
Provincial Debt Summary



Overview of Provincial Debt (Unaudited)

The provincial government and its Crown corporations incur debt to finance operations and capital projects. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads, public transit and other social and economic capital assets. As these investments provide essential services over several years, the government, like the private sector, borrows to fund these projects and amortizes the cost over the asset's useful life.

Provincial debt is reported using two basic classifications: (1) taxpayer-supported debt; and (2) self-supported debt.

Taxpayer-supported Debt—includes government direct debt, which is incurred for government operating and capital purposes, and the debt of those Crown corporations and agencies which require an operating or debt service subsidy from the provincial government or which are fully consolidated in the Summary Financial Statements. Examples include debt of the British Columbia Buildings Corporation and BC Transportation Financing Authority.

Self-supported Debt—includes the debt of commercial Crown corporations and agencies as well as the Warehouse Program. Commercial Crown corporations and agencies generate sufficient revenues to cover interest costs and repay principal, and may pay dividends to the province. The British Columbia Hydro and Power Authority and British Columbia Railway Company are examples of commercial Crown corporations. The Warehouse Program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province, Crown corporations or agencies; in the interim, the funds are invested at market rates.

The following provincial debt summary provides additional detailed information and related key indicators and benchmarks to allow a more informed assessment of the debt totals. A reconciliation is also provided to explain the differences between the Summary of Provincial Debt and the Summary Financial Statements.

The total provincial debt as at March 31, 2003 was \$36,557 million, which consists of \$36,141 million in the Summary Financial Statements together with \$227 million in additional debt of self-supported Crown corporations and agencies and \$189 million in additional taxpayer-supported debt.

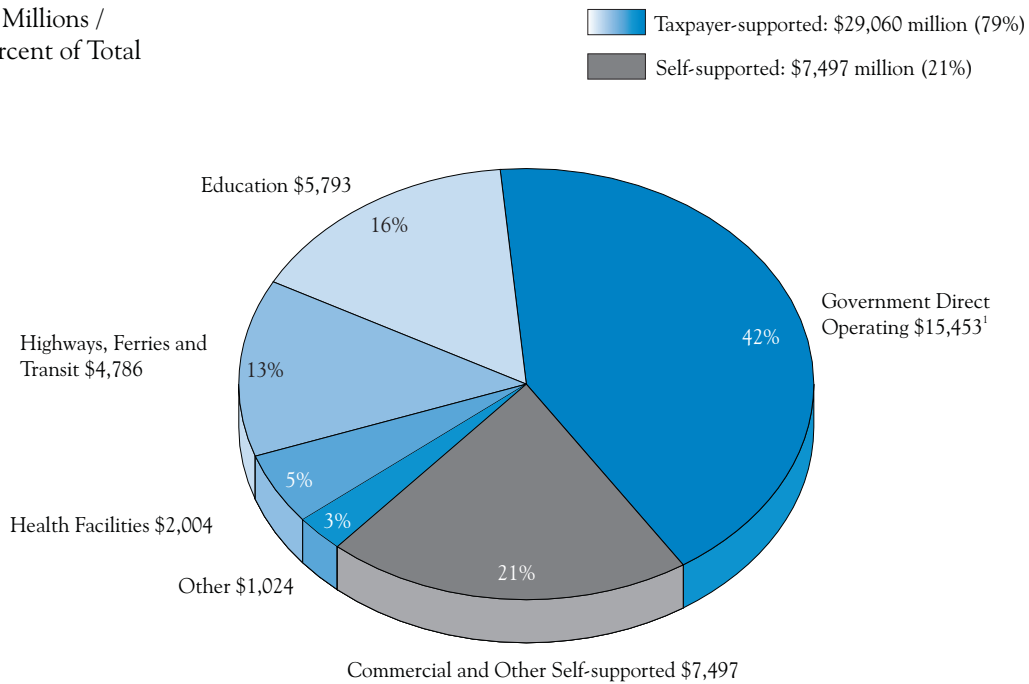
Provincial Debt as at March 31, 2003 (Unaudited)

The accumulated provincial debt of \$36,557 million has been incurred for various purposes as shown in Chart 1 below. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2003, taxpayer-supported debt totalled \$29,060 million—including debt incurred for government operating purposes (\$15,453 million), educational facilities (\$5,793 million), health facilities (\$2,004 million), transportation infrastructure (\$4,786 million) and other debt (\$1,024 million). Other debt is comprised mainly of British Columbia Buildings Corporation, debt relating to social housing, and loans to universities and colleges.

