

CONSTRUCTION MONITOR

The BC CONSTRUCTION MONITOR is an ICBA publication providing ahead-of-the-curve information and statistics on the BC construction industry and issues relevant to it.

The Monitor draws on analyses and outlooks from various sources, and provides current and substantive insight. This quarterly publication is intended for industry executives, government decision makers, journalists and other opinion leaders.

We welcome your feedback and story suggestions at info@icba.ca.

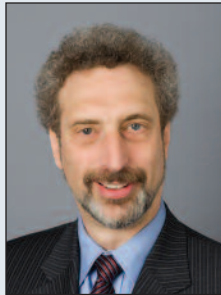
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It's more vital than ever to vote smart this May



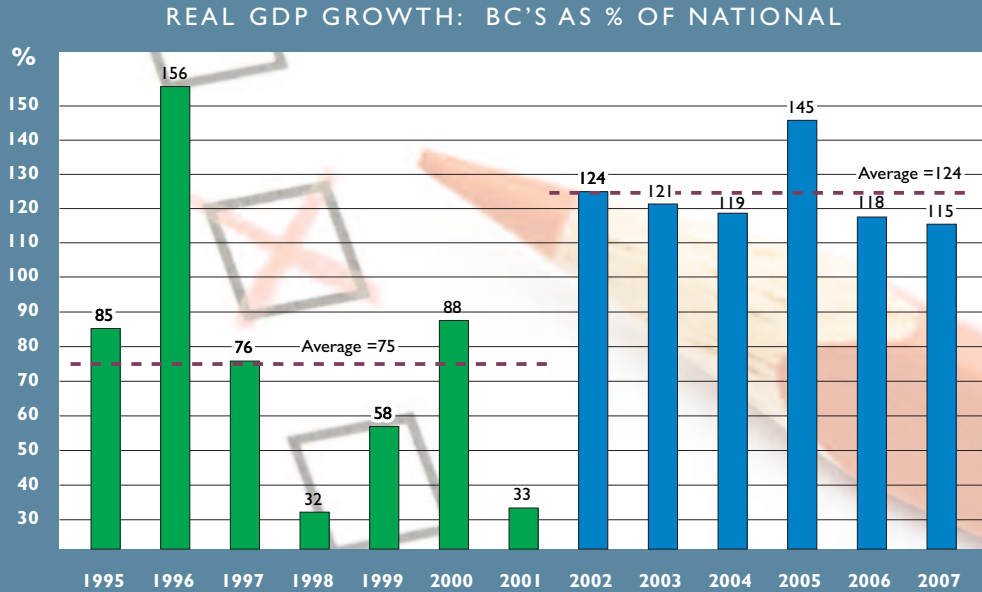
Philip Hochstein

If you chart and compare BC's economic performance in the final years of the last NDP government and the first years of the current BC Liberal government – as we do in this issue of the *Construction Monitor* – the contrast is striking.

Under the NDP, economic growth was languishing at as little as a third of the national average. Small wonder when you consider employment, investment and construction growth were well off what was being achieved elsewhere in Canada. Factor in falling disposable income and tax increases of nearly \$2 billion, and one of the outcomes was a net loss

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The Lost Growth of the 1990s



Source: BC Financial and Economic Reviews

GDP growth is among the most important indicators of economic health, and of the likelihood of improved incomes and living standards. The period shown above corresponds with the final seven years during which the NDP held office in BC, and the first six full years of BC Liberal government. The symmetry is remarkable: During the first period BC's growth lagged national growth by an average of 25%, while it has exceeded it by almost exactly the same percentage in the period since.

Economic Performance

Continued from p. 1

of more than 50,000 people to other provinces in 1998-2001.

In contrast, in 2002-2007, BC transformed itself back into an economic powerhouse. GDP growth consistently and significantly exceeded the national average, driven by much-improved employment and investment growth and by a burgeoning construction sector. Taxes were reined in, and BC once again became a destination of choice for Canadians looking for prosperity, opportunity and quality-of-life.

Simply put, the NDP drove BC's economy into the ground. It took time and effort for the province to recover and make gains, but we've achieved that. And now with the global economy facing greater challenges and uncertainties than it has for decades, it would be a disaster for BC to put the NDP back in office.

This party, after all, has never meaningfully acknowledged the errors of its time in government, nor re-formulated its fundamental policy prescriptions. Under Carole James' leadership, the NDP has consistently opposed tax cuts, staked out reckless positions on some of the most important issues, and remains beholden to big labour.

