



*Real Leadership
Real Progress*

FOR BRITISH COLUMBIA

PO Box 28185
Harbour Centre, 555 West Hastings St
Vancouver, BC V6B 5L8

Sara MacIntyre
BC Director
Canadian Taxpayers Federation
514 – 1207 Douglas Street
Victoria, BC V8W 2E7

Sent by email April 28, 2005

Dear Ms. MacIntyre:

Thank you for your letter regarding the BC Liberal Party's debt strategy.

The BC Liberal Party believes that an effective debt strategy is important. That is why we recently provided a \$1.7 debt paydown, the largest annual debt reduction in B.C. history.

However, we also believe that an effective debt strategy must take into account the need to invest in capital infrastructure to provide services to British Columbians and keep B.C.'s economy strong.

Clearly, the most important aspect of an effective debt strategy is to balance the provincial budget every year. After inheriting a \$3.8 billion structural deficit, we set out a three-year plan to balance the budget in 2004/05.

We made British Columbia a leader in budget transparency and the only province in Canada required by law to introduce balanced budgets prepared in accordance with Generally Accepted Accounting Principles.

Each year, we met or exceeded our budget targets, which helped reduce our planned borrowing requirements as we worked to eliminate the province's structural deficit. And we delivered on our promise by achieving a record \$1.7 billion surplus in 2004/05.

The *Balanced Budget and Ministerial Accountability Act* requires, as a minimum target, the government to achieve a fiscal year-end surplus that is at least 50 per cent of the surplus that was forecast in the February budget. At the conclusion of the fiscal year, in accordance with Generally Accepted Accounting Principles, all of the actual surplus achieved must go toward reducing future borrowing requirements or paying down debt.

Balanced Budget 2005 forecasts a surplus of \$220 million which, at the conclusion of the fiscal year, could be used to reduce the province's borrowing requirements. In addition, there is a contingencies budget of \$270 million and a forecast allowance of \$400 million to protect the balanced budget from unforeseen revenue declines or unexpected expenses.

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If these amounts are not required, or the economy performs stronger than forecast, the surplus available to reduce the province's borrowing requirements or pay down debt would increase further. Yesterday, Statistics Canada reported that British Columbia lead all other provinces in economic growth in 2004. The stronger we make B.C.'s economy, the sooner we can provide for additional debt reduction.

This year, British Columbia's taxpayer-supported debt-to-GDP ratio, a key indicator of debt affordability, will reach its lowest point in 13 years. As we move forward, a BC Liberal government will continue, through our three-year budget and fiscal plans, to reduce B.C.'s taxpayer-supported debt-to-GDP ratio on an annual basis.

We appreciate this opportunity to outline the BC Liberal debt strategy.

Sincerely,

The BC Liberal Party

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