At March 31, 2003, self-supported debt relating to commercial Crown corporations and agencies totalled \$7,497 million. Commercial debt includes the debt of British Columbia Hydro and Power Authority, British Columbia Railway Company, Columbia Power Corporation and debt relating to Columbia River power projects.

Chart 1
In Millions /
Percent of Total



Total: \$36,557 million

¹ Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, ferry infrastructure debt transferred in 1999/00 and amounts required to finance operating deficits.

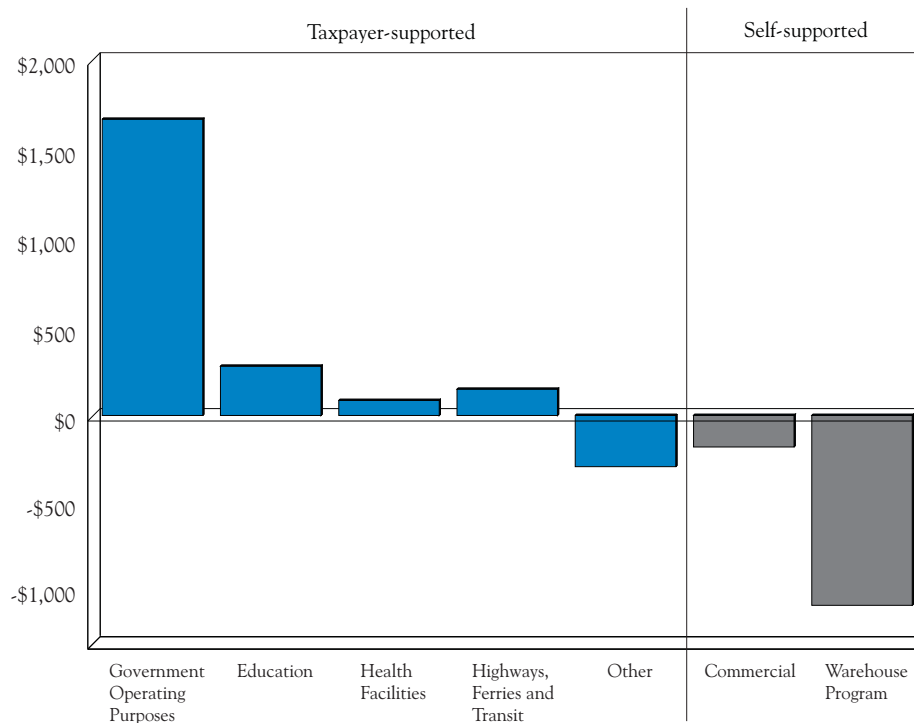
Change in Provincial Debt¹ (Unaudited)

Provincial debt increased by \$639 million in 2002/03; this included an increase in taxpayer-supported debt of \$1,883 million offset by a reduction in self-supported debt of \$1,244 million (see Chart 2 below).

Taxpayer-supported Debt—The 2002/03 increase of \$1,883 million was primarily due to a significant increase (\$1,664 million) in government operating debt to finance the operating deficit, working capital, and financing transaction requirements. The increase also included new capital financing (partially offset by changes in sinking fund balances) totalling \$507 million, used to fund various provincial infrastructures in the education (\$276 million), health (\$84 million), and transportation (\$147 million) sectors. Other debt decreased by \$288 million due to reductions in debt of the British Columbia Buildings Corporation and debt relating to social housing.

