



May 5, 2005

Sara MacIntyre  
BC Director  
Canadian Taxpayers Federation

Dear Ms. MacIntyre

Thank you for your letter regarding the implications of the platform of the New Democratic Party on provincial debt. I agree with you that management of government debt is a serious fiscal concern--particularly the debt incurred due to government operations, which, as you know, increased dramatically between 2001 and 2004 due to record operating deficits.

However, I must disagree with your assertion that a mandatory debt repayment plan should take precedence over needed investments in capital projects to improve health, education, transportation, and other public infrastructure.

Both the 2005/06 budget tabled by the current government and the NDP platform foresee reductions in direct government operating debt. Both also propose increases in borrowing to build needed public infrastructure. The NDP platform has explicitly included and costed capital expenditures not included in the current government's plans.

There are three principles underlying the NDP platform's approach to debt management:

First, under an NDP administration, the provincial government would balance budgets and use forecast allowances, unused contingencies, estimated surpluses, and unexpected revenue windfalls to reduce taxpayer supported debt.

For the current fiscal year, the NDP platform proposes that, if forecasts of revenue made in the government's 2005/06 budget prove to be accurate, a minimum of \$380 million will be available to reduce government operating debt at the end of the fiscal year. If, as happened in 2000/01 and 2004/05 government revenues unexpectedly and dramatically exceed forecasts, considerably more would be available for debt reduction.

Second, an NDP administration would ensure that the debt figures accurately reflect government responsibilities and would not use questionable financing arrangements and restructuring of government supported operations to artificially manipulate debt figures.

The public needs to be assured that any public-private partnerships are truly of financial benefit to taxpayers and not an accounting measure to remove debt from government

books. The province's Auditor General will be asked to ensure that accounting of such "partnerships" accurately reflects government's responsibilities.

In addition, a NDP administration would restore BC Ferries to crown corporation status. Our platform acknowledges the responsibility of the people of the province for debt incurred by BC Ferries; its debt, like that of BC Hydro and other government-run commercial entities, would be included in government books. The current government has not been transparent when it comes to the debt of B.C. Ferries.

Third, an NDP administration would plan for gradual reductions in the ratio of government debt to provincial GDP.

As you know, this ratio is used by bond-rating agencies and economists to measure government handling of debt. And, as you are also aware, since the 1980s British Columbia has had the second-lowest debt-GDP ratio among Canadian provinces.

In addition to paying down government operating debt, the fiscal and capital plans of an NDP administration would plan for reductions in the debt-GDP ratio. This will ensure that needed investments in public infrastructure will be made only within the means of the province and will also ensure favourable treatment by bond-rating agencies.

Thank you for writing to me about this important issue.

Sincerely,

A handwritten signature in black ink that reads "Carole James". The signature is written in a cursive, flowing style.

| Carole James  
Leader, BC NDP