The construction industry probably has even more reason than most to be wary, given the especially deep downturn NDP policies helped create in this sector in the 1990s, and given the particular hostility that it demonstrated towards open-shop contractors.

Now more than ever British Columbia needs strong, experienced and effective leadership. And sound economic-

management credentials should rank even higher than usual among the criteria we use to judge candidates for office.

What the NDP has on offer – in addition to its dismal record when in government – is a leader who has never held a private-sector job nor met a payroll.

In the run-up to the election, it's important that British Columbians closely scrutinize the NDP's track record, platform and leadership. We need to clearly understand the realities and consequences that would surely come with another NDP government.

It was sobering on the night of the 2005 election to see the significant margin by which the BC Liberal's majority was pared back. And the stakes are even higher in 2009. If ever there was a time when we can't afford the risk of change for change's sake, it is now.

BC voters have a stark and high-stakes choice in front of them in May. And the record clearly shows which is the right party and the right leader at the current time.

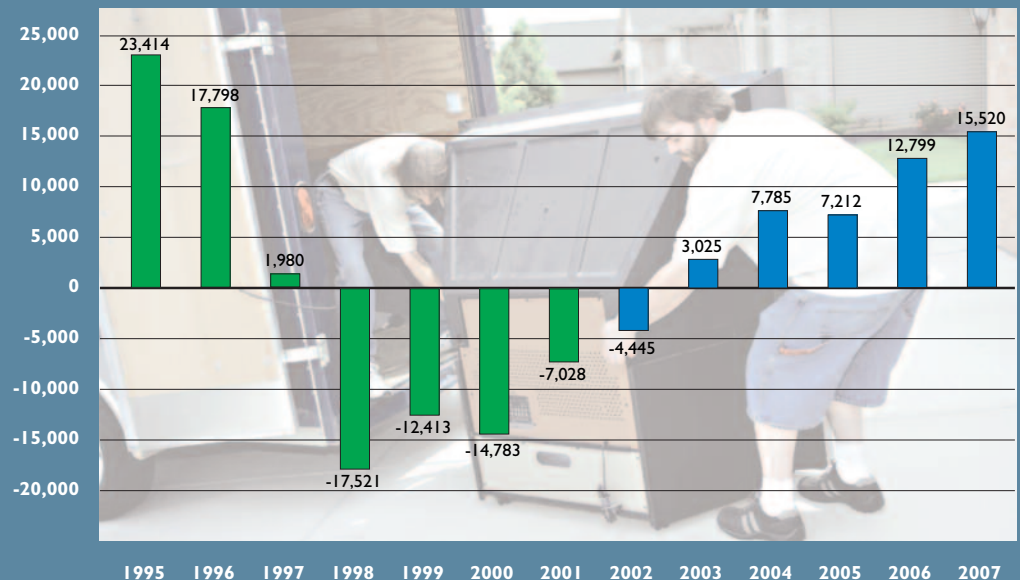


For further insight on the NDP track record, and on what an NDP election win would mean for BC, visit a new ICBA-sponsored website at www.votesmartbc.com. It includes multi-media features and suggestions for action, and you can sign-up for updates throughout the pre-election period.

Turning the Tide on Migration

A province's ability to draw new residents is a strong sign of how attractive a place it is to invest, work and live. Construction and other sectors in recent years have relied heavily on in-migration to help meet expanding needs for skilled workers, and to fuel economic growth. BC saw a significant net loss of residents to other parts of Canada in each of the final years of NDP government. In 1998 alone this included an exodus roughly equivalent to the current population of Fort St. John. On average, we attracted close to six times as many new residents each year from 2002-2007 as we did from 1995-2001.

BC'S NET INTER-PROVINCIAL MIGRATION



Source: Statistics Canada

Then and Now: Comparisons of the NDP and Post-NDP Eras

By a number of key measures of economic health, there is a very sharp contrast between the final years of NDP government and the period since then. These graphs show average annual growth in overall employment and investment, and in two key indicators of construction-industry activity. In each case, BC's performance trailed the national average before the last change-of-government, and has exceeded it since by often large margins.

