

ADDRESS

October 22, 2008

PREMIER GORDON CAMPBELL'S ECONOMIC ADDRESS

Check against delivery

Good evening.

Today the world's financial system is in the grips of the worst crisis in over 75 years.

World stock markets are reeling, commodity prices are plunging and the world's financial system is under attack. The ripple effects are being felt in every corner of the globe and every region of our province.

I thought it was important to speak with you directly about what it means for British Columbia and the new actions we will take to help keep B.C.'s economy strong.

If you own stocks or RRSPs, you've probably been watching the markets with disbelief. Years of earnings have been wiped out, at least until markets recover. The global economic crisis is not someone else's problem. It's all of ours.

Our province is being directly impacted by events beyond our control. So where does that leave us, and what can we do about it?

While there are no easy solutions to these problems, there are things that we can do to alleviate their impact and to emerge stronger than ever. That's what senior bank economists I met with as recently as last weekend believe.

Canada is in the best shape of any G7 nation and B.C. is in far better shape than most of Canada. Only B.C., Alberta and the federal government have triple-A credit ratings – something we worked very hard to achieve and intend to maintain.

We've been leading the nation in job creation for five consecutive years. Our economy has diversified.

We will not let this economic slowdown return us to the ranks of the "have not" provinces we occupied in the 1990s.

Obviously most of the solutions to the global economic problems are outside the scope of a provincial government. Yet there are steps we can take that are within our ability to control, including the new measures I outlined earlier today in Nanaimo. Tonight, I want to outline 10 additional key actions we will take to keep B.C.'s economy strong.

FIRST, we will act to strengthen deposit protection for everyone who has savings or deposits in B.C.'s credit unions.

Currently, deposits at banks and credit unions are insured up to a maximum of \$100,000. We can't lift that limit for banks, which are federally regulated. We will act to provide unlimited deposit insurance protection in B.C.'s credit unions. We will move to make that change effective as of today.

This measure will bring us in line with Alberta, Saskatchewan and Manitoba, who already have unlimited deposit protection for their credit unions.

SECOND, we will create a new pension option for British Columbians who currently have no access to a pension plan.

We have been working closely with Alberta through the Joint Expert Panel on Pension Standards to explore options for an improved pension system.

Over 75 per cent of our private sector workers in B.C. currently aren't covered by a group pension plan. We will spearhead a privately financed, defined contribution plan that creates a viable pension option for those who want to participate. It will be available to all employers, employees and self-employed people on a voluntary basis.

By pooling contributions and managing them under a single plan, we will maximize investment earnings, lower administration costs, reduce risk and give people new, worry-free access to guaranteed pension entitlements.

This new option will be established as quickly as possible.

A THIRD action we will take is to accelerate income tax relief this year, to put more money back in people's pockets and back into our economy.

We have cut personal income taxes by over 37 per cent for most families. That means we will have the lowest tax rates in Canada at all income levels up to \$111,000. New income tax cuts were announced earlier this year as part of our plan to return every penny of carbon emissions tax revenue to taxpayers through new tax reductions. On July 1st we introduced a personal income tax cut of two per cent for 2008. We had planned a further three per cent reduction on January 1st, 2009.

Tonight I am announcing that we will accelerate that income tax cut retroactive to last January. This will mean that the full five per cent personal income tax cut will be in place for this tax year, retroactive to January 1st, 2008. This will put an additional \$144 million back in taxpayers' pockets. That's good for your home economy as well as for the provincial economy.

On July 1st, we also reduced business taxes. Corporate income tax rates will be further reduced to 10 per cent by 2011. That will give us the lowest corporate income tax rate in Canada – 40 per cent less than when we came to office.

Even with that prospect, our industries face real competitive challenges. The recent decline of the Canadian dollar will help a bit. But more needs to be done. Our families depend on our saw mills, pulp mills, mines and energy projects for their jobs.

As a FOURTH measure, a new property tax credit will be established to help our industries stay competitive.

Fifty per cent of all school property taxes will be rebated to light and heavy industry annually, to lower their costs and help them grow. That will return approximately \$50 million in new tax savings to those employers next year and in every year to come. It's on top of the \$24 million in annual tax relief we provided to heavy industries in the 2008 budget.

It will help our oldest and largest employers to pay their bills, reinvest and maintain jobs – especially in rural communities – without downloading any costs to municipalities.

FIFTH: We will act to accelerate tax relief for B.C.'s small businesses.

Small businesses represent 98 per cent of all businesses in British Columbia and employ over one million people. They account for more of our total provincial GDP than they do in any other province in Canada.

Small business income tax rates were cut to 3.5 per cent last July. We had planned to further reduce that rate – to 2.5 per cent by 2011.

We will accelerate that cut to small business income tax. Effective December 1 this year the rate will be dropped to 2.5 per cent – a full two years ahead of schedule. That is a 44 per cent tax cut in just one year. It will inject an additional \$146 million over the next three year back into small businesses, across B.C.

SIXTH: For the first time since 1994, we will raise the commission government pays businesses for collecting the PST and the hotel room tax.

We will double the commission paid for the collection of PST and the hotel room tax, effective for this November's returns. That will add up to \$1,200 to a business's annual bottom line – the first increase of any kind in 14 years.

Although that will cost the treasury \$25 million a year, it will lower costs for B.C.'s businesses and add to their cash flow almost immediately.

These measures will help small businesses and their families through these tough times.

SEVENTH: We are going to accelerate public investments in capital infrastructure.

A more competitive construction environment, lower interest rates and earlier delivery are all positive benefits for taxpayers. It will help ensure we keep our talented construction trades people at work in every region of the province.

A key determinant for funding will be the speed in which we can get people working, without long lead times.

Our EIGHTH measure: We will fund a 33 per cent reduction of ferry fares on all routes for December and January. This will be in addition to the recently announced ferry fare reductions. We will also restore ferry service levels for all routes, including the Sunshine Coast.

We want to help our coastal communities, retail and tourism sectors during this key time of business and to help families connect during the upcoming holiday season. It will require \$20 million in one-time funding.

This will reduce costs for passengers and will act as a bridge until lower fuel prices work their way through to lower ferry fares.

NINTH: We will act immediately to rein in avoidable government spending.

It was a lot of work to make B.C. a deficit-free zone and we aim to keep it that way. We will continue to live within our means and within the taxpayers' ability to pay. We will not start digging ourselves back into the hole that we worked so hard to get out of since 2001.

We will re-evaluate our spending to protect our priorities and will focus on scaling back unbudgeted increases in spending.

Government is no different from most families. We can afford to do what we must even in these times but we won't be able to afford everything we'd like right now. We will be watching our quarterly budget numbers very closely and will make further adjustments as necessary to live within our means.

The measures I've outlined tonight will provide some relief for workers and businesses during these challenging economic times. They will be supplemented by others to help strengthen our economy and moderate the impacts of the current downturn in the months ahead.

They are as aggressive as our current fiscal outlook allows, without compromising our ability to balance the budget and without cutting previously planned funding lifts for critical government services like health or education.

We have a duty to be prudent and fiscally responsible in how we manage your tax dollars. And that's what we will do.

Finally, a TENTH action will be taken. The legislature will be recalled on November 20 to enact these measures.

British Columbians have every reason to be confident about their future. We have faced tough times before and come through with flying colours. This time will be no different. We will keep British Columbia strong and secure our future for the generations that follow.

Thank you.