Self-supported Debt—The 2002/03 decrease of \$1,244 million consists of a \$177 million decrease in commercial Crown corporations debt and a \$1,067 million reduction in Warehouse Program debt. The commercial Crown corporations debt was lower primarily due to lower debt of British Columbia Railway Company, as the corporation used proceeds from asset sales to pay down debt. The Warehouse Program was reduced from the prior year, as borrowings in 2001/02 were used to meet requirements in 2002/03. As the province is now able to access capital markets early in the fiscal year due to the fixed budget dates in February and timely completion of the rating agency reviews, there is no longer a need for large Warehouse Program balances at the end of each fiscal year.

Chart 2
In Millions



¹Includes gross new borrowings plus changes in sinking fund balances, less debt maturities.

**Reconciliation of Summary Financial Statements (Surplus) Deficit
to Change in Taxpayer-supported Debt and Total Debt
for the Fiscal Year Ended March 31, 2003
(Unaudited)**

	In Millions	
	2003	2002 ¹
	\$	\$
(Surplus) deficit for the year.....	3,169	1,285
Taxpayer-supported debt decreased by:		
Non-cash expenses included in (surplus) deficit.....	(1,359)	
Self-supported Crown corporation and agency contributions to the Consolidated Revenue Fund (CRF) in excess of earnings.....		(484)
Accounts receivable, accounts payable and other working capital net decreases.....	(1,042)	(79)
	<u>(2,401)</u>	<u>(563)</u>
Taxpayer-supported debt increased by:		
Non-cash expenses included in (surplus) deficit.....		3
Self-supported Crown corporation and agency earnings in excess of contributions to the CRF.	109	
Prepaid capital advances.....	490	529
Tangible capital asset net acquisitions.....	436	842
Net increases in loans, advances and investments.....	80	83
	<u>1,115</u>	<u>1,457</u>
Net increase (decrease) in taxpayer-supported debt.....	1,883	2,179
Taxpayer-supported debt—beginning of year.....	27,177	24,998
Taxpayer-supported debt—end of year.....	29,060	27,177
Self-supported debt ²	7,497	8,741
Total debt³.....	<u>36,557</u>	<u>35,918</u>

**Reconciliation of Total Debt to the Summary Financial Statements Debt
as at March 31, 2003
(Unaudited)**

	In Millions	
	2003	2002 ¹
	\$	\$
Total debt.....	36,557	35,918
Debt included as part of equity in self-supported Crown corporations and agencies.....	(227)	(241)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(189)	(223)
Summary Financial Statements debt.....	<u>36,141</u>	<u>35,454</u>
Comprised of		
Taxpayer-supported debt.....	28,871	26,954
Self-supported debt.....	7,270	8,500
	<u>36,141</u>	<u>35,454</u>

¹Restated. See Note 26.

²See Summary of Provincial Debt, page 107.

³Total debt includes debt of self-supported Crown corporations and agencies, and debt of individuals and organizations guaranteed by the province.

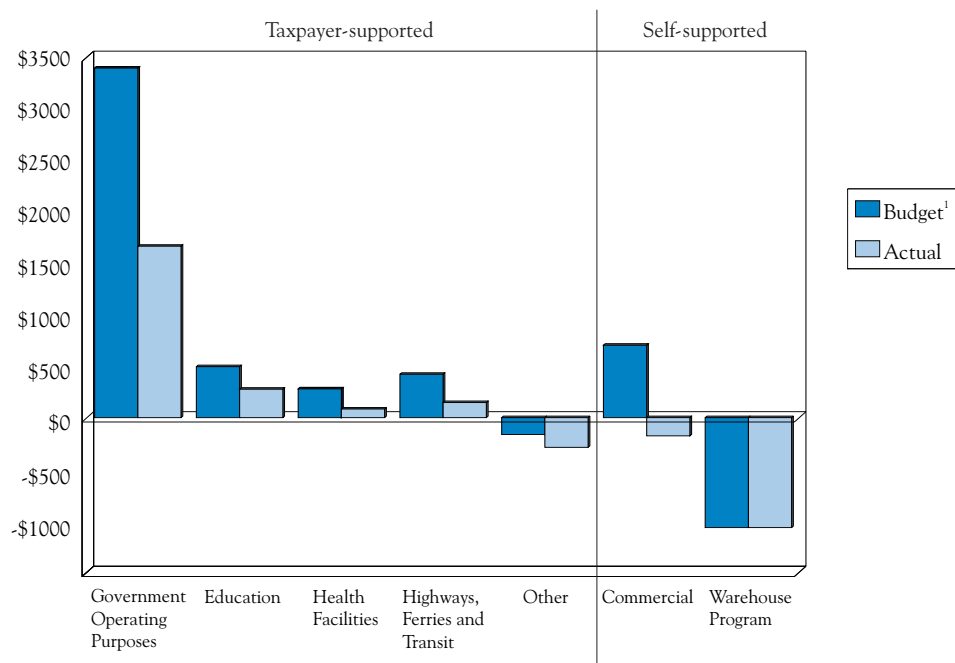
Change in Provincial Debt Comparison to Budget (Unaudited)

