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B.C. Budget: Firm Commitment to Responsible Public Finances is Key to Future Economic Growth

Investment Industry Association of Canada (IIAC) Responds

Victoria, 17 February 2015 – British Columbia has managed its public finances effectively over the past three years, and unveiled a responsible plan for the next three years. This year the province will record its third consecutive balanced budget, with a modest surplus of \$879 million for 2014-15. B.C. will likely be the only Canadian province to achieve budget balance this year.

Successive years of balance in the recent fiscal plan have achieved a reduction in the public debt burden, the ratio of tax-supported debt to GDP. The province projects a continued downward trajectory in the debt burden over the three years of its fiscal plan, reaching 16.6% in 2017-18. The province will retain its AAA credit rating, the key signal of sound fiscal management.

All regions of the country face protracted slow economic growth and deflationary conditions. Well-managed public finances are the best approach to stimulate spending and growth, boosting business and consumer confidence, from the prospect of competitive and stable tax rates, and targeted tax reductions. Personal and corporate tax rates in B.C. are ranked as the second lowest in the country. The venture capital markets in the province will benefit from an extension of mining flow-through tax credits and a one-year increase in the Small Business Venture Capital tax credit program. The newly designated Renminbi Trading Hub in the province, and entry of the province into the Canadian Co-operative Capital Market Regulatory System (CCMRS) complement these announced tax measures.

Second, sound finances provide the maneuverability to fund spending in key areas. For example, the province will spend \$18.7 million in infrastructure projects over the next three years. Third, sound finances cushion against unanticipated events, such as the recent decline in natural gas royalties.

Careful management of social spending, notably in health care and education, has been largely responsible for consistently good fiscal results. For example, health care spending averaged a modest 3% annually in the past three years, with spending projected over the three-year plan at the same annual rate. Health standards have not been sacrificed, reflecting effective care delivery, as key measures of health care outcomes out-rank other provinces.

Consistent sound management of public finances, contributing to a positive climate for business investment – aided by a lower Canadian dollar and strengthening U.S. recovery, leaves British Columbia well positioned to attract new capital, and seize investment opportunities from a resumption in global growth, and an eventual rise in energy prices.

The IIAC – Representing Canada’s Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 161 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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