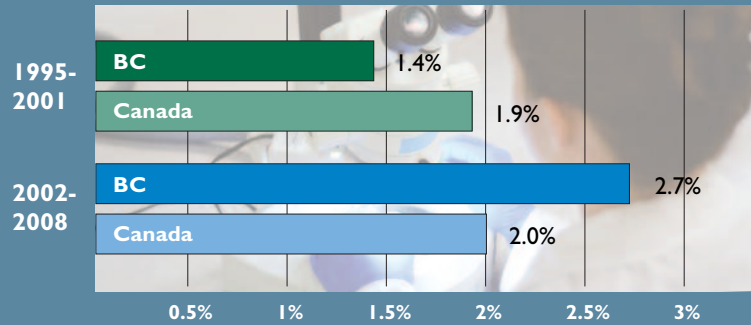


“Simply put, the NDP drove BC’s economy into the ground.”

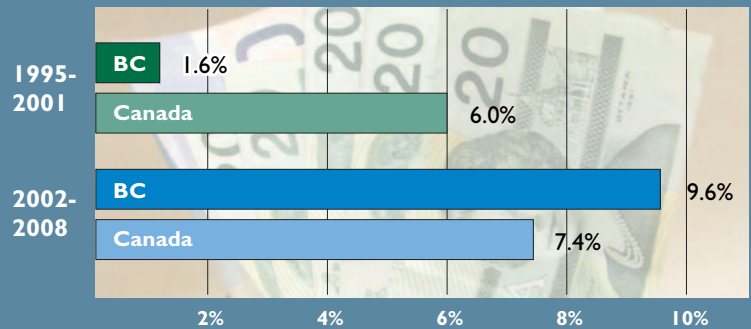


AVERAGE ANNUAL GROWTH

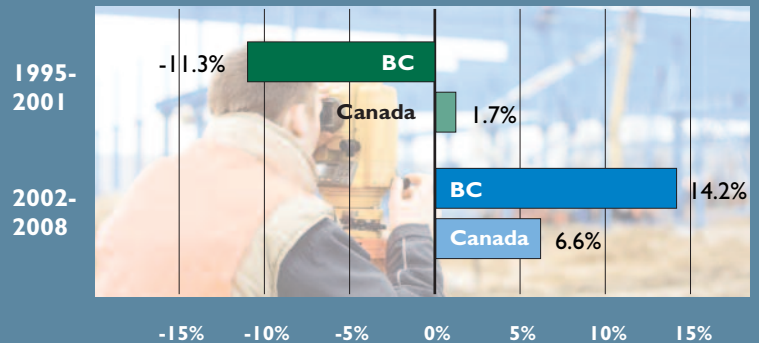
EMPLOYMENT (PERSONS 15 AND OVER)



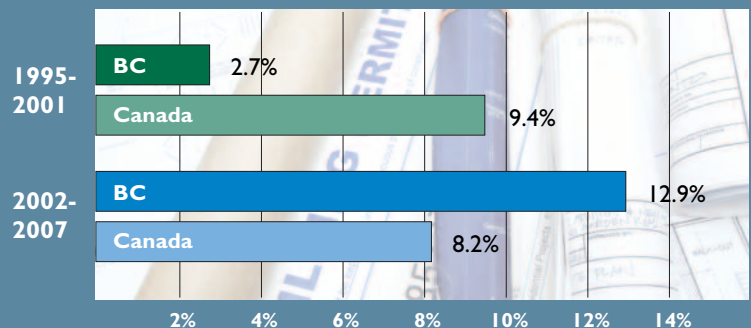
INVESTMENT (CAPITAL EXPENDITURES)



HOUSING STARTS



NON-RESIDENTIAL BUILDING PERMITS (VALUE)