The change in provincial debt was \$4,171 million less than originally budgeted (per the Budget and Fiscal Plan presented in February 2002, adjusted to reflect the restated Public Accounts balance at March 31, 2002). Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category. The change in taxpayer-supported debt was \$2,541 million less than budget and the change in self-supported debt was \$880 million lower than budget. In addition, the \$750 million forecast allowance included in the budget was not required.

Taxpayer-supported Debt—The change was \$2,541 million lower than budget due to reduced borrowing for government operating purposes (\$1,729 million) due to improved cash flows, and lower than expected working capital and financing transaction requirements; lower than forecast capital spending and changes in sinking fund balances on education, health and transit infrastructure (\$688 million) and lower than expected debt of the British Columbia Buildings Corporation and other agencies (\$124 million).

Self-supported Debt—The change was \$880 million lower than budget as a result of reduced debt for British Columbia Power and Hydro Authority (\$613 million) due to improved cash flows, lower working capital requirements and favourable foreign exchange rates, lower debt of British Columbia Railway Company (\$144 million) as proceeds from asset sales were used to pay down debt, and lower debt of other self-supported Crown corporations and agencies (\$123 million) due primarily to deferred capital spending on Columbia River power projects.

Chart 3
In Millions

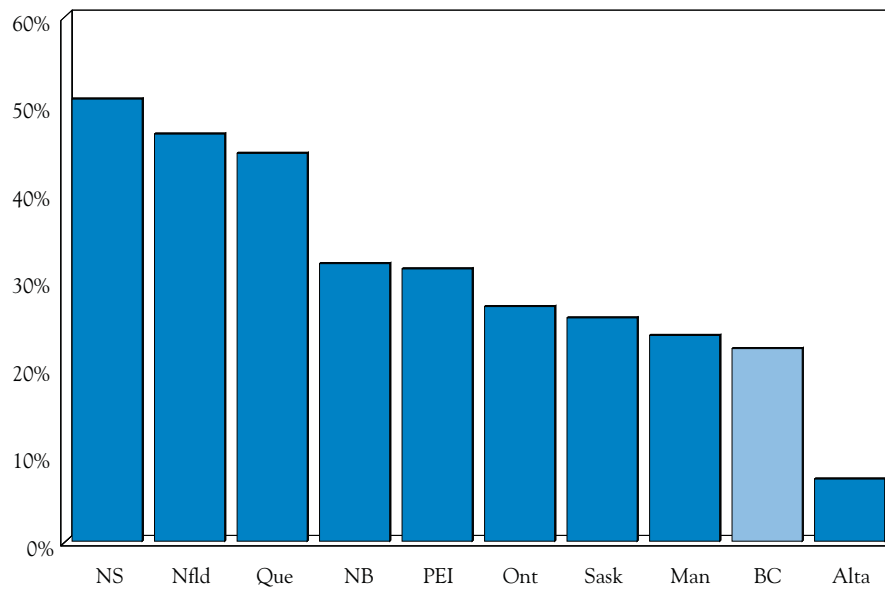


¹Adjusted to reflect the restated Public Accounts balances at March 31, 2002.

