

## STATE OF THE ECONOMY UPDATE

February 2, 2009

Premier Gordon Campbell and Finance Minister Colin Hansen present an update on the state of B.C.'s economy.



Premier Gordon Campbell and Finance Minister Colin Hansen present an update on the state of B.C.'s economy and outline steps the Province will take to ensure critical services like health care and education are maintained in tough economic times. [[Minister Hansen's slide presentation](#)]



### **Premier Gordon Campbell**

#### *Check Against Delivery*

This is a very difficult day.

Colin has laid out the picture.

Over the last few weeks the slides haven't been getting any better.

I'd like to thank Colin, all our deputies and all the officials in finance for the exceptional work they have done in the last weeks.

As you probably all know the general framework for the budget is normally finalized by mid December. That was not possible this year, if we wanted to present a credible budget document in February.

Everything has been changing. Over the last few weeks we have been forced to confront the most difficult decisions I have ever personally faced in two decades of public life.

I have been pretty clear. I abhor deficits.

But the changes have come too fast and too big for me to honestly tell you we can credibly present a balanced budget on February 17th without doing significant harm to critical health services and essential education services.

I know what I have said. I know the clips and I am sure we will all be reminded of them in the days ahead. I wrestled with this decision for many sleepless nights.

I know I will have supporters who counted on me and on us who will be disappointed, some may be angry.

But I hope they will understand that in these unprecedented times we must ALL take action that reaches beyond ideology to protect the services that are essential in the short term, so we are stronger in the long term.

I don't believe in deficits. I have consistently railed against them for my two decades in public life.

My colleagues in our caucus dislike deficits as much as me. But we are facing a situation we couldn't plan for. We haven't experienced anything like it before in scope, speed, scale, suddenness and synchronicity.

It has been a stark reminder that no one can escape the global forces at play.

There's been a seismic shift in the world's economies.

It was just a couple of weeks ago that it became clear, that without massive reductions in planned health and education budgets that a credible balanced budget was not achievable.

I meant it when I said, as I have in so many ways, "when anyone talks about a deficit, they're talking about turning their back on the next generation and sending our problems forward to them."

That's true, especially if you allow deficits to build, year after year, as empty debt, with nothing to show for it.

That is why we worked so hard in B.C. to pay down our operating debt.

Through prudent fiscal management and some very tough decisions, we've cut that operating debt by 47 per cent from its peak. We've reduced it by \$7.4 billion over the last five years. But there's still another \$8.3 billion to go, in addition to whatever gets added back in the next two years.

However, today we face reduced economic growth and a precipitous collapse in projected revenues that has thrown all our earlier budget plans out the window.

Maybe we should have seen it coming.

In December our forecast council was forecasting a 0.6 per cent economic growth for '09. By January, that had fallen to zero.

It is very difficult to finalize a credible budget when so many parts are moving so fast. To give you an idea, previously the most dramatic shift the senior finance staff had seen was \$100 million in one week. This year they saw a shift of \$300 million in one day.

Today the jury's out on whether our growth will be flat or whether we are already living with the "R" word. However, if we want to build confidence, we have to plan for some bad news and work tirelessly to create some good news.

We are determined to present to the public our best assessment of what we face and how we plan to deal with it.

I meant it in the fall when I said, "We don't need to run deficits" and that we would not run a deficit in this province. I didn't think we did or would.

Those comments were made in anticipation of the budget that we were actively planning to deliver on February 17. Since then, our revenue expectations have been repeatedly revised and new expenditure pressures have emerged.

The balanced budget we were planning even in December included a provision for reasonable forecast allowance that would have provided the confidence necessary to make it credible.

And here's the really hard part. The truth is - we could STILL deliver a balanced budget that would comply with our legislation.

But to do that, we would have to cut hundreds of millions out of planned budget increases for health care and education.

We would have to table a budget with absolutely no margin for error and no room to manage in the event our forecasts are wrong.

It would be a budget that hurts more than it helps while aggravating our current economic predicament. In short, it would be a budget that satisfied the law, but that undermined public confidence and our province's fiscal credibility.

One of the worst things that ever happened to British Columbia's reputation was the NDP "fudge-it budgets."

The only thing worse than a deficit budget is a duplicitous budget. That is why we introduced truth in budgeting legislation and Generally Accepted Accounting Principles. No matter how politically tough it may be to table a deficit budget, the heart of any budget's credibility is its commitment to telling the truth.

As viscerally challenging as this decision is, I believe people expect their government to be honest and transparent about the challenges at hand – that they don't want us clinging to ideology or dogma at the expense of the public interest.

This is a tough decision and people will judge us for it.

We will be recalling the Legislature on noon Monday, February 9, a day earlier than planned.

We will take that full week, and through that weekend if necessary, to debate the legislative changes necessary to ensure that the budget we table is legally compliant.

Those amendments will effectively suspend the current balanced budget requirement for the next two years.

They will require the budget to be balanced in 2011/12 and thereafter.

They will also require that every penny of future operating surplus is first applied to eliminating the direct operating debt.

The Speech from the Throne will be delivered on Monday, February 16, and the budget will be presented as legally required, the next day.

It will be a budget that protects and increases funding for health and education, consistent with the 2008 budget.

It will be a budget that includes immediate, time-limited investments to support job creation and to help build confidence in these turbulent times.

And I hope everyone hears this: it will NOT be a budget that abandons our obligations to future generations.

Just because we have been forced to present a deficit budget that may be unavoidable for the next two years, does not mean that we will not also manage down spending during that time.

On the contrary, we WILL.

You will see significant reductions in every area of discretionary spending – in travel, advertising, administration, service contracts, grants and contributions and some government programs.

In short, discretionary spending will be kept to a minimum.

A new restrictive spending regime will be put in place. We will do everything we can to protect core services.

We have created a fund out of savings to mitigate impacts on individuals and to make smart decisions to ensure we have critical staff available for key programs. We have also made a purposeful effort to ensure that it is not just the lower ranks of staff that manage through change. The senior executive ranks will be reduced by 20 per cent to contribute to this overall belt-tightening.

This will be the toughest budget we have ever faced.

There is far less room for cost savings in our budgets today than there was seven years ago.

British Columbians have been fantastic in helping us to manage those pressures in their interests.

We will not return to the days of runaway spending, high taxes and endless deficits.

We will not abandon our abiding commitment to fiscal discipline.

This is not about changing priorities. It's about protecting them.

We will demonstrate the depth of that conviction.

To the extent there is new stimulus spending, it will be focused and limited to the next two or three years.

Every effort will be made to minimize the structural deficit.

That will be evident on February 17.

I regret that we are faced today with this situation.

But I want to assure everyone that we will not only get through this difficult period; we will emerge stronger than ever.

The relative strength of our economy and our strong fiscal position will allow us to do just that.

There is no place better positioned to successfully get through this than British Columbia.

We will use this period to embark on a building program for our province that will create jobs in every region of the province.

We will lay that out in more detail in the days ahead.

Tough as it is today for so many, our fastest route forward is to build stability and confidence in our future. That is what our budget will be all about.

 [Top](#)

[Copyright](#) | [Disclaimer](#) | [Privacy](#) | [Accessibility](#)