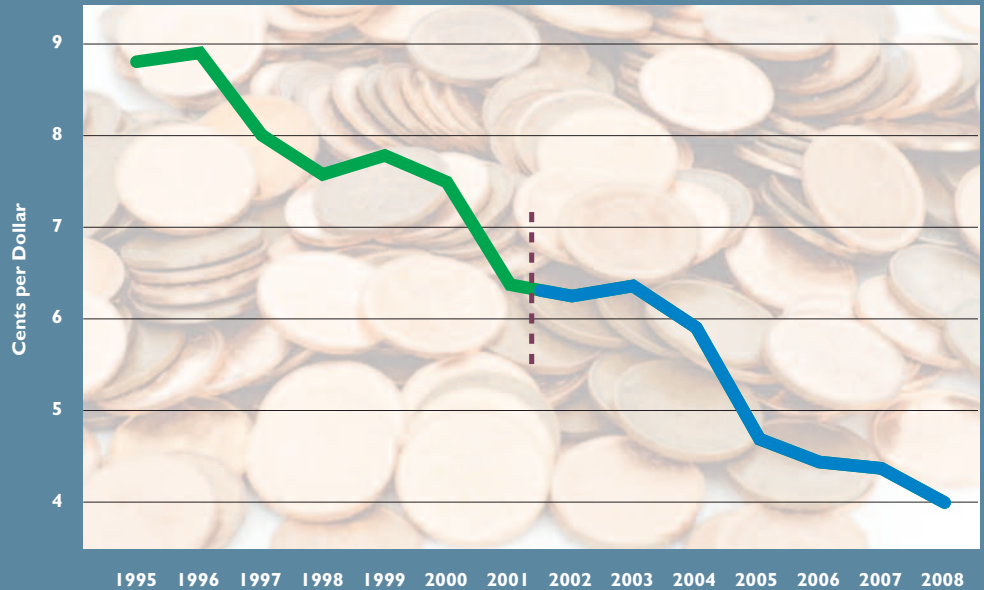
Q1 to Q1 comparisons in the case of Housing Starts; total annual growth in case of other measures

Sources: BC Financial and Economic Review, Statistics Canada

Economic Management: Keeping the Public Books in Order

BC is embarking on aggressive infrastructure spending and other measures aimed at helping the province cope with the global economic downturn. While this will necessitate short-term deficit financing, it would likely not be affordable at all had the BC Liberals not moved the province into a surplus-budget position in 2004/05, after a nearly unbroken string of deficits under the NDP, which there was no credible plan to address. Good management of the public books in recent years has put BC in a strong position in terms of its debt-to-GDP ratio and per-capita government debt, and cut the proportion of each dollar of revenue consumed by debt servicing in more than half since the 1990s.

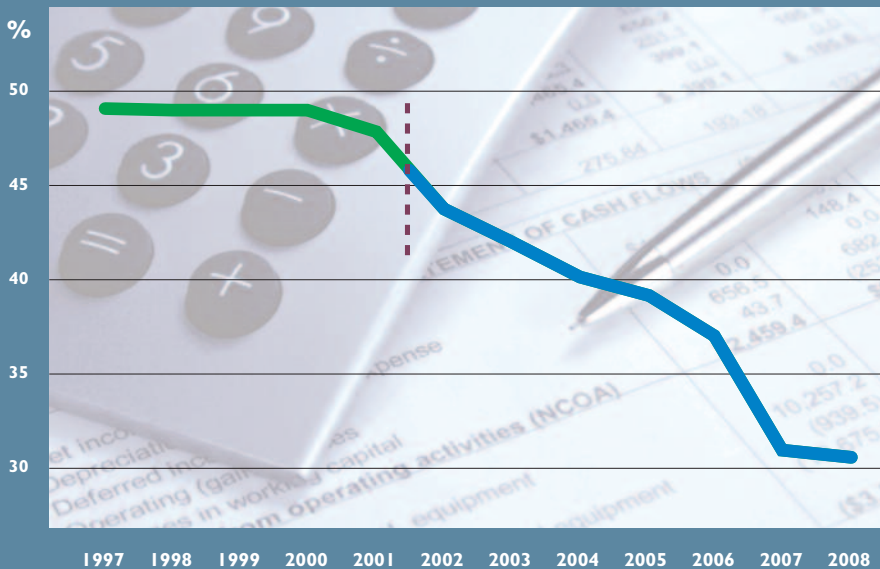
“THE INTEREST BITE”
CENTS PER DOLLAR OF REVENUE TO SERVICE DEBT



Source: BC Financial and Economic Reviews

Economic Management: Moderating the Tax Burden

MARGINAL EFFECTIVE TAX RATES ON CAPITAL
BC and federal combined, aggregate of industries



Source: : C.D. Howe Institute

Broad tax relief implemented by the BC Liberals included an average 25% income-tax reduction on their first day in office, and achieving the lowest income-tax levels in Canada for earnings of \$111,000 or less. Many of the reforms have been of particular benefit to working families and small businesses. Taxes on investment are widely recognized as an important influencer of business competitiveness, and the marginal effective rate for this type of taxation has dropped by more than a third since the late 1990s in BC (reflecting provincial and federal reforms). According to the Fraser Institute, “Tax Freedom Day” arrived in BC more than two weeks earlier in 2008 than in 2000.



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