Interprovincial Comparison of Taxpayer-supported Debt as a Percentage of Gross Domestic Product (Unaudited)

Chart 4 below shows the ratio of each province's taxpayer-supported debt as a percentage of their gross domestic product (GDP). The ratio of a province's taxpayer-supported debt relative to its GDP highlights the ability of a province to service its debt load. This rating is often used by investors and credit rating agencies when assessing a province's investment quality. British Columbia's taxpayer-supported debt ratio is one of the lowest in Canada and this translates into a strong credit rating and relatively low debt servicing costs. According to the Moody's Investors Service, British Columbia has the second lowest taxpayer-supported debt to gross domestic product ratio of all provinces.

Chart 4
Percent of GDP, at March 31, 2003



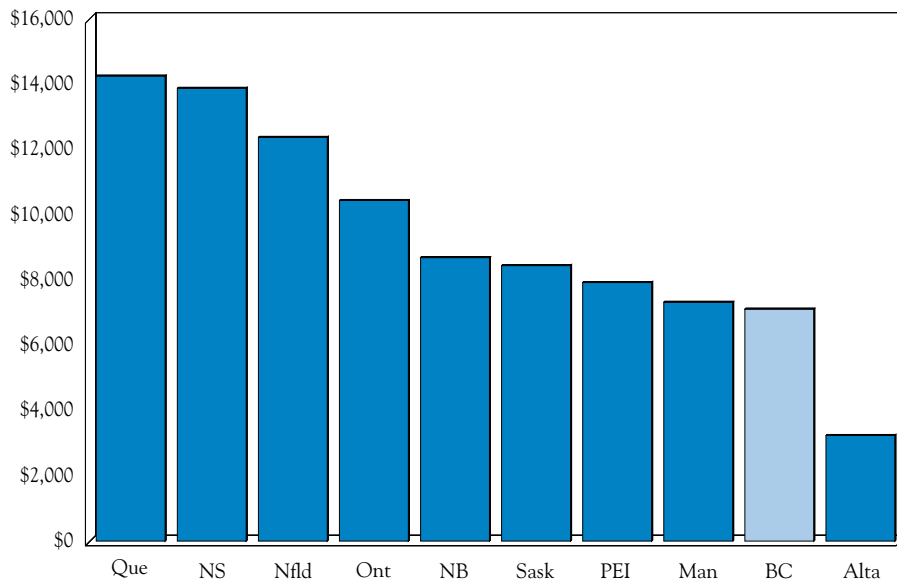
Source: Moody's Investors Service Inc., May 2003

Interprovincial Comparison of Taxpayer-supported Debt per Capita (Unaudited)

Chart 5 shows the inter-provincial taxpayer-supported debt per capita, which is the amount of taxpayer-supported debt owing for each resident in a province. According to the Moody's Investors Service, British Columbia has the second lowest taxpayer-supported debt per capita of all provinces.

Chart 5

Per capita, at March 31, 2003



Source: Moody's Investors Service Inc., May 2003

More comprehensive information on the debt of the province and its Crown corporations and agencies is provided on the Debt Management Branch web-site. This more detailed information can assist readers in assessing the province's debt position. The web-site is available on the Internet at: <http://www.fin.gov.bc.ca/PT/dmb/index.shtml>.



Report of the Auditor General of British Columbia

ON THE SUMMARY OF PROVINCIAL DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF PERFORMANCE MEASURES

*To the Legislative Assembly
of the Province of British Columbia*

Preamble

Each year since 1995 the Auditor General has provided a special report to the Legislative Assembly on the accuracy of debt-related statements prepared by the Government. For the 2002/03 fiscal year these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures. Through these statements the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators, and compares its actual results of Performance Measures to its benchmark measures for the fiscal year ended March 31, 2003.

Consistent with prior years, in these statements, and in budgets, the government reporting entity is that which is defined by the Canadian Institute of Chartered Accountants but excludes schools, universities, colleges and institutes, and health care organizations (SUCH sector). Accordingly, the provincial debt, whether directly borrowed or guaranteed by the Government, does not include amounts borrowed from private lenders by SUCH sector organizations. For the 2002/03 fiscal year, the outstanding balance of these excluded borrowings amounted to \$368 million (\$580 million for 2001/02).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the accuracy of such information based on the above definition of the reporting entity and provincial debt.

