial sales tax eliminated on production machinery & equipment**
- **Domestic jet fuel tax cut, to 2 cents/L**
- **7% tax on bunker fuel eliminated**
- **20% share tax credit for mineral exploration**
- **Threshold for passenger vehicle surtax increased to \$47,000**

We eliminated the tax on investment. As of September 1st of this year, there will be no more corporate capital tax on non-financial institutions, so that we can encourage investment, because it is private-sector investment that drives an economy. If you want it, you have to eliminate the tax regime that prohibits it.

For our economy to thrive and to revitalize, we have to have a productive economy, so we eliminated the tax on machinery and equipment, which will encourage productivity improvements. And we did more. We reduced our jet fuel tax to two cents a litre so our airport can compete globally and win. We know our airport is recognized as one of the strongest airports in the world, and now it has the economic base to move forward.

British Columbia is a crossroads – a crossroads not just for Canada and Asia, but for North America. So we eliminated the seven per cent bunker fuel tax that was holding our port back, holding jobs back, and holding our services back to the people of British Columbia.

We implemented a new 20 per cent flow-through share tax credit for mineral exploration so we can reinvigorate the mining industry, which lost one out of two jobs over the last decade. We want those jobs back, and investment back, so communities have a long-term future.

We reduced the tax on trucks, which was holding back families in resource communities across the province. *All* of those reductions added \$600 million into the economy.

New Tax Relief

And yesterday we recognized we had to make sure we were competitive in terms of small business. It is small business that generates economic activity in this province; it is small business that generates the vast majority of new jobs. The best job trainer in British Columbia is small business.

So yesterday we increased the threshold for the small business income tax rate by 50 per cent – to \$300,000 from the previous \$200,000 – so we are now competitive with other jurisdictions. That should be an encouragement to small business in this province.

We've tried to take into consideration people who are in more difficult circumstances. We increased disability-related income tax credits, including credits for in-home care for elders, credits for disabled dependents and for mental and physical impairment. In addition, those credits will be indexed to inflation so those people can plan out their future in a sensible, long-term way.

We have honoured our commitment to the parents of British Columbia. Parent advisory councils across this province were raising resources so they could help improve the quality of their children's education, and they were being taxed on that. Yesterday we eliminated the PST on parent advisory activities.

We eliminated the provincial sales tax on machinery and equipment because we knew we had to go further to encourage productivity, and we also provided additional PST exemptions for qualifying farmers.

New Tax Relief Measures

- **Increase threshold for small business income tax rate, to \$300,000**
- **Raise low-income provincial sales tax credit to \$75**
- **Increase disability-related tax credits**
- **PST refunds for purchases with funds raised by Parent Advisory Councils**
- **Expand PST exemption for parts used on machinery & equipment**
- **Additional PST exemptions for farmers**

You will have heard some people say we haven't done enough, and I know we have more to do.

But in our first compete budget, individual British Columbians are paying over a billion dollars less in taxes today than they were before the election, and corporate British Columbia is paying \$390 million less. Every single one of those dollars goes back into our economy to encourage economic activity, to encourage investment and to encourage job creation. That's how we're going to revitalize the economy in British Columbia.

Some of the economic gurus from the last decade are saying that we made a mistake – that all that money has somehow or other disappeared. I want to tell you what the impact of those changes has been.

Renewing Confidence

In the last eight months we have watched confidence grow in our economy. Last year B.C. had the largest increase in the country in housing sales, up 28 per cent. You don't buy houses unless you have confidence in your future.

Last year we saw the largest increase in residential construction, up 27 per cent. Our consumer spending was up 5.9 per cent, versus the national average of 4.5 per cent. I feel way better with British Columbia leading for a change as opposed to following the rest of the country.

We are poised to move forward to a new era of hope and opportunity, but there is much more for us to do. We intend to continue our plan to revitalize our economy.

