

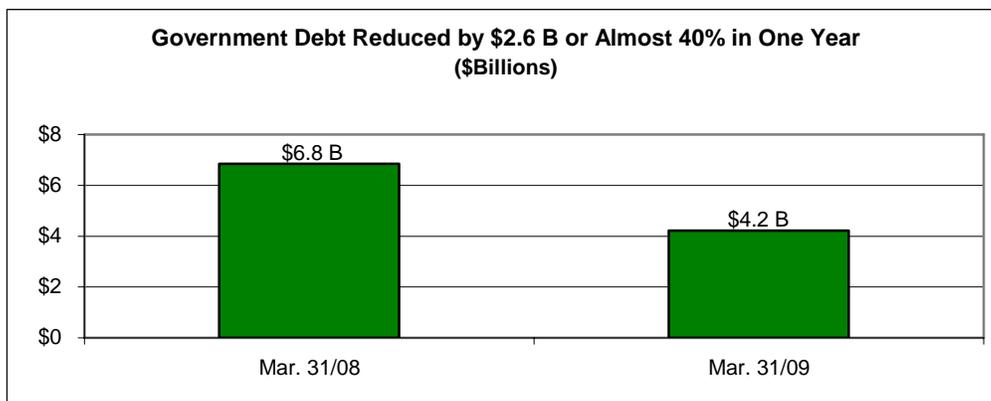
Backgrounder:
DEBT REDUCTION
Premier's Fall 2008 Announcement

Highlights

- Putting **\$1 billion** against debt reduction
- Government has **reduced debt by \$2.6 billion or almost 40 per cent** since fall 2007
- Government debt forecast at its **lowest level since 1988**
- **Almost \$900 million in interest savings** projected over five-year period

Growth and Financial Security Fund Transfer

- Government plans to transfer \$1.0 billion from the Growth and Financial Security Fund (GFSF) and allocate it to Government purpose debt.
- Government purpose debt is expected to be \$4.2 billion at March 31, 2009, a decline of approximately 38.4% from the balance of \$6.8 billion at March 31, 2008.



- The commitment to debt reduction will be implemented by setting aside amounts in sinking funds. These amounts are specifically dedicated to retire debt issues upon maturity. The sinking funds earn interest revenue until they are needed to retire debt.
- When the debt matures, the sinking fund is extinguished, the debt is repaid, and the Province benefits by incurring lower interest costs thereafter.

Government Total Debt
\$Billions

Government Total Debt, March 31, 2008	\$ 6.849	100.00%
Less: 2007-08 Surplus	(0.641)	
Less: 2008-09 Surplus	(1.510)	
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Equals: First Quarter Report Forecast	\$ 4.698	
Add: 2008-09 Surplus adjustment	0.230	
Add: Accrual accounting timing differences	0.290	
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First Quarter Adjusted Debt	5.218	
Less: One-time contribution from GFSF	(1.000)	
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Equals: Forecasted Balance, March 31, 2009	\$ 4.218	61.60%

\$900 Million in Interest Savings

Commitments to debt reduction and investments of the GFSF and General Revenue Fund are forecasted to generate almost \$900 million in interest savings over a period of five years.

TOTAL GENERAL REVENUE FUND						
Net Interest Cost: 2008-09 – 2012-13						
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
<i>\$Millions</i>						
Net interest cost at 2008-09 Budget	\$ 443	\$ 418	\$ 431	\$ 447	\$ 464	\$ 2,203
Revised interest expense and revenue						
Interest expense	510	485	425	405	380	2,205
Interest revenue*	(140)	(210)	(185)	(180)	(180)	(895)
Net interest cost	370	275	240	225	200	1,310
Improvement	\$ 73	\$ 143	\$ 191	\$ 222	\$ 264	\$ 893

* Includes interest revenue from GFSF, Sinking Fund and General Revenue Fund cash balances.