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REPORT OF THE AUDITOR GENERAL
OF BRITISH COLUMBIA ON THE
SUMMARY OF PROVINCIAL DEBT,
KEY INDICATORS OF PROVINCIAL DEBT, AND
SUMMARY OF PERFORMANCE MEASURES

Scope

I examined financial and other information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2003, Key Indicators of Provincial Debt for the five years ended March 31, 2003, and Summary of Performance Measures for the year ended March 31, 2003 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by me or by other auditors whose work I have reviewed on a test basis. They also include confirming or assessing the reasonableness of the non-financial and statistical data used by the Government on the Province's credit rating, population and gross domestic product; however, I did not perform an audit of such data.

Opinion

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2003, Key Indicators of Provincial Debt for the five years ended March 31, 2003, and Summary of Performance Measures for the year ended March 31, 2003 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a consistent manner.

Disclaimer

I have not been associated with the development of the Government plans to manage provincial debt, nor have I audited them. This is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of the reporting entity and provincial debt as outlined in the preamble to this report.

*Victoria, British Columbia
May 16, 2003*



Wayne Strelieff, CA
Auditor General

Summary of Provincial Debt¹ as at March 31

	In Millions				
	2003	2002	2001	2000	1999
Taxpayer-supported Debt	\$	\$	\$	\$	\$
Provincial government direct operating ²	15,453	13,789	12,113	13,859	12,217
Education ³					
Schools	4,294	4,092	3,880	3,609	3,261
Post-secondary educational institutions	1,499	1,425	1,383	1,369	1,336
	5,793	5,517	5,263	4,978	4,597
Health facilities ³	2,004	1,920	1,780	1,451	1,282
Highways, ferries and public transit					
BC Transportation Financing Authority	2,661	2,514	2,197	1,843	1,433
British Columbia Ferry Corporation ²		19	21	24	973
British Columbia Transit	87	79	75	79	59
Public transit ³	930	936	948	952	987
SkyTrain extension ³	1,105	1,044	836	488	133
Rapid Transit Project 2000 Ltd.	3	47	114	101	56
	4,786	4,639	4,191	3,487	3,641
Other					
British Columbia Buildings Corporation	456	596	610	615	715
552513 British Columbia Ltd. (Skeena Cellulose Inc.) ⁴			337		
Social housing ⁵	161	299	265	205	183
Homeowner Protection Office	123	113	71	34	11
Universities and colleges	105	114	124	130	137
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.)				62	
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ²				3	29
Other ⁶	179	190	244	357	392
	1,024	1,312	1,651	1,406	1,467
Total taxpayer-supported debt	29,060	27,177	24,998	25,181	23,204

Summary of Provincial Debt¹ as at March 31—Continued

	In Millions				
	2003	2002	2001	2000	1999
Self-supported Debt	\$	\$	\$	\$	\$
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority	6,829	6,863	6,852	6,945	7,474
British Columbia Railway Company	494	614	603	655	607
552513 British Columbia Ltd. (Skeena Cellulose Inc.) ⁴				280	221
Columbia River power projects ⁷	118	120	93	94	94
Columbia Power Corporation	47	64	20		
British Columbia Liquor Distribution Branch	9	13	2	3	3
	7,497	7,674	7,570	7,977	8,399
Warehouse Program.....		1,067	1,312	1,320	658
Total self-supported debt	7,497	8,741	8,882	9,297	9,057
Total provincial debt	36,557	35,918	33,880	34,478	32,261

¹Debt is after deductions of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used in 2002/03.

²Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation (\$1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre—\$70 million).

³Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

⁴Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the debt was reclassified as being taxpayer-supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government (\$260 million) and by the minority shareholder (\$94 million), as Skeena Cellulose Inc. was sold to the private sector.

⁵Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

⁶Includes debt of Land and Water British Columbia Inc., the Pacific National Exhibition, other taxpayer-supported Crown corporations and agencies and the fiscal agency loans to local governments. Also includes student loan guarantees, loan guarantees to agricultural producers, guarantees under economic development and home mortgage assistance programs.

⁷Joint ventures of Columbia Power Corporation and Columbia Basin Trust.