Our Plan to Revitalize the Economy

Revitalize the Economy

- **Deregulation Initiative**
- **Forest Policy Reform:**
 - Market-Based Stumpage and Results-Based Forest Practices Code
- **Energy Policy Task Force:**
 - Improved Oil & Gas Commission
 - Coal-Bed Methane
- **Improved Access to Crown Land and Resources**
- **Public-Private Partnerships**

It's not necessary, it's not required, and we're going to eliminate that kind of regulation.

And we have a challenge for every chamber of commerce, and every British Columbian. We want to modernize our Employment Standards Act. We want to modernize our Workers' Compensation Board. We want to modernize our Labour Code.

Renewing Confidence

- **Largest increase in housing sales:**
Up 28% (2001)
- **Largest increase in residential construction:** Up 27% (2001)
- **Cruise ship tourism**
- **Stronger consumer spending:**
- up 5.9% vs 4.5% nat. avg. (2001)
- **Historic low interest rates**
...but there's much more to do.

We are going to continue with the deregulation initiative, which has been spearheaded by Minister of State for Deregulation Kevin Falcon. We know regulation is one of those hidden costs that have been discounted. We have over 400,000 different regulations in British Columbia. We have regulations that tell automobile repair shops how often they're supposed to dust their blinds.

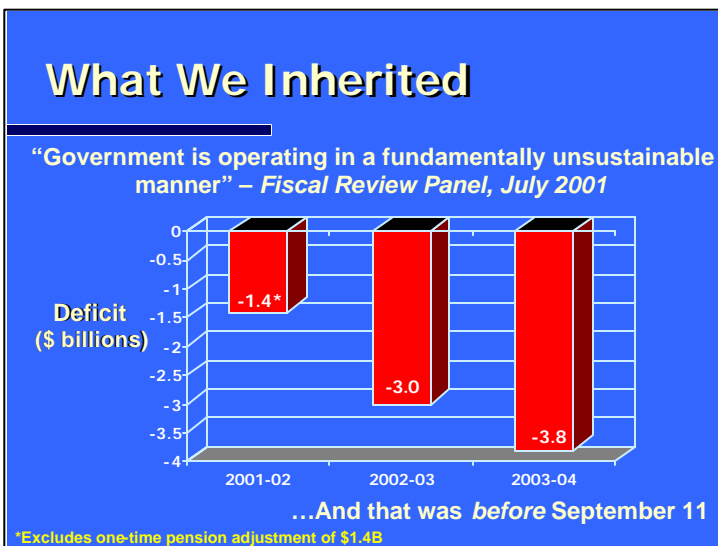
We want to do it in a way that recognizes employers and employees want to work together so they can prosper together. We want to provide people with the flexibility they need to pursue their goals and their dreams, because when we do that we liberate the entire economy. This spring I'm going across the province to talk with small business communities, asking for your ideas and asking for the improvements we have to make. When you provide that information to us we will act on it, because we recognize how important it is.

Restoring Sound Fiscal Management

As we do that, we have to recognize some of the other hurdles that we face in the province. I want to underline a four-letter word that is the silent killer of all the public services that we expect to have. That word is *debt*.

Our debt has increased to \$40 billion. We are the only province in the country who has watched as our debt-to-

GDP ratio has grown over the last decade. Every other province understood this except British Columbia. And what drives debt? Deficits. People used to say, "What if it's worse than you expect?" Well, it was *way* worse than I expected. It's even worse than the financial review panel expected in July.



We appointed an independent fiscal review panel to say where we are going in B.C. Their fundamental finding was this: “Government is operating in a fundamentally unsustainable manner.” Their estimate was that we were facing a structural deficit of about \$3.8 billion.

They didn't know about the \$400 million in hidden labour costs that hadn't been booked by the previous government.

They didn't know that September 11th was going to happen and we were going to have a global economic downturn. They didn't know that revenues that were supposed to be contributed to the government by BC Hydro were going to evaporate, and that ICBC was going to be \$300 million behind what they thought they were going to contribute. They didn't know what the wage settlements were going to be.

So was our situation worse? Yes, it was way worse. My answer to that is if it's worse than we expect, we're going to have to do more than we expect. We have put in place a plan that allows us to meet our goals and our commitments to the people of this province.

