



2012 Budget A Responsible Approach to Managing BC's Finances

Business Council Supports Balanced Budget for Turbulent Economic Times

Victoria, BC – February 21, 2012 — The Business Council of British Columbia endorsed the BC government's 2012 budget as a responsible and cautious approach to managing the province's finances at a time of considerable uncertainty for the global and North American economies.

"The Business Council believes in balanced budgets and we were hoping that the government would continue with its fiscal plan aimed at eliminating the operating deficit in a timely manner," stated Greg D'Avignon President and CEO of the Business Council of BC. "While there will be challenges in returning to the Provincial Sales Tax (PST) in 2013, we believe this budget strikes the right tone to position the province as a desired investment location. The combination of sound budget policies and an attractive overall investment climate will serve as a platform for growth and jobs going forward."

Highlights of the 2012 Budget include:

- Balanced budget in 2013/14, with a modest surplus of \$154 million.
- Government expenditures held to a 3 year average annual growth of 2.0%, a significant reduction from the 6% average growth prior to the economic downturn.
- Net debt-to-GDP ratio to level off in 2014 at 18.2% -- still among lowest in Canada.
- Small business tax rate to be held at 2.5%, with a provisional 1% increase to general corporate income tax rate in 2014/15 if revenue targets are not met.
- \$165 million lift for K-12 class composition.
- Health care funding held to a 3% annual growth rate, for a 3 year base budget increase of \$1.5 billion.
- No further carbon tax increases after 2012, with a comprehensive review planned.

"Last week's release of the Drummond report on Ontario's deteriorating public finances underscores the critical importance of a prudent fiscal policy that aligns government spending commitments with the revenue generating capacity of the province's tax base," stated Jock Finlayson, Executive Vice President and Chief Policy Officer of the Business Council.

"As other Canadian and International jurisdictions struggle to address the unsustainable growth of government spending and mushrooming public sector debt, we are pleased to see BC showing leadership by charting a sensible fiscal policy course that will preserve our envied triple-A credit rating," Mr. Finlayson added. "While the return to the PST will create difficulties for many BC industries, we will work with the government's Expert Panel on Tax to find solutions and new ideas to improve competitiveness and support the investment and jobs needed to drive the economy," concluded Finlayson.



“The measures to improve BC’s competitiveness by eliminating the provincial jet fuel tax for international flights and the permanent cap on property tax for our ports are important to continuing the expansion of the gateway to the Asia-Pacific,” said D’Avignon.

The Business Council supports the government’s decision to review and selectively dispose of surplus public sector assets as part of the new fiscal plan. “Government owns an enormous array of physical assets and it makes sense to examine whether it is prudent to retain all of these in the public domain,” commented Mr. Finlayson.

“The cautious direction set in today’s budget, which includes conservative economic forecasting – lower than the Business Council GDP growth projections – is important to ensure sustainable long-term funding of social programs, and to maintain BC’s competitive advantages as a fiscally responsible and competitively taxed jurisdiction. Together with the new BC Jobs Plan, we believe Minister Falcon’s budget will help to safeguard and advance the province’s prosperity,” Mr. D’Avignon concluded.

The Business Council of British Columbia, now in its 45th year as the premier business organization in BC, represents 250 leading companies and enterprises in every key sector of the economy. Our membership, found throughout every region of BC, accounts for over 25 percent of all jobs in the province.

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