Key Indicators of Provincial Debt¹ for the Fiscal Years Ended March 31

	2003		2002	2001	2000	1999
	Budget Estimate ²	Actual	Actual	Actual	Actual	Actual
Debt to Revenue (percent)						
Total provincial	120.1	104.8	95.3	83.4	102.0	103.1
Taxpayer-supported	127.9	115.9	104.1	90.3	101.1	99.7
Debt per Capita (\$)³						
Total provincial	9,866	8,827	8,757	8,345	8,559	8,071
Taxpayer-supported	7,655	7,017	6,626	6,157	6,251	5,805
Debt to GDP (percent)⁴						
Total provincial	31.3	27.2	27.4	26.2	28.6	27.9
Taxpayer-supported	24.3	21.6	20.8	19.3	20.9	20.1
Interest Bite (cents per dollar of revenue)⁵						
Total provincial	7.7	6.4	6.4	6.4	7.5	7.8
Taxpayer-supported	8.1	6.6	6.6	6.8	7.2	7.4
Interest Costs (\$ millions)						
Total provincial	2,628	2,231	2,422	2,604	2,528	2,452
Taxpayer-supported	2,007	1,663	1,724	1,871	1,785	1,723
Interest Rate (percent)⁶						
Taxpayer-supported	6.8	5.9	6.6	7.5	7.4	7.6
Background Information						
Revenue (\$ millions)						
Total provincial ^{7, 9}	33,918	34,887	37,689	40,618	33,804	31,294
Taxpayer-supported ^{8, 9}	24,703	25,076	26,108	27,690	24,909	23,285

Key Indicators of Provincial Debt¹ for the Fiscal Years Ended March 31—Continued

	2003		2002	2001	2000	1999
	Budget Estimate ²	Actual	Actual	Actual	Actual	Actual
Total Debt (\$ millions)						
Total provincial	40,728	36,557	35,918	33,880	34,478	32,261
Taxpayer-supported ¹⁰	31,601	29,060	27,177	24,998	25,181	23,204
Provincial GDP (\$ millions)¹¹	130,100	134,365	130,859	129,356	120,599	115,641
Population (thousands at July 1)¹²	4,128	4,141	4,102	4,060	4,028	3,997

¹Figures for prior years have been restated to conform with the presentation used for 2003.

²Represents the budget estimate as presented in the Economic and Fiscal Plan tabled February 19, 2002.

³The ratio of debt to population (e.g. 2002/03 debt divided by population at July 1, 2002).

⁴The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2002/03 debt divided by 2002 GDP).

⁵The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

⁶Weighted average of the cost of all outstanding debt issues.

⁷Includes revenue of the Consolidated Revenue Fund plus revenue of all Crown corporations and agencies.

⁸Excludes revenue of commercial Crown corporations and agencies.

⁹The province changed its method of recognizing receipts under the Federal Equalization Program from the cash basis to the accrual basis of accounting. This change resulted in a reduction in revenue of \$58 million in 2002/03 and restatements to prior years including a reduction in revenue of \$67 million in 2001/02 and an increase in revenue of \$125 million in 1999/00.

¹⁰Excludes debt of commercial Crown corporations and agencies and funds held under the province's warehouse borrowing program.

¹¹GDP for the calendar year ending in the fiscal year (e.g. GDP for 2002 is used for the fiscal year ending March 31, 2003).

¹²Population at July 1st within the fiscal year (e.g. population at July 1, 2002 is used for the fiscal year ending March 31, 2003).

Summary of Performance Measures¹ for the Fiscal Year Ended March 31, 2003

	2003	2003	2002
	Target	Actual	Actual
Provincial credit rating ²	Aa2	Aa2	Aa2
Debt to GDP ratio ²	In the lowest 3	2nd lowest	2nd lowest
Debt service costs as a percentage of revenue ²	2nd lowest	2nd lowest	2nd lowest

¹Performance measures as presented in the Ministry of Finance Service Plan in February 2002.

²As per Moody's Investors Service Inc. The debt to GDP and debt service costs as a percentage of revenue performance measures represent inter-provincial comparisons.