As I went through the election campaign and the year that led up to it, I used to come out to meetings like this and I'd say, "We are going to bring in balanced budget legislation that requires government to live within its means." And people would applaud that. It was central to our campaign.

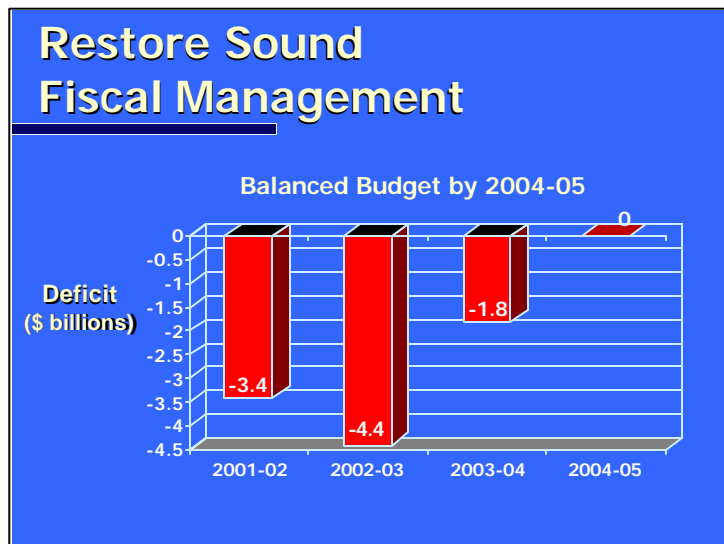
Now there are people – critics generally – who are saying, "Why don't you just throw that commitment out the window? Why don't we just forget about that? Wouldn't it be easier if we let the debt grow? Wouldn't it be easier if we didn't have to make any of these decisions?"

Yes, it would be easier – but it would be wrong.

That's what people have to understand. Debt is taxes tomorrow for things we consume today. I have two kids, and I think my generation has loaded enough debt on that generation. It's time we faced up to the decisions we have to make so they have the chances we had when we were younger. Our government is committed to doing just that.

A Balanced Budget by 2004-05

We are facing the largest deficit in the history of the province this year – \$4.4 billion. Included in that deficit is a \$750-million forecast allowance so we are planning prudently for the future. Next year our plan says we will have a \$1.8-billion deficit. By February 17th, 2004, a B.C. Liberal government finance minister is going to stand in that legislature, and we are going to have a truly balanced budget according to generally accepted accounting rules. We can do no less.

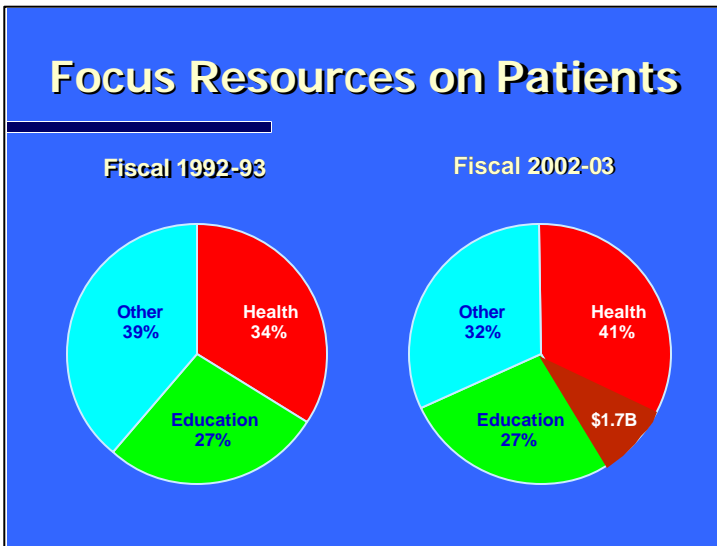


As we do that we have to recognize that we have to focus the resources we do take out of your pockets on the things that you care about.

We maintained the seniors' bus pass. We protected funding for women's shelters and transition houses. We've increased funding for monitoring and protecting our drinking water to \$3 million. We are spending \$45 million to establish what we call a leading-edge endowment fund, which will establish 20 B.C. leadership chairs across this province. We've increased the number of nursing and residential care aide spaces for training and education by 1,400 over the next three years.

