



PRESS RELEASE
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UPDATED BUDGET SIGNALS CHALLENGING ECONOMIC TIMES

Today's revised provincial budget underscores the damage that has been done to British Columbia's economy and public finances by the global recession that began last autumn and continued through the first half of 2009, says the Business Council of British Columbia.

"Across North America and Europe, policy-makers are grappling with the worst global economic downturn in six decades," commented Jock Finlayson, Executive Vice President - Policy of the Business Council. "Contrary to what some may have believed, British Columbia is not immune to these developments. Communities, businesses and workers throughout the province are feeling the effects of the protracted American recession, the steep drop-off in global trade, and the lingering consequences of last year's unprecedented credit crunch."

The global slump and financial crisis has pushed BC into recession and delivered a significant blow to the government's fiscal position.

"It is regrettable that the province has been thrown back into deficit and is expected to remain there for the next four years. But the same thing is happening in most other jurisdictions because of the severe recession," added Finlayson.

Recent data suggest the federal government, Ontario and Alberta are all on track to post record deficits, while south of the border the US government is projecting a \$1.6 trillion deficit for the current year. The 50 U.S. states collectively suffered a 20 percent fall in own-source revenues over the first five months of 2009 compared to the prior year.

The Business Council supports the revised fiscal plan outlined by Finance Minister Hansen which promises a return to a balanced budget by 2013. "Meeting the revised fiscal targets will require disciplined management of expenditures as well as a sustained effort to spur economic development in all regions of the province," noted Finlayson.

Turning to the proposed Harmonized Sales Tax (HST), Finlayson stated:



- “There is strong support for the HST across most of the province’s business community and among most of our own membership. Replacing the existing PST and GST with a single, value-added consumption tax will stimulate investment, productivity and exports; make BC more competitive; and reduce administrative and compliance costs for taxpayers. But we recognize that a few sectors may be disadvantaged by this major change in tax policy. The Business Council recommends that government consult with these industries on possible measures to mitigate any adverse effects.”

The Business Council welcomed the government’s decision to continue with a program of significant ongoing capital spending. “As private sector demand for construction has diminished, it makes sense to ramp up public sector capital outlays,” stated Finlayson.

The Business Council also commented on several other elements of the budget update:

- The revised economic forecast presented by Minister Hansen is prudent and appears to be well within the range of recent private sector projections. However, the \$250 million forecast allowance strikes us as too small.
- The government is increasing the personal income tax credit from \$9,370 to \$11,000 in 2010. This will deliver a well-timed tax saving for BC households.
- The province’s small business income tax rate will be reduced to zero from 2.5% in 2012. In addition, the small business income threshold is increased from \$400,000 to \$500,000. These changes will make BC an even more attractive jurisdiction for small businesses.

Finlayson concluded: “Overall we believe the revised budget will position British Columbia for a solid recovery as the global economy begins to expand again.”