Even after the reductions the attorney general has proposed for legal aid, we will have the third-highest level of support for legal aid in the country – in spite of the quality of our economy today. We have the most expensive pharmacare program in the country. We believe those services are important, but as we protect those services, it is important for us to understand that if we're going to balance our budget, some other things will have to be reduced.

Putting Patients First



People have been very clear that they want to focus their resources on health care and patients. If there's one message out of yesterday's budget, it's this: if what has gone on in the past in health care doesn't work for patients, then it doesn't work for taxpayers.

In 1992-93, health care took 34 per cent of the provincial budget. Today it takes 41 per cent of that budget.

\$1.7 billion of that new spending has happened in the past two years.

It is important for us to recognize that health care – like transportation, like education, like any service government provides – is not free. Sometimes people forget that. Someone once said to me, "Look, I can't afford any more: why doesn't the government pay for this?" The government is you. There is no such thing as government dollars – they're just your dollars. The government takes them out of your pocket, and we have an obligation to spend them as thoughtfully and as sensibly as we can.

New Revenues to Fund Wage Pressures

Yesterday's health budget increases were driven by one thing only: wage increases.

Before the election I said that we all have to get our heads around the change of where we put our resources. People are the most important resource we have in health care. People are the most important resource we have in education.

Health Wage Pressures vs New Revenues			
Wage Pressures (2002-03)		New Revenues (2002-03)	
■ Nurses	\$164m	■ MSP	\$358m
■ Doctors	\$392m	■ Sales Tax	\$250m
■ Paramedics	\$161m	■ Tobacco	\$150m
■ Other	\$ 52m		
<hr/>		<hr/>	
■ TOTAL	\$769m	■ TOTAL	\$758m

So yes, we have decided that we are going to make sure that we are remunerating our health-care professionals and caregivers as well as anywhere else in the country.

Our nurses are the top-paid nurses in the country. Our health workers are all paid significantly higher than the national average, and that's with an economy that's far below the national average.

Now you know and I know that's not sustainable. But we had a choice on health care. Our choice was that we could massively reduce services or we could raise costs, because we've already made another choice – and that is we're not increasing debt.

Increased Flexibility for Health Authorities

Putting Patients First	
■ Increase health funding by \$750 million to pay for escalating wage costs	
■ MSP premium reductions for 230,000 low-income British Columbians	
■ New Health Authorities	
■ Restore Management Flexibility	
■ Nursing Strategy	
■ Structural Reform	

The MSP premium increase, the 0.5 per cent sales tax increase, the tobacco tax increase – all of those combined do not cover the costs of wage increases in the health-care system.

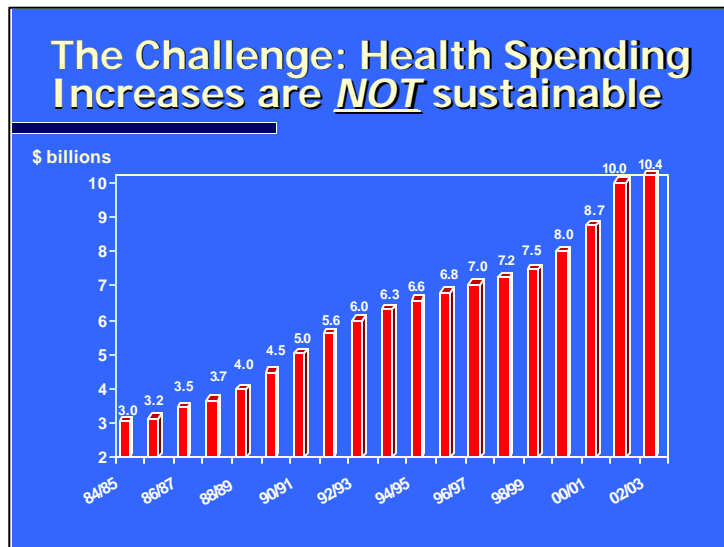
I don't begrudge our workers those increases, but I ask them to join us in making sure those dollars are spent as productively as possible so patients are at the top of the list in B.C. once again.

That is our goal, that is our commitment, and that's what we intend to deliver on. When we dealt with MSP premiums, we made sure the 230,000 British Columbians who are least able to pay are actually going to be paying lower MSP premiums.

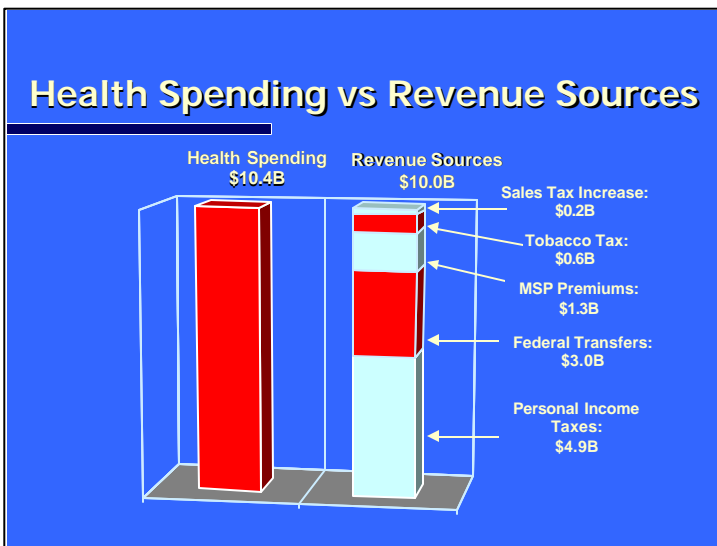
The 0.5 per cent sales tax increase is 10 cents on a \$20 purchase, and that's going directly to health care. To try and mitigate that decision, we've increased the sales tax credit for people who are low-income earners by 50 per cent, from \$50 a year to \$75 a year. We believe that is the balance we need.

Health Spending Increases Are *Not* Sustainable

We also believe that if we are going to manage the system to take care of patients, we have to be willing to change the way the system works. So we have given back management rights to health-care managers. We have given back management rights to our school boards, to make sure we are focusing our resources where they have to go: to patients in health care and to students in education.



Health care isn't sustainable the way we've done it. With all those increases, we are still going to have to change the way we deliver that service. We are still going to have to find ways that we can deliver it more effectively.



Our health-care spending today versus revenue resources shows a very grim picture.

All of your provincial personal income tax, all of our federal transfers, all of your MSP premiums, all of the tobacco tax and all of the increase in provincial sales tax – all of those *combined* do not create enough money to pay for the health-care budget we have today.

Our aging society is creating increasing pressures, our new technologies are creating increasing pressures, and the demands of new pharmacology creates increasing pressures. Those pressures are continuing to drive up, but we have to have a health-care system that is there for people when they need it.

Let's get smart enough, let's get imaginative enough, let's be brave enough to change the system so it works for people instead of for bureaucracies or administrations.

New Hope and Prosperity

In spite of all the issues we face, and in spite of some of the many challenges we faced as a government over the last eight or so months, I still have great confidence in this province. I have enormous confidence in the people who live here.

In community after community – from the Peace River to the Kootenays, from the Cariboo to the southern tip of Vancouver Island to the

Lower Mainland – across this province there are people with energy, with imaginations, with drive who want to make this province a great place again for all of us to live.

We are going to remain committed to those people as we move forward with this plan – working together, seeking solutions, driving to liberate the free-enterprise economy, driving to get cost of government under control so services are delivered to you for the great resources you give us.

We can lead in this province again. We still live in a province with exceptional natural resources and with enormously talented people. If we work together – if we focus on our goals and our objectives – I guarantee you this: British Columbia will lead, your kids will come home, and there will be opportunities and prosperity for everyone who lives in this province.

That's where we're going, and I ask you to join me. Let's do it, one by one, one step along the road together. Success is just around the corner.

Thank you very much.

New Hope and Prosperity

- **Renewed services, through revitalized economic growth**
- **More opportunities for families, young people and communities**
- **A higher quality of life for everyone**